

## Investor Day 2013

«Strong Operations deliver reliable and high Cashflows»

Basel, 22 October 2013



Making you safer. For 150 years.

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# Introduction

**Marc Kaiser**  
Head of Investor Relations

# Agenda

«What makes Baloise unique?»

«What are the major levers in our core markets?»

«What defines future payouts?»

**01 Strategy – A success story to be continued**  
Martin Strobel, Group CEO 05

**02 Switzerland – Execute next step in operational excellence**  
Michael Müller, CEO Switzerland 17

**03 Germany – Focus on profitable segments and reduce costs to market standards**  
Jan De Meulder, CEO Germany 28

**04 Belgium – Capture healthy growth in an attractive market**  
Gert De Winter, CEO Belgium 36

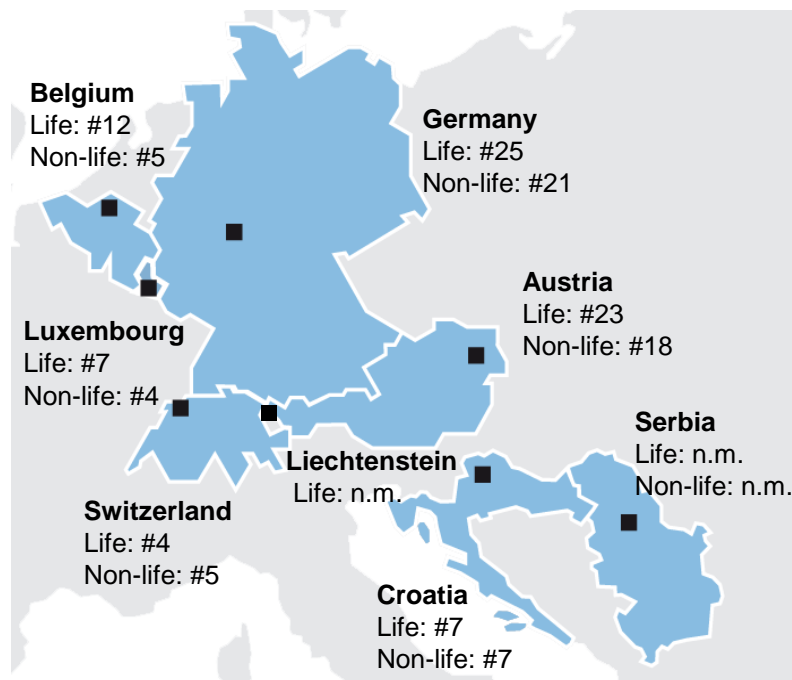
**05 Capital & Cashflow Management – Assure attractive dividend practice while maintaining high flexibility in volatile frameworks**  
German Egloff, Group CFO 44

# 01 Strategy – A success story to be continued

**Martin Strobel**  
Group CEO

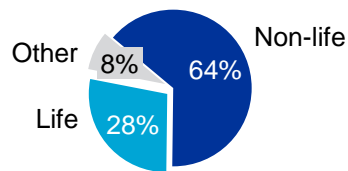
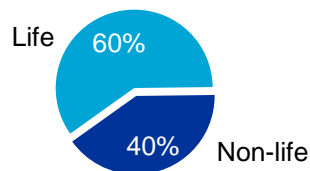
# Footprint

## Baloise – a long history of strong and reliable cash generation



Business Volume,  
FY 2012 CHF 8,358 mn

EBIT,  
FY 2012 CHF 556 mn (HY13 351 mn)



→ **Walk the talk.** For a decade, Baloise has executed its strategy in focusing on target customers – with the result of having one of the most profitable insurance portfolios in Europe

→ **Making you safer.** Baloise's unique selling proposition is its Safety World – a blue ocean of endless opportunities, making insurance way more than a sole commodity product

→ **Solid as rock.** Baloise, one of the only insurance companies in Europe, that has never had to raise capital due to a distressed situation, thanks to its proficient risk management and robust balance sheet

→ **Cash is King.** Baloise is committed to a very attractive and sustainable payout policy, demonstrated by its strong distribution track record to its shareholders for more than a decade

# Baloise – a Dividend Gem

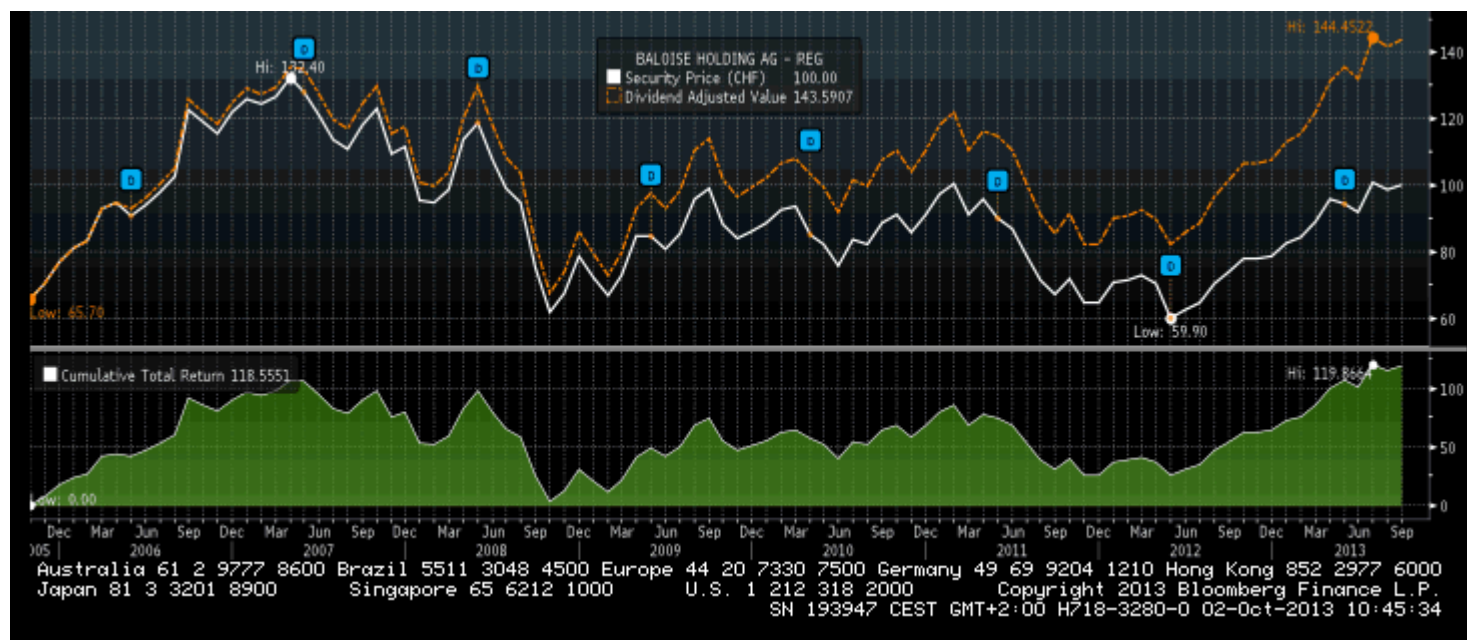
## What if you had bought BALN in October 2005<sup>1</sup>?

### BALN VX

Share performance **52.2%** (5.4% p.a.)  
 Total Return **118.6%** (10.4% p.a.)

### SXIP<sup>2</sup>

Share performance **-25.5%** (-3.6% p.a.)  
 Total Return **1.5%** (0.2% p.a.)



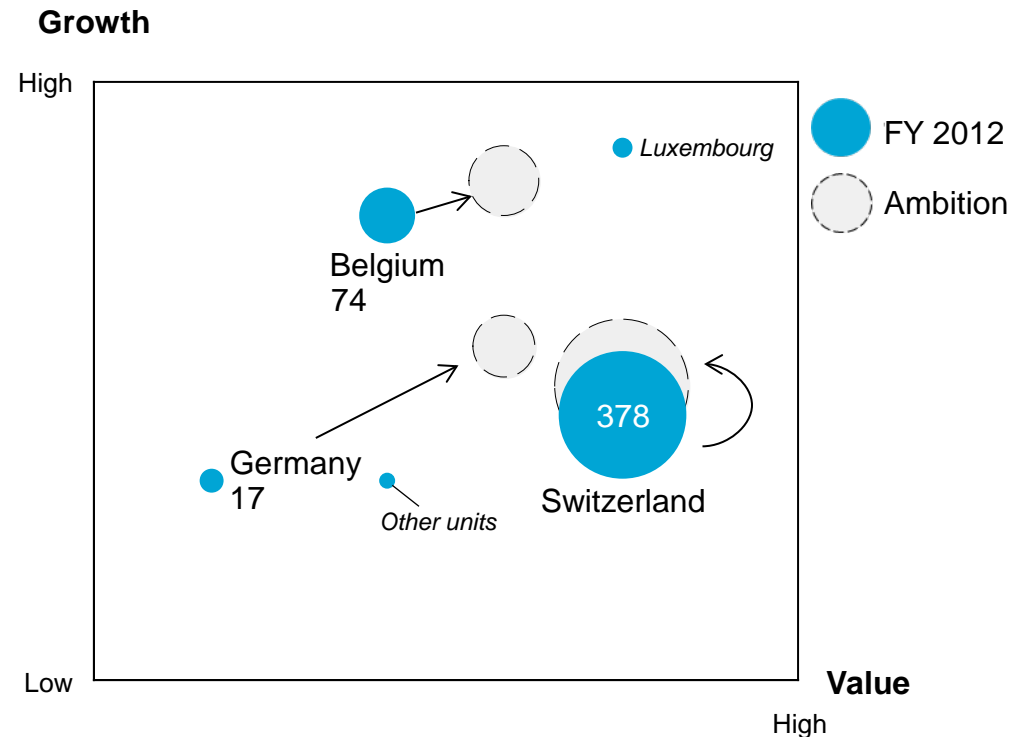
1) 6 October 2005, Baloise Investor Day «Target Customer Management»

2) Stoxx Europe 600 Insurance Index (SXIP), currency adjusted

# Cash Generators

## Focus on major levers in our core markets

Portfolio of operations, EBIT in CHF mn



### Major triggers in our core markets

→ **Switzerland:** Execute next step in operational non-life & life excellence

→ **Germany:** Focus on profitable markets and reduce cost base to market standards

→ **Belgium:** Capture healthy growth in an attractive market



# Market Exit in Croatia and Serbia

## Full management attention on core markets

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→ With the sale of non-core business, Baloise underpins its focus on core markets and bundles management capacity

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→ Selling price of EUR 75 mn

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→ At closing, one-off loss out of this transaction of around CHF 30 mn expected

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# Target Customer and Partner Management

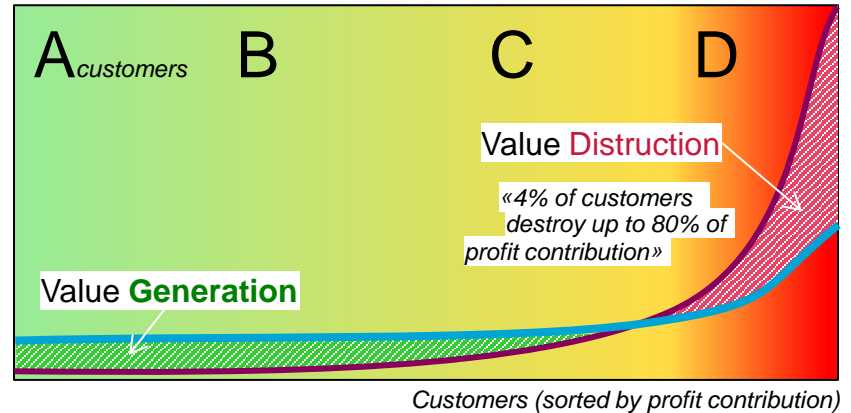
## The centrepiece of our strategy

### «Silo View» Common insurance management

Motor
Property
Marine
Life
Banking

- Insurance is commonly managed by line of business (silo view). Interdependencies – such as having the same customers – are ignored
- Targets for distribution forces are mainly set on volume – quality of business comes second
- Although industry has revisited its operational core activities after the market crash back in 2002, the business model has been largely unchanged

