

Baloise Group – Strong Operations deliver high Cashflows

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Helvea – Financials Seminar 2014, Zurich, 4 June 2014



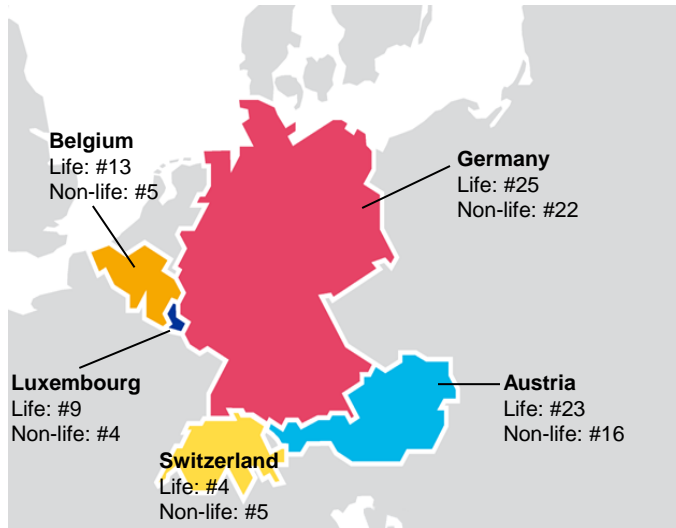
Making you safer.

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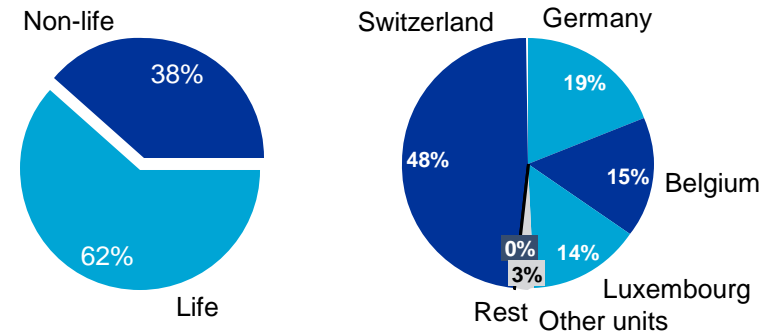
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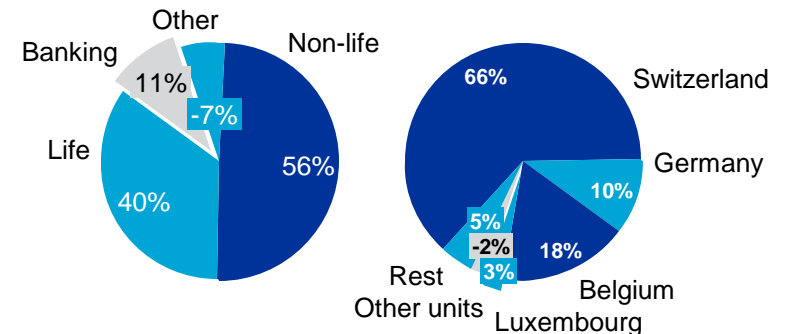
The Baloise Group Overview



