

# In the middle of life

ANNUAL REPORT 2007



# BALOISE KEY FIGURES

	2006	2007	+/- %
in CHF million			
<b>Business volume</b>			
Gross premiums written, nonlife	3,065.1	3,190.6	4.1
Gross premiums written, life	3,651.4	3,677.8	0.7
Sub-total of IFRS gross premiums written <sup>1</sup>	6,716.5	6,868.4	2.3
Investment-type premiums	774.7	1,069.2	38.0
Total business volume	7,491.2	7,937.6	6.0
<b>Business results</b>			
Segment income, nonlife <sup>2</sup>	542.2	516.5	-4.7
Segment income, life <sup>2</sup>	246.2	418.9	70.1
Segment income, banking <sup>2</sup>	63.6	69.1	8.6
Segment income other activities / corporate business <sup>2</sup>	89.4	30.2	-66.2
Profit for the period	707.1	813.8	15.1
<b>Balance sheet</b>			
Investments <sup>3</sup>	59,357.1	61,770.0	4.1
Technical reserves	46,521.8	47,811.0	2.8
Equity	4,986.5	4,865.6	-2.4
<b>Ratios in percent</b>			
Return on equity (RoE)	15.3	16.9	
Combined ratio nonlife (gross)	90.2	93.0	
Combined ratio nonlife (net)	94.0	95.1	
New business margin, life	7.3	9.5	
Investment performance	4.5	3.0	
<b>Embedded value life insurance</b>			
Embedded value	2,627.8	3,230.6	
APE (annual premium equivalent)	217.2	212.5	
Value of new business	15.9	20.3	
<b>Key share figures</b>			
Shares issued in units	55,307,150	54,000,000	-2.4
Profit for the period per share in CHF	12.93	15.48	19.7
Equity per share <sup>4</sup> in CHF	91.0	92.2	1.3
Price at year-end in CHF	121.80	111.50	-8.5
Market capitalisation in CHF million	6,736.4	6,021.0	-10.6
Dividend per share <sup>5</sup> in CHF	3.80	4.50	18.4

1 Premiums written and policy fees gross.

2 Before taxes and borrowing costs.

3 Including assets for the account and at the risk of life insurance policyholders.

4 Calculated on consolidated equity before minority interests and average number of outstanding shares.

5 2007 based on the proposal to the Annual General Meeting.

# BALOISE

## AT A GLANCE

### WHO WE ARE:

The Baloise Group is active in selected markets in continental Europe. With approximately 8,600 employees, Baloise provides comprehensive insurance and retirement solutions to private individuals and companies. The Group focuses on high value-added customers and distribution partners. The registered shares are included in the Swiss Market Index and are traded under the abbreviation BALN.

### OUR ACHIEVEMENTS IN 2007:

- Record profit of CHF 813.8 million, up 15.1% over the previous record high of 2006.
- Earnings per share of CHF 15.48, up 19.7% over the previous year.
- Return on equity of 16.9%.
- Growth of business volume up by 6.0% to CHF 7,937.6 million.
- Growth of 38.0% to CHF 1,069.2 million in the target segment of investment-type life insurances.
- Net combined ratio of 95.1% despite storm loss.
- Embedded value of life insurances rose by CH 2,627.8 million to CHF 3,230.6 million, representing a return on embedded value of 24.5%.

### WHAT WE AIM TO ACHIEVE:

The year 2008 will be characterised by volatile financial markets and a further increase in pricing and competitive pressure. In this challenging environment, Baloise strives to achieve good results at a high level. Over the cycle, Baloise expects to see a return on equity of 15% and a steady increase in earnings per share. In the nonlife business, it is our objective to keep the combined ratio significantly below 100%.

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A safe and fulfilling life with the right partner.

Change is often experienced as a challenge. But change is also an expression of freedom. Freedom to choose; the freedom of giving life a particular direction, or to start all over again.

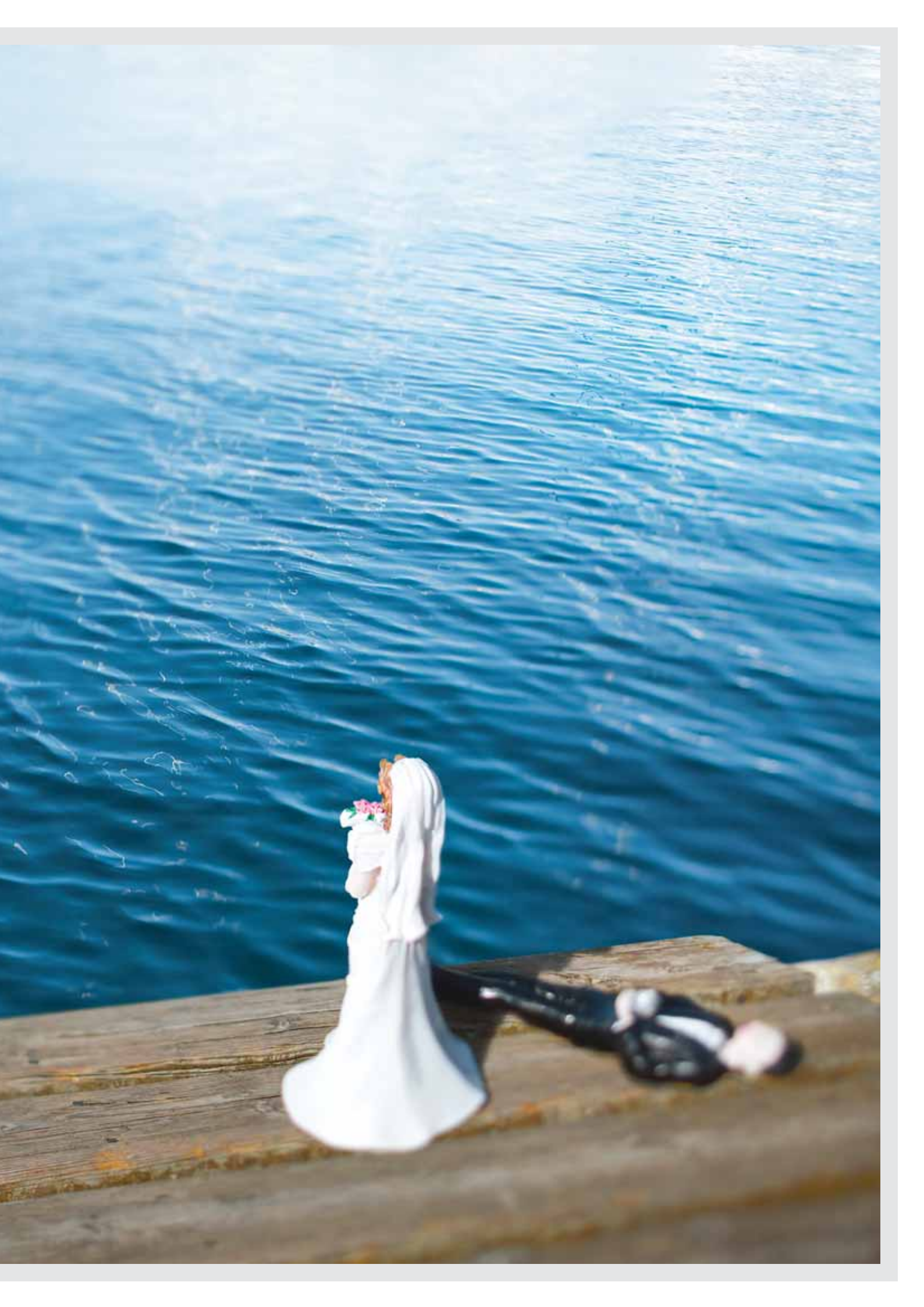
You can rely on us as your trusted partner in any of these situations. Looking at the lives of our clients in all their richness, we offer them support in decision-making situations – wherever they are in life.

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# Going through life together

OR RATHER ON YOUR OWN?





## OUR MARKETS

BALOISE FOCUSES ON MARKETS, CUSTOMERS, DISTRIBUTION CHANNELS AND PRODUCTS WITH HIGH ADDED VALUE. WE PREFER CUSTOMERS WHO ARE PRIVATE INDIVIDUALS, SMALL AND MEDIUM-SIZED BUSINESSES WITH FAVROUABLE RISK AND INCOME PROFILE AND SELECTED INDUSTRIAL CUSTOMERS.

**SWITZERLAND** In the Swiss home market, Baloise trades under the names “Basler Versicherungen” and “Baloise Bank SoBa”. The Basler Switzerland is the largest business unit within the Group. As a financial services provider, it focuses on comprehensive insurance and retirement solutions. Customers are private individuals, small and medium-sized businesses and selected industrial companies. The heart of the Baloise distribution is the company’s own sales force, which works closely with selected distribution partners for individual product and customer segments, plus external brokers and on the internet. In addition, Baloise Bank SoBa offers banking products through its insurance sales force to accompany the range of retirement products. In the region of northwest Switzerland, it has also positioned itself as a full-service bank.



### KEY FIGURES SWITZERLAND

	2006	2007
Full-time equivalents	3,516.9	3,449.7
Business volume in CHF million	3,730.4	3,742.7
Combined ratio (gross) Basler Versicherungen in percent	87.8	88.6

**GERMANY** In the German market, Baloise is represented by business units “Basler Versicherungen” and “Deutscher Ring”. With its headquarters in Bad Homburg, Basler Germany focuses on property insurance, providing insurance and retirement solutions to private customers, small and medium-sized businesses and selected industrial customers. In sales, Basler Germany works primarily with the company’s own sales force and external brokers.

Deutscher Ring in Hamburg specialises in retirement provisions for private customers, with retirement and health care as core products. Deutscher Ring is also present in Slovakia and in the Czech Republic. Apart from its own sales force, Deutscher Ring also works with distribution partners OVB and ZEUS and external brokers.



### KEY FIGURES BASLER GERMANY

	2006	2007
Full-time equivalents	1,152.3	1,126.3
Business volume in CHF million	1,067.4	1,083.9
Combined ratio (gross) Basler Versicherungen in percent	92.6	97.3

### KEY FIGURES DEUTSCHER RING

	2006	2007
Full-time equivalents	1,296.8	1,354.2
Business volume in CHF million	1,237.9	1,299.8
Combined ratio (gross) Deutscher Ring in percent	94.4	97.2



**BELGIUM** In the Belgian market, the Baloise Group is represented in Flanders by the brand “Mercator Verzekeringen”. Mercator has established itself as preferred trusted partner to local, professional brokers. The company provides a comprehensive range of financial protection and property insurance products to private customers and small and medium-sized businesses.

**LUXEMBOURG** In the Grand Duchy, “Baloise Assurances” offers a full range of products to meet the insurance, retirement and wealth building needs of private and business customers. Beyond its home market, Baloise Luxembourg also sells retirement and wealth-building products in many countries of the European Union, in cooperation with high-performance banking partners.



#### KEY FIGURES BELGIUM

	2006	2007
Full-time equivalents	680.7	689.7
Business volume in CHF million	738.7	792.8
Combined ratio (gross) Mercator Verzekeringen in percent	92.7	94.3

#### KEY FIGURES LUXEMBOURG

	2006	2007
Full-time equivalents	128.0	160.0
Business volume in CHF million	535.2	770.5
Combined ratio (gross) Baloise Assurances in percent	89.7	91.6

**AUSTRIA** In Austria, “Basler Versicherungen” offers insurance and retirement solutions to private customers and small and medium-sized businesses. In sales, the business unit relies primarily on its own sales force, plus a number of selected brokers. Basler is one of the prime addresses in the target segment medical practitioners and other medical personnel.

**CROATIA AND SERBIA** Together with “Osiguranje Zagreb”, which was acquired in July 2007, “Basler Osiguranja” is the fourth largest insurer in the Croatian market. After opening an office in Serbia at the end of 2007, Baloise is now concentrating on the target segment medical practitioners and dentists, which has already been highly successful in Austria and Croatia, as well as on banking sales.



#### KEY FIGURES AUSTRIA

	2006	2007
Full-time equivalents	235.8	241.2
Business volume in CHF million	127.9	146.7
Combined ratio (gross) Basler Versicherungen in percent	99.9	99.9

#### KEY FIGURES CROATIA AND SERBIA

	2006	2007
Full-time equivalents	67.0	693.7
Business volume in CHF million	13.6	62.5
Combined ratio (gross) Croatia and Serbia in percent	95.0	117.6

# OUR STRATEGY

THE FOCUS OF OUR STRATEGY IS OUR CUSTOMERS, WHOSE LASTING TRUST WE WANT TO ACHIEVE. THIS PARTNERSHIP IS CHARACTERISED BY THE QUALITY OF THE RELATIONSHIP AND THE ADDED VALUE.

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## WE FOCUS ON OUR CUSTOMERS

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We want us and our products and services to excite our customers and thus become their preferred and trusted partner. Based on this long-term, trusting relationship, together with the mutual generation of added value, we are able to achieve long-term growth and above-average productivity. In turn, this allows us to make investments that benefit our customers, employees and investors, thus securing our future.

Organic growth in customer segments with a high value-added potential will continue to be our primary focus. For targeted acquisitions and strategic partnerships, we will focus on the expansion of market positions in existing markets.

For our most important reference groups this means:

**CUSTOMERS** Our target customers are responsible individuals and businesses that take the protection of their property and adequate provisions for the future seriously. With comprehensive solutions, we provide them with security for all situations in life. We are passionate about being a service provider. Our prices and conditions are based on risk assessment features and enable us to offer detailed solutions.

**SHAREHOLDERS** We increase the business value for our shareholders. With the entrusted capital, we aim at a return that is significantly higher than the average cost of capital. We maintain an income-oriented distribution policy. We provide regular und transparent updates to our shareholders on business trends and strategy implementation.

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**EMPLOYEES** The success of our strategy is built on the skills and capabilities of our competent, hard working and loyal employees. We offer them an attractive working environment with prospects for continuous further development. We ensure targeted and sustained investment in the skills of our employees. We are committed to working in a fair partnership.

**SALES PARTNERS** Depending on the market, we conduct all or part of our business through sales partners. They are as strongly committed to outstanding customer management and exceptional service quality as we are. We seek to maintain the same relationship of trust with our sales partners as we do with our customers.

**THE PUBLIC** We are a responsible member of society. As an insurance and pension provider, we contribute to the functioning of national economies, communities and businesses on a daily basis.

Thanks to our sizable earning power, we contribute substantially to the financing of the public sector. Our sustainable company policy makes us a reliable employer. We create and maintain value-added jobs. We make responsible use of natural resources.

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# Renting a place

OR OWNING YOUR OWN HOME?



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There are different types of dwellings. The goal is to create an environment that enables a good life for everyone. Our lives keep changing – thus, we periodically must adjust our living arrangements.

The manifold forms of community require strong partners, who are responsive to the changing needs and conditions. Like Baloise.

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## “WE WANT TO MAKE AN ACTIVE CONTRIBUTION TO THE DEVELOPMENT”



Dr. Rolf Schäuble, Chairman of the Board of Directors  
and CEO of Baloise Group

### DEAR SHAREHOLDERS

It is with great pleasure that we are able to report that the Baloise Group has realised historical earnings of CHF 813.8 million and a 19.7% increase in earnings per share of CHF 15.48 in the fiscal year 2007 – a clear indication that Baloise is in excellent shape. This success confirms the opinion of the Board of Directors and the Corporate Executive Committee that we have the right strategy and that we will continue to efficiently implement it year after year. My sincere thanks go to those who are responsible for this achievement: to all employees, but also to you, dear shareholders. The business results 2007 will allow us to recommend a 18.4% higher dividend per share of CHF 4.50 to the Annual General Meeting.

This record result – a milestone of a major phase of development on our way to become a favoured trusted partner – is

the interim high point of our five-year undertaking aimed at attaining mastery in our core business. During this time, we were able to steadily increase our earnings power. Today, Baloise is a respected, highly profitable, financially strong and competitive business, ranking among the leading insurance companies in Europe.

Our guiding principle in the further implementation of our strategy remains the continued striving for operational excellence in the insurance business. Financial management in the years to come will continue to focus on the high demands of our shareholders. This will include an attractive distribution policy and effective capital structure management, among other things.

The European insurance industry is currently undergoing a fundamental change; the consolidation is already a reality today or is foreseeable in the future. With its strong strategic positioning as well as its performance and financial strength, Baloise is well prepared. And more than that. From a position of strength, we want to – and are able to – actively contribute to this consolidation process. We want to continue to generate high earnings, while growing significantly at the same time.

To achieve our goals, we will continue to grow organically and, with a clear strategy in the market consolidation, we will also consider acquisitions, strategic partnerships or mergers. The prerequisites are already clearly defined: they must be economically viable for our company and provide clear, measurable and long-term financial benefits to our shareholders, employees and customers. Acquisitions or mergers for their own sake are not viable for us. Our focus in the future is still on the markets in which we already operate today. Here, we want to grow stronger and make an active contribution to the development.

Actively contributing to the consolidation process does not simply mean to join all the numerous other stakeholders in the field. Such a step must serve a superordinate, strategic interest. For Baloise, this interest is tantamount to maintaining its freedom of action and making use of the available room for manoeuvre. As the saying goes: Shape the future, or the future will shape you.

A look at the European insurance map shows a heterogeneous picture: Many insurance markets are typical of the numerous companies of national or regional significance. Many of these companies are well established and have a loyal customer base. But in an increasingly complex and demanding environment they lack the knowledge and skills in critical areas such as value and risk management, underwriting and asset management, whereas Baloise has all these attributes to a great extent. A merger with a financially strong partner that is listed on the stock exchange – such as

Baloise – would offer them the opportunity to increase their efficiency, plus excellent access to the capital market.

The year 2008 will be characterised by volatile financial markets and a further increase in pricing and competitive pressure. In this challenging environment, Baloise strives to achieve good results at a high level. Over the cycle, Baloise expects to see a return on equity of 15% and a steady increase in earnings per share. In the nonlife business, it is our objective to keep the combined ratio significantly below 100%.

On behalf of Baloise's Board of Directors and the Corporate Executive Committee, I would like to thank you for your confidence and faith in the company, now and in the future.

Basel, March 2008



**Rolf Schäuble,**  
Chairman of the Board of Directors and  
CEO of Baloise Group

## RESILIENT BALOISE SHARE IN VOLATILE FINANCIAL MARKETS

IN 2007, THE BALOISE SHARE REMAINED RELATIVELY CONSTANT IN A VOLATILE FINANCIAL MARKET ENVIRONMENT COMPARED TO OTHER FINANCIAL INSTRUMENTS. THE SWISS INSURANCE INDUSTRY INDEX CLOSED AT – 8.3%, ITS EUROPEAN EQUIVALENT AT – 12.1%. AT YEAR-END, THE BALOISE SHARE PRICE WAS CHF 111.50, DOWN BY 8.5%.

In the first quarter, the Baloise share performed stronger than the market as a whole, but weaker than the Swiss industry index. By 31<sup>st</sup> March 2007, the Baloise share price had gone up by 3.9%. In the same period, the SMI only increased by 2.2%. With the insurance sector being stimulated by the rising interest rate level in the first three months, the Swiss insurance sector index (SWX SP Insurance Price Index) rose by 7.1%.

The increase in value in the first half of the year could not be sustained in the second half, due to the worsening of the US mortgage crisis. At the end of September, the Baloise share price was CHF 117.80; 3.3% lower than at the beginning of the year. With a gain of only 1.7%, the SMI lost significantly in value compared to the first half of the year.

