

## 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	
<b>Combined ratio: non-life</b>	2002	2003	2002	2003	2003
Loss ratio	74.8	67.3	78.8	71.2	71.2
Expense ratio	30.0	29.9	31.7	31.6	31.6
Surplus sharing ratio	0.4	0.4	0.4	0.4	0.4
<b>Combined ratio</b>	<b>105.2</b>	<b>97.6</b>	<b>110.9</b>	<b>103.2</b>	<b>103.2</b>

as a percentage of premiums earned

<b>Combined ratio (gross) by geographical segment</b>	Switzerland		Germany		Benelux		Other countries	
	2002	2003	2002	2003	2002	2003	2002	2003
Loss ratio	70.9	71.3	81.6	64.9	81.7	67.1	78.2	53.8
Expense ratio	26.0	23.8	35.0	36.1	32.4	31.2	24.0	18.4
Surplus sharing ratio	0.8	0.8	0.1	0.1	0.0	–	0.0	0.2
<b>Combined ratio</b>	<b>97.7</b>	<b>95.9</b>	<b>116.7</b>	<b>101.1</b>	<b>114.1</b>	<b>98.3</b>	<b>102.2</b>	<b>72.4</b>

as a percentage of premiums earned

<b>Reserve ratio: non-life</b>	2002	2003
Technical provision for own account	4,486.4	5,097.6
Premiums written and policy fees for own account	2,477.5	2,873.4
<b>Reserve ratio in percent</b>	<b>181.1</b>	<b>177.4</b>

in CHF m

## Management Information

### Technical income statement

Gross	Non-life		Life	
	2002	2003	2002	2003
Gross premiums written and policy fees	2,657.6	3,088.8	4,633.2	4,301.1
Change in unearned premiums reserves	- 26.2	- 4.0	-	-
Premiums earned and policy fees	2,631.4	3,084.8	4,633.2	4,301.1
Claims and benefits paid	- 2,082.2	- 1,969.2	- 2,962.5	- 3,600.1
Change in loss reserves / actuarial reserve	114.5	- 108.4	- 2,240.6	- 1,096.6
Claims and benefits paid	- 1,967.7	- 2,077.6	- 5,203.1	- 4,696.7
Policyholder bonuses paid	- 10.6	- 12.7	39.7	- 428.1
Technical costs	- 788.9	- 921.8	- 512.6	- 301.6
<b>Total underwriting result (gross)</b>	<b>- 135.8</b>	<b>72.7</b>	<b>- 1,042.8</b>	<b>- 1,125.3</b>

### Reinsurance ceded

Premiums earned and policy fees	- 179.4	- 218.6	- 39.8	- 53.0
Claims and benefits paid	36.6	38.5	32.8	49.0
Policyholder bonuses paid	0.0	0.3	-	-
Technical costs	12.1	15.7	5.0	4.3
<b>Total underwriting result of business ceded</b>	<b>- 130.7</b>	<b>- 164.1</b>	<b>- 2.0</b>	<b>0.3</b>

### Net

Premiums earned and policy fees	2,452.0	2,866.2	4,593.4	4,248.1
Claims and benefits paid	- 1,931.1	- 2,039.1	- 5,170.3	- 4,647.7
Policyholder bonuses paid	- 10.6	- 12.4	39.7	- 428.1
Technical costs	- 776.8	- 906.1	- 507.6	- 297.3
<b>Total underwriting result for own account</b>	<b>- 266.5</b>	<b>- 91.4</b>	<b>- 1,044.8</b>	<b>- 1,125.0</b>

Investment income (gross)	267.4	262.5	1,359.9	1,491.2
Realized gains and losses on investments (net)	- 195.7	- 47.1	- 498.9	- 90.4
Investment expenses	- 18.0	- 18.9	- 41.0	- 45.2
Other non-technical income and expenses	9.5	- 14.3	- 133.9	- 161.9
<b>Non-technical result</b>	<b>63.2</b>	<b>182.2</b>	<b>686.1</b>	<b>1,193.7</b>

Profit/ loss before tax and minority interests	- 203.3	90.8	- 358.7	68.7
Tax on income	29.7	- 43.3	31.5	- 41.7
Minority interests	0.0	0.0	0.0	0.0
<b>Profit/ loss after tax before minority interests</b>	<b>- 173.6</b>	<b>47.5</b>	<b>- 327.2</b>	<b>27.0</b>

in CHF m

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

The adjusted capital and reserves are based on market value for investments and statutory value for liabilities from insurance operations. The sums of unrealized investment gains and losses, which can be

subject to strong movements, represent the most significant capital and reserves component. Declared capital and reserves only are considered for the embedded value in the case of the Baloise Group's business from Luxembourg, Austria and Croatia.

The value of insurance in force is understood to be the earnings generated from this insurance in future, established by discounting all the anticipated cash flow. A large number of assumptions need to be made to calculate this value, the most important of which are listed in the table below.

<b>Assumptions</b>	2002	2003
Risk discount rate	7.7	7.6
Bond yields	4.0	3.5–3.9
Share returns	7.2	7.2
Return of investment property	5.3	5.1
Tax rate	20.7	23.7

in percent

## Management Information

<b>Development of embedded value</b>	2002	2003
<b>Embedded value at January 1</b>	<b>3,792.5</b>	<b>1,630.8</b>
Of which value of insurance in force	1,341.4	855.4
Of which adjusted capital and reserves	2,992.4	1,192.4
Of which solvency expenses	- 541.3	- 417.0
Operating income from insurance in force, adjusted capital and reserves, and earnings from new business	164.5	275.7
Economic changes, especially changes in unrealized gains and losses on investments	- 2,296.3	20.5
Dividends and capital movements	- 22.8	26.8
Differences arising from currency translation	- 7.1	26.4
<b>Embedded value at December 31</b>	<b>1,630.8</b>	<b>1,980.2</b>
Of which value of insurance in force	855.4	1,236.1
Of which adjusted capital and reserves	1,192.4	1,008.1
Of which solvency expenses	- 417.0	- 264.0

in CHF m, all figures "after tax"

<b>Sensitivities</b>	2002	2003
Base value in CHF m	-	1,980.2
+/- 1% change in discount rate	-	- 7.2 / + 8.4
+/- 10% change in market value of shares	-	+ 4.3 / - 4.8
+/- 10% change in market value of property	-	+ 4.6 / - 7.6
+/- 0.5% change in money market interest	-	+ 17.5 / - 17.6

in percent

<b>New business</b>	2002	2003
Value new business in CHF m	-	15.5
APE <sup>1</sup> in CHF m	-	306.5
Ratio of new business to APE in percent	-	5.0

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

External Review: Deloitte has 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, 2003. 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 by Baloise, but have not verified and have relied on financial information underlying Baloise's financial statements.

	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivatives and other	Total
<b>Investment performance in 2002</b>						
Current investment income	987.0	173.7	249.3	557.1	124.2	<b>2,091.3</b>
Realized gains	172.0	832.8	50.8	0.2	221.0	<b>1,276.8</b>
Realized losses	- 297.7	- 599.8	- 34.7	- 66.3	- 126.0	<b>- 1,124.5</b>
Change in unrealized gains and losses						
taken to capital and reserves	724.3	- 2,240.4	-	-	- 162.9	<b>- 1,679.0</b>
Impairment in value charged to income (net)	- 26.9	- 813.7	-	16.2	- 134.4	<b>- 958.8</b>
Investment management costs	- 26.1	- 11.7	- 11.3	- 6.3	- 11.8	<b>- 67.2</b>
<b>Operating profit</b>	<b>1,532.6</b>	<b>- 2,659.1</b>	<b>254.1</b>	<b>500.9</b>	<b>- 89.9</b>	<b>- 461.4</b>
<b>Average level of investments</b>	<b>21,238.1</b>	<b>7,876.6</b>	<b>5,173.9</b>	<b>12,108.0</b>	<b>4,026.5</b>	<b>50,423.1</b>
<b>Performance in percent</b>	<b>7.2</b>	<b>- 33.8</b>	<b>4.9</b>	<b>4.1</b>	<b>- 2.2</b>	<b>- 0.9</b>

in CHF m

	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivatives and other	Total
<b>Investment performance in 2003</b>						
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

## Management Information

### Results from banking business

<b>Interest income</b>	2002	2003
Due from banks	3.7	1.9
Loans to customers	300.8	261.6
Investments	138.5	128.8
Other	3.1	1.0
<b>Total interest income</b>	<b>446.1</b>	<b>393.3</b>

### Interest payable

Due to banks	- 48.3	- 23.0
Due to customers	- 102.9	- 84.9
Medium-term fixed-rate notes, bonds and mortgage bonds	- 98.3	- 99.5
Other	- 33.7	- 27.7
<b>Total interest payable</b>	<b>- 283.2</b>	<b>- 235.1</b>
<b>Net interest income</b>	<b>162.9</b>	<b>158.2</b>

Result from commission business and services	13.8	8.3
Realized gains and losses on investments	- 71.2	55.6
Other income	13.8	8.8
<b>Total income from banking business</b>	<b>119.3</b>	<b>230.9</b>

### Expenses related to banking business

Staff costs	- 92.3	- 93.9
Operating expenses	- 94.3	- 73.5
<b>Total expenses related to banking business</b>	<b>- 186.6</b>	<b>- 167.4</b>
<b>Gross profit / loss</b>	<b>- 67.3</b>	<b>63.5</b>

Losses and provisions relating to credit risks	- 22.9	- 16.6
Amortization of intangible assets and depreciation of tangible non-current assets	- 9.9	- 9.6
<b>Profit / loss before tax and minority interests</b>	<b>- 100.1</b>	<b>37.3</b>
Tax on income	22.1	- 15.0
Minority interests	0.7	0.0
<b>Net profit / loss</b>	<b>- 77.3</b>	<b>22.3</b>

in CHF m

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

<b>Assets under management</b>	2002	2003
Own investments	50,061.4	56,307.7
Investments for account and risk of life insurance policyholders	550.5	798.2
Assets managed for third parties	5,932.6	8,445.2
<b>Total</b>	<b>56,544.5</b>	<b>65,551.1</b>

in CHF m

<b>Other sales</b>	2002	2003
Sales other than premium-type, in particular sale of fund units for unit-linked life insurance	451.0	541.8

in CHF m

## Management Information

### Five-year review

#### Consolidated income statement

##### Income

	Note	1999	2000	2001	2002	2003
Gross premiums written and policy fees <sup>1</sup>	6	6,085.3	6,701.2	6,632.7	7,274.5	7,374.7
Reinsurance premiums ceded	18	- 239.5	- 230.8	- 207.4	- 203.6	- 253.2
Premiums written and policy fees for own account		5,845.8	6,470.4	6,425.3	7,070.9	7,121.5
Change in unearned premiums reserves for own account		- 20.6	14.3	8.1	- 24.9	- 6.8
Premiums earned and policy fees for own account		5,825.2	6,484.7	6,433.4	7,046.0	7,114.7
Investment income (net)	7.1	1,941.8	2,154.4	2,081.2	2,024.1	2,029.3
Realized gains and losses on investments (net)	7.3	628.5	826.7	149.4	- 806.5	- 41.3
Income from other services		200.5	265.5	271.8	249.4	254.7
Other income		82.5	108.7	154.1	183.7	147.2
<b>Total income</b>		<b>8,678.5</b>	<b>9,840.0</b>	<b>9,089.9</b>	<b>8,696.7</b>	<b>9,504.6</b>

