

Baloise Group – Strong Operations deliver high Cashflows

German Egloff, Group CFO

Berenberg European Conference, London, 3 December 2013



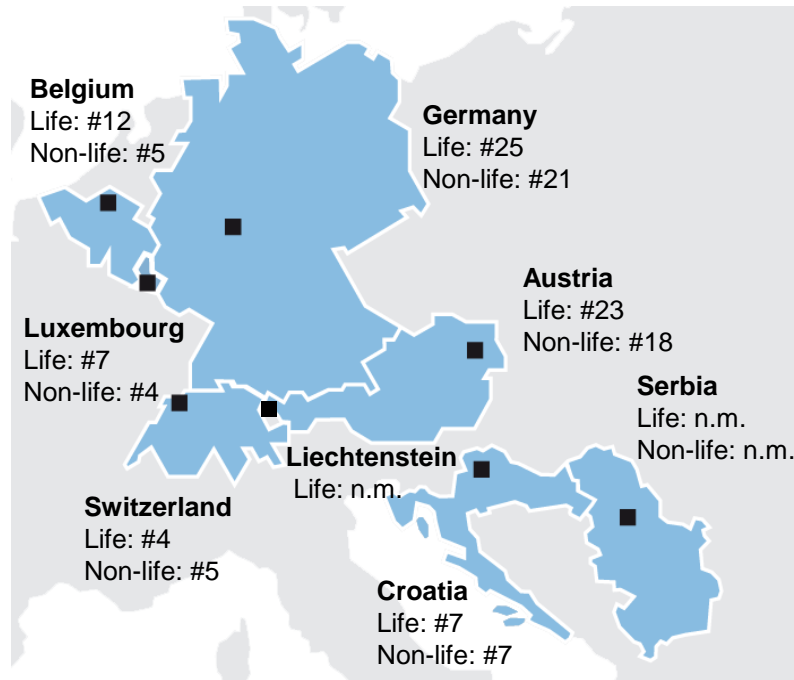
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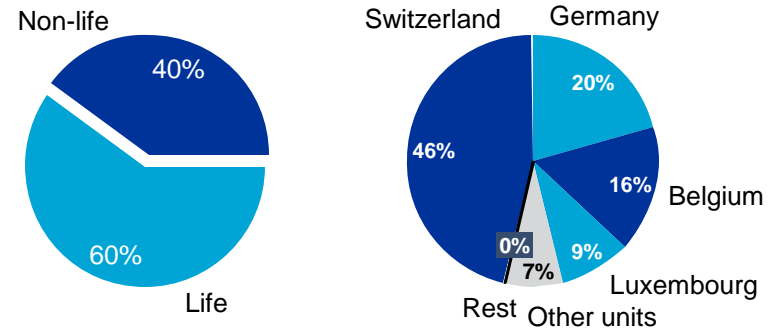
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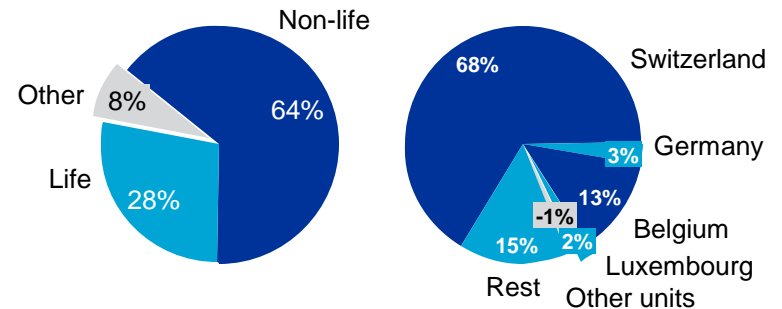
The Baloise Group Overview



Business Volume, FY 2012 CHF 8,358 mn



EBIT, FY 2012 CHF 556 mn



Market Exit in Croatia and Serbia

Full management attention on core markets

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

→ Selling price of EUR 75 mn

→ One-off loss out of this transaction of around CHF 30 mn expected

Highlights HY 2013

Strong set of results

→ Strong profit of CHF 245 mn, up by 11.8%

→ High growth in target segments, business volume up by 5.1%

→ Despite large claims, good portfolio quality delivers a solid net combined ratio of 94.5%

