

# Annual Results 2008

## «Making you safer»

Meeting of Financial Analysts and Media - Basel, 18 March 2009



**Making you safer.**

# Cautionary Statement Regarding Forward-Looking Information

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# 01 Highlights

**Martin Strobel**  
Group CEO

# Highlights 2008

## Resilient operating cash flows and strong balance sheet

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- Strong operational performance leads to profit of CHF 387 mn despite crisis on financial markets
  - 0.7% growth in business volume (in CHF -1.0%), driven by nonlife growth of 2.8% (in CHF 0.8%) and growth in traditional life with gross premiums written up by 2.8% (in CHF 1.7%)
  - Resilient cash generation and excellent net combined ratio of 90.9% in nonlife
  - Solid growth in group life, launch of new VA-product in Switzerland
  - High recurring investment income assures the coverage of guarantees
  - Strong balance sheet with a high group solvency of 196%
  - Stable dividend of CHF 4.50 and continued share buy-backs resulting in 98% total payout ratio
  - Establishment of clear governance structures in Germany initiated
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# 02 Financial Results

**German Egloff**  
Group CFO

# Remarks regarding Restatements

## No significant impact

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→ No reclassification of assets based on IAS 39 amendments with retroactive effect to 1 July 2008

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→ Restatement of 2007 figures due to application of IFRIC 14. Impact of CHF -37 mn on balance sheet and CHF -9 mn on net profit 2007

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→ Change in consolidation methodology of formerly quota consolidated German participations

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→ Expansion of shadow accounting

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→ For more details go to page 12 in the financial report 2008

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# Key Figures

## Strong results in a challenging environment

in CHF mn	2007	2008	+/-
Profit for the period	820	<b>387</b>	-52.8%
Earnings per share (undiluted)	15.15	<b>7.33</b>	-51.6%
Total equity	4,975	<b>3,896</b>	-21.7%
Book value per share	91.2	<b>75.6</b>	-17.1%
Return on equity (RoE)	16.7%	<b>9.0%</b>	-7.7 pts
Total business volume	7,938	<b>7,858</b>	-1.0%
Gross premiums written	6,868	<b>6,954</b>	1.2%
Investment return <sup>1)</sup>	4.4%	<b>2.5%</b>	-1.9 pts
Combined ratio, net	95.1%	<b>90.9%</b>	-4.2 pts
Embedded value	3,231	<b>2,446</b>	-24.3%
Return on embedded value (RoEV)	24.5%	<b>-20.1%</b>	n.m.
New business margin	9.5%	<b>7.9%</b>	-1.6 pts
Consolidated solvency I <sup>2)</sup>	294%	<b>196%</b>	-98 pts

<sup>1)</sup> Including costs, excluding movements in unrealised capital gains, excluding investment-type assets

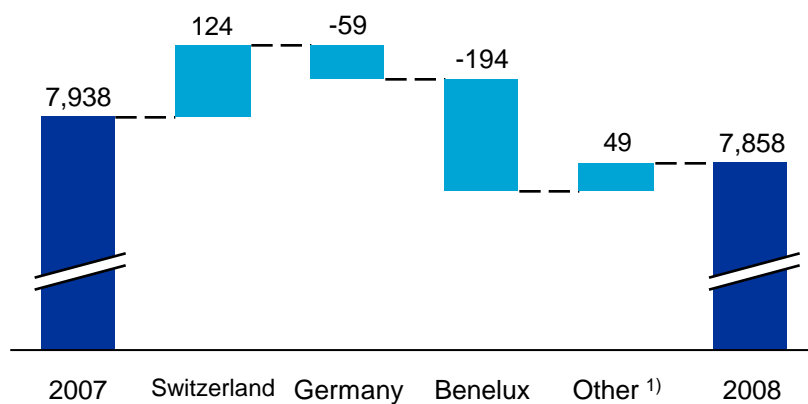
<sup>2)</sup> Excluding banking; previous year consolidated solvency I adjusted due to restatement and change in calculation methodology from 287% to 294%



# Business Volume

## Sound growth

### By country

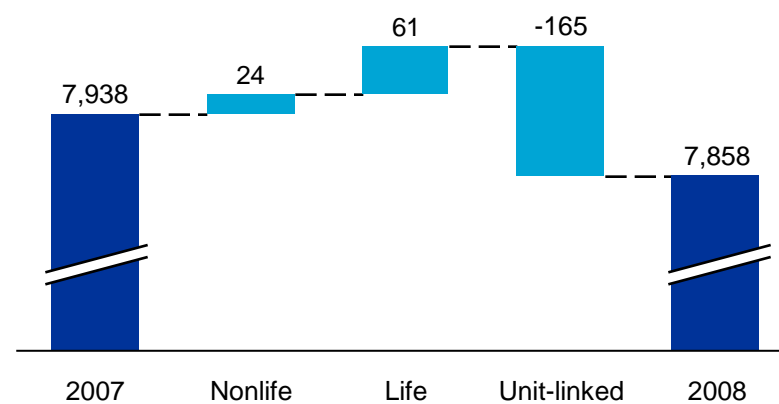


in CHF mn	2007	2008	+/-	+/- LC <sup>2)</sup>
Switzerland	3,743	<b>3,867</b>	3.3%	3.3%
Germany	2,384	<b>2,325</b>	-2.5%	0.9%
Benelux	1,563	<b>1,369</b>	-12.5%	-9.4%
Other 1)	248	<b>297</b>	19.8%	22.8%
<b>Total</b>	<b>7,938</b>	<b>7,858</b>	<b>-1.0%</b>	<b>0.7%</b>

<sup>1)</sup> Other countries (incl. Austria, Baloise Life (Liechtenstein), Croatia and Serbia)

<sup>2)</sup> Local currency (LC)

### By line of business

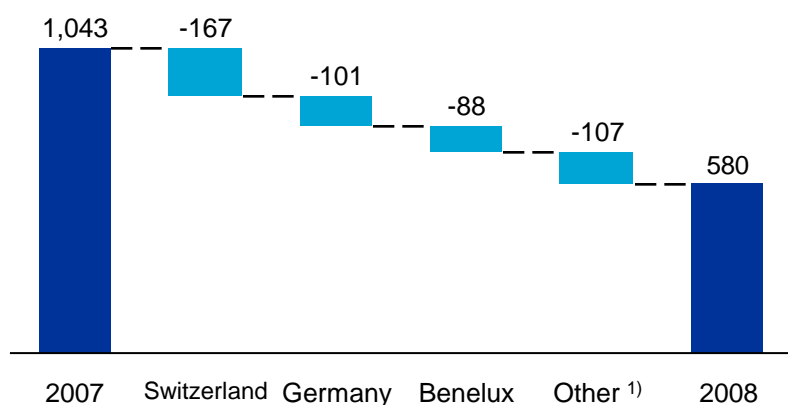


in CHF mn	2007	2008	+/-	+/- LC <sup>2)</sup>
Nonlife	3,191	<b>3,215</b>	0.8%	2.8%
Life	3,678	<b>3,739</b>	1.7%	2.8%
Unit-linked	1,069	<b>904</b>	-15.4%	-12.6%
<b>Total</b>	<b>7,938</b>	<b>7,858</b>	<b>-1.0%</b>	<b>0.7%</b>

# EBIT

## Positive contribution from all regions

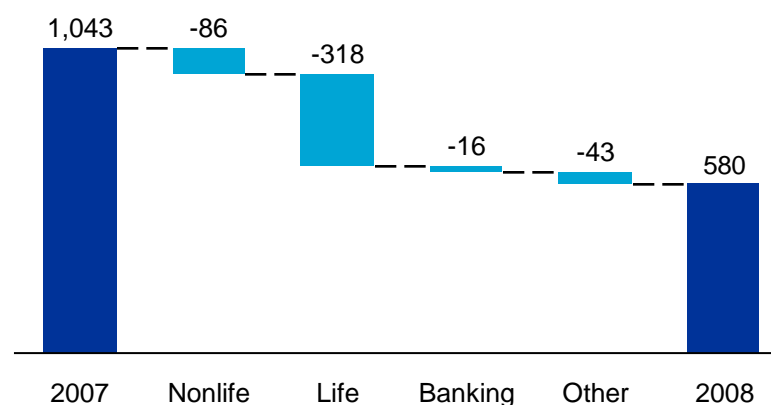
### By country



in CHF mn	2007	2008	+/-
Switzerland	403	<b>236</b>	-41.5%
Germany	194	<b>93</b>	-51.9%
Benelux	184	<b>96</b>	-47.7%
Other 1)	262	<b>155</b>	-41.0%
Total	1,043	<b>580</b>	-44.4%

1) Other countries (incl. Austria, Baloise Life (Liechtenstein), Croatia and Serbia)

### By line of business



in CHF mn	2007	2008	+/-
Nonlife	509	<b>423</b>	-16.8%
Life	407	<b>89</b>	-78.1%
Banking	69	<b>53</b>	-23.3%
Other	58	<b>15</b>	-74.9%
Total	1,043	<b>580</b>	-44.4%

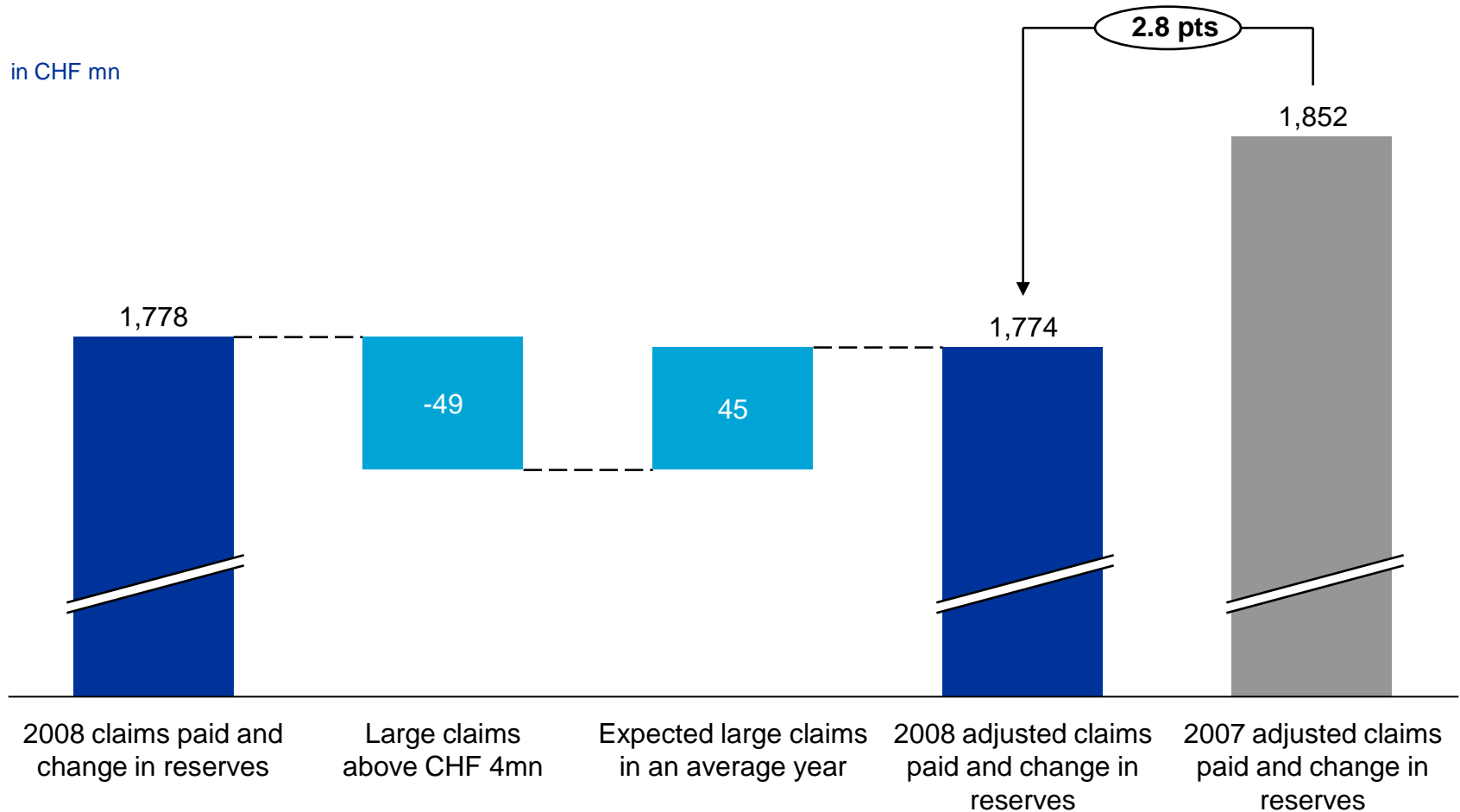
# Key Figures Nonlife

Excellent operational result with strong cash flows...

in CHF mn	2007	2008	+/-
Gross premiums written	3,191	<b>3,215</b>	0.8%
Investment income	461	<b>165</b>	-64.3%
Claims incurred	1,887	<b>1,780</b>	-5.7%
Technical expenses	998	<b>1,011</b>	1.3%
EBIT	509	<b>423</b>	-16.8%
Combined ratio, gross	93.0%	<b>88.1%</b>	-4.9 pts
Loss ratio, gross	61.0%	<b>56.3%</b>	-4.7 pts
Expense ratio, gross	31.5%	<b>31.3%</b>	-0.2 pts
Surplus sharing ratio, gross	0.5%	<b>0.5%</b>	-0.0 pts








# Adjusted Loss Ratio Net

## ...despite average load of large losses



# Technical Performance Nonlife

## Excellent technical result

gross, in %	Basler Switzerland	Deutscher Ring	Basler Germany	Mercator	Bâloise Luxembourg	Basler Austria	Croatia (incl. Serbia)	Group
								
Loss ratio	55.8	38.7	62.4	58.0	52.6	63.4	59.0	56.3
Expense ratio	24.7	51.6	31.5	36.3	35.6	36.4	46.2	31.3
Surplus sharing ratio	0.9	-	0.3	0.2	0.2	-	-	0.5
Combined ratio 2008	81.4	90.3	94.2	94.5	88.4	99.8	105.2	88.1
Combined ratio 2007	88.6	97.2	97.3	94.3	91.6	99.9	117.6	93.0
Change vs. 2007 (in pts)	-7.2	-6.9	-3.1	0.2	-3.2	-0.1	-12.4	-4.9

