Contents

Financial Report 2002

Consolidated Financial Statements of the Baloise Group

Financial Statements of Bâloise-Holding 2002/2003

Consolidated Income Statement

Income

	Note	2001	2002
Gross premiums written and policy fees[1]	6	6,632.7	7,274.5
Reinsurance premiums ceded	18	- 207.4	- 203.6
Premiums written and policy fees for own account		6,425.3	7,070.9
Change in unearned premium reserve for own account		8.1	- 24.9
Premiums earned and policy fees for own account		6,433.4	7,046.0
Investment income (net)	7.1	2,081.2	2,024.1
Realized gains and losses on investments (net)	7.3	149.4	- 806.5
Income from other services		271.8	249.4
Other income		154.1	183.7
Total income		**9,089.9**	**8,696.7**

Expenses

	Note	2001	2002
Claims incurred including processing costs (non-life)	15	- 1,785.0	- 1,920.8
Claims and benefits paid (life)		- 2,896.6	- 2,946.5
Change in actuarial reserve (life)	16	- 1,449.4	- 2,235.0
Surplus and profit allocations to policyholders	17	- 177.6	29.2
Acquisition costs	14	- 367.8	- 461.7
Administrative and other operating expenses		- 1,238.6	- 1,226.5
Interest payable	27	- 498.6	- 464.9
Amortization of intangible assets and depreciation of tangible non-current assets	12/13	- 153.3	- 184.8
Total expenses		**8,566.9**	**- 9,411.0**
Profit / loss before tax and minority interests		523.0	- 714.3
Tax on income	21	- 116.9	82.7
Net profit / loss after tax before minority interests		406.1	- 631.6
Minority interests	26	- 1.7	- 2.9
Consolidated net profit / loss		**404.4**	**- 634.5**

in CHF m

	Note	2001	2002
Earnings / loss per share (identical values for “basic” and “diluted”)	25	7.31	- 11.56

in CHF

[1] **Additional information**

	2001	2002
Gross premiums written and policy fees	6,632.7	7,274.5
Investment-type premiums	248.4	253.0
Gross premiums, policy fees and investment-type premiums	**6,881.1**	**7,527.5**

in CHF m

In accordance with the accounting policies of the Baloise Group, investment-type premiums are not included in gross premiums and policy fees.

Consolidated Balance Sheet

Assets

	Note	12.31.2001	12.31.2002
Investments			
Fixed-interest securities			
Held for trading		480.9	462.6
Held to maturity		159.7	158.5
Available for sale		19,928.7	21,285.7
Shares			
Held for trading		198.5	159.9
Available for sale		9,802.3	5,592.5
Alternative financial assets		1,117.2	1,039.0
Derivatives	10	19.3	212.8
Investment property	8	5,042.2	5,305.7
Mortgage loans		10,500.4	10,532.0
Policy and other loans		1,663.1	1,520.4
Participating interests in associates	9	289.1	286.9
Other short-term investments		695.1	2,829.6
Cash and cash equivalents	29	888.3	675.8
Total investments	6	**50,784.8**	**50,061.4**
Total investments for unit-linked life insurance	11	**512.4**	**550.5**
Intangible and tangible non-current assets			
Goodwill	12	105.6	35.4
Present value of profits from insurance contracts acquired	12	–	–
Other intangible assets	12	117.5	127.5
Property, plant and equipment for own use	13	646.7	618.7
Other tangible non-current assets	13	88.3	86.8
Total intangible and tangible non-current assets		**958.1**	**868.4**
Other assets			
Investments and deposits arising from reinsurance business	18	584.1	425.0
Receivables arising out of insurance operations		1,377.9	1,487.5
Assets relating to employee benefits	23	52.3	53.0
Other receivables		948.2	1,138.7
Accrued investment income		695.4	662.5
Deferred acquisition costs	14	724.1	810.5
Deferred tax	21	567.6	529.9
Other assets		289.9	326.4
Total other assets		**5,239.5**	**5,433.5**
Total assets		**57,494.8**	**56,913.8**

in CHF m

Liabilities and Capital and Reserves

	Note	12.31.2001	**12.31.2002**
Capital and reserves			
Share capital	24	5.5	5.5
Capital reserves		109.3	108.9
Less: treasury stock		- 67.1	- 84.8
Unrealized gains and losses	7	1,526.6	15.2
Accumulated profit		3,810.5	3,043.3
Total capital and reserves		**5,384.8**	**3,088.1**
Minority interests	26	**41.5**	**28.1**
Liabilities			
Unearned premiums reserves (gross)		380.9	419.3
Loss reserves (gross)	15	4,182.0	4,196.1
Actuarial reserve life (gross)	16	27,558.9	29,757.7
Policyholder bonuses credited and provision for future policyholder bonuses	17	4,197.7	3,685.0
Technical provisions for unit-linked life insurance		513.7	554.6
Payables arising from insurance operations		1,521.2	1,682.5
Deposit fund liabilities arising from reinsurance		269.0	205.1
Liabilities from banking business and loans	19	9,697.2	9,659.2
Derivatives	10	59.9	87.0
Non-technical provisions	20	112.6	131.7
Benefits due to employees	23	559.6	596.6
Deferred tax	21	1,640.9	1,211.5
Other liabilities and deferred income		1,374.9	1,611.3
Total liabilities		**52,068.5**	**53,797.6**
Total liabilities and capital and reserves		**57,494.8**	**56,913.8**

in CHF m

1

Consolidated Cash Flow Statement

1

Cash flow from operating activities	Note	2001	2002
Net profit / loss for the year before tax		523.0	- 714.3
Adjustments for			
Realized gains and losses on the sale of investments	7	- 149.4	806.5
Income from participating interests in associates		- 21.3	- 70.0
Interest income on security deposits		- 25.6	3.4
Policy fees on investment-type products		- 9.5	- 12.7
Amortization of intangible assets and depreciation of tangible non-current assets		153.3	184.8
Foreign exchange gains and losses		27.7	- 46.9
Movements in operating assets and liabilities			
Investments and assets relating to reinsurance business		- 81.9	148.9
Deferred acquisition costs		- 69.1	- 1.2
Unearned premiums reserves		- 237.6	44.2
Loss reserves		225.4	51.5
Actuarial reserve (life)		1,562.7	2,416.4
Technical provisions for unit-linked life insurance		- 7.0	- 2.9
Other movements in operating assets and liabilities		- 257.3	- 229.2
Cash flow from operating activities (gross)		**1,633.4**	**2,578.5**
Tax paid		- 75.0	- 126.5
Cash flow from operating activities (net)		**1,558.4**	**2,452.0**
of which from joint ventures		- 18.8	24.8
Cash flow from investing activities			
Purchase of fixed-interest securities and similar		- 10,199.6	-12,784.9
Disposal of fixed-interest securities and similar		7,678.3	11,797.0
Purchase of shares		- 8,961.7	- 8,401.1
Disposal of shares		11,069.4	9,719.6
Purchase of investment property		- 261.1	- 373.6
Disposal of investment property		219.9	102.5
Purchase of other investments		- 950.1	- 4,105.0
Disposal of other investments		708.5	1,521.6
Acquisition of intangible assets and tangible non-current assets		- 189.1	- 94.1
Disposal of intangible assets and tangible non-current assets		100.5	5.9
Cash flow from increase in share of investments held		- 38.4	- 6.5
Acquisition of subsidiaries where there is no effect on cash and cash equivalents	5	- 17.1	- 9.3
Disposal of subsidiaries where there is no effect on cash and cash equivalents	5	–	–
Acquisition of participating interests in associates (net)		- 20.1	- 73.8
Dividends received from associates		8.8	8.9
Cash flow from investing activities (net)		**- 851.8**	**- 2,692.8**
of which from joint ventures		66.1	- 29.5

in CHF m

Cash flow from financing activities	Note	2001	2002
Capital increases		–	–
Capital reductions		- 343.0	–
Cash inflow from investment-type products		188.7	107.1
Cash outflow from investment-type products		- 28.8	- 60.7
Increases in liabilities from banking business and loans		1,035.8	1,352.2
Decreases in liabilities from banking business and loans		- 1,255.4	- 1,210.3
Dividends paid		- 136.1	- 132.7
Cash flow from financing activities (net)		**- 538.8**	**55.6**
of which from joint ventures		- 50.0	- 4.9
Effect of foreign exchange rate changes on cash and cash equivalents		**- 39.4**	**- 27.3**
Total movement in cash and cash equivalents		**128.4**	**- 212.5**

Cash and cash equivalents	2001	2002
As at January 1	759.9	888.3
Movement during year	128.4	- 212.5
As at December 31	**888.3**	**675.8**

in CHF m

Additional information on cash flow from operating activities	2001	2002
Other interest received	1,712.7	1,675.3
Dividends received	225.5	215.6
Interest paid	- 488.8	- 478.8

in CHF m

1

Consolidated Capital and Reserves

	Share capital	Capital reserves	Less: treasury stock	Unrealized gains and losses (net)	Accumulated profit	**Total capital and reserves**
Balance at December 31, 2000	**56.7**	**81.2**	**- 94.7**	**3,495.6**	**3,834.0**	**7,372.8**
Movement on unrealized gains and losses on investments (gross)	–	–	–	- 2,845.1	–	- 2,845.1
Less movement on:						
Policyholder surplus	–	–	–	182.1	–	182.1
Deferred acquisition costs charged to capital and reserves	–	–	–	255.8	–	255.8
Deferred tax	–	–	–	462.7	–	462.7
Foreign exchange differences	–	–	–	- 51.9	–	- 51.9
Minority interests	–	–	–	27.4	–	27.4
Movement on unrealized gains and losses on investments (net)	–	–	–	- 1,969.0	–	- 1,969.0
Dividends	–	–	–	–	- 136.1	- 136.1
Consolidated net profit for the year	–	–	–	–	404.4	404.4
Purchase / sale of treasury stock	–	28.1	27.6	–	–	55.7
Nominal value repayment	- 49.8	–	–	–	–	- 49.8
Shares repurchase and elimination	- 1.4	–	–	–	- 291.8	- 293.2
Balance at December 31, 2001	**5.5**	**109.3**	**- 67.1**	**1,526.6**	**3,810.5**	**5,384.8**

in CHF m

(continued)	Share capital	Capital reserves	Less: treasury stock	Unrealized gains and losses (net)	Accumulated profit	**Total capital and reserves**
Balance at December 31, 2001	**5.5**	**109.3**	**- 67.1**	**1,526.6**	**3,810.5**	**5,384.8**
Movement on unrealized gains and losses on investments (gross)	–	–	–	- 1,679.0	–	- 1,679.0
Less movement on:						
Policyholder surplus	–	–	–	- 23.8	–	- 23.8
Deferred acquisition costs charged to capital and reserves	–	–	–	97.7	–	97.7
Deferred tax	–	–	–	270.3	–	270.3
Foreign exchange differences	–	–	–	- 180.3	–	- 180.3
Minority interests	–	–	–	3.7	–	3.7
Movement on unrealized gains and losses on investments (net)	–	–	–	- 1,511.4	–	- 1,511.4
Dividends	–	–	–	–	- 132.7	- 132.7
Consolidated loss for the year	–	–	–	–	- 634.5	- 634.5
Purchase / sale of treasury stock	–	- 0.4	- 17.7	–	–	- 18.1
Nominal value repayment	–	–	–	–	–	–
Shares repurchase and elimination	–	–	–	–	–	–
Balance at December 31, 2002	**5.5**	**108.9**	**- 84.8**	**15.2**	**3,043.3**	**3,088.1**

in CHF m

1

Segment Reporting by Geographical Segment

	Switzerland		Germany	
Income	2001	**2002**	2001	**2002**
Gross premiums written and policy fees	3,972.0	4,652.8	1,737.7	1,755.1
Reinsurance premiums ceded	- 152.9	- 160.5	- 217.2	- 247.2
Premiums written and policy fees for own account	3,819.1	4,492.3	1,520.5	1,507.9
Change in unearned premiums reserves for own account	10.3	1.0	4.6	- 17.3
Premiums earned and policy fees for own account	3,829.4	4,493.3	1,525.1	1,490.6
Investment income (net)	1,049.5	1,002.2	667.4	688.1
Realized gains and losses on investments (net)	353.7	- 205.1	- 265.6	- 320.8
Income from other services	24.3	25.9	128.1	92.8
Other income	- 0.6	36.1	51.9	24.8
Total income	**5,256.3**	**5,352.4**	**2,106.9**	**1,975.5**
of which between geographical segments	64.7	64.5	168.1	208.0
of which income from associates	–	–	15.4	68.1
Expenses				
Claims incurred including processing costs (non-life)	- 732.6	- 802.9	- 346.7	- 373.3
Claims and benefits paid (life)	- 1,961.8	- 2,014.2	- 826.2	- 825.4
Change in actuarial reserve (life)	- 1,229.6	- 1,993.2	- 128.6	- 136.5
Surplus and profit allocations to policyholders	- 107.5	42.8	- 55.5	- 12.5
Acquisition costs	- 59.2	- 145.1	- 155.5	- 177.9
Administrative and other operating expenses	- 460.1	- 482.5	- 400.0	- 324.0
Interest payable	- 192.5	- 160.1	- 110.6	- 112.0
Amortization of intangible assets and depreciation of tangible non-current assets	- 40.7	- 42.1	- 40.8	- 39.5
Total expenses	**- 4,784.0**	**- 5,597.3**	**- 2,063.9**	**- 2,001.1**
Profit / loss before tax and minority interests	472.3	- 244.9	43.0	- 25.6
Tax on income	- 107.6	12.6	- 3.3	12.9
Profit / loss after tax before minority interests	364.7	- 232.3	39.7	- 12.7
Minority interests	–	–	- 5.4	- 2.9
Net profit / loss by region	**364.7**	**- 232.3**	**34.3**	**- 15.6**

in CHF m

Benelux		Other countries		Elimination		Total	
2001	2002	2001	2002	2001	2002	2001	2002
726.8	713.2	454.3	443.2	- 258.1	- 289.8	6,632.7	7,274.5
- 45.4	- 41.9	- 50.0	- 43.8	258.1	289.8	- 207.4	- 203.6
681.4	671.3	404.3	399.4	–	–	6,425.3	7,070.9
- 6.6	- 32.0	- 1.1	22.7	0.9	0.7	8.1	- 24.9
674.8	639.3	403.2	422.1	0.9	0.7	6,433.4	7,046.0
308.5	273.6	74.2	71.9	- 18.4	- 11.7	2,081.2	2,024.1
32.0	- 259.1	29.3	- 21.5	–	–	149.4	- 806.5
96.9	108.9	22.5	21.8	–	–	271.8	249.4
44.7	45.9	77.0	93.4	- 18.9	- 16.5	154.1	183.7
1,156.9	808.6	606.2	587.7	- 36.4	- 27.5	9,089.9	8,696.7
10.8	13.2	- 280.0	- 313.2	36.4	27.5	–	–
5.8	1.9	0.1	0.0	–	–	21.3	70.0
- 444.3	- 415.4	- 270.1	- 339.4	8.7	10.2	- 1,785.0	- 1,920.8
- 59.3	- 77.8	- 40.5	- 18.6	- 8.8	- 10.5	- 2,896.6	- 2,946.5
- 89.4	- 90.0	- 0.7	- 14.8	- 1.1	- 0.5	- 1,449.4	- 2,235.0
- 5.5	1.1	- 9.1	- 1.8	0.0	- 0.4	- 177.6	29.2
- 138.7	- 119.7	- 60.1	- 83.2	45.7	64.2	- 367.8	- 461.7
- 223.7	- 288.5	- 109.4	- 67.9	- 45.4	- 63.6	- 1,238.6	- 1,226.5
- 173.3	- 164.0	- 59.5	- 56.9	37.3	28.1	- 498.6	- 464.9
- 25.8	- 27.3	- 46.0	- 75.9	–	–	- 153.3	- 184.8
- 1,160.0	- 1,181.6	- 595.4	- 658.5	36.4	27.5	- 8,566.9	- 9,411.0
- 3.1	- 373.0	10.8	- 70.8	–	–	523.0	- 714.3
- 5.3	39.8	- 0.7	17.4	–	–	- 116.9	82.7
- 8.4	- 333.2	10.1	- 53.4	–	–	406.1	- 631.6
3.7	0.2	0.0	- 0.2	–	–	- 1.7	- 2.9
- 4.7	- 333.0	10.1	- 53.6	–	–	404.4	- 634.5

