Bâloise Holding

Aiming for value

Annual Report 2002
Bâloise-Holding

The most important figures at a glance

Income statement	2001	**2002**	Change in percent
Total premium income	6,632.7	7,274.5	9.7
of which non-life	2,591.5	2,657.6	2.6
of which life	4,058.0	4,633.2	14.2
Investment-type premiums	248.4	253.0	1.9
Consolidated net profit / loss	404.4	- 634.5	–
Balance sheet			
Investments	50,784.8	50,061.4	- 1.4
Technical provisions	36,319.5	38,058.1	4.8
Capital and reserves	5,384.8	3,088.1	- 42.7
Assets under management			
Total assets under management	55,645.1	56,544.5	1.6

in CHF m

Ratios			
Return on equity (ROE)			
without unrealized gains and losses	10.5	–	
Internal Rate of Return (IRR)	- 21.2	–	
Combined ratio non-life (gross)	105.7	105.2	
Technical reserve ratio non-life	184.3	181.1	

in percent

Embedded value life insurance	3,792.5	1,630.8	

in CHF m

Key share data			
Shares issued as at 12.31. in units	55,307,150	55,307,150	–
Capital and reserves per share as at 12.31. in CHF	97.36	55.84	- 42.7
Consolidated net profit / loss per share in CHF	7.31	- 11.56	–
Price at year-end in CHF	153	55	–
Market capitalization as at 12.31. in CHF m	8,462	3,042	–
Price-earnings ratio	20.1	n.a.	–
Number of staff			
Total at December 31[1]	8,623	8,703	0.9
of which Switzerland	3,944	3,976	0.8
of which other countries	4,679	4,727	1.0

1 adjusted for degree of employment

Premium development 1998 – 2002	1998*	1999	2000	2001	**2002**
Total premiums	6,436.1	6,085.3	6,701.2	6,632.7	7,274.5
of which non-life	2,659.6	2,500.1	2,541.6	2,591.5	2,657.6
of which life	3,776.5	3,585.2	4,175.1	4,058.0	4,633.2

in CHF m

* 1998 based on ARR accounting principles / 1999–2002 IAS accounting principles

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 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.

How we do business

- As a focused financial services provider, the Baloise is the trusted partner of choice for customers and points-of-sale in its target markets.
- It offers solutions and advice in matters of insurance, pensions and asset formation from a single source.
- The Baloise is focused on attractive customer segments, business lines and distribution channels with high value-creating potential in selected European markets.
- This enables us to achieve sustained rates of high profit growth.

The Essentials at a Glance

In a turbulent year with a relentless crisis on the international financial markets, the Baloise proved steadfast. Capital and reserves of CHF 3.1 billion and a Group solvency margin of 203 percent underscore its solidity (see pages 29 ff). As a consequence, the Baloise did not have to resort to a capital increase.

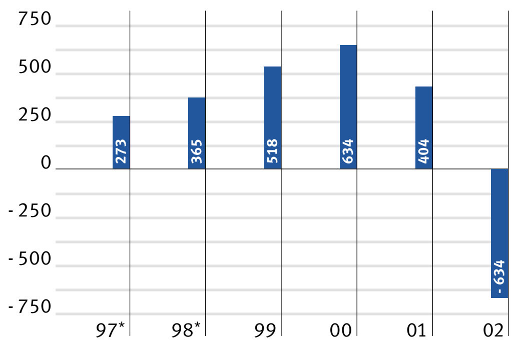
A number of one-time events in an exceptional year 2002 led to a loss of CHF 634 million: investment impairment amounting to CHF 959 million, negative exchange rate influences to the sum of CHF 156 million, and flood losses of CHF 70 million.

This was partly offset by gratifying developments in core business resulting in organic premium growth of 11.3 percent.

The Baloise considerably strengthened its position in the German market by acquiring the Securitas Group domiciled in Bremen, thus raising its premium volume in Germany by 24 percent at the beginning of 2003.

Even for the difficult business year 2002 with its negative result, the Baloise is upholding its shareholder-friendly distribution policy of the past years and will again pay out a dividend.

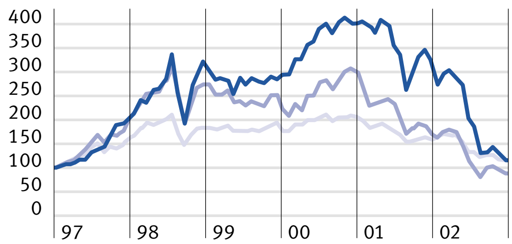
Profit development 1997 – 2002



in CHF m

* Based on ARR accounting principles

Indexed share price development[1] 1997 – 2002

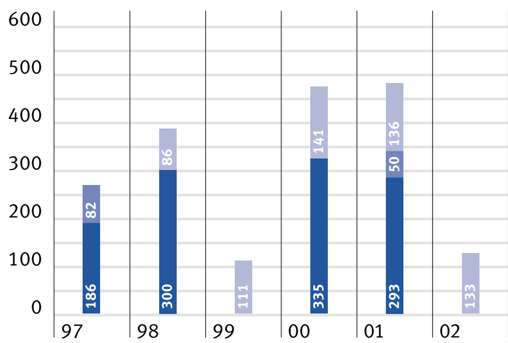


	Bâloise-Holding, registered[2]	123
	Swiss Performance Index (SPI) Insurance	91
	Swiss Market Index	117

1 December 1996 = 100

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

Distributions 1997 – 2002



Dividends paid

Reduction of nominal value

Share repurchases

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What Counts Now: Asset Value and Value-Creating Core Business

Against the background of the crisis on the financial markets, the focus has returned to value and the core operating business. Board Chairman Rolf Schäuble and CEO Frank Schnewlin comment on this key issue.

In 2002, the industry took quite a hammering from the crisis on the financial markets. What has the experience taught you?

Rolf Schäuble: **Obviously, we are far from satisfied with the result. But in light of the disastrous falls on all financial markets, with stock markets plunging to historic low levels, we could hardly have expected anything positive in fiscal 2002. It seems likely that the whole industry – including the Baloise – underestimated the duration and severity of the crisis. Our strategy, which has always been geared to value, has definitely proved its worth: the asset value of the Baloise remains solid and we have not needed any fresh capital. The fact that we did not buy up everything that was available when the stock markets were booming has paid off. And let us not forget that between 1997 and 2002, we returned capital amounting to CHF 1.9 billion to our shareholders!**

Frank Schnewlin: **We had to learn to deal with the new situation. The longer the downtrends persisted, the more important it became to adopt a systematic approach to capital and investment management in line with the situation. Our policy was always to hold on to shares when the markets were doing badly if there was no need to sell. Even so, we gradually reduced our equity weighting from 20 percent at the end of 2001 to less than 7 percent, or around 4 percent after hedging positions, in February 2003.**

You refer to the Baloise as "solid". What does that mean in concrete terms?

Rolf Schäuble: **First of all, it means that we have not so far had to resort to capital increases. The massive falls in the value of our investments have significantly reduced our capital and reserves, but with the latter totalling around CHF 3.1 billion at the end of 2002, our asset value is sound. Our solvency is very good; at 203 percent, the margin was well above minimum requirements at the end of 2002. The Baloise has always set great store by its solidity and we have no intention of engaging in any risky ventures in the future either – in the interests of our customers, shareholders and employees.**

Didn't the reduction in the equity weighting come too late?

Frank Schnewlin: **Obviously, you always know better with hindsight. But who would have thought that this crisis would go on for so long or be so far-reaching? We still think we have the right strategy: to create value on a sustained basis, the portfolio needs a certain proportion of equities. We have never lost sight of this long-term perspective, but to guarantee our solvency we did make targeted adjustments as events unfolded. The decisive criterion was always to ensure the Group's ability to absorb risks and therefore maintain its financial solidity. This meant that – with the necessary risk capacity – we were always able to retain opportunities in the event of an upturn. Over the past few years, this policy has – I repeat – enabled us to realize substantial gains on investments and channel them back to shareholders. We still feel convinced that equities are an attractive investment category.**

We are not used to such hefty losses from the Baloise. How did it happen?

Frank Schnewlin: **2002 really can be described as an exceptional year. The dire conditions on the stock markets alone led to value adjustments of around CHF 959 million on investments and currency losses of some CHF 156 million. On top of that, heavy losses of around CHF 70 million were incurred as a result of flood and storm** damage in the core markets of Germany and Austria. It was the year that saw the worst natural disasters in the history of the Baloise.

But we have to be frank and admit that our operating performance was not particularly good either in some markets. We are also concerned by the current losses in the life business; our guaranteed, and in some cases legally binding commitments to customers are significantly greater than the earnings on our investments. In an environment such as this no insurer can perform brilliantly, particularly if the situation persists for a long time.

What about business growth?

Frank Schnewlin: **This is an area where we can be quite satisfied. The Baloise posted premium income of around CHF 7.3 billion, which in local currency terms is equivalent to organic growth of 11.3 percent compared with**

Chairman of the Board Rolf Schäuble (left) and CEO Frank Schnewlin during the interview.

2001. The non-life sector accounted for around CHF 2.7 billion, while the life business accounted for CHF 4.6 billion. In Switzerland, our home market, we enjoyed growth well above the industry average in the insurance and pensions business. This leaves us feeling very optimistic about the future and shows that the Baloise offers its customers convincing services.

Could you be a little more specific about the individual markets?

Frank Schnewlin: **We earn roughly 64 percent of premiums in the Swiss domestic market where we are still in a very good position: in the non-life sector, the combined ratio stands at a very gratifying 97.7 percent thanks to consistent cost-effectiveness. But owing to the distinctly negative interest rate margin in the life business and the substantial losses on the capital markets, Baloise Switzerland was not able to generate any profit. At the beginning of 2003, we took numerous steps to restore profitability. Abroad, there is a particular need for action to address the less-than-satisfactory results of Mercator in Belgium and Baloise Germany. In Belgium, the ongoing restructuring of parts of the non-life business needs to be stepped up. Mercator Bank also needs to be significantly more profitable. In the case of Baloise Germany, the key issues are the integration of Securitas and the restructuring of parts of the non-life portfolio. In specific terms, we shall markedly reduce the potential for major claims and in particular we shall drop contracts and brokers that are not profitable on a sustained basis. The reason for buying Securitas was to bring about growth and a cost-efficient business volume. Efficiency programs are under way in the other companies too; our mid-term aim is a gross combined ratio of less than 100 percent and a satisfactory return on equity in newly-written life business.**

You touched on the problems in the life business. How do you intend to tackle this issue?

Rolf Schäuble: **The life business is generally suffering from the negative interest rate margin: our guarantees vis-à-vis customers far exceed investment yields. As things stand, we are constantly eating into our capital. In the medium term, we do not have the strength to cope with this. The situation in the Swiss occupational pensions business is particularly serious. With a one percent negative interest rate margin, we are losing something like CHF 60 million a year in the compulsory occupational pensions segment alone. However, we also have a social responsibility. If we wish to put the occupational pensions business back on a safer footing, the minimum rate for occupational pensions will need to be cut drastically or even abolished altogether. The political powers that be must come up with a solution here!**

Frank Schnewlin: **However, we are also making our own contribution to the profitability of the life business. From now on we shall only be writing business very selectively based on profitability criteria and we shall constantly be restructuring our existing portfolio. In the Swiss individual life segment, we are lowering the technical interest rate to 2 percent. Abroad, particularly in Germany, the industry is now having to drastically reduce exaggerated returns. As we are not one of the major players there, our possibilities are naturally limited.**

How have Baloise shares performed and how has the structure of share ownership developed?

Rolf Schäuble: **In recent years, since the beginning of 1997 to be precise, Baloise shares have consistently outperformed the relevant indices and the sector average. By contrast, in the short term, looking back over the past year, Baloise registered shares lost an above-average amount of ground. However, when assessing shares, you should never lose sight of the long-term horizon.**

In terms of our shareholders, there has been a shift among those with major stakes: the sale of BK Visionen to Zürcher Kantonalbank and further disposals have reduced BZ Group's shareholding to 8.2 percent. Strategic Money Management Company B.V. still holds a block of shares amounting to around 21 percent.

What dividend proposal will the Board of Directors be submitting to the General Meeting?

Rolf Schäuble: **Despite the difficult circumstances, the Board of Directors will be proposing that the General Meeting adopt a dividend of CHF 0.40 per share. With this – albeit reduced – cash dividend, our shareholders will continue to participate in the company's performance. Moreover, the Baloise pursues a policy of steady dividend payments geared to long-term investors.**

From a strategic point of view, what were the milestones of the past year?

Frank Schnewlin: **We generally strengthened our focus on the value of the business, especially the operational earning capacity. One particular point worth mentioning is that from 2003 onward we shall be able to significantly expand our position in Germany through the acquisition of Securitas in Bremen. This takeover further strengthens our core business. We have been aiming for this expansion for quite some time and have now realized our objective on decidedly favorable terms. The move has increased the Baloise Group's premium volume in the German market by around 24 percent from EUR 1.18 billion to EUR 1.46 billion.**

Will the business result lead to an adjustment of strategy?

Rolf Schäuble: **The result has no impact on the strategy of the Baloise Group as a focused financial services provider. This means that we shall be continuing to offer one-stop solutions and advice on insurance, pensions and asset formation.**

In particular, we stand by our business model of supplementing the insurance and pensions business with targeted banking services in specific markets. We are continuing to streamline this business model. For example, we shall be refining our underwriting policy on the basis of clear profitability criteria.

Frank Schnewlin: **Last year made it very clear that the days of abundant investment income are over for the time being. In future, our value creation will, to an even greater extent, need to come from the operating business. In specific terms, this means strengthening our customer focus, further cost reductions, and systematically concentrating on valuable customer segments, products and areas of business.**

Profitability is on everyone's lips. Is growth no longer on the agenda?

Rolf Schäuble: **In the insurance business growth is always on the agenda. The crucial question is whether that growth is also profitable. For us, the focus is still on organic growth. In markets in which we have yet to** achieve critical mass and cannot do so by organic means, we shall be aiming for external growth. Two markets I would mention in particular are Austria and Luxembourg.

Frank Schnewlin: **But in relation to acquisitions too the principle is that we don't go for growth at any price. Our criteria are value, the right strategic and cultural fit and the avoidance of earnings dilutions. Growth by acquisitions has to be profitable as well. This systematic policy has very much proved its worth in recent years.**

What is your assessment of the situation in the banking business?

Rolf Schäuble: **We are mainly involved in banking in Switzerland and Belgium and also, with some limitations, in Germany through the building and loan arm of Deutscher Ring (Deutscher Ring Bausparkasse). However, we are pursuing different objectives in each market. In Belgium, banking provides an important sales channel for life products; in Switzerland, the banking business is an extension of our insurance product range.**

Frank Schnewlin: **The crucial point for us is that our customers can get insurance and pensions solutions from a single source. We wish to make the most of existing relationships and supplement them with complementary banking products. At the same time, we also give consideration to third-party products if they create value for us. A further principle is that all banks need to achieve an operating cost/income ratio that is at least in line with the sector average.**

What changes have you made over the past year in terms of corporate governance?

Rolf Schäuble: **We see this as a very important issue for a well managed company that is aware of its responsibilities. For example, in the 2001 annual report we already voluntarily implemented most of the SWX rules that have since become compulsory. One particular point I might mention is the introduction of various committees of the Board of Directors to ensure efficient monitoring. We also attach great importance to transparency, which we have been practising for some time in the form of open communications.**

If it is at all possible to make any meaningful statements about the outlook for the future in the present environment, what sort of prospects does the Baloise have?

