

## 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		Net	
	2003	2004	2003	2004
<b>Combined ratio: non-life</b>				
Loss ratio	67.3	63.0	71.2	66.0
Expense ratio	29.9	29.6	31.6	31.1
Surplus sharing ratio	0.4	0.4	0.4	0.4
<b>Combined ratio</b>	<b>97.6</b>	<b>93.0</b>	<b>103.2</b>	<b>97.5</b>

as a percentage of premiums earned

Combined ratio (gross): non-life, by geographical segment	Switzerland		Germany		Benelux		Other countries	
	2003	2004	2003	2004	2003	2004	2003	2004
Loss ratio	71.3	68.5	64.9	57.5	67.1	64.4	53.8	61.2
Expense ratio	23.8	23.7	36.1	35.9	31.2	31.2	18.4	20.2
Surplus sharing ratio	0.8	0.9	0.1	0.1	0.0	0.0	0.2	0.2
<b>Combined ratio</b>	<b>95.9</b>	<b>93.1</b>	<b>101.1</b>	<b>93.5</b>	<b>98.3</b>	<b>95.6</b>	<b>72.4</b>	<b>81.6</b>

as a percentage of premiums earned

Reserve ratio: non-life	2003	2004
Technical provision for own account	5,097.6	5,204.9
Premiums written and policy fees for own account	2,873.4	2,897.8
<b>Reserve ratio in percent</b>	<b>177.4</b>	<b>179.6</b>

in CHF m

## Technical income statement

		Non-life		Life	
<b>Gross</b>	2003	<b>2004</b>	2003	<b>2004</b>	
Gross premiums written and policy fees	3,088.8	3,081.4	4,301.1	3,956.4	
Change in unearned premiums reserves	-4.0	-4.5	-/-	-/-	
Premiums earned and policy fees	3,084.8	3,076.9	4,301.1	3,956.4	
Claims and benefits paid	-1,969.2	-1,527.8	-3,600.1	-3,999.3	
Change in loss reserves/actuarial reserve	-108.4	-409.2	-1,096.6	-292.3	
Claims and benefits paid	-2,077.6	-1,937.0	-4,696.7	-4,291.6	
Policyholder bonuses paid	-12.7	-12.9	-428.1	-476.1	
Technical costs	-921.8	-910.6	-301.6	-481.2	
<b>Total underwriting result (gross)</b>	<b>72.7</b>	<b>216.4</b>	<b>-1,125.3</b>	<b>-1,292.5</b>	
<b>Reinsurance ceded</b>					
Premiums earned and policy fees	-218.6	-183.3	-53.0	-61.3	
Claims and benefits paid	38.5	30.5	49.0	49.9	
Policyholder bonuses paid	0.3	-/-	-/-	-/-	
Technical costs	15.7	9.5	4.3	6.6	
<b>Total underwriting result of business ceded</b>	<b>-164.1</b>	<b>-143.3</b>	<b>0.3</b>	<b>-4.8</b>	
<b>Net</b>					
Premiums earned and policy fees	2,866.2	2,893.6	4,248.1	3,895.1	
Claims and benefits paid	-2,039.1	-1,906.5	-4,647.7	-4,241.7	
Policyholder bonuses paid	-12.4	-12.9	-428.1	-476.1	
Technical costs	-906.1	-901.1	-297.3	-474.6	
<b>Total underwriting result for own account</b>	<b>-91.4</b>	<b>73.1</b>	<b>-1,125.0</b>	<b>-1,297.3</b>	
Investment income (gross)	262.8	265.1	1,492.8	1,364.2	
Realized gains and losses on investments (net) <sup>1</sup>	-43.0	-50.2	-66.5	199.2	
Investment expenses	-20.6	-17.3	-54.9	-58.2	
Other nontechnical income and expenses	-16.0	-26.1	-170.6	-144.3	
<b>Investment result</b>	<b>183.2</b>	<b>171.5</b>	<b>1,200.8</b>	<b>1,360.9</b>	
<b>Annual profit before tax and minority interests</b>	<b>91.8</b>	<b>244.6</b>	<b>75.8</b>	<b>63.6</b>	
Tax on income	-43.3	-60.5	-41.7	-9.3	
<b>Annual profit after tax and before minority interests</b>	<b>48.5</b>	<b>184.1</b>	<b>34.1</b>	<b>54.3</b>	
Minority interests	0.0	0.0	0.0	0.3	
<b>Annual net profit</b>	<b>48.5</b>	<b>184.1</b>	<b>34.1</b>	<b>54.6</b>	

in CHF m

<sup>1</sup> Including financial liabilities held for trading (derivative financial instruments)

The reported technical costs 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 Asset Management).

### Embedded value

The embedded value of the life insurance business consists of three elements: the adjusted net asset value of the life insurance activities, the value of insurance business in force and the cost of solvency capital. Embedded value does not take into account any new business that will be written in the future.

The adjusted net asset value is based on the market value of investments and the statutory value of liabilities from insurance operations. The unrealized gains and losses on investments (equities and properties), which can be subject to significant fluctuations, represent a significant part of the adjusted net asset value. For the life operations

of Luxembourg, Austria and Croatia, the embedded value consists only of the shareholders' capital.

The value of insurance business in force corresponds to the earnings generated by the insurance portfolio in the future. These earnings are obtained by discounting expected future cash flows arising from the existing insurance contracts. A large number of assumptions need to be made to calculate this value, the most important of which are listed in the table below.

The cost of solvency is the charge for the cost of capital supporting the solvency requirements of the business.

Assumptions	2003	2004
Risk discount rate	7.6	7.6
Bond yield	3.5–3.9	2.8–3.4
Equity return	7.2	7.2
Property return	5.1	5.1
Tax rate	23.7	23.6

in percent

<b>Embedded value</b>	2003	2004
<b>Embedded value at January 1</b>	<b>1,630.8</b>	<b>1,980.2</b>
Of which value of insurance business in force	855.4	1,236.1
Of which adjusted net asset value	1,192.4	1,231.5 <sup>1</sup>
Of which cost of solvency	-417.0	-487.4 <sup>1</sup>
Operating income from insurance in force, adjusted net asset value and new business contribution	275.7	118.8
Economic changes, including changes in unrealized gains and losses on investments (equities and properties)	20.5	-5.2
Dividends and capital movements	26.8	46.6
Differences arising from exchange rates	26.4	-3.6
<b>Embedded value at December 31</b>	<b>1,980.2</b>	<b>2,136.8</b>
Of which value of insurance business in force	1,236.1	1,181.7
Of which adjusted net asset value	1,008.1	1,400.3
Of which cost of solvency	-264.0	-445.2

in CHF m, all figures "after tax"

<sup>1</sup> Unrealized capital gains allocated to Swiss group business are used to cover part of the solvency requirements. The presentation of this element under the legal quote has been changed to be consistent with other Swiss companies. This led to CHF 223.4 million being transferred from cost of solvency to adjusted net asset value.

<b>Sensitivities</b>	2003	2004
Base value in CHF m	1,980.2	2,136.8
+/- 1% change in risk discount rate	-7.2/+8.4	-6.9/+8.1
+/- 10% change in market value of equities	+4.3/-4.8	+4.9/-4.8
+/- 10% change in market value of property	+4.6/-7.6	+5.3/-5.3
+/- 0.5% change in new money rate	+17.5/-17.6	+7.8/-8.5

in percent

<b>New business</b>	2003	2004
Value new business in CHF m	15.5	15.2
APE <sup>1</sup> in CHF m	306.5	261.0
<b>New business margin</b>	<b>5.0</b>	<b>5.8</b>

in percent

<sup>1</sup> Annual Premium Equivalent = 100% regular premium of new business +10% single premium

External review: Deloitte have reviewed the choice of methodology together with the assumption and calculations made by Baloise Group in the calculation of the embedded value results of its Life Business at December 31, 2004. Deloitte have reported to Baloise that they consider that the methodology is appropriate, Baloise's assumptions are reasonable and that the embedded value results as published above have been properly compiled on the basis of methodology and assumptions chosen. For the purpose of this report, Deloitte have performed certain checks on data provided.

**Investment performance in 2003**

	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivative financial instruments and other	Total
Current investment income	1,163.5	95.0	259.9	505.8	81.0	<b>2,105.2</b>
Realized gains	513.1	462.4	44.1	21.0	177.6	<b>1,218.2</b>
Realized losses	-60.8	-1,426.2	-28.3	-79.8	-267.1	<b>-1,862.2</b>
Change in unrealized gains and losses taken to capital and reserves	-307.3	642.4	-/-	-/-	180.2	<b>515.3</b>
Impairment in value charged to income (net)	10.0	607.6	-/-	18.4	-33.3	<b>602.7</b>
Investment management costs	-30.8	-8.7	-9.8	-10.2	-16.4	<b>-75.9</b>
<b>Operating profit</b>	<b>1,287.7</b>	<b>372.5</b>	<b>265.9</b>	<b>455.2</b>	<b>122.0</b>	<b>2,503.3</b>
<b>Average level of investments</b>	<b>26,389.8</b>	<b>4,642.6</b>	<b>5,510.4</b>	<b>12,398.7</b>	<b>5,127.9</b>	<b>54,069.4</b>
<b>Performance in percent</b>	<b>4.9</b>	<b>8.0</b>	<b>4.8</b>	<b>3.7</b>	<b>2.4</b>	<b>4.6</b>

in CHF m

**Investment performance in 2004**

	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivative financial instruments and other	Total
Current investment income	1,051.3	80.8	262.7	440.3	48.7	<b>1,883.8</b>
Realized gains	189.1	407.0	45.0	25.7	188.6	<b>855.4</b>
Realized losses	-81.5	-261.5	-109.5	-89.7	-240.1	<b>-782.3</b>
Change in unrealized gains and losses taken to capital and reserves	85.3	4.9	-/-	-/-	168.3	<b>258.5</b>
Impairment in value charged to income (net)	-1.6	121.6	-/-	15.0	-19.7	<b>115.3</b>
Investment management costs	-27.7	-6.5	-12.0	-9.0	-20.6	<b>-75.8</b>
<b>Operating profit</b>	<b>1,214.9</b>	<b>346.3</b>	<b>186.2</b>	<b>382.3</b>	<b>125.2</b>	<b>2,254.9</b>
<b>Average level of investments</b>	<b>28,347.9</b>	<b>3,771.5</b>	<b>5,636.3</b>	<b>11,828.8</b>	<b>4,969.0</b>	<b>54,553.5</b>
<b>Performance in percent</b>	<b>4.3</b>	<b>9.2</b>	<b>3.3</b>	<b>3.2</b>	<b>2.5</b>	<b>4.1</b>

in CHF m

## Results from banking business

<b>Interest income</b>	2003	<b>2004</b>
Due from banks	1.9	1.4
Loans to customers	261.6	208.8
Investments	138.5	78.4
Other	1.0	0.1
<b>Total interest income</b>	<b>403.0</b>	<b>288.7</b>
<b>Interest payable</b>		
Due to banks and customers	-107.9	-70.5
Medium-term fixed-rate notes, bonds and mortgage bonds	-99.5	-110.0
Other	-27.7	-32.4
<b>Total interest payable</b>	<b>-235.1</b>	<b>-212.9</b>
<b>Net interest income</b>	<b>167.9</b>	<b>75.8</b>
Result from commission business and services	19.2	29.0
Realized gains and losses on investments	27.5	49.6
Other income	8.3	2.1
<b>Total income from banking business</b>	<b>222.9</b>	<b>156.5</b>
<b>Expenses related to banking business</b>		
Staff costs	-93.9	-68.1
Operating expenses	-73.5	-48.7
<b>Total expenses related to banking business</b>	<b>-167.4</b>	<b>-116.8</b>
<b>Gross profit</b>	<b>55.5</b>	<b>39.7</b>
Losses and provisions relating to credit risks	-16.6	1.9
Revaluation, amortization and depreciation of intangible assets and tangible noncurrent assets	-9.6	-8.4
Annual profit before tax and minority interests	29.3	33.2
Tax on income	-15.0	-23.5
Minority interests	0.0	0.0
<b>Annual net profit</b>	<b>14.3</b>	<b>9.7</b>

in CHF m

Mercator Banque S.A. has been included in the banking business result up to August 2004, the date of its sale.

<b>Assets under management</b>	2003	<b>2004</b>
Own investments	56,307.7	52,799.3
Investments for account and risk of life insurance policyholders	798.2	1,143.6
Assets managed for third parties	8,445.2	7,331.9
<b>Total</b>	<b>65,551.1</b>	<b>61,274.8</b>

in CHF m

<b>Other sales</b>	2003	<b>2004</b>
Sales other than premium type, in particular sale of fund units for unit-linked life insurance	541.8	587.6

in CHF m

# Five-year review

## Consolidated income statement

### Income

	Note	2000	2001	2002	2003	2004
Gross premiums written and policy fees <sup>1</sup>	6	6,701.2	6,632.7	7,274.5	7,374.7	7,022.1
Reinsurance premiums ceded	18	-230.8	-207.4	-203.6	-253.2	-229.3
Premiums written and policy fees for own account		6,470.4	6,425.3	7,070.9	7,121.5	6,792.8
Change in unearned premiums reserves for own account		14.3	8.1	-24.9	-6.8	-5.0
Premiums earned and policy fees for own account		6,484.7	6,433.4	7,046.0	7,114.7	6,787.8
Investment income (net)	7.1	2,154.4	2,081.2	2,024.1	2,029.3	1,808.0
Realized gains and losses on investments (net) <sup>2</sup>	7.3	826.7	149.4	-806.5	-41.3	188.4
Income from other services		265.5	271.8	249.4	254.7	254.6
Other income		108.7	154.1	183.7	147.2	107.2
<b>Total income</b>		<b>9,840.0</b>	<b>9,089.9</b>	<b>8,696.7</b>	<b>9,504.6</b>	<b>9,146.0</b>

### Expenses

Claims incurred including processing costs (non-life)	15	-1,727.9	-1,785.0	-1,920.8	-2,031.1	-1,899.5
Claims and benefits paid (life)		-2,756.5	-2,896.6	-2,946.5	-3,704.2	-3,916.4
Change in actuarial reserve (life)	16	-1,680.3	-1,449.4	-2,235.0	-952.2	-332.0
Surplus and profit allocations to policyholders	17	-870.9	-177.6	29.2	-440.5	-489.1
Acquisition costs	14	-311.3	-367.8	-461.7	-277.1	-488.0
Administrative and other operating expenses		-1,267.3	-1,238.6	-1,226.5	-1,318.4	-1,200.8
Interest payable	27	-380.0	-498.6	-464.9	-405.1	-392.1
Revaluation, amortization and depreciation of intangible assets and tangible noncurrent assets	12/13	-113.7	-153.3	-184.8	-152.3	-94.4
<b>Total expenses</b>		<b>-9,107.9</b>	<b>-8,566.9</b>	<b>-9,411.0</b>	<b>-9,280.9</b>	<b>-8,812.3</b>
<b>Annual profit/loss before tax and minority interests</b>		<b>732.1</b>	<b>523.0</b>	<b>-714.3</b>	<b>223.7</b>	<b>333.7</b>
Tax on income	21	-94.6	-116.9	82.7	-125.4	-99.0
<b>Annual profit/loss after tax and before minority interests</b>		<b>637.5</b>	<b>406.1</b>	<b>-631.6</b>	<b>98.3</b>	<b>234.7</b>
Minority interests	26	-3.1	-1.7	-2.9	-6.9	-13.0
<b>Consolidated annual net profit/loss</b>		<b>634.4</b>	<b>404.4</b>	<b>-634.5</b>	<b>91.4</b>	<b>221.7</b>

in CHF m

### 1 Additional information

Gross premiums written and policy fees	6,701.2	6,632.7	7,274.5	7,374.7	7,022.1
Investment-type premiums	176.4	248.4	253.0	261.0	443.5
<b>Gross premiums, policy fees and investment-type premiums</b>	<b>6,877.6</b>	<b>6,881.1</b>	<b>7,527.5</b>	<b>7,635.7</b>	<b>7,465.6</b>

in CHF m

Combined ratio (gross)	104.7	105.7	105.2	97.6	93.0
Reserve ratio non-life	186.0	184.3	181.1	177.4	179.6

in percent

<sup>1</sup> In accordance with the accounting policies of the Baloise Group, investment-type premiums are not included in gross premiums and policy fees.