##### Expenses

Claims incurred including processing costs (non-life)	15	- 1,675.4	- 1,727.9	- 1,785.0	- 1,920.8	- 2,031.1
Claims and benefits paid (life)		- 2,515.0	- 2,756.5	- 2,896.6	- 2,946.5	- 3,704.2
Change in actuarial reserve (life)	16	- 1,407.9	- 1,680.3	- 1,449.4	- 2,235.0	- 952.2
Surplus and profit allocations to policyholders	17	- 731.4	- 870.9	- 177.6	29.2	- 440.5
Acquisition costs	14	- 382.1	- 311.3	- 367.8	- 461.7	- 277.1
Administrative and other operating expenses		- 984.4	- 1,267.3	- 1,238.6	- 1,226.5	- 1,318.4
Interest payable	27	- 274.2	- 380.0	- 498.6	- 464.9	- 405.1
Amortization of intangible assets and depreciation of tangible non-current asset	12/13	- 61.8	- 113.7	- 153.3	- 184.8	- 152.3
<b>Total expenses</b>		<b>- 8,032.2</b>	<b>- 9,107.9</b>	<b>- 8,566.9</b>	<b>- 9,411.0</b>	<b>- 9,280.9</b>
Profit/loss before tax and minority interests		646.3	732.1	523.0	- 714.3	223.7
Tax on income	21	- 125.4	- 94.6	- 116.9	82.7	- 125.4
Minority interests	26	- 2.6	- 3.1	- 1.7	- 2.9	- 6.9
<b>Consolidated net profit/loss</b>		<b>518.3</b>	<b>634.4</b>	<b>404.4</b>	<b>- 634.5</b>	<b>91.4</b>

in CHF m

#### 1 Additional information

Gross premiums written and policy fees	6,085.3	6,701.2	6,632.7	7,274.5	7,374.7
Investment-type premiums	137.1	176.4	248.4	253.0	261.0
<b>Gross premiums, policy fees and investment-type premiums</b>	<b>6,222.4</b>	<b>6,877.6</b>	<b>6,881.1</b>	<b>7,527.5</b>	<b>7,635.7</b>

in CHF m

Combined ratio (gross)	108.6	104.7	105.7	105.2	97.6
Reserve ratio non-life	185.6	186.0	184.3	181.1	177.4

in percent

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

## Management Information

### Consolidated balance sheet

#### Assets

Investments	Note	12.31.1999	12.31.2000	12.31.2001	12.31.2002	12.31.2003
Fixed-interest securities		14,810.9	19,908.1	20,569.3	21,906.8	29,525.4
Shares		16,377.5	13,330.4	10,000.8	5,752.4	3,475.9
Alternative financial assets		–	920.9	1,117.2	1,039.0	1,337.9
Derivatives	10	12.0	85.9	19.3	212.8	292.9
Investment property	8	4,661.5	4,965.8	5,042.2	5,305.7	5,653.4
Mortgage loans		5,412.7	10,438.7	10,500.4	10,532.0	11,002.4
Policy and other loans		1,907.8	1,856.7	1,663.1	1,520.4	1,456.6
Participating interests in associates	9	311.8	316.3	289.1	286.9	223.8
Other short-term investments		577.2	631.2	695.1	2,829.6	2,647.4
Cash and cash equivalents	29	726.4	759.9	888.3	675.8	692.0
<b>Total investments</b>	<b>6</b>	<b>44,797.8</b>	<b>53,213.9</b>	<b>50,784.8</b>	<b>50,061.4</b>	<b>56,307.7</b>
Investments for account and risk of life insurance policyholders	11	251.1	362.4	512.4	550.5	798.2
Goodwill/badwill	12	119.1	129.6	105.6	35.4	42.1
Deferred tax	21	565.2	447.2	567.6	529.9	905.9
Other assets		3,949.6	5,130.9	5,524.4	5,736.6	6,331.1
<b>Total assets</b>		<b>49,682.8</b>	<b>59,284.0</b>	<b>57,494.8</b>	<b>56,913.8</b>	<b>64,300.8</b>

#### Liabilities and capital and reserves

<b>Capital and reserves</b>		<b>7,477.6</b>	<b>7,372.8</b>	<b>5,384.8</b>	<b>3,088.1</b>	<b>3,319.8</b>
<b>Minority interests</b>	26	<b>157.2</b>	<b>46.2</b>	<b>41.5</b>	<b>28.1</b>	<b>40.7</b>

#### Liabilities

Unearned premiums reserves (gross)		650.9	629.9	380.9	419.3	493.3
Loss reserves (gross)	15	3,994.5	4,021.5	4,182.0	4,196.1	4,786.3
Actuarial reserve life (gross)	16	25,165.3	26,314.5	27,558.9	29,757.7	32,985.7
Policyholder bonuses credited and provision for future policyholder bonuses	17	3,426.3	4,768.6	4,197.7	3,685.0	4,063.4
Technical provisions for account and risk of life insurance policyholders		238.9	356.7	513.7	554.6	798.1
Payables arising from insurance operations		2,616.2	1,349.7	1,521.2	1,682.5	1,620.7
Deposit fund liabilities arising from reinsurance		322.3	281.7	269.0	205.1	451.5
Liabilities from banking business and loans	19	1,548.3	10,048.9	9,697.2	9,659.2	11,411.7
Derivatives	10	44.5	84.2	59.9	87.0	252.4
Non-technical provisions	20	86.1	127.5	112.6	131.7	118.9
Benefits due to employees	23	504.8	563.6	559.6	596.6	680.0
Deferred tax	21	2,188.5	1,946.8	1,640.9	1,211.5	1,640.8
Other liabilities and deferred income		1,261.4	1,371.4	1,374.9	1,611.3	1,637.5
<b>Total liabilities</b>		<b>42,048.0</b>	<b>51,865.0</b>	<b>52,068.5</b>	<b>53,797.6</b>	<b>60,940.3</b>
<b>Total liabilities and capital and reserves</b>		<b>49,682.8</b>	<b>59,284.0</b>	<b>57,494.8</b>	<b>56,913.8</b>	<b>64,300.8</b>

in CHF m







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## Financial Report 2003

### Consolidated income statement

#### Income

	Note	2002	2003
Gross premiums written and policy fees <sup>1</sup>	6	7,274.5	7,374.7
Reinsurance premiums ceded	18	- 203.6	- 253.2
Premiums written and policy fees for own account		7,070.9	7,121.5
Change in unearned premiums reserves for own account		- 24.9	- 6.8
Premiums earned and policy fees for own account		7,046.0	7,114.7
Investment income (net)	7.1	2,024.1	2,029.3
Realized gains and losses on investments (net)	7.3	- 806.5	- 41.3
Income from other services		249.4	254.7
Other income		183.7	147.2
<b>Total income</b>		<b>8,696.7</b>	<b>9,504.6</b>

#### Expenses

Claims incurred including processing costs (non-life)	15	- 1,920.8	- 2,031.1
Claims and benefits paid (life)		- 2,946.5	- 3,704.2
Change in actuarial reserve (life)	16	- 2,235.0	- 952.2
Surplus and profit allocations to policyholders	17	29.2	- 440.5
Acquisition costs	14	- 461.7	- 277.1
Administrative and other operating expenses		- 1,226.5	- 1,318.4
Interest payable	27	- 464.9	- 405.1
Amortization of intangible assets and depreciation of tangible non-current assets	12/13	- 184.8	- 152.3
<b>Total expenses</b>		<b>-9,411.0</b>	<b>-9,280.9</b>
Profit/loss before tax and minority interests		- 714.3	223.7
Tax on income	21	82.7	- 125.4
Minority interests	26	- 2.9	- 6.9
<b>Consolidated net profit/loss</b>		<b>- 634.5</b>	<b>91.4</b>

in CHF m

Earnings/loss per share (identical values for "basic" and "diluted")	25	- 11.56	1.67
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in CHF

#### 1 Additional information

Gross premiums written and policy fees		7,274.5	7,374.7
Investment-type premiums		253.0	261.0
<b>Gross premiums, policy fees and investment-type premiums</b>		<b>7,527.5</b>	<b>7,635.7</b>

in CHF m

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

Financial Report 2003  
**Consolidated balance sheet**

**Assets**

	Note	12.31.2002	12.31.2003
<b>Investments</b>			
Fixed-interest securities			
Held for trading		462.6	334.3
Held to maturity		158.5	10,348.6
Available for sale		21,285.7	18,842.5
Shares			
Held for trading		159.9	200.6
Available for sale		5,592.5	3,275.3
Alternative financial assets		1,039.0	1,337.9
Derivatives	10	212.8	292.9
Investment property	8	5,305.7	5,653.4
Mortgage loans		10,532.0	11,002.4
Policy and other loans		1,520.4	1,456.6
Participating interests in associates	9	286.9	223.8
Other short-term investments			
Held for trading		0.7	1.2
Held to maturity		2,390.5	1,840.7
Available for sale		438.8	805.5
Cash and cash equivalents	29	675.8	692.0
<b>Total investments</b>	<b>6</b>	<b>50,061.4</b>	<b>56,307.7</b>
<b>Total investments for account and risk of life insurance policyholders</b>	<b>11</b>	<b>550.5</b>	<b>798.2</b>
<b>Other assets</b>			
Reinsurance assets	18	425.0	737.1
Receivables arising out of insurance operations		1,487.5	1,289.0
Receivables relating to employee benefits	23	53.0	41.2
Other receivables		1,138.7	1,385.6
Accrued investment income		662.5	798.2
Deferred acquisition costs	14	810.5	985.9
Goodwill/badwill	12	35.4	- 42.1
Other intangible asset	12	127.5	164.4
Property, plant and equipment for own use	13	618.7	605.3
Other non tangible non-current assets	13	86.8	91.4
Deferred tax	21	529.9	905.9
Other assets		326.4	233.0
<b>Total other assets</b>		<b>6,301.9</b>	<b>7,194.9</b>
<b>Total assets</b>		<b>56,913.8</b>	<b>64,300.8</b>

in CHF m

## Liabilities and capital and reserves

Capital and reserves	Note	12.31.2002	12.31.2003
Share capital	24	5.5	5.5
Capital reserves		108.9	90.3
Less treasury stock		- 84.8	- 49.7
Unrealized gains and losses	7	15.2	161.1
Accumulated profit		3,043.3	3,112.6
<b>Total capital and reserves</b>		<b>3,088.1</b>	<b>3,319.8</b>
<b>Minority interests</b>	26	<b>28.1</b>	<b>40.7</b>

## Liabilities

Unearned premiums reserves (gross)		419.3	493.3
Loss reserves (gross)	15	4,196.1	4,786.3
Actuarial reserve life (gross)	16	29,757.7	32,985.7
Policyholder bonuses credited and provision for future policyholder bonuses	17	3,685.0	4,063.4
Technical provisions for account and risk of life insurance policyholders		554.6	798.1
Payables arising from insurance operations		1,682.5	1,620.7
Deposit fund liabilities arising from reinsurance		205.1	451.5
Liabilities from banking business and loans	19	9,659.2	11,411.7
Derivatives	10	87.0	252.4
Non-technical provisions	20	131.7	118.9
Benefits due to employees	23	596.6	680.0
Deferred tax	21	1,211.5	1,640.8
Other liabilities and deferred income		1,611.3	1,637.5
<b>Total liabilities</b>		<b>53,797.6</b>	<b>60,940.3</b>
<b>Total liabilities and capital and reserves</b>		<b>56,913.8</b>	<b>64,300.8</b>

in CHF m

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## Consolidated cash flow statement

Cash flow from operating activities	Note	2002	2003
Net profit/loss for the year before tax		- 714.3	223.7
<b>Adjustments for</b>			
Realized gains and losses on the sale of investments	7	806.5	41.3
Income from participating interests in associates		- 70.0	- 41.6
Interest income on security deposits		3.4	0.2
Policy fees on investment-type products		- 12.7	- 10.1
Amortization of intangible assets and depreciation of tangible non-current assets		184.8	152.3
Foreign exchange gains and losses		- 46.9	- 19.2
<b>Movements in operating assets and liabilities</b>			
Assets from reinsurance business		148.9	- 125.5
Deferred acquisition costs		- 1.2	- 218.2
Unearned premiums reserves		44.2	8.1
Loss reserves		51.5	82.9
Actuarial reserve (life)		2,416.4	1,068.6
Technical provisions for account and risk of insurance policyholders		- 2.9	4.3
Other movements in operating assets and liabilities		- 229.2	62.4
<b>Cash flow from operating activities (gross)</b>		<b>2,578.5</b>	<b>1,229.2</b>
Tax paid		- 126.5	- 26.3
<b>Cash flow from operating activities (net)</b>		<b>2,452.0</b>	<b>1,202.9</b>
Of which from joint ventures		24.8	- 16.3
<b>Cash flow from investing activities</b>			
Purchase of fixed-interest securities and similar		-12,784.9	-19,007.7
Disposal of fixed-interest securities and similar		11,797.0	13,976.1
Purchase of shares		- 8,383.0	- 5,094.2
Disposal of shares		9,719.6	7,890.9
Purchase of investment property		- 373.6	- 462.8
Disposal of investment property		102.5	305.3
Purchase of other investments		- 4,105.0	- 9,735.6
Disposal of other investments		1,521.6	9,256.2
Acquisition of intangible assets and tangible non-current assets		- 94.1	- 138.8
Disposal of intangible assets and tangible non-current assets		5.9	47.8
Cash flow from increase in share of investments held		- 6.5	-
Acquisition of subsidiaries where there is no effect on cash and cash equivalents	5	- 9.3	- 115.1
Disposal of subsidiaries where there is no effect on cash and cash equivalents	5	-	37.5
Acquisition of participating interests in associates (net)		- 73.8	94.4
Dividends received from associates		8.9	9.1
<b>Cash flow from investing activities (net)</b>		<b>- 2,674.7</b>	<b>- 2,936.9</b>
Of which from joint ventures		- 29.5	28.3

in CHF m

<b>Cash flow from financing activities</b>	Note	2002	2003
Capital increases		–	–
Capital reductions		–	–
Cash inflow from investment-type products		107.1	354.5
Cash outflow from investment-type products		- 60.7	- 138.2
Increases in liabilities from banking business and loans		1,352.2	1,806.4
Decreases in liabilities from banking business and loans		- 1,210.3	- 289.5
Cash flow from own shares		- 18.1	16.5
Dividends paid		- 132.7	- 22.1
<b>Cash flow from financing activities (net)</b>		<b>37.5</b>	<b>1,727.6</b>
Of which from joint ventures		- 4.9	- 4.2
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>- 27.3</b>	<b>22.6</b>
<b>Total movement in cash and cash equivalents</b>		<b>- 212.5</b>	<b>16.2</b>