Frank Schnewlin: **You are right: at the moment, it is obviously extremely difficult to make any meaningful statements on the outlook for the immediate future. There is currently no sign of any marked turnaround in 2003, particularly on the capital markets. As I have already explained – this makes it all the more important for us to focus on streamlining our operating performance. This is an area in which we have set out to achieve a great deal. In the life business, future earnings will depend very much on the legal framework.**

You present the Baloise as a partner to be relied on. Which particular partners are you thinking of?

Rolf Schäuble: **On the one hand, I am thinking of our customers and sales partners. Our earnings are based on the confidence they place in us. Insurance and pensions are long-term businesses and are built on confidence. On the other hand, I am thinking of our shareholders who provide us with their capital. At the same time, the most important link between all our external partners are our employees. We are convinced that the mutual confidence among all concerned parties represents the key to our success. We need to foster this. I would therefore very much like to say a big thank you to all our partners for their contributions toward the prosperity of the Baloise Group. A special thank you goes to Mr. Gaudenz Staehelin, who has been a Board member since 1992. He will be leaving the Board as at the Annual General Meeting 2003.**

How We Do Business

In 2002, stock markets failed to resume their role as the driving force behind results in the insurance sector. The demand for underwriting know-how and outstanding operational management is greater than ever. As will be seen in the following overview of the company's different segments, the Baloise Group continued to cultivate its traditional strengths in these fields. The Group's business approach is rooted in three corporate goals: improving operational earning power and the profitability of investments, enhancing the Group's positioning as a provider of focused financial services, and raising the Group's added value through a common management approach.

Using the stick as a symbol of power alienates. Listening to others, blending different rhythms, and guiding with a light touch makes for harmonies that resonate for a long time.

Focused Financial Services Provider

For the Baloise, focused means providing selected customers in attractive markets with a well-tailored mix of insurance, pension and asset management services through efficient distribution channels.

A mature product has a long history, beginning long before the first buds appear. The more circumspect the groundwork and care, the greater its resistance to the vagaries of time.

At the Baloise Group, strengthening our operational earnings power and our focus as a provider of targeted financial services go hand in hand. To achieve our goal of the lowest cost ratios in the underwriting business, we need to concentrate on basics and on our traditional strengths, which means on

- markets
- products
- customer segments and
- distribution channels

that offer high value creation and significant growth opportunities.

Developments in financial markets have validated the Group's traditional strategy. In the 1990s, by using actuarial parameters to measure performance, the Baloise decided to divest itself of various investments and withdraw from markets that it did not find particularly profitable, such as the USA, France and Italy.

Of course, even the Baloise Group cannot isolate itself from current market developments. Despite market-induced weakness in earnings growth, the Group continues to focus its endeavors on organic and external growth and on improving its market position. In the current situation, this requires a selective, carefully considered approach to the use of resources.

Focused on markets: In respect of regional markets, the Baloise is excellently positioned. Its presence in profitable markets is the basis for its corporate growth targets. At a technical level, most group companies are profitable or on the verge of profitability, as measured by the combined ratio. However, it cannot be denied that certain markets need to improve their performance in their core business. In some cases, this reflects structural weaknesses, so that any assessment of operational results must be done on the basis of a peer comparison. An example of a structural deficiency is the Swiss group insurance market, in which the statutorily prescribed minimum rate of interest is excessively high. As the effects of the bear market become apparent, this situation is in the process of being corrected, partly through market-wide increases in premiums and partly through pressure on politicians to change the prescribed minimum rate of interest.

Despite the leading role local practices play in insurance markets – even in the European Union, crossborder insurance is still the exception –, regional diversification creates substantial synergies and scale effects for the Baloise. Free of a large centralized bureaucracy, the Group manages to realize potential efficiencies in sales, asset management, human resources, IT, and other important Group functions.

Focused on products: The Baloise pursues a focused financial services strategy. In accordance with the principle of "customer share, not market share", the Baloise offers its insurance customers banking services as part of its so-called cross- and up-selling strategy. In other words, the important point is not the number of customers, but the number of services per customer. The object is to make the most of existing customer potential. For instance, a customer relationship that involves payment of a life insurance policy offers potential for linkage with asset-formation services.

By grasping the growth opportunities offered by each individual market, we have created a product mix of insurance, pension and asset formation solutions. In Switzerland and Belgium, where the Group's insurance business has achieved the necessary critical market mass, the Group already offers complementary insurance and pensions banking with Baloise products. But the motives for this development differ from one country to another. In Belgium, the banking sector is the most important distribution channel for life insurance products. About 60 percent of all policies are sold through banks and their agents. To build up life insurance alongside its strong non-life business, Baloise consistently promotes Mercator Bank as a distribution channel for life-insurance products. In Switzerland it is different: here the emphasis in on cross- and up-selling to insurance customers.

Focused on customer segments: The Baloise Group targets attractive customer groups with the greatest value-adding potential. In practical terms, this means: strong customer loyalty, high product density, and a good risk-return profile. In accordance with this principle, the Baloise focuses on private individuals and small and medium-sized enterprises (SMEs). It is only selectively active in the larger corporate segments. Professional techniques are used to measure the profitability of customer groups in each customer segment. This scoring method identifies profitable and unprofitable business relationships, triggering measures to enhance profitability.

Notwithstanding the emphasis on efficiency, customer relationships and customer service are always of overriding importance for the Baloise. They give the Group its ability to establish relationships of trust with its customers as well as with its sales partners, and to advise the former and support the latter in their choice of integrated insurance, pension, and asset formation solutions.

Focused on distribution channels: Applying the principle of value to distribution channels opens up a broad selection. Depending on the market and on market practices, we are looking for new ways to reach customers in addition to traditional channels like the sales force and brokers. Aside from the Internet and telemarketing, the Baloise is expanding its cooperation with non-industry service providers, such as automobile clubs, car dealers and banks. (For further information on sales strategy, please turn to page 18)

Founded on Corporate Values

The Baloise has a corporate image, an identity and an unmistakable profile; all of these are embodied in its corporate values. The Group fosters values that are consistently focused on its corporate goals.

The Baloise regards itself as the trusted partner of selected customers and distribution channels for insurance, pensions and asset formation from a single source. The Group concerts its efforts to earn this trust day after day, not least by observing in its own actions three corporate values and guidelines:

- create value
- foster relations
- bring about change

These maxims apply just as much to the Group as a whole as to each individual employee. They enable each individual to judge decisions and actions according to whether they further the Group's corporate goals. To succeed in competition, each unit and team needs to generate value and be open to relationships and change.

Create value: Companies have an obligation to use the resources placed at their disposal to create value. In seeking to comply with this principle, the Baloise focuses on markets, products, customer segments and distribution channels that hold out the prospect of such added value. To this end, the Group takes as yardsticks of its activities cost efficiency, sales volume and sales productivity.

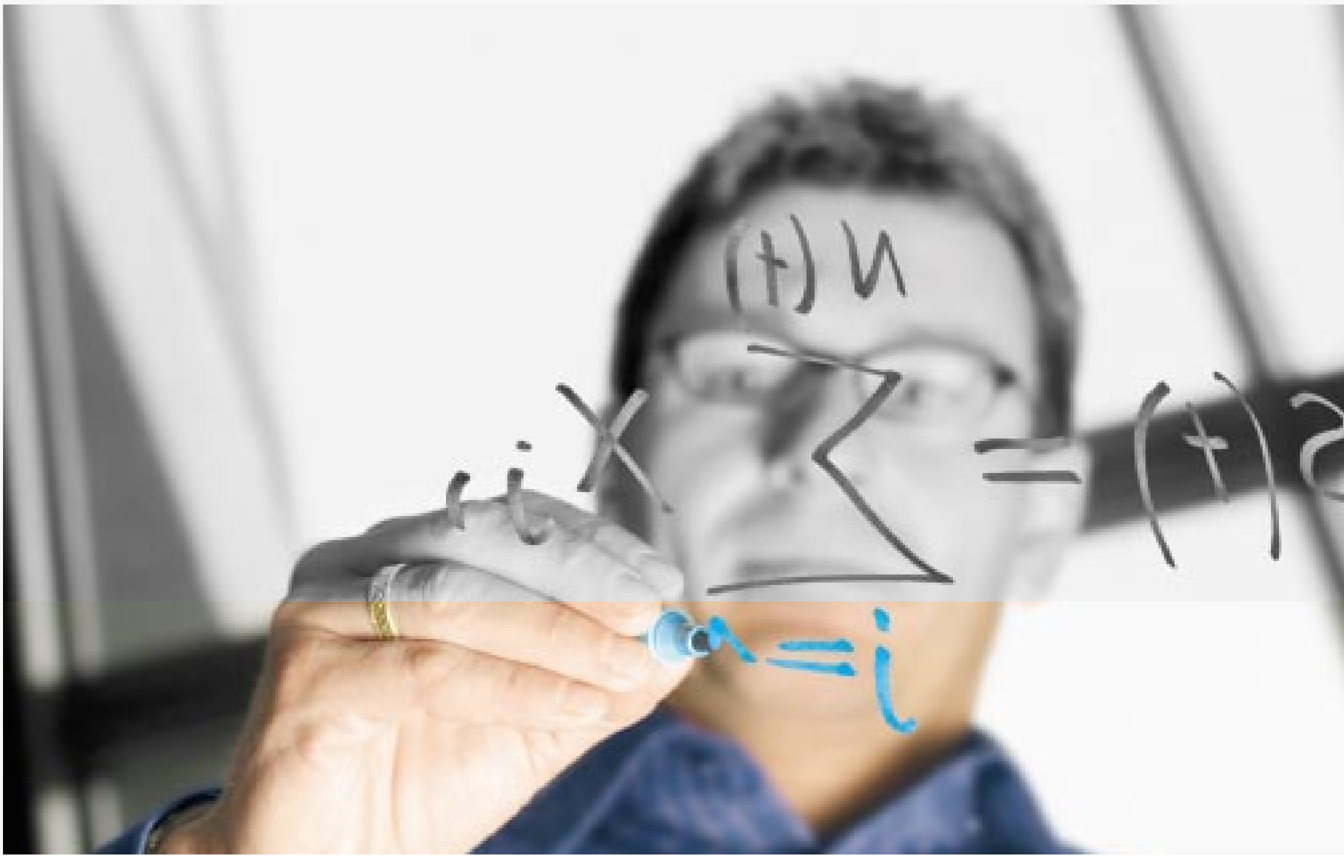
Foster relations: In the insurance and financial sector the question of trust is paramount, and relations with customers and sales partners are eminently important. By fostering relations, and by supplementing the product range with standardized bank products, the Baloise seeks to raise customers' renewal rates and product density on the one hand, and raise the loyalty of its sales partners on the other. Its relations with its employees are just as important. The relationship between the Baloise Group and its employees is seen as a partnership in which each, within the limits of his or her responsibilities, works towards a common goal. As the basis for constructive collaboration, mutual respect generates a motivational working situation.

Bring about change: The Baloise Group encourages its employees and partners to adopt a proactive stance instead of adapting reactively to a rapidly changing environment. Proactive behavior means making and implementing decisions and producing results. The object of this change is value-enhancing transformation and innovation.

External Growth Bucks the Trend

Thanks to its healthy finances and operations, the Baloise is able to buck the market trend and make acquisitions. Even in view of the low valuation of potential take-over objects, the Group still applies strict value-based principles to its corporate acquisitions.

Bean-counters are out. Creative minds go beyond the common-place. They add elegance and the seeds for tomorrow's solutions.



The acquisition of Securitas, a German insurance company, marks a milestone in the Baloise's effort to strengthen its position in the German insurance market, as it gives Baloise a considerable boost in the profitable non-life business for individual and commercial customers. The Group's financial health allows it to take advantage of the current buyer's market. Similarly, in the opposite circumstances – a euphoric acquisition boom and the corresponding seller's market –, from 1997 onwards Baloise sold its companies in the USA, France, Spain, and Italy as well as its business in the reinsurance assumed sector.

The most recent acquisition reflects the Baloise's growth strategy, which in principle gives preference to organic growth over growth by acquisition. Acquisitions are targeted only where it would be difficult to achieve critical corporate size or significantly improve market share through organic growth. Using an anticyclical approach, the Baloise exploits sharp price swings in the mergers and acquisitions market. However, the purchase price is only one of several criteria used to evaluate a prospective target. Other value-oriented principles include:

- strategic, financial and cultural fit
- profitable growth, if possible without diluting earnings
- acquisitions in core markets – no geographic expansion
- focus on non-life and sales – life business only if lucrative
- bank acquisitions only with a sufficiently strong position in the core insurance business

Every prospective transaction is subjected to intensive due diligence, in which the business case of the potential acquisition is assessed in terms of market positioning, sales, personnel, and IT, and its financial, actuarial, legal, and tax positions are thoroughly scrutinized. Another prerequisite for acquisitions is the availability of adequate management capacity to implement the subsequent integration.

The financial market's positive reaction to the Securitas take-over reflects how well aligned it is to the Baloise's principles. As the purchase price is lower than the company's net asset value, all synergies realized in the integration process will be fully accretive to Group earnings. The Baloise Group tends to put a conservative valuation on synergies that may flow from any corporate acquisition. Recent developments in the insurance market prove just how right this cautious approach is.

Concentration of Forces in Asset Management

Baloise Asset Management priorities are an optimal return on investments and efficient risk management. By concentrating its forces, the Baloise Group has taken a major step towards achieving these two corporate objectives.

Baloise Asset Management (BAM), formed early in 2001, offers a good example of how an individual unit bundles resources within the Baloise Group. This strategic decision has already paid off in the current prolonged stock market slide, producing considerable quantitative gains for the Group through economies of scale. For instance, by centralizing securities holdings in just a few depositories, the Group has reduced its overall depository fees and securities transaction costs.

Of substantially greater significance, however, are the qualitative benefits. Asset-management know-how is centralized at the Basle offices, instead of being dispersed among smaller units in the individual country offices. This has made it possible for asset management to actively and immediately master the challenges of a dynamically evolving market environment. Whereas previously there was always some delay in determining the Group's total exposure, now, thanks to a centralized asset management information system, it is virtually just a click away.

At the Baloise Group we are convinced that we made the transition at exactly the right time. When the stock market started to fall, centralized asset management and BAM's investment advisory services were already up and running in Switzerland and Germany, Baloise's two most important markets, and thus in a position to provide valuable support for derivative hedging strategies and recommendations for more defensive positioning.

As the bear market has dragged on, asset and liability management has become even more important. In the past, thanks to its relatively large risk capacity, the Baloise Group could pursue almost unlimited, exclusively long-term asset management. As the cushion provided by undervalued reserves has shrunk in the course of the three-year bear market, however, internal and external risk parameters have shifted to the center of attention. In the current difficult stock market environment, supervisory law requires that margins comply with solvency regulations (funding surplus), which, in turn, is an important guideline for investment decisions. Hence, in a project involving all segments, the Baloise has closely harmonized liability performance targets with their effects on asset management.

The Baloise Group still holds a portion of its capital investments in equities. This asset allocation is based on the conviction that a long-term investment strategy that

The blend is what counts. Created by knowledge, a love of detail and a sure hand. What may be poison on its own is made beneficial by skilful dosage and combination.

did not allocate any assets to equities would put an insurance company such as the Baloise at a disadvantage, because it would decrease the risk diversification of its capital investments.

In the 2002 financial year, compliance with the risk management considerations and supervisory regulations compelled the Baloise Group, like other institutional investors, to deviate from its customary anticyclical investment strategy and – procyclically – sell equities into a falling market. In this difficult stock market environment the Baloise Group has considerably reduced its equity portfolio, and has used derivatives to hedge a part of its remaining position.

Non-Life Business Strives for Excellence

Only insurers who have mastered their core business will survive. Rigorous observance of this principle is paying off for the Baloise as it seeks to become a leader in the underwriting business.