# Key Figures Life

## Growth in traditional life accelerated

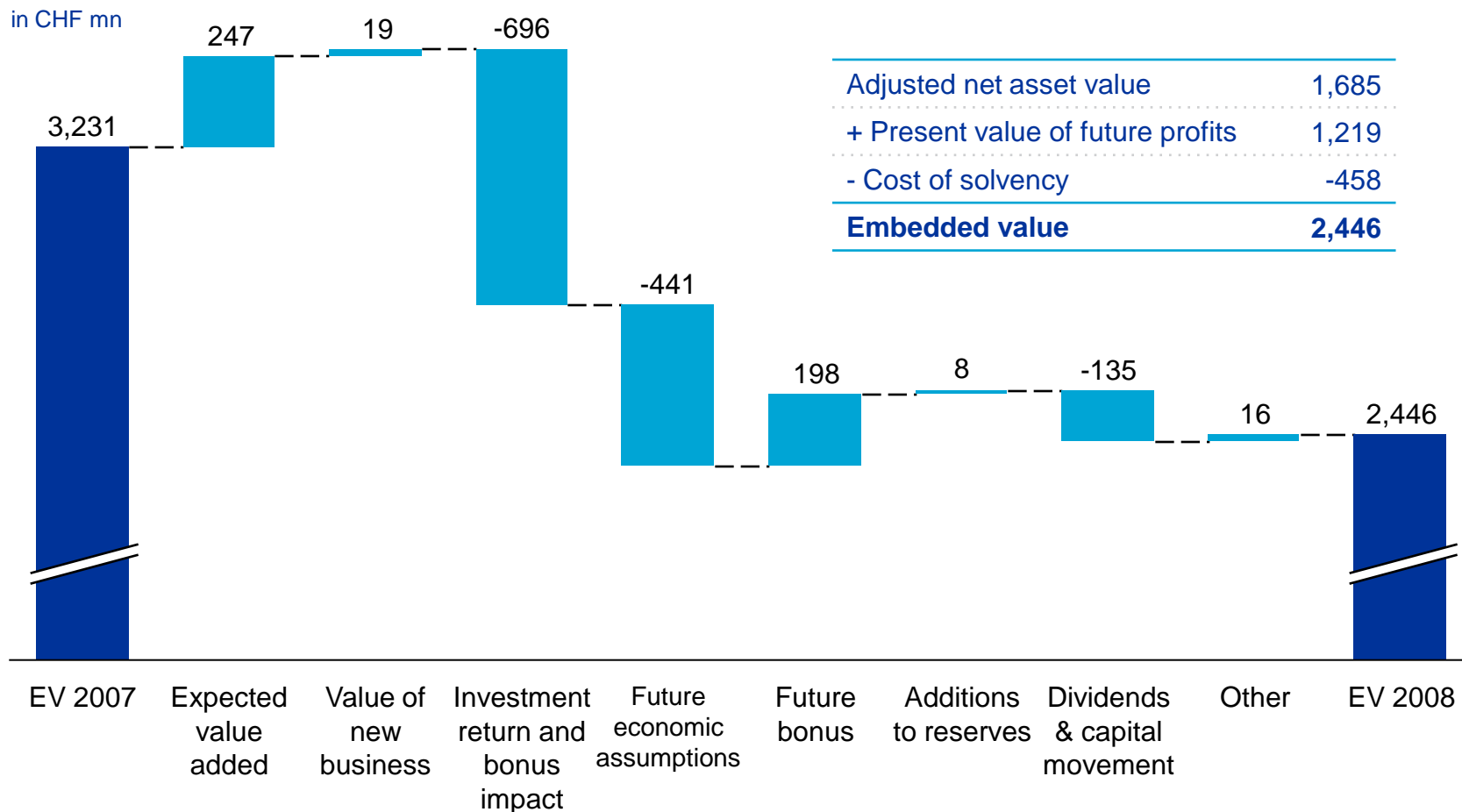
in CHF mn	2007	2008	+/-
Business volume	4,747	<b>4'644</b>	-2.2%
Gross premiums written	3,678	<b>3'739</b>	1.7%
Investment-type premiums	1,069	<b>904</b>	-15.4%
Investment income <sup>1)</sup>	1,860	<b>1,021</b>	-45.1%
Benefits to policyholders <sup>2)</sup>	-4,427	<b>-3'239</b>	-26.8%
Technical expenses	-547	<b>-612</b>	11.9%
EBIT	407	<b>89</b>	-78.1%
Embedded value	3,231	<b>2,446</b>	-24.3%
Return on embedded value (RoEV)	24.5%	<b>-20.1%</b>	n.m.
Value of new business	20	<b>19</b>	-4.4%
Annual premium equivalent (APE)	212	<b>244</b>	14.9%
New business margin	9.5%	<b>7.9%</b>	-1.6 pts

<sup>1)</sup> excl. investment-type assets

<sup>2)</sup> incl. change in technical reserves

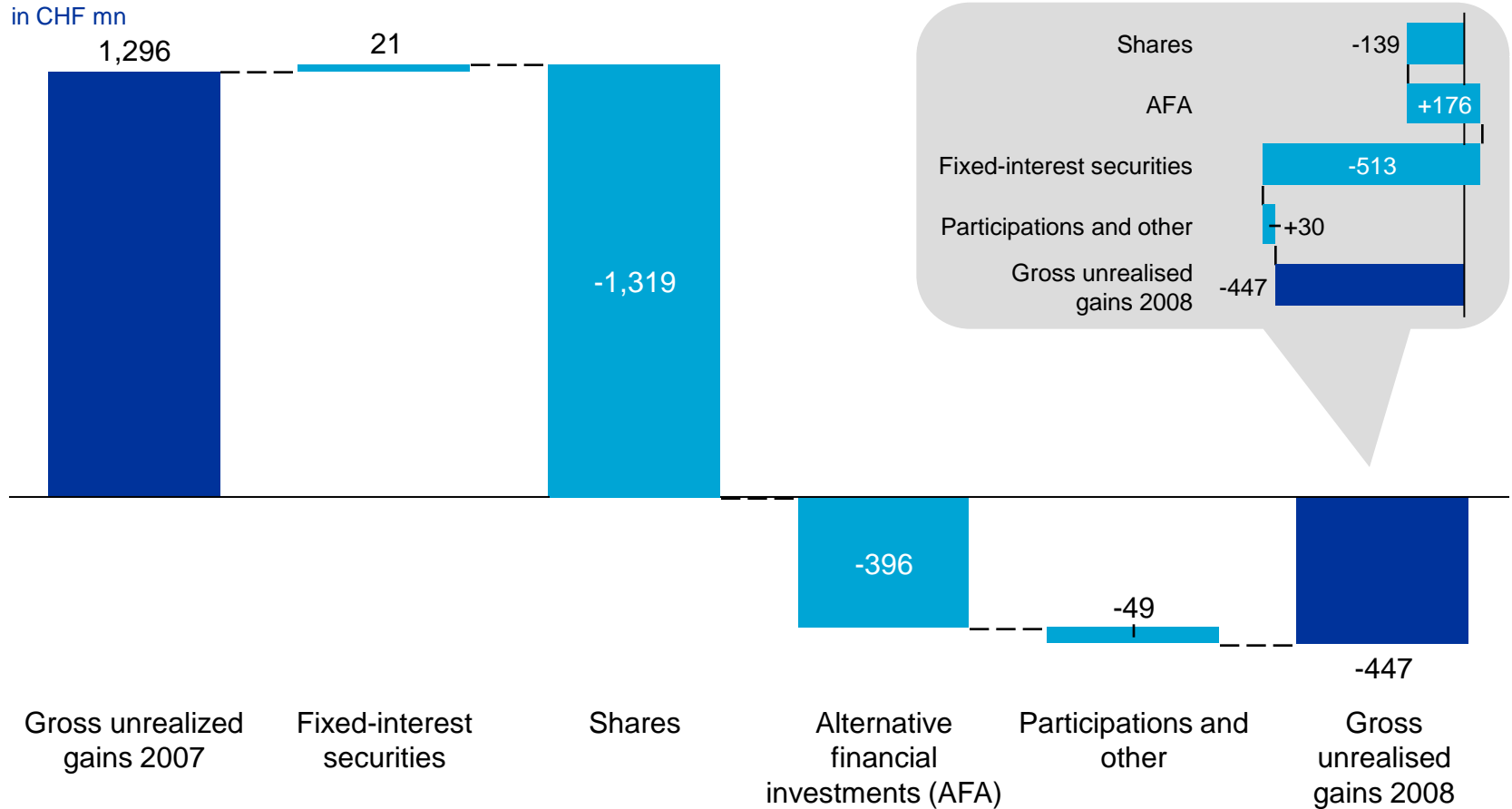
# Change in Embedded Value

## Market turmoil weighs on life valuation



# Gross Unrealised Capital Gains

## Major impact of financial crisis

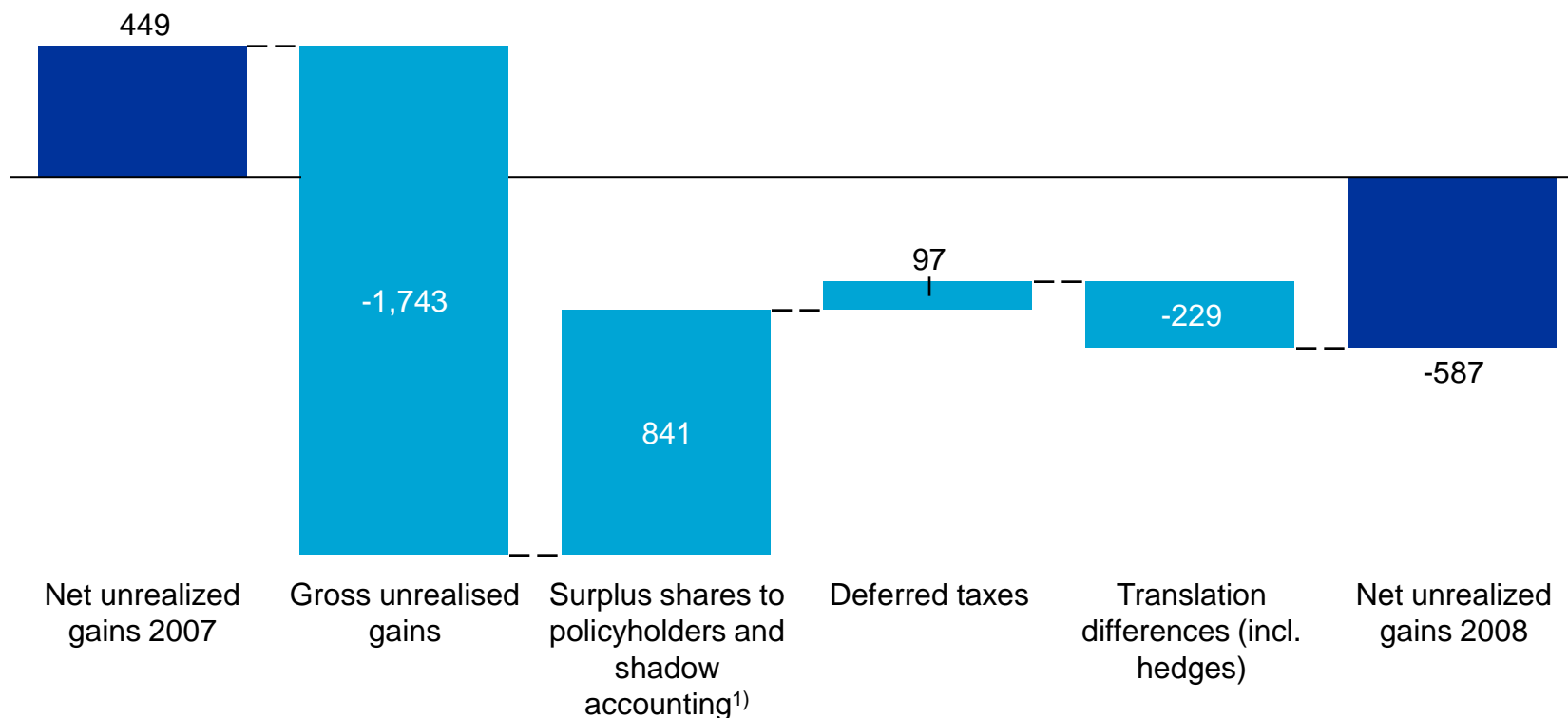




# Net Unrealised Capital Gains

## Additional impact from translation differences

in CHF mn



<sup>1)</sup> Incl. DAC, URR, terminal policyholders' dividends  
Reference: see note 22 in the financial report

# Change in Equity

## Return on equity of 9.0%

in CHF mn	2008	Per share <sup>1)</sup>
<b>Total equity at January 1 (incl. minorities)</b>	<b>4,975</b>	<b>91.2</b>
Change in net unrealised gains and losses	-1,056	
Dividends	-285	
Profit for the period	387	$\Delta = -17.1\%$
Purchase / sale of treasury shares	-123	
Change in minority interests	-2	
<b>Total equity at December 31 (incl. minorities)</b>	<b>3,896</b>	<b>75.6</b>
<b>Return on equity</b>	<b>9.0%</b>	

<sup>1)</sup> Based on consolidated total equity (excluding minorities) and on average shares outstanding

# Share Buy-backs

Old programme completed earlier, new programme continued

## Share buy-back programme 2006-2008

(up to 10% of outstanding shares<sup>1)</sup>)

## Share buy-back programme 2008-2009

(up to 4% of outstanding shares<sup>2)</sup>)

## Share buy-backs in 2008 total:

	Buyback (share)	Ø price (CHF)	Amount <sup>4)</sup> (CHF mn)	Execution (in %)	Buyback (share)	Ø price (CHF)	Amount <sup>4)</sup> (CHF mn)	Execution (in %)	Buyback (share)	Amount <sup>4)</sup> (CHF mn)
<b>2006</b>	1,074,000	105.84	113.7	1.9%						
<b>2007</b>	3,283,000	118.98	390.9	5.9%						
<b>2008</b>	1,173,715	95.99	112.6	2.1%	274,217	64.42	17.7	0.6%	1,447,932	130.3
<b>2009</b>					415,783 <sup>3)</sup>	70.19 <sup>3)</sup>	29.2 <sup>3)</sup>	0.8% <sup>3)</sup>		
<b>Total</b>	5,530,715	111.62 <sup>2)</sup>	616.8 <sup>2)</sup>	10%	690,000 <sup>3)</sup>	67.90 <sup>3)</sup>	46.8 <sup>3)</sup>	1.4% <sup>3)</sup>		

<sup>1)</sup> Outstanding shares at begin of share buy-back programme: 55'307'150 shares

<sup>2)</sup> Outstanding shares at begin of share buy-back programme: 50'000'000 shares

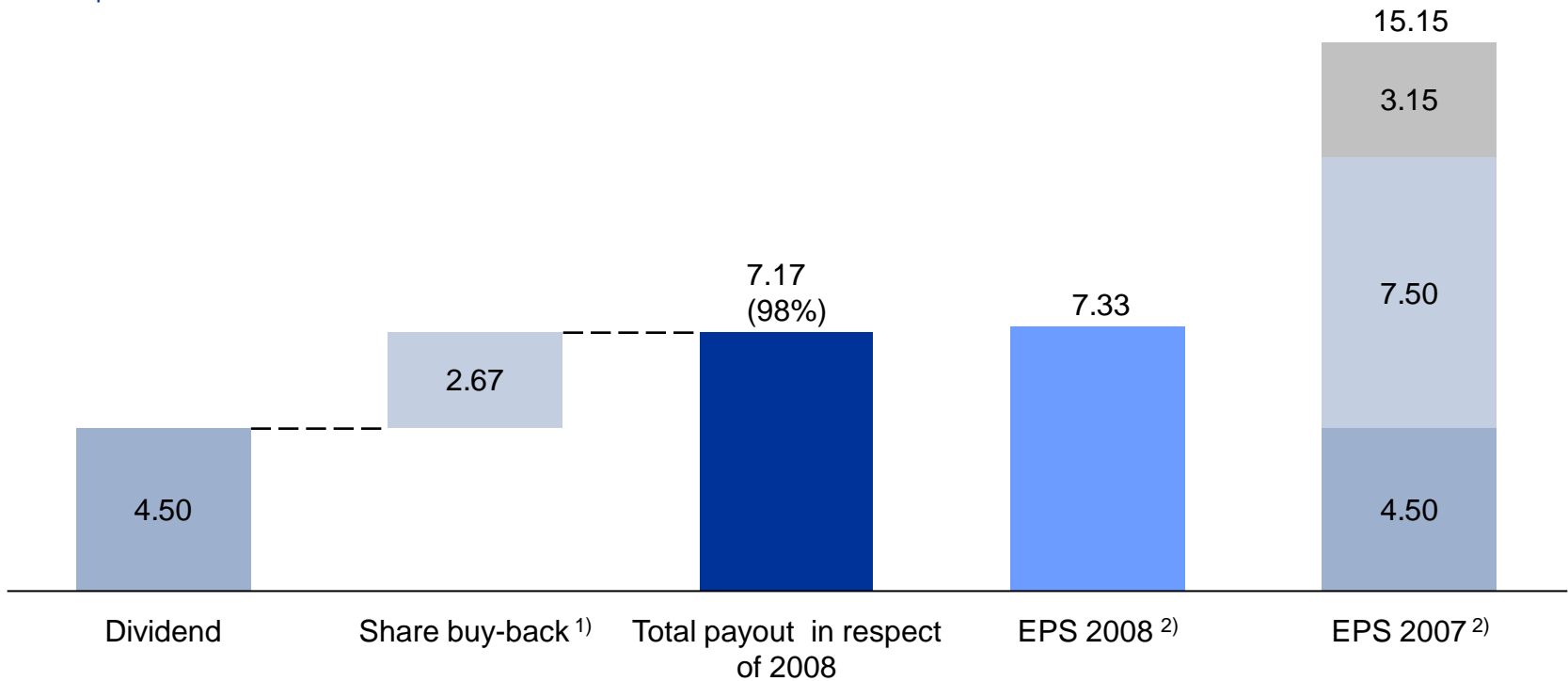
<sup>3)</sup> As per 4.3.2009

<sup>4)</sup> Incl. transaction costs

# Distribution to Shareholders

## 98% total payout ratio

in CHF per share



<sup>1)</sup> Calculation based average shares outstanding (48'852'533 shares)