→ Good investment yield of 1.7%¹⁾, equity exposure increased

→ Rebound of life result, operating profit doubled

→ Strong capitalisation: shareholders' equity of CHF 4,555 mn, S&P raised outlook to "positive"

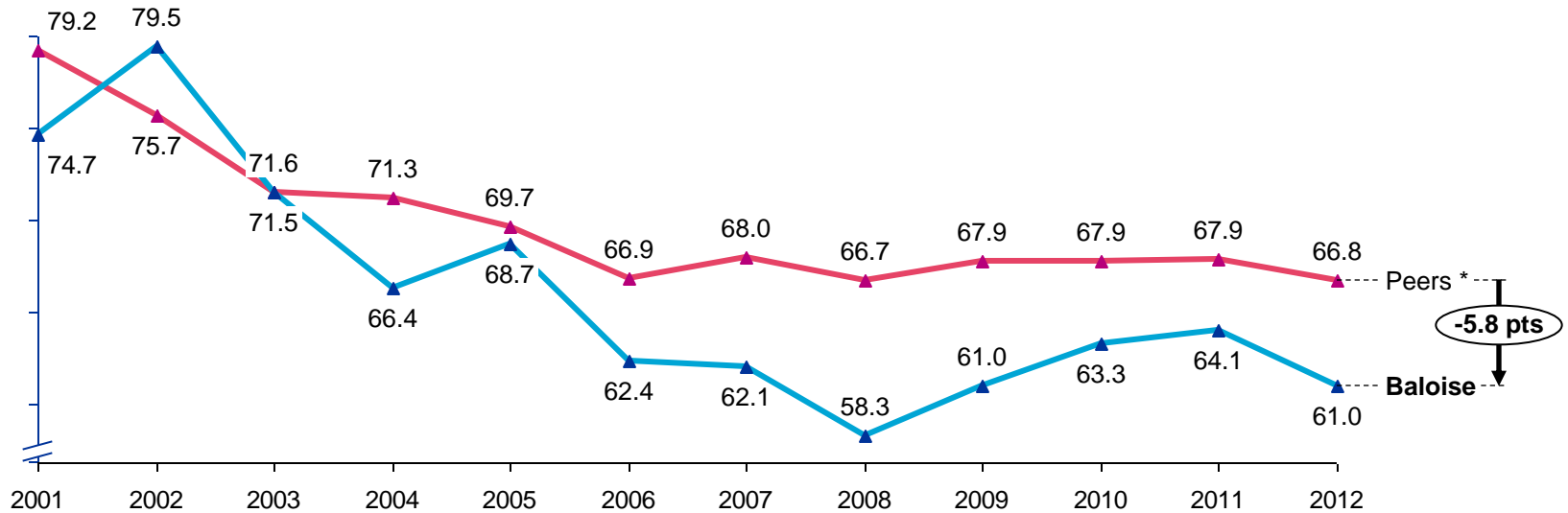
→ On track to deliver on financial targets

¹⁾ not annualized

Proof of Concept

High and sustainable portfolio outperformance achieved

Loss ratio, net



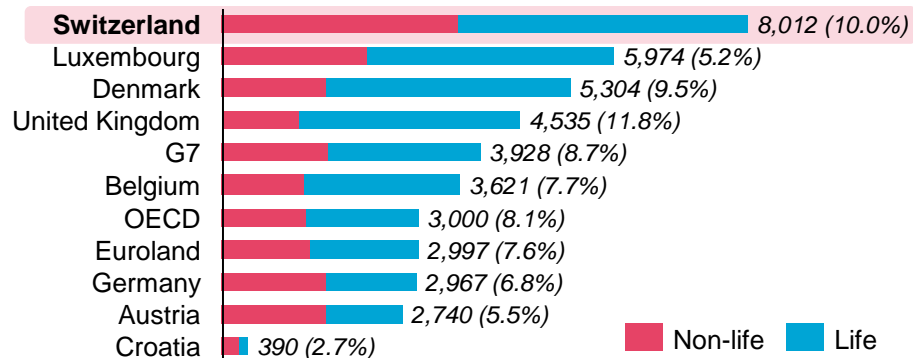
* Peers: Allianz, Axa, Helvetia, Nationale Suisse, Zurich