At year-end, the SMI closed with –3.4%. At year-end, the Swiss insurance sector index was 8.3% lower than at the beginning of the year, while the European insurance sector index was down by 12.1%. The Baloise share was unable to escape the volatile environment and at year-end 2007 closed at CHF 111.50; a drop of 8.5%, compared with the year-end 2006 closing price of CHF 121.80.

**DISTRIBUTION TO SHAREHOLDERS** For the fiscal year 2007, the Board of Directors requests a cash dividend of CHF 4.50 of the Annual General Meeting. Based on the year-end closing price, this represents a cash dividend return of 4.0%.

The share buy-back programme, announced in March 2006 (total volume: up to 5,530,715 shares) was continued in 2007.

A further 3,283,000 shares were acquired via the second trading line. By the end of 2007, 78.8% of the buy-back programme had been realised. In addition to the cash dividend, shareholders thus received a total of CHF 390.6 million.

Year	Buy-back volume (in units)	In % of maximum buy-back volume of 5'530'715 shares	Buy-back volume (in CHF million)	Average price (in CHF)
2006	1,074,000	19.4	113.8	105.84
2007	3,283,000	59.4	390.9	119.00
Total	4,357,000	78.8	504.7	115.80

The Annual General Meeting 2007 decided upon a capital reduction by cancelling 1,307,150 of the repurchased shares.

The current status of the share buy-back programme is available at:

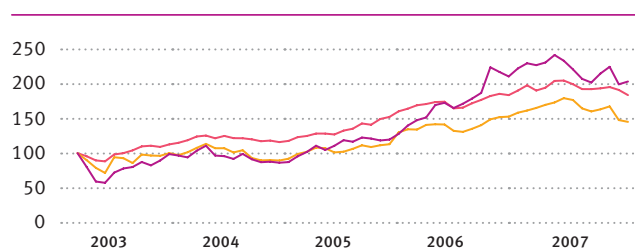
➔ [www.baloise.com](http://www.baloise.com) ➔ Investor Relations ➔ Baloise share ➔ Share buyback program

**SHAREHOLDER STRUCTURE** Baloise has a broadly diversified shareholder base and is listed on the Swiss Market Index (SMI). Through the share buy-back, Baloise exceeded the disclosure threshold of 5% on 5<sup>th</sup> November 2007 and held 5.04% treasury shares. Therefore, the SMI-relevant free-float has come to 94.96% as of March 2008. On 31<sup>st</sup> December 2007, Barclays Group held 10.25% of the shares (disclosure report dated 28<sup>th</sup> August 2007). The table on page 100 gives information on the largest registered shareholders as of 31<sup>st</sup> December 2007.



**BALOISE SHARE**

Ticker symbol	Tk, B: BALN; R: BALZn
Face value in CHF million	CHF 0.10
Securities number	1.241.051
ISIN	CH0012410518
Listing	SWX Europe
Share type	100% registered shares

**INDEXED SHARE PRICE DEVELOPMENT<sup>1</sup> BÂLOISE-HOLDING SHARE REGISTERED 2003 – 2007**


1 31<sup>st</sup> Dezember 2002 = 100

- Baloise-Holding share registered
- SWX SP Insurance Price Index (SMINNX)
- Swiss Market Index

**SHARE STATISTICS**

Position	30.12.2003	30.12.2004	30.12.2005	29.12.2006	28.12.2007
Price at year-end in CHF	51.65	52.50	76.75	121.80	111.50
High in CHF	63.20	63.10	77.00	126.70	135.00
Low in CHF	25.45	45.75	52.70	76.40	104.90
Market capitalisation in CHF million	2,856.6	2,903.6	4,244.8	6,736.4	6,021.0
Earnings per share in CHF	1.70	3.90	7.30	12.90	15.48
Price / earnings ratio (P / E)	30.90	13.46	10.51	9.40	7.20
Price / carrying value ratio (P / B)	0.86	0.83	0.97	1.34	1.21
Number of shares issued in units	55,307,150	55,307,150	55,307,150	55,307,150	54,000,000
./ Number of treasury shares in units	414,303	1,176,237	887,879	1,849,548	3,997,308
Number of shares in circulation in units	54,892,847	54,130,913	54,419,271	53,457,602	50,002,692
Average number of shares outstanding <sup>1</sup>	54,794,476.0	54,001,678.0	54,280,154.0	54,086,516	51,887,469
Dividends per share <sup>2</sup> in CHF	0.60	1.10	2.20	3.80	4.50
Payout ratio	36.3	28.2	30.7	30.1	29.0
Return on dividends <sup>2</sup>	1.2	2.1	2.9	3.1	4.0

1 Relevant for the earnings per share calculation (see financial report page 82).

2003 before restatement due to inclusion of the Baloise Foundation for Employee Participation in the consolidation process as of 01.01.2004.

2 2007 based on proposal to Annual General Meeting.

# New runabout

OR NEW TOOLBOX?



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The decision for new acquisitions is based on complex considerations. Nostalgia or technology, familiar or new.

We frequently use our gut instinct when making these decisions, even if we carefully weigh up the costs and benefits. Baloise knows how to deal with its customers' rational and instinctive decisions and how to find promising solutions.

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## ANOTHER RECORD RESULT AND ACCELERATED GROWTH

IN THE FISCAL YEAR 2007, THE BALOISE GROUP AGAIN EXCELLED WITH A RECORD RESULT AND REINFORCED GROWTH MOMENTUM. RESULTS INCREASED BY 15.1% TO CHF 813.8 MILLION (PREVIOUS YEAR: CHF 707.1 MILLION). WE PROPOSE A 18.4% HIGHER DIVIDEND OF CHF 4.50 PER SHARE FOR OUR SHAREHOLDERS.

**OVERVIEW** In a demanding market environment, partly supported by favourable currency effects, Baloise had a successful year in the insurance business and with investments. We noticed mounting pressure on prices and margins in all our continental markets in the insurance sector. As a quality insurer with a focus on customers with earning potential and a low risk profile, we respond by offering our target customers differentiated prices, plus attractive service and product offerings.

Our focus on operational excellence and aligning sales activities to best serve target customers, was reflected in the excellent 2007 results of the business units. Particularly outstanding is the increased profit contribution from the life insurance sector.

The result from investments in the unstable environment of the capital markets rose by 9.5% to CHF 2,515.9 million, thanks to our efficient asset management. Primary contributors to the results were the 11.5% increase in current income on top of the strategy-driven realisation policy. The proportion of shares and equity-related investments in the insurance business amounted to 13.1% (previous year: 14.1%). The performance of 3.0% (previous year: 4.5%) reflects largely the negative impact of rising interest rates on the fair value of fixed-income securities. Investments in subprime and CDO instruments amount to 0.04% of the investments.

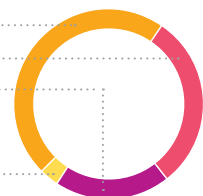
The total business volume – including investment-type life insurance – rose by 6.0% to CHF 7,937.6 million (previous year: CHF 7,491.2 million). In local currency the increase was of 3.6%. Premium income under IFRS amounted to CHF 6,868.4 million (previous year: CHF 6,716.5 million), an increase of 2.3%. The major growth impulses came from investment-type life insurances. Belgium, Luxembourg and Austria, in particular showed marked growth. The business volume comprises a balanced mixture of business sectors, with about 60% life insurance and 40% nonlife business.

The Baloise Group's scope of consolidation was primarily expanded by Osiguranje Zagreb in Croatia, the Winterthur Europe Vie in Luxembourg and the newly formed companies in Liechtenstein and Serbia.

### BUSINESS VOLUME 2007 (GROSS) BY REGIONAL SEGMENTS

in percent

Switzerland	47.2
Germany	30.0
Benelux	19.7
Other countries	3.1

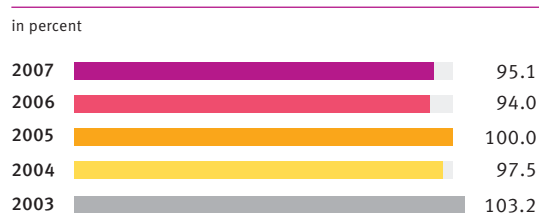


DISTRIBUTION INCOME			
	2006	2007	+/- %
in CHF million			
Total business volume	7,491.2	7,937.6	6.0
Life	3,651.4	3,677.8	0.7
Nonlife	3,065.1	3,190.6	4.1
Investment-type insurance premiums	774.7	1,069.2	38.0
Income from services rendered	286.4	387.5	35.3

**NONLIFE SECTOR: EXCELLENT ACTUARIAL PRACTICE DESPITE STORM LOSS** Thanks to a strong operational performance and a high-quality insurance portfolio, the nonlife sector (indemnity and personal injury insurance) achieved a strong result from investments and earnings before taxes and borrowing costs of CHF 516.5 million (previous year: CHF 542.2 million). Despite the financial strain of approximately CHF 83 million gross due to winter storm “Kyrill”, the results are only somewhat below the record result of the previous year which had suffered hardly any losses. Combined ratio from 93.0% gross (previous year: 90.2%) and 95.1% net (previous year: 94.0%) are within the framework of our objectives; without the “Kyrill effect”, the results would have been on the same excellent level as the 2006 results. All strategic business units saw the combined ratio at a very good level. The German and Belgian units in particular experienced large claims due to “Kyrill”.

The business volume (equal to the IFRS premium income) amounted to CHF 3,190.6 million (previous year: CHF 3,065.1 million), an increase of 4.1%. Convincing growth, given the mounting competition and the resulting drop in prices in various segments. Above-average growth was achieved in Belgium with 8.4%, Luxembourg with 11.5% and in Austria with 17.4%. For years, Austria and Luxembourg have been achieving double-digit growth rates, well above the market average.

#### COMBINED RATIO NET PERFORMANCE



From 2005: excluding legally required interest on actuarial reserves for pensions.

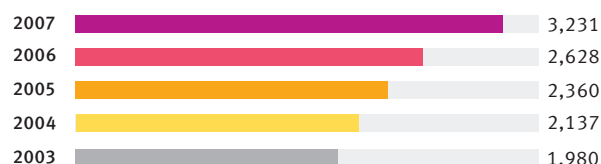
**LIFE INSURANCE SECTOR: EARNINGS SURGE** The life insurance sector achieved earnings before taxes and borrowing costs of CHF 418.9 million (previous year: CHF 246.2 million), an increase of 70.1%. Factors contributing to this outstanding performance are the increased operating efficiency, a higher value of the business portfolio and the favourable trend in interest rates. Investments were key to the results. The business volume – including investment-type life insurances – amounted to CHF 4,747.0 million (previous year: CHF 4,426.1 million), an increase of 7.3%. The demand for traditional endowment life insurance remained weak due to continued low interest rates. Single life business in the Swiss market saw a downward trend, while investment-type life insurances significantly improved its market position. Volume rose by 38.0% and for the first time was well over a billion with CHF 1,069.2 million (previous year: CHF 774.7 million). These products continue to be a sound alternative to traditional life insurances, for which there is still only weak demand. Particularly Baloise Luxembourg, Deutscher Ring and Baloise Switzerland recorded strong growth in investment-type life insurances.

In order to take advantage of the many promising opportunities for capital market-oriented products, we established Baloise Life Liechtenstein in 2007, which develops innovative product offerings in this sector.

In the reporting period, the value of the life insurance portfolio (embedded value) showed an increase from CHF 2,627.8 million to CHF 3,230.6 million which corresponds to an excellent return on embedded value of 24.5%. In addition, the contribution from investment income, modelled at a higher level for the future, amounted to CHF 454 million. The better-than-expected trend on the capital markets in 2007 resulted in a further positive contribution of CHF 80 million, after taking into account surplus effects. The value of new business amounted to CHF 20.3 million, while the margin in new business improved to 9.5% (previous year: 7.3%).

#### EMBEDDED VALUE PERFORMANCE

in CHF million



#### OWN INVESTMENTS BY CATEGORIES<sup>1</sup>

	2006	2007	+/- %
in CHF million			
Fixed-interest securities	24,231.6	24,227.3	-0.0
Shares	6,046.2	5,695.5	-5.8
Derivatives	75.8	54.2	-28.5
Investment property	5,312.6	5,269.5	-0.8
Mortgage assets	9,941.4	10,234.8	3.0
Policy and other loans	7,860.2	8,164.4	3.9
Alternative financial investments	2,214.6	2,145.7	-3.1
Cash equivalents	698.1	1,611.7	130.9
<b>Total</b>	<b>56,380.5</b>	<b>57,403.1</b>	<b>1.8</b>

<sup>1</sup> Excluding assets for the account and at the risk of life insurance policyholders.

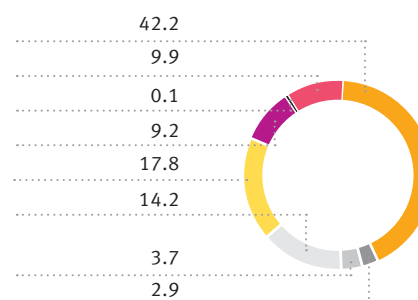
**BANKING: INCREASE IN EARNING POWER** The banking sector achieved earnings before taxes and borrowing costs of CHF 69.1 million (previous year: CHF 63.6 million), an increase of 8.6%. Baloise Bank SoBa contributed the lion's share with an increase in earnings under IFRS of 2.8% to CHF 30.4 million (previous year: CHF 29.5 million). Baloise Asset Management realised earnings of CHF 18.5 million (previous year: CHF 21.3 million). The Baloise Invest Fund increased its earnings by 12.5% to CHF 8.1 million.

**EQUITY** As of 31<sup>st</sup> December 2007, equity of the Baloise Group amounted to a total of CHF 4,865.6 million (previous year: CHF 4,986.5 million). The decrease was a result of the share buy-backs, the dividend distribution and the capital market development, which were almost compensated for by the profit for the period 2007. Group solvency at the end of 2007 was an excellent 287% (previous year: 320%).

**INVESTMENTS** While stock exchanges worldwide were still reporting strong growth in the first half-year, shares, in particular financial instruments, headed downwards after

#### INVESTMENT COMPONENTS 2007

in percent



**BALOISE ASSETS AS OF 31.12.2006**

	Nonlife	Life	Bank	Total Group
in Mio. CHF				
Own investments	9,381.8	41,359.8	5,619.9	56,380.5
Investment-type life insurance		2,976.6		2,976.6
Total recognised investments	9,381.8	44,336.4	5,619.9	59,357.1
Asset management for third parties				8,950.6
<b>Total managed assets</b>				<b>68,307.7</b>

**BALOISE ASSETS AS OF 31.12.2007**

	Nonlife	Life	Bank	Total Group
in CHF million				
Own investments	9,721.7	42,144.4	5,609.8	57,403.1
Investment-type life insurance		4,366.9		4,366.9
Total recognised investments	9,721.7	46,511.3	5,609.8	61,770.0
Asset management for third parties				9,413.8
<b>Total managed assets</b>				<b>71,183.8</b>

August in the escalating property and credit markets crisis in the US. It is only due to the interest rate cuts by the US central bank that most equity markets were able to recover by the end of the year. Among the major share indices recording a positive development, are Standard & Poor's with +3.5%, EuroStoxx50 with +6.8% and the MSCI Emerging Markets Free Index with +39.4%. The Swiss Performance Index with -0.1%, however, suffered enormous setbacks in the second half of the year and subsequently struggled to reach the previous year-end results. Baloise was able to profit from the volatile trend of prices, thanks to the above average equity exposure, the diversification in shares from the European and emerging markets, together with the earnings realisation, made primarily in the Swiss stock market in the first six months.

With our USD-denominated hedge funds and private equity investments, we achieved a performance of 8.8% and 23.6%.

Inflation, due to the price of raw materials, initially triggered a marked interest rate rise in Europe and Switzerland, resul-

ting in a price decline for bonds. However, in the second half of the year, the interest rate cuts caused by the credit crisis led the Fed to set off a counter-movement, particularly in USD bonds. European and Swiss bonds, however, still recorded negative performance. With its substantial Eurobond investments, Baloise, as a Swiss franc investor, at least participated in the rise of the euro (+2.8%), although nearly 75% of the risk considerations were hedged.

Overall, we were able to increase the current revenue by 11.5%, thus further strengthening the stability of the financial result.

**OUTLOOK** The year 2008 will be characterised by volatile financial markets and a further increase in pricing and competitive pressure. In this challenging environment, Baloise strives to achieve good results at a high level. Over the cycle, Baloise expects to see a return on equity of 15% and a steady increase in earnings per share. In the nonlife business, it is our objective to keep the combined ratio significantly below 100%.

## THOROUGHLY HEALTHY AND PROFITABLE

SEGMENT SWITZERLAND SIGNIFICANTLY INCREASED ITS EARNING POWER. COMPARED TO 2006, EARNINGS ROSE BY 43.8% WITH A RECORD PERFORMANCE OF CHF 413.8 MILLION. MAIN GROWTH DRIVERS ARE THE EXCELLENT OPERATING PERFORMANCE, INVESTMENTS AND THE FAVOURABLE TREND IN INTEREST RATES. THE BUSINESS MODEL OF THE FOCUSED FINANCIAL SERVICE PROVIDER MANAGED TO SUSTAIN ITS CONVINCING PERFORMANCE.

**BASLER VERSICHERUNGEN** Another record performance thanks to the business unit's consequent focus on operating excellence and target customers. In the target customer segments, we achieved above-average growth and a further increase in profit contribution. Productivity of distribution channels rose as a result of improved efficiency. This excellent operating performance was the result of the measures applied to increase operating excellence, primarily tariffs commensurate with risk, refurbishment and improved loss processes.

The business volume reached CHF 3,742.7 million (previous year: CHF 3,730.4 million). While the slight increase of 0.3% is due to the above-average growth in targeted segments, pricing pressures slowed down the weak demand in individual life business, with our selective underwriting policy also curbing the growth momentum.

The nonlife sector achieved a business volume of CHF 1,285.9 million (previous year: CHF 1,280.5 million). With an increase of 0.4% above market average, we were growing above or with the market across all industries. Only in the motor insurance sector was our growth below average, due to our high demands on quality. Despite large claims, the sector achieved a very strong operating performance. The combined ratio gross was an excellent 88.6% (previous year: 87.8%), bearing in mind that 2006 was a year with hardly any losses.

After years of decline, the business volume of the life insurance sector stabilised again. It rose by 0.3% to CHF 2,456.8 million (previous year: CHF 2,449.9 million). As focused financial service provider, we were able to successfully link

life insurance products with bank offers in the private customers sector. The reinvestment ratio of expired insurance funds amounted to a high 33%. With 20.5% above the market average, we showed significant growth in investment-linked insurance products. Group life business achieved strong growth of 3.6%. The legal quote was 92%, thus exceeding the statutory rate of 90% in favour of our customers.

**BALOISE BANK SOBÄ** Despite strong competition, Baloise Bank SoBa's earnings under IFRS rose by 2.8% to CHF 30.4 million (previous year: CHF 29.5 million). This excellent result confirms the Bank's strategic focus on profitable target customers and the improved efficiency of business processes. For the business model "Focused financial service provider", which sells banking products via the insurance sales force, we managed to increase the inflow of net new money to a new record high of CHF 540 million, with an asset balance of CHF 1.9 billion. With this business model, we now reach a customer base of approximately 21,000, compared to 4,900 in 2003. This corresponds to average annual growth of 43.9%.