<sup>2</sup> Including financial liabilities held for trading (derivative financial instruments)

## Consolidated balance sheet

### Assets

Investments	Note	12.31.2000	12.31.2001	12.31.2002	12.31.2003	12.31.2004
Fixed-interest securities		19,908.1	20,569.3	21,906.8	29,525.4	27,170.3
Shares		13,330.4	10,000.8	5,752.4	3,475.9	4,067.2
Alternative financial assets		920.9	1,117.2	1,039.0	1,337.9	1,636.1
Derivative financial instruments	10	85.9	19.3	212.8	292.9	262.5
Investment property	8	4,965.8	5,042.2	5,305.7	5,653.4	5,619.2
Mortgage loans		10,438.7	10,500.4	10,532.0	11,002.4	9,798.3
Policy and other loans		1,856.7	1,663.1	1,520.4	1,456.6	1,400.3
Participating interests in associates	9	316.3	289.1	286.9	223.8	148.2
Other short-term investments		631.2	695.1	2,829.6	2,647.4	2,010.6
Cash and cash equivalents	29	759.9	888.3	675.8	692.0	686.6
<b>Total investments</b>	<b>6</b>	<b>53,213.9</b>	<b>50,784.8</b>	<b>50,061.4</b>	<b>56,307.7</b>	<b>52,799.3</b>
Investments for account and risk of life insurance policyholders	11	362.4	512.4	550.5	798.2	1,143.6
Deferred tax	21	447.2	567.6	529.9	905.9	876.1
Other assets		5,260.5	5,630.0	5,772.0	6,289.0	4,801.8
<b>Total assets</b>		<b>59,284.0</b>	<b>57,494.8</b>	<b>56,913.8</b>	<b>64,300.8</b>	<b>59,620.8</b>

### Liabilities and capital and reserves

<b>Capital and reserves</b>		<b>7,372.8</b>	<b>5,384.8</b>	<b>3,088.1</b>	<b>3,319.8</b>	<b>3,482.5</b>
<b>Minority interests</b>	26	<b>46.2</b>	<b>41.5</b>	<b>28.1</b>	<b>40.7</b>	<b>63.5</b>
<b>Liabilities</b>						
Unearned premiums reserves (gross)		629.9	380.9	419.3	493.3	494.1
Loss reserves (gross)	15	4,021.5	4,182.0	4,196.1	4,786.3	4,829.9
Actuarial reserve life (gross)	16	26,314.5	27,558.9	29,757.7	32,985.7	33,158.7
Policyholder bonuses credited and provision for future policyholder bonuses	17	4,768.6	4,197.7	3,685.0	4,063.4	4,220.6
Technical provisions for account and risk of life insurance policyholders		356.7	513.7	554.6	798.1	1,143.6
Payables arising from insurance operations		1,349.7	1,521.2	1,682.5	1,620.7	1,534.0
Deposit fund liabilities arising from reinsurance		281.7	269.0	205.1	451.5	403.7
Liabilities from banking business and loans	19	10,048.9	9,697.2	9,659.2	11,411.7	6,272.5
Derivative financial instruments	10	84.2	59.9	87.0	252.4	160.3
Nontechnical provisions	20	127.5	112.6	131.7	118.9	117.9
Benefits due to employees	23	563.6	559.6	596.6	680.0	663.0
Deferred tax	21	1,946.8	1,640.9	1,211.5	1,640.8	1,638.4
Other liabilities and deferred income		1,371.4	1,374.9	1,611.3	1,637.5	1,438.1
<b>Total liabilities</b>		<b>51,865.0</b>	<b>52,068.5</b>	<b>53,797.6</b>	<b>60,940.3</b>	<b>56,074.8</b>
<b>Total liabilities and capital and reserves</b>		<b>59,284.0</b>	<b>57,494.8</b>	<b>56,913.8</b>	<b>64,300.8</b>	<b>59,620.8</b>

in CHF m





Prospect



340:0

## Financial Report 2004

# Contents

### Consolidated Financial Statements of the Baloise Group

Consolidated income statement	69
Consolidated balance sheet	70
Consolidated cash flow statement	72
Consolidated capital and reserves	74
Notes to the consolidated financial statements	76
Report of the Group auditors	121

### Financial Statements of Baloise-Holding 2004/2005

Income statement	123
Balance sheet	124
Notes to the financial statements	125
Proposed allocation of accumulated profit	127
Report of the statutory auditors	128



# Consolidated income statement

## Income

	Note	2003	2004
Gross premiums written and policy fees <sup>1</sup>	6	7,374.7	7,022.1
Reinsurance premiums ceded	18	-253.2	-229.3
Premiums written and policy fees for own account		7,121.5	6,792.8
Change in unearned premiums reserves for own account		-6.8	-5.0
Premiums earned and policy fees for own account		7,114.7	6,787.8
Investment income (net)	7.1	2,029.3	1,808.0
Realized gains and losses on investments (net) <sup>2</sup>	7.3	-41.3	188.4
Income from other services		254.7	254.6
Other income		147.2	107.2
<b>Total income</b>		<b>9,504.6</b>	<b>9,146.0</b>

## Expenses

Claims incurred including processing costs (non-life)	15	-2,031.1	-1,899.5
Claims and benefits paid (life)		-3,704.2	-3,916.4
Change in actuarial reserve (life)	16	-952.2	-332.0
Surplus and profit allocations to policyholders	17	-440.5	-489.1
Acquisition costs	14	-277.1	-488.0
Administrative and other operating expenses		-1,318.4	-1,200.8
Interest payable	27	-405.1	-392.1
Revaluation and amortization of intangible assets	12	-77.5	-30.5
Revaluation and depreciation of tangible noncurrent assets	13	-74.8	-63.9
<b>Total expenses</b>		<b>-9,280.9</b>	<b>-8,812.3</b>
<b>Annual profit before tax and minority interests</b>		<b>223.7</b>	<b>333.7</b>
Tax on income	21	-125.4	-99.0
<b>Annual profit after tax and before minority interests</b>		<b>98.3</b>	<b>234.7</b>
Minority interests	26	-6.9	-13.0
<b>Consolidated annual net profit</b>		<b>91.4</b>	<b>221.7</b>
in CHF m			
Basic earnings per share	25	1.67	4.04
Diluted earnings per share	25	1.67	4.04
in CHF			

<sup>1</sup> In accordance with the accounting policies of the Baloise Group, investment-type premiums are not included in gross premiums and policy fees.

<sup>2</sup> Including financial liabilities held for trading (derivative financial instruments)

# Consolidated balance sheet

## Assets

	Note	12.31.2003	12.31.2004
<b>Investments</b>			
Fixed-interest securities			
Held for trading		334.3	277.2
Held to maturity		10,348.6	10,455.2
Available for sale		18,842.5	16,437.9
Shares			
Held for trading		200.6	219.3
Available for sale		3,275.3	3,847.9
Alternative financial assets – available for sale		1,337.9	1,636.1
Derivative financial instruments – held for trading	10	292.9	262.5
Investment property	8	5,653.4	5,619.2
Mortgage loans		11,002.4	9,798.3
Policy and other loans		1,456.6	1,400.3
Participating interests in associates	9	223.8	148.2
Other short-term investments			
Held for trading		1.2	-/-
Held to maturity		1,840.7	1,715.1
Available for sale		805.5	295.5
Cash and cash equivalents	29	692.0	686.6
<b>Total investments</b>	<b>6</b>	<b>56,307.7</b>	<b>52,799.3</b>
<b>Total investments for account and risk of life insurance policyholders</b>	<b>11</b>	<b>798.2</b>	<b>1,143.6</b>
<b>Other assets</b>			
Reinsurance assets	18	737.1	627.0
Receivables arising out of insurance operations		1,289.0	1,108.1
Receivables relating to employee benefits	23	41.2	33.3
Other receivables		1,385.6	363.9
Accrued investment income		798.2	657.8
Deferred acquisition costs	14	985.9	969.7
Intangible assets	12	122.3	157.0
Property, plant and equipment for own use	13	605.3	564.5
Other tangible noncurrent assets	13	91.4	83.0
Deferred tax	21	905.9	876.1
Other assets		233.0	237.5
<b>Total other assets</b>		<b>7,194.9</b>	<b>5,677.9</b>
<b>Total assets</b>		<b>64,300.8</b>	<b>59,620.8</b>

in CHF m

## Liabilities and capital and reserves

Capital and reserves	Note	12.31.2003	12.31.2004
Share capital	24	5.5	5.5
Capital reserves		90.3	77.6
Less treasury stock		-49.7	-50.2
Unrealized gains and losses (net)	7	161.1	148.5
Accumulated profit		3,112.6	3,301.1
<b>Total capital and reserves</b>		<b>3,319.8</b>	<b>3,482.5</b>
<b>Minority interests</b>	26	<b>40.7</b>	<b>63.5</b>
<b>Liabilities</b>			
Unearned premiums reserves (gross)		493.3	494.1
Loss reserves (gross)	15	4,786.3	4,829.9
Actuarial reserve life (gross)	16	32,985.7	33,158.7
Policyholder bonuses credited and provision for future policyholder bonuses	17	4,063.4	4,220.6
Technical provisions for account and risk of life insurance policyholders		798.1	1,143.6
Payables arising from insurance operations		1,620.7	1,534.0
Deposit fund liabilities arising from reinsurance		451.5	403.7
Liabilities from banking business and loans	19	11,411.7	6,272.5
Derivative financial instruments	10	252.4	160.3
Nontechnical provisions	20	118.9	117.9
Benefits due to employees	23	680.0	663.0
Deferred tax	21	1,640.8	1,638.4
Other liabilities and deferred income		1,637.5	1,438.1
<b>Total liabilities</b>		<b>60,940.3</b>	<b>56,074.8</b>
<b>Total liabilities and capital and reserves</b>		<b>64,300.8</b>	<b>59,620.8</b>

in CHF m

## Consolidated cash flow statement

<b>Cash flow from operating activities</b>	Note	2003	<b>2004</b>
Annual profit/loss for the year before tax		223.7	333.7
<b>Adjustments for</b>			
Realized gains and losses on the sale of investments	7	41.3	-188.4
Income from participating interests in associates		-41.6	-21.7
Interest income on security deposits		0.2	13.3
Policy fees on investment-type products		-10.1	-0.8
Revaluation, amortization and depreciation of intangible assets and tangible noncurrent assets		152.3	94.4
Foreign exchange gains and losses		-19.2	-18.4
<b>Movements in operating assets and liabilities</b>			
Assets from reinsurance business		-125.5	101.9
Deferred acquisition costs		-218.2	-38.1
Unearned premiums reserves		8.1	5.2
Loss reserves		82.9	66.3
Actuarial reserve (life)		1,068.6	296.4
Technical provisions for account and risk of insurance policyholders		4.3	0.0
Other movements in operating assets and liabilities		62.4	1,041.5
<b>Cash flow from operating activities (gross)</b>		<b>1,229.2</b>	<b>1,685.3</b>
Tax paid		-26.3	-60.2
<b>Cash flow from operating activities (net)</b>		<b>1,202.9</b>	<b>1,625.1</b>
Of which from joint ventures		-16.3	-24.9
<b>Cash flow from investing activities</b>			
Purchase of fixed-interest securities and similar		-19,007.7	-9,968.9
Disposal of fixed-interest securities and similar		13,976.1	13,606.2
Purchase of shares		-5,094.2	-5,100.4
Disposal of shares		7,890.9	4,731.4
Purchase of investment property		-462.8	-155.6
Disposal of investment property		305.3	115.3
Purchase of other investments		-9,735.6	-4,679.3
Disposal of other investments		9,256.2	4,617.6
Purchase of intangible assets and tangible noncurrent assets		-138.8	-109.5
Disposal of intangible assets and tangible noncurrent assets		47.8	32.4
Cash flow from increase in share of investments held		-/-	0.0
Acquisition of subsidiaries where there is no effect on cash and cash equivalents	5	-115.1	0.0
Disposal of subsidiaries where there is no effect on cash and cash equivalents	5	37.5	148.0
Acquisition of participating interests in associates (net)		94.4	-10.4
Dividends received from associates		9.1	9.2
<b>Cash flow from investing activities (net)</b>		<b>-2,936.9</b>	<b>3,236.0</b>
Of which from joint ventures		28.3	13.2

in CHF m



<b>Cash flow from financing activities</b>	Note	2003	2004
Capital increases		-/-	-/-
Capital reductions		-/-	-/-
Cash inflow from investment-type products		354.5	360.9
Cash outflow from investment-type products		-138.2	-11.2
Increases in liabilities from banking business and loans		1,806.4	964.0
Decreases in liabilities from banking business and loans		-289.5	-6,128.5
Cash flow from own shares		16.5	-13.2
Dividends paid		-22.1	-33.2
<b>Cash flow from financing activities (net)</b>		<b>1,727.6</b>	<b>-4,861.2</b>
Of which from joint ventures		-4.2	-38.6
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>22.6</b>	<b>-5.3</b>
<b>Total movement in cash and cash equivalents</b>		<b>16.2</b>	<b>-5.4</b>
<b>Cash and cash equivalents</b>			
Balance at January 1		675.8	692.0
Movement during year		16.2	-5.4
<b>Balance at December 31</b>		<b>692.0</b>	<b>686.6</b>
in CHF m			
<b>Additional information on cash flow from operating activities</b>			
Other interest received		1,244.8	1,027.9
Dividends received		47.6	60.8
Interest paid		-350.0	-203.6
in CHF m			

## Consolidated capital and reserves

	Share capital	Capital reserves	Less treasury stock	Unrealized gains and losses (net)	Accumulated profit	Total capital and reserves
<b>Balance at December 31, 2002</b>	<b>5.5</b>	<b>108.9</b>	<b>-84.8</b>	<b>15.2</b>	<b>3,043.3</b>	<b>3,088.1</b>
Movement on unrealized gains and losses on investments (gross)	-/-	-/-	-/-	515.3	-/-	515.3
<b>Less movement on</b>						
Policyholder surplus	-/-	-/-	-/-	-141.2	-/-	-141.2
Deferred acquisition costs not charged to income	-/-	-/-	-/-	-99.1	-/-	-99.1
Deferred tax	-/-	-/-	-/-	-13.6	-/-	-13.6
Foreign exchange differences	-/-	-/-	-/-	-115.3	-/-	-115.3
Minority interests	-/-	-/-	-/-	-0.2	-/-	-0.2
Movement on unrealized gains and losses on investments (net)	-/-	-/-	-/-	145.9	-/-	145.9
Dividends	-/-	-/-	-/-	-/-	-22.1	-22.1
Consolidated annual net profit	-/-	-/-	-/-	-/-	91.4	91.4
Purchase/disposal of treasury stock	-/-	-18.6	35.1	-/-	-/-	16.5
<b>Balance at December 31, 2003</b>	<b>5.5</b>	<b>90.3</b>	<b>-49.7</b>	<b>161.1</b>	<b>3,112.6</b>	<b>3,319.8</b>

in CHF m

Continued

	Share capital	Capital reserves	Less treasury stock	Unrealized gains and losses (net)	Accumulated profit	Total capital and reserves
<b>Balance at December 31, 2003</b>	<b>5.5</b>	<b>90.3</b>	<b>-49.7</b>	<b>161.1</b>	<b>3,112.6</b>	<b>3,319.8</b>
Movement on unrealized gains and losses on investments (gross)	-/-	-/-	-/-	258.5	-/-	258.5
<b>Less movement on</b>						
Policyholder surplus	-/-	-/-	-/-	-117.7	-/-	-117.7
Deferred acquisition costs not charged to income	-/-	-/-	-/-	-46.0	-/-	-46.0
Deferred tax	-/-	-/-	-/-	-6.4	-/-	-6.4
Foreign exchange differences	-/-	-/-	-/-	-100.9	-/-	-100.9
Minority interests	-/-	-/-	-/-	-0.1	-/-	-0.1
Movement on unrealized gains and losses on investments (net)	-/-	-/-	-/-	-12.6	-/-	-12.6
Dividends	-/-	-/-	-/-	-/-	-33.2	-33.2
Consolidated annual net profit	-/-	-/-	-/-	-/-	221.7	221.7
Purchase/disposal of treasury stock	-/-	-12.7	-0.5	-/-	-/-	-13.2
<b>Balance at December 31, 2004</b>	<b>5.5</b>	<b>77.6</b>	<b>-50.2</b>	<b>148.5</b>	<b>3,301.1</b>	<b>3,482.5</b>

in CHF m

# Notes to the consolidated financial statements

## 1. Basis of accounting

The Baloise Group operates solely in Europe. It comprises 14 insurance companies, which provide almost all types of life and non-life insurance. The holding company is Baloise-Holding, a Swiss stock corporation (Aktiengesellschaft) which has its registered office in Basel, Switzerland. The shares of Baloise-Holding are quoted on SWX Swiss Exchange. Its subsidiaries operate in the insurance markets of Switzerland, Germany, Belgium, Austria, Luxembourg and Croatia. The banking business is carried out by subsidiaries in Switzerland and Germany. The Baloise Group also has an investment fund structure in Luxembourg.

