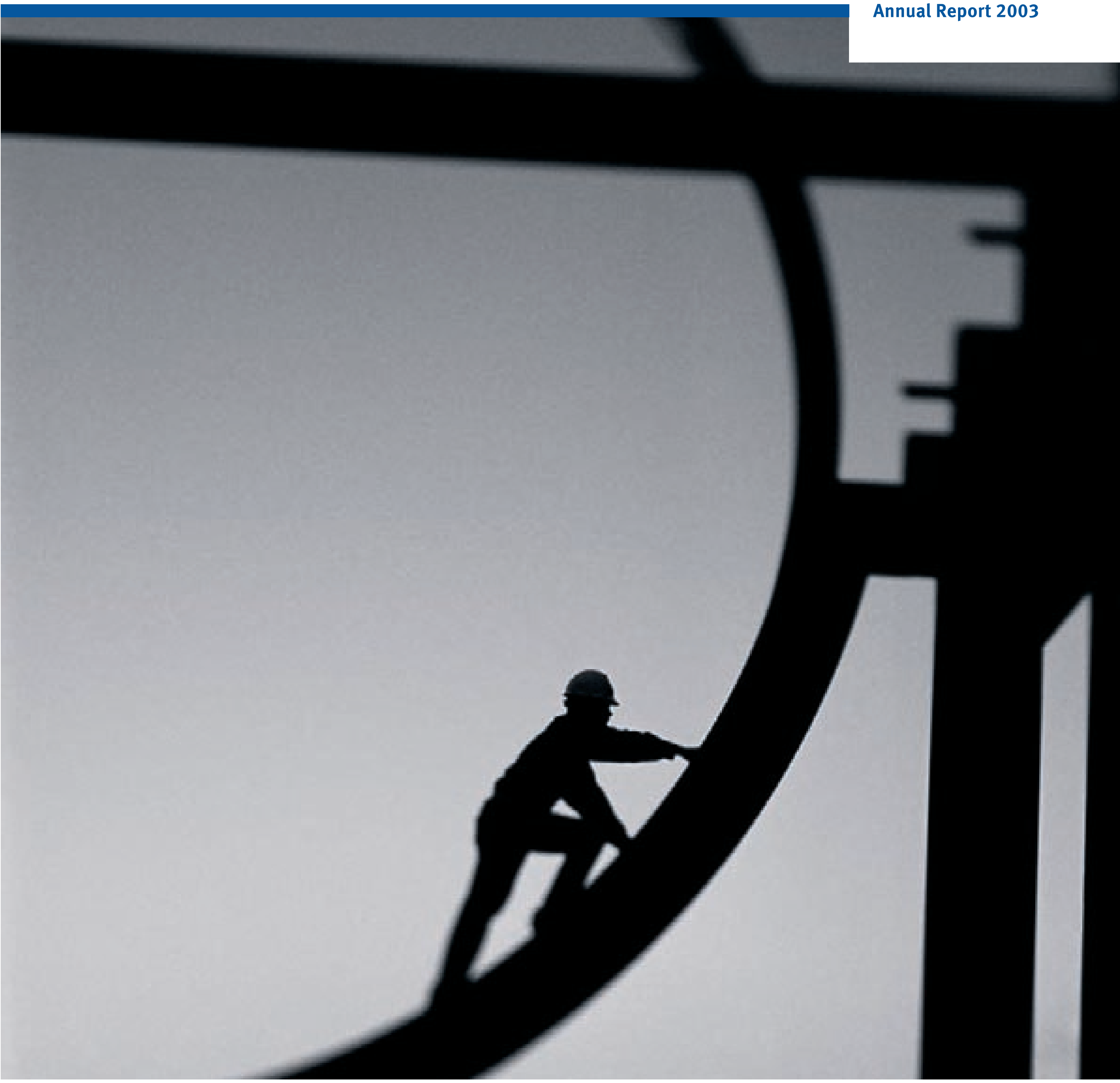
Bâloise-Holding

Annual Report 2003



High aspirations, greater success:
create value, foster relations,
bring about change.

The Baloise

Profile
Headquartered in Basel (Switzerland) and with operations in continental Europe, the Baloise Group is a solution provider in the fields of insurance and provision for the future. The Group's strategic focus is on sustainable, income-oriented growth. Core markets are Switzerland, Germany, Belgium, Austria and Luxembourg. The Baloise Group employs a staff of around 8,700. Bâloise-Holding registered shares are included in the Swiss Market Index (SMI) and are traded on virt-x under the symbol BALN.

Our conduct guidelines

Create value
Value means nurturing and creating quality. We care for the value of relationships and the value to be found in change. We value ourselves and others. We focus on the requirements of our customers, our shareholders and our staff. We employ our time, money and human resources with great care. Creating and adding value are our targets.

Foster relations
We live in a networked world which links us to a lot of people. We care about these relationships. We talk to others and we are prepared to listen. We are honest, open and communicative. We are critical and able to accept criticism. We create unambiguous mutual expectations. We stand by our word. Together we are strong.

Bring about change
The world is changing fast. It is changing us. We change. The pressures of a changing world are a call for action. We analyze. We decide. We intervene and we implement. We deliver results. Changing in order to innovate and to add value is our goal.

The essentials in brief

The Baloise Group registered a clearly improved result for 2003 and is well positioned for the future. The net profit of CHF 91 million (2002: CHF -634 million) underscores the success of the numerous measures the Baloise took in all its markets to enhance operational profitability.

Non-life insurance posted a profit before tax and minority interests of CHF 91 million (2002: CHF -203 million). The gross combined ratio (claims paid and costs in relation to premiums) improved by 7.6 percentage points to 97.6%. The restructuring of various business portfolios in Switzerland, Germany and Belgium is well under way and will be pursued in 2004.

Life insurance recorded a profit before tax and minority interests of CHF 69 million (2002: CHF -359 million). The embedded value overall advanced by 21.4% to CHF 1.98 billion. The value of new business attained CHF 15.5 million. The life sector has been successfully realigned to the significantly changed market circumstances.

The banking sector achieved a profit before tax and minority interests of CHF 37 million (2002: CHF -100 million). The success is largely due to Baloise Bank SoBa.

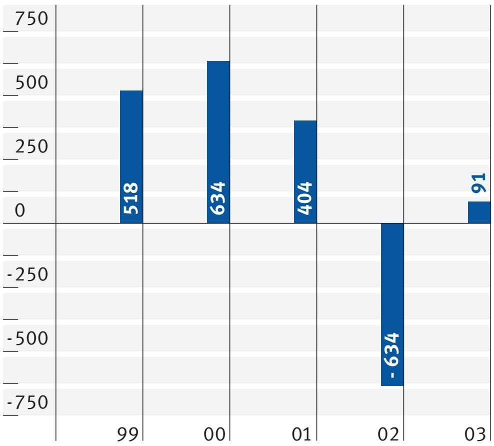
Investments achieved a performance of 4.6% as against -0.9% in 2002.

The net asset value was markedly reinforced: at the end of 2003, capital and reserves amounted to CHF 3.3 billion, up by 7.5% against 2002.

The Baloise maintained its shareholder-friendly distribution policy with an increased dividend compared to the previous year.

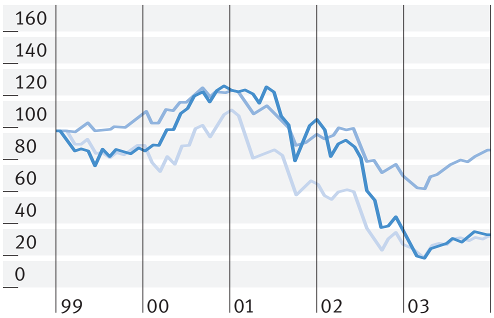
The most important figures at a glance

Profit development 1999–2003



in CHF m

Indexed share price development[1] 1999–2003

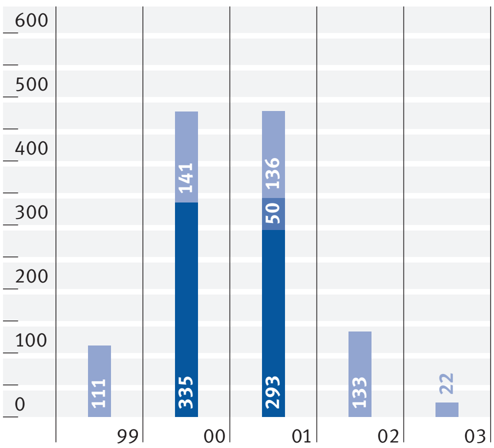


Bâloise-Holding, registered[2]
Swiss Performance Index Insurance (SXIS)
Swiss Market Index

1 December 29, 1998 = 100

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

Distributions 1999–2003



in CHF m

Dividends paid
Nominal value repayments
Share repurchases

Income statement	2002	2003	Change in percent
Total premium income (gross)	7,274.5	7,374.7	1.4
Of which non-life	2,657.6	3,088.8	16.2
Of which life	4,633.2	4,301.1	- 7.2
Investment-type premiums	253.0	261.0	3.2
Consolidated net profit / loss	- 634.5	91.4	–
Balance sheet			
Investments	50,061.4	56,307.7	12.5
Technical provisions	38,058.1	42,328.7	11.2
Capital and reserves	3,088.1	3,319.8	7.5
Assets under management			
Total assets under management	56,544.5	65,551.1	15.9

in CHF m

Ratios			
Return on equity (ROE)			
without unrealized gains / losses	–	2.9	
Combined ratio non-life (net)	110.9	103.2	
Combined ratio non-life (gross)	105.2	97.6	
Technical reserve ratio non-life	181.1	177.4	

in percent

Embedded value life insurance			
Value of insurance portfolio	855.4	1,236.1	
Adjusted capital and reserves	1,192.4	1,008.7	
Solvency costs	- 417.0	- 264.0	
Total	**1,630.8**	**1,980.2**	
Of which value new business	–	15.5	

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	55.84	60.02	7.5
Consolidated net profit / loss per share in CHF	- 11.56	1.67	–
Price at year-end in CHF	55.0	51.65	- 6.1
Market capitalization as at 12.31. in CHF m	3,042	2,857	–
Price-earnings ratio in percent	n.s.	30.9	–

Number of staff			
Total at 12.31.[1]	8,703	8,745	0.5
Of which Switzerland	3,976	3,774	- 5.1
Of which other countries	4,727	4,971	5.2

1 adjusted for degree of employment

Annual Report 2003

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Rolf Schäuble, Chairman of the Board of Directors (on the left), and Frank Schnewlin, Chief Executive Officer

Dear Shareholders

Our declared target is profitable growth

Things have been looking up for insurers and financial service providers since mid-2003. The Baloise recorded a net profit of CHF 91 million in the 2003 business year. Rolf Schäuble, Chairman of the Board, and CEO Frank Schnewlin present their views here on the Baloise result, the market environment and the future.

Are you satisfied with the results?

Rolf Schäuble: We have fulfilled the promise given last September that we would return to the profit zone and have, in fact, exceeded expectations.

Frank Schnewlin: For the moment we can be satisfied. The success proves that we have taken the right measures. But we haven't reached our target yet and will be striving to enhance our profitability and business volume over the coming years.

How do you judge current market developments?

Rolf Schäuble: Conditions improved noticeably last year. We are particularly pleased about the revival of the stock markets, though nobody can tell whether this upturn will prove sustainable. But there are still conditions that are causing headaches. I'm thinking of the increase in statutory regulations and the unresolved problems of the social security systems particularly in Switzerland and Germany.

Frank Schnewlin: The stock market collapse made it clear to the entire industry that sustainability-minded insurers must base their activities primarily on solid, professional insurance craftsmanship. The phenomenal investment income of the stock market boom years enabled many insurance companies to conceal their operational weaknesses and engage in a price battle. This is a thing of the past. Today, we all have to get a grip on risks and, wherever necessary, adjust our premiums. Many clients understand this, as a lot of them are themselves business people and know that a company needs profits to secure its future. The Baloise, too, is obliged to restructure contracts and raise prices. Unfortunately, our entire industry, including the Baloise, was rather late in acting. Our sometimes tough, but necessary measures did not always meet with understanding.

In 2003 you focused on improving operational earning power. What did you undertake in concrete terms and where do you stand today?

Rolf Schäuble: We set this priority very deliberately. Given the volatility of the financial markets, our profits will have to be generated primarily on the operational side in future. Operational earning power is the essential prerequisite for sustainable growth. Our declared target is profitable growth. This is underscored by the acquisition of Securitas in Germany.

Frank Schnewlin: In all our companies and business segments, we have restructured portfolios and reduced costs. Our broad-ranging program has clearly proved successful. All segments are profitable, and the combined ratio in non-life insurance (claims paid and costs in relation to premiums) improved to 97.6% gross. At the end of 2002, the gross combined ratio was 105.2%. The net figure also registered an excellent improvement by 7.7 percentage points. Major progress was made in Switzerland with a combined ratio of 95.9% gross, and much was achieved in Belgium, Germany, Austria, and Luxembourg too. On the life insurance side, guarantees and bonus payments to policyholders were brought in line with market realities. New business is nowadays only concluded if it corresponds to our profitability expectations. New life insurance concluded now has a positive profitability margin, as reflected in the embedded value figures. In order to use our capital as efficiently as possible, we have taken into account a reduction in premium income in the life sector. The Baloise remained a solid Group in 2003 with a strong solvency margin of 241% (including imputed banking assets). And I would like to add another aspect that is often underestimated: At a very early stage, we prompted a sense of urgency among our executives and staff, encouraging them to go about their business with the appropriate attitude. And finally, we strengthened the top management in Germany, Belgium, and at Basler Securitas in Germany.

«Our broad-ranging optimization program has clearly proved successful.»

The Benelux segment with Mercator as its main unit is the only one that still posted a loss. When will the turnaround come here?

Frank Schnewlin: In Belgium, we were indeed forced to take some tough measures. Significant parts of the insurance portfolio were successfully streamlined by the end of 2003, with the combined ratio in non-life insurance down by an excellent 16.3 percentage points to 98.1% gross and only profitable new business being written on the life side. The investment portfolio was also restructured as we continued to sell off participating interests of no strategic value to us. Mercator itself was thoroughly reorganized. A largely new management team is now in place to tackle the challenges of the future. In 2003, we managed to reduce the loss by roughly two-thirds. And the optimization process is ongoing. We're not there yet, but we are expecting further significant improvements in operational profitability in 2004.

The banking business was redimensioned. What were the reasons behind this?

Rolf Schäuble: Our financial service provider business model is functioning and remains applicable. In Switzerland in particular, our "mobile banking" model, by which selected bank products are marketed by the insurance sales force, achieved results that were roughly 54% above target. Yet a strategy must also be adaptable to changing market circumstances. Based on changes in the asset management environment, we redimensioned our private banking sector in Switzerland in September 2003, closing the Zurich, St. Gallen and Lausanne branches.

Frank Schnewlin: Banking operations developed favorably with a profit before tax and minority interests of CHF 37 million. Core business at Baloise Bank SoBa registered a gratifying 25% increase in profits. Mercator Bank also posted a profit, and restructuring measures are on track at Bausparkasse Deutscher Ring.

You mentioned the stock market recovery. How have Baloise shares performed and how has the structure of share ownership developed?

Rolf Schäuble: Over the year 2003, the Baloise share price receded by 6.1%. Naturally, this does not please us. The main reasons were the depressed stock markets and our poor 2002 result. From March onwards, however, our share price rose rapidly on the back of positive assessments by the market and the Baloise's healthy capital base. More telling and more suited to the role of stocks as a means of investment is the long-term comparison over the past five years. From 1999 to 2003, Baloise shares registered the best performance of all primary insurers listed in the Swiss Market Index (SMI). The year 2004 began with an encouraging performance of 8.1% (at March 26, 2004). This is a top figure in comparison with other listed insurance companies and is well above the Swiss Market Index (SMI), which came to all of 1.8% over the same period. Following shifts in the stakes of major shareholders, the Baloise is now a broadly based listed company, as envisaged by the Board of Directors, with a free float of 100%. No one shareholder reaches the 5% mark in share capital. The largest registered shareholder as at the end of March 2004 holds 4.0%. This, together with the solid funding, adds to the stability of the Baloise.

What dividend is the Board of Directors going to propose to the General Meeting?

Rolf Schäuble: The result allows us to propose to the General Meeting a cash dividend of CHF 0.60 per share, up by 50% on last year. The Baloise pursues a distribution policy of regular dividend payments aimed at long-term investors.

«We are striving for a return on equity of at least 10%.»

What are the mid-term strategic focal points?

Rolf Schäuble: Our top priority is to become one of the most profitable financial service providers in continental Europe and to continue to grow. Two strategic thrusts will enable us to do so. One is our aim to be the partner of choice for our customers and distribution partners and to gain their lasting loyalty and trust, the other our striving for the utmost professionalism and efficiency in our core insurance and pension business. Taken together, they make for an attractive investment outlook for investors and shareholders.

Frank Schnewlin: Profitability for us is a clearly measurable factor. We are striving for a return on equity of at least 10%. Regarding premium income, we have set ourselves the target of growing faster than the market in profitable segments. In non-life insurance, the target until 2007 is a sustainably lower combined ratio than the market average. It is with a convincing performance and attitude that we want to gain the loyalty of our customers and distribution partners. The attitude is "win-win," in other words true partnership. We can convince our customers and distribution partners through professionalism and reliability, and they in turn enable us to make the requisite profits.

And what are the priorities and targets for 2004?

Rolf Schäuble: It is vital for us to have people with the proper skill set in all key positions. One focal point will no doubt be filling the vacancies on our Board of Directors. I would like to thank our long-serving Vice Chairman, Walter Frehner, for his loyalty to the Baloise and his highly competent and telling contribution to our company's development. He will be stepping down from the Board as at this year's General Meeting after reaching the age limit. As his successor, we will propose Hansjörg Frei to the General Meeting. Mr. Frei has a long track record as a proven insurance specialist. He was formerly a member of the Executive Board of Credit Suisse Financial Services and Chairman of the Swiss Insurance Association (SVV). We were deeply shocked and saddened by the sudden death of our highly valued Board member Dietrich J.J. Forcart. We will remember him as a good colleague and a man of competence and integrity.

«Our thoughts and actions are focused on adding value.»

Frank Schnewlin: We made significant operational progress in 2003, but this was just one stage on our road to becoming one of the most profitable financial service providers. Our prime emphasis is still on improving the operating results in all our markets. In the non-life sector, we are expecting a gross combined ratio of 97% for 2004, an ambitious target in view of the comparatively low-loss 2003 business year. As we want to further optimize the non-life business quality, we anticipate organic premium growth in line with the market average. In life insurance, the framework conditions are likely to improve only hesitantly. We are counting on a slightly declining business volume and a further improvement in the IFRS result development. We remain cautiously optimistic about financial market developments. All in all, we are striving for a distinct improvement of the overall net result.

What are your growth and expansion plans?

Rolf Schäuble: We have already outlined our targets regarding profitability. Our thoughts and actions are focused on adding value. We want to grow in areas where this is realistically feasible. At present, the emphasis is on expansion in the non-life business sector. But we also see opportunities on the life side, which we continue to consider as attractive in view of its long-term growth potential. The growth we foresee will be organic and by acquisition when appropriate opportunities arise. A good example of the latter is the acquisition of Securitas in Germany, which operates primarily in the non-life field, and which we were able to purchase at a very attractive price. As far as our geographical reach is concerned, our focus is on expansion in the countries we already operate in. Progressing into new markets will only be considered if we pinpoint an excellent opportunity to generate added value for the company and thus for the shareholders.

Change comes from the ability
to discover the possibilities
in a given environment.

How We Do Business

Founded on corporate values

The insurance industry is undergoing fundamental change. When the stock market boom came to an end, the industry had to refocus sharply on its core business. The Baloise has actively assimilated this paradigm shift. As an insurance and pension specialist, we have an important social responsibility to fulfill, for which we need to gain the long-term trust of our customers and distribution partners. We can achieve this by living and reflecting our corporate values: creating value, fostering relations with our stakeholders, and demonstrating our strength in implementation. The four short texts on the following pages are meant to give an impression of how we go about our business.

Openness, courage and trust
are the qualities with
which relations are formed.

The Baloise approach

The insurance industry is undergoing fundamental change. Until recently, many insurance corporations pursued an aggressive policy of growth by acquisition in order to achieve market domination. Accumulation of assets was deemed the key to adding value and so insurers sought to expand their life business. Bancassurance became the password to a golden future, and great hopes were pinned on alternative distribution channels such as direct marketing, e-commerce and insurance sold through bank outlets. Enticed by soaring share prices and correspondingly high investment income, companies pushed the equity allocation of their capital investments to the limit. What got sidelined was the core craft of any insurer, the underwriting skills.

Then came the stock market crash and with it the big disillusionment. Sheer size, which had been acquired at a sometimes exorbitant price, in many cases turned into a liability and contributed to the destruction of value. Life business for its part had passed its peak, with many a bancassurance concept failing to live up to its promise. And the great majority of customers simply did not warm to the alternative distribution channels on offer. Finally, the sharp downturn in investment income and the substantial reduction in capital and reserves showed up the limits of asset management as the key to running an insurance business.

The Baloise has actively assimilated this paradigm shift. As an international, medium-sized corporation, we see our road to success in the consistency of our focus, the high degree of professionalism in our core business, and our ability to act and implement decisions swiftly.

For the Baloise, focus means:

- The right choice of geographic markets and customer segments: Already since the 1990s, the Baloise has been concentrating on selected countries in Continental Europe. Its customer range comprises private individuals and small and medium-sized enterprises. The Baloise seeks to expand exclusively in existing markets and targeted customer segments.

- Positioning as partner of choice: The Baloise sees its greatest potential in the long-lasting relations based on trust with customers and distribution partners, in conjunction with its consulting and service expertise. Trust can only be built from person to person. The Baloise therefore puts the emphasis on personal sales services and aims to strengthen this distribution line and enhance its profile as a customer-focused company.

- Expansion of non-life business: To reinforce its profitability and to achieve a balance between the life and non-life sectors, the Baloise plans to expand its non-life operations. With this in mind, we acquired the Securitas insurance company in Germany in early 2003 and merged it with the Basler Deutschland to form what is now the Basler Securitas.

- Insurance and pension banking: Banking for the Baloise is a complementary line to its core business of insurance and pension provision. It is only pursued where the core business has reached a critical mass and the banking operations prove profitable. In Switzerland, the distribution of banking products via the insurance sales service has expanded very encouragingly: Baloise Bank SoBa’s volume of loans, custody accounts, client assets and mortgages registered much stronger growth in 2003 than anticipated.

- Uncompromising focus on results: The Baloise aims to figure among the most profitable financial service providers in its core markets and is therefore striving for a return on equity of at least 10%. In non-life business, the target is a combined ratio (claims paid and costs in relation to premiums) better than the market average. Further cornerstones are – depending on the market – cost leadership or ranking among the top 25%. The target for investment income is outperformance of the relevant benchmarks. Marginal business activities and those whose return does not cover the cost of capital in the medium term will be terminated.