### KEY FIGURES SWITZERLAND

	2006	2007	+/- %
in CHF million			
Business volume	3,730.4	3,742.7	0.3
Of which: life	2,449.9	2,456.8	0.3
Of which: nonlife	1,280.5	1,285.9	0.4
Combined ratio (gross)			
Basler Versicherungen	87.8	88.6	
in percent			
Profit before tax	287.8	413.8	43.8



## STRENGTHENED SALES POWER

IN A STRONGLY CONTESTED AND STAGNATING MARKET, THE TWO BUSINESS AREAS BASLER VERSICHERUNGEN AND DEUTSCHER RING ACHIEVED COMBINED EARNINGS BEFORE TAXES AND BORROWING COSTS OF CHF 190.0 MILLION (PREVIOUS YEAR: CHF 169.1 MILLION). SUPPORTED BY FAVOURABLE EXCHANGE RATES, BOTH UNITS GREW BY 12.4%.

**BASLER VERSICHERUNGEN** As a result of operational discipline, excellent investment income and the positive effect of tax law changes, the business unit was able to increase its profit contribution considerably compared to the previous year. Business volume increased by 16% to CHF 1,083.9 million (previous year: CHF 1,067.4 million). The core business area property insurance grew by 2.8% to CHF 866.2 million (previous year: CHF 842.4 million). In the tough price war in the German market, Basler Versicherungen continued to put its trust in technically sound, selective underwritings, thus strengthening its position in marine, third party liability and technical insurance, renewable energies in particular. The combined ratio gross reached 97.3% (previous year: 92.6%). The higher figure is due to a claims burden of CHF 49 million gross as a result of the storm “Kyrill” in the first six months of 2007. The life policy portfolio recorded a slump due to expiring contracts. Despite a market-driven new business, life insurance business volume fell to CHF 217.7 million (previous year: CHF 225.0 million).

**DEUTSCHER RING** In the fiscal year 2007, Deutscher Ring made a substantial contribution to the Baloise Group’s earnings. In the stagnating German life insurance market, only the “Riester” and “Rürup” pension schemes, subsidised by tax concessions, recorded dynamic growth. In spring 2007, Deutscher Ring successfully launched a new investment-type “Riester” pension. This product resulted in excellent new business, compared to other products in the market. Special attention is also given to Eastern Europe, primarily because of the selective expansion of the subsidiary OVB. Deutscher Ring generated a business volume of CHF 1,299.8 million

(previous year: CHF 1,237.9 million), an increase of 5.0%. In line with the strategy, the bulk of its growth stems to a large extent from investment-type life insurance products, which appreciated by 22.8% to CHF 256.5 million. Premium income under IFRS amounted to CHF 1,043.3 million (previous year: CHF 1,029.1 million), an increase of 1.4%. In the life insurance sector, investment products offset the weak demand for conventional insurance products; with the sector achieving a business volume of CHF 1,076.6 million (previous year: CHF 1,023.3 million), an increase of 5.2%. The property insurance business achieved a business volume of CHF 223.2 million (previous year: CHF 214.6 million), an increase of 4.0% compared to 2006. Due to the large storm damage the gross combined ratio was 97.2% (previous year: 94.4%). Stepping up its commitment in Eastern Europe proved to be very successful for Allfinanzvertrieb OVB. Deutscher Ring has also been very successful with its distribution in Slovakia and the Czech Republic. Overall, Deutscher Ring Bausparkasse also achieved a positive result after taxes and borrowing costs.

KEY FIGURES GERMANY	2006	2007	+/- %
in CHF million			
Business volume	2,305.3	2,383.7	3.4
Of which: life	1,248.3	1,294.3	3.7
Of which: nonlife	1,057.0	1,089.4	3.1
Combined ratio (gross)			
Basler Versicherungen	92.6	97.3	
in percent			
Combined ratio (gross)			
Deutscher Ring in percent	94.4	97.2	
Profit before tax	169.1	190.0	12.4

## HIGH PROFITABILITY

**SEGMENT BENELUX WITH THE FLEMISH MERCATOR AND BÂLOISE LUXEMBOURG ACHIEVED EARNINGS BEFORE TAXES AND BORROWING COSTS OF CHF 183.6 MILLION (PREVIOUS YEAR: CHF 231.1 MILLION). MERCATOR FOCUSES ON PRODUCT INNOVATIONS, UTILISING TARGET BROKERS AND FURTHER BUSINESS PROCESS IMPROVEMENTS. THERE WAS CONTINUED SIGNIFICANT GROWTH FOR BÂLOISE LUXEMBOURG.**

**BELGIUM** During the fiscal year 2007, Mercator achieved excellent results. Its foundation is a good loss ratio – despite storm losses of about CHF 16 million gross – and rising current revenue from investments. The exceptionally high earnings of the previous year also includes revenue from the sale of participations, which did not meet our needs for a sustainable investment policy. Business volume increased by a pleasing 7.3% to CHF 792.8 million (previous year: CHF 738.7 million). After several years, Mercator has managed to achieve growth again, thanks to the improved sales performance in the nonlife sector and increased broker support. Business volume increased by 8.4% to CHF 587.4 million (previous year: CHF 541.7 million). The combined ratio was 94.3% gross, primarily due to storm losses. Compared with the 92.7% for the previous year, with hardly any storm losses, this represents a substantial achievement. Launched to stimulate cross-selling, bundled products “Gezinsplan” (family plan) and “KMU-Plan” are selling successfully, while also noticeably increasing the number of policies per customer. The life insurance business volume increased by 4.3% to CHF 205.4 million (previous year: CHF 197.0 million). Traditional life insurance products developed at market average, while financial products showed a downward trend in a shrinking market.

**LUXEMBOURG** Being very successful, Baloise Luxembourg doubled its earnings. The basis for this is the solid operational performance, plus positive earnings contribution from the fair values of investment properties. Business volume increased by 43.9% to CHF 770.5 million CHF (previous year: 535.2 million). Main drivers were again investment-type life insurances, sold by Baloise, under the free movement of

services in the EU, primarily in France and Belgium. Even without these products, premium volume under IFRS increased by 5.3% to CHF 96.1 million (previous year: CHF 91.2 million). Particularly successful was the nonlife sector. With 11.5%, its premium income rose significantly above the market average to CHF 53.4 million (previous year: CHF 47.9 million). Today, the business unit has a very compact and efficient distribution network and attractive products such as the motor product Poly Care, aimed at target customers. The combined ratio gross was an excellent 91.6% (previous year: 89.7%). The life insurance division grew by 47.1% to CHF 717.1 million, thanks to booming investment linked products (previous year: CHF 487.3 million). The acquired Winterthur Europe Vie (now: Baloise Europe Vie) is part of this growth. The traditional life insurances, only sold in Luxembourg, showed a downward trend in a stagnating market, due to an extraordinary single premium in the previous year.

### KEY FIGURES BENELUX

	2006	2007	+/- %
in CHF million			
Business volume	1,273.9	1,563.3	22.7
Of which: life	684.3	922.5	34.8
Of which: nonlife	589.6	640.8	8.7
Combined ratio (gross)			
Mercator Verzekeringen	92.7	94.3	
in percent			
Combined ratio (gross)			
Baloise Assurances in percent	89.7	91.6	
Profit before tax	231.1	183.6	-20.6

## GROWTH AND EXPANSION

**DUE TO TARGETED, QUANTITATIVE AND QUALITATIVE BOOSTING OF SALES POWER, WE WERE ABLE TO ACHIEVE SIGNIFICANT ABOVE-AVERAGE SALES GROWTH IN AUSTRIA. WITH THE ACQUISITION OF OSIGURANJE ZAGREB, BALOISE BECAME THE FOURTH LARGEST INSURER IN THE CROATIAN MARKET.**

**AUSTRIA** Basler Österreich continued on its way to a customer-value driven distribution management and the strengthening of its own sales organisation. This resulted in significant growth in business volume by 14.8% to CHF 146.7 million (previous year: CHF 127.9 million). Premiums under IFRS also increased by 13.4% to CHF 140.5 million (previous year: CHF 123.9 million). Due to the strong competition, the nonlife insurance market saw significant price reductions, which Basler could not completely escape in the area of new business. However, the effect on result and growth was insignificant due to an efficient risk selection. In the nonlife sector, Basler Österreich achieved a sizeable increase of 17.4% to CHF 109.6 million (previous year: CHF 93.4 million), significantly above market average. Despite some large claims, the gross combined ratio remained at the previous year's gross value of 99.9%. There is a strong competitive pressure from banks in the Austrian life insurance market. In this environment the Basler maintained its position with growth in business volume of 7.7% to CHF 37.1 million (previous year: CHF 34.5 million). Sales of unit-linked life insurance products increased by 57.9%. In future, the focus lies on the further expansion of the prevention program "Basler Sicherheitswelt" (Basler world of security) and the increase of sales power.

**CROATIA AND SERBIA** With the acquisition of Osiguranje Zagreb in the second half of 2007, Baloise considerably increased its presence in the Croatian market and as fourth largest insurer is now one of the leading providers. The combined business volume of the two units during the fiscal year 2007 (for Osiguranje six months only) amounted to CHF 62.5 million, with CHF 26.2 million attributable to nonlife

business and CHF 36.3 million to life insurance. Due to the acquisition growth, a comparison to the previous year would not be expedient. At the beginning of 2008, we established a new business unit in Serbia, focusing on the successful target segment physicians and dentists in Croatia.

**REINSURANCE, FINANCE AND HOLDING COMPANIES** This section deals with reinsurance companies, individual investment schemes, financing and participations and other corporate business. The profit contribution amounted to CHF 247.3 million (previous year: CHF 253.4 million). Next to the reinsurance units, the excellent result is mainly due to the good performance of the private equity and hedge fund companies.

### KEY FIGURES AUSTRIA, CROATIA, SERBIA AND OTHER COUNTRIES

	2006	2007	+/- %
in CHF million			
Business volume	181.6	247.9	36.6
Of which: life	43.6	73.4	68.8
Of which: nonlife	138.0	174.5	26.5
Combined ratio (gross)			
Basler Österreich in percent	99.9	99.9	
Combined ratio (gross)			
Croatia and Serbia in percent	95.0	117.6 <sup>1</sup>	
Profit before tax	253.4	247.3	-2.4

1 After acquisition of Osiguranje Zagreb.

# With children?



# OR RATHER WITHOUT?



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Some decisions we make ourselves. Others catch up with us. No life follows a straight path – and perhaps this is what enriches our lives and makes them worth living.

Change is part of life and offers opportunities for growth. Baloise helps you meet these challenges in a positive way. Again and again.

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## COMPREHENSIVE SUPPORT IN A COMPLEX ENVIRONMENT

AT LONG-ESTABLISHED HEGGLI REISEN UND TRANSPORTE AG IN KRIENS IN CENTRAL SWITZERLAND, THE YOUNGER GENERATION HAS JUST TAKEN OVER THE HELM. FOR THE PAST NINE YEARS, BASLER VERSICHERUNGEN HAS BEEN LOOKING AFTER THE NEEDS OF THE 114-YEAR OLD, FAMILY-OWNED BUSINESS – A RELATIONSHIP OF TRUST THAT KEEPS GROWING.



**BRIGITTE HEGGLI  
BACHMANN:**

**“THE FRAMEWORK CONDITIONS  
OF OUR BUSINESS ARE CONSTANTLY  
CHANGING, BUT BALOISE IS  
ALWAYS AT OUR SIDE WITH  
COMPETENT SUPPORT.”**

**BALOISE IS ALWAYS PART OF IT** Heinrich Heggli’s retirement is imminent. The owner of the Kriens-based transport and travel company views the handover to the fifth generation with a relaxed attitude. Since early 2008, his daughter Brigitte and his son Marcel have been the majority shareholders. Both have been working in the family business for several years after having earned their spurs working for other companies.

In 1999, when Heinrich Heggli saw the recession coming, he decided to switch his mortgages from a bank to insurance. Being an astute business man, he then put the contract for employee benefits out for tender – conditional on taking on the mortgages as well. The contract was awarded to Basler. Since 1999, Heggli has gradually taken on more insurance products from Basler, at first transport, baggage and travel insurance and since 2008 also a sickness cash benefit plan. According to Heggli, Basler provides expert advice in the legally complex area of transport insurance. Any time. He is full of praise for his contact at the Basler General Agency in Zug/Knonaueramt, stressing that conscientious support and close personal contact are key factors of a trusting relationship.

“Our tasks and framework conditions have changed greatly over time,” says managing director Brigitte Heggli Bachmann. “And Basler has been supportive of us throughout,” adds her brother. Established in 1894, the business has grown from 30 to 200 employees since 1974. Well-known personalities such as DJ Bobo, Miss India and the Princess of Thailand have been among their customers. What they did not know: as a trusted partner, Basler was always at their side.

➔ HEGGLI AG, KRIENS, SWITZERLAND



**TRAVEL AND TRANSPORT** Heggli's business is legally complex. That's why they trust in Baloise.

**FAMILY-OWNED SINCE 1894** Two generations of Heggli: Heinrich, Brigitte, Yvonne and Marcel.



**COLOURFUL 'CARREISEN'** In the region, Heggli is well-known for its colourful cars and coaches. The picture shows a luxurious double-decker coach, the India Coach and the coach of football club FC Lucerne.

## “BASLER’S DOORS ARE ALWAYS OPEN TO ME.”

THE WEIGEL FAMILY LIVES IN A VILLAGE IN SOUTHWEST GERMANY, WITH A POPULATION OF ABOUT 2000. FOR THE PAST FIVE YEARS THEY HAVE BEEN ENTRUSTING ALL THEIR BELONGINGS TO BASLER VERSICHERUNGEN. THIS TRUSTING PARTNERSHIP IS BASED ON DIRECT PERSONAL CONTACT.



**JÜRGEN WEIGEL:**  
“THE PERSONAL CONTACT,  
PROVIDED BY BALOISE  
HAS BECOME A RARITY  
THESE DAYS.”

**LOCAL SUPPORT** Grosskarlbach is a sleepy little town not far from Mannheim. The mayor, Ralf-Peter Riegel, is also a partner in regional office Riegel, Mayer & Hintenlang, the local representative of Basler Versicherungen. He has a friendly wave for everyone he meets, and takes visitors on a short walk around the village. After 48 years, the third generation is about to join the business. They all understand the value of being close to their clients and working locally: “Frequently, clients just come by in person with their concerns,” says Riegel.

For example, Jürgen Weigel, from nearby Gerolsheim, has been insured with Basler for nearly five years: cars, tractor, caravan, personal liability insurance for the whole family, horses and dogs, household and personal effects plus teeth, legal protection, fire und accident insurance. And he has taken out special insurance for the house his son built in the family’s garden. In one and a half years, the 23-year old single-handedly built a house from scratch.

“For me, there is no insurance without trusted partners,” says dad Jürgen Weigel. And here, local ties are important: “I would never take out insurance over the Internet.” He switched to Basler because he was fed up with the faceless, impersonal support of his previous insurance. With Riegel and his employees, he receives competent personal support. They are willing to go the extra mile. Invited by Riegel, Weigel’s children Benjamin and Marlene took part in a road safety training course at the Nürburgring, with great success: already on the way home, Marlene had to dodge a fox. Both survived the unexpected encounter unharmed.



➔ THE WEIGEL FAMILY, GEROLSHEIM, GERMANY



**PERSONAL CONTACT MATTERS** The local office of Basler Versicherungen provides direct and individual support to the Weigel family.



**HOME, SWEET HOME** Benjamin Weigel and his partner posing in his parents' garden in front of their self-built home, ready to move in.

**ROAD SAFETY** After Ralf-Peter Riegel of Basler Versicherungen (centre) invited the young Weigels to the road safety training course, he decided to take part as well.

## EXCELLENTLY SUPPORTED BY MERCATOR

THE BELGIAN ESTATE AGENT SYSTEM HAS ITS OWN PECULIARITIES. ESTABLISHED 16 YEARS AGO, INSURANCE BROKERS CORNELIS & PARTNERS IN LEDEBERG NEAR GHENT, HAVE BEEN WORKING CLOSELY WITH MERCATOR FOR MANY YEARS. A LOOK AT BELGIUM.



JOËL CORNELIS:  
“MERCATOR’S SUPPORT  
THROUGH THE CONTACT CENTRE AND  
SALES TEAMS IS INDISPENSABLE  
FOR US.”

“I AM NOT READY TO RETIRE YET.” Joël Cornelis is a jovial man with a jam-packed diary. Together with his daughter Karien, he founded a small insurance agency in 1992 on a busy road to Ghent. At the time, they bought a small company of Noordstar (now Mercator Verzekeringen). Today, with 28 employees, Cornelis & Partners realises half of its turnover with Mercator. “I am not ready to retire yet,” he says, “my work is my hobby. And I will keep going as long as I feel that way.”

Insurance is still the agency’s core business, but with mortgages and properties they are now also concentrating on two other related areas. Initially, they will offer an indemnity insurance package for an agreed monthly premium. Only then, will the agency suggest an insurance company. They prefer broker insurance packages by their long-term partner Mercator. “The excellent support we receive from the Contact Centre and the sales team is indispensable. We can process certain accounts ourselves with the trust they are placing in us,” says Joël Cornelis.

In his view, the broker system has the advantage that clients can rely on tailor-made products and services. In addition, they all have their dedicated adviser who is even prepared to visit them at home. “I am convinced that only larger brokerage firms have a chance of survival,” predicts Joël Cornelis. “Consequently, 2008 will again be dominated by expansion.”

➤ CORNELIS & PARTNERS, GHENT, BELGIUM



**INSURANCE FLEMISH STYLE** The Belgian broker system allows for tailor-made insurance. This is what Joël Cornelis expects from his trusted partner Mercator as well.



**A DEDICATED ADVISER FOR EVERYBODY** For Joël Cornelis it is a matter of course that each client has their own, personal adviser.

**A SIGN OF EXPANSION** Roughly 50% of Cornelis & Partners' turnover comes from Mercator, with expansion planned for 2008.

# Investing

OR DO-IT-YOURSELF?



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Investments in building technology and structure are expensive at the moment. Often it is only the next generation that will draw the benefit of an energy-efficient building method.

Yet, there are always people who are willing to take the jump and try out new living arrangements, for the sake of the environment and convenience. Baloise offers a helping hand because it views both as important.

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## ATTRACTIVE EMPLOYER WITH PROSPECTS

LOYAL AND CAPABLE EMPLOYEES CONTRIBUTE CONSIDERABLY TO BALOISE'S ADDED-VALUE. WE OFFER OUR EMPLOYEES NEW CHALLENGES AND CONTINUOUS PROFESSIONAL DEVELOPMENT. IN RETURN, WE EXPECT COMMITMENT AND PERFORMANCE EXCELLENCE. WE PLACE REAL EMPHASIS ON WORKING IN PARTNERSHIP.

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### KEY FIGURES

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- ➔ As of 31<sup>st</sup> December 2007, the Baloise Group had 8,643 employees (2006: 7,933).
  - ➔ 91 new jobs were created in 2007.
  - ➔ In 2007, the Baloise Group invested CHF 20.8 million in workforce training.
  - ➔ Employees attended a total of 21,684 days of training and development (an average of 2.5 days per employee).
  - ➔ Baloise employed over 300 apprentices, trainees and interns across the Group.
  - ➔ Employee turnover as of 31<sup>st</sup> December 2007 was 7.4% (2006: 9.1%).
  - ➔ 65% of those who left did so of their own accord.
  - ➔ In our main market Switzerland, 64% of employees took advantage of our employee share ownership programmes.
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### COMPANY STRATEGY SUPPORTED BY PERSONNEL POLICY

Baloise's vision is to become its customers' trusted partner. Our corporate values "Creating Value", "Shaping Relationships" and "Effecting Change" have been developed around this vision. The business strategy of Baloise aims for sustainable and above-average growth. This strategy is supported by our personnel policy. The success of our strategy is built on the skills and capabilities of our competent, hard-working and loyal employees.

