In the best of hands

Bâloise-Holding

Annual Report 2001

The essentials at a glance

In an exceptionally difficult year for the financial services sector, the Baloise posted earnings of CHF 404 million thanks to a first-class underwriting result.

In a move designed to optimize capital and reserves, the Baloise reduced the nominal value of its shares from CHF 9 to CHF 1 last year and repaid CHF 343 million in all to its shareholders. The tradability of its shares was improved by means of a 1:10 split in nominal value.

The company pressed ahead with the integration of the Swiss and Belgian banks taken over the previous year. In both markets, customers are being offered first fully integrated financial services.

In early 2001, twelve attractive in-house investment funds were launched under the name Baloise Fund Invest catering for a variety of investment goals.

With the appointment of Frank Schnewlin as CEO of the Baloise Group, the Board of Directors finalized the separation of overall operational and strategic responsibility.

The Baloise

Headquartered in Basel (Switzerland) and with operations in Europe, the Baloise Group is a solutions provider in the field of insurance, provision for the future, and asset formation. The Baloise offers its customers a broad range of products and financial services through their preferred sales channels. The Group's strategic focus is on sustainable, profit-oriented growth in its core markets of Switzerland, Germany, Belgium, Austria and Luxembourg. Bâloise-Holding registered shares are included in the Swiss Market Index (SMI) and are traded on virt-x under the ticker symbol BALN.

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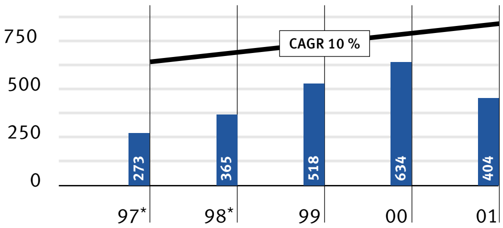
The most important figures at a glance.

Profit development 1997–2001

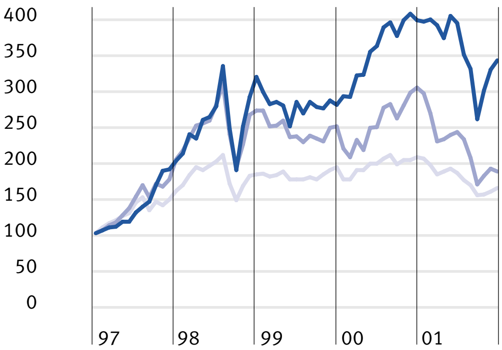


CAGR: Compounded Annual Growth Rate

in CHF m

*Based on ARR accounting principles

Baloise share price[1] 1997–2001



—	Bâloise-Holding, registered[2]	341
—	Swiss Performance Index (SPI) Insurance	186
—	Swiss Market Index (SMI)	163

[1] indexed (December 1996 = 100)
[2] adjusted after 1:10 split of July 24, 2001

Income statement	2000	**2001**	Change in %
Total premium income	6,701.2	6,632.7	-1.0
of which non-life	2,541.6	2,591.5	2.0
of which life	4,175.1	4,058.0	-2.8
Investment-type premiums	176.4	248.4	40.8
Consolidated net profit	634.4	404.4	-36.3
Balance sheet			
Investments	53,213.9	50,784.8	-4.6
Technical provisions	35,734.5	36,319.5	6.2
Capital and reserves	7,372.8	5,384.8	-27.0
Assets under management			
Total assets under management	58,012.0	55,645.1	-4.1

in CHF m

Ratios		
Return on equity (ROE)		
without unrealized gains and losses	19.0	10.5
Internal rate of return (IRR)	3.0	-21.2
Combined ratio non-life	104.7	105.7
Technical reserve ratio non-life	186.0	184.3

in percent

Embedded value life insurance	–	3,792.5

Key share data			
Shares issued as of 12.31. in units	56,704,000*	55,307,150	-2.5
Equity capital per share as of 12.31. in CHF	130.02*	97.36	-25.1
Consolidated net profit per share (adjusted) in CHF	11.25*	7.31	-35.0
Price at year-end in CHF	178*	153	-14.0
Market capitalization as of 12.31. in CHF m	10,093	8,462	-16.2
Price-earnings ratio	15.9	20.1	

* adjusted after 1:10 split of July 24, 2001

Number of staff			
Total at December 31[1]	8,425	8,623	2.4
of which Switzerland	3,835	3,944	2.8
of which other countries	4,590	4,679	1.9

[1] adjusted for degree of employment

Premium development 1997–2001	1997*	1998*	1999	2000	**2001**
Total premiums	6,563.7	6,436.1	6,085.3	6,701.2	6,632.7
of which non-life	3,263.0	2,659.6	2,500.1	2,541.6	2,591.5
of which life	3,300.7	3,776.5	3,585.2	4,175.1	4,058.0

in CHF m

*Based on ARR accounting principles

Annual Report of Bâloise-Holding 2001.

Well on track thanks to healthy insurance business.

Dear Shareholders

The Baloise Group has successfully weathered an eventful 2001 to present you with another solid and, all in all, gratifying financial statement. Weak stock markets meant that it was impossible to match the previous year's record result, but with net earnings of CHF 404 million – the third best result in its history – the Baloise still ranks as one of the most profitable financial service providers. This is mainly thanks to the healthy insurance business and the Group's forward-looking approach to asset management. Despite the stock-market related contraction, the Baloise still has an excellent equity capitalization.

The premium volume generated underscores our strong operating performance, particularly in the Swiss domestic market. In the life and pension segment, for instance, we achieved organic growth of 9.3 percent (in local currency). We see this as a vote of confidence in our ability to find convincing solutions to the problem of securing living standards over long periods of time.

We also managed to boost premium income by 5.4 percent (in local currency) in the largely stagnant non-life market. Further, carefully-targeted streamlining of sales and administration processes once more resulted in an attractive combined ratio. The non-life sector again made a substantial contribution to our consolidated net profit.

The Baloise adopted a proactive approach to the difficult financial markets. Because we put long-term value added ahead of short-term earnings, we were deliberately cautious in relation to capital gains on shares. During the first half of the year, we proceeded with a planned and systematic reduction of our high equity weighting. In the second half of the year, we largely halted sales of equities in response to the "black autumn" and refrained from realizing further gains. This will enable us to act at a more favorable time.

Important landmarks have been reached on the road to implementing our all-in-one financial services strategy. In Switzerland and Belgium, the merger of our insurance and banking operations is now well advanced. New private banking branches advise and assist individual clients from all over Switzerland using integrated financial services. The finance portal "balfolio.com" also offers advice on asset investment and securities trading.

In the Belgian market, under the brand name "Mercator", we offer a wide range of services as an integrated insurance and banking group. In Germany, Deutscher Ring's realignment as a life insurance and pensions specialist is in full swing.

With the creation of the asset management business unit, the centralization of the Group's asset management is now far advanced and has passed its acid test. Our own investment funds, launched in the early part of 2001, complete our existing range of offerings.

With a view to continuing our growth strategy, we strengthened the Corporate Executive Committee with the appointment of Frank Schnewlin as our new Chief Executive Officer and the inclusion of the senior internal executives Bruno Dallo, Wolfgang Drunk and Martin Wenk. Urs Berger will remain in charge of Swiss operations. It is pleasing to achieve such a blend of continuity and innovation. This will allow me to concentrate fully on my duties as Chairman of the Board of Directors in future. Carl M. Meyer, our long-standing Chief Financial Officer, retired at the end of 2001. I would like to thank him for his sterling efforts.

The Baloise's shares were not left unscathed by the sharp falls on the stock markets and lost around 14 percent of their value during the course of the year. However, lined up against the relevant indices and the other SMI-listed primary insurers, our stocks' performance proved to be the best. Shortly before the end of the year, the Dutch-based Strategic Money Management Company B.V. acquired a package of roughly 21 percent of our shares from the Zurich Financial Services Group. At the beginning of 2002, the BZ Group increased its stake in the Baloise to 20 percent, which is not surprising in light of our impressive performance.

Given the positive result and the company's solid financial situation, we are proposing that the General Meeting distribute the same dividend as last year.

2001 had a big impact on our industry and 2002 will likewise present us with some major challenges. Last year, the Baloises flexibility and excellent performance in the insurance business demonstrated our continuing ability to live up to our stakeholders high expectations. This was and will be achieved by focusing on our core competencies and systematically pursuing the targets we have set ourselves.

The Board of Directors and the Corporate Executive Committee would like to thank all employees for their exemplary work. We are also grateful to our customers, investors and business partners whose trust has motivated us time and again to achieve outstanding results.

Rolf Schäuble
Chairman of the Board of Directors


Whatever fate may have in store:
we shape our destiny with our own hands.

Financial services are built on trust.

Baloise Group's range of integrated financial services is taking shape. Visible results last year of the growth strategy's implementation include the opening of four new private banking branches belonging to Baloise Bank SoBa in Switzerland, the merging of our Belgian business units with the insurance and banking group Mercator, and the systematic refocusing of Deutscher Ring as a life insurance and pension specialist.

The ever closer ties between banking and insurance products and services are the logical result of a growing demand for individualized overall financial services. Modern information processing facilities and infrastructure enable solutions to be customized in a cost-friendly way. Private banking is no longer the domain of a privileged few. Baloise is now on the way to becoming a confidence-inspiring brand in Europe for insurance, provision for the future and asset building. A byword not only for attractive financial products, but also for comprehensive personal counseling supplemented by user-friendly Internet services.

Combining banking and insurance services meets a need for comprehensive and individualized customer relations.

Common denominators for the Group companies

Although the operational implementation of our strategy can differ considerably from one country to another, the thrust of all Group companies is based on a number of common strategic denominators:

- Trust in the integrity, competence and security of Baloise as a partner for top-rate financial services has to be earned anew on a day-to-day basis. Brand value and corporate identity in all the markets we operate in are therefore given consistently high priority.

- Baloise is a financial partner in the fullest sense, offering all-round products and services from a single source. Customers stand to benefit: they obtain carefully selected and coordinated products and so avoid both gaps and overlaps in their financial provision.

- Existing insurance and pension plan holders are given preferential treatment when new products are launched.

- The existing range of asset building instruments is to be consistently expanded while observing the following rule: financial products that cannot be provided better and at lower cost within the Group are bought in.

- Baloise invests considerable resources in staff training and building up expertise among the various local distribution organizations. We try to optimize the combination of personal client relations and online services.

- All Group companies draw on the expertise and resources of the Baloise Asset Management corporate unit, which also manages the Group companies' security portfolios and is responsible for the strategy, investment structure and selection of securities for the investment funds managed by Baloise Fund Invest.

We give top priority to maintaining a strong basis of trust with customers and intermediaries.

A solid basis of trust between ourselves and our customers and brokers is of foremost importance to us. As part of this basis, we need to be recognized as a dynamic company with strong roots in the local markets. On the operational level, the strategy must therefore be implemented flexibly and with sufficient sensitivity for local market conditions.

Private banking services for individuals in Switzerland

As a leading life and non-life insurer, Baloise maintains an impressive portfolio of long-term customers. We do not just present them with an attractive array of financial products to choose from. Our key focus is on offering comprehensive advisory services in insurance, pension and asset building matters with a carefully balanced mix of personal contact and online options.

Baloise's insurance and pension business is supplemented by the banking products of Baloise Bank SoBa and Baloise's own investment funds. The result is a range of truly integrated financial services. In the past year, we added four new private banking branches, one each in Basel, Bern, St. Gallen and Zurich, to the three existing ones in the canton of Solothurn. Around 50 specialists look after the needs of individuals from the upper income and asset sectors. The roughly 1,000-strong Baloise sales staff in Switzerland can refer their clients to Baloise Private Banking at any time. More than 350 of them have undergone intensive training and coaching in investment fund consulting in the last two years.

Baloise Bank SoBa's tailor-made financial planning encompasses all aspects of insurance, future provision and asset formation.

For a financial service relationship to be truly beneficial for customers, Baloise Bank SoBa offers tailor-made, long-term financial planning that takes into account every aspect of insurance, provision for the future and asset building. Together with their clients, our specialists work out budgets, investment and pension strategies and the implementation options. This includes the evaluation of the most suitable financial instruments – Baloise products and others. Our customer advisors can draw on state-of-the-art IT support which encompasses analysis, tax and quotation software specially tuned to the requirements of integrated financial services. Besides, customers have round-the-clock access to user-friendly Internet platforms with home-banking functions and security trading facilities.

Strong financial services partner for Belgian brokers

In Belgium, insurance and pension products are distributed through independent professional brokers. They provide customer service and settle assignments directly with the financial service providers. Recently, however, competition has arisen from traditional retail banks who offer both unit-linked pension and property insurance products.

Brokers can count on even better advice from us thanks to our strengthening of staff in the Belgian banking business.

Our growth strategy in Belgium is based on closely-knit partnerships with top-notch local brokers. We provide them with the means to offer all-inclusive customer services and are thus able to build and expand a sustainable market position.

We actively support our brokers in their competition with banks. The acquisition of HBK-Spaarbank in mid 2000 has enhanced our range of pension provision and asset formation products. By merging the bank with our insurance company in autumn 2001, we have become a market force with a single brand and corporate identity using the well-established and catchy name “Mercator”. The product range has been streamlined and processes have become smoother. Our partners on the market appreciate a wide choice of products from a single source, which considerably reduces the organizational and administrative workload. Moreover, with our newly-acquired banking staff we can provide our brokers with even more comprehensive support.

Deutscher Ring: proactive client management and multimedia technology

By focusing on life insurance and pension solutions for individuals in the low to medium income range, Deutscher Ring has clearly defined its market approach. Its product line comprises pensions, asset formation, accident and disability coverage, taking special account of the new “Riester” annuity.

To enhance the quality of their advisory services, our roughly 1,000 customer advisors in Germany have all been equipped with v.i.v.a., a visual, interactive life insurance and pension assistant. Designed as a virtual library of notebook-based multimedia presentation and product modules, v.i.v.a. is currently being used in contacts with around 175,000 clients. The aim is to achieve a sustained improvement in the quality of customer services and in the retention rate, the emphasis being on customized solutions and proactive, lifelong client relations.

Deutscher Ring concentrates on life insurance and pension solutions for individuals in the lower and middle income segments.

Let me! Let me! There are phases in life when we want to accomplish everything on our own. Then again there are phases when we are relieved that we don’t have to bear every burden alone. To know that we are in good hands …

A financial partner for life.

Call on March 26: self-employed man, good income, homeowner, some savings, neither time nor know-how to manage his finances himself. Is looking for professional support. Meeting: March 28, 4:30 pm.

"It's good that you're not looking for quick-fire solutions. Before we come up with some suggestions, we would like to go over a number of issues with you. We would, for instance, like to know something about your mid- and long-term targets in life, your professional and family circumstances. In that way we'll gain as detailed a picture as possible of your financial situation and possibilities, present and future. As you can see, we are not rushing you into signing a contract. Our approach is to offer you competent and comprehensive advice and to support you not just in the present instance, but over a long period of time.

You will soon realize that, to us, integrated financial services mean more than just a compilation of banking and insurance products. They naturally include a full range of solutions from property and personal insurance to pension provision and asset building, but also take into consideration fiscal and legal aspects and the family context. So, provided we come to an agreement, our financial advisors will work out a financial masterplan tailored to your specific situation and needs, in consultation with our legal, economic and tax experts wherever necessary.

Our financial planning is long-term and based on a series of phased measures. And when I say long-term, you can take that literally. We may, for example, point out to you in a few years from now that, for fiscal reasons, the right moment has come to transform your one-man enterprise into a stock company with your children as co-owners. And when the time comes, we can help ensure that you enjoy a financially care-free transition from professional life to retirement.

Within the framework of the masterplan, you will be able to decide for yourself what pension products and investment instruments you prefer.

In reality, life rarely follows a planned script. So you'll be glad to know that your financial arrangements can be modified at short notice. As your personal advisors, we will be at your service whenever you care to contact us. Besides, you have 24-hour online access to your investments and accounts with us and can make use of tools such as the finance portal balfolio.com at any time."


Global networking, round-the-clock availability,
digital omnipresence – technology has made us
real-time virtuosos. Yet experience shows:
being connected is useful, but lasting ties are
what bring lasting solutions.

Strong insurance business and forward-looking asset management.

In 2001, the financial services industry had to pass some tough tests of strength. Against this background, the Baloise Group posted organic premium growth of 7.8 percent (in local currency), after adjustment for the special effect arising from the purchase of a life portfolio, as well as changes in the scope of consolidation. The impressive underwriting result forms the basis for the consolidated net profit after tax and minority interests of CHF 404 million. Despite the reduction in unrealized gains caused by the massive price falls on the stock markets, the Baloise still has an excellent equity capitalization.

The Baloise Group's scope of consolidation changed during the year under review. As a result of the sale of the entire policy portfolio of Bâloise España at the end of September 2001, the latter's results only had an impact on the Group's accounts for the first nine months of the year. Moreover, in drawing comparisons with the previous year it needs to be remembered that Amazon Kaskoversicherung (taken over on October 1, 2000), Mercator Bank in Belgium and Baloise Bank SoBa in Switzerland have now been included in the scope of consolidation for a full year for the first time. In 2000, the integration of the Sarasura collective foundation had a one-off impact on premium volumes to the amount of CHF 400 million.

In light of the worldwide stock market slump, the Group deliberately held back from realizing capital gains on shares.

Group result	2000	**2001**	Change in %
Non-life	486.0	293.2	- 39.8
Life	310.8	272.8	- 11.9
Banking	- 45.0	8.1	–
Other activities	- 19.7	- 51.1	159.4
Profit before tax and minority interests	732.1	523.0	- 28.6
Tax on income	- 94.6	- 116.9	23.6
Minority interests	- 3.1	- 1.7	- 45.2
Consolidated net profit	**634.4**	**404.4**	- 36.3

in CHF m

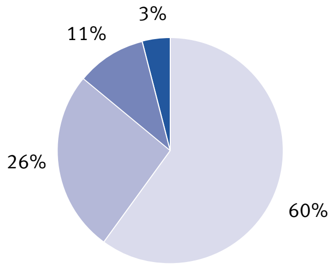
In 2001 the Baloise Group reported one of the best results in its history, with net earnings of CHF 404 million. Even so, the result fell short of the previous year's record figure by 36.3 percent. Because of the worldwide downturn on the capital markets, the Group has deliberately held back from realizing capital gains on shares. In the first half of the year, it began to progressively reduce its equity holdings as planned, but in light of the decidedly less than satisfactory perfor-

The combined ratio edged up only slightly thanks to the excellent result in Switzerland.

mance of the stock markets, share sales were largely halted in the second half of the year. Thus, the Group decided not to realize capital gains which would have optimized results in the short term.

The consolidated premium volume reached CHF 6.6 billion. In local currencies and after adjustment for one-off effects stemming from the previous year, this corresponds to internal growth of 7.8 percent. In Swiss franc terms, the increase came to 5.7 percent. In life business, premium income added up to CHF 4.0 billion. Compared with the previous year, this represents an increase of 9.3 percent (again in local currencies and adjusted for special effects) which is largely attributable to brisk demand in the individual life business. The non-life sector also made further gains, despite the stagnant state of the market as a whole. With a premium volume of CHF 2.6 billion, the year-back result was surpassed by 5.4 percent (organic and in local currency). The combined ratio (claims incurred, plus expenses, plus dividends to policyholders, as a percentage of premium income) edged up only slightly thanks to the excellent result in Switzerland.

Premium income by regional segment 2001



Switzerland	3,972
Germany	1,738
Benelux	727
Other countries (incl. elimination)	196
Total	**6,633**

in CHF m

Individual regional segments' shares of premium volume changed only marginally compared with the previous year. Switzerland accounted for 60 percent (2000: 59 percent), while Germany and the Benelux countries remained at the same levels as the previous year (26 percent and 11 percent respectively). The segment "Other countries" came to a total of only 3 percent – not least as a result of the withdrawal from the Spanish market.

The banking business resulted in a profit before tax of CHF 8 million. In the year before, this sector had generated a loss before tax of CHF 45 million as a consequence of special costs and restructuring costs. Despite substantial investments in the expansion of its private banking operations, Baloise Bank SoBa achieved earnings of CHF 22 million (before tax), while in Belgium Mercator Bank reported a loss before tax of CHF 12 million owing to the particular effects of first-time consolidation. However, this gratifying picture was marred somewhat by the investment losses posted by the building and loan arm of Deutscher Ring (Deutscher Ring Bausparkasse).

All market units are benefiting from the expertise of the new business unit Baloise Asset Management.

The newly created business unit Baloise Asset Management manages the securities of the Baloise Group. The new business unit also defines the strategy, investment structure and stock picking of Baloise Fund Invest's twelve investment funds launched during the year under review. On December 31, 2001, the Baloise Group's assets under management amounted to CHF 55.6 billion, which represents a decrease of 4.1 percent compared with the equivalent year-back figure. Owing to the difficult situation on the capital markets, the Group's earnings on Group investments came to CHF 2,231 million. At CHF 149 million, the net realized capital gains included in this figure were 81.9 percent lower than in the previous year, mainly because of the very restrictive equity sales in the second half of the year.