By high degree of professionalism in our core business we mean the constant optimization of cost and operating efficiency, in other words the enhancement of product, customer and distribution profitability. These are, when properly linked up, our most important profit drivers. We have launched both groupwide and market companyspecific projects whose goals range from the standardization of evaluation methods to the implementation of measures tailored to individual markets.

Our third success factor is our implementation ability, in other words the ability to act and on decisions swiftly and thoroughly, since results can only be achieved by turning words into action. We are thereby developing a culture of performance founded on our corporate values. Our style and system of leadership, performance management and the development of our skills are all strictly aligned to this culture.

Values are not just there.
We have to foster them.
By concentration on
the essentials, focus on
core activities,
and with joint efforts.

Pension provision – we stand by the Swiss occupational pension system

The Swiss national and occupational pension systems are at a crossroads. The aging of society, the growing number of disability cases, adverse developments on the financial markets, and hesitant statutory adjustments to the new financial and underwriting realities together pose a daunting challenge. To date, this has led to reduced risk capabilities and substantial undercoverage at numerous pension funds. The excessive benefit obligations to customers required by law are jeopardizing the stability of these occupational benefit institutions.

The insurance industry bears a heavy burden of responsibility in the pension fund sector. Roughly 30% of Switzerland's 3.2 million registered employees are insured with a private insurance company via collective foundations. Most of these employees work for small and medium-sized enterprises. There is a change in trend noticeable among the 9,000 occupational benefit institutions to move from autonomy to semi-autonomy by hedging a part or all of their risks. An increasing number of small pension funds are affiliating themselves to collective foundations.

Insurance companies for their part have reacted in different ways to the altered market landscape and the slow changes in statutory requirements. Some have withdrawn completely from the group insurance market, the remainder are adjusting their parameters.

The Baloise takes its role as one of the country's leading life insurers seriously. However, the changing legal, demographic and economic circumstances are forcing us to adapt our occupational benefits (BVG) model. To retain the trust of our customers, we are taking great pains to effect these changes gradually and transparently. Already in 2002, we introduced a more restrictive underwriting policy – limiting the volume of new business and the duration of contracts – in order to protect existing customers and ensure profitability. In reaction to the steady increase in disability cases, we have been gradually introducing scaled premium rates since 2001, as claims levels differ markedly from one business sector to the next. For life insurance providers, too, it is becoming increasingly important to know your customers, to tailor products to their specific needs and to set rates that are commensurate with the actual risks.

In a second step, premium rates have been adapted to the altered market environment. As of January 1, 2004, this entailed an increase in premiums on existing and new contracts by an average of 10%. Of this figure, an average of 5% goes towards covering costs while 3% covers the increased risk of disability. 1% each is needed to cover obligations resulting from the unreasonably high statutory conversion rate and the equally excessive minimum interest rate (both with regard to the extra-mandatory part of insurance cover). Having made these adjustments, we can continue to provide reliable and comprehensive group insurance solutions. So that we can still give our customers the choice between comprehensive and partial insurance, we are considering the introduction of a semi-autonomous collective foundation as an option from January 1, 2005, by which investment risks and the risk of longevity could be outsourced. However, the comprehensive insurance model is also being maintained and developed in line with the changed framework conditions.

The Swiss government has set the minimum interest rate at 2.25% (previously 3.25%) as of January 1, 2004. The Baloise for its part would like to see the introduction of clear criteria for the setting of this rate in future. The minimum rate should take into account the accrued obligations in the BVG sector and be based on a market-aligned model which makes changes foreseeable and readily comprehensible, which takes into account the return levels achievable in the financial markets, and which leads to economically viable results. Mandatory BVG insurance still operates with a conversion rate of 7.2%, which is far too high in view of today's market and demographic realities and places a considerable burden on providers. The Baloise will only be able to lift its restrictions on the acquisition of new customers once the regulatory conditions have been brought into line with these realities.

The Baloise has also instituted cost-cutting measures to contend with the tight financial circumstances. Together with partner companies it has developed new software solutions for the administration of occupational benefit contracts. These facilitate more efficient management of existing and new contracts and can be adapted to future changes in the regulatory environment. On the strength of such measures, we are convinced that we can reinforce our position as an efficient and fair provider in the group insurance market. It is now up to Swiss legislators to set this market on a sustainable track.

Relations thrive best
at a round table, without
chair person and fronts,
in a spirit of solidarity.

Operational excellence – we know our core business

In times of persistently low returns on the financial markets, the core business of financial service providers again moves sharply into focus. Operational excellence becomes the cornerstone for sustained profitability. And at the Baloise operational excellence was indeed established as one of the main thrusts of corporate strategy in 2003.

Top-rate performance in our business operations is now essential if we want to become and remain the partner of choice of our customers in insurance and pension matters. Operational excellence means constantly striving to add strategic and economic value, to optimize processes and systems, and to simplify structures. In our opinion, three conditions need to be fulfilled to achieve this: a high degree of awareness of customers' true requirements, a high level of business process awareness, and pronounced openness to change.

Generally speaking, solidarity among the insured is on the decline. There are customers who call for individualized rate setting and are less and less prepared to help shoulder the negative risk behavior of other insured parties. This has contributed to more precise customer segmentation in order to take the differences in requirements and risk behavior into account. A further important factor is the profitability of a client relationship. Profitable relationships are enhanced by continuous improvements to products and services and by the furthering of mutual trust. Unprofitable relationships, on the other hand, are carefully scrutinized. In many cases, a customer's risk and loss situation can be improved substantially with the help of focused advice – for the benefit of all concerned. If these measures do not suffice, we have to implement premium or other adjustments to bring the premium / loss ratio back into balance.

Based on our partnership approach, the prime distribution channels are our sales force and broker network. Yet these too are subject to change. The focus of the sales force is shifting increasingly to the expansion of existing customer relations rather than the acquisition of new ones. Building on up-to-the-minute electronic consultancy tools, we can target each customer's specific requirements and assemble solutions that are customized accordingly. Brokers for their part are especially interested in efficient processes. The Baloise's processes and structures are therefore designed to provide the best possible support for its distribution partners.

Operational excellence also means building on a limited number of products and product modules, standardized as far as possible, that can be combined to create solutions that meet the customer's specific needs. Existing products are regularly subject to scoring to assess their profitability, which enables improvements to be implemented at an early stage. New products are only launched if required by law or if there is a convincing business case for their introduction. With regard to the financial services provided by Baloise Bank SoBa, we are retaining our strategy of offering insurance and pension solutions from a single source. This pooling of services has been welcomed by many of our customers. Ultimately, operational excellence can only be achieved by a competent and committed workforce. We consider investments in the training and development of our staff as vital investments in the future of our company. Only motivated employees with up-to-date knowledge and skills are in a position to provide the kind of services that lead to customer satisfaction and loyalty.

By improving our services, the ongoing optimization of our processes and structures raises the benefit level for customers, thereby enhancing our profitability. Through operational excellence, the Baloise aims to rank among the most profitable insurance and financial service providers in its target markets. Already now, the Baloise boasts a better cost ratio than any other player in its home market, Switzerland.

Trust is the key.
Living a relationship means
looking life in the eye.

Risk management in demanding times

As an insurance company, the Baloise is a professional risk manager. We bear the risks of our insureds and thus shield millions of people from financial harm. In order to accomplish this mission, the Baloise assumes a large number of individual risks and manages them by utilizing diversification effects and a comprehensive system of limits. Assessing and properly handling risks is of prime importance both on the underwriting and the capital investment side.

The risks insurers are faced with have grown considerably. The costs of longevity, increasing strain on our physical and mental well-being and correspondingly higher risks of disability, ever more complex interdependences in the business world, an increasing population density and threats to the environment are some of the factors involved, all of which the Baloise takes into account in its risk management. In fact, risk management plays a part in every phase from product development and rate setting to initial customer contact. Our staff's impressive technical know-how, underpinned by regular training, ensures competent risk advice for customers and professional risk assessment.

Each of our regional business units is responsible for a comprehensive assessment and the ongoing monitoring of the specific risks it bears. At corporate level, we group the subsidiaries' risk positions and manage them globally. This global system is based on various benchmarks and models that complement one another. A "surcharge factor" model – similar to the widespread rating models – enables us to swiftly evaluate the risk level of important risk positions. Furthermore, an internally designed, scenario-based model not only provides detailed insights into key risks involved, but also serves to optimize profitability. Finally, regulatory requirements are met by constantly monitoring solvency and coverage levels. Coverage in Switzerland is assured by the "Sicherungsfonds" (security fund), in Germany by the "Deckungsstock" (coverage reserve).

Eventful business years such as 2003 require particularly attentive risk management. We adopted a number of measures to keep business in line with changing circumstance. Premiums were raised selectively where required. Risk selection played an even bigger part in our product development, leading to rate adjustments. Like the rest of the insurance industry, we had to cut back surplus allocations to life insurance policyholders due to capital market imponderables.

To keep business profitable and give direction to our sales efforts, we focused sharply on segments where profitability is intact. Loss ceilings were reassessed in several places. In our German industrial business, for instance, this led to a reduction of underwriting limits. In the life sector, we introduced further Asset & Liability modules. These facilitate a finely tuned balancing of insurance-related obligations and investments.

We contributed to the growth on the operational side with market-aligned adjustments to our asset allocation, including a reduction in equity exposure. An important factor was the acquisition of Securitas Versicherungen in Germany, which operates predominantly in the non-life sector – an area we favor. Risks were further limited by continuously tracking volatility in the individual investment categories and applying appropriate hedging instruments. The foreign exchange risk in connection with the US dollar was reduced by hedging at the beginning of the year. By partly re-classifying bonds from "Available for sale" to "Held to maturity" we greatly reduced the impact of fluctuating interest rates on the IFRS capital and reserves.

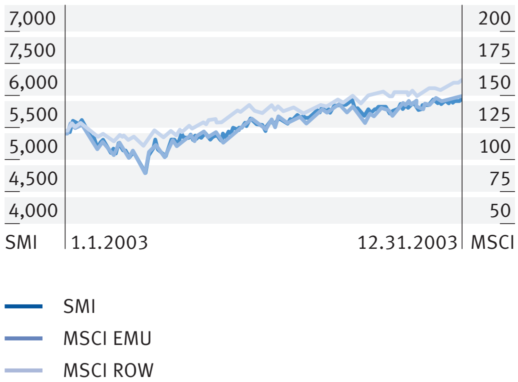
In view of the increasingly complex regulatory environment, we instituted a compliance structure both at corporate level and at the individual business units as a basis for minimizing legal and reputational risks.

All these numerous measures were necessary for us to master the challenges of the 2003 business year. They helped ensure that the Baloise was able to safeguard its substance in turbulent times and retain the ability to grow profitably in future, too.

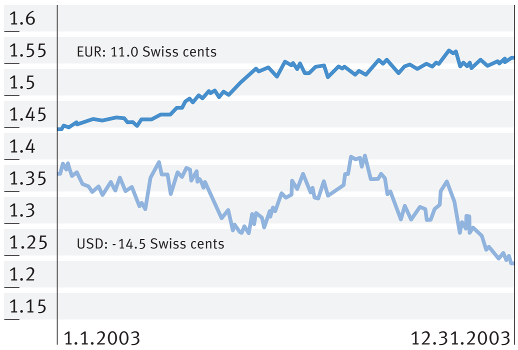
A reinvigorated Baloise geared to the future

With a net profit of CHF 91 million in the 2003 financial year, the Baloise Group has demonstrated its ability to boost its performance. This success is a result of consistent cost management, profit-oriented underwriting and premium policies, and the thorough restructuring of the business portfolio. Premium income in the non-life business rose by 14.0% in local currencies, while falling by 8.1% in the life business. The Baloise has significantly enhanced its operational earning power. Further proof of this is the strong improvement in the gross combined ratio to 97.6% and the positive embedded value in newly written life insurance. In 2003, premium income came to CHF 7.4 billion, of which non-life accounts for CHF 3.1 billion and life for CHF 4.3 billion. Group solvency at the end of 2003 was 241% (including imputed banking assets); capital and reserves rose by 7.5% to CHF 3.3 billion. This provides a solid foundation on which the Baloise can build profitable growth in the future.

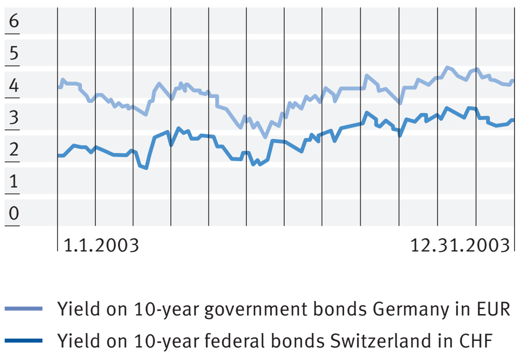
Stock markets performance
January 1 – December 31, 2003



Development USD – CHF and EUR – CHF
January 1 – December 31, 2003



Interest rate development
January 1 – December 31, 2003



General market developments

After stagnating for a long period, the economy staged a strong recovery in the second half of 2003. The USA and Asia provided the major stimuli, and the euro zone was also able to rise off its lows. Indicators of economic growth point to further improvement in 2004. The negative current account balance and the ballooning budget deficit in the USA, however, remain a cause of concern for the global economy. The pronounced weakness in the US dollar vis-à-vis the euro and the Swiss franc is tangible evidence of this. In March 2003, global equity markets began to recover. This development has been supported by persistently expansive monetary policies on the part of the leading industrialized countries and the resulting low interest rates.

In the year under review, the European insurance industry finally turned the corner. Companies took decisive measures to prepare the ground for a sustainable recovery. A number of these measures produced results quickly; others will take longer to bear fruit. This development was supported by the rising financial markets.

However, a number of factors remain unresolved: the trend in health care costs throughout Europe, the increase in the number of disability cases, and the statutory framework governing state pension schemes. The insurance industry is willing to do its share in finding economically viable solutions. From a business point of view, the most important concerns were boosting the capital base and earning power and tightening the “nuts and bolts,” i.e. actuarial and underwriting techniques.

In 2003, all companies reported an improvement in their non-life business. After years of cutthroat competition, more and more insurers are now in a position to set fair risk-aligned rates and charge realistic premiums. This process has been helped by the restructuring of unprofitable areas, as evidenced by the underwriting results of non-life insurance companies.

At most insurance companies returns on investments have also started to improve.

One burden facing the Swiss economy is the growing significance of the state sector and the corresponding tax increases that accompany this development. These and the high level of prices are constraining economic development. Once again, private consumption proved an important economic engine. Various insurers withdrew from group insurance; others are increasingly selective in the new business they will accept. Owing to the current unattractiveness of the individual life business, premium income declined.

The German market has not yet benefited from the modest revival in demand for insurance products. The bureaucratic hurdles posed by the state-funded direct-contribution pension scheme (“Riester” pension) and uncertainty about the tax treatment of life insurance have contributed to the reticence of potential buyers of insurance. Despite the adverse economic environment, the German insurance industry expects premium growth of 3.9% in 2003, most of it on the non-life side.

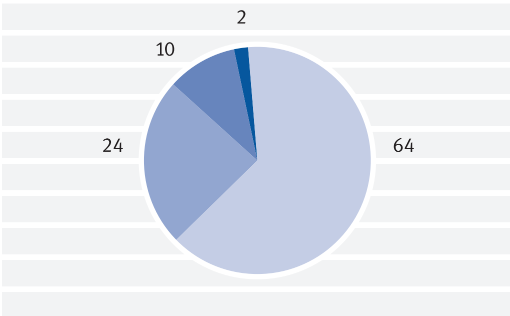
In Belgium, the insurance industry posted a marked increase in premium income, despite overall economic stagnation. The non-life business accounted for most of this growth, owing mainly to rate adjustments to improve the underwriting result in all insurances classes. The most notable development in the life business was strong growth in group life insurance.

Baloise Group business activities

In the 2003 financial year, the Baloise Group registered a net profit of CHF 91 million (2002: loss of CHF 634 million). There has been a huge improvement in all business lines and geographic markets. The positive business result is the consequence of numerous measures adopted to strengthen operating earning power, particularly in Switzerland, Germany and Belgium: a risk-aligned underwriting policy, consistent portfolio restructuring, and tight cost management. Other positive contributions were the favorable development in the exchange rate of the euro and the general absence of major losses. The sharply higher operating performance was manifested in particular in the combined ratio in non-life: compared with 2002, the gross value improved by 7.6 percentage points to 97.6%. The positive embedded value of newly written life business documents the Baloise’s success in turning this segment around. Group solvency (also taking into account banking assets) of 241% and an increase of 7.5% in capital and reserves prove that the financial health of the Baloise is as sound as ever. We regard this achievement as a milestone and will continue to enhance our operating performance in the coming years.

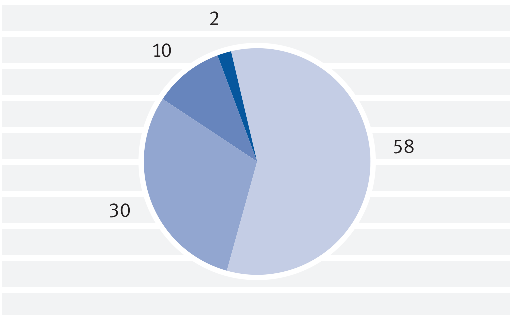
In the 2003 financial year, the scope of consolidation was widened to include the Bremen-based Securitas Group. The integration of Securitas and Basler Deutschland to form the new “Basler Securitas” is proceeding successfully. A number of crucial steps in the integration process have already been completed: company and management structures, the launch of the new brand, the new distribution organization, and the new product portfolio.

Premium income (gross) by regional segment 2002



in percent

Premium income (gross) by regional segment 2003



in percent

	2002	2003	Change in percent[1]
Switzerland	4,653	4,269	- 8.2
Germany	1,755	2,200	20.9
Benelux	713	745	0.7
Other countries			
(incl. elimination)	153	161	2.5
Total	**7,274**	**7,375**	**- 0.1**

in CHF m

1 in local currency

Premium income amounted to CHF 7.4 billion as against CHF 7.3 billion in 2002; this represents growth of 1.4% in CHF. The strong growth in non-life exceeded expectations. Premium volumes in the life sector on the other hand declined. Owing to unsatisfactory profitability, the Baloise – in keeping with the rest of the industry – was very selective in underwriting new life business.

The breakdown of total premium volume shows a shift from life to non-life in 2003: non-life accounted for 42% (2002: 36%) and life for 58% (2002: 64%). This development is in keeping with the strategic focus on non-life in future business expansion.

There was also a change in premium volumes by country: Switzerland generated 58% (2002: 64%), while Germany's share rose to 30% (2002: 24%) on the back of the acquisition of Securitas; at 10%, the Benelux countries were unchanged from the previous year, as were the other countries. This shift reflects the Baloise's endeavors to increase diversification of premium income by region.

Growth in non-life was greater than expected: premium income of CHF 3.1 billion (2002: CHF 2.6 billion) resulted in a rise of 14.0% in local currency. Organic growth in local currencies amounted to 3%, the remaining growth coming from the acquisition of Securitas Versicherungs-Gesellschaft. Thanks to the consistent restructuring of portfolios, stringent cost discipline, and the favorable development in claims for major losses, this class posted a profit before tax and minority interests of CHF 91 million (2002: loss of CHF 203 million). The gross combined ratio of 97.6% as against 105.2% in the previous year underlines the enormous progress made in operational efforts, in particular in Switzerland, Germany, and Belgium. The improvement in the corresponding net value of 7.7 percentage points is equally impressive. The actual restructuring of business areas, particularly in Germany and Belgium, has largely been completed; however, measures to further improve operational efficiency will continue.

The life business also posted a positive result, producing a profit before tax and minority interests of CHF 69 million (2002: loss of CHF 359 million). Premium income in local currency declined by 8.1% to CHF 4.3 billion (2002: CHF 4.6 billion). Excluding acquisitions, premium income fell by 10.6% in local currency. This reduction reflects the underwriting policy, which focuses strictly on profitability. In addition, single premium policies recorded a decline due to the market situation. As all Group companies quickly adjusted conditions to changed market realities, new life policies have positive margins. Although general business conditions remain challenging, the Baloise is convinced that the growth and earnings potential of the life business remains attractive in the long term; it will continue to pursue profit-oriented underwriting.

The banking business produced a profit before tax and minority interests of CHF 37 million (2002: loss of CHF 100 million), largely owing to the Swiss Baloise Bank SoBa. Thanks to improvements in its core business the bank's profit increased by 25%. Developments at the banks in Belgium and Germany (Deutscher Ring Bausparkasse) were in line with expectations.

Components of Group result	2002	2003
Non-life	-203.3	90.8
Life	-358.7	68.7
Banking	-100.1	37.3
Other activities	- 52.2	26.9
Profit / loss before tax		
and minority interests	-714.3	223.7
Tax on income	82.7	-125.4
Minority interests	- 2.9	- 6.9
Consolidated net profit / loss	**-634.5**	**91.4**

in CHF m

Owing to the realization of investments in spring 2003 aimed particularly at reducing the equity exposure, realized investment losses rose by CHF 738 million to CHF 1,862 million. Realized gains sank by CHF 59 million against the previous year to CHF 1,218 million. Current income overall increased slightly and amounted to CHF 2,105 million for the year under review.

The realized net gains and losses (including write-back of impairments charged to income) amounted to CHF -41 million (2002: loss of CHF 807 million).

The Baloise Group's capital and reserves on the cut-off date amounted to CHF 3.3 billion (2002: approximately CHF 3.1 billion). The increase of 7.5% is primarily attributable to changes in the value of capital investments, currency gains, and net profit. At the end of 2003, consolidated Group solvency in accordance with IFRS requirements was 241% (including banking assets) and 214% excluding banking assets.

The embedded value of the life business rose from CHF 1,631 million to CHF 1,980 million in the year under review. Factoring in the planned introduction of the legal quote in the Swiss occupational benefits business (BVG) led to a CHF 303 reduction in the embedded value. Rate adjustments in group life insurance engendered an increase in the value of the insurance portfolio of CHF 257 million. The financial markets had a positive effect in 2003. The investment income is likely to be lower in future, but this effect can be offset by a reduction in policyholder bonuses. The net effect is an increase in the embedded value by around CHF 140 million.

Tax incurred in 2003 amounted to CHF 125.4 million (2002: tax yield of CHF 82.7 million). Current tax on income amounted to CHF 114.6 million (2002: CHF 33.7 million). The most influential factor – aside from the positive annual result – is the changes in tax laws for German life insurance companies. This makes itself felt in significant nonrecurring expenditures unrelated to the accounting period. Thus, the result of the life business in particular must be seen in the context of tax considerations.

Segment reporting, page 78

Because of the rise in unrealized gains, deferred tax resulted in an expense of CHF 10.8 million (2002: tax yield of CHF 116.4 million).

Notes to the consolidated financial statements, page 105

Management was significantly strengthened in the year under review. New Chief Executive Officers were appointed at Baloise Switzerland (Martin Strobel), Basler Securitas in Germany (Frank Grund) and Mercator in Belgium (Jan De Meulder). These appointments mark an important step in the Baloise's efforts to reinforce local market companies and, hence, the operations of the core insurance and pensions operations.