### «Customer View» Baloise's unique approach since 2005

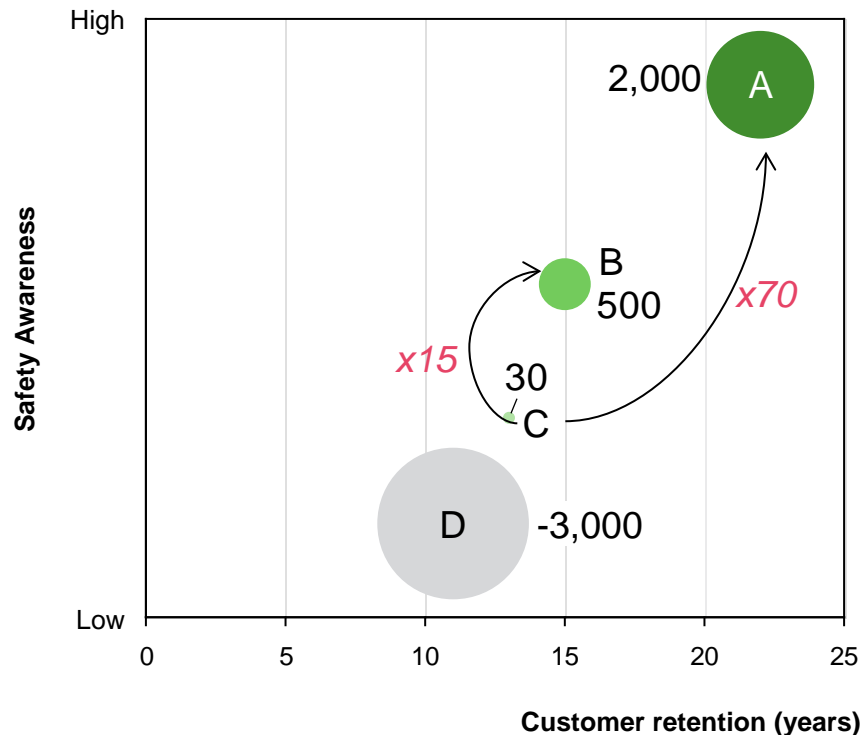


- Sole focus on the business has been shifted to the customer
- Extensive data mining capabilities to assess the entire portfolio
- Target customer system throughout the entire value generation process, e.g. tied agents incentivised by customer development and not only by volume
- Target: grow with A and B customers, develop C customers and re-underwrite D customers

# Customer Value

## Staying focused on «A»-customers pays out

Yearly profit contribution per customer (in CHF),  
example private customers Switzerland



→ The difference between the profitability of a «C» and an «A» customer is significant

→ As the key customer identifier we do neither use wealth nor age but a proxy for the future expected lifetime earnings. Safety awareness and cross-selling likelihood increase with improving customer value

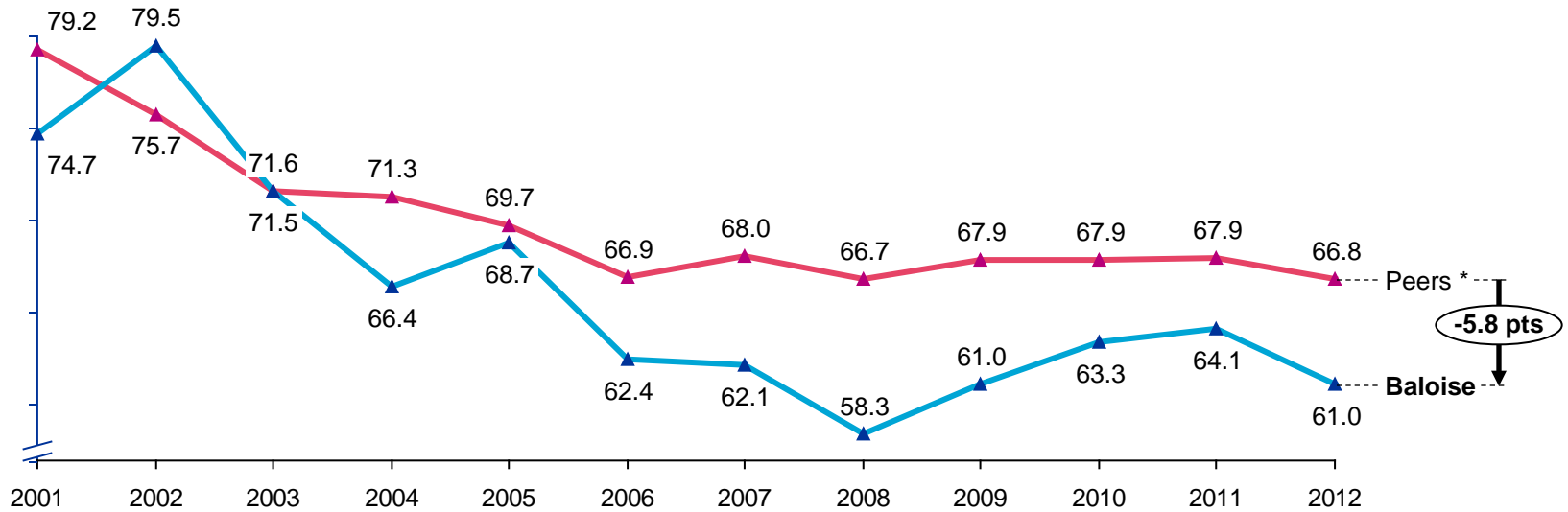
→ We have the skills and the tools to identify and develop customers. Since 2005 we increased the number of A- and B-customers via cross- and upselling techniques; the number of D customers decreased substantially in the same time

→ The cross- and upselling potential combined with our safety world approach and our well established D-customer management will allow for an ongoing improvement of our customer base

# Proof of Concept

## High and sustainable portfolio outperformance achieved

Loss ratio, net



\* Peers: Allianz, Axa, Helvetia, Nationale Suisse, Zurich

- Since inception of Target Customer Management in 2005, Baloise was able to outperform the market year after year
- Meanwhile Baloise has one of the most profitable insurance portfolios in Europe
- This outperformance is pricing resistant, hard to copy and translates into high earning power

# Safety World

## A blue ocean to boost profitability

- "Making you safer" is our claim and promise to our customers and partners. This element is more than marketing. It is part of our daily work and culture and a industry-wide unique approach for customer bonding – a true shift in paradigm
- Talking with our key customers about safety gives us an opportunity to enhance the value perception of our products and services
- This distinctive approach and the high value perception is the basis for cross- and upselling of our innovative safety riders, which come with every product, whether it is non-life, life or banking
- We have just yet started to conquer this "blue ocean" of engaging our customers and expect significant direct and indirect benefits in midterm on our profitability

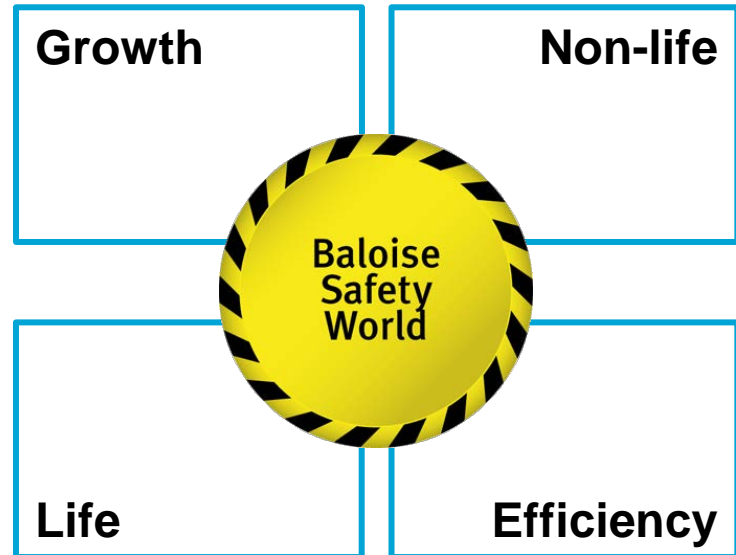


# Strategy Potential

## A strong platform gets enhanced

Today – a strong platform

Going forward – enhance the platform



## 4 Focus Areas

Accelerate growth, execute on core strengths and get the costs down

### Growth

- Accelerate target customer and target broker management
- New pricing skills
- New growth areas

«Innovative products meet customer demands»

«Above market growth in targeted segments»

### Life

- Innovative products for affluent customers
- Adapt new business to ongoing low-interest environment
- Enhance value of the inforce business

«Keep our promises»

«Successfully master low interest rates»

### Non-life

- Further strengthen core OPEX virtues
- Improve fraud detection and prevention
- Further improvement of claims management processes

«Risk aware target customers»

«Lowest claims frequency»

### Efficiency

- Group wide benchmarking to identify areas for improvements
- Systematic business process optimisation
- Structural improvements

«Best customer service»

«Lean processes and lower costs»

# Financial Targets

## Strong operations lead to reliable returns and attractive payout

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### Strong operations

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Non-life Combined Ratio	93 – 96%
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Life New Business Margin	> 10%
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### Good profitability

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Return on Equity (RoE)	8 – 12%
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Attractive and reliable Dividend	
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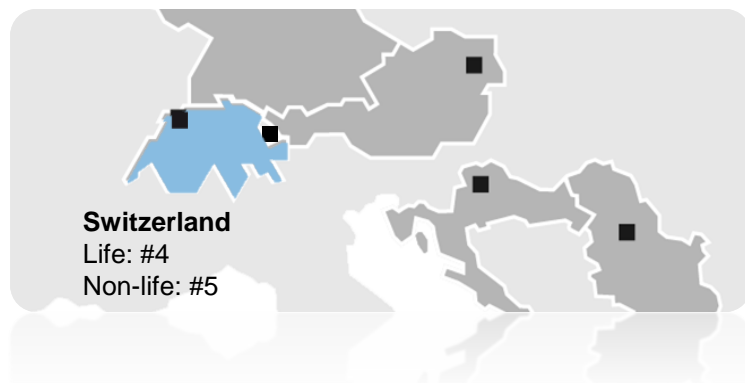


## 02 Switzerland - Execute next step in operational excellence

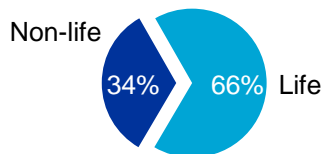
**Michael Müller**  
CEO Switzerland

# Footprint Switzerland

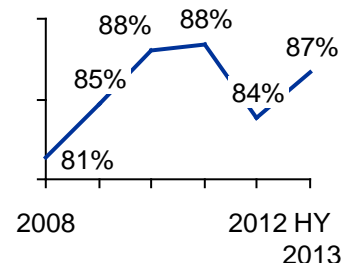
## Reliable profit and cash generator



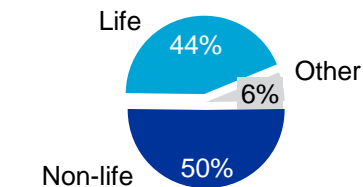
Business Volume,  
FY 2012 CHF 3,885 mn



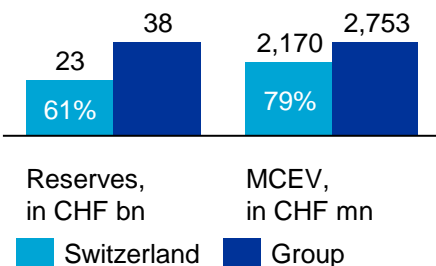
Combined Ratio, gross



EBIT,  
FY 2012 CHF 378 mn (HY13 208 mn)



Life Business, FY 2012



→ **The best market in Europe.** Switzerland has the highest insurance density relative to GDP in Europe. The market is highly consolidated

→ **Leading market position.** Baloise is a well-diversified top 5 player in its profitable home market. Combining insurance and banking is a successful business model

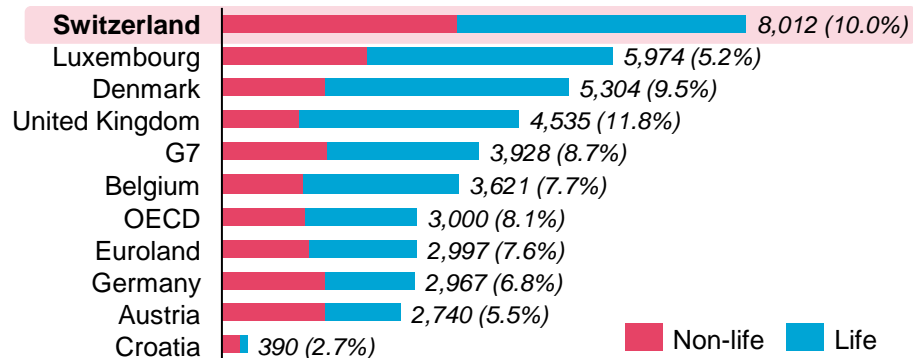
→ **Target customer management.** The Swiss business is characterised by its exemplary and very successful implementation of the target customer management strategy resulting in high and very reliable cashflows

→ **Safety world accelerates.** The Safety World accelerates growth and profitability in target customer segments by offering unique services to customers with high affinity for safety