Given the prevailing conditions in the financial markets, only insurers with a truly thorough knowledge of their business will be able to survive. As the example of the Baloise in Switzerland shows, five factors are crucial for success or failure in core business in the strictest sense:

- underwriting
- product development
- claims processing
- administrative costs
- sales strength and customer loyalty (for more on this, see page 18)

Underwriting: Virtue pays off in the underwriting business. Thus, in the important Swiss market our combined ratio, the key indicator in the non-life business, is below 100. A series of marketwide innovations – currently to be observed in different product segments – offers scope for differentiated market processing in what is otherwise a tightrope-walk between competitiveness and profitability. As part of the trend away from standard rates, premiums based on homogeneous customer groups are now gaining ground in personal insurance, too. This practice takes account of the specific risk profiles involved. Thanks to deregulation, differentiated tariffs are already well established in the property insurance segment, where the Baloise intends to adjust its premium rates to reflect the corresponding risk situations even more accurately. Existing cross-subsidies are being reduced in favor of facing the true cost situation. The company is not underwriting new risk policies that offer low or no prospects of returns, and existing policies are being restructured or terminated.

Product development: Aside from strict cost management, another crucial opportunity for differentiation is customer-specific product design. By focusing on private individuals and small and medium-sized enterprises (SMEs), it is possible to tailor policies to customer needs. Regular feed-back from customer advisors helps to adjust existing insurance solutions and develop new ones. Combined modular products facilitate the desired customization, while at the same time permitting standardization in underwriting and business processing.

Claims processing: Experience shows that about 70 percent of premium income in the non-life segment is spent on claims and claims processing. Here, too, the Baloise seeks to achieve a cost advantage for the benefit of its customers by distinguishing between claims categories

No conjuring tricks. However artfully the colors are applied, true change needs substance to build on. As does innovation.

at an early stage. Thus, small claims, which account for 50 percent of the total, but only 10 percent of expenses, will be dealt with very quickly and simply. The Baloise's solution in these cases is to simplify the processing of claims. At the other extreme, complex claims involving larger sums account for just five percent of all claims, but 50 percent of expenses. Here, more attention will be paid to processing. The Baloise is utilizing its know-how and its network of independent specialists to achieve better, and in the final analysis also more cost-effective, solutions for all concerned.

Administrative costs: The Baloise's target is the lowest cost ratios in the industry. Its strategic goal is to reduce administrative costs to less than 25 percent of premium income by optimizing processing. Various IT projects are working on the development of what are in effect assembly lines for a seamless flow of data from the drawing up of a proposal to the issuing of the policy. They will eliminate all breaks between media, a source not only of high personnel costs, but also of delays and errors.

Customer Loyalty Drives Sales

Notwithstanding growth and efficiency targets, sales are primarily focused on the customer relationship. Technology is consistently used to back up sales.

For the Baloise, there is no contradiction between personal customer relationships and the growing use of technology. The Group applies the principle of "high touch – high tech" in sales, i.e., a close relationship with customers, backed up by technology. Customer loyalty and selling power are the driving force behind organic growth. Forming and fostering good customer relationships goes hand in hand with the appropriate technology. Thus, profitable growth and cost efficiency are also important performance targets for each strategic business unit. The conflicting challenges of customer demands, competing sales channels and growth targets naturally cause tensions; and as a means of minimizing them the Baloise sets great store by its multichannel management. The Group optimizes the interplay between the individual channels by consistently applying the following clear sales principles in its operations:

- securing customer ownership
- focus on core and growth products
- sales-oriented compensation models
- uniform price strategies across all channels
- strengthening existing and building up new high-growth channels

Securing customer ownership: In selecting sales channels, the Baloise gives preference to those that foster direct customer contact and deepen the customer relationship. A close relationship also brings responsibility. Sales takes this into account by allocating to each customer a customer advisor who is directly responsible for that customer.

Focus on core and growth products: To strengthen the earnings power of its operations, the Group focuses on its core and growth products. These are not only attractive for the insurer in terms of the combined ratio or return. Thanks to low premiums and market-beating bonuses for customers and attractive commissions for sales employees, they are also able to hold their own against the competition. The model of the focused financial services provider complements the range of insurance products with attractive bank products, so that customers can be offered overall solutions for their insurance, pension and asset formation needs.

Sales-oriented compensation models: The Baloise compensation model is a finely tuned instrument for promoting and motivating performance-related customer advisors and independent sales agents. In field opera-

Objects alone cannot provide lasting happiness. Relationships can, and they call for proximity. Proximity at the right moment is the key.

tions, remuneration seeks to encourage sustained customer relationships rather than the volume of business done. Brokers are rated on the basis of growth, claims experience, and the cost of advice, and remuneration is differentiated accordingly.

Uniform price strategies: For customers, premiums and customer relations are two decisive arguments. Just as important are clear promises to perform in the event of damage or loss and a uniform and transparent price structure. By offering uniform premiums, the Baloise rejects the price-cutting strategy of a few, mostly newer, channels. Customers should be able to choose their preferred distribution channel without incurring higher costs or loss of benefits. By contrast, the Baloise does differentiate between the prices paid by customer groups with good risk experience and those with bad risk experience.

Strengthening existing and building up new high-growth channels: In the Swiss market, insurance companies own field operations form the principle distribution channel. They account for about 75 percent of all contracts. To raise efficiency, salespersons undergo basic and advanced training programs. At the same time, the Swiss are slowly discovering practices that have long been common in markets abroad: taking out insurance through distribution partners such as brokers, banks (e.g. UBS), cooperation partners like the TCS, or our own banking channel.

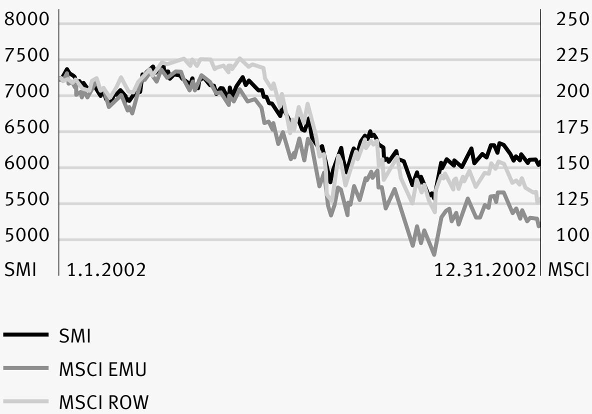
The Baloise Group Remains Sound

2002 was an extremely difficult year for the whole financial services industry. The exceptionally poor performance of the financial markets caused the Baloise Group to sustain value adjustments of CHF 959 million on its investments and currency losses of CHF 156 million. There were also major losses in the core German and Austrian markets, these being the main reasons for the loss of CHF 634 million for the year. In operational business, we recorded a pleasing rise in premium income to CHF 7.3 billion, representing organic growth of 11.3 percent in local currencies. Capital and reserves came to CHF 3.1 billion, with Group solvency reaching a very good 203 percent at the end of 2002. These are clear indications that the Baloise remains on a sound financial footing.

General market developments

The situation in the real economy once again demanded considerable patience in 2002. We are still waiting for the beginning of the general recovery which was forecasted for the year under review. Shattered investor confidence means that the stock markets remain in an exceptionally long downward phase. Corrective price adjustments by the major central banks took interest rates to an all-time low, with corresponding effects on the yield markets (returns on 10-year benchmark bonds: Switzerland: - 1.2 percentage points; Germany: - 0.7 points). But even key interest rates at all-time low levels have not yet been enough to bring about any improvement. Over the course of the year, all the major stock market reference indices fell. With a decline of 27.8 percent, the Swiss Market Index (SMI) ended the year around the middle of the major stock market barometers. The MSCI EMU Index lost 33.4 percent in 2002, and the MSCI ROW lost 19.2 percent. Investors looking for alternatives turned increasingly to fixed-interest securities issued by parties with high credit ratings. This caused the prices of these products to rise, and yields to fall. Another alternative was to be found in the real estate sector, which gained a great deal of favor with investors.

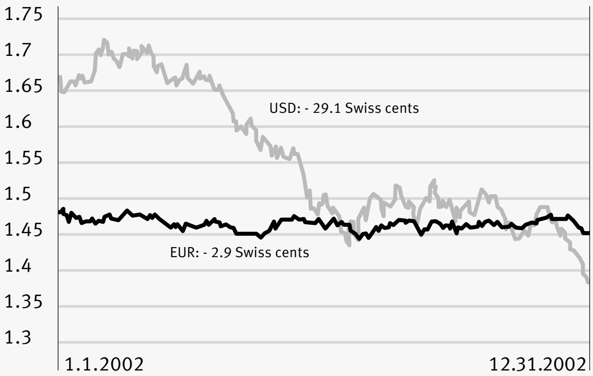
Stock markets performance 1.1.–12.31.2002



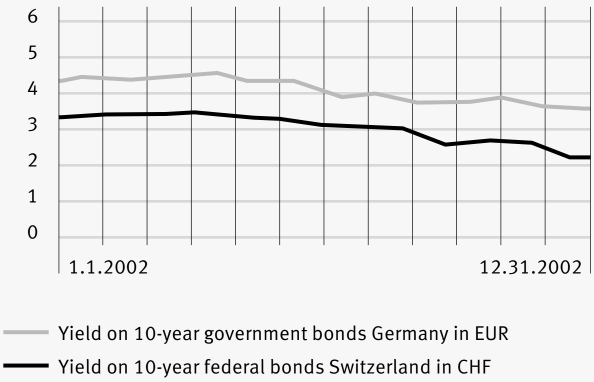
The sluggish economy and geopolitical uncertainty caused investors to take refuge in the Swiss franc, and exports were not the only area to suffer as a result. Companies preparing their financial statements in Swiss francs had to take on board considerable currency losses, which were also reflected in their profit and loss accounts. On the cut-off date, the reference currency, the US dollar, was 29 Swiss cents or 17 percent lower than at the start of the year. The euro fell by 3 Swiss cents or 2 percent.

The insurance markets were shaped by the corrections to financial investments. This had an adverse effect on companies' equity cover. Various companies were forced to raise capital. At the same time, there was a move to focus on core activities. The most important key indicator for non-life business, the combined ratio, became the subject of even more attention.

Development USD – CHF and EUR – CHF 1.1. – 12.31.2002



Interest rate development 1.1. – 12.31.2002



The regulatory environment for insurance companies was affected in Switzerland by discussions around the Federal Law on occupational old-age, survivors', and disability pensions (BVG). Fundamental factors governed by statute are currently not in line with market conditions. For instance, the conversion rate does not correspond with demographic trends, as insufficient account is taken of the trend towards longevity. On the other hand, it was not possible for the investment side to meet the interest rate obligations imposed by the BVG minimum interest rate which currently stands at 3.25 percent (up to December 31, 2002: 4 percent), leading to substantial losses on BVG business for pension funds and life insurers. These underlying conditions, both the conversion rate and the minimum interest rate, need to be adapted once again to suit current conditions, so that BVG business can remain a successful second pillar of provision for old age in Switzerland. Old-age pensions are also a matter of concern in the German insurance sector. The change to the funded method for occupational pensions has been introduced, but major market improvements have yet to be seen. The negative interest margin, that is, the discrepancy between commitments to customers and achievable returns on investments, is the major challenge facing traditional life business in all markets.

The non-life business experienced healthy growth aided by premium adjustments. The reinsurance market is in the midst of a "hard" phase of the insurance cycle. Premium increases are impacting on the margins of primary insurers.

Commercial trading in the banking sector was strongly influenced over the past year by the slump in the financial markets. Falling income from trading was offset by higher income from interest.

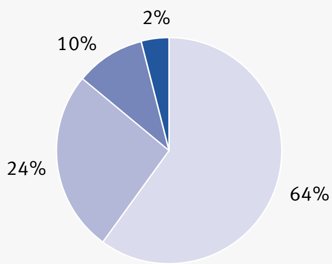
Baloise Group business activities

Despite the difficult market conditions in insurance and banking, the Baloise Group was able to press ahead with its growth strategy in 2002. The purchase of the Securitas insurance company means that the market position in Germany can be extended considerably, starting in 2003. In view of the current trend towards concentration, and the consolidation of various companies, it was possible to make the acquisition on very attractive terms and without any payment for goodwill.

The Baloise Group's scope of consolidation has not changed much in the year under review. When making comparisons with the previous year it should be noted that the sale of the Bâloise España portfolio at the end of September 2001 means that company's results were still affecting the Group's accounts during the first nine months of 2001. The new subsidiary Securitas has been consolidated since 1 January 2003, and is therefore not yet taken into account in these annual financial statements.

The sharp falls in the financial markets, flood disasters in Central Europe, and negative interest margins in the life business were the main reasons why the Baloise Group made a loss of CHF 634 million for the year. As a consequence of the continuing slump, holdings of shares as a proportion of total investments were reduced in stages and in line with the Group's risk policy, from 20 percent at the beginning of the year to around 12 percent at the end of 2002, with mainly derivatives being used to hedge against losses. This shifting of investments meant that extensive gains and losses were realized, and impairments amounting to CHF 814 million were recorded

Premium income by regional segment



Switzerland	4,653
Germany	1,755
Benelux	713
Other countries (incl. elimination)	153
Total	**7,274**

in CHF m

on the remaining share holdings. Thanks to its prudent risk and investment policy, the Baloise Group was able to report a very good solvency margin of 203 percent at the end of the year. The Group recorded a significant rise in premium volumes. With premium income coming to CHF 7.3 billion (2001: CHF 6.6 billion). This represents organic growth of CHF 714 million or 10.9 percent. In local currencies, the growth amounted to 11.3 percent.

Group result	2001	2002	Change in percent
Non-life	293.2	- 203.3	–
Life	272.8	- 358.7	–
Banking	8.1	- 100.1	–
Other activities	- 51.1	- 52.2	2.2
Profit / loss before tax and minority interests	523.0	- 714.3	–
Tax on income	- 116.9	82.7	–
Minority interests	- 1.7	- 2.9	70.6
Consolidated net profit / loss	**404.4**	**- 634.5**	**–**

in CHF m

The individual regional companies' contributions to total premium volumes have changed: Thus Switzerland earned 64 percent (2001: 60 percent), Germany's share of total premiums decreased by 2 percentage points, and the Benelux countries are now contributing 10 percent (2001: 11 percent). "Other countries" were responsible for 2 percent.

As in the previous year, the increase in the premium figure is due largely to the expansion of individual life business. The life side recorded premium income of CHF 4.6 billion (2001: CHF 4.0 billion). This represents organic growth of 14.4 percent in CHF and 14.6 percent in local currencies.

Premium income from non-life also rose. The total volume of CHF 2.7 billion (2001: CHF 2.6 billion) represents organic growth of 5.3 percent in CHF and 5.8 percent in local currencies. Because of the loss on capital investments, this class made a loss of CHF 203 million. Despite the adverse effects of natural events on claims experience, there was a slight improvement in the gross combined ratio (claims expenditure plus expenses and profit allocations as a percentage of premium income) to 105.2 percent. The combined ratios (gross) of Baloise Switzerland at 97.7 percent, and Deutscher Ring at 95.4 percent, were particularly good, whilst in Belgium and at Basler Deutschland in particular there is a need to reorganize parts of the portfolio. The constant efforts to improve cost-effectiveness can be seen in a cost ratio of 30.0 percent, 0.9 percentage points better than the previous year.

Premium volume by country	Premium volume in CHF m	Change* in percent
Switzerland	4,653	17.1
Germany	1,755	1.9
Belgium	647	- 2.6
Luxembourg	66	17.8
Austria, Croatia	95	9.3
Group business	58	- 46.4
Total	**7,274**	**10.0**

* in local currencies

The banking business produced a net loss of CHF 100 million. Baloise Bank SoBa's profits of CHF 10 million were offset by restructuring provisions at Mercator Bank (CHF 12 million) and Deutscher Ring Bausparkasse (CHF 10 million) as well as extraordinary losses in Belgium (CHF 72 million) from Mercator Bank. The latter resulted from structured investment in bonds.