Despite major investments in the expansion of the private banking sector, the banking business in Switzerland made a significant contribution to earnings.

At the end of the year, capital and reserves stood at CHF 5.4 billion, which is 27.0 percent lower than the year-back figure of CHF 7.4 billion. The decline reflects developments on the stock markets, which led to a significant reduction in unrealized capital gains. Nevertheless, the Baloise Group's equity capitalization remains excellent.

The previous year's tax expense having been reduced by special effects, the tax burden was once again within the long-term average at 22.4 percent. At the same time, current tax came to CHF 93 million under local law, while deferred tax in accordance with IAS amounted to CHF 24 million.

Switzerland

In the non-life business, the drive to improve services to existing customers is clearly paying off.

Baloise Switzerland is in excellent shape, as can be seen from its performance figures for 2001, which are impressive in every respect. Premium volume advanced organically by 13.9 percent in the life sector and by 3.2 percent in the non-life sector. The result for insurance operations set a new record. The planned structures and processes for one-stop financial services were set up, and the strong position in the Swiss market was further consolidated.

During the year under review, the Baloise continued to give high priority to the swift and systematic expansion of its sales structures. In parallel with further expansion of existing electronic sales channels and the preparation of standardized, Internet-enabled products, it continued to strengthen its own sales organization. With four new private banking branches, the launch of the finance portal balfolio.com and the introduction of the Baloise Fund Invest range of funds, the Baloise accelerated its transformation into an integrated financial service provider.

Key figures: Switzerland	2000	**2001**	Change in %
Gross premium income CHF m	4,008.2	3,972.0	- 0.9
of which life CHF m	2,908.6	2,837.0	- 2.5
of which non-life CHF m	1,099.6	1,135.0	3.2
Combined ratio non-life percent	100.3	98.7	–
Pretax profit CHF m	537.5	472.3	- 12.1
Workforce* Number of employees	3,835	3,944	2.8

* incl. corporate functions

Non-life

In the non-life sector, premium volume rose by 3.2 percent from CHF 1,100 million to CHF 1,135 million. This growth, which is once again above the market average, is partly attributable to a further increase in policy numbers in the automobile and property insurance business. It is also partly due to the drive to improve service to existing customers, which is increasingly paying off. In addition, the introduction of more attractive hybrid products offering sector-specific, comprehensive insurance solutions for small and medium-sized businesses gave fresh impetus to corporate business.

Thanks to its strong market presence and impressive product mix, the Baloise was able to take full advantage of the revival of traditional life products.

In fiscal 2001, the Baloise was largely spared the consequences of natural disasters or other major loss events. Despite an expensive liability case, the loss ratio was slightly lower overall. In general, while the number of claims declined, costs per claim increased.

Thanks to the lower loss ratio, continuing strict cost management, an underwriting policy geared to risk and extremely careful management of the policy portfolio, it proved possible to improve the combined ratio (gross) to 98.7 percent. This once again puts the Baloise in a leading position by comparison with the Swiss insurance industry as a whole.

Life

Against the background of the unfavorable conditions on the stock markets, traditional life insurance products experienced a veritable renaissance in 2001. With its strong market presence and diverse range of attractive products, the Baloise benefited from this trend, upping its premium volume by 13.9 percent (adjusted for the one-off effect to the amount of CHF 400 million arising from the integration of the Sarasura collective foundation in 2000) to CHF 2,837 million.

Single-premium business and annual premiums for individual life policies were some of the real growth drivers during the year under review. Annuity insurance policies in particular enjoyed brisk demand, which was further boosted by the introduction of new premium rates.

Business with unit-linked life insurance and with the twelve newly launched Baloise funds developed as expected despite the market-related caution displayed by many customers.

Baloise Bank SoBa's customers are entitled to personal advice and provided online access to the entire range of products and services.

Banking

During the year under review, the Baloise came a big step closer to achieving its aim of positioning itself as a supplier of integrated solutions for insurance, future provision and asset formation. With the opening of an initial four private banking branches in Basel, Zurich, St. Gallen and Bern, the training of around 300 customer advisors as fund and financial advisors and the launching of a large number of new products and service combinations, the integration of Baloise Bank SoBa into the processes and organization of the Baloise has already come a long way. Thus, some of the Baloise field operations staff are already brokering bank-issued medium-term notes, savings plans or newly launched Baloise funds. At the same time, Baloise Bank SoBa's customers are to be given personal advice and online access to the range of products and services. This intention is underscored by the launch of the finance portal balfolio.com as the first electronic platform for insurance, future provision and asset formation and by ongoing optimization of the Internet banking service. Baloise Bank SoBa's full-service banking business in the canton of Solothurn has undergone further restructuring and streamlining.

In light of the unfavorable stock market conditions, with income from brokerage fees and fund sales in decline, Baloise Bank SoBa posted a result in accordance to expectations with a contribution to profits (before tax) of CHF 22 million.

Germany

For the German insurance sector, 2001 was dominated by a largely stagnant economy, correspondingly low increases in real incomes, and pension reform decisions with key implications for future tax and social welfare policy. The market was characterized by a further intensification of premium-rate competition.

The increase in public discussion highlighting the need for private retirement provision has sensitized wide sections of the population to the issue of pensions. This has made people significantly more willing to make private arrangements for their retirement. However, licenses for the government-supported "Riester products" have only been granted for 2002. As a result, the 2001 life business was marked by something of a wait-and-see attitude on the part of many potential customers.

The Baloise Group's two operating units in Germany, Hamburg-based Deutscher Ring and the Baloise branch in Bad Homburg, have made clear progress in the implementation of their market strategies. Major parts of Deutscher Ring's non-life portfolio were transferred to the Baloise branch so that, since April 1, 2002, the whole of the Group's automobile and commercial property insurance business in Germany has been handled from Bad Homburg. With a view to these switches, the necessary adjustments to the processes and infrastructure were made during the year under review.

With the "Riester" products due to be launched in 2002, many customers approached the life segment with something of a wait-and-see attitude.

Key figures: Germany	2000	**2001**	Change in %
Gross premium income CHF m	1,784.9	1,737.7	- 2.6
of which life CHF m	1,100.0	1,019.3	- 7.3
of which non-life CHF m	684.9	718.4	4.9
Combined ratio non-life percent	99.8	103.3	–
Pretax profit CHF m	22.1	43.0	94.6
Workforce Number of employees	2,612	2,794	7.0

Deutscher Ring

For Deutscher Ring, the focus over the past financial year was on the company's strategic repositioning as a provider of life insurance and pensions for low- and medium-income households. The efficiency and advisory competence of the sales organization was systematically strengthened to enable the advisors to customize solutions to their clients' individual needs as far as possible. For this purpose, Deutscher Ring expanded the size of its own field operations organization to nearly 1000, and equipped sales staff with innovative technological resources such as an interactive sales software package. The existing network of intermediaries and insurance brokers was also enlarged.

Deutscher Ring has systematically strengthened and expanded the efficiency and advisory skills of its sales organization.

Premium volume declined by a total of 0.8 percent (in local currency). With the "Riester products" on hold, the life business generated little if any growth impetus. By contrast, the non-life sector experienced noticeable growth, thanks mainly to a modest increase in premiums for automobile insurance policies. Nonetheless, because of fire insurance claims, the rise in claims payouts slightly exceeded premium growth.

In the non-life business, the overall result before tax remained virtually constant in comparison with the previous year and once again made a substantial contribution to the Group result. In the life sector, the pretax profit is down slightly because of the unsatisfactory trend on the financial markets.

Basler Versicherungen, Germany

Fiscal 2001 saw the Baloise branch in Bad Homburg move significantly closer to its growth targets. The non-life business posted double-digit growth rates in all segments other than accident insurance, leading to a rise in premiums totaling 19.7 percent (in local currency). The loss ratio also edged upwards, but was kept within reasonable limits thanks to targeted measures to restructure individual policy portfolios.

The non-life business of Basler Versicherungen in Bad Homburg posted double-digit growth rates in virtually all segments.

In the life sector, premium volume was down by 6.8 percent year-on-year. The main reason for this decline is that no new business is added in the credit life insurance line any more.

The new government-backed private pension is naturally of major importance at the Baloise branch in Bad Homburg. By developing an attractive product, efficient management and targeted support for sales, the Baloise is systematically preparing to exploit this opportunity to expand its portfolio. The “Riester pension” is expected to generate positive stimuli in 2002.

Benelux

The year under review saw the Baloise Group acquire the still outstanding 3.9 percent of the Mercator & Noordstar shares. To boost their presence in the core Flemish market and concentrate their forces, HBK-Spaarbank (taken over in 2000) and Mercator & Noordstar were rebranded. Both now operate under the well established and easily remembered umbrella brand name “Mercator”.

In Belgian life business, traditional insurance products in particular experienced a distinct rise in demand.

Key figures: Benelux	2000	2001	Change in %
Gross premium income CHF m	693.9	726.8	4.7
of which life CHF m	140.4	163.7	16.6
of which non-life CHF m	553.5	563.1	1.7
Combined ratio non-life percent	119.5	118.9	–
Pretax profit / loss CHF m	50.1	- 3.1	–
Workforce Number of employees	1,551	1,567	1.0

Mercator Insurance, Belgium

Mercator Insurance was able to up its premium income, under difficult market conditions, by 3.9 percent in the non-life sector (local currency) and 5.8 percent in the life sector, as a result of the continuing involvement of brokers in the company’s processes and thanks to over-the-counter sales of its own products in banks.

Owing to the low level of capital gains realized and to tax effects, the non-life result dropped noticeably compared with the year-back figure. In the life business, traditional insurance products were the main beneficiaries of rising demand.

Mercator Bank, Belgium

Mercator Bank branches began selling insurance products over the counter.

Mercator Bank, which is firmly established in the Flemish retail business, posted a loss in 2001. This is a result of the particular effects of first-time consolidation in 2000, which will continue to have an impact in the coming five years, however to a steadily declining extent. Total assets as at December 31, 2001 came to CHF 4.3 billion.

The advantages of integrating banking and insurance have already begun to show. Mercator Bank is now selling insurance products over the counter in its branches and, at the same time, has made its banking products available to a wider circle of customers through the established sales channels of Mercator Insurance.

Bâloise Assurances, Luxembourg

Bâloise Assurances continued to benefit from the favorable business and tax environment in Luxembourg's internationally oriented finance and insurance markets. In the life business, it increased its premiums by a higher-than-average 47.9 percent (in local currency) and was again able to push up its market share. Another indication of this extraordinary sales performance is the massive rise in sales of unit-linked products. Under IAS rules, by far the greater proportion of the premiums generated by these products are in the nature of investments and are therefore not recorded as insurance premiums.

In Luxembourg, the Group continued to expand its market share.

In the non-life sector, premium income rose by 6.1 percent (in local currency), partly because of an increase in automobile insurance premiums. The gratifying premium development was accompanied by a continuing low loss ratio.

Overall, the Luxembourg Group company was able to surpass the high level of the previous year's result.

Other countries

Key figures: Other countries	2000	2001	Change in %
Gross premium income CHF m	501.1	454.3	- 9.3
of which life CHF m	44.7	38.8	- 13.2
of which non-life CHF m	437.2	415.5	- 5.0
Combined ratio non-life percent	87.5	99.0	–
Pretax profit CHF m	122.4	10.8	- 91.2
Workforce Number of employees	427	318	- 25.5

Basler Versicherungen, Austria

In many respects, the Austrian financial services market has overcome its stagnation and is once again showing clear growth trends. After declining for three years, earnings also appear to be recovering slightly, which definitely improves the medium-term outlook.

The medium-term outlook in the Austrian financial services sector improved markedly.

The Baloise in Austria raised its non-life premium income by 2.2 percent (in local currency) and has reported a very positive claims result. By contrast, premium development in the life sector fell back slightly as a result of a delay in the launch of a new pension product.

Basler osiguranje, Croatia

As part of a joint venture with the local medical and dental association, the Baloise in Croatia offers non-life and life products tailored to the needs of practicing physicians and dentists. In the 16 months since the Baloise began operating in Croatia in summer 2000, it has captured a market share of 25 percent in this customer segment.

The Baloise is currently working on the possibility of expanding the range to other affinity groups.

Bâloise Seguros, Spain

At the end of September 2001, the Group sold the entire policy portfolio of Bâloise España to the Belgian-Dutch group Fortis. The selling price was nearly sufficient to offset the underwriting losses incurred over the first nine months of the financial year.

The remaining assets belonging to Bâloise España, including the property portfolio, are currently being sold off, so that the company can be liquidated presumably in the second half of 2002.

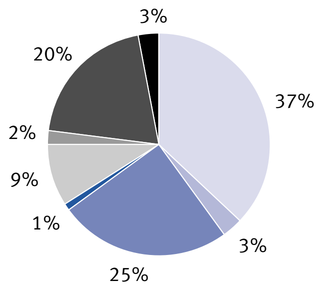
Investments that retain their value

At the end of fiscal 2001, the Baloise's Groupwide assets under management – for its own account and for the account of third parties – were worth CHF 56 billion. Thanks to a targeted and timely reduction in the equity component, the Group was able to limit the consequences of falls in share prices, which were particularly marked in the second half of the year.

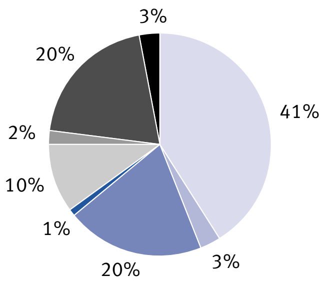
Over the past financial year, the Baloise achieved a performance of -1.2 percent on its investment portfolio. The causes lie predominantly in the declining prices on all major international stock markets since the beginning of 2001.

At the beginning of the year, the Group held 25 percent of its investments for own account in the form of shares. In light of the increasingly bleak outlook on the stock market, the equity component was reduced on a progressive and planned basis, resulting in corresponding capital gains in the first half of the year. Already before the low point on the stock markets in September 2001, the equity component had been lowered to slightly more than 20 percent. At the end of the year, it stood at 19.8 percent. The equity investments of the Baloise underwent a decline in value of 21.1 percent.

Group investments by category 2000



Group investments by category 2001



- Fixed-interest securities
- Policy and other loans
- Shares
- Participating interests in associates
- Investment property
- Alternative financial investments
- Mortgage loans
- Other short-term capital investments, cash and cash equivalents
- Derivatives < 1 percent

Group investments by category	2000	2001	Change in %
Fixed-interest securities	19,908.1	20,569.3	3.3
Shares	13,330.4	10,000.8	- 25.0
Derivatives	85.9	19.3	- 77.5
Investment property	4,965.8	5,042.2	1.5
Mortgage loans	10,438.7	10,500.4	0.6
Policy and other loans	1,856.7	1,663.1	- 10.4
Participating interests in associates	316.3	289.1	- 8.6
Alternative financial investments	920.9	1,117.2	21.3
Other short-term capital investments, cash and cash equivalents	1,391.1	1,583.4	13.8
Total	**53,213.9**	**50,784.8**	- 4.6

in CHF m

As a result of falls in interest rate levels throughout the world and despite the persisting weakness of the euro, the overall return on fixed-interest securities increased slightly to 5.4 percent. In the context of the reduction in the equity portfolio, the proportion of fixed-interest securities within the Group's investment mix rose to 41 percent.

At 5.6 percent, investment property turned in as strong a performance as ever. The proportion of investments accounted for by investment property was increased to around 10 percent.

Against the background of consistently low loan losses, mortgages and loans also generated a stable return of 4.5 percent.

The investment category comprising alternative financial investments, derivatives, participating interests in associates, and other short-term capital investments and cash and cash equivalents sustained a diminishment in value of 2.9 percent owing to the negative development in the private equity investment field.

Thanks to prudent portfolio management, the Group sustained only a minor loss of value on its equity investments.

Risk management put to the test

The core tasks of the Baloise Group's risk management include the value-oriented control of all business activities and the ongoing streamlining of its capital structure. Every business unit is meant to be equipped with the capital resources needed to enable it to survive a so-called "once-in-five-centuries event", whether in the form of insurance claims or losses on the capital markets – while remaining fully solvent. 2001 was the year that risk management was put to the test.

The Baloise's risk management lays the foundations for an optimized segment, investment and equity policy with a long-term perspective. All risks are continuously examined and assessed using statistical methods and scenario analyses. The biggest challenges are posed by the major customer risks insured, by an accumulation of risks in the event of natural disasters and by exchange rate, interest rate and counterparty risks in relation to investments.

Consistent streamlining of its equity structure enabled the Baloise to pay back roughly CHF 1.2 billion to its shareholders over the past five years.

The Baloise uses an internationally diversified investment portfolio and assumes corresponding currency risks. These risks are partially hedged. The residual risk is consciously accepted in order to benefit from diversification effects.

Over the past five years, consistent control and optimization of the structure of capital and reserves involving all business units has enabled the Baloise to perform seven capital transactions and repay around CHF 1.2 billion to its shareholders. The Baloise underscored its active capital management policy most recently in 2001 with capital repayments amounting to CHF 343 million.

In fiscal 2001, the main objectives were to integrate the banks acquired in 2000 into the risk management system and improve the asset liability management for life insurance policies.

The terrorist attacks in the United States erased any lingering doubts as to the crucial importance of risk management. The situation was further exacerbated by the weak share performance already in evidence since the beginning of the year. The Baloise's professional approach to risk enabled it to address these challenges successfully. As the Group has not been involved in active reinsurance since 1997 and pulled out of the US market in 1998, the direct impact of the losses after September 11 remained limited and did not exceed USD 3.4 million.

Various measures already introduced in 2000 and the conscious decision not to realize capital gains on shares from August 2001 onward have proved correct from the point of view of long-term value creation. Despite the stock market contraction, the Baloise still has an excellent equity capitalization. In the long term, its strategy with regard to equity-based investment positions is proving profitable and sustainable.

Investing in the networks of the future

Over the period under review, the Baloise invested roughly CHF 230 million in strategic IT projects and in running and maintaining its IT infrastructure. In all markets, the primary focus was on pressing ahead with the expansion of electronic sales channels and on targeted support for the sales force in the form of interactive software.

With the launch of the integrated financial platform balfolio.com in Switzerland and the introduction of the “VIP” brokers platform in Germany, two major e-business projects were completed on schedule last year. In Switzerland, we are currently developing an integrated website for insurers and financial services.

Deutscher Ring equipped its customer advisors with integrated links to its back office systems from their laptops, enabling them to generate policies on site with customers. In conjunction with the newly introduced electronic document management, this led to a significant increase in efficiency.

Local initiatives to improve efficiency are supported by numerous IT projects at Group level.

In Luxembourg, a new portfolio system developed by Baloise Austria was brought to production level; a further step forward in IT standardization within the Group.

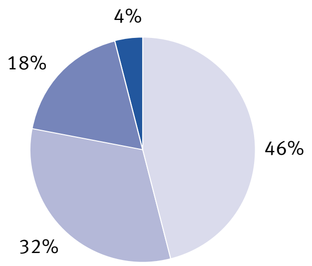
This and other initiatives to improve operating efficiency were accompanied by numerous IT projects at Group level – including first and foremost the development of a standard asset management solution to be introduced in 2002. The step-by-step standardization of the accounting system on the basis of SAP software and Group-wide coordinated purchasing of hardware and software also gave rise to considerable synergies.

The “buy-before-make” strategy we have been systematically applying for some years again led to intensive cooperation with external software vendors and developers. The number of IT staff employed throughout the Group rose to more than 600.

Focus on staff development

With the appointment of Bruno Dallo, Wolfgang Drunk and Martin Wenk to the Corporate Executive Committee, the Baloise underlined its consistent policy of filling key posts with in-house candidates wherever possible. During the past financial year, the Group invested more than CHF 22 million in basic and advanced training for staff at all levels.

Employees



Switzerland	3,944
Germany	2,794
Benelux	1,567
Other countries	318
Total	**8,623**

Number of employees at December 31, 2001

As at December 31, 2001, the Baloise employed a total of 8,623 staff members, including 330 apprentices and trainees. More than half of them are in daily contact with our customers. A high degree of technical expertise and excellent communication skills are the criteria that normally determine the outcome of a sales discussion.

In light of the much expanded range of products and services in the field of future provision and asset formation, top priority was given to the targeted training of customer advisors and sales staff in several Group companies. One third of the 1,000 or so customer advisors in Switzerland received in-house training and a number have already qualified as certified IAF fund advisors. At Deutscher Ring, nearly all sales people have been intensively trained in the use of a new, interactive sales software package and prepared for its application in negotiations with customers. In Belgium, Mercator Bank staff began specific training for the sale of products provided by Mercator Insurance.