We expect the economic recovery to continue in 2004, which should lead to an improvement in framework conditions. At the same time, we remain cautiously optimistic about developments in the financial markets. We will focus primarily on further enhancing operational earnings power in all markets with a view to positioning ourselves for further growth. By the end of 2004, we expect a gross combined ratio in the non-life business of 97%, which, given the absence of major losses in 2003, we view as an ambitious target.

As far as the development of our business volumes are concerned, we are sticking strictly to the principle of "profit before growth." As we want to further optimize the non-life business quality, we anticipate organic premium growth in line with the market average. In the life business, the improvement in the overall situation is likely to be gradual. Here we expect a slight reduction in premium volume accompanied by further improvement in the IFRS result. All in all, we hope to post another strong increase in profits.

Switzerland

Baloise Switzerland has recovered its earning power. The Baloise's largest business unit produced a profit before tax and minority interests of CHF 62 million (2002: loss of CHF 245 million). Aside from developments in the financial markets, this result can be attributed to the numerous measures adopted to improve the earning power of the insurance business: strict cost management, a profit-oriented underwriting policy, and technically necessary adjustments to premiums. Baloise Bank SoBa also recorded a positive development: it achieved a profit before tax of CHF 13.8 million, which represents an increase of 25% year-on-year.

In the 2003 financial year, Baloise Switzerland produced a solid operational performance. Accounting for 58% of all premium income of the Baloise Group, it posted a profit before tax and minority interests of CHF 61.5 million (2002: loss of CHF 244.9 million). Both insurance classes and the banking side contributed to this marked improvement. Strict cost management and risk-oriented underwriting bore fruit: the gross combined ratio improved noticeably to 95.9% (2002: 97.7%) and the gross cost ratio in non-life fell to an exceptional 23.8% (2002: 26.0%). Total premium volume amounted to CHF 4.3 billion (2002: CHF 4.7 billion). The decline of 8.2% precisely reflects management's operating priorities. Premium volumes in the non-life business grew by 5.3%. Because of insufficient investment income, we reduced interest rate guarantees and bonuses to policyholders on the life side. This step and the substantially lower demand for single premium policies explain the sharp drop in premium income of 12.8%. At the same time, the Baloise managed to noticeably increase the profitability of its life business.

Non-life

Premium income for non-life came to CHF 1.24 billion (2002: CHF 1.17 billion), which represents a 5.3% increase on the previous year (2002: 3.5%). This stems from the expansion of business and from premium adjustments in general liability, property and automobile insurance. The sales partnership with Touring-Club Switzerland (TCS) once again played a key part in the increase in premiums. By contrast, there was a slight decline in premium income in the transport, accident and health insurance segments. Transport insurance was affected by the weakness of the US dollar, and premiums for health insurance were depressed by essential restructuring measures and associated policy terminations.

In 2003, Baloise Switzerland was spared any extraordinary losses attributable to natural causes. However, there was a rise in obligations arising from personal injury claims, particularly in the automobile and accident insurance segments. A significant decrease in claims under group daily sickness allowance policies contrasted with a sharp rise in cases of long-term disability. Technical provisions in the non-life sector were maintained at the same high level as the previous year.

Key figures Switzerland	2002	2003	Change in percent
Gross premium income	4,652.8	4,269.3	- 8.2
Of which life	3,477.9	3,031.6	-12.8
Of which non-life	1,174.9	1,237.7	5.3
Combined ratio non-life			
(gross) [1]	97.7	95.9	
Profit / loss before tax	- 244.9	61.5	–
Employees	3,976.0	3,774.0	- 5.1

in CHF m

1 in percent

Life

During the year under review, the life business was dominated by the public debate over the future of the occupational pensions system (BVG). Baloise Switzerland is taking various measures to address the continuing unfavorable market conditions and the regulatory framework in the BVG sector. Among other moves, premium rates for disability insurance have been adjusted, cost premiums have been increased and policyholder bonuses cut. In the extra-mandatory part, a supplementary premium is being levied to cover the excessively high conversion rate and the equally excessive high interest rate guarantee. One important instrument in the life business is the restrictive underwriting policy which is designed to ensure profitability.

After a record year in 2002, individual life policies were back at the same level as in 2001. Premium income amounted to CHF 1.1 billion (2002: CHF 1.5 billion). This decline is explained by the fact that guaranteed interest rates and bonuses have been reduced in order to ensure profitability and by the generally difficult market environment.

For Baloise Switzerland's life business as a whole, the result was a premium volume of CHF 3 billion (2002: CHF 3.5 billion), which represents a decline of 12.8%. A sharp 45% decrease in single premiums in the individual life segment contrasted with an increase in policies based on periodic payments. Numerous measures have secured the profitability of the life sector and the interest margin is positive both for existing and new business. Technical provisions have increased compared with the previous year.

Baloise Bank SoBa

Baloise Bank SoBa posted earnings before tax of CHF 13.8 million (2002: CHF 11 million). This represents a 25% increase, although the banking business was affected by keener competition and the sluggish trend on the financial markets. One successful area was Mobile Banking, i.e. sales of banking products by the sales force of the insurance company. Compared with 2002, Mobile Banking was 54% above target, which is a clear sign that its offerings are becoming more attractive as part of Baloise Switzerland's focused financial service provider strategy. Compared with 2002, net interest income decreased by 3.8% to CHF 92.8 million. The main reason for this is the continuing switching of variable to fixed-interest mortgages and the extensive interest-rate hedging which this has made necessary. By contrast, income from commission business and services was increased by 0.5% to CHF 20.8 million. Thanks to a prudent lending and risk policy, value adjustments on loans are following a favorable trend. In its core market, Baloise Bank SoBa is still represented by 14 branches. However, the private banking operation has undergone resizing, with the closure of the branches in Zurich and St. Gallen. The Lausanne branch has been downgraded to a representative office. This means a significant reduction in expenses related to the banking business. However, the cost-cutting measures will only have their full impact in 2004. At the same time, IT services have been significantly expanded. In 2004, the bank will begin operating its new e-banking platform and a new loan platform.

Baloise Switzerland's strategy as a focused financial service provider is reflected in the comprehensive financial advice it provides for insurance and banking customers, one example being the launch of the advisory platform BALOISEHYPO PLUS – focused on mortgage financing for home owners – and BALOISE-LIFE PLUS – a combined life insurance and savings product. These services met with a better-than-expected reception from customers.

Germany

On the German insurance market, demand for occupational and private pension solutions was once again slack. The companies of the Baloise Group concentrated on boosting their operating profitability. German business posted earnings before tax and minority interests of CHF 77.1 million (2002: loss of CHF 25.6 million). Another key development was the integration of the insurance portfolios of the Securitas Group and the Baloise branch to form the new Bad-Homburg-based Basler Securitas. The integration process is well on track.

The German insurance year was dominated by the adverse economic environment, accompanied by cut-throat competition. Life insurers still had to cope with low returns on their investments, although the situation eased toward the end of the year. Germany's social security system is facing some major challenges. The uncertainty hanging over the state pension insurance system will give added momentum to occupational and private pensions, although the expected new business has so far largely failed to materialize. As of January 1, 2004, the life insurers reduced their guaranteed interest rate from 3.25% to 2.75%. There were no major losses from natural causes of the type seen the previous year. For the Baloise Group, the central event was the integration of Securitas and its merging with the Baloise in Germany. Since October 23, 2003, the new company has been operating under the name "Basler Securitas" based in Bad Homburg; in fiscal 2003, it was consolidated according to IFRS guidelines for the first time. The new company is very well received by customers and employees alike. The integration process is making solid headway under the new CEO Frank Grund.

Key figures Germany	2002	2003	Change in percent
Gross premium income	1,755.1	2,199.9	25.3
Of which life	970.4	1,077.6	11.0
Of which non-life	784.7	1,122.3	43.0
Combined ratio non-life (gross)[1]	116.7	101.1	
Profit / loss before tax	- 25.6	77.1	–
Employees	2,794.0	3,249.0	16.3

in CHF m

1 in percent

Through comprehensive restructuring measures and selective underwriting guidelines, the German companies of the Baloise Group were able to significantly increase their operating profitability and return to the profit zone. Thanks mainly to the first-time consolidation of the Securitas Group, premium volume in local currency rose by 20.9% to CHF 2.2 billion (2002: CHF 1.8 billion). In organic terms, the result was a 2.1% decline in local currency terms. The segment posted earnings before tax and minority interests of CHF 77.1 million (2002: loss of CHF 25.6 million).

Basler Securitas

In fiscal 2003, the integrated Basler Securitas posted premiums amounting to CHF 1.1 billion. Acquisition-related effects mean that comparisons with the previous year would be of little informative value. Securitas' strategically insignificant legal protection business was sold retroactively as at January 1, 2003. The integration of Securitas and the Baloise branch in Bad Homburg is at an advanced stage. The new brand "Basler Securitas" has been launched, the management and sales structure is in operation and the product portfolio has been aligned. Some of the cost savings resulting from the integration will take effect in 2004 and 2005 to become fully effective in 2006.

The property insurance segment accounts for premium income totaling CHF 901.1 million. Thanks to a combination of measures taken to strengthen operating profitability and significantly lower claims paid, the loss ratio was reduced from 99.6% to 69.3%. This means there has been a considerable improvement in the gross combined ratio which stands at 99.9% (2002: 127.0%). In the automobile insurance segment, the premium rate adjustments from the beginning of 2003 and the restructuring of the insurance portfolio had a clear impact on the result. Further progress was made in the successful reorganization of the commercial and industrial business, and the underwriting limit for major industrial risks was halved.

Thanks to the acquisition of Securitas Gilde Lebensversicherung and as a result of a reinforced sales drive, premium volume in the life business grew slightly. Just as in the market as a whole, the expected increase in occupational and private pension plans failed to materialize. The result is on the same level as the previous year.

Deutscher Ring

Deutscher Ring focused mainly on improving the profitability of its portfolio and on new business. At the same time, it proved possible to significantly reduce costs, and further progress was made in the restructuring of Deutscher Ring Bausparkasse. The improvement in the capital markets supported the positive trend in the earnings situation.

The year under review saw the total premium volume decline by 6.8% in local currency to CHF 1 billion (2002: CHF 1.1 billion). This was due to the market-wide decline in single premium insurance. By contrast, unit-linked life insurance made gains. Further cost savings were realized in 2003. The easing of the situation on the financial markets led to an improvement in the financial result.

In preparation for the future demand for occupational pension solutions, Deutscher Ring set up an independent pension fund. Direct property insurance business achieved a gross combined ratio of 103.1%.

Deutscher Ring Bausparkasse reported a very successful trend of new business. The restructuring is proceeding in line with our expectations. Thanks to cooperation with Diba – Allgemeine Deutsche Direktbank – the building loans business segment also experienced appreciable growth.

The nonstrategic holding in Deutsche Pfand-Anstalt (DePfa) was sold off.

Benelux

The Flemish Mercator Group – the main component of the Benelux segment – made further significant operational progress. Most of the actuarial restructuring measures in the non-life sector were completed, although work is still under way with a view to further optimizing the portfolio's profitability. In the life sector, benefits were reduced to a level commensurate with returns on investments. The embedded value of new life business is positive. In 2003, Mercator's investment losses continued to depress the segment result. The loss before tax and minority interests amounting to CHF 103.9 million represents a clear improvement against the previous year (2002: loss of CHF 373.0 million).

Mercator, Belgium
Because of the low interest rate levels, coupled with the fact that the stock markets have only recently begun to improve, Belgian life insurers are continuing to suffer from excessively high guarantees under existing life policies. In new business, the industry has adjusted its terms to market conditions.

Against this background, Mercator Insurance posted premium income amounting to CHF 674.4 million (2002: CHF 646.9 million). This represents 0.6% growth in local currency, a figure which has been dampened by the restructuring effects. In 2002, the restructuring process had led to a decline in premiums as expected. The restructuring of the automobile and fire insurance sectors showed a positive impact. The loss ratio decreased by 15 percentage points to 67.7%. Further cost-cutting measures and targeted reduction of capacity resulted in a markedly improved gross combined ratio of 98.1% (2002: 114.4%).

Key figures Benelux	2002	2003	Change in percent
Gross premium income	713.2	744.6	4.4
Of which life	154.0	161.2	4.7
Of which non-life	559.2	583.4	4.3
Combined ratio non-life (gross)[1]	114.1	98.3	
Profit / loss before tax	- 373.0	- 103.9	-72.1
Employees	1,624.0	1,417.0	-12.7

in CHF m

1 in percent

In the non-life business, Mercator has introduced systematic risk selection, which enables it to address the general rise in the incidence of claims. In the second half of the year, the sector approached break-even level. Low interest rates and the fact that share prices only recently began to pick up were the principal factors behind the renewed loss in life business, albeit on a significantly lower level. In new business, benefits were adjusted to an achievable level of return on investment, and premiums were increased in line with the risk involved. This resulted in a positive value for newly written life business.

Mercator Bank ended fiscal 2003 with a profit. Operating efficiency and the margin in interest operations are being improved on an ongoing basis.

We expect 2004 to see further significant improvements in the operating profitability of the Mercator Group.

Bâloise Assurances, Luxembourg
A slight improvement in the result for insurance operations contrasts with comparatively high realized losses in the equity portfolio, which led to a small loss overall. The market share was stabilized at a high level. Premium volume grew by 2.1% in local currency terms to CHF 70.2 million (2002: CHF 66.3 million).

Following the previous year's substantial increase, premium growth in the non-life sector stood at around 2%. As new business was not sufficient to compensate for the effects of the restructuring measures (particularly in the automobile fleet business), the overall result was growth below the market average. Stable costs and a favorable loss experience meant that the gross combined ratio improved by 8.8 percentage points year-on-year to 100.5%. Product-related measures focused particularly on the automobile sector – which accounted for 60% of non-life premiums. In comprehensive vehicle insurance, a number of activities were launched to boost revenues. Further measures are planned for 2004. In parallel with this, the systematic implementation of the initiated efficiency-boosting measures for the sales force is continuing.

Despite a difficult environment, the life sector is enjoying a robust development. Only risk insurance experienced lower-than-average growth in premiums. The trend remains positive in the group insurance sector (second pillar), where Bâloise Assurances, Luxembourg, has established itself as one of the few local specialists in recent years. Cooperation with the new local banking partner ING Bank has got off to a good start and promises considerable potential.

In 2004, we expect higher-than-average premium growth in Luxembourg, coupled with a further strengthening of operating profitability.

Other countries

Basler Austria

Basler Austria again reduced its costs, improved the result of insurance operations and significantly enhanced its sales capacity. The premium volume grew by 6.2% in local currency terms to CHF 105.0 million (2002: CHF 95.4 million).

State promotion of private pensions, which has been introduced over a one-year period for the first time, had a positive impact on business. The restructuring of the policy portfolio through adjustments to premiums rates was accompanied by systematic risk selection. This made it possible to significantly improve the loss experience. Costs were lowered by reducing capacity in back-office services. At the same time, the Baloise expanded its sales force, which resulted in a higher volume of business.

In non-life business, the higher premium income, differentiated underwriting policy and reduced costs led to a significant improvement in the combined ratio to 108.0% (2002: 130.9%).

On the life insurance side, there was a 3.8% decline in premiums in local currency – owing to a market-related sharp drop in single premium business. Success with pension products benefiting from state promotion measures was not sufficient to compensate for this decline. Basler Austria was furthermore successful in its insurance business with medical practitioners.

Key figures other countries	2002	2003	Change in percent
Gross premium income	443.2	441.0	- 0.5
Of which life	31.8	30.8	- 3.1
Of which non-life	411.4	410.2	- 0.3
Combined ratio non-life (gross)[1]	- 102.2	72.4	
Profit / loss before tax	- 70.8	189.0	–
Employees	309.0	305.0	- 1.3

in CHF m

1 in percent

Basler osiguranje, Croatia

In Croatia, the Baloise 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 associated professional groups. In the physicians' segment, market share stands at over 50% thanks to an active sales force and sales partnerships. The partnerships with banks are being further expanded. The loss ratio for fiscal 2003 stands at just under 55%.

Reinsurance, finance and participation companies and consolidated operations

This sector includes reinsurance companies, special forms of investment, financing operations and participations, and consolidated operations. The positive result is due to three principal factors. Firstly, consolidated business developed positively. Secondly, the reinsurance companies benefited exceptionally from the favorable situation as far as major claims are concerned, and thirdly the holding companies achieved currency gains.

Capital investments: Turnaround on the financial markets

The business year 2003 was characterized by a turnaround on the stock markets following the downslide in the first quarter. This trend reversal, coupled with a slight rise in bond yields, led to a shift in the investment strategy of the Baloise Group. As a result, investment performance was far better than in 2002.

The Iraq war and fears that the SARS epidemic could spread pushed the stock market down at the beginning of the year. This was followed in the second quarter by the long-awaited rally as the tensions passed and economic data improved. The leading central banks retained their extremely expansive monetary policies. This held interest rates at a low level, although above the previous record lows. Price pressure looks set to rise in the medium term as the economy gains momentum, capacity utilization increases and unemployment drops back, and this should lift the yield curve.

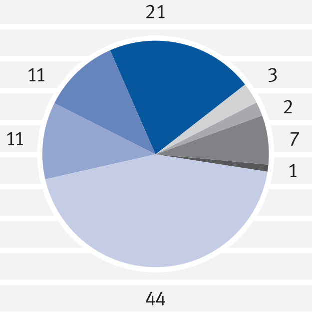
The United States were once again the driving force on the equity markets. Generous fiscal and monetary impetus did the trick in the US economy and also boosted the Asian and European economies through demand for imports. Moving in tandem with Wall Street, the Swiss Market Index (SMI) recovered from its March low and was up roughly 50% by year-end. Year-on-year, it gained 18.5%. The MSCI EMU – the index of euro-zone equity markets – posted a performance of 25.6% while the Standard and Poor's 500 index in the United States gained 26.4%.

In the first half of the year the bond markets were overshadowed by the deflationary fears triggered by the Chairman of the Federal Reserve Board, Alan Greenspan. As a consequence, yields dropped to new lows in June. However, better economic data subsequently raised pressure both on the Swiss market and to a lesser extent elsewhere, leading to a sharp 25 to 35 basis point hike in yields.

The foreign exchange markets were dominated by the massive weakening of the US dollar against the euro and the Swiss franc. Reasons included the widening budget and current account deficits in the United States and the resultant reversal of capital flows. The Swiss National Bank adopted a policy of extremely low interest rates to counter the initial upward pressure on the franc as a safe haven for investments.

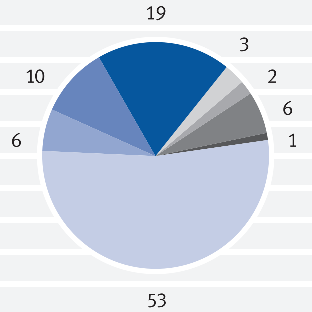
The drop in share prices at the start of the year and the subsequent turnaround on the financial markets were reflected in the Baloise Group's investment

Own capital investments by category 2002



in percent

Own capital investments by category 2003



in percent

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

Own capital investments by category

	2002	2003	Change in percent
Fixed-interest securities	21,906.8	29,525.4	34.8
Shares	5,752.4	3,475.9	-39.6
Derivatives	212.8	292.9	37.6
Investment property	5,305.7	5,653.4	6.6
Mortgage loans	10,532.0	11,002.4	4.5
Policy and other loans	1,520.4	1,456.6	- 4.2
Participating interests in associates	286.9	223.8	-22.0
Alternative financial investments	1,039.0	1,337.9	28.8
Other short-term capital investments, cash and cash equivalents	3,505.4	3,339.4	- 4.7
Total	**50,061.4**	**56,307.7**	**12.5**

in CHF m

strategy. Equity hedges were raised in the first quarter and the equity weighting was subsequently reduced further on risk grounds. At the same time, undesired foreign exchange risks, especially those resulting from investments in US dollars, were hedged, chiefly through foreign exchange derivatives. Proceeds from the sale of equities and new inflows of funds were initially "parked" in short-term investments and time deposits. Once yields had risen they were shifted into bonds.

To minimize the impact of rising yields on capital and reserves as defined by the International Financial Reporting Standards (IFRS), a large proportion of bonds were transferred from "Available for sale" to "Held to maturity." Although this means that they have to be held until they mature, they can be carried at amortized cost, which steadily moves towards their nominal value (100%) over time. Rising interest rates and falling market value would therefore have no effect on capital and reserves.

Largely unaffected by the volatility of the equity markets, property investments once again made a stable contribution to total investment results, with a performance of around 4.8% in 2003 (2002: 4.9%). This was essentially attributable to the strategy of focusing on popular regions of Switzerland and the rental housing market.

The mortgages and loans performance declined from 4.1% to 3.7%, reflecting the persistently low interest rates and far more aggressive terms offered by Swiss banks. Given the widespread belief that interest rates will rise in the mid-term, there is a clear trend towards fixed-rate mortgages.

The assets managed by the Baloise Group, including the investment funds, rose by 13.7% to CHF 66 billion. This was due to the improvement in investment performance, subscriptions to investment funds and new clients and to the first-time consolidation of Securitas. Thanks to the clear recovery on the equity markets, the value of all BFI equity and strategy funds rose considerably. The floor (guaranteed level) of the BFI Capital Protect (EUR) fund issued in early 2003 was raised six times during the year and the fund ended the year with an attractive "guaranteed" performance of 4%.

Integrated risk management as basis for success

In an environment of volatile financial markets and rising insurance risks, the significance of risk management and risk control at the Baloise Group has increased noticeably. Findings in this area have become an important factor in the Group's strategic decision-making process. Consequently, risk management processes and methods were again enhanced in the year under review.

Risk management throughout the Baloise Group ensures that a stable balance is maintained between risks borne and the available risk capital. Aspects taken into account include economic factors, legal and regulatory provisions and the demands of a variety of stakeholders. Thanks to this broadly based approach, various interests can be presented in a transparent fashion, raising the quality of the decision-making process and thus benefiting the Group as a whole. The relevant risk indicators are compiled and monitored both at corporate and business unit level.

The Group's risk management is founded on three pillars: business risk analysis, analysis on the basis of rating-like models, and monitoring of regulatory guideline figures. Only when these three factors are properly combined can one speak of balanced and appropriate risk management.

The following business risks are at the heart of the quantitative analysis:

Insurance operations
- Natural hazards
- Major industrial risks
- Liability risks
- Personal risks

Investments
- Market and price risks
- Interest rate risks
- Foreign exchange risks
- Credit and insolvency risks

There are various instruments available to keep these risks under control. Some are direct and immediately effective, such as reinsurance or hedging, others indirect and slower to take effect, such as a carefully focused underwriting policy, targeted Asset & Liability Management (ALM), or profit-oriented growth strategy in selected market areas.

