

Notes to the consolidated income statement

29. PREMIUMS EARNED AND POLICY FEES

	Nonlife	Life	Total	Nonlife	Life	Total
			2007 (restated)			2008
in CHF million						
Gross premiums written and policy fees	3,190.6	3,677.8	6,868.4	3,214.8	3,739.1	6,953.9
Change in unearned premium reserves	11.8	-/-	11.8	-8.7	0.0	-8.7
Premiums earned and policy fees (gross)	3,202.4	3,677.8	6,880.2	3,206.1	3,739.1	6,945.2
Reinsurance premiums ceded	-177.9	-25.2	-203.1	-177.3	-18.5	-195.8
Reinsurers' share of change in unearned premium reserves	-4.8	-/-	-4.8	1.2	-/-	1.2
Total premiums earned and policy fees (net)	3,019.7	3,652.6	6,672.3	3,030.0	3,720.6	6,750.6

30. INVESTMENT INCOME

	2007 (restated)	2008
in CHF million		
Investment properties	256.5	240.4
Financial assets of an equity nature		
Available for sale	183.4	179.0
Recognised at fair value through profit and loss	-/-	0.2
Financial assets of a debt nature		
Held to maturity	237.8	208.3
Available for sale	599.7	637.8
Recognised at fair value through profit and loss	17.9	21.2
Mortgages and loans		
Carried at cost	698.2	721.3
Recognised at fair value through profit and loss	23.8	20.4
Cash and cash equivalents	32.5	24.5
Total ¹	2,049.8	2,053.1

¹ Excluding income from associates.

Revenue from investment properties primarily represents lease income. Income from financial assets of an equity nature primarily represents dividend income; financial assets of a debt nature primarily represent interest income and net income from write-ups and depreciations in accordance with the effective interest method. Revenue from "Mortgages and loans" and "Cash and cash equivalents" primarily represents interest.

As of the balance sheet date, interest revenue of CHF 6.6 million was recognised on impaired investments (previous year: CHF 9.8 million).

31. REALISED GAINS AND LOSSES ON INVESTMENTS

	2007 (restated)	2008
in CHF million		
Realised gains and losses on investments as recognised in the income statement		
Realised gains and losses on investments for own account and at own risk	592.1	-577.1
Realised gains and losses on investments for the account and at the risk of life insurance policyholders	5.4	-1,103.0
Realised gains and losses on investments as recognised in the income statement	597.5	-1,680.1

31.1 Realised gains and losses on investments 2007 for own account and at own risk (restated)

	Investment properties	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans ²	Derivative financial instruments	Total
in CHF million						
Realised gains on sales and book profits						
Investment properties	43.4					43.4
Held to maturity ³			38.3			38.3
Available for sale		989.8	65.6			1,055.4
Recognised at fair value through profit and loss		2.4	15.2	-/-	53.5	71.1
Carried at cost				10.2		10.2
Subtotal	43.4	992.2	119.1	10.2	53.5	1,218.4
Realised losses on sales and book losses						
Investment properties	-65.7					-65.7
Held to maturity ³			-6.6			-6.6
Available for sale		-119.2	-133.3			-252.5
Recognised at fair value through profit and loss		-2.0	-16.6	-/-	-193.8	-212.4
Carried at cost				-39.7		-39.7
Subtotal	-65.7	-121.2	-156.5	-39.7	-193.8	-576.9
Impairment losses recognised in profit and loss						
Held to maturity			-/-			-/-
Available for sale		-67.0	-17.9			-84.9
Carried at cost				-31.9		-31.9
Reversals of impairment losses recognised in profit and loss						
Held to maturity			-/-			-/-
Available for sale			0.3			0.3
Carried at cost				67.1		67.1
Subtotal		-67.0	-17.6	35.2		-49.4
Total realised gains and losses on investments¹	-22.3	804.0	-55.0	5.7	-140.3	592.1

1 Excluding investments in associates.

2 A gain of CHF 5.3 million from fair value hedging was included in the realised disposal and book losses and profits from fair value mortgages and loans.

3 In the case of investments of a debt nature held to maturity, currency effects are stated under realised book profits / realised book losses.