Baloise is positioning itself as an employer with three guiding principles:

- ➔ We are an attractive and forward-looking employer and the best in our sector.
- ➔ By retaining and recruiting outstanding employees, we contribute to the company's long-term success.
- ➔ By developing and retaining employees, we are gaining competitive advantage through performance-driven, motivated and well-trained staff.

We are thus making a vital contribution to the company's added-value.

**PARTNERSHIP IS ESSENTIAL TO BALOISE** The Human Resources strategy of Baloise is based on six key elements with the objective of positioning the Group as a trusted partner with current and future employees.

The elements of our strategy are as follows:

- ➔ Preferred employer
- ➔ Performance and results driven
- ➔ Highly qualified, learning organisation
- ➔ Excellent leadership and management skills
- ➔ Strong adaptability and flexibility
- ➔ Strong, employee-oriented corporate culture

Baloise's objective is to be the best employer in the industry. This is true for every stage of the employment relationship - from recruitment, through performance management to the development of employees and retaining talent.

We encourage high levels of commitment, initiative, responsible and cost-conscious conduct to provide a solid base from which to achieve high performance.

**PREFERRED EMPLOYER** We are committed to becoming a preferred employer and have already received seven external confirmations from different countries in 2007.

Our commitment, for example, resulted in being rated No. 1 among Austria's insurance industry in the 2007 "Great Place to Work" survey. To sustain its status as best employer, Baloise Austria has to maintain the change process and ensure regular evaluation, with the outcome of the "Great Place to Work" survey, in which it participated for the second time in 2007, providing vital information. The response rate of 73% exceeded the result of the previous year (71%) and Baloise Austria again secured a place among the top 25 employers in 2007.

In 2007, Baloise Switzerland was named "Best Climber 2007" in the "Universum Graduate Survey" by Swedish consulting firm Universum. For this annual survey, students at universities and technical colleges are asked about their ideal employer and working conditions.

In early 2007, Mercator in Belgium introduced the "Recruitment Award" and the new "Employer Branding Campaign", with the objective of involving employees in the recruitment of new employees. A company's own employees are the most trustworthy ambassadors and an indispensable source for the search for new employees. This method was instrumental for filling several open positions in 2007, with further candidates currently still undergoing the selection process.

**PERFORMANCE AND RESULT DRIVEN** The success of our company is built on the skills and capabilities of our hard working employees, who are committed to delivering excellent results. To achieve this success, we expect and encour-

age individual responsibility. Employees receive regular feedback on their performance. In 2007, 66% of all employees were given feedback.

For the second time in a row, Mercator in Belgium organised workshops on "Efficient Performance Appraisal Interviews" with the aim of increasing the benefit of performance reviews. The workshops were attended by around 55% of the total workforce. The topics included, among other things, how to prepare for interviews, interview content and communication behaviour. With a good performance appraisal interview, employees and managers can better prepare for the year ahead and contribute to the success of the company and their own personal development.

At Baloise Switzerland, individual performance is measured with the IPM (Individual Performance Management). IPM is a tool for integrated management, evaluation and rewarding of individual performances, with individual objectives deriving from superordinate company objectives. Via a multiplier, the company financial performance affects the level of performance-related pay (incentive/bonus).

**HIGHLY QUALIFIED LEARNING ORGANISATION** Baloise continually invests in executive personnel and employee development.

In 2007, Basler Germany successfully conducted the first part of a series of seminars called "Taking the lead". With a total of 67 team leaders, the six seminars concentrated on strengthening and developing of managerial skills within the context of the guidelines that were drawn up by the executives in 2006. Topics included, in particular, information and communication, dialogue and the ability to handle conflict, trusted partnership, performance and results orientation, employee motivation and employee development. The series will be continued in 2008 with a second part on leadership issues.

For us, leadership means broad experience and looking at the wider picture. In this context, Deutscher Ring organised the leadership development programme 'ChangingPlaces' in 2007. For one week, board members, division and department heads exchanged their usual place of work at Deutscher Ring for a completely different working environment. Whether in a young offender's institution, in a specialist alcohol detox clinic, in centres for the homeless or drug abuse and AIDS counselling centres, impressions were intense and formative.

#### EXCELLENT LEADERSHIP AND MANAGEMENT SKILLS

Baloise systematically identifies and develops talented executive staff. In 2007, the continuing education programmes "Strategic Leadership Programme" (SLP) and "Advanced Management Programme" (AMP) were systematically aligned with the implementation of corporate strategy.

To become a trusted partner, it takes more than just the desire to grow profitably. It takes the outstanding skills of each individual and a consistent focus on the needs of our customers - topics our managers were discussing at length during the two training courses. Leadership means above all, the strategy to serve, which in turn means serving our customers. With the expansion of our abilities, we ensure that we can improve each day with the help of our most competent specialists and best managers.

In Switzerland, Baloise has introduced management-monitoring guidelines in 2007 to strengthen the focus on leadership and development.

**STRONG ADAPTABILITY AND FLEXIBILITY** A business must be – and remain – adaptable. We create clear areas of responsibility and freedom for professional, dedicated and creative action. At Baloise, we thus focus on change management and creating change. It is also important to us to involve our competent and motivated employees in the change process and to retain them. Of equal importance next to development opportunities are employee satisfaction and a good work-life balance.

The acquisition of Winterthur Europe Vie by Baloise Luxembourg in 2007 also meant keeping on all the original employees. On the whole, very few positions were filled twice as a result of this acquisition. Yet there was still a sense of insecurity among employees of the former Winterthur and Baloise employees with regard to their future roles in the new structure. In intense discussions between the employees concerned and senior management, we were able to resolve these uncertainties and questions. All key employees subsequently were able to find a position within the new organisation that met their own requirements.

#### STRONG, EMPLOYEE-ORIENTED CORPORATE CULTURE

Reflecting our value "Shaping Relationships", the strong corporate culture is one aspect that makes working for the Baloise Group such a unique experience. We regularly conduct employee satisfaction surveys, asking our employees for feedback on our development programmes. In 2006 and 2007, a total of 43% of employees participated in various surveys.

The growth-oriented champion strategy is a new concept, developed in 2007 by Deutscher Ring together with employees. While also acting as role model, this concept describes the fundamental principles and values as well as the maxims for cooperation and leadership, for example partnership, performance orientation, personal responsibility and social commitment, trust culture, expecting and encouraging. Binding service principles were also drawn up for all employees.



**BALOISE PROMOTES DIVERSITY** Diversity among our employees is an important factor in maintaining the ability to offer new services and products, thus remaining a trusted partner to our customers. The Baloise Group will not tolerate any form of discrimination. We support and promote employees only for three reasons: performance, potential and identification with the values of the company.

Baloise employs people from many countries and cultural backgrounds. In Switzerland alone, we employ staff from 40 different countries.

Baloise is an attractive employer for men and women. Women make up 46% of our staff, with 24% female executives (2006: 21%).

Delivering top performance requires a good work-life balance. Hence, we offer our employees different models for working full-time, part-time or working from home, with 17% of employees opting for part-time. We are particularly pleased with the childcare we provide for the children of our employees. The day nursery set up in Switzerland in 2001 now looks after 80 children.

**BALOISE IN COMMUNICATION WITH EMPLOYEE REPRESENTATIVES** Baloise respects the right of each employee to be, or become, a member of an employee representation organisation. We maintain an open and constructive dialogue with all employee representatives in all the countries in which we operate. All employees from all countries are represented in the Baloise Europe Forum, guaranteeing direct dialogue with the Corporate Executive Committee. Baloise holds no records of trade union membership. We estimate that approximately 6% of all employees are members of an organisation.

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#### ANNEMIE D'HULSTER AND BALOISE

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Having joined Baloise in August 2002, Annemie D'Hulster was appointed CEO of Baloise Liechtenstein on 1<sup>st</sup> January 2008. With a six-year old daughter, she is looking forward to the new challenge. She enjoys working at Baloise because of the following reasons:

- ➔ the great atmosphere and friendly colleagues
- ➔ the corporate culture leaves room for initiative
- ➔ the size of Baloise allows a holistic approach to subjects
- ➔ performance is rewarded
- ➔ work still leaves her time to spend with the family

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#### TOP LINKS

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

- ➔ Facts and figures
  - ➔ Values and culture
  - ➔ Management training
  - ➔ Open positions
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## LONG-TERM PROTECTION OF THE ENVIRONMENT

**IN 1995, BALOISE SIGNED THE UNEP\* INSURANCE INDUSTRY DECLARATION. IN OUR ENVIRONMENTAL MISSION STATEMENT, WE COMMIT OURSELVES TO CONTINUOUSLY REDUCING THE DIRECT ENVIRONMENTAL IMPACT OF OUR COMPANY BY ENSURING RESOURCE SAVING PROCUREMENT METHODS AND BY THE ECOLOGICALLY EFFICIENT PLANNING, BUILDING AND MANAGING OF COMPANY BUILDINGS.**

**COMMITMENT TO ECOLOGICAL EFFICIENCY** The material and energy flows mentioned in this annual report refer to large operationally used properties, where around 60% of our total workforce are based. In the next five years, we want to reduce electricity consumption by a further 5% to 10%. As a responsible company, environmental changes and the expected rise in the cost of energy obligate and motivate us to make our contribution through the effective use of resources.

**WELCOME REDUCTION IN ELECTRICITY AND HEATING CONSUMPTION** Compared to the previous year, electricity and heating consumption and CO<sub>2</sub> emissions have gone down considerably. The positive result is due to favourable climatic conditions and energy-saving measures. Energy consumption figures for our individual international subsidiaries can be downloaded at [www.baloise.com](http://www.baloise.com).

**SAVING ENERGY WITH NEW TECHNOLOGIES AND CONCEPTS** At the end of November 2007, Baloise Germany moved into its new office building in Bad Homburg, with office space for 510 people. The new building has been optimised to meet ecological requirements. High-quality building materials increase the useful life of the building. Windows can be opened; yet fresh air is also available to those who prefer their windows closed. To cool the concrete ceilings, cold air is blown through aluminium pipes, primarily at night. The cool air is distributed around the room, providing for a comfortable room climate. The piped in airflow guarantees a regular change of air. Energy costs are 30% of the costs for air-conditioning. In summer, automatically controlled sunscreens reduce the heat from direct sunlight. The day-light-

responsive lighting control system optimises energy usage for lighting. Roof water is collected in cisterns for the irrigation of outside facilities and roof planting.

**ECOLOGY AND ECONOMY MARCHING IN STEP** During 2008/2009, Baloise Switzerland will be refurbishing the open-plan offices at their Basel head office with its 700 work stations and overhauling parts of the building services system. Ceiling lights are controlled by dimmers, sensors and external lighting; with reduced luminosity and individual work station lights, energy consumption is reduced by nearly 50%, with less energy required to keep the room cool. Upon completion of the redevelopment, we expect annual electricity savings of about 450 MWh, and annual cost-savings of approximately CHF 80,000. With the refurbishment of the open-plan offices, we will also be adjusting the room concept to current requirements. In addition to meeting rooms, service centres and small rolling racks, the concept includes modern and high-quality, ergonomically designed work stations with electric height-adjustable desks. The new room concept allows better use of office space, with an additional 100 (+ 10%) work stations. By making better use of existing space and infrastructure, we do not need any additional office space. At the same time, energy and capital expenditure per workplace are reduced.

\*UNEP = United Nations Environment Programme

ENVIRONMENTAL AUDIT						
	2005 absolute	2006 absolute	2007 absolute	relative	unit	+/- %
Employees	4,946	4,618	4,673		headcount	1.19
Energy reference area	156,948	154,089	147,546		ERA m <sup>2</sup>	-4.25
Locations	13	13	13		number of buildings	-/-
Electricity consumption	27,445,345 KWh	26,020,455 KWh	24,643,300 KWh	5,274	kWh / employee	-5.29
Heating consumption	16,121,210 KWh	15,613,007 KWh	13,167,808 KWh	89	kWh / m <sup>2</sup>	-15.66
Water consumption	72,936 m <sup>3</sup>	71,571 m <sup>3</sup>	72,779 m <sup>3</sup>	62	l / employee / day	1.69
Paper consumption	851 t	794 t	747 t	160	kg / employee	-5.92
Paper types				3.00%	recycled	
				95.00%	chlorine-free	
				2.00%	chlorine-bleached	
Copy paper consumption	85.3 million A4 pages	81.6 million A4 pages	83.3 million A4 pages	17,832	A4 sheets / employee	2.08
Amount of refuse	1,059 t	1,019 t	1,115 t	239	kg / employee	9.42
Types of refuse				52.00%	paper / cardboard	
				10.00%	other materials	
				2.00%	special waste	
				36.00%	misc. waste / trash	
Business volume	13.15 million km	13.15 million km	15.81 million km	3,383	km / employee	20.23
Mode of transport				27.90%	km by air	
				47.30%	km by road	
				24.80%	km by public transport	
CO <sub>2</sub> emissions	18,925 t	18,084 t	17,498 t	3,744	kg / employee	-3.24

Consumption figures for the Luxembourg unit are not included in the table as the company was moving into new premises.

More detailed information on ecology issues is available at:

➔ [www.baloise.com/sustainability](http://www.baloise.com/sustainability)

TOP LINKS

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

➔ [Activity](#)

➔ [Environmental mission statement](#)

➔ [Environmental audit](#)

➔ [Interview with Rolf Schäuble](#)

# WE INVEST CONSTANTLY IN OUR ADVANCED RISK MANAGEMENT

DEALING WITH RISKS IS AT THE CORE OF OUR BUSINESS BECAUSE OUR CLIENTS EXPECT US TO MANAGE THEIR RISKS EFFECTIVELY. RISK MANAGEMENT IS THEREFORE AN INTEGRAL PART OF BALOISE'S STRATEGIC MANAGEMENT AND COVERS ALL PARTS OF THE COMPANY.

Risk management is developing more and more into risk and value management. Our risk model is based on the latest standards, so we can deliver on the promise we made to our trusted partner at any time.

We see risk management as a single, uniform system, valid throughout the strategic and operative system in the Group, with the following sub-areas:

- Risk map: forms the backbone of the risk considerations, defining basic risk issues such as underwriting and market risks and also the operational risks of the business.
- Risk governance and risk culture: firmly embedding risk awareness, handling and perception within the entire organisation.
- Risk measurement: for risk identification, quantification and modelling of all business and financial processes.
- Risk processes: risk organisation and its standards are other important aspects of risk management, together with reporting and evaluation processes.
- Strategic risk management: the continuous development of the Group's risk positions towards the target value.

Overall risk management ensures that Baloise can bear its risks at any time, while also utilising opportunities to improve added-value.

**THE RISK MAP** Baloise is exposed to different risks. The Risk Map distinguishes the following categories:

- Actuarial risks
- Market risks
- Financial structure risks
- Business environment risks
- Operational risks
- Strategic / information risks

(A more detailed presentation can be found in the financial report on page 26.)

The Risk Map is embedded in the organisation and responsibilities of the entire Group. Each risk is allocated to a risk owner (overall responsibility) and a risk controller (responsible for risk monitoring and control). The two functions are separate.

**RISK GOVERNANCE AND RISK CULTURE** Baloise has a long tradition of continuous risk governance and risk culture development: we established a risk management division within the Group as early as 1998. Since then we have been continuously developing the culture throughout the organisation. The designation of risk owners and risk controllers for individual risk factors is as much part of it, as is the membership in regularly sitting committees that deal with risk issues. This development is accompanied by the constant development of risk models and risk processes.

The risk organisation of Baloise includes the Group Risk Committee and local risk committees in all business units. These committees consist of members of the Corporate Executive Committee or members of local management. They are responsible for decisions in strategic and risk management.

Special committees also prepare decision papers on each risk area for these committees, such as asset liability management, compliance, IT risks, and advance booking. This is completed by regular meetings of the Group's risk management team with local risk specialists. This comprehensive risk organisation is the platform for the exchange of ideas and continuous development of "best practice".

The responsibility of corporate risk management includes:

- the development of consistent and group-wide binding risk models,
- monitoring of group-wide standards,
- reporting,
- compliance with risk processes,
- communication with external partners such as audit, group monitoring and rating agencies.

Responsibility for the local implementation of the Group's specifications lies with the business units. The overall responsibility lies with the Group's Chief Financial Officer and after him with the Head of Financial Management.

The ultimate decision on risk tolerance and business objectives, risk management strategy and standards lies with the Board of Directors of Baloise-Holding.

**RISK MEASUREMENT** Our risk model provides quantitative standardisation of all business and financial market risks. We have continuously been developing this model since 1998, following the principles and calculation methods of the Swiss Solvency Test and the European Union's

Solvency II directive and thus making the model a pioneering tool of risk management. As the Group standard, it provides the basis for strategic and operational decisions.

To be a reliable partner we consciously and consistently align our model with the most up-to-date standards, both internally and externally. Already today our model meets future supervisory regulations of Switzerland and the European Union.

Baloise's models are based on economic risk capital – currently the most advanced standard. For risk mathematical considerations alone and regardless of the handling under the financial accounting or regulatory capital flow under Solvency I, a debt capital is derived to enable the Company to remain solvent, even under adverse circumstances and to fulfil its obligations to policyholders.

We constantly compare this debt capital with the existing capital entrusted to us by our shareholders. Following are the key questions we encounter each day:

- Which business decisions do we take, based on a comparison of debt capital with actual capital?
- How do we achieve the best possible economic return for our capital?

Of principal concern is the security of the capital position, on the one hand, the best possible use of capital in the interest of profit optimisation, on the other.

In addition to this integrated risk model, we identify, describe and evaluate single risks on the basis of the risk map with regard to their likely impact on the business results. From this standard process, we develop our Group-wide database on single risks. Individual risk-specific qualitative data, such as the detailed description of risks, their place on the risk map and early warning indicators are included in the database. On the quantitative side, the description is complemented by measuring the risks in their likely financial impact on the Company balance sheet. Each risk is set down together with risk-minimising measures. The database is updated twice a year.

The combination of overall risk model and individual risk considerations provides Baloise with a reasonable overview at any time.

**RISK PROCESSES** Group-wide Risk Management Standards provide the binding basis for risk processes. Group-wide binding methods, rules and limit values are laid down in this set of rules. Constantly evolving, it is subject to the Group's risk management control, with the "Group-wide Risk Management Standards" determining how different risk issues will be evaluated, controlled and reported.

Risks are restricted by a system of risk limits. For a comprehensive risk restriction, the Group uses a limit system at aggregate level that is based on the economic risk capital. The system tracks the risk capital of the Group and individual business units in real time.

We also monitor individual risks, subject-specific and through limits, detailed in the following examples:

- Actuarial risks are based on underwriting guidelines that are used by local underwriters for their decisions. Mathematical deductible risk analysis accompanies the key reinsurance decisions.
- Market structure and financial risks are controlled both locally and centrally in the investment units, with a number of reporting processes. In addition to limits for share exposure, there are clear and binding guidelines for bond ratings. Credit risks are evaluated using Basel II, but also by means of advanced statistical methods.
- Business environment risks and operational and strategic risks are recorded individually using standardised procedures and we evaluate their effect on the capital.

We produce extensive semi-annual risk reporting that we discuss with decision makers. The resulting measures are an important part of the risk process.

With our monthly INTEGRA Risk Report, we check our overall risk position. The emphasis is on capital investments, taking into account unfavourable financial market scenarios, plus reports to the regulatory authorities.