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 IFRS do not currently contain any insurance-specific guidelines, insurance business has been valued in accordance with the Generally Accepted Accounting Principles in the United States (US GAAP).

At its meeting of March 23, 2005, the Board of Directors of Baloise-Holding approved the annual financial statements and the financial report and released them for publication. The Baloise-Holding Annual General Meeting is able to propose changes to the published financial statements.

## 2. Application of new accounting standards

### In fiscal 2003

No IFRS or US-GAAP standards affecting the Baloise Group were introduced or modified in fiscal 2003.

### In fiscal 2004

IFRS 3, which governs the purchase of companies as of March 31, 2004, was applied to fiscal 2004 for the first time.

### From fiscal 2005

From January 1, 2005, new and/or revised IFRS/IAS standards are to be applied, in part retroactively from Decem-

ber 31, 2003. The Baloise Group is adapting its reporting standards for fiscal 2005 accordingly, in particular based on the new IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations", IFRS 4 "Insurance Contracts", IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", as well as the revised IAS 36 "Impairment of Assets", IAS 38 "Intangible Assets" and IAS 39 "Financial Instruments: Recognition and Measurement".

The effects resulting from the application of the new and/or changed standards cannot be assessed yet at the time of writing this report.

## 3. Accounting policies

### 3.1 Method of consolidation

The consolidated financial statements consist of the financial statements of Baloise-Holding and of its subsidiaries. A subsidiary is consolidated where the Baloise Group has over 50% of the voting rights, whether directly or indirectly, or exercises control over it.

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 financial assets.

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% interest. The remaining 35% 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, expenses and income.

Participating interests in associates are accounted for under the equity method (Baloise Group's share in the intrinsic value of the participating interest) 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. Changes in the value of equity participations, including the effect of any dividend flows, are as a rule recognized in the income statement.

All intragroup transactions or profits and losses arising therefrom are eliminated. By contrast, the non-Group share of intragroup transactions involving companies consolidated on a proportionate basis is not eliminated.

### 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. When a foreign subsidiary is disposed of, exchange differences from the sale are recognized in the income statement as transaction income or expenses.

Monetary balance sheet items from foreign currency transactions at individual companies are translated at year-end rates. Nonmonetary items are reported using the exchange rate at the date of the transaction. However, non-monetary foreign currency positions carried at fair value are translated at year-end rates (rate that existed when the fair values were determined). 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 type of liabilities arising from insurance business and by the availability of risk capital, which is used to even out fluctuations in the price of investments.

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. Loans, policy loans, mortgage loans and similar financial assets issued by the Baloise Group are shown under the heading "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".

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 purchase value and the redemption value.

All purchases and sales of financial assets are recorded at the trade 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. For monetary financial assets classified as "Available for sale", on the other hand, the amortized cost determined using the effective-interest method is recognized in income. The difference between this and market value is in turn not charged to income. The foreign currency revaluation of such positions is recorded in the income statement. 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 (shadow accounting).

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 (impairment).

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 comprises land and buildings held to earn rental income and/or for capital appreciation.

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. External valuation reports are obtained at regular intervals. No systematic depreciation is charged on investment property. Changes in value are immediately recognized in the income statement, in the period of occurrence, as realized book profits/losses.

## 3.4 Permanent diminution in value

### 3.4.1 Financial assets

The Baloise Group determines any permanent diminution in value (impairment) of financial assets classified as “Available for sale” according to the following rules:

If the market value of participating interests is more than 50% below the purchase value, an impairment entry must be booked in any case. Provided the market value is more than 20% but less than 50% below purchase value, impairment is to be considered and an entry made where applicable. The impairment will be assessed on the basis of reports by bank analysts and ratings by ratings agencies. Dividend developments, underlying capital and other factors will also be taken into account. The prime yardstick for the formation of the impairment is, however, the appraisal by the asset manager responsible. In forming the impairment, the accumulated net loss recorded in the capital and reserves will be transferred to the income statement.

An investment that is classified as “Held to maturity” or “Originated by the Group” is revaluated if the present value of the future cash flows – taking into account actual interest rates and any hedging activities – drops below the book value for more than just a temporary period.

### 3.4.2 Other assets

The book value of other assets is 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 book value. 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 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. Any permanent diminution in value of majority or minority interests acquired in companies is described in section 3.6.

## 3.5 Derivative financial instruments

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 & Poor’s.

All derivative financial instruments 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. Derivative financial instruments 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 derivative financial instruments which have been classified as fair value hedging instruments are shown in the income statement. Changes in the market value of derivative financial instruments which have been classified as cash flow hedging instru-

ments 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 or balance sheet together with the hedged cash flows.

Changes in the market value of derivative financial instruments which are classified as trading instruments or do not fulfill the requirements of a hedging transaction are shown in the income statement, under "Realized gains and losses on investments (net)".

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. Derivative financial instruments 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 derivative financial instruments. In the majority of cases, the embedded derivative financial instruments 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 derivative financial instruments 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 (fully consolidated and consolidated on a proportionate basis) 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 as well as the intangible assets identified but not yet recognized in the balance sheet. 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.

Goodwill capitalized before March 31, 2004, 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. The value of capitalized goodwill is assessed annually. If the book value of the goodwill is greater than the recoverable amount, the difference will be amortized via the income statement.

Goodwill capitalized after March 31, 2004, is reevaluated annually and in the event of any extraordinary occurrence. If the book value of the goodwill is greater than the recoverable amount, the difference will be charged to income.

Badwill capitalized before March 31, 2004, is written off as income (offset against the amortization expense) on a systematic basis over the remaining average useful life of the acquired, nonmonetary assets, at most, however, over 20 years.

Badwill accrued after March 31, 2004, is taken directly to the income statement.

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 external IT-consultancy services and are written off on a straight-line basis over their useful life, at most, however, over 5 or 10 years respectively. This figure also includes software developed in-house, carried for the first time at production cost.

### 3.7 Tangible noncurrent assets

Tangible noncurrent 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 purchase value 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 noncurrent 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, or the present value of the leasing payments if lower, is disclosed as a tangible noncurrent asset at the inception of the lease. 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”. The value of the leased item is reviewed on the balance sheet reference date.

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 present value of future claims and benefits paid less the present value of premiums not yet paid. The calculation is made in accordance with the following Financial Accounting Standards: FAS 60, FAS 97 or 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, unearned revenue reserves and provisions for final policyholder bonuses are included in the actuarial reserve.

Amounts for future surplus shares to policyholders are fixed on the basis of local statutory and contractual regula-

tions and are allocated to a separate provision. This provision also includes policyholders’ share of the unrealized gains and losses covered by the IFRS shareholders’ capital and reserves and their share of the higher or lower values recorded in the consolidated financial statement – as compared with the statement based on commercial law – and taken to income. Statutory regulations and the rules set out in contracts and company articles of incorporation are authoritative in determining the share of future policyholder bonuses. Where there are no such statutory regulations or rules set out in contracts and company articles of incorporation – as in the case of Belgium, Luxembourg and in Swiss individual life business – an allocation to policyholder bonuses will not apply.

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.

This provision comprises the following:

- Sums irrevocably set aside for future policyholder bonuses,
- Policyholders’ shares of the reported result,
- Policyholders’ shares of unrealized gains and losses on investments.

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 are recognized in the fiscal year in which they fall due. They include an amount required to cover the insurance risk and any loading. Any part of the premium which relates to future fiscal years is deferred un-



der 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. An additional provision is set for claims-processing costs.

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.

### 3.13 Deferred acquisition costs

Costs which are directly associated with the acquisition of insurance contracts (e.g. commissions) are deferred and written off over the period of the contract, or over the premium payment period, if shorter. Deferred acquisition

costs are reviewed when the contract is acquired and thereafter on an annual basis for recoverability.

### 3.14 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 the 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.

Assets from reinsurance ceded are calculated on the same basis and for the same period as the original transaction and shown in assets from reinsurance. 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. Liabilities are included in "Deposit fund liabilities arising from reinsurance".

### 3.15 Own shares

Own shares (treasury stock) held by Baloise-Holding or by its subsidiaries are shown at purchase value 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 purchase value and selling price is adjusted under "Capital and reserves". Only Baloise-Holding shares are counted as own shares.

### 3.16 Liabilities from banking business and loans

Liabilities from banking business and loans are if not classified as Fair Value Hedge, stated at amortized cost. The effective-interest rate method is used to amortize or write back the difference between purchase value 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 was issued, the market value of the embedded option was determined and shown separately as a derivative financial instrument. The purchase value 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.

### 3.17 Financial provisions

Financial (nontechnical) 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.

### 3.18 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 (IFRS-conform) 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.

### 3.19 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. The unrecognized actuarial gains and losses which at the end of the previous financial period exceeded by 10% the greater of (1) the present value of liabilities relating to defined benefit plans and (2) the fair value of plan assets are recognized in the income statement on the basis of the expected average of the remaining years of service of those employees who participate in the plan.

Pension plans of the Baloise Group 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:** Employee shares, share participation schemes, direct allocation of shares and shares subscribed through options are equity benefits.

**Employee 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 Baloise-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 Baloise-Holding. Due to the low acquisition cost of the shares held by the Trust and the number of shares held, Baloise-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 Corporate Executive Committee, reports to the cantonal fund authority of the city of Basel and is not consolidated.

**Share participation scheme:** Since May 2001, 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.

**Direct allocation of shares:** Since January 2003, employees of all Group companies who are eligible for incentives have been able to subscribe shares at a preferential price as part of their variable, performance-related pay component (incentive). The subscription price is always 10% lower than the market value at the time of subscription. The shares are committed to safe custody for a blocking period of three years.

**Option rights:** The members of the Corporate Executive Committee and of the Executive Boards of the subsidiaries, and other employees in key positions, were, up to 2002, granted options to purchase shares in Baloise-Holding as part of their remuneration. These options were 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 were specified at the beginning of the fiscal year. The number of options allocated by the end of the financial year depended on whether the parties concerned met their personal performance objectives. The allocated share options could not be sold for two years. The associated costs were included in personnel expenses.

### 3.20 Other liabilities

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

### 3.21 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:** Fair value is the quoted share price. If this is not available, the fair value is estimated using generally recognized methods and in light of the current state of the market. If the value cannot be estimated reliably, stocks are reported at purchase value.

**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.

**Derivative financial instruments:** The market value is stated at prices as supplied by independent brokers or in accordance with market practice.

**Other financial assets:** The fair value is generally a quoted market price. If no market prices are available, the market value is estimated. If the value cannot be estimated reliably, financial assets are reported at purchase value.

**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. If no market prices are available, the market value is estimated. If the value cannot be estimated reliably, financial liabilities will be reported at purchase value.

### 3.22 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.

### 3.23 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

Currency	Balance		Income statement/ cash flow statement	
	2003	2004	2003	2004
EUR (euro)	1.56	1.55	1.52	1.54
USD (US dollar)	1.24	1.14	1.34	1.24
GBP (pound sterling)	2.21	2.18	2.20	2.28
JPY (yen)	1.15	1.11	1.15	1.15

in CHF

### 4.2 Foreign exchange differences

Exchange differences arising from transactions in foreign currencies included in the consolidated income statement resulted in a loss of CHF 70.1 million in 2004 (2003: gain of CHF 47.0 million).

This also comprises a foreign exchange gain of CHF 25.9 million (2003: gain of 135.6 million) resulting from monetary investments classified as "Available for sale."

Capital and reserves contain a currency loss (gross) – not charged to income – of CHF 100.9 million (2003: loss of CHF 115.3 million). After hedge accounting (taking cash flow hedges into account), there remains a net loss of CHF 2.3 million (2003: net loss of CHF 13.7 million).

## 5. Acquisitions and disposals of subsidiaries and other business units

### 5.1 Acquisitions and disposals of subsidiaries and other business units in 2003

The purchase of the German insurance group Securitas was formally and substantively completed as of January 7, 2003. During the course of fiscal 2003 Securitas was merged with parts of the German branch of the Baloise, Insurance Company Limited, Basel, to form Basler Securitas Versicherungs-Aktiengesellschaft.

Gilde Lebensversicherungs AG which forms part of the Securitas Group was acquired by the German branch of the Baloise Life Insurance Company Ltd, Basel.

DePfa Beteiligungs-Holding II GmbH, Düsseldorf, valued at equity, sold its participating interest to DePfa Bank PLC, Dublin, through the stock market in the second half of 2003.

During the year under review, the fully consolidated real estate company Rubens 2000 N.V., Antwerp, was sold for CHF 37.5 million.

No other significant acquisitions or disposals were effected.

### 5.2 Acquisitions and disposals of subsidiaries and other business units in 2004

In the year under review, other smaller entities were sold in addition to Mercator Banque S.A., Antwerpen.

	2003	2004
Investments	4,710.6	4,689.5
Cash and cash equivalents	93.6	89.0
Other assets	1,077.3	1,074.2
Other liabilities	-5,628.6	-5,647.7
<b>Net asset disposed</b>	<b>252.8</b>	<b>205.0</b>
Disposal income		140.9

in CHF m

Mercator Banque S.A. was sold on August 11, 2004. This transaction resulted in a one-time charge against income of CHF 70.2 million in 2004.

## 6. Information about geographical and business segments

The Baloise Group has strategic operations in the following regions: Switzerland (including the Principality of Liechtenstein), Germany, the Benelux and other countries.

The business segments are non-life insurance, life insurance, banking (including asset management and investment funds) and other activities and Group business. 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 asset-forming insurance, pure risk coverage 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, and Deutscher Ring Bausparkasse in Germany, predominantly active in traditional real estate financing. The other activities and Group business segment include in particular investment and real estate companies.

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.

## 6.1 Segment reporting by region

Income	Switzerland		Germany	
	2003	2004	2003	2004
Gross premiums written and policy fees	4,269.3	3,996.1	2,199.9	2,120.9
Reinsurance premiums ceded	-169.2	-184.2	-269.6	-237.8
Premiums written and policy fees for own account	4,100.1	3,811.9	1,930.3	1,883.1
Change in unearned premiums reserves for own account	-5.9	-8.7	10.6	5.4
Premiums earned and policy fees for own account	4,094.2	3,803.2	1,940.9	1,888.5
Investment income (net)	939.5	854.7	769.0	701.1
Realized gains and losses on investments (net) <sup>1</sup>	-38.3	149.1	-82.1	66.0
Income from other services	27.3	31.2	96.8	111.8
Other income	28.2	3.4	46.6	32.9
<b>Total income</b>	<b>5,050.9</b>	<b>4,841.6</b>	<b>2,771.2</b>	<b>2,800.3</b>
Income between regions	75.4	86.9	179.6	182.9
Income from associates	-0.1	0.0	48.9	16.3
<b>Expenses</b>				
Claims incurred including processing costs (non-life)	-836.7	-796.2	-606.4	-484.8
Claims and benefits paid (life)	-2,372.1	-2,735.3	-1,096.1	-1,054.8
Change in actuarial reserve (life)	-962.5	-259.3	6.7	-10.9
Surplus and profit allocations to policyholders	-126.8	-196.7	-346.9	-287.8
Acquisition costs	-83.0	-83.9	-30.8	-249.7
Administrative and other operating expenses	-483.9	-457.8	-470.0	-423.7
Interest payable	-75.8	-104.1	-114.7	-121.8
Revaluation and amortization of intangible assets	-14.3	-24.8	-8.8	-10.9
Revaluation and depreciation of tangible noncurrent assets	-34.3	-25.3	-27.1	-22.4
<b>Total expenses</b>	<b>-4,989.4</b>	<b>-4,683.4</b>	<b>-2,694.1</b>	<b>-2,666.8</b>
<b>Annual profit/loss before tax and minority interests</b>	<b>61.5</b>	<b>158.2</b>	<b>77.1</b>	<b>133.5</b>
Tax on income	0.6	-31.0	-87.4	-61.9
<b>Annual profit/loss after tax and before minority interests</b>	<b>62.1</b>	<b>127.2</b>	<b>-10.3</b>	<b>71.6</b>
Minority interests	-/-	-/-	-6.8	-13.1
<b>Annual net profit/loss by region</b>	<b>62.1</b>	<b>127.2</b>	<b>-17.1</b>	<b>58.5</b>
<b>Additional information</b>				
Assets by geographical segment	34,481.6	34,761.1	18,193.9	18,130.7
Of which investments	30,055.1	30,293.9	15,255.7	15,235.4
Of which participating interests	0.1	0.1	118.7	117.7
Liabilities by region	31,287.8	31,641.1	17,691.2	17,484.1
Of which technical provisions	23,847.2	24,351.4	14,883.5	14,717.6
Cash flow from operating activities (net)	722.2	280.3	132.7	-3.3
Cash flow from investing activities (net)	-1,161.8	-269.6	-182.5	-96.7
Cash flow from financing activities (net)	114.0	3.4	90.7	50.4
Acquisition of property, plant and equipment and intangible assets for own use	33.0	32.3	17.9	28.7
Impairment in value charged to income	-57.1	-38.5	-73.2	-31.2
Reinstatement of original value charged to income	502.7	100.1	219.8	86.2

in CHF m

<sup>1</sup> Including financial liabilities held for trading (derivative financial instruments)