# Trackrecord

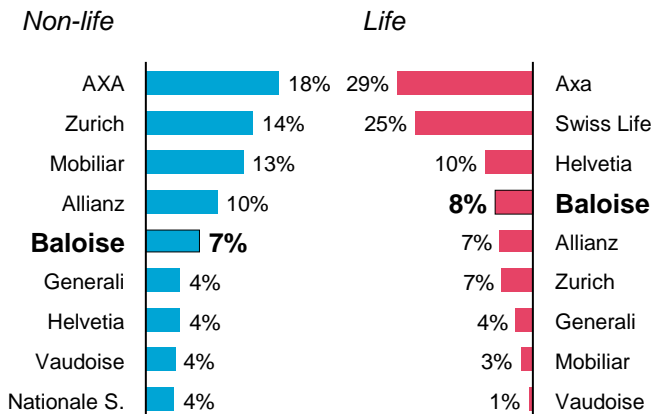
## A stronghold in cash generation

### ① «An attractive market...» Premium per person, in USD; (% GDP)



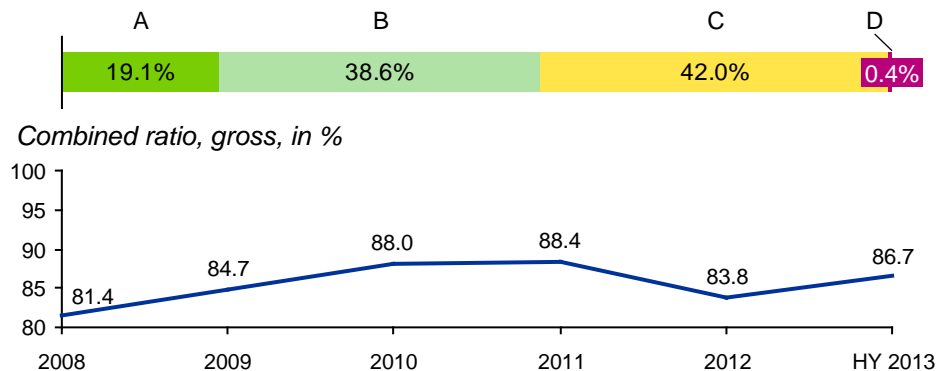
Source: Swiss Re, sigma 3/2012

### ② «... with a strong market share...»



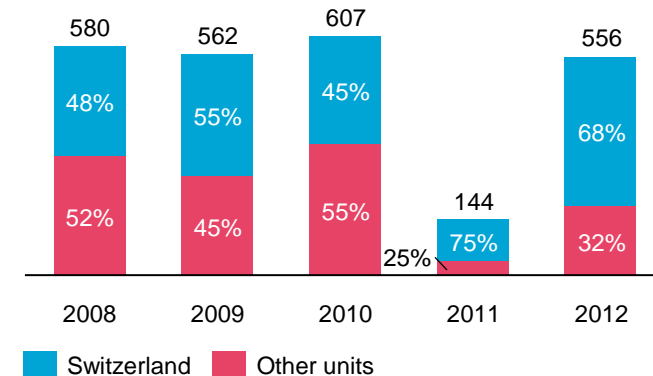
### ③ «... and a very reliable & highly profitable strategy...»

Target retail customer structure, FY 2012



### ④ «... is a stronghold in cash generation»

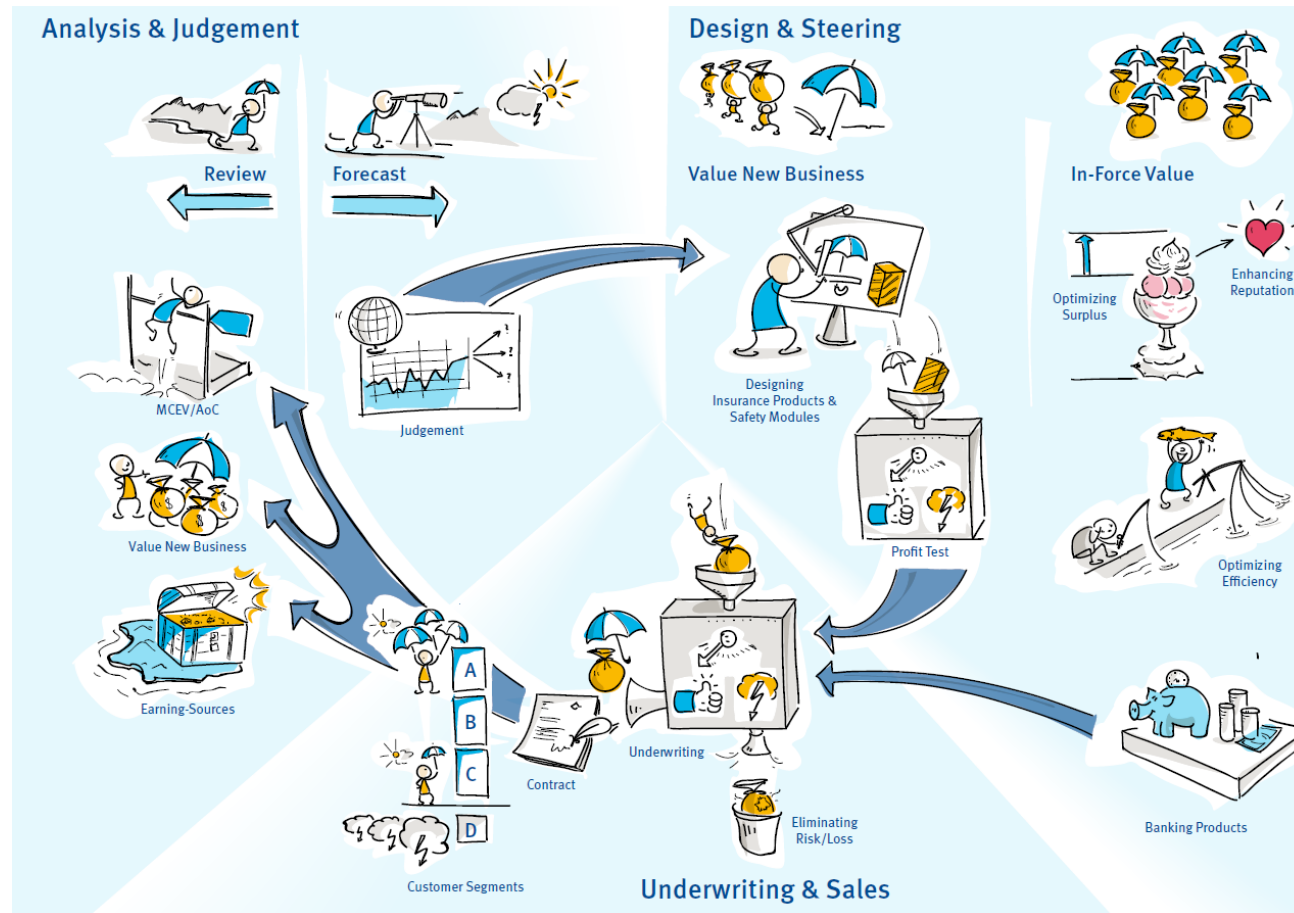
EBIT, in CHF mn



# Life Operational Excellence

## Strong inforce value meets growth opportunities in new business

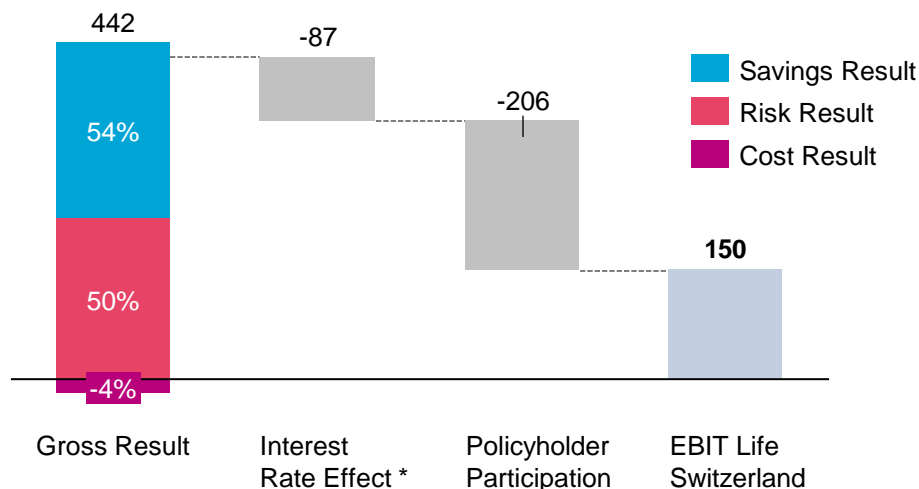
Value circle of life business at Baloise



# Life – Inforce Value Management

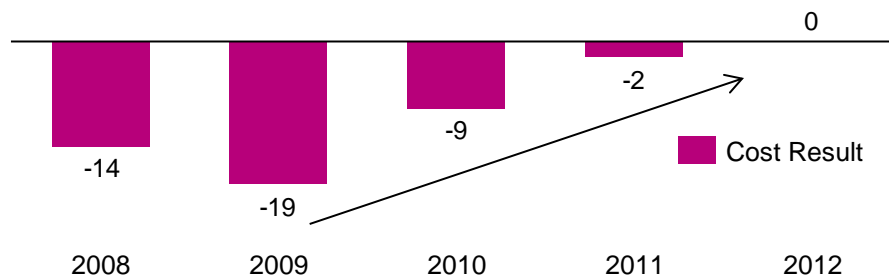
## High risk result and cost potential

EBIT Life 2012, contribution from Switzerland by profit sources, in CHF mn



\* Change in technical reserves, deferred acquisition costs, unearned revenue reserves and swaptions due to interest rate movements

Cost result, Group Life Business Switzerland, in CHF mn



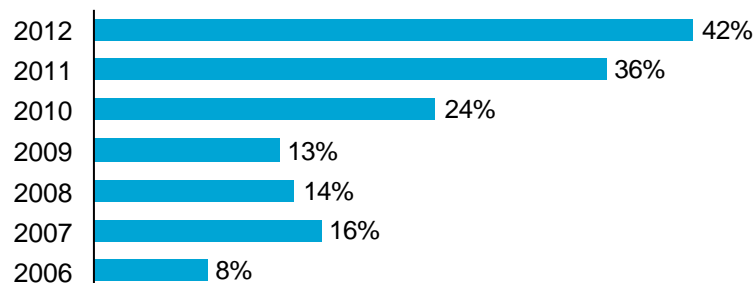
- The bulk of life profits is stemming from the Swiss inforce business (more than 60% of the Group's technical life reserves)
- Besides a stable run rate out of the savings result, the strong risk result, deriving from the target customer approach, provides a reliable stream of income
- Baloise has a conservative mark-to-market approach in terms of reserving interest rate movements: all life liabilities are discounted as well as DAC adjusted. In this way movements of interest rates drive profit volatility in both directions
- Increase of portfolio value through:
  - Monitoring, controlling and adjustment of surpluses
  - Deliberate asset liability management considerations
  - Selective upselling, development of customer relations
  - Strict cost management
- Expense and process improvements have been started and new IT platform is successfully established

# Life – New Business Growth Opportunities

## Attractive margins and a unique business volume «pipeline»

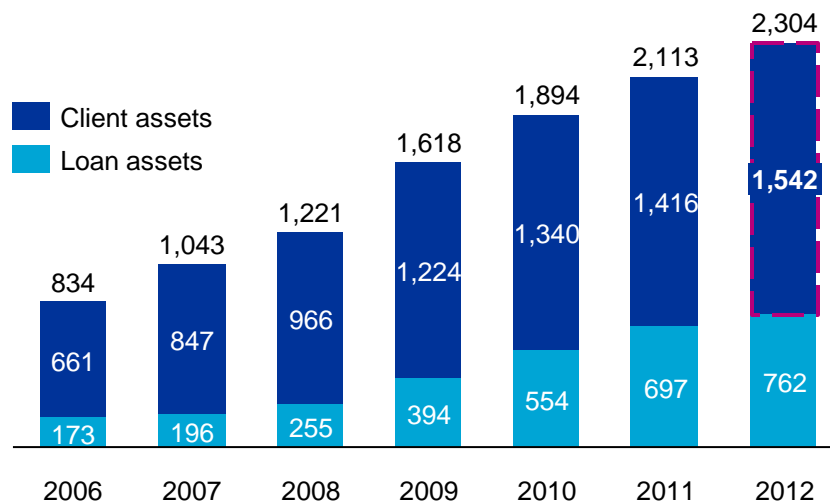
- New life products focus on lower guarantees and higher contribution from risk result, i.e. unit-linked, tranche products and VA
- Very strict profit testing: new products should not dilute NBM target of >10%
- Agility in product development and pricing increased to adapt faster to market conditions and customer demands
- Leverage core strength in Group life business: provide consulting and risk insurance solutions to autonomous pension funds. Focus on low average age structure in new business to enhance risk returns
- Unique banking operation in Switzerland (Balaise Bank SoBa) provides highest reinvestment rate in the market and access to up to CHF 1.6 bn of potential new business