Developments in the financial markets were reflected in the investment result. A profit of CHF 1,218 million (2001: CHF 2,231 million) was achieved on average investment holdings amounting to CHF 50 billion. Income of CHF 2,091 million and net realized capital gains of CHF 152 million (including currency losses of CHF 156 million) were set against impairments of CHF 959 million. The effects of developments in the currency markets were felt notably in holdings of foreign-currency bonds.

The Baloise Group's capital and reserves on the cut-off date amounted to CHF 3.1 billion (previous year CHF 5.4 billion). The 43 percent reduction is attributable to changes in the value of capital investments, currency losses and losses in the insurance business. The capital and reserves base is satisfactory. Group solvency at the end of 2002 was good at 203 percent.

The embedded value of the life business fell in the year under review from CHF 3,793 million to CHF 1,631 million. The value of adjusted capital and reserves was reduced by the change in value of capital investments from CHF 2,992 million to CHF 1,192 million. Because of the lower future earnings prospects (asset mix and low interest rates) the inherent value of the insurance portfolio fell from CHF 1,341 million to CHF 855 million. It should be noted here that whilst the regulatory changes to group life insurance in Switzerland (reduction in the BVG interest rate to 3.25 percent and changes to the BVG conversion rate) improved the embedded value by around CHF 400 million, this was not enough to offset the negative effects of low interest rates.

Current taxes on income were 64 percent lower than in the previous year at CHF 34 million. Deferred taxes result in a yield of CHF 116 million (2001 deferred tax burden: CHF 24 million). In consolidated terms, this results in a tax yield of CHF 83 million. At 11.6 percent, the applicable tax rate is almost half the previous year's rate (22.4 percent). This is predominantly due to the fact that the losses brought forward were not taken to assets, and to investment losses in Belgium not being subject to taxation.

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In the current year, the Baloise Group will be focusing its attention on steady improvements in intrinsic value. The main strategic axes are the continued safeguarding of solvency, making the life business profitable by eliminating the negative interest margin, implementing the "focused financial services provider" business model, and also reorganizing parts of the portfolio in Belgium and at Basler Deutschland. The last task also involves the effective integration of the newly acquired Securitas company.

Switzerland

Baloise Switzerland recorded strong growth of 17.1 percent in insurance business in 2002, to around CHF 4.7 billion. The life business made an above-average contribution to this growth figure with a 22.6 percent advance. The combined ratio for non-life came to 97.7 percent.

In the year under review, the Baloise focused on the ongoing improvement of its underwriting result and on strengthening its market position. These efforts were rewarded with a combined ratio of 97.7 percent in non-life. Optimization of processes and products, strengthening of customer relationships using all forms of communication, adapting products to meet the needs of customers, and the introduction of a new sales force structure with three regional offices resulted in additional market share and an improved competitive position. Baloise Switzerland is strongly placed in fourth position on the Swiss insurance market.

The rise in premium volumes by 17.1 percent to CHF 4.7 billion is offset by extensive net realized losses and impairments amounting to CHF 205 million. Overall, these factors led to a loss of CHF 232 million (2001: profit of CHF 365 million).

Non-life

Premium income for non-life came to CHF 1.2 billion, representing a rise of 3.5 percent on the previous year. This increase in premiums is attributable to growth in virtually all non-life classes of personal and commercial business, resulting from more new business along with rate adjustments and reorganizations. In motor insurance in particular, despite a decline in car sales, it was possible to achieve a significant increase in premium income. This was helped by the successful acquisition of new business via the sales force and the distribution partnership with the Touring Club of Switzerland (TCS). On the claims side, Baloise Switzerland was largely spared the consequences of any major natural disaster. Claims management in motor insurance was made more efficient through structural improvements and agreements with network partners. Adverse trends in personal injury claims, especially claims for disablement and loss of support where benefits are payable over a long period, along with changes to reinsurance premiums, had a negative effect on the underwriting result. A risk-aligned underwriting policy, high-quality efficient claims handling, and tight cost management are also reflected in the change to the combined ratio. The combined ratio in 2002 was 97.7 percent (previous year: 98.7 percent). This means that the Baloise remains one of the most efficient insurers in the Swiss non-life market.

Key figures: Switzerland	2001	2002	Change in percent
Gross premium income in CHF m	3,972.0	4,652.8	17.1
of which life in CHF m	2,837.0	3,477.9	22.6
of which non-life in CHF m	1,135.0	1,174.9	3.5
Combined ratio non-life in percent	98.7	97.7	
Pretax profit / loss in CHF m	472.3	- 244.9	–
Workforce* Number of employees	3,944	3,976	0.8

* incl. corporate functions

Life

The life business recorded an above-average increase in premium volumes of 22.6 percent to around CHF 3.5 billion. In particular, there was a significant rise in individual life premium income. The trend from risk-conscious to conservative investment behavior, already observed in 2001, continued. In individual life business, we were able to benefit from increased demand for traditional insurance products as a safe way of providing for the future with guaranteed elements. This, combined with attractive products, enabled us to achieve strong growth via all distribution channels. The cooperation ventures with UBS Life AG and Credit Suisse also contributed significantly to growth. It was possible to open up new markets using this alternative distribution channel.

Premium income also advanced in group business, i.e. occupational pensions. This growth is due partly to rising salaries and a higher number of insured persons within the companies, and partly – as a result of the market situation – to the selective writing of profitable new business. Group business was made more difficult by the unsatisfactory legal framework, with a stipulated minimum rate of return of 4 percent (3.25 percent from January 1, 2003) and a conversion rate of 7.2 percent, which does not reflect demographic trends in Switzerland.

Baloise Bank SoBa

Baloise Bank SoBa recorded a profit of CHF 10 million after tax, as compared with CHF 19 million in the previous year, a decline of around 47 percent. This fall in net profit compared with the previous year is attributable partly to higher value adjustments for default risks. The increase in value adjustments arises from the new regulations laid down by the Swiss Federal Banking Commission regarding the assessment and valuation of loan assets. The figures also reflect the significantly higher costs arising from the establishment of the Private Banking Center, which affected the accounts for the whole of the financial year for the first time in 2002.

As part of the “focused financial services provider” strategy, standardized banking products were added to the range so as better to exploit existing customer relationships in the insurance sector. As a result of the situation in the financial markets, the business model was redimensioned in the year under review. The private banking branches were adapted in line with the current market situation and reduced in size. An efficiency drive was instigated within Baloise Bank SoBa, so that despite the expansion of market activities, it was possible to reduce the number of staff as compared with the previous year. Further synergies between the insurance and banking areas were achieved by linking the IT system to the parent company.

Baloise Bank SoBa became an issuer in the Swiss franc capital market for the first time in May. The bond, with a nominal volume of CHF 175 million, was well received by the market.

Against the background of stagnant economic growth, efforts are continuing to strengthen our insurance business and operational efficiency through carefully targeted measures. The emphasis is on reorganizing the non-life business and on making the life business more profitable. Implementation of the “focused financial services provider” model is continuing, with the model geared towards market conditions so as to further enhance profitability.

Germany

For the German companies in the Baloise Group, the year under review was shaped by major losses on the non-life side, and by pensions reforms on the life side. By acquiring Securitas, the Baloise is continuing to pursue its strategy of value-adding growth in Germany.

The German insurance industry was hit by extensive claims in 2002. Natural catastrophes and the accumulation of major claims cases were reflected in companies' losses incurred. The flooding in the former East Germany alone could cost the German economy as much as EUR 9.2 billion, and insurance companies around EUR 1.8 billion. The life business was affected by the beginnings of a changeover to the funded method for pensions ("Riester" pension). Because of the complexity of the products, and the imminent introduction of pension funds, however, sales of annuity products were inadequate.

Kes figures: Germany	2001	2002	Change in percent
Gross premium income in CHF m	1,737.7	1,755.1	1.0
of which life in CHF m	1,019.3	970.4	- 4.8
of which non-life in CHF m	718.4	784.7	9.2
Combined ratio non-life in percent	103.3	116.7	
Pretax profit / loss in CHF m	43.0	- 25.6	–
Workforce Number of employees	2,794	2,794	–

The most significant event of the year under review for the Baloise Group in Germany was the acquisition of the Securitas insurance company. The company was taken over from the British Royal & Sun Alliance on January 7, 2003. Securitas, an all-line insurer employing a workforce of 600, achieved premium volumes of EUR 281 million in 2001. Of that total, 75 percent came from non-life and 25 percent from life business. The company, based in Bremen, has a range of products aimed at private individuals, the self-employed, and small and medium sized businesses. The insurance company is represented by more than 250 agencies throughout the whole of Germany. During the course of 2003, Securitas will be merged with the Baloise branch in Germany to form Basler Securitas, with its head office in Bad Homburg.

The activities of the Baloise Group in Germany will thus continue to be divided between Deutscher Ring, based in Hamburg, and the future Basler Securitas in Bad Homburg.

Basler Deutschland

With the transfer of the motor and commercial portfolio from Deutscher Ring on 1 April 2002, the Baloise branch in Germany strengthened its focus on non-life business. As a result of the transfer, and additional new business in the commercial and industrial sector, premium income rose by 53.6 percent in local currency to CHF 544 million. Claims incurred continued to rise primarily due to natural catastrophes and other major losses. The combined ratio (gross) amounted to 127 percent.

Efforts to improve the underwriting basis further are continuing undiminished. Appropriate premium increases were introduced, along with stricter risk selection, and the reorganization of parts of the existing portfolio.

Premium income on the life side was slightly below the previous year's figure at CHF 116 million. This is attributable to continued uncertainty about future changes in occupational and personal pensions. Thus sales of "Riester" products fell considerably below expectations, as they did in the market as a whole. The company expects demand to catch up during the current year. Life earnings deteriorated in the face of the weak financial markets.

Deutscher Ring

The transfer of the motor and commercial insurance business to Basler Deutschland resulted in a marked decline in non-life premium income. Because of higher risks, we can expect premium levels for natural hazards to rise. The combined ratio (gross) came to 95.4 percent; nevertheless, maintaining efficient cost structures remains a top priority. Premium income in the life sector dropped by 4.2 percent in local currency. Single premium policies recorded a decline due to the market situation; premium income from business concluded by the field staff on the other hand rose thanks to a boost of the sales force numbers. Unit-linked life insurance products also registered an increase. We can expect a positive impetus in the current year from the state promotion of private pensions as well as an upswing in the field of occupational pensions.

Measures to optimize Deutscher Ring are continuing this year. The aim is to strengthen operational earning power and to keep the combined ratio for non-life business below 100 percent.

Benelux

The restructuring of Mercator in Belgium continued undiminished in the year under review. Whilst progress was made in this regard, exceptional factors, and the poor state of the financial markets, impacted on the results of the companies in Belgium and Luxembourg.

Mercator Insurance, Belgium

The Belgian insurance industry is under pressure from inadequate structures and poor key underwriting figures. Although premium adjustments eased the situation, high losses on investments imposed excessive strain on results here, too.

Mercator Insurance continued its efforts to reduce costs and improve profitability in 2002. Moves have been introduced to tighten the structure with the creation of four business units, to reorganize the motor and fire business, and to strengthen distribution with 30 financial service providers.

Non-life premiums declined slightly as a result of profitability measures taken in motor insurance (-0.3 percent in local currency). The effects of these changes were seen in the claims figures, resulting in a combined ratio of 114.4 percent, a year-on-year improvement of 6.4 percent.

The life business was characterized by negative stock market movements. Investment-linked products, which according to IFRS rules do not fall into the premium-income category, registered an above-average surge of around 50 percent.

The considerable deterioration of the earnings situation of Mercator Insurance is attributable both to the underwriting shortfall and to the negative result from capital investments with the associated impairments. The company's loss also includes reserves for the continuing restructuring measures and the planned shedding of around 190 jobs.

Mercator Bank, Belgium

Mercator Bank registered a shift in demand from profit and risk-oriented products to conservative forms of investment. There was a sharp decline in sales of investment funds. Fixed-interest investments, on the other hand, were much sought after.

Since the middle of the year, insurance brokers have been helping to distribute banking products to private customers and small businesses. Mercator Bank for its part has successfully boosted the sale of Mercator Insurance products.

Mercator Bank nevertheless posted a loss in the year under review, caused partly by a reduced interest margin, but mainly by the negative results from capital investments and losses from structured investments in bonds. The balance sheet total at December 31, 2002 came to CHF 4.4 billion.

Key figures: Benelux	2001	2002	Change in percent
Gross premium income in CHF m	726.8	713.2	- 1.9
of which life in CHF m	163.7	154.0	- 5.9
of which non-life in CHF m	563.1	559.2	- 0.7
Combined ratio non-life in percent	118.9	114.1	
Pretax loss in CHF m	- 3.1	- 373.0	–
Workforce Number of employees	1,567	1,624	3.6

Bâloise Assurances, Luxembourg

The insurance sector in Luxembourg benefited from far-reaching tax cuts and stable private consumer demand in the year under review. Overall, Bâloise Assurances was able to gain further market share and managed to break even.

In the non-life sector, premium growth of 8.5 percent in local currency was recorded. This increase is due partly to premium advances in motor insurance in the previous year, which did not take full effect until the year under review. On the other hand, the number of new policies rose thanks to generally good new vehicle sales and further distribution improvements. The combined ratio (gross) came to 109.3 percent. Higher loss ratios for comprehensive motor and legal protection insurance will lead to rate adjustments in the course of this year. The focus for the current year is also on strengthening the fire and property insurance lines, so as to lessen the predominance of motor business in the Bâloise Assurances non-life portfolio.

On the life side, in the last quarter in particular, tax advantages helped provide marked premium growth of 32.2 percent (in local currency). New third-tier pensions products recorded significant growth. An increase in occupational pensions products was recorded as the company was able to position itself as a specialist provider in this field offering expert advice. After more than nine years, the collaboration with the Raiffeisen banks ceased, and a new partnership was entered into with Crédit Européen-ING.

This year will see completion of the move to a new administration system, which has been tying up staff and financial resources up until now. Organic growth and growth by acquisition are envisaged to improve cost efficiency.

Other Countries

Basler Austria

In the year under review, the Baloise in Austria continued to implement measures to reduce costs and improve its underwriting result. The reduction in office-based staff, and the resulting increases in efficiency, were accompanied by a significant expansion of the distribution network through a strengthening of the company's own field staff. The flood disaster in the summer of 2002 placed exceptional strain on the underwriting result for non-life.

Premium income non-life rose by 11.2 percent (in local currency), whilst total claims incurred amounted to CHF 52 million. The combined ratio (gross) came to 130.9 percent. The result was a loss of CHF 23 million in non-life. Life business incurred a loss of CHF 13 million.

The company is seeking to improve its key underwriting figures further through organic and external growth.

Key figures: Other countries	2001	2002	Change in percent
Gross premium income in CHF m	454.3	443.2	- 2.4
of which life in CHF m	38.8	31.8	- 18.0
of which non-life in CHF m	415.5	411.4	- 1.0
Combined ratio non-life in percent	99.0	102.2	
Pretax profit / loss in CHF m	10.8	- 70.8	–
Workforce Number of employees	318	309	- 2.8

Basler Osiguranje, Croatia

Basler Osiguranje works in conjunction with the local medical and dental association to offer non-life and life products to meet the specific needs of medical practitioners and, since 2002, the needs of associated professional groups as well. Non-life business commenced in 2000 and life business in 2001, and the company has since been developing according to plan.