	Benelux		Other countries		Elimination		Total	
2003	2004	2003	2004	2003	2004	2003	2004	
744.6	748.4	441.0	441.4	-280.1	-284.7	7,374.7	7,022.1	
-56.7	-65.5	-37.8	-26.5	280.1	284.7	-253.2	-229.3	
687.9	682.9	403.2	414.9	-/-	-/-	7,121.5	6,792.8	
-4.3	0.6	-7.6	-1.6	0.4	-0.7	-6.8	-5.0	
683.6	683.5	395.6	413.3	0.4	-0.7	7,114.7	6,787.8	
268.9	209.5	57.1	46.5	-5.2	-3.8	2,029.3	1,808.0	
-46.3	-91.9	125.4	65.2	-/-	0.0	-41.3	188.4	
102.8	80.0	27.8	31.6	-/-	0.0	254.7	254.6	
48.1	29.1	33.7	50.7	-9.4	-8.9	147.2	107.2	
<b>1,057.1</b>	<b>910.2</b>	<b>639.6</b>	<b>607.3</b>	<b>-14.2</b>	<b>-13.4</b>	<b>9,504.6</b>	<b>9,146.0</b>	
13.5	14.3	-282.7	-297.5	14.2	13.4	-/-	-/-	
-7.2	5.4	0.0	0.0	-/-	-/-	41.6	21.7	
-386.8	-379.4	-209.2	-246.1	8.0	7.0	-2,031.1	-1,899.5	
-204.5	-112.8	-23.6	-16.7	-7.9	3.2	-3,704.2	-3,916.4	
15.0	-35.1	-10.6	-16.8	-0.8	-9.9	-952.2	-332.0	
36.6	0.0	-3.4	-4.6	0.0	-/-	-440.5	-489.1	
-141.4	-134.4	-56.2	-63.9	34.3	43.9	-277.1	-488.0	
-256.1	-209.0	-74.5	-66.9	-33.9	-43.4	-1,318.4	-1,200.8	
-181.4	-129.1	-47.7	-49.7	14.5	12.6	-405.1	-392.1	
-30.3	-18.4	-24.1	23.6	-/-	-/-	-77.5	-30.5	
-12.1	-15.0	-1.3	-1.2	-/-	-/-	-74.8	-63.9	
<b>-1,161.0</b>	<b>-1,033.2</b>	<b>-450.6</b>	<b>-442.3</b>	<b>14.2</b>	<b>13.4</b>	<b>-9,280.9</b>	<b>-8,812.3</b>	
<b>-103.9</b>	<b>-123.0</b>	<b>189.0</b>	<b>165.0</b>	<b>-/-</b>	<b>-/-</b>	<b>223.7</b>	<b>333.7</b>	
-18.2	6.8	-20.4	-12.9	-/-	-/-	-125.4	-99.0	
<b>-122.1</b>	<b>-116.2</b>	<b>168.6</b>	<b>152.1</b>	<b>-/-</b>	<b>-/-</b>	<b>98.3</b>	<b>234.7</b>	
0.2	0.1	-0.3	0.0	-/-	-/-	-6.9	-13.0	
<b>-121.9</b>	<b>-116.1</b>	<b>168.3</b>	<b>152.1</b>	<b>-/-</b>	<b>-/-</b>	<b>91.4</b>	<b>221.7</b>	
10,100.6	5,061.8	3,473.3	4,001.5	-1,948.6	-2,334.3	64,300.8	59,620.8	
7,753.6	3,525.6	3,327.6	3,828.3	-84.3	-83.9	56,307.7	52,799.3	
104.8	30.3	0.2	0.1	-/-	-/-	223.8	148.2	
9,891.4	4,814.7	4,018.5	4,469.9	-1,948.6	-2,335.0	60,940.3	56,074.8	
2,829.3	2,893.0	1,107.8	1,218.0	-339.1	-476.7	42,328.7	42,703.3	
53.2	1,372.1	299.5	230.1	-4.7	-254.1	1,202.9	1,625.1	
-1,039.4	4,098.0	-328.2	-494.2	-225.0	-1.5	-2,936.9	3,236.0	
1,054.2	-5,388.7	239.0	218.1	229.7	255.6	1,727.6	-4,861.2	
32.9	14.9	-48.9	4.3	-/-	-/-	34.9	80.2	
-119.9	-55.8	-13.4	-19.1	-/-	-/-	-263.6	-144.6	
135.4	61.3	8.4	12.3	-/-	-/-	866.3	259.9	

## 6.2 Segment reporting by line of business

Income	2003	Non-life	2003	Life
		2004		2004
Gross premiums written and policy fees	3,088.8	3,081.4	4,301.1	3,956.4
Reinsurance premiums ceded	-215.4	-183.6	-53.0	-61.4
Premiums written and policy fees for own account	2,873.4	2,897.8	4,248.1	3,895.0
Change in unearned premiums reserves for own account	-7.2	-4.3	-/-	-/-
Premiums earned and policy fees for own account	2,866.2	2,893.5	4,248.1	3,895.0
Investment income (net)	242.1	247.8	1,437.9	1,306.0
Realized gains and losses on investments (net) <sup>1</sup>	-43.0	-50.2	-66.5	199.2
Income from other services	-1.7	-2.2	-8.3	-9.3
Other income	54.6	26.8	28.6	45.1
<b>Total income</b>	<b>3,118.2</b>	<b>3,115.7</b>	<b>5,639.8</b>	<b>5,436.0</b>
Income between business segments	-32.5	-26.3	-25.1	-14.1
Income from associates	5.3	7.4	28.0	6.1
<b>Expenses</b>				
Claims incurred including processing costs (non-life)	-2,039.1	-1,906.5	-/-	-/-
Claims and benefits paid (life)	-/-	-/-	-3,696.3	-3,919.6
Change in actuarial reserve (life)	-/-	-/-	-951.4	-322.1
Surplus and profit allocations to policyholders	-12.4	-13.0	-428.1	-476.1
Acquisition costs	-342.2	-381.7	64.4	-107.8
Administrative and other operating expenses	-564.7	-514.3	-353.2	-353.0
Interest payable	-9.4	-15.5	-145.9	-140.7
Revaluation and amortization of intangible assets	-32.9	-18.3	-16.1	-22.1
Revaluation and depreciation of tangible noncurrent assets	-25.7	-21.8	-37.4	-31.0
<b>Total expenses</b>	<b>-3,026.4</b>	<b>-2,871.1</b>	<b>-5,564.0</b>	<b>-5,372.4</b>
<b>Annual profit/loss before tax and minority interests</b>	<b>91.8</b>	<b>244.6</b>	<b>75.8</b>	<b>63.6</b>
Tax on income	-43.3	-60.5	-41.7	-9.3
<b>Annual profit/loss after tax and before minority interests</b>	<b>48.5</b>	<b>184.1</b>	<b>34.1</b>	<b>54.3</b>
Minority interests	0.0	-/-	0.0	0.3
<b>Annual net profit/loss by business segment</b>	<b>48.5</b>	<b>184.1</b>	<b>34.1</b>	<b>54.6</b>
<b>Additional information</b>				
Assets by business segment	10,489.4	10,756.5	43,943.5	44,930.4
Liabilities by business segment	8,179.6	8,158.3	42,696.4	43,348.9
Acquisition of property, plant and equipment and intangible assets for own use	32.8	27.9	15.1	16.7

in CHF m

<sup>1</sup> Including financial liabilities held for trading (derivative financial instruments)

In fiscal 2004, Baloise Alternative Investment Strategies Ltd., Cayman Island and Baloise Equity Ltd., Cayman Island were allocated to the life and non-life segments respec-

tively in line with the participation ratios. To enable comparison, the previous year's figures were adjusted accordingly.



2003	Banking	Other activities/ Group business		Elimination		2003	Total
	2004	2003	2004	2003	2004		2004
-/-	-/-	-/-	-/-	-15.2	-15.7	7,374.7	7,022.1
-/-	-/-	-/-	-/-	15.2	15.7	-253.2	-229.3
-/-	-/-	-/-	-/-	-/-	-/-	7,121.5	6,792.8
-/-	-/-	-/-	-/-	0.4	-0.7	-6.8	-5.0
-/-	-/-	-/-	-/-	0.4	-0.7	7,114.7	6,787.8
354.9	261.9	41.2	26.6	-46.8	-34.3	2,029.3	1,808.0
10.9	51.4	57.3	-12.0	-/-	-/-	-41.3	188.4
19.2	29.0	245.5	237.1	-/-	-/-	254.7	254.6
56.4	29.0	23.6	17.8	-16.0	-11.5	147.2	107.2
<b>441.4</b>	<b>371.3</b>	<b>367.6</b>	<b>269.5</b>	<b>-62.4</b>	<b>-46.5</b>	<b>9,504.6</b>	<b>9,146.0</b>
13.4	15.1	-18.2	-21.2	62.4	46.5	-/-	-/-
0.3	0.1	8.0	8.1	-/-	-/-	41.6	21.7
-/-	-/-	-/-	-/-	8.0	7.0	-2,031.1	-1,899.5
-/-	-/-	-/-	-/-	-7.9	3.2	-3,704.2	-3,916.4
-/-	-/-	-/-	-/-	-0.8	-9.9	-952.2	-332.0
-/-	-/-	-/-	-/-	-/-	-/-	-440.5	-489.1
-/-	-/-	-/-	-/-	0.7	1.5	-277.1	-488.0
-167.4	-116.8	-232.7	-215.7	-0.4	-1.0	-1,318.4	-1,200.8
-235.1	-212.9	-77.5	-68.7	62.8	45.7	-405.1	-392.1
-3.1	-3.8	-25.4	13.7	-/-	-/-	-77.5	-30.5
-6.5	-4.6	-5.2	-6.5	-/-	-/-	-74.8	-63.9
<b>-412.1</b>	<b>-338.1</b>	<b>-340.8</b>	<b>-277.2</b>	<b>62.4</b>	<b>46.5</b>	<b>-9,280.9</b>	<b>-8,812.3</b>
<b>29.3</b>	<b>33.2</b>	<b>26.8</b>	<b>-7.7</b>	<b>-/-</b>	<b>-/-</b>	<b>223.7</b>	<b>333.7</b>
-15.0	-23.5	-25.4	-5.7	-/-	-/-	-125.4	-99.0
<b>14.3</b>	<b>9.7</b>	<b>1.4</b>	<b>-13.4</b>	<b>-/-</b>	<b>-/-</b>	<b>98.3</b>	<b>234.7</b>
-/-	0.0	-6.9	-13.3	-/-	-/-	-6.9	-13.0
<b>14.3</b>	<b>9.7</b>	<b>-5.5</b>	<b>-26.7</b>	<b>0.0</b>	<b>0.0</b>	<b>91.4</b>	<b>221.7</b>
11,670.6	5,765.8	1,615.1	1,554.1	-3,417.8	-3,386.0	64,300.8	59,620.8
11,065.6	5,389.0	2,416.5	2,564.6	-3,417.8	-3,386.0	60,940.3	56,074.8
4.5	3.5	-17.5	32.1	-/-	-/-	34.9	80.2

## 6.3 Gross premiums by geographical and business segments

### 6.3.1 Gross premiums by geographical and business segments 2003

	Non-life	Life	Elimination	Total
Switzerland	1,237.7	3,031.6	-/-	<b>4,269.3</b>
Germany	1,122.3	1,077.6	-/-	<b>2,199.9</b>
Benelux	583.4	161.2	-/-	<b>744.6</b>
Other countries	410.2	30.8	-/-	<b>441.0</b>
Elimination	-264.8	-0.1	-15.2	<b>-280.1</b>
<b>Total</b>	<b>3,088.8</b>	<b>4,301.1</b>	<b>-15.2</b>	<b>7,374.7</b>

in CHF m

### 6.3.2 Gross premiums by geographical and business segments 2004

	Non-life	Life	Elimination	Total
Switzerland	1,281.0	2,715.1	-/-	<b>3,996.1</b>
Germany	1,061.3	1,059.6	-/-	<b>2,120.9</b>
Benelux	597.5	150.9	-/-	<b>748.4</b>
Other countries	410.8	30.8	-0.2	<b>441.4</b>
Elimination	-269.2	0.0	-15.5	<b>-284.7</b>
<b>Total</b>	<b>3,081.4</b>	<b>3,956.4</b>	<b>-15.7</b>	<b>7,022.1</b>

in CHF m

## 6.4 Change in gross premiums by geographical and business segments

	Non-life		Life		Total	
	2003	2004	2003	2004	2003	2004
Switzerland	5.3	3.5	-12.8	-10.4	-8.2	-6.4
Germany	38.0	-6.8	7.1	-3.1	20.9	-5.0
Benelux	0.6	0.9	1.0	-7.8	0.7	-1.0
Other countries	4.1	-4.3	-3.8	-1.2	2.5	-3.7
<b>Total</b>	<b>14.0</b>	<b>-1.1</b>	<b>-8.1</b>	<b>-8.4</b>	<b>-0.1</b>	<b>-5.4</b>

in percent of original currency

## 6.5 Gross premiums by line of business

	2003	2004	Change in percent
<b>Non-life</b>			
Accident	448.1	435.0	-2.9
Health	122.5	120.9	-1.3
General liability	317.2	314.1	-1.0
Automobile	979.5	1,026.0	4.7
Transport	164.5	151.8	-7.7
Property	914.3	919.7	0.6
Other	39.6	42.3	6.8
Reinsurance assumed	103.1	71.6	-30.6
<b>Total</b>	<b>3,088.8</b>	<b>3,081.4</b>	<b>-0.2</b>
<b>Life</b>			
Single premiums	1,932.4	1,709.8	-11.5
Recurring premiums	2,629.7	2,690.1	2.3
Premiums for investment-type products	-261.0	-443.5	69.9
<b>Total</b>	<b>4,301.1</b>	<b>3,956.4</b>	<b>-8.0</b>

in CHF m

## 6.6 Investments by business segment

### 6.6.1 Investments by business segment 2003

	Non-life	Life	Banking	Other activities/ Group business	Total
Fixed-interest securities	4,579.0	20,914.2	3,850.5	181.7	29,525.4
Shares	634.6	2,587.7	11.1	242.5	3,475.9
Alternative financial assets	240.2	1,076.0	0.0	21.7	1,337.9
Derivative financial instruments	47.7	166.9	48.5	29.8	292.9
Investment property	1,025.9	4,077.7	45.2	504.6	5,653.4
Mortgage loans	396.6	4,818.7	5,787.1	0.0	11,002.4
Policy and other loans	62.5	1,088.0	306.1	-/-	1,456.6
Participating interests in associates	29.4	153.4	7.5	33.5	223.8
Other short-term investments	542.1	1,951.5	55.2	98.6	2,647.4
Cash and cash equivalents	251.5	183.5	164.5	92.5	692.0
<b>Total</b>	<b>7,809.5</b>	<b>37,017.6</b>	<b>10,275.7</b>	<b>1,204.9</b>	<b>56,307.7</b>

in CHF m

### 6.6.2 Investments by business segment 2004

	Non-life	Life	Banking	Other activities/ Group business	Total
Fixed-interest securities	4,708.4	21,962.1	332.3	167.5	27,170.3
Shares	932.6	2,905.4	1.6	227.6	4,067.2
Alternative financial assets	254.3	1,356.7	0.0	25.1	1,636.1
Derivative financial instruments	49.7	172.3	40.5	-/-	262.5
Investment property	1,000.1	4,286.1	34.2	298.8	5,619.2
Mortgage loans	379.3	4,755.1	4,663.8	0.1	9,798.3
Policy and other loans	58.9	1,028.2	312.6	0.6	1,400.3
Participating interests in associates	19.6	92.5	0.0	36.1	148.2
Other short-term investments	558.2	1,075.6	30.4	346.4	2,010.6
Cash and cash equivalents	323.8	221.4	98.8	42.6	686.6
<b>Total</b>	<b>8,284.9</b>	<b>37,855.4</b>	<b>5,514.2</b>	<b>1,144.8</b>	<b>52,799.3</b>

in CHF m

## 7. Profits arising from investments

### 7.1 Investment income (net)

	2003	2004
Fixed-interest securities	1,163.5	1,051.3
Shares	95.0	80.8
Alternative financial assets	7.5	2.3
Derivative financial instruments	-/-	-/-
Investment property	259.9	262.7
Mortgage loans	431.8	379.2
Policy and other loans	74.0	61.1
Participating interests in associates	41.6	21.7
Other short-term investments, cash and cash equivalents	31.9	24.7
<b>Total (gross)</b>	<b>2,105.2</b>	<b>1,883.8</b>
Investment management costs	-75.9	-75.8
<b>Total (net)</b>	<b>2,029.3</b>	<b>1,808.0</b>
Of which from associates	41.6	21.7

in CHF m

Investment income of CHF 48.8 million (2003: CHF 58.1 million) from value-adjusted mortgage loans and policy and other loans accrued as at December 31, 2004, but has not been recognized in the income statement.