<sup>2)</sup> EPS on undiluted basis

# 03 Asset Management

**Martin Wenk**  
Group CIO

# Dislocation of Financial Markets

## US subprime crisis evolved into a financial market crisis

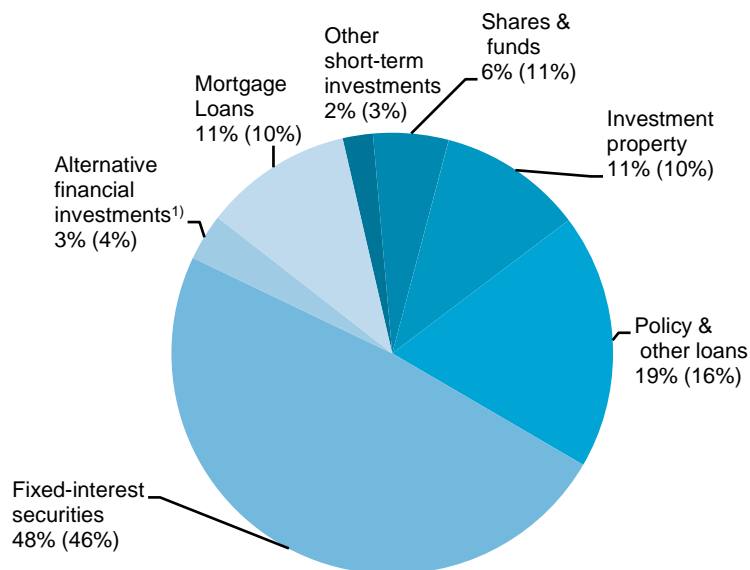
	What happened in the market...	... how did we behave in 2008
<b>Equity and equity related investments</b>	<ul style="list-style-type: none"><li>→ <b>Worst equity markets since 1931</b></li><li>→ Equity CH: - 34%</li><li>→ Equity EUR: - 42%</li><li>→ Equity World: - 42%</li><li>→ Equity Emerging Markets: - 53%</li></ul>	<ul style="list-style-type: none"><li>→ <b>Dynamic hedge programme triggered and equity gearing further reduced</b></li><li>→ Therefore sharp exposure reduction throughout the year, starting in January completed beginning of October</li></ul>
<b>Interest sensitive investments</b>	<ul style="list-style-type: none"><li>→ <b>Sharp decline of rates in 2<sup>nd</sup> semester</b></li><li>→ 10y risk free CH: - 95 bp</li><li>→ 10y risk free EUR: - 135 bp</li><li>→ Unseen spike of credit spreads</li></ul>	<ul style="list-style-type: none"><li>→ <b>Conservative corporate bond exposure, focus on governments and covered bonds</b></li><li>→ Increased cash position towards the end of the year and further diversification of bank deposits</li></ul>
<b>Currency</b>	<ul style="list-style-type: none"><li>→ EUR - 10.6%</li><li>→ USD - 6.0%</li><li>→ <b>Volatilities quadrupled</b></li></ul>	<ul style="list-style-type: none"><li>→ <b>Hedging partially offset negative impact</b></li><li>→ Hedging costs increased due to widening in risk spreads and spike in volatility</li></ul>

# Asset Allocation Insurance

## Equity exposure reduced to 2.2%

excluding banking assets and assets from investment-type premiums

2008 (2007)



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

Equity & equity related investments In % total insurance assets	2008
Equities	4.5%
Hedging instruments	-2.3%
Equities after hedging	<b>2.2%</b>
Private Equity	1.1%
Hedge Funds (equity related)	0.8%
Other <sup>2)</sup>	1.0%
Equity & equity related investments	<b>5.1%</b>

<sup>2)</sup> e.g. bond & property funds treated as equity under IFRS

In CHF mn, %	2007	2008
Equity & equity related investments (net)	13.1%	<b>5.1%</b>
Total insurance assets	51,866	<b>46,885</b>

# Investment Yield

Stable recurring income, negative impact of impairments

	Nonlife			Life		
in CHF mn, excluding income on investment-type insurance contracts	2007	2008	+/-	2007	2008	+/-
Recurring gross income	341	<b>345</b>	1.1%	1,507	<b>1,496</b>	-0.7%
Investment expenses	-21	<b>-18</b>	-12.4%	-80	<b>-63</b>	-20.8%
Realised gains/losses incl. impairments	141	<b>-162</b>	n.m.	433	<b>-412</b>	n.m.
Fixed-interest securities	-19	<b>-83</b>	n.m.	-36	<b>-416</b>	n.m.
shares	154	<b>-184</b>	n.m.	478	<b>-469</b>	n.m.
other	6	<b>105</b>	n.m.	-9	<b>473</b>	n.m.
Total net income from investments	461	<b>165</b>	-64.3%	1,860	<b>1,021</b>	-45.1%
Average investments	9,552	<b>9,184</b>	-3.9%	41,752	<b>40,192</b>	-3.7%
Investment yield	4.8%	<b>1.8%</b>	-3.0 pts	4.5%	<b>2.5%</b>	-2.0 pts



# Impairments in 2008

## Impacts of HY2 beyond imagination

Equity	
Impairments <sup>1)</sup> (in CHF mn), gross	- 748
Impairments in % of ø equity	18.1%
Equity hedge result against (in CHF mn), gross	431

- Exceptional drop of financials
- Material FX-impact

Fixed-interest securities	
Impairments <sup>1)</sup> , gross	- 98
Impairments in % of ø fixed-interest securities	0.4%

- No subprime exposure
- No CDO / CLO exposure
- Limited impairments: Lehman, bank loans
- Baloise is not making use of IAS 39 amendments

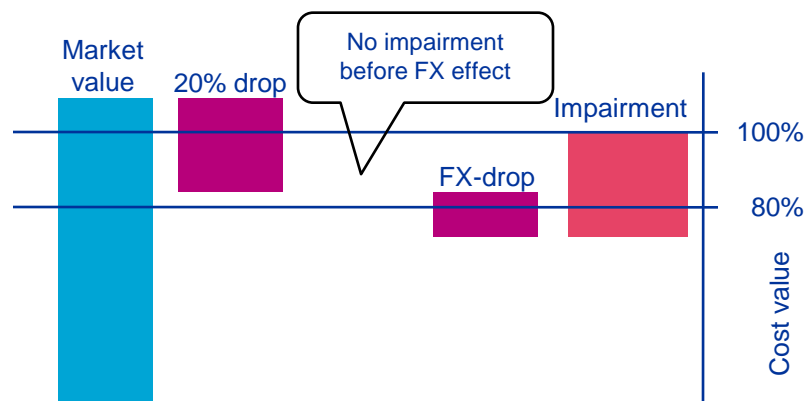
<sup>1)</sup> Total impairments CHF 925 mn comprising equity and equity related investments as well as fixed-interest securities, see also slide 30

# Hedging Effects on Equities

## P&L impact subject to non-linear effects

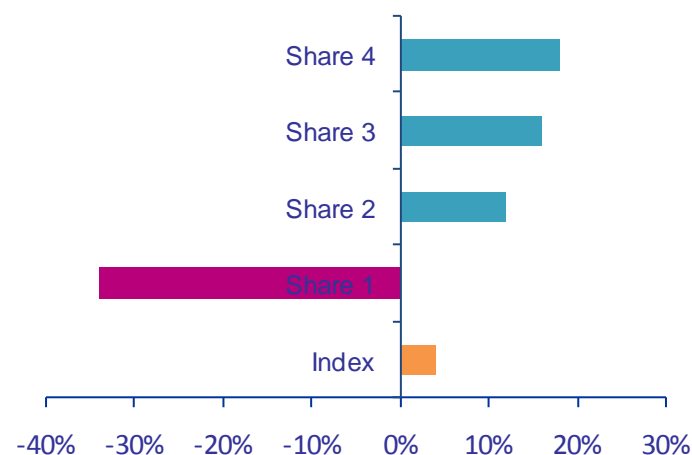
### Non linearity in impairment process

- With a market value of 101% of cost value, a 20% drop causes no impairment. A 22% drop results in a 21% impairment
- Furthermore, impairment requirements can emerge from currency movements as well



### Index instruments vs. single stocks

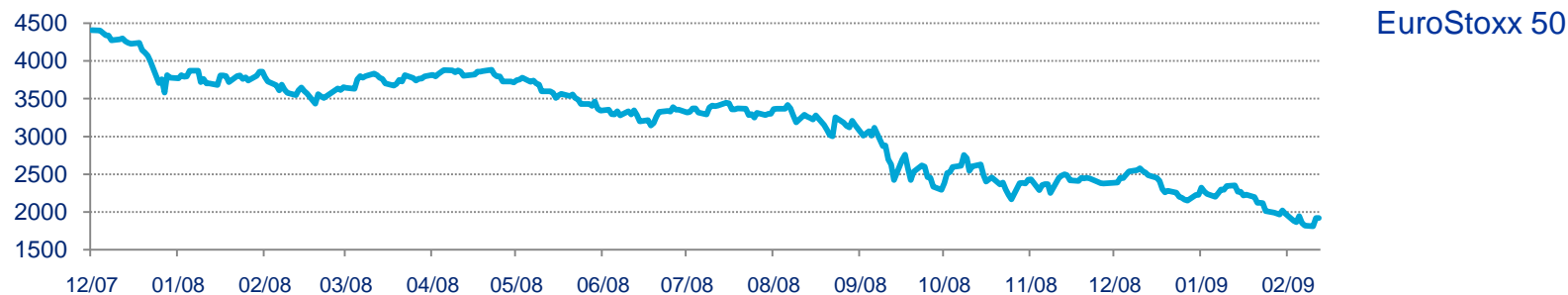
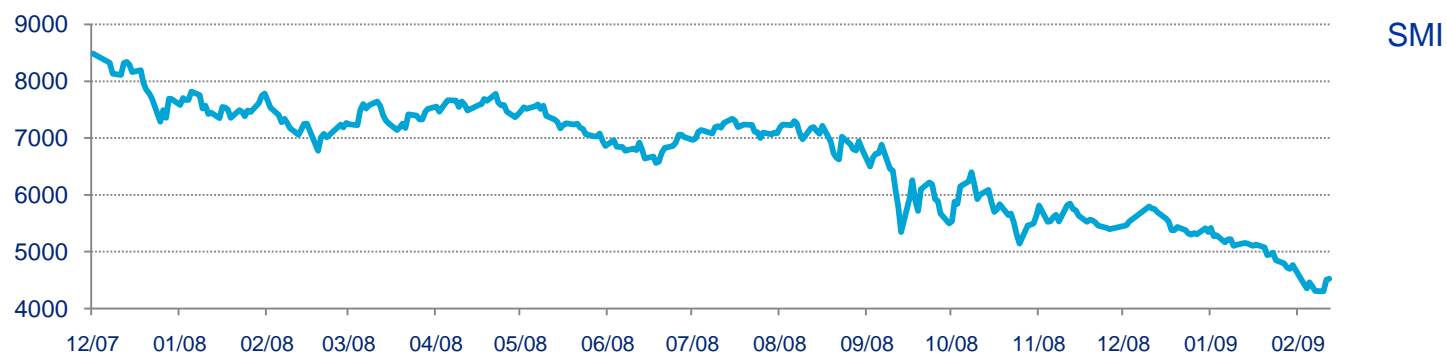
- Single securities don't behave like markets
- Even in a positive market an impairment may be necessary. This can't be hedged with index futures/options



# Equity exposure in 2008

## Reduction according to action plan

Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Equity & equity related investments, % of assets
13.1	11.7	11.4	11.3	12.0	11.9	11.4	10.3	9.8	9.4	8.5	7.9	7.4	7.3	6.8	Before hedging
13.0	9.6	9.4	9.3	10.8	10.7	8.7	7.0	6.7	6.4	5.7	5.4	5.1	5.1	4.9	After hedging

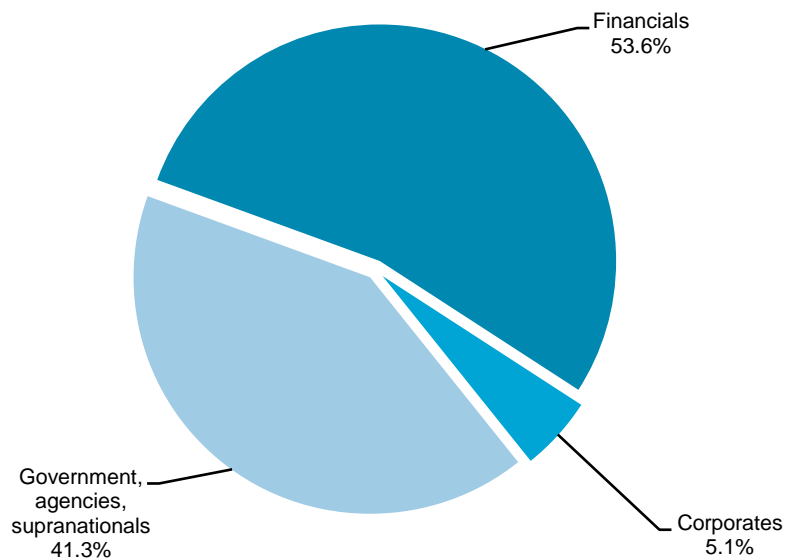


# Bond Portfolio

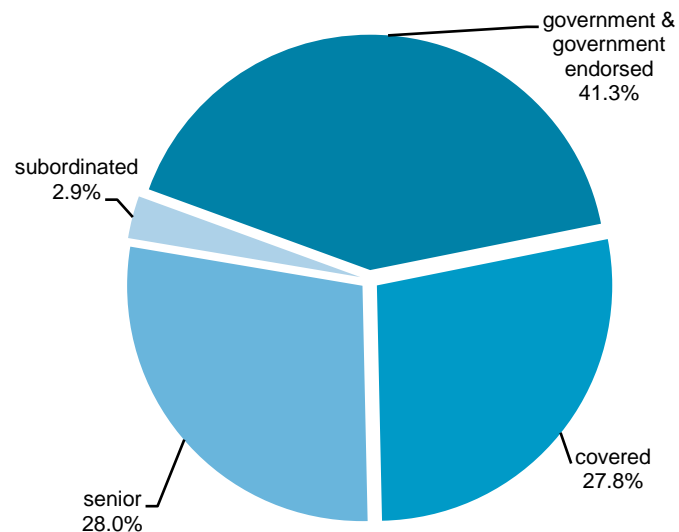
## Diversified portfolio of good quality

excluding banking assets and assets from investment-type premiums

### by issuer



### by ordination



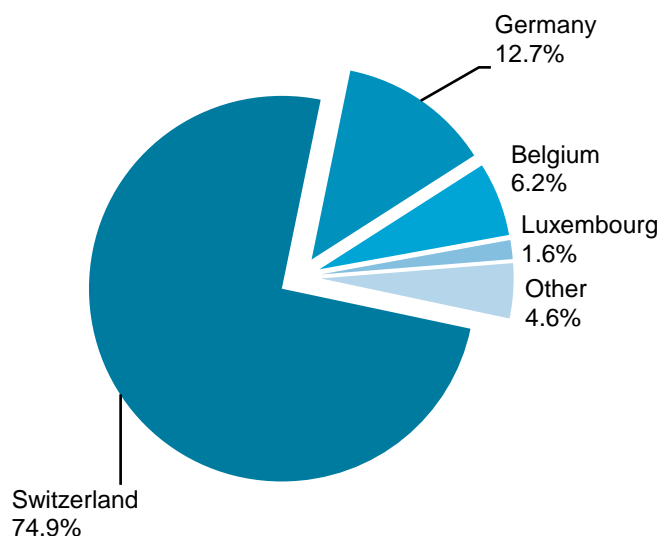
In CHF mn	2008
Total bond investments	22,682