In fiscal 2003, the Baloise Group focused on a large number of risk management topics, giving greater weight to the corresponding tasks and projects. Progress was made in the corporate governance field (cf. pages 29ff.) and further emphasis was placed on ALM in life insurance, the management of corporate investment risks, and further optimization of underwriting risks.

Work in ALM field of the Life business was coordinated in a group-wide project. This joint approach, and the existence of a uniform Group platform, will generate synergies in the area of software development and operation as well as in analysis and in the management of assets and liabilities.

By implementing specific measures, the Group was able to realign investment risks to the given market circumstances. The Group's equity exposure was reduced from 12.5% to 7.1% on the eve of the Iraq war. Derivative hedging instruments were employed to keep risks under control. Foreign exchange risks in connection with the dollar were eliminated entirely by means of forward selling, and equity risks were reduced through put options until into the 4th quarter 2003. The reclassification of 35% of the bonds from "Available for sale" to "Held to maturity" meant that the influence of interest rate fluctuations on the Group's capital and reserves in accordance with IFRS was lowered by around 50%.

The implementation of rate adjustments, restructuring measures and revised underwriting guidelines have led to a sustainable improvement of the Group's risk situation. The enhanced quality of the insurance portfolio will have a positive and lasting effect on the Group's risk position and profitability. The following measures deserve special mention from the risk perspective:

- Underwriting limits in the German industrial business halved
- Enhanced risk selection with corresponding rate modifications
- Targeted premium adjustments
- Selective portfolio restructuring
- Reduction of bonus allocation to life insurance policyholders

The measures are backed up by group-wide reporting procedures on risk and the development of risk capital.

Taken together, these measures led to an appreciable stabilization of the risk situation and strengthening of profitability. This is evident, for example, from the development of the Group's consolidated solvency margin: having stood at 231%[1] at the end of 2002, this figure was boosted to 241%[1] in 2003 despite the additional requirements in connection with the acquisition of Securitas Versicherung.

Solvency and capitalization banks	12.31.02	12.31.03
Liabilities insurance (Group)	1,817	2,076
Capital resources insurance (Group)	3,686	4,453
Solvency margin		
Including banking assets	231%	241%
Excluding banking assets	203%	214%
8% of risk weighted assets banks		437
Capital resources banks		555
Capital ratio		127%
Liabilities (Group)		2,513
Capital resources (Group)		5,008

in CHF m

1 including imputed banking assets

As a value-oriented company, the Baloise is committed to good corporate governance. In keeping with the description of corporate governance in the Swiss Code of Best Practice, we are convinced that – while preserving management's decision-taking competencies and efficiency – transparency and checks and balances are desirable goals that serve the interests of our shareholders.

The first section of this chapter focuses on steps implemented in 2003. The second section follows the structure of the SWX guideline with the aim of increasing transparency and hence comparability with other companies.

Important changes

In 2003, the Baloise introduced a number of innovations with important consequences for its corporate governance.

The investment regulations of the Baloise Group, which regulate the asset management and asset allocation, were revised. The purpose of the investment activities is to generate a risk-adjusted performance on the basis of wide diversification and clear rules of competence while fulfilling the provisions required of the insurance business.

In 2003, the group-wide compliance function created into 2002 was expanded and consolidated. Creating a group-wide network of compliance officers has facilitated the task of introducing and implementing compliance standards. On the basis of the analysis of the compliance situation in the individual Group companies, local concepts were drawn up in accordance with the requirements of the Baloise Group. A group-wide Code of Conduct was introduced in 2003 and distributed to all employees. It can be viewed on the Internet. The Code of Conduct lays down minimum standards of behavior for employees; additional internal directives define these norms more precisely. A practice-oriented concept has been drawn up to train employees on how apply the Code of Conduct and will be implemented on a group-wide basis in 2004. Using concrete conflict situations, employees will be trained to recognize sensitive situations and to apply the Code of Conduct.

■ www.baloise.com / Profile / Sustainability / Corporate Culture

The willingness to question current practice, to be open to new concepts and to develop solutions together are fundamental prerequisites for sustainable change. In 2003, the Baloise made substantial investments in developing an employee-oriented culture of trust and efficiency. In line with the Group's corporate values, "Create value," "Foster relations" and "Bring about change," all business units drew up measures aimed at improving competitiveness and sustaining it in the long term, thus securing the future success of the Baloise.

At the beginning of 2003, the Baloise took another step in developing its existing environmental management structures. The resulting sustainability network encompasses the sections corporate ecology, products/markets, capital investment, compliance, human resources, communications, investor relations, and corporate development. The sustainability network is responsible for: the further development of the Baloise's sustainability strategy, the internal linking of sustainability measures, and the coordination of the company's internal and external sustainability communication activities.

■ Sustainability, page 51

1. Group structure and breakdown of shareholders

Group structure

The Baloise is organized as a joint-stock holding company under Swiss law. The company has its head office in Basel and is quoted on the SWX Swiss exchange. As at December 31, 2003, the Baloise Group had a market capitalization of CHF 2,856.6 million. Further information on Baloise shares will be found in the "Baloise Shares" section from page 53. A list of important Group companies and participations as at December 31, 2003, can be found in the Notes from page 119. Apart from Bâloise-Holding, no Group companies have a stock exchange listing.

Segment reporting by business segments and regions can be found from page 76 of the Annual Report.

The Group's operational management structure is presented on page 42.

Breakdown of shareholders

Changes in share ownership

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

As at June 17, the stake held by the BZ had fallen below the 5% threshold. According to an announcement made on July 17, the Dutch firm Strategic Money

Management was back below the 5% threshold and the shareholding of the Zurich Financial Services Group had risen to 27%, of which 21.48% were held in shares and 5.52% through options. This shareholding was subsequently sold on the broad market, and the stake of Zurich Financial Services fell back below the 5% threshold again as at November 5, 2003.

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

Distributions to shareholders

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
2003	21.9	–	–	21.9
Total	**628.6**	**1,114.4**	**131.6**	**1,874.6**

in CHF m

always at March 31

Breakdown of shareholders

As at December 31, 2003, the most significant registered shareholder (Deutsche Bank Nominee) held 3.8% of the company's outstanding shares, of which 2% were voting shares. No shareholder held a stake in the company that was legally required to be disclosed as at the end of the year. As at December 31, 2003, 15,027 shareholders were recorded in the Baloise's share register. By comparison with the previous year, the number of registered shareholders rose by 25.6%.

The "Baloise Shares" section from page 53 of the Annual Report provides further information on the breakdown of our shareholders as at March 31, 2004.

Own shares

As at December 31, 2003, the Baloise held 414,303 of its own shares. These shares are used for, inter alia, incentive and employee profit-sharing programs.

Cross-shareholdings

There are no cross-shareholdings either in terms of capital or voting rights.

2. Capital structure

Distribution policy

The capital changes in recent years were marked by a shareholder-friendly distribution policy. Since 1997 roughly CHF 1,875 million have been paid out to shareholders in the form of cash dividends, share buybacks and nominal value repayments.

Share splits in 1997 and 2001 considerably increased the trading liquidity of Baloise shares. Details of all distributions and capital transactions in favor of shareholders and the Baloise's distribution policy can be found on the Baloise website.

■ **www.baloise.com / Investor Relations/Shares**

Bâloise-Holding capital and reserves

The share buybacks and nominal value repayments in 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 to the amount of CHF 9 per share in 2001 lowered the share capital by CHF 49.8 million to CHF 5.5 million at the end of the 2001/ 2002 financial year.

Changes in Bâloise-Holding capital and reserves

	Financial year 2001 / 2002	Financial year 2002 / 2003	Financial year 2003 / 2004
Share capital	5.5	5.5	5.5
General reserve	11.7	11.7	11.7
Reserve for treasury stock	55.1	20.0	14.0
Free reserve	326.5	509.5	515.5
Accumulated profit	281.4	22.8	41.9
Bâloise-Holding capital and reserves	680.2	569.5	588.6

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 CHF 0.10 each. Further information on Baloise shares can be found in the "Shareholders' participation rights" section.

■ **Shareholders' participation rights, page 37**

Authorized and conditional capital, other financial instruments

Bâloise-Holding does not have any authorized or conditional capital. Similarly, there are no participation certificates, dividend rights certificates or convertible bonds relating to participation rights of the company or options issued by it. Further details can be found on page 125 of the Financial Statements and in the Notes.

Consolidated capital and reserves of the Baloise

At end-2000, consolidated capital and reserves came to CHF 7,372.8 million. The changes up to the end of 2002 primarily reflect the hectic situation on the capital markets. At the end of 2001, the Baloise Group had consolidated capital and reserves of CHF 5,384.8 million. Subsequent price falls resulted in a further decline to CHF 3,088.1 million by the end of 2002. Thanks to a more stable capital market situation coupled with operational counter-measures, consolidated capital and reserves rose to CHF 3,319.8 million by end-2003.

Share capital stood at CHF 56.7 million at end-2000, but by end-2001 it had dropped back to CHF 5.5 million owing to nominal value repayments amounting to CHF 49.8 million and share buybacks totaling CHF 1.4 million. At the end of 2002, nominal capital was an unchanged CHF 5.5 million.

Capital reserves changed only slightly in the period under review. At the end of 2000, capital reserves totaled CHF 81.2 million. During 2001, they rose by CHF 28.1 million to CHF 109.3 million owing to net sales of treasury stock (own shares) but then edged down again by CHF 0.4 million to CHF 108.9 million owing to net purchases of treasury stock.

Accumulated profit decreased during 2001 from CHF 3,834 million (position as at December 31, 2000) to CHF 3,810.5 million net owing to dividends, net profit and the repurchase of shares. In 2002, the accumulated profit declined – owing to the dividend payment and the net loss for the year – to CHF 3,043.3 million.

In 2000, the Baloise Group posted a consolidated net profit of CHF 634.4 million, its best result so far. Owing to the weak equity markets, the net profit for the following year fell to CHF 404.4 million. With the financial markets remaining bearish, and owing to exchange rate losses and major claims payments in the core German and Austrian markets, the Group posted a loss of CHF 634.5 million in fiscal 2002.

For full details on the development of the consolidated capital and reserves in fiscal years 2000 – 2002, please see the corresponding sections in the annual reports for these years (Annual Report 2000: page 47, Annual Report 2001: page 64, Annual Report 2002: page 56).

For details on changes in the consolidated capital and reserves in 2003, please see the corresponding section on page 74.

Outstanding bonds

Bâloise-Holding and other companies in the Group have issued bonds on public markets. As at December 31, 2003, five bonds floated by Bâloise-Holding and other Group companies on public markets were outstanding. Details about the outstanding bonds can be found in the Notes to the Financial Statements from page 103.

3. Board of Directors

Members of the Board of Directors

Name	Nationality	Age	Board member since	Expiry of term of office
Rolf Schäuble, Chairman	CH	60	1993	2005
Walter G. Frehner, Vice-Chairman	CH	71	1989	2004
Christoph J.C. Albrecht	CH	66	1985	2006
Andreas Burckhardt	CH	53	1999	2006
Dietrich J.J. Forcart †	CH	68	1973	–
Gertrud Höhler	D	63	1998	2004
Klaus Jenny	CH	62	2003	2006
Georg F. Krayer	CH	61	1995	2004
Werner Kummer	CH	57	2000	2004
Arend Oetker	D	65	1996	2005
Jean-Marc Rapp	CH	53	1999	2004
Eveline Saupper	CH	46	1999	2005

Only the Chairman of the Board of Directors has an executive function. All the other members of the Board of Directors are independent, nonexecutive members. None of them held executive responsibilities at any Group company in the past three financial years and have any other substantive business relationships with the Group.

In the year under review, Christoph J.C. Albrecht, Andreas Burckhardt and Dietrich J.J. Forcart † were elected for a further three-year term of office. Klaus Jenny, a noted financial expert, was elected as a new member of the Board for a three-year term of office.

Gaudenz I. Staehelin, a member of the Chairman's Committee and Chairman of the Compensation Committee, retired from the Board of Directors. Klaus Jenny took his seat in these two committees, while Georg F. Krayer assumed the chairmanship of the Compensation Committee. In conformity with the Articles of Incorporation, the Vice-Chairman of the Board of Directors, Walter G. Frehner, will resign from the Board in 2004.

A proposal is being submitted to the 2004 Annual General Meeting to elect **Hansjörg Frei,** an experienced insurance industry expert, as a new Member of the Board of Directors. Mr. Frei (born 1941, CH, Dr. iur.) worked at Winterthur Insurance from 1982, latterly as member of the Executive Board with responsibility for Swiss business; from 2000 until his retirement in mid-2003, he worked for Credit Suisse Financial Services as a member of this bank's Executive Board (Head of International Country Management). From 2000 to 2003, he was also the Chairman of the Swiss Insurance Association (SVV).

Rolf Schäuble (born 1944, CH, Dr. oec., University of St. Gallen) has been a Member of the Board of Directors since 1993 and Chairman since 1994. From 1996 to February 28, 2002, he was also Managing Director and CEO. He graduated in economics and obtained a doctorate from the University of St. Gallen. From 1975 to 1993, Rolf Schäuble held various positions at the Zurich Insurance Group, Zurich, culminating in a seat on the Corporate Executive Board.

Walter G. Frehner (born 1933, CH) has been a Member of the Board of Directors since 1989 and Vice-Chairman since 1995. He graduated from commercial school and completed a bank apprenticeship. From 1987 to 1993 Walter G. Frehner was CEO and subsequently, until he reached retirement age in 1996, Chairman of the Board of Directors of Swiss Bank Corporation (today UBS AG). He was a Member of the Board of Directors of Novartis AG, Basel. Walter G. Frehner is an independent, non-executive Member of the Board.

Christoph J.C. Albrecht (born 1938, CH, Dr. iur.) has been a Member of the Board of Directors since 1985. He graduated from the University of Basel with a doctorate in law. Today he works as an attorney at law and notary with Joerin Hopf, Basel. Christoph J.C. Albrecht is Chairman of the Board of Directors of Thüring AG, Basel, and a Member of the Board of Directors of Interhaba AG, Basel. He is an independent, non-executive Member of the Board.

Andreas Burckhardt (born 1951, CH, Dr. iur.) has been a Member of the Board of Directors since 1999. He studied law at the Universities of Basel and Geneva and obtained a doctorate. From 1982 to 1987 he worked for the Fides Treuhandgesellschaft and was General Secretary of the Baloise Group. He has been Director of the Chamber of Commerce of both Basel-Landschaft and Basel-Stadt since 1994. Andreas Burckhardt is an independent, non-executive Member of the Board.

Dietrich J.J. Forcart †[1] (born 1936, CH) was a Member of the Board of Directors from 1973. He was a partner in La Roche & Co Banquiers and Chairman of the Board of Directors of La Roche & Co AG, Bern. Dietrich J.J. Forcart was an independent, non-executive Member of the Board.

Gertrud Höhler (born 1941, D, Prof. Dr. phil.) has been a Member of the Board of Directors since 1998. She is an economic and political consultant, and was a professor of literature and German studies at the University of Paderborn from 1976 to 1993. She studied literature and art history in Bonn, Berlin, Zurich and Mannheim. From 1987 to 1990 Gertrud Höhler was a PR consultant for Deutsche Bank AG, and from 1992 to 1995 a non-executive Member of the Board of Grand Metropolitan PLC, London. She is a Member of the Board of Directors of Ciba Specialty Chemicals, AG, Basel, and Georg Fischer AG, Schaffhausen. She is an independent, non-executive Member of the Board.

Klaus Jenny (born 1942, CH, Dr. oec., University of St. Gallen) has been a Member of the Board of Directors since 2003. He graduated with a doctorate in economics from the University of St. Gallen. From 1987 Klaus Jenny was a member of the Executive Board of Credit Suisse (later the Credit Suisse Group). Before leaving the Credit Suisse Group, he was CEO of the Credit Suisse Private Banking Business Unit. Since 1999 he has worked as a financial advisor to companies and private individuals. He is a Member of the Board of Directors of Maus Frères SA and Huber & Suhner, Herisau and Pfäffikon. Klaus Jenny is an independent, non-executive Member of the Board.

Georg F. Krayer (born 1943, CH, Dr. iur.) has been a Member of the Board of Directors since 1995. He studied and obtained the doctorate in law. He is Chairman of the Board of Directors of Bank Sarasin & Cie AG, Basel, a Member of the Board of Directors of Pirelli SpA, Milan, and was Chairman of the Swiss Bankers Association until 2003. He is an independent, non-executive Member of the Board.

1 We were deeply saddened by the death of Dietrich J. J. Forcart in January 2004. Mr. Forcart was a highly respected member of the Board of Directors, on which he served for many years.

Werner Kummer (born 1947, CH, Dipl.-Ing. ETH, MBA Insead) has been a Member of the Board of Directors since 2000. From 1990 to 1994 he was CEO of Schindler Elevator Corporation and then until 1998 member of the Executive Committee of the same company, responsible for the Asia Pacific region. From 1998 to March 2004 he was CEO of Forbo Holding AG / Forbo International S.A. Werner Kummer is a Member of the Board of Directors of WMH Walter Meier Holding AG. He is an independent, non-executive Member of the Board.

Arend Oetker (born 1939, D, Dr. rer. pol.) has been a Member of the Board of Directors since 1996. He studied business management and political science at the Universities of Hamburg, Berlin and Cologne, obtaining a doctorate in political science from the University of Cologne. He is Executive Partner of Dr. Arend Oetker GmbH & Co., Berlin. Arend Oetker is Chairman of the Supervisory Board of Schwartauer Werke GmbH & Co. KGaA, Bad Schwartau, Chairman of the Board of Directors of Hero AG, Lenzburg, member of the Supervisory Board of Degussa AG, Düsseldorf, Member of the Supervisory Board and Board of Partners of Merck KGaA, Darmstadt, and Deputy Chairman of the Supervisory Board of KWS Saat AG, Einbeck. He is an independent, non-executive Member of the Board.

Jean-Marc Rapp (born 1951, CH, Prof. Dr. iur.) has been a Member of the Board of Directors since 1999. He gained his doctorate in law at the University of Lausanne and obtained a postgraduate diploma in Berkeley, USA. He is an attorney-at-law and has been professor of commercial and contract law at the University of Lausanne since 1989 and Principal of the University of Lausanne since 1999. Jean-Marc Rapp is an independent, non-executive Member of the Board.

Eveline Saupper (born 1958, CH, Dr. iur.) has been a Member of the Board of Directors since 1999. She studied law at the University of St. Gallen, where she obtained her doctorate. She is an attorney-at-law and a certified Swiss federal tax expert. From 1983 to 1985 she worked for Peat Marwick Mitchell (today KPMG Fides), Zurich, and from 1985 to 1992 for Baker & McKenzie, Zurich and Chicago. In 1992 she joined the firm Homburger Attorneys, Zurich, where she is a partner. Eveline Saupper is Chairman of the Board of Directors of BZ Bank AG, Freienbach, and Member of the Board of Directors of Intershop Holding AG, Winterthur. She is an independent, non-executive Member of the Board.

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

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

Cross-shareholdings

There are no cross-shareholdings.

Elections and term of office

As at December 31, 2003, the Board of Directors consisted of 12 members who are elected by the General Meeting for a term of three years. Each year, one-third of the members retire unless re-elected (staggered renewal). Under an age restriction, board mandates end at the latest at the General Meeting that follows the member's 70th birthday. The average age is currently about 60. Each Member of the Board of Directors is elected – and, at the shareholders' request, granted discharge – individually.

Internal organization

Functions of the Board of Directors

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 Chairman of the Board of Directors, the Board 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 and supervise the company's general and financial operations and to determine its organization.

■ www.baloise.com/Profile/Corporate Governance/ Articles of Incorporation and Regulations

Committees of the Board of Directors

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.

■ Board of Directors and Management Structure, page 41

Committees of the Board of Directors

Name	Chairman's Committee	Audit Committee	Compen-sation Committee	Invest-ment Committee
Rolf Schäuble	C			C
Walter G. Frehner	VC	C	VC	VC
Christoph J.C. Albrecht		VC		
Andreas Burckhardt				
Dietrich J.J. Forcart †		M		
Gertrud Höhler			M	
Klaus Jenny	M		M	M
Georg F. Krayer	M		C	M
Werner Kummer		M		
Arend Oetker				
Jean-Marc Rapp				
Eveline Saupper				

C: Chairman; VC: Vice-Chairman; M: Member

The committees appointed by the Board of Directors consist of at least four 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.

■ www.baloise.com/Profile/Corporate Governance/Articles of Incorporation and Regulations

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 also functions as the Nomination Committee and as the **Investment Committee,** which approves 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 members of the Corporate Executive Committee and monitors their correct application.

The **Audit Committee** assists the Board of Directors in tasks that cannot be delegated relating to supervision and financial monitoring (Art. 716a Swiss Code of Obligations) by forming its own judgment on the organization and functioning of the internal and external monitoring systems and on the annual and consolidated financial statements. Furthermore the Audit Committee assesses the functioning of the internal monitoring system for risk management and reviews the state of compliance. The Audit Committee discussed the Group financial statements for the 2003 financial year with the management and the external auditors. As a result, the Audit Committee recommended that these audited annual statements be incorporated into the Group's Annual Report for the financial year ended on December 31, 2003, that is to be presented to the General Meeting. The Board of Directors accepted this recommendation.

Meetings of the Board of Directors and the committees

In accordance with the organizational regulations, the full Board of Directors meets as often as business requires, but at least four times a year.

■ www.baloise.com/Profile/Corporate Governance/Articles of Incorporation and Regulations

In 2003, the full Board of Directors met four times. Members' attendance at the meetings was 93.7% in 2002 and 95.8% in 2003.

■ www.baloise.com/Profile/Corporate Governance/Organization/Board Attendance

In 2003 – as in every year – a seminar was held for the Members of the Board of Directors. The subject this year was "Life," with the focus on group life and individual life.

Last year, the Chairman's Committee and the Investment Committee met eight times, the Audit Committee and the Compensation Committee four times each. Meetings of the full Board of Directors are regularly attended by members of the Corporate Executive Committee, while meetings of the Audit Committee are attended mainly by the Group CEO, the Group CFO, the Head of Group Internal Audit and representatives of the external auditors.

Division of powers and duties between the Board of Directors and the Corporate Executive Committee

The division of powers and duties between the Board of Directors and the Corporate Executive Committee is laid down primarily in the organizational and investment regulations. Both documents are regularly reviewed to ensure their suitability and where necessary adapted to changed circumstances. As a consequence, the organizational regulations were revised in 2002; the revised investment regulations entered into force on July 1, 2003.

■ www.baloise.com/Profile/Corporate Governance/Articles of Incorporation and Regulations

Auditing and monitoring the Corporate Executive Committee
The ten 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 emphasized enough, which is why this Report devotes a separate chapter to the risk management at the Baloise (page 26).

4. Corporate Executive Committee

The management structure of the Baloise Group can be found on page 42.

