

Half Year Results 2009

«Strong earnings and convincing growth»

Conference Call for Financial Analysts and Media - Basel, 27 August 2009



Making you safer.

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01 Highlights

Martin Strobel
Group CEO

Highlights HY 2009

Strong earnings and convincing growth

- Strong operational performance, especially in non-life, leads to a half-year consolidated profit of CHF 235 mn
- 3.1% (LC¹⁾) growth in business volume stemming from above average growth in target segments and successful launch of Baloise Life (Liechtenstein)
- Balance sheet remains strong, solvency at 209%
- Investment income stable despite market volatility, investment yield at 1.5% (not annualised)
- Baloise is well prepared for the crisis, mitigation actions are effective
- Strategic program «Baloise 2012» well on track, first reporting on implementation progress in March 2010
- Safety World initiative successfully launched, first positive customer reaction

¹⁾ Local Currency (LC)

02 Financials

German Egloff
Group CFO

Key Figures

Strong results in a challenging environment

in CHF mn	HY 2008	HY 2009	+/-
Half-year consolidated profit	263	235	-10.9%
Earnings per share (undiluted)	5.03	4.75	-5.6%
Total equity	3,896 ²⁾	4,000	2.7%
Book value per share	75.6 ²⁾	79.0	4.5%
Total business volume	4,968	4,991	0.5%
Gross premiums written	4,554	4,492	-1.4%
Investment return ¹⁾	-0.9%	1.5%	2.4pts
Combined ratio, net	92.3	90.6	-1.7 pts
Embedded value	2,446 ²⁾	2,796	14.3%
Return on embedded value (RoEV)	-20.1% ²⁾	14.4%	n.m.
New business margin	14.3%	15.3%	1.0 pts
Consolidated solvency I ³⁾	196% ²⁾	209%	13 pts

¹⁾ including costs, excluding movements in unrealised capital gains, excluding investment-type assets

²⁾ as per 31.12.2008

³⁾ excluding banking







Key Figures Nonlife

Strong generation of cash flows

in CHF mn	HY 2008	HY 2009	+/-
Gross premiums written	2,124	2,069	-2.6%
Investment income	132	139	4.6%
Claims incurred	-914	-833	-8.9%
Technical expenses	-497	-496	-0.2%
EBIT	231	229	-0.6%
Combined ratio, gross	88.2	88.1	-0.1 pts
Loss ratio, gross	56.7	55.2	-1.5 pts
Expense ratio, gross	30.9	32.3	1.4 pts
Surplus sharing ratio, gross	0.6	0.6	0.0 pts

Technical Performance Nonlife

Excellent combined ratio

gross, in %	Switzerland	Germany	Belgium	Luxembourg	Austria	Croatia (incl. Serbia)	Group
							
Loss ratio	51.8	57.4	59.1	57.4	62.6	59.7	55.2
Expense ratio	25.8	36.4	37.4	38.0	37.2	55.8	32.3
Surplus sharing ratio	1.0	0.4	0.3	0.2	-	-	0.6
Combined ratio HY 2009	78.6	94.2	96.8	95.6	99.8	115.5	88.1
Combined ratio RE HY 2008	83.6	91.5	91.1	97.6	101.6	104.3	88.2
Change vs. RE HY 2008 (in pts)	-5.0	2.7	5.7	-2.0	-1.8	11.2	-0.1

Key Figures Life

Growth achieved

in CHF mn	HY 2008	HY 2009	+/-
Business volume	2,844	2,923	2.5%
Gross premiums written	2,430	2,423	-0.3%
Investment-type premiums	414	499	20.7%
Investment income ¹⁾	591	535	-9.5%
Benefits to policyholders ²⁾	-2,364	-2,705	14.4%
Technical expenses	-220	-226	2.8%
EBIT	88	54	-38.7%
Embedded value	2,446 ³⁾	2,796	14.3%
Return on embedded value (RoEV)	-20.1% ³⁾	14.4%	n.m.
Value of new business	19	24	24.6%
Annual premium equivalent (APE)	133	155	16.6%
New business margin	14.3%	15.3%	1.0 pts

¹⁾ excl. investment-type assets

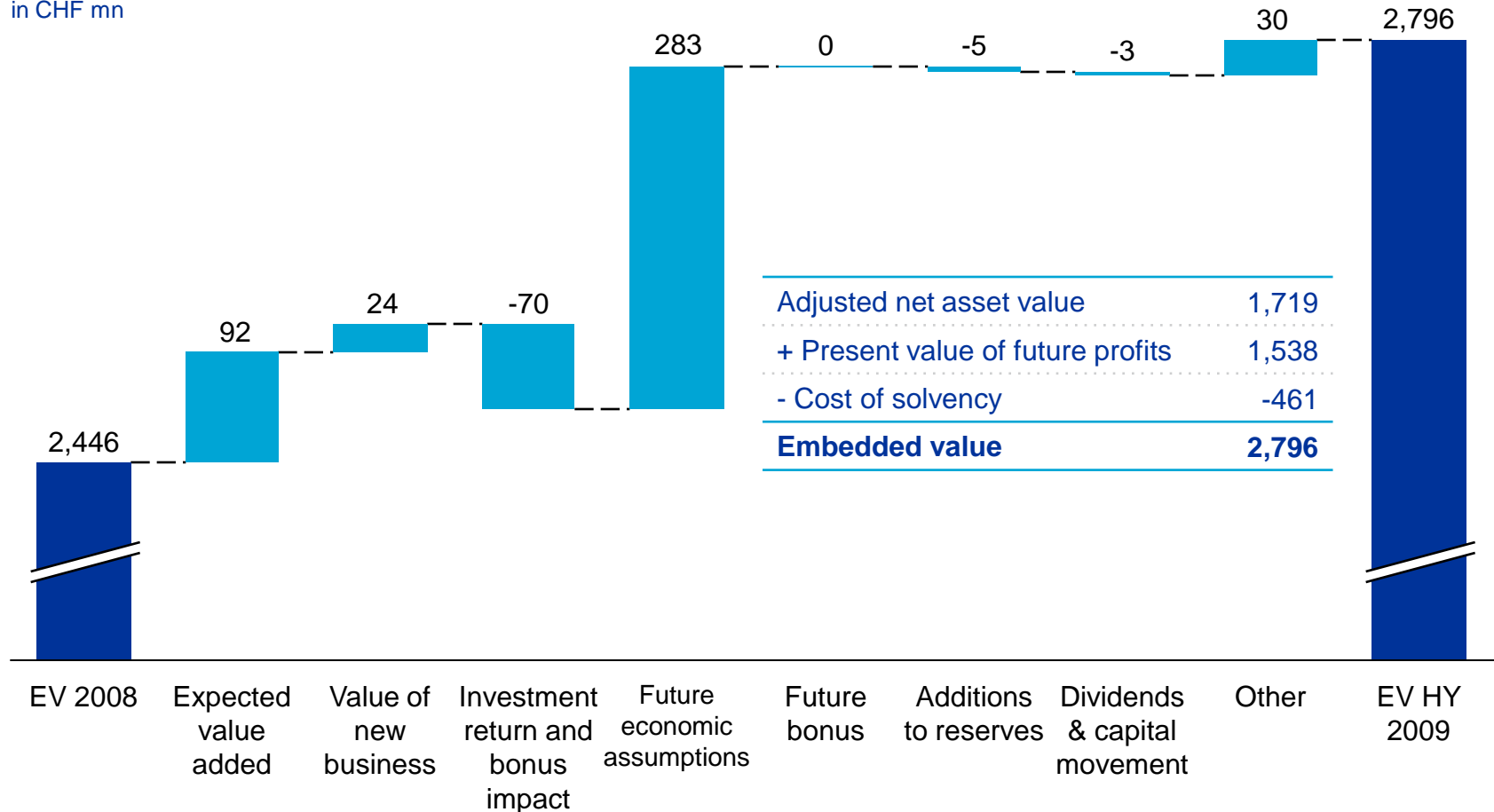
²⁾ incl. change in technical reserves

³⁾ as per 31.12.2008

Change in Embedded Value

Return on embedded value of 14.4%

in CHF mn

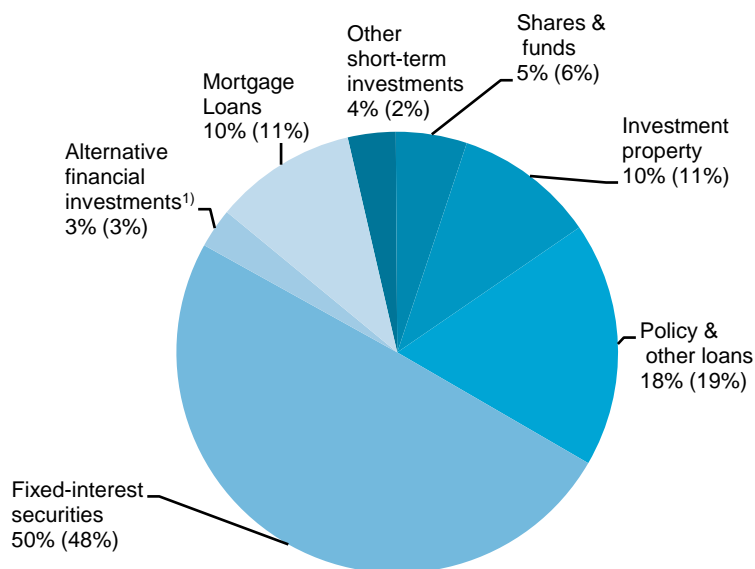


Asset Allocation Insurance

Risk appetite reflected in asset allocation

excluding banking assets and assets from investment-type premiums

HY 2009 (FY 2008)