# Real Estate Investments and Mortgages

## A stable source of income

excluding banking assets and assets from investment-type premiums

### Real estate: breakdown by country



- Investment yield: 4.5%
- DCF-valuation twice a year with additional review by external experts for part of the portfolio
- No material exposure to US/UK/Spain

### Mortgages

In % of mortgage investments	2008
Net yield	3.5%
administration costs	9 bp
risk costs	1 bp

- Very strict guidelines reflected in risk costs
- Due to the economic environment we expect the risk costs to rise slightly

# Alternative Financial Investments

Well diversified, no major defaults

Hedge Funds	2008	Private Equity	2008
Performance (in USD)	-15.8%	Performance (in USD)	-3.4%
Impairments <sup>1)</sup> (in CHF mn), gross	57	Impairments <sup>1)</sup> (in CHF mn), gross	22
Impairments in % of ø Hedge Funds	4.0%	Impairments in % of ø Private Equity	4.1%

→ Affected from Madoff fraud via single fund investment with USD 11 mn	→ Time-weighted performance (IRR) of our proprietary investment company since inception in 2000: 13.7%, i.e. top quartile performance compared to the private equity market
→ Outperformed the peers due to the overweight in Managed Futures and Global Macro	→ Diversification: 62 funds with 919 underlying companies and 8 funds of funds with 192 underlying funds
→ Broadly diversified portfolio, i.e. 78 funds and 10 funds of funds	→ On listed private equity companies impairments of CHF14 mn

<sup>1)</sup> Total impairments CHF 925 mn comprising equity and equity related instruments as well as fixed-interest securities, see also slide 25

# Portfolio Development in 2009

## Further derisking

	What happened in the market...	... how did we behave in Q1 2009
<b>Equity and equity related investments</b>	<ul style="list-style-type: none"><li>→ Weak equity markets: bottoming out or continuation of downward trend?</li><li>→ High volatility</li><li>→ Capital market crisis to persist</li></ul>	<ul style="list-style-type: none"><li>→ Further derisking by selling unhedged equity</li><li>→ Adjustment of strategic bandwidth for equity investments to 0% to 10%</li></ul>
<b>Interest sensitive investments</b>	<ul style="list-style-type: none"><li>→ Further widening of credit spreads</li><li>→ Strong swings in interest rates</li><li>→ Reduced liquidity</li></ul>	<ul style="list-style-type: none"><li>→ Bargain hunting for spreads on new issues</li><li>→ No compromise in quality</li></ul>
<b>Currency</b>	<ul style="list-style-type: none"><li>→ EUR +0.1% by 28.02.09</li><li>→ USD +9.5% by 28.02.09</li></ul>	<ul style="list-style-type: none"><li>→ USD: Hedge ratio increased</li></ul>

# 04 Swiss Operations

**Olav Noack**  
CEO Swiss Operations



# Switzerland

## Growth despite financial crisis

in CHF mn	2007	2008	+/-
Business volume, incl. investment-type premiums	3,743	<b>3,867</b>	3.3%
Gross premiums written	3,699	<b>3,827</b>	3.5%
Nonlife	1,286	<b>1,300</b>	1.1%
Life	2,413	<b>2,528</b>	4.7%
New distribution volume from focused financial services provider	540	<b>627</b>	16.0%
EBIT	403	<b>236</b>	-41.5%

# CH: Track Record 2008 (1/2)

## Strong operational result

Targets 2008	What we achieved		Comments
<b>Further improvement of profitability:</b>			
<b>Nonlife</b>	Combined ratio, gross: 81.4%	✓	Excellent CR performance due to operational excellence and lack of large losses (e.g. no hail 2008)
<b>Life</b>	EBIT: CHF 61 mn (-67.0%)	x	Result declined due to development of financial markets
<b>Baloise Bank SoBa</b>	Profit for the period (local GAAP): CHF 25 mn (-18.1%)	x	Solid result despite of financial crisis

# CH: Track Record 2008 (2/2)

## Above market growth in key segments

Targets 2008	What we achieved	Comments
<b>Business volume growth</b>		
Nonlife: in line with market	GPW nonlife: +1.1% ✓	- Above market growth in nonlife and group life; in line with market in individual life
Life: in line with market	Business volume: +4.5% ✓	
<b>Investment-type premium volume: 1/3 of new business</b>	14.8% of new business is investment-type products	x - Target in annual premiums almost achieved (30.1%) - Single premiums: classical products more attractive for customers (11.2%) - Further initiatives to accelerate growth in 2009 introduced
<b>Baloise Bank SoBa: RoE &gt; 10%</b>	RoE: 9.2% / 11.6% <sup>1)</sup>	x - Income impacted by development of financial markets
<b>Focused financial services provider: higher volume</b>	New business distribution volume: CHF 626.5 mn (+16.0%)	✓ - Proven business model - Ongoing strong growth

<sup>1)</sup> Including contribution from focused financial services provider

# CH: Nonlife

## Excellent Combined Ratio

in CHF mn	2007	2008	+/-
Gross premiums written	1,286	<b>1,300</b>	1.1%
Investment income	184	<b>14</b>	-92.7%
Claims incurred	-726	<b>-663</b>	-8.7%
Technical expenses	-319	<b>-324</b>	1.9%
EBIT	174	<b>130</b>	-24.9%
Combined ratio, gross	88.6%	<b>81.4%</b>	-7.2 pts
Loss ratio, gross	62.8%	<b>55.8%</b>	-7.0 pts
Expense ratio, gross	24.9%	<b>24.7%</b>	-0.2 pts
Surplus sharing ratio, gross	0.9%	<b>0.9%</b>	0.0 pts

# CH: Life

## Growth despite financial crisis, profitable new business

in CHF mn	2007	2008	+/-
Gross premiums written	2,413	<b>2,528</b>	4.7%
Investment-type premiums	43	<b>40</b>	-7.9%
Investment income <sup>1)</sup>	806	<b>340</b>	-57.9%
Benefits to policyholders <sup>2)</sup>	-2,825	<b>-2,567</b>	-9.1%
Technical expenses <sup>3)</sup>	-175	<b>-210</b>	19.8%
EBIT	183	<b>61</b>	-67.0%
Embedded value	2,646	<b>2,018</b>	-23.7%
Return on embedded value (RoEV)	21.6%	<b>-18.5%</b>	n.m.
Value of new business	14	<b>15</b>	6.7%
Annual premium equivalent (APE)	95	<b>136</b>	43.8%
New business margin	14.9%	<b>11.1%</b>	-3.9 pts

<sup>1)</sup> Incl. assets from investment-type premiums

<sup>2)</sup> Incl. change in technical reserves

<sup>3)</sup> See technical income statement

# CH: Group Life with Legal Quote

## Slightly positive result due to operational strength

in CHF mn, in accordance with statutory financial statements

<b>Group life CH, statutory financial statement</b>	<b>2007</b>	<b>2008</b>
Result of savings process	132	-44
Result of risk process	40	63
Result of cost process	-14	-14
Gross result for business subject to legal quote	158	5
Strengthening of reserves	-81	0
Approbation to provisions for future policyholder dividends	-31	0
Operating result for business subject to legal quote	46	5

<b>Derivation of legal quote group life CH</b>	<b>2008</b>	
Gross income from business subject to legal quote	431	100%
Policyholder benefits in business subject to legal quote	426	99%

# CH: Direct Yield and Guarantees

## Margin improved

2008	Individual life	Group life	Total life CH
Direct yield (relative to average technical reserves, excl. realisations)	2.9%	2.9%	2.9%
Average guaranteed rate of return	2.5%	2.1%	2.3%
<b>Margin</b>	<b>0.4%</b>	<b>0.8%</b>	<b>0.6%</b>

2007	Individual life	Group life	Total life CH
Direct yield (relative to average technical reserves, excl. realisations)	2.9%	2.9%	2.9%
Average guaranteed rate of return	2.5%	2.3%	2.4%
<b>Margin</b>	<b>0.4%</b>	<b>0.6%</b>	<b>0.5%</b>

# Baloise Bank SoBa

## Solid result

in CHF mn, local GAAP	2007	2008	+/-
Interest income	85	<b>84</b>	-1.3%
Fee and commission income	25	<b>21</b>	-18.1%
Trading income	4	<b>4</b>	-13.1%
Gross profit	44	<b>37</b>	-15.9%
Profit for the period	30	<b>25</b>	-18.1%
Cost / income ratio	62.3%	<b>66.6%</b>	4.3 pts
TIER 2 ratio <sup>2)</sup>	10.0%	<b>10.6%</b>	0.6 pts
Return on Equity (RoE)	11.0% / 13.5% <sup>1)</sup>	<b>9.2% / 11.6% <sup>1)</sup></b>	-1.8 pts / -1.9 pts
Risk weighted positions <sup>2)</sup>	3,009	<b>2,791</b>	-7.2%

<sup>1)</sup> Including contribution from focused financial services provider

<sup>2)</sup> FY 2008 incl. Basel II-effect, FY 2007 not restated

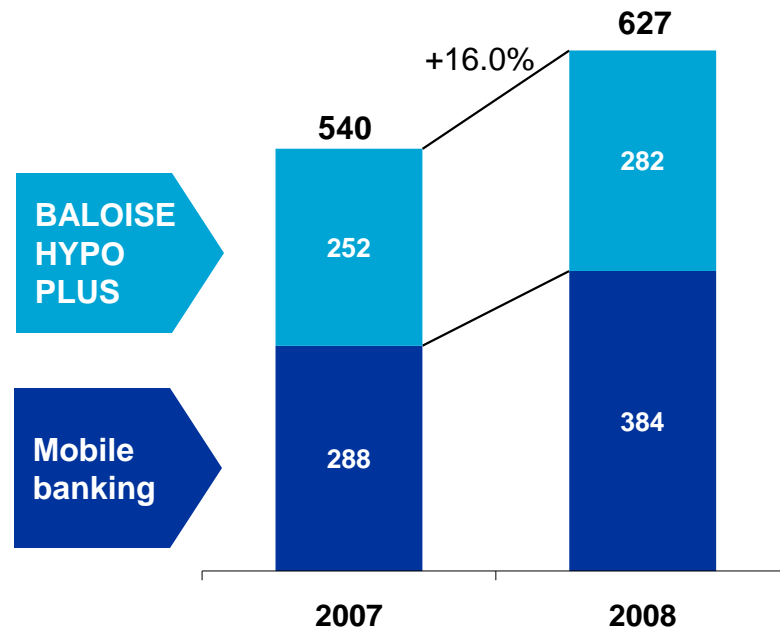


# Focused Financial Services

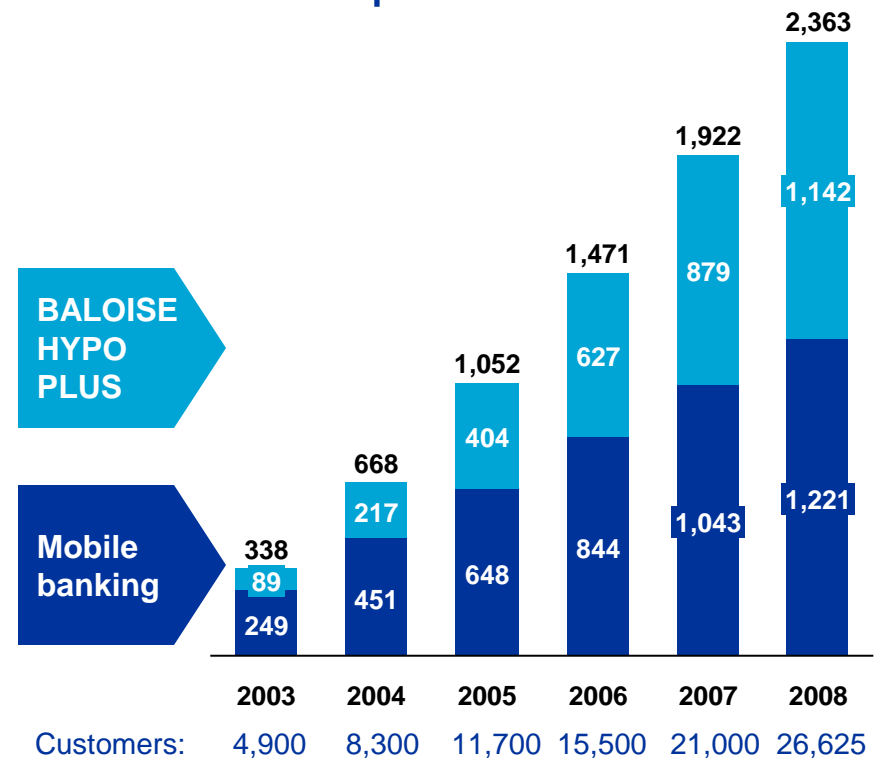
## Strong and stable growth

### New business distribution volume <sup>1)</sup> focused financial services provider

in CHF mn



### Development total volume focused financial services provider



<sup>1)</sup> New business distribution volume = Mobile Banking (custody accounts, client assets, loans, Finaclear) + BALOISEHYPO PLUS

# Baloise Safety World

## Tangible added value

February 13th, 2009: Repositioning of the Baloise Group and the Swiss Operations as well as the first "safety day"

### Elements of the Baloise Safety World

Safety box	<ul style="list-style-type: none"><li>→ Immediate protection for customers</li><li>→ Smoke detectors, fire blanket, overvoltage protection</li></ul>
Customer magazine	<ul style="list-style-type: none"><li>→ Safety notes and safety advices for our customers</li></ul>
Safety club	<ul style="list-style-type: none"><li>→ Customers benefit from offers of cooperation partners</li><li>→ Partner for fire, burglary, flood, health / fitness, road safety</li></ul>
Safety laboratory	<ul style="list-style-type: none"><li>→ Team of specialists, which design offers, products, tips and services make customers more secure (computer security, emergency, house and home)</li></ul>
Safety day	<ul style="list-style-type: none"><li>→ On every Friday 13th Baloise security teams disperse all over Switzerland, making the world safer</li></ul>