As in the past, high priority was given to executive development. Last year saw the introduction of a structured, Group-wide development program for a new generation of young executives, the Management Development System. With the Advanced Management Program, we successfully launched a further, home-grown management development component for middle-ranking and senior executives. In addition, various Group companies initiated individual training programs to prepare executives for new tasks. The fact that, Group-wide, numerous management vacancies could be filled with up-and-coming staff from our own ranks more than vindicates the above-average resources that have been and will be invested in developing talented employees.

Targeted introductory and advanced training of customer advisors and field staff is given very high priority throughout the Group.

During the year under review, Group employees were once again given the opportunity to buy Baloise shares on favorable terms. At the end of 2001, nearly half the workforce held Baloise shares, which is an impressive reflection of our employees confidence in their company and of their entrepreneurial spirit.

Optimized market identity and sustainable business practice

In the past year, the Baloise Group took far-reaching measures to strengthen its brands. The Group also reinforced its ecological commitment with steps to ensure sustainable business practice in all its activities.

On its way to becoming a confidence-inspiring brand for insurance, future provision and asset formation, the Baloise requires not only first-rate products and a high-quality, customer focused distribution network, but also well-established brands. With this in mind, the Baloise has therefore optimized its market identity on the basis of a multi-brand strategy.

The "Baloise" and "Basler" brands in particular were given a complete facelift last year. The resulting corporate design principles apply for all Group companies using either of the two names. Systematic guidelines are essential for a consistent brand identity and ensure that, whatever market we are present in, we properly communicate our values. The transition to the new corporate design will be completed by the end of 2002.

The new corporate design for the brand names "Baloise" and "Basler" and the rebranding operation in Belgium have visibly strengthened our market identity.

In Belgium, the Baloise subsidiary Mercator & Noordstar officially changed its name to the more easily communicable Mercator in November 2001, with HBK-Spaarbank (acquired the year before) assuming the name Mercator Bank. Mercator was already a well-established brand in the Flemish market; the new visual identity meant that the brand recognition was again considerably enhanced. Deutscher Ring in Germany continues to operate with its familiar, well-accepted market identity.

A convincing market identity must go hand in hand with widely accepted business practice. As a major company we share responsibility for economic, social and ecological developments. In the mid-1990s, the Baloise launched its environment-related activities, which have been consistently expanded ever since.

By signing the insurance industry's environmental declaration (UNEP Declaration) in 1995, the Group underscored its commitment to sustainable, environment-friendly business practice. This includes establishing eco-audits which detail the most significant energy and material flows. In the year under review, Baloise Switzerland published for the first time an environmental report containing the company's environmental mission statement and its environmental targets.

In investments we pursue a long-term policy that also takes the factor of sustainability into account. Since 1999, the Baloise Foundation for Pension Funds has maintained a security portfolio "Sustainability", which invests in firms that meet the sustainability criteria. And by participating in the company "Precious Woods", the Baloise supports a project for the sustainable development of tropical rain forests.

Another example of the Baloise's environmental focus is the construction of buildings with minimal energy consumption. In Stäfa (Switzerland), three apartment blocks – with a total of 22 apartments – that meet these minimum energy standards are being built under our guidance. They are scheduled for completion by mid-2002.


Sometimes it is just an unwelcome gust of wind –
it takes the mood, and blows away the vision.
We, too, know this and realize how important it is to have
someone who at least looks after the tangible values.

Powerful partner for Belgian brokers.

Daddy, you were already in bed when I came home yesterday. Need to write an essay about your job by tomorrow! Could you brief me during breakfast? Merci – Sandrine

"Why is it you always come with these requests at the very last moment? But we can talk about that another time. I have to be off in twenty minutes, so we don't have much time. You can click into the Internet afterwards if you need more details.

As you know, I work as a customer advisor at a medium-sized brokerage firm. We sell insurance products of all sorts, from motor policies to pensions. We also offer clients ways to invest money at favorable conditions, thus helping them to save efficiently. It's almost like a combination of insurance and banking. The difference is that we're not the ones who manage peoples accounts or pay for a car repair after an accident. Our partners look after that side of the business. The Mercator Group for example, whose products and services we also market.

What we mean by "market"? Well, our main activity is advising individuals and small companies in all their insurance and money matters, and suggesting appropriate products and services. For instance, I might be sitting opposite a young photographer who wants to open a studio of her own and would like to learn from us what forms of insurance coverage would be best suited to her enterprise. Or a customer who has inherited some money calls us because he needs advice on how to invest this money safely while paying as little tax as possible. Or maybe somebody whose car insurance we organized simply needs our help after an accident.

What is important is giving customers the feeling they are being well looked after. When people realize that we are always there for them, that we are reliable, flexible and offer more than just run-of-the-mill solutions, they will trust us with their whole range of insurance and pension matters. And, last but not least, they will recommend us to others. Like you and your friends recommend that hairdresser you are so fond of.

We also expect this level of service from our partners. That's why we market a lot of Mercator's products and services. This partnership offers us numerous advantages and makes our work a lot more straightforward. If, for example, you wanted to put your savings in an investment fund, your money would actually be managed by Mercator or even by its parent company in Switzerland. Naturally, we would take care of all the administrative details for you. But, as a customer, you wouldn't have to worry about what is happening behind the scenes. All you care about is that you have excellent solutions to your insurance and investment needs. We, in turn, can rely one hundred percent on Mercator, 24 hours a day. Right now, too, since I should have been on my way ages ago.

Best of luck with your essay. And don't forget to visit our website. Or Mercator's. Nowadays, we handle most of our admin with Mercator through the Internet. See you tonight."


There are two ways of handling trust:
“I have to be able to trust you” or “I trust you”.
In the first case we are asking for security.
In the second, we are giving.
One is guided by caution, the other by hope.
Blending the two is where we feel at home.

Board of Directors, management structure and markets.

Board of Directors

	Expiry of term of office
Rolf Schäuble*, Chairman, Staufen	2002
Walter G. Frehner, Vice-Chairman, Riehen	2002
Georg F. Krayer, Basel	2004
Gaudenz Staehelin, Küsnacht	2003
Christoph J. C. Albrecht, Basel	2003
Andreas Burckhardt, Basel	2003
Dietrich Forcart, Riehen	2003
Gertrud Höhler, Berlin	2004
Werner Kummer, Küsnacht	2004
Eveline Saupper, Pfäffikon SZ	2002
Arend Oetker, Köln	2002
Jean-Marc Rapp, Lausanne	2004

* also CEO and Managing Director until February 28, 2002

Board Committees (cf. page 45)

Chairman's Committee**
Audit Committee
Compensation Committee

** also functions as Investment Committee

Secretary of the Board of Directors

Bruno Dallo (until March 31, 2002)
Thomas Sieber (since April 1, 2002)

Internal Audit

Erich Benischke

Auditors

PricewaterhouseCoopers AG, Basel

Management Structure of the Baloise Group

CEO
Frank Schnewlin*

Group Secretariat/ Corporate Communications
Thomas Kähr

Switzerland
Urs Berger

Individual Customers
Philippe Egger

Business
Ruedi Kellenberger

Baloise Bank SoBa
Alois Müller[1]

Private Finance
René Stocker

Sales Management
Daniel Fluri

Information Systems
Martin Strobel

Management Services
Bernhard Jöhr

Accounting and Controlling
Peter Brawand

International
Frank Schnewlin

Germany, Deutscher Ring
Wolfgang Fauter

Germany, Basler Versicherungen
Winfried Anolick

Belgium, Mercator
Ronald Everaert

Luxembourg, Bâloise Assurances
André Bredimus

Austria, Basler Versicherungen
Lothar Mayrhofer

Finance
Wolfgang Drunk

Financial Relations
Carsten Stolz

Financial Management
Wolfgang Drunk[1]

Financial Accounting
Urs Bienz

Asset Management
Martin Wenk

Baloise Asset Management
Reto Diezi

Real Estate and Mortgage Loans
Urs Degen

Baloise Fund Invest
Robert Antonietti

Corporate Center
Bruno Dallo

Corporate Development
Thomas Wodrich

Human Resources
Bruno Dallo[1]

Legal and Taxes
Thomas Sieber

Compliance
Peter Kalberer

Run Off
Bruno Rappo

Member of the Corporate Executive Commitee

* since March 1, 2002

[1] ad interim

Corporate Executive Committee of the Baloise Group

Frank Schnewlin
CEO since March 1, 2002

Rolf Schäuble
CEO until February 28, 2002

Urs Berger
Switzerland

Bruno Dallo
Corporate Center

Wolfgang Drunk
Finance

Martin Wenk
Asset Management

The Baloise and its Markets

Core markets

Belgium

Mercator Verzekeringen
Mercator Bank

Luxembourg

Bâloise Assurances

Switzerland

Basler Versicherungen
Baloise Bank SoBa

Germany

Deutscher Ring
Basler Versicherungen

Austria

Basler Versicherungen

Other markets

Croatia

Basler osiguranje

Switzerland

Basler Versicherungen
Aeschengraben 21
CH-4002 Basel
Phone +41 61 285 85 85
Fax +41 61 285 70 70
E-mail infoline@basler.ch
www.basler.ch

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Phone +41 32 626 02 02
Fax +41 32 623 36 92
E-mail info@soba.ch
www.soba.ch

Germany

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Fax +49 61 7213 200
E-mail info@basler.de
www.basler.de

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Fax +49 40 3599 2500
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www.DeutscherRing.de

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Fax +32 3 247 27 77
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Fax +32 3 247 53 99
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Fax +43 1 33 160 200
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www.basler.co.at

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www.baloise.lu

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Basler osiguranje
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Phone +385 1 48 17 808/809
Fax +385 1 48 16 932
E-mail info@basler.hr
www.basler.hr

We were already working with local area networks before computers came into being. Experience has taught us that they are only meaningful if they reduce the amount of problems and open gateways to new solutions.

All-round solutions for personal targets.

Dear Mr W. Once again, thank you very much for your time and your patience in answering all my questions. The more I think about it, the more I like the line of solutions you suggest. I hope my husband will agree. I'll discuss the whole matter with him as soon as possible.

"Darling, we really have to take these insurance and pension matters in hand now. In two months time, I'll stop working at the hospital and who knows how many days we'll have left then before the baby arrives. And there's still the problem of my parents' house. We shouldn't wait any longer.

I had a talk with this Mr. W. yesterday. You know, the financial advisor from the Baloise I told you about. He made some helpful recommendations for our pension arrangements. And he also came up with options that should help us realize our dream as soon and with as little risk as possible. Yes, of course I told him about it. How could he possibly give us useful advice if he doesn't know what we really want?

W. believes we have been spreading our assets in a rather uncoordinated way. All these various bank accounts and insurance policies. Your investment funds and securities portfolios and my medium-term notes that Dad left me. All this can be streamlined and – what's the word – optimized. For tax reasons too. This would pay off all the more if we bought that house. And at the end of the day, there'd be much less paperwork for us.

Of course you can go on with your stock exchange trades! The point is that we have to coordinate our money matters somehow. This mix of personal advice and services on the one hand and various online services on the other, all from the one source, sounded persuasive. That's why I would like us to go round to the private banking branch of Baloise Bank SoBa in the next few days and have another talk with W. The specialists there can give us in-depth advice and work out a coherent financial plan tailored to our needs. I know it would cost something, but we would not be stuck with any obligations. I think this is one reason why those guys go about their job seriously – clients need to be genuinely convinced! And finally, we might even know whether we'll be able to open up our own surgery before the end of the decade without incurring an enormous debt. That alone makes it all worthwhile, doesn't it?"

Before taking aim, we have to grasp the prevailing conditions. Yet sometimes, when the moment is right, we can dispense with analytical thinking and rely on our intuition. Those are moments when great things are achieved.

High degree of transparency up to top management level.

Corporate governance, a concept derived from the Anglo-American legal and business system, is becoming increasingly important in Europe and Switzerland. The focus is on business risks, companies' reputations and corporate responsibility. As a value-oriented company, the Baloise Group recognizes the importance of these issues.

In formulating our corporate governance guidelines, we followed, wherever appropriate, the proposed Swiss Code of Best Practice put forward by "economiesuisse", the Swiss business confederation, and the draft disclosure guidelines of the SWX Swiss Exchange. We also felt that these two organizations put forward the most succinct definition:

"Corporate governance is the totality of principles, in view of shareholders' interests, that aim at transparency and a proper balance between management independence and control at the top level of a company, while preserving efficiency and the ability to take decisions."

As a value-oriented company, the Baloise recognizes the importance of corporate governance.

In the opinion of the Baloise, corporate governance must not lead to rigid standardization, but must permit solutions appropriate to a given situation. The decisive factor is the transparency of the arrangements in line with the principle "comply or explain".

The following contains the most important information in concise form and references to additional information in the Annual Report and on our website "www.baloise.com".

Share structure and Group structure

Following last year's capital operation, the share capital of Bâloise-Holding now consists of 55,307,150 registered shares with a nominal value of CHF 0.1 each. The shares are unitary shares (no preference or voting right shares). The registered shares are subject to transfer restrictions: under paragraph 5 of the Articles of Incorporation, no shareholder can be entered in the register of shareholders with voting rights amounting to more than 2 percent of the share capital (currently 1,106,143 registered shares). At the General Meeting, a shareholder may not exercise voting rights in respect of more than a maximum of 20 percent of the shares represented at the meeting (paragraph 16 of the Articles of Incorporation). Both provisions are intended to preserve the company's status as a publicly held company and to ensure that parties acquiring sizeable minority interests are not given a dominant influence over small shareholders.

The company has not issued any options on registered shares. However, third parties have issued numerous options on our shares.

More detailed information

Subject	Annual report	www.baloise.com
Articles of Incorporation of Bâloise-Holding		✓
Own shares	page 147	
Significant shareholders of Bâloise-Holding	page 147	✓
Shareholdings of the Baloise Group in other listed companies › 5%	page 146	
Baloise Group corporate structure (diagram)		✓
List of consolidated Group companies	page 140	

Board of Directors and Corporate Executive Committee

The apportionment of powers and duties between the Board of Directors and the Corporate Executive Committee is laid down in the organizational and investment regulations. Both documents are regularly adapted to organizational changes.

The Board of Directors consists of twelve members who – with the exception of the Chairman (until February 28, 2002) – do not exercise any executive powers in the company. Board members' terms of office are staggered in such a way that one third stand for re-election each year. Members are elected for a three-year term of office, the rules specify an age limit of 70 and the average age is currently 58.

The Compensation Committee lays down the compensation for the Board of Directors and the Corporate Executive Committee.

The Board of Directors has set up a number of Board Committees. The Chairman's Committee, consisting of the Chairman, Vice Chairman and two further members, engages in preliminary discussion of important business, particularly where issues relating to strategy or personnel are involved. Once a year, the Chairman's Committee meets as the Investment Committee and defines the strategic asset allocation for investment operations.

Last summer, a Compensation Committee was formed which, under the management of the Vice Chairman, lays down the compensation for the Board of Directors and the Corporate Executive Committee. At its meeting in March 2002, the Board of Directors decided to set up an Audit Committee.

In 2001, the Board of Directors held six meetings and additional meetings were held by the Committees.

Since 1996, the Baloise Group has been pursuing a strategy of concentrating on the core markets of Switzerland, Germany, Belgium, Luxembourg and Austria and of corresponding divestment in the remaining countries. In a second phase, the foundations were laid for integrated financial services and a new generation was taken on to the Corporate Executive Committee. These tasks were carried out under the guidance of Rolf Schäuble, who held the posts of Chairman of the Board of Directors since 1994 and President of the Executive Committee since 1996. As of March 1, 2002, the two functions were again separated. Rolf Schäuble handed over the presidency of the Executive Committee to Frank Schnewlin and has since concentrated on his duties as Chairman of the Board of Directors.

The members of the Board of Directors receive fixed compensation in cash, the amount of which is set at different levels for the Chairman, the Vice-Chairman, the Committee members and the other Board members. In 2001, the compensation amounted to a total of CHF 1.49 million.

The compensation paid to the members of the Corporate Executive Committee consists of a fixed basic salary, plus an incentive dependent on the achievement of corporate and personal targets. 50 percent of the incentive is granted in the form of options on Baloise registered shares; for the remaining 50 percent a choice is offered (cash compensation, further options or Baloise registered shares). The options are issued by independent third parties under the usual market conditions and are listed on the stock exchange. From the time they are allocated, they are subject to a two-year lock-in period. If within the freely available part of his incentive (50 percent) a member of the Corporate Executive Committee decides to take shares, these will be acquired from the company at market value and will be subject to a three-year lock-in period from the time of issue.

This year's Annual Report publishes, for the first time, the compensation remitted to the Board of Directors and the Corporate Executive Committee.

Compensation paid to members of the Corporate Executive Committee in 2001 (total cash compensation, options and shares) amounted to a sum of CHF 4.15 million.

As of December 31, 2001, the total shareholding of the members of the Board of Directors and the Corporate Executive Committee amounted to 0.29 percent of the share capital of Bâloise-Holding (shares and options combined).

Board Committees and their Members

Chairman's Committee*

Rolf Schäuble, Chairman
Walter G. Frehner, Vice Chairman
Georg F. Krayer
Gaudenz Staehelin

* also functions as Investment Committee

Audit Committee

Walter G. Frehner, Chairman
Christoph J.C. Albrecht, Vice Chairman
Dietrich Forcart
Werner Kummer

Compensation Committee

Gaudenz Staehelin, Chairman
Georg F. Krayer, Vice Chairman
Walter G. Frehner
Gertrud Höhler

More detailed information

Subject	Annual report	www.baloise.com
Articles of Incorporation of Bâloise-Holding		✓
Regulations governing the organization and operations		✓
Investment rules		✓
List of members of the Board of Directors, including details of their terms of office	page 33	✓
Brief biographies of the members of the Board of Directors, including details of offices held in other listed companies		✓
Overview of the Committees of the Board of Directors	page 45	✓
Organigram Corporate Executive Committee	page 34	✓
Brief biographies of the members of the Corporate Executive Committee		✓

Shareholders' rights

The asset rights and – for shareholders entered in the share register as having voting rights – the participation rights are laid down in law and in the Articles of Incorporation. Under these provisions, the participation rights comprise the right to take part in the General Meeting as well as the right to submit proposals and the right to vote.

Up to eight weeks ahead of the General Meeting, shareholders eligible under the law and the Articles of Incorporation can request that items be included on the agenda for debate. The company publishes this time limit in advance. Over the next four years, the General Meeting will take place on the following dates: Tuesday, May 14, 2002; Friday, May 16, 2003; Friday, May 14, 2004; Wednesday, May 18, 2005.

Shareholders who do not attend the General Meeting in person may issue powers of attorney to the independent proxy, representatives of the executive bodies or other shareholders to exercise their voting rights. However, no shareholder may command more than 20 percent of the votes represented at the General Meeting. Participation is open to shareholders entered with voting rights in the share register on the reference date. The reference date is a few days before the meeting and will be announced in the invitation.

For years, the Baloise has pursued a policy of returning surplus capital to its shareholders.

Distribution policy

For years, Bâloise-Holding has pursued a policy of returning surplus capital to its shareholders by means of nominal value repayments and share buy-backs. In 2000 and 2001 shares were bought back by means of put options.

The dividend is adjusted each year to the annual result of the Baloise Group. Dividend per share (adjusted) has risen from CHF 1.30 in 1996 to CHF 2.40 in 2001.

Information policy

We endeavor to communicate with shareholders, potential investors, employees, customers and the public as comprehensively, openly and regularly as possible. This basic stance is a clear reflection of our partnership-based approach. It enables the Baloise to promote an understanding of its aims, strategy and business operations and to ensure a high level of information available on the company.

The Baloise provides detailed information on its business activities in its annual and semi-annual reports, at the balance sheet and semi-annual press conferences, meetings for financial analysts and at the General Meeting. Our communications are rounded off by the continuously updated web pages under "www.baloise.com" and by media briefings on important projects and initiatives. At special events and road shows we engage in dialogue with investors and media representatives.

By regularly providing comprehensive and open information, the Baloise is able to promote understanding for its goals and strategy.

Monitoring and audit

The internal audit is the direct responsibility of the Chairman of the Board of Directors. Financial risk management is carried out in the Finance Corporate Division, while the compliance function has been established in the Corporate Center Division.

PricewaterhouseCoopers (PwC), Basel, act as the statutory auditors of Bâloise-Holding and as the auditors of the consolidated financial statements. The statutory auditors and the auditors of the consolidated financial statements are appointed by the General Meeting for a one-year term of office.

For the past financial year, the remuneration for the audit of the individual statement of Bâloise-Holding (and of its Swiss subsidiaries) and the audit of the consolidated financial statements came to a total of CHF 1.29 million. For audit-related support and for advisory mandates outside of its auditing activities, PwC received fees totaling CHF 1.18 million.

The Sixtine Chapel illustrates it perfectly. The strength of a relationship is not revealed by any magnificence of gesture, but by a sense of proportion and a feeling for the right balance of intensity, distance and proximity.

Convincing answers to personal questions.

Looking forward to our meeting. Denise and the children are fine. Job-wise, I definitely need a change of scenery. Something along the lines of: dynamic sales professional looking for new challenge. Regards to Maria.