¹⁾ private equity & hedge funds

<i>Equity & equity related investments In % total insurance assets</i>	HY 2009
Equities	4.0%
Hedging instruments	-2.1%
Equities after hedging	1.9%
Private Equity	0.9%
Hedge Funds (equity related)	0.7%
Other ²⁾	1.2%
Equity & equity related investments	4.7%

²⁾ e.g. bond & property funds treated as equity under IFRS

In CHF mn, %	FY 2008	HY 2009
Equity & equity related investments (net)	5.1%	4.7%
Total insurance assets	46,885	48,089

Investment Yield

Despite market volatility stable investment income

	Nonlife			Life		
in CHF mn, excluding income on investment-type insurance contracts	HY 2008	HY 2009	+/-	HY 2008	HY 2009	+/-
Recurring gross income	186	163	-12.7%	790	728	-7.8%
Investment expenses	-9	-10	4.3%	-34	-39	15.4%
Realised gains/losses incl. impairments	-45	-14	-67.6%	-165	-155	-6.2%
fixed-interest securities	-40	24	n.m.	-129	71	n.m.
shares	-33	-18	-46.5%	-119	-83	-30.3%
other	29	-21	n.m.	83	-143	n.m.
Total net income from investments	132	139	4.6%	591	535	-9.5%
Average investments	9,452	8,790	-7.0%	40,790	38,698	-5.1%
Investment yield	1.4%	1.6%	0.2 pts	1.4%	1.4%	0.0 pts

Impairments in the First Half of 2009

Lower impairments due to market recovery

Financial assets of an equity nature		Financial assets of a debt nature	
Impairments (in CHF mn), gross	-165	Impairments (in CHF mn), gross	-8
Impairments in % of ø assets of an equity nature	4.1%	Impairments in % of ø fixed-interest securities	0.03%

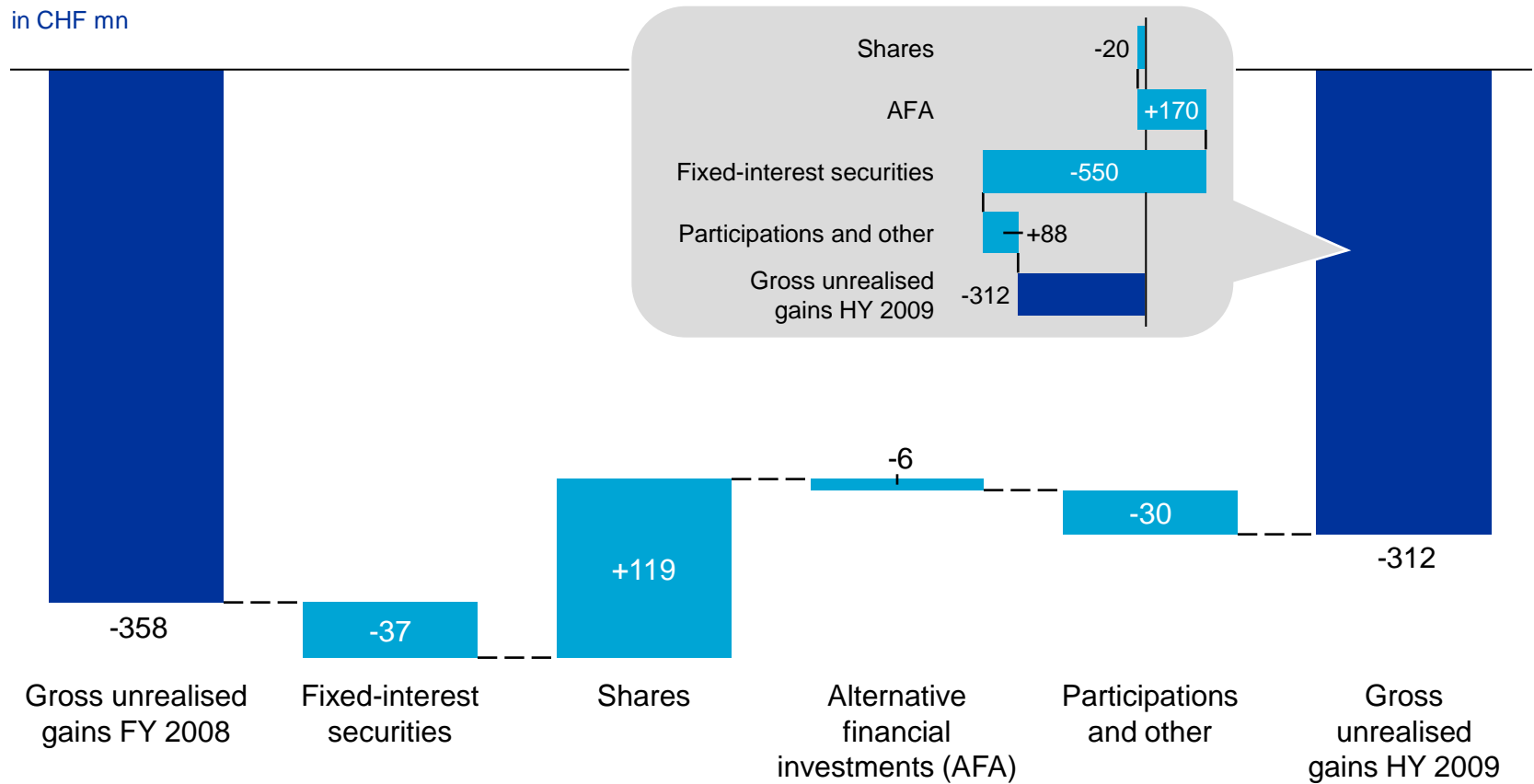
- Neutral hedge result
- Overall lower impairments than in previous year