- 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

Switzerland

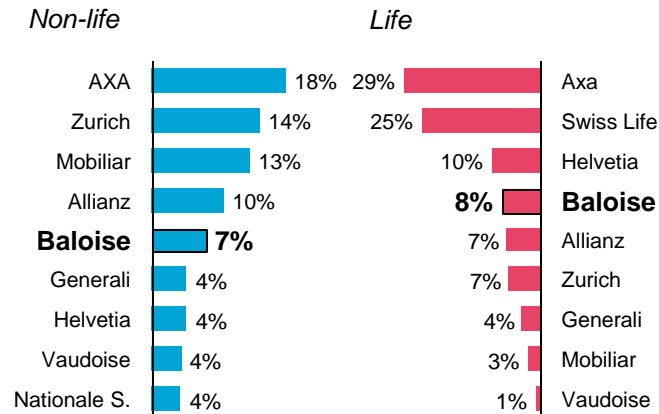
A stronghold in cash generation

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



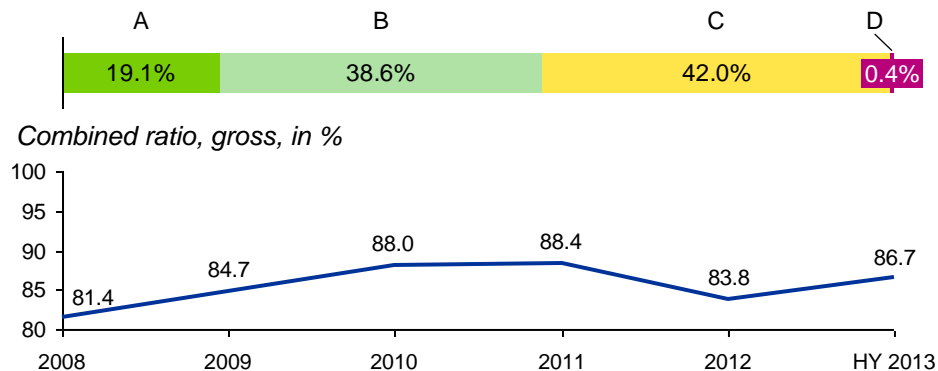
Source: Swiss Re, sigma 3/2012

② «... with a strong market share...»



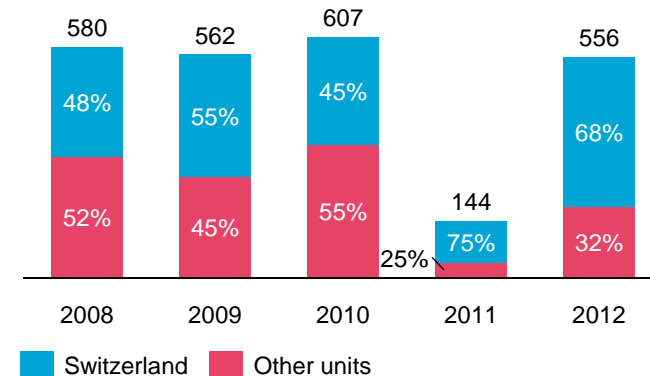
③ «... and a very reliable & highly profitable strategy...»

Target retail customer structure, FY 2012



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

EBIT, in CHF mn

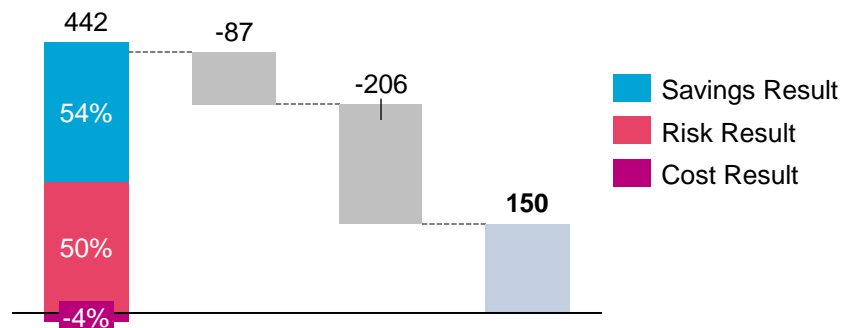


Life Business

Strong inforce business and attractive new business «pipeline»