"I say, Richard, a man with your background and your winsome ways is bound to find a more interesting job than you have at present. Why not be proactive and join a professional set-up with a great outlook?

I can assure you that things are really moving here at Deutscher Ring. The focus is on customers and their needs – and this is not just an empty phrase. One current example: people are realizing more and more that the state can no longer guarantee them a retirement free of financial worries. The papers abound with articles on pension reform. Yet few people know what to do in this situation. Just imagine, 80 percent of all Germans are seeking professional advice in pension and investment matters, or are planning to do so. 80 percent! Wherever I call, I meet with great interest. And you know yourself that once you've got a foot in the door, you can prove your worth by offering your customer in-depth advice and sound financial coverage. We certainly have the corresponding products and services. What people need is someone who knows his way round this field and can offer not just general, but to-the-point advice.

Let me give you an idea of how we work in the sales service. Imagine I'm sitting with the client and have just started up my notebook. I run a brief introductory film, which gets us going on the topic of life insurance and pensions. I go through the presentation with my client, step by step, entering his replies directly into the computer. I can easily call up further facts and figures on the screen in response to questions. Finally, I just have to press a key and the computer comes up with a series of customized solutions. But that's not all. Instead of – or besides – pensions, we can consider investments in funds, or accident or disability insurance, and even then the range covered by the software would not be exhausted. Plus, the system will relieve me of most of the paperwork.

But you know what appeals to me most in this job? The fact that I have far more time to dedicate to customer relations, to advising and looking after my clients. At Deutscher Ring, we make sure the needs of existing clients are met before embarking on new acquisitions. Isn't that precisely in keeping with what we two have always believed in?

So you're really interested? Great! Don't worry, we train our people here, and I mean in-depth training. Let me give you the number of our human resource section. You can get in touch with them right away. Why not? Oh yes, you want to know more about our unit-linked annuity insurance. I was going to mention that anyway. Before coming to meet you here, I took a quick look at that file of yours. But Richard, do let me write down this telephone number before we start discussing your own pension situation."


Pythagoras mused about the sound made by the stars and planets. He said this sound was so deafening that we no longer heard it. The noises of our communication age, apparently, have not yet reached that level. That is why we must shout to be heard. Or else have a partner who understands us even when we whisper.

Solid performance in a difficult stock market environment.

Baloise's share price was not spared in the overall market downturn, dropping by 14 percent in the course of the year. Yet benchmarked against the Swiss Performance Index (SPI) Insurance, which ended the year at 39 percent below the previous year's level, or the Swiss Market Index, which lost 21 percent, Baloise proved remarkably stable, recording the best performance of all SMI-listed primary insurers.

The stock market year 2001 was marked by high volatility and thus high risks for investors. The Baloise Group systematically reduced its overweighted share holdings in the first half of the year. After that, in view of the radically changed situation on the stock markets, we curtailed the selling and thus the realization of capital gains to avoid long-term loss of value. Under these circumstances, the net earnings figure of CHF 404 million – the third highest in the history of the Baloise – is a very gratifying result.

Shortly before the end of the year, the Dutch firm Strategic Money Management Company B.V. took over a share package of 21.0 percent from Zurich Financial Services. In early 2002, the Swiss BZ Group raised its stake in the Baloise to 20.1 percent – not surprising in view of Baloise's strong performance.

Key Dates

→ **May 14, 2002**
Annual General Meeting Bâloise-Holding

→ **September 12, 2002**
Publication of Semi-Annual Report 2002

→ **September 12, 2002**
Half-Year Media Conference

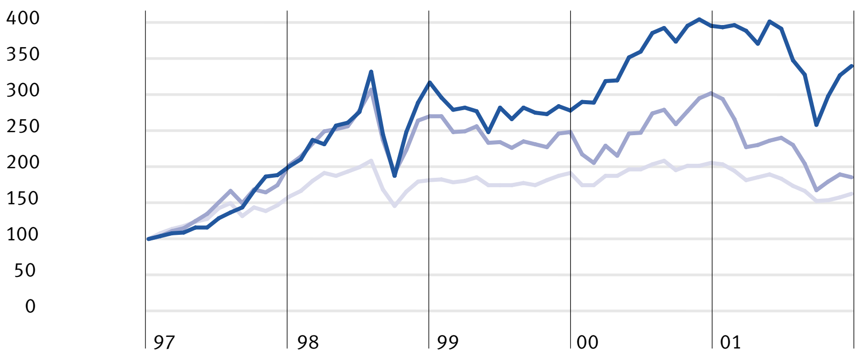
→ **September 12, 2002**
Meeting of Financial Analysts

→ **April 3, 2003**
Balance Sheet Media Conference

→ **April 3, 2003**
Meeting of Financial Analysts

→ **May 16, 2003**
Annual General Meeting Bâloise-Holding

Share price development[1] 1997–2001



	Bâloise-Holding, registered[2]	341
	Swiss Performance Index (SPI) Insurance	186
	Swiss Market Index (SMI)	163

[1] indexed (December 1996 = 100)
[2] adjusted after 1:10 split of July 24, 2001

Share statistics	1997[5+7]	1998[5+7]	1999[5]	2000[5]	**2001**[5]
Net earnings per Bâloise-Holding share[1] CHF	4.3	6.1	9.1	11.2	7.3
Consolidated capital and reserves per Bâloise-Holding share[2] CHF	78.7	90.5	128	130	97.4
Dividend per registered share CHF	1.4	1.9	2.4	2.4	2.4[4]
Total shares issued Shares	61,285,680	58,620,000	58,620,000	56,704,000	55,307,150
Number of shares entitled to dividend Shares	61,285,680	58,620,000	58,620,000	56,704,000	55,307,150
Time-weighted number of shares entitled to dividend Shares	63,882,930	59,993,000	58,620,000	57,824,280	56,087,855
Daily volume traded shares CHF m	20	40	23	24.5	15.4
Number of shareholders Total	6,506	8,819	11,016	8,988	9,725
Treasury stock Shares	983,400	1,424,250	1,761,750	830,000	560,000
Price at year-end CHF	90	143	125	178	153
High in CHF	97	155	146	186	183
Low in CHF	44	73	109	123	110
Market capitalization CHF m	5,522	8,353	7,345	10,093	8,462
Consolidated capital and reserves CHF m	4,788	5,307	7,478	7,373	5,385
Ratio, market capitalization/consolidated capital and reserves Percent	115.3	157.4	98.2	136.9	157.2
Ratio, market capitalization/gross premiums Percent	84.1	129.8	120.7	150.6	127.6
Return on equity (ROE):					
ROE on capital and reserves as shown in the balance sheet[3] Percent	6.6	7.2	7.4	8.5	6.3
ROE on capital and reserves minus non-realized gains and losses[3] Percent	13.1	17.7	17.2	19.0	10.5
Annual internal rate of return (IRR) Percent	45.0	18.1	20.9	3.0	- 21.2
Dividend yield Percent	1.6	1.3	1.9	1.3	1.6
Price-earnings ratio	20.3	22.9	14.2	15.9	20.1
Pay-out ratio Percent	31.5	30.5	27.1	29.5[6]	32.8

All figures as per calendar year or December 31, respectively

1 See Notes to the Consolidated Financial Statements, section 25
2 Number of shares ranking for dividend at December 31
3 Average of beginning and year-end values
4 To be proposed to the Annual General Meeting
5 Adjusted due to share split
6 Additional free put options
7 Based on ARR accounting principles

Bâloise-Holding, registered

Ticker symbol: BALN
Nominal value: CHF 0.10
Security no. 1.241.051
Listing: virt-x

Thanks to the result achieved and our solid financial situation, we can adhere to our long-term dividend policy. The Board of Directors has proposed the distribution of an unchanged dividend of CHF 2.40 per share, which corresponds to a distribution ratio of 33 percent. This proposal will be submitted for approval to the Annual General Meeting of May 14, 2002.

Internal Rate of Return (IRR)

The Internal Rate of Return (IRR) is a comprehensive and more revealing indicator than Return on equity (ROE) as far as insurance companies are concerned. With ROE, the Group profit is measured against the average capital and reserves. In the case of IRR, all the funds generated by the Baloise Group are together measured against the capital and reserves at the beginning of the financial year. The funds generated are made up of the group profit and value changes recorded under capital and reserves. At insurance companies, such changes primarily involve non-realized gains/losses. In addition, the IRR calculation adjusts both funds brought in by external equity providers and dividends paid to shareholders. The Baloise Group's IRR for 2001 amounts to -21.2 percent, reflecting the negative overall trend on the capital markets.

Registration as Bâloise-Holding shareholder

There are no restrictions on the acquisition of Bâloise-Holding shares. Shareholders who have purchased shares under their own name and for their own account are entered in the share register with voting rights up to a maximum of 2 percent of all shares issued. This also applies to shares held by nominee companies, provided the beneficial owner has been made known to us (Articles of Association, Art. 5).

Significant shareholders at March 31, 2001	Total holding	Share of voting rights
Strategic Money Management Co.	21.0	–
BZ Group	20.1	2.1
Deutsche Bank Nominees	3.3	2.0
Chase Nominees Ltd.	2.6	1.0
UBS Ltd.	2.1	1.5

percent

Bonds issued

Issuer	CHF m	Interest rate	Issue	Redemption
Baloise Finance (Jersey) Ltd.	200	1.00%	1998	7.4.2006
Bâloise-Holding	300	3.25%	1998	7.4.2008
Bâloise-Holding	600	4.25%	2000	28.9.2005

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www.baloise.com

Financial Report 2001

Consolidated Income Statement

Income

Income	Note	2000	2001
Gross premiums written and policy fees[1]	6	6,701.2	6,632.7
Reinsurance premiums ceded	18	- 230.8	- 207.4
Premiums written and policy fees for own account		6,470.4	6,425.3
Change in unearned premiums reserves for own account		14.3	8.1
Premiums earned and policy fees for own account		6,484.7	6,433.4
Investment income (net)	7.1	2,154.4	2,081.2
Realized gains and losses on investments (net)	7.3	826.7	149.4
Income from other services		265.5	271.8
Other income		108.7	154.1
Total income		**9,840.0**	**9,089.9**

Expenses

Expenses	Note	2000	2001
Claims incurred including processing costs (non-life)	15	- 1,727.9	- 1,785.0
Claims and benefits paid (life)		- 2,756.5	- 2,896.6
Change in actuarial reserve (life)	16	- 1,680.3	- 1,449.4
Surplus and profit allocations to policyholders	17	- 870.9	- 177.6
Acquisition costs	14	- 311.3	- 367.8
Administrative and other operating expenses		- 1,267.3	- 1,238.6
Interest payable	27	- 380.0	- 498.6
Amortization of intangible assets and depreciation of tangible non-current assets	12/13	- 113.7	- 153.3
Total expenses		**- 9,107.9**	**- 8,566.9**
Profit before tax and minority interests		732.1	523.0
Tax on income	21	- 94.6	- 116.9
Net profit after tax before minority interests		637.5	406.1
Minority interests	26	- 3.1	- 1.7
Consolidated net profit		**634.4**	**404.4**

in CHF m

	Note	2000	2001
Earnings per share (identical values for “basic” and “diluted”)	25	11.25	7.31

in CHF

[1] **Additional information**

	2000	2001
Gross premiums written and policy fees	6,701.2	6,632.7
Investment-type premiums	176.4	248.4
Gross premiums, policy fees and investment-type premiums	**6,877.6**	**6,881.1**

in CHF m

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

Consolidated Balance Sheet

Assets	Note	12.31.2000	12.31.2001
Investements			
Fixed-interest securities			
Held for trading		499.9	480.9
Held to maturity		160.7	159.7
Available for sale		19,247.5	19,928.7
Shares			
Held for trading		195.9	198.5
Available for sale		13,134.5	9,802.3
Alternative financial assets		920.9	1,117.2
Derivatives	10	85.9	19.3
Investment property	8	4,965.8	5,042.2
Mortgage loans		10,438.7	10,500.4
Policy and other loans		1,856.7	1,663.1
Participating interests in associates	9	316.3	289.1
Other short-term investments		631.2	695.1
Cash and cash equivalents	29	759.9	888.3
Total investments	6	**53,213.9**	**50,784.8**
Total investments for unit-linked life insurance	11	**362.4**	**512.4**
Intangible and tangible non-current assets			
Goodwill	12	129.6	105.6
Present value of profits from insurance contracts acquired	12	–	–
Other intangible assets	12	103.2	117.5
Property, plant and equipment for own use	13	687.8	646.7
Other tangible non-current assets	13	80.7	88.3
Total intangible and tangible non-current assets		**1,001.3**	**958.1**
Other assets			
Investments and deposits arising from reinsurance business	18	558.9	584.1
Receivables arising out of insurance operations		1,305.9	1,377.9
Assets relating to employee benefits	23	51.9	52.3
Other receivables		876.9	948.2
Accrued investment income		679.8	695.4
Deferred acquisition costs	14	409.0	724.1
Deferred tax	21	447.2	567.6
Other assets		376.8	289.9
Total other assets		**4,706.4**	**5,239.5**
Total assets		**59,284.0**	**57,494.8**

in CHF m

Liabilities and Equity

	Note	12.31.2000	12.31.2001
Capital and reserves			
Share capital	24	56.7	5.5
Capital reserves		81.2	109.3
Less: treasury stock		- 94.7	- 67.1
Unrealized gains and losses	7	3,495.6	1,526.6
Accumulated profit		3,834.0	3,810.5
Total capital and reserves		**7,372.8**	**5,384.8**
Minority interests	26	**46.2**	**41.5**
Liabilities			
Unearned premiums reserves (gross)		629.9	380.9
Loss reserves (gross)	15	4,021.5	4,182.0
Actuarial reserve life (gross)	16	26,314.5	27,558.9
Policyholder bonuses credited and provision for future policyholder bonuses	17	4,768.6	4,197.7
Technical provisions for unit-linked life insurance		356.7	513.7
Payables arising from insurance operations	17.2	1,349.7	1,521.2
Deposit fund liabilities arising from reinsurance		281.7	269.0
Liabilities from banking business and loans	19	10,048.9	9,697.2
Derivatives	10	84.2	59.9
Non-technical provisions	20	127.5	112.6
Benefits due to employees	23	563.6	559.6
Deferred tax	21	1,946.8	1,640.9
Other liabilities and deferred income		1,371.4	1,374.9
Total liabilities		**51,865.0**	**52,068.5**
Total liabilities and equity		**59,284.0**	**57,494.8**

in CHF m

Consolidated Cash Flow Statement

Cash flow from operating activities	Note	2000	2001
Net profit for the year before tax		732.1	523.0
Adjustments for			
Realized gains and losses on the sale of investments	7	- 826.7	- 149.4
Income from participating interests in associates		- 14.6	- 21.3
Interest income on security deposits		10.2	- 25.6
Policy fees on investment-type products		- 35.3	- 9.5
Amortization of intangible assets and depreciation of tangible non-current assets		113.7	153.3
Foreign exchange gains and losses		26.8	27.7
Movements in operating assets and liabilities			
Investments and assets relating to reinsurance business		- 3.4	- 81.9
Deferred acquisition costs		- 24.7	- 69.1
Unearned premiums reserves		- 12.1	- 237.6
Loss reserves		32.6	225.4
Actuarial reserve (life)		1,778.9	1,562.7
Technical provisions for unit-linked life insurance		- 6.6	- 7.0
Other movements in operating assets and liabilities		- 10.4	- 257.3
Cash flow from operating activities (gross)		**1,760.5**	**1,633.4**
Tax paid		- 154.0	- 75.0
Cash flow from operating activities (net)		**1,606.5**	**1,558.4**
of which from joint ventures		- 69.4	- 18.8

Cash flow from investing activities	Note	2000	2001
Purchase of fixed-interest securities and similar		- 5,406.7	- 10,199.6
Disposal of fixed-interest securities and similar		4,526.2	7,678.3
Purchase of shares		- 5,432.2	- 8,961.7
Disposal of shares		4,205.4	11,069.4
Purchase of investment property		- 331.4	- 261.1
Disposal of investment property		152.9	219.9
Purchase of other investments		- 514.1	- 950.1
Disposal of other investments		573.7	708.5
Acquisition of intangible assets and tangible non-current assets		- 86.2	- 189.1
Disposal of intangible assets and tangible non-current assets		21.4	100.5
Cash flow from increase in share of investments held		- 284.4	- 38.4
Acquisition of subsidiaries where there is no effect on cash and cash equivalents	5	- 369.4	- 17.1
Disposal of subsidiaries where there is no effect on cash and cash equivalents	5	–	–
Acquisition of participating interests in associates (net)		- 31.6	- 20.1
Dividends received from associates		7.8	8.8
Cash flow from investing activities (net)		**- 2,968.6**	**- 851.8**
of which from joint ventures		58.3	66.1

in CHF m

Cash flow from financing activities	Note	2000	2001
Capital increases		–	–
Capital reductions		- 335.3	- 343.0
Cash inflow from investment-type products		151.6	188.7
Cash outflow from investment-type products		- 29.5	- 28.8
Increases in liabilities from banking business and loans		1,964.5	1,035.8
Decreases in liabilities from banking business and loans		- 208.7	- 1,255.4
Dividends paid		- 140.7	- 136.1
Cash flow from financing activities (net)		**1,401.9**	**- 538.8**
of which from joint ventures		1.7	- 50.0
Effect of foreign exchange rate changes on cash and cash equivalents		**- 6.3**	**- 39.4**
Total movement in cash and cash equivalents		**33.5**	**128.4**

Cash and cash equivalents	2000	2001
As at January 1	726.4	759.9
Movement during year	33.5	128.4
As at December 31	**759.9**	**888.3**

in CHF m

Additional information on cash flow from operating activities	2000	2001
Other interest received	1,381.7	1,712.7
Dividends received	602.5	225.5
Interest paid	- 364.9	- 488.8

in CHF m

Consolidated Equity

	Share capital	Capital reserves	Less: treasury stock	Unrealized gains and losses (net)	Accumulated profit	**Total capital and reserves**
Balance at December 31, 1999	**58.6**	**22.3**	**- 172.4**	**4,257.8**	**3,311.3**	**7,477.6**
Movement on unrealized gains and losses on investments (gross)	–	–	–	- 858.6	–	- 858.6
Less movement on:						
Policyholder surplus	–	–	–	183.6	–	183.6
Deferred acquisition costs charged to equity	–	–	–	150.3	–	150.3
Deferred tax	–	–	–	108.1	–	108.1
Foreign exchange differences	–	–	–	- 23.6	–	- 23.6
Minority interests	–	–	–	40.4	–	40.4
Movement on unrealized gains and losses on investments (net)	–	–	–	- 399.8	–	- 399.8
Dividends	–	–	–	–	- 140.7	- 140.7
Consolidated net profit for the year	–	–	–	–	634.4	634.4
Purchase / sale of treasury stock	–	58.9	77.7	–	–	136.6
Purchase / sale of options on treasury stock	–	–	–	–	–	–
Issue / repayment of share capital or share options	- 1.9	–	–	–	- 333.4	- 335.3
Balance at December 31, 2000	**56.7**	**81.2**	**- 94.7**	**3,858.0**	**3,471.6**	**7,372.8**
Application of IAS 39 (Financial Instruments) & 40 (Investment Property)	–	–	–	- 362.4	362.4	0.0
Balance at December 31, 2000 adjusted	**56.7**	**81.2**	**- 94.7**	**3,495.6**	**3,834.0**	**7,372.8**

in CHF m

(continued)