- Bond portfolio of very high quality

Gross Unrealised Capital Gains

Less unrealised losses due to market recovery

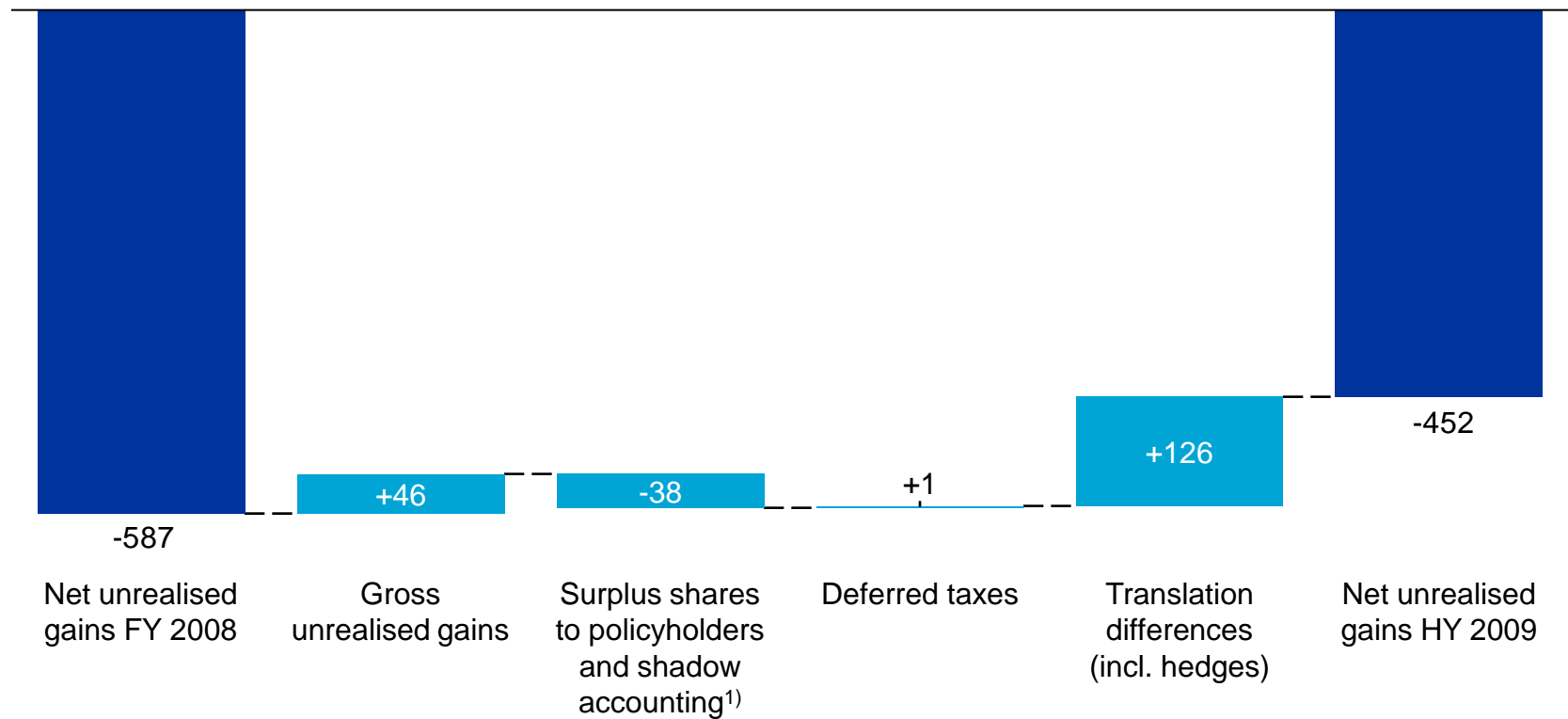
in CHF mn



Net Unrealised Capital Gains

Tailwind from currency translations

in CHF mn



¹⁾ incl. DAC, URR, terminal policyholders' dividends

Change in Equity

Strong capitalisation

in CHF mn	HY 2009	Per share ¹⁾	
Total equity at January 1 (incl. minorities)	3,896	75.6	┌
Change in net unrealised gains and losses	141		
Dividends	-232		
Half-year consolidated profit	235		Δ = 2.7%
Purchase / sale of treasury shares	-40		
Change in minority interests	0		
Total equity at June 30 (incl. minorities)	4,000	79.0	└

¹⁾ based on consolidated total equity (excluding minorities) and on average shares outstanding

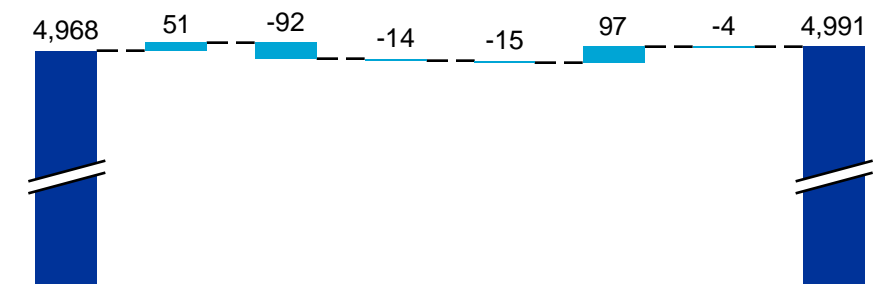
03 Operations

Martin Strobel
Group CEO

Business Volume

Growth in all lines of business

By country

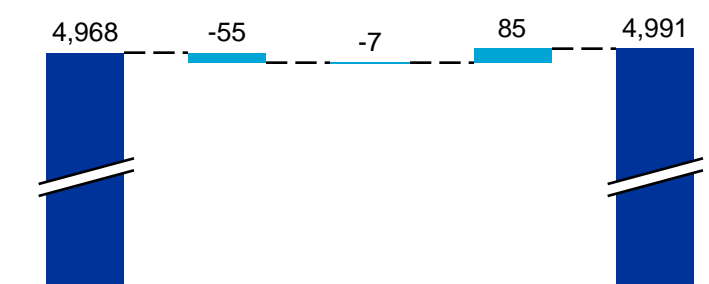


	HY 2008	HY 2009	+/-	+/- LC ²⁾
in CHF mn				
Switzerland	2,839	2,890	1.8	1.8
Germany	1,271	1,179	-7.2	-1.1
Belgium	426	412	-3.2	3.3
Luxembourg	277	262	-5.4	0.9
Other units ¹⁾	137	234	70.5	77.4
Rest	18	14	-19.3	-19.3
Total	4,968	4,991	0.5	3.1

¹⁾ other units (Austria, Baloise Life (Liechtenstein), Croatia and Serbia)

²⁾ local currency (LC)

By line of business

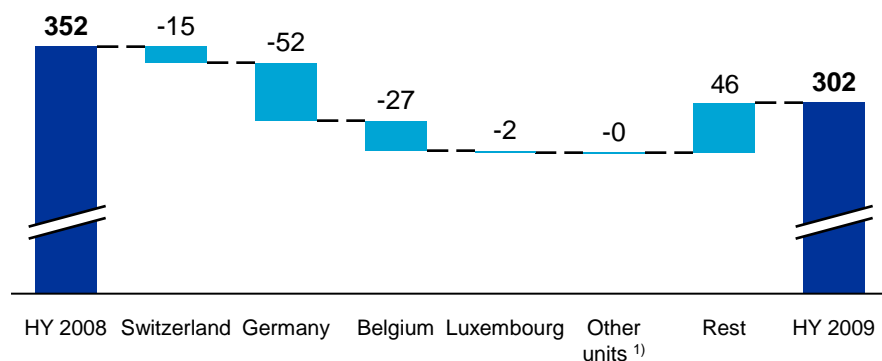


	HY 2008	HY 2009	+/-	+/- LC ²⁾
in CHF mn				
Nonlife	2,124	2,069	-2.6	0.8
Life	2,430	2,423	-0.3	1.2
Unit-linked	414	499	20.7	26.8
Total	4,968	4,991	0.5	3.1

EBIT

Demonstrated resilience

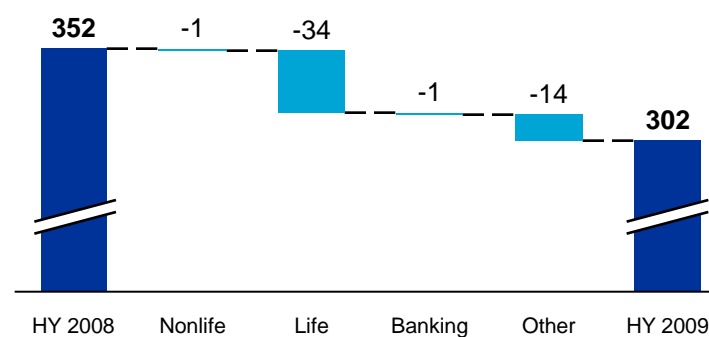
By country



in CHF mn	HY 2008	HY 2009	+/-
Switzerland	172	157	-8.8
Germany	92	40	-56.9
Belgium	61	34	-44.1
Luxembourg	0	-2	n.m.
Other units ¹⁾	-6	-6	3.6
Rest	33	79	140.7
Total	352	302	-14.2

¹⁾ other units (Austria, Baloise Life (Liechtenstein), Croatia and Serbia)

By line of business



in CHF mn	HY 2008	HY 2009	+/-
Nonlife	231	229	-0.6
Life	88	54	-38.7
Banking	31	30	-2.3
Other	2	-11	n.m.
Total	352	302	-14.2

Highlights Swiss Operations

Key contribution to group result

Nonlife:

Gross premiums written:	CHF 982 mn (-0.4%)	→ Record low Combined Ratio
Combined Ratio, gross:	78.6% (-5.0 pts)	→ Growth in target segments
EBIT:	CHF 99 mn (40.4%)	→ Almost no major and elementary losses

Life:

Gross premiums written:	CHF 1,893 mn (3.4%)	→ Strong premium development in group life
Investment-type premiums ¹⁾ :	CHF 27 mn (28.0%)	→ Above market growth in annuities (incl. VA)
EBIT:	CHF 35 mn (-52.5%)	→ High profitability of new business
New business margin:	20.4% (0.7 pts)	

Banking (Bank SoBa):

Profit for the period:	CHF 12 mn (-10.9%)	→ Solid result
RoE:	8.6% / 13.2% ²⁾	→ Significant increase in mortgages and customer deposits
NBDV ³⁾ :	CHF 283 mn (-5.3%)	→ Ongoing success story focused financial service provider
Cost income ratio:	67.5% (2.1 pts)	

¹⁾ investment-type premiums incl. CHF 13 mn variable annuities stemming from Baloise Life (Liechtenstein)

²⁾ including contribution from focused financial services provider

³⁾ new business distribution volume (focused financial service provider)

Highlights International Operations

Ongoing growth

-
- Germany: → Above market growth in nonlife and good combined ratio with decreased operational costs
-
- Belgium: → Ongoing growth above market average, business volume up by 3.3% in LC¹⁾
-
- Luxembourg: → Successful domestic business with 27.8% higher gross premiums written in life in LC¹⁾ and business volume in nonlife up by 5.7% in LC¹⁾
-
- Liechtenstein: → Business volume of CHF 104 mn in first half year, CHF 13 mn stemming from variable annuities distributed in Switzerland
-
- Austria: → Enlargement of the sales organisation leads to strong growth with a 6.4% higher business volume in LC¹⁾
-
- Croatia: → Due to portfolio re-underwriting business volume down by 6.1% in LC¹⁾
-
- Despite difficult market environment success in investment-type business with double-digit growth in Germany, Belgium and Austria
-