### 7.2 Realized gains and losses on investments (net) 2003

<b>Realized gains on disposal and book gains</b>	Fixed-interest securities	Shares	Alternative financial assets	Derivative financial instruments <sup>2</sup>	Other short-term investments	Other investments <sup>3</sup>	<b>Total</b>
Held for trading	22.9	40.4	-/-	81.6	0.0	-/-	<b>144.9</b>
Available for sale	490.2	422.0	47.1	14.9	1.4	32.6	<b>1,008.2</b>
Held to maturity	-/-	-/-	-/-	-/-	-/-	-/-	-/-
Originated by the Group	-/-	-/-	-/-	-/-	-/-	20.9	<b>20.9</b>
Subtotal	513.1	462.4	47.1	96.5	1.4	53.5	<b>1,174.0</b>
<b>Realized losses on disposal and book losses</b>							
Held for trading	-29.4	-3.3	-/-	-217.5	-/-	-/-	<b>-250.2</b>
Available for sale	-31.4	-1,422.9	-32.1	-/-	-0.4	-17.0	<b>-1,503.8</b>
Held to maturity	-/-	-/-	-/-	-/-	-/-	-/-	-/-
Originated by the Group	-/-	-/-	-/-	-/-	-/-	-79.8	<b>-79.8</b>
Subtotal	-60.8	-1,426.2	-32.1	-217.5	-0.4	-96.8	<b>-1,833.8</b>
Impairment in value charged to income							
Available for sale	-3.6	-128.9	-39.3	-/-	0.0	-24.2	<b>-196.0</b>
Held to maturity	-/-	-/-	-/-	-/-	-/-	-67.6	<b>-67.6</b>
Reinstatement of original value charged to income <sup>1</sup>							
Available for sale	13.6	736.5	30.2	-/-	-/-	-/-	<b>780.3</b>
Held to maturity	0.0	-/-	-/-	-/-	-/-	86.0	<b>86.0</b>
Subtotal	10.0	607.6	-9.1	-/-	0.0	-5.8	<b>602.7</b>
<b>Subtotal financial instruments</b>	<b>462.3</b>	<b>-356.2</b>	<b>5.9</b>	<b>-121.0</b>	<b>1.0</b>	<b>-49.1</b>	<b>-57.1</b>

Continued	Fixed-interest securities	Shares	Alternative financial assets	Derivative financial instruments <sup>2</sup>	Other short-term investments	Other investments <sup>3</sup>	Total
Investment property							
Realized book profits							44.1
Realized book losses							-28.3
<b>Subtotal investment property</b>							<b>15.8</b>
<b>Total investments</b>							<b>-41.3</b>
Cumulative impairment in value charged to income (net)	22.1	356.9	146.9	-/-	0.1	398.3	924.3

in CHF m

### 7.3 Realized gains and losses on investments (net) 2004

Realized gains on disposal and book gains	Fixed-interest securities	Shares	Alternative financial assets	Derivative financial instruments <sup>2</sup>	Other short-term investments	Other investments <sup>3</sup>	Total
Held for trading	23.1	24.6	-/-	54.2	0.0	-/-	101.9
Available for sale	165.9	382.4	74.5	33.7	2.0	15.5	674.0
Held to maturity	0.1	-/-	-/-	-/-	8.7	-/-	8.8
Originated by the Group	-/-	-/-	-/-	-/-	-/-	25.7	25.7
Subtotal	189.1	407.0	74.5	87.9	10.7	41.2	810.4
<b>Realized losses on disposal and book losses</b>							
Held for trading	-10.8	-0.5	-/-	-77.4	-/-	-/-	-88.7
Available for sale	-47.3	-261.0	-54.5	-14.1	-0.6	-83.5	-461.0
Held to maturity	-23.4	-/-	-/-	-/-	-10.0	-/-	-33.4
Originated by the Group	-/-	-/-	-/-	-/-	-/-	-89.7	-89.7
Subtotal	-81.5	-261.5	-54.5	-91.5	-10.6	-173.2	-672.8
Impairment in value charged to income							
Available for sale	-4.1	-17.4	-33.5	-/-	-/-	-7.2	-62.2
Held to maturity	-/-	-/-	-/-	-/-	-/-	-82.4	-82.4
Reinstatement of original value charged to income <sup>1</sup>							
Available for sale	2.5	139.0	2.8	-/-	-/-	16.6	160.9
Held to maturity	-/-	-/-	-/-	-/-	-/-	99.0	99.0
Subtotal	-1.6	121.6	-30.7	-/-	-/-	26.0	115.3
<b>Subtotal financial instruments</b>	<b>106.0</b>	<b>267.1</b>	<b>-10.7</b>	<b>-3.6</b>	<b>0.1</b>	<b>-106.0</b>	<b>252.9</b>
Investment property							
Realized book profits							45.0
Realized book losses							-109.5
<b>Subtotal investment property</b>							<b>-64.5</b>
<b>Total investments</b>							<b>188.4</b>
Cumulative impairment in value charged to income (net)	23.5	233.8	173.9	-/-	-/-	355.5	786.7

in CHF m

<sup>1</sup> Upon disposal of financial instruments, any impairment in value charged to 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.

<sup>2</sup> Including financial liabilities held for trading (derivative financial instruments)

<sup>3</sup> Mortgage loans, policy and other loans, and participating interests in associates

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

	2003	2004	Movement in business year
Fixed-interest securities	690.6	775.9	85.3
Shares	321.4	326.3	4.9
Alternative financial assets	138.4	227.0	88.6
Derivative financial instruments held for cash flow hedges	96.6	185.8	89.2
Investment property	-/-	-/-	-/-
Mortgage loans	-/-	-/-	-/-
Policy and other loans	-/-	-/-	-/-
Participating interests in associates	50.0	40.3	-9.7
Other short-term investments	-0.2	0.0	0.2
Subtotal (gross)	1,296.8	1,555.3	258.5
<b>Less amounts relating to</b>			
Deferred acquisition costs (life)	-239.3	-285.3	-46.0
Surplus shares to policyholders (life)	-275.8	-393.5	-117.7
Minority interests	0.1	0.0	-0.1
Deferred tax	-129.1	-135.5	-6.4
Foreign exchange differences	-491.6	-592.5	-100.9
<b>Total (net)</b>	<b>161.1</b>	<b>148.5</b>	<b>-12.6</b>

in CHF m

As in the previous year, the fixed-interest securities classified as at December 31, 2004, as "Available for sale" do not include any securities valued at purchase value.

During the year 2004, no fixed-interest securities without market value were sold. The change in book value is due to the reclassification of securities for which, in the meantime, reliable market values have become available.

Shares not stated at market value to the amount of CHF 9.3 million (2003: CHF 89.2 million) are included in the financial statements at December 31, 2004. It was not possible to establish a market price or make a reliable estimate of the value of these shares. 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)

	2003	2004
<b>Balance at January 1 (gross)</b>	<b>781.5</b>	<b>1,296.8</b>
Movement in unrealized gains and losses on financial assets available for sale	368.3	179.0
Movement in unrealized gains and losses on associates	61.0	-9.7
Movement in hedging reserve relating to derivative financial instruments held for cash flow hedges	86.0	89.2
<b>Balance at December 31 (gross)</b>	<b>1,296.8</b>	<b>1,555.3</b>

in CHF m

## 8. Investment property

	2003	2004
<b>Balance at January 1</b>	<b>5,305.7</b>	<b>5,653.4</b>
Additions	464.9	155.6
Additions due to changes in composition of consolidated Group	84.5	-/-
Disposals	-288.2	-85.6
Disposals due to changes in composition of consolidated Group	-28.6	-22.3
Reclassification	29.1	-/-
Change in market value	-6.2	-68.8
Foreign exchange differences	92.2	-13.1
<b>Balance at December 31</b>	<b>5,653.4</b>	<b>5,619.2</b>

in CHF m

As a result of various restructuring measures in Germany and Belgium, vacated properties for the company's own use were converted to investment properties (see also table 13.2., "Property, plant and equipment for own use"). Most of the investment property is located in Switzerland.

Operating expenses for investment property with rental income came to CHF 76.0 million in 2004 (2003: CHF 80.8 million). Operating expenses for investment property without rental income came to around CHF 1.2 million in the year under review (2003: CHF 1.3 million).

## 9. Participating interests in associates

	Balance sheet value		Share of profit		Holding	
	2003	2004	2003	2004	2003	2004
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	89.9	84.4	39.8	7.2	26.0%	26.0%
Brinvest N.V., Antwerp	61.4	-/-	-4.8	-/-	31.2%	-/-
Roland Rechtsschutz Versicherungs-AG, Cologne	20.3	20.1	1.5	1.2	25.0%	25.0%
Other	52.2	43.7	5.1	13.3	-/-	-/-
<b>Total</b>	<b>223.8</b>	<b>148.2</b>	<b>41.6</b>	<b>21.7</b>		

in CHF m

There are no significant amounts due from or to associates. In fiscal 2004, the participating interest in Brinvest N.V., Antwerp, was sold. Further information about associates is given in Note 34, "Significant subsidiaries and participating interests at December 31, 2004".

## 10. Derivative financial instruments

	Contract values		Fair value: assets		Fair value: liabilities	
	2003	2004	2003	2004	2003	2004
<b>Interest rate instruments</b>						
Forward transactions	-/-	-/-	-/-	-/-	-/-	-/-
Swaps	3,539.7	1,661.5	135.3	139.8	125.2	121.6
OTC options	582.0	-/-	10.0	-/-	-/-	-/-
Other	-/-	-/-	-/-	-/-	-/-	-/-
Traded options	0.2	-/-	-/-	-/-	0.0	-/-
Traded futures	-/-	-/-	-/-	-/-	-/-	-/-
Subtotal	4,121.9	1,661.5	145.3	139.8	125.2	121.6
<b>Equity instruments</b>						
Forward transactions	-/-	-/-	-/-	-/-	-/-	-/-
OTC options	1,281.3	202.5	3.7	-/-	31.2	27.0
Traded options	1.4	0.0	0.0	0.0	0.1	-/-
Traded futures	-/-	-/-	-/-	-/-	-/-	-/-
Subtotal	1,282.7	202.5	3.7	0.0	31.3	27.0
<b>Foreign exchange instruments</b>						
Forward transactions	222.7	1,213.7	32.8	6.2	36.8	0.8
Swaps	22.6	0.2	-/-	-/-	1.3	0.2
OTC options	4,635.9	2,888.5	111.1	116.5	57.8	10.7
Traded options	-/-	-/-	-/-	-/-	-/-	-/-
Traded futures	-/-	-/-	-/-	-/-	-/-	-/-
Subtotal	4,881.2	4,102.4	143.9	122.7	95.9	11.7
<b>Total</b>	<b>10,285.8</b>	<b>5,966.4</b>	<b>292.9</b>	<b>262.5</b>	<b>252.4</b>	<b>160.3</b>

in CHF m

## 11. Investments for account and risk of life insurance policyholders

	2003	2004
Fixed-interest securities	101.3	105.3
Shares	599.9	934.5
Other short-term financial instruments	93.1	92.3
Cash and cash equivalents	3.9	11.5
<b>Total</b>	<b>798.2</b>	<b>1,143.6</b>

in CHF m

For technical reasons, it is possible that there may be slight differences between the investments for account and risk of life insurance policyholders and the corresponding liabilities.



## 12. Intangible assets

### 12.1 Intangible assets 2003

	Goodwill	Badwill	Present value of profits from insurance contracts acquired	Other intangible assets	Total
Book value at January 1	66.1	-30.7	-/-	127.5	<b>162.9</b>
Additions arising from changes in composition of consolidated Group	7.4	-43.4	28.3	0.1	<b>-7.6</b>
Additions arising from changes in share of investments held	-/-	-/-	-/-	-/-	<b>-/-</b>
Additions from internal development	-/-	-/-	-/-	58.6	<b>58.6</b>
Disposals	-/-	-/-	-/-	-15.0	<b>-15.0</b>
Disposals arising from changes in composition of consolidated Group	-3.9	-/-	-/-	-/-	<b>-3.9</b>
Subsequent goodwill adjustment	-/-	-/-	-/-	-/-	<b>-/-</b>
Revaluation and amortization					
Amortization/write-backs	-15.3	15.3	-1.8	-37.5	<b>-39.3</b>
Impairment in value charged to income	-37.6	-/-	-/-	-0.7	<b>-38.3</b>
Reinstatement of original value charged to income	-/-	-/-	-/-	-/-	<b>-/-</b>
Deferred interest	-/-	-/-	-/-	-/-	<b>-/-</b>
Foreign exchange differences	-/-	-/-	-/-	4.9	<b>4.9</b>
Book value at December 31	16.7	-58.8	26.5	137.9	<b>122.3</b>
Cost	591.0	-146.6	28.3	327.9	<b>800.6</b>
Accumulated amortization and revaluation	-574.3	87.8	-1.8	-190.0	<b>-678.3</b>
<b>Balance at December 31 (net)</b>	<b>16.7</b>	<b>-58.8</b>	<b>26.5</b>	<b>137.9</b>	<b>122.3</b>

in CHF m

### 12.2 Intangible assets 2004

	Goodwill	Badwill	Present value of profits from insurance contracts acquired	Other intangible assets	Total
Book value at January 1	16.7	-58.8	26.5	137.9	<b>122.3</b>
Additions arising from changes in composition of consolidated Group	-/-	-/-	-/-	-/-	<b>-/-</b>
Additions arising from changes in share of investments held	11.8	-3.0	-/-	-/-	<b>8.8</b>
Additions from internal development	-/-	-/-	-/-	56.1	<b>56.1</b>
Disposals	-/-	-/-	-/-	-2.6	<b>-2.6</b>
Disposals arising from changes in composition of consolidated Group	-5.2	10.6	-/-	-2.0	<b>3.4</b>
Subsequent goodwill adjustment	-/-	-/-	-/-	-/-	<b>-/-</b>
Revaluation and amortization					
Amortization/write-backs	-7.5	28.8	0.2	-30.4	<b>-8.9</b>
Impairment in value charged to income	-8.3	-/-	-/-	-13.3	<b>-21.6</b>
Reinstatement of original value charged to income	-/-	-/-	-/-	-/-	<b>-/-</b>
Deferred interest	-/-	-/-	-/-	-/-	<b>-/-</b>
Foreign exchange differences	-0.2	-/-	-0.2	-0.1	<b>-0.5</b>
Book value at December 31	7.3	-22.4	26.5	145.6	<b>157.0</b>
Cost	597.4	-139.0	28.1	331.7	<b>818.2</b>
Accumulated amortization and revaluation	-590.1	116.6	-1.6	-186.1	<b>-661.2</b>
<b>Balance at December 31 (net)</b>	<b>7.3</b>	<b>-22.4</b>	<b>26.5</b>	<b>145.6</b>	<b>157.0</b>

in CHF m

## 13. Tangible noncurrent assets

### 13.1 Property, plant and equipment for own use 2003

	Land	Buildings	Plant and equipment	Total
Cost	96.6	764.0	101.0	<b>961.6</b>
Accumulated depreciation and revaluation	-/-	-292.4	-63.9	<b>-356.3</b>
<b>Balance at December 31 (net)</b>	<b>96.6</b>	<b>471.6</b>	<b>37.1</b>	<b>605.3</b>
Of which assets under finance leases	-/-	139.8	-/-	<b>139.8</b>

in CHF in

### 13.2 Property, plant and equipment for own use 2004

	Land	Buildings	Plant and equipment	Total
Book value at January 1	96.6	471.6	37.1	<b>605.3</b>
Additions	-/-	6.5	5.4	<b>11.9</b>
Additions arising from changes in composition of consolidated Group	-/-	-/-	0.3	<b>0.3</b>
Disposals	-6.3	-7.1	-2.5	<b>-15.9</b>
Disposals arising from changes in composition of consolidated Group	-/-	-/-	-0.3	<b>-0.3</b>
Reclassification	-/-	-/-	-/-	<b>-/-</b>
Revaluation and depreciation				
Depreciation	-/-	-18.8	-9.6	<b>-28.4</b>
Impairment in value charged to income	-/-	-5.4	-/-	<b>-5.4</b>
Reinstatement of original value charged to income	-/-	-/-	-/-	<b>-/-</b>
Foreign exchange differences	-0.2	-2.7	-0.1	<b>-3.0</b>
Book value at December 31	90.1	444.1	30.3	<b>564.5</b>
Cost	90.1	693.1	82.4	<b>865.6</b>
Accumulated depreciation and revaluation	-/-	-249.0	-52.1	<b>-301.1</b>
<b>Balance at December 31 (net)</b>	<b>90.1</b>	<b>444.1</b>	<b>30.3</b>	<b>564.5</b>
Of which assets under finance leases	-/-	135.2	-/-	<b>135.2</b>

in CHF m

The assets under financial leasing mainly consist of a lease with purchase option on an administration building occupied by the Group. The lease is contractually fixed until mid 2018 and includes a repayment plan.