Reinsurance, finance and participation companies

This category combines companies for reinsurance, special investment forms, financing and participations. Worth mentioning for the year under review is the extensive partial amortization of goodwill arising from the phased purchase of the remaining minority shareholdings of Mercator Insurance. The amortization of CHF 70 million is based on extensive impairment testing. Moreover, the Group's holdings in the asset management company RMF were sold to the British Man Group at a profit of CHF 45 million.

Capital investments affected by stock market slump

The continued downward trend in the stock markets and the unfavourable exchange rate movements shaped the results of the Baloise Group. Falls in the value of capital investments took their toll on the Group results to the tune of CHF 959 million, whilst foreign currency losses – particularly losses on foreign currency bonds – made a difference of CHF 156 million.

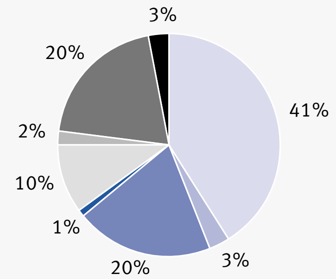
The continuing downward trend in the stock markets once again left its mark on the Baloise Group in 2002. Over the course of the year, all the major stock market indices showed substantial falls (Swiss Market Index (SMI): -27.8 percent; MSCI EMU Index: -33.4 percent; MSCI ROW Index: -19.2 percent). Following the lead of corporate investment activities, consumer demand also began to slow in the year under review. Corrective rate adjustments by the major central banks took interest rates to an all-time low, with corresponding effects on the yield markets (returns on 10-year benchmark bonds: Switzerland: - 1.2 percentage points; Germany: -0.7 points). In the past year, currencies moved to the detriment of the Baloise, which prepares its financial statements in Swiss francs. On the cut-off date, the reference currency, the US dollar, was 29 Swiss cents or 17 percent lower than at the start of the year. The euro fell by 3 Swiss cents or 2 percent.

Market trends were reflected in the performance of the Baloise Group's capital investments. The investment portfolio with an average value of CHF 50 billion suffered an operating loss of CHF 461 million, equivalent to a performance of -0.9 percent.

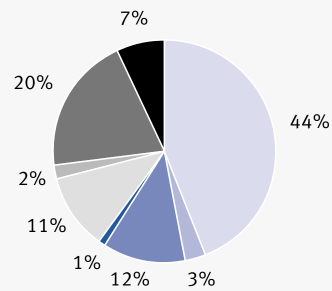
The fall in the value of capital investments (impairments) amounted to CHF 959 million. The lion share of losses came from value adjustments to share holdings. The company's exchange rate losses amounted to CHF 156 million, stemming from holdings of foreign-currency bonds.

Over the course of the year, share holdings as a proportion of total capital investments were reduced markedly for solvency and risk-related reasons. After a neutral share strategy in the first quarter, it was necessary to adopt a defensive strategy in the subsequent months, and to dispose of shares for risk control reasons. Whereas at the end of 2001, 20 percent of investment capital was still held as shares, this figure fell to 12 percent by the end of

Group investments by category 2001



Group investments by category 2002



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

2002, or 6 percent after hedging against further losses. The decline in the proportion of shares is attributable not only to disposals but also to price adjustments. As regards fixed-interest securities, the Baloise benefited from falling interest rates and rising quoted prices for bonds. Their share of total investments advanced, due to price gains and switches, from 41 percent to 44 percent. In the same vein, there was a large accumulation of unrealized gains amounting to CHF 998 million.

Investment property performed well at 4.9 percent (2001: 5.6 percent). The proportion of investment property in the portfolio rose slightly to 11 percent. Mortgages and loans posted a return of 4.1 percent and accounted for around 23 percent of total investments (2001: 23 percent).

Own capital investments by category	2001	2002	change in percent
Fixed-interest securites	20,569.3	21,906.8	6.5
Shares	10,000.8	5,752.4	- 42.5
Derivatives	19.3	212.8	–
Investment property	5,042.2	5,305.7	5.2
Mortgage loans	10,500.4	10,532.0	0.3
Policy and other loans	1,663.1	1,520.4	- 8.6
Participating interests in associates	289.1	286.9	- 0.8
Alternative financial interests	1,117.2	1,039.0	- 7.0
Other short-term capital investments, cash and cash equivalents	1,583.4	3,505.4	121.4
Total	**50,784.8**	**50,061.4**	**- 1.4**

in CHF m

Derivatives transactions carried out to hedge against foreign currency and share price losses resulted in an increase in holdings of derivatives to CHF 213 million by the end of the year. Losses on shares and foreign currencies were thus offset by CHF 59 million. In view of the uncertain developments in the stock markets and the low interest rates, holdings of short-term and liquid assets rose to CHF 3.5 billion.

The impairments amounting to CHF 959 million included over CHF 100 million on private equity investments, mainly in Belgium. As the private equity program is still in an early stage, it is not possible to make any meaningful statements about the returns achieved.

Changes in the value of hedge fund investments resulted in a 5.1 percent price increase expressed in US dollars. Investments in this category are characterized by a wide range of different investment styles.

Assets under management at the Baloise Group advanced by 2 percent to CHF 56.5 billion (2001: CHF 55.6 billion). The increase stems from the assumption of external asset management mandates.

Risk Management – a vital anchor

The significance of corporate risk management is greater than ever. The Baloise's Group-wide risk management system is a key management instrument. Thanks to the measures implemented under this system, the company managed to maintain a healthy balance between risk capacity and risk exposure in the year under review.

The Baloise Group has practised Group-wide risk management since 1998. This system has the task of ensuring a balance between the company's individual and portfolio risks and its risk capital. The Group's overall risk position as well as that of each individual business unit is actively managed in order to compensate for fluctuations and other events.

The greatest risk exposure for the Baloise Group lies in its insurance business and the respective capital investments. Risk management analyzes these risks and determines the total risk exposure of the individual companies and the Group. The following risks are relevant in the field of underwriting:

- natural catastrophes (earthquakes, storms, flooding, hail)
- major industrial risks (fire, explosions, interruption of operations)
- liability risks (product liability, environmental liability, occupational liability)
- risk of personal damage (disability, death)

The most serious risks associated with capital investments include:

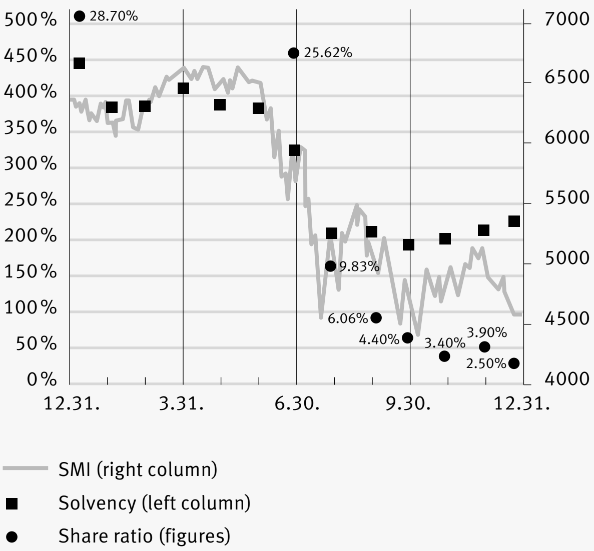
- market and stock market risk (equities, real estate)
- interest rate risk (bonds)
- exchange rate risk (euro, dollar)
- credit and counterparty risk (mortgages, loans, bonds)

To selectively reduce risk to desirable levels, management can resort to reinsurance, diversification of its investment portfolio, and hedging instruments. The remaining acceptable risk must be covered by own risk capital, primarily the company's capital and reserves. Further sources of risk capital include minority interests, reserves for taxes and provisions for future policyholder bonuses.

Integrated risk management
Both the central corporate units (Risk Management, Controlling, Reinsurance, Capital Investments, Accounting, Actuary) and the corresponding departments of the local business units are involved in the risk management process. Together they investigate and evaluate the risks of the local units in annual asset & liability analyses. This procedure ensures that all essential information pertaining to risk is available at both the local unit and Group headquarters and is incorporated into the management process.

The events of 2001 and 2002 have demonstrated the necessity of integrated risk management. For this reason, in the year under review the Baloise further expanded and refined its risk management processes. In the past two years, the focus of risk management has shifted from a strategy approach to quick and efficient risk controlling. Internal risk indicators and numbers specified by supervisory law, e.g. solvency, can be calculated on an ongoing basis and evaluated for each individual company and the Group as a whole.

SMI development, solvency and share ratio of Baloise Life Switzerland



In the year under review, the continuous decline in equity prices and some of the heaviest floods in Germany and Austria in centuries gave rise to a situation in which the Group had to take precautionary measures to safeguard its risk position. Selective equity sales and hedges ensured that a proper balance was maintained between the Group's risk and capital and contributed to safeguarding the Group's solvency. As a consequence of these measures, the Group's share ratio fell from 18 percent in July 2002 to 12 percent as of December 31, 2002. Through the use of hedging instruments, the exposure to equity loss was further reduced to an acceptable level.

An integrated risk management system must analyze and manage as much corporate risk as possible. Hence, it is necessary to embrace very different parameters of varying relevance and varying application. Together, these parameters and information provide an overall picture of the current situation, on the basis of which management formulates the appropriate measures.

The effects of the management measures taken to safeguard the solvency of the Group as a whole and of the individual Group companies can be demonstrated by the example of the development of the share ratio held by Baloise Life Insurance Switzerland. In the first six months of 2002, the ratio moved only slightly as the risk management level which induces action had not been reached. This changed during and after the strong downward movements in July with stock price collapses of up to 22 percent. In reaction, the Baloise Life share exposure was reduced from roughly 25 percent to 15 percent and 10 percent of the remaining exposure hedged. These and similar methods are applied to ensure a healthy risk balance in the positions held by the Group and its individual companies and that the defined limits are respected.

	12.31.01	12.31.02
Solvency requirement in CHF m	1,732	1,817
Capital resources in CHF m	6,579	3,686
Solvency margin	380%	203%

Solvency
Apart from its internal risk management, compliance with the regulations under supervisory law has to be assured at Group and individual company level. In IFRS terms, the Group achieved a consolidated solvency margin of 203 percent at December 31, 2002.

Sustainability – more than a fair-weather topic

At present, all eyes are focused on the situation of the overall economy and the economic health of individual sectors and companies. Despite the economic situation, the Baloise Group has not diminished its efforts to promote sustainable economic policies. The success of these efforts forms a significant basis for further steps.

The Baloise Group's commitment is motivated by its conviction that companies have a responsibility towards society. Insurance companies in particular, who in the course of business are confronted for instance by natural catastrophes, cannot simply shrug off ecological and social concerns. The Baloise is convinced that the role of the insurance industry in dealing with risk makes a substantial contribution to society's sustainable development. Used to dealing with customer relationships that stretch over very long periods of time, in particular in the life insurance business, long-term planning – a core component of any sustainability consideration – is a normal part of everyday business at the Baloise.

The Baloise Group's active interest in sustainability dates back to the mid-90s. In 1994, Baloise Switzerland, the parent company at the time, published its first eco-audit. Other milestones followed in the next years: signatory to the UNEP Insurance Industry Initiative, an annual Group-wide environmental audit, the launch of the Baloise's own "Sustainability" security portfolio within the Baloise Foundation for Pension Funds in October 1999 and the publication of the first environmental report in 2001. Among the outstanding events of the year under review was the decision of Ethos and the Swiss Agricultural Credit Cooperatives (Raiffeisenbanken) in spring to include the Baloise in their respective investment universes for sustainable investments, as well as inclusion in the component pool for the Dow Jones Sustainability Index and in the FTSE4Good Index of the "Financial Times". The Baloise regards these developments as an affirmation of the years of effort it has put into ecological and ethical concerns.

Thanks to its inclusion in sustainability funds and regular contact with sustainability and financial analysts, the Baloise can present a more positive score-card in this field than most of its peers. The inclusion and the contacts also help the Baloise to define its position and to pinpoint what the company still needs to do. In view of the breadth of ecological and social topics that have a bearing on sustainability, measures to ensure a Group-wide sustainability approach have an impact on various organizational units. For this reason, the Baloise has created a Sustainability workgroup to harmonize initiatives and develop new concepts for corporate sustainability. The conscious decision to establish a Sustainability workgroup rather than a separate sustainability and environmental management unit emphasizes the integration of sustainability concepts directly into the line functions.

The Baloise focuses in particular on the sustainability of investment and insurance products. With its Sustainability investment portfolio, based on the SAM Sustainability Rating™, the Baloise offers pension funds in Switzerland the opportunity to invest retirement assets in shares in the Dow Jones Sustainability Index. This index is comprised exclusively of companies that seek to ensure their long-term corporate success by integrating ecological and social as well as economic aspects.

Capital investments page 28

One product offers added sustainability benefits by combining motor vehicle insurance policies with a project to save the rain forests: for every new motor vehicle policy signed the Baloise buys two shares in Precious Woods, which runs a reforestation project in the South American rain forests. In doing so, the Baloise combines CO_2 neutralizing measures in the southern hemisphere with car insurance in the northern.

For further information and news about these and other activities in the sustainability field, please consult the specific Baloise reports and the Baloise website.

www.baloise.com Corporate Citizenship

Human Resources – attractive jobs for dedicated employees

According to a survey on employee satisfaction, the Baloise is one of Switzerland's most highly rated companies. Human Resources want to boost this by a series of concrete measures. Motivated and committed employees are the prime capital for a successful future.

As at December 31, 2002, the Baloise workforce amounted to a total of 8,703 employees. By their hard work, they proved their high commitment level towards the company. Indeed, the relationship of trust between the Baloise on the one hand and its customers, shareholders and the general public on the other hinges on the motivation and dedication of the company's workforce.

In a comprehensive survey on employee satisfaction conducted by the Swiss business magazine "Cash" at 1,000 companies in Switzerland and involving 40,000 employees, the Baloise ranked 11th. The company interprets this as a reflection of its ongoing efforts to foster an employee-focused corporate culture; it is also motivation to further improve its standing as an employer of choice. Measures recently realized include the introduction of flexible working hours based on a yearly total required and the establishment of an in-house crèche at the Head Office in Basel.

A further factor in promoting job satisfaction is the attractive salary system including variable components. Middle and senior management members participate in an incentive program with clearly defined targets and measurement of performance. The amount of the variable salary part depends primarily on the added value generated, but the assessment also includes criteria such as entrepreneurial and target-oriented thinking and acting, the ability to implement, teamwork, team building and staff development. The Baloise plans to expand this performance-related part of remuneration. In the year under review, roughly 400 people were included in the incentive programs, which took up 3.4 percent of the overall personnel costs.

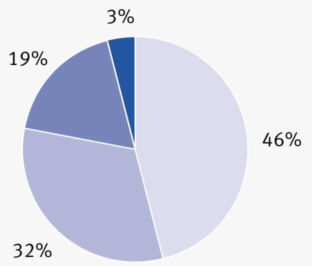
Founded on Corporate Values page 11

In the past year, the Baloise defined three fundamental values applicable to the entire Group under the headings "Create Value", "Foster Relations" and "Bring About Change". They are closely linked to the Group's vision and strategy and are seen as directly influential on the business results. In the year under report, 150 executives were enrolled in the corresponding project during a management meeting. In 2003, introductory and implementation courses will be held to familiarize all Baloise Group employees with these values.

Carefully targeted basic and advanced training programs are given high priority at the Baloise. Baloise Switzerland ran in-house diploma courses in financial planning, corporate consulting and overall financial consulting for the first time in 2002. As part of an extensive strategic development scheme, around 1,500 employees are undergoing advanced training courses. All Group companies offer in-house training and support for employees enrolling in external programs. E-Learning is gaining in importance, allowing employees to tailor a program to their individual needs and to follow it at their own workplace. This not only saves costs, but also enhances learning efficiency thanks to time saved and a straight-forward learning control mechanism. In 2002, the Group invested a total of CHF 6.86 million in staff training and development at all levels.