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

in CHF m

Segment Reporting by Geographical Segment

Income	Switzerland 2000	Switzerland 2001	Germany 2000	Germany 2001
Gross premiums written and policy fees	4,008.2	3,972.0	1,784.9	1,737.7
Reinsurance premiums ceded	-156.8	-152.9	-252.8	-217.2
Premiums written and policy fees for own account	3,851.4	3,819.1	1,532.1	1,520.5
Change in unearned premiums reserves for own account	7.9	10.3	28.3	4.6
Premiums earned and policy fees for own account	3,859.3	3,829.4	1,560.4	1,525.1
Investment income (net)	916.7	1,049.5	940.1	667.4
Realized gains and losses on investments (net)	727.1	353.7	11.4	-265.6
Income from other services	15.0	24.3	165.1	128.1
Other income	-16.2	-0.6	28.9	51.9
Total income	**5,501.9**	**5,256.3**	**2,705.9**	**2,106.9**
of which between geographical segments	48.7	64.7	153.5	168.1
of which income from associates	–	–	6.4	15.4
Expenses				
Claims incurred including processing costs (non-life)	-745.7	-732.6	-307.9	-346.7
Claims and benefits paid (life)	-1,795.3	-1,961.8	-856.3	-826.2
Change in actuarial reserve (life)	-1,435.8	-1,229.6	-177.6	-128.6
Surplus and profit allocations to policyholders	-284.5	-107.5	-578.6	-55.5
Acquisition costs	-89.8	-59.2	-66.7	-155.5
Administrative and other operating expenses	-424.9	-460.1	-528.7	-400.0
Interest payable	-151.3	-192.5	-127.8	-110.6
Amortization of intangible assets and depreciation of tangible non-current assets	-37.1	-40.7	-40.2	-40.8
Total expenses	**-4,964.4**	**-4,784.0**	**-2,683.8**	**-2,063.9**
Profit/loss before tax and minority interests	537.5	472.3	22.1	43.0
Tax on income	-104.7	-107.6	9.2	-3.3
Profit/loss after tax before minority interests	432.8	364.7	31.3	39.7
Minority interests	–	–	-2.0	-5.4
Net profit/loss by region	**432.8**	**364.7**	**29.3**	**34.3**

in CHF m

Benelux countries		Other countries		Elimination		Total	
2000	2001	2000	2001	2000	2001	2000	2001
693.9	726.8	501.1	454.3	-286.9	-258.1	6,701.2	6,632.7
-49.0	-45.4	-59.1	-50.0	286.9	258.1	-230.8	-207.4
644.9	681.4	442.0	404.3	–	–	6,470.4	6,425.3
-2.1	-6.6	-12.1	-1.1	-7.7	0.9	14.3	8.1
642.8	674.8	429.9	403.2	-7.7	0.9	6,484.7	6,433.4
225.8	308.5	78.8	74.2	-7.0	-18.4	2,154.4	2,081.2
74.9	32.0	13.3	29.3	–	–	826.7	149.4
72.4	96.9	13.0	22.5	–	–	265.5	271.8
27.9	44.7	94.8	77.0	-26.7	-18.9	108.7	154.1
1,043.8	**1,156.9**	**629.8**	**606.2**	**-41.4**	**-36.4**	**9,840.0**	**9,089.9**
9.6	10.8	-233.2	-280.0	41.4	36.4	–	–
8.2	5.8	–	0.1	–	–	14.6	21.3
-436.7	-444.3	-262.5	-270.1	24.9	8.7	-1,727.9	-1,785.0
-65.0	-59.3	-18.2	-40.5	-21.7	-8.8	-2,756.5	-2,896.6
-48.7	-89.4	-7.4	-0.7	-10.8	-1.1	-1,680.3	-1,449.4
-7.2	-5.5	-0.5	-9.1	-0.1	0.0	-870.9	-177.6
-147.6	-138.7	-59.6	-60.1	52.4	45.7	-311.3	-367.8
-170.3	-223.7	-97.4	-109.4	-46.0	-45.4	-1,267.3	-1,238.6
-98.9	-173.3	-44.7	-59.5	42.7	37.3	-380.0	-498.6
-19.3	-25.8	-17.1	-46.0	–	–	-113.7	-153.3
-993.7	**-1,160.0**	**-507.4**	**-595.4**	**41.4**	**36.4**	**-9,107.9**	**-8,566.9**
50.1	-3.1	122.4	10.8	–	–	732.1	523.0
18.9	-5.3	-18.0	-0.7	–	–	-94.6	-116.9
69.0	-8.4	104.4	10.1	–	–	637.5	406.1
-0.7	3.7	-0.4	0.0	–	–	-3.1	-1.7
68.3	**-4.7**	**104.0**	**10.1**	**–**	**–**	**634.4**	**404.4**

Segment Reporting by Geographical Segment (continued)

Additional information	Switzerland 2000	Switzerland 2001	Germany 2000	Germany 2001
Assets by geographical segment	34,255.0	33,235.8	15,466.5	14,825.7
of which investments	30,785.8	28,890.1	13,650.1	12,697.6
of which participating interests	0.1	0.2	143.7	121.8
Liabilities by geographical segment	28,925.5	28,482.8	15,036.5	14,440.1
of which technical provisions	19,858.4	20,907.4	12,724.1	12,186.4
Cash flow from operating activities (net)	91.0	- 464.7	379.4	241.5
Cash flow from investing activities (net)	- 1,382.4	17.1	- 209.1	- 84.0
Cash flow from financing activities (net)	1,859.3	483.1	- 448.4	- 119.9
Acquisition of real estate, equipment and furnishings and intangible assets for own use	91.7	26.5	25.4	6.4
Impairment of value recognized in the income statement	- 33.8	- 119.5	- 74.4	- 34.5
Reinstatement of original value recognized in the income statement	29.5	112.1	84.9	27.4

in CHF m

Benelux		Other countries		Elimination		**Total**	
2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**
7,697.8	8,109.3	4,413.6	5,099.6	- 2,518.9	- 3,775.6	**59,284.0**	**57,494.8**
6,412.1	6,497.6	2,880.0	4,662.3	- 514.1	- 1,962.8	**53,213.9**	**50,784.8**
172.5	167.1	–	–	–	–	**316.3**	**289.1**
6,897.8	7,460.0	3,524.9	4,156.9	- 2,519.7	- 2,471.3	**51,865.0**	**52,068.5**
2,221.8	2,359.0	1,303.8	1,140.3	- 373.6	- 273.6	**35,734.5**	**36,319.5**
- 399.7	106.2	1,369.9	1,682.4	165.9	- 7.0	**1,606.5**	**1,558.4**
- 303.2	- 498.0	- 1,693.5	- 292.0	619.6	5.1	**- 2,968.6**	**- 851.8**
199.4	386.7	392.4	- 1,290.6	- 600.8	1.9	**1,401.9**	**- 538.8**
17.5	23.6	30.5	22.2	–	–	**165.1**	**78.7**
- 26.2	- 25.1	- 1.7	- 0.3	–	–	**- 136.1**	**- 179.4**
2.5	2.5	–	0.6	–	–	**116.9**	**142.6**

Segment Reporting by Business Segment

Income	Non-life 2000	Non-life 2001	Life 2000	Life 2001
Gross premiums written and policy fees	2,645.6	2,591.5	4,175.1	4,058.0
Reinsurance premiums ceded	- 201.2	- 179.4	- 156.6	- 44.8
Premiums written and policy fees for own account	2,444.4	2,412.1	4,018.5	4,013.2
Change in unearned premiums reserves for own account	15.6	7.2	–	–
Premiums earned and policy fees for own account	2,460.0	2,419.3	4,018.5	4,013.2
Investment income (net)	313.8	281.7	1,579.9	1,354.9
Realized gains and losses on investments (net)	389.5	222.0	475.2	- 71.4
Income from other services	21.3	1.7	33.9	27.4
Other income	102.5	75.7	64.0	53.3
Total income	**3,287.1**	**3,000.4**	**6,171.5**	**5,377.4**
of which between business segments	- 202.7	- 39.4	95.5	- 24.1
of which income from associates	2.0	1.8	5.8	3.5
Expenses				
Claims incurred including processing costs (non-life)	- 1,846.5	- 1,794.2	–	–
Claims and benefits paid (life)	–	–	- 2,667.6	- 2,887.0
Change in actuarial reserve (life)	–	–	- 1,602.2	- 1,448.5
Surplus and profit allocations to policyholders	- 54.3	- 13.3	- 858.4	- 164.3
Acquisition costs	- 269.0	- 306.4	- 63.0	- 63.5
Administrative and other operating expenses	- 567.2	- 515.0	- 393.5	- 347.1
Interest payable	- 23.4	- 25.9	- 238.1	- 160.5
Amortization of intangible assets and depreciation of tangible non-current assets	- 40.7	- 52.4	- 37.9	- 33.7
Total expenses	**- 2,801.1**	**- 2,707.2**	**- 5,860.7**	**- 5,104.6**
Profit/loss before tax and minority interests	486.0	293.2	310.8	272.8
Tax on income	- 35.5	- 67.3	- 52.2	- 36.6
Profit/loss after tax before minority interests	450.5	225.9	258.6	236.2
Minority interests	- 0.3	3.4	- 1.5	0.5
Net profit/loss by business segment	**450.2**	**229.3**	**257.1**	**236.7**

in CHF m

In the Annual Report 2000, three reinsurance contracts were registered under non-life instead of life. In the 2001 statement, these contracts have been allocated to life. Since this transfer has no influence at all on the equity or the net profit of the Group and only marginal influence on the segment results, no restatement of the previous year's figures has been drawn up.

Banking		Other Activities		Elimination		Total	
2000	2001	2000	2001	2000	2001	2000	2001
–	–	–	–	- 119.5	- 16.8	**6,701.2**	**6,632.7**
–	–	–	–	127.0	16.8	**- 230.8**	**- 207.4**
–	–	–	–	7.5	0.0	**6,470.4**	**6,425.3**
–	–	–	–	- 1.3	0.9	**14.3**	**8.1**
–	–	–	–	6.2	0.9	**6,484.7**	**6,433.4**
238.5	433.3	48.9	59.9	- 26.7	- 48.6	**2,154.4**	**2,081.2**
- 45.6	- 10.9	7.6	9.7	–	–	**826.7**	**149.4**
16.6	27.9	173.0	214.8	20.7	–	**265.5**	**271.8**
33.3	57.8	5.4	9.9	- 96.5	- 42.6	**108.7**	**154.1**
242.8	**508.1**	**234.9**	**294.3**	**- 96.3**	**- 90.3**	**9,840.0**	**9,089.9**
0.0	- 6.9	- 10.0	- 19.9	117.2	90.3	**–**	**–**
0.4	0.5	6.4	15.5	–	–	**14.6**	**21.3**
–	–	–	–	118.6	9.2	**- 1,727.9**	**- 1,785.0**
–	–	–	–	- 88.9	- 9.6	**- 2,756.5**	**- 2,896.6**
–	–	–	–	- 78.1	- 0.9	**- 1,680.3**	**- 1,449.4**
–	–	–	–	41.8	–	**- 870.9**	**- 177.6**
–	–	–	–	20.7	2.1	**- 311.3**	**- 367.8**
- 94.9	- 168.8	- 170.5	- 206.0	- 41.2	- 1.7	**- 1,267.3**	**- 1,238.6**
- 184.4	- 319.7	- 57.5	- 83.7	123.4	91.2	**- 380.0**	**- 498.6**
- 8.5	- 11.5	- 26.6	- 55.7	–	–	**- 113.7**	**- 153.3**
- 287.8	**- 500.0**	**- 254.6**	**- 345.4**	**96.3**	**90.3**	**- 9,107.9**	**- 8,566.9**
- 45.0	8.1	- 19.7	- 51.1	–	–	**732.1**	**523.0**
6.3	2.1	- 13.2	- 15.1	–	–	**- 94.6**	**- 116.9**
- 38.7	10.2	- 32.9	- 66.2	–	–	**637.5**	**406.1**
0.5	0.0	- 1.8	- 5.6	–	–	**- 3.1**	**- 1.7**
- 38.2	**10.2**	**- 34.7**	**- 71.8**	**–**	**–**	**634.4**	**404.4**

Segment Reporting by Business Segment (continued)

Additional information	2000	Non-life 2001	2000	Life 2001
Assets by business segment	10,912.0	10,257.8	38,249.2	37,999.9
Liabilities by segment	–	7,556.4	–	35,238.5
Acquisition of real estate, equipment and furnishings and intangible assets for own use	30.3	28.1	- 10.2	13.3

in CHF m

Banking		Other activities		Elimination		Total	
2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**
10,536.2	11,183.3	2,056.2	1,975.4	- 2,469.6	- 3,921.6	**59,284.0**	**57,494.8**
–	10,547.5	–	2,647.7	–	- 3,921.6	**–**	**52,068.5**
92.3	7.0	52.7	30.3	–	–	**165.1**	**78.7**

Management Information

From 2001 on, the same consolidation rules are applied for the Management Information as for the segment reports. This means that, in line with IAS requirements, Group-internal transactions between the segments are not eliminated. The previous year's figures of the technical income statement have been adjusted accordingly.

	Gross		For own account	
Combined ratio: non-life	2000	**2001**	2000	**2001**
Loss ratio	73.7	74.3	73.8	74.2
Expense ratio	30.5	30.9	32.2	32.7
Surplus sharing ratio	0.5	0.5	0.5	0.5
Combined ratio	**104.7**	**105.7**	**106.5**	**107.4**

as a percentage of premiums earned

Combined ratio (gross)	Switzerland		Germany		Benelux		Other countries	
by geographical segment: non-life	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**
Loss ratio	73.4	72.2	63.8	64.9	86.3	86.6	63.3	74.7
Expense ratio	25.4	25.4	36.2	38.2	33.2	32.3	24.5	24.2
Surplus sharing ratio	1.5	1.1	- 0.2	0.2	0.0	0.0	- 0.3	0.1
Combined ratio	**100.3**	**98.7**	**99.8**	**103.3**	**119.5**	**118.9**	**87.5**	**99.0**

as a percentage of premiums earned

Reserve ratio: non-life	2000	**2001**
Technical provision for own account	4,352.6	4,372.0
Premiums written[1]	2,340.4	2,372.0
Reserve ratio in percent	**186.0**	**184.3**

in CHF m

[1] 2001: without Bâloise España

Technical income statement	Non-life 2000	Non-life 2001	Life 2000	Life 2001
Gross				
Gross premiums written and policy fees	2,541.6	2,591.5	4,175.1	4,058.0
Change in unearned premium reserve	16.5	8.8	–	–
Premiums earned and policy fees	2,558.1	2,600.3	4,175.1	4,058.0
Claims and benefits paid	- 1,796.5	- 1,736.3	- 2,783.0	- 2,917.0
Change in loss reserves / actuarial reserve	- 87.9	- 194.2	- 1,685.8	- 1,452.6
Claims and benefits paid	- 1,884.4	- 1,930.5	- 4,468.8	- 4,369.6
Policyholder bonuses paid	- 13.3	- 13.5	- 858.4	- 164.3
Technical costs	- 780.5	- 805.6	- 381.1	- 387.5
Total underwriting result (gross)	**- 120.1**	**- 149.3**	**- 1,533.2**	**- 863.4**
Reinsurance ceded				
Premiums earned and policy fees	- 202.9	- 181.0	- 44.3	- 44.8
Claims and benefits paid	145.5	136.3	42.0	34.1
Policyholder bonuses paid	0.7	0.2	–	–
Technical costs	22.4	14.1	4.7	10.1
Total underwriting result of business ceded	**- 34.3**	**- 30.4**	**2.4**	**- 0.6**
Net for own account				
Premiums earned and policy fees	2,355.2	2,419.3	4,130.8	4,013.2
Claims and benefits paid	- 1,738.9	- 1,794.2	- 4,426.8	- 4,335.5
Policyholder bonuses paid	- 12.6	- 13.3	- 858.4	- 164.3
Technical costs	- 758.1	- 791.5	- 376.4	- 377.4
Total underwriting result for own account	**- 154.4**	**- 179.7**	**- 1,530.8**	**- 864.0**
Investment income (gross)	324.3	296.7	1,611.3	1,384.3
Realized gains and losses on investments (net)	389.5	222.0	475.2	- 71.4
Investment expenses	- 10.4	- 15.0	- 31.4	- 29.4
Other non-technical income and expenses	- 62.0	- 30.8	- 214.5	- 146.7
Non-technical result	**641.4**	**472.9**	**1,840.6**	**1,136.8**
Profit before tax and minority interests	487.0	293.2	309.8	272.8
Tax on income	- 35.5	- 67.3	- 52.2	- 36.6
Profit after tax before minority interests	451.5	225.9	257.6	236.2
Minority interests	- 0.3	3.4	- 1.5	0.5
Net profit	**451.2**	**229.3**	**256.1**	**236.7**

in CHF m

Embedded value

The embedded value of life insurance business comprises two 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. 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. Adjusted capital and reserves also include costs incurred to meet solvency requirements in the life sector. Declared capital and reserves only are considered for the embedded value in the case of the Baloise Group's business from Luxembourg and Austria.

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

Development of embedded value	**2001**
Embedded value at January 1	**4,949.5**
of which value of insurance in force	1,334.0
of which adjusted capital and reserves	3,615.5
Operating income from insurance in force, adjusted capital and reserves, and earnings from new business	292.0
Economic changes, especially changes in unrealized gains and losses on investments	- 1,310.0
Dividends to parent companies	- 125.5
Differences arising from currency translation	- 13.5
Embedded value at December 31	**3,792.5**
of which value of insurance in force	1,341.4
of which adjusted capital and reserves	2,451.1

in CHF m; all figures "after tax"

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

in percent

Investment performance in 2000	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivates and other	Total
Current investment income	844.3	610.2	211.6	492.1	42.6	**2,200.8**
Realized gains	67.3	989.4	28.5	1.4	37.3	**1,123.9**
Realized losses	- 68.6	- 41.4	- 15.9	- 83.9	- 68.2	**- 278.0**
Change in unrealized gains and losses taken to equity	- 36.1	- 912.6	38.0	–	52.1	**- 858.6**
Impairment in value recognized in the income statement (net)	- 0.3	- 31.6	26.7	2.2	- 16.2	**- 19.2**
Investment management costs	- 9.0	- 13.3	- 13.2	- 9.4	- 1.5	**- 46.4**
Operating profit	**797.6**	**600.7**	**275.7**	**402.4**	**46.1**	**2,122.5**
Average level of investments	**16,455.0**	**15,355.0**	**4,813.6**	**9,807.9**	**1,851.5**	**48,283.0**
Performance in percent	**4.8**	**3.9**	**5.7**	**4.1**	**2.5**	**4.4**

in CHF m

Investment performance in 2001	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivates and other	Total
Current investment income	1,018.4	201.4	235.2	596.0	91.0	**2,142.0**
Realized gains	159.9	637.1	70.3	0.3	62.2	**929.8**
Realized losses	- 134.2	- 481.2	- 17.8	- 79.0	- 31.4	**- 743.6**
Change in unrealized gains and losses taken to equity	61.9	- 2,729.7	–	–	- 177.3	**- 2,845.1**
Impairment in value recognized in the income statement (net)	- 2.4	- 63.1	–	41.9	- 13.2	**- 36.8**
Investment management costs	- 12.0	- 20.7	- 9.2	- 4.3	- 14.6	**- 60.8**
Operating profit	**1,091.6**	**- 2,456.2**	**278.5**	**554.9**	**- 83.3**	**- 614.5**
Average level of investments	**20,238.7**	**11,665.6**	**5,003.9**	**12,229.5**	**2,861.6**	**51,999.3**
Performance in percent	**5.4**	**- 21.1**	**5.6**	**4.5**	**- 2.9**	**- 1.2**

in CHF m

Results from banking business	2000	2001
Interest income		
Due from banks	3.7	6.2
Loans to customers	167.9	306.4
Investments	87.1	161.9
Other	1.7	0.0
Total interest income	260.4	474.5
Interest payable		
Due to banks	- 43.1	- 60.1
Due to customers	- 71.3	- 117.4
Medium-term fixed-rate notes, bonds and mortgage bonds	- 62.9	- 112.6
Other	- 7.1	- 29.6
Total interest payable	- 184.4	- 319.7
Net interest income	**76.0**	**154.8**
Result from commission business and services	16.6	27.9
Realized gains and losses on investments	0.4	3.0
Other income	11.4	16.6
Total income from banking business	**104.4**	**202.3**
Expenses related to banking business		
Staff costs	- 54.6	- 98.5
Operating expenses	- 40.3	- 70.3
Total expenses related to banking business	- 94.9	- 168.8
Gross profit	**9.5**	**33.5**
Losses and provisions relating to credit risks	- 46.0	- 13.9
Depreciation and amortization	- 8.5	- 11.5
Profit / loss before taxes and minority interests	- 45.0	8.1
Taxes on income	6.3	2.1
Profit / loss after tax before minority interests	- 38.7	10.2
Minority interests	0.5	0.0
Net profit / loss	**- 38.2**	**10.2**

in CHF m

Assets under management	2000	**2001**
Own investments	53,213.9	50,784.8
Investments for unit-linked life insurance	362.4	512.4
Assets managed for third parties	4,435.7	4,347.9
Total	**58,012.0**	**55,645.1**

in CHF m

Sale of fund units	2000	**2001**
Sale of fund units incl. fund units for unit-linked life insurance	834.0	691.4

in CHF m

Notes to the Consolidated Financial Statements

1. Basis of Accounting

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

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

2. Application of New Accounting Standards

International Accounting Standard 39 – Financial Instruments: Statement and Valuation, and IAS 40 – Investment Property (introduced on January 1, 2001), have had the following consequences for the Baloise Group:

IAS 39 – Financial Instruments: Statement and Valuation. The standard regulates in detail the way in which financial instruments are to be accounted for. Financial instruments comprise both traditional financial assets and liabilities and derivatives. The standard stipulates that all financial instruments be entered in the balance sheet, basically at market value. The standard also rules on hedging activities. The most important consequences for the Baloise Group relate to the consolidation of the German "Spezialfonds" (special funds) and the recognition in the income statement of foreign currency differences in the monetary assets classified as Available for sale. Following the consolidation of the German "Spezialfonds", these "Spezialfonds", which had before been included under Shares in their entirely, are now classified according to their investment category. This primarily engenders a reallocation of shares to Fixed-interest securities and of unrealized gains and losses to Accumulated profit. The recognition in the income statement of foreign currency differences in the monetary assets Available for sale leads to a reallocation of unrealized gains and losses resulting from the revaluation of foreign currency holdings to Accumulated profit.