**STRATEGIC RISK MANAGEMENT** Our internal risk model already provides quantitative standardisation of all business and financial market risks and now offers a basis for a strategic discussion on the willingness of Baloise to take risks. The capital requirements derived from this model represent the minimum requirements on debt capital.

There is a clear view of strategic risks and their management: for each risk, specific limits, methods and measuring sizes are established. Examples:

- Shares: Here a maximum share of the capital investments exists in agreement with the risk load capacity. Risk is controlled by realisation and hedging.
- Interest rate risk: Management of bond maturities in accordance with the terms of the obligations of the life insurance policies is done by sophisticated asset-liability management techniques.

The strategic risk management includes a clear perspective regarding the development of new business areas and the risk-return optimisation of our existing business.

Our strategic risk management project “RM 2010” merges the management of operational, business and financial market risks to a holistic management framework. The objective is to further develop the conventional system into a value and risk management.

A key element of this control are the result targets for individual business units, taking their specific risk situation into consideration. These requirements are included in the target agreements with local management.

**IN 2007 OUR PROFESSIONAL RISK MANAGEMENT AGAIN DELIVERED VISIBLE RESULTS** The following concrete examples show that professional risk management makes a significant contribution to added-value in the company.

- Regular elementary damage analysis, carried out by departments Group Reinsurance and Group Risk Management, helps optimise our reinsurance structure. Thanks to our proactive risk underwriting and reinsurance policy, storm Kyrill, the largest single damaging event of the past year, had only a slight negative effect on Baloise’s results, with net damage of around CHF 30 million.

- The subprime crisis via CDO (collateral debt obligations) and similar structures from the USA have a negligibly small direct impact on Baloise. The overall investment policy regarding assets is extremely cautious in relation to such tools.
- Entering new business areas in the life insurance industry by taking advantage of new market opportunities – which subsequently led to the establishment of Baloise Liechtenstein, is always accompanied by thoughts of risk. Here, actuaries, investors and risk managers work together at gaining market advantage for Baloise in this promising area.

In summary, we can say that Baloise risk management provides an excellent basis for strategic business decisions. It allows us to create value for the entire company, our policyholders and shareholders through concrete quantifiable risk-return decisions. In 2008 and beyond, this risk management system will enable further growth for the Group. Its flexibility and capacity for future expansion makes the handling of future challenges possible.

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#### THE THREE MAIN ISSUES

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- Our advanced risk management is an integral part of the strategic management.
  - The risk models already meet future regulatory criteria today.
  - Professional risk management provides financial results.
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# Playing it safe

OR TAKING A RISK?





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Some like the kick, others the sofa. Some prefer bungee jumping, others prefer their armchair. Our life is a constant balancing act between taking risks and playing it safe.

The key task of a trusted partner in the insurance and financial sector is to understand a client's needs in this area of conflict. Like Baloise.

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# TRANSPARENT CORPORATE GOVERNANCE

AS A VALUES-DRIVEN COMPANY, BALOISE HAS ALWAYS BEEN COMMITTED TO THE HIGHEST STANDARDS OF RESPONSIBLE CORPORATE GOVERNANCE – A TRADITION THAT WE CARRY FORWARD TODAY.

Against the backdrop of the Swiss Code of Best Practice and the SWX Corporate Governance Directive, Baloise, above all, adheres to a corporate culture with high ethical standards, with an emphasis on the integrity of company and employees. Baloise is confident that outstanding corporate governance will have a positive effect on the long-term performance of the Company.

For more transparency and better comparability with the previous years and other companies, this section follows the structure of the SWX Corporate Governance guideline in the version of 1<sup>st</sup> January 2007. The Swiss Code of Best Practice has also been taken into account, in particular Appendix 1 regarding the recommendations for remuneration levels published in 2007. In 2007, Baloise published an actual compensation report as Clause 5 of the Corporate Governance Report.

On 6<sup>th</sup> December 2007, Rolf Schäuble, Chairman of the Board of Directors, took on the additional responsibility of Chairman of the Corporate Executive Committee (Chief Executive Officer) of the Baloise Group. His dual mandate is anticipated to end at the Annual General Meeting of 30<sup>th</sup> April 2009, at the latest.

The Group division Corporate Center was established on 6<sup>th</sup> December 2007, uniting the business units Human Resources, Legal and Taxes, Compliance, Corporate Development and Run-off. The new Group division Corporate Center is headed by new member of the Corporate Executive Committee, Dr. Thomas Sieber, who previously was Head of Legal, Tax and Compliance and Secretary of the Board of Directors. Dr. Thomas Sieber will continue in his role as Secretary of the Board.

## 1. GROUP STRUCTURE AND SHAREHOLDERS

### GROUP STRUCTURE

Baloise is as a public limited company incorporated under Swiss law as a holding company with its registered office in Basel. It is listed on the SWX Swiss exchange. As of 31<sup>st</sup> December 2007, the Baloise Group had a market capitalisation of CHF 6,021.0 million.

- ➔ For information on the Baloise share see page 12 ff of the annual report.
- ➔ The notes to the annual financial statement in the financial report on pages 94 ff contain a list of key affiliated companies and participations as of 31<sup>st</sup> December 2007.
- ➔ The segment reporting by geographic regions and business areas is on pages 43 ff of the notes to the annual financial statement in the financial report.
- ➔ Page 77 of the annual report shows the operational Group management structure.

### SHAREHOLDERS

**CHANGES IN SHARE OWNERSHIP** As a public company with a broad shareholder base, Baloise is part of the Swiss Market Index (SMI) and included in the SWX's index calculation with 100% free-float. As part of the SMI, the Baloise is among the 20 largest and most liquid stocks of the SPI.

As of 31<sup>st</sup> December 2007, 10.25% of shares outstanding were held by the Barclays Group (disclosure of 28<sup>th</sup> August 2007).

**SHAREHOLDER STRUCTURE** A total of 13,513 shareholders were recorded in the Baloise share register as of 31<sup>st</sup> December 2007. Compared to the previous year, the number of shareholders increased by 0.9%. The detailed shareholder composition as of 31<sup>st</sup> December 2007 can be found in section “Baloise Share” on page 12 ff of the annual report.

**TREASURY SHARE** In a disclosure notification on 5<sup>th</sup> November 2007 under Article 20 of the Swiss Stock Exchange Act, in connection with Article 9 and Article 17 of the Ordinance of the Swiss Federal Banking Commission on Stock Exchanges and Securities Trading, Baloise-Holding announced that it holds 2,723,023 registered shares (inclusive of share buy-back through second trade line). At time of disclosure, this corresponded to 5.04% of voting rights. The threshold value of 5% was exceeded on Monday, 5<sup>th</sup> November 2007. As of 31<sup>st</sup> December 2007, Baloise-Holding held 3,997,308 treasury shares (7.4%).

**CROSS SHAREHOLDINGS** Baloise has no cross shareholdings of capital or voting rights with any other company.

## 2. CAPITAL STRUCTURE

### DISTRIBUTION POLICY

Baloise pursues a policy of income-oriented, continuous payments. Distribution methods such as share buy-backs and options are used in addition to traditional cash dividends. As a rule, about one-third of annual earnings is distributed, taking into account the Group’s self-financing needs.

### SHARE BUY-BACK PROGRAMME

The Baloise Board of Directors resolved on 10<sup>th</sup> March 2006 to buy back up to 10% of issued share capital within the next three years. This amounts to a maximum of 5,530,715 registered shares with a nominal value of CHF 0.10 each. The shares will be repurchased through a separate trading line, after reduction of withholding tax. At the Annual General Meeting of Baloise-Holding on 27<sup>th</sup> April 2007, the share-

holders decided to reduce the share capital of CHF 5,530,715 by CHF 130,715 (corresponds to 2.4%) to CHF 5,400,000 through a capital reduction of 1,307,150 repurchased registered shares with a nominal value of CHF 0.10 per share. At present, no decision has been made by Baloise regarding the use of the repurchased registered shares: possible options are to use the repurchased shares for capital reduction or acquisitions or to resell them.

Since the beginning of the share buy-back programme in May 2006, 4,357,000 shares in total were repurchased over the second trade line, of which 1,074,000 shares were repurchased in 2006 and 3,283,000 shares in 2007. Thus, 78.8% of the maximum buy-back volume of up to a maximum of 5,530,715 shares under the share buy-back programme has been repurchased since the beginning of the programme. The buy-back volume and prices are published weekly on the internet.

➔ [www.baloise.com](http://www.baloise.com) ➔ Investor Relations ➔ Baloise share ➔ Share buyback program

### PAYOUT TO SHAREHOLDERS

Thanks to our shareholder-friendly distribution policy, our shareholders have enjoyed payments of CHF 952.7 million through cash dividends and share buybacks over the past five years.

	Cash dividends	Share buybacks	Total
Year in CHF million			
2003	22.1	-/-	22.1
2004	33.2	-/-	33.2
2005	60.8	-/-	60.8
2006	121.7	113.8	235.5
2007	210.2	390.9	601.1
<b>Total</b>	<b>448.0</b>	<b>504.7</b>	<b>952.7</b>

At the end of each fiscal year on 31<sup>st</sup> March, and from 2005, each 31<sup>st</sup> December.

**BÂLOISE-HOLDING EQUITY**

The following table shows changes in shareholders' equity over the last three reporting years.

**CHANGES IN BÂLOISE-HOLDING EQUITY (BEFORE APPROPRIATION OF PROFIT)**

	Fiscal year 2005	Fiscal year 2006	Fiscal year 2007
in CHF million			
Share capital	5.5	5.5	5.4
General reserves	11.7	11.7	11.7
Reserves for treasury shares	7.9	119.1	367.7
Unappropriated reserves	593.2	498.1	153.2
Retained earnings	138.5	258.1	314.1
<b>Baloise-Holding shareholders' equity</b>	<b>756.8</b>	<b>892.5</b>	<b>852.1</b>

At the end of each fiscal year on 31<sup>st</sup> December.

On 27<sup>th</sup> April 2007, the Annual General Meeting passed the resolution to reduce the share capital of CHF 5,530,715 by CHF 130,715 to CHF 5,400,000 through a capital reduction of 1,307,150 repurchased registered shares with a nominal value of CHF 0.10 per share. It now amounts to CHF 5.4 million divided into 54,000,000 dividend-entitled registered shares with a nominal value of CHF 0.10.

**AUTHORISED AND CONDITIONAL CAPITAL,  
OTHER FINANCING INSTRUMENTS**

**AUTHORISED CAPITAL** Baloise-Holding has no authorised capital.

**CONTINGENT CAPITAL** Contingent capital was created by the Annual General Meeting 2004 (section 3 of the Articles of Incorporation), thus allowing an increase of share capital by up to a maximum of 5,530,715 registered shares with a nominal value of CHF 0.10 each, an increase in nominal share capital of up to a maximum of CHF 553,072.

The contingent capital is intended to secure potential conversion rights or options that are granted in connection with bonds or similar debt instruments. To date, no such financ-

ing instruments have been issued. Shareholders' subscription rights shall be excluded. The right to buy these new registered shares is open to current holders of conversion rights and option rights.

When issuing options and convertible bonds on international capital markets, the Board of Directors may restrict or exclude shareholders' preferential subscription rights. Further details on the structure of the conditional capital can be found in section 3 of the Articles of Incorporation of Baloise-Holding.

➔ [www.baloise.com](http://www.baloise.com) ➔ Responsibility ➔ Corporate governance ➔ Rules and regulation

**OTHER FINANCING INSTRUMENTS** Baloise has not issued any participation certificates, bonus certificates or convertible bonds for company participation rights or options issued by the Company.

**CONSOLIDATED EQUITY OF THE BALOISE GROUP**

On 31<sup>st</sup> December 2007, the consolidated shareholders' equity of the Baloise Group amounted to CHF 4,865.6 million. Performance details for the years 2007 and 2006 are provided on pages 8 and 9 of the financial report in the con-

solidated statement of changes in shareholders' equity. For 2005, all relevant details are provided in the consolidated statement of changes in shareholders' equity on page 8 of the financial report 2006.

#### BONDS OUTSTANDING

Bâloise-Holding and other Group companies have issued bonds to the public. By the end of 2007, Bâloise-Holding and other Group companies had a total of six public bonds outstanding. Further information on the bonds outstanding can be found in the notes to the financial statement on page 102 of the financial report and on the Internet.

➔ [www.baloise.com](http://www.baloise.com) ➔ Investor Relations ➔ Bonds

#### RATING

Basler Versicherungs-Gesellschaft has been given a financial strength rating of "A-" with a positive rating outlook by Standard & Poor's Ratings Services. This reflects the Baloise Group's strong competitive position, strong operating performance and strong capitalisation, as well as its high financing flexibility.

### 3. BOARD OF DIRECTORS

Only the Chairman of the Board of Directors holds an executive position. Since 6<sup>th</sup> December 2007, he has also held the position of Chairman of the Corporate Executive Committee, following the departure of Dr. Frank Schnewlin. His dual mandate is anticipated to end at the Annual General Meeting of Bâloise-Holding on 30<sup>th</sup> April 2009, at the latest. In line with the Swiss Code of Best Practice and to ensure adequate controls, the Board of Directors has appointed Vice-Chairman Dr. Georg F.Krayer as its Lead Director. Dr. Krayer is an experienced, non-executive member of the Board of Directors. The Lead Director ensures that the Board of Directors can operate independently of management. The Lead Director is authorised, if necessary, to independently call and chair a meeting of the Board of Directors. Except for the Chairman, all other members of the Board of Directors are non-executive and independent. During the three years preceding the reporting period, they were not involved with the management of any company of the Group and have no material business relations with the Baloise Group.

#### MEMBERS

	Nationality	Age	Appointed in	End of mandate
Dr. Rolf Schäuble, Chairman	CH	64	1993	2008
Dr. Georg F. Krayer, Vice-Chairman	CH	65	1995	2010
Dr. Christoph J. C. Albrecht	CH	70	1985	2009
Dr. Andreas Burckhardt	CH	57	1999	2009
Dr. Hansjörg Frei	CH	66	2004	2010
Prof. Dr. Gertrud Höhler	D	67	1998	2010
Dr. Klaus Jenny	CH	66	2003	2009
Werner Kummer	CH	61	2000	2010
Dr. Arend Oetker	D	69	1996	2008
Dr. Eveline Saupper	CH	50	1999	2008



In the reporting period, the following members were confirmed in office for a new three-year term:

- Dr. Georg F. Kraye,
- Dr. Hansjörg Frei,
- Prof. Dr. Gertrud Höhler, and
- Werner Kummer.

**1 Rolf Schäuble** (1944, Swiss, Dr. oec. HSG) was awarded the degree Dr. oec. HSG after completing his studies in Economics at the University of St. Gallen. From 1975 to 1993, he held various positions with the Zurich Insurance Group in Zurich, most recently as a member of the Group Executive Board. In 1993, Rolf Schäuble became a member of the Board of Directors at Baloise-Holding and was appointed Chairman in 1994. Between 1996 and 2002, he was also Managing Director and CEO of the Baloise Group, and between 2002 and December 2007 he served solely as Chairman of the Board of Directors. On 6<sup>th</sup> December 2007, he also took on the role of interim CEO, to be effective until 30<sup>th</sup> April 2009 at the latest. Rolf Schäuble is also President of the Statistische Volkswirtschaftliche Gesellschaft (Society of Economics and Statistics) Basel.

**2 Georg F. Kraye** (1943, Swiss, Dr. iur.) has served on the Board of Directors since 1995, as Vice-Chairman since 2004. He was appointed Lead Director on 6<sup>th</sup> December 2007. He studied Law and holds the degree of Dr. iur. Georg F. Kraye is Chairman of the Board of Directors at Bank Sarasin & Cie AG, Basel, and until 2003 was Chairman of the Swiss Bankers Association. He is an independent non-executive director.

**3 Christoph J. C. Albrecht** (1938, Swiss, Dr. iur.) has been a member of the Board of Directors since 1985. He studied Law at the University of Basel where he was awarded the degree Dr. iur. He is a partner in the law firm of Joerin Hopf, Basel, working as an attorney-at-law and notary. Christoph J. C. Albrecht is Chairman of the Board of Directors of Thüring AG, Basel, and sole member of the Board of Directors of Interhaba AG, Basel. He is an independent non-executive director.

**4 Andreas Burckhardt** (1951, Swiss, Dr. iur.) was appointed to the Board of Directors in 1999. He studied Law at the universities of Basel and Geneva and was awarded the degree Dr. iur. Between 1982 to 1987, he worked at Fides Treuhandgesellschaft and served as General Secretary of the Baloise Group from 1988 to 1994. Andreas Burckhardt is Vice-President of the Swiss Association of Chambers of Commerce. Since 1997 he has been a member of the Great Council of the Canton of Basel-Stadt (President for 2006/2007). He is an independent non-executive director.

**5 Hansjörg Frei** (1941, Swiss, Dr. iur.) has been a member of the Board of Directors since 2004. He studied Law at the University of Zurich and was awarded the degree Dr. iur. Hansjörg Frei was with Winterthur since 1982, most recently as member of the Group Executive Board for Operations in Switzerland. From 2000 until his retirement in mid-2003, he was a member of the Executive Board (Head of International Country Management) at Credit Suisse Financial Services. From 2000 to 2003, he was Chairman of the Swiss Insurance Association (SIA). Hansjörg Frei is a member of the Board of Directors of Ems-Chemie Holding AG and Chairman of the Pension Fund at the Ems Group. Since February 2006 he has been president of the SVP (Swiss People's Party) in Zurich canton. He is an independent non-executive director.



**6 Gertrud Höhler** (1941, German, Prof. Dr. phil.) joined the Board of Directors in 1998. She is a business and political consultant and was Professor of Literature and German at the University of Paderborn from 1976 to 1993. She studied Literature and Art History in Bonn, Berlin, Zurich and Mannheim. Between 1987 to 1990, Gertrud Höhler was public relations consultant to Alfred Herrhausen, the Speaker (Chairman) of Deutsche Bank; and between 1992 and 1995 a non-executive Director of the Grand Metropolitan PLC, London. She is a member of the Board of Directors at Ciba AG, Basel and also of Georg Fischer AG, Schaffhausen. Gertrud Höhler is an independent non-executive director.

**7 Klaus Jenny** (1942, Swiss, Dr. oec. HSG) has been a member of the Board of Directors since 2003. He studied Economics at the University of St. Gallen from where he was awarded the degree Dr. oec. Klaus Jenny was a member of the General Directorate of Schweizerische Kreditanstalt and a member of the Credit Suisse Group Executive Board from 1987, most recently as CEO of the business unit "Credit Suisse Private Banking". Since 1999 he has been an independent financial advisor for businesses and individuals. He is a member of the Board of Directors of Clariant AG, of Maus Frères SA and various other, unlisted privately held companies. Klaus Jenny is an independent non-executive director.

**8 Werner Kummer** (1947, Swiss, Dipl.-Ing. ETH, MBA Insead) has been a member of the Board of Directors since 2000. From 1990 to 1994 he chaired the Executive Board of Schindler Aufzüge AG, and in 1998 joined the Schindler Group Management Committee with responsibility for the Asia Pacific region. From 1998 until March 2004, he was CEO of Forbo Holding AG. Werner Kummer is an independent business consultant, a member of the Board of Directors of Walter Meier AG, Chairman of the Board of Di-

rectors of Gebrüder Meier AG, member of the Supervisory Board Committee of Schindler Germany Holding GmbH and member of the board of the Zurich Chamber of Commerce. He is an independent non-executive director.