→ Objective is to further accelerate growth in targeted segments

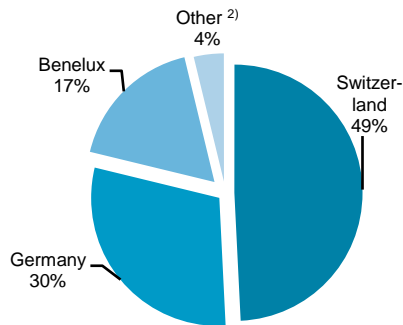
# 05 International Operations

**Jan De Meulder**  
Head of International Operations

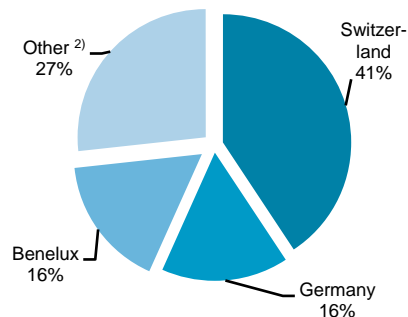
# Highlights International Operations

## Strong growth in nonlife achieved

### Business Volume



### EBIT



→ Total international business volume down by -4.9% (-1.6% in LC<sup>1)</sup>). Nonlife up by 0.6% (3.9% in LC<sup>1)</sup>), nearly in all countries above market

→ Technical results in nonlife improved in nearly all countries

→ Shift to traditional life insurance. Volume of unit-linked products decreased by -15.7% (-12.8% in LC<sup>1)</sup>) due to financial environment

→ Establishment of clear governance structures in Germany initiated

→ Operational integration of Osiguranje Zagreb successfully completed

→ Baloise Life (Liechtenstein) successfully launched first VA-product in Switzerland and plans rollout in Germany for 2009

<sup>1)</sup> Local Currency (LC)

<sup>2)</sup> Other countries (incl. Austria, Baloise Life (Liechtenstein), Croatia and Serbia)

# Germany

## Success in investment-type premium business

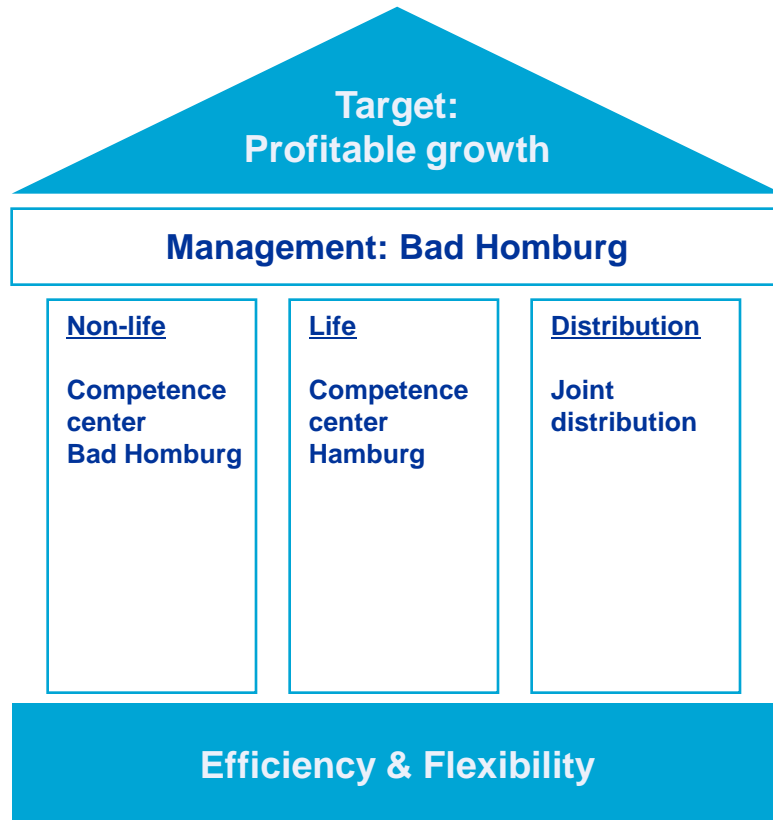
in CHF mn	Deutscher Ring		Basler Germany	
	Nonlife	Life	Nonlife	Life
Gross premiums written	219 (1.5% <sup>1)</sup> )	752 (-5.2% <sup>1)</sup> )	855 (2.1% <sup>1)</sup> )	202 (-1.2% <sup>1)</sup> )
Investment-type premiums	-	291 (17.5% <sup>1)</sup> )	-	7 (8.8% <sup>1)</sup> )
EBIT	38 (13.0%)	3 (-79.6%)	35 (-62.9%)	1 (-89.6%)

Deutscher Ring	Basler Germany
→ Turnaround in nonlife, volume up by 1.5%	→ Nonlife business volume grew 2.1%, above market average
→ Market success in life business with new product generation Moneymaxx Discover	→ Good technical result in nonlife albeit impacted by local storms, loss ratio improved by 5 pts
→ Overall cost level decreased	→ In life business 6% higher net production despite downward market trend of -3%
→ Ongoing strong CEE business development through OVB, strengthened sales channel through Maklermanagement AG	→ Total cost base reduced despite new insurance legislation (VVG)

<sup>1)</sup> Local Currency (LC)

# The new Baloise in Germany

## Sustainable strengthening of our market position



- Joint Management Board
- Bundling of strengths
  - Competence centres
  - One set of products
- Strengthening of distribution
  - One tied agent organisation
  - Extending the cooperation with OVB and other partner distributors
- Synergies
  - EUR 20-25 mn p.a. until 2012
  - Reduction of 13% FTE (ca. 230 of approx. 1,800)

# Belgium

## Strong positioning in targeted market segments

in CHF mn	Nonlife	Life
Gross premiums written	588 (3.6% <sup>1)</sup> )	125 (4.8% <sup>1)</sup> )
Investment-type premiums	-	83 (4.7% <sup>1)</sup> )
EBIT	87 (-8.3%)	-5 (n.m.)

→ Nonlife business grew by 3.6% slightly above market average

→ Very good combined ratio of 94.5% especially due to decrease in large claims

→ Strong growth in traditional pension markets achieved. Periodic premiums increased by nearly 10%

→ Substantial increase of 20% in new business in target "SME" market

<sup>1)</sup> Local Currency (LC)

# Luxembourg

## Local growth above market

in CHF mn	Nonlife	Life
Gross premiums written	56 (8.0% <sup>1)</sup> )	46 (11.7% <sup>1)</sup> )
Investment-type premiums	-	471 (-27.8% <sup>1)</sup> )
EBIT	2 (-82.7%)	1 (-95.9%)

- Continuing strong growth in nonlife business of 8.0% almost doubling market growth due to further improving multi-distribution-line approach and strong product line
- Low combined ratio mainly as a result of reduction in large claims
- Local life business volume grew above market with 4.3% in individual and 4.6% in pension business
- 27.8% decline of investment-type business stemming from an exceptional last year and the downward trend caused by current situation on financial markets

<sup>1)</sup> Local Currency (LC)



# Austria

## Ongoing growth dynamics

in CHF mn	Nonlife	Life
Gross premiums written	117 (10.7% <sup>1)</sup> )	29 (-1.6% <sup>1)</sup> )
Investment-type premiums	-	12 (95.3% <sup>1)</sup> )
EBIT	-4 (n.m.)	1 (-36.4%)

→ Double-digit growth of business volume in life and nonlife business achieved, considerably above market average

→ Local storms weigh on technical result, loss ratio impacted by 6 pts

→ Strengthening target customer management through "Safety World"

<sup>1)</sup> Local Currency (LC)

# Croatia

## Successful operational integration of Osiguranje Zagreb

in CHF mn, incl. Serbia	Nonlife	Life
Gross premiums written	49 (n.m.)	58 (n.m.)
Investment-type premiums	-	-
EBIT	-4 (n.m.)	-9 (n.m.)

→ Operational integration of Osiguranje Zagreb successfully completed

→ Own sales force stabilised and productive, new measures for profitable growth initiated

→ Lower premium income due to portfolio reunderwriting in accordance with group standards

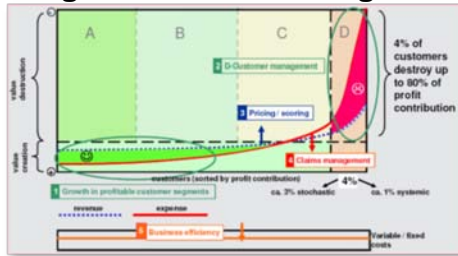
# 06 Strategy & Outlook

**Martin Strobel**  
Group CEO

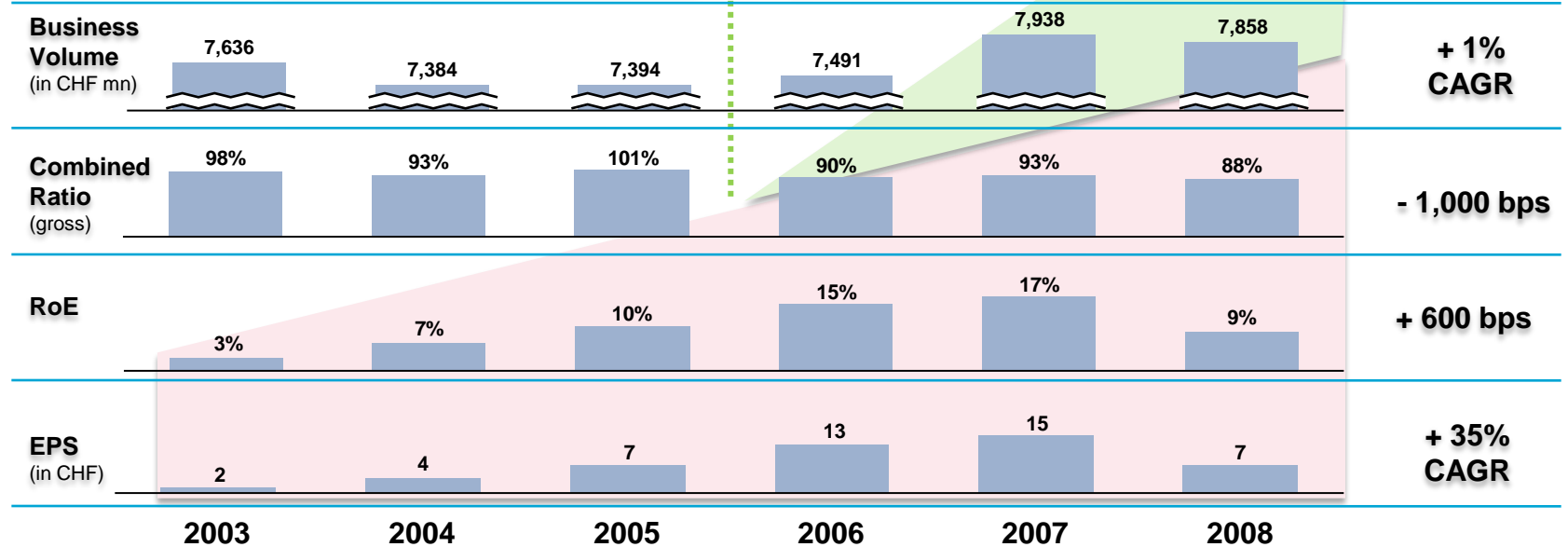
# The Journey so far

## Measurable success delivered

### Target Customer Management



### «Safety World»



# Where are we going?

## Positioning and strategic directions

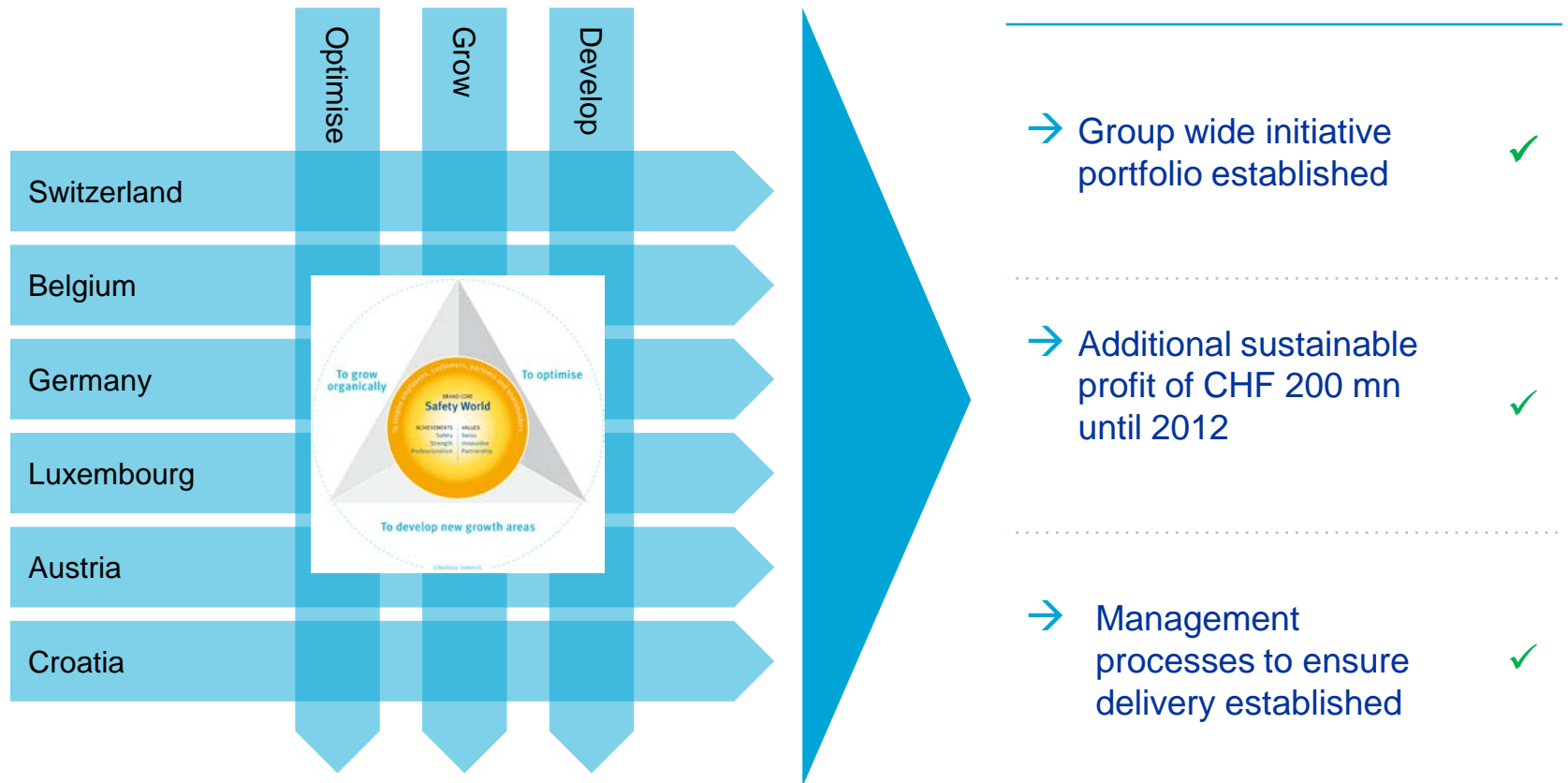
### Strategic Goal:

To be one of Europe's most profitable and fastest growing insurers by 2012



# «Baloise 2012»

## Initiatives with additional sustainable profit potential identified



# «Baloise 2012»

## Implementation has started

### Sample initiatives:

---

- Optimise:**
- Business process optimisation (e.g. GEPARD)
  - Optimisation of claims processes (e.g. closed file reviews)
  - Establishment of clear governance structures in Germany
- 