Business Volume, FY 2013 CHF 9,009 mn



EBIT, FY 2013 CHF 658 mn



Target Customer and Partner Management

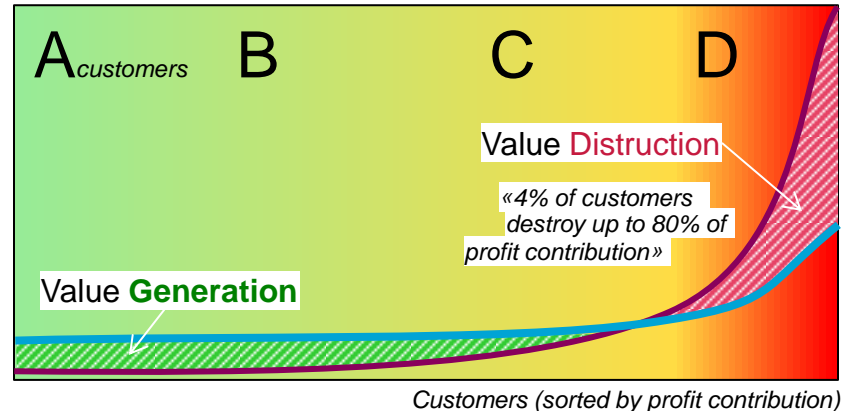
The centrepiece of our strategy

«**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*

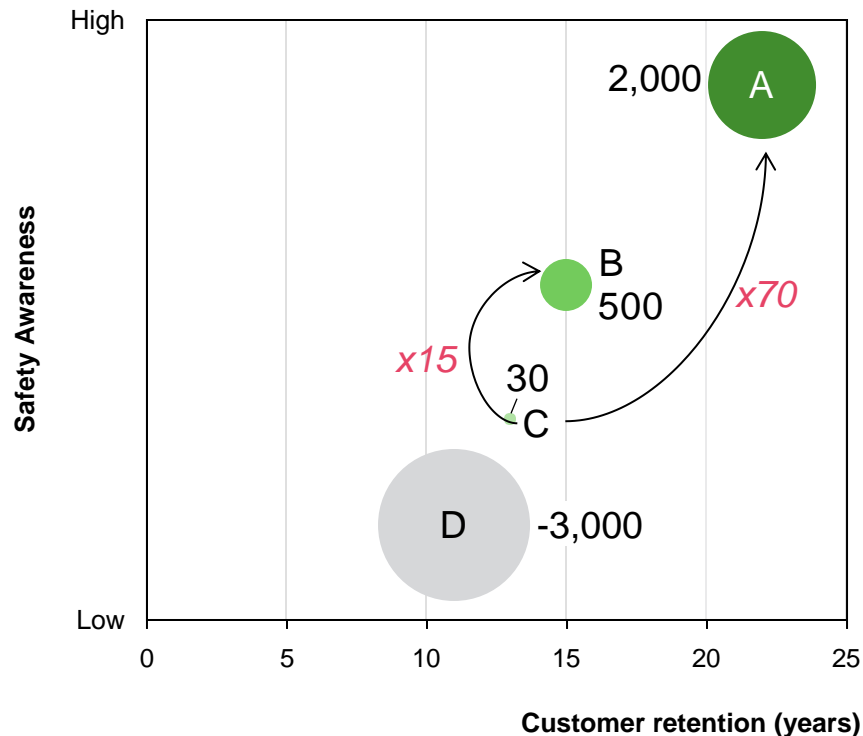


- Sole focus on the business has been shifted to the customer
- Extensive data mining capabilities to assess the entire portfolio
- Target customer system throughout the entire value generation process, e.g. tied agents incentivised by customer development and not only by volume
- Target: grow with A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

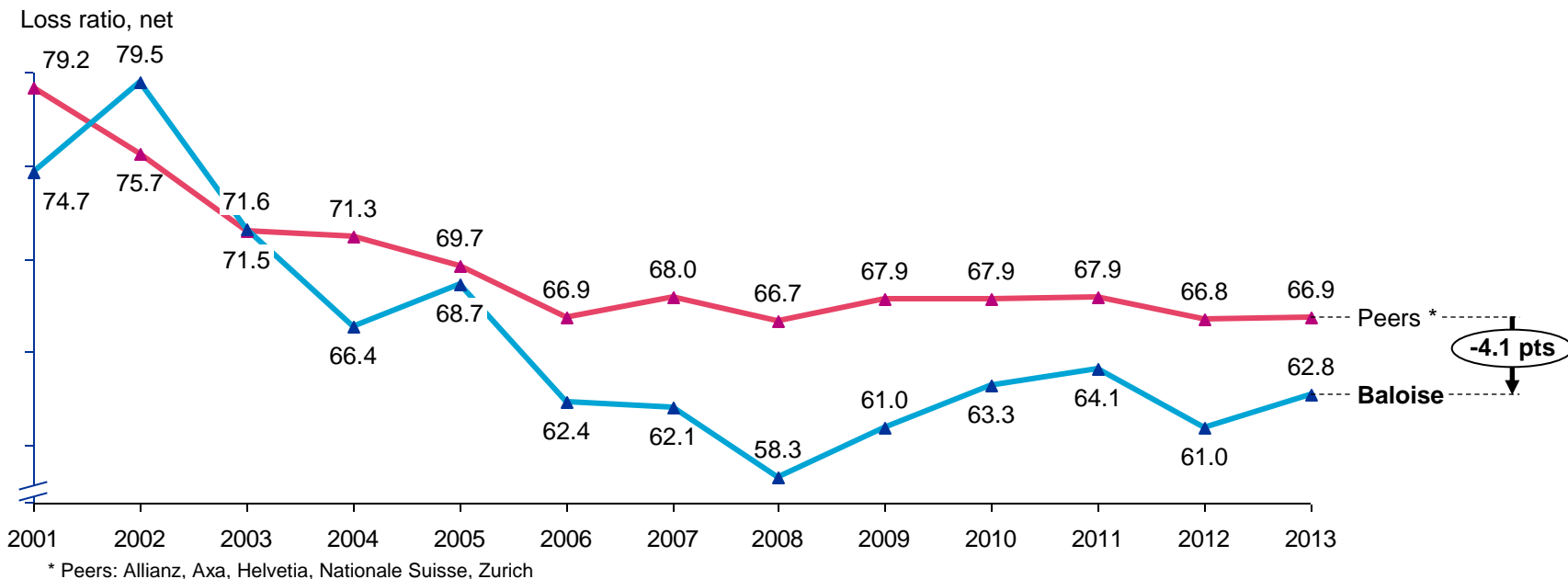
→ As the key customer identifier we do neither use wealth nor age but a proxy for the future expected lifetime earnings. Safety awareness and cross-selling likelihood increase with improving customer value