¹⁾ local currency (LC)

«Baloise 2012»

Fully on track



- Baloise 2012 – the strategic programme to transform Baloise into one of the fastest growing and most profitable European Insurance companies – fully on track
- Additional sustainable profit of CHF 200 mn by 2012
- Safety World rolled out in all countries
 - Customer reactions positive; see following slide
- Efficiency focus of Baloise 2012 strengthened
 - Group-IT and Group-Procurement as new initiatives launched

Reporting on implementation progress in March 2010

Baloise Safety World

Further innovation and positive business effects

Innovation

New car safety set

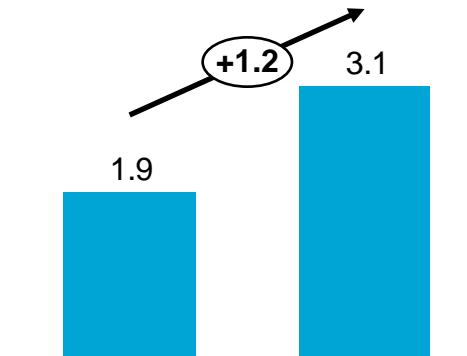


Ecoman (electric safety device)



Cross-selling

Example Basler Germany



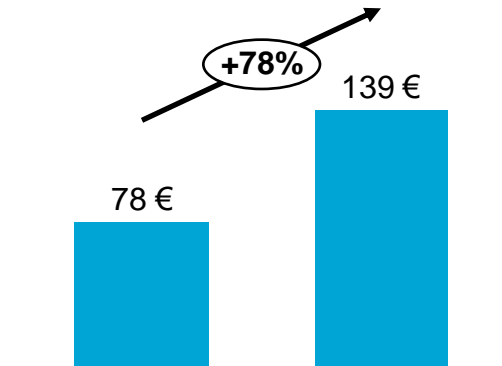
Contracts per customer without Safety World

Contracts per customer with Safety World

→ Baloise Safety World produces significantly more contracts in target segments

Pricing

Example household insurance Croatia



Average premium without Safety World

Average premium with Safety World

→ Baloise Safety World increases average premiums significantly

06 Outlook

Martin Strobel
Group CEO

Financial Ambition

Unchanged

Financial ambition over the cycle

→ 15% Return on Equity

→ Continuous increase of EPS

→ Combined ratio well below 100%

Q&A

Appendix

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I Financials

New Segment Reporting IFRS 8

Technical remarks

Main effects of implementation of IFRS 8:

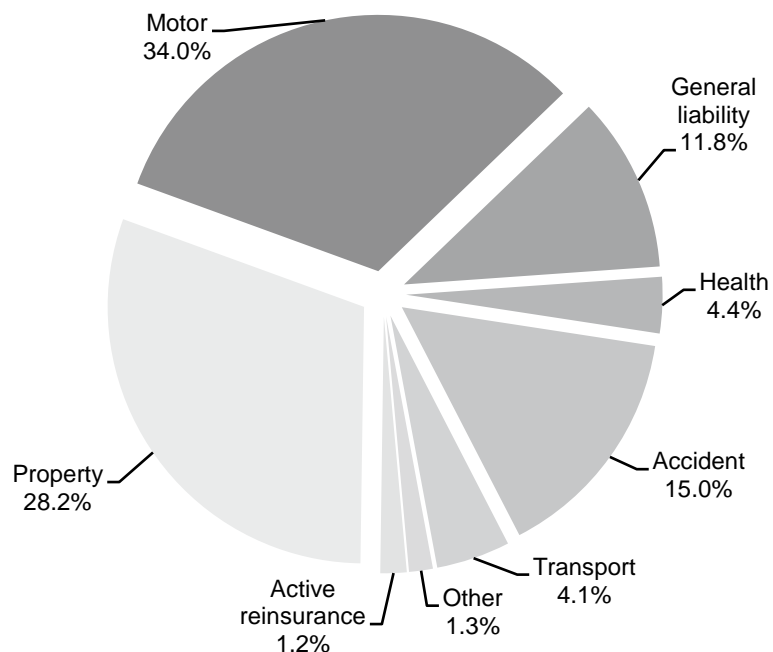
- Business activities are managed according to strategic business units, which are as a rule grouped together regionally under common management
 - The group units are presented in the reportable main business segments Switzerland, Germany, Belgium and Luxembourg
 - Included in the main segment "other units" are the strategic business units Austria, Croatia/Serbia and Baloise Life (Liechtenstein)
 - "Group business" comprises the units for internal reinsurance and financing and the holdings
 - Investment entities for alternative investments now included in Switzerland
-

→ For more details go to page 20 in the financial report HY 2009

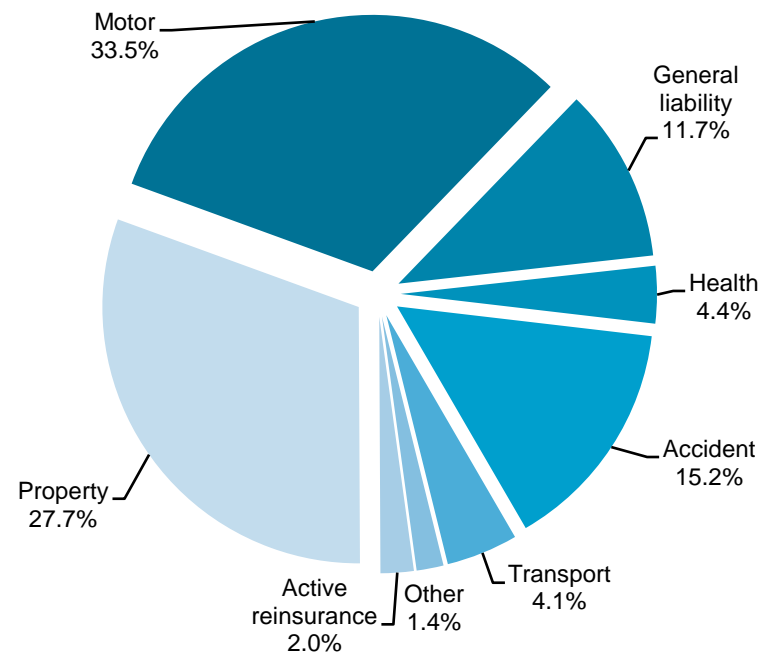
Business Mix Nonlife

in % of gross premiums written

HY 2008



HY 2009

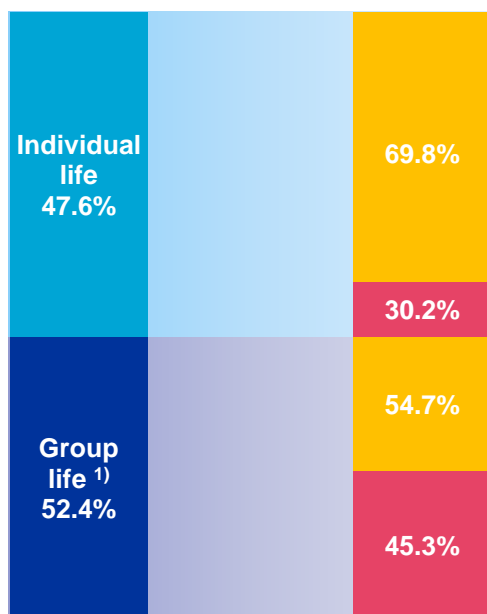


In CHF mn	HY 2008	HY 2009
Gross premiums written nonlife	2,124	2,069

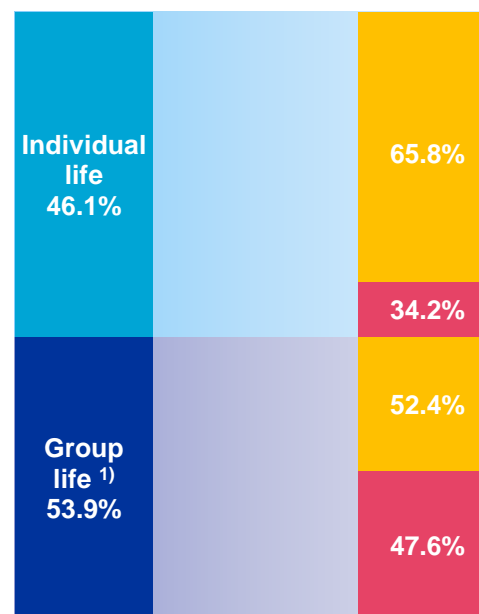
Business Mix Life

in % of gross premiums written, excl. investment-type premiums

HY 2008



HY 2009



¹⁾ Swiss Group life business only

■ Periodic premiums ■ Single premiums

In CHF mn	HY 2008	HY 2009
Gross premiums written life	2,430	2,423

Embedded Value Split

in CHF mn, in accordance with statutory financial statements	FY 2008		HY 2009	
	CH	EU	CH	EU
Adjusted net asset value	1,393	368	1,418	382
+ Present value of future profits	981	239	1,275	263
- Cost of solvency	-356	-102	-353	-108
Embedded value	2,018	504	2,340	536