Frank Schnewlin (born 1951, CH, D^r^ ès sc. écon., Master of Science LSE, MBA Harvard) studied business management at the University of St. Gallen and graduated with a degree in economics (lic. oec. HSG), majoring in insurance and risk management. After gaining an M.Sc. at the London School of Economics, he took an MBA at Harvard Business School in Boston. While a Research Fellow of the Harvard Business School, Frank Schnewlin obtained his doctorate in economics at the University of Lausanne. He worked at the Institut für Versicherungswirtschaft in St. Gallen and at Citibank N.A., New York. From 1983 to 2002, he was employed at Zurich Financial Services in various positions. In 1993 he was appointed a Member of the Group Management Board with responsibility for the Business Division Southern Europe, Asia / Pacific, Latin America, Middle East and Africa. Since November 2000, he has been Head of Corporate Center and a Member of the Executive Committee of the Group Management Board. Since March 2002, Frank Schnewlin has been Chief Executive Officer of the Baloise Group and Head of the International Corporate Division.

Bruno Dallo (born 1957, CH, Dr. iur.) graduated from the University of Basel with a doctorate in law. He is an attorney-at-law. After a period in various law offices and in the legal department of a major bank, he joined the Baloise Group in 1986. From 1994 to 2001, he was General Counsel (Head of Legal and Taxes); from 1999 to 2001, he was also secretary to the Board of Directors. He was in charge of various merger and acquisition projects. He has been a member of the Corporate Executive Committee since 2001 (Head of Corporate Center), responsible for corporate development, human resources, legal, tax, compliance and runoff. Bruno Dallo is Chairman of the Board of Trustees of the Baloise Pension Foundation. Furthermore, he is a member of the Basel-Stadt tax appeals committee and the tax and finance committee of the Chamber of Commerce of Basel-Stadt and Basel-Landschaft.

Wolfgang Drunk (born 1965, D, Dipl.-Phys., MBA Insead) studied physics, mathematics and business management in the USA and Germany, and took an MBA at the Insead Institute at Fontainebleau. From 1991 to 1998, he worked for McKinsey & Company in different positions, initially as a management consultant for insurance companies, banks and car manufacturers in various European companies, and subsequently as Project Manager in a range of projects for insurance companies. In this period he also completed a number of advanced training courses focusing on risk management, reinsurance, corporate finance, and strategy and organization. In 1998 he was appointed head of the risk management and reinsurance units at the Baloise Group, and in 2001 he became a member of the Corporate Executive Committee, responsible for financial relations, financial management and financial accounting.

Martin Strobel (born 1966, D, Dr. rer. pol.) studied computer science, business management and business systems at the Universities of Kaiserslautern, Windsor (Canada), and Bamberg, where he obtained his doctorate. From 1993 to 1999, he worked for the Boston Consulting Group, Düsseldorf, in different positions dealing with questions of strategic IT management in the banking and insurance sectors. He joined the Baloise Group at the beginning of 1999. He was Head of IT at Baloise Switzerland and responsible for large interdivisional projects in the fields of insurance and finance. Since 2003, he has been a member of the Corporate Executive Committee (Head of the Switzerland Corporate Division). Martin Strobel is a member of the Board of the Swiss Insurance Association (SVV) and a member of the "Finance Forum" Advisory Committee.

Martin Wenk (born 1957, CH) graduated in law from the University of Basel, before working for a large bank in different positions between 1982 and 1992. After initially working as an investment advisor to institutional clients, he went on to head a private banking group in New York and then became a sector head in securities sales, attending primarily to the needs of major institutionals. During this period, he completed further training courses in Switzerland and the USA. From 1992 to 2000 he headed Portfolio Management Switzerland at the Baloise Group, with responsibility for managing the assets of various Baloise companies in Switzerland and of the Group, including pension funds. In 2001 he was appointed a member of the Corporate Executive Committee, responsible for Corporate Division Asset Management comprising the units Baloise Asset Management, Real Estate and Mortgages, and Baloise Fund Invest.

Further information about the members of the Corporate Executive Committee and about other activities and interests can be found on the Internet. There are no management agreements in which management functions are transferred to third persons.

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

5. Compensation, shareholdings, loans

This section is divided into three parts:

- the Members of the Board of Directors other than the Chairman,
- the Chairman of the Board of Directors and
- the Corporate Executive Committee.

To facilitate assessment of the Baloise's compensation policy, gross compensation figures are used rather than 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.

As published in accordance with the Guidelines, compensation for the 11 nonexecutive Members of the Board of Directors in 2003 was as follows:

Compensation in the year under review

Cash compensation	CHF 1,490,000
Allocation in the form of shares	0
Allocation in the form of options	0

Ownership of shares and options

Share ownership	113,390 registered shares
Option ownership	Contractual option[1]
Number	8,400
Year of allocation	1999
Term to maturity	5 years
Subscription ratio	1:10
Exercise price in CHF	CHF 125.80

Loans[2]

Mortgages and loans against insurance policies	CHF 650,000

1 see "Change of control and countermeasures" page 38

2 Mortgages are granted at conditions that apply to employees (1% below the interest rate paid by customers for variable-rate mortgages). There were no loans against insurance policies.

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 are determined by the Compensation Committee of the Board of Directors. It consists of a basic salary and an incentive based on achieving corporate objectives on the one hand and individual objectives on the other up to a maximum amount equal to two-thirds of the basic salary. 50% of the incentive must be taken in the form of shares or options. The corporate objectives for the coming year are determined in a multistage process and approved by the Compensation Committee at the end of each year. Individual objectives are directly related to the respective responsibilities of each member of the Corporate Executive Committee; they are set in consultation with the superior and approved by the Compensation Committee.

In 2003, the company introduced the direct allocation of shares at a preferential price for all persons entitled to incentives in all Group companies. The subscription price at any time is 10% lower than the market value at the time of subscription. Thus, shares may henceforth be subscribed either directly or, as in the past, linked to a loan on which interest 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 corresponding call option. After expiry of the blocking period, employees receive the shares remaining after repayment of the loan for their free disposal. Finally, under the options plan, the options, quoted on the stock market, are purchased by the Baloise Group from third parties at market value. Options subscribed may not be sold for two years.

Given the choice of taking the mandatory part of the incentive in either shares or options, employees chose shares without exception in 2003 (either directly or linked to a loan). In view of the imminent changes in the law, the options plan will not be offered as an incentive choice in 2004.

Chairman of the Board of Directors: Rolf Schäuble

Compensation in the year under review

Cash compensation	CHF 1,580,026
Allocation in the form of shares	373,113
Allocation in the form of options	0
Additional fees and payments	0
Maximum total compensation	CHF 1,953,139

Ownership of shares and options

Share ownership	20,286 registered shares

	BALIX	BALUP	Contractual option[1]
Number	444,557	–	–
Year of allocation	2002	–	–
Term to maturity	3 years	–	–
Subscription ratio	50:1	–	–
Exercise price in CHF	197.1	–	–

Loans[2]

Mortgages and loans against insurance policies	CHF 500,000

1 see "Change of control and countermeasures" page 38

2 Mortgages are granted at conditions that apply to employees (1% below the interest rate paid by customers for variable-rate mortgages). There were no loans against insurance policies.

Members of the Corporate Executive Committee

The Corporate Executive Committee consists of five members. No severance payments were made in 2003.

Compensation in the year under review

Cash compensation	CHF 3,447,288
Allocation in the form of shares	CHF 846,411
Allocation in the form of options	0
Additional fees and payments	0
Total compensation	CHF 4,293,699

Ownership of shares and options

Share ownership	26,349 registered shares

	BALIX	BALUP	BALUP	Contractual option[1]
Number	514,814	–	–	–
Year of allocation	2002	–	–	–
Term to maturity	3 years	–	–	–
Subscription ratio	50:1	–	–	–
Exercise price in CHF	197.1	–	–	–

Loans[2]

Mortgages and loans against insurance policies	CHF 1,586,000

1 see "Change of control and countermeasures" page 38

2 Mortgages are granted at conditions that apply to employees (1% below the interest rate paid by customers for variable-rate mortgages). There were no loans against insurance policies.

6. Shareholders' participation rights

Voting rights

The share capital of the Baloise consists exclusively of registered shares. There are no shares with preferential voting rights. In order to ensure broad-based shareholding and to protect minority shareholders, no shareholder, regardless of the size of holding involved, is registered with more than 2% of voting rights. The Board of Directors may approve exceptions to this rule by a majority of two-thirds of all members (Art. 5 of the Articles of Incorporation). There are no exceptions at present.

Every share gives the right to one vote. In exercising voting rights, no shareholder may, either directly or indirectly by combining his own with proxy votes, hold more than one-fifth of the shares with voting rights at the General Meeting. Any shareholder may transfer his / her voting rights to another shareholder by written power of attorney (Art. 16 of the Articles of Incorporation). Any annulment of statutory restrictions on voting, see the following section on statutory quorums.

- www.baloise.com / Profile / Corporate Governance / Articles of Incorporation and Regulations

Statutory quorums

The General Meeting constitutes a quorum regardless of the number of shareholders and represented votes attending the Meeting unless there are compelling statutory requirements to the contrary (Art. 17 of the Articles of Incorporation).

- www.baloise.com / Profile / Corporate Governance / Articles of Incorporation and Regulations

Any annulment of statutory restrictions on voting rights will require the agreement of at least three quarters of the votes represented at the General Meeting, and at the same time at least one-third of all the shares issued by the company. This qualified majority is also required in the cases envisaged in Art. 17(3) 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 (Art. 17 of the Articles of Incorporation).

- www.baloise.com / Profile / Corporate Governance / Articles of Incorporation and Regulations

Convening the General Meeting

As a rule, the General Meeting takes place in May, and at the latest six months after the end of the financial year. Bâloise-Holding's financial year ends on March

31. Notice of the convening of the General Meeting must be given at least 20 days before the appointed date of the General Meeting. Each registered shareholder receives a personal invitation that includes the agenda of the Meeting. Invitation and agenda shall also be published in the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt), in various newspapers and on the Internet.

Extraordinary General Meetings may be convened by decision of the General Meeting, the Board of Directors or the external auditors. Furthermore, in accordance with the statutory provisions, the Board of Directors has to convene an extraordinary General Meeting if requested to do so by shareholders (Art. 11 of the Articles of Incorporation). According to Article 699 (3) of the Swiss Code of Obligations, the request must represent at least 10% of the company's share capital.

- www.baloise.com/Profile/Corporate Governance/ Articles of Incorporation and Regulations

Including items on the agenda

Shareholders' requests pursuant to Article 699 (3) of the Swiss Code of Obligations for the inclusion of items on the agenda may be submitted by one or more shareholders representing at least 10% of the share capital or shares with a nominal value of at least CHF 100,000. Such requests including the motions to be put to the General Meeting must be submitted to the Board of Directors in writing at least six weeks before the annual General Meeting (Art. 14 of the Articles of Incorporation).

- www.baloise.com/Profile/Corporate Governance/ Articles of Incorporation and Regulations

Registration of shares

Shareholders entitled to vote at the General Meeting are 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 (Art. 16 of the Articles of Incorporation).

- www.baloise.com/Profile/Corporate Governance/ Articles of Incorporation and Regulations

The admissibility of nominee registrations, including the relevant percentage clauses and conditions of registration, is dealt with in Article 5 of the Articles of Incorporation. The procedures and preconditions for canceling or restricting transferability are laid down in Articles 5 and 17 of the Articles of Incorporation.

- www.baloise.com/Profile/Corporate Governance/ Articles of Incorporation and Regulations

7. Change of control and countermeasures

Shareholders, whether acting alone or as a group by agreement, that acquire 33 1/3% of all Baloise shares are obliged to submit a take-over bid to all remaining shareholders. The Baloise has never made use of the possibility to deviate from or waive this regulation. The Articles of Incorporation contain neither an opt-out nor an opt-in clause as defined in the Federal act on the stock exchanges and share trading (Stock Exchange Law).

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

Since 1999, agreements have been in force with the members of the Board of Directors and the Corporate Executive Committee that in the event of a change of control they will be compensated for the intrinsic value of their options (contractual options that expire in 2004), subject to a guaranteed minimum. This amounts to CHF 7.6 million for the Board of Directors and the Corporate Executive Committee together.

Agreements also exist with the members of the Corporate Executive Committee and other members of senior management whereby severance payments will be triggered if the employee is given notice (or, under certain conditions, if the employee gives notice) within a specified period of time following the change of control. The amount of these payments will be in conformity with market practice.

8. 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, who assumed this office in 2002, has worked on the Baloise audit since 1999.

The following fees were charged by PricewaterhouseCoopers in the year under review; the figures refer to its groupwide activities.

Fees of PricewaterhouseCoopers	2002	2003
Auditors' fees	1,338,625	1,469,625
Fee for audit-related activities	165,432	358,573
Consultancy fee	307,802	552,302
Total	**1,811,859**	**2,379,875**

in CHF

The Baloise has an Audit Committee made up of independent members qualified in finance and accounting. The Audit Committee monitors the coordination of the internal audit, risk management, and compliance with the external auditors. It also verifies the independence of the external auditors.

9. Information policy

Information policy

The Baloise Group informs shareholders, potential investors, employees, customers and the general public as comprehensively, openly and regularly as possible. This enables the Baloise to foster an understanding of its objectives, strategy and business activities.

The Baloise is actively involved in committees and bodies working towards the conception and implementation of accounting standards and drawing up of concepts specifically for the insurance industry.

Information events

The Baloise provides detailed information on its business activities in

- Annual and Semi-Annual Reports
- Annual and semi-annual media conferences
- Meetings with financial analysts and investors, and
- the Annual General Meeting.

Media releases on important projects and initiatives are a further important form of communication. At special events and roadshows the Baloise engages in dialogue with investors and media representatives.

Information about Baloise shares

Information about Baloise shares can be found from page 53.

Financial calendar

Investors will find the most important dates for investors on the Internet, including the publication dates of the Annual and Semi-Annual Reports. In connection with the General Meeting, the calendar contains the date of the invitation to the General Meeting, the closing of shareholder registration, and, if applicable, the ex-dividend date.

- www.baloise.com / Investor Relations / Calendar

Availability of documents

Shareholders can access media releases, disclosure reports, presentations, addresses and Annual and Semi-Annual Reports on the Internet. In 2004, the Baloise published, for the first time, a Sustainability Report that informs readers about the sustainable business approach of the Baloise.

All documents can be obtained through Investor Relations (see below) or ordered on the Internet.

- www.baloise.com / Investor Relations / Presentations

Contacts

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Phone +41 61 285 86 48
Fax +41 61 285 91 90
E-mail thomas.sieber@baloise.com

www.baloise.com

Board of Directors and management structure

Board of Directors

Rolf Schäuble, Chairman, Lenzburg
Walter G. Frehner, Vice Chairman, Riehen
Christoph J.C. Albrecht, Basel
Andreas Burckhardt, Basel
Dietrich J.J. Forcart †[1], Riehen
Gertrud Höhler, Berlin
Georg F. Krayer, Basel
Werner Kummer, Küsnacht
Arend Oetker, Berlin
Jean-Marc Rapp, Lausanne
Eveline Saupper, Pfäffikon SZ
Klaus Jenny, Zurich

Secretary of the Board of Directors

Thomas Sieber, Rheinfelden

Internal audit

Erich Bernischke, 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
Klaus Jenny

Audit Committee
Walter G. Frehner, Chairman
Christoph J.C. Albrecht, Vice-Chairman
Dietrich J.J. Forcart †[1]
Werner Kummer

Compensation Committee
Georg F. Krayer, Chairman
Walter G. Frehner, Vice-Chairman
Klaus Jenny
Gertrud Höhler

Investment Committee
Rolf Schäuble, Chairman
Walter G. Frehner, Vice-Chairman
Georg F. Krayer
Klaus Jenny

1 died in January 2004

Management structure on April 1, 2004

CEO
Frank Schnewlin*

Group / Regional Performance Management
Annemarie D'Hulster

Group Secretariat / Corporate Communications
Thomas Kähr

Switzerland
Martin Strobel*

Individual Customers
Franz Josef Kaltenbach

Baloise Bank SoBa
Alois Müller

Sales Management
Daniel Fluri

Information Systems and Logistics
René Güttinger

Accounting / Controlling
Urs Bienz

International
Frank Schnewlin*

Germany, Basler Securitas
Frank Grund

Germany, Deutscher Ring
Wolfgang Fauter

Belgium, Mercator
Jan De Meulder

Luxembourg, Bâloise
André Bredimus

Austria, Basler
Lothar Mayrhofer

Finance
Wolfgang Drunk*

Financial Relations
Carsten Stolz

Financial Management
Annemarie D'Hulster

Financial Accounting
Michael Müller

Asset Management
Martin Wenk*

Baloise Asset Management
Reto Diezi

Real Estate / Mortgages
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

Runoff
Bruno Rappo

* Member of the Corporate Executive Committee

“What is true of our inner, personal values also applies to the values of our company. They drive our actions and must be clearly reflected in what we do. The more consistently I act in accordance with our values, the more intensively and convincingly I live them, the less I need to talk about them. I can be measured by my actions. Last year, I initiated a focus program with five key factors by which we can improve our value creation. My vision is to transform the Baloise into a gem in its field for customers, employees and shareholders. As CEO I am responsible for the implementation of this vision. The past year showed that we are on the right track. We made good progress, and I know we can improve further. I am optimistic, and hopefully my optimism will inspire everyone at the Baloise.”

Frank Schnewlin
CEO

"Playing a part in designing integration processes and new structures, motivating managers on our road to a common future, communicating the culture of our company and establishing new partnerships are key tasks for me. Setting up Basler Securitas in 2003 was a case in point where we realized these targets in the German market. We grow with such tasks. In this context, the Baloise corporate values serve as a compass for me."

Bruno Dallo
Corporate Center

"Creating, measuring and optimizing value are part of the day-to-day business of a performance-oriented finance division. Value creation owes a lot to a company's ability to relate and to change. We have therefore very consciously intensified our dialogue with customers, employees and the sales force, as well as our cooperation with investors and their representatives. For they all, like us, need value not as words, but in the form of action and results. This is what we are committed to."

Wolfgang Drunk
Finance

"Within the framework of our high-earning power strategy, our focusing on value has effected real change. We have boosted value-adding activities and, after thorough evaluation, put an end to value-reducing ones. The earning-focused approach to all our activities was discussed and implemented at all levels. We also put our 'foster relations' principle into action, for instance by organizing customer events, which were very well received owing to the clear and open information we provided. Transparency makes for trust. This also holds true for our in-house activities. A dialogue culture was fostered at staff events, departmental visits, the general agents' tour and the Management Summer School; a culture that has helped gear the Baloise up for the challenges of the future."

Martin Strobel
Switzerland

"Capital investment is basically about creating and enhancing value for the benefit of customers, staff and shareholders. Even if we primarily think of material values, the past years have shown that sustainable success is only possible if higher and long-term values serve as guidelines. That is why the introduction of the corporate values has met with such interest at the Baloise. After analyzing the first surveys, we immediately began with the implementation. At various events we developed special measures and activities with the aim of deliberately shaping our relations and the change we are subject to. A beginning has thus been made; the conditions for creating new values are there. The program is being continued."

Martin Wenk
Asset Management

Clear management structures and targeted skills development

It is our employees who make the most vital contribution to the success of the Baloise. To support them in their daily work and in the achievement of our exacting common objectives, the Group continued to invest heavily in the enhancement of corporate culture, management structure and personnel skills development in the year under review. The Baloise's corporate values, encapsulated as "Create value," "Foster relations" and "Bring about change," served as overall guidelines.

Create value: The Baloise strives for sustainable value creation, which also involves long-term planning of its personnel requirements. With the integration of the German Securitas companies (which added around 540 people to our workforce as of January 2003) and the ensuing setup of Basler Securitas (counting a total staff of around 1,100), we registered significant growth in Germany. However, the ongoing optimization of structures and processes had repercussions on the staff count in certain business areas, in Switzerland particularly in the sales force and the private banking sector. By means of a hiring freeze, the internal filling of vacancies, natural fluctuations and early retirement, the number of redundancies was kept at a minimum. In Belgium, the workforce had to be reduced by close to 200 employees from all sectors of the business. By providing early retirement solutions, which Belgian law allows from age 52, cases of hardship were largely avoided here, too. The number of people employed at the Baloise Group as at December 31, 2003, came to 8,745 (2002: 8,703).

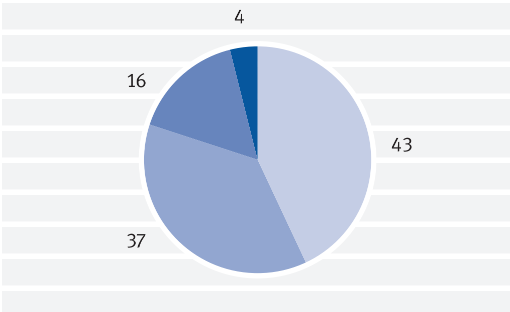
Our staff are entitled to participate in the value of the company. A well-endowed system of social and fringe benefits is in force, and performance-related remuneration as part of the pay package serves as incentive in particular at middle and senior management level. 480 staff members were included in the incentive program. Performance-related pay made up around 4.7% of the overall wage costs.

Foster relations: The success of our company is built on the performance of our staff. Their motivation, dedication and job satisfaction are therefore prime success factors, and these are closely linked to clear management structures and a people-oriented culture of trust. In-house surveys show that what our staff value most are interesting and challenging tasks, sufficient creative freedom, and good and open relations with colleagues and line managers.

Bring about change: The unwavering implementation of our corporate strategy and the changes this often necessitates places high demands on staff and management alike. In the annual objective-setting process, the line manager formulates his / her expectations – ultimately derived from the corporate strategy – and agrees with the individual staff members what they are expected to contribute. Thus expectations are clearly and transparently expressed. Reporting lines between Head Office and the strategic business units were also clarified and were actively developed in several areas in 2003.

To become more competitive, it is essential that we develop our staff's skills in line with our strategic requirements. A key skill to be fostered is the ability to implement, i.e. the ability to attain operational excellence in all relevant fields. Both in Switzerland and Germany, the Baloise maintains its own personnel training and management development centers. In addition, a large number of staff members make use of external training opportunities, the costs of which are usually borne by the company. In all, the Group invested nearly CHF 13 million in personnel training and development in 2003. Thanks to its well-established and comprehensive management training programs, the Baloise was again able to recruit managers at all levels from its own ranks – people who have gained the technical knowledge, interpersonal skills and high customer awareness necessary to make a difference to the success of the company. Finally, 420 positions offered to apprentices, trainees and interns throughout the Group prove that the Baloise also takes its social responsibility for the education and training of young people very seriously indeed.

Employees 2003



in percent

	2002	2003	Change
Switzerland	3,976	3,774[1]	-202
Germany	2,794	3,249	455
Benelux	1,624	1,417	-207
Other countries	309	305	- 4
Total	**8,703**	**8,745**	**42**

Number of employees at December 31, 2003

1 of which 240 Group

Sustainability through professionalism in insurance operations

In early 2004, the Baloise became the first Swiss primary insurer to publish a Sustainability Report. It demonstrates how professionally conducted insurance business and a sustainable corporate focus can complement one another perfectly.