IAS 40 – Investment Property. The standard requires the inclusion of real estate at fair market value and recognition of value changes in the income statement. The new standard does not affect the valuation of the Baloise Group's investment property, as this has already been included at fair market value in the past. The application of this standard since its introduction merely entails a reallocation of unrealized gains and losses to Accumulated profit.

In the case of life insurance companies, the amortization of acquisition costs and policyholder bonuses that is deducted from unrealized gains and losses has been adjusted owing to the reallocation of unrealized gains and losses to Accumulated profit.

As a result of the introduction of these two new standards, a gross sum of CHF 926.0 m from unrealized gains and losses has been reallocated to Accumulated profit. After taking into account the amortization of acquisition costs, policyholder bonuses and deferred tax, the net sum reallocated comes to CHF 362.4 m.

The following shows a summary of the adjustments to the consolidated balance sheet:

Assets

	Before adjustment 12.31.2000	Adjustment	After adjustment 12.31.2000
Fixed-interest securities	18,099.1	1,809.0	19,908.1
Shares	15,253.4	- 1,923.0	13,330.4
Other short-term investments	558.1	73.1	631.2
Accrued investment income & other	633.6	40.9	674.5

in CHF m

Liabilities and Equity

Capital and reserves			
Unrealized gains and losses			
Fixed-interest securities	93.0	118.7	211.7
Shares	5,348.4	- 394.7	4,953.7
Investment property	673.5	- 673.5	0.0
Other	116.7	23.5	140.2
Subtotal (gross)	6,231.6	- 926.0	5,305.6
Less part of:			
Shares of deferred acquisition costs			
for policyholders life	- 750.6	256.9	- 493.7
Policyholder bonuses	- 500.3	207.4	- 292.9
Deferred tax	- 953.7	105.2	- 848.5
Other	- 169.0	- 5.9	- 174.9
Total (net)	**3,858.0**	**- 362.4**	**3,495.6**
Accumulated profit	**3,471.6**	**362.4**	**3,834.0**

in CHF m

Owing to the application of IAS 39 (consolidation of the German special funds), the total assets rose by CHF 5.3 million as at December 31, 2000. You will find further information on the new standards in the following section “Accounting Policies”.

3. Accounting Policies

3.1 Method of consolidation

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

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

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

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

3.2 Foreign currency translation

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

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

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 payable. The composition of the investment portfolio is therefore determined mainly by the expected investment return for each type of investment, by the availability of risk capital – which is used to even out fluctuations in the price of investments – and by the type of liabilities arising from insurance business.

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

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

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

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

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

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

Changes in the value of financial assets under Held for trading are recognized as realized book profits/losses in the income statement in the period in which they arise. Financial assets under Available for sale are revalued at their market value, and unrealized gains and losses are taken to equity. In the case of monetary assets classified as Available for sale, any foreign currency revaluation is credited to income. For life insurance companies, deductions are made from the unrealized gains and losses in view of those amounts which will be used in future to amortize acquisition costs and to pay bonuses and dividends to policyholders.

When financial assets are disposed of, any unrealized gains or losses are transferred from equity 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. The fair value of holdings is derived principally from future cash flows, using mathematical calculations based on similar transactions. In exceptional cases, external valuation reports are obtained. Scheduled depreciation is not charged on investment property. Changes in value are immediately recognized in the income statement, in the period of occurrence, as realized book gains / losses.

3.4 Derivatives

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

All derivatives are recorded in the balance sheet at their market value. When the contract is concluded, the derivative is classified either as a hedging instrument against the market value of an asset or a liability (fair value hedge), as a hedge against future transactions (cash flow hedge) or as a trading instrument. Derivatives which do not fulfill IAS 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 equity. The amounts accounted for in equity 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.

3.5 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 acquired before 1995 was directly offset against equity. Goodwill relating to subsidiaries which do not prepare their financial statements in Swiss francs is translated at the exchange rate applicable on the date of the acquisition.

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

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

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

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

3.6 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 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.

3.7 Leasing

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

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

3.8 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.

3.9 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.

3.10 Life insurance

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

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

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

Financial assets classified as Available for sale are stated at market value. Changes in the value of these investments are treated as unrealized gains and losses and taken to equity. Amounts relating to the future amortization of acquisition costs and future policyholder bonuses are deducted from these unrealized gains and losses. Local statutory regulations and the provisions set out in contracts and company byelaws are authoritative in determining the share of policyholder bonuses. Companies operating in Germany and Austria are required to use approximately 90 percent of the unrealized gains and losses arising from investments available for sale for the policyholder bonuses. The transfer between accounts has no effect on the income statement.

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

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

3.11 Non-life insurance

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

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

Provisions for claims outstanding 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. The provisions for claims outstanding are calculated on the basis of prior year experience and expected developments in the future. The process involves the application of mathematical, statistical methods and the expertise of claims-handling specialists. The aim is to establish provisions for outstanding claims and for claims processing costs which are as realistic as possible, making allowance for unforeseeable future events.

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

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

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

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

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

3.12 Reinsurance

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

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

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

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

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

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

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

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

3.15 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.

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

3.17 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 pro-rated 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 pension fund. The plan assets are stated at market value. If a difference arises between the assets and liabilities when IAS 19 is used, this is shown as an asset or liability in the consolidated balance sheet. An asset is only recognized to the extent that the Baloise controls a resource which may be used to reduce future contributions or improve future benefits, but this resource cannot be returned to the employer.

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

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

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

Share participation scheme: Most middle and senior managers working in Switzerland can opt to have a freely determinable part of their performance-related earnings (incentive) remitted as shares instead of cash. To boost the effectiveness of the share participation scheme, employees receive a loan at a market rate of interest, enabling them to purchase a far greater number of shares than provided by the incentive scheme. The loan repayment after a three-year blocking period is hedged with a put option that is financed by the sale of a corresponding call option. After expiry of the three-year blocking period, employees receive the shares remaining after repayment of the loan for their free disposal.

The Baloise does not incur any additional costs by this share participation scheme.

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

3.18 Other liabilities

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

3.19 Fair value of financial assets and liabilities

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

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

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

Shares: The market value is the quoted market price.

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

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

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

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

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

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

3.20 Permanent diminution in value (impairment)

The carrying values of assets are reviewed on a regular basis for recoverability. An 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.

3.21 Offsetting assets and liabilities

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

3.22 Use of accounting estimates

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

4. Foreign Currency Translation

4.1 Rates of exchange

		Balance sheet		Income statement/ Cash flow statement
Currency	2000	**2001**	2000	**2001**
EUR (euro)	1.52	1.48	1.56	1.48
USD (US Dollar)	1.63	1.67	1.69	1.67
GBP (Pound Sterling)	2.44	2.43	2.56	2.43

in CHF

4.2 Exchange differences

Exchange differences arising from transactions in foreign currencies included in the consolidated income statement resulted in a loss of CHF 27.7 m in the 2001 fiscal year (2000: loss of CHF 26.8 m). This also comprises a foreign exchange loss of CHF 57.0 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 2000

The Baloise Group acquired the following participating interests in the year 2000: 67 percent in HBK-Spaarbank (now called Mercator Bank) in Antwerp on July 1, 2000, a holding subsequently increased to 100 percent by public tender offer; 100 percent of Baloise Bank SoBa in Solothurn (Switzerland) on July 1, 2000; and the remaining 75 percent of Amazon Insurance in Antwerp on October 1, 2000.

No significant disposals were effected in 2000.

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

The insurance portfolio of the Spanish Group company Bâloise (España) Seguros y Reaseguros was taken over by the Fortis Group per September 30, 2001. The gross premiums for the first nine months of 2001 came to CHF 72.7 million (2000, 12 months: CHF 107.0 million). The insurance portfolio was sold at intrinsic value. The guarantees granted to the buyer are fully covered by reinsurance contracts. The intention is to liquidate the company.

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

No other significant acquisitions or disposals were effected.

6. Information about Geographical and Business Segments

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

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

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

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

6.1 Gross premiums by geographical and business segments

6.1.1 Gross premiums by geographical and business segments 2000

	Non-life	Life	Elimination	**Total**
Switzerland	1,099.6	2,908.6	–	**4,008.2**
Germany	684.9	1,100.0	–	**1,784.9**
Benelux	553.5	140.4	–	**693.9**
Other countries	437.2	44.7	–	**481.9**
Elimination	- 233.6	- 18.6	- 15.5	**- 267.7**
Total	**2,541.6**	**4,175.1**	**- 15.5**	**6,701.2**

in CHF m

6.1.2 Gross premiums by geographical and business segments 2001

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

in CHF m

6.2 Change in gross premiums by geographical and business segments

	Non-life		Life		**Total**	
	2000	**2001**	2000	**2001**	2000	**2001**
Switzerland	2.5	3.2	27.1	- 1.8	**19.2**	**- 0.4**
Germany	4.0	10.3	0.6	- 2.6	**1.9**	**2.4**
Benelux	6.0	7.0	13.6	22.7	**7.4**	**10.2**
Other countries	- 9.7	- 12.5	- 24.4	- 10.7	**- 13.0**	**- 12.2**
Total	**2.6**	**4.8**	**17.5**	**- 1.3**	**11.3**	**1.0**

in % of original currency

6.3 Gross premiums by line of business

Non-life	2000	2001	Change in %
Accident	452.6	442.9	- 2.1
Health	105.9	113.6	7.3
General liability	246.6	250.6	1.6
Automobile	856.6	896.7	4.7
Transport	121.9	133.7	9.7
Property	652.0	652.5	0.1
Other	36.5	36.2	- 0.8
Reinsurance assumed	69.5	65.3	- 6.0
Total	**2,541.6**	**2,591.5**	**2.0**

Life			
Single premiums	2,017.1	1,967.1	- 2.5
Recurring premiums	2,334.4	2,339.3	0.2
Premiums for investment-type products	- 176.4	- 248.4	40.8
Total	**4,175.1**	**4,058.0**	**- 2.8**

in CHF m

6.4 Investments by business segments 2000

	Non-life	Life	Other	**Total**
Fixed-interest securities	3,116.4	13,628.6	3,163.1	**19,908.1**
Shares	2,755.3	10,159.6	415.5	**13,330.4**
Alternative financial assets	112.0	418.9	390.0	**920.9**
Derivatives	11.6	35.9	38.4	**85.9**
Investment property	975.8	3,589.1	400.9	**4,965.8**
Mortgage loans	533.3	4,623.1	5,282.3	**10,438.7**
Policy and other loans	97.6	1,417.3	341.8	**1,856.7**
Participating interests in associates	67.9	100.2	148.2	**316.3**
Other short-term investments	56.9	252.7	321.6	**631.2**
Cash and cash equivalents	303.3	279.5	177.1	**759.9**
Total	**8,030.1**	**34,504.9**	**10,678.9**	**53,213.9**

in CHF m

6.5 Investments by business segments 2001

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

in CHF m

7. Profits Arising from Investments

7.1 Investment income

	2000	2001
Fixed-interest securities	844.3	1,018.4
Shares	609.4	201.4
Alternative financial assets	7.0	7.7
Derivatives	–	–
Investment property	211.6	235.2
Mortgage loans	395.7	507.2
Policy and other loans	96.4	88.8
Participating interests in associates	14.6	21.3
Other short-term investments and cash and cash equivalents	21.8	62.0
Total (gross)	**2,200.8**	**2,142.0**
Investment management costs	- 46.4	- 60.8
Total (net)	**2,154.4**	**2,081.2**
of which from associates	14.6	21.3

in CHF m

Investment income of CHF 42.1 m from value-adjusted mortgage loans and policy and other loans has accrued as at December 31, 2001, but has not been recognized in the income statement.

7.2 Realized gains and losses: 2000

	Fixed-interest securities	Shares	Investment property	Other	**Total**
Realized gains on disposal and book gains:					
Held for trading	26.2	36.7	4.7	10.6	**78.2**
Available for sale	41.1	952.6	23.8	27.0	**1,044.5**
Held to maturity	–	–	–	–	**–**
Originated by the Group	–	–	–	1.2	**1.2**
Subtotal	67.3	989.3	28.5	38.8	**1,123.9**
Realized losses on disposal and book losses:					
Held for trading	- 18.6	0.0	- 12.2	- 57.3	**- 88.1**
Available for sale	- 50.0	- 41.4	- 3.7	- 11.4	**- 106.5**
Held to maturity	–	–	–	–	**–**
Originated by the Group	–	–	–	- 83.4	**- 83.4**
Subtotal	- 68.6	- 41.4	- 15.9	- 152.1	**- 278.0**
Impairment of value accounted for in the income statement	- 0.7	- 31.4	- 4.7	- 99.3	**- 136.1**
Reinstatement of original value accounted for in the income statement [1]	0.4	0.2	31.4	84.9	**116.9**
Total	**- 1.6**	**916.7**	**39.3**	**- 127.7**	**826.7**
Cumulative impairment of value accounted for in the income statement (net)	0.9	90.3	838.3	430.4	**1,359.9**

in CHF m

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

7.3 Realized gains and losses: 2001

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

in CHF m

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

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

	Before adjustment 12.31.2000	Adjustment[1]	After adjustment 12.31.2000	12.31.2001	Movement in business year 2001
Fixed-interest securities	93.0	118.7	211.7	273.6	61.9
Shares	5,348.4	- 699.3	4,649.1	1,919.4	- 2,729.7
Alternative financial assets	–	304.6	304.6	192.6	- 112.0
Derivatives held for cash flow hedges	- 9.1	23.5	14.4	- 4.6	- 19.0
Investment property	673.5	- 673.5	–	–	–
Mortgage loans	–	–	–	–	–
Policy and other loans	–	–	–	–	–
Participating interests in associates	125.7	–	125.7	79.5	- 46.2
Other short-term investments	0.1	–	0.1	0.0	- 0.1
Subtotal (gross)	6,231.6	- 926.0	5,305.6	2,460.5	- 2,845.1
Less amounts relating to:					
Deferred acquisition costs (life)	- 750.6	256.9	- 493.7	- 237.9	255.8
Surplus shares to policyholders (life)	- 500.3	207.4	- 292.9	- 110.8	182.1
Minority interests	- 30.8	–	- 30.8	- 3.4	27.4
Deferred tax	- 953.7	105.2	- 848.5	- 385.8	462.7
Foreign exchange differences	- 138.2	- 5.9	- 144.1	- 196.0	- 51.9
Total (net)	**3,858.0**	**- 362.4**	**3,495.6**	**1,526.6**	**- 1,969.0**

in CHF m

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

During the year 2001, fixed-interest securities with no market value but with book value amounting to CHF 26.7 million were sold. The gains realized on these disposals came to CHF 34,230.

[1] The adjustment results from the application of IAS 39 & 40 and the separate statement of alternative financial assets.

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

	2000	2001
At January 1 (gross)	**7,090.2**	**5,305.6**
Movement in unrealized gains and losses on financial assets available for sale	- 1,163.2	- 2,779.9
Movement on unrealized gains and losses on real estate	- 673.5	–
Movement on unrealized gains and losses on associates	36.9	- 46.2
Movement on hedging reserve relating to derivatives held for cash flow hedges	15.2	- 19.0
At December 31 (gross)	**5,305.6**	**2,460.5**

in CHF m

8. Investment Property

	2000	2001
At January 1	**4,661.5**	**4,965.8**
Additions	342.7	262.5
Additions due to changes in composition of consolidated Group	87.0	13.1
Disposals	- 150.2	- 232.5
Disposals due to changes in composition of consolidated Group	–	–
Impairment of value accounted for in income statement	- 4.7	–
Reinstatement of original value accounted for in income statement	31.4	–
Change in market value	66.1	65.1
Exchange differences	- 68.0	- 31.8
At December 31	**4,965.8**	**5,042.2**
Cumulative impairment of value accounted for in the income statement (net)	838.3	–

in CHF m

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

9. Participating Interests in Associates

	Book value		Share of profit		Holding	
	2000	**2001**	2000	**2001**	2000	**2001**
DePfa Beteiligungs-Holding II GmbH						
Düsseldorf	124.3	97.3	2.5	1.7	40.0%	40.0%
Brinvest, Antwerp	70.3	58.3	1.2	1.1	31.2%	31.2%
Rec-Hold, Brussels	45.6	42.1	0.0	0.0	29.8%	30.7%
Roland Rechtsschutz Versicherungs AG, Cologne	15.4	19.2	0.9	8.8	25.0%	25.0%
Other	60.7	72.2	10.0	9.7	–	–
Total	**316.3**	**289.1**	**14.6**	**21.3**		

in CHF m

There are no significant amounts due from or to associates.

Further information about associates is given in Note 34, “Significant subsidiaries and participating interests at December 31, 2001”.

10. Derivatives

	Contract value		Fair value: assets		Fair value: liabilities	
	2000	**2001**	2000	**2001**	2000	**2001**
Interest rate instruments:						
Forward exchange transactions	–	–	–	–	–	–
Swaps	1,754.8	2,190.4	36.6	18.2	2.0	4.4
OTC options	–	–	–	–	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	1,754.8	2,190.4	36.6	18.2	2.0	4.4
Equity instruments:						
Forward exchange transactions	–	–	–	–	–	–
OTC options	219.6	237.4	0.0	–	51.7	39.3
Traded options	44.6	23.8	45.4	0.1	3.2	2.0
Traded futures	–	–	–	–	–	–
Subtotal	264.2	261.2	45.4	0.1	54.9	41.3
Exchange rate instruments:						
Forward exchange transactions	178.8	76.3	3.9	1.0	3.9	1.0
Swaps	77.2	70.3	–	–	23.4	13.2
OTC options	2.9	203.0	0.0	0.0	0.0	0.0
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	258.9	349.6	3.9	1.0	27.3	14.2
Total	**2,277.9**	**2,801.2**	**85.9**	**19.3**	**84.2**	**59.9**

in CHF m

11. Investments for Unit-Linked Life Insurance

	2000	**2001**
Fixed-interest securities	31.9	94.8
Shares	281.3	354.4
Alternative financial assets	–	–
Derivatives	–	–
Investment property	–	–
Mortgage loans	–	–
Policy and other loans	–	–
Other short-term investments	39.0	62.4
Cash and cash equivalents	10.2	0.8
Total	**362.4**	**512.4**

in CHF m

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

12. Intangible Assets

12.1 Intangible assets 2000

	Goodwill	Negative goodwill	Present value of profits from insurance contracts acquired	Other intangible assets	**Total**
Book value at January 1	127.5	- 8.4	–	76.8	**195.9**
Additions arising from changes in composition of consolidated Group	64.9	- 32.2	–	39.1	**71.8**
Additions arising from changes in share of investments held	19.3	- 18.1	–	–	**1.2**
Additions from internal development	–	-	–	22.4	**22.4**
Disposals	–	- 1.3	–	- 9.4	**- 10.7**
Disposals arising from changes in composition of consolidated Group	–	–	–	–	**–**
Subsequent goodwill adjustment	–	–	–	–	**–**
Amortization / write-backs	- 29.8	8.4	–	- 24.0	**- 45.4**
Impairment of value accounted for in income statement	–	–	–	–	**–**
Reinstatement of original value accounted for in income statement	–	–	–	–	**–**
Deferred interest	–	–	–	–	**–**
Exchange differences	- 0.7	–	–	- 1.7	**- 2.4**
Book value at December 31	181.2	- 51.6	–	103.2	**232.8**
Cost	551.7	- 98.7	–	181.4	**634.4**
Accumulated amortization and write-downs	- 370.5	47.1	–	- 78.2	**- 401.6**
At December 31 (net)	**181.2**	**- 51.6**	**–**	**103.2**	**232.8**

in CHF m

12.2 Intangible assets 2001

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

in CHF m

The estimated amounts for goodwill amortization for the years 2002 to 2007 vary between CHF 5 m and CHF 15 m.