Segment Reporting by Geographical Segment (continued)

	Switzerland		Germany	
Additional information	2001	**2002**	2001	**2002**
Assets by geographical segment	33,235.8	33,041.2	14,825.7	14,347.6
of which investments	28,890.1	28,815.1	12,697.6	12,090.7
of which participating interests	0.2	0.1	121.8	120.5
Liabilities by geographical segment	28,482.8	30,221.7	14,440.1	14,097.1
of which technical provisions	20,907.4	22,845.7	12,186.4	11,958.6
Cash flow from operating activities (net)	- 464.7	2,309.7	241.5	74.2
Cash flow from investing activities (net)	17.1	- 2,209.7	- 84.0	- 36.6
Cash flow from financing activities (net)	483.1	- 434.7	- 119.9	- 26.7
Acquisition of real estate, equipment and furnishings and intangible assets for own use	26.5	4.1	6.4	- 0.6
Impairment of value recognized in the income statement	- 119.5	- 612.8	- 34.5	- 238.0
Reinstatement of original value recognized in the income statement	112.1	130.4	27.4	55.0

in CHF m

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Benelux		Other countries		Elimination		Total	
2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
8,109.3	8,142.1	5,099.6	3,516.2	- 3,775.6	- 2,133.3	**57,494.8**	**56,913.8**
6,497.6	6,371.4	4,662.3	3,088.1	- 1,962.8	- 303.9	**50,784.8**	**50,061.4**
167.1	166.3	–	0.0	–	–	**289.1**	**286.9**
7,460.0	7,873.9	4,156.9	3,739.0	- 2,471.3	- 2,134.1	**52,068.5**	**53,797.6**
2,359.0	2,496.0	1,140.3	1,060.0	- 273.6	- 302.2	**36,319.5**	**38,058.1**
106.2	125.4	1,682.4	- 57.3	- 7.0	0.0	**1,558.4**	**2,452.0**
- 498.0	- 340.3	- 292.0	96.6	5.1	- 202.8	**- 851.8**	**- 2,692.8**
386.7	229.3	- 1,290.6	84.9	1.9	202.8	**- 538.8**	**55.6**
23.6	23.7	22.2	7.8	–	–	**78.7**	**35.0**
- 25.1	- 251.4	- 0.3	- 44.2	–	–	**- 179.4**	**- 1,146.4**
2.5	2.2	0.6	–	–	–	**142.6**	**187.6**

Segment Reporting by Business Segment

	Non-life		Life	
Income	2001	**2002**	2001	**2002**
Gross premiums written and policy fees	2,591.5	2,657.6	4,058.0	4,633.2
Reinsurance premiums ceded	- 179.4	- 180.1	- 44.8	- 39.8
Premiums written and policy fees for own account	2,412.1	2,477.5	4,013.2	4,593.4
Change in unearned premiums reserves for own account	7.2	- 25.5	–	–
Premiums earned and policy fees for own account	2,419.3	2,452.0	4,013.2	4,593.4
Investment income (net)	281.7	249.4	1,354.9	1,318.9
Realized gains and losses on investments (net)	222.0	- 195.7	- 71.4	- 498.9
Income from other services	1.7	0.2	27.4	0.2
Other income	75.7	81.2	53.3	55.0
Total income	**3,000.4**	**2,587.1**	**5,377.4**	**5,468.6**
of which between business segments	- 39.4	- 35.4	- 24.1	- 30.1
of which income from associates	1.8	1.6	3.5	0.2
Expenses				
Claims incurred including processing costs (non-life)	- 1,794.2	- 1,931.1	–	–
Claims and benefits paid (life)	–	–	- 2,887.0	- 2,935.8
Change in actuarial reserve (life)	–	–	- 1,448.5	- 2,234.5
Surplus and profit allocations to policyholders	- 13.3	- 10.5	- 164.3	39.7
Acquisition costs	- 306.4	- 309.5	- 63.5	- 153.1
Administrative and other operating expenses	- 515.0	- 476.4	- 347.1	- 340.5
Interest payable	- 25.9	- 15.9	- 160.5	- 163.6
Amortization of intangible assets and depreciation of tangible non-current assets	- 52.4	- 47.0	- 33.7	- 39.5
Total expenses	**- 2,707.2**	**- 2,790.4**	**- 5,104.6**	**- 5,827.3**
Profit / loss before tax and minority interests	293.2	- 203.3	272.8	- 358.7
Tax on income	- 67.3	29.7	- 36.6	31.5
Profit / loss after tax before minority interests	225.9	- 173.6	236.2	- 327.2
Minority interests	3.4	0.0	0.5	0.0
Net profit / loss by business segment	**229.3**	**- 173.6**	**236.7**	**- 327.2**
Additional information				
Assets by business segment	10,257.8	9,247.2	37,999.9	38,408.0
Liabilities by segment	7,556.4	7,208.2	35,238.5	37,225.4
Acquisition of real estate, equipment and furnishings and intangible assets for own use	28.1	4.3	13.3	5.6

in CHF m

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Banking		Other activities		Elimination		**Total**	
2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
–	–	–	–	- 16.8	- 16.3	**6,632.7**	**7,274.5**
–	–	–	–	16.8	16.3	**- 207.4**	**- 203.6**
–	–	–	–	0.0	0.0	**6,425.3**	**7,070.9**
–	–	–	–	0.9	0.6	**8.1**	**- 24.9**
–	–	–	–	0.9	- 53.5	**6,433.4**	**7,046.0**
433.3	399.5	59.9	109.8	- 48.6	- 53.5	**2,081.2**	**2,024.1**
- 10.9	- 94.2	9.7	- 17.7	–	–	**149.4**	**- 806.5**
27.9	13.8	214.8	235.2	–	–	**271.8**	**249.4**
57.8	60.5	9.9	12.5	- 42.6	- 25.5	**154.1**	**183.7**
508.1	**379.6**	**294.3**	**339.8**	**- 90.3**	**- 78.4**	**9,089.9**	**8,696.7**
- 6.9	7.0	- 19.9	- 19.9	90.3	78.4	**–**	**–**
0.5	0.0	15.5	68.2	–	–	**21.3**	**70.0**
–	–	–	–	9.2	10.3	**- 1,785.0**	**- 1,920.8**
–	–	–	–	- 9.6	- 10.7	**- 2,896.6**	**- 2,946.5**
–	–	–	–	- 0.9	- 0.5	**- 1,449.4**	**- 2,235.0**
–	–	–	–	–	–	**- 177.6**	**29.2**
–	–	–	–	2.1	0.9	**- 367.8**	**- 461.7**
- 168.8	- 186.6	- 206.0	- 222.3	- 1.7	- 0.7	**- 1,238.6**	**- 1,226.5**
- 319.7	- 283.2	- 83.7	- 81.3	91.2	79.1	**- 498.6**	**- 464.9**
- 11.5	- 9.9	- 55.7	- 88.4	–	–	**- 153.3**	**- 184.8**
- 500.0	**- 479.7**	**- 345.4**	**- 392.0**	**90.3**	**78.4**	**- 8,566.9**	**- 9,411.0**
8.1	- 100.1	- 51.1	- 52.2	–	–	**523.0**	**- 714.3**
2.1	22.1	- 15.1	- 0.6	–	–	**- 116.9**	**82.7**
10.2	78.0	- 66.2	- 52.8	–	–	**406.1**	**- 631.6**
0.0	0.7	- 5.6	- 3.6	–	–	**- 1.7**	**- 2.9**
10.2	**- 77.3**	**- 71.8**	**- 56.4**	**–**	**–**	**404.4**	**- 634.5**
11,183.3	11,239.8	1,975.4	1,689.2	- 3,921.6	- 3,670.4	**57,494.8**	**56,913.8**
10,547.5	10,587.7	2,647.7	2,446.7	- 3,921.6	- 3,670.4	**52,068.5**	**53,797.6**
7.0	3.8	30.3	21.3	–	–	**78.7**	**35.0**

Management Information

The same consolidation rules are applied for the Management Information as for the segment reports. This means that, in line with IFRS requirements, Group-internal transactions between the segments are not eliminated.

	Gross		For own account	
Combined ratio: non-life	2001	**2002**	2001	**2002**
Loss ratio	74.3	74.8	74.2	78.8
Expense ratio	30.9	30.0	32.7	31.7
Surplus sharing ratio	0.5	0.4	0.5	0.4
Combined ratio	**105.7**	**105.2**	**107.4**	**110.9**

as a percentage of premiums earned

Combined ratio (gross)	Switzerland		Germany		Benelux		Other countries	
by geographical segment: non-life	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
Loss ratio	72.2	70.9	64.9	81.6	86.6	81.7	74.7	78.2
Expense ratio	25.4	26.0	38.2	35.0	32.3	32.4	24.2	24.0
Surplus sharing ratio	1.1	0.8	0.2	0.1	0.0	0.0	0.1	0.0
Combined ratio	**98.7**	**97.7**	**103.3**	**116.7**	**118.9**	**114.1**	**99.0**	**102.2**

as a percentage of premiums earned

Reserve ratio: non-life	2001	**2002**
Technical provision for own account	4,372.0	4,486.4
Premiums written	2,372.0	2,477.5
Reserve ratio in percent	**184.3**	**181.1**

in CHF m

Technical income statement	Non-life 2001	Non-life 2002	Life 2001	Life 2002
Gross				
Gross premiums written and policy fees	2,591.5	2,657.6	4,058.0	4,633.2
Change in unearned premium reserve	8.8	-26.2	–	–
Premiums earned and policy fees	2,600.3	2,631.4	4,058.0	-4,633.2
Claims and benefits paid	-1,736.3	-2,082.2	-2,917.0	-2,962.5
Change in loss reserves / actuarial reserve	-194.2	114.5	-1,452.6	-2,240.6
Claims and benefits paid	-1,930.5	-1,967.7	-4,369.6	-5,203.1
Policyholder bonuses paid	-13.5	-10.6	-164.3	39.7
Technical costs	-805.6	-788.9	-387.5	-512.6
Total underwriting result (gross)	**-149.3**	**-135.8**	**-863.4**	**-1,042.8**
Reinsurance ceded				
Premiums earned and policy fees	-181.0	-179.4	-44.8	-39.8
Claims and benefits paid	136.3	36.6	34.1	32.8
Policyholder bonuses paid	0.2	0.0	–	–
Technical costs	14.1	12.1	10.1	5.0
Total underwriting result of business ceded	**-30.4**	**-130.7**	**-0.6**	**-2.0**
Net for own account				
Premiums earned and policy fees	2,419.3	2,452.0	4,013.2	4,593.4
Claims and benefits paid	-1,794.2	-1,931.1	-4,335.5	-5,170.3
Policyholder bonuses paid	-13.3	-10.6	-164.3	39.7
Technical costs	-791.5	-776.8	-377.4	-507.6
Total underwriting result for own account	**-179.7**	**-266.5**	**-864.0**	**-1,044.8**
Investment income (gross)	296.7	267.4	1,384.3	1,359.9
Realized gains and losses on investments (net)	222.0	-195.7	-71.4	-498.9
Investment expenses	-15.0	-18.0	-29.4	-41.0
Other non-technical income and expenses	-30.8	9.5	-146.7	-133.9
Non-technical result	**472.9**	**63.2**	**1,136.8**	**686.1**
Profit / loss before tax and minority interests	293.2	-203.3	272.8	-358.7
Tax on income	-67.3	29.7	-36.6	31.5
Profit / loss after tax before minority interests	225.9	-173.6	236.2	-327.2
Minority interests	3.4	0.0	0.5	0.0
Net profit / loss	**229.3**	**-173.6**	**236.7**	**-327.2**

in CHF m

Embedded Value

The embedded value of life insurance business comprises three elements: the adjusted capital and reserves for life insurance activities and the value of insurance in force at the end of the period under review, minus the solvency expenses. Embedded value does not take into account any new business that will be concluded in the future.

The adjusted capital and reserves are based on market value for investments and statutory value for liabilities from insurance operations. The sums of unrealized investment gains and losses, which can be subject to strong movements, represent the most significant capital and reserves component. Declared capital and reserves only are considered for the embedded value in the case of the Baloise Group's business from Luxembourg and Austria.

The value of insurance in force is understood to be the earnings generated from this insurance in future, established by discounting all the anticipated cash flow. A large number of assumptions need to be made to calculate this value, the most important of which are listed in the table below. B&W Deloitte has reviewed the calculation methods and the assumptions made and considers the results to be appropriate.

Development of embedded value	2001	**2002**
Embedded value at January 1	4,949.5	**3,792.5**
Operating income from insurance in force, adjusted capital and reserves, and earnings from new business	292.0	164.5
Economic changes, especially changes in unrealized gains and losses on investments	- 1,310.0	- 2,296.3
Dividends to parent companies	- 125.5	- 22.8
Differences arising from currency translation	- 13.5	- 7.1
Embedded value at December 31	3,792.5	**1,630.8**
of which value of insurance in force	1,341.4	855.4
of which adjusted capital and reserves	2,992.4	1,192.4
of which solvency expenses	- 541.3	- 417.0

in CHF m; all figures "after tax"

Calculation bases (assumptions)	2001	**2002**
Risk discount rate	7.7	7.7
Income from fixed-interest securities	4.8	4.0
Income from shares	7.1	7.2
Income from investment property	5.1	5.3
Tax rate	21.0	20.7

in percent

3

Investment performance in 2001

	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivates and other	**Total**
Current investment income	1,018.4	201.4	235.2	596.0	91.0	**2,142.0**
Realized gains	159.9	637.1	70.3	0.3	62.2	**929.8**
Realized losses	- 134.2	- 481.2	- 17.8	- 79.0	- 31.4	**- 743.6**
Change in unrealized gains and losses taken to capital and reserves	61.9	- 2,729.7	–	–	- 177.3	**- 2,845.1**
Impairment in value recognized in the income statement (net)	- 2.4	- 63.1	–	41.9	- 13.2	**- 36.8**
Investment management costs	- 12.0	- 20.7	- 9.2	- 4.3	- 14.6	**- 60.8**
Operating profit	**1,091.6**	**- 2,456.2**	**278.5**	**554.9**	**- 83.3**	**- 614.5**
Average level of investments	**20,238.7**	**11,665.6**	**5,003.9**	**12,229.5**	**2,861.6**	**51,999.3**
Performance in percent	**5.4**	**- 21.1**	**5.6**	**4.5**	**- 2.9**	**- 1.2**

in CHF m

Investment performance in 2002

	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivates and other	**Total**
Current investment income	987.0	173.7	249.3	557.1	124.2	**2,091.3**
Realized gains	172.0	832.8	50.8	0.2	221.0	**1,276.8**
Realized losses	- 297.7	- 599.8	- 34.7	- 66.3	- 126.0	**- 1,124.5**
Change in unrealized gains and losses taken to capital and reserves	724.3	- 2,240.4	–	–	- 162.9	**- 1,679.0**
Impairment in value recognized in the income statement (net)	- 26.9	- 813.7	–	16.2	- 134.4	**- 958.8**
Investment management costs	- 26.1	- 11.7	- 11.3	- 6.3	- 11.8	**- 67.2**
Operating profit	**1,532.6**	**- 2,659.1**	**254.1**	**500.9**	**- 89.9**	**- 461.4**
Average level of investments	**21,238.1**	**7,876.6**	**5,173.9**	**12,108.0**	**4,026.5**	**50,423.1**
Performance in percent	**7.2**	**- 33.8**	**4.9**	**4.1**	**- 2.2**	**- 0.9**

in CHF m

3

Results from banking business	2001	2002
Interest income		
Due from banks	6.2	3.7
Loans to customers	306.4	300.8
Investments	161.9	138.5
Other	0.0	3.1
Total interest income	474.5	446.1
Interest payable		
Due to banks	- 60.1	- 48.3
Due to customers	- 117.4	- 102.9
Medium-term fixed-rate notes, bonds and mortgage bonds	- 112.6	- 98.3
Other	- 29.6	- 33.7
Total interest payable	- 319.7	- 283.2
Net interest income	**154.8**	**162.9**
Result from commission business and services	27.9	13.8
Realized gains and losses on investments	3.0	- 71.2
Other income	16.6	13.8
Total income from banking business	**202.3**	**119.3**
Expenses related to banking business		
Staff costs	- 98.5	- 92.3
Operating expenses	- 70.3	- 94.3
Total expenses related to banking business	- 168.8	- 186.6
Gross profit / loss	**33.5**	**- 67.3**
Losses and provisions relating to credit risks	- 13.9	- 22.9
Amortization of intangible assets and depreciation of tangible non-current assets	- 11.5	- 9.9
Profit / loss before tax and minority interests	8.1	- 100.1
Tax on income	2.1	22.1
Profit / loss after tax before minority interests	10.2	- 78.0
Minority interests	0.0	0.7
Net profit / loss	**10.2**	**- 77.3**

in CHF m

Realized profits and losses on investments in business year 2002 include a loss on structured investments in bonds at Mercator Banque S.A. amounting to CHF 71.9 million.