→ 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



→ Since inception of Target Customer Management in 2005, Baloise was able to outperform the market year after year

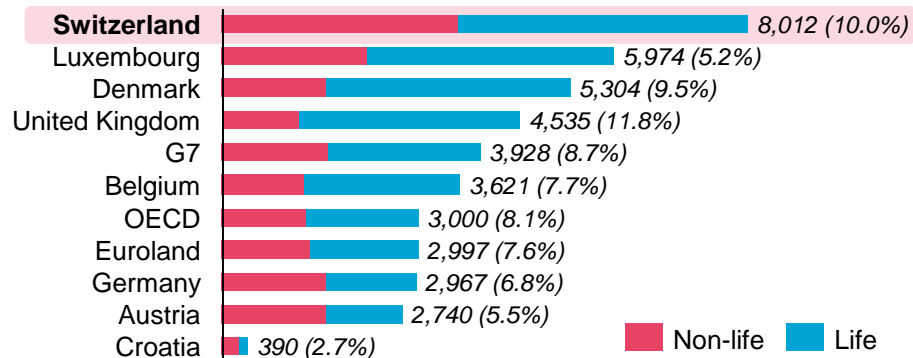
→ Meanwhile Baloise has one of the most profitable insurance portfolios in Europe

→ This outperformance is pricing resistant, hard to copy and translates into high earning power

Switzerland

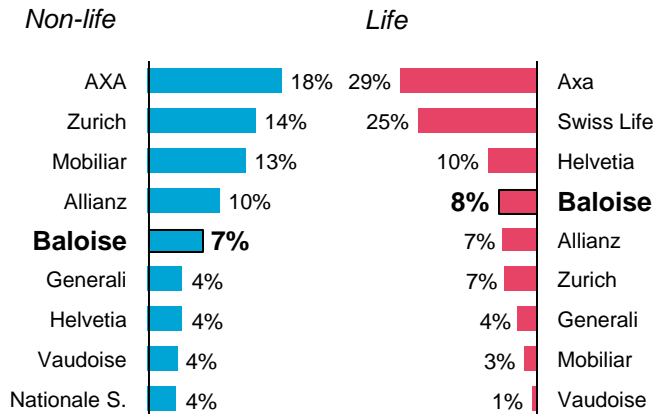
A stronghold in cash generation

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



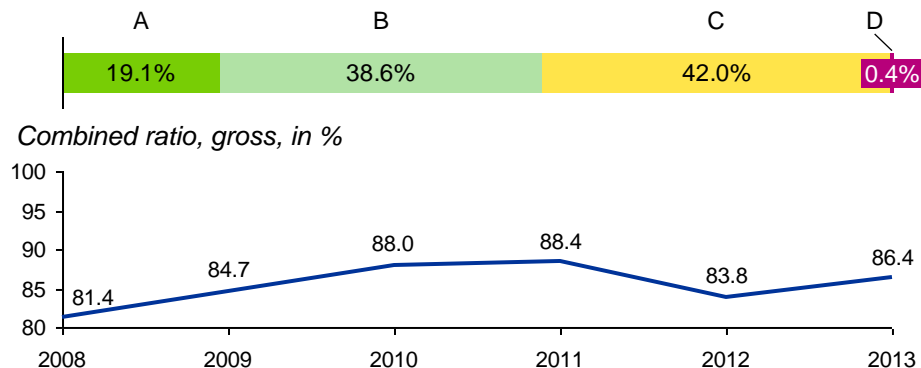
Source: Swiss Re, sigma 3/2012

② «... with a strong market share...»