- Grow:**
- Sales productivity
  - Pricing
  - Retention Management
- 

- Develop:**
- New life solutions (e.g. VA)
  - Safety World
  - Further expansion with OVB
-

# «Baloise 2012»

## Strong focus on execution strength

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### Key levers to ensure a high execution strength

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- All measures quantified and integrated into incentivised targets of management
  - Central programme office established, reporting to Group CEO on a monthly basis
  - Annual external report of implementation progress starting in March 2010
  - High visibility of progress throughout the entire group due to internal reporting tools
  - Key HR-processes geared towards supporting "Baloise 2012" (e.g., top management training)
-



# Annual General Meeting

## Basel, April 30, 2009

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### Proposal to Annual General Meeting

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→ Stable dividend of CHF 4.50

---

→ Authorised capital of 10%

---

# Financial Ambition

## Remains unchanged

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### Financial ambition over the cycle

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→ 15% Return on Equity

---

→ Continuous increase of EPS

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→ Combined ratio well below 100%

---

# Baloise Safety World

# Q&A

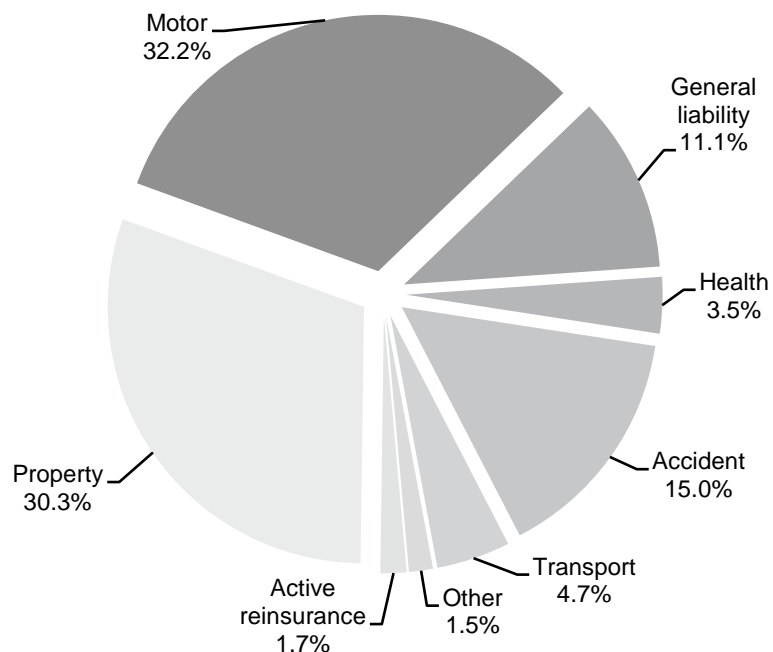
# Appendix

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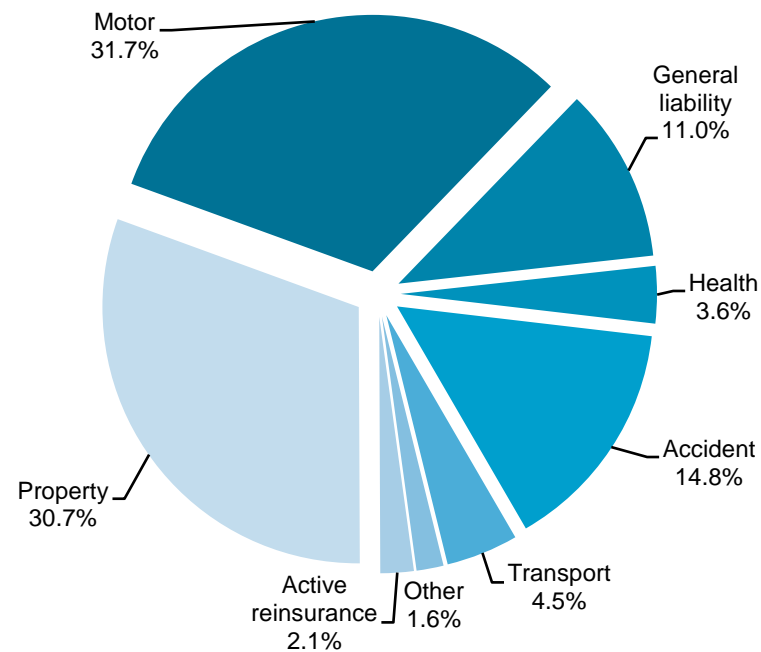
# Business Mix Nonlife

in % of gross premiums written

**2007**



**2008**

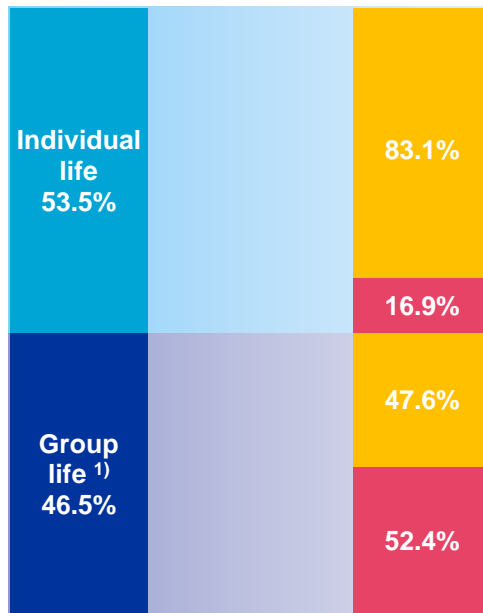


In CHF mn	2007	2008
Gross premiums written nonlife	3,191	3,215

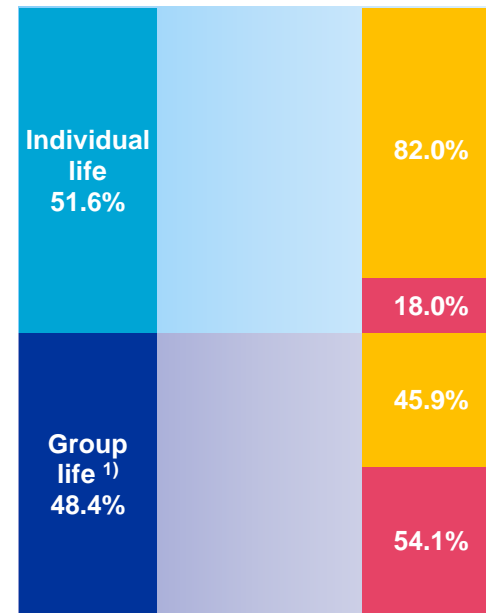
# Business Mix Life

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

2007



2008



■ Periodic premiums ■ Single premiums

<sup>1)</sup> Swiss Group life business only

# Embedded Value Split

in CHF mn, in accordance with statutory financial statements	2007		2008	
	CH	EU	CH	EU
Adjusted net asset value	1,891	453	<b>1,393</b>	<b>368</b>
+ Present value of future profits	1,108	309	<b>981</b>	<b>239</b>
- Cost of solvency	-353	-106	<b>-356</b>	<b>-102</b>
Embedded value	2,646	656	<b>2,018</b>	<b>504</b>

## Key assumptions

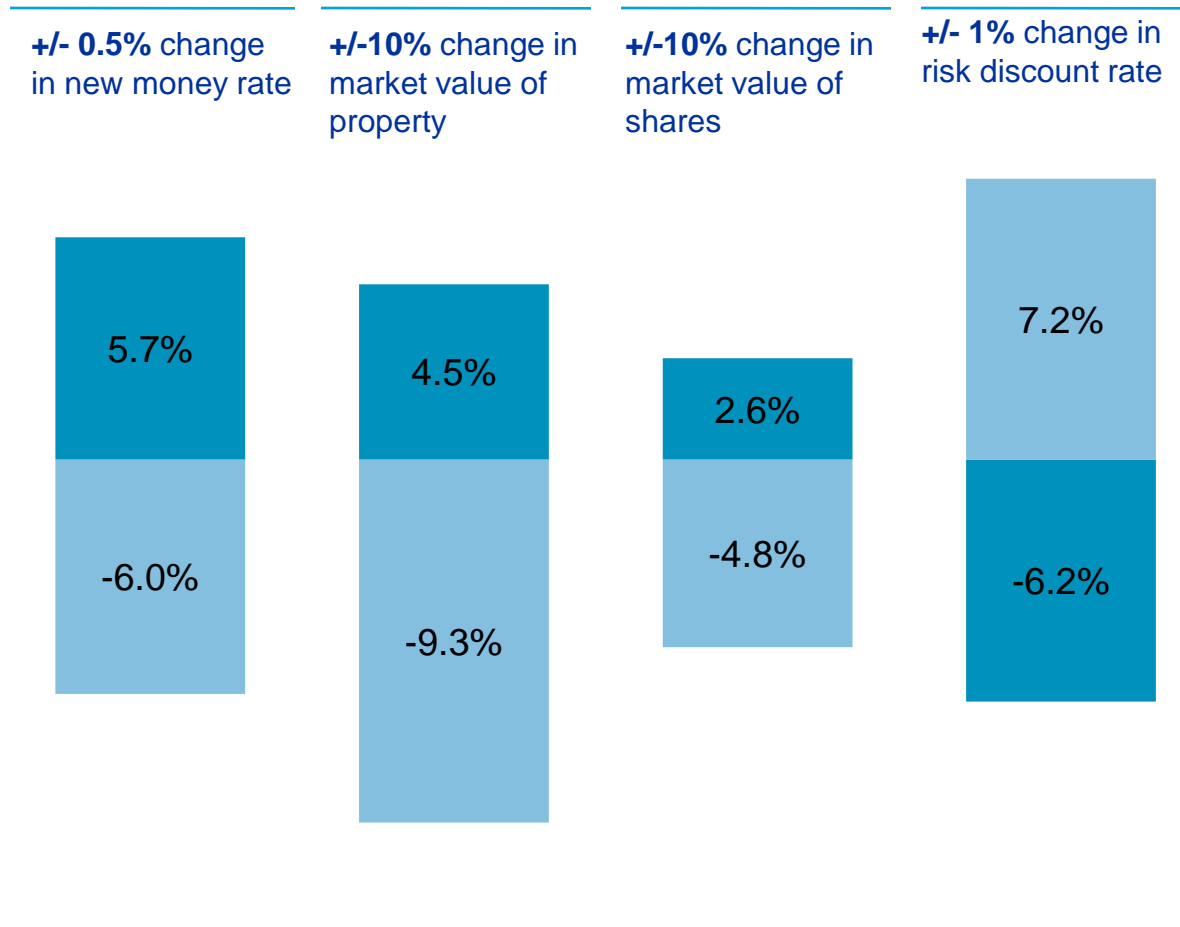
	2008	
	CH	EU
Risk discount rate	7.5%	8.3%
Bond yields	3.0%-3.2%	4.0%-4.0%
Return on shares	7.0%	8.0%
Return on investment properties	4.9%	5.2%



# New Business Margin

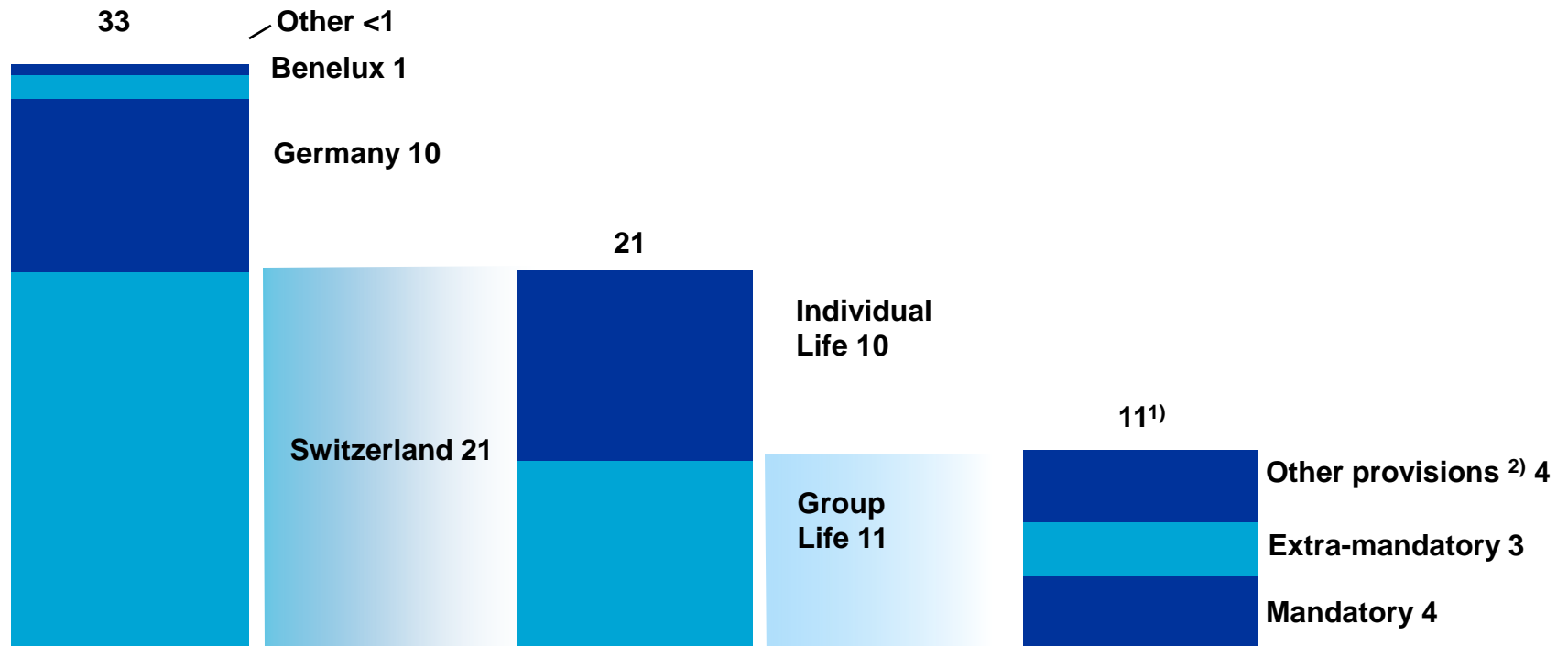
in CHF mn, in accordance with statutory financial statements	2007		2008	
	CH	EU	CH	EU
Embedded value	2,646	656	<b>2,018</b>	<b>504</b>
Value of new business	14	6	<b>15</b>	<b>4</b>
Annual premium equivalent (APE)	95	118	<b>136</b>	<b>108</b>
New Business Margin	14.9%	5.2%	<b>11.1%</b>	<b>4.0%</b>

# Sensitivity Analysis of Embedded Value



# Technical Reserves Life

gross, in CHF bn



1) local GAAP

2) provisions for annuities, mortality, disability, inflation

# Direct Yield and Guarantees Life

<b>2008</b>	<b>CH</b>	<b>EU</b>	<b>Total</b>
Direct yield <sup>1)</sup>	2.9%	4.4%	<b>3.5%</b>
Average guaranteed rate of return	2.3%	3.1%	<b>2.6%</b>
Margin	0.6%	1.3%	<b>0.9%</b>

<b>2007</b>	<b>CH</b>	<b>EU</b>	<b>Total</b>
Direct yield <sup>1)</sup>	2.9%	4.1%	<b>3.4%</b>
Average guaranteed rate of return	2.4%	3.0%	<b>2.7%</b>
Margin	0.5%	1.1%	<b>0.7%</b>

<sup>1)</sup> relative to average technical reserves, excl. realisations

# CH: Group Life

## Operating result

in CHF mn, in accordance with statutory financial statements	2007	2008
Premium income (earned)	1,778	1,810
Policyholder benefits	-1,620	-2,354
Change in insurance reserves incl. strengthening of reserves	-393	406
Acquisition and administrative costs	-96	-100
Net investment income	473	255
Reinsurance result	-6	-2
Surplus allocated to bonus reserves	-75	-11
Operating result for group life business	61	4