Promising and up-coming executives throughout the Group are identified and integrated in the long-term Management Development Process. In the autumn of 2002, the Strategic Leadership Program for top executives from all Group companies was conducted for the first time at the Kellogg School of Management at North Western University of Chicago (USA). Its principal aims were to

Employees



Switzerland	3,976
Germany	2,794
Benelux	1,624
Other countries	309
Total	8,703

Number of employees at December 31, 2002 promote the individual ability to implement vision and strategy, to enhance the personal network and to encourage an exchange of experience. In addition, the Advanced Management Program, a proven tool to sharpen management and leadership skills for middle and senior managers, was revised and relaunched.

It is thanks to the systematic and in-depth development programs for its own management staff that the Baloise was again able, in the year under review, to replace executives at various levels up to Executive Committee level with people from its own ranks.

Corporate Governance at the Baloise

As a value-oriented company, the Baloise is committed to good corporate governance. It feels convinced that the SWX guideline and the Swiss Code of Best Practice adopted during the year under review represent important steps toward increasing corporate transparency and boosting confidence in the business world.

However, the issuing of guidelines and codes of best practice also brings a danger that companies may content themselves with conforming to these edicts as far as possible, without addressing corporate governance in any depth or seeking solutions tailored to the companies in question. First and foremost, corporate governance needs to be practised rather than portrayed in grand-sounding words. The first section in this chapter therefore focuses on steps actually taken.

www.baloise.com Profile / Corporate Governance / Rules and Regulations

The second section then essentially follows the structure of the SWX guideline with the aim of increasing transparency and hence comparability with other companies.

Important changes

March 1, 2002 saw Frank Schnewlin take over as the Baloise Group's new CEO. Rolf Schäuble will once again be concentrating full-time on his role as Chairman of the Board of Directors – as he had done when he began working at the Baloise.

Founded on Corporate Values page 11

www.baloise.com Profile / Corporate Governance / Rules and Regulations

In 2002, shareholders' participation rights were improved by two changes to Article 14 of the Articles of Incorporation. The required shareholding threshold of CHF 1 million in nominal value in order to have items included on the agenda has been lowered to CHF 100,000; in the past, such requests had to be submitted at least eight weeks ahead of the General Meeting, but for the benefit of shareholders this time limit has now been reduced to six weeks.

In addition to the existing committees (i.e. the Chairman's Committee, the Investment Committee and the Compensation Committee), the Board of Directors has also appointed an Audit Committee from among its members.

Most of the fundamental rules on corporate governance are contained in the organizational regulations. As a further move toward improved transparency, the Board of Directors has therefore decided to provide public access to the organizational regulations on the Internet along with the Articles of Incorporation.

2002 also saw the creation of a central compliance function at Group level to coordinate compliance activities in the Group and define minimum standards for compliance with legal and ethical requirements. During the year under review, a detailed review of the compliance situation in the individual Group companies was conducted and concrete measures were developed to train and inform employees. As a key component of the implementation of a group-wide minimum standard of ethical conduct for employees, a group-wide Code of Conduct has been drawn up and will be introduced on a binding basis for all employees later this year. This Code of Conduct includes provisions on how to behave in the event of conflicts of interest and on employees' actions in dealing with customers, business partners and one another. It is based on the corporate values of the Baloise and provides employees with specific guidelines on how to behave in their daily work. Additional internal rules and directives have also been drawn up and implemented. For example, a so-called "potential insider" directive imposes additional restrictions on trading in Baloise securities on the part of Group bodies and employees with access to insider information.

Group structure and breakdown of shareholders

The Baloise is organized as a holding company under Swiss law. Segment reporting by business segments and regions can be found from page 58 of the Annual Report.

There has been some movement in the breakdown of Baloise shareholders which has resulted in a significant increase in the free float. Since October 2002 the Baloise has been included in SWX's index calculations with a free float of 100 percent.

While an announcement made in December 2001 puts the size of the shareholding of the Dutch firm Strategic Money Management Company B.V. at around 21 percent, the stake held by BZ Group decreased in several stages from 20.1 percent to 8.2 percent at the end of 2002 – partly as a result of the sale of BK Vision to Zürcher Kantonalbank. Having risen above the 5 percent threshold in July, Zürcher Kantonalbank announced in December 2002 that it was back below the threshold.

Based on the most recent disclosure reports, the Baloise had the following significant shareholders on December 31, 2002:

Significant shareholders	Size of shareholding (in percent)	Disclosure report
Strategic Money Management Company B.V.	21.0	12.27.01
BZ Group	8.2	12.20.02
ZKB Group	‹ 5.0	12.20.02

This information is continuously updated on the Internet. The “Baloise Shares” section on page 44 of the Annual Report provides further information on the breakdown of our shareholders as at March 31, 2003. There are no cross-shareholdings either in terms of capital or voting rights.

Capital structure

The capital changes between 1999 and 2001 were marked by a shareholder-friendly distribution policy. Since 1997, roughly CHF 1,853 million was paid out to shareholders in the form of cash dividends, share buybacks and nominal value repayments. In the years 1999 to 2001 alone, such payments came to around CHF 1,067 million.

Distributions to shareholders (in CHF m)

Year	Dividend payments	Share buybacks	Nominal value repayments	Total
1997	–	185.6	81.8	267.4
1998	85.8	300.3	–	386.1
1999	111.4	–	–	111.4
2000	140.7	335.3	–	476.0
2001	136.1	293.2	49.8	479.1
2002	132.7	–	–	132.7
Total	**606.7**	**1,114.4**	**131.6**	**1,852.7**

A 1:10 split in 2001 significantly increased the trading liquidity of Baloise shares. All distributions and capital transactions in favor of shareholders are detailed on the Baloise website.

www.baloise.com Investor Relations / Shares

The share buybacks and nominal value repayments in the years 2000 and 2001 had a strong impact on the Bâloise-Holding's capital and reserves. In the 1999 / 2000 and 2000 / 2001 reporting periods, share buybacks led to a reduction of share capital by CHF 1.9 million and CHF 1.4 million respectively. The nominal value repayment in 2001 to the amount of CHF 9 per share lowered the share capital by CHF 49.8 million to CHF 5.5 million at the end of business year 2001 / 2002. Despite these capital transactions in favor of our shareholders, free reserves were substantially raised in the past three years.

Changes in the Bâloise-Holding capital and reserves

	Year of report 1999 / 2000	Year of report 2000 / 2001	Year of report 2001 / 2002	Year of report 2002 / 2003
Share capital	58.6	56.7	5.5	5.5
General reserve	11.7	11.7	11.7	11.7
Reserve for treasury stock	124.6	86.2	55.1	20.0
Free reserve	115.0	242.6	326.5	509.5
Net income	564.0	481.5	281.4	22.8
Bâloise-Holding capital and reserves	873.9	878.7	680.2	569.5

in CHF m (always at March 31)

Since the 1:10 split in 2001, the ordinary share capital of Bâloise-Holding has consisted of 55,307,150 registered shares entitled to dividends with a nominal value of 0.10 CHF each. Further information on Baloise shares can be found in the chapter on participation rights.

Shareholders' participation rights page 39

Bâloise-Holding does not have any authorized or conditional capital. There are no participation certificates, dividend rights certificates or convertible bonds relating to participation rights of the company or options issued by the latter. For further details, readers are referred to page 132 in the financial statements and the notes.

Consolidated capital and reserves of the Baloise

Full details of the changes in the consolidated capital and reserves in fiscal 1999, 2000 and 2001 are shown in the statements of changes in consolidated capital and reserves in the relevant annual reports (Annual Report 1999: page 74, Annual Report 2000: page 47, Annual Report 2001: page 64). For the statement of changes in capital and reserves for fiscal 1999, the 2000 Annual Report contained a restatement on an IAS basis because of the changeover to IAS standards.

www.baloise.com Profile / Organization / Board of Directors

In fiscal 2002, capital and reserves were reduced from CHF 5,385 million to CHF 3,088 million at the beginning of the year. Details of the changes in capital in 2002 are shown in the statement of changes in consolidated capital and reserves on page 56 of the Annual Report.

www.baloise.com Profile / Corporate Governance / Rules and Regulations

Board of Directors

Board of Directors and Management Structure page 41

Members of the Board of Directors

Name	Nationality	Age	Board member since	Expiry of term of office
Rolf Schäuble, Chairman	CH	59	1993	2005
Walter G. Frehner, Vice-Chairman	CH	70	1989	2004
Christoph J. C. Albrecht	CH	65	1985	2003
Andreas Burckhardt	CH	52	1999	2003
Dietrich J. J. Forcart	CH	67	1973	2003
Gertrud Höhler	D	62	1998	2004
Georg F. Krayer	CH	60	1995	2004
Werner Kummer	CH	56	2000	2004
Arend Oetker	D	64	1996	2005
Jean-Marc Rapp	CH	52	1999	2004
Eveline Saupper	CH	45	1999	2005
Gaudenz I. Staehelin	CH	67	1992	2003

www.baloise.com Profile / Corporate Governance / Rules and Regulations

The Board of Directors consists of 12 members who are appointed by the General Meeting for a term of three years. Each year, one third of the members leave unless re-elected (staggered renewal). Under an age restriction, board mandates end at the latest at the AGM that follows the member's 70th birthday. The average age is currently just under 60.

Only the Chairman of the Board of Directors has an executive function. None of the other members, who perform non-executive functions, held executive responsibility at one of the Group companies. Moreover, there are no key business relationships or cross-shareholdings.

Further information on the members of the Board of Directors can be found on the Internet.

Role and mode of operation of the Board of Directors and its committees

Subject to the decision-making powers of the shareholders at the General Meeting, the Board of Directors is the highest decision-making body of the company. In principle, unless the organizational regulations delegate powers to the committees or the Corporate Executive Committee, decisions are taken by the Board of Directors.

Under Art. 716a of the Swiss Code of Obligations and Section 1 II of the organizational regulations the main tasks of the Board of Directors are to oversee the operations of the company and determine how it is organized.

The Board of Directors has four committees to assist it in its work. The committees report to the Board of Directors and submit proposals; the Compensation Committee in particular has its own decision-making powers.

The committees appointed by the Board of Directors consist of at least three members reselected annually by the Board of Directors. Further points to bear in mind are that the Chairman and Vice-Chairman of the Board of Directors are ex officio members of the Chairman's Committee and that the Chairman of the Board of Directors cannot be a member of the Audit Committee. The committees' basic tasks are defined by the organizational regulations and the written regulations applicable to the committees.

The Chairman's Committee is responsible for deliberating on particularly important business, especially in connection with major decisions on strategy or personnel. The Chairman's Committee meets at least once a year as the Investment Committee to approve the Group's investment policy and investments in real estate for the Group's own use at Head Office.

The Compensation Committee determines the structure and amount of compensation for Board members and the salaries of the members of the Corporate Executive Committee. In the incentive plan, it defines the overriding Group objectives and their attainment, and it approves the rules governing compensation for Corporate Executive Committee members and monitors their correct application. In the year under review, the Compensation Committee adopted a share participation plan – in addition to the existing option plan and leveraged share plan – that makes remuneration in shares without combination with a loan possible. Furthermore, the range of choice in the mandatory part has been extended, so that as of 2003 shares or options can be selected.

In 2002, an Audit Committee was appointed which assists the Board of Directors in tasks which cannot be delegated relating to supervision and financial monitoring (Art. 716a Swiss Code of Obligations) by forming its own judgement on the organization and functioning of the internal and external monitoring systems and on the annual and consolidated financial statements. The Audit Committee reviewed the Group statements for the business year 2002 both with the management and with the external auditors. As a result, the Audit Committee recommended that these audited annual statements be incorporated in Group's Annual Report for the business year ended on December 31, 2002. The Board of Directors accepted this recommendation.

Last year, the Board of Directors as a whole met five times, while the Chairman's Committee and the Investment Committee met seven times. The newly created Audit Committee held three meetings and the Compensation Committee met on two occasions. Meetings of the Board of Directors as a whole are regularly attended by members of the Corporate Executive Committee, whereas meetings of the Audit Committee are mainly attended by the Group CFO, the Head of Internal Audit and representatives of the external auditors.

The apportionment of powers and duties between the Board of Directors and the Corporate Executive Committee is primarily laid down in the organizational and investment regulations. Both documents are continuously reviewed to ensure that they are appropriate and if need be are adjusted to changes in circumstances. As a consequence, the organizational regulations were revised in 2002. The investment regulations are at present being modified and will be submitted to the Investment Committee in March and to the Board of Directors for approval in May 2003.

The 10 internal Group auditors report directly to the Chairman of the Board. Their specialist knowledge covers the fields of underwriting, mathematics, finance and IT. The significance of a well-functioning risk management at an insurance Group cannot be over-emphasized, which is why a special chapter in this Report has been dedicated to the risk management at the Baloise.

Risk Management page 29

Corporate Executive Committee

The management structure at the Baloise Group is outlined on page 42. Details of the members of the Corporate Executive Committee and information on their other activities and outside interests can be found on the Internet. There are no management contracts delegating management tasks to a third party.

www.baloise.com Profile / Organization / Corporate Executive Committee

Compensation, shareholdings, loans

This section is subdivided into three parts:

- members of the Board of Directors other than the Chairman,
- the Chairman of the Board of Directors, who until the end of February 2002 also held the position of President of the Corporate Executive Committee, and
- the Corporate Executive Committee.

To facilitate assessment of the Baloise's compensation policy, the focus is on gross compensation figures, rather than on tax figures.

Members of the Board of Directors

With the exception of the Chairman, the members of the Board of Directors receive flat-rate compensation in cash which is determined by the Compensation Committee of the Board of Directors.

www.baloise.com Profile / Corporate Governance / Rules and Regulations

Compensation during the year under review

Cash compensation	CHF 1,289,500
Allocation in the form of shares	0
Allocation in the form of options	0

Ownership of shares and options

Share ownership	104,590 registered shares
Option ownership	Contractual option*
Number	8,400
Year of allocation	1999
Term to maturity	5 years
Subscription ratio	1:10
Exercise price	CHF 125.80

Loans to organs

Mortgage loans	CHF 650,000

* see "Change of control and countermeasures", page 39

The Chairman of the Board of Directors and the Corporate Executive Committee

The nature and amount of the compensation paid to the Chairman of the Board of Directors and the members of the Corporate Executive Committee is also determined by the Compensation Committee of the Board of Directors. It consists of a basic salary and an incentive dependent on achieving corporate targets on the one hand and individual targets on the other. 50 percent of the incentive is received in the form of options on Baloise registered shares. These options are purchased from third parties by the Baloise Group at market value and are quoted on the stock market. The conditions applicable to the option rights at market values are specified at the beginning of the fiscal year. The allotted share options may not be sold for two years. For the remaining 50 percent of the incentives, a choice is available between cash compensation, more options, or Baloise registered shares. The allocation of shares is linked to a loan on which interest is payable at market conditions. This strengthens the impact of the shares allocated (leverage effect). The loan repayment after a three-year blocking period is hedged with a put option financed by the sale of a contrary call option. After expiry of the blocking period, employees receive the shares remaining after repayment of the loan for their free disposal.