Assets under management	2001	2002
Own investments	50,784.8	50,061.4
Investments for unit-linked life insurance	512.4	550.5
Assets managed for third parties	4,347.9	5,932.6
Total	**55,645.1**	**56,544.5**

in CHF m

Other sales	2001	2002
Sales other than premium-type, in particular sale of fund untits for unit-linked life insurance	736.9	451.0

in CHF m

3

Notes to the Consolidated Financial Statements

1. Basis of Accounting

The Baloise Group operates solely in Europe. It comprises 13 insurance companies, which provide almost all types of life and non-life insurance. The holding company is Bâloise-Holding, a Swiss stock corporation (Aktiengesellschaft) which has its registered office in Basel, Switzerland. The shares of Bâloise-Holding are quoted on SWX Swiss Exchange. Its subsidiaries operate in Switzerland, Germany, Belgium, Austria, Luxembourg and Croatia. The banking business is carried out by subsidiaries in Switzerland, Germany, Belgium, and Luxembourg (investment fund company).

The consolidated financial statements of the Baloise Group are prepared on a historical cost basis, taking into account adjustments resulting from regular reassessments of the fair market value of certain investments, and are established in accordance with the International Financial Reporting Standards (IFRS). They comply with Swiss legal requirements. As the International Financial Reporting Standards do not currently contain any insurance-specific guidelines, insurance business has been valued on the basis of the US "Generally Accepted Accounting Principles" (US GAAP).

2. Application of New Accounting Standards

2.1 In fiscal 2001

As of January 1, 2001 the following IAS standards were applied for the first time:

IAS 39 – Financial Instruments: Statement and Valuation. This standard contains rules on the accounting treatment of financial instruments, which also include conventional financial assets and liabilities and derivate financial instruments.

IAS 40 – Investment Property. The standard requires the inclusion of yield-earning real estate at fair market value and recognition of value changes in the income statement.

2.2 In fiscal 2002

In fiscal 2002, no new standards affecting the Baloise Group were introduced, nor were any existing ones changed.

3. Accounting Policies

3.1 Method of consolidation
The consolidated financial statements consist of the financial statements of Bâloise-Holding and of its subsidiaries. A subsidiary is consolidated where the Baloise Group has over 50 percent of the voting rights, whether directly or indirectly, or exercises control over it. All intragroup transactions and profits and losses arising therefrom are eliminated.

Companies acquired in the course of the year under review are included in the consolidation from the date when effective control was acquired, while all companies disposed of during the year are included in the consolidation until the date of disposal. Companies which are acquired for the purpose of resale are held and accounted for as investments.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Deutscher Ring Beteiligungsholding is a joint venture in which the Baloise Group has a direct 65 percent interest. The remaining 35 percent are held by Deutscher Ring Krankenversicherungsverein, a mutual insurance company. The contractual arrangements are such that the majority shareholder does not have overall control. These companies are consolidated on a proportionate basis, therefore the Baloise Group reports only its share of assets, liabilities, income and expenses.

Participating interests in associates are accounted for under the equity method if the Baloise Group has significant influence on the management of the company and the company is not being held exclusively with a view to its disposal in the near future.

3.2 Foreign currency translation
The financial statements of the Baloise Group are stated in Swiss francs (CHF).

Foreign currency translation: The financial statements of all business units which were not originally prepared in CHF have been translated at year-end rates (for balance sheet figures excluding goodwill) or at average rates for the year (for the income statement). The total exchange differences arising are taken directly to capital and reserves. Assets and liabilities in foreign currencies in the accounts of the individual companies are translated at year-end rates. Income and expenses are translated at the rate applicable on the transaction date or at the average rate for the year. The resulting exchange differences are taken to the income statement.

3.3 Investments
3.3.1 Financial assets
The business activities of the Baloise Group include the issuing of insurance policies, as a result of which the Group incurs financial liabilities and assumes guarantees. To ensure that it is in a position to meet its financial liabilities, the Baloise

Group acquires financial instruments which correspond as closely as possible in type and maturity period to the expected level of claims and benefits paid. The composition of the investment portfolio is therefore determined mainly by the expected investment return for each type of investment, by the availability of risk capital – which is used to even out fluctuations in the price of investments – and by the type of liabilities arising from insurance business.

The following criteria are used to classify financial assets: Financial assets which were acquired with the purpose of realizing a short-term gain by taking advantage of fluctuations in market price are shown under the **Held for trading** heading. Financial assets which are held for an indefinite period of time and may be sold at any time to improve liquidity or to react to changes in market conditions are shown as **Available for sale.** Financial assets with a fixed maturity date are shown under the heading **Held to maturity,** provided the Baloise Group has the opportunity and intention of holding them until their maturity date. There is also the possibility of classifying investments as **Originated by the Group.** Investments are classified under one of these headings when they are first recorded in the books. The classification is then reviewed at year-end to ensure that it is still appropriate.

Alternative financial assets such as private equity investments and hedge funds are held as **Available for sale.** However, private equity investments that have a substantial influence on management policy are classified under **Participating interests in associates.**

Loans, policy loans and similar financial assets issued by the Baloise Group are shown under the heading **Originated by the Group,** unless they are held in the trading portfolio.

Financial assets under the headings **Held for trading** and **Available for sale** are recorded in the balance sheet at fair market value.

Financial assets under the headings **Held to maturity** or **Originated by the Group** are valued at amortized cost, less any necessary adjustments for permanent diminution in value (impairment). The effective interest method is used to amortize or write back the difference between cost and the redemption value. An adjustment is made for impairment if the present value of expected future cash flows discounted at the financial instrument's original effective interest rate, including the effect of any hedging transactions, is lower than the book value and this situation is not expected to be temporary.

All purchases and sales of financial assets are recorded at the date when the transaction is completed. Only transactions involving issuing business or relating to capital increases are accounted for at the payment date.

Changes in the value of financial assets under **Held for trading** are recognized as realized book profits/losses in the income statement in the period in which they arise. Financial assets under **Available for sale** are revalued at their market value, and unrealized gains and losses are taken to capital and reserves. In the case of monetary assets classified as **Available for sale** or as **Held to maturity,** any foreign currency revaluation is credited to income. Monetary assets include primarily fixed-interest securities. Shares do not count as monetary assets. For life insurance companies, deductions are made from the unrealized gains and losses in view of those amounts which will be used in future to amortize acquisition costs and to pay bonuses and dividends to policyholders.

When financial assets are disposed of, any unrealized gains or losses are transferred from capital and reserves to the income statement. The same applies where an investment has suffered a permanent diminution in value (become impaired).

Changes to the fair values of financial assets which are the subject of a fair value hedge are recognized, regardless of classification, in the income statement over the period of the hedge.

Interest income from fixed-interest investments which have been written down is recognized when it is received.

3.3.2 Investment property
Investment property is shown at fair market value. This is determined each year by a valuation based on prevailing market conditions and carried out by in-house specialists. The fair value of holdings is derived principally from future cash flows, using mathematical calculations based on similar transactions. From time to time, external valuation reports are obtained. Scheduled depreciation is not charged on investment property. Changes in value are immediately recognized in the income statement, in the period of occurrence, as realized book gains / losses.

3.4 Permanent diminution in value (impairment)

The carrying values of assets are reviewed on a regular basis for recoverability. A permanent diminution in value (impairment) loss arises if the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's net selling price (the estimated amount obtainable from the sale of an asset less incremental costs directly attributable to the disposal of the asset) and an asset's value in use (the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life). The estimated future cash flows are based on reasonable assumptions about the economic conditions that will exist over the remaining useful life of the asset and on cash flow projections and budgets/forecasts approved by the Corporate Executive Committee. Permanent diminutions in value are recognized in the income statement.

The Baloise Group determines any impairment of financial assets according to the following rules:

If the market value is more than 50 percent below the purchase value, an impairment entry must be booked in any case. Provided the market value is more than 20 percent but less than 50 percent below purchase value, impairment is to be considered and an entry made where applicable. The extent of impairment is to be based on a number of factors, including reports by bank analysts, ratings by rating agencies, dividend developments, underlying capital and reserves. The prime yardstick for the extent of impairment is, however, the appraisal by the asset manager responsible. Impairment, based on the above-mentioned criteria, may not, however, lead to any entry below the applicable market value.

3.5 Derivatives

The main tool for the management of investment risk and return on the asset side of the balance sheet is the strategic allocation of investments to the various investment categories (asset allocation). Derivative instruments are used to underpin this asset allocation. They are particularly useful for hedging investments, when preparing to purchase or sell investments, or to slightly increase investment income. However, no trading or speculative business is undertaken in derivatives. Derivative transactions are undertaken only with counterparties who have at least an A credit rating from Standard and Poor's.

All derivatives are recorded in the balance sheet at their market value. When the contract is concluded, the derivative is classified either as a hedging instrument against the market value of an asset or a liability (fair value hedge), as a hedge against future transactions (cash flow hedge) or as a trading instrument. Derivatives which do not fulfill IFRS requirements for hedging transactions are treated as trading instruments, even if they have a hedging function according to the Baloise Group's own risk management regulations.

Changes in the market value of derivatives which have been classified as fair value hedging instruments are shown in the income statement net, together with changes in the market value of the hedged asset or liability.

Changes in the market value of derivatives which have been classified as cash flow hedging instruments are taken directly to capital and reserves. The amounts accounted for in capital and reserves will be recorded at a later date in the income statement together with the hedged cash flows.

Changes in the market value of derivatives which are classified as trading instruments or do not fulfill the requirements of a hedging transaction are shown in the income statement.

The Baloise Group keeps records of hedge effectiveness and the aims and strategies pursued for each hedging transaction. Hedge effectiveness is closely monitored from the date the contract begins. Derivatives which no longer meet the requirements for a hedging instrument are reclassified as trading instruments.

Structured products are financial instruments, either assets or liabilities, which consist of a host contract and embedded derivatives. In the majority of cases, the embedded derivatives are not separated from the host contract and are classified in the trading portfolio of the host business, with the effect that unrealized gains and losses are recorded directly in the income statement. Some derivatives are separated from the host contract and are separately recorded, valued and disclosed. For this to be the case, the following conditions must apply: that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and that the embedded derivative itself would meet the definition of a derivative financial instrument.

3.6 Intangible assets

Company acquisitions are accounted for using the purchase method. Under this method, the purchase price is compared on the date of acquisition with the fair values of the assets and liabilities acquired, and the balance is accounted for as goodwill. Goodwill relating to subsidiaries which do not prepare their financial statements in Swiss francs is translated at the exchange rate applicable on the date of the acquisition.

Capitalized goodwill is amortized on a straight line basis over its expected useful life, which may not exceed 20 years. The period over which the goodwill is to be amortized is determined mainly by the future economic benefits expected to flow from the company acquired. These depend, among other things, on the type of business acquired, the lifespan of the insurance contracts, relationships with clients and sales channels.

Negative goodwill is offset against positive goodwill. Negative goodwill written of is credited to the income statement (offset against the amortization expense) on a systematic basis over the remaining average useful life of the acquired, non-monetary assets, at most, however, over 20 years.

The present value of profits from insurance contracts acquired is amortized over the underlying period of premium payments taken to income. The value of the profits is reviewed on an annual basis.

Other intangible assets consist mainly of software and are written off on a straight line basis over their estimated useful life.

3.7 Tangible non-current assets

Tangible non-current assets are shown at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful life of the asset, as follows: buildings for own use 25 to 50 years, equipment and furnishings 5 to 10 years, computer hardware 3 to 5 years. Land is shown at cost less any necessary provisions for impairment. Repairs and maintenance are always charged to the income statement.

3.8 Leasing

Lease agreements relating to real estate, fixtures, fittings and other tangible non-current assets, whereby basically all the risks and rewards relating to ownership of the asset are transferred to the Baloise Group, are defined and treated as finance leases. The fair value of the leased property is capitalized at the inception of the lease and disclosed as a tangible non-current asset. Each lease payment comprises a depreciation expense for the asset and interest payment. The depreciation expense is deducted from the liability for the leased asset, which is shown under **Liabilities from banking business and loans.**

Other lease agreements are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with maturity periods of up to 24 hours. Cash and cash equivalents are stated at their nominal value. Term deposits are entered under **Other short-term investments.**

3.10 Receivables

Receivables arising out of insurance operations and other receivables are recognized and stated at amortized cost. This generally corresponds to the nominal value of the amount receivable. Permanent diminutions in value (impairment losses) are charged directly to the income statement.

3.11 Life insurance

Premiums are accounted for as income when due. Claims and benefits paid and costs are accounted for so as to ensure that the profit from the contracts is allocated equally over the anticipated term of the policies. Premiums and services relating to investment-type products are accounted for as follows: the risk and cost element is taken to the income statement, while the savings element is directly credited to or deducted from the policyholder's deposit.

The actuarial reserve is calculated on the basis of actuarial principles from the cash value of future claims and benefits paid less the cash value of premiums not yet paid. The calculation is made in accordance with the following Financial Accounting Standards: FAS 60, FAS 97 and FAS 120. The accounting principles (e.g. in respect of interest or mortality) vary depending on the country, product and year of acquisition and take country-specific empirical values into consideration. Unearned premiums and provisions for final policyholder bonuses are included in the actuarial reserve.

Deferred acquisition costs: Costs which are directly associated with the acquisition of insurance contracts (e.g. commission) are deferred and written off over the period of the contract, or over the premium payment period, if that is shorter. Deferred acquisition costs are reviewed when the contract is acquired and thereafter on an annual basis for recoverability.

Amounts reserved for future surplus shares to policyholders are shown in a separate provision.

Financial assets classified as Available for sale are stated at market value. Changes in the value of these investments are treated as unrealized gains and losses and taken to capital and reserves without affecting the income statement. Amounts relating to the future amortization of acquisition costs and future policyholder bonuses are deducted from these unrealized gains and losses. Local statutory regulations and the provisions set out in contracts and company byelaws are authoritative in determining the share of policyholder bonuses. Companies operating in Germany and Austria are required to use approximately 90 percent of the unrealized gains and losses arising from investments available for sale for the policyholder bonuses. The transfer between accounts has no effect on the income statement.