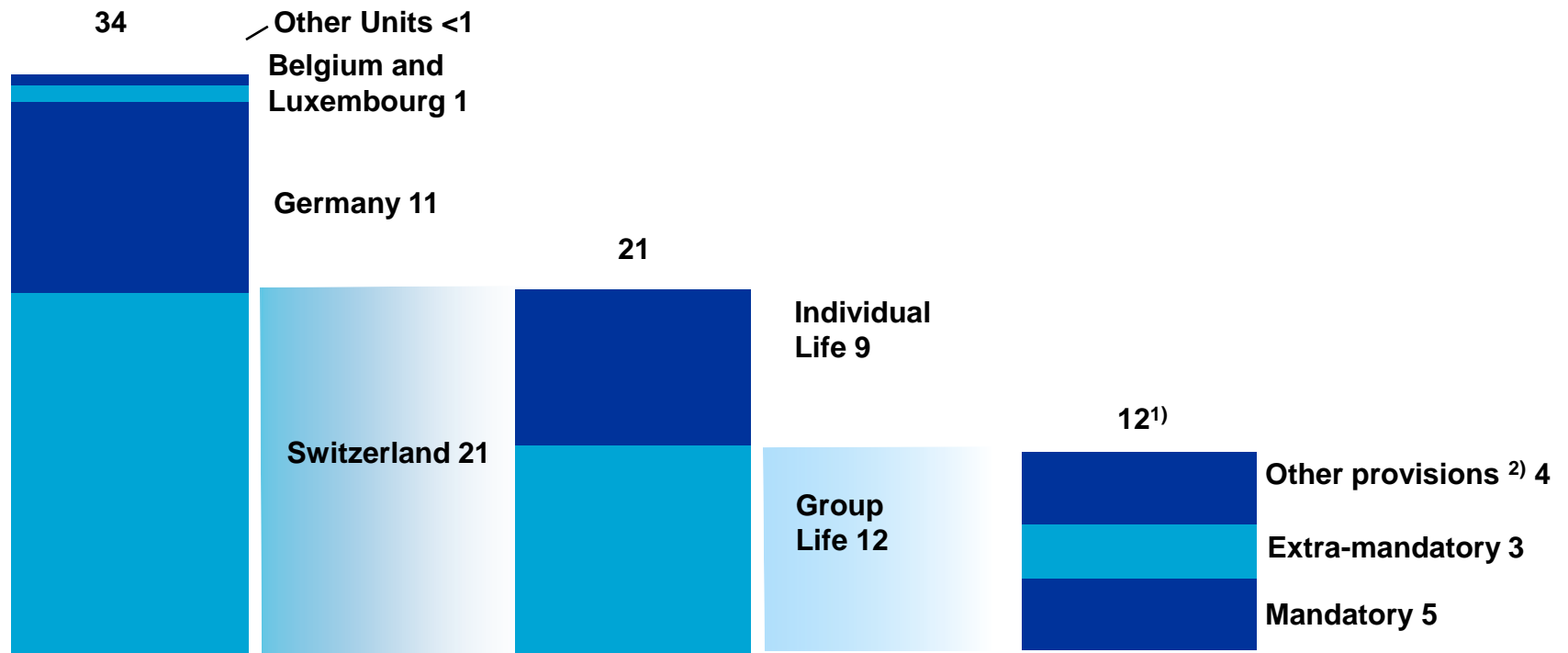
Key assumptions	HY 2009	
	CH	EU
Risk discount rate	7.5%	8.3%
Bond yields	3.5 - 4.1%	4.0 - 4.5%
Return on shares	7.0%	8.0%
Return on investment properties	4.9%	5.2%

New Business Margin

in CHF mn, in accordance with statutory financial statements	HY 2008		HY 2009	
	CH	EU	CH	EU
Value of new business	16	3	23	1
Annual premium equivalent (APE)	80	53	111	43
New Business Margin	19.7%	6.0%	20.4%	2.2%

Technical Reserves Life

gross, in CHF bn

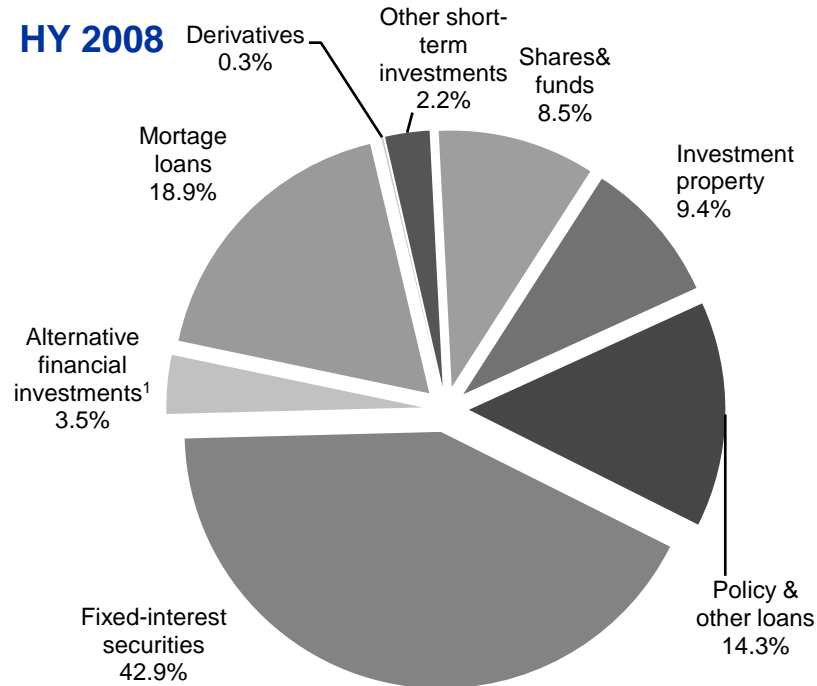


1) in accordance with statutory financial statement

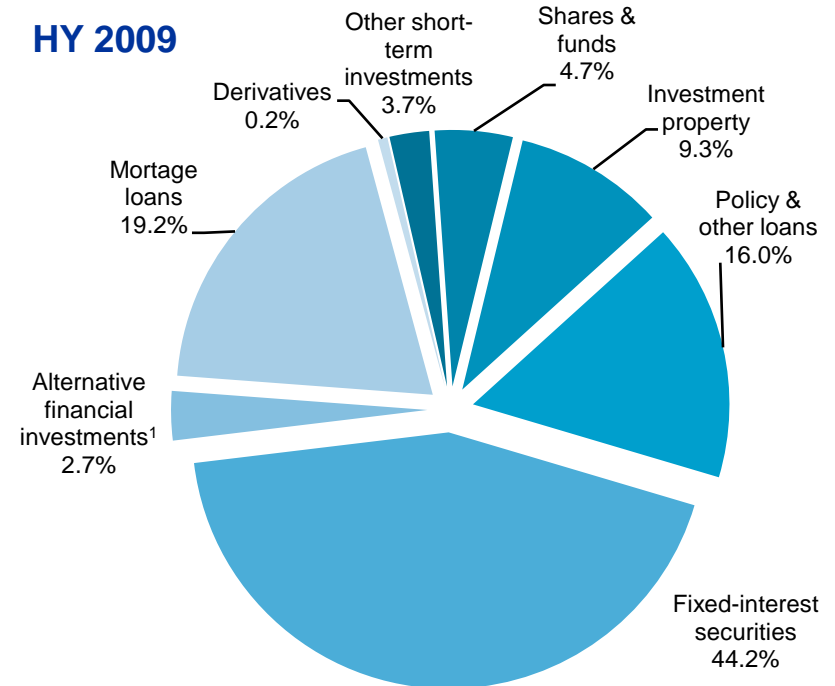
2) provisions for annuities, mortality, disability, inflation