31.2 Realised gains and losses on investments 2008 for own account and at own risk

	Investment properties	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans ²	Derivative financial instruments	Total
in CHF million						
Realised gains on sales and book profits						
Investment properties	105.9					105.9
Held to maturity ³			5.5			5.5
Available for sale		510.9	10.9			521.8
Recognised at fair value through profit and loss		1.1	52.6	0.5	960.9	1,015.1
Carried at cost				2.2		2.2
Subtotal	105.9	512.0	69.0	2.7	960.9	1,650.5
Realised losses on sales and book losses						
Investment properties	-110.1					-110.1
Held to maturity ³			-148.0			-148.0
Available for sale		-313.3	-216.1			-529.4
Recognised at fair value through profit and loss		-18.0	-111.6	-/-	-383.1	-512.7
Carried at cost				-21.6		-21.6
Subtotal	-110.1	-331.3	-475.7	-21.6	-383.1	-1,321.8
Impairment losses recognised in profit and loss						
Held to maturity			-/-			-/-
Available for sale		-827.2	-97.9			-925.1
Carried at cost				-23.1		-23.1
Reversals of impairment losses recognised in profit and loss						
Held to maturity			-/-			-/-
Available for sale			6.5			6.5
Carried at cost				35.9		35.9
Subtotal		-827.2	-91.4	12.8		-905.8
Total realised gains and losses on investments¹	-4.2	-646.5	-498.1	-6.1	577.8	-577.1

1 Excluding investments in associates.

2 In respect of disposal and book losses / profits realised on mortgages and loans recognised at fair value, a fair value hedging loss of CHF 26.9 million was applied.

3 In case of investments of a debt nature held to maturity, currency effects are stated under realised book profits and / or realised book losses.

31.3 Impairment loss on financial assets recognised in profit and loss

	2007 (restated)	2008
in CHF million		
Impairment loss recognised in profit and loss on financial assets of an equity nature		
Shares	-49.4	-585.5
Share-based funds	-0.2	-135.2
Mixed funds	-0.1	-4.7
Bond funds	-/-	-22.8
Property funds	-2.7	-0.1
Private equity	-6.9	-21.7
Hedge funds	-7.7	-57.2
Subtotal	-67.0	-827.2
Impairment losses recognised in profit and loss on financial assets of a debt nature		
Public corporations	-/-	-/-
Industrial enterprises	-/-	-/-
Financial institutions	-17.1	-97.9
Other	-0.8	-/-
Subtotal	-17.9	-97.9
Impairment losses recognised in profit and loss on mortgages and loans		
Mortgages	-24.7	-19.4
Policy loans	-/-	-1.0
Promissory notes and registered bonds	-/-	-/-
Reverse repurchase agreements	-/-	-/-
Other loans	-7.2	-2.7
Subtotal	-31.9	-23.1
Total	-116.8	-948.2

31.4 Currency income

Excluding foreign currency losses from transactions with financial instruments recognised at fair value through profit and loss, yields a foreign currency loss of CHF 333.1 million (previous year: profit of CHF 20.2 million). This corresponds to existing gains from foreign currency derivatives of CHF 119.5 million (previous year: loss of CHF 102.8 million).

A currency loss (gross) from financial investments classified as available for sale not recognised in profit and loss, amounting to CHF 247.2 million (previous year: loss of CHF 21.7 million) are included in equity. A net loss of CHF 229.4 million (previous year: net profit of CHF 14.8 million, restated) remains after off-setting cash flow hedges (hedge accounting).

32. INCOME FROM SERVICES RENDERED

	2007 (restated)	2008
in CHF million		
Asset management	31.7	26.8
Services	413.7	464.2
Banking services	64.5	52.8
Investment management	19.1	14.4
Income from services rendered	529.0	558.2

33. OTHER OPERATING INCOME

	2007 (restated)	2008
in CHF million		
Interest income on insurance and reinsurance receivables	28.0	26.0
Other interest income	8.7	9.7
Gains from the sale of		
Property, plant and equipment	3.0	3.3
Intangible assets	-/-	-/-
Currency gains	15.5	38.7
Other income	86.9	131.2
Other operating income	142.1	208.9

34. CLASSIFICATION OF EXPENSES

	2007 (restated)	2008
in CHF million		
Personnel expenses (excluding loss adjustment expenses)	-848.1	-882.2
Marketing and advertising	-178.6	-193.5
Impairments and depreciation		
On property, plant and equipment	-63.4	-59.0
On intangible assets	-91.1	-48.9
IT and other technical equipment	-85.9	-93.1
Expenses for software development	-0.1	-1.3
Expenses for rent, upkeep and repairs	-56.4	-73.2
Currency losses	-15.2	-35.8
Commission and distribution expenses	-512.4	-555.3
Other	-529.6	-516.0
Total	-2,380.8	-2,458.3

Acquisition costs, operational and administrative expenses for the insurance business, investment expenses and other operating expenses are shown on the income statement.