Modern products\* ratio in % of APE



\* incl. unit-linked, variable annuities and tranche products

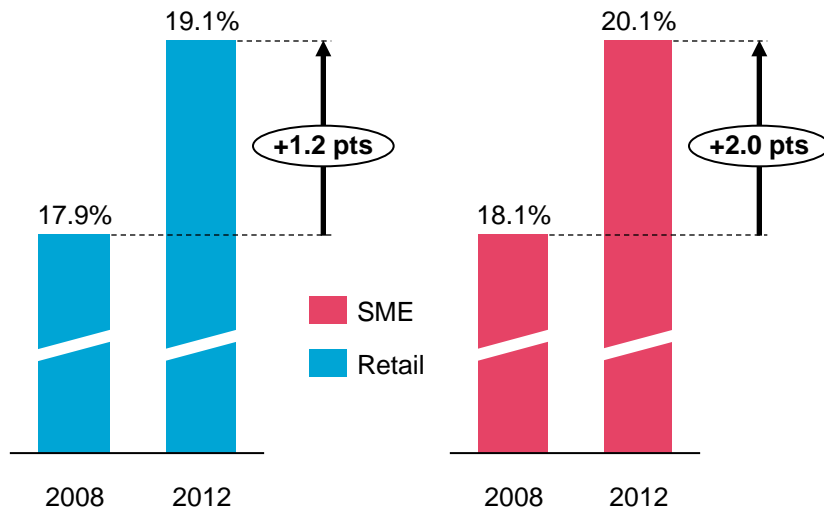
Life new business «pipeline» within banking operation, in CHF mn



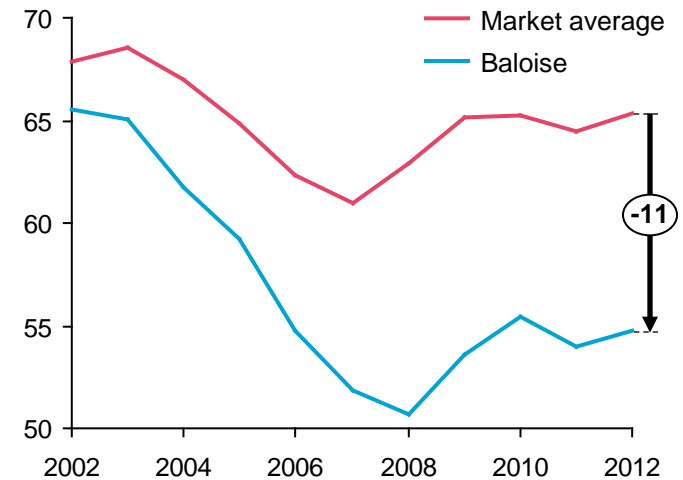
# Non-life – Portfolio Quality

## High and sustainable portfolio outperformance achieved

A-customer development, 2008-2012



Claims Frequency in Swiss Motor Liability Portfolio, # claims / 1000 risks

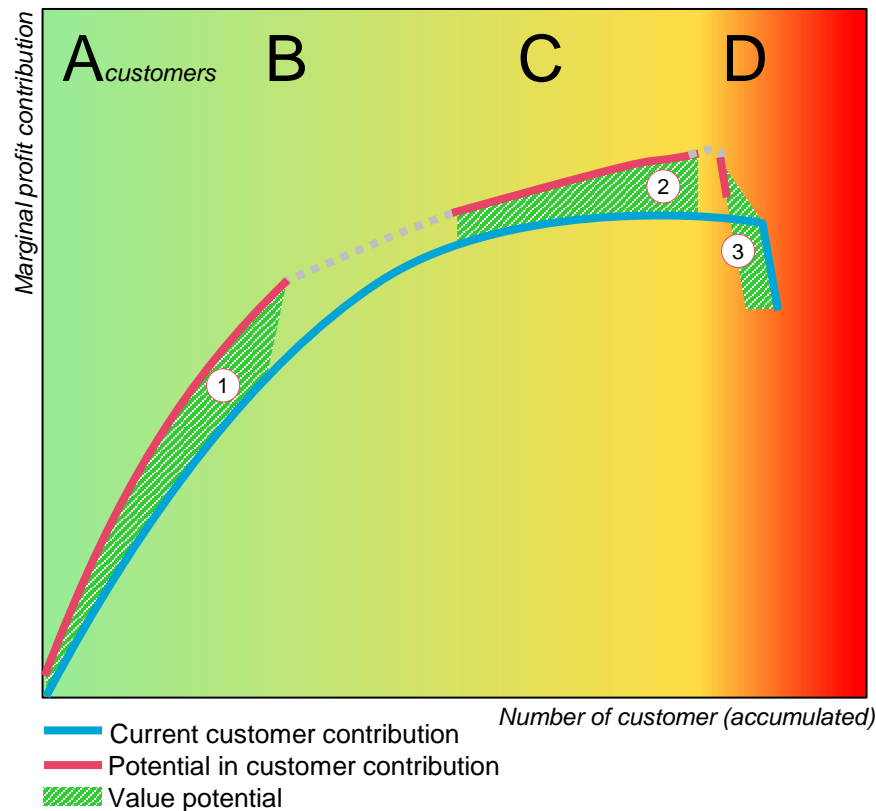


- Claims frequency measures the quality of a portfolio over time
- Since inception of the target customer management strategy Baloise has been able to outperform the market year after year
- Meanwhile Baloise has one of the most profitable insurance portfolios in Europe
- This outperformance is pricing resistant, hard to copy and translates into high earnings and sustainable earnings power

# Non-life – Target Customer Management

## How to leverage the successful strategy further

Measures for enhancing marginal profit contribution within target customer management, illustrative example



Additional improvements measures:

- ① **A-customers** Develop new A-customers by cross selling, improved targeting within distribution management and enhance product density with Safety World
- ② **C-customers** Serve C-customers more efficiently by exercising business process management and develop a specific business and distribution model (e.g. direct channels)
- ③ **D-customers** Reduction of D-customers by further enhancing underwriting measures, fraud detection and improved data mining techniques

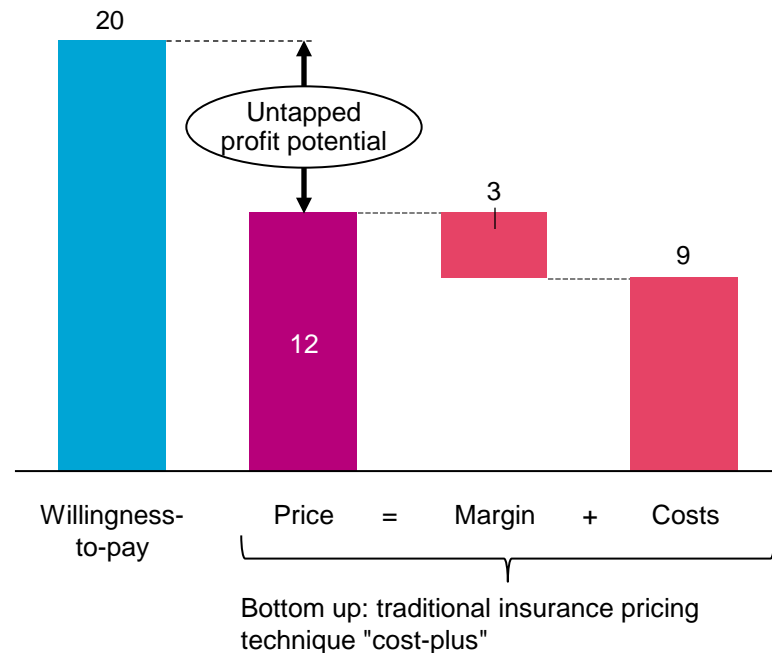


# Non-life – Growth Opportunities

## State-of-the-art pricing techniques

- The insurance industry shows low levels of pricing excellence. 95% of insurance pricing worldwide is based on "cost-plus"
- Costs provide very little information on how much people are willing to pay
- Contrary to the standard approach, we have built up the competence to measure willingness to pay for insurance products
- Pricing decisions are based on cost, competitive and willingness-to-pay information
- We introduced this pricing philosophy in 2011 and have seen a significant growth impulse in non-life private lines since then

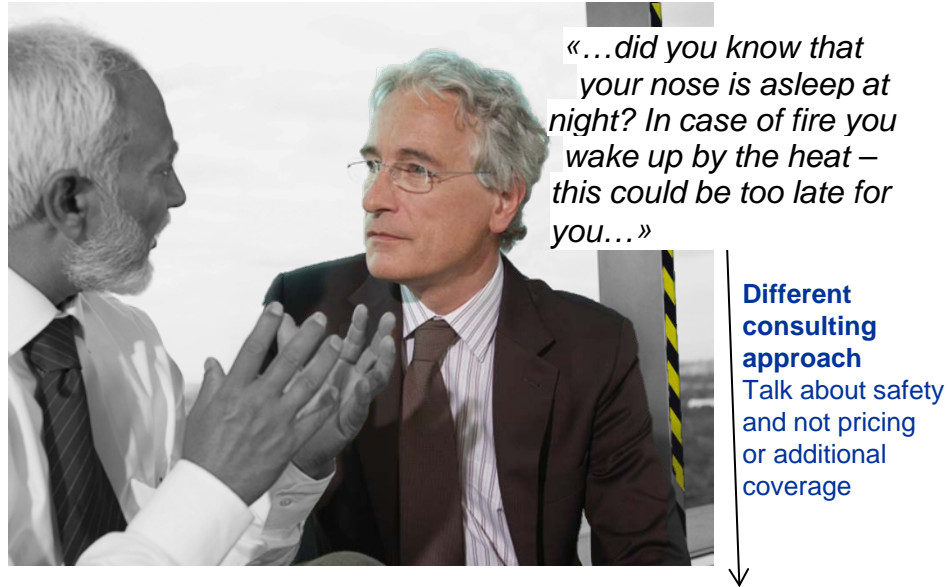
Customer value perception (willingness-to-pay) vs. bottom-up insurance pricing ("cost plus"), illustrative example



# Safety World

## Turbo boost for target customer management

### Concept and degree of business impact



### Benefits arising from Safety World

- Product density +5%

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- Higher average premium +20%

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- Higher duration +20%



### Examples of Safety Modules



#### Property Module

- psychological assistance after burglary
  - self-defense course
- Average price of module: CHF 30.0 (+8% of average premium)



#### Motor Module

- psychological assistance after accident
  - drivers training
- Average. price of module: CHF 70.0 (+6% of average premium)

### New Safety Modules and «Pipeline»



- Group life: purchase with guaranteed refund
- Individual life: funeral expense coverage

# Key Takeaways Switzerland

## Cash generation remains high and gets further enhanced

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→ Strong value cycle management in life and non-life business

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→ Non-life: sustainable level of profitability with some unique growth opportunities thanks to Safety World

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→ Life: attractive risk results of inforce business and growth opportunities thanks to the banking operation

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→ Cash generation, especially in life business, gets enhanced and will further contribute to the Group's success

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## **03 Germany – Focus on profitable segments and reduce costs to market standards**

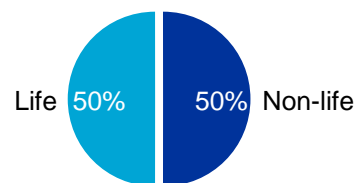
**Jan De Meulder**  
CEO Germany

# Footprint Germany

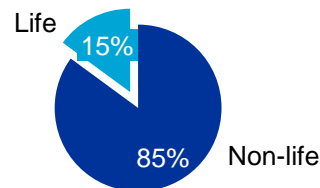
## Focus on profitable segments and optimise cost base



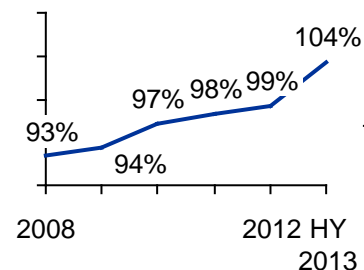
Business Volume,  
FY 2012 CHF 1,712 mn



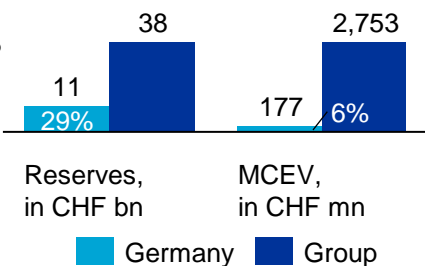
EBIT,  
FY 2012 CHF 17 mn (HY13 23 mn)



Combined Ratio, gross



Life Business, FY 2012



→ **Focus on attractive market position in niches.**

Top 3 position in industrial underwriting in renewable energies (e.g. wind turbine plant) and top 10 position in marine and technical insurance

→ **Portfolio restructuring.**

Exit or restructure unprofitable business segments. Focus on attractive SME business. In life focus on products with low capital intensity and attractive risk margins and stop underwriting traditional business

→ **Distribution.**

Reduce complexity and improve profitability in distribution channels. Align new setup to new market and product focus

→ **Optimisation.**

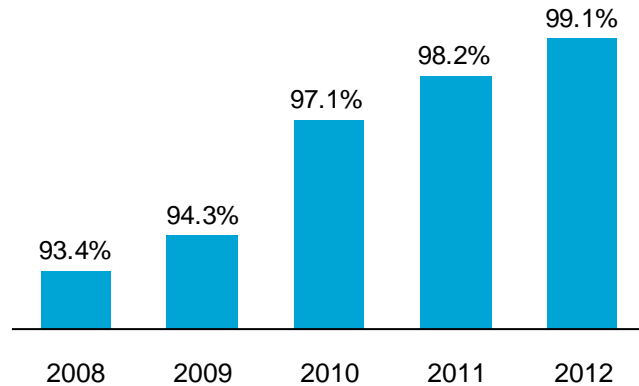
Significant cost reduction and improved process quality targeted. Bring cost-ratios in line with market average