#### **Cash and cash equivalents**

As at January 1	888.3	675.8
Movement during year	- 212.5	16.2
<b>As at December 31</b>	<b>675.8</b>	<b>692.0</b>

in CHF m

#### **Additional information on cash flow from operating activities**

Other interest received	1,675.3	1,244.8
Dividends received	215.6	47.6
Interest paid	- 478.8	- 350.0

in CHF m



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**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, 2001</b>	<b>5.5</b>	<b>109.3</b>	<b>- 67.1</b>	<b>1,526.6</b>	<b>3,810.5</b>	<b>5,384.8</b>
Movement on unrealized gains and losses						
on investments (gross)	-	-	-	-1,679.0	-	-1,679.0
<b>Less movement on</b>						
Policyholder surplus	-	-	-	- 23.8	-	- 23.8
Deferred acquisition costs charged to capital and reserves	-	-	-	97.7	-	97.7
Deferred tax	-	-	-	270.3	-	270.3
Foreign exchange differences	-	-	-	- 180.3	-	- 180.3
Minority interests	-	-	-	3.7	-	3.7
Movement on unrealized gains and losses						
on investments (net)	-	-	-	-1,511.4	-	-1,511.4
Dividends	-	-	-	-	- 132.7	- 132.7
Consolidated loss for the year	-	-	-	-	- 634.5	- 634.5
Purchase / sale of treasury stock	-	- 0.4	- 17.7	-	-	- 18.1
<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>

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, 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 charged to capital and reserves	-	-	-	- 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 net profit for the year	-	-	-	-	91.4	91.4
Purchase / sale 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

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### Segment reporting by geographical segment

Income	Switzerland		Germany	
	2002	2003	2002	2003
Gross premiums written and policy fees	4,652.8	4,269.3	1,755.1	2,199.9
Reinsurance premiums ceded	- 160.5	- 169.2	- 247.2	- 269.6
Premiums written and policy fees for own account	4,492.3	4,100.1	1,507.9	1,930.3
Change in unearned premiums reserves for own account	1.0	- 5.9	- 17.3	10.6
Premiums earned and policy fees for own account	4,493.3	4,094.2	1,490.6	1,940.9
Investment income (net)	1,002.2	939.5	688.1	769.0
Realized gains and losses on investments (net)	- 205.1	- 38.3	- 320.8	- 82.1
Income from other services	25.9	27.3	92.8	96.8
Other income	36.1	28.2	24.8	46.6
<b>Total income</b>	<b>5,352.4</b>	<b>5,050.9</b>	<b>1,975.5</b>	<b>2,771.2</b>
Of which between geographical segments	64.5	75.4	208.0	179.6
Of which income from associates	-	- 0.1	68.1	48.9

#### Expenses

Claims incurred including processing costs (non-life)	- 802.9	- 836.7	- 373.3	- 606.4
Claims and benefits paid (life)	- 2,014.2	- 2,372.1	- 825.4	- 1,096.1
Change in actuarial reserve (life)	- 1,993.2	- 962.5	- 136.5	6.7
Surplus and profit allocations to policyholders	42.8	- 126.8	- 12.5	- 346.9
Acquisition costs	- 145.1	- 83.0	- 177.9	- 30.8
Administrative and other operating expenses	- 482.5	- 483.9	- 324.0	- 470.0
Interest payable	- 160.1	- 75.8	- 112.0	- 114.7
Amortization of intangible assets and depreciation of tangible non-current asset	- 42.1	- 48.6	- 39.5	- 35.9
<b>Total expenses</b>	<b>- 5,597.3</b>	<b>- 4,989.4</b>	<b>- 2,001.1</b>	<b>- 2,694.1</b>
Profit/loss before tax and minority interests	- 244.9	61.5	- 25.6	77.1
Tax on income	12.6	0.6	12.9	- 87.4
Minority interests	-	-	- 2.9	- 6.8
<b>Net profit/loss by region</b>	<b>- 232.3</b>	<b>62.1</b>	<b>- 15.6</b>	<b>- 17.1</b>

#### Additional information

Assets by geographical segment	33,041.2	34,481.6	14,347.6	18,193.9
Of which investments	28,815.1	30,055.1	12,090.7	15,255.7
Of which participating interests	0.1	0.1	120.5	118.7
Liabilities by geographical segment	30,221.7	31,287.8	14,097.1	17,691.2
Of which technical provisions	22,845.7	23,847.2	11,958.6	14,883.5
Cash flow from operating activities (net)	2,309.7	722.2	74.2	132.7
Cash flow from investing activities (net)	- 2,209.7	- 1,161.8	- 36.6	- 182.5
Cash flow from financing activities (net)	- 434.7	114.0	- 26.7	90.7
Acquisition of real estate, equipment and furnishings and intangible assets for own use	4.1	33.0	- 0.6	17.9
Impairment of value charged to income	- 612.8	- 57.1	- 238.0	- 73.2
Reinstatement of original value charged to income	130.4	502.7	55.0	219.8

in CHF m

	Benelux		Other countries		Elimination		Total	
	2002	2003	2002	2003	2002	2003	2002	2003
	713.2	744.6	443.2	441.0	- 289.8	- 280.1	7,274.5	7,374.7
-	41.9	56.7	43.8	37.8	289.8	280.1	- 203.6	- 253.2
	671.3	687.9	399.4	403.2	-	-	7,070.9	7,121.5
-	32.0	4.3	22.7	7.6	0.7	0.4	- 24.9	- 6.8
	639.3	683.6	422.1	395.6	0.7	0.4	7,046.0	7,114.7
	273.6	268.9	71.9	57.1	- 11.7	- 5.2	2,024.1	2,029.3
-	259.1	46.3	21.5	125.4	-	-	- 806.5	- 41.3
	108.9	102.8	21.8	27.8	-	-	249.4	254.7
	45.9	48.1	93.4	33.7	- 16.5	- 9.4	183.7	147.2
	<b>808.6</b>	<b>1,057.1</b>	<b>587.7</b>	<b>639.6</b>	<b>- 27.5</b>	<b>- 14.2</b>	<b>8,696.7</b>	<b>9,504.6</b>
	13.2	13.5	- 313.2	- 282.7	27.5	14.2	-	-
	1.9	- 7.2	0.0	0.0	-	-	70.0	41.6
-	415.4	386.8	339.4	209.2	10.2	8.0	- 1,920.8	- 2,031.1
-	77.8	204.5	18.6	23.6	- 10.5	- 7.9	- 2,946.5	- 3,704.2
-	90.0	15.0	14.8	10.6	- 0.5	- 0.8	- 2,235.0	- 952.2
	1.1	36.6	1.8	3.4	- 0.4	0.0	29.2	- 440.5
-	119.7	141.4	83.2	56.2	64.2	34.3	- 461.7	- 277.1
-	288.5	256.1	67.9	74.5	- 63.6	- 33.9	- 1,226.5	- 1,318.4
-	164.0	181.4	56.9	47.7	28.1	14.5	- 464.9	- 405.1
-	27.3	42.4	75.9	25.4	-	-	- 184.8	- 152.3
	<b>-1,181.6</b>	<b>- 1,161.0</b>	<b>- 658.5</b>	<b>- 450.6</b>	<b>27.5</b>	<b>14.2</b>	<b>- 9,411.0</b>	<b>- 9,280.9</b>
-	373.0	103.9	70.8	189.0	-	-	- 714.3	223.7
	39.8	18.2	17.4	20.4	-	-	82.7	- 125.4
	0.2	0.2	0.2	0.3	-	-	- 2.9	- 6.9
-	<b>333.0</b>	<b>- 121.9</b>	<b>- 53.6</b>	<b>168.3</b>	<b>0.0</b>	<b>0.0</b>	<b>- 634.5</b>	<b>91.4</b>
	8,142.1	10,100.6	3,516.2	3,473.3	-2,133.3	-1,948.6	56,913.8	64,300.8
	6,371.4	7,753.6	3,088.1	3,327.6	- 303.9	- 84.3	50,061.4	56,307.7
	166.3	104.8	0.0	0.2	-	-	286.9	223.8
	7,873.9	9,891.4	3,739.0	4,018.5	-2,134.1	-1,948.6	53,797.6	60,940.3
	2,496.0	2,829.3	1,060.0	1,107.8	- 302.2	- 339.1	38,058.1	42,328.7
	125.4	53.2	- 57.3	299.5	0.0	- 4.7	2,452.0	1,202.9
-	340.3	- 1,039.4	96.6	- 328.2	- 202.8	- 225.0	- 2,692.8	- 2,936.9
	229.3	1,054.2	84.9	239.0	202.8	229.7	55.6	1,727.6
	23.7	32.9	7.8	- 48.9	-	-	35.0	34.9
-	251.4	- 119.9	- 44.2	- 13.4	-	-	- 1,146.4	- 263.6
	2.2	135.4	-	8.4	-	-	187.6	866.3

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**Segment reporting by business segment**

Income	Non-life		Life	
	2002	2003	2002	2003
Gross premiums written and policy fees	2,657.6	3,088.8	4,633.2	4,301.1
Reinsurance premiums ceded	- 180.1	- 215.4	- 39.8	- 53.0
Premiums written and policy fees for own account	2,477.5	2,873.4	4,593.4	4,248.1
Change in unearned premiums reserves for own account	- 25.5	- 7.2	-	-
Premiums earned and policy fees for own account	2,452.0	2,866.2	4,593.4	4,248.1
Investment income (net)	249.4	243.6	1,318.9	1,446.0
Realized gains and losses on investments (net)	- 195.7	- 47.1	- 498.9	- 90.4
Income from other services	0.2	0.0	0.2	0.8
Other income	81.2	54.5	55.0	28.2
<b>Total income</b>	<b>2,587.1</b>	<b>3,117.2</b>	<b>5,468.6</b>	<b>5,632.7</b>
Of which between business segments	- 35.4	- 32.5	- 30.1	- 25.1
Of which income from associates	1.6	5.3	0.2	28.0

Expenses				
Claims incurred including processing costs (non-life)	- 1,931.1	- 2,039.1	-	-
Claims and benefits paid (life)	-	-	- 2,935.8	- 3,696.3
Change in actuarial reserve (life)	-	-	- 2,234.5	- 951.4
Surplus and profit allocations to policyholders	- 10.5	- 12.4	39.7	- 428.1
Acquisition costs	- 309.5	- 342.2	- 153.1	64.4
Administrative and other operating expenses	- 476.4	- 564.7	- 340.5	- 353.2
Interest payable	- 15.9	- 9.4	- 163.6	- 145.9
Amortization of intangible assets and depreciation of tangible non-current asset	- 47.0	- 58.6	- 39.5	- 53.5
<b>Total expenses</b>	<b>- 2,790.4</b>	<b>- 3,026.4</b>	<b>- 5,827.3</b>	<b>- 5,564.0</b>
Profit/ loss before tax and minority interests	- 203.3	90.8	- 358.7	68.7
Tax on income	29.7	- 43.3	31.5	- 41.7
Minority interests	0.0	0.0	0.0	0.0
<b>Net profit/ loss by business segment</b>	<b>- 173.6</b>	<b>47.5</b>	<b>- 327.2</b>	<b>27.0</b>

Additional information				
Assets by business segment	9,247.2	10,280.3	38,408.0	42,787.8
Liabilities by segment	7,208.2	7,996.1	37,225.4	41,684.5
Acquisition of real estate, equipment and furnishings and intangible assets for own use	4.3	32.8	5.6	15.1

in CHF m

2002	Banking		Other activities and Group business		Elimination		Total	
	2002	2003	2002	2003	2002	2003	2002	2003
-	-	-	-	-	- 16.3	- 15.2	7,274.5	7,374.7
-	-	-	-	-	16.3	15.2	- 203.6	- 253.2
-	-	-	-	-	0.0	-	7,070.9	7,121.5
-	-	-	-	-	0.6	0.4	- 24.9	- 6.8
-	-	-	-	-	0.6	0.4	7,046.0	7,114.7
399.5	345.2	109.8	41.3	- 53.5	- 46.8	2,024.1	2,029.3	
- 94.2	39.0	- 17.7	57.2	-	-	- 806.5	- 41.3	
13.8	8.3	235.2	245.6	-	-	249.4	254.7	
60.5	56.9	12.5	23.6	- 25.5	- 16.0	183.7	147.2	
<b>379.6</b>	<b>449.4</b>	<b>339.8</b>	<b>367.7</b>	<b>- 78.4</b>	<b>- 62.4</b>	<b>8,696.7</b>	<b>9,504.6</b>	
- 7.0	13.4	- 19.9	- 18.2	78.4	62.4	-	-	
0.0	0.3	68.2	8.0	-	-	70.0	41.6	
-	-	-	-	10.3	8.0	- 1,920.8	- 2,031.1	
-	-	-	-	- 10.7	- 7.9	- 2,946.5	- 3,704.2	
-	-	-	-	- 0.5	- 0.8	- 2,235.0	- 952.2	
-	-	-	-	-	-	29.2	- 440.5	
-	-	-	-	0.9	0.7	- 461.7	- 277.1	
- 186.6	- 167.4	- 222.3	- 232.7	- 0.7	- 0.4	- 1,226.5	- 1,318.4	
- 283.2	- 235.1	- 81.3	- 77.5	79.1	62.8	- 464.9	- 405.1	
- 9.9	- 9.6	- 88.4	- 30.6	-	-	- 184.8	- 152.3	
<b>- 479.7</b>	<b>- 412.1</b>	<b>- 392.0</b>	<b>- 340.8</b>	<b>78.4</b>	<b>62.4</b>	<b>- 9,411.0</b>	<b>- 9,280.9</b>	
- 100.1	37.3	- 52.2	26.9	-	-	- 714.3	223.7	
22.1	- 15.0	- 0.6	- 25.4	-	-	82.7	- 125.4	
0.7	-	- 3.6	- 6.9	-	-	- 2.9	- 6.9	
<b>- 77.3</b>	<b>22.3</b>	<b>- 56.4</b>	<b>- 5.4</b>	<b>-</b>	<b>-</b>	<b>- 634.5</b>	<b>91.4</b>	
11,239.8	13,059.4	1,689.2	1,591.1	-3,670.4	-3,417.8	56,913.8	64,300.8	
10,587.7	12,282.8	2,446.7	2,394.7	-3,670.4	-3,417.8	53,797.6	60,940.3	
3.8	4.5	21.3	- 17.5	-	-	35.0	34.9	

## 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 Bâloise-Holding, a Swiss stock corporation (Aktiengesellschaft) which has its registered office in Basel, Switzerland. The shares of Bâloise-Holding are quoted on SWX Swiss Exchange. Its subsidiaries operate in the insurance markets of Switzerland, Germany, Belgium, Austria, Luxembourg and Croatia. The banking business is carried out by subsidiaries in Switzerland, Germany and Belgium. 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 International Financial Reporting Standards 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).