Inforce

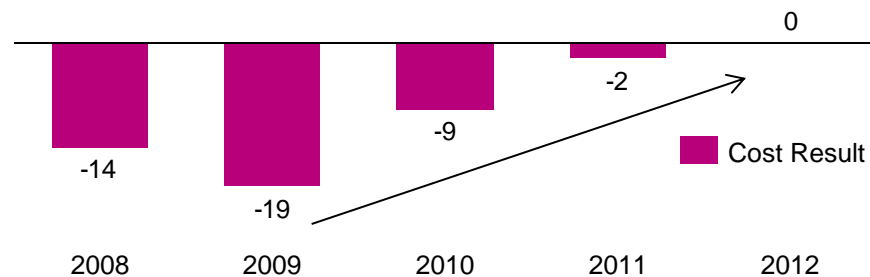
EBIT Life 2012, contribution from Switzerland by profit sources, in CHF mn



Gross Result Interest Rate Effect * Policyholder Participation EBIT Life Switzerland

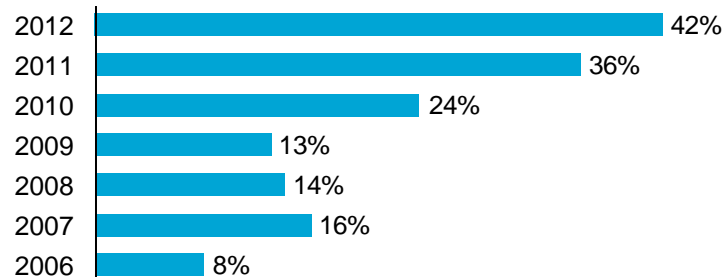
* Change in technical reserves, deferred acquisition costs, unearned revenue reserves and swaptions due to interest rate movements