**9 Arend Oetker** (1939, German, Dr. rer. pol.) has been a member of the Board of Directors since 1996. He studied Management and Political Science at the universities of Hamburg, Berlin and Cologne and was awarded the degree Dr. rer. pol. from the University of Cologne. He is Managing Partner of Dr. Arend Oetker GmbH & Co. KG, Berlin. Arend Oetker is Chairman of the Supervisory Board of Schwartauer Werke GmbH & Co. KGaA, Bad Schwartau, Chairman of the Board of Directors of Hero AG, Lenzburg, member of the Supervisory Board of Merck KGaA, Darmstadt, and Deputy Chairman of the Supervisory Board of KWS Saat AG, Einbeck. He is also Chairman of the German Council on Foreign Relations and of the Founders Association for German Science. Arend Oetker is an independent non-executive director.

**10 Eveline Saupper** (1958, Swiss, Dr. iur.) has been a member of the Board of Directors since 1999. She studied Law at the University of St. Gallen where she was awarded the degree Dr. iur. Today she is an attorney-at-law and certified tax expert. From 1983 to 1985 she was with Peat Marwick Mitchell (now KPMG Fides), Zurich, and from 1985 to 1992 with Baker & McKenzie, Zurich and Chicago. Since 1992 she has been a partner with Homburger AG, Zurich. Eveline Saupper is a member of the Board of Directors of Intershop Holding AG, Winterthur, and Homburger AG, Zurich. She is an independent non-executive director.

Further information about the members of the Board of Directors is available on the Internet.

➔ [www.baloise.com](http://www.baloise.com) → About us → Organization  
→ Board of Directors

#### CROSS-INVOLVEMENTS

There are no cross-involvements.

#### ELECTIONS AND TERMS OF OFFICE

At the end of 2007, the Board of Directors was made up of ten members. Members are elected by the Annual General Meeting of Shareholders for a term of three years. The terms of Directors are staggered so that roughly one-third of the terms expire in any year, unless the member gets re-elected. Due to age restrictions, the Board of Directors' mandate ends at the latest at the Annual General Meeting that follows the completion of the member's 70<sup>th</sup> birthday. At present, the average age is about 63. Each member of the Board of Directors is elected individually and, at the shareholders' request, also granted individual discharge.

#### INTERNAL ORGANISATIONAL STRUCTURE

**TASKS OF THE BOARD OF DIRECTORS** Subject to the decision-making authority of the shareholders at the Annual General Meeting, the Board of Directors is the Company's highest decision-making body. As a rule, decisions are made by the Board of Directors unless competencies have been delegated to the Chairman of the Board of Directors, the Committees, the Corporate Executive Committee or the CEO under organisation regulations.

In compliance with section 716a of the Swiss Code of Obligations and paragraph 1 II of the organisation regulations, the main tasks of the Board of Directors are the general management, overall and financial supervision of the Company and determining of the organisational structure.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation

**COMMITTEES OF THE BOARD OF DIRECTORS** The Board of Directors is supported by four committees. These committees report to the Board of Directors and submit the proposals for their areas of responsibility. The Investment and Compensation Committees in particular have their own decision-making competencies.

Each of the committees appointed by the Board of Directors consists of four members, who are elected annually by the Board. The Chairman and Vice-Chairman of the Board of Directors are ex officio members of the Chairman's Committee. The Chairman of the Board of Directors may not be a member of the Audit Committee. The key tasks of the Committees are governed by the organisation regulations and the written regulations for each committee.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation



## OVERVIEW OF COMMITTEES

	Chairman's Committee	Audit Committee	Compensation Committee	Investment Committee
Dr. Rolf Schäuble	C			C
Dr. Georg F. Krayer	VC		C	DC
Dr. Christoph J. C. Albrecht		DC		
Dr. Andreas Burckhardt		M		
Dr. Hansjörg Frei	M	M		M
Prof. Dr. Gertrud Höhler			M	
Dr. Klaus Jenny	M		DC	M
Werner Kummer		C		
Dr. Arend Oetker				
Dr. Eveline Saupper			M	

C: Chairman, VC: Vice-Chairman, C: Chair, DC: Deputy Chair M: Member

**TASKS OF THE COMMITTEES** The **Chairman's Committee** provides advice on key business transactions, particularly key strategic and personnel decisions. The Chairman's Committee also acts as **Nomination Committee** and **Investment Committee**, approving the Group's investment policy and property investments for the Group's own use at head office.

The **Compensation Committee** sets the structure and amounts of compensation to members of the Board of Directors and the salaries of Corporate Executive Committee members. Within the framework of the incentive plan it determines the high-level corporate objectives and their attainment. It approves compensation policies for Corporate Executive Committee members and oversees their correct application. The Chairman of the Board of Directors is not a member of the committee and in his dual function will only attend meetings on selected topics.

The **Audit Committee** supports the Board of Directors in those general and financial supervisory duties that cannot be delegated (section 716a, Swiss Code of Obligations), by forming its own judgment of the organisational structure and functioning of the internal and external auditing system and the annual and consolidated financial statements. In addition, the Audit Committee evaluates the effectiveness of the systems of internal control, including risk management and forms an independent opinion of the compliance. The Audit Committee has discussed the financial statement for the reporting period 2007 with the management and with the external auditors. On the basis of these discussions, the Audit Committee recommended that the audited annual financial statements be incorporated into the Group's annual report for the reporting period ending 31<sup>st</sup> December 2007 and submitted to the Annual General Meeting. The Board of Directors concurred with this proposal.

**BOARD OF DIRECTORS AND COMMITTEE MEETINGS** In compliance with the organisation regulations, the full Board of Directors meets as often as business requires, but no less than four times a year.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation

In 2007 the full Board of Directors met five times. The following table shows the directors' attendance at full Board meetings. With one exception, all Committee members were present at all of the additional 14 committee meetings. Board attendance by members of the Baloise Board of Directors was thus a respectable 97%.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Board attendance

In the previous year, the Chairman's Committee met six times, including for a two-day strategy meeting. The Investment Committee met once. The Audit Committee met four times and the Compensation Committee three times.

Members of the Corporate Executive Committee are regularly invited to meetings of the full Board of Directors. Meetings of the Audit Committee generally are attended by the Chief Executive Officer, the Chief Financial Officer, the Head of Corporate Audit, the Secretary of the Board of Directors and representatives of the external auditors.

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**BOARD ATTENDANCE 2007:  
MEETINGS OF THE FULL BOARD OF DIRECTORS**

	9.3.07	27.4.07	31.8.07	5.12.07	6.12.07
Dr. Rolf Schäuble, Chairman	x	x	x	x	x
Dr. Georg F. Kraye, Vice-Chairman	x	x	x	x	x
Dr. Christoph J. C. Albrecht	x	x	x	x	x
Dr. Andreas Burckhardt	x	x	x	x	x
Dr. Hansjörg Frei	x	x	x	x	x
Prof. Dr. Gertrud Höhler	x	x	x	x	x
Dr. Klaus Jenny	x	x	x	x	x
Werner Kummer	x	x	x	x	x
Dr. Arend Oetker	o	x	x	x	o
Dr. Eveline Saupper	x	x	x	x	x

x = present, o = absent

#### DIVISION OF TASKS AND COMPETENCIES BETWEEN THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

The division of tasks and competencies between the Board of Directors and the Corporate Executive Committee is governed primarily by the organisation regulations and investment policies. Both documents are reviewed on an ongoing basis and updated as changing circumstances require. With the revision of the organisation regulations in 2007, the function of Lead Director and the Group division Corporate Center were added.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation

#### TOOLS FOR THE AUDITING AND MONITORING OF THE CORPORATE EXECUTIVE COMMITTEE

The Corporate Audit department, with its ten auditors, reports directly to the Chairman of the Board of Directors. The auditors are experts in underwriting, actuarial theory, finance and information technology. For an insurance group, efficient risk management is of central importance. We have thus dedicated a chapter each on the management of financial risks on page ff 40 of the annual report and on page ff 24 of the financial report.

Members of the Board of Directors receive the minutes of the meetings of the Corporate Executive Committee for inspection. The Chairman of the Board of Directors and the Lead Director may attend the meetings of the Corporate Executive Committee at any time.

#### 4. CORPORATE EXECUTIVE COMMITTEE

➔ The organisational structure of the Baloise Group can be found on page 77.

#### CHANGES IN THE CORPORATE EXECUTIVE COMMITTEE

Dr. Frank Schnewlin stepped down as CEO to leave Baloise on 6<sup>th</sup> December 2007. As of 6<sup>th</sup> December 2007, Dr. Rolf Schäuble, Chairman of the Board of Directors, took over as interim Chair of the Corporate Executive Committee. His dual mandate will be effective until the Annual General Meeting on 30<sup>th</sup> April 2009, at the latest.

With the Corporate Center, a new Group division was established, uniting business units Human Resources, Legal and Taxes, Compliance, Corporate Development and Run-off. Effective 6<sup>th</sup> December 2007, the new Group division Corporate Center is headed by new member of the Corporate Executive Committee, Dr. Thomas Sieber, who previously was Head of Legal, Tax and Compliance and Secretary of the Board of Directors. Dr. Martin Strobel, German Egloff and Martin Wenk continue as members of the Corporate Executive Committee.

**Rolf Schäuble** (1944, Swiss, Dr. oec. HSG) was awarded the degree Dr. oec. HSG after completing his studies in Economics at the University of St. Gallen. From 1975 to 1993 he held various positions with the Zurich Insurance Group in Zurich, most recently as a member of the Group Executive Board. In 1993, Rolf Schäuble became a member of the Board of Directors at Baloise-Holding and was appointed Chairman in 1994. Between 1996 and 2002, he was also Managing Director and CEO of the Baloise Group, and between 2002 and December 2007 he served solely as Chairman of the Board of Directors. On 6<sup>th</sup> December 2007, he also took on the role of interim CEO, to be effective until 30<sup>th</sup> April 2009 at the latest. Rolf Schäuble is also President of the Statistische Volkswirtschaftliche Gesellschaft (Society of Economics and Statistics) Basel.

**German Egloff** (1958, Swiss, lic. oec. HSG) graduated in Business Economics from the University of St. Gallen. Since 1985 he has held various management positions at Winterthur Insurance, Switzerland. Between 1990 and 1995, he was Head of Management Support, where his responsibilities included the development of a new management information system. In 1997, as member of the Executive Board, he became responsible for individual non-life insurances and, as Chairman of the Board of Sancare, also for the management of Wincare. From 1998 to 2002, German Egloff was Chief Financial Officer of Winterthur Switzerland and member of the Board of Directors of Wincare, since 2000 as their chairman. From 2002 to 2004, he was Chief Financial Officer of Zurich Financial Services, Switzerland, with responsibility for finance, human resources, IT, logistics and procurement. Since 1<sup>st</sup> December 2004, German Egloff has been a member of the Corporate Executive Committee (Head of Corporate Finance), with responsibility for financial relations, financial management and financial accounting and with effect of 6<sup>th</sup> December 2007 also for performance management.

**Thomas Sieber** (1965, Swiss, Dr. iur., M.B.L., lawyer) graduated with a degree in Law (lic. iur.) from the University of St. Gallen. At the beginning of 1994, he qualified to practice law in the Canton of Zurich. Subsequently, he spent a year on a Swiss National Science Foundation scholarship at the University of California in Berkeley while working on his thesis. He received a “summa cum laude” distinction for his thesis and the Walther Hug Prize. From 1999 until 2002, he was a lecturer in Corporate Law at the University of St. Gallen. Thomas Sieber joined the Baloise Group in 1997 as Deputy Head of Legal and Taxes. Since 2001, he has been heading the division, while also holding the position of Secretary of the Board of Directors of Baloise-Holding. In 2005, he took on the additional responsibility for Group Compliance. Thomas Sieber has headed several strategic projects at the Baloise Group. During the revision of the Swiss Insurance Supervision Act, he ran the “Supervisory Authority” task force of the Swiss Insurance Association (SIA). Before joining Baloise, Thomas Sieber held roles in a Swiss court, in an

international corporate law firm (Lenz & Staehelin, Zurich), and at the Institute for European Law at the University of St. Gallen, and with the corporate law division of Landis & Gyr later integrated into Elektrowatt/Siemens. On 6<sup>th</sup> December 2007, Thomas Sieber was appointed Head of the Group division Corporate Center with responsibility for Human Resources, Legal and Taxes, Compliance, Corporate Development and Run-off.

**Martin Strobel** (1966, German, Dr. rer. pol.) studied Computer Science, Business Management and Business Information Systems at the universities of Kaiserslautern, Windsor (Canada) and Bamberg before being awarded his doctorate (Dr. rer. pol.). From 1993 to 1999 he held various positions at Boston Consulting Group, Düsseldorf, in the fields of strategic IT management in the banking and insurance sector. He joined the Baloise Group at the beginning of 1999, initially as Head of IT Baloise Switzerland, with responsibility for major cross-division projects in the insurance and finance divisions of the Baloise Group. He has been on the Corporate Executive Committee since 2003, with responsibility for the Switzerland division. Martin Strobel is a board member of the Swiss Insurance Association (SIA) and a member of the Board of Directors of Prevo-System AG, Basel.

**Martin Wenk** (1957, Swiss, lic. iur.) graduated from the University of Basel with a Law degree (lic. iur.) before he took up a number of positions with a major bank between 1982 and 1992. He initially worked as an investment advisor to institutional clients, then went on to head a private banking group in New York and subsequently became a sector head in securities sales, where he primarily looked after major institutional clients. During this time, he attended several professional training courses in Switzerland and the United States. Between 1992 and 2000, he headed the Portfolio Management Switzerland of the Baloise Group with responsibility for the Asset Management of various companies in Switzerland and within the Group, including the Pension Fund. He has been a member of Corporate Executive Committee (Head of Corporate Asset Management) since 2001,

with responsibility for Asset Management with the units Investment Strategy and Investment Controlling, Baloise Asset Management, Real Estate and Baloise Fund Invest units. Martin Wenk is Chairman of the Investment Commission of the Swiss Insurance Association (SIA) and serves on the boards of Unigestion Holding, Geneva, and HW Finanz AG, Pratteln.

Further information about the members of the Corporate Executive Committee is available on the Internet.

With the exception of Martin Strobel and Martin Wenk, none of the members of the Corporate Executive Committee serve on boards outside the Baloise Group.

There are no management contracts that assign executive functions to third parties.

➔ [www.baloise.com](http://www.baloise.com) → About us → Organization  
→ Corporate Executive Committee

## 5. COMPENSATION REPORT: COMPENSATIONS, PARTICIPATIONS AND LOANS TO MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

Baloise is an attractive employer and aims to retain talented employees and executive personnel on a long-term basis while also attracting well-qualified and motivated new employees. The success of Baloise is dependent on the skills and commitment of its employees. We strive for a high performing, results-oriented workforce and reward our employees accordingly. The foundation of our market-based remuneration system is thus the recognition and reward of a consistent and lasting performance. As part of a competitive remuneration, Baloise also offers attractive incentive/bonus plans together with long-term employee shareholding schemes.

This chapter deals with the compensation system of Baloise, disclosing remuneration and loans to the members of the Board of Directors and the Corporate Executive Committee as well as their participations. The legal basis for the contents and range of this disclosure are sections 663bbis and 663c of the Swiss Code of Obligations, the SWX Directive on Information Relating to Corporate Governance (the SWX Directive) and the Swiss Code of Best Practice for Corporate Governance.

Under the provisions of these regulations, certain information has to be disclosed in the notes to the balance sheet with further information to be provided in the section on Corporate Governance. Baloise regards this chapter as integrated reporting and has therefore decided to publish the Compensation Report within the annual report and to a large extent also within the financial report.

### 5.1. REMUNERATION SYSTEM: BASIC SALARY AND INCENTIVES

#### STARTING POINT MARKET AND FUNCTION VALUE SYSTEM

Baloise regularly compares the salaries of upper level executives with relevant competitors (Dow Jones STOXX Insurance Index and local job markets) and endeavours to pay market-related remuneration. To ensure internal comparability, Baloise employs a function value system for upper level executives within the Group and for other employees in Switzerland. This allows the evaluation and weighting of the demands placed on the employee with regard to abilities, knowledge and experience for a specific function/position. Similarly weighted positions are combined into function levels. The classification level of a particular function is decisive for the determination of the applicable salary range, fringe benefits and other contractual components and the allocation to individual executive levels.

The function value system of Baloise covers 9 function levels (FL); levels 1-3 apply to the whole Group, levels 4-9 only apply within Switzerland:

- FL 1: member of the Corporate Executive Committee (incl. Chairman)
- FL 2 to 4: member of the management
- FL 5 and 6: executive staff (specialists and team leaders)
- FL 7 and 8: administrative staff
- FL 9: other employees

**REMUNERATION SYSTEM**

The diagram shows the remuneration system at Baloise:

**BASIC SALARY** The basic salary amount is determined by the salary bandwidth in the market and is set out in the contract. The competitiveness of the remuneration is regularly reviewed.

**BONUS** All employees of function levels 1 to 5 are entitled to a bonus. For the Chairman of the Board of Directors and the Chair of the Corporate Executive Committee, the regulations of function level 1 apply with regard to bonuses.

As a variable and performance-related salary component, a bonus is dependent on meeting particular objectives. Individual performance is measured in line with the “Individual Performance Management” process (IPM) that was introduced in 2006. Line managers are to define set annual objectives with their employees annually and meet by March of the following year at the latest to assess to what extent these objectives have been met.

**ELEMENTS OF THE REMUNERATION SYSTEM**

variable	Performance Share Units	Long-term equity instruments	Senior and top management FL 1 – 3
	Performance quota	Discretionary additional variable and performance-related salary component	
	Incentive	Variable performance-related salary component	
fixed	Retirement provisions	Pension payouts	Senior and top management FL 1 – 3
	Fringe benefits	Benefit in kind/fringe benefits	
	Salary	Fixed salary component	

With an overall achievement rate of 100%, bonuses can reach the following levels (target bonus):

- FL 1: 54% of basic salary
- FL 2: 38% of basic salary
- FL 3: 30% of basic salary
- FL 4: 22% of basic salary
- FL 5: 14% of basic salary

Apart from meeting individual objectives, the bonus level is determined by the Group's overall performance. Based on the annual earnings, the Compensation Committee determines a factor (Operational Performance Management, OPM) that is determined by total shareholder value, earnings performance, growth and market trends and multiplied by the result of the individual performance. For members of the Corporate Executive Committee and function levels 2 and 3, this OPM factor can range between 0.8 and 1.3, while the range for function levels 4 and 5 can be 0.9 to 1.2.

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**EXAMPLE FOR A MEMBER OF THE MANAGEMENT (FL4)**

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**Basic salary: CHF 100,000**

**Target incentive: 22% of basic salary**

**Achievement rate for objectives: 80%**

**OPM factor (Operational Performance Management): 1.1**

**Bonus = CHF 100,000 x 0.22 x 0.8 x 1.1 = CHF 19,360**

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Bonuses are paid out together with the June salary. In Switzerland, employees are offered a choice of taking part of their bonus in cash and part of it in company shares. Only senior and top management (FL 1 to 3) must take their bonus in shares: members of the Corporate Executive Committee must take 50% of their bonus in form of company shares.

For the purchase of shares, they can choose between two plans: Share Subscription Scheme and Employee Share Ownership Plan (cf sections Share Subscription Scheme and Employee Share Ownership Plan).

**EMPLOYMENT CONTRACTS, SEVERANCE PAYMENTS, CHANGE OF CONTROL CLAUSE**

Executive employment contracts are of unlimited duration, with a standard notice period of six months.