Policyholder bonuses credited: Bonuses already allocated which have been accrued on an interest-bearing basis are included in "Policyholder bonuses credited and provision for future policyholder bonuses".

Investments and technical provisions relating to unit-linked life policies: These amounts relate to investment-type products. With these products, it is the policyholder who bears the investment risk in accordance with specific investment aims. Current investment income and market price fluctuations are directly debited or credited to the policyholders. The investments are held separately and are not available to meet claims arising from other business activities of the Baloise Group. Investments and liabilities are stated at market value. Administrative and redemption costs charged to policyholders are recognized as policy fee income.

3.12 Non-life insurance

The term **gross** is added to technical account headings where these refer to business concluded by the Baloise itself. The terms **net** or **for own account** are used after deducting any reinsurance element.

Gross premiums written and policy fees are recognized in the fiscal year in which they fall due. They include the amount required to cover the insurance risk and any loading. Any part of the premium which relates to future fiscal years is deferred under the contract and is included in the unearned premiums reserves in the balance sheet, together with any provisions for premium shortfalls relating to the fiscal year. Premiums which do relate to the fiscal year are referred to as **premiums earned.** This figure comprises premiums written and the change in the unearned premiums reserves.

Loss reserves and provisions for the associated claims processing costs are set up for all losses which have occurred before the end of the fiscal year, whether or not these have been notified to the Baloise Group.

These provisions represent a projection of all future payments to be made in respect of these losses. Loss reserves are calculated on the basis of prior year experience and expected developments in the future. The process involves the application of mathematical, statistical methods and the expertise of claims-handling specialists. The aim is to establish provisions for outstanding claims and for claims processing costs which are as realistic as possible, making allowance for unforeseeable future events.

The combined loss reserves have three components. The provisions calculated according to actuarial methods form the basis of the combined provision; a second component is provisions for those complex special cases and events which do not lend themselves to purely mathematical calculations. These two components are determined without discounting. The third component is annuities, which are capitalized on the basis of technical principles such as mortality rates, technical interest rates, etc.

The whole process of projecting the future can never entirely eliminate the uncertainties inherent in future developments. Therefore future developments may well be different to those projected. The provisions established in a particular year are systematically reviewed, which means that variances can be controlled. On the basis of such reviews, the projection process can be adjusted if necessary.

Surplus and profit allocations to policyholders: Insurance contracts may provide for surplus sharing with a client arising from the surplus on his contracts. Payments made during the fiscal year and the change in the relevant provisions combine to give the figure referred to in the income statement as surplus and profit allocations to policyholders.

Deferred acquisition costs: All administrative costs which are directly attributable to the acquisition of new insurance contracts and the renewal of existing contracts are deferred. Then they are charged to the income statement over the expected term of the insurance contract. The deferred costs are constantly reviewed for recoverability. The calculations take into account the actuarial principles and allocated investment income.

The technical costs shown in the Management Information section comprise costs arising from insurance operations which have been charged in the fiscal year, including the change in the figure for deferred acquisition costs. Claims processing costs which relate to claims and benefits paid and to loss reserves are not included; neither are other costs of the Baloise Group (especially costs incurred by Group functions).

3.13 Reinsurance

Reinsurance contracts are insurance contracts between insurance companies. If a transaction is to be recognized as a reinsurance transaction, there must be a transfer of risk as defined in US-GAAP, otherwise the contract would be dealt with outside the income statement as deposit accounting.

Reinsurance assumed is recognized in the same accounting period as the initial risk. The technical provisions are included in liabilities under the headings **Unearned premiums reserves (gross)** and **Loss reserves (gross).** These provisions are as realistic as possible and are based on empirical values and the most up-to-date information available.

Reinsurance ceded is business which has been ceded to insurance companies outside the Group and comprises amounts which relate to direct life and non-life business and reinsurance assumed which is to be ceded.

Deposits arising from reinsurance ceded are calculated on the same basis and for the same period as the original transaction and shown in **Investments and deposits arising from reinsurance business.** Where deposits are at risk due to insolvency, appropriate write-downs are made in the income statement.

Receivables and payables from deposit accounting contracts are recognized mainly using the interest method. The effective interest rate is calculated on the basis of cash flows which have already occurred or are expected in the future. Otherwise, the insurance coverage financed by the deposit is amortized over the expected term of the deposit. Deposits are included in Investments and deposits arising from reinsurance business, while liabilities are included in Deposit fund liabilities arising from reinsurance.

3.14 Own shares

Own shares (treasury stock) held by Bâloise-Holding or by its subsidiaries are shown at cost in the consolidated financial statements as a deduction from Capital and reserves. The shares are not restated at their current market value. When the shares are sold, the difference between cost and selling price is adjusted under Capital and reserves.

3.15 Liabilities from banking business and loans

Liabilities from banking business and loans are stated at amortized cost. The effective interest rate method is used to amortize or write back the difference between cost and redemption value. The cost figure also includes transaction costs.

The convertible loan issued by Baloise Finance Jersey, which confers the right to subscribe for shares in a non-Group company, consists of a liability and an embedded option. When the loan is issued, the market value of the embedded option is determined and shown separately as a derivative financial instrument. The cost of the liability component is the present value of future cash flows, which was calculated when the issue was made. The discount factor applied is the market interest rate for similar loans without conversion or option rights.

3.16 Financial provisions

Financial (non-technical) provisions are recognized when the Baloise has a present obligation (legal or de facto), when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. The amount of the provision is based on the best estimate of possible outcomes. If no reliable estimate can be made of the liability, it is disclosed as a contingent liability.

3.17 Tax

The provision for deferred tax in the consolidated financial statements is calculated under the liability method, i.e. based on current or future expected tax rates. Deferred tax takes into account the income tax effects of temporary differences between the assets and liabilities carried in the consolidated balance sheet and their fiscal base. When deferred tax is calculated, unused tax losses are only carried forward to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized and to the extent that establishing the provision does not contravene local tax law and regulations. A provision for deferred tax is established for tax payable in future by Bâloise-Holding or its subsidiaries on the profits of subsidiaries not yet transferred, provided a distribution is intended and it is therefore probable that a corresponding tax will be charged.

3.18 Benefits due to employees

Amounts due from the Baloise Group to employees include all types of employee benefits given in exchange for services rendered by employees or in special circumstances. The following amounts need to be established: **short-term benefits** (such as wages), benefits **due in the long term** (such as anniversary payments) and **benefits upon termination of employment** (such as severance pay and benefits from redundancy schemes).

Because of the amounts involved, the following benefits can be particularly significant:

Postemployment benefits: The main retirement benefits are pensions and insurance contributions assumed by the employer. The benefits are paid when the employee ceases to be employed and are financed during the period in which the employee is working. The retirement pensions in the Baloise Group are predominantly defined benefit plans. The present value of the defined benefit obligation is discounted using the Projected Unit Credit Method (accrued benefit method prorated on service). Plan assets which match the benefits payable are only recognized if they are brought into an entity which is legally separate from the employer, e.g. a foundation. The plan assets are stated at market value. If a difference arises between the assets and liabilities when IAS 19 is used, this is shown as an asset or liability in the consolidated balance sheet. An asset is only recognized to the extent that the Baloise controls a resource which may be used to reduce future contributions or improve future benefits, but this resource cannot be returned to the employer.

Most of the employees of the Baloise Group are members of defined benefit pension plans. Defined contribution plans are the exception. Pension plans are tailor-made for local circumstances as regards enrolment and the extent of benefits. Benefits in the narrow sense are pension benefits. Other plan benefits may be subsidized premiums or contributions to health insurance and are of minor significance. Payments are made mainly by the employer and in some countries also by the employees. Pension plans are sometimes implemented within companies and sometimes in entities which are legally separate from the employer.

Equity benefits: Shares, share participation schemes, and share options are equity benefits.

Shares: The Baloise Employee Trust set up in 1989 gives the employees of various Group companies the opportunity, subject to the rules issued by the Trust's Board, to acquire shares in Bâloise-Holding, usually on an annual basis, at a preferential subscription price. The Trust acquired the shares set aside for this purpose from previous increases in the share capital of Bâloise-Holding. Due to the low acquisition cost of the shares held by the Trust and the number of shares held, Bâloise-Holding will be able to continue with this profit-sharing initiative in the years to come. The trust is managed by a Trust Board which is independent of the management of the Group, reports to the cantonal fund authority of the city of Basel and is not consolidated.

Share participation scheme: Most middle and senior managers working in Switzerland can opt to have a freely determinable part of their performance-related earnings (incentive) remitted as shares instead of cash. To boost the effectiveness of the share participation scheme, employees receive a loan at a market rate of interest, enabling them to purchase a far greater number of shares than provided by the incentive scheme. The loan repayment after a three-year blocking period is hedged with a put option that is financed by the sale of a corresponding call option. After expiry of the three-year blocking period, employees receive the shares remaining after repayment of the loan for their free disposal. The Baloise does not incur any additional costs by this share participation scheme.

Option rights: The members of the Corporate Executive Committee and of the Executive Boards of the subsidiaries, and other employees in key positions, are granted options to purchase shares in Bâloise-Holding as part of their remuneration. These options are purchased from third parties by the Baloise Group at market value and are quoted on the stock market. The conditions which apply to the option rights are specified at the beginning of the fiscal year. The number of options allotted by the end of the fiscal year depends on whether the parties concerned have met their personal performance objectives. The allotted share options may not be sold for two years. The associated costs are already included in personnel expenses.

3.19 Other liabilities

Other liabilities are recognized and stated at amortized cost, which is generally the same as nominal value.

3.20 Fair value of financial assets and liabilities

The fair value of financial instruments is based on quoted market values or on estimates (present value method, etc.) and on the following assumptions:

Cash, cash equivalents and short-term investments: The amounts shown in the balance sheet are stated at market value (fair value).

Fixed-interest securities: The fair value is generally based on quoted prices. If quoted prices are not available, the price is determined by independent valuations or by comparing the market prices of similar financial instruments.

Shares: The market value is the quoted market price. If this is not available, the purchase value is applied.

Mortgage loans, policy loans and other loans: The fair values are determined by discounting the cash flows, using the current interest rate applied by the Baloise Group to similar loans.

Derivatives: Derivatives are stated at market prices as supplied by independent brokers or in accordance with market practice.

Other financial assets: The fair value is generally a quoted market price. The fair value of other financial assets is not measured where quoted market prices are not available and the amounts are of little significance to the Baloise Group.

Deposits and other amounts due to policyholders: The fair values are determined by discounting the cash flows, using the current interest rate applied by the Baloise Group to similar financial instruments with similar time remaining to maturity.

Liabilities from banking business and loans: The fair values are determined by discounting the cash flows, using the current interest rate payable by the Baloise Group for similar financial instruments with similar periods of time to maturity.

Other financial liabilities: The fair value is generally a quoted market price. The fair value of financial liabilities is not measured where quoted market prices are not available.

3.21 Offsetting assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and the Baloise Group intends to realize the asset and settle the liability simultaneously.

3.22 Use of accounting estimates

In order to prepare annual financial statements in accordance with IFRS, it is necessary for the Corporate Executive Committee to make assumptions and estimates which have an effect on the amounts disclosed in the balance sheet and income statement for the current fiscal year. Therefore, it is possible that the actual figures may differ from the estimates.

4. Foreign Currency Translation

4.1 Rates of exchange

	Balance sheet		Income statement / cash flow statement	
Currency	2001	**2002**	2001	**2002**
EUR (Euro)	1.48	1.45	1.48	1.47
USD (US Dollar)	1.67	1.38	1.67	1.56
GBP (Pound Sterling)	2.43	2.23	2.43	2.33

in CHF

4.2 Exchange differences

Exchange differences arising from transactions in foreign currencies included in the consolidated income statement resulted in a loss of CHF 122.4 million in the 2002 fiscal year (2001: loss of CHF 27.7 million). This also comprises a foreign exchange loss of CHF 169.3 million resulting from monetary investments classified as Available for sale.

5. Acquisitions and Disposals of Subsidiaries and Other Business Units

5.1 Acquisitions and disposals of subsidiaries and other business units in 2001

The insurance portfolio of the Spanish Group company Bâloise (España) Seguros y Reaseguros was taken over by the Fortis Group per September 30, 2001. The gross premiums for the first nine months of 2001 came to CHF 72.7 million. The insurance portfolio was sold at intrinsic value.

In the course of the year, the remaining outstanding minority shareholdings in Mercator of 3.9 percent were purchased for CHF 38.4 million. Mercator is now 100 percent owned by the Baloise Group.

No other significant acquisitions or disposals were effected.

5.2 Acquisitions and disposals of subsidiaries and other business units in 2002

In 2002 the acquisition of the German insurance company Securitas was announced. The purchase was formally effected per January 7, 2003. This new subsidiary will be consolidated per January 1, 2003, and is thus not contained in the figures of the 2002 business year.

In the course of the year, all the remaining outstanding minority shareholdings in Deutscher Ring Leben (2.2 percent) were purchased for CHF 6.1 million. Deutscher Ring Leben is now 100 percent owned by the Baloise Group.

No other significant acquisitions or disposals were effected.

6. Information about Geographical and Business Segments

The strategic geographical segments of the Baloise Group are: Switzerland (including the Principality of Liechtenstein), Germany, the Benelux countries and Other countries.

The business segments are non-life insurance, life insurance, banking (including asset management and investment funds) and other activities. Non-life insurance includes accident insurance, health insurance and products for liability, automobile, property and transport lines of business. The products are geared to the requirements of our clients – mainly private clients – and the core competencies of the companies in the Baloise Group. On the life insurance side, a broad range of pure risk coverage, asset-forming insurance and unit-linked products is provided for private individuals and companies. The banking segment comprises Baloise Bank SoBa, an all-purpose bank operating in Switzerland, Mercator Bank in Belgium, which is involved in all types of savings business, principally financing real estate and small and medium-sized enterprises, and Deutscher Ring Bausparkasse in Germany, predominantly active in traditional real estate financing.

The accounting principles applied to the segment reporting are the same as apply to the entire financial report. Transactions between business segments and geographical segments within the Baloise Group are conducted on the same terms as transactions with third parties.

Information analyzed by geographical and business segments is given in the segment reports, in the Management Information section and in the following tables.