# Current Issues in Germany

## No clear segment focus, too complex & too expensive

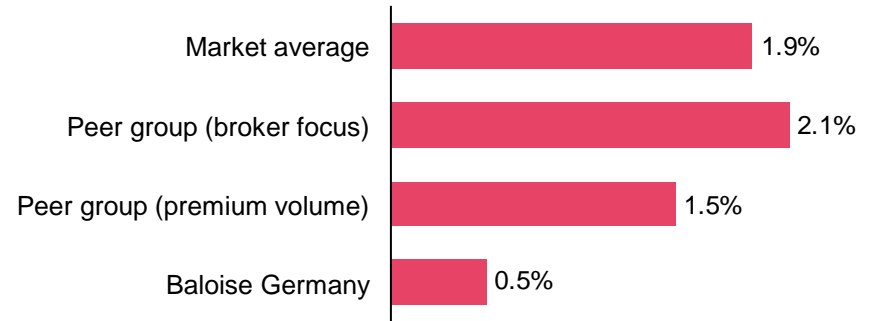
### «Non-life: margins not satisfactory»

Combined ratio, gross



### «Life: low profitability»

Return on premium



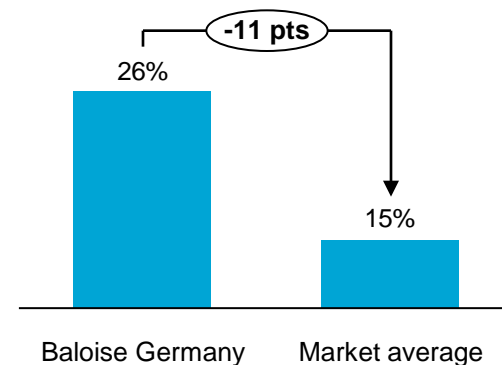
### «Distribution: high complexity»

Current distribution channels



### «Cost base: too expensive»

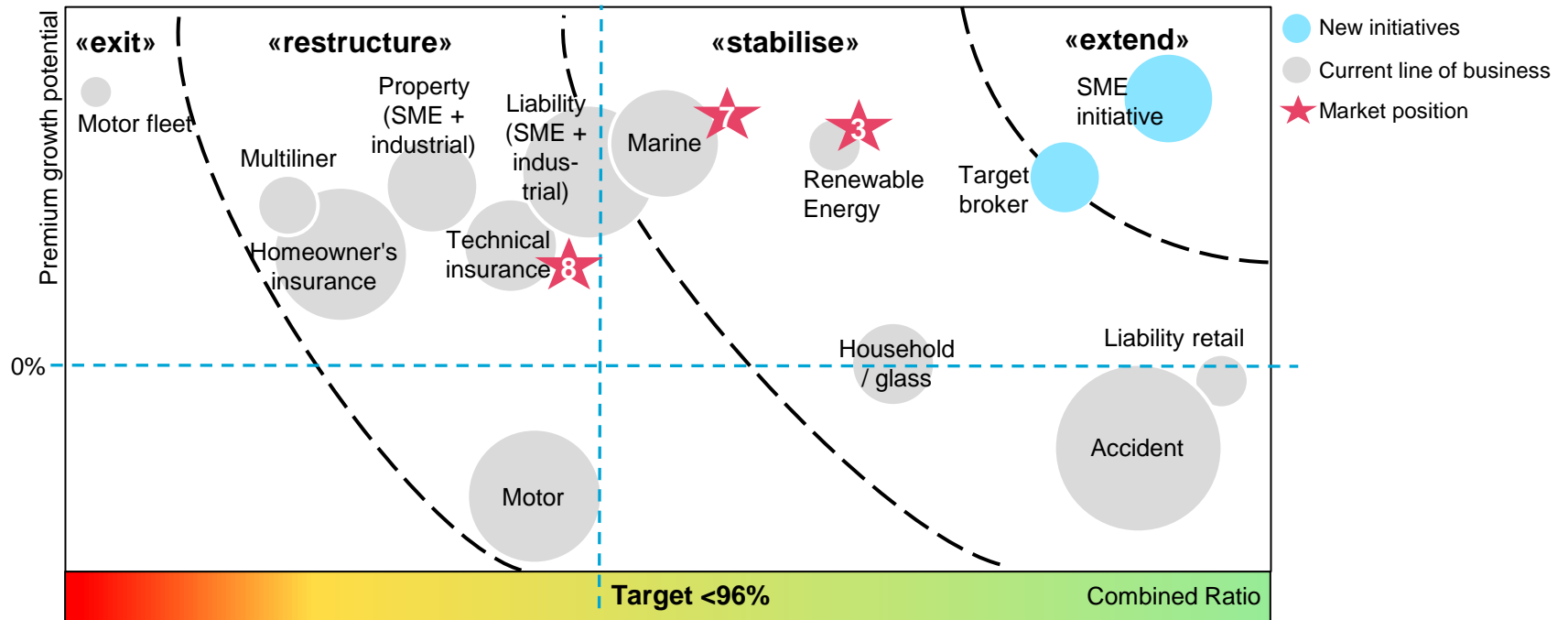
Admin cost ratio, gross



# Non-life Business

## Exit and restructure mass markets & focus on succesful segments

Non-life portfolio, business volume 2012



- Exit unprofitable mass markets, like motor fleet business
- Restructure major part of portfolio with full implementation of target customer management
- Target new profitable growth areas with Safety World concept
- Ambition to restructure portfolio to achieve a combined ratio of below 96%

# Life Business

## Managing the legacy and focus on risk and unit-linked in new business

→ Low level of return due to high guarantees, high policyholder participation and a too high cost basis

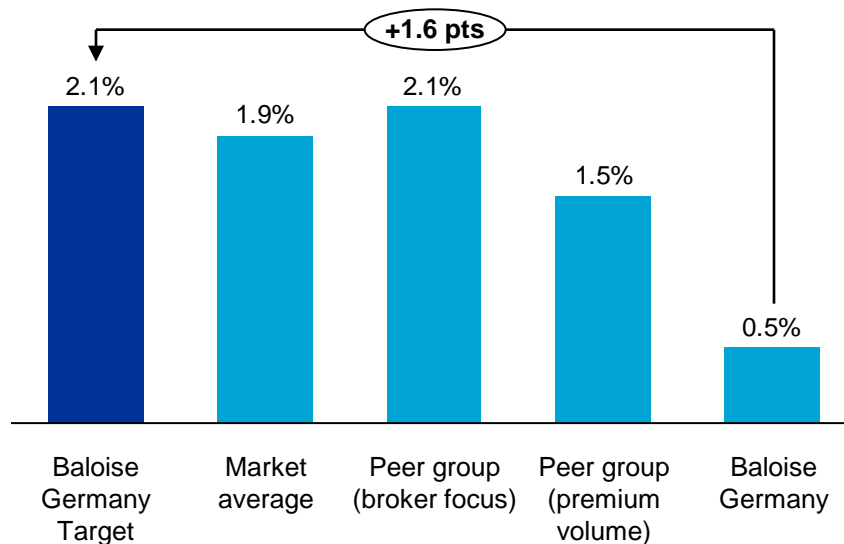
→ Significant improvements will be achieved via cost reduction, efficiency measures and active surplus management

→ Withdrawal from traditional guarantees offering in new business. Focus on risk and unit-linked products

→ All options with regards to the future of the legacy inforce business are currently evaluated

→ Innovative new products within the "Safety World" framework

Life business: profitability benchmark and ambition  
Return on premium, FY 2012

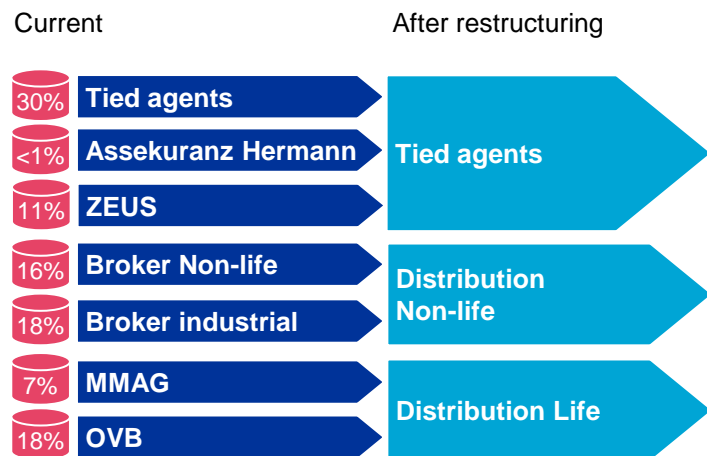




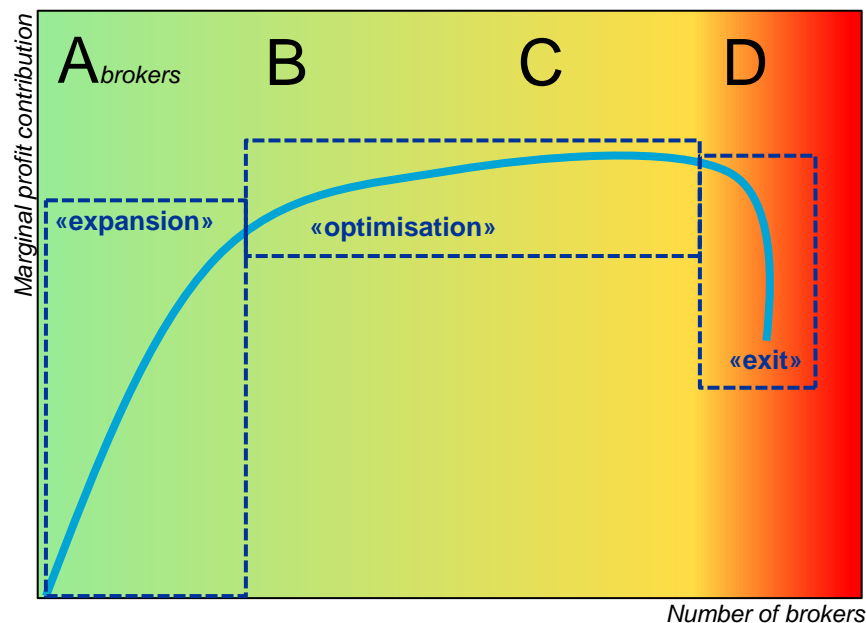
# Distribution

## Reduce complexity and apply strict profit contribution standards

Reduce complexity within distribution channels,  
% of business volume



Target broker management applied, strict profit contribution focus



→ Improve efficiency in distribution management by reducing down to 3 channels

→ Focus on profitable distribution channels only: 14% of brokers generate 80% of profit

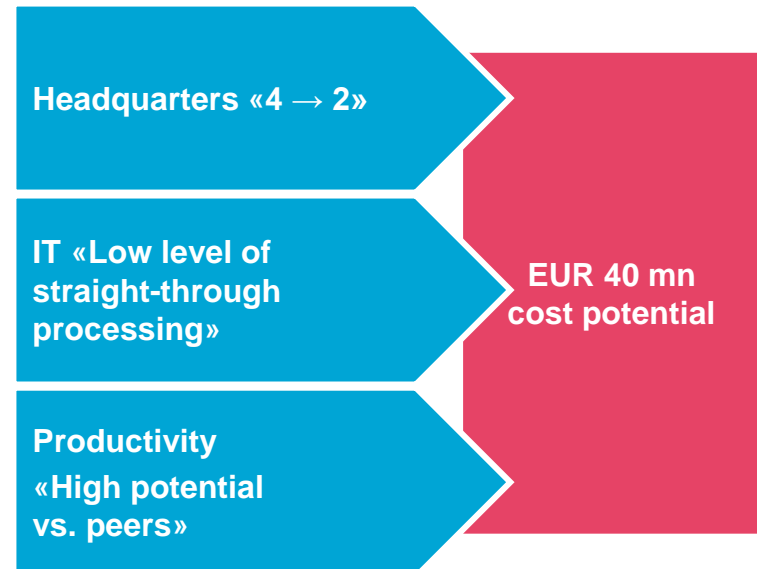
→ Integration of distribution responsibility into line business management

# Optimisation

## Bring costs down to market standards

- Reduction of locations (HQs) from 4 to 2 until 2016 targeted. Target locations are Bad Homburg and Hamburg
- Negotiations with worker councils have started
- Benchmark identified productivity gap across company. Bottom-up evaluation process initiated with targeted efficiency gain of EUR 40 mn until 2015
- Redundancy programme for approx. 400 employees (20%) until 2017 announced
- IT: Level of current automatisisation and digitalisation is low. Projects initiated to significantly improve back office processes