Four members of the Corporate Executive Committee have a notice period of 12 months. In the event of change of control or a merger, these four members of the Corporate Executive Committee are entitled to a lump sum payment equal to 12 months salary (incl. bonus) in addition to the agreements under their employment contract (notice period of 12 months), if their contracts are terminated by the employer (or under certain circumstances by the employee) within 12 months after a take-over or merger. Similar rules apply to seven other members of the top management. The notice period for the Chairman of the Board of Directors/Chair of the Corporate Executive Committee is six months. There is no a control change clause.

**5.2. OVERVIEW OF SHARE-BASED REMUNERATION SCHEMES**

The Baloise Group has offered employees and top management members various plans in which shares can be granted as part of the overall remuneration for some time now.

- Employee Incentive Plan for all function levels (cf. section 5.3.)
- Share Subscription Scheme and Employee Share Ownership Plan for function levels 1 to 5 (cf. section 5.4.)
- Performance quota and performance share units for the function levels 1 to 3 (cf. section 5.5)

### 5.3. EMPLOYEE INCENTIVE PLAN

Established in 1989, the Baloise Foundation for Employee Participation offers employees of the different Group companies in Switzerland the opportunity to acquire shares of Baloise-Holding according to the regulations set by the Board of Trustees, as a rule annually and at a preferential rate. The subscription price is determined by the Board of Trustees at the beginning of the subscription period and published on the intranet. This corresponds to 50% of the average share price for the month of August in the subscription year. The subscribed shares are always transferred by 1<sup>st</sup> September and are subject to a lock-up period of three years.

The foundation acquired the basic stock for these shares through a previous capital increase of Baloise-Holding and can regulate the share portfolio through acquisitions if required. The low cost price of the shares held and the current holdings allow the foundation to continue with the participation programme in the years to come.

The Foundation is led by a Board of Trustees that is preponderantly independent of the Corporate Executive Committee. The independent trustees are Peter Schwager (Chairman) and Prof. Dr. Heinrich Koller (Legal Counsel), with Andreas Burki as third trustee (deputy trustee for legal matters and taxes).

EMPLOYEE INCENTIVE PLAN	2006	2007
Number of subscribed shares	188,901	178,345
Restricted until	31.8.09	31.8.10
Subscription price per share in CHF	49.10	54.60
Value of subscribed shares in CHF million	9.3	9.7
Market value of subscribed shares as of subscription date in CHF million	19.5	19.9
Entitled employees	3,268	3,173
Participating employees	2,146	2,018
Subscribed shares per participant (average)	88.0	88.4

### 5.4. SHARE SUBSCRIPTION SCHEME (SSS) AND EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

For the part of the bonus subscribed in shares, employees in Switzerland have two plans to choose from: the Share Subscription Scheme (SSS) and the Employee Share Ownership Plan (ESOP).

#### SHARE SUBSCRIPTION SCHEME (SSS)

Since January 2003, all employees of the Group companies who qualify for incentives can acquire their bonus shares at a preferential rate. Subscription day is always 1<sup>st</sup> June. Each year, the subscription price is determined by the Corporate Executive Committee and published in advance on the intranet. On 23<sup>rd</sup> April 2007, the Corporate Executive Committee resolved, that the subscription price for this reporting period would be based on the average market price between 7<sup>th</sup> – 11<sup>th</sup> May 2007. A discount of 10% is granted on the average market price calculated in this way.

The subscribed shares are subject to a three-year lock-up period.

SHARE SUBSCRIPTION SCHEME (SSS)	2006	2007
Number of subscribed shares	32,154	26,628
Restricted until	31.5.09	31.5.10
Subscription price per share in CHF	83.90	114.80
Value of subscribed shares in CHF million	2.7	3.0
Market value of subscribed shares as of subscription date in CHF million	3.0	3.4
Entitled employees (FL 1 – 5)	491	521
Participating employees	42	77
SSS portion of incentive	13%	14%

#### EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

Since May 2001, the majority of executives in Switzerland have had a choice of receiving part of their bonus in shares instead of cash. There are upper limits for senior and top management (FL 1 to 3); members of the Corporate Execu-



tive Committee may only take up to 50% of their bonus entitlement under the Employee Share Ownership Plan in shares. As with the Share Subscription Scheme, subscription day is always 1<sup>st</sup> June. Each year, the subscription price is determined by the Corporate Executive Committee and published in advance on the intranet. On 23<sup>rd</sup> April 2007, the Corporate Executive Committee resolved, that the subscription price for this reporting period would be based on the average market price between 7<sup>th</sup> – 11<sup>th</sup> May 2007.

To make the most of the share ownership plan, employees are offered loans with interest charged at prevailing interest rates, which allows them to receive a multiple of their bonus in shares at fair value, net of the discounted dividend right over three years. The repayment of the loan after the expiry of the three-year lock-up period is hedged through the purchase of a put option financed by the sale of a call option. After expiry of the three-year lock-up period and after exercising their options and repayment of the loan with accrued interest, employees have the remaining shares at their free disposal.

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)		
	2006	2007
Number of subscribed shares <sup>1</sup>	259,683	212,345
Restricted until	31.5.09	31.5.10
Subscription price per share <sup>2</sup> in CHF	83.53	115.55
Value of subscribed shares <sup>2</sup> in CHF million	21.7	24.5
Market value of the subscribed shares as of subscription date in CHF million	24.2	27.1
Entitled employees (FL 1 – 5)	491	521
Participating employees	157	162
ESOP portion of incentive	22%	19%

1 Incl. shares financed by loans.

2 Less the discounted dividend right over three years.

## 5.5. PERFORMANCE QUOTA AND PERFORMANCE SHARE UNITS (PSU)

Competitor and market comparisons for remuneration at senior and top management levels (FL 1 to 3) have shown that up to 2006 variable salary components at Baloise were significantly below market standards and that Baloise has no long-term retaining measures. Based on these findings, two new incentive elements were introduced in 2007 for employees at this level: performance quota and performance share units.

### PERFORMANCE QUOTA

Introduced in 2007 for employees of FL 1 to 3 (incl. Chairman of the Board of Directors), the performance quota is a discretionary, flexible tool of the Compensation Committee of the Board of Directors. It allows this group of individuals to participate in the Group's success and leads to greater variability in remuneration. The tool takes into account the management performance delivered and is determined – as part of the total amount provided by the Compensation Committee – by the employee's first line or second line manager. The individual amounts will be established in April and paid out with the June salary. Part of the amount awarded must be taken in shares; the remainder will be paid in cash (the same provisions for mandatory shares apply as with the bonus). For the part taken in shares, the provisions of the Share Subscription Scheme apply.

PERFORMANCE QUOTA		
	2006	2007
Participating employees (FL 1 – 3)	–	38
Total paid out in CHF million	–	2.1
Number of subscribed shares	–	8,358
Subscription price per share in CHF	–	114.80
Value of subscribed shares in CHF million	–	1.0
Market value of subscribed shares as of subscription date in CHF million	–	1.1
In cash in CHF million	–	1.1

**PERFORMANCE SHARE UNITS (PSU)**

In 2007, the Performance Share Units programme was introduced as a tool for participation in the long-term success of the Group and to retain top performers. As long as they stay with Baloise, senior and top management (FL 1 to 3 incl. Chairman of the Board of Directors) may benefit from the increase in the Group's long-term value. In this way, the PSU programme establishes an alignment of interests between shareholders and management.

Participating employees are allocated entitlements in form of performance share units (PSU) at the beginning of a performance period, entitling them to a specified number of free shares at the end of the performance period. Each year, the total amount is determined by the Compensation Committee, which also is responsible for the initial distribution to the participants.

The number of shares that may be subscribed to after three years, i.e. at the end of the performance period, depends on the total shareholder return of Baloise-Holding shares as compared to industry peers. Values of this comparative performance multiplier can be in the range of 0.5 to 1.5. This peer group includes the 35 leading European insurance companies listed in the Dow Jones EURO STOXX Insurance. One PSU in principle gives the right to subscribe to one share. This is then the case when the value development of the Baloise share corresponds to the median of the peer group, the performance multiplier in this case being 1.0. Participants in the scheme receive more shares for their PSU, if the shareholder return of Baloise-Holding shares exceeds peer group performance. The multiplier reaches a maximum of 1.5 if the value development of the Baloise-Holding share lies in the top quarter of the peer group companies. The multiplier is 0.5 if it lies in the bottom quarter of the peer group companies. If the value development of the Baloise-Holding share lies in the two middle quarters, the performance multiplier is computed on a linear scale. The performance multiplier is defined using the closing ex-

change prices on the last trading day of the performance period concerned for the entire expiring period.

Participating employees receive the respective number of shares at the end of the performance period ("vesting"), i.e. on 31.12.2009 for the PSU allocated for 2007. In the event of a termination of employment (other than retirement, disability or death) during the benefit period, the PSU are rendered invalid without substitution or compensation. To underline the long-term character of the programme, 50% of the assigned shares are subject to a three-year lock-up period at the end of the performance period.

As a rule, the PSU programme runs over a three-year period. When the scheme was first introduced in 2007, the performance period was shortened, as the PSU were not issued until after the resolution of the Board of Directors of 9<sup>th</sup> March 2007.

It is at the discretion of the Compensation Committee who among senior and top management (FL 1 to 3) can participate in the programme. The Compensation Committee can also specify the total number of PSUs and the allocation date.

PERFORMANCE SHARE UNITS (PSU)	2006	2007
Entitled employees (FL 1 – 3)	–	45
Number of allocated PSU	–	37,018
Of which: expired without compensation (departures)		–1,003
Number of active PSU as of 31.12.2007		36,015
Value of allocated PSU as of issue date in CHF million	–	4.2
Expense for the Baloise Group in CHF million	–	1.6

## 5.6. PENSION BENEFIT SCHEMES

### RETIREMENT SOLUTIONS/PENSION FUND

Baloise has a variety of retirement solutions that are structured according to country-specific requirements. In Switzerland, there are different pension schemes for insurance and banking employees.

Basler Versicherungen offers its employees in Switzerland an attractive solution within the second pillar of the Swiss social security system that meets the following objectives:

- It meets the needs of the insured at the occurrence of a risk event (age, death or disability) and takes care of the resulting economic consequences through the occupational pension scheme.
- It allows a continuation of the current standard of living at a sufficiently high level of income replacement (combination of pillar 1 and pillar 2 benefits) to compensate for the loss of income. The employer makes a higher contribution towards the occupational pension fund than employees.
- It is forward-looking, solid, predictable and cost-effective.

The solution, valid until the end of 2007, can be described as follows:

- two separate pension funds for office-based and field-based employees
- benefit plan with a retirement benefit of 80% of the final salary pension
- standard annual income: basic salary without bonus (for office-based employees) or the five-year average of the contractual remuneration (for field-based employees)
- contribution ratio employer/employee 73% : 27%
- hedging of the risks age, death and disability through two collective insurance contracts with the Basler Lebensversicherungsgesellschaft

The Chairman of the Board of Directors and members of the Corporate Executive Committee are covered by the pension fund for office-based employees. They are subject to the same conditions as for all other insured persons.

### FROM DEFINED BENEFIT PLAN TO DEFINED CONTRIBUTION PENSION PLANS

After extensive preparatory work, Baloise Pension Foundation Board of Trustees and the Corporate Executive Committee resolved to make the retirement solution fit for the future. The goal: more flexibility, more individuality, alignment with social and demographic developments. On 1<sup>st</sup> January 2008, a comprehensive reorganisation therefore came into force, which is characterised by the change from defined benefit plan to defined contribution pension plans.

With the system change, employees will be offered a range of retirement solutions from age 30. On top of the basic plan, they can make additional contributions to the pension fund as part of the Pension Plan Plus or the Pension Plan Ultra to boost their retirement assets. The insured person can switch the elected retirement plan annually.

The interest rate of the retirement fund is determined by the Board of Trustees at the end of the year, taking into account the BVG minimum rate set by the Swiss Federal Council. The applied interest rate will not be split between the BVG and the voluntary area. And the conversion rate for all pension plans will be a standard 6.2%.

Office-based employees will see an improvement regarding their relevant annual income, since the portion of their bonus subject to AHV (Swiss mandatory retirement pension and survivors' insurance) is now also covered by the insurance. The variable salary components of field-based employees were already previously covered by the insurance.

The contribution ratio between employers and workers based on the basic plan remains unchanged.

The pension funds for office-based and field-based employees administered separately up to now will be merged. This will further simplify administration and accounting.

The “new” pension fund will provide autonomous cover against the risks of old age, death and disability; the existing collective insurance contracts will be liquidated.

The one-off cost of the conversion amounts to CHF 136 million. The cost will be divided equally between the Baloise Pension Foundation and Baloise.

**BONUSES NOT COVERED** Under the rules applicable until the end of 2007, bonuses were not covered by the pension fund, and FL 1 to 3 employees (incl. the Chairman of the Board of Directors) thus had additional mixed single premium life insurances until recently, i.e. voluntary life insurance, taken out on the ordinary retirement age. As insured party, the insurance money was of the employees free disposal when benefits became payable. The single premium is calculated as a percentage of the bonus entitlement, graded according to function level (3.75% for members of the Corporate Executive Committee).

Two-thirds of the premium was paid by the employer and one-third by employees. These amounts are shown as remuneration element in the table on page 67.

As part of the reorganisation of the pension fund, in particular the inclusion of the bonus portion subject to AHV in the relevant annual income, this service is to be discontinued as of 1<sup>st</sup> January 2008.

#### 5.7. REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS (EXCL. CHAIRMAN)

The members of the Board of Directors, with the exception of the Chairman, receive a lump sum compensation in cash that is determined by the Compensation Committee.

Since 2006, the members of the Board of Directors have received 25% of their annual fee in shares, with a lock-up period of three years. As under the Share Subscription Scheme for management, the members of the Board of Directors are granted a discount of 10% on the market price.

No non-standard or other remuneration has been paid to former members of the Board of Directors pertaining to previous governing body activities in Baloise.

There have been only minor changes in the total amount of remuneration paid out to members, compared to the previous year (pro rata entitlement of Lead Director Dr. G. F. Krayer from 6<sup>th</sup> December 2007). In the reporting period, the following remuneration was paid out to the nine non-executive members of the Board of Directors:

## REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

	Base salary	Remuneration for additional functions	Additional remuneration	Total	of which: in cash	of which: in shares
in CHF						
Dr. Georg F. Krayer Vice-Chairman Board of Directors and (as of 6.12.2007) Lead Director Chair Compensation Committee Deputy Chair Chairman's Committee and Investment Committee	100,000	55,833 30,000 50,000	-/-	235,833	178,333	57,500
Dr. Christoph J. C. Albrecht Member of the Board of Directors Deputy Chair Audit Committee	100,000	30,000	-/-	130,000	97,500	32,500
Dr. Andreas Burckhardt Member of the Board of Directors Member Audit Committee	100,000	30,000	-/-	130,000	97,500	32,500
Dr. Hansjörg Frei Member of the Board of Directors Member Chairman's Committee and Investment Committee Member Audit Committee	100,000	50,000 30,000	-/-	180,000	135,000	45,000
Prof. Dr. Gertrud Höhler Member of the Board of Directors Member Compensation Committee	100,000	30,000	-/-	130,000	97,500	32,500
Dr. Klaus Jenny Member of the Board of Directors Member Chairman's Committee and Investment Committee Deputy Chair Compensation Committee	100,000	50,000 30,000	-/-	180,000	135,000	45,000
Werner Kummer Member of the Board of Directors Chair Audit Committee	100,000	50,000	-/-	150,000	112,500	37,500
Dr. Arend Oetker Member of the Board of Directors	100,000	-/-	-/-	100,000	75,000	25,000
Dr. Eveline Saupper Member of the Board of Directors Member Compensation Committee	100,000	30,000	-/-	130,000	97,500	32,500
<b>Total Board of Directors (excl. Chairman)</b>	<b>900,000</b>	<b>465,833</b>	<b>-/-</b>	<b>1,365,833</b>	<b>1,025,833</b>	<b>340,000</b>

### Explanatory notes to table

#### Remuneration to former members of the Board and closely related individuals

No remuneration was paid to

a) former members of the Board of Directors, pertaining to previous governing body activities in Baloise, or that is non-standard.

b) individuals or companies with close family ties to members of the Board of Directors and that is non-standard (persons with close family ties: spouse, civil partner, unmarried partner, children).

#### Cash compensation

Remuneration as per contract (lump-sum compensation).

#### Shares

25% of the contractually agreed remuneration will be paid in shares which are locked-up for three years. Intrinsic value: fair value minus 10% (as with SSS).

#### Additional remuneration

No additional remuneration was disbursed.

### 5.8. REMUNERATION TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AND MEMBERS TO THE CORPORATE EXECUTIVE COMMITTEE

The Compensation Committee determines the type and amount of compensation for the Chairman of the Board of Directors and the members of the Corporate Executive Committee. It consists of the basic salary and the bonus, which is dependent on meeting the Group's and individual objectives. The target bonus is 54% of the basic salary, rising to up to a maximum of 70% for outstanding performance. In addition, the Compensation Committee may take into account the Group's results under the OPM factor (Operational Performance Management) of at least 0.8 and up to a maximum of 1.3.

50% of the bonus must be taken in shares (cf section 5.4 Share Subscription Scheme and Employee Share Ownership Plan).

The Group's objectives are developed in a multi-level process and approved by the Compensation Committee for the year to come. Target values are consolidated profit, combined ratio and the shareholder value (performance of Baloise shares in comparison to STOXX Insurance).

Individual goals are closely linked to the areas of responsibility of each member of the Corporate Executive Committee. They are determined together with the line managers and also approved by the Compensation Committee.

As of 6<sup>th</sup> December 2007, Dr. Frank Schnewlin, Chairman of the Corporate Executive Committee, has stepped down from this function. His employment ends on 31<sup>st</sup> January 2009, which according to the regulations allows him to take early retirement. Thus, the 5,962 Performance Share Units allocated to him in March 2007 will not expire. Until the termination of his employment, Frank Schnewlin is due his contractual entitlements. For the year 2007, this amounted to CHF 2.123 million from performance quota and bonus.

This amount was held back and will be recompensed together with the payments to other employees entitled to a bonus in 2008. Including his basic salary, Dr. Schnewlin's entitlement for the years 2008 and 2009 amounts to a total of CHF 3.082 million.

No non-standard or other remuneration has been paid to former members of the Corporate Executive Committee pertaining to previous governing body activities in the Baloise.

Compared to the previous year, the total amount of remuneration has gone up, adapting to the median of the comparable positions in the market. This is due to the following factors:

- In accordance with legal requirements valid as of 1<sup>st</sup> January 2007, pension provisions will be added to the total remuneration package.
- With the introduction in 2006 of the IPM process (Individual Performance Management), the bonus will become more variable. As of now, any outstanding performance will be rated with a target value of 130% (currently up to a maximum of 100%).
- Since 2006, it has been possible to increase or reduce the bonus with the OPM factor, in line with the Group's performance. Given the excellent results of Baloise in the reporting period 2006, the Compensation Committee has set the OPM at a maximum of 1.3.
- As new bonus element, the performance quota was first introduced in 2007.

The variable parts of the total remuneration will be determined in the spring of each year as part of the Individual Performance Management process (cf. 5.1 section Remuneration system: Basic salary and incentives). The following table contains the basic salary and retirement benefits for the year 2007, and in the reporting period, the variable remuneration elements for the previous year.