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6.1 Gross premiums by geographical and business segments

6.1.1 Gross premiums by geographical and business segments 2001

	Non-life	Life	Elimination	Total
Switzerland	1,135.0	2,837.0	–	**3,972.0**
Germany	718.4	1,019.3	–	**1,737.7**
Benelux	563.1	163.7	–	**726.8**
Other countries	415.5	38.8	–	**454.3**
Elimination	- 240.5	- 0.8	- 16.8	**- 258.1**
Total	**2,591.5**	**4,058.0**	**- 16.8**	**6,632.7**

in CHF m

6.1.2 Gross premiums by geographical and business segments 2002

	Non-life	Life	Elimination	Total
Switzerland	1,174.9	3,477.9	–	**4,652.8**
Germany	784.7	970.4	–	**1,755.1**
Benelux	559.2	154.0	–	**713.2**
Other countries	411.4	31.8	–	**443.2**
Elimination	- 272.6	- 0.9	- 16.3	**- 289.8**
Total	**2,657.6**	**4,633.2**	**- 16.3**	**7,274.5**

in CHF m

6.2 Change in gross premiums by geographical and business segments

	Non-life		Life		Total	
	2001	**2002**	2001	**2002**	2001	**2002**
Switzerland	3.2	3.5	- 1.8	22.6	- 0.4	**17.1**
Germany	10.3	10.2	- 2.6	- 3.9	2.4	**1.9**
Benelux	7.0	0.2	22.7	- 5.1	10.2	**- 1.0**
Other countries	- 12.5	- 22.2	- 10.7	- 18.0	- 12.2	**- 21.4**
Total	**4.8**	**3.1**	**- 1.3**	**14.4**	**1.0**	**10.0**

in percent of original currency

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6.3 Gross premiums by line of business

Non-life	2001	2002	Change in percent
Accident	442.9	430.3	- 2.8
Health	113.6	121.9	7.3
General liability	250.6	249.2	- 0.6
Automobile	896.7	866.3	- 3.4
Transport	133.7	116.4	- 12.9
Property	652.5	733.4	12.4
Other	36.2	38.5	6.4
Reinsurance assumed	65.3	101.6	55.6
Total	**2,591.5**	**2,657.6**	**2.6**

Life			
Single premiums	1,967.1	2,464.2	25.3
Recurring premiums	2,339.3	2,422.0	3.5
Premiums for investment-type products	- 248.4	- 253.0	1.9
Total	**4,058.0**	**4,633.2**	**14.2**

in CHF m

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6.4 Investments by business segments 2001

	Non-life	Life	Other	Total
Fixed-interest securities	3,023.9	14,359.8	3,185.6	**20,569.3**
Shares	2,058.2	7,567.2	375.4	**10,000.8**
Alternative financial assets	127.5	294.6	695.1	**1,117.2**
Derivatives	0.5	3.2	15.6	**19.3**
Investment property	959.3	3,659.0	423.9	**5,042.2**
Mortgage loans	530.4	4,546.2	5,423.8	**10,500.4**
Policy and other loans	73.1	1,285.3	304.7	**1,663.1**
Participating interests in associates	67.2	96.2	125.7	**289.1**
Other short-term investments	139.4	183.9	371.8	**695.1**
Cash and cash equivalents	254.8	398.3	235.2	**888.3**
Total	**7,234.3**	**32,393.7**	**11,156.8**	**50,784.8**

in CHF m

6.5 Investments by business segments 2002

	Non-life	Life	Other	Total
Fixed-interest securities	3,158.0	15,745.6	3,003.2	**21,906.8**
Shares	1,381.9	4,089.9	280.6	**5,752.4**
Alternative financial assets	78.0	145.8	815.2	**1,039.0**
Derivatives	13.7	163.5	35.6	**212.8**
Investment property	967.4	3,950.2	388.1	**5,305.7**
Mortgage loans	422.2	4,635.2	5,474.6	**10,532.0**
Policy and other loans	72.2	1,168.4	279.8	**1,520.4**
Participating interests in associates	77.5	83.4	126.0	**286.9**
Other short-term investments	42.7	2,510.8	276.1	**2,829.6**
Cash and cash equivalents	182.0	135.9	357.9	**675.8**
Total	**6,395.6**	**32,628.7**	**11,037.1**	**50,061.4**

in CHF m

7. Profits Arising from Investments

7.1 Investment income

	2001	**2002**
Fixed-interest securities	1,018.4	987.0
Shares	201.4	173.7
Alternative financial assets	7.7	8.4
Derivatives	–	–
Investment property	235.2	249.3
Mortgage loans	507.2	480.3
Policy and other loans	88.8	76.8
Participating interests in associates	21.3	70.0
Other short-term investments and cash and cash equivalents	62.0	45.8
Total (gross)	**2,142.0**	**2,091.3**
Investment management costs	- 60.8	- 67.2
Total (net)	**2,081.2**	**2,024.1**
of which from associates	21.3	70.0

in CHF m

Investment income of CHF 65.2 million (2001: CHF 52.2 million) from value-adjusted mortgage loans and policy and other loans has accrued as at December 31, 2002, but has not been recognized in the income statement.

7.2 Realized gains and losses: 2001

	Fixed-interest securities	Shares	Investment property	Other	**Total**
Realized gains on disposal and book gains:					
Held for trading	36.4	–	–	41.6	**78.0**
Available for sale	123.5	637.1	70.3	17.6	**848.5**
Held to maturity	–	–	–	2.9	**2.9**
Originated by the Group	–	–	–	0.4	**0.4**
Subtotal	159.9	637.1	70.3	62.5	**929.8**
Realized losses on disposal and book losses:					
Held for trading	- 13.7	- 9.7	–	- 16.2	**- 39.6**
Available for sale	- 120.3	- 471.5	- 17.8	- 15.2	**- 624.8**
Held to maturity	- 0.2	–	–	–	**- 0.2**
Originated by the Group	–	–	–	- 79.0	**- 79.0**
Subtotal	- 134.2	- 481.2	- 17.8	- 110.4	**- 743.6**
Impairment of value accounted for in the income statement	- 3.3	- 103.2	–	- 72.9	**- 179.4**
Reinstatement of original value accounted for in the income statement[1]	0.9	40.1	–	101.6	**142.6**
Total	**23.3**	**92.8**	**52.5**	**- 19.2**	**149.4**
Cumulative impairment of value accounted for in the income statement (net)	3.5	93.9	–	397.8	**495.2**

in CHF m

[1] Upon disposal of financial instruments, any impairment in value recognized in the income statements of former periods is registered as reinstatement of original value in the income statement. The difference between the original purchase value and the income from sale is recorded as profit or loss.

7.3 Realized gains and losses: 2002

	Fixed-interest securities	Shares	Investment property	Other	**Total**
Realized gains on disposal and book gains:					
Held for trading	26.6	1.3	–	175.1	**203.0**
Available for sale	145.4	831.5	50.8	45.6	**1,073.3**
Held to maturity	–	–	–	0.3	**0.3**
Originated by the Group	–	–	–	0.2	**0.2**
Subtotal	172.0	832.8	50.8	221.2	**1,276.8**
Realized losses on disposal and book losses:					
Held for trading	- 10.2	- 38.3	–	- 112.6	**- 161.1**
Available for sale	- 287.5	- 561.5	- 34.7	- 12.9	**- 896.6**
Held to maturity	0.0	–	–	- 0.6	**- 0.6**
Originated by the Group	–	–	–	- 66.2	**- 66.2**
Subtotal	- 297.7	- 599.8	- 34.7	- 192.3	**- 1,124.5**
Impairment of value accounted for in the income statement	- 29.2	- 914.9	–	- 202.3	**- 1,146.4**
Reinstatement of original value accounted for in the income statement[1]	2.3	101.2	–	84.1	**187.6**
Total	**- 152.6**	**- 580.7**	**16.1**	**- 89.3**	**- 806.5**
Cumulative impairment of value accounted for in the income statement (net)	30.1	942.6	–	511.0	**1,483.7**

in CHF m

[1] Upon disposal of financial instruments, any impairment in value recognized in the income statements of former periods is registered as reinstatement of original value in the income statement. The difference between the original purchase value and the income from sale is recorded as profit or loss.

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7.4 Unrealized gains and losses (included in capital and reserves)

	12.31.2001	**12.31.2002**	Movement in business year **2002**
Fixed-interest securities	273.6	997.9	724.3
Shares	1,919.4	- 321.0	- 2,240.4
Alternative financial assets	192.6	105.8	- 86.8
Derivatives held for cash flow hedges	- 4.6	10.6	15.2
Investment property	–	–	–
Mortgage loans	–	–	–
Policy and other loans	–	–	–
Participating interests in associates	79.5	- 11.0	- 90.5
Other short-term investments	0.0	- 0.8	- 0.8
Subtotal (gross)	2,460.5	781.5	- 1,679.0
Less amounts relating to:			
Deferred acquisition costs (life)	- 237.9	- 140.2	97.7
Surplus shares to policyholders (life)	- 110.8	- 134.6	- 23.8
Minority interests	- 3.4	0.3	3.7
Deferred tax	- 385.8	- 115.5	270.3
Foreign exchange differences	- 196.0	- 376.3	- 180.3
Total (net)	**1,526.6**	**15.2**	**- 1,511.4**

in CHF m

Included in fixed-interest securities classified as Available for sale at December 31, 2002, is an amount of CHF 38,836 (2001: CHF 87.6 million) which relates to securities that have not been stated at market value, as this cannot be reliably measured.

During the year 2002, no fixed-interest securities without market value were sold. The change in book value is due to the re-classification of securities for which, in the meantime, reliable market values have become available.

Shares not stated at market value to the amount of CHF 66.7 million (2001: CHF 69.9 million) are included in the financial statements at December 31, 2002. No market price for these shares could be established. They have been entered at purchase value, or lower if there are justifiable reasons for this.

7.5 Movement in unrealized gains and losses (included in capital and reserves)

	2001	2002
At January 1 (gross)	**5,305.6**	**2,460.5**
Movement in unrealized gains and losses on financial assets available for sale	- 2,779.9	- 1,603.7
Movement on unrealized gains and losses on associates	- 46.2	- 90.5
Movement on hedging reserve relating to derivatives held for cash flow hedges	- 19.0	15.2
At December 31 (gross)	**2,460.5**	**781.5**

in CHF m

8. Investment Property

	2001	2002
At January 1	**4,965.8**	**5,042.2**
Additions	262.5	373.4
Additions due to changes in composition of consolidated Group	13.1	0.2
Disposals	- 232.5	- 100.3
Disposals due to changes in composition of consolidated Group	–	- 0.3
Change in market value	65.1	9.9
Exchange differences	- 31.8	- 19.4
At December 31	**5,042.2**	**5,305.7**

in CHF m

Investment property comprises residential and commercial buildings and property with mixed use. Most of the real estate is located in Switzerland.

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9. Participating Interests in Associates

	Book value		Share of profit		Holding	
	2001	**2002**	2001	**2002**	2001	**2002**
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	97.3	94.9	1.7	59.2	40.0%	40.0%
Brinvest N.V., Antwerp	58.3	54.0	1.1	1.1	31.2%	31.2%
Rec-Hold, Brussels	42.1	44.3	0.0	0.0	30.7%	30.7%
Roland Rechtsschutz Versicherungs-AG, Cologne	19.2	18.9	8.8	1.5	25.0%	25.0%
Other	72.2	74.8	9.7	8.2	–	–
Total	**289.1**	**286.9**	**21.3**	**70.0**		

in CHF m

There are no significant amounts due from or to associates.

In connection with the business restructuring, undisclosed reserves at DePfa Beteiligungs-Holding II GmbH were realized and to the greatest extent paid to the parent company. The distributed amount of CHF 59.2 million was repaid to the share premium account of DePfa Beteiligungs-Holding II GmbH in the course of the business year 2002.

Further information about associates is given in Note 34, “Significant subsidiaries and participating interests at December 31, 2002”.

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10. Derivatives

	Contract values		Fair value: assets		Fair value: liabilities	
	2001	**2002**	2001	**2002**	2001	**2002**
Interest rate instruments:						
Forward exchange transactions	–	–	–	–	–	–
Swaps	2,190.4	3,716.9	18.2	35.8	4.4	24.4
OTC options	–	–	–	–	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	2,190.4	3,716.9	18.2	35.8	4.4	24.4
Equity instruments:						
Forward exchange transactions	–	–	–	–	–	–
OTC options	237.4	4,641.2	–	170.4	39.3	56.9
Traded options	23.8	5.8	0.1	0.0	2.0	0.5
Traded futures	–	–	–	–	–	–
Subtotal	261.2	4,647.0	0.1	170.4	41.3	57.4
Exchange rate instruments:						
Forward exchange transactions	76.3	49.5	1.0	0.4	1.0	0.4
Swaps	70.3	41.9	–	–	13.2	2.6
OTC options	203.0	642.5	0.0	6.2	0.0	2.2
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	349.6	733.9	1.0	6.6	14.2	5.2
Total	**2,801.2**	**9,097.8**	**19.3**	**212.8**	**59.9**	**87.0**

in CHF m

Unlike the previous year, various equity and exchange rate positions were hedged, based on the valuation of the risk positions by the Groupwide risk management.

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11. Investments for Unit-Linked Life Insurance

	2001	**2002**
Fixed-interest securities	94.8	101.0
Shares	354.4	384.3
Other short-term investments	62.4	61.7
Cash and cash equivalents	0.8	3.5
Total	**512.4**	**550.5**

in CHF m

For technical reasons, it is possible that there may be slight differences between the investments for unit-linked life insurance and the corresponding liabilities.

12. Intangible Assets

12.1 Intangible assets 2001

	Goodwill	Negative goodwill	Present value of profits from insurance contracts acquired	Other intangible assets	**Total**
Book value at January 1	181.2	- 51.6	–	103.2	**232.8**
Additions arising from changes in composition of consolidated Group	6.0	–	–	–	**6.0**
Additions arising from changes in share of investments held	17.2	–	–	–	**17.2**
Additions from internal development	–	–	–	64.1	**64.1**
Disposals	–	–	–	- 9.2	**- 9.2**
Disposals arising from changes in composition of consolidated Group	–	–	–	–	**–**
Subsequent goodwill adjustment	–	–	–	–	**–**
Amortization / write-backs	- 61.0	13.8	–	- 39.4	**- 86.6**
Impairment of value accounted for in income statement	–	–	–	–	**–**
Reinstatement of original value accounted for in income statement	–	–	–	–	**–**
Deferred interest	–	–	–	–	**–**
Exchange differences	–	–	–	- 1.2	**- 1.2**
Book value at December 31	143.4	- 37.8	–	117.5	**223.1**
Cost	574.9	- 98.7	–	235.1	**711.3**
Accumulated amortization and write-downs	- 431.5	60.9	–	- 117.6	**- 488.2**
At December 31 (net)	**143.4**	**- 37.8**	**–**	**117.5**	**223.1**

in CHF m

12.2 Intangible assets 2002

	Goodwill	Negative goodwill	Present value of profits from insurance contracts acquired	Other intangible assets	**Total**
Book value at January 1	143.4	- 37.8	–	117.5	**223.1**
Additions arising from changes in composition of consolidated Group	7.5	–	–	–	**7.5**
Additions arising from changes in share of investments held	6.1	- 4.5	–	–	**1.6**
Additions from internal development	–	–	–	49.1	**49.1**
Disposals	–	–	–	- 3.6	**- 3.6**
Disposals arising from changes in composition of consolidated Group	- 1.0	–	–	–	**- 1.0**
Subsequent goodwill adjustment	–	–	–	–	**–**
Amortization / write-backs	- 89.9	11.6	–	- 33.5	**- 111.8**
Impairment of value accounted for in income statement	–	–	–	- 0.7	**- 0.7**
Reinstatement of original value accounted for in income statement	–	–	–	–	**–**
Deferred interest	–	–	–	–	**–**
Exchange differences	–	–	–	- 1.3	**- 1.3**
Book value at December 31	66.1	- 30.7	–	127.5	**162.9**
Cost	587.5	- 103.2	–	279.3	**763.6**
Accumulated amortization and write-downs	- 521.4	72.5	–	- 151.8	**- 600.7**
At December 31 (net)	**66.1**	**- 30.7**	**–**	**127.5**	**162.9**

in CHF m

On the basis of impairment testing, a further CHF 62.3 million have been written down in addition to the planned amortization of goodwill from the participation in Mercator Verzekeringen N.V. in the business year 2002.