3 levers to bring cost base to market standards



# Key Takeaways Germany

## Measures in place to increase the profitability significantly

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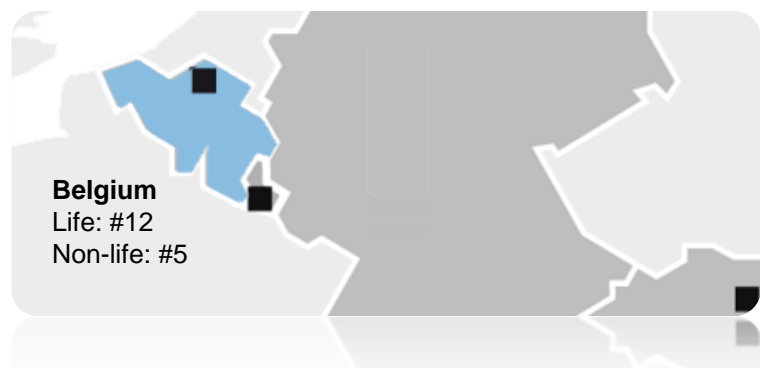
- Strong cost focus and efficiency measures across all processes will bring the cost base down to market standards
  - Re-underwriting of existing non-life business to become best in class in terms of loss ratio
  - Generate growth momentum by focusing on attractive segments
  - Ambition: significant improvement of EBIT contribution to the Group in midterm
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## 04 Belgium – Capture healthy growth in an attractive market

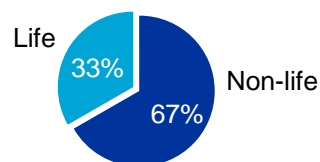
**Gert De Winter**  
CEO Belgium

# Footprint Belgium

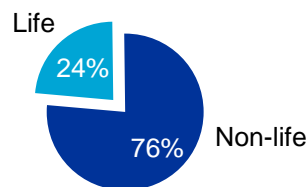
## Capture healthy growth in an attractive market



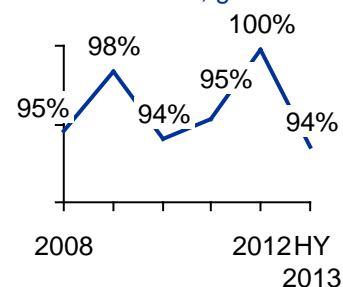
Business Volume,  
FY 2012 CHF 1,359 mn



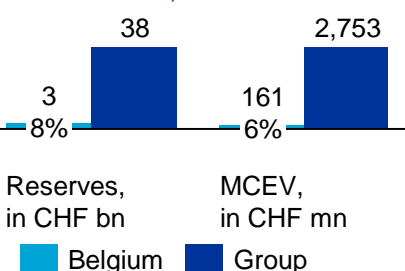
EBIT,  
FY 2012 CHF 74 mn (HY13 66 mn)



Combined Ratio, gross



Life Business, FY 2012



→ **Upbeat market environment.** Due to the financial crisis the insurance companies were forced to focus on technical profitability. The guaranteed interest rates and profit sharing with policyholders were reduced significantly

→ **Leading market position.** Baloise doubled its business volume and conquered a top 5 position in the non-life market within the last two years. Good growth prospects and various measures to enhance profitability will foster underlying results going forward

→ **Broker market.** Being a predominantly broker market, strong relationship to this dominant sales channel is key to success. The target broker management strategy embracing the «Safety World» concept will increase our share of wallet in this business

# Belgium Market

## Good growth and profitability prospects in a favorable environment

### Substantial impact of the financial crisis on the Belgian insurance market

- Some major insurers needed support of the government to survive
- The regulator's position got tougher: focus on profitability and solvency
- Focus on technical results to compensate loss of financial income

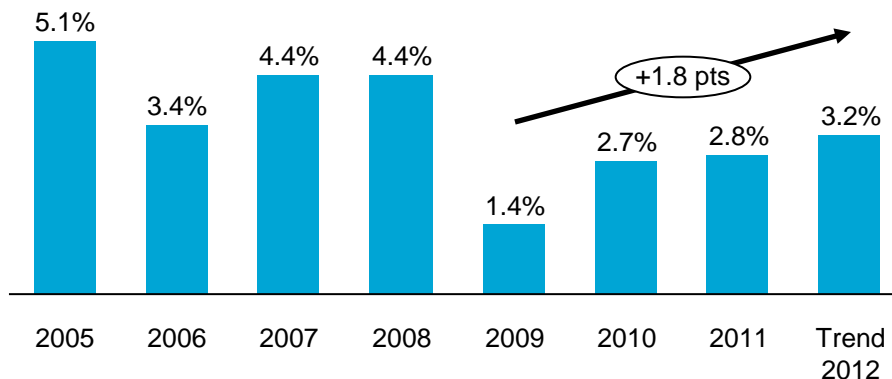
### Non-life: focus on underwriting

- Tariff increases
- Automatic indexation in some branches
- Disciplined re-underwriting of portfolios
- Focus on fraud & recovery

### Life: shareholder-oriented optimisation of profit

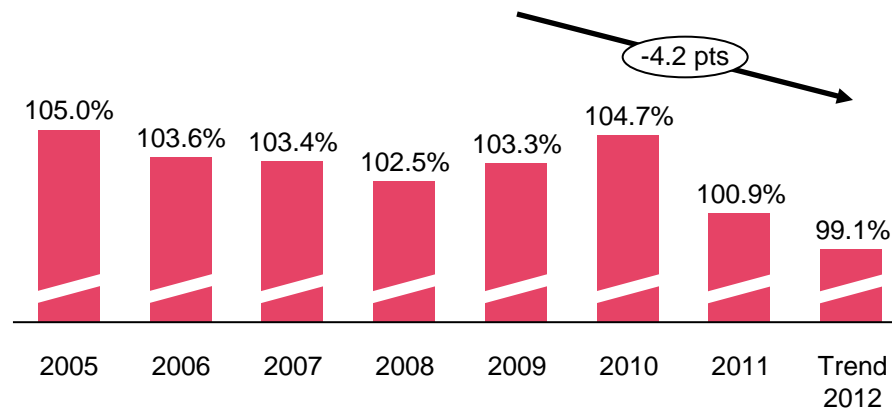
- Lower guaranteed interest rates
- Shift of traditional life business with benefits to policyholders to unit-linked business
- Reduction of profit-sharing

Market growth non-life



Source: Assuralia

Market combined ratio, net



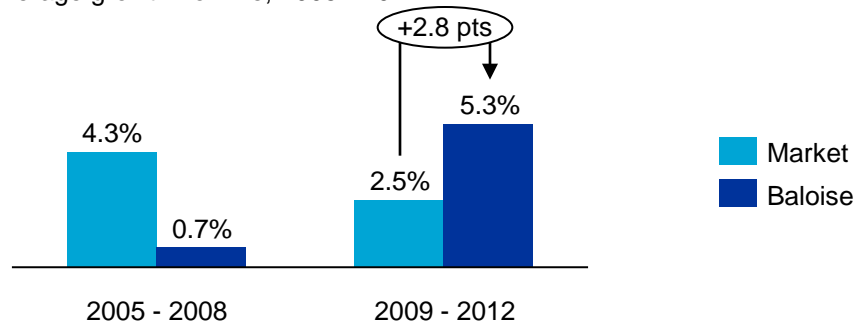
Source: National Bank of Belgium (NBB)

# Baloise Belgium

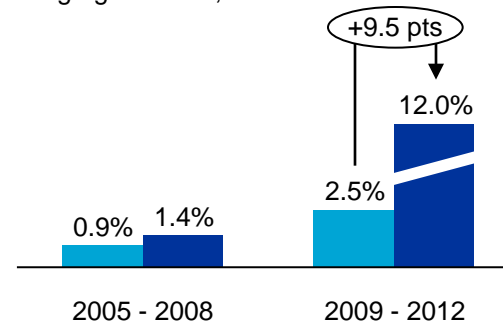
## The turnaround

2001 - 2004	2005-2010	As of 2011
<b>Lack of strategy and focus</b> <ul style="list-style-type: none"> <li>• Strong private equity activity</li> <li>• Banking activity</li> <li>• CR substantially above 100%</li> <li>• Severe loss making</li> </ul>	<b>Back into profits</b> <ul style="list-style-type: none"> <li>• New management</li> <li>• Asset work-out</li> <li>• Sale of Bank</li> <li>• Target broker management</li> <li>• Performance management</li> <li>• Cost reduction, centralisation of headquarters</li> <li>• Re-underwrite non-life book of business</li> <li>• Improve life product portfolio</li> </ul>	<b>Sustainable strong profitability</b> <ul style="list-style-type: none"> <li>• Strong relationship with profitable brokers</li> <li>• Total customer approach</li> <li>• Best in class in OPEX and claims management</li> <li>• Increased operational efficiency</li> <li>• Solid recurring financial income</li> <li>• Growth and profitability consistently above market average</li> <li>• Strengthening of strong value proposition and excellent reputation</li> </ul>

Average growth non-life, 2005 - 2012



Average growth life, 2005 - 2012



Source: Assuralia

# Bolt-on Acquisitions

## Business volume up by 66%

### Acquisition of Avéro

#### Rationale of the acquisition, objectives:

- Extend market share non-life to 5%
- Obtain a broker channel for Brussels and Wallonia
- Complementarity of portfolio commercial lines and marine & trucks
- Potential turnaround in personal lines
- Cost synergies

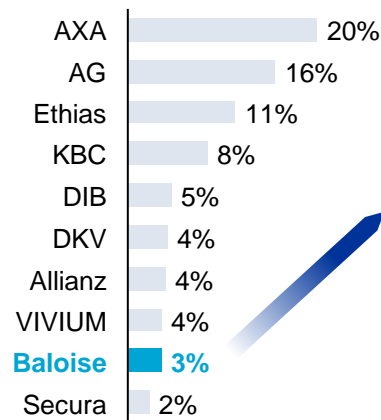
### Acquisition of Nateus

#### Rationale of the acquisition, objectives:

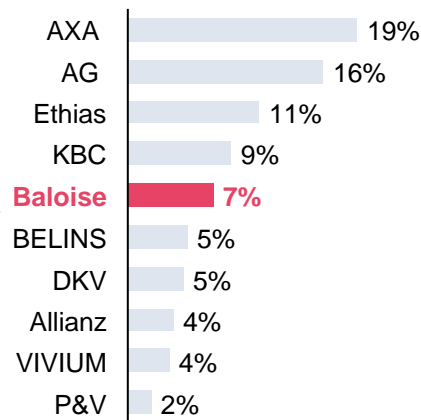
- Extend market share non-life to 6.6%
- Double market share in life from 1% to 1.9%
- Expansion broker channel in Flanders and Wallonia
- Market leadership in transport
- Cost synergies

Market share non-life

2009: # 9

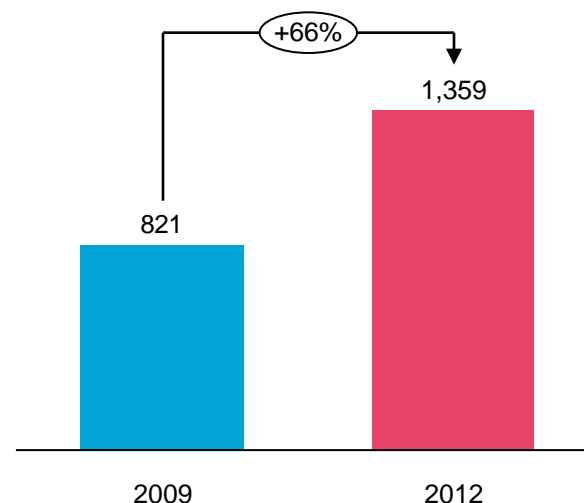


2011: # 5



Source: National Bank of Belgium (NBB)