Insurance and financial services business is geared towards long-term action. It is concerned with managing the present and future risks to individuals, society and the environment, and it focuses on safeguarding the fundamentals of life. Successful insurance and financial services business thus makes a major contribution to a sustainable development of the economic, social and ecological spheres of our life.

Following on from the first environmental audit in 2001, the Baloise Group has now produced a Sustainability Report. In it, we examine our core business from the point of view of sustainability, for example commenting on the future of the European pension systems or the role of the insurer in providing risk advice to business customers. Members of the Corporate Executive Committee and the Board of Directors answer questions in interviews and explain what sustainability means for the Baloise in concrete terms. Professor E.A. Brugger, one of Switzerland's leading experts on sustainability, sets out future challenges facing the insurance industry from a sustainability standpoint. Analysts, employees, customers and suppliers of the Baloise explain what they want in the long term from the Baloise. Pointers for the further development of the Baloise's own sustainability management come from external rating agencies such as the Sustainable Asset Management Group (SAM), which credits the Baloise with very good overall sustainability performance compared to the sector as a whole (see chart). As regards economic criteria, the company has excellent corporate governance and strong performance in risk management and crisis management, placing it above the industry average. The Baloise recorded a significant improvement in environmental performance as compared with the previous year. The Group is also above average when it comes to social criteria. The Baloise's commitment to sustainability also meant that, in the year under review, Baloise shares were included in the major sustainability indices and funds, such as the Dow Jones Sustainability Index and the FTSE4good index.

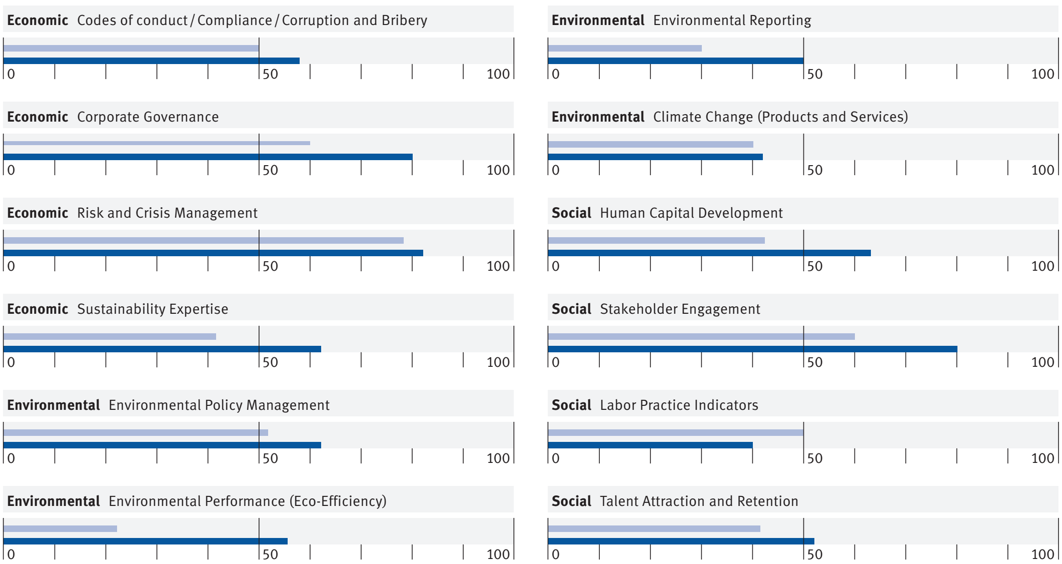
The Sustainability Report can be obtained from the Baloise.

Contacts, inside cover flat

Further information about our activities in connection with sustainability can be found on our website.

www.baloise.com / Profile / Sustainability

Bâloise's sustainability performance



Insurance industry average on a global basis
Bâloise-Holding

in percent / © 2003 SAM Research Inc.

Above the industry average for eleven out of twelve criteria: assessment of the Baloise's sustainability performance by SAM Research Inc.

Price recovery and markedly improved trading liquidity

Baloise shares registered a marked recovery in 2003 following the worldwide slump that had stock markets in its grip until mid-March. Reductions in the stakes of some major shareholders led to a broader spread of share ownership and a distinct improvement in trading liquidity.

Stock markets went through two phases in 2003: The first quarter, which was overshadowed by the war in Iraq, saw a massive price collapse on stock markets around the globe. In the further course of the year, markets recorded a substantial recovery. The Swiss Market Index (SMI) closed 2003 with a year-on-year performance of 18.5%. The insurance industry also recovered, as reflected in the Swiss Performance Index Insurance (SXIS) figure of +13.4%, yet underperformed the market as a whole.

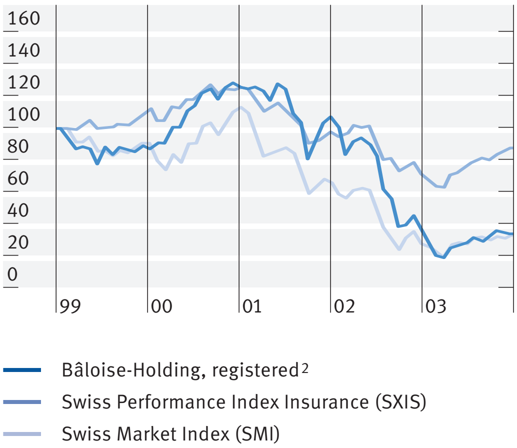
The Baloise shares' -6.1% performance year-on-year reflects the plunge in the first quarter followed by a vigorous recovery since. In the first quarter, the share price plummeted by 42.6% amidst the general stock market collapse. The low-water mark was reached in mid-March. After that, towards the end of the Iraq war and boosted by the Baloise's strong capital base and a positive assessment by the market, the share price picked up significantly.

It closed the second quarter up 39.4%, the third-best quarterly performance of a Swiss insurance company. The trend continued in the third quarter, in which the share price advanced by 11.6%. The development was again positive in the fourth quarter, though the gain of 5.1% was still somewhat below the Swiss market average. The Baloise Group maintained its policy of consistent distributions and paid a dividend of CHF 0.40 per share.

The spread of share ownership and trading liquidity increased substantially over the year following a reduction in the stake of some major shareholders. BZ Group's holdings dropped under the 5% threshold as at June 17. Strategic Money Management B.V. from the Netherlands fell below the 5% mark as at July 17 after selling its stake to Zurich Financial Services. Following that transaction, Zurich Financial Services for a while held 27% of the Baloise – 21.48% in shares and 5.52% in options. The majority of this stake was then placed across a broad range of investors, leaving Zurich Financial Services below the 5% threshold as of November 5, 2003. The table on page 54 will inform you on the principal Baloise shareholders and their respective stakes as at March 31, 2004.

The Baloise is a publicly traded company with broadly spread shareholdings and a 100% free float. The number of registered shareholders rose by 25.6% year-on-year to 15,027 (2002: 11,974).

Indexed share price development[1] Bâloise-Holding, registered, 1999 – 2003



1 December 29, 1998 = 100

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

In line with the company's long-standing policy of regular, profit-linked distributions and in view of the positive result of fiscal 2003, the Board of Directors is proposing a cash dividend, up on the previous year, of CHF 0.60 per stock. The proposal for this year's dividend will be submitted to shareholders for approval at the General Meeting on May 14, 2004.

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% of all shares issued. This also applies to shares held by nominee companies, provided the beneficial owner has been made known to us (Art. 5 of the Articles of Incorporation).

Bâloise-Holding, registered
Ticker symbol: Tk, B: BALN; R: BALZn
Nominal value: CHF 0.10
Security no.: 1.241.051
ISIN: CH0012410517
Listing: virt-x

Significant shareholders at March 31, 2004

	Total holding	Share of voting rights
Chase Nominees	4.0	2.0
Fidelity Group	2.5	2.0
Deutsche Bank Nominees	2.3	2.0
Rolex Group	2.0	2.0
Boston Safe Deposit & Trust	‹ 2.0	–
Morgan Nominees	‹ 2.0	–
Landesbank Baden-Württemberg	‹ 2.0	‹ 2.0
Strategic Money Management B.V.	‹ 5.0*	–
BZ Group	‹ 5.0*	–

in percent

* pursuant to notification according to article 20, SESTA

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
Bâloise-Holding	250	3.375%	2003	12.15.2009

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Share statistics	1999[5]	2000[5]	2001[5]	2002[5]	2003[5]
Net profit per share[1] in CHF	9.1	11.2	7.3	- 11.6	1.7
Consolidated capital and reserves per share[2] in CHF	127.6	130.0	97.4	55.8	60.0
Dividend per share in CHF	2.4	2.4	2.4	0.4	0.6[4]
Total shares issued in units	58,620,000	56,704,000	55,307,150	55,307,150	55,307,150
Number of shares entitled to dividend in units	58,620,000	56,704,000	55,307,150	55,307,150	55,307,150
Time-weighted number of shares entitled to dividend in units	58,620,000	57,824,280	56,087,855	55,307,150	55,307,150
Daily volume traded shares in CHF m	23.0	24.5	15.4	21.4	23.6
Number of shareholders	11,016	8,988	9,725	11,974	15,027
Treasury stock in shares	1,761,750	830,000	560,000	702,540	414,303
Price at year-end in CHF	125.3	178.0	153.0	55.0	51.65
High in CHF	146.0	186.0	182.6	155.5	63.2
Low in CHF	109.4	123.4	110.0	46.3	25.45
Market capitalization in CHF m	7,345.1	10,093.3	8,461.9	3,041.9	2,856.6
Consolidated capital and reserves in CHF m	7,477.6	7,372.8	5,384.8	3,088.1	3,319.8
Ratio, market capitalization / consolidated capital and reserves	98.2	136.9	157.2	98.5	86.0
Ratio, market capitalization / gross premium in percent	120.7	150.6	127.6	41.8	38.7
Return on equity (ROE)					
ROE on capital and reserves as shown in the balance sheet[3] in percent	7.4	8.5	6.3	- 15.0	2.9
ROE on capital and reserves minus unrealized gains and losses[3] in percent	17.2	19.0	10.5	- 18.3	2.9
Dividend yield in percent	1.9	1.3	1.6	0.7	1.2[4]
Price-earnings ratio in percent	14.2	15.9	20.1	n.s.[7]	30.9
Pay-out ratio in percent	27.1	29.56[6]	32.8	n.s.[7]	36.3

All figures as per calendar year, at December 31

Figures rounded up / down; calculations based on precise figures.

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 not significant

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

	Gross		Net	
Combined ratio: non-life	2002	2003	2002	2003
Loss ratio	74.8	67.3	78.8	71.2
Expense ratio	30.0	29.9	31.7	31.6
Surplus sharing ratio	0.4	0.4	0.4	0.4
Combined ratio	**105.2**	**97.6**	**110.9**	**103.2**

as a percentage of premiums earned

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

as a percentage of premiums earned

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

in CHF m

Technical income statement

	Non-life		Life	
Gross	2002	2003	2002	2003
Gross premiums written and policy fees	2,657.6	3,088.8	4,633.2	4,301.1
Change in unearned premiums reserves	- 26.2	- 4.0	–	–
Premiums earned and policy fees	2,631.4	3,084.8	4,633.2	4,301.1
Claims and benefits paid	- 2,082.2	- 1,969.2	- 2,962.5	- 3,600.1
Change in loss reserves / actuarial reserve	114.5	- 108.4	- 2,240.6	- 1,096.6
Claims and benefits paid	- 1,967.7	- 2,077.6	- 5,203.1	- 4,696.7
Policyholder bonuses paid	- 10.6	- 12.7	39.7	- 428.1
Technical costs	- 788.9	- 921.8	- 512.6	- 301.6
Total underwriting result (gross)	**- 135.8**	**72.7**	**- 1,042.8**	**- 1,125.3**
Reinsurance ceded				
Premiums earned and policy fees	- 179.4	- 218.6	- 39.8	- 53.0
Claims and benefits paid	36.6	38.5	32.8	49.0
Policyholder bonuses paid	0.0	0.3	–	–
Technical costs	12.1	15.7	5.0	4.3
Total underwriting result of business ceded	**- 130.7**	**- 164.1**	**- 2.0**	**0.3**
Net				
Premiums earned and policy fees	2,452.0	2,866.2	4,593.4	4,248.1
Claims and benefits paid	- 1,931.1	- 2,039.1	- 5,170.3	- 4,647.7
Policyholder bonuses paid	- 10.6	- 12.4	39.7	- 428.1
Technical costs	- 776.8	- 906.1	- 507.6	- 297.3
Total underwriting result for own account	**- 266.5**	**- 91.4**	**- 1,044.8**	**- 1,125.0**
Investment income (gross)	267.4	262.5	1,359.9	1,491.2
Realized gains and losses on investments (net)	- 195.7	- 47.1	- 498.9	- 90.4
Investment expenses	- 18.0	- 18.9	- 41.0	- 45.2
Other non-technical income and expenses	9.5	- 14.3	- 133.9	- 161.9
Non-technical result	**63.2**	**182.2**	**686.1**	**1,193.7**
Profit / loss before tax and minority interests	- 203.3	90.8	- 358.7	68.7
Tax on income	29.7	- 43.3	31.5	- 41.7
Minority interests	0.0	0.0	0.0	0.0
Profit / loss after tax before minority interests	**- 173.6**	**47.5**	**- 327.2**	**27.0**

in CHF m

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

Embedded Value

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

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

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

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

in percent

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

in CHF m, all figures "after tax"

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

in percent

New business	2002	2003
Value new business in CHF m	–	15.5
APE[1] in CHF m	–	306.5
Ratio of new business to APE in percent	–	5.0

1 Annual Premium Equivalent = 100% annual premium of new business + 10% single premium

External Review: Deloitte has reviewed the choice of methodology together with the assumption and calculations made by Baloise Group in the calculation of the embedded value results of its Life Business at December 31, 2003. Deloitte have reported to Baloise that they consider that the methodology is appropriate, Baloise's assumptions are reasonable and that the embedded value results as published above have been properly compiled on the basis of methodology and assumptions chosen. For the purpose of this report, Deloitte have performed certain checks on data provided by Baloise, but have not verified and have relied on financial information underlying Baloise's financial statements.

Investment performance in 2002	Fixed-interest securities	Shares	Investment property	Mortgage loans, policy loans and other loans	Alternative financial assets, derivatives 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 charged to income (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

Investment performance in 2003	Fixed-interest securities	Shares	Investment property	Mortgage loans policy loans and other loans	Alternative financial assets, derivatives and other	Total
Current investment income	1,163.5	95.0	259.9	505.8	81.0	**2,105.2**
Realized gains	513.1	462.4	44.1	21.0	177.6	**1,218.2**
Realized losses	- 60.8	- 1,426.2	- 28.3	- 79.8	- 267.1	**- 1,862.2**
Change in unrealized gains and losses						
taken to capital and reserves	- 307.3	642.4	–	–	180.2	**515.3**
Impairment in value charged to income (net)	10.0	607.6	–	18.4	- 33.3	**602.7**
Investment management costs	- 30.8	- 8.7	- 9.8	- 10.2	- 16.4	**- 75.9**
Operating profit	**1,287.7**	**372.5**	**265.9**	**455.2**	**122.0**	**2,503.3**
Average level of investments	**26,389.8**	**4,642.6**	**5,510.4**	**12,398.7**	**5,127.9**	**54,069.4**
Performance in percent	**4.9**	**8.0**	**4.8**	**3.7**	**2.4**	**4.6**

in CHF m

Results from banking business

Interest income	2002	2003
Due from banks	3.7	1.9
Loans to customers	300.8	261.6
Investments	138.5	128.8
Other	3.1	1.0
Total interest income	446.1	393.3
Interest payable		
Due to banks	- 48.3	- 23.0
Due to customers	- 102.9	- 84.9
Medium-term fixed-rate notes, bonds and mortgage bonds	- 98.3	- 99.5
Other	- 33.7	- 27.7
Total interest payable	- 283.2	- 235.1
Net interest income	**162.9**	**158.2**
Result from commission business and services	13.8	8.3
Realized gains and losses on investments	- 71.2	55.6
Other income	13.8	8.8
Total income from banking business	**119.3**	**230.9**
Expenses related to banking business		
Staff costs	- 92.3	- 93.9
Operating expenses	- 94.3	- 73.5
Total expenses related to banking business	- 186.6	- 167.4
Gross profit / loss	**- 67.3**	**63.5**
Losses and provisions relating to credit risks	- 22.9	- 16.6
Amortization of intangible assets and depreciation of tangible non-current assets	- 9.9	- 9.6
Profit / loss before tax and minority interests	- 100.1	37.3
Tax on income	22.1	- 15.0
Minority interests	0.7	0.0
Net profit / loss	**- 77.3**	**22.3**

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

in CHF m

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

in CHF m

Consolidated income statement

Income

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

Expenses

	Note	1999	2000	2001	2002	2003
Claims incurred including processing costs (non-life)	15	- 1,675.4	- 1,727.9	- 1,785.0	- 1,920.8	- 2,031.1
Claims and benefits paid (life)		- 2,515.0	- 2,756.5	- 2,896.6	- 2,946.5	- 3,704.2
Change in actuarial reserve (life)	16	- 1,407.9	- 1,680.3	- 1,449.4	- 2,235.0	- 952.2
Surplus and profit allocations to policyholders	17	- 731.4	- 870.9	- 177.6	29.2	- 440.5
Acquisition costs	14	- 382.1	- 311.3	- 367.8	- 461.7	- 277.1
Administrative and other operating expenses		- 984.4	- 1,267.3	- 1,238.6	- 1,226.5	- 1,318.4
Interest payable	27	- 274.2	- 380.0	- 498.6	- 464.9	- 405.1
Amortization of intangible assets and depreciation of tangible non-current asset	12/13	- 61.8	- 113.7	- 153.3	- 184.8	- 152.3
Total expenses		**- 8,032.2**	**- 9,107.9**	**- 8,566.9**	**- 9,411.0**	**- 9,280.9**
Profit/loss before tax and minority interests		646.3	732.1	523.0	- 714.3	223.7
Tax on income	21	- 125.4	- 94.6	- 116.9	82.7	- 125.4
Minority interests	26	- 2.6	- 3.1	- 1.7	- 2.9	- 6.9
Consolidated net profit/loss		**518.3**	**634.4**	**404.4**	**- 634.5**	**91.4**

in CHF m

1 Additional information

	1999	2000	2001	2002	2003
Gross premiums written and policy fees	6,085.3	6,701.2	6,632.7	7,274.5	7,374.7
Investment-type premiums	137.1	176.4	248.4	253.0	261.0
Gross premiums, policy fees and investment-type premiums	**6,222.4**	**6,877.6**	**6,881.1**	**7,527.5**	**7,635.7**

in CHF m

	1999	2000	2001	2002	2003
Combined ratio (gross)	108.6	104.7	105.7	105.2	97.6
Reserve ratio non-life	185.6	186.0	184.3	181.1	177.4

in percent

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

Consolidated balance sheet

Assets

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

Liabilities and capital and reserves

	Note	12.31.1999	12.31.2000	12.31.2001	12.31.2002	12.31.2003
Capital and reserves		**7,477.6**	**7,372.8**	**5,384.8**	**3,088.1**	**3,319.8**
Minority interests	26	**157.2**	**46.2**	**41.5**	**28.1**	**40.7**
Liabilities						
Unearned premiums reserves (gross)		650.9	629.9	380.9	419.3	493.3
Loss reserves (gross)	15	3,994.5	4,021.5	4,182.0	4,196.1	4,786.3
Actuarial reserve life (gross)	16	25,165.3	26,314.5	27,558.9	29,757.7	32,985.7
Policyholder bonuses credited and provision for future policyholder bonuses	17	3,426.3	4,768.6	4,197.7	3,685.0	4,063.4
Technical provisions for account and risk of life insurance policyholders		238.9	356.7	513.7	554.6	798.1
Payables arising from insurance operations		2,616.2	1,349.7	1,521.2	1,682.5	1,620.7
Deposit fund liabilities arising from reinsurance		322.3	281.7	269.0	205.1	451.5
Liabilities from banking business and loans	19	1,548.3	10,048.9	9,697.2	9,659.2	11,411.7
Derivatives	10	44.5	84.2	59.9	87.0	252.4
Non-technical provisions	20	86.1	127.5	112.6	131.7	118.9
Benefits due to employees	23	504.8	563.6	559.6	596.6	680.0
Deferred tax	21	2,188.5	1,946.8	1,640.9	1,211.5	1,640.8
Other liabilities and deferred income		1,261.4	1,371.4	1,374.9	1,611.3	1,637.5
Total liabilities		**42,048.0**	**51,865.0**	**52,068.5**	**53,797.6**	**60,940.3**
Total liabilities and capital and reserves		**49,682.8**	**59,284.0**	**57,494.8**	**56,913.8**	**64,300.8**

in CHF m

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Consolidated income statement

Income

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

Expenses

	Note	2002	2003
Claims incurred including processing costs (non-life)	15	- 1,920.8	- 2,031.1
Claims and benefits paid (life)		- 2,946.5	- 3,704.2
Change in actuarial reserve (life)	16	- 2,235.0	- 952.2
Surplus and profit allocations to policyholders	17	29.2	- 440.5
Acquisition costs	14	- 461.7	- 277.1
Administrative and other operating expenses		- 1,226.5	- 1,318.4
Interest payable	27	- 464.9	- 405.1
Amortization of intangible assets and depreciation of tangible non-current assets	12 / 13	- 184.8	- 152.3
Total expenses		**- 9,411.0**	**- 9,280.9**
Profit / loss before tax and minority interests		- 714.3	223.7
Tax on income	21	82.7	- 125.4
Minority interests	26	- 2.9	- 6.9
Consolidated net profit / loss		**- 634.5**	**91.4**

in CHF m

	Note	2002	2003
Earnings / loss per share (identical values for “basic” and “diluted”)	25	- 11.56	1.67

in CHF

1 Additional information

	2002	2003
Gross premiums written and policy fees	7,274.5	7,374.7
Investment-type premiums	253.0	261.0
Gross premiums, policy fees and investment-type premiums	**7,527.5**	**7,635.7**

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

1

Assets

Investments	Note	12.31.2002	12.31.2003
Fixed-interest securities			
Held for trading		462.6	334.3
Held to maturity		158.5	10,348.6
Available for sale		21,285.7	18,842.5
Shares			
Held for trading		159.9	200.6
Available for sale		5,592.5	3,275.3
Alternative financial assets		1,039.0	1,337.9
Derivatives	10	212.8	292.9
Investment property	8	5,305.7	5,653.4
Mortgage loans		10,532.0	11,002.4
Policy and other loans		1,520.4	1,456.6
Participating interests in associates	9	286.9	223.8
Other short-term investments			
Held for trading		0.7	1.2
Held to maturity		2,390.5	1,840.7
Available for sale		438.8	805.5
Cash and cash equivalents	29	675.8	692.0
Total investments	6	**50,061.4**	**56,307.7**
Total investments for account and risk of life insurance policyholders	11	**550.5**	**798.2**