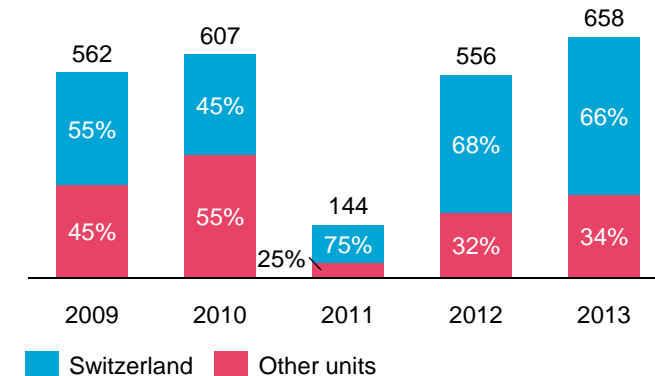
③ «... and a very reliable & highly profitable strategy...»

Target retail customer structure, FY 2012



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

EBIT, in CHF mn

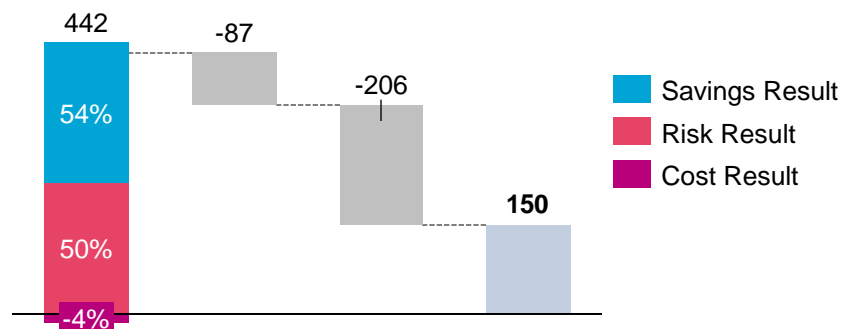


Life Business

Strong inforce business and attractive new business «pipeline»

Inforce

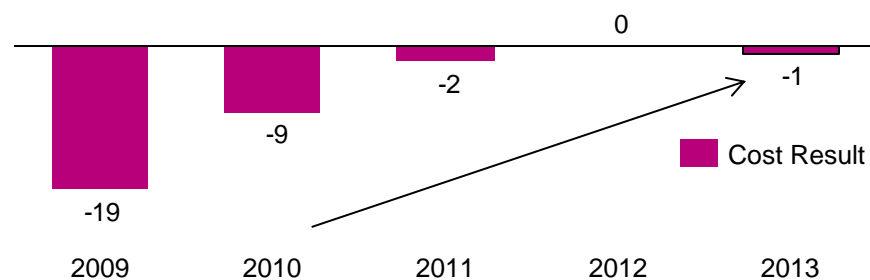
EBIT Life 2012, contribution from Switzerland by profit sources, in CHF mn



Gross Result Interest Rate Effect * Policyholder Participation EBIT Life Switzerland

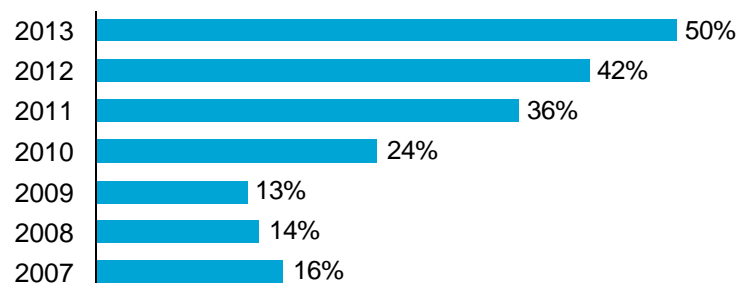
* Change in technical reserves, deferred acquisition costs, unearned revenue reserves and swaptions due to interest rate movements