### 13.3 Other tangible noncurrent assets 2003

	Machinery/furniture/ motor vehicles	IT equipment	Total
Cost	128.6	138.9	267.5
Accumulated depreciation and revaluation	-69.9	-106.2	-176.1
<b>Balance at December 31 (net)</b>	<b>58.7</b>	<b>32.7</b>	<b>91.4</b>
Of which assets under finance leases	0.1	0.7	0.8

in CHF m

### 13.4 Other tangible noncurrent assets 2004

	Machinery/furniture/ motor vehicles	IT equipment	Total
Book value at January 1	58.7	32.7	91.4
Additions	11.8	19.6	31.4
Additions arising from changes in composition of consolidated Group	0.7	1.0	1.7
Disposals	-9.2	-0.8	-10.0
Disposals arising from changes in composition of consolidated Group	-0.9	-0.1	-1.0
Revaluation and depreciation			
Depreciation	-10.5	-19.6	-30.1
Impairment in value charged to income	-/-	-/-	-/-
Reinstatement of original value charged to income	-/-	-/-	-/-
Foreign exchange differences	-0.3	-0.1	-0.4
Book value at December 31	50.3	32.7	83.0
Cost	108.8	122.1	230.9
Accumulated depreciation and revaluation	-58.5	-89.4	-147.9
<b>Balance at December 31 (net)</b>	<b>50.3</b>	<b>32.7</b>	<b>83.0</b>
Of which assets under finance leases	0.0	-/-	0.0

in CHF m

## 14. Deferred acquisition costs

	Non-life		Life		Total	
	2003	2004	2003	2004	2003	2004
<b>Balance at January 1</b>	<b>153.9</b>	<b>174.5</b>	<b>656.6</b>	<b>811.4</b>	<b>810.5</b>	<b>985.9</b>
Deferred during the year under review	266.5	302.3	135.4	163.2	401.9	465.5
Written off in the year under review	-249.3	-319.2	71.4	-107.5	-177.9	-426.7
Written off in the year under review due to anticipated loss	-2.3	-0.8	-/-	-/-	-2.3	-0.8
Change as a result of unrealized gains and losses on investment (shadow accounting)	-/-	-/-	-89.6	-47.9	-89.6	-47.9
Disposals arising from changes in composition of the consolidated Group	-/-	-/-	-/-	-/-	-/-	-/-
Foreign exchange differences	5.7	-0.9	37.6	-5.4	43.3	-6.3
<b>Balance at December 31</b>	<b>174.5</b>	<b>155.9</b>	<b>811.4</b>	<b>813.8</b>	<b>985.9</b>	<b>969.7</b>

in CHF m

## 15. Loss reserves including claims processing costs

	2003	2004
<b>Balance at January 1 (gross)</b>	<b>4,196.1</b>	<b>4,786.3</b>
Amount attributable to reinsurers	-280.8	-353.1
Loss reserves for own account	3,915.3	4,433.2
<b>Claims incurred (including claims processing costs)</b>		
For current year	2,017.2	1,957.4
For prior years	13.9	-57.9
<b>Total</b>	<b>2,031.1</b>	<b>1,899.5</b>
<b>Payments made for loss and claims processing costs</b>		
For current year	-996.7	-939.8
For prior years	-885.6	-815.8
<b>Total</b>	<b>-1,882.3</b>	<b>-1,755.6</b>
<b>Other movements</b>		
Changes in composition of consolidated Group	239.7	-/-
Foreign exchange differences	129.4	-37.2
<b>Total</b>	<b>369.1</b>	<b>-37.2</b>
<b>Balance at December 31 (net)</b>	<b>4,433.2</b>	<b>4,539.9</b>
Loss reserves for own account	4,433.2	4,539.9
Amount attributable to reinsurers	353.1	290.0
<b>Loss reserves at December 31 (gross)</b>	<b>4,786.3</b>	<b>4,829.9</b>

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 2003, these gross provisions, which are included in the total provision, amounted to CHF 320.1 million, and they stood at CHF 284.0 million at the end of 2004. The decline by 36.1 million is due to claims processing amounting to CHF 19.5 million and currency effects amounting to CHF 16.6 million, as a large part of these provisions are held in foreign currencies.

## 16. Actuarial reserve life

Long-term contracts	2003	2004
Contracts with surplus sharing	32,847.5	33,068.4
Contracts without surplus sharing	138.2	90.3
<b>Total</b>	<b>32,985.7</b>	<b>33,158.7</b>

in CHF m

## 17. Policyholder bonuses credited and provision for future policyholder bonuses

	2003	2004
Policyholder bonuses credited	3,214.1	2,996.7
Provision for future policyholder bonuses	849.3	1,223.9
<b>Total</b>	<b>4,063.4</b>	<b>4,220.6</b>

in CHF m

## 18. Reinsurance

### 18.1 Technical provisions and assets from reinsurance

	Gross		Reinsurance assets		Net	
	2003	2004	2003	2004	2003	2004
Unearned premiums reserves	493.3	494.1	4.3	4.5	489.0	489.6
Loss reserves	4,786.3	4,829.9	353.1	290.0	4,433.2	4,539.9
Actuarial reserve (life)	32,985.7	33,158.7	294.7	244.3	32,691.0	32,914.4
Policyholder bonuses credited and provision for future policyholder bonuses	4,063.4	4,220.6	-/-	-/-	4,063.4	4,220.6
<b>Total technical provisions</b>	<b>42,328.7</b>	<b>42,703.3</b>	<b>652.1</b>	<b>538.8</b>	<b>41,676.6</b>	<b>42,164.5</b>
Deposits and assets from reinsurance	-/-	-/-	85.0	88.2	-/-	-/-
Impairment in value charged to income	-/-	-/-	-/-	-/-	-/-	-/-
<b>Total reinsurance assets</b>	<b>-/-</b>	<b>-/-</b>	<b>737.1</b>	<b>627.0</b>	<b>-/-</b>	<b>-/-</b>

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 annual net profit.

In 2004, 3.5% (2003: 3.7%) of gross premiums and policy fees were ceded to external reinsurers. 96% (2003: 99%) of reinsurance is ceded to reinsurers rated A (Standard & Poor's) or better.

## 18.2 Premiums earned and policy fees

### 18.2.1 Premiums earned and policy fees 2003

	Non-life	Life	Elimination	Total
Direct gross premiums earned	2,982.7	4,301.1	0.0	<b>7,283.8</b>
Indirect gross premiums earned	102.1	-/-	-14.8	<b>87.3</b>
<b>Total gross premiums earned</b>	<b>3,084.8</b>	<b>4,301.1</b>	<b>-14.8</b>	<b>7,371.1</b>
Reinsurance ceded	-218.6	-53.0	15.2	<b>-256.4</b>
<b>Total premiums earned and policy fees for own account</b>	<b>2,866.2</b>	<b>4,248.1</b>	<b>0.4</b>	<b>7,114.7</b>

in CHF m

### 18.2.2 Premiums earned and policy fees 2004

	Non-life	Life	Elimination	Total
Direct gross premiums earned	3,004.4	3,956.3	-/-	<b>6,960.7</b>
Indirect gross premiums earned	72.5	0.1	-16.5	<b>56.1</b>
<b>Total gross premiums earned</b>	<b>3,076.9</b>	<b>3,956.4</b>	<b>-16.5</b>	<b>7,016.8</b>
Reinsurance ceded	-183.4	-61.4	15.8	<b>-229.0</b>
<b>Total premiums earned and policy fees for own account</b>	<b>2,893.5</b>	<b>3,895.0</b>	<b>-0.7</b>	<b>6,787.8</b>

in CHF m

## 18.3 Deposit assets and liabilities from deposit accounting

	2003	2004
Deposit assets	0.3	54.3
Deposit liabilities	-0.2	-12.3
<b>Balance at January 1</b>	<b>0.1</b>	<b>42.0</b>
Increases in deposits	41.0	1.4
Redemptions	-0.2	0.1
Foreign exchange differences	1.1	-0.4
<b>Balance at December 31</b>	<b>42.0</b>	<b>43.1</b>
Of which deposit assets <sup>1</sup>	54.3	64.0
Of which deposit liabilities <sup>2</sup>	-12.3	-20.9

in CHF m

<sup>1</sup> Shown in the balance sheet as reinsurance assets

<sup>2</sup> Shown in the balance sheet as deposit fund liabilities arising from reinsurance

## 19. Liabilities from banking business and bonds

### 19.1 Liabilities from banking business and financing operations

	2003	2004
Amounts due to banks	1,313.8	185.9
Fixed-term deposits payable	106.3	12.8
Loans	14.1	1.7
Mortgages	0.4	0.9
Savings and bank customer deposits	5,513.9	3,124.0
Medium-term fixed-rate notes	2,064.1	208.7
Mortgage bonds	709.0	790.7
Bonds	1,519.9	1,779.9
Financial leasing liabilities (present value)	170.2	167.9
<b>Total</b>	<b>11,411.7</b>	<b>6,272.5</b>

in CHF m

Of these, CHF 12.8 million (2003: CHF 106.3 million) relate to subordinated liabilities as at December 31, 2004.

### 19.2 Bonds

	2003	2004
<b>Balance at January 1</b>	<b>1,266.0</b>	<b>1,519.9</b>
Initial offer price of newly issued bonds	251.1	250.5
Embedded derivative	-/-	-/-
Deferred tax portion	-/-	-/-
Additions (subtotal)	251.1	250.5
Disposals/redemptions	-/-	-/-
Interest expense	42.2	50.5
Nominal interest	-39.4	-47.7
Accrued interest (subtotal)	2.8	2.8
Present value statement owing to application of hedge accounting	-/-	6.7
<b>Balance at December 31</b>	<b>1,519.9</b>	<b>1,779.9</b>

in CHF m

### 19.3 Terms applicable to the bonds outstanding

	Baloise Finance (Jersey) Ltd.	Bâloise-Holding	Bâloise-Holding
Nominal value in CHF m	200	300	600
Interest rate	1.0%	3.25%	4.25%
Effective interest rate	3.200%	3.250%	4.250%
Advance redemption date	-/-	-/-	-/-
Redemption amount	100%	100%	100%
Conversion rights	in UBS shares	no	no
Year of issue	1998	1998	2000
Redemption date	4.7.2006	4.7.2008	9.28.2005
Security number	SWX 858858	SWX 858851	SWX 1123532

	Baloise Bank SoBa	Bâloise-Holding	Baloise-Holding
Nominal value in CHF m	175	250	250
Interest rate	3.625%	3.375%	2.375%
Effective interest rate	3.625%	3.375%	2.375%
Advance redemption date	-/-	-/-	-/-
Redemption amount	100%	100%	100%
Conversion rights	no	no	no
Year of issue	2002	2003	2004
Redemption date	6.12.2007	12.15.2009	12.20.2010
Security number	SWX 1422292	SWX 1726032	SWX 2011789

### 19.4 Reconciliation between minimum lease and their present value for financial leasing

<b>Lease period</b>	2003	<b>2004</b>
< 1 year	10.2	10.4
1 – 5 years	45.3	48.8
> 5 years	195.4	180.9
<b>Total minimum lease payments</b>	<b>250.9</b>	<b>240.1</b>
Future finance expenses	-80.7	-72.2
<b>Total present value</b>	<b>170.2</b>	<b>167.9</b>

in CHF m

Including property for own use in accordance with section 13 of the Notes.



## 20. Financial provisions for the year 2004

	Restructuring	Other	Total
<b>Balance at January 1</b>	<b>22.7</b>	<b>96.2</b>	<b>118.9</b>
Addition due to changes in composition of consolidated Group	-/-	-/-	-/-
Currency translation	-/-	-0.6	-0.6
Additional provisions charged to income	0.7	24.6	25.3
Unused amounts released and charged to income	-17.7	-1.4	-19.1
Amounts used not charged to income	-1.1	-5.5	-6.6
Increase owing to mark-up for interest	-/-	-/-	-/-
<b>Balance at December 31</b>	<b>4.6</b>	<b>113.3</b>	<b>117.9</b>

in CHF m

The financial provisions for restructuring primarily contain funds for the reorganization of businesses acquired in the past few years in Switzerland. The other provisions are ear-

marked mostly for legal advice and procedural risks in law cases.

## 21. Tax on income

### 21.1 Current and deferred tax on income

	2003	2004
<b>Switzerland</b>		
Current tax	18.8	28.7
Deferred tax	-19.3	2.3
Subtotal	-0.5	31.0
<b>Germany</b>		
Current tax	71.0	33.2
Deferred tax	16.4	28.7
Subtotal	87.4	61.9
<b>Benelux</b>		
Current tax	3.3	7.5
Deferred tax	14.9	-14.3
Subtotal	18.2	-6.8
<b>Other countries</b>		
Current tax	21.5	16.9
Deferred tax	-1.7	-4.0
Subtotal	20.3	12.9
<b>Total all countries</b>		
Current tax	114.6	86.3
Deferred tax	10.8	12.7
<b>Total</b>	<b>125.4</b>	<b>99.0</b>

in CHF m

## 21.2 Expected and actual tax on income

	2003	2004
Expected tax on income	39.9	76.9
<b>Increase/decrease due to</b>		
Tax-exempt interest and dividend credits	-5.1	-1.1
Tax-exempt gains from shares and participating interests	-1.7	-14.4
Nondeductible losses from shares and participating interests	43.5	16.0
Withholding tax for dividends	-/-	0.0
Change in interest rates	-3.4	-0.3
Tax elements unrelated to accounting period	59.1	10.3
Disposal of enterprises	-/-	20.4
Other factors	-6.9	-8.8
<b>Actual tax on income</b>	<b>125.4</b>	<b>99.0</b>

in CHF m

The expected average tax rate of the Baloise Group came to 17.8% in 2003 and to 23.0% in 2004. These rates correspond to the weighted average of the tax rates of those countries in which the Baloise Group operates. The increase of the actual as against the expected tax on income for the disposal of enterprises amounting to CHF 20.4 million results to greatest extent from the sale of Mercator Bank.

### 21.3 Deferred tax assets and liabilities

<b>Reasons for deferred tax assets</b>	2003	<b>2004</b>
Unearned premiums reserves	24.7	20.0
Loss reserves	8.5	7.8
Actuarial reserve (life)	362.5	354.9
Unrealized losses on investments	0.4	3.5
Losses carried forward	45.9	16.1
Other	463.9	473.8
<b>Total</b>	<b>905.9</b>	<b>876.1</b>
<b>Reasons for deferred tax liabilities</b>		
Deferred acquisition costs	404.2	403.1
Unearned premiums reserves	29.3	30.7
Loss reserves	183.3	194.5
Actuarial reserve (life)	132.1	168.9
Unrealized gains on financial assets	134.3	141.7
Depreciable assets	67.3	60.8
Other intangible assets	2.4	2.8
Other	687.9	635.9
<b>Total</b>	<b>1,640.8</b>	<b>1,638.4</b>
<b>Total (net)</b>	<b>734.9</b>	<b>762.3</b>

in CHF m

The tax on income payable at the end of 2003 and 2004, which is included in the balance sheet under "Other liabilities and deferred income", amounted to CHF 108.5 million and 125.0 million respectively. At December 31, 2004, the Baloise Group capitalized losses brought forward that can be offset against tax amounting to CHF 48.8 million (subject to statutory regulations; 2003: CHF 143.4 million). All expire after five years or more.

As at December 31, 2004, no tax assets were capitalized on losses carried forward amounting to CHF 606.7 million (2003: CHF 584.3 million). Of these, CHF 21.4 million expire after one year, a further CHF 0.5 million expire after two to four years and CHF 584.8 million expire after five or more years.