## 2. Application of new accounting standards

### In fiscal 2002 and 2003

In fiscal 2002 and 2003, no new IFRS or US GAAP standards affecting the Baloise Group were introduced, nor were any existing ones changed.

## 3. Accounting policies

### 3.1 Method of consolidation

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

Companies acquired in the course of the year under review are included in the consolidation from the date when effective control was acquired, while all companies disposed of during the year are included in the consolidation until the date of disposal. Com-

panies which are acquired for the purpose of resale are held and accounted for as investments.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Deutscher Ring Beteiligungsholding is a joint venture in which the Baloise Group has a direct 65% 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, income and expenses.

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

### 3.2 Foreign currency translation

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

**Foreign currency translation:** The financial statements of all business units which were not originally prepared in CHF have been translated at year-end rates (for balance sheet figures excluding goodwill) or at average rates for the year (for the income statement). The total exchange differences arising are taken directly to capital and reserves.

Assets and liabilities in foreign currencies in the accounts of the individual companies are translated at year-end rates. Income and expenses are translated at the rate applicable on the transaction date or at the average rate for the year. The resulting exchange differences are taken to the income statement.

### 3.3 Investments

#### 3.3.1 Financial assets

The business activities of the Baloise Group include the issuing of insurance policies, as a result of which the Group incurs financial liabilities and assumes guarantees. To ensure that it is in a position to meet its financial liabilities, the Baloise Group acquires financial instruments which correspond as closely as possible in type and maturity period to the expected level of claims and benefits paid. The composition of the investment portfolio is therefore determined mainly by the expected investment return for

each type of investment by the 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. There is also the possibility of classifying investments as Originated by the Group. Investments are classified under one of these headings when they are first recorded in the books. The classification is then reviewed at year-end to ensure that it is still appropriate.

Alternative financial assets such as private equity investments and hedge funds are held as Available for sale.

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

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

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

All purchases and sales of financial assets are recorded at the 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. In the case of monetary assets classified as Available for sale, any foreign currency revaluation is credited to income. Monetary assets include primarily fixed-interest securities. Shares do not count as monetary assets. For life insurance companies, deductions are made from the unrealized gains and losses in view of those amounts which will be used in future to amortize acquisition costs and to pay bonuses and dividends to policyholders (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 (become impaired).

Changes to the fair values of financial assets which are the subject of a fair value hedge are recognized, regardless of classification, in the income statement over the period of the hedge. Interest income from fixed-interest investments which have been written down is recognized when it is received.

### 3.3.2 Investment property

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

### 3.4 Permanent diminution in value (impairment)

The carrying values of assets are reviewed on a regular basis for recoverability. A permanent diminution in value (impairment) loss arises if the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's net selling price (the estimated amount obtainable from the sale of an asset less incremental costs directly attributable to the disposal of the asset) and an asset's value in use (the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life).

The estimated future cash flows are based on reasonable assumptions about the economic conditions that will exist over the remaining useful life of the



asset and on cash flow projections and budgets / forecasts approved by the Corporate Executive Committee. Permanent diminutions in value are recognized in the income statement.

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

If the market value is more than 50% 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.

### 3.5 Derivatives

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

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

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

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

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

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

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

### 3.6 Intangible assets

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

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

sales channels. The value of the capitalized goodwill is reviewed annually. If the book value of the goodwill is greater than the recoverable amount, the difference will be amortized via the income statement.

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

The present value of profits from insurance contracts acquired is amortized over the underlying period of premium payments taken to income. The value of the profits is reviewed on an annual basis. Other intangible assets consist mainly of software and are written off on a straight line basis over their estimated useful life.

### 3.7 Tangible non-current assets

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

### 3.8 Leasing

Lease agreements relating to real estate, fixtures, fittings and other tangible non-current assets, whereby basically all the risks and rewards relating to ownership of the asset are transferred to the Baloise Group, are defined and treated as finance leases. The fair value of the leased property, or the cash value of the leasing payments if lower, is disclosed as a tangible non-current 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. If the cash value of the leasing payments is lower than the book value of the leased item, the value will be corrected via the income statement.

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

### 3.9 Cash and cash equivalents

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

### 3.10 Receivables

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

### 3.11 Life insurance

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

The actuarial reserve is calculated on the basis of actuarial principles from the cash value of future claims and benefits paid less the cash value of premiums not yet paid. The calculation is made in accordance with the following Financial Accounting Standards: FAS 60, FAS 97 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 regulations and are allocated to a separate provision. This provision also includes policyholders' share of the unrealized gains and losses covered by the IFRS shareholders' equity 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 Switzerland – 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 profits 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 under the contract and is included in the unearned premiums reserves in the balance sheet, together with any provisions for premium shortfalls relating to the fiscal year. Premiums which do relate to the fiscal year are referred to as premiums earned. This figure comprises premiums written and the change in the unearned premiums reserves.

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

These provisions represent a projection of all future payments to be made in respect of these losses. Loss reserves are calculated on the basis of prior year experience and expected developments in the future. The process involves the application of mathematical, statistical methods and the expertise of claims-handling specialists. The aim is to establish provisions for outstanding claims and for claims processing costs which are as realistic as possible. 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 cost in the consolidated financial statements as a deduction from Capital and reserves. The shares are not restated at their current market value. When the shares are sold, the difference between cost and selling price is adjusted under Capital and reserves. Only Baloise-Holding shares are counted as own shares.

### 3.16 Liabilities from banking business and loans

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

The convertible loan issued by Baloise Finance Jersey, which confers the right to subscribe for shares in a non-group company, consists of a liability and an embedded option. When the loan was issued, the market value of the embedded option was determined and shown separately as a derivative financial

instrument. The cost of the liability component is the present value of future cash flows, which was calculated when the issue was made. The discount factor applied is the market interest rate for similar loans without conversion or option rights.

### 3.17 Financial provisions

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

### 3.18 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 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. If a difference arises between the assets and liabilities when IAS 19 is used, this is shown as an asset or liability in the consolidated balance sheet. An asset is only recognized to the extent that the Baloise controls a resource which may be used to reduce future contributions or improve future benefits, but this resource cannot be returned to the employer.

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, shares subscribed directly 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.

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

### 3.20 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 gen-

erally recognized methods and in light of the current state of the market. If the value cannot be estimated reliably, stocks are reported at acquisition 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. Derivatives are stated at market prices as supplied by independent brokers or in accordance with market practice.

**Other financial assets:** The fair value is generally a quoted market price. If no market prices are available, the market value is estimated. If the value cannot be estimated reliably, financial assets are reported at acquisition 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 acquisition 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	
	2002	2003	2002	2003
EUR (Euro)	1.45	1.56	1.47	1.52
USD (US Dollar)	1.38	1.24	1.56	1.34
GBP (Pound Sterling)	2.23	2.21	2.33	2.20

in CHF

### 4.2 Foreign exchange differences

Exchange differences arising from transactions in foreign currencies included in the consolidated income statement resulted in a gain of CHF 47.0 million in fiscal 2003 (2002: loss of CHF 122.4 million). This also comprises a foreign exchange gain of CHF 135.6 million resulting from monetary investments classified as Available for sale.

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

### 5.1 Acquisitions and disposals of subsidiaries and other business units in 2002

During the course of 2002, all 2.2% outstanding minority interests in Deutscher Ring Leben were purchased for CHF 6.1 million. Deutscher Ring Leben is now wholly owned by the Baloise Group.

No other significant acquisitions or disposals were effected.

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

The purchase of the German insurance group Securitas was formally and substantively completed as of January 7, 2003. The Group was therefore consolidated at this time and is included in the present statement figures. 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 in fiscal 2003.

	Securitas Group	Other	Total
Investments	1,919.6	21.2	1,940.8
Other assets	343.6	-	343.6
Technical provisions	-1,854.7	-	-1,854.7
Other liabilities	- 257.8	- 6.9	- 264.7
<b>Net assets acquired</b>	<b>150.7</b>	<b>14.3</b>	<b>165.0</b>
Cost	107.3	21.7	129.0
<b>Goodwill/badwill</b>	<b>- 43.4</b>	<b>7.4</b>	<b>- 36.0</b>

Cost	107.3	21.7	129.0
Cash and cash equivalents acquired	- 13.1	- 0.8	- 13.9
<b>Cash and cash equivalents used to make the acquisitions</b>	<b>94.2</b>	<b>20.9</b>	<b>115.1</b>

in CHF m

## 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, Mercator Bank in Belgium, which is involved in all types of savings business, principally financing real estate and small and medium-sized enterprises, and Deutscher Ring Bausparkasse in Germany, predominantly active in traditional real estate financing.

The 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 Gross premiums by geographical and business segments

### 6.1.1 Gross premiums by geographical and business segments 2002

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

in CHF m

### 6.1.2 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

## 6.2 Change in gross premiums by geographical and business segments 2003

	Non-life		Life		Total	
	2002	2003	2002	2003	2002	2003
Switzerland	3.5	5.3	22.6	- 12.8	17.1	<b>- 8.2</b>
Germany	10.2	38.0	- 3.9	7.1	1.9	<b>20.9</b>
Benelux	0.2	0.6	- 5.1	1.0	- 1.0	<b>0.7</b>
Other countries	- 22.2	4.1	- 18.0	- 3.8	- 21.4	<b>2.5</b>
<b>Total</b>	<b>3.1</b>	<b>14.0</b>	<b>14.4</b>	<b>- 8.1</b>	<b>10.0</b>	<b>- 0.1</b>

in percent of original currency



### 6.3 Gross premiums by line of business

<b>Non-life</b>	2002	2003	Change in percent
Accident	430.3	448.1	4.1
Health	121.9	122.5	0.5
General liability	249.2	317.2	27.3
Automobile	866.3	979.5	13.1
Transport	116.4	164.5	41.3
Property	733.4	914.3	24.7
Other	38.5	39.6	2.9
Reinsurance assumed	101.6	103.1	1.5
<b>Total</b>	<b>2,657.6</b>	<b>3,088.8</b>	<b>16.2</b>

### Life

Single premiums	2,464.2	1,932.4	- 21.6
Recurring premiums	2,422.0	2,629.7	8.6
Premiums for investment-type products	- 253.0	- 261.0	3.2
<b>Total</b>	<b>4,633.2</b>	<b>4,301.1</b>	<b>- 7.2</b>

in CHF m

### 6.4 Investments by business segments 2002

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

in CHF m

### 6.5 Investments by business segments 2003

	Non-life	Life	Other	Total
Fixed-interest securities	4,579.0	20,914.2	4,032.2	29,525.4
Shares	634.6	2,587.7	253.6	3,475.9
Alternative financial assets	60.7	75.8	1,201.4	1,337.9
Derivatives	47.7	166.9	78.3	292.9
Investment property	1,025.9	4,077.7	549.8	5,653.4
Mortgage loans	396.6	4,818.7	5,787.1	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	41.0	223.8
Other short-term investments	526.8	1,874.7	245.9	2,647.4
Cash and cash equivalents	244.4	145.9	301.7	692.0
<b>Total</b>	<b>7,607.6</b>	<b>35,903.0</b>	<b>12,797.1</b>	<b>56,307.7</b>

in CHF m

## 7. Profits arising from investments

### 7.1 Investment income

	2002	2003
Fixed-interest securities	987.0	1,163.5
Shares	173.7	95.0
Alternative financial assets	8.4	7.5
Derivatives	-	-
Investment property	249.3	259.9
Mortgage loans	480.3	431.8
Policy and other loans	76.8	74.0
Participating interests in associates	70.0	41.6
Other short-term investments, cash and cash equivalents	45.8	31.9
<b>Total (gross)</b>	<b>2,091.3</b>	<b>2,105.2</b>
Investment management costs	- 67.2	- 75.9
<b>Total (net)</b>	<b>2,024.1</b>	<b>2,029.3</b>
Of which from associates	70.0	41.6

in CHF m

Investment income of CHF 58.1 million (2002: CHF 65.2 million) from value-adjusted mortgage loans and policy and other loans has accrued as at December 31, 2003, but has not been recognized in the income statement.