Notes to the Consolidated Financial Statements page 81

Chairman of the Board of Directors (and Group CEO until February 28, 2002): Rolf Schäuble

Compensation during the year under review

Cash compensation	CHF 1,959,576
Allocation in the form of shares	0
Allocation in the form of options	CHF 53,347
Additional fees and payments	0
Maximum overall compensation	CHF 2,012,923

Maximum overall compensation

Share ownership	11,400 registered shares

Share ownership	BALIX	BALUP	Contractual option
Number	444,557	1,224,480	14,000
Year of allocation	2002	2001	1999
Term to maturity	3 years	4 years	5 years
Subscription ratio	50:1	10:1	1:10
Exercise price in CHF	197.1	167.8	125.8

Loans to organs

Mortgage loans	CHF 500,000

* see "Change of control and countermeasures", page 39

Members of the Corporate Executive Committee

The Corporate Executive Committee consists of five members. The new Group CEO, Frank Schnewlin, took up his post on March 1, 2002 and has therefore not yet received an incentive (max. 66 2/3 percent of basic salary), as incentives for the financial year that has ended are not paid until the following year. No severance payments were made in the year under review.

Compensation during the year under review

Cash compensation	CHF 3,322,914
Allocation in the form of shares	CHF 118,584
Allocation in the form of options	CHF 61,778
Additional fees and payments	0
Total compensation	CHF 3,503,276

Ownership of shares and options

Share ownership	14,809 registered shares

Share ownership		BALIX	BALUP	Contractual option
Number	514,814	841,300	4,950	30,000
Year of allocation	2002	2001	2000	1999
Term to maturity	3 years	4 years	5 years	5 years
Subscription ratio	50:1	10:1	10:1	1:10
Exercise price in CHF	197.1	167.8	167.8	125.8

Loans to organs

Mortgage loans	CHF 3,964,296

* see "Change of control and countermeasures" below

Shareholders' participation rights

The share capital of the Baloise consists exclusively of registered shares. There are no shares with preferential voting rights. As a matter of broad-based shareholder democracy and in order to protect minority shareholders, no shareholder, regardless of the size of holding involved, is registered with more than two percent of voting rights. The Board of Directors may approve exceptions to this rule by a majority of two thirds of all members (Articles of Incorporation, Art. 5). No exceptions exist at present. In exercising voting rights, no shareholder may hold more than one fifth of the shares entitled to vote at the General Meeting either directly or indirectly based on a combination of his own votes and proxy votes (Articles of Incorporation, Art. 16).

Any annulment of restrictions on voting rights imposed by the Articles of Incorporation will require the agreement of at least three quarters of the votes represented at the General Meeting which must also account for at least one third of the total shares issued by the company. This qualified majority is also required in the cases envisaged in Art. 17(3) letters a–h of the Articles of Incorporation. Otherwise, subject to any compelling statutory requirements to the contrary, resolutions will be adopted by a simple majority of votes cast.

Any shareholder may also transfer his / her voting rights to another shareholder by written power of attorney (Articles of Incorporation, Art. 16).

Subject to any provisions to the contrary in the Articles of Incorporation, the shareholders entitled to vote at the General Meeting will be those who on the reference date specified in the invitation from the Board of Directors (a date a few days ahead of the General Meeting) are entered in the share register as shareholders with voting rights (see also Articles of Incorporation, Art. 16).

The admissibility of nominee registrations is dealt with in Article 5 of the Articles of Incorporation (reference being made to any percentage clauses or conditions of registration). The procedures and preconditions for canceling or restricting transferability are laid down in Articles 5 and 17 of the Articles of Incorporation.

Shareholders' requests pursuant to Article 699(3) of the Swiss Code of Obligations for the inclusion of items on the agenda for discussion may be submitted by one or more shareholders representing at least 10 percent of the share capital or shares with a nominal value of at least CHF 100,000. See also the introductory remarks in this chapter and Article 14 of the Articles of Incorporation.

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Change of control and countermeasures

There are no opt-out or opt-up clauses, which means that after any acquisition of $33\frac{1}{3}$ percent of all Baloise shares, a mandatory takeover offer must be submitted to all remaining shareholders.

However, there are two different types of change of control clauses:

Since 1999, agreements have been in place with the members of the Board of Directors and the Corporate Executive Committee of Bâloise-Holding whereby in the event of a change of control compensation will be paid for the intrinsic value of the options (contractual options limited to 2004), subject of a guaranteed minimum.

For the Board of Directors and the Corporate Executive Committee combined this amounts to CHF 7.6 million.

Agreements also exist with the members of the Corporate Executive Committee and other members of senior management whereby severance compensation payments will be triggered in the event of notice being given by the employer (or under certain conditions by the employee) within a certain period of time following the change of control. The amount of these payments is within the usual market framework.

www.baloise.com Profile / Corporate Governance / Rules and Regulations

www.baloise.com Profile / Corporate Governance / Rules and Regulations

Statutory auditors

PricewaterhouseCoopers (PwC), and its predecessor Schweizerische Treuhandgesellschaft STG Coopers & Lybrand have been the statutory auditors of the Baloise since 1962. The statutory auditors are chosen by the General Meeting each year. The lead auditor, Mr. Peter Lüssi, took up his office in 1999.

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www.baloise.com Presentations under Investor Relations / Presentations

The Baloise has an Audit Committee made up of independent members qualified in the fields of finance and accounting. The Audit Committee monitors the coordination of the internal audit, risk management and compliance with the external auditors effectiveness and independence of the external auditors. It also verifies the independence of the external auditors. The following fees were charged by PricewaterhouseCoopers in the year under review. The figures refer to its Group-wide activities.

Fees of PricewaterhouseCoopers

Auditors' fees	CHF 1,338,625
Fee for audit-related activity	CHF 165,432
Consultancy fee (taxes, IT, Human Resources)	CHF 307,802

Information policy

The Baloise Group provides information for shareholders, potential investors, employees, customers and the public on as comprehensive, open and regular a basis as possible. This enables us to foster an understanding of our objectives, strategy and business activities.

The Baloise provides detailed information on its business activities in

- Annual and semi-annual reports
- Balance sheet and semi-annual media conferences
- Meetings for financial analysts
- At the Annual General Meeting

Our communications are rounded off by media releases on important projects and initiatives. At special events and road shows we engage in dialogue with investors and media representatives.

Shareholders can access media releases, disclosure reports and presentations on the Internet.

Contacts

Investor Relations
Carsten Stolz
Aeschengraben 21, CH-4002 Basel
Phone +41 61 285 81 81
Fax +41 61 285 75 62
E-mail investor.relations@baloise.com

Corporate Governance
Thomas Sieber
Secretary of the Board of Directors
Aeschengraben 21, CH-4002 Basel
Phone +41 61 285 86 48
Fax +41 61 285 91 90
E-mail thomas.sieber@baloise.ch

www.baloise.com

Board of Directors and Management Structure

Board of Directors

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

Secretary of the Board of Directors

Thomas Sieber, Rheinfelden

Internal Audit

Erich Benischke, Basel

Auditors

PricewaterhouseCoopers AG, Basel

Board Committees

Chairman's Committee
Audit Committee
Compensation Committee
Investment Committee

Board Committees and their Members

Chairman's Committee
Rolf Schäuble, Chairman
Walter G. Frehner, Vice Chairman
Georg F. Krayer
Gaudenz I. Staehelin

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

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

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

Management structure of the Baloise Group

CEO
Frank Schnewlin

Group Secretariat / Corporate Communications
Thomas Kähr

Switzerland
Martin Strobel*

Individual Customers
Franz Josef Kaltenbach

Business
Ruedi Kellenberger

Baloise Bank SoBa
Alois Müller

Sales Management
Daniel Fluri

Information Systems
René Güttinger

Management Services
Bernhard Jöhr

Accounting and Controlling
Peter Brawand

International
Frank Schnewlin*

Germany, Deutscher Ring
Wolfgang Fauter

Germany, Basler Versicherungen
Winfried Anolick

Germany, Securitas
Winfried Anolick

Belgium, Mercator
Christian Meyer
(ad interim)

Luxembourg, Bâloise Assurances
André Bredimus

Austria, Basler Versicherungen
Lothar Mayrhofer

Finance
Wolfgang Drunk*

Financial Relations
Carsten Stolz

Financial Management
Annemarie D'Hulster

Financial Accounting
Urs Bienz

Asset Management
Martin Wenk*

Baloise Asset Management
Reto Diezi

Real Estate
Urs Degen

Baloise Fund Invest
Robert Antonietti

Corporate Center
Bruno Dallo*

Corporate Development
Thomas Wodrich

Human Resources
Frank Sigl

Legal and Taxes
Thomas Sieber

Compliance
Peter Kalberer

Run Off
Bruno Rappo

* Member of the Corporate Executive Committee

Chairman and Corporate Executive Committee of the Baloise Group

Rolf Schäuble
Chairman of the Board of Directors

Frank Schnewlin
Chief Executive Officer

Bruno Dallo
Corporate Center

Wolfgang Drunk
Finance

Martin Strobel
Switzerland

Martin Wenk
Asset Management

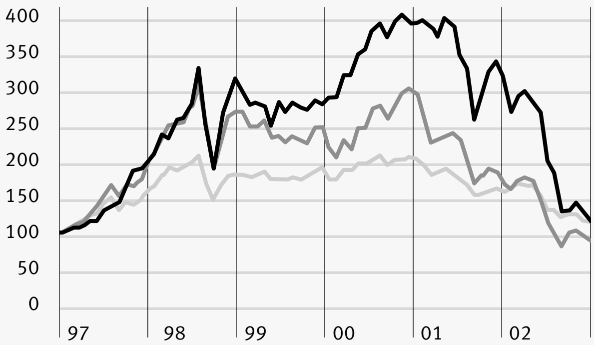
Negative Share Performance in Adverse Market Environment

Based on the Swiss Market Index (SMI), 2002 ranks as the worst year the stock market has seen since 1974. The index lost 27.8 percent in comparison with 2001. Baloise's share price did not escape the sustained and far-reaching market downturn and lost 64 percent of its value in the course of the year. In comparison both with the Swiss Performance Index Insurance (SXIS), which fell by 51 percent, and with other SMI-listed primary insurers, Baloise's share price suffered more than average from the poor state of the financial market after regularly having outperformed the industry as a whole over the past few years.

In addition to the stock markets, unfavorable currency trends also had an adverse impact on the Baloise. On the operations side, major burdens arising from natural disasters also took their toll, in particular from the flood disasters in Austria and Germany. Despite this combination of negative factors, the Baloise reported an adequate operating performance for the financial year as a whole. The Baloise's operating strength still makes it a sound company and therefore an attractive long-term investment.

Last year saw a significant increase in the Baloise shares' free float. While the shareholding of the Dutch firm SMM Company B.V. still stands at around 21 percent, the stake held by BZ Group decreased in several stages from 20.1 percent to 8.2 percent at the end of the year – partly as a result of the sale of BK Vision to Zürcher Kantonalbank. In July, Zürcher Kantonalbank (including ZKB Finanz Vision, the former BK Vision) held a stake of more than 5 percent in the Baloise, but thereafter this shareholding successively decreased and has been below the 5 percent threshold since December. Deutsche Bank also briefly held a stake of 5.25 percent in July, but soon reduced this

Indexed share price development[1]
Bâloise-Holding, registered, 1997–2002



Bâloise-Holding, registered[2]	123
Swiss Performance Index (SPI) Insurance	91
Swiss Market Index (SMI)	117

1 December 1996 = 100

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

commitment again. The table on page 46 provides information on the current composition of the circle of shareholders as of March 31, 2003. In parallel with the reduction in shareholdings held by our major shareholders, SWX revised our free float weighting in its indices as at October 1. The Baloise has since been included in SWX's index calculations with a free float of 100 percent.

For many years, the Baloise has been pursuing a consistent, earnings-geared dividend policy. Traditional cash dividends were frequently supplemented by nominal value repayments, share buybacks and options. The Baloise basically strives for a sustained distribution of a third of its annual result, taking into account also the self-financing of corporate growth. The Group's adequate operating performance and intact operating profitability will also enable it to distribute a cash dividend for 2002. In light of the reported loss, the Board of Directors is proposing a reduced dividend in comparison with the previous year amounting to CHF 0.40 per stock. The proposal for this year's dividend will be submitted to shareholders at the General Meeting on May 16, 2003 for approval.

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

Share statistics	1997[5+7]	1998[5+7]	1999[5]	2000[5]	2001[5]	2002
Net earnings per Bâloise-Holding share[1] in CHF	4.3	6.1	9.1	11.2	7.3	-11.6
Consolidated capital and reserves per Bâloise-Holding share[2] in CHF	78.7	90.5	128	130	97.4	55.8
Dividend per registered share in CHF	1.4	1.9	2.4	2.4	2.4	0.4[4]
Total shares issued in shares	61,285,680	58,620,000	58,620,000	56,704,000	55,307,150	55,307,150
Number of shares entitled to dividend in shares	61,285,680	58,620,000	58,620,000	56,704,000	55,307,150	55,307,150
Time-weighted number of shares entitled to dividend in shares	63,882,930	59,993,000	58,620,000	57,824,280	56,087,855	55,307,150
Daily volume traded shares CHF m	20	40	23	24.5	15.4	21.4
Number of shareholders Number	6,506	8,819	11,016	8,988	9,725	11,974
Treasury stock in shares	983,400	1,424,250	1,761,750	830,000	560,000	702,540
Price at year-end in CHF	90	143	125	178	153	55
High in CHF	97	155	146	186	183	156
Low in CHF	44	73	109	123	110	46
Market capitalization in CHF m	5,522	8,353	7,345	10,093	8,462	3,042
Consolidated capital and reserves CHF m	4,788	5,307	7,478	7,373	5,385	3,088
Ratio, market capitalization / consolidated capital and reserves	115.3	157.4	98.2	136.9	157.2	98.5
Ratio, market capitalization / gross premiums in percent	84.1	129.8	120.7	150.6	127.6	41.8
Return on Equity (ROE)						
ROE on capital and reserves as shown in the balance sheet[3] in percent	6.6	7.2	7.4	8.5	6.3	-15.0
ROE on capital and reserves minus non-realized gains and losses[3] in percent	13.1	17.7	17.2	19.0	10.5	-18.3
Annual internal rate of return (IRR)[8] in percent	45.0	18.1	20.9	3.0	-21.2	-39.9
Dividend yield in percent	1.6	1.3	1.9	1.3	1.6	0.7
Price-earnings ratio	20.3	22.9	14.2	15.9	20.1	n.a.[9]
Price-earnings ratio in percent	31.5	30.5	27.1	29.5[6]	32.8	n.a.[9]

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

8 Consolidated net profit plus changes in capital and reserves (net of capital changes due to financing and distribution) in percent of capital and reserves at the beginning of the year

9 Not available

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 Incorporation, Art. 5).