Group Asset Allocation

HY 2008



HY 2009



In CHF mn, %

HY 2009

Total group assets ²⁾

54,694

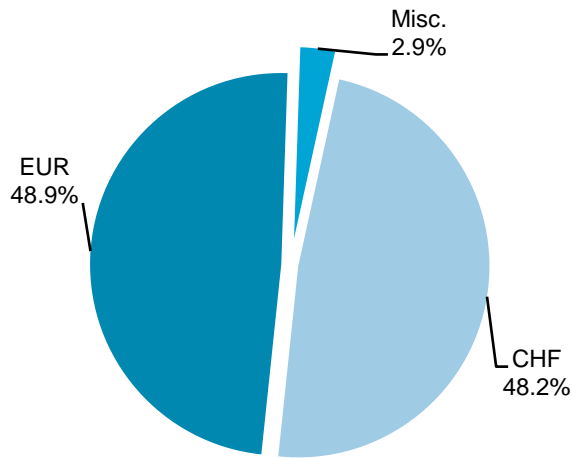
¹⁾ private equity and hedge funds

²⁾ incl. banking assets, excluding investment-type premiums

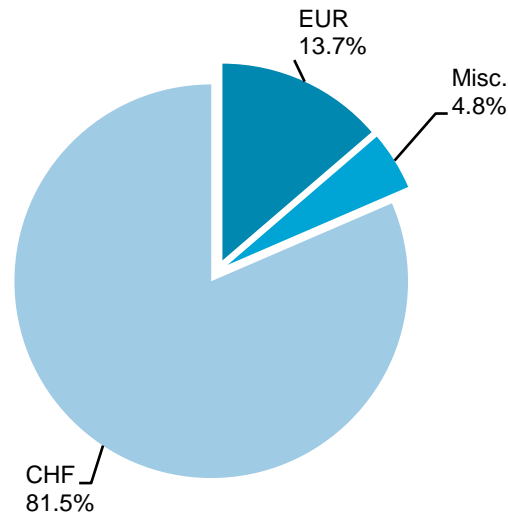
Total Insurance Assets: Currency Exposure, Gross

excluding banking assets and assets from investment-type premiums

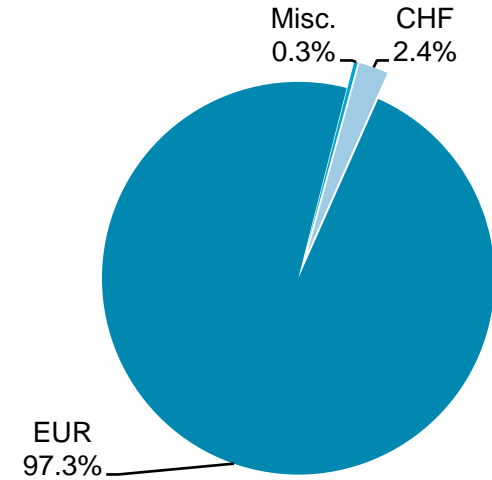
Group



Swiss operations



Foreign operations



In CHF mn, %

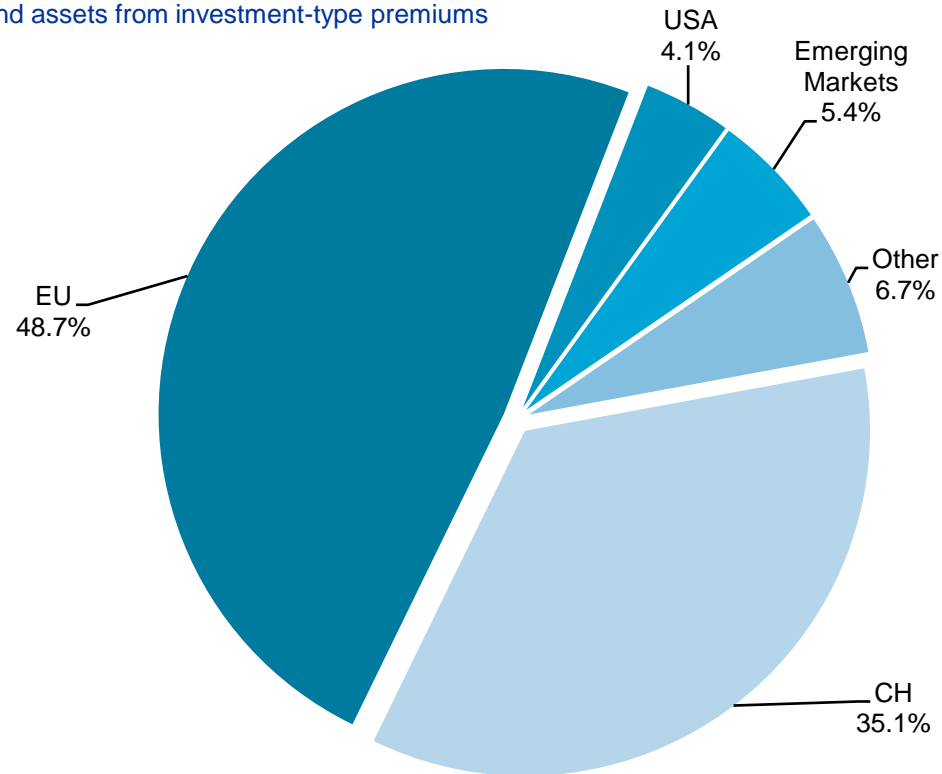
HY 2009

Total insurance assets

48,089

Equity Portfolio: Regional Exposure

excluding banking assets and assets from investment-type premiums



In CHF mn

HY 2009

Total equity investments (gross)

2,513

Hedge Fund Portfolio

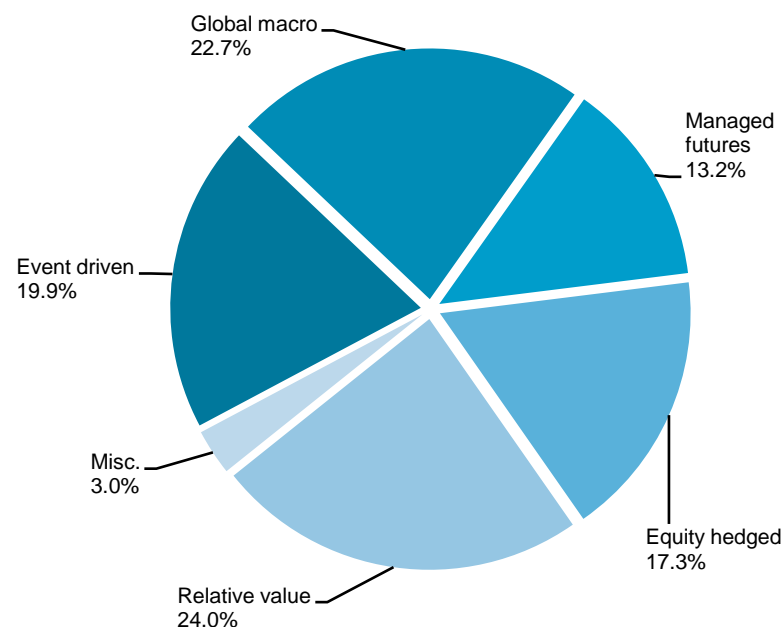
excluding banking assets and assets from investment-type premiums

	HY 2009
Total hedge fund investments (in CHF mn)	954
Performance (in USD)	3.2%
Impairments ¹⁾ (in CHF mn), gross	-14
Impairments in % of ø Hedge Funds	1.3%

- Performance in the first half-year on target
- 4 out of 5 styles with positive contribution ytd, only Managed Futures slightly negative
- Broadly diversified portfolio, i.e. 70 funds and 10 funds of funds

¹⁾ part of the impairments on financial assets with an equity nature

By style



Private Equity Portfolio

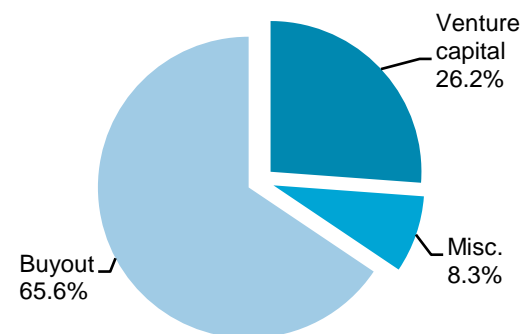
excluding banking assets and assets from investment-type premiums

	HY 2009
Total private equity investments (in CHF mn)	451
Performance (in USD)	-16.6%
Impairments ¹⁾ (in CHF mn), gross	-38
Impairments in % of ø Private Equity	8.0%

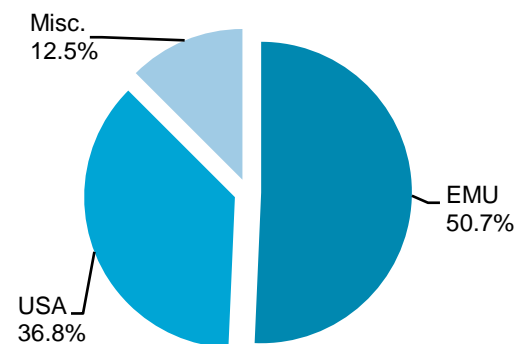
- Markdowns in several funds, due to valuation adjustments with a time lag compared to public equity
- "Large buyout " contains impairment needs; yet this category is underweighted
- Liquidity closely monitored