Other assets			
Reinsurance assets	18	425.0	737.1
Receivables arising out of insurance operations		1,487.5	1,289.0
Receivables relating to employee benefits	23	53.0	41.2
Other receivables		1,138.7	1,385.6
Accrued investment income		662.5	798.2
Deferred acquisition costs	14	810.5	985.9
Goodwill / badwill	12	35.4	- 42.1
Other intangible asset	12	127.5	164.4
Property, plant and equipment for own use	13	618.7	605.3
Other non tangible non-current assets	13	86.8	91.4
Deferred tax	21	529.9	905.9
Other assets		326.4	233.0
Total other assets		**6,301.9**	**7,194.9**
Total assets		**56,913.8**	**64,300.8**

in CHF m

Liabilities and capital and reserves

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

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

in CHF m

Consolidated cash flow statement

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

in CHF m

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

Cash and cash equivalents		
As at January 1	888.3	675.8
Movement during year	- 212.5	16.2
As at December 31	**675.8**	**692.0**

in CHF m

Additional information on cash flow from operating activities		
Other interest received	1,675.3	1,244.8
Dividends received	215.6	47.6
Interest paid	- 478.8	- 350.0

in CHF m

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, 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
Balance at December 31, 2002	**5.5**	**108.9**	**- 84.8**	**15.2**	**3,043.3**	**3,088.1**

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, 2002	**5.5**	**108.9**	**- 84.8**	**15.2**	**3,043.3**	**3,088.1**
Movement on unrealized gains and losses						
on investments (gross)	–	–	–	515.3	–	515.3
Less movement on						
Policyholder surplus	–	–	–	- 141.2	–	- 141.2
Deferred acquisition costs charged to capital and reserves	–	–	–	- 99.1	–	- 99.1
Deferred tax	–	–	–	- 13.6	–	- 13.6
Foreign exchange differences	–	–	–	- 115.3	–	- 115.3
Minority interests	–	–	–	- 0.2	–	- 0.2
Movement on unrealized gains and losses						
on investments (net)	–	–	–	145.9	–	145.9
Dividends	–	–	–	–	- 22.1	- 22.1
Consolidated net profit for the year	–	–	–	–	91.4	91.4
Purchase / sale of treasury stock	–	- 18.6	35.1	–	–	16.5
Balance at December 31, 2003	**5.5**	**90.3**	**- 49.7**	**161.1**	**3,112.6**	**3,319.8**

in CHF m

Segment reporting by geographical segment

2

	Switzerland		Germany	
Income	2002	2003	2002	2003
Gross premiums written and policy fees	4,652.8	4,269.3	1,755.1	2,199.9
Reinsurance premiums ceded	- 160.5	- 169.2	- 247.2	- 269.6
Premiums written and policy fees for own account	4,492.3	4,100.1	1,507.9	1,930.3
Change in unearned premiums reserves for own account	1.0	- 5.9	- 17.3	10.6
Premiums earned and policy fees for own account	4,493.3	4,094.2	1,490.6	1,940.9
Investment income (net)	1,002.2	939.5	688.1	769.0
Realized gains and losses on investments (net)	- 205.1	- 38.3	- 320.8	- 82.1
Income from other services	25.9	27.3	92.8	96.8
Other income	36.1	28.2	24.8	46.6
Total income	**5,352.4**	**5,050.9**	**1,975.5**	**2,771.2**
Of which between geographical segments	64.5	75.4	208.0	179.6
Of which income from associates	–	- 0.1	68.1	48.9
Expenses				
Claims incurred including processing costs (non-life)	- 802.9	- 836.7	- 373.3	- 606.4
Claims and benefits paid (life)	- 2,014.2	- 2,372.1	- 825.4	- 1,096.1
Change in actuarial reserve (life)	- 1,993.2	- 962.5	- 136.5	6.7
Surplus and profit allocations to policyholders	42.8	- 126.8	- 12.5	- 346.9
Acquisition costs	- 145.1	- 83.0	- 177.9	- 30.8
Administrative and other operating expenses	- 482.5	- 483.9	- 324.0	- 470.0
Interest payable	- 160.1	- 75.8	- 112.0	- 114.7
Amortization of intangible assets and depreciation of tangible non-current asset	- 42.1	- 48.6	- 39.5	- 35.9
Total expenses	**- 5,597.3**	**- 4,989.4**	**- 2,001.1**	**- 2,694.1**
Profit / loss before tax and minority interests	- 244.9	61.5	- 25.6	77.1
Tax on income	12.6	0.6	12.9	- 87.4
Minority interests	–	–	- 2.9	- 6.8
Net profit / loss by region	**- 232.3**	**62.1**	**- 15.6**	**- 17.1**
Additional information				
Assets by geographical segment	33,041.2	34,481.6	14,347.6	18,193.9
Of which investments	28,815.1	30,055.1	12,090.7	15,255.7
Of which participating interests	0.1	0.1	120.5	118.7
Liabilities by geographical segment	30,221.7	31,287.8	14,097.1	17,691.2
Of which technical provisions	22,845.7	23,847.2	11,958.6	14,883.5
Cash flow from operating activities (net)	2,309.7	722.2	74.2	132.7
Cash flow from investing activities (net)	- 2,209.7	- 1,161.8	- 36.6	- 182.5
Cash flow from financing activities (net)	- 434.7	114.0	- 26.7	90.7
Acquisition of real estate, equipment and furnishings and intangible assets for own use	4.1	33.0	- 0.6	17.9
Impairment of value charged to income	- 612.8	- 57.1	- 238.0	- 73.2
Reinstatement of original value charged to income	130.4	502.7	55.0	219.8

in CHF m

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

Income	Non-life 2002	Non-life 2003	Life 2002	Life 2003
Gross premiums written and policy fees	2,657.6	3,088.8	4,633.2	4,301.1
Reinsurance premiums ceded	- 180.1	- 215.4	- 39.8	- 53.0
Premiums written and policy fees for own account	2,477.5	2,873.4	4,593.4	4,248.1
Change in unearned premiums reserves for own account	- 25.5	- 7.2	–	–
Premiums earned and policy fees for own account	2,452.0	2,866.2	4,593.4	4,248.1
Investment income (net)	249.4	243.6	1,318.9	1,446.0
Realized gains and losses on investments (net)	- 195.7	- 47.1	- 498.9	- 90.4
Income from other services	0.2	0.0	0.2	0.8
Other income	81.2	54.5	55.0	28.2
Total income	**2,587.1**	**3,117.2**	**5,468.6**	**5,632.7**
Of which between business segments	- 35.4	- 32.5	- 30.1	- 25.1
Of which income from associates	1.6	5.3	0.2	28.0
Expenses				
Claims incurred including processing costs (non-life)	- 1,931.1	- 2,039.1	–	–
Claims and benefits paid (life)	–	–	- 2,935.8	- 3,696.3
Change in actuarial reserve (life)	–	–	- 2,234.5	- 951.4
Surplus and profit allocations to policyholders	- 10.5	- 12.4	39.7	- 428.1
Acquisition costs	- 309.5	- 342.2	- 153.1	64.4
Administrative and other operating expenses	- 476.4	- 564.7	- 340.5	- 353.2
Interest payable	- 15.9	- 9.4	- 163.6	- 145.9
Amortization of intangible assets and depreciation of tangible non-current asset	- 47.0	- 58.6	- 39.5	- 53.5
Total expenses	**- 2,790.4**	**- 3,026.4**	**- 5,827.3**	**- 5,564.0**
Profit / loss before tax and minority interests	- 203.3	90.8	- 358.7	68.7
Tax on income	29.7	- 43.3	31.5	- 41.7
Minority interests	0.0	0.0	0.0	0.0
Net profit / loss by business segment	**- 173.6**	**47.5**	**- 327.2**	**27.0**
Additional information				
Assets by business segment	9,247.2	10,280.3	38,408.0	42,787.8
Liabilities by segment	7,208.2	7,996.1	37,225.4	41,684.5
Acquisition of real estate, equipment and furnishings and intangible assets for own use	4.3	32.8	5.6	15.1

in CHF m

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

1. Basis of accounting

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

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

2. Application of new accounting standards

In fiscal 2002 and 2003

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

3. Accounting policies

3.1 Method of consolidation

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

Companies acquired in the course of the year under review are included in the consolidation from the date when effective control was acquired, while all companies disposed of during the year are included in the consolidation until the date of disposal. 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% interest. The remaining 35% are held by Deutscher Ring Krankenversicherungsverein, a mutual insurance company. The contractual arrangements are such that the majority shareholder does not have overall control. These companies are consolidated on a proportionate basis, therefore the Baloise Group reports only its share of assets, liabilities, income and expenses.

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

3.2 Foreign currency translation

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

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

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

3.3 Investments

3.3.1 Financial assets

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

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

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

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

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

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

All purchases and sales of financial assets are recorded at the trade date.

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

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

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

3.3.2 Investment property

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

3.4 Permanent diminution in value (impairment)

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

The estimated future cash flows are based on reasonable assumptions about the economic conditions that will exist over the remaining useful life of the asset and on cash flow projections and budgets / forecasts approved by the Corporate Executive Committee. Permanent diminutions in value are recognized in the income statement.

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

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

3.5 Derivatives

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

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

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

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

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

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

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

3.6 Intangible assets

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

Capitalized goodwill is amortized on a straight-line basis over its expected useful life, which may not exceed 20 years. The period over which the goodwill is to be amortized is determined mainly by the future economic benefits expected to flow from the company acquired. These depend, among other things, on the type of business acquired, the lifespan of the insurance contracts, relationships with clients and sales channels. The value of the capitalized goodwill is reviewed annually. If the book value of the goodwill is greater than the recoverable amount, the difference will be amortized via the income statement.

Badwill is offset against positive goodwill. Badwill written 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, or the cash value of the leasing payments if lower, is disclosed as a tangible non-current asset at the inception of the lease. Each lease payment comprises a depreciation expense for the asset and interest payment. The depreciation expense is deducted from the liability for the leased asset, which is shown under Liabilities from banking business and loans. The value of the leased item is reviewed on the balance sheet reference date. If the cash value of the leasing payments is lower than the book value of the leased item, the value will be corrected via the income statement.

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

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

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

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

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

Amounts for future surplus shares to policyholders are fixed on the basis of local statutory and contractual regulations and are allocated to a separate provision. This provision also includes policyholders' share of the unrealized gains and losses covered by the IFRS shareholders' equity and their share of the higher or lower values recorded in the consolidated financial statement – as compared with the statement based on commercial law – and taken to income. Statutory regulations and the rules set out in contracts and company articles of incorporation are authoritative in determining the share of future policyholder bonuses. Where there are no such statutory regulations or rules set out in contracts and company articles of incorporation – as in the case of Belgium, Luxembourg and Switzerland – an allocation to policyholder bonuses will not apply.

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

This provision comprises the following

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

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

3.12 Non-life insurance

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

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

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

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

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

The whole process of projecting the future can never entirely eliminate the uncertainties inherent in future developments. Therefore, future developments may well be different to those projected. The provisions established in a particular year are systematically reviewed, which means that variances can be controlled. On the basis of such reviews, the projection process can be adjusted if necessary. Surplus and profit allocations to policyholders: insurance contracts may provide for surplus sharing with a client arising from the surplus on his contracts. Payments made during the fiscal year and the change in the relevant provisions combine to give the figure referred to in the income statement as surplus and profit allocations to policyholders.

3.13 Deferred acquisition costs

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

3.14 Reinsurance

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

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

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

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

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

3.15 Own shares

Own shares (treasury stock) held by 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. Only Bâloise-Holding shares are counted as own shares.

3.16 Liabilities from banking business and loans

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

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

3.17 Financial provisions

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

3.18 Tax

The provision for deferred tax in the consolidated financial statements is calculated under the liability method, i.e. based on current or future expected tax rates. Deferred tax takes into account the income tax effects of temporary differences between the assets and liabilities carried in the consolidated balance sheet and their fiscal base. When deferred tax is calculated, unused tax losses are only carried forward to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized.

3.19 Benefits due to employees

Amounts due from the Baloise Group to employees include all types of employee benefits given in exchange for services rendered by employees or in special circumstances.

The following amounts need to be established: short-term benefits (such as wages), benefits due in the long term (such as anniversary payments) and benefits upon termination of employment (such as severance pay and benefits from redundancy schemes).

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

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

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

Equity benefits: Employee shares, share participation schemes, shares subscribed directly and shares subscribed through options are equity benefits.

Employee shares: The Baloise Employee Trust set up in 1989 gives the employees of various Group companies the opportunity, subject to the rules issued by the Trust's Board, to acquire shares in 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 Corporate Executive Committee, reports to the cantonal fund authority of the city of Basel and is not consolidated.

Share participation scheme: Since May 2001, most middle and senior managers working in Switzerland can opt to have a freely determinable part of their performance-related earnings (incentive) remitted as shares instead of cash. To boost the effectiveness of the share participation scheme, employees receive a loan at a market rate of interest, enabling them to purchase a far greater number of shares than provided by the incentive scheme. The loan repayment after a three-year blocking period is hedged with a put option that is financed by the sale of a corresponding call option. After expiry of the three-year blocking period, employees receive the shares remaining after repayment of the loan for their free disposal. The Baloise does not incur any additional costs by this share participation scheme.

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

Option rights: The members of the Corporate Executive Committee and of the Executive Boards of the subsidiaries, and other employees in key positions, are granted options to purchase shares in 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 alloted by the end of the financial year depends on whether the parties concerned have met their personal performace objectives. The alloted share options may not be sold for two years. The associated costs are already included in personnel expenses.

3.20 Other liabilities

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

3.21 Fair value of financial assets and liabilities

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

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

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

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

Mortgage loans, policy loans and other loans: The fair values are determined by discounting the cash flows, using the current interest rate applied by the Baloise Group to similar loans. Derivatives are stated at market prices as supplied by independent brokers or in accordance with market practice.

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

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

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

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

3.22 Offsetting assets and liabilities

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

3.23 Use of accounting estimates

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

4. Foreign currency translation

4.1 Rates of exchange

	Balance		Income statement / cash flow statement	
Currency	2002	2003	2002	2003
EUR (Euro)	1.45	1.56	1.47	1.52
USD (US Dollar)	1.38	1.24	1.56	1.34
GBP (Pound Sterling)	2.23	2.21	2.33	2.20

in CHF

4.2 Foreign exchange differences

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

3

5. Acquisitions and disposals of subsidiaries and other business units

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

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

No other significant acquisitions or disposals were effected.

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

The purchase of the German insurance group Securitas was formally and substantively completed as of January 7, 2003. The Group was therefore consolidated at this time and is included in the present statement figures. During the course of fiscal 2003 Securitas was merged with parts of the German branch of the Baloise, Insurance Company Limited, Basel, to form Basler Securitas Versicherungs-Aktiengesellschaft.

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

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

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

No other significant acquisitions or disposals were effected in fiscal 2003.

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

Cost	107.3	21.7	**129.0**
Cash and cash equivalents aquired	- 13.1	- 0.8	**- 13.9**
Cash and cash equivalents used to make the acquisitions	**94.2**	**20.9**	**115.1**

in CHF m

6. Information about geographical and business segments

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

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

The other activities and Group business segment include in particular investment and real estate companies.

The accounting principles applied to the segment reporting are the same as apply to the entire financial report. Transactions between business segments and geographical segments within the Baloise Group are conducted on the same terms as transactions with third parties. Information analyzed by geographical and business segments is given in the segment reports, in the Management Information section and in the following tables.

3

6.1 Gross premiums by geographical and business segments

6.1.1 Gross premiums by geographical and business segments 2002

	Non-life	Life	Elimination	Total
Switzerland	1,174.9	3,477.9	–	**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

6.1.2 Gross premiums by geographical and business segments 2003

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

in CHF m

6.2 Change in gross premiums by geographical and business segments 2003

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

in percent of original currency

6.3 Gross premiums by line of business

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

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

in CHF m

6.4 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

6.5 Investments by business segments 2003

	Non-life	Life	Other	**Total**
Fixed-interest securities	4,579.0	20,914.2	4,032.2	**29,525.4**
Shares	634.6	2,587.7	253.6	**3,475.9**
Alternative financial assets	60.7	75.8	1,201.4	**1,337.9**
Derivatives	47.7	166.9	78.3	**292.9**
Investment property	1,025.9	4,077.7	549.8	**5,653.4**
Mortgage loans	396.6	4,818.7	5,787.1	**11,002.4**
Policy and other loans	62.5	1,088.0	306.1	**1,456.6**
Participating interests in associates	29.4	153.4	41.0	**223.8**
Other short-term investments	526.8	1,874.7	245.9	**2,647.4**
Cash and cash equivalents	244.4	145.9	301.7	**692.0**
Total	**7,607.6**	**35,903.0**	**12,797.1**	**56,307.7**

in CHF m

7. Profits arising from investments

7.1 Investment income

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

in CHF m

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

7.2 Realized gains and losses: 2002

Realized gains on disposal and book gains	Fixed-interest securities	Shares	Investment property	Other	Total
Held for trading	26.6	1.3	–	175.1	**203.0**
Available for sale	145.4	831.5	50.8	45.9	**1,073.3**
Held to maturity	–	–	–	–	**–**
Originated by the Group	–	–	–	0.2	**0.2**
Subtotal	172.0	832.8	50.8	221.2	**1,276.8**
Realized losses on disposal and book losses					
Held for trading	- 10.2	- 38.3	–	- 112.6	**- 161.1**
Available for sale	- 287.5	- 561.5	- 34.7	- 13.5	**- 897.2**
Held to maturity	0.0	–	–	–	**0.0**
Originated by the Group	–	–	–	- 66.2	**- 66.2**
Subtotal	- 297.7	- 599.8	- 34.7	- 192.3	**-1,124.5**
Impairment of value charged income					
Available for sale	- 29.2	- 914.9	–	- 134.6	**-1,078.7**
Held to maturity	0.0	–	–	- 67.7	**- 67.7**
Reinstatement of original value charged to income[1]					
Available for sale	2.3	101.2	–	0.3	**103.8**
Held to maturity	–	–	–	83.8	**83.8**
Total	**- 152.6**	**- 580.7**	**16.1**	**- 89.3**	**- 806.5**
Cumulative impairment of value charged to income (net)	30.1	942.6	–	511.0	**1,483.7**

in CHF m

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7.3 Realized gains and losses: 2003

Realized gains on disposal and book gains	Fixed-interest securities	Shares	Investment property	Other	Total
Held for trading	22.9	40.4	–	81.6	**144.9**
Available for sale	490.2	422.0	44.1	96.0	**1,052.3**
Held to maturity	–	–	–	–	**–**
Originated by the Group	–	–	–	20.9	**20.9**
Subtotal	513.1	462.4	44.1	198.5	**1,218.1**
Realized losses on disposal and book losses					
Held for trading	- 29.4	- 3.3	–	- 217.5	**- 250.2**
Available for sale	- 31.4	- 1,422.9	- 28.3	- 49.5	**-1,532.1**
Held to maturity	–	–	–	–	**–**
Originated by the Group	–	–	–	- 79.8	**- 79.8**
Subtotal	- 60.8	- 1,426.2	- 28.3	- 346.8	**-1,862.1**
Impairment of value charged income					
Available for sale	- 3.6	- 128.9	–	- 63.5	**- 196.0**
Held to maturity	–	–	–	- 67.6	**- 67.6**
Reinstatement of original value charged to income[1]					
Available for sale	13.6	736.5	–	30.2	**780.3**
Held to maturity	0.0	–	–	86.0	**86.0**
Total	**462.3**	**- 356.2**	**15.8**	**- 163.2**	**- 41.3**
Cumulative impairment of value charged to income (net)	22.1	356.9	–	545.3	**924.3**

in CHF m

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

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

	12.31.2002	12.31.2003	Movement in business year
Fixed-interest securities	997.9	690.6	-307.3
Shares	-321.0	321.4	642.4
Alternative financial assets	105.8	138.4	32.6
Derivatives held for cash flow hedges	10.6	96.6	86.0
Investment property	–	–	–
Mortgage loans	–	–	–
Policy and other loans	–	–	–
Participating interests in associates	- 11.0	50.0	61.0
Other short-term investments	- 0.8	- 0.2	0.6
Subtotal (gross)	781.5	1,296.8	515.3
Less amounts relating to			
Deferred acquisition costs (life)	-140.2	- 239.3	- 99.1
Surplus shares to policyholders (life)	-134.6	- 275.8	-141.2
Minority interests	0.3	0.1	- 0.2
Deferred tax	-115.5	- 129.1	- 13.6
Foreign exchange differences	-376.3	- 491.6	-115.3
Total (net)	**15.2**	**161.1**	**145.9**

in CHF m

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

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

During the year 2003, no fixed-interest securities without market value were sold. The change in book value is due to the reclassification of securities for which, in the meantime, reliable market values have become available.

Shares not stated at market value to the amount of CHF 89.2 million (2002: CHF 66.7 million) are included in the financial statements at December 31, 2003. It was not possible to establish a market price or make a reliable estimate of the value of these shares. They have been entered at purchase value, or lower if there are justifiable reasons for this.

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

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

in CHF m

8. Investment property

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

in CHF m

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

3

9. Participating interests in associates

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

in CHF m

There are no significant amounts due from or to associates.