13. Tangible Non-Current Assets

13.1 Property, plant and equipment for own use: 2001

	Land	Buildings	Plant and equipment	**Total**
Cost	90.2	760.1	88.2	**938.5**
Accumulated depreciation and write-downs	–	- 249.5	- 42.3	**- 291.8**
At December 31 (net)	**90.2**	**510.6**	**45.9**	**646.7**
of which assets under finance leases	–	139.0	–	**139.0**

in CHF m

13.2 Property, plant and equipment for own use: 2002

	Land	Buildings	Plant and equipment	**Total**
Book value at January 1	90.2	510.6	45.9	**646.7**
Additions	2.4	4.8	6.4	**13.6**
Additions arising from changes in composition of consolidated Group	1.0	0.6	1.0	**2.6**
Disposals	- 0.1	- 6.0	- 1.4	**- 7.5**
Disposals arising from changes in composition of consolidated Group	–	–	–	**–**
Depreciation	–	- 18.6	- 10.8	**- 29.4**
Impairment of value accounted for in income statement	–	–	–	**–**
Reinstatement of original value accounted for in income statement	–	–	–	**–**
Exchange differences	- 0.3	- 6.3	- 0.7	**- 7.3**
Book value at December 31	93.2	485.1	40.4	**618.7**
Cost	93.2	753.2	93.5	**939.9**
Accumulated depreciation and write-downs	–	- 268.1	- 53.1	**- 321.2**
At December 31 (net)	**93.2**	**485.1**	**40.4**	**618.7**
of which assets under finance leases	–	133.2	–	**133.2**

in CHF m

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13.3 Other tangible non-current assets: 2001

	Machinery / furniture / motor vehicles	IT equipment	Total
Cost	83.8	98.1	**181.9**
Accumulated depreciation and write-downs	- 39.7	- 53.9	**- 93.6**
At December 31 (net)	**44.1**	**44.2**	**88.3**
of which assets under finance leases	0.2	11.3	**11.5**

in CHF m

13.4 Other tangible non-current assets: 2002

	Machinery / furniture / motor vehicles	IT equipment	Total
Book value at January 1	44.1	44.2	**88.3**
Additions	20.4	23.8	**44.2**
Additions arising from changes in composition of consolidated Group	0.4	0.1	**0.5**
Disposals	- 1.9	- 0.5	**- 2.4**
Disposals arising from changes in composition of consolidated Group	–	–	**–**
Depreciation	- 14.8	- 28.1	**- 42.9**
Impairment of value accounted for in income statement	–	–	**–**
Reinstatement of original value accounted for in income statement	–	–	**–**
Exchange differences	- 0.5	- 0.4	**- 0.9**
Book value at December 31	47.7	39.1	**86.8**
Cost	102.2	121.1	**223.3**
Accumulated depreciation and write-downs	- 54.5	- 82.0	**- 136.5**
At December 31 (net)	**47.7**	**39.1**	**86.8**
of which assets under finance leases	0.1	5.5	**5.6**

in CHF m

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14. Deferred Acquisition Costs

	Non-life		Life		Total	
	2001	**2002**	2001	**2002**	2001	**2002**
At January 1	**131.9**	**135.5**	**277.1**	**588.6**	**409.0**	**724.1**
Deferred during the year under review	204.9	251.7	130.7	134.3	**335.6**	**386.0**
Written off in the year under review	-199.4	-229.6	-60.4	-152.9	**-259.8**	**-382.5**
Written off in the year under review due to anticipated loss	-0.3	-2.4	–	–	**-0.3**	**-2.4**
Change as a result of unrealized gains and losses on investments	–	–	247.4	95.9	**247.4**	**95.9**
Disposals arising from changes in composition of the consolidated Group	–	–	–	–	**–**	**–**
Exchange differences	-1.6	-1.3	-6.2	-9.3	**-7.8**	**-10.6**
At December 31	**135.5**	**153.9**	**588.6**	**656.6**	**724.1**	**810.5**

in CHF m

15. Loss Reserves Including Claims Processing Costs

	2001	2002
At January 1 (gross)	**4,021.5**	**4,182.0**
Amount attributable to reinsurers	- 307.1	- 353.7
Loss reserves for own account	3,714.4	3,828.3
Claims incurred (including claims processing costs)		
For current year	1,750.4	1,900.8
For prior years	34.6	20.0
Total	**1,785.0**	**1,920.8**
Payments made for loss and claims processing costs		
For current year	- 895.8	- 933.8
For prior years	- 645.4	- 808.3
Total	**- 1,541.2**	**- 1,742.1**
Other movements		
Changes in composition of consolidated Group	- 94.1	–
Exchange differences	- 35.8	- 91.7
Total	**- 129.9**	**- 91.7**
At December 31 (net)	**3,828.3**	**3,915.3**
Loss reserves for own account	3,828.3	3,915.3
Amount attributable to reinsurers	353.7	280.8
Loss reserves at December 31 (gross)	**4,182.0**	**4,196.1**

in CHF m

Particular attention is paid to environmental claims relating to disposal sites, waste, asbestos material and, in general, substances which are harmful to humans and to the environment. Ascertaining when such cases might arise and determining the potential extent of such claims involves much greater uncertainty than in all traditionally used claims models. Therefore, the provisions set up for these claims are surrounded by a higher level of uncertainty. At the end of 2001, these provisions, which are included in the total provision, amounted to CHF 429.2 million, and they stood at CHF 353.9 million at the end of 2002. The decline by 75.3 million is due to claims processing amounting to CHF 20.0 million and currency effects amounting to CHF 55.3 million, as a large part of the provisions are held in foreign currencies.

16. Actuarial Reserve: Life

	2001	**2002**
Long-term contracts		
Contracts with surplus sharing	27,418.2	29,618.1
Contracts without surplus sharing	140.7	139.6
Total	**27,558.9**	**29,757.7**

in CHF m

17. Policyholder Bonuses Credited and Provision for Future Policyholder Bonuses

	2001	**2002**
Policyholder bonuses credited	3,583.6	3,238.9
Provision for future policyholder bonuses	614.1	446.1
Total	**4,197.7**	**3,685.0**

in CHF m

Where life insurance policyholders have a right to receive policyholder bonuses on the basis of statutory provisions or contractual agreements, an appropriate provision is set up. The provision consists of the following:

- Amounts which have irrevocably been set aside for future surplus sharing
- Policyholders' share of results disclosed
- Policyholders' share of unrealized gains and losses on investments.

The provision for final policyholder bonuses is included in the actuarial reserve.

Policyholder bonuses credited are understood to be policyholder bonuses that have already been allocated to the policyholder and bear interest like savings assets up to the maturity of the contract.

18. Reinsurance

18.1 Technical provisions and deposits arising from reinsurance business

	Gross		Investments and deposits arising from reinsurance business		Net	
	2001	**2002**	2001	**2002**	2001	**2002**
Unearned premiums reserves	380.9	419.3	6.4	6.4	374.5	412.9
Loss reserves	4,182.0	4,196.1	353.7	280.8	3,828.3	3,915.3
Actuarial reserve: life	27,558.9	29,757.7	212.0	136.7	27,346.9	29,621.0
Policyholder bonuses credited and provision for future policyholder bonuses	4,197.7	3,685.0	0.1	0.0	4,197.6	3,685.0
Total technical provisions	**36,319.5**	**38,058.1**	**572.2**	**423.9**	**35,747.3**	**37,634.2**
Deposits arising from reinsurance	–	–	11.9	1.1	–	–
Impairment of value accounted for in income statement	–	–	–	–	–	–
Total investments and deposits arising from reinsurance business	**–**	**–**	**584.1**	**425.0**	**–**	**–**

in CHF m

No single reinsurer or reinsurance contract is so material to the Group that its loss would have a significant effect on consolidated net profit.

In the year 2002 3 percent of gross premiums and policy fees were ceded to external reinsurers (2001: 3 percent). 67 percent (2001: 81 percent) of reinsurance are ceded to reinsurers rated AA (Standard & Poor’s) or better.

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18.2 Premiums earned and policy fees

18.2.1 Premiums earned and policy fees: 2001

	Non-life	Life	Elimination	Total
Direct gross premiums earned	2,534.0	4,058.0	0.0	**6,592.0**
Indirect gross premiums earned	66.3	–	- 16.0	**50.3**
Total gross premiums earned	**2,600.3**	**4,058.0**	**- 16.0**	**6,642.3**
Reinsurance ceded	- 181.0	- 44.8	16.9	**- 208.9**
Total net premiums earned	**2,419.3**	**4,013.2**	**0.9**	**6,433.4**

in CHF m

18.2.2 Premiums earned and policy fees: 2002

	Non-life	Life	Elimination	Total
Direct gross premiums earned	2,531.3	4,633.1	0.0	**7,164.4**
Indirect gross premiums earned	100.2	–	- 15.6	**84.6**
Total gross premiums earned	**2,631.5**	**4,633.1**	**- 15.6**	**7,249.0**
Reinsurance ceded	- 179.5	- 39.7	16.2	**- 203.0**
Total net premiums earned	**2,452.0**	**4,593.4**	**0.6**	**7,046.0**

in CHF m

18.3 Deposit funds with reinsurers and deposit fund liabilities relating to deposit accounting

	2001	2002
Deposits (held as assets)	8.8	0.3
Deposit fund liabilities	- 0.1	- 0.2
Total deposits (net)	**8.7**	**0.1**

in CHF m

18.4 Movements on deposits in deposit accounting

	2001	2002
At January 1	**6.9**	**8.7**
Increases in deposits	3.1	3.1
Redemptions	- 0.9	- 11.7
Exchange differences	- 0.4	0.0
At December 31	**8.7**	**0.1**

in CHF m

19. Liabilities from Banking Business and Loans

19.1 Liabilities from banking business and loans

	2001	**2002**
Amounts due to banks	1,330.2	802.1
Fixed-term deposits payable	12.3	96.2
Loans	90.2	81.8
Mortgages	0.2	0.4
Savings and bank customer deposits	4,520.6	4,698.2
Medium-term fixed-rate notes	1,906.3	1,936.1
Mortgage bonds	576.1	614.2
Bonds	1,088.1	1,266.0
Liabilities under finance leases	173.2	164.2
Total	**9,697.2**	**9,659.2**

in CHF m

Of these, CHF 96,2 million (2001: CHF 18.9 million) relate to subordinated liabilities as at December 31, 2002.

19.2 Bonds

	2001	**2002**
At January 1	**1,085.4**	**1,088.1**
Initial offer price of newly issued bonds	–	175.2
Embedded derivative	–	–
Deferred tax portion	–	–
Additions (subtotal)	–	–
Disposals / redemptions	–	–
Interest expense	39.9	43.4
Nominal interest	- 37.2	- 40.7
Accrued interest (subtotal)	2.7	2.7
At December 31	**1,088.1**	**1,266.0**

in CHF m

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19.3 Terms applicable to the bonds outstanding

	Baloise Finance (Jersey) Ltd.	Bâloise-Holding	Bâloise-Holding	Baloise Bank SoBa
Nominal value in CHF m	200	300	600	175
Interest rate	1.0%	3.25%	4.25%	3.625%
Effective interest rate	3.2%	3.25%	4.25%	3.625%
Advance redemption date	–	–	–	–
Redemption amount	100%	100%	100%	100%
Conversion rights	in UBS shares	no	no	no
Year of issue	1998	1998	2000	2002
Redemption date	4.7.2006	4.7.2008	9.28.2005	6.12.2007
Security number	SWX 858858	SWX 858851	SWX 1123532	SWX 1422292

19.4 Reconciliation between minimum lease and their present value

	2001	**2002**
Lease period:		
‹ 1 year	15.1	13.9
1–5 years	43.3	40.0
› 5 years	208.2	193.1
Total minimum lease payments	**266.6**	**247.0**
Future finance expenses	- 93.4	- 82.8
Total present value	**173.2**	**164.2**

in CHF m

20. Financial Provisions for the Year 2002

	Restructuring	Other	**Total**
At January 1	**12.6**	**100.0**	**112.6**
Currency translation	- 0.3	- 0.8	**- 1.1**
Additional provisions charged to income	30.0	22.5	**52.5**
Unused amounts reversed and released to income	–	- 19.9	**- 19.9**
Amounts used charged against the provision	- 2.2	- 10.2	**- 12.4**
Increase owing to mark-up for interest	–	–	**–**
At December 31	**40.1**	**91.6**	**131.7**

in CHF m

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21. Tax on Income

21.1 Current and deferred tax on income

	2001	**2002**
Switzerland		
Current tax	64.1	21.3
Deferred tax	43.5	- 33.9
Subtotal	107.6	- 12.6
Germany		
Current tax	5.9	- 0.5
Deferred tax	- 2.6	- 12.4
Subtotal	3.3	- 12.9
Benelux		
Current tax	20.8	4.6
Deferred tax	- 15.5	- 44.3
Subtotal	5.3	- 39.7
Other countries		
Current tax	2.3	8.3
Deferred tax	- 1.6	- 25.8
Subtotal	0.7	- 17.5
Total: all countries		
Current tax	93.1	33.7
Current tax	23.8	- 116.4
Total	**116.9**	**- 82.7**

in CHF m

21.2 Expected and actual tax on income

	2001	**2002**
Expected tax on income	123.1	- 166.8
Increase / decrease due to		
tax-exempt interest and dividend credits	- 13.4	- 7.2
tax-exempt gains from shares and participating interests	- 11.3	–
tax-exempt losses from shares and participating interests	9.4	88.3
Withholding tax for dividends	4.4	0.3
Change in interest rates	- 0.5	- 7.6
Tax elements unrelated to accounting period	4.4	7.8
Disposal of enterprises	–	–
Other factors	0.8	2.5
Actual tax on income	**116.9**	**- 82.7**

in CHF m

The expected average tax rate of the Baloise Group came to 23.6 percent in 2001 and to 23.3 percent in 2002. These rates correspond to the weighted average of the tax rates of those countries in which the Baloise Group operates.

The tax-exempt losses from shares and participating interests amounting to CHF 88.3 million were mainly incurred by the Belgian companies.

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21.3 Deferred tax assets and liabilities

	2001	2002
Reasons for deferred tax assets		
Unearned premiums reserves	11.5	19.9
Loss reserves	5.2	3.9
Actuarial reserve (life)	214.5	146.9
Unrealized losses on investments	2.1	0.5
Losses brought forward	22.3	52.2
Other	312.0	306.5
Total	**567.6**	**529.9**
Reasons for deferred tax liabilities		
Deferred acquisition costs	194.1	191.8
Unearned premiums reserves	27.8	28.0
Loss reserves	170.1	132.5
Actuarial reserve (life)	86.6	103.2
Unrealized gains on financial investments	392.9	120.8
Depreciable assets	32.0	36.5
Other intangible assets	1.0	1.7
Other	736.4	597.0
Total	**1,640.9**	**1,211.5**
Total (net)	**1,073.3**	**681.6**

in CHF m

The tax on income payable at the end of 2001 and 2002, which is included in other liabilities, amounted to CHF 114.5 million and 29.6 million respectively. At December 31, 2002, the Baloise Group capitalized losses brought forward that can be offset against tax amounting to CHF 151.8 million (subject to statutory regulations; 2001: CHF 58.2 million). Most lapse after five or more years.

No tax assets were capitalized at December 31, 2002 on losses carried forward of CHF 411.2 million.

22. Number of Employees and Personnel Costs

The Baloise Group had 8,703 employees on December 31, 2002; on December 31, 2001, the number of employees was 8,623. Total personnel costs for the fiscal year 2002 amounted to CHF 1,105.1 million, compared with CHF 1,079.4 million the previous year.

23. Benefits Due to Employees

The most significant part of total personnel costs consists of actual direct benefits provided to employees. These are divided into the following categories: short-term and long-term benefits, postemployment benefits, termination benefits and equity benefits.

23.1 Assets and liabilities relating to employee benefits

		Assets relating to employee benefits		Liabilities relating to employee benefits
	2001	**2002**	2001	**2002**
Type of benefits				
Short-term benefits	11.6	11.8	115.5	158.2
Postemployment benefits: defined contribution plans	–	–	1.5	2.1
Postemployment benefits: defined benefit plans	39.2	39.0	383.3	387.6
Other long-term benefits	–	–	23.0	20.5
Termination benefits	1.5	2.2	36.3	28.2
Equity benefits	–	–	–	–
Total	**52.3**	**53.0**	**559.6**	**596.6**

in CHF m

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23.2 Benefits from occupational benefit plans

Benefits from occupational benefit plans comprise all amounts provided for current employees and pensioners. The following table aggregates pension plans under “pensions” and shows other benefits (such as subsidized mortgages) under “other benefits”.