¹⁾ part of the impairments on financial assets with an equity nature

By type



By region



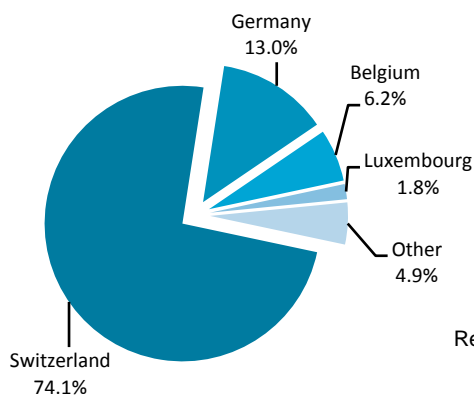
Investment Property and Mortgages

excluding banking assets and assets from investment-type premiums

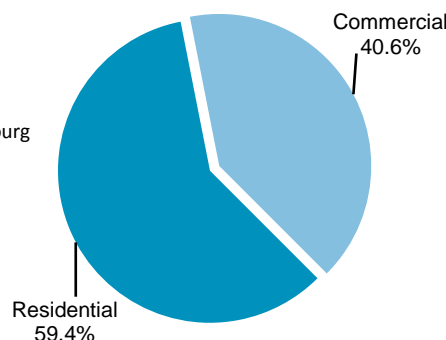
In CHF mn	HY 2009
Total investment property	4,967

In CHF mn	HY 2009
Total mortgages	4,986

By country



By type



Gross yield ¹⁾	3.4%
administration costs	7 bp
risk costs	1 bp
Net yield ¹⁾	3.3%

¹⁾ In % of mortgage investments

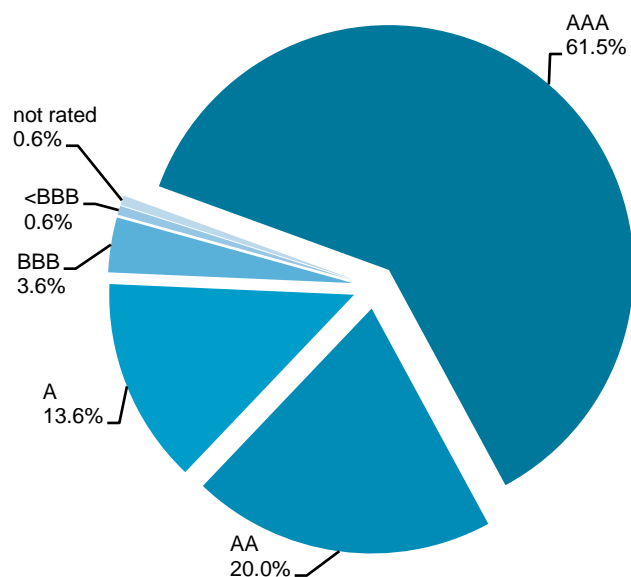
- Investment yield: 4.7%
- DCF-valuation twice a year with additional review by external experts for part of the portfolio

- Very strict guidelines reflected in risk costs
- Still no impact of economic downturn

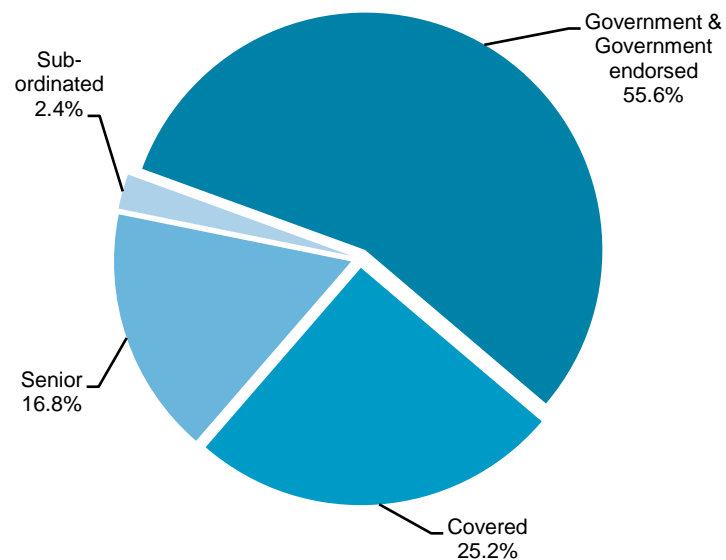
Bond Portfolio

excluding banking assets and assets from investment-type premiums

by quality



by ordination

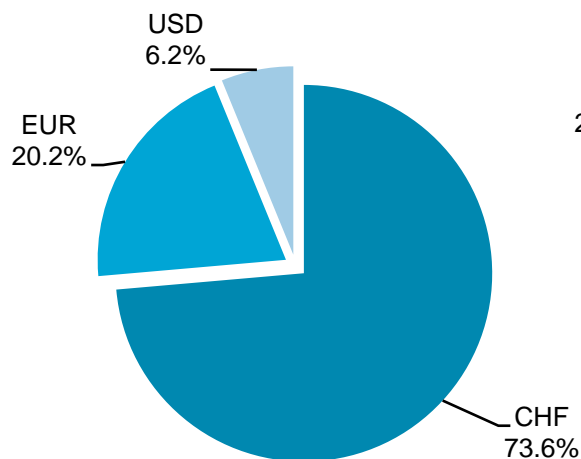


In CHF mn	HY 2009
Total bond investments	23,834

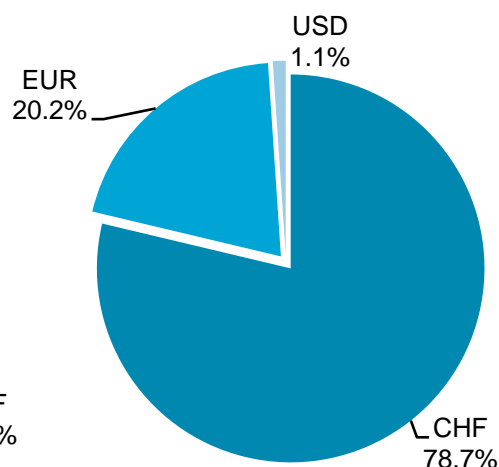
Bond Portfolio: Currency Exposure of Swiss Operations

excluding banking assets and assets from investment-type premiums

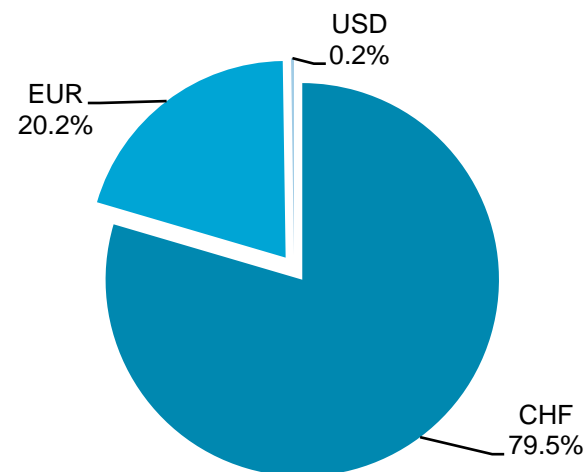
Nonlife



Total bonds



Life



→ Total net currency exposure after hedges & liabilities: 4.7% EUR, 0.0% USD

In CHF mn

HY 2009

Total bonds¹⁾

14,698

¹⁾ Held by Swiss entities

Bonds and Promissory Notes: Macaulay Duration

excluding banking assets and assets from investment-type premiums

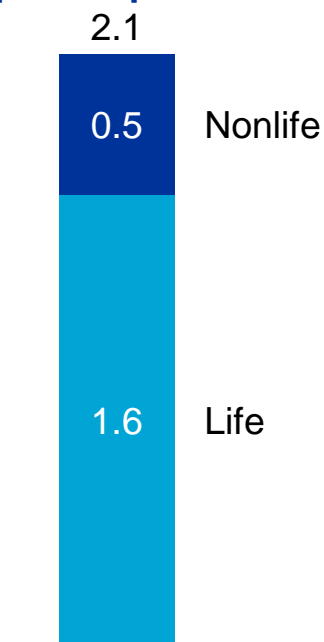
Duration by classification	2008		HY 2009	
	Years	% of total	Years	% of total
Duration bonds available-for-sale (AFS)	5.9	57.5%	6.0	58.4%
Duration bonds held-to-maturity (HTM)	5.7	20.8%	6.1	20.4%
Duration promissory notes	5.8	21.7%	5.8	21.2%
Duration portfolio	5.9	100%	6.0	100%

Duration by line of business	2008		HY 2009	
	Years	% of total	Years	% of total
Duration life bonds (incl. promissory notes)	6.2	80.2%	6.2	80.1%
Duration nonlife bonds (incl. promissory notes)	4.7	19.8%	4.7	19.9%
Duration portfolio	5.9	100%	6.0	100%