13. Tangible Non-Current Assets

13.1 Property, plant and equipment for own use: 2000

	Land	Buildings	Plant and equipment	Total
Cost	91.7	849.1	150.1	**1,090.9**
Accumulated depreciation and write-downs	–	- 299.5	- 103.6	**- 403.1**
At December 31 (net)	**91.7**	**549.6**	**46.5**	**687.8**
of which assets under finance leases	–	146.0	–	**146.0**

in CHF m

13.2 Property, plant and equipment for own use: 2001

	Land	Buildings	Plant and equipment	Total
Book value at January 1	91.7	549.6	46.5	**687.8**
Additions	0.0	5.1	5.5	**10.6**
Additions arising from changes in composition of consolidated Group	–	–	–	**–**
Disposals	- 1.1	- 16.0	- 1.4	**- 18.5**
Disposals arising from changes in composition of consolidated Group	–	–	–	**–**
Depreciation	–	- 19.6	- 3.7	**- 23.3**
Impairment of value accounted for in income statement	–	–	–	**–**
Reinstatement of original value accounted for in income statement	–	–	–	**–**
Exchange differences	- 0.4	- 8.5	- 1.0	**- 9.9**
Book value at December 31	90.2	510.6	45.9	**646.7**
Cost	90.2	760.1	88.2	**938.5**
Accumulated depreciation and write-downs	–	- 249.5	- 42.3	**- 291.8**
At December 31 (net)	**90.2**	**510.6**	**45.9**	**646.7**
of which assets under finance leases	–	139.0	–	**139.0**

in CHF m

13.3 Other tangible non-current assets: 2000

	Machinery/ furniture/ motor vehicles	IT equipment	Total
Cost	100.3	76.8	**177.1**
Accumulated depreciation and write-downs	- 46.7	- 49.7	**- 96.4**
At December 31 (net)	**53.6**	**27.1**	**80.7**
of which assets under finance leases	0.2	15.2	**15.4**

in CHF m

13.4 Other tangible non-current assets: 2001

	Machinery/ furniture/ motor vehicles	IT equipment	Total
Book value at January 1	53.6	27.1	**80.7**
Additions	22.1	45.8	**67.9**
Additions arising from changes in composition of consolidated Group	0.5	0.2	**0.7**
Disposals	- 16.1	- 0.3	**- 16.4**
Disposals arising from changes in composition of consolidated Group	–	–	**–**
Depreciation	- 15.5	- 27.9	**- 43.4**
Impairment of value accounted for in income statement	–	–	**–**
Reinstatement of original value accounted for in income statement	–	–	**–**
Exchange differences	- 0.5	- 0.7	**- 1.2**
Book value at December 31	44.1	44.2	**88.3**
Cost	83.8	98.1	**181.9**
Accumulated depreciation and write-downs	- 39.7	- 53.9	**- 93.6**
At December 31 (net)	**44.1**	**44.2**	**88.3**
of which assets under finance leases	0.2	11.3	**11.5**

in CHF m

14. Deferred Acquisition Costs

	Non-life		Life		Total	
	2000	**2001**	2000	**2001**	2000	**2001**
At January 1	**148.5**	**131.9**	**129.4**	**277.1**	**277.9**	**409.0**
Deferred during the year under review	158.1	204.9	99.6	130.7	**257.7**	**335.6**
Written off in the year under review	- 171.6	- 199.4	- 62.0	- 60.4	**- 233.6**	**- 259.8**
Written off in the year under review due to anticipated loss	0.3	- 0.3	–	–	**0.3**	**- 0.3**
Change as a result of unrealized gains and losses on investments	–	–	149.0	247.4	**149.0**	**247.4**
Disposals arising from changes in composition of the consolidated Group	–	–	–	–	**–**	**–**
Exchange differences	- 3.4	- 1.6	- 38.9	- 6.2	**- 42.3**	**- 7.8**
At December 31	**131.9**	**135.5**	**277.1**	**588.6**	**409.0**	**724.1**

in CHF m

15. Loss Reserves Including Claims Processing Costs

	2000	2001
At January 1 (gross)	**3,994.5**	**4,021.5**
Amount attributable to reinsurers	- 318.2	- 307.1
Loss reserves for own account	3,676.3	3,714.4
Claims incurred (including claims processing costs)		
For current year	1,711.6	1,750.4
For prior years	16.3	34.6
Total	**1,727.9**	**1,785.0**
Payments made for loss and claims processing costs		
For current year	- 894.4	- 895.8
For prior years	- 747.7	- 645.4
Total	**- 1,642.1**	**- 1,541.2**
Other movements		
Changes in composition of consolidated Group	2.5	- 94.1
Exchange differences	- 50.2	- 35.8
Total	**- 47.7**	**- 129.9**
At December 31 (net)	**3,714.4**	**3,828.3**
Loss reserves for own account	3,714.4	3,828.3
Amount attributable to reinsurers	307.1	353.7
Loss reserves at December 31 (gross)	**4,021.5**	**4,182.0**

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 2000, these provisions, which are included in the total provision, amounted to CHF 448.6 m, and they stood at CHF 429.2 m at the end of 2001. Most of these amounts relate to the processing of long-term claims arising from former insurance activities in the London market.

16. Actuarial Reserve: Life

	2000	2001
Long-term contracts		
Contracts with surplus sharing	26,199.5	27,418.2
Contracts without surplus sharing	115.0	140.7
Total	**26,314.5**	**27,558.9**

in CHF m

17. Policyholder Bonuses

17.1 Policyholder Bonuses Credited And Provision For Future Policyholder Bonuses

	2000	2001
Policyholder bonuses credited	3,709.3	3,583.6
Provision for future policyholder bonuses	1,059.3	614.1
Total	**4,768.6**	**4,197.7**

in CHF m

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

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

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

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

17.2 Adjustment of previous year's figures

In 2000, policyholder bonuses credited amounting to CHF 1,545.5 million were included under Payables arising from insurance operations. In the 2001 financial statements, the previous year's figures have been adjusted correspondingly.

18. Reinsurance

18.1 Technical provisions and deposits arising from reinsurance business

		Gross		Investments and deposits arising from reinsurance business		Net
	2000	**2001**	2000	**2001**	2000	**2001**
Unearned premiums reserves	629.9	380.9	16.0	6.4	613.9	374.5
Loss reserves	4,021.5	4,182.0	307.1	353.7	3,714.4	3,828.3
Actuarial reserve: life	26,314.5	27,558.9	187.2	212.0	26,127.3	27,346.9
Policyholder bonuses credited and provision for future policyholder bonuses	4,768.6	4,197.7	0.3	0.1	4,768.3	4,197.6
Total technical provisions	**35,734.5**	**36,319.5**	**510.6**	**572.2**	**35,223.9**	**35,747.3**
Deposits arising from reinsurance	–	–	48.3	11.9	–	–
Impairment of value accounted for in income statement	–	–	–	–	–	–
Total investments and deposits arising from reinsurance business	**–**	**–**	**558.9**	**584.1**	**–**	**–**

in CHF m

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

In the year 2001, 3 percent of gross premiums and policy fees were ceded to external reinsurers (2000: 3 percent). 81 percent of reinsurance are ceded to reinsurers rated AA (Standard & Poor's) or better.

Basically, no reinsurance is ceded to any company that does not have at least an A rating (S&P).

18.2 Premiums earned and policy fees

18.2.1 Premiums earned and policy fees: 2000

	Non-life	Life	Elimination	Total
Direct gross premiums earned	2,487.3	4,175.1	–	**6,662.4**
Indirect gross premiums earned	70.8	–	- 16.0	**54.8**
Total gross premiums earned	**2,558.1**	**4,175.1**	**- 16.0**	**6,717.2**
Reinsurance ceded	- 202.9	- 44.3	14.7	**- 232.5**
Total net premiums earned	**2,355.2**	**4,130.8**	**- 1.3**	**6,484.7**

in CHF m

18.2.2 Premiums earned and policy fees: 2001

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

in CHF m

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

	2000	**2001**
Deposits (held as assets)	7.0	8.8
Deposit fund liabilities	- 0.1	- 0.1
Total deposits (net)	**6.9**	**8.7**

in CHF m

18.4 Movements on deposits in deposit accounting

	2000	**2001**
At January 1	**22.3**	**6.9**
Increases in deposits	- 8.9	3.1
Redemptions	- 5.6	- 0.9
Exchange differences	- 0.9	- 0.4
At December 31	**6.9**	**8.7**

in CHF m

19. Liabilities from Banking Business and Loans

19.1 Liabilities from banking business and loans

	2000	2001
Amounts due to banks	2,051.6	1,330.2
Fixed-term deposits payable	12.6	12.3
Loans	112.3	90.2
Mortgages	0.2	0.2
Savings and bank customer deposits	4,349.2	4,520.6
Medium-term fixed-rate notes	1,813.0	1,906.3
Mortgage bonds	443.1	576.1
Bonds	1,085.4	1,088.1
Liabilities under finance leases	181.5	173.2
Total	**10,048.9**	**9,697.2**

in CHF m

Of these, CHF 18,9 m relate to subordinated liabilities as at December 31, 2001.

19.2 Bonds

	2000	2001
At January 1	**479.5**	**1,085.4**
Initial offer price of newly issued bonds	603.0	–
Embedded derivative	–	–
Deferred tax portion	–	–
Additions (subtotal)	603.0	–
Disposals/redemptions	–	–
Interest expense	21.2	39.9
Interest paid	- 18.3	- 37.2
Accrued interest (subtotal)	2.9	2.7
At December 31	**1,085.4**	**1,088.1**

in CHF m

19.3 Terms applicable to the bonds outstanding

	Bâloise Finance (Jersey) Ltd.	Bâloise-Holding	Bâloise-Holding
Nominal value in CHF m	200	300	600
Interest rate	1.0%	3.25%	4.25%
Effective interest rate	3.2%	3.25%	4.25%
Advance redemption date	–	–	–
Redemption amount	100%	100%	100%
Conversion rights	in UBS shares	no	no
Year of issue	1998	1998	2000
Redemption date	April 7, 2006	April 7, 2008	Sept. 28, 2005
Security number	SWX 858858	SWX 858851	SWX 1123532

19.4 Reconciliation between minimum lease and their present value

	2000	**2001**
Lease period:		
‹ 1 year	15.5	15.1
1–5 years	44.4	43.3
› 5 years	224.9	208.2
Total minimum lease payments	**284.8**	**266.6**
Future finance expenses	- 103.3	- 93.4
Total present value	**181.5**	**173.2**

in CHF m

20. Financial Provisions for the Year 2001

	Restructuring	Other	**Total**
At January 1	**34.3**	**93.2**	**127.5**
Currency translation	0.0	- 0.5	- **0.5**
Additional provisions charged to income	7.5	21.4	**28.9**
Unused amounts reversed and released to income	- 29.2	- 13.3	- **42.5**
Amounts used charged against the provision	–	- 0.8	- **0.8**
Increase owing to mark-up for interest	–	–	**–**
At December 31	**12.6**	**100.0**	**112.6**

in CHF m

21. Tax on Income

21.1 Current and deferred tax on income

	2000	2001
Switzerland		
Current tax	67.7	64.1
Deferred tax	37.0	43.5
Subtotal	104.7	107.6
Germany		
Current tax	20.7	5.9
Deferred tax	- 29.9	- 2.6
Subtotal	- 9.2	3.3
Benelux		
Current tax	1.1	20.8
Deferred tax	- 20.0	- 15.5
Subtotal	- 18.9	5.3
Other countries		
Current tax	4.1	2.3
Deferred tax	13.9	- 1.6
Subtotal	18.0	0.7
Total: all countries		
Current tax	93.6	93.1
Deferred tax	1.0	23.8
Total	**94.6**	**116.9**

in CHF m

21.2 Expected and actual tax on income

	2000	2001
Expected tax on income	172.4	123.1
Increase / decrease due to		
tax-exempt interest and dividend credits	- 5.6	- 13.4
tax-exempt gains from shares and participating interests	- 62.9	- 11.3
non-deductible expenses	13.7	11.1
Withholding tax for dividends	5.3	4.4
Change in interest rates	- 0.7	- 0.5
Tax elements unrelated to accounting period	- 20.4	4.4
Disposal of enterprises	–	–
Other	- 7.2	- 0.9
Actual tax on income	**94.6**	**116.9**

in CHF m

The expected average tax rate of the Baloise Group came to 23.6 percent both in 2000 and 2001. These rates correspond to the weighted average of the tax rates of those countries in which the Baloise Group operates.

The reasons for the difference between tax on income calculated on the basis of these rates and the actual tax expense are set out in the table above.

21.3 Deferred tax assets and liabilities

	2000	2001
Reasons for deferred tax assets		
Unearned premiums reserves	15.6	11.5
Loss reserves	54.6	5.2
Actuarial reserve (life)	77.8	214.5
Unrealized losses on investments	5.2	2.1
Losses brought forward	21.7	22.3
Other	272.3	312.0
Total	**447.2**	**567.6**
Reasons for deferred tax liabilities		
Deferred acquisition costs	133.0	194.1
Unearned premiums reserves	17.8	27.8
Loss reserves	190.8	170.1
Actuarial reserve (life)	102.1	86.6
Unrealized gains on financial investments	833.2	392.9
Depreciable assets	43.5	32.0
Other intangible assets	8.4	1.0
Other	618.0	736.4
Total	**1,946.8**	**1,640.9**
Total (net)	**1,499.6**	**1,073.3**

in CHF m

The tax on income payable at the end of 2000 and 2001, which is included in other liabilities, amounted to CHF 158.9 m and 114.5 m respectively. At December 2001, the Baloise Group had losses carried forward that can be offset against tax of CHF 58.2 m (which are subject to statutory regulations). Most tax losses and tax credits lapse after five or more years.

22. Number of Employees and Personnel Costs

The Baloise had 8,623 employees on December 31, 2001; on December 31, the number of employees was 8,425. Total personnel costs for the fiscal year 2001 amounted to CHF 1,079.4 m, compared with CHF 1,024.6 m the previous year.

23. Benefits Due to Employees

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

23.1 Assets and liabilities relating to employee benefits

	Assets relating to employee benefits		Liabilities relating to employee benefits	
	2000	**2001**	2000	**2001**
Type of benefits				
Short-term benefits	11.7	11.6	111.4	115.5
Postemployment benefits: defined contribution plans	–	–	3.4	1.5
Postemployment benefits: defined benefit plans	39.2	39.2	379.1	383.3
Other long-term benefits	–	–	22.8	23.0
Termination benefits	1.0	1.5	46.9	36.3
Equity benefits	–	–	–	–
Total	**51.9**	**52.3**	**563.6**	**559.6**

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

	2000	2001
Present value of funded obligations	- 1,688.3	- 1,737.7
Fair value of plan assets	1,873.1	1,815.6
Funding surplus	184.8	77.9
Present value of unfunded obligations	- 323.5	- 348.3
Unrecognized actuarial gains / losses	- 92.2	64.1
Net pension obligation	- 230.9	- 206.3
Liabilities relating to other benefits	- 16.1	- 20.6
Net liabilities relating to defined benefit plans	**- 247.0**	**- 226.9**
of which disclosed as liabilities	- 379.1	- 383.3
of which disclosed as assets	39.2	39.2
of which not disclosed as assets	92.9	117.2

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 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 183.8 m at December 2001 and CHF 264.4 m at December 2000. The plan assets do not include property leased to the Baloise Group.

23.2.2 Expenses relating to defined benefit plans

	2000	2001
Current service cost	60.2	65.2
Interest cost	83.6	82.8
Expected return on plan assets	- 91.9	- 91.6
Redemption of actuarial gains and losses	–	–
Effect of any changes and use restrictions	21.8	23.4
Employees' contributions	- 11.4	- 12.3
Total expense for pension benefits	**62.3**	**67.5**
Expense for other benefits	1.1	1.1
Total expense relating to defined benefit plans	**63.4**	**68.6**

in CHF m

23.2.3 Income from plan assets

	2000	2001
Expected return on plan assets	- 91.9	- 91.6
Gains or losses on plan assets	- 56.0	111.2
Total income from plan assets	**- 147.9**	**19.6**

in CHF m

23.2.4 Net obligations in respect of pension benefits

	2000	2001
At January 1	**322.2**	**323.5**
Exchange differences	- 18.5	- 9.5
Increase due to changes in composition of consolidated Group	12.3	–
Decrease due to changes in composition of consolidated Group	–	–
Amount recognized in income statement	62.3	67.5
Payments by employer	- 54.8	- 58.0
At December 31	**323.5**	**323.5**

in CHF m

23.2.5 Actuarial assumptions

	2000	2001
Discount rate	4.4	4.1
Expected rate of return on plan assets	5.3	5.0
Expected increases in wages and salaries	2.6	2.2
Expected increases in pension benefits	1.2	1.2

in %

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

23.3 Other long-term employee benefits

Benefits payable to current employees twelve months or more after the end of the fiscal year are disclosed separately in accordance with specific requirements. The requirements are similar to those applying to pension obligations. Most of the benefits are employee service anniversary benefits. At December 31, 2001, the present value of the obligation was CHF 23.0 m (2000: CHF 22.8 m). No plan assets were deducted for long-term benefits. Other long-term employee benefits amounting to CHF 2.7 m (2000: CHF 3.3 m) are included in the income statement.

23.4 Equity benefits: purchase of shares by employees

The Baloise Employee Trust set up in 1989 gives the employees of various Group companies the opportunity, subject to the rules issued by the Trust's Board, to acquire shares in Bâloise-Holding, usually on an annual basis, at a preferential subscription price. The employees pay the subscription price to the Trust during the current fiscal year and determine themselves the blocking period for the sale of the shares, which must be at least three years. During the year under review, 156,951 shares (2000: 184,640 shares) were purchased at a price of CHF 76 (2000: CHF 85). The 2000 figures have been adjusted at a rate of 1:10 as a result of the share split on July 24, 2001.

23.5 Equity benefits: share participation scheme

	2001
Number of shares subscribed to	122,850
Blocked until	5.31.2003
Subscription price per share	165.96
Value of shares subscribed to (in CHF m)	20.4

23.6 Equity benefits: share option scheme

	2000	2001
Stock exchange designation for options	BALUP	BALUP
Number of options issued	394,866	666,604
Blocked until	6.1.2002	6.1.2003
Number of underlying Bâloise-Holding shares	39,487	66,660
Exercise price in CHF	169.4	167.8
Expiry date	6.15.2005	6.15.2005
Expenses of the Baloise Group in CHF m	1.4	1.6

24. Equity

24.1 Share capital

	Number of shares	Share capital
At December 31, 1999	5,862,000	58.6
Capital reduction	- 191,600	- 1.9
At December 31, 2000	**5,670,400**	**56.7**
Capital reduction	- 139,685	- 1.4
Reduction of nominal value	–	- 49.8
Share split 1:10	49,776,435	–
At December 31, 2001	**55,307,150**	**5.5**

in CHF m

The Bâloise-Holding registered shares are fully paid up and have a nominal value of CHF 0.1 (2000: CHF 10). A total of 83,000 shares at December 31, 2000 (before split) and 560,000 at December 31, 2001 (after split) were held by Group companies. Entry in the share register is limited to 2 percent of voting rights for individuals and bodies corporate. In the course of its normal investment business, the Baloise Group purchases and sells its own shares.

The Bâloise-Holding Annual General Meeting of May 11, 2001 decided to repurchase 139,685 Bâloise-Holding shares at a price of CHF 2,100 per share. For this purpose, a put option for each share was issued free of charge. By the destruction of the 139,685 registered shares repurchased for a total of CHF 293.2 m, the share capital was reduced by CHF 1.4 m. Then, in accordance with a decision of the Annual General Meeting of May 11, 2001, the nominal value of the shares was reduced by CHF 9 to CHF 1 through repayment to the shareholders, and a 1:10 split was effected. Since then, the share capital of CHF 5.5 m has been made up of 55,307,150 shares with a nominal value of CHF 0.1 each.

Capitalization regulations: Under supervisory law, minimum capital regulations (solvency regulations) apply to subsidiaries which carry out insurance business. At December 31, 2000 and December 31, 2001, 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, 2002, a dividend of CHF 2.40 per share (2000: CHF 24) will be proposed for the 2001 fiscal year, a total figure of CHF 132.7 m (2000: CHF 136.1 m). The proposed dividend has not been included in the consolidated financial statements for the 2001 fiscal year. It will be charged to accumulated profit following the adoption of the resolution at the 2002 Annual General Meeting.

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

25. Earnings Per Share

	2000	2001
Consolidated net profit in CHF m	634.4	404.4
Average number of shares	56,404,340	55,286,619
Earnings per share in CHF	**11.25**	**7.31**

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. The average number of shares has been adjusted for the years 2000 and 2001 owing to the 1:10 share split of July 24, 2001.

26. Minority Interests

	2000	2001
At January 1	**157.2**	**46.2**
Share of consolidated net profit	3.1	1.7
Change in share of unrealized gains and losses in equity	- 40.4	- 27.4
Increase / decrease due to changes in share of investment held	- 58.1	18.1
Increase / decrease due to changes in composition of consolidated Group	–	–
Exchange differences	- 15.6	2.9
At December 31	**46.2**	**41.5**

in CHF m

27. Interest Payable

	2000	2001
Interest on policyholder bonuses credited	103.8	105.4
Savings and customer deposits	114.4	177.5
Medium-term fixed-rate notes	56.5	95.6
Mortgage bonds	6.4	17.0
Bonds	21.2	39.9
Other interest	77.7	63.2
Total	**380.0**	**498.6**

in CHF m

28. Related-Party Transactions

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

29. Supplemental Cash Flow Disclosure

	2000	**2001**
Cash and bank balances	746.3	870.4
Cash equivalents	13.6	17.9
Total	**759.9**	**888.3**

in CHF m

30. Market Risk Relating to Financial Instruments

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

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

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

30.1 Derivatives: fair value hedges

At the end of 2000 and 2001, no derivatives were held as fair value hedges.