23.2.1 Liabilities relating to defined benefit plan

	2001	**2002**
Present value of funded obligations	- 1,737.7	- 1,759.5
Fair value of plan assets	1,815.6	1,706.8
Funding surplus / shortfall	77.9	- 52.7
Present value of unfunded obligations	- 348.3	- 365.8
Unrecognized actuarial gains / losses	64.1	211.7
Net pension obligation	- 206.3	- 206.8
Liabilities relating to other benefits	- 20.6	- 20.8
Net liabilities relating to defined benefit plans	**- 226.9**	**- 227.6**
of which disclosed as liabilities	- 383.3	- 387.6
of which disclosed as assets	39.2	39.0
of which not disclosed as assets	117.2	121.0

in CHF m

In countries in which pension plans are effected by means of separate funds into which contributions are made, it is possible that funding surpluses or shortfalls may arise, as evidenced in the table above. Such surpluses are only capitalized and recognized as assets to the extent that they represent future cost savings to the Baloise Group.

The plan assets include shares in Bâloise-Holding which had a market value of CHF 55.1 million at December 2002 and CHF 183.8 million at December 2001. The plan assets do not include property leased to the Baloise Group.

23.2.2 Expenses relating to defined benefit plans

	2001	**2002**
Current service cost	65.2	62.1
Interest cost	82.8	84.9
Expected return on plan assets	- 91.6	- 73.1
Redemption of actuarial gains and losses	–	- 1.5
Effect of any changes and use restrictions	23.4	2.8
Employees' contributions	- 12.3	- 12.7
Total expense for pension benefits	**67.5**	**62.5**
Expense for other benefits	1.1	1.5
Total expense relating to defined benefit plans	**68.6**	**64.0**

in CHF m

23.2.3 Income from plan assets

	2001	**2002**
Expected return on plan assets	- 91.6	- 73.1
Gains or losses on plan assets	111.2	170.8
Total income from plan assets	**19.6**	**97.7**

in CHF m

23.2.4 Net obligations in respect of pension benefits

	2001	**2002**
At January 1	**323.5**	**323.5**
Exchange differences	- 9.5	- 7.2
Increase due to changes in composition of consolidated Group	–	–
Decrease due to changes in composition of consolidated Group	–	–
Amount recognized in income statement	67.5	62.5
Payments by employer	- 58.0	- 51.0
At December 31	**323.5**	**327.8**

in CHF m

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23.2.5 Actuarial assumptions

	2001	**2002**
Discount rate	4.1	4.1
Expected rate of return on plan assets	5.0	4.0
Expected increases in wages and salaries	2.2	2.2
Expected increases in pension benefits	1.2	1.2

in percent

Actuarial and other assumptions are used in calculating expenditure and obligations relating to defined benefit plans, by company and by country. The assumptions set out above are weighted averages.

23.3 Other long-term employee benefits

Benefits payable to current employees twelve months or more after the end of the fiscal year are disclosed separately in accordance with specific requirements. The requirements are similar to those applying to pension obligations. Most of the benefits are employee service anniversary benefits. At December 31, 2002, the present value of the obligation was CHF 20.5 million (2001: CHF 23.0 million). No plan assets were deducted for long-term benefits. Other long-term employee benefits amounting to CHF 2.2 million (2001: CHF 2.7 million) are included in the income statement.

23.4 Equity benefits: purchase of shares by employees

The Baloise Employee Trust set up in 1989 gives the employees of various Group companies the opportunity, subject to the rules issued by the Trust's Board, to acquire shares in Bâloise-Holding, usually on an annual basis, at a preferential subscription price. The employees pay the subscription price to the Trust during the current fiscal year and determine themselves the blocking period for the sale of the shares, which must be at least three years. During the year under review, 80,491 shares (2001: 156,951 shares) were purchased at a price of CHF 42.50 (2001: CHF 76).

23.5 Equity benefits: share participation scheme

	2001	**2002**
Number of shares subscribed to	122,850	106,760
Blocked until	5.31.2004	5.31.2005
Subscription price per share	165.96	123.31
Value of shares subscribed to (in CHF m)	20.4	13.2

23.6 Equity benefits: share option scheme

	2001	**2002**
Stock exchange designation for options	BALUP	BALIX
Number of options issued	6,666,040	2,088,103
Blocked until	6.1.2003	6.1.2004
Number of underlying Bâloise-Holding shares	66,660	41,762
Exercise price in CHF	167.8	197.1
Expiry date	6.15.2005	6.15.2005
Expenses of the Baloise Group (in CHF m)	1.6	1.3

24. Capital and Reserves

24.1 Share capital

	Number of shares	Share capital
At December 31, 2000	5,670,400	56.7
Capital reduction	- 139,685	- 1.4
Reduction of nominal value	–	- 49.8
Share split 1:10	49,776,435	–
At December 31, 2001	**55,307,150**	**5.5**
At December 31, 2002	**55,307,150**	**5.5**

in CHF m

The Bâloise-Holding registered shares are fully paid up and have a nominal value of CHF 0.1 (2001: CHF 0.1). A total of 560,000 shares at December 31, 2001 and 702,540 shares at December 31, 2002 were held by Group companies. Entry in the share register is limited to 2 percent of voting rights for individuals and bodies corporate. In the course of its normal investment business, the Baloise Group purchases and sells its own shares.

Capitalization regulations: Under supervisory law, minimum capital regulations (solvency regulations) apply to subsidiaries which carry out insurance business. At December 31, 2001 and December 31, 2002, the subsidiaries complied with all relevant supervisory regulations in respect of capitalization.

24.2 Dividends

Dividends proposed are not paid until they have been approved by the Annual General Meeting. At the Annual General Meeting on May 16, 2003, a dividend of CHF 0.40 per share (2001: CHF 2.40) will be proposed for the 2001 fiscal year, a total figure of CHF 22.1 million (2001: CHF 132.7 million). The proposed dividend has not been included in the consolidated financial statements for the 2002 fiscal year. It will be charged to accumulated profit following the adoption of the resolution at the 2003 Annual General Meeting.

Restrictions on dividend payments by subsidiaries: Subsidiaries of the Baloise Group which carry out insurance business are subject to certain supervisory restrictions relating to dividend payments.

25. Earnings / loss per Share

	2001	2002
Consolidated net profit / loss in CHF m	404.4	- 634.5
Average number of shares	55,286,619	54,837,865
Earnings / loss per share in CHF	**7.31**	**- 11.56**

The diluted net earnings coincide with the basic earnings per share because no option rights exist (either for capital market transactions or for employee share schemes) that could raise the current number of outstanding shares.

26. Minority Interests

	2001	2002
At January 1	**46.2**	**41.5**
Share of consolidated net profit	1.7	2.9
Change in share of unrealized gains and losses in capital and reserves	- 27.4	3.7
Increase / decrease due to changes in share of investment held	18.1	- 21.5
Increase / decrease due to changes in composition of consolidated Group	–	–
Exchange differences	2.9	1.5
At December 31	**41.5**	**28.1**

in CHF m

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27. Interest Payable

	2001	**2002**
Interest on policyholder bonuses credited	105.4	103.9
Savings and customer deposits	177.5	151.2
Medium-term fixed-rate notes	95.6	91.9
Mortgage bonds	17.0	6.4
Bonds	39.9	43.5
Other interest	63.2	68.0
Total	**498.6**	**464.9**

in CHF m

28. Related-Party Transactions

In the course of its ordinary business activities, the Baloise Group conducts transactions with associated companies and with members of the Board of Directors and the Corporate Executive Committee of Bâloise-Holding. Deutscher Ring Krankenversicherungsverein, a mutual insurance company, is not included in the consolidation of the Baloise Group, yet is linked with Deutscher Ring Lebensversicherung and Deutscher Ring Sachversicherung through an organization agreement and is therefore considered to be a related party. These transactions are not material to the Baloise Group either individually or in aggregate and are conducted at market conditions.

29. Supplemental Cash Flow Disclosure

	2001	**2002**
Cash and bank balances	870.4	662.6
Cash equivalents	17.9	13.2
Total	**888.3**	**675.8**

in CHF m

30. Market Risk Relating to Financial Instruments

The Baloise Group conducts insurance business in various European countries and holds investments worldwide and is therefore exposed to financial risks, such as currency risk, credit risk, interest rate risk, liquidity risk and market risk.

In 1998, the Baloise Group implemented comprehensive, Group-wide risk management at all levels to control these risks. This involves both the active operational management of individual and portfolio risks on the finance and insurance side, and the development of general risk-based business management systems. Not only does this provide security for shareholders and clients; it also leads to a positive rating on the capital market. By benchmarking all activities based on their contribution to value added (measured by the return on risk-adjusted capital), it is possible to focus on the most profitable segments.

Decentralized risk management units track economic market developments on a monthly basis and the effects of these on the risk portfolio and individual risk capacity. In addition, they ensure that limits are being adhered to and market-derived benchmarks monitored, thus ensuring that financial risk is restricted to market risk that cannot be dealt with by diversification. Stochastic and other methods (value at risk for operational short-term management, extreme value methods for long-term management) and extensive scenario analyses are used to manage the remaining market risk. By applying this risk management concept, the Baloise Group is in a position to react quickly to changes in the market environment and to optimize its strategic long-term-position profitably.

30.1 Derivatives: fair value hedges

At the end of 2001 and 2002, no derivatives were held as fair value hedges.

30.2 Derivatives: cash flow hedges

	Contract values		Fair value: assets		Fair value: liabilities	
	2001	**2002**	2001	**2002**	2001	**2002**
Interest rate instruments:						
Forward exchange transactions	–	–	–	–	–	–
Swaps	1,605.5	3,032.3	14.8	34.0	0.3	0.2
OTC options	–	–	–	–	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Total	**1,605.5**	**3,032.3**	**14.8**	**34.0**	**0.3**	**0.2**

in CHF m

Equity instruments and foreign exchange instruments are hedged. According to IFRS, however, such hedges do not count as cash flow hedges.

30.3 Currency risk

The insurance activities of the Baloise Group are conducted almost entirely in Swiss francs and the euro, and therefore the technical provisions are also in these two currencies. Investments held by foreign subsidiaries are to a large extent currency-matched. In order to increase income, the Swiss companies hold a net euro position of CHF 3,255.6 m (2001: CHF 3,153.6 million), a net US dollar position of CHF 2,142.5 million (2001: 2,164.6 million) and a net Japanese yen position of CHF 81.4 (2001: CHF 249.9 million). Other net currency positions, whether assets or liabilities, are of little amount. Foreign currency positions are hedged only to a minor extent, with the exception of one USD 150 million position.

30.4 Credit risk

Credit risk is defined as the risk that one party or counterparty to a financial instrument will fail to discharge an obligation. The risk is managed by reviewing the creditworthiness of each individual counterparty, setting high standards as regards their rating. As the credit risk of the Baloise Group is spread over a large number of counterparties, clients, etc., the Baloise Group has no significant credit risk with a single counterparty.

Credit risk grows as the concentration of counterparties in a single line of business or geographical area increases. Economic developments which affect entire lines of business or geographical areas can put at risk the debt-paying ability of a whole group of otherwise independent counterparties. For this reason, the Baloise Group permanently reviews its portfolios of counterparties on a Group-wide basis.

30.5 Concentration of credit risks

	2001	2002
Shares and fixed-interest investments > 10 %		
of consolidated capital and reserves		
UBS AG, Zurich / Basel	838.0	1’737.6
Federation of Switzerland	757.9	1’429.3
Bayerische Hypo- und Vereinsbank, Munich	901.4	690.9
Kingdom of Belgium	186.5	680.7
Deutsche Bank AG, Frankfurt a.M.	546.7	649.1
Federal Republic of Germany	656.0	515.0
CS Group, Zurich	570.2	497.5
Novartis AG, Basel	873.4	468.6
DZ Bank AG, Frankfurt a.M.	641.0	458.7
Republic of Austria	311.4	437.2
Nestlé AG, Vevey	685.8	426.6
Landesbank Baden-Württemberg, Stuttgart	209.7	408.0
Bayerische Landesbank, Munich	321.7	319.1

in CHF m

Time deposits make up CHF 1,252 million of the total amount placed with UBS AG, Zurich / Basel.

30.6 Interest rate risk of financial instruments

Interest rate risk refers to the potential fluctuations in the market value of assets and liabilities as a result of changes in market interest rates. In the Baloise Group, the interest rate risk for fixed-interest securities is controlled by regular, active, benchmark-oriented reviews of maturity dates.

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30.7 Liquidity risks

30.7.1 Liquidity risk at December 31, 2001

	Due in: ‹ 1 year	Due in: 1 – 5 years	Due in: › 5 years	Total
Assets with due date	12,642.5	13,554.5	11,482.9	**37,679.9**
Assets without fixed due date	–	–	–	**19,814.9**
Liabilities with due date	- 8,970.3	- 2,880.4	- 1,683.1	**- 13,533.8**
Liabilities without fixed due date	–	–	–	**- 38,534.7**
Net liquidity risk	**3,672.2**	**10,674.1**	**9,799.8**	**5,426.3**

in CHF m

30.7.2 Liquidity risk at December 31, 2002

	Due in: ‹ 1 year	Due in: 1 – 5 years	Due in: › 5 years	Total
Fixed-interest securities	1,525.2	10,261.2	10,120.4	**21,906.8**
Mortgage loans	4,415.3	4,767.7	1,349.0	**10,532.0**
Policy and other loans	438.5	589.7	492.2	**1,520.4**
Other investments	2,829.4	–	0.2	**2,829.6**
Other assets	4,343.2	–	0.7	**4,343.9**
Assets without fixed due date	–	–	–	**15,781.1**
Total	**13,551.6**	**15,618.6**	**11,962.5**	**56,913.8**
Liabilities from banking business and loans	- 5,274.5	- 2,512.5	- 1,872.2	**- 9,659.2**
Payables arising out of insurance operations	- 2,101.8	0.0	–	**- 2,101.8**
Other liabilities	- 1,769.5	- 28.2	- 410.2	**- 2,207.9**
Liabilities without fixed due date	–	–	–	**- 39,828.7**
Total	**- 9,145.8**	**- 2,540.7**	**- 2,282.4**	**- 53,797.6**
Net liquidity risk	**4,405.8**	**13,077.9**	**9,680.1**	**3,116.2**

in CHF m

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30.8 Market value of financial assets and liabilities and market risks

The following table contains information on the book and market values of significant financial assets and liabilities which are not shown in the balance sheet at market or fair value.

30.8.1 Financial assets and liabilities not shown at market value

	Book value		Market value	
	2001	**2002**	2001	**2002**
Fixed-interest securities held to maturity	159.7	158.5	162.7	165.7
Mortgage loans	10,500.4	10,532.0	10,590.0	10,846.7
Policy and other loans	1,663.1	1,520.4	1,669.8	1,536.7
Liabilities from banking business and loans	9,697.2	9,659.2	9,719.4	9,896.6

in CHF m

The market values of these financial assets and liabilities have been determined in accordance with the rules set out in Note 3.20, "Fair value of financial assets and liabilities".

31. Companies Consolidated on a Proportionate Basis

	2001	**2002**
Included in balance sheet and income statement		
Investments	812.8	756.4
Intangible assets and tangible non-current assets	17.3	10.5
Liabilities	766.7	718.6
Capital and reserves	83.0	113.4
Income	143.1	200.8
Expenses	138.1	140.2

in CHF m

32. Contingent Liabilities and Commitments

32.1 Legal disputes

The Baloise Group and its subsidiaries are constantly faced with legal disputes, claims and complaints which in most cases stem from normal insurance operations. No new facts in this respect have been reported to the Corporate Executive Committee since the last balance sheet date that could have a significant impact on the consolidated annual accounts 2002.

32.2 Capital commitments

	2001	**2002**
Commitments entered into for the future purchase of		
Investments	532.6	616.8
Tangible non-current assets	–	–
Intangible assets	–	–
Total commitments entered into	**532.6**	**616.8**
of which relating to joint ventures	–	–
of which own share of joint venture capital commitments	–	–

in CHF m

32.3 Warranties and guaranties for the benefit of third parties

The Baloise Group has issued warranties and incurred obligations to third parties, associates, partnerships and joint ventures. These include obligations under contracts to pay capital contributions or contributions to capital and reserves or to allocate funds to cover redemptions or interest payments due. The Baloise Group is not aware of any cases of default which could have an effect on warranties.