# CH: Group Life

## Investment performance

in CHF mn, in accordance with statutory financial statements		2008	
Net investment income			<b>255</b>
		Book Value	Market value
Investment portfolio at beginning of financial year		<b>12,168</b>	<b>12,793</b>
Investment portfolio at end of financial year		<b>11,833</b>	<b>12,184</b>
Return on book value			<b>2.1%</b>
Return on market value			<b>-0.1%</b>

# CH: Group Life

## Business subject to legal quote

in CHF mn, in accordance with statutory financial statements

<b>Group life CH, statutory financial statement</b>	<b>2007</b>	<b>2008</b>
Result of savings process	132	-44
Result of risk process	40	63
Result of cost process	-14	-14
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Gross income from business subject to legal quote	431	100%
Policyholder benefits in business subject to legal quote	426	99%

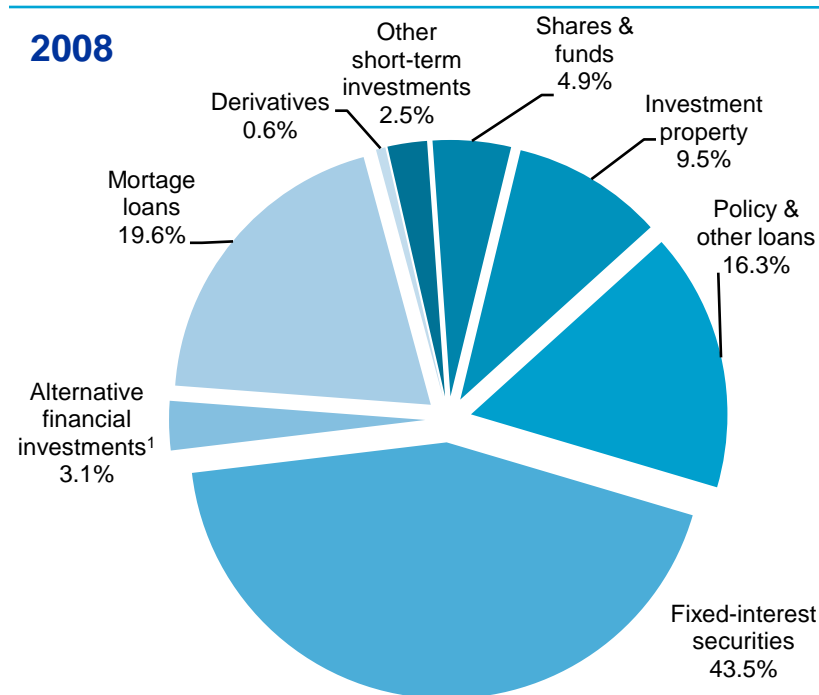
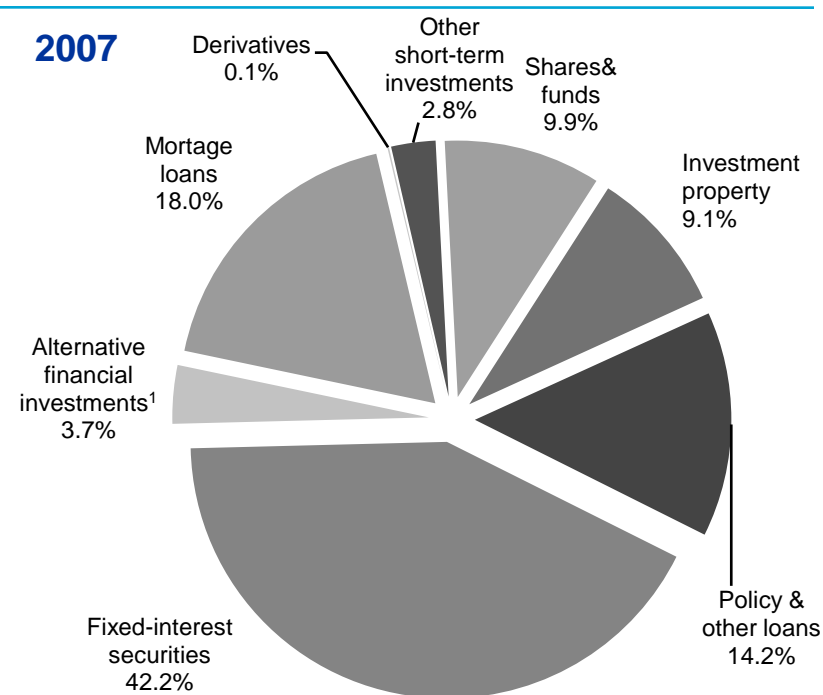
# CH: Group Life

## Derivation of legal quote

in CHF mn, in accordance with statutory financial statements	2008	%
Gross income from business subject to legal quote	431	100%
Policyholder benefits in business subject to legal quote	426	99%
Operating result for business subject to legal quote	5	
Operating result for business not subject to legal quote	-1	
Operating result for group life business	4	



# Group Asset Allocation



In CHF mn, %

Total group assets <sup>2)</sup>

**2008**

**52,992**

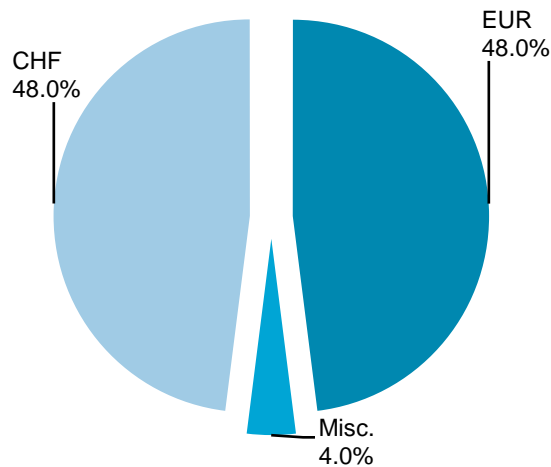
<sup>1)</sup> Private equity and hedge funds

<sup>2)</sup> Incl. banking assets

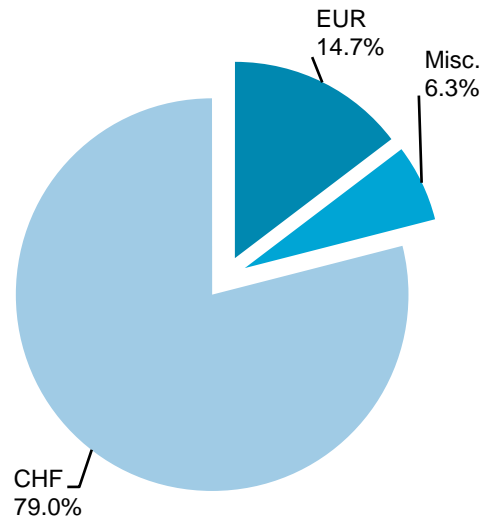
# Total Assets: Currency Exposure, Gross

excluding banking assets and assets from investment-type premiums

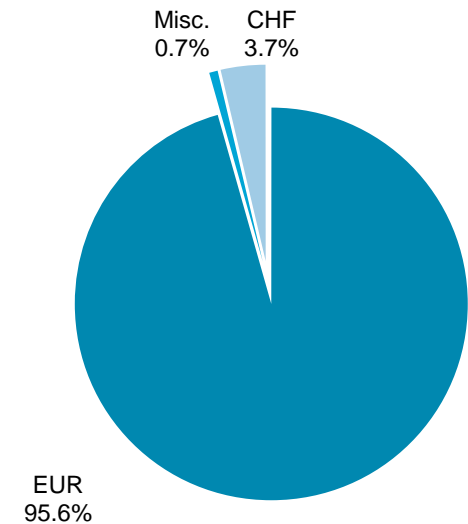
## Group



## Swiss operations

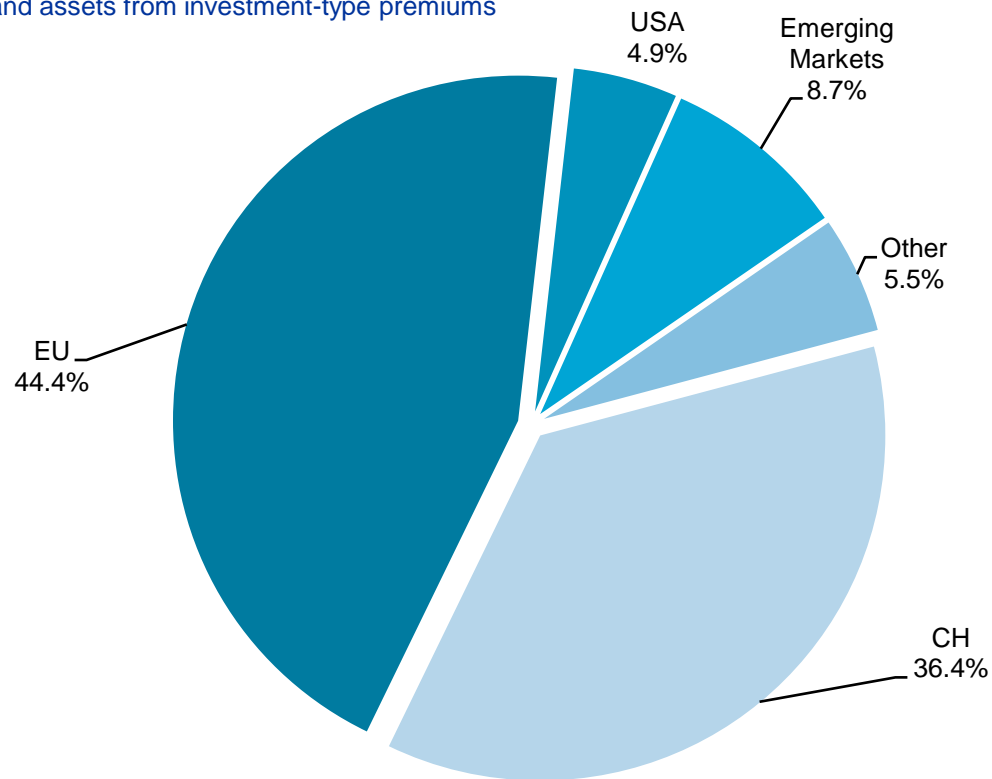


## Foreign operations



# Equity Portfolio: Regional Exposure

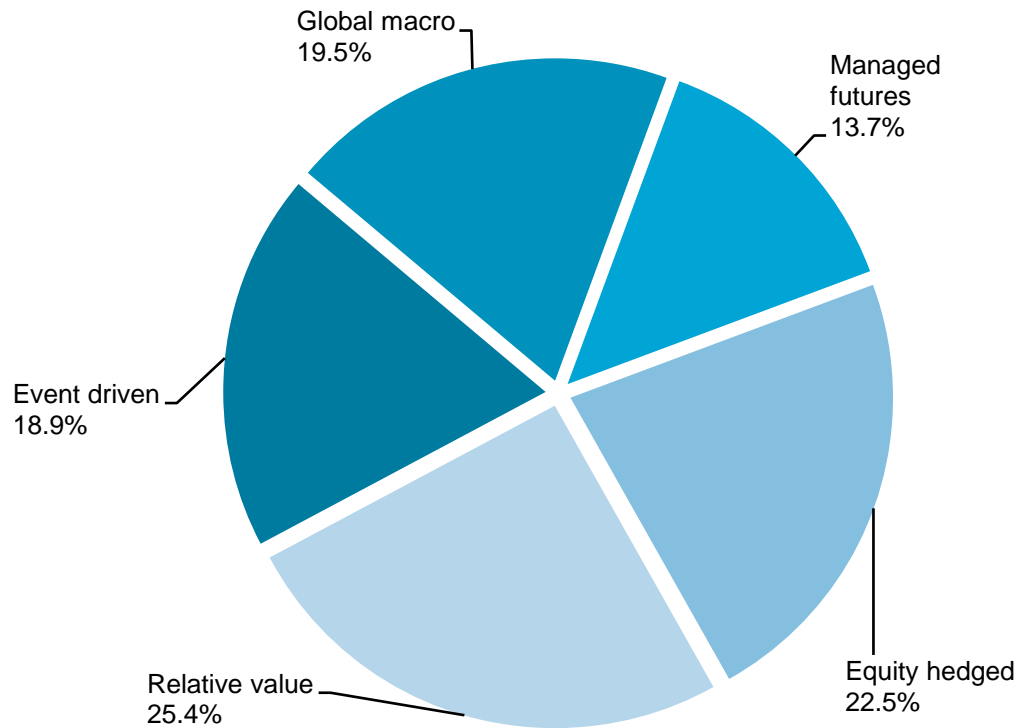
excluding banking assets and assets from investment-type premiums