30.2 Derivatives: fair value hedges

	Contract value		Fair value: assets		Fair value: liabilities	
	2000	2001	2000	2001	2000	2001
Interest rate instruments:						
Forward exchange transactions	–	–	–	–	–	–
Swaps	1,374.2	1,605.5	36.0	14.8	0.5	0.3
OTC options	–	–	–	–	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	1,374.2	1,605.5	36.0	14.8	0.5	0.3
Equity instruments:	–	–	–	–	–	–
Forward exchange transactions	–	–	–	–	–	–
OTC options	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Exchange rate instruments:						
Forward exchange transactions	–	–	–	–	–	–
Swaps	77.2	–	–	–	23.5	–
OTC options	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	77.2	–	–	–	23.5	–
Total	**1,451.4**	**1,605.5**	**36.0**	**14.8**	**24.0**	**0.3**

in CHF m

30.3 Currency risk

The insurance activities of the Baloise Group are conducted almost entirely in Swiss francs and the euro, and therefore the technical provisions are also in these two currencies. Investments held by foreign subsidiaries are to a large extent currency-matched. In order to increase income, the Swiss companies hold a net euro position of CHF 3,153.6 m (2000: CHF 3,153.0 m), a net US dollar position of CHF 2,164.6 m (2000: 1,886.0 m) and a net Japanese yen position of CHF 249.9 (2000: CHF 327.9 m). Other net currency positions, whether assets or liabilities, are of little amount. Foreign currency positions are hedged only to a minor extent, with the exception of one USD 120 m position.

30.4 Credit risk

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

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

30.5 Concentration of credit risks

	2000	**2001**
Shares and fixed-interest securities › 10% of consolidated equity		
Bayerische Hypo- und Vereinsbank, Munich	1,043.2	901.4
Novartis AG, Basel	1,105.8	873.4
UBS AG, Zurich	901.2	838.0
Federation of Switzerland	750.5	757.9
Nestlé AG, Vevey	734.4	685.8
Federal Republic of Germany	414.3	656.0
Roche AG, Basel	987.5	584.2
CS Group, Zurich	749.7	570.2

in CHF m

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, 2000

	Due in ‹ 1 year	Due in 1–5 years	Due in › 5 years	Total
Assets with due date	12,543.1	12,762.0	9,652.4	**34,957.5**
Assets without fixed due date	–	–	–	**24,326.5**
Liabilities with due date	- 8,640.9	- 1,753.0	- 4,799.4	**- 15,193.3**
Liabilities without fixed due date	–	–	–	**- 36,671.7**
Net liquidity risk	**3,902.2**	**11,009.0**	**4,853.0**	**7,419.0**

in CHF m

30.7.2 Liquidity risk at December 31, 2001

	Due in ‹ 1 year	Due in 1–5 years	Due in › 5 years	Total
Fixed-interest securities	1,831.5	9,032.5	9,705.3	**20,569.3**
Mortgage loans	5,337.0	3,838.2	1,325.2	**10,500.4**
Policy and other loans	531.7	683.8	447.6	**1,663.1**
Other investments	695.1	–	–	**695.1**
Other assets	4,247.2	–	4.8	**4,252.0**
Assets without fixed due date	–	–	–	**19,814.9**
Total	**12,642.5**	**13,554.5**	**11,482.9**	**57,494.8**
Liabilities from banking business and loans	- 5,583.0	- 2,838.9	- 1,275.3	**- 9,697.2**
Payables arising out of insurance operations	- 1,896.9	- 5.2	–	**- 1,902.1**
Other liabilities	- 1,490.4	- 36.3	- 407.8	**- 1,934.5**
Liabilities without fixed due date	–	–	–	**- 38,534.7**
Total	**- 8,970.3**	**- 2,880.4**	**- 1,683.1**	**- 52,068.5**
Net liquidity risk	**3,672.2**	**10,674.1**	**9,799.8**	**5,426.3**

in CHF m

30.8 Market value of financial assets and liabilities and market risks

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

30.8.1 Financial assets and liabilities not shown at market value

		Book value		Market value
	2000	**2001**	2000	**2001**
Fixed-interest securities held to maturity	160.7	159.7	163.5	162.7
Mortgage loans	10,438.7	10,500.4	10,564.5	10,590.0
Policy and other loans	1,856.7	1,663.1	1,852.9	1,669.8
Liabilities from banking business and loans	10,048.9	9,697.2	10,094.6	9,719.4

in CHF m

The market values of these financial assets and liabilities have been determined in accordance with the rules set out in Note 3.19, “Fair value of financial assets and liabilities”.

31. Companies Consolidated on a Proportionate Basis

	2000	**2001**
Included in balance sheet and income statement		
Investments	889.5	812.8
Intangible assets and tangible non-current assets	20.2	17.3
Liabilities	948.5	766.7
Equity	103.3	83.0
Income	111.5	143.1
Expenses	137.6	138.1

in CHF m

32. Contingent Liabilities and Commitments

32.1 Legal disputes

The Baloise Group and its subsidiaries are constantly faced with legal disputes, claims and complaints which in most cases stem from normal insurance operations. However, 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 2001. This also applies with reference to the civil action in connection with the minority stake in Tirrena, Rome, that was sold in 1990. In a first-instance ruling by a judge sitting alone, in Rome, the Baloise was ordered to pay around CHF 70 m. The Baloise has appealed and considers a corresponding cash flow unlikely, and hence provisions have been set aside for the legal costs only.

32.2 Capital commitments

	2000	**2001**
Commitments entered into for the future purchase of		
Investments	159.9	532.6
Tangible non-current assets	–	–
Intangible assets	–	–
Total commitments entered into	**159.9**	**532.6**
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 equity 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

	2000	2001
Warranties	1,040.5	706.0
Guaranties	6.9	3.9
Total warranties and guaranties for the benefit of third parties	**1,047.4**	**709.9**
of which for the benefit of partners in joint ventures	–	–
of which from joint ventures	–	–
of which for the benefit of joint ventures	–	–

in CHF m

32.5 Assets assigned or pledged as security

		Assets		Amount of hedged obligation
	2000	2001	2000	2001
Investments	1,882.3	2,468.9	1,863.5	1,728.2
Tangible non-current assets	–	–	–	–
Intangible assets	–	–	–	–
Other assets	–	–	–	–
Total	**1,882.3**	**2,468.9**	**1,863.5**	**1,728.2**

in CHF m

32.6 Obligations under operating leases

	Lease payments
2002	1.5
2003	0.2
2004	0.1
2005	0.0
2006 and later	0.5
Total	**2.3**

in CHF m

33. Events after the Balance Sheet Date

Up to the completion of the present consolidated financial statements on March 27, 2002, 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, 2001

Switzerland	Principal activity	Holding in %	Method of inclusion[1]	Currency	Total assets in millions	Gross premiums/ policy fees in millions
Bâloise-Holding, Basel	Holding	Holding		CHF	2,055.8	–
Baloise Insurance Company, Basel	Non-life	100.00	F	CHF	5,886.1	1,135.0
Baloise Life Insurance Company, Basel	Life	100.00	F	CHF	23,150.8	2,837.0
Baloise Bank SoBa, Solothurn	Banking	100.00	F	CHF	5,269.5	–
Haakon AG, Basel	Other	74.75	F	CHF	49.9	–
Prevo-System AG, Basel	Other	26.00	E	CHF	–	–
Baloise Asset Management Switzerland Ltd., Basel	Asset management	100.00	F	CHF	4.2	–
Baloise Asset Management International Ltd., Basel	Investment advice	100.00	F	CHF	1.9	–

Germany						
Basler Versicherung Beteiligungsgesellschaft mbH, Hamburg	Holding	100.00	F	DEM	465.0	–
Deutscher Ring Lebensversicherungs-AG, Hamburg	Life	97.77	F	DEM	15,349.8	1,189.9
Deutscher Ring Sachversicherungs-AG, Hamburg	Non-life	100.00	F	DEM	1,780.0	580.3
Deutscher Ring Bausparkasse AG, Hamburg	Banking	100.00	F/P	DEM	1,205.0	–
Deutscher Ring Beteiligungsholding GmbH, Hamburg	Other	65.00	F/P	DEM	604.0	–
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	Other	40.00	E	DEM	–	–
Deutscher Ring Financial Services GmbH, Hamburg	Other	100.00	F/P	DEM	12.5	–
Grocon Erste Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F	DEM	44.0	–
Grocon Zweite Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F/P	DEM	49.0	–
OVB Vermögensberatung AG, Cologne	Other	70.00	F/P	DEM	136.2	–
Pylon Unternehmensberatungen GmbH, Hamburg	Other	65.00	F/P	DEM	13.4	–
Roland Rechtsschutz Beteiligungs GmbH, Cologne	Other	60.00	F/P	DEM	43.4	–
Roland Rechtsschutz Versicherungs-AG, Cologne	Other	25.02	E	DEM	–	–
Zeus Vermittlungsgesellschaft mbH, Hamburg	Other	90.10	F/P	DEM	30.0	–

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

(continued)

Belgium	Principal activity	Holding in %	Method of inclusion[1]	Currency	Total assets in millions	Gross premiums/ policy fees in millions
Mercator Verzekeringen N.V., Ghent / Antwerp	Life and Non-life	100.00	F	BEF	93,844.5	16,240.8
Amazon Insurance N.V., Antwerp	Non-life	100.00	F	BEF	676.1	513.6
Mercator, Re N.V., Antwerp	Reinsurance	100.00	F	BEF	253.4	1.1
HBK-Leven N.V., Antwerp	Life	100.00	F	BEF	1,729.6	840.8
Euromex N.V., Antwerp	Non-life	100.00	F	BEF	139.8	694.1
Mercator Banque S.A., Antwerp	Banking	100.00	F	EUR	2,927.0	–
Corluy en C° Beurvennootschap N.V., Antwerp	Banking	37.50	E	BEF	–	–
Amid N.V., Ghent	Other	97.16	F	BEF	143.1	–
Antwerp Real Estate N.V., Antwerp	Other	84.00	F	BEF	226.3	–
Automobielcenter Gent N.V., Ledeberg	Other	97.38	F	BEF	226.1	–
Belcar N.V., Aartselaar	Other	75.00	F	BEF	481.3	–
Brinvest N.V., Antwerp	Other	31.19	E	BEF	–	–
Conjuncta N.V., Antwerp	Other	100.00	F	BEF	216.4	–
Hondius N.V., Antwerp	Other	100.00	F	BEF	570.5	–
Mercarios N.V., Antwerp	Other	50.00	P	BEF	422.5	–
Merno-Immo N.V., Ghent	Other	99.75	F	BEF	809.0	–
Plastic Investment Company, Kortrijk	Other	29.00	E	BEF	–	–
Rec-Hold, Brussels	Other	29.82	E	BEF	–	–
Rubens 2000 N.V., Antwerp	Other	100.00	F	BEF	2,135.3	–
Sogaplim N.V., Ghent	Other	50.00	P	BEF	1,103.9	–

Luxembourg						
Bâloise (Luxembourg) Holding S.A., Luxembourg	Holding	100.00	F	CHF	632.2	–
Bâloise Assurances Luxembourg S.A., Luxembourg	Non-life	100.00	F	LUF	4,330.7	935.9
Bâloise Vie Luxembourg S.A., Luxembourg	Life	100.00	F	LUF	7,229.1	611.3
Globinvest AG, Luxembourg	Other	100.00	F	CHF	54.3	–
Baloise Fund Invest Advico S.A., Luxembourg	Investment advice	100.00	F	EUR	1.2	–

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

Significant subsidiaries and participating interests at December 31, 2001 (continued)

Austria	Principal activity	Holding in %	Method of inclusion[1]	Currency	Total assets in millions	Gross premiums/ policy fees in millions
Basler Versicherungs-Aktiengesellschaft in Österreich, Vienna	Life and Non-life	100.00	F	ATS	5,668.8	808.5
Basler osiguranje d.d., Zagreb	Non-life	97.00	F	HRK	23.5	5.9
Basler Zivotno osiguranje d.d., Zagreb	Life	97.00	F	HRK	18.1	1.6
Basler Immobilien GmbH, Vienna	Other	100.00	F	ATS	847.8	–

Other countries

Baloise Insurance Co. (I.O. M.) Ltd., Douglas / Isle of Man / British Isles	Reinsurance	100.00	F	CHF	400.4	142.1
Baloise Insurance Company (Bermuda) Ltd., Hamilton / Bermuda	Reinsurance	100.00	F	CHF	427.6	126.7
Baloise Alternative Investment Strategies Ltd., Grand Cayman, Cayman Islands	Asset management	100.00	F	USD	363.5	–
Baloise Finance (Jersey) Ltd., St. Helier / Jersey / Channel Islands	Other	100.00	F	CHF	598.8	–
Baloise Private Equity Ltd., Cayman Islands	Asset management	100.00	F	USD	245.9	–
Bâloise (España) S.A., Madrid	Other	100.00	F	ESP	3,720.0	–

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

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, statement of changes in equity, cash flow statement and notes to the financial statements, pages 59 to 73, and 81 to 142)[1] of the Baloise Group for the year ended December 31, 2001.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on the 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 auditing profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), 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 presentation of the consolidated financial statements. 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 net assets, financial position and results of operations in accordance with International Accounting Standards (IAS) and comply with Swiss law.

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

PricewaterhouseCoopers AG

P. Sütterlin P. Lüssi

Basel, April 5, 2002

1 The German version of the Financial Report is binding.

Income Statement: Bâloise-Holding

Income

Income	2000/2001	2001/2002
Income from participating interests	467,842,628	332,856,261
Interest on loans to Group companies	5,069,322	14,914,048
Income from other financial assets	13,614,944	4,796,089
Other interest receivable	2,550,754	1,114,935
Realized gains on investments	48,534,350	4,887,719
Other income	8,019,795	3,813,593
Total income	**545,631,793**	**362,382,645**

Expenses

Administrative expenses	- 15,839,471	- 7,098,265
Interest payable	- 35,211,562	- 54,578,124
Amortization of capital investments	- 10,247,813	- 17,940,000
Other expenses	–	- 53,567
Total expenses	**- 61,298,846**	**- 79,669,956**

Overall Result

Total income	545,631,793	362,382,645
Total expenses	- 61,298,846	- 79,669,956
Total profit before tax	484,332,947	282,712,689
Tax on income and capital	- 3,602,437	- 2,060,363
Net profit	**480,730,510**	**280,652,326**

in CHF

Balance Sheet: Bâloise-Holding

Assets

Assets	Note	3.31.2001	3.31.2002
Bank balances		5,757	1,748
Receivables from Group companies		95,912,972	–
Other receivables		6,227,397	6,090,167
Prepayments		9,806,148	9,282,052
Current assets		**111,952,274**	**15,373,967**
Participating interests	2	1,265,053,012	1,349,842,891
Loans to Group companies		220,000,000	420,000,000
Other investments		450,600,892	219,595,192
Non-current assets		**1,935,653,904**	**1,989,438,083**
Total assets		**2,047,606,178**	**2,004,812,050**

Liabilities and Equity

Short-term liabilities		13,602	45,531
Payables to Group companies		128,696,298	286,340,729
Long-term liabilities		70,000,000	70,000,000
Bonds	1	900,000,000	900,000,000
Provisions		42,169,037	42,680,800
Deferred income		28,025,466	25,460,732
Liabilities		**1,168,904,403**	**1,324,527,792**
Share capital		56,704,000	5,530,715
General reserve		11,724,001	11,724,001
Reserve for own shares	5	86,235,419	55,064,335
Free reserve		242,574,781	326,538,907
Accumulated profit		481,463,574	281,426,300
Equity		**878,701,775**	**680,284,258**
Total liabilities and equity		**2,047,606,178**	**2,004,812,050**

in CHF

Notes to the Financial Statements of Bâloise-Holding

1. Bonds Outstanding

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

2. Participating Interests

Company	Holding at 3.31.2001	Holding at 3.31.2002
Baloise Insurance Company, Basel	100	100
Baloise Life Insurance Company, Basel	100	100
Baloise Bank SoBa, Solothurn	100	100
Baloise Asset Management Switzerland Ltd., Basel	–	100
Baloise Asset Management International Ltd., Basel	–	100
Haakon AG, Basel	74	74
Basler Versicherung Beteiligungsges.mbH, Hamburg	100	100
Bâloise (Luxembourg) Holding S.A., Luxembourg	100	100
Globinvest AG, Luxembourg	100	100
Baloise FundInvest Advico, Luxembourg	99	99
Baloise Insurance Co.(I.O.M.) Ltd., Isle of Man	100	100
Baloise Insurance Company (Bermuda) Ltd., Bermuda	100	100
Baloise Finance (Jersey) Ltd., Jersey	100	100

in percent

The holdings have been rounded to the nearest percent. Additional information about the participating interests of Bâloise-Holding is given on pages 140 to 142.

3. Significant Shareholders

On December 27, 2001, Strategic Money Management Company B.V., Amsterdam (SMM), announced that it had acquired a block of 11,600,000 registered shares (20.97 percent) in Bâloise-Holding. On the same day, Zurich Financial Services announced that it had reduced its investment in Bâloise-Holding to 6.13 percent (consisting of 0.14 percent in shares and 5.99 percent in options).

On January 22, 2002, BZ Group Holding AG announced that together with BZ Bank AG it now held 11,097,129 shares (20.1 percent) in Bâloise-Holding. In July 2000, the BZ Group had disclosed a 10 percent stake. BZ Group was entered in the share register in 2000 as a shareholder with the statutory 2 percent of voting rights. At the time of that entry, 2 percent corresponded to 117,240 registered shares. In fiscal 2000 and fiscal 2001, Bâloise-Holding performed capital reductions and in fiscal 2001 it also implemented a 10 for 1 share split. 2 percent of our share capital is currently equivalent to 1,106,143 registered shares. After the capital reductions and share split, the BZ Group remains entered in the share register as holding the number of registered shares that previously corresponded to 2 percent of voting rights.

As at March 31, 2002, the following shareholders or groups of shareholders hold more than 1,106,143 registered shares (2 percent of share capital):

Shareholders	Total holding at March 31, 2001	Share of voting rights at March 31, 2001	**Total holding at March 31, 2002**	Share of voting rights at March 31, 2002
Strategic Money Management Co.	–	–	**21.0**	–
BZ Group	14.0	2.1	**20.1**	2.1
Deutsche Bank Nominees	–	–	**3.3**	2.0
Chase Nominees Ltd.	1.9	1.8	**2.6**	1.0
UBS AG	1.7	0.6	**2.1**	1.5
Zurich Financial Services Group	9.3	2.1	**0.1**	0.0

in percent

4. Contingent Liabilities

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

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

5. Own Shares

The companies in the Baloise Group bought a total of 135,560 shares at an average price of CHF 136 per share during the year under review, and sold 464,160 shares at an average price of CHF 172. At March 31, 2002, they together held a total of 501,400 Bâloise-Holding shares.

At March 31,2002, an amount of CHF 31.2 m was transferred from the reserve for own shares to the free reserve of Bâloise-Holding.

6. Personnel Expenses

Administrative costs include CHF 0.7 m relating to personnel expenses in the year under review (prior year: CHF 0.9 m).

7. Buyback, Capital Reduction, Reduction of Nominal Value, and Share Split

The General Meeting of May 11, 2001 decided to reduce the share capital by CHF 1,396,850 to CHF 55,307,150. To this end, Bâloise-Holding issued one free put option for each share (excluding treasury stock). The 139,685 shares thus repurchased at a price of CHF 2,100 each were destroyed on July 18, 2001, thereby reducing the share capital by CHF 1.4 m, and the free reserve by CHF 291.8 m.

In the following, based on a further resolution by the General Meeting of May 11, 2001, the nominal value of the shares was reduced - by means of repayment to the shareholders - by CHF 9 to CHF 1, which led to a reduction of the share capital by CHF 49.8 m. A 1:10 share split was thus effected. Since then, the Bâloise-Holding share capital of CHF 5.5 m has been made up of 55,307,150 shares with a nominal value of CHF 0.1 each.

Proposed allocation of available earnings	2000/2001	**2001/2002**
Net profit for the year	480,730,510	280,652,326
Retained earnings brought forward	733,064	773,974
Available earnings	481,463,574	281,426,300
Dividend distribution required by Articles of Incorporation	- 2,835,200	- 276,536
Available for distribution by the shareholders at General Meeting	478,628,374	281,149,764
Proposed by the Board of Directors		
Allocation to free reserve	- 344,600,000	- 147,900,000
Additional dividend distribution	- 133,254,400	- 132,460,624
Retained earnings carried forward	**773,974**	**789,140**

in CHF

The above distribution is in accordance with the provisions of Article 30 of the Articles of Incorporation and results in a distribution of CHF 2.40 gross per share (CHF 1.56 after deduction of withholding tax).

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 144 to 148)[1] of Bâloise-Holding for the period of April 1, 2001 to March 31, 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on the 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 auditing 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers AG

P. Sütterlin P. Lüssi

Basel, April 5, 2002

1 The German version of the Financial Report is binding.

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