## 7.2 Realized gains and losses: 2002

Realized gains on disposal and book gains	Fixed-interest securities	Shares	Investment property	Other	Total
Held for trading	26.6	1.3	–	175.1	203.0
Available for sale	145.4	831.5	50.8	45.9	1,073.3
Held to maturity	–	–	–	–	–
Originated by the Group	–	–	–	0.2	0.2
Subtotal	172.0	832.8	50.8	221.2	1,276.8

### Realized losses on disposal and book losses

Held for trading	- 10.2	- 38.3	–	- 112.6	- 161.1
Available for sale	- 287.5	- 561.5	- 34.7	- 13.5	- 897.2
Held to maturity	0.0	–	–	–	0.0
Originated by the Group	–	–	–	- 66.2	- 66.2
Subtotal	- 297.7	- 599.8	- 34.7	- 192.3	- 1,124.5

### Impairment of value charged income

Available for sale	- 29.2	- 914.9	–	- 134.6	- 1,078.7
Held to maturity	0.0	–	–	- 67.7	- 67.7

### Reinstatement of original value charged to income<sup>1</sup>

Available for sale	2.3	101.2	–	0.3	103.8
Held to maturity	–	–	–	83.8	83.8

<b>Total</b>	<b>- 152.6</b>	<b>- 580.7</b>	<b>16.1</b>	<b>- 89.3</b>	<b>- 806.5</b>
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Cumulative impairment of value charged to income (net)	30.1	942.6	–	511.0	1,483.7
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in CHF m

## 7.3 Realized gains and losses: 2003

Realized gains on disposal and book gains	Fixed-interest securities	Shares	Investment property	Other	Total
Held for trading	22.9	40.4	–	81.6	144.9
Available for sale	490.2	422.0	44.1	96.0	1,052.3
Held to maturity	–	–	–	–	–
Originated by the Group	–	–	–	20.9	20.9
Subtotal	513.1	462.4	44.1	198.5	1,218.1

### Realized losses on disposal and book losses

Held for trading	- 29.4	- 3.3	–	- 217.5	- 250.2
Available for sale	- 31.4	- 1,422.9	- 28.3	- 49.5	- 1,532.1
Held to maturity	–	–	–	–	–
Originated by the Group	–	–	–	- 79.8	- 79.8
Subtotal	- 60.8	- 1,426.2	- 28.3	- 346.8	- 1,862.1

### Impairment of value charged income

Available for sale	- 3.6	- 128.9	–	- 63.5	- 196.0
Held to maturity	–	–	–	- 67.6	- 67.6

### Reinstatement of original value charged to income<sup>1</sup>

Available for sale	13.6	736.5	–	30.2	780.3
Held to maturity	0.0	–	–	86.0	86.0

<b>Total</b>	<b>462.3</b>	<b>- 356.2</b>	<b>15.8</b>	<b>- 163.2</b>	<b>- 41.3</b>
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Cumulative impairment of value charged to income (net)	22.1	356.9	–	545.3	924.3
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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.

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

	12.31.2002	12.31.2003	Movement in business year
Fixed-interest securities	997.9	690.6	-307.3
Shares	- 321.0	321.4	642.4
Alternative financial assets	105.8	138.4	32.6
Derivatives held for cash flow hedges	10.6	96.6	86.0
Investment property	-	-	-
Mortgage loans	-	-	-
Policy and other loans	-	-	-
Participating interests in associates	- 11.0	50.0	61.0
Other short-term investments	- 0.8	- 0.2	0.6
<b>Subtotal (gross)</b>	<b>781.5</b>	<b>1,296.8</b>	<b>515.3</b>

#### Less amounts relating to

Deferred acquisition costs (life)	- 140.2	- 239.3	- 99.1
Surplus shares to policyholders (life)	- 134.6	- 275.8	- 141.2
Minority interests	0.3	0.1	- 0.2
Deferred tax	- 115.5	- 129.1	- 13.6
Foreign exchange differences	- 376.3	- 491.6	- 115.3
<b>Total (net)</b>	<b>15.2</b>	<b>161.1</b>	<b>145.9</b>

in CHF m

In fiscal 2003, some fixed-interest securities classified as Available for sale were reclassified as Held to maturity. At the time of the reclassification, the unrealized gains and losses on the relevant securities position amounted to CHF 262.6 million.

As of December 31, 2003, the fixed-interest securities classified as Available for sale do not include any securities valued at purchase value (2002: CHF 38,836).

During the year 2003, 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 89.2 million (2002: CHF 66.7 million) are included in the financial statements at December 31, 2003. 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)

	2002	2003
<b>Balance at January 1 (gross)</b>	<b>2,460.5</b>	<b>781.5</b>
Movement in unrealized gains and losses on financial assets available for sale	- 1,603.7	368.3
Movement on unrealized gains and losses on associates	- 90.5	61.0
Movement on hedging reserve relating to derivatives held for cash flow hedges	15.2	86.0
<b>Balance at December 31 (gross)</b>	<b>781.5</b>	<b>1,296.8</b>

in CHF m

## 8. Investment property

	2002	2003
<b>Balance at January 1</b>	<b>5,042.2</b>	<b>5,305.7</b>
Additions	373.4	464.9
Additions due to changes in composition of consolidated Group	0.2	84.5
Disposals	- 100.3	- 288.2
Disposals due to changes in composition of consolidated Group	- 0.3	- 28.6
Reclassification	-	29.1
Change in market value	9.9	- 6.2
Foreign exchange differences	- 19.4	92.2
<b>Balance at December 31</b>	<b>5,305.7</b>	<b>5,653.4</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.

## 9. Participating interests in associates

	Book value		Share of profit		Holding	
	2002	2003	2002	2003	2002	2003
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	94.9	89.9	59.2	39.8	40.0%	40.0%
Brinvest N.V., Antwerp	54.0	61.4	1.1	- 4.8	31.2%	31.2%
Rec-Hold, Brussels	44.3	-	0.0	-	30.7%	-
Roland Rechtsschutz Versicherungs-AG, Cologne	18.9	20.3	1.5	1.5	25.0%	25.0%
Other	74.8	52.2	8.2	5.1	-	-
<b>Total</b>	<b>286.9</b>	<b>223.8</b>	<b>70.0</b>	<b>41.6</b>		

in CHF m

There are no significant amounts due from or to associates.

In fiscal 2003, the stake in Rec-Hold, Brussels, was exchanged for stocks of the exchange-listed N.V. Recticel SA, Brussels, and is hence classified as Available for sale.

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

Further information about associates is given in Note 34, Significant subsidiaries and participating interests at December 31, 2003.

## 10. Derivatives

Interest rate instruments	Contract values		Fair value: assets		Fair value: liabilities	
	2002	2003	2002	2003	2002	2003
Forward transactions	–	–	–	–	–	–
Swaps	3,716.9	3,539.7	35.8	135.3	24.4	125.2
OTC options	–	582.0	–	10.0	–	–
Other	–	–	–	–	–	–
Traded options	–	0.2	–	–	–	0.0
Traded futures	–	–	–	–	–	–
<b>Subtotal</b>	<b>3,716.9</b>	<b>4,121.9</b>	<b>35.8</b>	<b>145.3</b>	<b>24.4</b>	<b>125.2</b>
<b>Equity instruments</b>						
Forward transactions	–	–	–	–	–	–
OTC options	4,641.2	1,281.3	170.4	3.7	56.9	31.2
Traded options	5.8	1.4	0.0	0.0	0.5	0.1
Traded futures	–	–	–	–	–	–
<b>Subtotal</b>	<b>4,647.0</b>	<b>1,282.7</b>	<b>170.4</b>	<b>3.7</b>	<b>57.4</b>	<b>31.3</b>
<b>Foreign exchange instruments</b>						
Forward transactions	49.5	222.7	0.4	32.8	0.4	36.8
Swaps	41.9	22.6	–	–	2.6	1.3
OTC options	642.5	4,635.9	6.2	111.1	2.2	57.8
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
<b>Subtotal</b>	<b>733.9</b>	<b>4,881.2</b>	<b>6.6</b>	<b>143.9</b>	<b>5.2</b>	<b>95.9</b>
<b>Total</b>	<b>9,097.8</b>	<b>10,285.8</b>	<b>212.8</b>	<b>292.9</b>	<b>87.0</b>	<b>252.4</b>

in CHF m

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

	2002	2003
Fixed-interest securities	101.0	101.3
Shares	384.3	599.9
Other short-term investments	61.7	93.1
Cash and cash equivalents	3.5	3.9
<b>Total</b>	<b>550.5</b>	<b>798.2</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 2002

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

in CHF m

### 12.2 Intangible assets 2003

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

On the basis of impairment testing, a further CHF 20.0 million have been written down to zero in addition to the planned amortization of goodwill from the participation in Mercator Verzekeringen N.V. in the business year 2003.

During the year under review, goodwill arising from various smaller shareholdings was the subject of unscheduled write-downs amounting to CHF 17.6 million based on impairment tests.

### 13. Tangible non-current assets

#### 13.1 Property, plant and equipment for own use: 2002

	Land	Buildings	Plant and equipment	Total
Cost	93.2	753.2	93.5	<b>939.9</b>
Accumulated depreciation and write-downs	–	- 268.1	- 53.1	<b>- 321.2</b>
<b>Balance at December 31 (net)</b>	<b>93.2</b>	<b>485.1</b>	<b>40.4</b>	<b>618.7</b>

Of which assets under finance leases	–	133.2	–	<b>133.2</b>
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in CHF m

#### 13.2 Property, plant and equipment for own use: 2003

	Land	Buildings	Plant and equipment	Total
Book value at January 1	93.2	485.1	40.4	<b>618.7</b>
Additions	1.3	6.9	7.7	<b>15.9</b>
Additions arising from changes in composition				
of consolidated Group	4.1	21.6	–	<b>25.7</b>
Disposals	- 2.7	- 12.8	- 2.4	<b>- 17.9</b>
Disposals arising from changes in composition				
of consolidated Group	–	–	–	<b>–</b>
Reclassification	- 0.7	- 28.4	–	<b>- 29.1</b>
Depreciation	–	- 24.3	- 10.8	<b>- 35.1</b>
Impairment of value charged to income	–	–	–	<b>–</b>
Reinstatement of original value charged to income	–	–	–	<b>–</b>
Foreign exchange differences	1.4	23.5	2.2	<b>27.1</b>
Book value at December 31	96.6	471.6	37.1	<b>605.3</b>

Cost	96.6	764.0	101.0	<b>961.6</b>
Accumulated depreciation and write-downs	–	- 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>
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in CHF m



### 13.3 Other tangible non-current assets: 2002

	Machinery/furniture/ motor vehicles	IT equipment	Total
Cost	102.2	121.1	223.3
Accumulated depreciation and write-downs	- 54.5	- 82.0	- 136.5
<b>Balance at December 31 (net)</b>	<b>47.7</b>	<b>39.1</b>	<b>86.8</b>
Of which assets under finance leases	0.1	5.5	5.6

in CHF m

### 13.4 Other tangible non-current assets: 2003

	Machinery/furniture/ motor vehicles	IT equipment	Total
Book value at January 1	47.7	39.1	86.8
Additions	28.2	16.1	44.3
Additions arising from changes in composition of consolidated Group	2.1	1.7	3.8
Disposals	- 5.9	- 1.5	- 7.4
Disposals arising from changes in composition of consolidated Group	-	-	-
Depreciation	- 15.4	- 24.2	- 39.6
Impairment of value charged to income	-	-	-
Reinstatement of original value charged to income	-	-	-
Foreign exchange differences	2.0	1.5	3.5
Book value at December 31	58.7	32.7	91.4
Cost	128.6	138.9	267.5
Accumulated depreciation and write-downs	- 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

### 14. Deferred acquisition costs

	Non-life		Life		Total	
	2002	2003	2002	2003	2002	
<b>Balance at January 1</b>	<b>135.5</b>	<b>153.9</b>	<b>588.6</b>	<b>656.6</b>	<b>724.1</b>	<b>810.5</b>
Deferred during the year under review	251.7	266.5	134.3	135.4	386.0	401.9
Written off in the year under review	- 229.6	- 249.3	- 152.9	71.4	- 382.5	- 177.9
Written off in the year under review due to anticipated loss	- 2.4	- 2.3	-	-	- 2.4	- 2.3
Change as a result of unrealized gains and losses on investment (shadow accounting)	-	-	95.9	- 89.6	95.9	- 89.6
Disposals arising from changes in composition of the consolidated Group	-	-	-	-	-	-
Foreign exchange differences	- 1.3	5.7	- 9.3	37.6	- 10.6	43.3
<b>Balance at December 31</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>

in CHF m

**15. Loss reserves including  
claims processing costs**

	2002	2003
<b>Balance at January 1 (gross)</b>	<b>4,182.0</b>	<b>4,196.1</b>
Amount attributable to reinsurers	- 353.7	- 280.8
Loss reserves for own account	3,828.3	3,915.3
<b>Claims incurred (including claims processing costs)</b>		
For current year	1,900.8	2,017.2
For prior years	20.0	13.9
<b>Total</b>	<b>1,920.8</b>	<b>2,031.1</b>
<b>Payments made for loss and claims processing costs</b>		
For current year	- 933.8	- 996.7
For prior years	- 808.3	- 885.6
<b>Total</b>	<b>-1,742.1</b>	<b>-1,882.3</b>
<b>Other movements</b>		
Changes in composition of consolidated Group	-	239.7
Exchange differences	- 91.7	129.4
<b>Total</b>	<b>- 91.7</b>	<b>369.1</b>
<b>Balance at December 31 (net)</b>	<b>3,915.3</b>	<b>4,433.2</b>
Loss reserves for own account	3,915.3	4,433.2
Amount attributable to reinsurers	280.8	353.1
<b>Loss reserves at December 31 (gross)</b>	<b>4,196.1</b>	<b>4,786.3</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 2002, these gross provisions, which are included in the total provision, amounted to CHF 353.9 million, and they stood at CHF 320.1 million at the end of 2003. The decline by 33.8 million is due to claims processing amounting to CHF 12.3 million and currency effects amounting to CHF 21.5 million, as a large part of the provisions are held in foreign currencies.