Cost result, Group Life Business Switzerland, in CHF mn



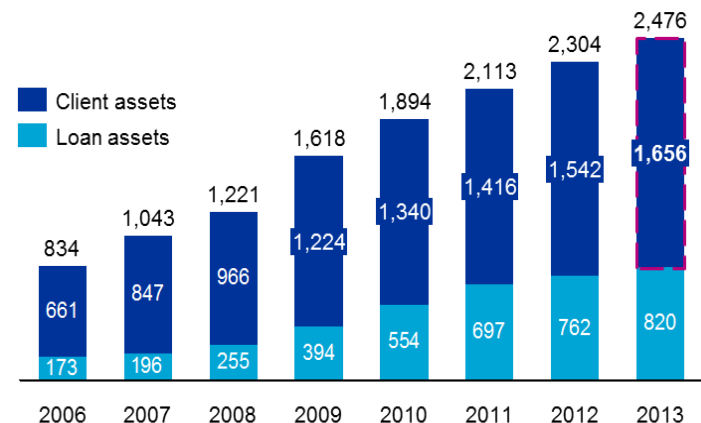
New Business

Modern products* ratio in % of APE



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

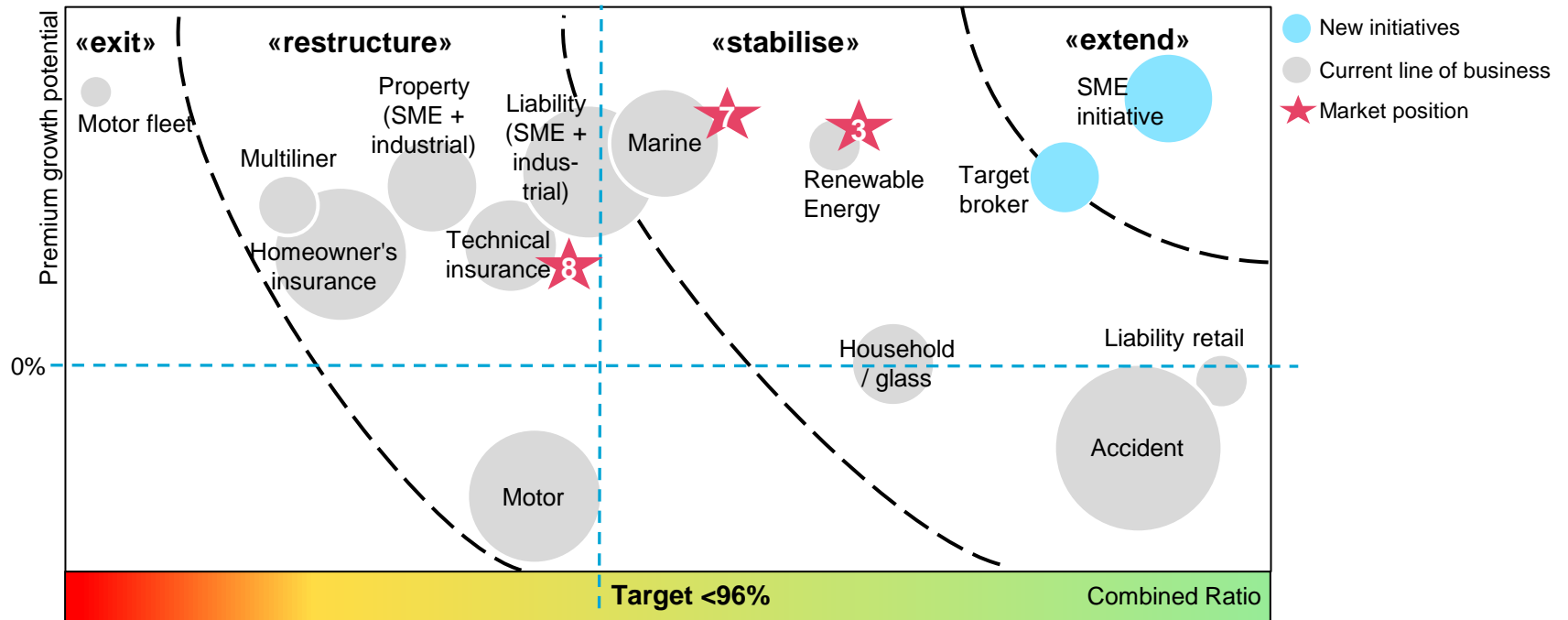
Life new business «pipeline» within banking operation, in CHF mn