## 22. Number of employees and personnel costs

The Baloise Group had 8,090 employees on December 31, 2004; on December 31, 2003, the number of employees was 8,745. Total personnel costs for the fiscal year 2004 amounted to CHF 1,052.9 million, compared with CHF 1,100.6 million in 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	Assets relating to employee benefits		Liabilities relating to employee benefits	
	2003	2004	2003	2004
Short-term benefits	8.6	8.3	110.4	93.9
Postemployment benefits: defined contribution plans	-/-	-/-	2.8	3.0
Postemployment benefits: defined benefit plans	30.2	25.0	491.9	492.2
Other long-term benefits	-/-	-/-	23.6	24.3
Termination benefits	2.4	-/-	51.3	49.6
Equity benefits	-/-	-/-	-/-	-/-
<b>Total</b>	<b>41.2</b>	<b>33.3</b>	<b>680.0</b>	<b>663.0</b>

in CHF m

### 23.2 Benefits from occupational benefit plans

Benefits from occupational benefit plans comprise all amounts provided for current employees and pensioners.

### 23.2.1 Liabilities relating to defined benefit plans

	2003	2004
Present value of funded obligations	-1,785.1	-1,783.7
Fair value of plan assets	1,716.0	1,763.5
Funding surplus/shortfall	-69.1	-20.2
Present value of unfunded obligations	-497.2	-526.1
Unrecognized actuarial gains or losses	202.0	167.1
<b>Net liabilities relating to defined benefit plans</b>	<b>-364.3</b>	<b>-379.2</b>
Of which disclosed as liabilities	-491.9	-492.2
Of which disclosed as assets	30.2	25.0
Of which not disclosed as assets	97.4	88.0

in CHF m

Liabilities for other benefits, previously totalled together as a single item, has been broken down into its individual components and recorded in the table above.

In countries in which pension plans are secured 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 net liabilities relating to defined benefit plans do not contain any reimbursement rights. The plan assets include shares in Baloise-Holding which had a market value of CHF 38.4 million at December 2003 and CHF 39.1 million at December 2004. They do not include property leased to the Baloise Group.

### 23.2.2 Expenses relating to defined benefit plans

	2003	2004
Current service costs	66.8	65.7
Interest costs	91.0	88.7
Expected return on plan assets	-50.7	-50.5
Redemption of actuarial losses or gains	19.6	1.6
Effects from plan cuts and plan compensation payments	1.0	-2.1
Effects of any changes and use restrictions	-21.5	-8.5
Employees' contributions	-13.0	-15.4
<b>Total expense relating to defined benefit plans</b>	<b>93.2</b>	<b>79.5</b>

in CHF m

Expense for other benefits, previously totalled together as a single item, has been broken down into its individual components and recorded in the table above.

This expenditure has been recorded under "Administrative and other operating expenses."

### 23.2.3 Income from plan assets

	2003	2004
Expected return on plan assets	-50.7	-50.5
Gains or losses on plan assets	-2.3	-28.9
<b>Total income from plan assets</b>	<b>-53.0</b>	<b>-79.4</b>

in CHF m

### 23.2.4 Net obligations in respect of pension benefits

	2003	2004
<b>Balance at January 1</b>	<b>327.8</b>	<b>424.1</b>
Foreign exchange differences	29.0	-4.2
Addition due to changes in composition of consolidated Group	49.4	0.0
Disposal due to changes in composition of consolidated Group	-0.5	-4.2
Amount recognized in income statement	74.8	78.6
Payments by employer	-56.4	-63.9
<b>Balance at December 31</b>	<b>424.1</b>	<b>430.4</b>

in CHF m

### 23.2.5 Actuarial assumptions

	2003	2004
Discount rate	4.1	3.8
Expected rate of return on plan assets	3.0	3.0
Expected increases in wages and salaries	2.2	1.9
Expected increases in pension benefits	1.2	0.8

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.

CHF 24.2 million (2003: CHF 23.6 million). No plan assets were deducted for long-term benefits. Other long-term employee benefits amounting to CHF 2.8 million (2003: CHF 3.0 million) are included in the income statement.

### 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, 2004, the present value of the obligation was

### 23.4 Equity benefits: employee shares

During the year under review, 190,294 shares (2003: 212,744 shares) were purchased through the Baloise Employee Trust set up in 1989 at a price of CHF 23.80 (2003: CHF 23.10). The fair market value of the shares subscribed amounted to CHF 47.65 (2003: CHF 45.90).

### 23.5 Equity benefits: share participation scheme

	2003	2004
Number of shares subscribed to	382,601	413,166
Blocked until	5.31.2006	5.31.2007
Subscription price per share in CHF	38.98	45.81
Value of shares subscribed to in CHF m	14.9	18.9
Market value of subscribed shares at time of subscription in CHF m	16.4	20.8

## 23.6 Equity benefits: direct allocation of shares

	2003	2004
Number of shares subscribed to	45,613	41,143
Blocked until	5.31.2006	5.31.2007
Subscription price per share in CHF	36.63	44.90
Value of shares subscribed to in CHF m	1.7	1.8
Market value of subscribed shares at time of subscription in CHF m	2.0	2.1

## 23.7 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	1.6.2003	1.6.2004
Number of underlying Bâloise-Holding shares	66,660	41,762
Exercise price in CHF	167.80	197.10
Expiry date	15.6.2005	15.6.2005
Expenses of the Baloise Group in CHF m	1.6	1.3

The benefits listed above originate from the share option schemes of the years 2001 and 2002.

## 24. Capital and reserves

### 24.1 Share capital

	Number of own shares	Number of shares in circulation	Number of shares issued	Share capital
<b>Balance at December 31, 2003</b>	<b>414,303</b>	<b>54,892,847</b>	<b>55,307,150</b>	<b>5.5</b>
Purchase/disposals of own shares	-2,311	2,311	-/-	-/-
Capital increases	-/-	-/-	-/-	-/-
Share buy-back and cancellation	-/-	-/-	-/-	-/-
<b>Balance at December 31, 2004</b>	<b>411,992</b>	<b>54,895,158</b>	<b>55,307,150</b>	<b>5.5</b>

in CHF m

The Bâloise-Holding registered shares are fully paid up and have a nominal value of CHF 0.10 (2003: CHF 0.10). Entry in the share register is limited to 2% 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. With regard to the business years 2003 and 2004, 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 18, 2005, a dividend of CHF 1.10 per share (2003: CHF 0.60) will be proposed for the 2004 fiscal year, a total figure of CHF 60.8 million (2003: CHF 33.2 million). The proposed dividend has not been included in the consolidated financial statements for the 2004 fiscal year.

It will be charged to accumulated profit following the adoption of the resolution at the 2005 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 per share

	2003	2004
Consolidated net profit <small>in CHF m</small>	91.4	221.7
Average number of outstanding shares	54,794,476	54'843'390
<b>Earnings per share <small>in CHF</small></b>	<b>1.67</b>	<b>4.04</b>

The diluted net earnings coincide with the basic earnings per share because none of the existing share option plans (for capital market transactions or for employee share schemes) have a dilutive effect. The option holder's coun-

terparty is a financial institution outside the Group, which will procure the shares required on the market if the options are exercised.

## 26. Minority interests

	2003	2004
<b>Balance at January 1</b>	<b>28.1</b>	<b>40.7</b>
Share of consolidated net profit	6.9	13.0
Change in share of unrealized gains and losses in capital and reserves	-0.2	-0.1
Addition/disposal due to changes in share of investment held	11.6	20.3
Addition/disposal due to changes in composition of consolidated Group	-/-	-1.3
Dividends paid	-7.8	-8.8
Foreign exchange differences	2.1	-0.3
<b>Balance at December 31</b>	<b>40.7</b>	<b>63.5</b>

in CHF m

## 27. Interest payable

	2003	2004
Interest on policyholder bonuses credited	84.3	80.0
Savings and customer deposits	107.9	70.5
Medium-term fixed-rate notes	90.3	76.4
Mortgage bonds	9.2	33.6
Bonds	42.2	57.2
Other interest	71.2	74.4
<b>Total</b>	<b>405.1</b>	<b>392.1</b>

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 Baloise-Holding. Deutscher Ring Krankenversicherung, 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.

Included in balance sheet and income statement	2003	2004
Mortgage loans	2.7	12.6
Policy and other loans	7.7	11.5
Receivables arising out of insurance operations	1.2	0.9
Other receivables	0.2	0.1
Other liabilities	-/-	-/-
Gross premiums written and policy fees	0.1	0.2
Investment income	3.5	1.1
Other income	0.4	0.1

in CHF m

Remuneration remitted to the members of the Board of Directors and the Corporate Executive Committee amounted to CHF 9.0 million in fiscal 2004 (2003: CHF 7.7 million).

In the year under review, provisions amounting to CHF 0.6 million were set aside for expenditure in the event of the termination of employment of persons in key management positions.

## 29. Supplemental cash flow disclosure

	2003	2004
Cash and bank balances	691.9	686.5
Cash equivalents	0.1	0.1
<b>Total</b>	<b>692.0</b>	<b>686.6</b>

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, groupwide 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 Derivative financial instruments: fair value hedges

Interest rate instruments	Contract values		Fair value: assets		Fair value: liabilities	
	2003	2004	2003	2004	2003	2004
Forward transactions	-/-	-/-	-/-	-/-	-/-	-/-
Swaps	201.6	1,369.0	6.5	37.7	-/-	21.4
OTC options	582.0	-/-	10.1	-/-	-/-	-/-
Other	-/-	-/-	-/-	-/-	-/-	-/-
Traded options	-/-	-/-	-/-	-/-	-/-	-/-
Traded futures	-/-	-/-	-/-	-/-	-/-	-/-
<b>Total</b>	<b>783.6</b>	<b>1,369.0</b>	<b>16.6</b>	<b>37.7</b>	<b>-/-</b>	<b>21.4</b>

in CHF m

### 30.2 Derivative financial instruments: cash flow hedges

Interest rate instruments	Contract values		Fair value: assets		Fair value: liabilities	
	2003	2004	2003	2004	2003	2004
Forward transactions	-/-	-/-	-/-	-/-	-/-	-/-
Swaps	2,748.8	192.6	28.8	2.0	14.3	0.2
OTC options	-/-	-/-	-/-	-/-	-/-	-/-
Other	-/-	-/-	-/-	-/-	-/-	-/-
Traded options	-/-	-/-	-/-	-/-	-/-	-/-
Traded futures	-/-	-/-	-/-	-/-	-/-	-/-
Subtotal	2,748.8	192.6	28.8	2.0	14.3	0.2
<b>Foreign exchange instruments</b>						
Forward transactions	-/-	866.8	-/-	0.2	-/-	-/-
Swaps	-/-	-/-	-/-	-/-	-/-	-/-
OTC options	1,313.3	1,408.4	110.9	116.1	-/-	-/-
Other	-/-	-/-	-/-	-/-	-/-	-/-
Traded options	-/-	-/-	-/-	-/-	-/-	-/-
Traded futures	-/-	-/-	-/-	-/-	-/-	-/-
Subtotal	1,313.3	2,275.2	110.9	116.3	-/-	-/-
<b>Total</b>	<b>4,062.1</b>	<b>2,467.8</b>	<b>139.7</b>	<b>118.3</b>	<b>14.3</b>	<b>0.2</b>

in CHF m

### 30.3 Currency risk

The insurance activities of the Baloise Group are conducted almost entirely in Swiss francs and in euro, and therefore the technical provisions are also predominantly in these two currencies. Most of the provisions are currency-matched by investments. In order to increase income, the Swiss companies hold a net euro position of CHF 2,807.3 million (2003: CHF 4,119.7 million), a net US dollar position of CHF 446.7 million (2003: CHF 237.6 million) and a net Japanese yen position of CHF 23.7 million (2003: CHF 11.0 million). The remaining currency excess positions are of little significance. For risk reasons, USD foreign currency exposure was almost fully hedged and EUR exposure hedged to around one third.

### 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 groupwide basis.

### 30.5 Concentration of credit risks

Shares and fixed-interest securities > 10% of consolidated capital and reserves	2003	2004
Confederation of Switzerland	1,507.4	1,694.6
Federal Republic of Germany	745.5	1,150.5
UBS AG, Zurich/Basel	1,105.9	1,012.1
Eurohypo AG, Frankfurt a.M.	506.4	929.5
Bayerische Landesbank, Munich	311.8	820.3
Kingdom of Belgium	2,714.8	806.3
Landesbank Baden-Württemberg, Stuttgart	560.6	770.6
Hypo Real Estate, Munich	275.2	584.9
Bayerische Hypo- und Vereinsbank, Munich	322.6	581.0
HSH Nordbank, Hamburg/Kiel	305.0	516.1
Republic of Italy	497.2	486.4
Republic of Austria	491.6	478.0
Allgemeine Hypothekenbank Rheinboden AG	270.6	473.4
DZ Bank AG, Frankfurt a.M.	329.2	473.3
Pfandbriefbank Schweizerischer Hypothekarinstitute	236.0	472.9
DePfa Bank plc, Dublin	317.2	389.2
Dexia Bank, Brussels	287.3	378.0
Republic of France	318.0	374.1
Hypothekenbank in Essen	299.0	345.1

in CHF m

Time deposits make up CHF 699.0 million of the total amount placed with UBS AG, Zurich/Basel (2003: CHF 668.0 million).

### 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.

## 30.7 Liquidity risks

### 30.7.1 Liquidity risk at December 31, 2003

	Due in: <1 year	Due in: 1–5 years	Due in: >5 years	Total
Assets with due date	15,387.8	18,995.9	14,687.1	<b>49,070.8</b>
Assets without fixed due date	-/-	-/-	-/-	<b>15,230.0</b>
Liabilities with due date	-9,049.1	-2,336.1	-4,458.0	<b>-15,843.2</b>
Liabilities without fixed due date	-/-	-/-	-/-	<b>-45,097.1</b>
<b>Net liquidity risk</b>	<b>6,338.7</b>	<b>16,659.8</b>	<b>10,229.1</b>	<b>3,360.5</b>

in CHF m

### 30.7.2 Liquidity risk at December 31, 2004

	Due in: <1 year	Due in: 1–5 years	Due in: >5 years	Total
Fixed-interest securities	1,107.9	12,866.8	13,195.6	<b>27,170.3</b>
Mortgage loans	3,719.0	5,175.7	903.6	<b>9,798.3</b>
Policy and other loans	397.7	665.5	337.1	<b>1,400.3</b>
Other investments	1,906.6	104.0	-/-	<b>2,010.6</b>
Other assets	3,086.1	1.0	-/-	<b>3,087.1</b>
Assets without fixed due date	-/-	-/-	-/-	<b>16,154.2</b>
<b>Total</b>	<b>10,217.3</b>	<b>18,813.0</b>	<b>14,436.3</b>	<b>59,620.8</b>
Liabilities from banking business and loans	-2,897.6	-1,564.2	-1,810.6	<b>-6,272.4</b>
Payables arising out of insurance operations	-2,012.5	-15.3	-0.3	<b>-2,028.1</b>
Other liabilities	-1,532.2	-49.6	-519.5	<b>-2,101.3</b>
Liabilities without fixed due date	-/-	-/-	-/-	<b>-45,673.0</b>
<b>Total</b>	<b>-6,442.3</b>	<b>-1,629.1</b>	<b>-2,330.4</b>	<b>-56,074.8</b>
<b>Net liquidity risk</b>	<b>3,775.0</b>	<b>17,183.9</b>	<b>12,105.9</b>	<b>3,546.0</b>

in CHF m

## 30.8 Market value of financial assets and liabilities and market risks

	Book value		Market value	
	2003	2004	2003	2004
Fixed-interest securities held to maturity	10,348.6	10,455.2	10,371.0	10,765.1
Mortgage loans	11,002.4	9,798.3	11,376.7	9,964.5
Policy and other loans	1,456.6	1,400.3	1,509.7	1,432.4
Liabilities from banking business and loans	11,411.7	6,272.5	11,548.8	6,351.4

in CHF m

The foregoing 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.

## 31. Companies consolidated on a proportionate basis

Included in balance sheet and income statement	2003	2004
Investments	768.9	707.9
Intangible assets and tangible noncurrent assets	31.7	36.1
Liabilities	758.0	668.8
Capital and reserves	158.8	181.8
Income	149.5	158.7
Expenses	131.6	140.1

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 2004.