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

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

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

10. Derivatives

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

in CHF m

3

11. Investments for account and risk of life insurance policyholders

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

in CHF m

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

12. Intangible assets

12.1 Intangible assets 2002

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

in CHF m

12.2 Intangible assets 2003

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

in CHF m

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

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

13. Tangible non-current assets

13.1 Property, plant and equipment for own use: 2002

	Land	Buildings	Plant and equipment	Total
Cost	93.2	753.2	93.5	**939.9**
Accumulated depreciation and write-downs	–	- 268.1	- 53.1	**- 321.2**
Balance 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

13.2 Property, plant and equipment for own use: 2003

	Land	Buildings	Plant and equipment	Total
Book value at January 1	93.2	485.1	40.4	**618.7**
Additions	1.3	6.9	7.7	**15.9**
Additions arising from changes in composition				
of consolidated Group	4.1	21.6	–	**25.7**
Disposals	- 2.7	- 12.8	- 2.4	**- 17.9**
Disposals arising from changes in composition				
of consolidated Group	–	–	–	**–**
Reclassification	- 0.7	- 28.4	–	**- 29.1**
Depreciation	–	- 24.3	- 10.8	**- 35.1**
Impairment of value charged to income	–	–	–	**–**
Reinstatement of original value charged to income	–	–	–	**–**
Foreign exchange differences	1.4	23.5	2.2	**27.1**
Book value at December 31	96.6	471.6	37.1	**605.3**
Cost	96.6	764.0	101.0	**961.6**
Accumulated depreciation and write-downs	–	- 292.4	- 63.9	**- 356.3**
Balance at December 31 (net)	**96.6**	**471.6**	**37.1**	**605.3**
Of which assets under finance leases	–	139.8	–	**139.8**

in CHF m

13.3 Other tangible non-current assets: 2002

	Machinery / furniture / motor vehicles	IT equipment	Total
Cost	102.2	121.1	**223.3**
Accumulated depreciation and write-downs	- 54.5	- 82.0	**- 136.5**
Balance 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

13.4 Other tangible non-current assets: 2003

	Machinery / furniture / motor vehicles	IT equipment	Total
Book value at January 1	47.7	39.1	**86.8**
Additions	28.2	16.1	**44.3**
Additions arising from changes in composition of consolidated Group	2.1	1.7	**3.8**
Disposals	- 5.9	- 1.5	**- 7.4**
Disposals arising from changes in composition of consolidated Group	–	–	**–**
Depreciation	- 15.4	- 24.2	**- 39.6**
Impairment of value charged to income	–	–	**–**
Reinstatement of original value charged to income	–	–	**–**
Foreign exchange differences	2.0	1.5	**3.5**
Book value at December 31	58.7	32.7	**91.4**
Cost	128.6	138.9	**267.5**
Accumulated depreciation and write-downs	- 69.9	- 106.2	**- 176.1**
Balance at December 31 (net)	**58.7**	**32.7**	**91.4**
Of which assets under finance leases	0.1	0.7	**0.8**

in CHF m

14. Deferred acquisition costs

		Non-life		Life		**Total**
	2002	2003	2002	2003	2002	2003
Balance at January 1	**135.5**	**153.9**	**588.6**	**656.6**	**724.1**	**810.5**
Deferred during the year under review	251.7	266.5	134.3	135.4	386.0	**401.9**
Written off in the year under review	- 229.6	- 249.3	- 152.9	71.4	- 382.5	**- 177.9**
Written off in the year under review due to anticipated loss	- 2.4	- 2.3	–	–	- 2.4	**- 2.3**
Change as a result of unrealized gains and losses on investment (shadow accounting)	–	–	95.9	- 89.6	95.9	**- 89.6**
Disposals arising from changes in composition of the consolidated Group	–	–	–	–	–	**–**
Foreign exchange differences	- 1.3	5.7	- 9.3	37.6	- 10.6	**43.3**
Balance at December 31	**153.9**	**174.5**	**656.6**	**811.4**	**810.5**	**985.9**

in CHF m

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15. Loss reserves including claims processing costs

	2002	2003
Balance at January 1 (gross)	**4,182.0**	**4,196.1**
Amount attributable to reinsurers	- 353.7	- 280.8
Loss reserves for own account	3,828.3	3,915.3
Claims incurred (including claims processing costs)		
For current year	1,900.8	2,017.2
For prior years	20.0	13.9
Total	**1,920.8**	**2,031.1**
Payments made for loss and claims processing costs		
For current year	- 933.8	- 996.7
For prior years	- 808.3	- 885.6
Total	**- 1,742.1**	**- 1,882.3**
Other movements		
Changes in composition of consolidated Group	–	239.7
Exchange differences	- 91.7	129.4
Total	**- 91.7**	**369.1**
Balance at December 31 (net)	**3,915.3**	**4,433.2**
Loss reserves for own account	3,915.3	4,433.2
Amount attributable to reinsurers	280.8	353.1
Loss reserves at December 31 (gross)	**4,196.1**	**4,786.3**

in CHF m

Particular attention is paid to environmental claims relating to disposal sites, waste, asbestos material and, in general, substances which are harmful to humans and to the environment. Ascertaining when such cases might arise and determining the potential extent of such claims involves much greater uncertainty than in all traditionally used claims models. Therefore, the provisions set up for these claims are surrounded by a higher level of uncertainty. At the end of 2002, these gross provisions, which are included in the total provision, amounted to CHF 353.9 million, and they stood at CHF 320.1 million at the end of 2003. The decline by 33.8 million is due to claims processing amounting to CHF 12.3 million and currency effects amounting to CHF 21.5 million, as a large part of the provisions are held in foreign currencies.

16. Actuarial reserve: life

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

in CHF m

17. Policyholder bonuses credited and provision for future policyholder bonuses

	2002	2003
Policyholder bonuses credited	3,238.9	3,214.1
Provision for future policyholder bonuses	446.1	849.3
Total	**3,685.0**	**4,063.4**

in CHF m

18. Reinsurance

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18.1 Technical provisions and assets from reinsurance

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

in CHF m

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

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

18.2 Premiums earned and policy fees

18.2.1 Premiums earned and policy fees: 2002

	Non-life	Life	Elimination	Total
Direct gross premiums earned	2,531.3	4,633.1	0.0	**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

18.2.2 Premiums earned and policy fees: 2003

	Non-life	Life	Elimination	Total
Direct gross premiums earned	2,982.7	4,301.1	0.0	**7,283.8**
Indirect gross premiums earned	102.1	–	- 14.8	**87.3**
Total gross premiums earned	**3,084.8**	**4,301.1**	**- 14.8**	**7,371.1**
Reinsurance ceded	- 218.7	- 52.9	15.2	**- 256.4**
Total net premiums earned	**2,866.1**	**4,248.2**	**0.4**	**7,114.7**

in CHF m

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18.3 Deposit assets and liabilities from deposit accounting

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

in CHF m

19. Liabilities from banking business and bonds

19.1 Liabilities from banking business and financing operations

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

in CHF m

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

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19.2 Bonds

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

in CHF m

19.3 Terms applicable to the bonds outstanding

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

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

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

in CHF m

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20. Financial provisions for the year 2003

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

in CHF m

21. Tax on income

21.1 Current and deferred tax on income

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

in CHF m

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21.2 Expected and actual tax on income

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

in CHF m

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

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

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

21.3 Deferred tax assets and liabilities

Reasons for deferred tax assets	2002	2003
Unearned premiums reserves	19.9	24.7
Loss reserves	3.9	8.5
Actuarial reserve (life)	146.9	362.5
Unrealized losses on investments	0.5	0.4
Losses carried forward	52.2	45.9
Other	306.5	463.9
Total	**529.9**	**905.9**
Reasons for deferred tax liabilities		
Deferred acquisition costs	191.8	404.2
Unearned premiums reserves	28.0	29.3
Loss reserves	132.5	183.3
Actuarial reserve (life)	103.2	132.1
Unrealized gains on financial investments	120.8	134.3
Depreciable assets	36.5	67.3
Other intangible assets	1.7	2.4
Other	597.0	687.9
Total	**1,211.5**	**1,640.8**
Total (net)	**681.6**	**734.9**

in CHF m

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

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

22. Number of employees and personnel costs

The Baloise Group had 8,745 employees on December 31, 2003; on December 31, 2002, the number of employees was 8,703. Total personnel costs for the fiscal year 2003 amounted to CHF 1,100.6 million, compared with CHF 1,105.1 million in the previous year.

23. Benefits due to employees

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

23.1 Assets and liabilities relating to employee benefits

	Assets relating to employee benefits		Liabilities relating to employee benefits	
Assets relating to	2002	2003	2002	2003
Short-term benefits	11.8	8.6	158.2	110.4
Postemployment benefits: defined contribution plans	–	–	2.1	2.8
Postemployment benefits: defined benefit plans	39.0	30.2	387.6	491.9
Other long-term benefits	–	–	20.5	23.6
Termination benefits	2.2	2.4	28.2	51.3
Equity benefits	–	–	–	–
Total	**53.0**	**41.2**	**596.6**	**680.0**

in CHF m

23.2 Benefits from occupational benefit plans

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

23.2.1 Liabilities relating to defined benefit plan

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

in CHF m

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

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

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23.2.2 Expenses relating to defined benefit plans

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

in CHF m

23.2.3 Income from plan assets

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

in CHF m

23.2.4 Net obligations in respect of pension benefits

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

in CHF m

23.2.5 Actuarial assumptions

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

in percent

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

23.3 Other long-term employee benefits

Benefits payable to current employees twelve months or more after the end of the fiscal year are disclosed separately in accordance with specific requirements. The requirements are similar to those applying to pension obligations. Most of the benefits are employee service anniversary benefits. At December 31, 2003, the present value of the obligation was CHF 23.6 million (2002: CHF 20.5 million). No plan assets were deducted for long-term benefits. Other long-term employee benefits amounting to CHF 3.0 million (2002: CHF 2.2 million) are included in the income statement.

23.4 Equity benefits: employee shares

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

23.5 Equity benefits: share participation scheme

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

23.6 Equity benefits: share participation sheme

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

23.7 Equity benefits: share option sheme

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

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

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24. Capital and reserves

24.1 Share capital

	Number of shares	Share capital
Balance at December 31, 2002	**55,307,150**	**5.5**
Balance at December 31, 2003	**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 (2002: CHF 0.1). A total of 702,540 shares at December 31, 2002 and 414,303 shares at December 31, 2003 were held by Group companies. Entry in the share register is limited to 2% of voting rights for individuals and bodies corporate. In the course of its normal investment business, the Baloise Group purchases and sells its own shares.

Capitalization regulations: Under supervisory law, minimum capital regulations (solvency regulations) apply to subsidiaries which carry out insurance business. At December 31, 2002 and December 31, 2003, the subsidiaries complied with all relevant supervisory regulations in respect of capitalization.

24.2 Dividends

Dividends proposed are not paid until they have been approved by the Annual General Meeting. At the Annual General Meeting on May 14, 2004, a dividend of CHF 0.60 per share (2002: CHF 0.40) will be proposed for the 2003 fiscal year, a total figure of CHF 33.2 million (2002: CHF 22.1 million). The proposed dividend has not been included in the consolidated financial statements for the 2003 fiscal year. It will be charged to accumulated profit following the adoption of the resolution at the 2004 Annual General Meeting.

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

25. Earnings / loss per share

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

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

26. Minority interests

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

in CHF m

27. Interest payable

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

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 Krankenversicherung, a mutual insurance company, is not included in the consolidation of the Baloise Group, yet is linked with Deutscher Ring Lebensversicherung and Deutscher Ring Sachversicherung through an organization agreement and is therefore considered to be a related party. These transactions are not material to the Baloise Group either individually or in aggregate and are conducted at market conditions.

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

in CHF m

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

29. Supplemental cash flow disclosure

	2002	2003
Cash and bank balances	662.6	691.9
Cash equivalents	13.2	0.1
Total	**675.8**	**692.0**

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.

3

30.1 Derivatives: fair value hedges

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

in CHF m

30.2 Derivatives: cash flow hedges

	Contract values		Fair value: assets		Fair value: liabilities	
Interest rate instruments	2002	2003	2002	2003	2002	2003
Forward transactions	–	–	–	–	–	–
Swaps	3,032.3	2,748.8	34.0	28.8	0.2	14.3
OTC options	–	–	–	–	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	3,032.3	2,748.8	34.0	28.8	0.2	14.3
Foreign exchange instruments						
Forward transactions	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
OTC options	–	1,313.3	–	110.9	–	–
Other	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Subtotal	–	1,313.3	–	110.9	–	–
Total	**3,032.3**	**4,062.1**	**34.0**	**139.7**	**0.2**	**14.3**

in CHF m

30.3 Currency risk

The insurance activities of the Baloise Group are conducted almost entirely in Swiss francs and in euro, and therefore the technical provisions are also in these two currencies. Most of the provisions are currency-matched by investments. In order to increase income, the Swiss companies hold a net euro position of CHF 4,119.7 million (2002: CHF 3,255.6 million), a net US dollar position of CHF 237.6 million (2002: 2,142.5 million) and a net Japanese yen position of CHF 11.0 million (2002: CHF 81.4 million). The remaining currency excess positions are of little significance. For risk reasons, USD foreign currency exposure was almost fully hedged and EUR exposure hedged to around one third.

30.4 Credit risk

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

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

30.5 Concentration of credit risks

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

in CHF m

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

30.6 Interest rate risk of financial instruments

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

30.7 Liquidity risks

30.7.1 Liquidity risk at December 31, 2002

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

in CHF m

30.7.2 Liquidity risk at December 31, 2003

	Due in: ‹ 1 year	Due in: 1 – 5 years	Due in: › 5 years	**Total**
Fixed-interest securities	3,341.7	13,728.3	12,455.4	**29,525.4**
Mortgage loans	4,588.9	4,731.1	1,682.4	**11,002.4**
Policy and other loans	436.0	471.3	549.3	**1,456.6**
Other investments	2,582.7	64.7	–	**2,647.4**
Other assets	4,438.5	0.5	–	**4,439.0**
Assets without fixed due date	–	–	–	**15,230.0**
Total	**15,387.8**	**18,995.9**	**14,687.1**	**64,300.8**
Liabilities from banking business and loans	- 5,196.1	- 2,276.2	- 3,939.4	**- 11,411.7**
Payables arising out of insurance operations	- 2,109.6	- 4.1	- 0.3	**- 2,114.0**
Other liabilities	- 1,743.4	- 55.8	- 518.3	**- 2,317.5**
Liabilities without fixed due date	–	–	–	**- 45,097.1**
Total	**- 9,049.1**	**- 2,336.1**	**- 4,458.0**	**- 60,940.3**
Net liquidity risk	**6,338.7**	**16,659.8**	**10,229.1**	**3,360.5**

in CHF m

30.8 Market value of financial assets and liabilities and market risks

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

in CHF m

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

31. Companies consolidated on a proportionate basis

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

in CHF m

32. Contingent liabilities and commitments

32.1 Legal disputes

The Baloise Group and its subsidiaries are constantly faced with legal disputes, claims and complaints which in most cases stem from normal insurance operations. No new facts in this respect have been reported to the Corporate Executive Committee since the last balance sheet date that could have a significant impact on the consolidated annual accounts 2003.

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32.2 Capital commitments

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

in CHF m

32.3 Warranties and guaranties for the benefit of third parties

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

32.4 Warranties and guaranties for the benefit of third parties

	2002	2003
Warranties	837.4	634.3
Guaranties	5.7	328.3
Total warranties and guaranties for the benefit of third parties	**843.1**	**962.6**
Of which for the benefit of partners in joint ventures	–	–
Of which from joint ventures	–	–
Of which for the benefit of joint ventures	–	–

in CHF m

32.5 Assets assigned or pledged and securities lending

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

in CHF m

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32.6 Obligations under operating leases

2004	5.6
2005	1.9
2006	1.3
2007	0.4
2008 and later	0.3
Total	**9.5**

in CHF m

33. Events after the balance sheet date

Up to the completion of the present consolidated financial statements on March 24, 2004, we were not aware of any events that would have a significant effect on the financial statements as a whole.

34. Significant subsidiaries and participating interests at December 31, 2003

Switzerland	Principal activity	Holding in percent	Method of inclusion[1]	Currency	Share / company capital in millions	Total assets in millions	Gross premiums / policy fees in millions
Bâloise-Holding, Basel	Holding	Holding	F	CHF	5.5	1,852.2	–
Baloise Insurance Company, Basel	Non-life	100.00	F	CHF	75.0	5,414.9	1,237.7
Baloise Life Insurance Company, Basel	Life	100.00	F	CHF	50.0	25,088.1	3,031.6
Baloise Bank SoBa, Solothurn	Banking	100.00	F	CHF	50.0	5,203.8	–
Haakon AG, Basel	Other	74.75	F	CHF	0.2	44.4	–
Prevo-System AG, Basel	Other	26.00	E	CHF	–	–	–
Baloise Asset Management Switzerland AG, Basel	Asset management	100.00	F	CHF	1.5	9.4	–
Baloise Asset Management International AG, Basel	Investment advice	100.00	F	CHF	1.5	4.4	–

Germany							
Basler Versicherung Beteiligungsgesellschaft mbH, Hamburg	Holding	100.00	F	EUR	20.5	249.4	–
Baloise Beteiligungs-Holding GmbH, Bad Homburg	Holding	100.00	F	EUR	0.0	95.5	–
Deutscher Ring Lebensversicherungs-AG, Hamburg	Life	100.00	F	EUR	22.0	7,939.6	550.7
Securitas-Gilde Lebensversicherungs AG, Bremen	Life	100.00	F	EUR	4.1	959.4	78.0
Deutscher Ring Sachversicherungs-AG, Hamburg	Non-life	100.00	F	EUR	50.0	587.0	168.8
Basler Securitas Versicherungs-Aktiengesellschaft, Bad Homburg	Non-life	100.00	F / P	EUR	15.1	890.2	486.1
Deutscher Ring Bausparkasse AG, Hamburg	Banking	100.00	F / P	EUR	12.8	609.8	–
Deutscher Ring Beteiligungsholding GmbH, Hamburg	Other	65.00	F / P	EUR	12.8	327.6	–
DePfa Beteiligungs-Holding II GmbH, Düsseldorf	Other	40.00	E	EUR	–	–	–
Deutscher Ring Financial Services GmbH, Hamburg	Other	100.00	F / P	EUR	0.1	6.6	–
Grocon Erste Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F	EUR	0.7	19.6	–
Grocon Zweite Grundstücksgesellschaft mbH, Hamburg	Other	100.00	F / P	EUR	1.5	16.3	–
OVB Vermögensberatung AG, Cologne	Other	57.70	F / P	EUR	12.4	62.6	–
Roland Rechtsschutz Beteiligungs GmbH, Cologne	Other	60.00	F / P	EUR	0.1	22.6	–
Roland Rechtsschutz Versicherungs-AG, Cologne	Other	25.02	E	EUR	–	–	–
Zeus Vermittlungsgesellschaft mbH, Hamburg	Other	90.10	F / P	EUR	0.5	20.7	–

Belgium							
Mercator Verzekeringen N.V., Ghent / Antwerp	Life and non-life	100.00	F	EUR	105.0	2,545.7	409.4
Amazon Insurance N.V., Antwerp	Non-life	100.00	F	EUR	3.7	19.3	14.7
Mercator, Re N.V., Antwerp	Reinsurance	100.00	F	EUR	1.2	5.1	0.0
Euromex N.V., Antwerp	Non-life	100.00	F	EUR	2.5	48.3	19.3
Mercator Banque S.A., Antwerp	Banking	100.00	F	EUR	37.0	3,700.1	–
Corluy en C° Beurvennootschap N.V., Antwerp	Banking	37.50	E	EUR	–	–	–
Amid N.V., Ghent	Other	97.16	F	EUR	0.5	2.9	–
Antwerp Real Estate N.V., Antwerp	Other	84.00	F	EUR	1.2	4.3	–
Automobielcenter Gent N.V., Ledeberg	Other	97.38	F	EUR	0.3	4.4	–
Belcar N.V., Aartselaar	Other	75.00	F	EUR	0.1	15.3	–
Brinvest N.V., Antwerp	Other	31.19	E	EUR	–	–	–
Hondius N.V., Antwerp	Other	100.00	F	EUR	2.5	13.8	–
Mercarios N.V., Antwerp	Other	50.00	P	EUR	0.1	2.4	–
Merno-Immo N.V., Ghent	Other	99.75	F	EUR	14.5	19.5	–
Plastic Investment Company, Kortrijk	Other	29.00	E	EUR	–	–	–
Sogaplim N.V., Ghent	Other	50.00	P	EUR	4.2	26.3	–

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

Continued

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

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

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

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

3

Report of the Group auditors

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

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

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

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

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

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

PricewaterhouseCoopers AG

Edgar Fluri   Peter Lüssi

Basel, March 24, 2004

1 The German version of the Financial Report is binding.

Income statement: Bâloise-Holding

Income

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

Expenses

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

Overall result

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

in CHF

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Balance sheet: Bâloise-Holding

Assets

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

Liabilities and capital and reserves

	Note	3.31.2003	3.31.2004
Short-term liabilities		66,492	12,769
Payables to Group companies		214,336,587	3,051,111
Long-term liabilities		70,000,000	–
Bonds	1	900,000,000	1,150,000,000
Provisions		321,850	73,200
Accruals deferrals		25,325,732	26,118,457
Liabilities		1,210,050,661	1,179,255,537
Share capital		5,530,715	5,530,715
General reserve		11,724,001	11,724,001
Reserve for own shares	5	20,045,540	14,005,321
Free reserve		509,457,702	515,497,921
Accumulated profit		22,759,000	41,854,069
Capital and reserves		**569,516,958**	**588,612,027**
Total liabilities and capital and reserves		**1,779,567,619**	**1,767,867,564**

in CHF

1. Bonds outstanding

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

2. Participating interests

Company	Holding at 3.31.2003 in percent	Holding at 3.31.2004 in percent	Currency	Share / company capital at 3.31.2004 in millions
Baloise Insurance Company, Basel	100	100	CHF	75.0
Baloise Life Insurance Company, Basel	100	100	CHF	50.0
Baloise Bank SoBa, Solothurn	100	100	CHF	50.0
Baloise Asset Management Switzerland AG, Basel	100	100	CHF	1.5
Baloise Asset Management International AG, Basel	100	100	CHF	1.5
Haakon AG, Basel	75	75	CHF	0.2
Basler Versicherung Beteiligungsges. mbH, Hamburg	100	100	EUR	20.5
Baloise Beteiligungs-Holding GmbH, Bad Homburg	100	100	EUR	0.0
Bâloise (Luxembourg) Holding S.A., Luxembourg	100	100	CHF	360.4
Globinvest AG, Luxembourg	100	–	–	–
Baloise Fund Invest Advico, Luxembourg	100	100	EUR	0.1
Baloise Insurance Co. (I.O.M.) Ltd., Isle of Man	100	100	CHF	31.2
Baloise Insurance Company (Bermuda) Ltd., Bermuda	100	100	CHF	5.0
Baloise Finance (Jersey) Ltd., Jersey	100	100	CHF	1.4

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

3. Significant shareholders

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

BZ Group's holdings dropped under the 5% threshold as at June 17. Strategic Money Management B.V. from the Netherlands fell below the 5% mark as at July 17 after selling its stake to Zurich Financial Services. Following that transaction, Zurich Financial Services for a while held 27% of the Baloise – 21.48% in shares and 5.52% in options. The majority of this stake was then placed across a broad range of investors, leaving Zurich Financial Services below the 5% threshold as of November 5, 2003.

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

The following table provides a current breakdown of shareholders as at March 31, 2004.

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

in percent

* pursuant to notification according to article 20, SESTA

4. Contingent liabilities

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

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

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

6. Personnel expenses

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

Proposed allocation of accumulated profit

Included in balance sheet and income statement	2002 / 2003	2003 / 2004
Net profit for the year	21,969,860	41,217,929
Retained profit carried forward	789,140	636,140
Accumulated profit	22,759,000	41,854,069
Dividend distribution required by Articles of Incorporation	- 276,536	- 276,536
Available for distribution by the shareholders at General Meeting	22,482,464	41,577,533
Proposed by the Board of Directors		
Allocation to free reserve	–	- 8,000,000
Additional dividend distribution	-21,846,324	-32,907,754
Retained profit carried forward	**636,140**	**669,779**

in CHF

The above distribution is in accordance with the provisions of Article 30 of the Articles of Incorporation and results in a distribution of CHF 0.60 gross per share (CHF 0.39 after deduction of withholding tax).

4

Report of the statutory auditors

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

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

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

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

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

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

PricewaterhouseCoopers AG

Edgar Fluri Peter Lüssi

Basel, April 2, 2004

1 The German version of the Financial Report is binding.

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