Cost result, Group Life Business Switzerland, in CHF mn



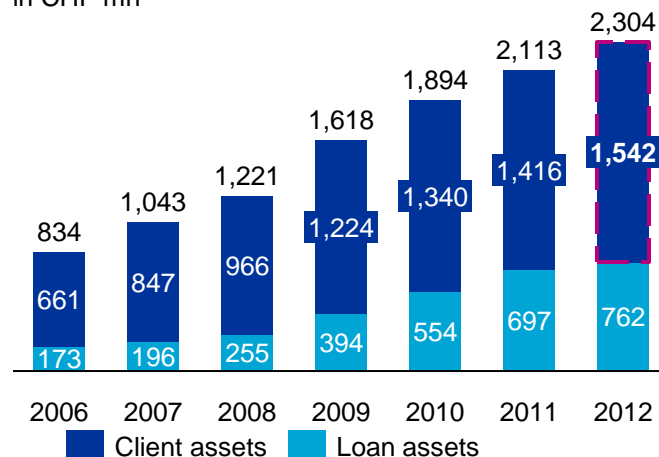
New Business

Modern products* ratio in % of APE



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

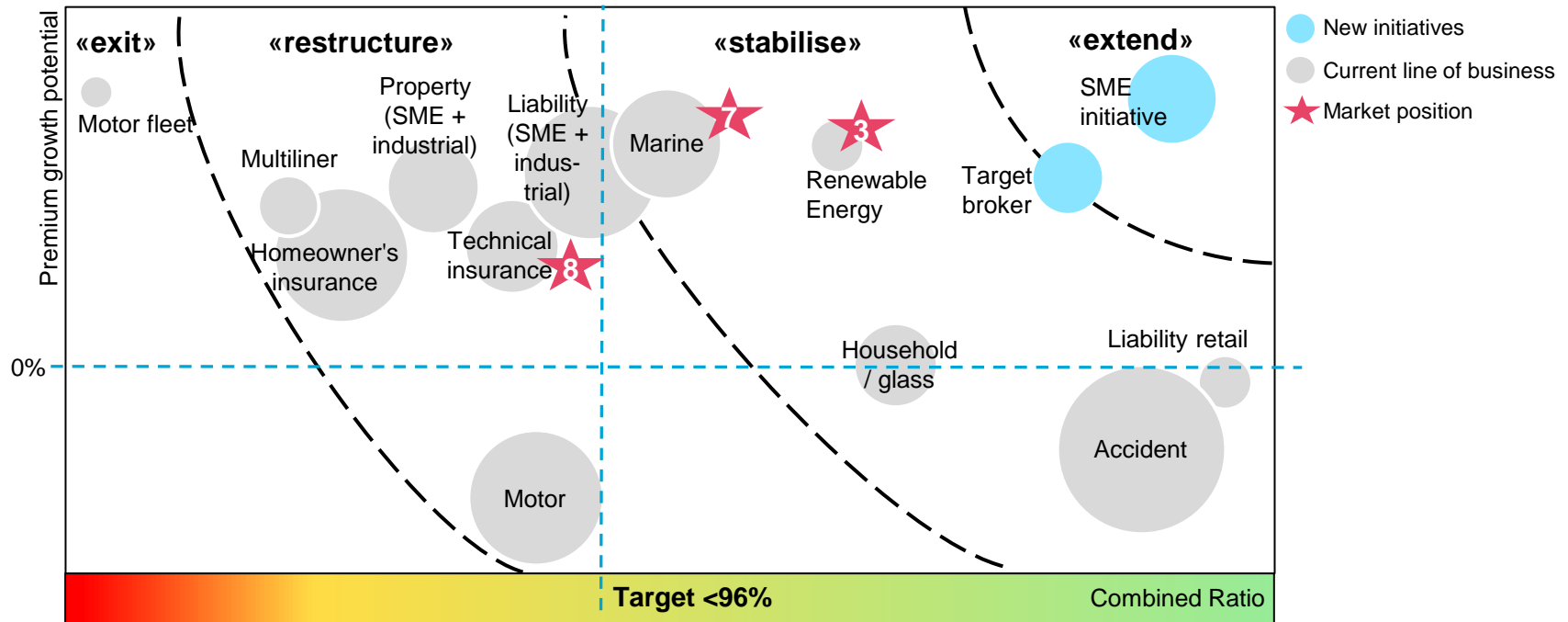
Life new business «pipeline» within banking operation, in CHF mn



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%

Optimisation in Germany

Bring costs down to market standards

→ Reduction of locations (HQs) from 4 to 2 until 2016 targeted. Target locations are Bad Homburg and Hamburg

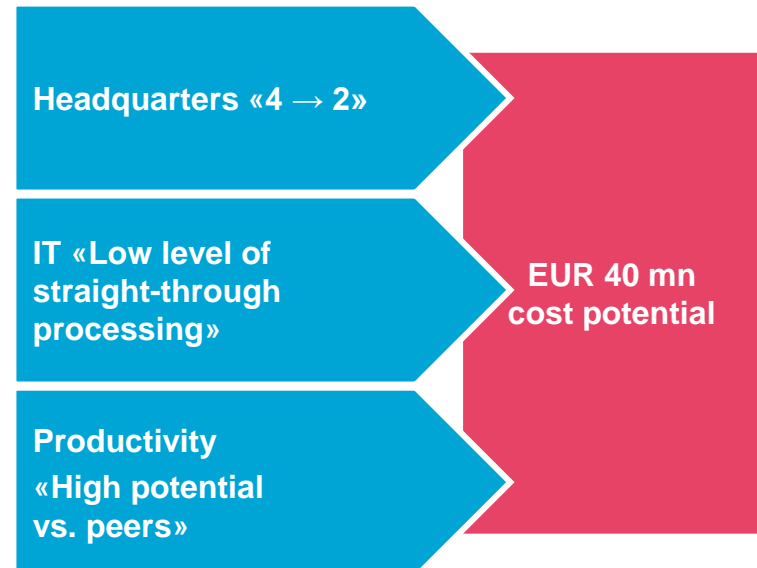
→ Negotiations with worker councils have started