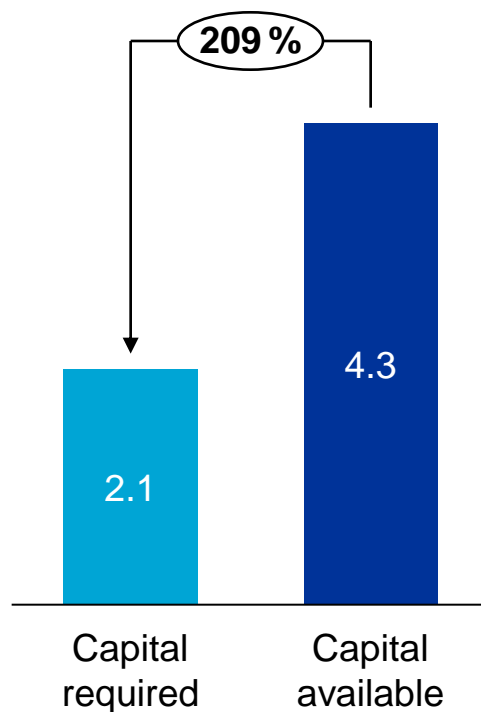
Consolidated Solvency I

in CHF bn, excluding banking assets

Capital required



Required vs. available capital



Available funds

	HY 2009
Total equity	4.0
Goodwill / intangibles	-0.3
DAC nonlife	-0.2
Unallocated surplus	1.1
Other	-0.0
Banking assets	-0.3
Total	4.3

II Operations

Switzerland

in CHF mn	Nonlife	Life
Gross premiums written	982 (-0.4%)	1,893 (3.4%)
Investment-type premiums	-	27 ¹⁾ (28.0%)
EBIT	99 (40.4%)	35 (-52.5%)

Nonlife

Life

→ Record low Combined Ratio

→ Strong premium development in group life

→ Rare major and elementary losses

→ Above market growth in annuities (incl. VA)

→ Strategic programmes target customer management, safety world and pricing pay off

→ High profitability of new business

¹⁾ investment type premiums incl. CHF 13 mn variable annuities stemming from Baloise Life (Liechtenstein)

Baloise Bank SoBa

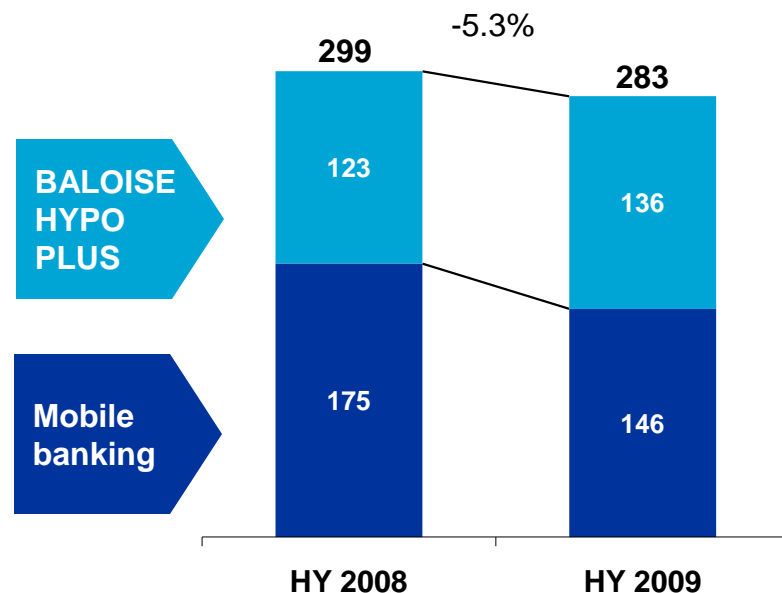
in CHF mn, local GAAP	HY 2008	HY 2009	+/-
Interest income	42	43	2.6%
Fee and commission income	11	10	-12.2%
Trading income	2	2	-13.2%
Gross profit	19	18	-7.1%
Profit for the period	13	12	-10.9%
Cost / income ratio	65.4%	67.5%	2.1 pts
TIER 2 ratio	11.3%	10.3%	-1.0 pts
Return on Equity (RoE)	9.7% / 12.7% ¹⁾	8.6% / 13.2%¹⁾	-1.1 pts / +0.5 pts
Risk weighted positions	2,687	2,920	8.7%

¹⁾ including contribution from focused financial services provider

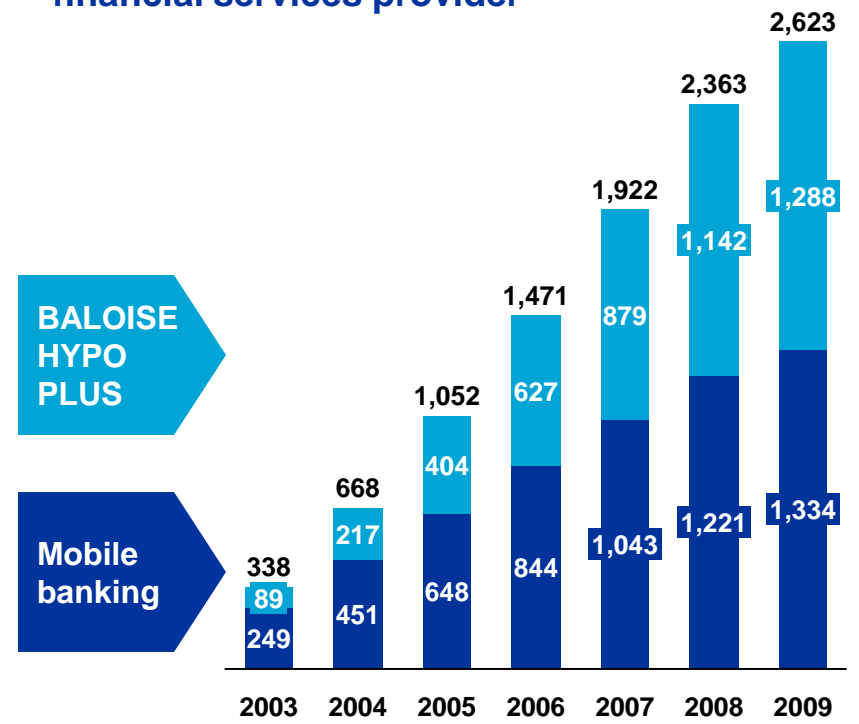
Focused Financial Services

New business distribution volume ¹⁾ focused financial services provider

in CHF mn



Development total volume focused financial services provider



Customers: 4,900 8,300 11,700 15,500 21,000 26,625 29,150

¹⁾ new business distribution volume = Mobile Banking (custody accounts, client assets, loans, Finaclear) + BALOISEHYPO PLUS

Germany

in CHF mn	Nonlife	Life
Gross premiums written	630 (1.3% ¹⁾)	409 (-7.9% ¹⁾)
Investment-type premiums	-	140 (10.7% ¹⁾)
EBIT	27 (-51.1%)	3 (-70.2%)

→ Above market growth in nonlife and good combined ratio

→ Nonlife business volume up by 1.3% in a stagnating market

→ Decreasing operational costs

¹⁾ local currency (LC)

Belgium

in CHF mn	Nonlife	Life
Gross premiums written	323 (3.4% ¹⁾)	52 (-2.7% ¹⁾)
Investment-type premiums	-	37 (11.3% ¹⁾)
EBIT	19 (-65.0%)	15 (365.7%)

→ Growth above market in nonlife with business volume up by 3.4%

→ Business volume in life up by 2.6% in a declining market

→ Service for brokers achieves number one ranking in nonlife in an independent broker comparison

¹⁾ local currency (LC)

Luxembourg

in CHF mn	Nonlife	Life
Gross premiums written	34 (5.7% ¹⁾)	30 (27.8% ¹⁾)
Investment-type premiums	-	198 (-3.0% ¹⁾)
EBIT	0.4 (n.m.)	-1.2 (n.m.)

→ Ongoing strong growth of 5.7% and a reduced loss ratio in nonlife business

→ Continuing strong growth in group life business volume

→ Cost development remains stable

¹⁾ local currency (LC)

Austria

in CHF mn	Nonlife	Life
Gross premiums written	61 (5.5% ¹⁾)	14 (-0.8% ¹⁾)
Investment-type premiums	-	7 (36.2% ¹⁾)
EBIT	1.8 (n.m.)	0.3 (56.6%)

→ Business volume in nonlife grew by 5.5%

→ Growth of 9.1% in business volume life is still considerably above market

→ Strong growth perspectives for the coming years; safety world yields positive effects

¹⁾ local currency (LC)

Croatia

in CHF mn, incl. Serbia	Nonlife	Life
Gross premiums written	23 (-5.4% ¹⁾)	24 (-6.8% ¹⁾)
Investment-type premiums	-	-
EBIT	-5 (225.1%)	4 (n.m.)

→ Due to portfolio re-underwriting business volume in nonlife down by 5.4%

→ Gross premiums written in life down by 6.8% in a difficult environment with stagnating markets

→ Implementation of Safety World with focus on product innovations for core products

¹⁾ local currency (LC)

III Reporting Agenda & Contact Details

Reporting Agenda

→ Full Year Results 2009

Thursday, 18 March 2010

→ Annual General Meeting

Friday, 23 April 2010

You will find all published documentation at www.baloise.com

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