Non-life Business Germany

Exit and restructure mass markets & focus on successful segments

Non-life portfolio, business volume 2012

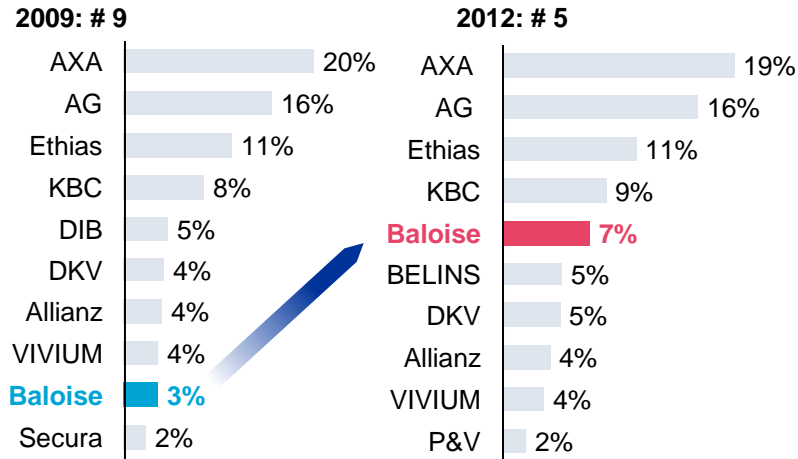


- Exit unprofitable mass markets, like motor fleet business
- Restructure major part of portfolio with full implementation of target customer management
- Target new profitable growth areas with Safety World concept
- Ambition to restructure portfolio to achieve a combined ratio of below 96%

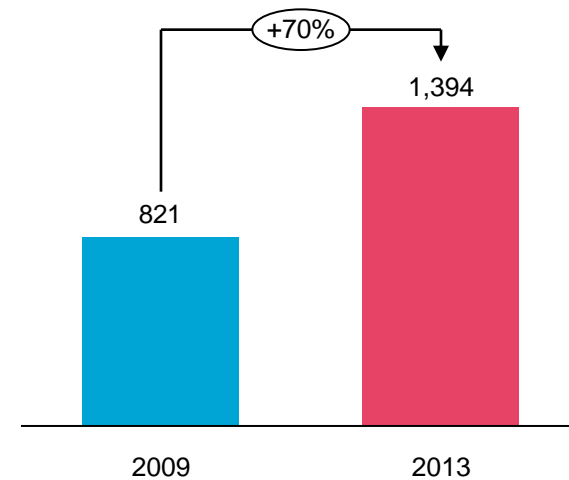
Belgium – A bigger Platform

Transform growth into profitability

Market share non-life

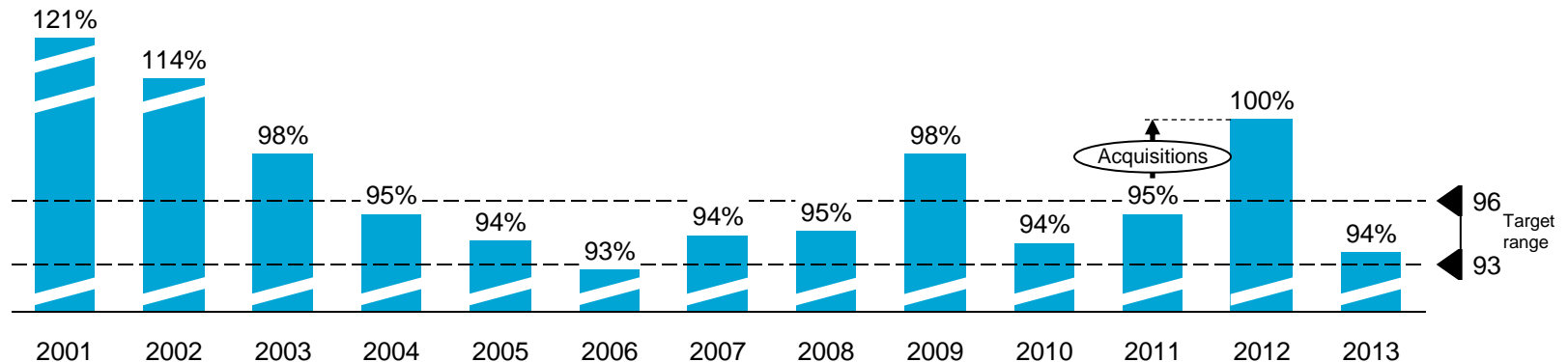


Business volume, in CHF mn



Source: National Bank of Belgium (NBB)