→ 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

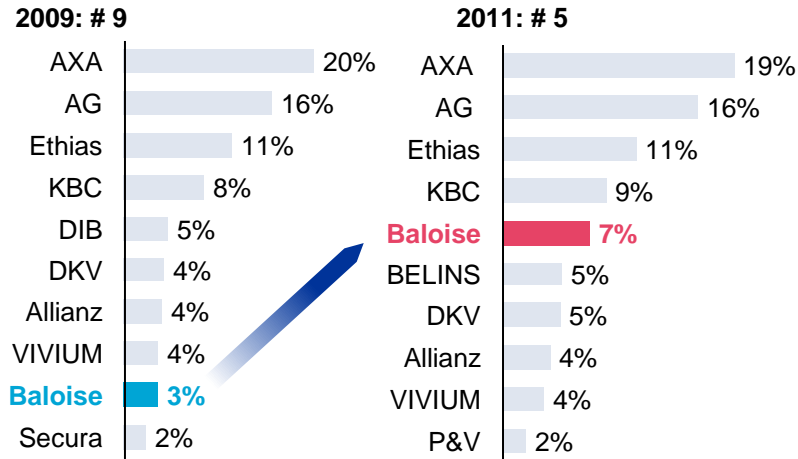
3 levers to bring cost base to market standards



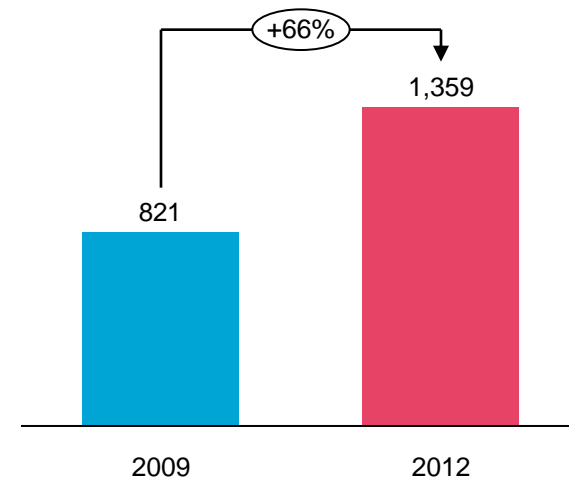
Belgium – A bigger Platform

Transform growth into profitability

Market share non-life

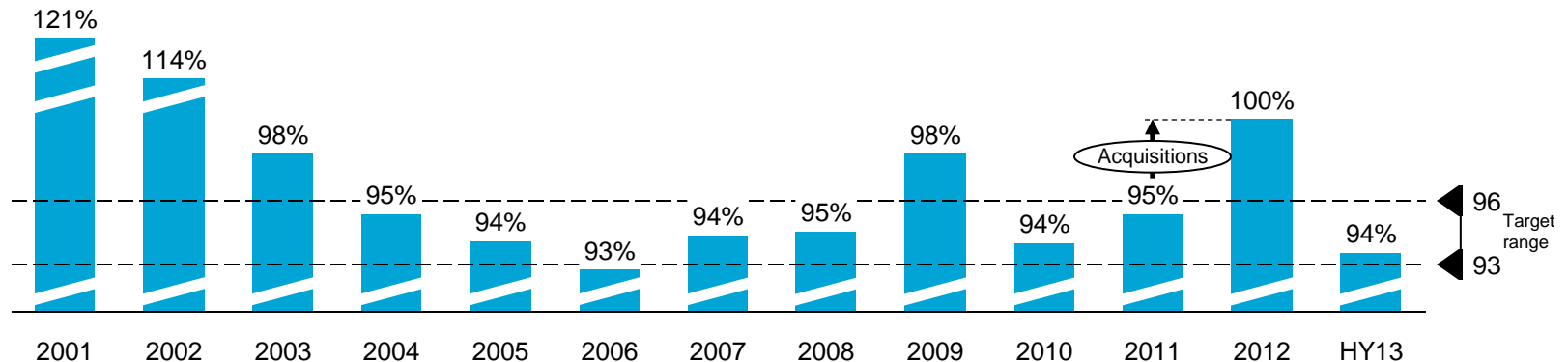


Business volume, in CHF mn



Source: National Bank of Belgium (NBB)