## 16. Actuarial reserve: life

Long-term contracts	2002	2003
Contracts with surplus sharing	29,618.1	32,847.5
Contracts without surplus sharing	139.6	138.2
<b>Total</b>	<b>29,757.7</b>	<b>32,985.7</b>

in CHF m

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

	2002	2003
Policyholder bonuses credited	3,238.9	3,214.1
Provision for future policyholder bonuses	446.1	849.3
<b>Total</b>	<b>3,685.0</b>	<b>4,063.4</b>

in CHF m

## 18. Reinsurance

### 18.1 Technical provisions and assets from reinsurance

	Gross		Reinsurance assets		Net	
	2002	2003	2002	2003	2002	2003
Unearned premiums reserves	419.3	493.3	6.4	4.3	412.9	489.0
Loss reserves	4,196.1	4,786.3	280.8	353.1	3,915.3	4,433.2
Actuarial reserve (life)	29,757.7	32,985.7	136.7	294.7	29,621.0	32,691.0
Policyholder bonuses credited and provision for future policyholder bonuses	3,685.0	4,063.4	0.0	0.0	3,685.0	4,063.4
<b>Total technical provisions</b>	<b>38,058.1</b>	<b>42,328.7</b>	<b>423.9</b>	<b>652.1</b>	<b>37,634.2</b>	<b>41,676.6</b>
Deposits and assets from reinsurance	–	–	1.1	85.0	–	–
Impairment of value accounted for in income statement	–	–	–	–	–	–
<b>Total reinsurance assets</b>	<b>–</b>	<b>–</b>	<b>425.0</b>	<b>737.1</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 net profit.

In 2003, 3.7% of gross premiums and policy fees were ceded to external reinsurers (2002: 3.0%). 69% (2002: 67%) of reinsurance is ceded to reinsurers rated AA (Standard & Poor's) or better.

## 18.2 Premiums earned and policy fees

### 18.2.1 Premiums earned and policy fees: 2002

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

in CHF m

### 18.2.2 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	- 218.7	- 52.9	15.2	<b>- 256.4</b>
<b>Total net premiums earned</b>	<b>2,866.1</b>	<b>4,248.2</b>	<b>0.4</b>	<b>7,114.7</b>

in CHF m

## 18.3 Deposit assets and liabilities from deposit accounting

	2002	2003
Deposit assets	8.8	0.3
Deposit liabilities	- 0.1	- 0.2
<b>Balance at January 1</b>	<b>8.7</b>	<b>0.1</b>
Increases in deposits	3.1	41.0
Redemptions	- 11.7	- 0.2
Foreign exchange differences	0.0	1.1
<b>Balance at December 31</b>	<b>0.1</b>	<b>42.0</b>
Of which deposit assets	0.3	54.3
Of which deposit liabilities	- 0.2	- 12.3

in CHF m

## 19. Liabilities from banking business and bonds

### 19.1 Liabilities from banking business and financing operations

	2002	2003
Amounts due to banks	802.1	1,313.8
Fixed-term deposits payable	96.2	106.3
Loans	81.8	14.1
Mortgages	0.4	0.4
Savings and bank customer deposits	4,698.2	5,513.9
Medium-term fixed-rate notes	1,936.1	2,064.1
Mortgage bonds	614.2	709.0
Bonds	1,266.0	1,519.9
Liabilities under finance leases	164.2	170.2
<b>Total</b>	<b>9,659.2</b>	<b>11,411.7</b>

in CHF m

Of these, CHF 106.3 million (2002: CHF 96.2 million) relate to subordinated liabilities as at December 31, 2003.

### 19.2 Bonds

	2002	2003
<b>Balance at January 1</b>	<b>1,088.1</b>	<b>1,266.0</b>
Initial offer price of newly issued bonds	175.2	251.1
Embedded derivative	-	-
Deferred tax portion	-	-
Additions (subtotal)	175.2	251.1
Disposals / redemptions	-	-
Interest expense	43.4	42.2
Nominal interest	- 40.7	- 39.4
Accrued interest (subtotal)	2.7	2.8
<b>Balance at December 31</b>	<b>1,266.0</b>	<b>1,519.9</b>

in CHF m

### 19.3 Terms applicable to the bonds outstanding

	Baloise Finance (Jersey) Ltd.	Bâloise-Holding	Bâloise-Holding	Baloise Bank SoBa	Bâloise-Holding
Nominal value in CHF m	200	300	600	175	250
Interest rate	1.0%	3.25%	4.25%	3.625%	3.375%
Effective interest rate	3.2%	3.25%	4.25%	3.625%	3.375%
Advance redemption date	–	–	–	–	–
Redemption amount	100%	100%	100%	100%	100%
Conversion rights	in UBS shares	no	no	no	no
Year of issue	1998	1998	2000	2002	2003
Redemption date	4.7.2006	4.7.2008	9.28.2005	6.12.2007	12.15.2009
Security number	SWX 858858	SWX 858851	SWX 1123532	SWX 1422292	SWX 1726032

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

Lease period	2002	2003
< 1 year	13.9	10.2
1 – 5 years	40.0	45.3
> 5 years	193.1	195.4
<b>Total minimum lease payments</b>	<b>247.0</b>	<b>250.9</b>
Future finance expenses	- 82.8	- 80.7
<b>Total present value</b>	<b>164.2</b>	<b>170.2</b>

in CHF m

### 20. Financial provisions for the year 2003

	Restructuring	Other	Total
<b>Balance at January 1</b>	<b>40.1</b>	<b>91.6</b>	<b>131.7</b>
Addition due to changes in composition of consolidated Group	–	17.9	17.9
Currency translation	0.8	5.1	5.9
Additional provisions charged to income	0.8	15.4	16.2
Unused amounts reversed and released to income	- 6.2	- 26.7	- 32.9
Amounts used not charged to income	- 12.8	- 7.1	- 19.9
Increase owing to mark-up for interest	–	–	–
<b>Balance at December 31</b>	<b>22.7</b>	<b>96.2</b>	<b>118.9</b>

in CHF m

## 21. Tax on income

### 21.1 Current and deferred tax on income

	2002	2003
<b>Switzerland</b>		
Current tax	21.3	18.8
Deferred tax	- 33.9	- 19.3
Subtotal	- 12.6	- 0.6
<b>Germany</b>		
Current tax	- 0.5	71.0
Deferred tax	- 12.4	16.4
Subtotal	- 12.9	87.4
<b>Benelux</b>		
Current tax	4.6	3.3
Deferred tax	- 44.3	14.9
Subtotal	- 39.7	18.2
<b>Other countries</b>		
Current tax	8.3	21.5
Deferred tax	- 25.8	- 1.2
Subtotal	- 17.5	20.3
<b>Total: all countries</b>		
Current tax	33.7	114.6
Deferred tax	- 116.4	10.8
<b>Total</b>	<b>- 82.7</b>	<b>125.4</b>

in CHF m

## 21.2 Expected and actual tax on income

	2002	2003
Expected tax on income	- 166.8	39.9
<b>Increase/ decrease due to</b>		
Tax-exempt interest and dividend credits	- 7.2	- 5.1
Tax-exempt gains from shares and participating interests	-	- 1.7
Non-deductible losses from shares and participating interests	88.3	43.5
Withholding tax for dividends	0.3	-
Change in interest rates	- 7.6	- 3.4
Tax elements unrelated to accounting period	7.8	59.1
Disposal of enterprises	-	-
Other factors	2.5	- 6.9
<b>Actual tax on income</b>	<b>- 82.7</b>	<b>125.4</b>

in CHF m

The expected average tax rate of the Baloise Group came to 23.3% in 2002 and to 17.8% in 2003. These rates correspond to the weighted average of the tax rates of those countries in which the Baloise Group operates. The decrease in the average tax rate is attributable to the differences in different regions' contributions to the result – in comparison with the preceding years.

The non-deductible losses from shares and participating interests amounting to CHF 43.5 million (2002: CHF 88.3 million) were mainly incurred by the Belgian companies.

The tax elements unrelated to the accounting period amounting to CHF 59.1 million are essentially attributable to changes in tax legislation affecting life insurance companies in Germany.



### 21.3 Deferred tax assets and liabilities

Reasons for deferred tax assets	2002	2003
Unearned premiums reserves	19.9	24.7
Loss reserves	3.9	8.5
Actuarial reserve (life)	146.9	362.5
Unrealized losses on investments	0.5	0.4
Losses carried forward	52.2	45.9
Other	306.5	463.9
<b>Total</b>	<b>529.9</b>	<b>905.9</b>

Reasons for deferred tax liabilities	2002	2003
Deferred acquisition costs	191.8	404.2
Unearned premiums reserves	28.0	29.3
Loss reserves	132.5	183.3
Actuarial reserve (life)	103.2	132.1
Unrealized gains on financial investments	120.8	134.3
Depreciable assets	36.5	67.3
Other intangible assets	1.7	2.4
Other	597.0	687.9
<b>Total</b>	<b>1,211.5</b>	<b>1,640.8</b>
<b>Total (net)</b>	<b>681.6</b>	<b>734.9</b>

in CHF m

The tax on income payable at the end of 2002 and 2003, which is included in the balance sheet under Other liabilities and deferred income, amounted to CHF 29.6 million and 108.5 million respectively. At December 31, 2003, the Baloise Group capitalized losses brought forward that can be offset against tax amounting to CHF 143.4 million (subject to statutory regulations; 2002: CHF 151.8 million). All expire after five years or more.

As at December 31, 2003 no tax assets were capitalized on losses carried forward amounting to CHF 584.3 million (2002: CHF 411.2 million). Of these, CHF 20.8 million expire after one year, a further CHF 0.8 million expire after two to four years and CHF 562.7 million expire after five or more years.

## 22. Number of employees and personnel costs

The Baloise Group had 8,745 employees on December 31, 2003; on December 31, 2002, the number of employees was 8,703. Total personnel costs for the fiscal year 2003 amounted to CHF 1,100.6 million, compared with CHF 1,105.1 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	
	2002	2003	2002	2003
Short-term benefits	11.8	8.6	158.2	110.4
Postemployment benefits: defined contribution plans	–	–	2.1	2.8
Postemployment benefits: defined benefit plans	39.0	30.2	387.6	491.9
Other long-term benefits	–	–	20.5	23.6
Termination benefits	2.2	2.4	28.2	51.3
Equity benefits	–	–	–	–
<b>Total</b>	<b>53.0</b>	<b>41.2</b>	<b>596.6</b>	<b>680.0</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. The following table aggregates pension plans under Pensions and shows other benefits (such as subsidized mortgages) under Other benefits.

### 23.2.1 Liabilities relating to defined benefit plan

	2002	2003
Present value of funded obligations	- 1,759.5	- 1,785.1
Fair value of plan assets	1,706.8	1,716.0
Funding surplus / shortfall	- 52.7	- 69.1
Present value of unfunded obligations	- 365.8	- 458.5
Unrecognized actuarial gains or losses	211.7	200.9
Net pension obligation	- 206.8	- 326.7
Liabilities relating to other benefits	- 20.8	- 37.6
<b>Net liabilities relating to defined benefit plans</b>	<b>- 227.6</b>	<b>- 364.3</b>
Of which disclosed as liabilities	- 387.6	- 491.9
Of which disclosed as assets	39.0	30.2
Of which not disclosed as assets	121.0	97.4

in CHF m

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

The plan assets include shares in Bâloise-Holding which had a market value of CHF 55.1 million at December 2002 and CHF 38.4 million at December 2003. The plan assets do not include property leased to the Baloise Group.