32.4 Warranties and guaranties for the benefit of third parties

	2001	2002
Warranties	706.0	837.4
Guaranties	3.9	5.7
Total warranties and guaranties for the benefit of third parties	**709.9**	**843.1**
of which for the benefit of partners in joint ventures	–	–
of which from joint ventures	–	–
of which for the benefit of joint ventures	–	–

in CHF m

32.5 Assets assigned or pledged as security

	Assets		Amount of hedged obligation	
	2001	2002	2001	2002
Investments	2,468.9	1,535.4	1,728.2	1,208.9
Tangible non-current assets	–	–	–	–
Intangible assets	–	–	–	–
Other assets	–	–	–	–
Total	**2,468.9**	**1,535.4**	**1,728.2**	**1,208.9**

in CHF m

32.6 Obligations under operating leases

	Lease payments
2003	1.2
2004	0.6
2005	0.3
2006	0.1
2007 and later	0.8
Total	**3.0**

in CHF m

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33. Events after the Balance Sheet Date

Up to the completion of the present consolidated financial statements on March 27, 2003, we were not aware of any events that would have a significant effect on the financial statements as a whole. Details on the purchase of the German insurance company Securitas can be found in section 5.2 of this Annual Report.

34. Significant Subsidiaries and Participating Interests at December 31, 2002

Switzerland	Principal activity	Holding in percent	Method of inclusion[1]	Currency	Total assets in millions	Gross premiums / policy fees in millions
Bâloise-Holding, Basel	Holding	Holding		CHF	1,936.6	–
Baloise Insurance Company, Basel	Non-life	100.00	F	CHF	5,087.6	1,174.9
Baloise Life Insurance Company, Basel	Life	100.00	F	CHF	2,397.5	3,477.9
Baloise Bank SoBa, Solothurn	Banking	100.00	F	CHF	5,203.8	–
Haakon AG, Basel	Other	74.75	F	CHF	40.5	–
Prevo-System AG, Basel	Other	26.00	E	CHF	–	–
Baloise Asset Management Switzerland Ltd., Basel	Asset management	100.00	F	CHF	11.2	–
Baloise Asset Management International Ltd., Basel	Investment advice	100.00	F	CHF	4.3	–

Germany

Germany	Principal activity	Holding in percent	Method of inclusion[1]	Currency	Total assets in millions	Gross premiums / policy fees in millions
Basler Versicherung Beteiligungsgesellschaft mbH, Hamburg	Holding	100.00	F	EUR	249.4	–
Basler Beteiligungs-Holding GmbH, Bad Homburg	Holding	100.00	F	EUR	35.1	–
Deutscher Ring Lebensversicherungs-AG, Hamburg	Life	100.00	F	EUR	7,635.9	582.6
Deutscher Ring Sachversicherungs-AG, Hamburg	Non-life	100.00	F	EUR	604.5	193.1
Deutscher Ring Bausparkasse AG, Hamburg	Banking	100.00	F / P	EUR	586.0	–
Deutscher Ring Beteiligungsholding GmbH, Hamburg	Other	65.00	F / P	EUR	327.4	–
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	Other	40.00	E	EUR	–	–
Deutscher Ring Financial Services GmbH, Hamburg	Other	100.00	F / P	EUR	6.6	–
Grocon Erste Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F	EUR	20.5	–
Grocon Zweite Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F / P	EUR	18.1	–
OVB Vermögensberatung AG, Cologne	Other	60.95	F / P	EUR	57.8	–
Roland Rechtsschutz Beteiligungs GmbH, Cologne	Other	60.00	F / P	EUR	21.8	–
Roland Rechtsschutz Versicherungs-AG, Cologne	Other	25.02	E	EUR	–	–
Zeus Vermittlungsgesellschaft mbH, Hamburg	Other	90.10	F / P	EUR	19.6	–

1 F: fully consolidated, P: consolidated on a proportionate basis, E: stated at equity valuation

(continued)

Belgium	Principal activity	Holding in percent	Method of inclusion[1]	Currency	Total assets in millions	Gross premiums / policy fees in millions
Mercator Verzekeringen N.V., Ghent / Antwerp	Life and Non-life	100.00	F	EUR	2,303.3	409.9
Amazon Insurance N.V., Antwerp	Non-life	100.00	F	EUR	17.3	13.3
Mercator, Re N.V., Antwerp	Reinsurance	100.00	F	EUR	5.8	0.0
HBK-Leven N.V., Antwerp	Life	100.00	F	EUR	2.8	0.0
Euromex N.V., Antwerp	Non-life	100.00	F	EUR	44.8	19.0
Mercator Banque S.A., Antwerp	Banking	100.00	F	EUR	3,093.2	–
Corluy en C° Beurvennootschap N.V., Antwerp	Banking	37.50	E	EUR	–	–
Amid N.V., Ghent	Other	97.16	F	EUR	2.9	–
Antwerp Real Estate N.V., Antwerp	Other	84.00	F	EUR	5.6	–
Automobielcenter Gent N.V., Ledeberg	Other	97.38	F	EUR	4.1	–
Belcar N.V., Aartselaar	Other	75.00	F	EUR	17.1	–
Brinvest N.V., Antwerp	Other	31.19	E	EUR	–	–
Conjuncta N.V., Antwerp	Other	100.00	F	EUR	5.5	–
Hondius N.V., Antwerp	Other	100.00	F	EUR	19.9	–
Mercarios N.V., Antwerp	Other	50.00	P	EUR	10.8	–
Merno-Immo N.V., Ghent	Other	99.75	F	EUR	20.0	–
Plastic Investment Company, Kortrijk	Other	29.00	E	EUR	–	–
Rec-Hold, Brussels	Other	29.82	E	EUR	–	–
Rubens 2000 N.V., Antwerp	Other	100.00	F	EUR	55.3	–
Sogaplim N.V., Ghent	Other	50.00	P	EUR	25.7	–

Luxembourg						
Bâloise (Luxembourg) Holding S.A., Luxembourg	Holding	100.00	F	CHF	629.8	–
Bâloise Assurances Luxembourg S.A., Luxembourg	Non-life	100.00	F	EUR	112.8	25.2
Bâloise Vie Luxembourg S.A., Luxembourg	Life	100.00	F	EUR	218.2	20.0
Globinvest AG, Luxembourg	Other	100.00	F	CHF	55.3	–
Baloise Fund Invest Advico, Luxembourg	Investment advice	100.00	F	EUR	2.6	–

1 F: fully consolidated, P: consolidated on a proportionate basis, E: stated at equity valuation

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Significant subsidiaries and participating interests at December 31, 2002 (continued)

Austria	Principal activity	Holding in percent	Method of inclusion[1]	Currency	Total assets in millions	Gross premiums / policy fees in millions
Basler Versicherungs-Aktiengesellschaft in Österreich, Vienna	Life and Non-life	100.00	F	EUR	429.7	63.1
Basler Osiguranje d.d., Zagreb	Non-life	97.00	F	HRK	37.0	11.5
Basler Zivotno Osiguranje d.d., Zagreb	Life	97.00	F	HRK	25.2	3.0
Basler Immobilien GmbH, Vienna	Other	100.00	F	EUR	46.2	–

Other countries						
Baloise Insurance Co. (I.O. M.) Ltd., Douglas / Isle of Man / British Isles	Reinsurance	100.00	F	CHF	355.8	187.0
Baloise Insurance Company (Bermuda) Ltd., Hamilton / Bermuda	Reinsurance	100.00	F	CHF	466.0	116.7
Baloise Alternative Investment Strategies Ltd., Grand Cayman, Cayman Islands	Asset management	100.00	F	USD	498.4	–
Baloise Finance (Jersey) Ltd., St. Helier / Jersey / Channel Islands	Other	100.00	F	CHF	602.5	–
Baloise Private Equity Ltd., Cayman Islands	Asset management	100.00	F	USD	236.4	–
Bâloise (España) S.A., Madrid	Other	100.00	F	EUR	17.5	–

1 F: fully consolidated, P: consolidated on a proportionate basis, E: stated at equity valuation

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Report of the Group Auditors

Report of the Group auditors to the General Meeting of Bâloise-Holding, Basel

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in capital and reserves, and notes to the financial statements, pages 51 to 63 and 71 to 128)[1] of the Baloise Group for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Sütterlin Peter Lüssi

Basel, March 27, 2003

1 The German version of the Financial Report is binding.

Income Statement: Bâloise-Holding

Income

Income	2001/2002	2002/2003
Income from participating interests	332,856,261	136,822,483
Interest on loans to Group companies	14,914,048	6,369,215
Income from other financial assets	4,796,089	6,563,784
Other interest receivable	1,114,935	1,854,630
Realized gains on investments	4,887,719	53,340,146
Other income	3,813,593	37,101,262
Total income	**362,382,645**	**242,051,520**

Expenses

Expenses	2001/2002	2002/2003
Administrative expenses	- 7,098,265	- 2,647,419
Interest payable	- 54,578,124	- 48,498,465
Amortization of capital investments	- 17,940,000	-166,393,960
Other expenses	- 53,567	- 2,249,356
Total expenses	**- 79,669,956**	**-219,789,200**

Overall Result

Overall Result	2001/2002	2002/2003
Total income	362,382,645	242,051,520
Total expenses	- 79,669,956	-219,789,200
Total profit before tax	282,712,689	22,262,320
Tax on income and capital	- 2,060,363	- 292,460
Net profit	**280,652,326**	**21,969,860**

in CHF

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Balance Sheet: Bâloise-Holding

Assets

Assets	Note	3.31.2002	3.31.2003
Bank balances		1,748	2,716
Receivables from Group companies		–	58,821,404
Other receivables		6,090,167	1,174,651
Prepayments		9,282,052	661,920
Current assets		**15,373,967**	**60,660,691**
Participating interests	2	1,349,842,891	1,325,502,411
Loans to Group companies		420,000,000	220,000,000
Other investments		219,595,192	173,404,517
Non-current assets		**1,989,438,083**	**1,718,906,928**
Total assets		**2,004,812,050**	**1,779,567,619**

Liabilities and Capital and Reserves

Short-term liabilities		45,531	66,492
Payables to Group companies		286,340,729	214,336,587
Long-term liabilities		70,000,000	70,000,000
Bonds	1	900,000,000	900,000,000
Provisions		42,680,800	321,850
Deferred income		25,460,732	25,325,732
Liabilities		**1,324,527,792**	**1,210,050,661**
Share capital		5,530,715	5,530,715
General reserve		11,724,001	11,724,001
Reserve for own shares	5	55,064,335	20,045,540
Free reserve		326,538,907	509,457,702
Accumulated profit		281,426,300	22,759,000
Capital and reserves		**680,284,258**	**569,516,958**
Total liabilities and capital and reserves		**2,004,812,050**	**1,779,567,619**

in CHF

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Notes to the Financial Statements of Bâloise-Holding

1. Bonds Outstanding

Amount	Interest rate	Issued	Maturity date
300 Mio. CHF	3¼%	1998	4.7.2008
600 Mio. CHF	4¼%	2000	9.28.2005

2. Participating Interests

Company	Holding at 3.31.2002	Holding at 3.31.2003
Baloise Insurance Company, Basel	100	100
Baloise Life Insurance Company, Basel	100	100
Baloise Bank SoBa, Solothurn	100	100
Baloise Asset Management Switzerland Ltd., Basel	100	100
Baloise Asset Management International AG, Basel	100	100
Haakon AG, Basel	75	75
Basler Versicherung Beteiligungsges. mbH, Hamburg	100	100
Basler Beteiligungs-Holding GmbH, Bad Homburg	–	100
Bâloise (Luxembourg) Holding S.A., Luxembourg	100	100
Globinvest AG, Luxembourg	100	100
Baloise Fund Invest Advico, Luxembourg	100	100
Baloise Insurance Co. (I.O.M.) Ltd., Isle of Man	100	100
Baloise Insurance Company (Bermuda) Ltd., Bermuda	100	100
Baloise Finance (Jersey) Ltd., Jersey	100	100

in percent

The holdings have been rounded to the nearest percent. Additional information about the participating interests of Bâloise-Holding is given on pages 126 to 128.

3. Significant Shareholders

The Baloise shareholdership witnessed some significant changes, causing a substantial increase in the free float. Since October 1, 2002 the Baloise has been factored into SWX index calculations with a free float of 100 percent.

While Netherlands-based Strategic Money Management Company B.V.'s holding amounted to approximately 21.0 percent as per their disclosure notice of December 27, 2001, BZ Group's investment contracted successively from 20.1 to 8.2 percent at year-end, due in part to the sale of BK Vision to Zürcher Kantonalbank. After exceeding the 5 percent threshold in July, Zürcher Kantonalbank reported on

December 20, 2002 that its shareholding had again fallen below 5 percent. The following table provides a current breakdown of shareholders as at March 31, 2003.

Shareholders	Total holding at 3.31.2002	Share of voting rights at 3.31.2002	**Total holding at 3.31.2003**	Share of voting rights at 3.31.2003
Strategic Money Management B.V.	21.0	–	**21.0**	–
BZ Group	20.1	2.1	**8.2**	–
Boston Safe Deposit & Trust	–	–	**4.0**	–
Morgan Nominees	0.8	–	**3.7**	–
Chase Nominees	2.6	1.0	**3.4**	0.8
Landesbank Baden-Württemberg	–	–	**2.7**	2.0
UBS Group	2.1	1.5	**1.2**	0.9
Deutsche Bank Nominees	3.3	2.0	**0.8**	0.8

in percent

4. Contingent Liabilities

At March 31,2002, warranty obligations amounted to CHF 279.4 million (prior year: CHF 788.5 million). Of these, CHF 204.0 million relate to the warranty in respect of the convertible bond issued by Baloise Finance (Jersey) Ltd. The securities needed for hedging are recognized as other investments.

Bâloise-Holding is jointly and severally liable for value-added tax payable with all the companies in the tax group set up by the Baloise Insurance Company.

5. Own Shares

The companies in the Baloise Group bought a total of 114,900 shares at an average price of CHF 129 per share during the year under review, and sold 462,660 shares at an average price of CHF 75. At March 31, 2002, they together held a total of 153,640 Bâloise-Holding shares.

At March 31,2003, an amount of CHF 35.0 million was transferred from the reserve for own shares to the free reserve of Bâloise-Holding.

6. Personnel Expenses

Administrative costs include CHF 1.1 million relating to personnel expenses in the year under review (prior year: CHF 0.7 million).

Report of the Statutory Auditors

Report of the Statutory Auditors to the General Meeting of Bâloise-Holding, Basel

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 130 to 133)[1] of Bâloise-Holding for the period of April 1, 2002 to March 31, 2003.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's Articles of Incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Sütterlin   Peter Lüssi

Basel, April 2, 2003

1 The German version of the Financial Report is binding.

Proposed Allocation of Available Earnings

		2001 / 2002		**2002 / 2003**
Net profit for the year		280,652,326		21,969,860
Retained earnings brought forward		773,974		789,140
Available earnings		281,426,300		22,759,000
Dividend distribution required by Articles of Incorporation	-	276,536	-	276,536
Available for distribution by the shareholders at General Meeting		281,149,764		22,482,464
Proposed by the Board of Directors				
Allocation to free reserve	-	147,900,000		–
Additional dividend distribution	-	132,460,624	-	21,846,324
Retained earnings carried forward		**789,140**		**636,140**

in CHF

The above distribution is in accordance with the provisions of Article 30 of the Articles of Incorporation and results in a distribution of CHF 0.40 gross per share (CHF 0.26 after deduction of withholding tax).

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