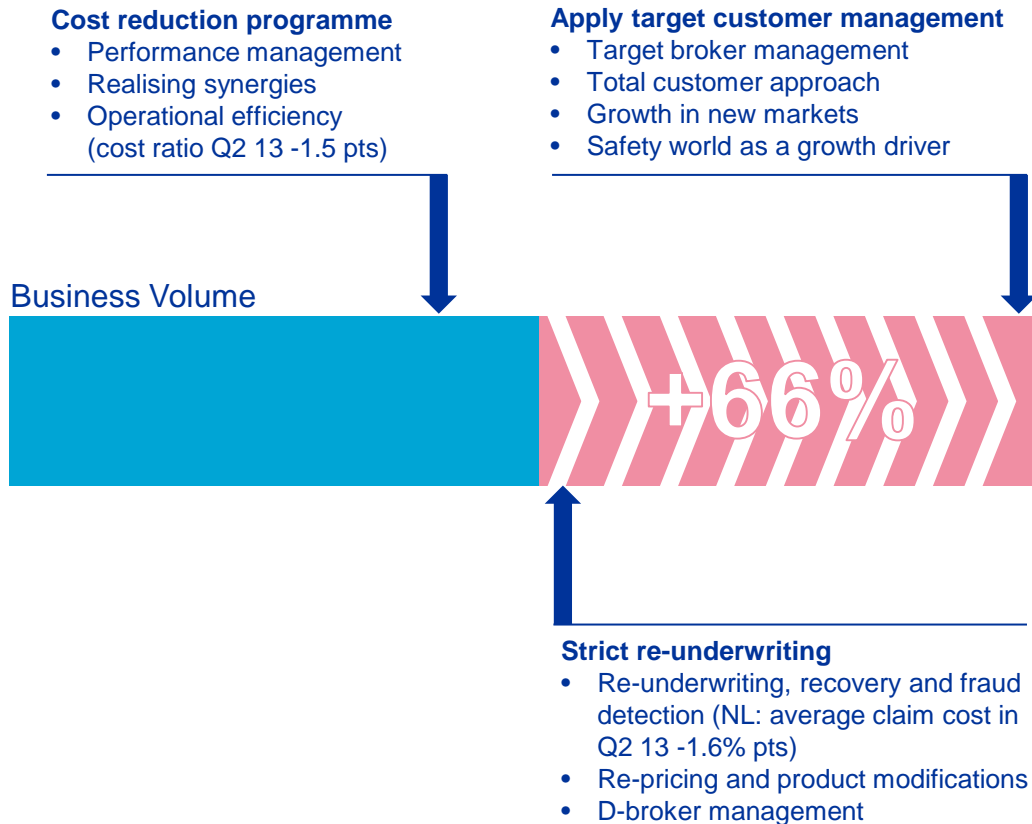
Business volume, in CHF mn





# A bigger Platform

## Transfer growth into profitability



→ Baloise aims to grow in Belgium 1% per year above overall market. In its target segments Baloise Insurance strives for double market growth

→ Significant increase in profitability due to re-underwriting measures of acquired business and cost and efficiency improvements of the combined business

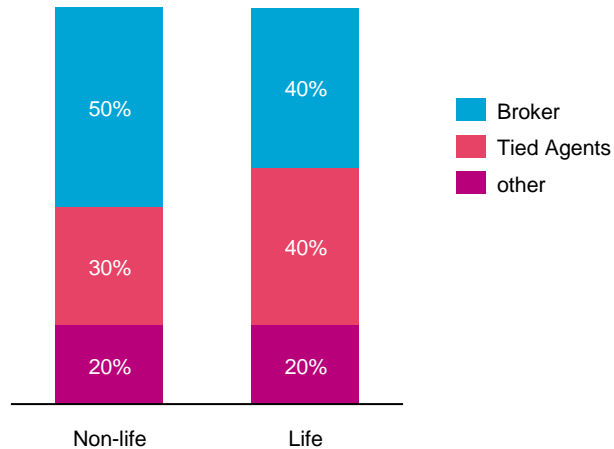
→ Expect long-term profit impulse due to the application of target customer management to the broker market

→ Higher brand perception with customers and brokers thanks to the Safety World product features

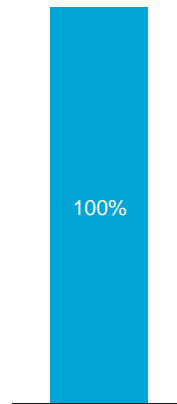
# Broker Management

## Increase share of wallet with brokers

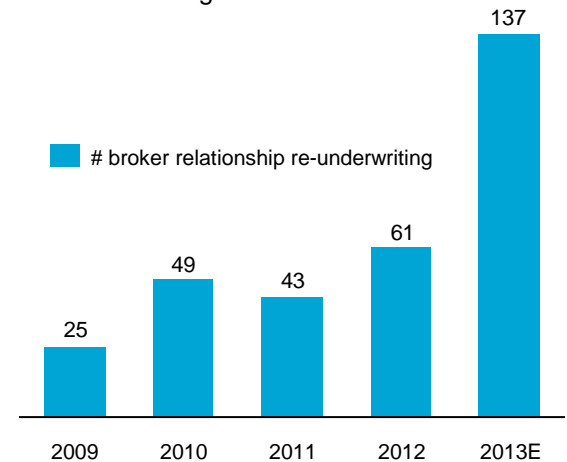
Distribution (approx.) Baloise Group



Distribution Belgium



D-broker management



→ Given the new size in market penetration, Baloise became a relevant market player and advanced in the brokers' preferred list of partners

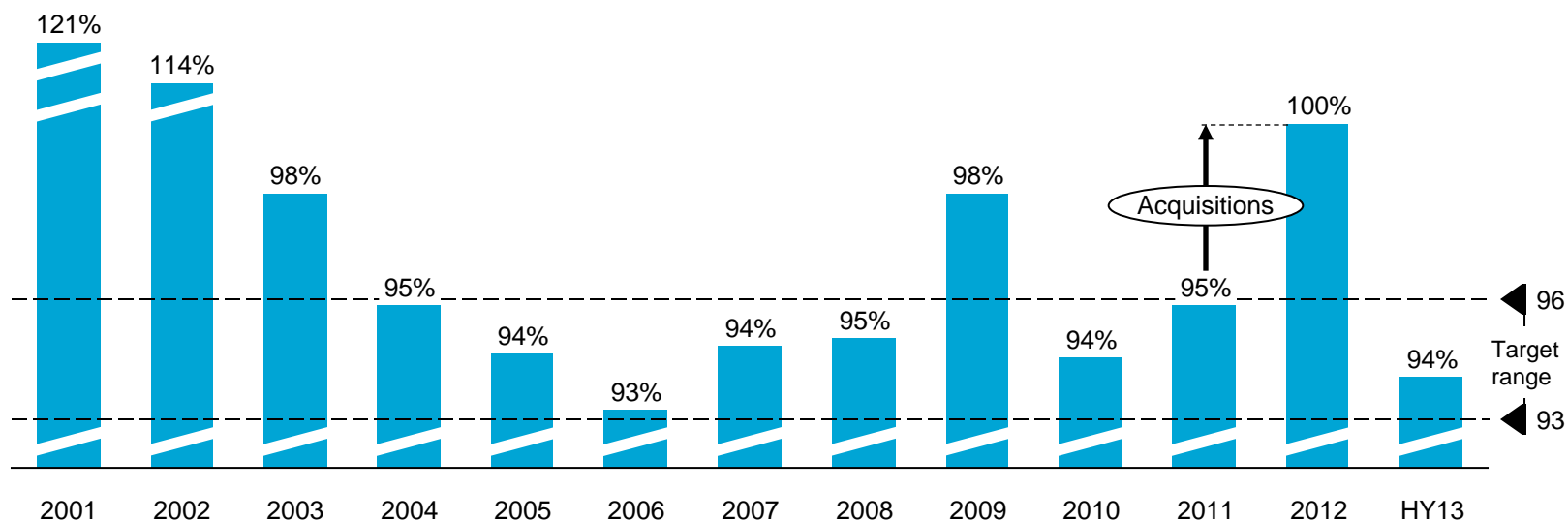
→ Baloise additionally gains traction with brokers due to the unique Safety World and target customer approach

→ Intensified attention on discontinuing business with brokers with unsatisfying portfolio enables profitable growth – especially in the newly acquired business

# Key Takeaways Belgium

## Untapped profit potential

Combined ratio, gross



- Strong position in an attractive market is further strengthened by the use of unique Safety World modules
- Capture growth and increase in earnings by focusing on profitable brokers and target segments in the acquired portfolios
- Improvement of combined ratio expected to be within target range in midterm. This will be reflected in a significant increase of sustainable earnings-level

## **06 Capital and Cashflow Management – Assure attractive dividend practice while maintaining high flexibility in volatile frameworks**

**German Egloff**  
Group CFO

# Capital Management Framework

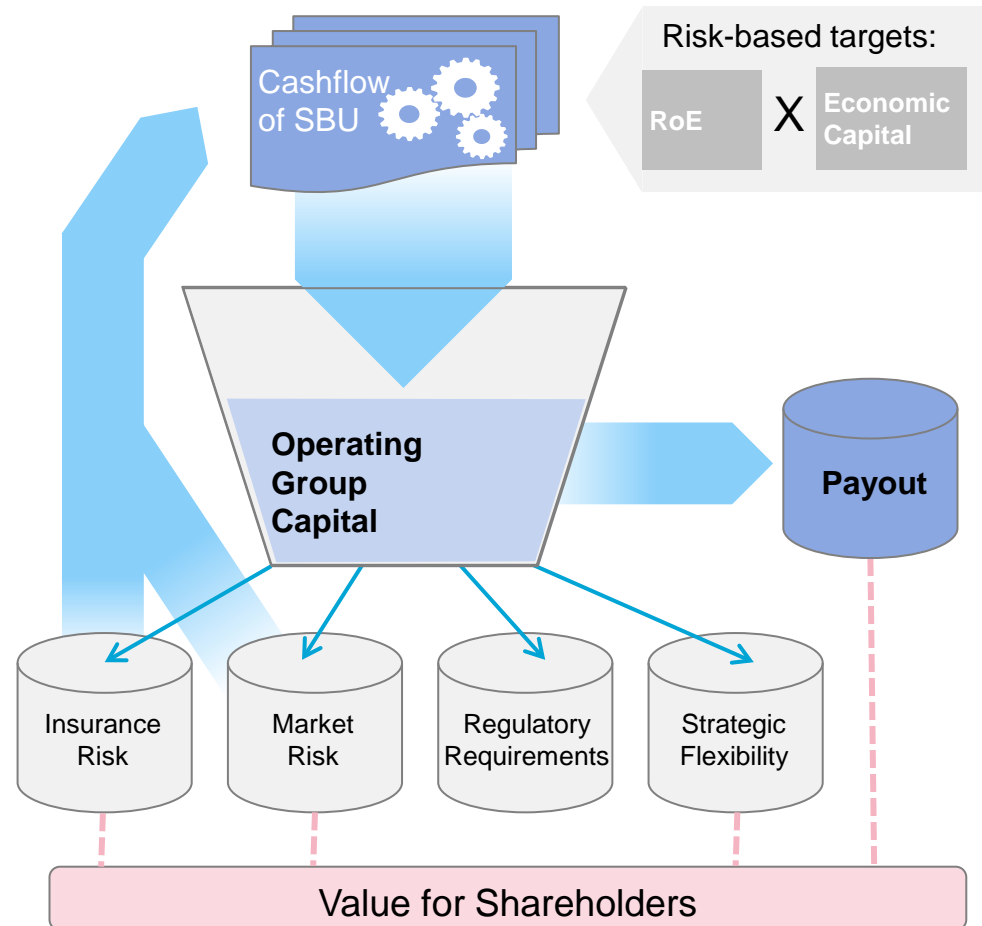
## Mastering the balance between high flexibility and attractive payouts

→ An efficient and shareholder oriented capital management with a farsighted approach is at the core of every decision

→ Baloise has two aces up its sleeves: (1) strong and reliable cashflows from its operations and (2) a robust capitalisation which weathered all capital market storms in the last decade

→ Maintaining high flexibility in all areas is key to provide an ongoing high level of cash payout to our shareholders

→ Beside tweaking insurance and market risks, the increasing burden by regulatory frameworks is a challenge in terms of managing the business



# Insurance Risk

## Efficient reinsurance solution reflects strong capitalisation

- Focus on organic growth in core markets while looking at bolt-on opportunities

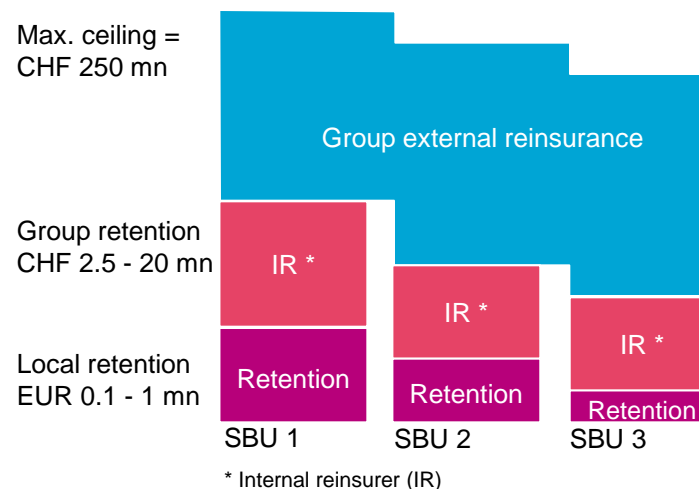
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- Life: improved new business mix with low capital consumption