### 23.2.2 Expenses relating to defined benefit plans

	2002	2003
Current service costs	62.1	66.1
Interest costs	84.9	90.3
Expected return on plan assets	- 73.1	- 50.7
Redemption of actuarial losses or gains	- 1.5	2.6
Effect of any changes and use restrictions	2.8	- 20.5
Employees' contributions	- 12.7	- 13.0
<b>Total expense for pension benefits</b>	<b>62.5</b>	<b>74.8</b>
Expense for other benefits	1.5	18.4
<b>Total expense relating to defined benefit plans</b>	<b>64.0</b>	<b>93.2</b>

in CHF m

### 23.2.3 Income from plan assets

	2002	2003
Expected return on plan assets	- 73.1	- 50.7
Gains or losses on plan assets	170.8	- 2.3
<b>Total income from plan assets</b>	<b>97.7</b>	<b>- 53.0</b>

in CHF m

23.2.4 Net obligations in respect of pension benefits

	2002	2003
<b>Balance at January 1</b>	<b>323.5</b>	<b>327.8</b>
Foreign exchange differences	- 7.2	29.0
Addition due to changes in composition of consolidated Group	-	49.4
Disposal due to changes in composition of consolidated Group	-	- 0.5
Amount recognized in income statement	62.5	74.8
Payments by employer	- 51.0	- 56.4
<b>Balance at December 31</b>	<b>327.8</b>	<b>424.1</b>

in CHF m

23.2.5 Actuarial assumptions

	2002	2003
Discount rate	4.1	4.1
Expected rate of return on plan assets	4.0	3.0
Expected increases in wages and salaries	2.2	2.2
Expected increases in pension benefits	1.2	1.2

in percent

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

CHF 23.6 million (2002: CHF 20.5 million). No plan assets were deducted for long-term benefits. Other long-term employee benefits amounting to CHF 3.0 million (2002: CHF 2.2 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, 2003, the present value of the obligation was

**23.4 Equity benefits: employee shares**

During the year under review, 212,744 shares (2002: 80,491 shares) were purchased through the Baloise Employee Trust set up in 1989 at a price of CHF 23.10 (2002: CHF 42.50). The fair market value of the shares subscribed amounted to CHF 45.90 (2002: CHF 78.75).

**23.5 Equity benefits: share participation scheme**

	2002	2003
Number of shares subscribed to	106,760	382,601
Blocked until	5.31.2005	5.31.2006
Subscription price per share in CHF	123.31	38.98
Value of shares subscribed to in CHF m	13.2	14.9
Market value of subscribed shares at time of subscription in CHF m	14.0	16.4

### 23.6 Equity benefits: share participation scheme

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

### 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	6.1.2003	6.1.2004
Number of underlying Bâloise-Holding shares	66,660	41,762
Exercise price in CHF	167.8	197.1
Expiry date	6.15.2005	6.15.2005
Expenses of the Baloise Group in CHF m	1.6	1.3

Given the choice of taking the mandatory part of the incentive in either shares or options, employees chose shares without exception in 2003 (either directly or linked to a loan).

## 24. Capital and reserves

### 24.1 Share capital

	Number of shares	Share capital
<b>Balance at December 31, 2002</b>	<b>55,307,150</b>	<b>5.5</b>
<b>Balance at December 31, 2003</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 0.1 (2002: CHF 0.1). A total of 702,540 shares at December 31, 2002 and 414,303 shares at December 31, 2003 were held by Group companies. 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. At December 31, 2002 and December 31, 2003, 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 14, 2004, a dividend of CHF 0.60 per share (2002: CHF 0.40) will be proposed for the 2003 fiscal year, a total figure of CHF 33.2 million (2002: CHF 22.1 million). The proposed dividend has not been included in the consolidated financial statements for the 2003 fiscal year. It will

be charged to accumulated profit following the adoption of the resolution at the 2004 Annual General Meeting.

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

## 25. Earnings/loss per share

	2002	2003
Consolidated net profit/loss in CHF m	-634.5	91.4
Average number of outstanding shares	54,837,865	54,794,476
<b>Earnings/loss per share in CHF</b>	<b>-11.56</b>	<b>1.67</b>

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

## 26. Minority interests

	2002	2003
<b>Balance at January 1</b>	<b>41.5</b>	<b>28.1</b>
Share of consolidated net profit	2.9	6.9
Change in share of unrealized gains and losses in capital and reserves	3.7	- 0.2
Addition / disposal due to changes in share of investment held	- 21.5	3.8
Addition / disposal due to changes in composition of consolidated Group	-	-
Foreign exchange differences	1.5	2.1
<b>Balance at December 31</b>	<b>28.1</b>	<b>40.7</b>

in CHF m

## 27. Interest payable

	2002	2003
Interest on policyholder bonuses credited	103.9	84.3
Savings and customer deposits	151.2	107.9
Medium-term fixed-rate notes	91.9	90.3
Mortgage bonds	6.4	9.2
Bonds	43.5	42.2
Other interest	68.0	71.2
<b>Total</b>	<b>464.9</b>	<b>405.1</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

	2002	2003
Mortgage loans	6.7	2.7
Policy and other loans	4.1	7.7
Receivables arising out of insurance operations	4.3	1.2
Other receivables	0.5	0.2
Other liabilities	33.3	–
Gross premiums written and policy fees	0.1	0.1
Investment income	3.0	3.5
Other income	0.3	0.4

in CHF m

Remuneration remitted to the members of the Board of Directors and the Corporate Executive Committee amounted to CHF 7.7 million in the year under review (2002: CHF 6.8 million).

## 29. Supplemental cash flow disclosure

	2002	2003
Cash and bank balances	662.6	691.9
Cash equivalents	13.2	0.1
<b>Total</b>	<b>675.8</b>	<b>692.0</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, group-wide risk management at all levels to control these risks. This involves both the active operational management of individual and portfolio risks on the finance and insurance side, and the development of general risk-based business management systems. Not only does this provide security for shareholders and clients; it also leads to a positive rating on the capital market. By benchmarking all activities based on their contribution to value added (measured by the return on risk-adjusted capital), it is possible to focus on the most profitable segments.

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

### 30.1 Derivatives: fair value hedges

Interest rate instruments	Contract values		Fair value: assets		Fair value: liabilities	
	2002	2003	2002	2003	2002	2003
Forward transactions	–	–	–	–	–	–
Swaps	–	201.6	–	6.5	–	–
OTC options	–	582.0	–	10.1	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>783.6</b>	<b>–</b>	<b>16.6</b>	<b>–</b>	<b>–</b>

in CHF m

### 30.2 Derivatives: cash flow hedges

Interest rate instruments	Contract values		Fair value: assets		Fair value: liabilities	
	2002	2003	2002	2003	2002	2003
Forward transactions	–	–	–	–	–	–
Swaps	3,032.3	2,748.8	34.0	28.8	0.2	14.3
OTC options	–	–	–	–	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	3,032.3	2,748.8	34.0	28.8	0.2	14.3

### Foreign exchange instruments

Forward transactions	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
OTC options	–	1,313.3	–	110.9	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	–	1,313.3	–	110.9	–	–
<b>Total</b>	<b>3,032.3</b>	<b>4,062.1</b>	<b>34.0</b>	<b>139.7</b>	<b>0.2</b>	<b>14.3</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 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 4,119.7 million (2002: CHF 3,255.6 million), a net US dollar position of CHF 237.6 million (2002: 2,142.5 million) and a net Japanese yen position of CHF 11.0 million (2002: CHF 81.4 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 group-wide basis.

### 30.5 Concentration of credit risks

Shares and fixed-interest investments > 10% of consolidated capital and reserves	2002	2003
Kingdom of Belgium	680.7	2,714.8
Federation of Switzerland	1,429.3	1,507.4
UBS AG, Zurich/Basel	1,737.6	1,105.9
Federal Republic of Germany	515.0	745.5
Landesbank Baden-Württemberg, Stuttgart	408.0	560.6
Eurohypo AG, Frankfurt a. M.	250.1	506.4
Republic of Italy	243.9	497.2
Republic of Austria	437.2	491.6
CS Group, Zurich	497.5	398.3
WestLB AG, Düsseldorf/Münster	–	371.7
Pfandbriefzentrale der schweiz. Kantonalbanken	247.9	334.0

in CHF m

Time deposits make up CHF 668.0 million of the total amount placed with UBS AG, Zurich/Basel (2002: CHF 1,252.0 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, 2002

	Due in: < 1 year	Due in: 1–5 years	Due in: > 5 years	Total
Assets with due date	13,551.6	15,618.6	11,962.5	<b>41,132.7</b>
Assets without fixed due date	–	–	–	<b>15,781.1</b>
Liabilities with due date	- 9,145.8	- 2,540.7	- 2,282.4	<b>- 13,968.9</b>
Liabilities without fixed due date	–	–	–	<b>- 39,828.7</b>
<b>Net liquidity risk</b>	<b>4,405.8</b>	<b>13,077.9</b>	<b>9,680.1</b>	<b>3,116.2</b>

in CHF m

#### 30.7.2 Liquidity risk at December 31, 2003

	Due in: < 1 year	Due in: 1–5 years	Due in: > 5 years	Total
Fixed-interest securities	3,341.7	13,728.3	12,455.4	<b>29,525.4</b>
Mortgage loans	4,588.9	4,731.1	1,682.4	<b>11,002.4</b>
Policy and other loans	436.0	471.3	549.3	<b>1,456.6</b>
Other investments	2,582.7	64.7	–	<b>2,647.4</b>
Other assets	4,438.5	0.5	–	<b>4,439.0</b>
Assets without fixed due date	–	–	–	<b>15,230.0</b>
<b>Total</b>	<b>15,387.8</b>	<b>18,995.9</b>	<b>14,687.1</b>	<b>64,300.8</b>
Liabilities from banking business and loans	- 5,196.1	- 2,276.2	- 3,939.4	<b>- 11,411.7</b>
Payables arising out of insurance operations	- 2,109.6	- 4.1	- 0.3	<b>- 2,114.0</b>
Other liabilities	- 1,743.4	- 55.8	- 518.3	<b>- 2,317.5</b>
Liabilities without fixed due date	–	–	–	<b>- 45,097.1</b>
<b>Total</b>	<b>- 9,049.1</b>	<b>- 2,336.1</b>	<b>- 4,458.0</b>	<b>- 60,940.3</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

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

	Book value		Market value	
	2002	2003	2002	2003
Fixed-interest securities held to maturity	158.5	10,348.7	165.7	10,371.0
Mortgage loans	10,532.0	11,002.4	10,846.7	11,376.7
Policy and other loans	1,520.4	1,456.6	1,536.7	1,509.7
Liabilities from banking business and loans	9,659.2	11,411.7	9,896.6	11,548.8

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	2002	2003
Investments	756.4	768.9
Intangible assets and tangible non-current assets	10.5	31.7
Liabilities	718.6	758.0
Capital and reserves	113.4	158.8
Income	200.8	149.5
Expenses	140.2	131.6

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 2003.