Combined ratio, gross

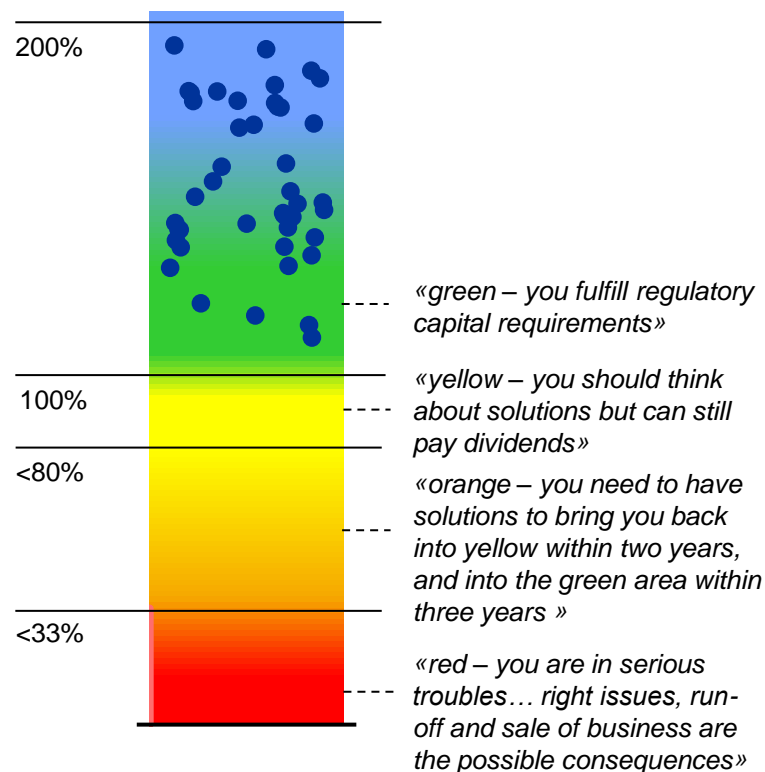


Regulatory Framework

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)



Payout

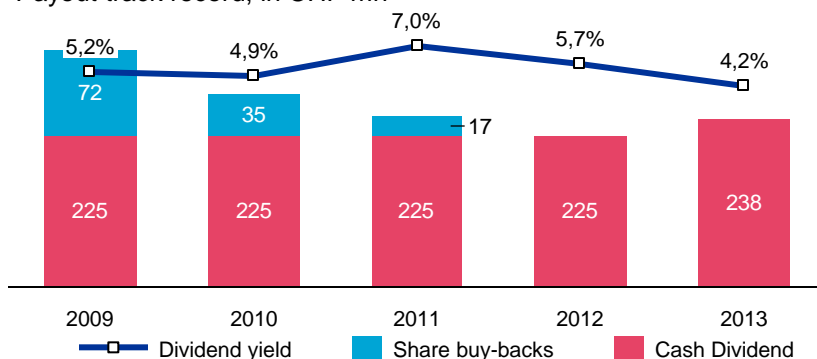
A very attractive track record to be continued

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 years¹⁾**
- **CHF 1.3 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**

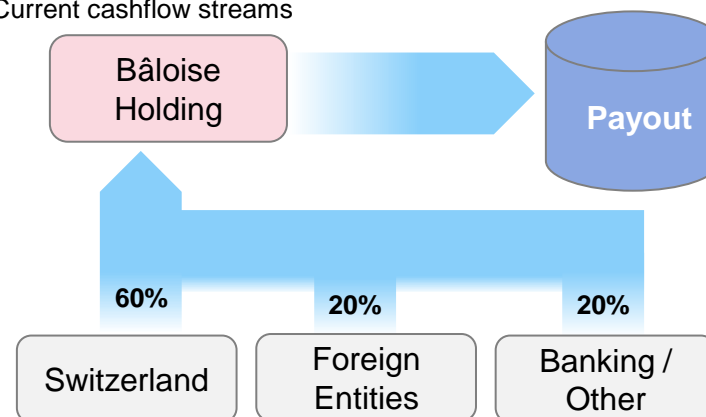
1) among all companies represented in the Swiss-Market-Index in the last 10 years, Source: J. Safra Sarasin (08/2013)

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

Summary

A consistently successful and rewarding business model

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

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

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

→ 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

Q&A

III Reporting Agenda & Contact Details

Reporting Agenda

→ Half Year Results 2014

Thursday, 28 August 2014

→ Q3 Interim Statement

Friday, 14 November 2014

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

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