In CHF mn	<b>2008</b>
Total equity investments	<b>2,579</b>

# Hedge Fund Portfolio: Style

excluding banking assets and assets from investment-type premiums

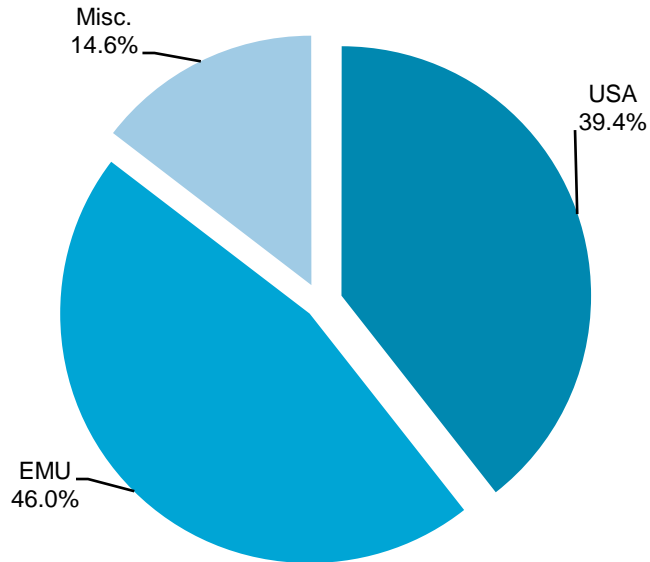


In CHF mn	<b>2008</b>
Total hedge fund investments	<b>1,097</b>

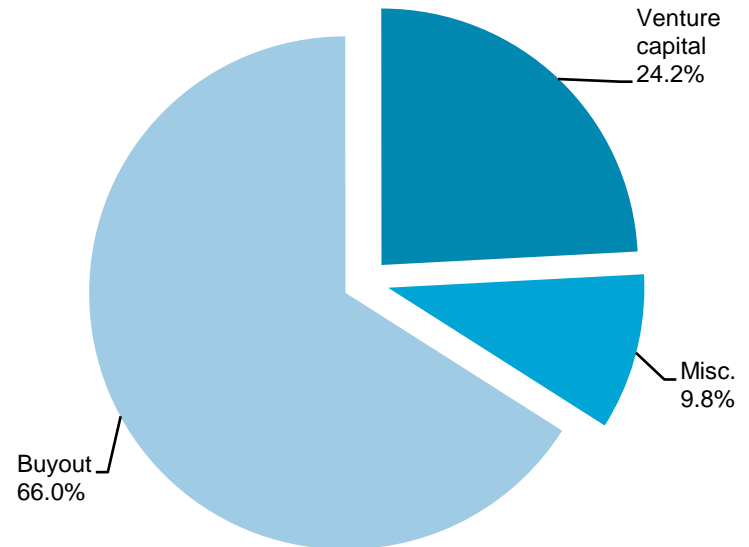
# Private Equity Portfolio

excluding banking assets and assets from investment-type premiums

## By region



## By type

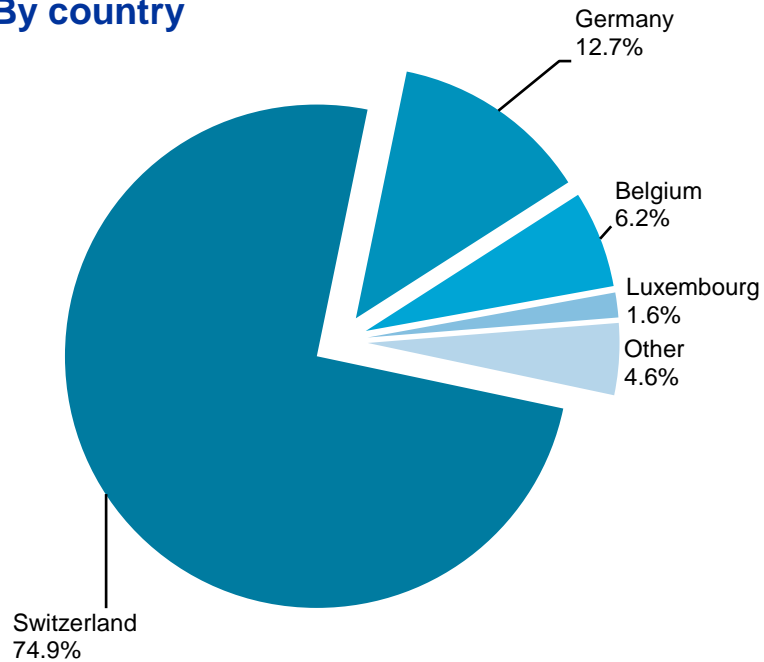


In CHF mn	2008
Total private equity investments	500

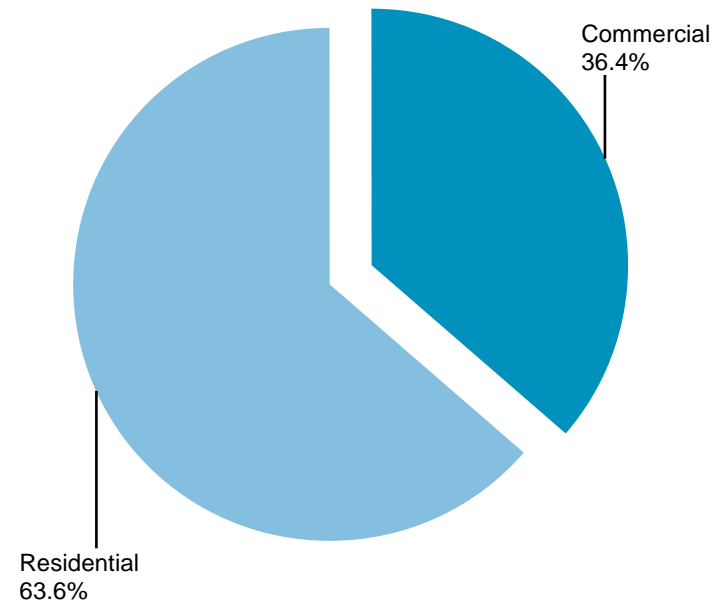
# Investment Properties: Country and Type

excluding banking assets and assets from investment-type premiums

## By country



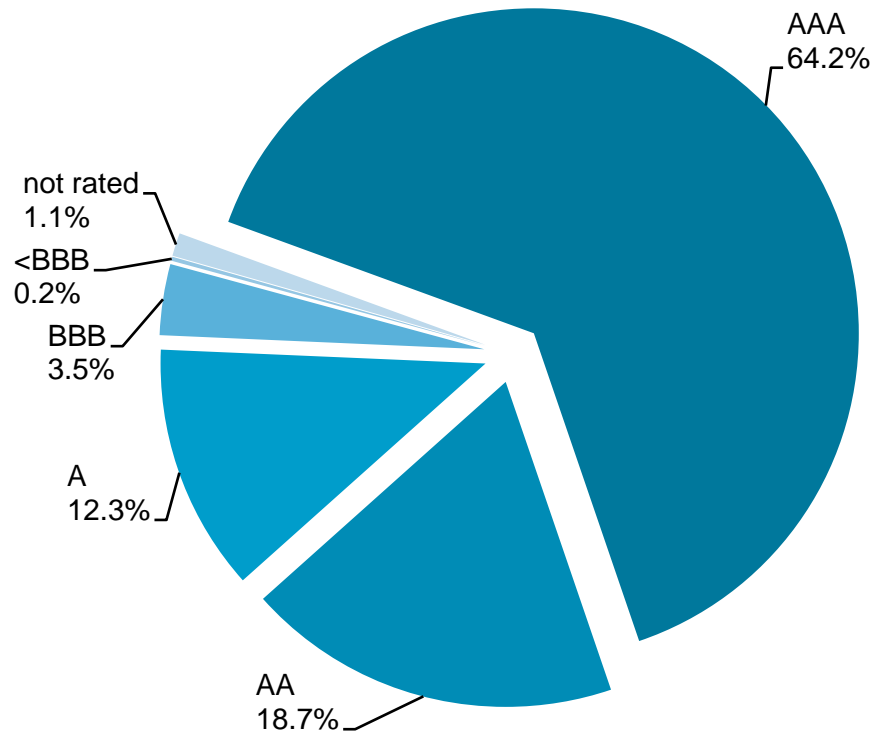
## By type



In CHF mn	2008
Total investment property	4,928

# Bond Portfolio: Quality

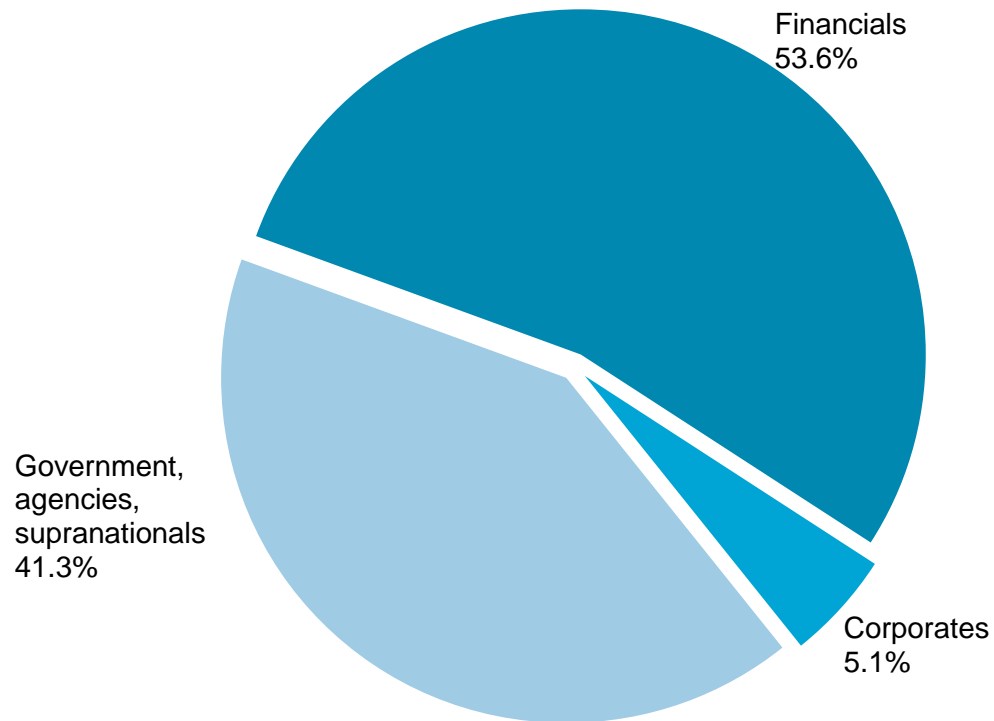
excluding banking assets and assets from investment-type premiums



In CHF mn	<b>2008</b>
Total bond investments	<b>22,682</b>

# Bond Portfolio: Issuers

excluding banking assets and assets from investment-type premiums



In CHF mn	2008
Total bond investments	22,682



# Bonds and Promissory Notes: Macaulay Duration

excluding banking assets and assets from investment-type premiums

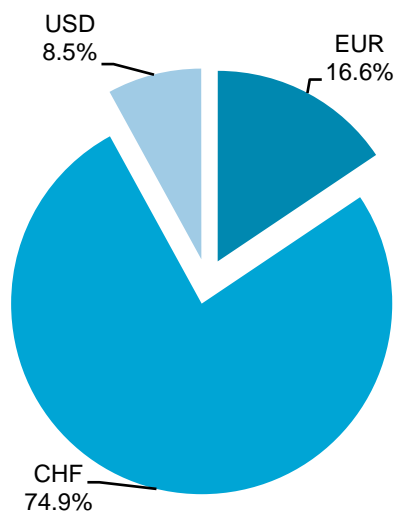
Duration by classification	2007		2008	
	Years	% of total	Years	% of total
Duration bonds available-for-sale (AFS)	6.0	56.1%	<b>5.9</b>	<b>57.5%</b>
Duration bonds held-to-maturity (HTM)	4.8	20.7%	<b>5.7</b>	<b>20.8%</b>
Duration promissory notes	5.6	23.2%	<b>5.8</b>	<b>21.7%</b>
Duration portfolio	5.7	100%	<b>5.9</b>	<b>100%</b>

Duration by line of business	2007		2008	
	Years	% of total	Years	% of total
Duration life bonds (incl. promissory notes)	5.9	79.6%	<b>6.2</b>	<b>80.2%</b>
Duration nonlife bonds (incl. promissory notes)	4.7	20.4%	<b>4.7</b>	<b>19.8%</b>
Duration portfolio	5.7	100%	<b>5.9</b>	<b>100%</b>

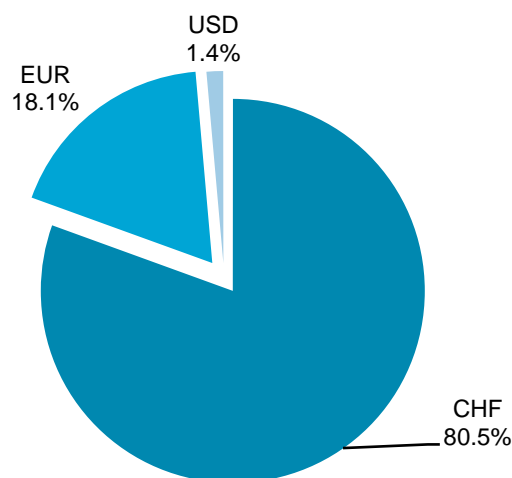
# Bond Portfolio: Currency Exposure of Swiss Operations

excluding banking assets and assets from investment-type premiums

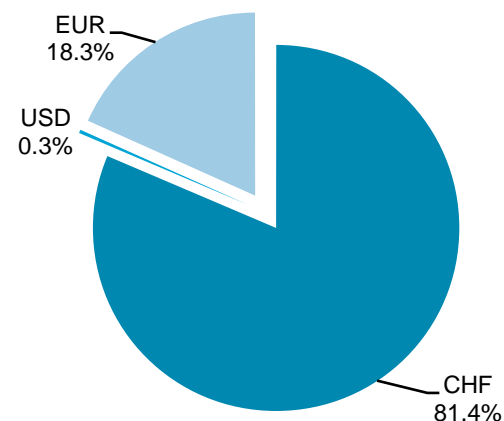
## Nonlife



## Total bonds



## Life



→ Total net currency exposure after hedges & liabilities: 3.4% EUR, 0.2% USD

In CHF mn	2008
Total bonds <sup>1)</sup>	13,698

<sup>1)</sup> Held by Swiss operations

# Currency Risk

## Accounting has implications on hedge approach

Asset Class	Underlying	FX Derivatives	Hedge Ratio <sup>1)</sup>
Equities	Through Equity	Through P&L	0%
if realised	Through P&L	Through P&L	
Derivatives (on Equities)	Through P&L	Through P&L	0%
Alternative Investments <sup>2)</sup>	Through Equity (at historical cost)	Through Equity (Hedge Accounting)	USD: ~63%
if realised	Through P&L (at historical cost)	Through P&L (Adjustment of Hedge Accounting Reserves)	
Bonds un-/realised	Through P&L	Through P&L	EUR: ~80%

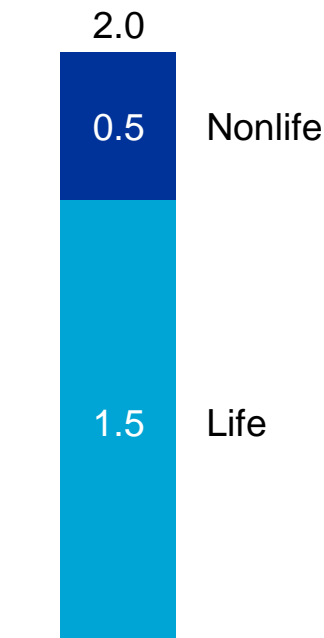
<sup>1)</sup> As per 31.12.2008

<sup>2)</sup> In foreign currency denominated entities of Baloise for alternative investments

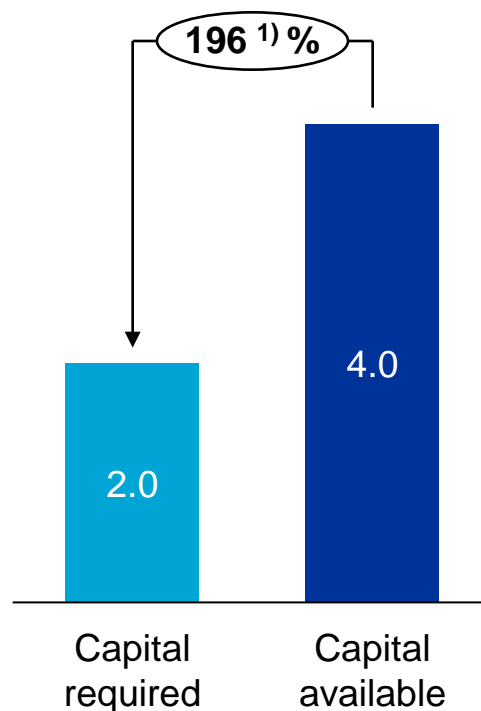
# Consolidated Solvency I

in CHF bn, excluding banking assets

## Capital required



## Required vs. available capital



## Available funds

	2008
Total equity	3.9
Goodwill / intangibles	-0.3
DAC nonlife	-0.2
Unallocated surplus	1.1
Other	-0.2
Banking assets	-0.3
<b>Total</b>	<b>4.0</b>

<sup>1)</sup> Excluding banking; Previous year consolidated solvency I adjusted due to restatement and change in calculation methodology from 287% to 294%

# Exchange Rates

in CHF	Balance sheet		Profit & loss	
	2007	2008	2007	2008
EUR	1.66	<b>1.48</b>	1.64	<b>1.59</b>
USD	1.13	<b>1.06</b>	1.20	<b>1.08</b>

# Reporting Agenda

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→ Annual General Meeting Thursday, 30 April 2009

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→ Interim Management Statement Tuesday, 12 May 2009

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→ Half Year Results 2009 Thursday, 27 August 2009

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→ Interim Management Statement Thursday, 12 November 2009

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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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## Investor Relations

+41 61 285 81 81

[investor.relations@baloise.com](mailto:investor.relations@baloise.com)

[www.baloise.com/investors](http://www.baloise.com/investors)

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## Media Relations

+41 61 285 84 67

[media.relations@baloise.com](mailto:media.relations@baloise.com)

[www.baloise.com/media](http://www.baloise.com/media)

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