### 32.2 Capital commitments

Commitments entered into for the future purchase of	2003	2004
Investments	469.5	263.5
Tangible noncurrent assets	-/-	-/-
Intangible assets	-/-	-/-
<b>Total commitments entered into</b>	<b>469.5</b>	<b>263.5</b>
Of which relating to joint ventures	-/-	-/-
Of which own share of joint venture capital commitments	-/-	-/-

in CHF m

Commitments entered into for the future purchase of investments include private equity commitments, which are unfinanced commitments toward direct investment in private equity or investment in private equity funds.

### 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, to allocate funds to cover redemptions or interest

payments due, or to provide warranties in connection with their business activities. 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

	2003	2004
Warranties	634.3	598.8
Guaranties	328.3	377.4
<b>Total warranties and guaranties for the benefit of third parties</b>	<b>962.6</b>	<b>976.2</b>
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 and securities lending

	Assets		Amount of hedged obligation	
	2003	2004	2003	2004
Investments	4,030.6	3,601.5	1,665.6	771.4
Tangible noncurrent assets	-/-	-/-	-/-	-/-
Intangible assets	-/-	-/-	-/-	-/-
Other assets	-/-	3.7	-/-	-/-
<b>Total</b>	<b>4,030.6</b>	<b>3,605.2</b>	<b>1,665.6</b>	<b>771.4</b>

in CHF m

### 32.6 Obligations under operating leases

2005	2.8
2006	2.1
2007	1.8
2008	0.1
2009 and later	0.2
<b>Total</b>	<b>7.0</b>

in CHF m

## 33. Events after the balance sheet date

Up to the completion of the present consolidated financial statements on March 23, 2005, we were not aware of any events that would have a significant effect on the financial statements as a whole.

### 34. Significant subsidiaries and participating interests at December 31, 2004

	Principal activity	Business segments <sup>1</sup>	Holding in percent	Method of inclusion <sup>2</sup>	Currency	Share/ company capital in millions	Total assets in millions	Gross premiums/ policy fees in millions
<b>Switzerland</b>								
Bäloise-Holding, Basel	Holding	O	Holding	F	CHF	5.5	2,192.6	-/-
Baloise Insurance Company, Basel	Non-life	NL	100.00	F	CHF	75.0	5,516.5	1,281.1
Baloise Life Insurance Company, Basel	Life	L	100.00	F	CHF	50.0	25,230.9	2,715.0
Baloise Bank SoBa, Solothurn	Banking	B	100.00	F	CHF	50.0	5,190.4	-/-
Haakon AG, Basel	Other	O	74.75	F	CHF	0.2	26.1	-/-
Baloise Asset Management Switzerland AG, Basel	Asset management	B	100.00	F	CHF	1.5	15.1	-/-
Baloise Asset Management International AG, Basel	Investment advice	B	100.00	F	CHF	1.5	7.7	-/-
<b>Germany</b>								
Basler Versicherung Beteiligungsgesellschaft mbH, Hamburg	Holding	O	100.00	F	EUR	20.5	254.7	-/-
Baloise Beteiligungs-Holding GmbH, Bad Homburg	Holding	O	100.00	F	EUR	0.0	115.1	-/-
Deutscher Ring Lebensversicherungs-AG, Hamburg	Life	L	100.00	F	EUR	22.0	7,771.1	528.9
SECURITAS Gilde Lebensversicherung AG, Bremen	Life	L	100.00	F	EUR	4.1	958.3	77.3
Deutscher Ring Sachversicherungs-AG, Hamburg	Non-Life	NL	100.00	F	EUR	50.0	396.0	135.2
Basler Securitas Versicherungs-Aktiengesellschaft, Bad Homburg	Non-Life	NL	100.00	F	EUR	15.1	953.8	442.9
Deutscher Ring Bausparkasse AG, Hamburg	Banking	B	100.00	F/P	EUR	12.8	560.5	-/-
Deutscher Ring Beteiligungsholding GmbH, Hamburg	Other	O	65.00	F/P	EUR	12.8	324.7	-/-
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	Other	O	26.00	E	EUR	-/-	-/-	-/-
Deutscher Ring Financial Services GmbH, Hamburg	Other	O	100.00	F/P	EUR	0.1	6.1	-/-
Grocon Erste Grundstücksgesellschaft mbH, Hamburg	Other	O	100.00	F	EUR	0.7	16.9	-/-
Grocon Zweite Grundstücksgesellschaft mbH, Hamburg	Other	O	100.00	F/P	EUR	1.5	14.8	-/-
OVV Vermögensberatung AG, Köln	Other	O	54.44	F/P	EUR	10.0	59.4	-/-
Roland Rechtsschutz Beteiligungs GmbH, Cologne	Other	O	60.00	F/P	EUR	0.1	22.3	-/-
Roland Rechtsschutz Versicherungs-AG, Cologne	Other	O	25.02	E	EUR	-/-	-/-	-/-
Zeus Vermittlungsgesellschaft mbH, Hamburg	Other	O	90.10	F/P	EUR	0.5	17.6	-/-
<b>Belgium</b>								
Mercator Verzekeringen N.V., Ghent/Antwerp	Life and non-life	L/NL	100.00	F	EUR	185.0	2,722.0	399.2
Amazon Insurance N.V., Antwerp	Non-life	NL	100.00	F	EUR	3.7	21.0	16.7
Mercator, Re N.V., Antwerp	Reinsurance	NL	100.00	F	EUR	1.2	5.3	0.0
Euromex N.V., Antwerp	Non-life	NL	100.00	F	EUR	2.5	50.6	19.8
Corluy en C <sup>o</sup> Beurvennootschap N.V., Antwerp	Banking	B	37.50	E	EUR	-/-	-/-	-/-
Amid N.V., Ghent	Other	O	97.85	F	EUR	0.5	2.7	-/-
Antwerp Real Estate N.V., Antwerp	Other	O	84.00	F	EUR	1.2	3.1	-/-
Automobilcenter Gent N.V., Ledeborg	Other	O	74.38	F	EUR	0.3	5.5	-/-
Hondius N.V., Antwerp	Other	O	100.00	F	EUR	2.5	10.6	-/-
Merno-Immo N.V., Ghent	Other	O	99.75	F	EUR	14.5	17.9	-/-
Plastic Investment Company, Kortrijk	Other	O	29.00	E	EUR	-/-	-/-	-/-
Sogaplim N.V., Ghent	Other	O	50.00	P	EUR	4.2	17.4	-/-

<sup>1</sup> L: Life, NL: Non-life, B: Banking, O: Other activities/Group business

<sup>2</sup> F: Fully consolidated, P: Consolidated on a proportionate basis, E: Stated at equity valuation

Continued

	Principal activity	Business segments <sup>1</sup>	Holding in percent	Method of inclusion <sup>2</sup>	Currency	Share/ company capital in millions	Total assets in millions	Gross premiums/ policy fees in millions
<b>Luxembourg</b>								
Baloise (Luxembourg) Holding S.A., Luxembourg	Holding	O	100.00	F	CHF	437.9	957.2	-/-
Baloise Assurances Luxembourg S.A., Luxembourg	Non-life	NL	100.00	F	EUR	7.5	123.1	26.0
Baloise Vie Luxembourg S.A., Luxembourg	Life	L	100.00	F	EUR	12.5	456.3	23.0
Baloise Fund Invest Advico, Luxembourg	Investment advice	B	100.00	F	EUR	0.1	4.1	-/-
<b>Austria</b>								
Basler Versicherungs-Aktiengesellschaft in Österreich, Vienna	Life and non-life	L/NL	100.00	F	EUR	5.1	465.4	70.9
Basler osiguranje d.d., Zagreb	Non-life	NL	97.00	F	HRK	18.0	49.0	16.2
Basler Zivotno osiguranje d.d., Zagreb	Life	L	97.00	F	HRK	15.0	30.2	8.0
Basler Immobilien GmbH, Vienna	Other	O	100.00	F	EUR	14.5	40.0	-/-
<b>Other countries</b>								
Baloise Insurance Co. (I.O. M.) Ltd., Douglas / Isle of Man / British Isles	Reinsurance	NL	100.00	F	CHF	31.2	438.5	-/-
Baloise Insurance Company (Bermuda) Ltd., Hamilton / Bermuda	Reinsurance	NL	100.00	F	CHF	5.0	572.7	-/-
Baloise Alternative Investment Strategies Ltd., Grand Cayman, Cayman Islands	Asset management	L/NL/O	100.00	F	USD	0.0	1,137.0	-/-
Baloise Finance (Jersey) Ltd., St. Helier / Jersey / Channel Islands	Other	O	100.00	F	CHF	1.4	504.4	-/-
Baloise Private Equity Ltd., Cayman Islands	Asset management	L/NL/O	100.00	F	USD	0.0	309.7	-/-
Baloise (España) S.A., Madrid	Other	NL	100.00	F	EUR	18.0	17.4	-/-

<sup>1</sup> L: Life, NL: Non-life, B: Banking, O: Other activities/Group business<sup>2</sup> F: Fully consolidated, P: Consolidated on a proportionate basis, E: Stated at equity valuation



# 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 69 to 120)<sup>1</sup> of the Baloise Group for the year ended December 31, 2004.

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

Edgar Fluri    Peter Lüssi

Basel, April 5, 2005

<sup>1</sup> The German version of the Financial Report is binding.



## Income statement: Bâloise-Holding

### Income

	2003/2004	2004/2005
Income from securities	-/-	5,775,682
Gains on securities	-/-	40,001,336
Income from participating interests	169,615,616	223,875,840
Interest on loans to Group companies	2,798,352	2,017,044
Income from financial assets	5,357,325	1,068,555
Other interest receivable	612,677	2,732,821
Realized gains on noncurrent assets	19,710,756	11,787,420
Other income	3,480,670	2,332,738
<b>Total income</b>	<b>201,575,396</b>	<b>289,591,436</b>

### Expenses

Administrative expenses	-5,347,099	-5,907,108
Interest payable	-40,391,024	-45,336,805
Amortization of/losses from noncurrent assets	-114,499,511	-62,499,123
Other expenses	-38	-51,253,192
<b>Total expenses</b>	<b>-160,237,672</b>	<b>-164,996,228</b>

### Overall result

Total income	201,575,396	289,591,436
Total expenses	-160,237,672	-164,996,228
Total profit before tax	41,337,724	124,595,208
Tax on income and capital	-119,795	-310,948
<b>Annual net profit</b>	<b>41,217,929</b>	<b>124,284,260</b>

in CHF

## Balance sheet: Bâloise-Holding

### Assets

	Note	3.31.2004	3.31.2005
Bank balances		6,523	85,907,278
Receivables from Group companies		183,956,724	194,250,961
Other receivables		1,804,309	2,276,161
Accruals deferrals		589,920	702,693
Securities	2	-/-	173,166,552
<b>Current assets</b>		<b>186,357,476</b>	<b>456,303,645</b>
Participating interests	3	1,418,884,115	1,446,124,075
Financial assets		162,625,973	255,758,786
<b>Noncurrent assets</b>		<b>1,581,510,088</b>	<b>1,701,882,861</b>
<b>Total assets</b>		<b>1,767,867,564</b>	<b>2,158,186,506</b>

### Liabilities and capital and reserves

Short-term liabilities		12,769	12,252
Payables to Group companies		3,051,111	1,034,067
Bonds	4	1,150,000,000	1,400,000,000
Provisions		73,200	50,704,148
Accruals deferrals		26,118,457	26,724,042
<b>Liabilities</b>		<b>1,179,255,537</b>	<b>1,478,474,509</b>
Share capital		5,530,715	5,530,715
General reserve		11,724,001	11,724,001
Reserve for own shares	5	14,005,321	16,698,848
Free reserve		515,497,921	520,804,394
Accumulated profit		41,854,069	124,954,039
<b>Capital and reserves</b>		<b>588,612,027</b>	<b>679,711,997</b>
<b>Total liabilities and capital and reserves</b>		<b>1,767,867,564</b>	<b>2,158,186,506</b>

in CHF

# Notes to the financial statements of Baloise-Holding

## 1. Basis of accounting

The Baloise-Holding accounts comply with Swiss legal requirements.

## 2. Securities

For strategic reasons, shares amounting to CHF 133.2 million in value were reclassified from noncurrent assets (financial assets) to current assets. This generated a book profit of CHF 40.0 million.

## 3. Participating interests

Company	Holding at 3.31.2004 in %	Holding at 3.31.2005 in %	Currency	Share/company capital at 3.31.2005 in millions
Baloise Insurance Company, Basel	100	100	CHF	75.0
Baloise Life Insurance Company, Basel	100	100	CHF	50.0
Baloise Bank SoBa, Solothurn	100	100	CHF	50.0
Baloise Asset Management Switzerland AG, Basel	100	100	CHF	1.5
Baloise Asset Management International AG, Basel	100	100	CHF	1.5
Haakon AG, Basel	75	75	CHF	0.2
Basler Versicherung Beteiligungsges. mbH, Hamburg	100	100	EUR	20.5
Baloise Beteiligungs-Holding GmbH, Bad Homburg	100	100	EUR	0.0
Baloise (Luxembourg) Holding S.A., Luxembourg	100	100	CHF	437.9
Baloise Fund Invest Advico, Luxembourg	100	100	EUR	0.1
Baloise Insurance Co. (I.O.M.) Ltd., Isle of Man	100	100	CHF	31.2
Baloise Insurance Company (Bermuda) Ltd., Bermuda	100	100	CHF	5.0
Baloise Finance (Jersey) Ltd., Jersey	100	100	CHF	1.4

The holdings have been rounded to the nearest percent. Additional information about the participating interests of Baloise-Holding is given on pages 119 to 120.

## 4. Bonds

Amount	Interest rate	Issued	Maturity date
CHF 300 million	3.25 %	1998	4.7.2008
CHF 600 million	4.25 %	2000	9.28.2005
CHF 250 million	3.375 %	2003	12.15.2009
CHF 250 million	2.375 %	2004	12.20.2010

## 5. Own shares

The companies in the Baloise Group bought a total of 523,850 shares at an average price of CHF 54 per share during the year under review, and sold 472,809 shares at an average price of CHF 50. At March 31, 2005, they together held a total of 230,499 Baloise-Holding shares.

At March 31, 2005, an amount of CHF 2.7 million was transferred from the free reserve of Baloise-Holding to the reserve for own shares.

## 6. Significant shareholders

There were no significant changes in the composition of shareholders in the year under review. As at March 31, 2005, no shareholder held more than 5% of the outstanding Baloise-Holding stock.

As a widely held joint stock company, the Baloise is included in the Swiss Market Index (SMI) and features in the SWX's index calculations with a free float of 100%.

The following table provides a current breakdown of shareholders as at March 31, 2005.

Shareholders	Total holding at 3.31.2004	Share of voting rights 3.31.2004	Total holding at 3.31.2005	Share of voting rights 3.31.2005
Chase Nominees	4.0	2.0	4.8	2.0
Investors Bank & Trust	< 2.0	< 2.0	2.6	0.0
UBS Group	< 2.0	< 2.0	2.5	2.0
Nortrust Nominees Ltd.	< 2.0	< 2.0	2.4	0.0
Mellon Bank N.A.	< 2.0	< 2.0	2.2	0.0
CS Group	< 2.0	< 2.0	2.1	1.6
Deutsche Bank Nominee	2.3	2.0	< 2.0	< 2.0
Fidelity Group	2.5	2.0	< 2.0	< 2.0
Rolex Group	2.0	2.0	< 2.0	< 2.0

in percent

## 7. Contingent liabilities

At March 31, 2005, warranty obligations amounted to CHF 446,3 million (prior year: CHF 435.8 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 "Securities".

Baloise-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.

## 8. Personnel expenses

Administrative costs include CHF 1.1 million relating to personnel expenses in the year under review (2003: CHF 1.1 million).

## Proposed allocation of accumulated profit

Included in balance sheet and income statement	2003/2004	2004/2005
Annual net profit	41,217,929	124,284,260
Retained profit carried forward	636,140	669,779
Accumulated profit	41,854,069	124,954,039
Dividend distribution required by Articles of Incorporation	-276,536	-276,536
Available for distribution at General Meeting	41,577,533	124,677,503
Proposed by the Board of Directors		
Allocation to free reserve	-8,000,000	-63,500,000
Additional dividend distribution	-32,907,754	-60,561,329
<b>Retained profit carried forward</b>	<b>669,779</b>	<b>616,174</b>

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 1.10 gross per share (CHF 0.71 after deduction of withholding tax).

# 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 to the financial statements, pages 123 to 126)<sup>1</sup> of Bâloise-Holding for the financial year ended March 31, 2005.

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 the accumulated profit comply with Swiss law and the Company's Articles of Incorporation.

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

PricewaterhouseCoopers AG

Edgar Fluri    Peter Lüssi

Basel, April 5, 2005

<sup>1</sup> The German version of the Financial Report is binding.