Significant shareholders at March 31, 2003	Total holding	Share of voting rights
Strategic Money Management B.V.	21.0	–
BZ Group	8.2	–
Boston Safe Deposit & Trust	4.0	–
Morgan Nominees	3.7	–
Chase Nominees	3.4	0.8
Landesbank Baden-Württemberg	2.7	2.0
UBS Group	1.2	0.9
Deutsche Bank Nominees	0.8	0.8

in percents

Bonds issued

Issuer	CHF m	Interest rate	Issue	Redemption
Baloise Finance (Jersey) Ltd.	200	1.00%	1998	4.7.2006
Bâloise-Holding	300	3.25%	1998	4.7.2008
Bâloise-Holding	600	4.25%	2000	9.28.2005
Baloise Bank SoBa	175	3.625%	2002	6.12.2007

Contacts

Investor Relations
Carsten Stolz
Aeschengraben 21, CH-4002 Basel
Phone +41 61 285 81 81
Fax +41 61 285 75 62
E-mail investor.relations@baloise.com

Media Relations
Philipp Senn
Aeschengraben 21, CH-4002 Basel
Phone +41 61 285 84 67
Fax +41 61 285 90 06
E-mail media.relation@baloise.com

www.baloise.com

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Consolidated Financial Statements of the Baloise Group

Financial Statements of Bâloise-Holding 2002/2003

Consolidated Income Statement

Income	Note	2001	2002
Gross premiums written and policy fees[1]	6	6,632.7	7,274.5
Reinsurance premiums ceded	18	- 207.4	- 203.6
Premiums written and policy fees for own account		6,425.3	7,070.9
Change in unearned premium reserve for own account		8.1	- 24.9
Premiums earned and policy fees for own account		6,433.4	7,046.0
Investment income (net)	7.1	2,081.2	2,024.1
Realized gains and losses on investments (net)	7.3	149.4	- 806.5
Income from other services		271.8	249.4
Other income		154.1	183.7
Total income		**9,089.9**	**8,696.7**
Expenses			
Claims incurred including processing costs (non-life)	15	- 1,785.0	- 1,920.8
Claims and benefits paid (life)		- 2,896.6	- 2,946.5
Change in actuarial reserve (life)	16	- 1,449.4	- 2,235.0
Surplus and profit allocations to policyholders	17	- 177.6	29.2
Acquisition costs	14	- 367.8	- 461.7
Administrative and other operating expenses		- 1,238.6	- 1,226.5
Interest payable	27	- 498.6	- 464.9
Amortization of intangible assets and depreciation of tangible non-current assets	12/13	- 153.3	- 184.8
Total expenses		**8,566.9**	**- 9,411.0**
Profit / loss before tax and minority interests		523.0	- 714.3
Tax on income	21	- 116.9	82.7
Net profit / loss after tax before minority interests		406.1	- 631.6
Minority interests	26	- 1.7	- 2.9
Consolidated net profit / loss		**404.4**	**- 634.5**

in CHF m

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

in CHF

[1] **Additional information**

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

in CHF m

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

Consolidated Balance Sheet

Assets

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

in CHF m

Liabilities and Capital and Reserves

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

in CHF m

1

Consolidated Cash Flow Statement

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

in CHF m

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

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

in CHF m

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

in CHF m

Consolidated Capital and Reserves

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

in CHF m

(continued)

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

in CHF m

1

Segment Reporting by Geographical Segment

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

in CHF m

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

Segment Reporting by Geographical Segment (continued)

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

in CHF m

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

2

Segment Reporting by Business Segment

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

in CHF m

2

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

Management Information

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

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

as a percentage of premiums earned

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

as a percentage of premiums earned

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

in CHF m

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

in CHF m

3

Embedded Value

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

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

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

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

in CHF m; all figures "after tax"

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

in percent

3

Investment performance in 2001

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

in CHF m

Investment performance in 2002

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

in CHF m

3

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

in CHF m

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

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

in CHF m

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

in CHF m

Notes to the Consolidated Financial Statements

1. Basis of Accounting

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

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

2. Application of New Accounting Standards

2.1 In fiscal 2001

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

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

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

2.2 In fiscal 2002

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

3. Accounting Policies

3.1 Method of consolidation

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

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

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

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

3.2 Foreign currency translation

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

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

3.3 Investments

3.3.1 Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4 Permanent diminution in value (impairment)

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

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

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

3.5 Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.9 Cash and cash equivalents

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

3.10 Receivables

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

3.11 Life insurance

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

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

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

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

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

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

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

3.12 Non-life insurance

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

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

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

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

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

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

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

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

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

3.13 Reinsurance

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

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

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

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

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

3.14 Own shares

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

3.15 Liabilities from banking business and loans

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

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

3.16 Financial provisions

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

3.17 Tax

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

3.18 Benefits due to employees

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

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

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

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

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

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

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

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

3.19 Other liabilities

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

3.20 Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

3.21 Offsetting assets and liabilities

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

3.22 Use of accounting estimates

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

4. Foreign Currency Translation

4.1 Rates of exchange

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

in CHF

4.2 Exchange differences

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

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5. Acquisitions and Disposals of Subsidiaries and Other Business Units

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

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

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

No other significant acquisitions or disposals were effected.

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

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

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

No other significant acquisitions or disposals were effected.

6. Information about Geographical and Business Segments

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

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

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

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

6.1 Gross premiums by geographical and business segments

6.1.1 Gross premiums by geographical and business segments 2001

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

in CHF m

6.1.2 Gross premiums by geographical and business segments 2002

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

in CHF m

6.2 Change in gross premiums by geographical and business segments

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

in percent of original currency

6.3 Gross premiums by line of business

Non-life	2001	**2002**	Change in percent
Accident	442.9	430.3	- 2.8
Health	113.6	121.9	7.3
General liability	250.6	249.2	- 0.6
Automobile	896.7	866.3	- 3.4
Transport	133.7	116.4	- 12.9
Property	652.5	733.4	12.4
Other	36.2	38.5	6.4
Reinsurance assumed	65.3	101.6	55.6
Total	**2,591.5**	**2,657.6**	**2.6**
Life			
Single premiums	1,967.1	2,464.2	25.3
Recurring premiums	2,339.3	2,422.0	3.5
Premiums for investment-type products	- 248.4	- 253.0	1.9
Total	**4,058.0**	**4,633.2**	**14.2**

in CHF m

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6.4 Investments by business segments 2001

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

in CHF m

6.5 Investments by business segments 2002

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

in CHF m

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7. Profits Arising from Investments

7.1 Investment income

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

in CHF m

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

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7.2 Realized gains and losses: 2001

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

in CHF m

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

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7.3 Realized gains and losses: 2002

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

in CHF m

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

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

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

in CHF m

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

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

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

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

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

in CHF m

8. Investment Property

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

in CHF m

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

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9. Participating Interests in Associates

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

in CHF m

There are no significant amounts due from or to associates.

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

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

10. Derivatives

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

in CHF m

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

11. Investments for Unit-Linked Life Insurance

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

in CHF m

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

12. Intangible Assets

12.1 Intangible assets 2001

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

in CHF m

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12.2 Intangible assets 2002

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

in CHF m

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

13. Tangible Non-Current Assets

13.1 Property, plant and equipment for own use: 2001

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

in CHF m

13.2 Property, plant and equipment for own use: 2002

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

in CHF m

4

13.3 Other tangible non-current assets: 2001

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

in CHF m

13.4 Other tangible non-current assets: 2002

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

in CHF m

14. Deferred Acquisition Costs

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

in CHF m

15. Loss Reserves Including Claims Processing Costs

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

in CHF m

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

16. Actuarial Reserve: Life

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

in CHF m

17. Policyholder Bonuses Credited and Provision for Future Policyholder Bonuses

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

in CHF m

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

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

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

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

18. Reinsurance

18.1 Technical provisions and deposits arising from reinsurance business

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

in CHF m

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

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

18.2 Premiums earned and policy fees

18.2.1 Premiums earned and policy fees: 2001

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

in CHF m

18.2.2 Premiums earned and policy fees: 2002

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

in CHF m

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

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

in CHF m

18.4 Movements on deposits in deposit accounting

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

in CHF m

19. Liabilities from Banking Business and Loans

19.1 Liabilities from banking business and loans

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

in CHF m

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

19.2 Bonds

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

in CHF m

19.3 Terms applicable to the bonds outstanding

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

19.4 Reconciliation between minimum lease and their present value

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

in CHF m

20. Financial Provisions for the Year 2002

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

in CHF m

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21. Tax on Income

21.1 Current and deferred tax on income

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

in CHF m

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21.2 Expected and actual tax on income

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

in CHF m

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

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

21.3 Deferred tax assets and liabilities

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

in CHF m

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

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

22. Number of Employees and Personnel Costs

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

23. Benefits Due to Employees

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

23.1 Assets and liabilities relating to employee benefits

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

in CHF m

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23.2 Benefits from occupational benefit plans

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

23.2.1 Liabilities relating to defined benefit plan

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

in CHF m

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

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

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23.2.2 Expenses relating to defined benefit plans

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

in CHF m

23.2.3 Income from plan assets

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

in CHF m

23.2.4 Net obligations in respect of pension benefits

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

in CHF m

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23.2.5 Actuarial assumptions

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

in percent

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

23.3 Other long-term employee benefits

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

23.4 Equity benefits: purchase of shares by employees

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

23.5 Equity benefits: share participation scheme

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

23.6 Equity benefits: share option scheme

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

24. Capital and Reserves

24.1 Share capital

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

in CHF m

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

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

24.2 Dividends

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

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

25. Earnings / loss per Share

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

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

26. Minority Interests

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

in CHF m

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27. Interest Payable

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

in CHF m

28. Related-Party Transactions

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

29. Supplemental Cash Flow Disclosure

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

in CHF m

30. Market Risk Relating to Financial Instruments

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

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

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

30.1 Derivatives: fair value hedges

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

30.2 Derivatives: cash flow hedges

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

in CHF m

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

30.3 Currency risk

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

30.4 Credit risk

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

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

30.5 Concentration of credit risks

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

in CHF m

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

30.6 Interest rate risk of financial instruments

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

30.7 Liquidity risks

30.7.1 Liquidity risk at December 31, 2001

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

in CHF m

30.7.2 Liquidity risk at December 31, 2002

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

in CHF m

30.8 Market value of financial assets and liabilities and market risks

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

30.8.1 Financial assets and liabilities not shown at market value

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

in CHF m

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

31. Companies Consolidated on a Proportionate Basis

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

in CHF m

32. Contingent Liabilities and Commitments

32.1 Legal disputes

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

32.2 Capital commitments

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

in CHF m

32.3 Warranties and guaranties for the benefit of third parties

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

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32.4 Warranties and guaranties for the benefit of third parties

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

in CHF m

32.5 Assets assigned or pledged as security

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

in CHF m

32.6 Obligations under operating leases

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

in CHF m

33. Events after the Balance Sheet Date

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

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

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

Germany						
Basler Versicherung Beteiligungsgesellschaft mbH, Hamburg	Holding	100.00	F	EUR	249.4	–
Basler Beteiligungs-Holding GmbH, Bad Homburg	Holding	100.00	F	EUR	35.1	–
Deutscher Ring Lebensversicherungs-AG, Hamburg	Life	100.00	F	EUR	7,635.9	582.6
Deutscher Ring Sachversicherungs-AG, Hamburg	Non-life	100.00	F	EUR	604.5	193.1
Deutscher Ring Bausparkasse AG, Hamburg	Banking	100.00	F / P	EUR	586.0	–
Deutscher Ring Beteiligungsholding GmbH, Hamburg	Other	65.00	F / P	EUR	327.4	–
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	Other	40.00	E	EUR	–	–
Deutscher Ring Financial Services GmbH, Hamburg	Other	100.00	F / P	EUR	6.6	–
Grocon Erste Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F	EUR	20.5	–
Grocon Zweite Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F / P	EUR	18.1	–
OVB Vermögensberatung AG, Cologne	Other	60.95	F / P	EUR	57.8	–
Roland Rechtsschutz Beteiligungs GmbH, Cologne	Other	60.00	F / P	EUR	21.8	–
Roland Rechtsschutz Versicherungs-AG, Cologne	Other	25.02	E	EUR	–	–
Zeus Vermittlungsgesellschaft mbH, Hamburg	Other	90.10	F / P	EUR	19.6	–

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

(continued)

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

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

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

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

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

Other countries

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

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

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Report of the Group Auditors

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

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

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

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

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

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

PricewaterhouseCoopers AG

Peter Sütterlin   Peter Lüssi

Basel, March 27, 2003

1 The German version of the Financial Report is binding.

Income Statement: Bâloise-Holding

Income

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

Expenses

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

Overall Result

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

in CHF

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Balance Sheet: Bâloise-Holding

Assets

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

Liabilities and Capital and Reserves

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

in CHF

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Notes to the Financial Statements of Bâloise-Holding

1. Bonds Outstanding

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

2. Participating Interests

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

in percent

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

3. Significant Shareholders

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

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

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

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

in percent

4. Contingent Liabilities

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

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

5. Own Shares

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

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

6. Personnel Expenses

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

Report of the Statutory Auditors

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

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

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

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

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

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

PricewaterhouseCoopers AG

Peter Sütterlin Peter Lüssi

Basel, April 2, 2003

1 The German version of the Financial Report is binding.

Proposed Allocation of Available Earnings

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

in CHF

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

Addresses

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

Baloise Bank SoBa
Amthausplatz 4
CH-4500 Solothurn
Phone +41 32 626 02 02
Fax +41 32 623 36 92
E-mail bank@baloise.ch
www.baloise.ch

Germany
Basler Versicherungen
Basler Strasse 4, Postfach 1145
D-61281 Bad Homburg
Phone +49 61 7213 0
Fax +49 61 7213 200
E-mail direktion@basler.de
www.basler.de

Deutscher Ring
Versicherungsunternehmen
Ludwig-Erhard-Strasse 22
D-20459 Hamburg
Phone +49 40 3599 0
Fax +49 40 3599 2500
E-mail Service@DeutscherRing.de
www.DeutscherRing.de

Securitas
Bremer Allgemeine Versicherungs-AG
Am Wall 121
D-28195 Bremen
Phone +49 1803 22 34 40
Fax +49 421 3085-300
E-mail info@secu.de
www.secu.de

Austria
Basler Versicherungen
Brigittenauer Lände 50 – 54
A-1203 Wien
Phone +43 1 33 160 0
Fax +43 1 33 160 200
E-mail office@basler.co.at
www.basler.co.at

Belgium
Mercator Verzekeringen
Desguinlei 100
B-2018 Antwerpen
Phone +32 3 247 21 11
Fax +32 3 247 27 77
E-mail info@mercator.be
www.mercator.be

Mercator Bank
Lange Lozanastraat 250
B-2018 Antwerpen
Phone +32 3 247 52 11
Fax +32 3 247 53 99
E-mail communicatie@mercator.be
www.mercator.be

Luxembourg
Bâloise Assurances
1, rue Emile Bian
L-1235 Luxembourg
Phone +352 290 190 1
Fax +352 290 591
E-mail info@baloise.lu
www.baloise.lu

Croatia
Basler osiguranje
Trg bana Josipa Jelačića 4
HR-10000 Zagreb
Phone 385 1 48 17 808 / 809
Fax +385 1 48 16 932
E-mail info@basler.hr
www.basler.hr

Publishing Details

Bâloise-Holding
Annual Report 2002

Published by
Baloise, Corporate Communications

Concept, text, design
Ramstein Ehinger Associates AG, Basel

Photographs
Ideenfabrik, Basel
Christian Schnur, Basel
Peter Schnetz, Basel

Lithography
Blue Horizon AG, Zurich

Printing
Werner Druck AG, Basel

Paper
Environmentally friendly, wood-free offset paper
bleached without chlorine

This Annual Report is also available
in German and French.
The German version is binding.

The Annual Report can be found under
www.baloise.com

Key dates and contacts

May 16, 2003
Annual General Meeting Bâloise-Holding

September 11, 2003
Publication of Semi-Annual Report 2003

September 11, 2003
Half-Year Media Conference

September 11, 2003
Meeting of Financial Analysts

April 6, 2004
Balance Sheet Media Conference

April 6, 2004
Meeting of Financial Analysts

May 14, 2004
Annual General Meeting Bâloise-Holding

Investor Relations
Carsten Stolz
Aeschengraben 21, CH-4002 Basel
Phone +41 61 285 81 81
Fax +41 61 285 75 62
E-mail investor.relations@baloise.com

Media Relations
Philipp Senn
Aeschengraben 21, CH-4002 Basel
Phone +41 61 285 84 67
Fax +41 61 285 90 06
E-mail media.relations@baloise.com

www.baloise.com

Bâloise-Holding
Aeschengraben 21, CH-4002 Basel

www.baloise.com