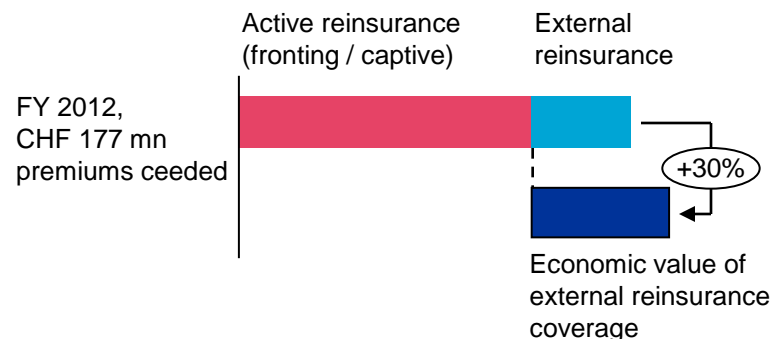
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- Non-life: already efficient and well optimised reinsurance
  - Optimisation based on economic value and risk tolerance considerations
    - Reinsurance to reduce capital needs on SBU and Group level
    - Protection of Group result against large claims with low likelihood
  - Solely XL programmes with high Group retention rates which reflect the strong capitalisation
  - Using internal risk model to determine the optimal risk retention
  - Synergy effect thanks to centralised purchasing

Framework of reinsurance coverage, illustrative example



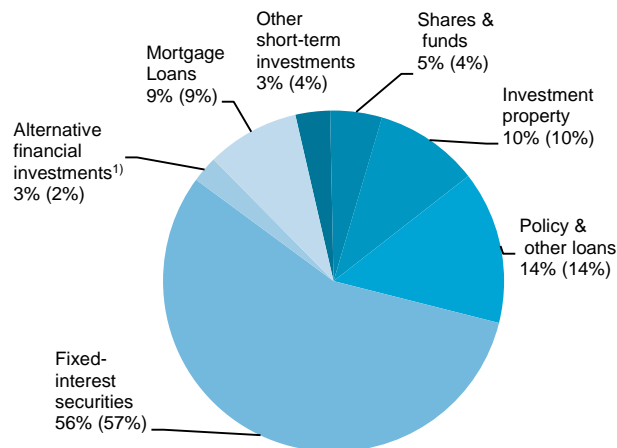
Economic value calculation drives reinsurance demand



# Market Risk

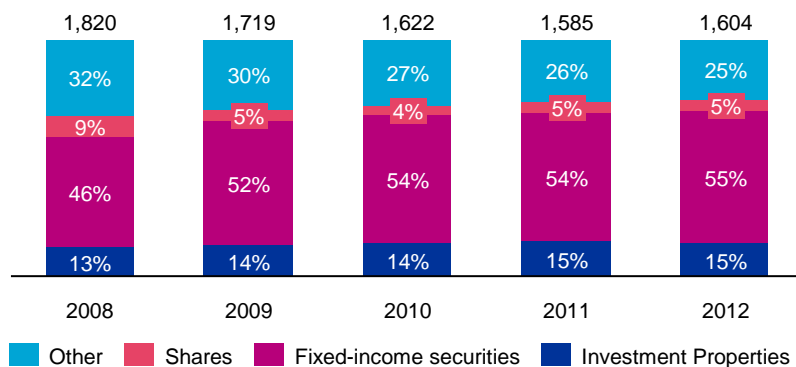
## Focus remains on high recurring income

Asset allocation, HY 2013 CHF 53.8 bn (FY 2012 53.1 bn)  
excluding banking assets and assets from investment-type premiums



<sup>1)</sup> private equity & hedge funds

Recurring income, in CHF mn



→ Investment process embedded into overall risk management framework. Risk capital consumption of investments has to fit into current risk capacity and risk appetite

→ Asset allocation only captures parts of risk capital consumption. Liability-driven market risk (e.g. interest rate guarantees) is as important

→ Decision to which risk factor we expose capital depending on then prevailing market environment and other constraints or requirements

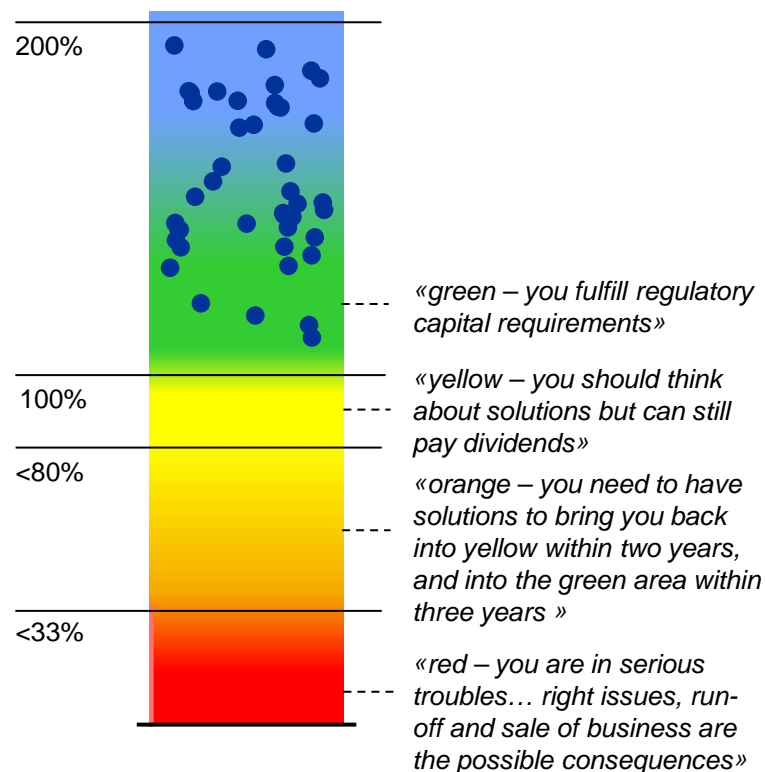
→ Currently, our duration positioning is paying off. Furthermore, higher interest rates disburden risk capital consumption and facilitate reinvestments

# Regulatory Framework

## 4 things you should know about the Swiss Solvency Test (SST)

- 1. 100% is already strong!** Around 20% of target capital requirements comprise impacts from various scenarios, ranging from terrorist attacks, huge natcat events up to severe capital market crashes. Hence capital has to be adequate to meet even these kind of investors' nightmares
- 2. Roller coaster volatility.** Given the unfinished status of SST, the questionable one year scope of the models and the immense interest rate volatility makes any disclosed figure useless. A shift of 100 bps in interest rates can impact the calculation of the risk bearing capital by up to CHF 2 bn
- 3. "Real" problems only begin below 80%.** The only clear message that SST currently is able to make: if a company runs below 80% it starts to get difficult: no dividends, potential right issues and partly sell-off of business
- 4. Excess capital rarely applies for payout.** Being well above 100% indicates an "excess". However this "excess capital" has neither to be available in cash nor is fungible. You could bring it back into risk via e.g. higher equity exposure or change in insurance risk exposure. Baloise dividends are paid out of operational cashflows and not out of economic reserves

Baloise SST, monthly values for 2009 -2012  
(internal economic model)

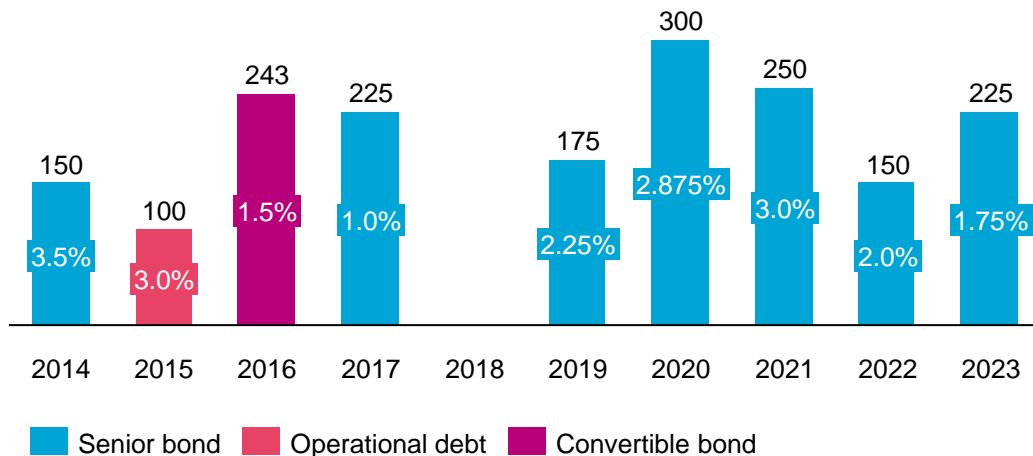




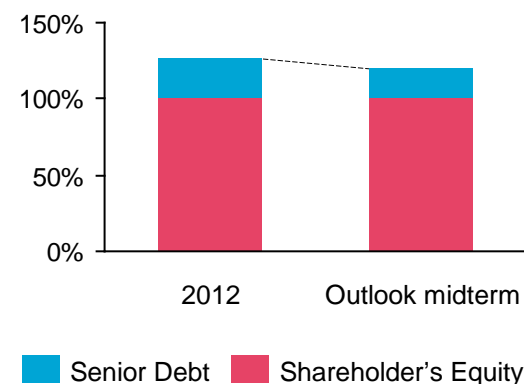
# Strategic Flexibility

## Reduction of leverage likely in midterm

Debt outstanding, CHF mn (% coupon)



Capital structure \*



\* Amount of outstanding capital instruments (excl. senior debt) indexed at 100%

→ Strong credit quality reputation in credit markets gives Baloise excellent refinancing conditions

→ In an environment with rising interest rates, we do expect to reduce the level of outstanding bonds in midterm to reduce financing costs

→ Full hybrid capacity untapped, i.e. full financial flexibility given

# Payout

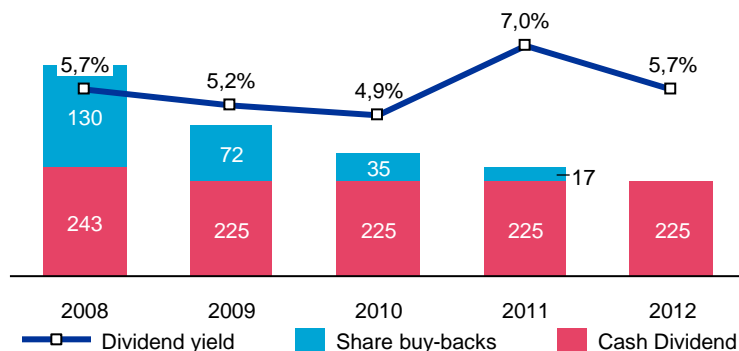
## A very attractive track record to be continued

### Track record

- The attractive dividends and share buy-backs during the last decade have had **additionally the reliability of a high-quality corporate bond**
- **Top 5 dividend growth** over a period of the **last 25 years<sup>1)</sup>**
- **CHF 1.4 bn** or approx. 25% of market capitalisation have been passed onto shareholders in the form of dividends and share buy-backs **during the last five years**

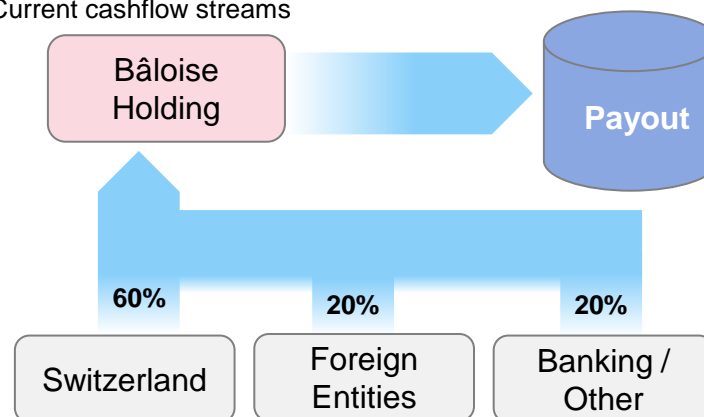
1) among all companies represented in the Swiss-Market-Index in the last 10 years, Source: J. Safra Sarasin (08/2013)

Payout track record, in CHF mn



### Outlook

Current cashflow streams



- The dividend of the past decade was mainly funded by the highly profitable Swiss non-life business
- Given untapped profit potential in foreign entities as well as life earnings expected to recover, higher cashflow contribution to the Holding is likely
- A reliable future payout is the key ambition within Baloise's capital management

## 06 Wrap-up

**Martin Strobel**  
Group CEO

# Wrap-up

## A consistently successful and rewarding business model

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- Baloise has a unique industry approach with a strong strategy execution across the Group

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  - Switzerland will remain a high and very reliable stronghold in terms of cashflow generation

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  - Significant untapped profit potential in our foreign entities has been identified and will be systematically harvested

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  - Albeit challenging regulatory environment, Baloise has a strong momentum in capitalisation as well as in cashflow generation. We are committed to an attractive and reliable future payout level
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# Q&A

## III Reporting Agenda & Contact Details

# Reporting Agenda

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→ Q3 Interim Statement

Thursday, 14 November 2013

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→ Full Year Results 2013

Tuesday, 25 March 2014

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→ Annual General Meeting

Thursday, 24 April 2014

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You will find all published documentation at [www.baloise.com](http://www.baloise.com)

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# Contacts

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