#### 32.2 Capital commitments

Commitments entered into for the future purchase of	2002	2003
Investments	616.8	469.5
Tangible non-current assets	–	–
Intangible assets	–	–
<b>Total commitments entered into</b>	<b>616.8</b>	<b>469.5</b>
Of which relating to joint ventures	–	–
Of which own share of joint venture capital commitments	–	–

in CHF m

#### 32.3 Warranties and guaranties for the benefit of third parties

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

### 32.4 Warranties and guaranties for the benefit of third parties

	2002	2003
Warranties	837.4	634.3
Guaranties	5.7	328.3
<b>Total warranties and guaranties for the benefit of third parties</b>	<b>843.1</b>	<b>962.6</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

	2002	Assets 2003	Amount of hedged obligation 2002	2003
Investments	3,325.2	4,030.6	1,208.9	1,665.6
Tangible non-current assets	–	–	–	–
Intangible assets	–	–	–	–
Other assets	–	–	–	–
<b>Total</b>	<b>3,325.2</b>	<b>4,030.6</b>	<b>1,208.9</b>	<b>1,665.6</b>

in CHF m

### 32.6 Obligations under operating leases

2004	5.6
2005	1.9
2006	1.3
2007	0.4
2008 and later	0.3
<b>Total</b>	<b>9.5</b>

in CHF m

## 33. Events after the balance sheet date

Up to the completion of the present consolidated financial statements on March 24, 2004, 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, 2003

	Principal activity	Holding in percent	Method of inclusion <sup>1</sup>	Currency	Share / company capital in millions	Total assets in millions	Gross premiums / policy fees in millions
<b>Switzerland</b>							
Bâloise-Holding, Basel	Holding	Holding	F	CHF	5.5	1,852.2	–
Baloise Insurance Company, Basel	Non-life	100.00	F	CHF	75.0	5,414.9	1,237.7
Baloise Life Insurance Company, Basel	Life	100.00	F	CHF	50.0	25,088.1	3,031.6
Baloise Bank SoBa, Solothurn	Banking	100.00	F	CHF	50.0	5,203.8	–
Haakon AG, Basel	Other	74.75	F	CHF	0.2	44.4	–
Prevo-System AG, Basel	Other	26.00	E	CHF	–	–	–
Baloise Asset Management Switzerland AG, Basel	Asset management	100.00	F	CHF	1.5	9.4	–
Baloise Asset Management International AG, Basel	Investment advice	100.00	F	CHF	1.5	4.4	–
<b>Germany</b>							
Basler Versicherung Beteiligungsgesellschaft mbH, Hamburg	Holding	100.00	F	EUR	20.5	249.4	–
Baloise Beteiligungs-Holding GmbH, Bad Homburg	Holding	100.00	F	EUR	0.0	95.5	–
Deutscher Ring Lebensversicherungs-AG, Hamburg	Life	100.00	F	EUR	22.0	7,939.6	550.7
Securitas-Gilde Lebensversicherungs AG, Bremen	Life	100.00	F	EUR	4.1	959.4	78.0
Deutscher Ring Sachversicherungs-AG, Hamburg	Non-life	100.00	F	EUR	50.0	587.0	168.8
Basler Securitas Versicherungs-Aktiengesellschaft, Bad Homburg	Non-life	100.00	F/P	EUR	15.1	890.2	486.1
Deutscher Ring Bausparkasse AG, Hamburg	Banking	100.00	F/P	EUR	12.8	609.8	–
Deutscher Ring Beteiligungsholding GmbH, Hamburg	Other	65.00	F/P	EUR	12.8	327.6	–
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	Other	40.00	E	EUR	–	–	–
Deutscher Ring Financial Services GmbH, Hamburg	Other	100.00	F/P	EUR	0.1	6.6	–
Grocon Erste Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F	EUR	0.7	19.6	–
Grocon Zweite Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F/P	EUR	1.5	16.3	–
OVV Vermögensberatung AG, Cologne	Other	57.70	F/P	EUR	12.4	62.6	–
Roland Rechtsschutz Beteiligungs GmbH, Cologne	Other	60.00	F/P	EUR	0.1	22.6	–
Roland Rechtsschutz Versicherungs-AG, Cologne	Other	25.02	E	EUR	–	–	–
Zeus Vermittlungsgesellschaft mbH, Hamburg	Other	90.10	F/P	EUR	0.5	20.7	–
<b>Belgium</b>							
Mercator Verzekeringen N.V., Ghent/Antwerp	Life and non-life	100.00	F	EUR	105.0	2,545.7	409.4
Amazon Insurance N.V., Antwerp	Non-life	100.00	F	EUR	3.7	19.3	14.7
Mercator, Re N.V., Antwerp	Reinsurance	100.00	F	EUR	1.2	5.1	0.0
Euromex N.V., Antwerp	Non-life	100.00	F	EUR	2.5	48.3	19.3
Mercator Banque S.A., Antwerp	Banking	100.00	F	EUR	37.0	3,700.1	–
Corluy en C <sup>o</sup> Beurvennootschap N.V., Antwerp	Banking	37.50	E	EUR	–	–	–
Amid N.V., Ghent	Other	97.16	F	EUR	0.5	2.9	–
Antwerp Real Estate N.V., Antwerp	Other	84.00	F	EUR	1.2	4.3	–
Automobielcenter Gent N.V., Ledeborg	Other	97.38	F	EUR	0.3	4.4	–
Belcar N.V., Aartselaar	Other	75.00	F	EUR	0.1	15.3	–
Brinvest N.V., Antwerp	Other	31.19	E	EUR	–	–	–
Hondius N.V., Antwerp	Other	100.00	F	EUR	2.5	13.8	–
Mercarios N.V., Antwerp	Other	50.00	P	EUR	0.1	2.4	–
Merno-Immo N.V., Ghent	Other	99.75	F	EUR	14.5	19.5	–
Plastic Investment Company, Kortrijk	Other	29.00	E	EUR	–	–	–
Sogaplim N.V., Ghent	Other	50.00	P	EUR	4.2	26.3	–

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

## Financial Report 2003

Continued

	Principal activity	Holding in percent	Method of inclusion <sup>1</sup>	Currency	Share/ company capital in millions	Total assets in millions	Gross premiums/ policy fees in millions
<b>Luxembourg</b>							
Bâloise (Luxembourg) Holding S.A., Luxembourg	Holding	100.00	F	CHF	313.0	873.5	–
Bâloise Assurances Luxembourg S.A., Luxembourg	Non-life	100.00	F	EUR	7.5	116.1	25.6
Bâloise Vie Luxembourg S.A., Luxembourg	Life	100.00	F	EUR	12.5	285.8	20.6
Baloise Fund Invest Advico, Luxembourg	Investment advice	100.00	F	EUR	0.1	3.3	–

### Austria

<b>Basler Versicherungs-Aktiengesellschaft</b>							
in Österreich, Vienna	Life and non-life	100.00	F	EUR	5.1	436.3	66.3
Basler Osiguranje d.d., Zagreb	Non-life	97.00	F	HRK	18.0	43.4	15.6
Basler Zivotno Osiguranje d.d., Zagreb	Life	97.00	F	HRK	15.0	27.3	5.3
Basler Immobilien GmbH, Vienna	Other	100.00	F	EUR	14.5	47.9	–

### Other countries

<b>Baloise Insurance Co. (I.O. M.) Ltd.,</b>							
Douglas/Isle of Man/British Isles	Reinsurance	100.00	F	CHF	31.2	381.6	–
<b>Baloise Insurance Company (Bermuda) Ltd.,</b>							
Hamilton/Bermuda	Reinsurance	100.00	F	CHF	5.0	491.5	–
<b>Baloise Alternative Investment Strategies Ltd.,</b>							
Grand Cayman, Cayman Islands	Asset management	100.00	F	USD	0.0	857.6	–
<b>Baloise Finance (Jersey) Ltd.,</b>							
St. Helier/Jersey/Channel Islands	Other	100.00	F	CHF	1.4	512.6	–
Baloise Private Equity Ltd., Cayman Islands	Asset management	100.00	F	USD	0.0	265.3	–
Bâloise (España) S.A., Madrid	Other	100.00	F	EUR	18.0	17.5	–

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

## Financial Report 2003

### Report of the Group auditors

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

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in capital and reserves, and notes to the financial statements, pages 69 to 120)<sup>1</sup> of the Baloise Group for the year ended December 31, 2003.

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, March 24, 2004

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

Financial Report 2003  
**Income statement: Bâloise-Holding**

**Income**

	2002 / 2003	2003 / 2004
Income from participating interests	136,822,483	169,615,616
Interest on loans to Group companies	6,369,215	2,798,352
Interest on loans to Group companies	6,563,784	5,357,325
Other interest receivable	1,854,630	612,677
Realized gains on investments	53,340,146	19,710,756
Other income	37,101,262	3,480,670
<b>Total income</b>	<b>242,051,520</b>	<b>201,575,396</b>

**Expenses**

Administrative expenses	- 2,647,419	- 5,347,099
Interest payable	- 48,498,465	- 40,391,024
Amortization of/ losses from capital investments	- 166,393,960	- 114,499,511
Other expenses	- 2,249,356	- 38
<b>Total expenses</b>	<b>-219,789,200</b>	<b>-160,237,672</b>

**Overall result**

Total income	242,051,520	201,575,396
Total expenses	- 219,789,200	- 160,237,672
Total profit before tax	22,262,320	41,337,724
Tax on income and capital	- 292,460	- 119,795
<b>Net profit</b>	<b>21,969,860</b>	<b>41,217,929</b>

in CHF



Financial Report 2003  
**Balance sheet: Bâloise-Holding**

**Assets**

	Note	3.31.2003	3.31.2004
Bank balances		2,716	6,523
Receivables from Group companies		58,821,404	183,956,724
Other receivables		1,174,651	1,804,309
Accruals deferrals		661,920	589,920
<b>Current assets</b>		<b>60,660,691</b>	<b>186,357,476</b>
Participating interests	2	1,325,502,411	1,418,884,115
Loans to Group companies		220,000,000	–
Other investments		173,404,517	162,625,973
<b>Non-current assets</b>		<b>1,718,906,928</b>	<b>1,581,510,088</b>
<b>Total assets</b>		<b>1,779,567,619</b>	<b>1,767,867,564</b>

**Liabilities and capital and reserves**

Short-term liabilities		66,492	12,769
Payables to Group companies		214,336,587	3,051,111
Long-term liabilities		70,000,000	–
Bonds	1	900,000,000	1,150,000,000
Provisions		321,850	73,200
Accruals deferrals		25,325,732	26,118,457
<b>Liabilities</b>		<b>1,210,050,661</b>	<b>1,179,255,537</b>
Share capital		5,530,715	5,530,715
General reserve		11,724,001	11,724,001
Reserve for own shares	5	20,045,540	14,005,321
Free reserve		509,457,702	515,497,921
Accumulated profit		22,759,000	41,854,069
<b>Capital and reserves</b>		<b>569,516,958</b>	<b>588,612,027</b>
<b>Total liabilities and capital and reserves</b>		<b>1,779,567,619</b>	<b>1,767,867,564</b>

in CHF

**1. Bonds outstanding**

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

**2. Participating interests**

Company	Holding at 3.31.2003 in percent	Holding at 3.31.2004 in percent	Currency	Share / company capital at 3.31.2004 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	360.4
Globinvest AG, Luxembourg	100	–	–	–
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.

### 3. Significant shareholders

Owing to major shareholders' disposal of shares, the distribution of shareholders and the trading liquidity of Baloise shares improved noticeably in the past year.

BZ Group's holdings dropped under the 5% threshold as at June 17. Strategic Money Management B.V. from the Netherlands fell below the 5% mark as at July 17 after selling its stake to Zurich Financial Services. Following that transaction, Zurich Financial Services for a while held 27% of the Baloise – 21.48%

in shares and 5.52% in options. The majority of this stake was then placed across a broad range of investors, leaving Zurich Financial Services below the 5% threshold as of November 5, 2003.

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, 2004.

Shareholders	Total holding at 3.31.2003	Share of voting rights 3.31.2003	Total holding at 3.31.2004	Share of voting rights 3.31.2004
Chase Nominees	3.4	0.8	<b>4.0</b>	2.0
Fidelity Group	< 2.0	< 2.0	<b>2.5</b>	2.0
Deutsche Bank Nominees	< 2.0	< 2.0	<b>2.3</b>	2.0
Rolex Group	< 2.0	< 2.0	<b>2.0</b>	2.0
Boston Safe Deposit & Trust	4.0	–	<b>&lt; 2.0</b>	–
Morgan Nominees	3.7	–	<b>&lt; 2.0</b>	–
Landesbank Baden-Württemberg	2.7	2.0	<b>&lt; 2.0</b>	< 2.0
Strategic Money Management B.V.	21.0*	–	<b>&lt; 5.0*</b>	–
BZ Group	8.2*	–	<b>&lt; 5.0*</b>	–

in percent

\* pursuant to notification according to article 20, SESTA

### 4. Contingent liabilities

At March 31, 2004, warranty obligations amounted to CHF 435.8 million (prior year: CHF 443.6 million). Of these, CHF 204.0 million relate to the warranty in respect of the convertible bond issued by Baloise Finance (Jersey) Ltd. The securities needed for hedging are recognized as other investments.

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.

### 5. Own shares

The companies in the Baloise Group bought a total of 502,214 shares at an average price of CHF 40 per share during the year under review, and sold 476,396 shares at an average price of CHF 41. At March 31, 2004, they together held a total of 179,458 Baloise-Holding shares.

At March 31, 2004, an amount of CHF 6.0 million was transferred from the reserve for own shares to the free reserve of Baloise-Holding.

### 6. Personnel expenses

Administrative costs include CHF 1.1 million relating to personnel expenses in the year under review (2002: CHF 1.1 million).

## Financial Report 2003

### Proposed allocation of accumulated profit

Included in balance sheet and income statement	2002 / 2003	2003 / 2004
Net profit for the year	21,969,860	41,217,929
Retained profit carried forward	789,140	636,140
Accumulated profit	22,759,000	41,854,069
Dividend distribution required by Articles of Incorporation	- 276,536	- 276,536
Available for distribution by the shareholders at General Meeting	22,482,464	41,577,533
Proposed by the Board of Directors		
Allocation to free reserve	-	- 8,000,000
Additional dividend distribution	-21,846,324	-32,907,754
<b>Retained profit carried forward</b>	<b>636,140</b>	<b>669,779</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 0.60 gross per share (CHF 0.39 after deduction of withholding tax).

## Financial Report 2003

### Report of the statutory auditors

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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes to the financial statements, pages 123 to 126)<sup>1</sup> of Bâloise-Holding for the financial year ended March 31, 2004.

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 2, 2004

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