Combined ratio, gross

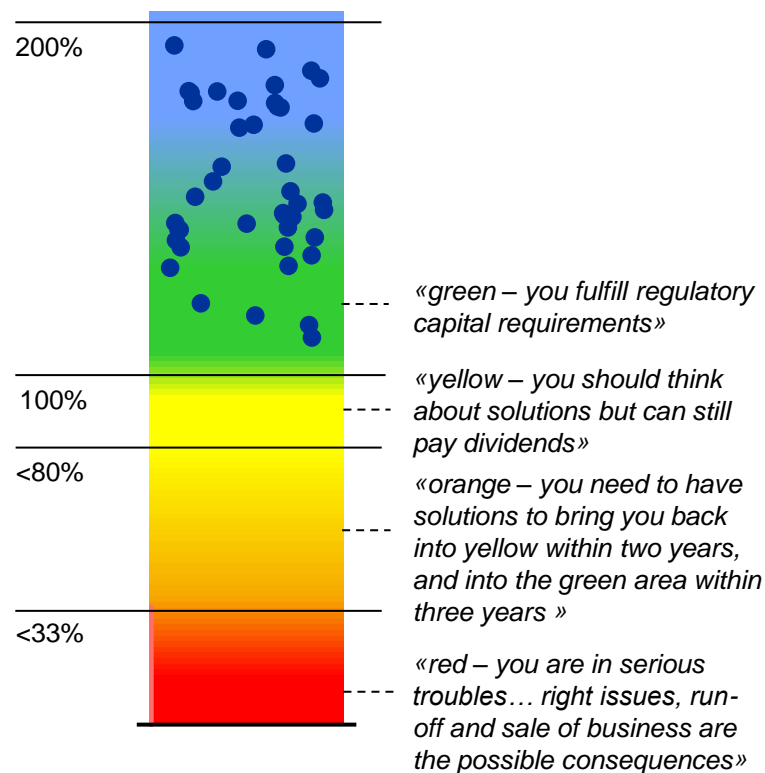


Regulatory Framework

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

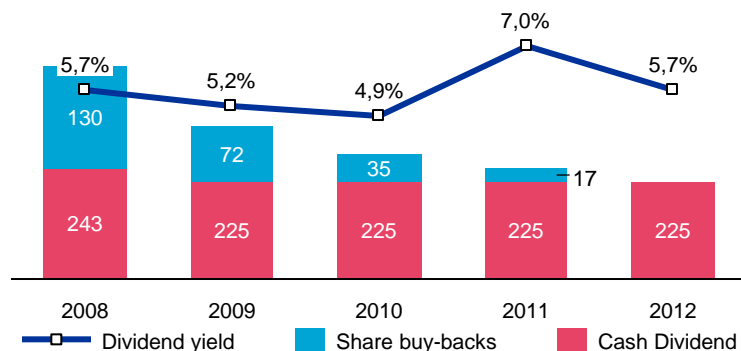
A very attractive track record to be continued

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 1.4 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**

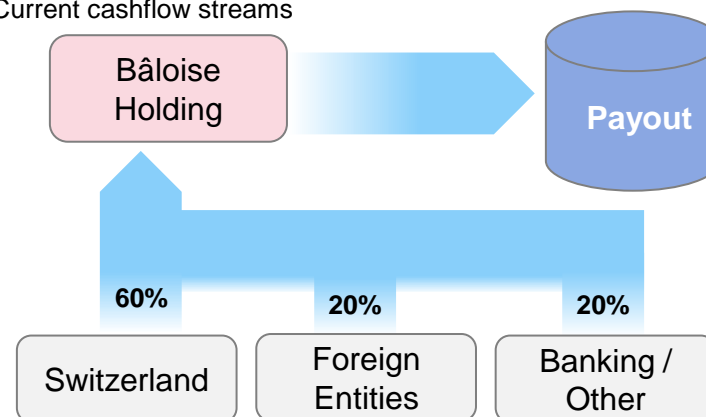
1) among all companies represented in the Swiss-Market-Index in the last 10 years, Source: J. Safra Sarasin (08/2013)

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

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

→ Full Year Results 2013

Tuesday, 25 March 2014

→ Annual General Meeting

Thursday, 24 April 2014

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

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