Included under expenses are fees and commission for financial assets and liabilities not carried at fair value in the amount of CHF 14.3 million (previous year: CHF 13.2 million). Also included are fees and commission for assets managed for third parties in the amount of CHF 3.3 million (previous year: CHF 3.2 million).

35. PERSONNEL EXPENSES

Personnel expenses totalled CHF 1,033.2 million for the current fiscal year (previous year: CHF 1,117.5 million).

36. RESULT FROM FINANCIAL CONTRACTS

	2007 (restated)	2008
in CHF million		
With discretionary participation features (DPF)		
Financial contracts with discretionary participation features (DPF)	-17.5	-19.7
Subtotal	-17.5	-19.7
Measured at amortised cost		
Interest on loans	-1.7	-1.2
Interest payable	-32.0	-26.6
Interest from banking business	-66.7	-77.1
Interest expense from repurchase agreements	-0.0	-0.1
Acquisition costs – banking business	-1.9	-5.5
Interest expense from operating bonds	-1.7	-3.2
Expenses from financial contracts	-4.0	-6.3
Subtotal	-108.0	-120.0
Recognised at fair value through profit and loss – designated		
Change in fair value from operating bonds	-2.4	-/-
Change in fair value from other financial contracts	-42.7	386.1
Subtotal	-45.1	386.1
Total result from financial contracts	-170.6	246.4
Of which: net income from interest rate hedging instruments		
Interest rate swaps: cash flow hedges, balance carried forward from cash flow hedge reserve	-/-	-/-
Interest rate swaps: fair value hedges	5.6	-13.5
Total income from interest rate hedging instruments	5.6	-13.5

37. INCOME TAXES

37.1 Current and deferred income taxes

	2007 (restated)	2008
in CHF million		
Current income taxes	-226.8	-122.5
Deferred income taxes	32.4	-39.5
Total	-194.4	-162.0

Deferred income taxes include an amount of CHF 26.2 million resulting from a change in the tax rate in Germany during the fiscal year 2007.

37.2 Expected and actual income taxes

The projected average tax rate for the Baloise Group was 22.13% for 2007 and 23.74% for 2008. These rates represent the weighted average of tax rates in the countries where the Baloise Group operates. The valuation is based on the figures disclosed by the individual subsidiaries after deducting internal investment income.

	2007 (restated)	2008
in CHF million		
Profit before tax	1,014.5	548.7
Expected average tax rate in percent	22.1%	23.7%
Expected income taxes	-224.5	-130.2
Increase / reduction due to:		
Non-taxable income	29.8	21.2
Non-deductible expenses	-18.9	-48.4
Change in the tax rates	13.8	0.0
Tax items related to other reporting periods	10.8	-3.2
Other impacts	-5.4	-1.4
Actual income taxes	-194.4	-162.0

The item "Other impacts" includes mainly income offset against losses carried forward for which no deferred tax assets were created, a waiver of the capitalisation of losses from the reporting period and a one-off tax effect in 2008 resulting from the winding-up of a company.

38. EARNINGS PER SHARE

	2007 (restated)	2008
Profit for the period (attributable to shareholders) in CHF million	786.1	358.3
Average number of outstanding shares	51,887,469	48,852,533
Undiluted earnings per share in CHF	15.15	7.33

	2007 (restated)	2008
Profit for the period (attributable to shareholders) in CHF million	786.1	358.3
Average number of outstanding shares	51,887,469	48,852,533
Adjustment due to theoretic exercising of share-based payment programmes	10,277	38,395
Adjustment due to theoretic exercising of put options	-/-	24,587
Average number of outstanding shares	51,897,746	48,915,515
Diluted earnings per share in CHF	15.15	7.32

The dilution of the result in 2008 is due to the share-based compensation programme “Performance Share Unit (PSU)” and the “short put” options issued as part of the Employee Share Ownership Plan (both described in chapter 18.4). The latter’s definitive share price at year-end was below the option’s preferential price for the first time.