**REMUNERATION TO THE CHAIRMAN OF THE BOARD OF DIRECTORS  
AND THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE**

	Cash remuneration		Incentive (variable)	Em- ployee Incentive Plan	Share Subscription Scheme	Share Ownership Plan	Shares	Non-cash benefits	Pension benefits		Total remuneration
	Basic remuneration (fixed)	In % of total remunera- tion					Pro- spective entitle- ments		Pension fund	Indivi- dual life policies	CHF
	CHF										
Dr. Rolf Schäuble, Chairman of the Board of Directors and (as of 6.12.2007) CEO of Baloise Group	1,600,000	45%	886,921	3,927	905,004	-/-	6,359	-/-	144,126	36,505	3,576,483
Dr. Frank Schnewlin CEO of Baloise Group (until 6.12.2007)	1,500,000	46%	771,746	3,927	125,006	663,443	5,962	-/-	128,826	33,170	3,226,118
Other members of the Corporate Executive Committee	1,855,000	42%	598,804	11,781	1,090,390	224,976	7,194	12,500	581,933	35,168	4,410,552
<b>Total Corporate Executive Committee</b>	<b>3,355,000</b>	<b>44%</b>	<b>1,370,550</b>	<b>15,708</b>	<b>1,215,396</b>	<b>888,419</b>	<b>13,156</b>	<b>12,500</b>	<b>710,759</b>	<b>68,338</b>	<b>7,636,670</b>

**Explanatory notes to table**

Other members of the Corporate Executive Committee: includes Dr. Thomas Sieber, who was appointed member of the CEC on 6.12.2007.

**Remuneration to former members and persons with close family ties**

No non-standard remuneration has been paid to individuals or companies with close family ties to the Chairman of the Board of Directors or the members of Corporate Executive Committee. (persons with close family ties: spouse, civil partner, unmarried partner, children under 18). No non-standard or other remuneration has been paid to former members of the Board of Directors pertaining to previous governing body activities in Baloise.

**Basic salary**

Basic salary as per contract (gross).

**Incentive**

Variable, performance related portion of total remuneration paid in cash (gross).

**Employee Incentive Plan**

Portion of remuneration resulting from subscription for company shares at a preferential rate (2007: CHF 54.60). Computation: Market value minus subscription price = benefit in kind.

**Share Subscription Scheme (SSS)**

Portion of incentive received directly in shares. Computation: Fair value minus 10% reduction.

**Employee Share Ownership Plan (ESOP)**

Portion of incentives received in shares (exclusive of shares financed by loans).

**Prospective entitlements (PSU)**

Entitlements that confer a right to acquire shares at a future date, subject to achieving pre-determined performance conditions (cf. section 5.5. Performance Share Units (PSU)). The accrued value of share awards will only be added to the total remuneration at the conversion into actual shares (i.e. at the end of the three-year performance period), only then can a reliable estimate be provided and only then will they actually have been earned.

**Non-cash benefits**

Basis: All elements of remuneration in compliance with the new Swiss salary certificate. The listed amount is a long service gift to a member of the CEC.

**Pension benefits**

Employer contributions to the pension fund plus premium payments for single life policies for incentives not insured under the pension fund. Contributions to single life policies will be discontinued in 2008.

## 5.9. LOANS TO GOVERNING BODIES

The following credits and loans to members of the Board of Directors and the Corporate Executive Committee are still outstanding:

CREDITS AND LOANS TO MEMBERS OF THE BOARD OF DIRECTORS  
AND THE CORPORATE EXECUTIVE COMMITTEE

	Mortgages	Loans connected with the share ownership plan	Other loans	Total
in CHF				
Dr. Rolf Schäuble, Chairman of the Board of directors and (as of 6.12.2007) CEO of Baloise Group				
Dr. Georg F. Kraye, Vice-Chairman of the Board of Directors and (as of 6.12.2007) Lead Director				
Dr. Christoph J. C. Albrecht, Member				
Dr. Andreas Burckhardt, Member	650,000			650,000
Dr. Hansjörg Frei, Member				
Prof. Dr. Gertrud Höhler, Member				
Dr. Klaus Jenny, Member				
Werner Kummer, Member				
Dr. Arend Oetker, Member				
Dr. Eveline Saupper, Member				
<b>Total Board of Directors</b>	<b>650,000</b>	<b>-/-</b>	<b>-/-</b>	<b>650,000</b>
Dr. Frank Schnewlin, CEO of Baloise Group (until 6.12.2007)		7,645,550		7,645,550
Other members of the Corporate Executive Committee	1,000,000	4,195,230		5,195,230
<b>Total Corporate Executive Committee</b>	<b>1,000,000</b>	<b>11,840,780</b>	<b>-/-</b>	<b>12,840,780</b>

## Explanatory notes to table

## Credits and loans

No non-standard loans and credits have been granted to

a) former members of the Board of Directors and the Corporate Executive Committee

b) individuals or companies with close family ties to members of the Board of Directors (persons with close family ties: spouse, civil partner, unmarried partner, children).

## Mortgages

Employees are granted mortgages at preferential rates: 1% below standard variable interest rate for clients, preferential rate for fixed interest mortgages. The mortgage granted to Dr. A. Burckhardt is charged interest at market conditions since at the time of the conclusion of the contract no employee conditions were granted yet.

## Loans connected with the Employee Share Ownership Plan

Loans to fund leveraged share ownership plan (cf. section 5.4. Share Ownership Plan). Interest is charged at prevailing interest rates (2007: 3%) over a term of three years.

## Other loans

There are no policy loans.



## 5.10. PARTICIPATIONS AND OPTIONS

The following registered shares of Baloise-Holding are owned by members of the Board of Directors and the Corporate Executive Committee or persons close to them (incl., in the reporting year, allocated/subscribed shares from the share-based bonus programmes):

### SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS EXCLUDING CHAIRMAN

Number	Discretionary shares	Restricted shares	Share ownership total	in % of the share capital issued
Dr. Georg F. Kraye, Vice Chairman and (as of 6.12.2007) Lead Director	23,500	2,186	25,686	0.048%
Dr. Christoph J. C. Albrecht, Member	8,020	1,670	9,690	0.018%
Dr. Andreas Burckhardt, Member	-/-	1,670	1,670	0.003%
Dr. Hansjörg Frei, Member	1,000	1,928	2,928	0.005%
Prof. Dr. Gertrud Höhler, Member	-/-	1,670	1,670	0.003%
Dr. Klaus Jenny, Member	18,000	1,928	19,928	0.037%
Werner Kummer, Member	-/-	1,774	1,774	0.003%
Dr. Arend Oetker, Member	2,000	1,516	3,516	0.007%
Dr. Eveline Saupper, Member	-/-	1,670	1,670	0.003%
<b>Total Board of Directors (excl. Chairman)</b>	<b>52,520</b>	<b>16,012</b>	<b>68,532</b>	<b>0.127%</b>
Percentage of issued share capital	0.097%	0.030%	0.127%	

#### Explanatory notes to table

##### Share-holdings

Incl. shares held by individuals or companies with close family ties to members of the Board of Directors (spouse, civil partner, unmarried partner, children under the age of 18).

##### Discretionary shares

Shares held in personal custody accounts.

##### Restricted shares

Shares subscribed for through share-based remuneration schemes are subject to a three-year lock-up period. Under section 20 of the articles of incorporation, each member of the Board of Directors must deposit 1,000 shares with the Company for the term of his / her office (qualifying shares).

##### Options

Members of the Board of Directors do not hold options on Baloise shares.

SHARES HELD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS  
AND MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

	Discretionary shares	Restricted shares	Share ownership total	in % of the share capital issued	Prospective entitlements
Number					
Dr. Rolf Schäuble, Chairman of the Board of Directors and (as of 6.12.2007) CEO of Baloise Group	30,566	25,802	56,368	0.104%	6,359
Dr. Frank Schnewlin, CEO of Baloise Group (until 6.12.2007)	100	117,627	117,727	0.218%	5,962
German Egloff, CFO of Baloise	-/-	26,591	26,591	0.049%	2,186
Dr. Martin Strobel, CEO of Basler Switzerland	-/-	7,973	7,973	0.015%	2,623
Martin Wenk, CIO of Baloise	800	28,198	28,998	0.054%	2,385
Dr. Thomas Sieber, Head of Corporate Center (as of 6.12.2007)	-/-	15,745	15,745	0.029%	857
<b>Total Chairman of the Board of Directors and members of the Corporate Executive Committee</b>	<b>31,466</b>	<b>221,936</b>	<b>253,402</b>	<b>0.469%</b>	<b>20,372</b>
Percentage of issued share capital	0.058%	0.411%	0.469%		

## Explanatory notes to table

## Shares-holdings

Incl. shares held by individuals or companies with close family ties to members of the Board of Directors (spouse, civil partner, unmarried partner, children under the age of 18).

## Discretionary shares

Shares held in personal custody accounts

## Restricted shares

Incl. shares subscribed for through the Employee Share Ownership Plan (ESOP) and financed by loans. Shares subscribed for through share-based remuneration schemes are subject to a three-year lock-up period. As per section 20 of the Articles of Incorporation, each member of the Board of Directors must deposit 1,000 shares with the Company for the term of his / her office (qualifying shares).

## Options

Options held in relation to the Employee Share Ownership Plan are not listed here, as they do not originate from their own option plan but have been written to secure the loan. In addition, each put option has a call option as counterpart.

## Prospective entitlements (PSU)

Number of PSUs allocated (allocation as of 9.3.2007).

## 6. SHAREHOLDER PARTICIPATION RIGHTS

## VOTING RIGHT

Baloise's share capital consists solely of registered shares. There are no shares with preferred voting rights. In order to maintain a broad shareholder base and protect minority shareholders, no shareholder is registered with more than 2% of voting rights, regardless of the number of shares held. The Board of Directors may approve exceptions to this rule by a two-thirds majority of all members (section 5, Articles of Incorporation). Currently there are no exceptions.

Each share carries the right to one vote. In exercising voting rights, no shareholder may directly or indirectly combine his / her own and proxy votes for a total of more than one-fifth of the shares entitled to vote at the Annual General Meeting. Each shareholder may assign the exercise of his/her voting right to another shareholder by a written proxy (section 16, Articles of Incorporation).

➔ [www.baloise.com](http://www.baloise.com) ➔ Responsibility ➔ Corporate governance ➔ Rules and regulation

### STATUTORY QUORUMS

The Annual General Meeting has a quorum regardless of the number of shareholders and proxy votes present, subject to the obligatory cases prescribed by law (section 17, Articles of Incorporation).

Waiver of statutory voting rights limitations requires the quorum of at least three-quarters of the votes present at the Annual General Meeting, which must also comprise at least one-third of all shares issued by the Company. The same qualified majority applies to other cases specified in section 17, paragraph 3 a–h, Articles of Incorporation. In other cases, resolutions are adopted by a simple majority of shares voted (section 17, Articles of Incorporation), subject to mandatory provisions of law.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation

### CONVENING THE ANNUAL GENERAL MEETING

As a rule, the Annual General Meeting is held in April, but no later than six months after the end of the reporting year. The Baloise-Holding reporting period ends on 31<sup>st</sup> December. At least 20 days' notice shall be given of an Annual General Meeting. Each registered shareholder receives a personal invitation with the agenda. Invitation and agenda are published in the Schweizerisches Handelsamtsblatt, in various newspapers and on the Internet.

Extraordinary Annual General Meetings may be convened by resolution of the Annual General Meeting, the Board of Directors or external auditors. At the request of the shareholders, the Board of Directors must also call an extraordinary General Meeting, in compliance with applicable law (section 11, Articles of Incorporation). In compliance with section 699, paragraph 3, Swiss Code of Obligations, these shareholders must represent at least 10% of the share capital.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation

### AGENDA ITEMS

Under section 699, paragraph 3, Swiss Code of Obligations, one or more shareholders who together represent shares with a face value of at least CHF 100,000 may apply for items to be placed on the agenda. Such applications must be submitted to the Board of Directors in writing, stating the matters to be brought before the Annual General Meeting no later than six weeks before the regular Annual General Meeting (section 14, Articles of Incorporation).

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation

### ENTRY IN THE SHARE REGISTER

Entitled to vote at the Annual General Meeting are shareholders who are registered in the share register with voting rights at the cut-off-date stated in the invitation sent out by the Board of Directors, which will be a few days before the Annual General Meeting (section 16, Articles of Incorporation).

Admissibility of nominee registrations, with reference to any possible percent clauses and the registration requirements are governed by section 5 of the Articles of Incorporation. Procedures and requirements to revoke or restrict transferability are governed by the provisions of sections 5 and 17.

➔ [www.baloise.com](http://www.baloise.com) → Responsibility → Corporate governance → Rules and regulation

## 7. CHANGE OF CONTROL AND DEFENCE MEASURES

Upon acquiring 33% of all Baloise shares, shareholders or groups of shareholders acting in collusion have an obligation to extend a takeover offer to all remaining shareholders. Baloise has not opted to modify or waive this rule. There is neither a statutory opting-out nor an opting-up clause as specified in the Federal Act on Stock Exchanges and Securities Trading (SESTA).

Four members of the Corporate Executive Committee have a notice period of 12 months. In addition, as with seven other members of management, they have a claim to a settlement in the amount of one annual salary (including bonus), if after a change in control or a merger the employer (or under certain circumstances the employee) terminates the working relationship within 12 months since the takeover or the merger. For the Chairman of the Board of Directors/CEO of Baloise, the notice period is six months. There is no change of control clause.

## 8. AUDITORS

PricewaterhouseCoopers (PwC) and its predecessor Schweizerische Treuhandgesellschaft/STG-Coopers & Lybrand have been Baloise's external auditors since 1962, elected annually by the Annual General Meeting. With the start of the reporting period 2007, Mr. Martin Frei has been appointed lead auditor. PwC has been external auditor for almost all Group companies since 2005.

FEES PRICEWATERHOUSECOOPERS		
	2006	2007
in CHF (rounded to the nearest thousand)		
Audit fee	5,723,000	5,873,000
Fees for audit-related services	313,000	810,000
Consulting fee	1,313,000	1,855,000
Total	7,349,000	8,538,000

The Baloise Audit Committee is made up of independent members qualified in finance and accounting. During the reporting period, the Audit Committee met four times, each time with external auditors in attendance. At these meetings, the Audit Committee received detailed documentation on the findings of the external auditors, particularly when discussing the annual and semi-annual financial statements.

The Audit Committee evaluates the performance of the external auditors and their cooperation with Internal Audit, Risk Management and Compliance. Primarily, the Audit Committee discusses with the external auditors the ongoing audit and audit reports and any problems, results, reservations or issues arising from the audit.

Before the start of the annual audit, the Audit Committee reviews the scope of the examination and proposes areas warranting special attention. The Audit Committee subsequently assesses the independence of the external auditors and proposes the external auditors to the Board of Directors for election by the Annual General Meeting and makes recommendations concerning the auditors' fees. The Audit Committee reviews the external auditors' fees annually. The Audit Committee reviews the adequacy of the external auditors' services that are performed outside the scope of their auditing activities. There is a written directive, stipulating that material services not related to auditing activities require prior approval by Internal Audit.

The rise in consulting fees, compared to the previous year, is primarily due to the utilisation of the auditors for advice on key projects in Switzerland and for tax consultancy and the audit in Germany.

## 9. INFORMATION POLICY

### INFORMATION PRINCIPLES

The Baloise Group provides regular, transparent and comprehensive information to shareholders, potential investors, employees, clients and the general public. All registered shareholders receive annual and semi-annual reports that provide a commentary on the review of the business year. The financial report will be sent to shareholders upon request. All publications are made available to all shareholders simultaneously.

All investors enjoy equal information rights. To make our meetings with financial analysts generally accessible, we use technologies such as webcasts, podcasts and teleconferences.

#### INFORMATION EVENTS

Baloise provides comprehensive business information at:

- Press conferences: Business results and activities, objectives and strategies are presented and explained at media conferences (annual and semi-annual media conferences).
- Financial analysts meetings: Financial analysts meetings take place at the close of each year and semi-annually, with parallel webcast and teleconference. The events are subsequently available for download as a podcast.
- Annual General Meeting: The Annual General Meeting provides shareholders with a review of the business year.
- Road shows: Regular road shows are organised at numerous financial centres.
- Investor conferences: Key business and strategy topics are reviewed in detail.
- Individual meetings with analysts, investors and media representatives: ongoing cultivation of relationships with analysts, investors and the media.

All information on individual Baloise events is available at [www.baloise.com](http://www.baloise.com)

#### INFORMATION ON THE BALOISE SHARE

For information regarding the Baloise share, see page 12 ff of the annual report.

→ [www.baloise.com](http://www.baloise.com) → Investor Relations → Baloise share

#### FINANCIAL CALENDAR

Important data for investors can be found at [www.baloise.com](http://www.baloise.com), including publication dates of the annual and semi-annual financial statements. Date and invitation to the Annual General Meeting, the closure date of the share register and the ex-dividend date, if any, are also published.

→ [www.baloise.com](http://www.baloise.com) → Investor Relations → IR agenda

#### AVAILABLE DOCUMENTS

Media releases, disclosures, presentations, annual reports, financial reports, semi-annual reports and other documents are publicly available on the Internet at [www.baloise.com](http://www.baloise.com). All documents are available through Investor Relations or for download from the internet.

→ [www.baloise.com](http://www.baloise.com) → Media Relations → Media kits

#### CONTACTS

##### CORPORATE GOVERNANCE

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##### INVESTOR RELATIONS

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

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#### TOP LINKS

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- [www.baloise.com](http://www.baloise.com) → Responsibility
    - Corporate governance → Rules and regulation
  - [www.baloise.com](http://www.baloise.com) → Investor Relations
    - Baloise share → Share buyback program
    - Bonds
    - Presentations
    - IR agenda
  - [www.baloise.com](http://www.baloise.com) → Media Relations
    - Media kits
    - Calendar
-

# Employed?



# OR RUNNING YOUR OWN BUSINESS?



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A career takes a new direction. It adapts to job opportunities, changing life circumstances, people around us, the blows that fate deals, you and the zeitgeist.

But ultimately, it is the individuals who make the decisions and take charge of their lives and careers – with Baloise as a partner at their side.

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# BOARD OF DIRECTORS

## BOARD OF DIRECTORS

### MEMBERS

Rolf Schäuble, Dr. oec., Chairman, Lenzburg  
Georg F. Kraye, Dr. iur., Vice-Chairman, Basel  
Christoph J. C. Albrecht, Dr. iur., Basel  
Andreas Burckhardt, Dr. iur., Basel  
Hansjörg Frei, Dr. iur., Mönchaltorf  
Gertrud Höhler, Prof. Dr. phil., Berlin  
Klaus Jenny, Dr. oec., Zürich  
Werner Kummer, Küsnacht  
Arend Oetker, Dr. rer. pol., Berlin  
Eveline Saupper, Dr. iur., Pfäffikon

### SECRETARY TO THE BOARD OF DIRECTORS

Thomas Sieber, Dr. iur., Rheinfelden

## INTERNAL AUDIT

Rolf-Christian Andersen, Meilen

## AUDITORS

PricewaterhouseCoopers AG, Basel

## BOARD COMMITTEES

### CHAIRMAN'S COMMITTEE

Rolf Schäuble, Dr. oec., Chairman  
Georg F. Kraye, Dr. iur., Vice Chairman  
Hansjörg Frei, Dr. iur.  
Klaus Jenny, Dr. oec.

### AUDIT COMMITTEE

Werner Kummer, Chair  
Christoph J. C. Albrecht, Dr. iur., Deputy Chair  
Andreas Burckhardt, Dr. iur.  
Hansjörg Frei, Dr. iur.

### COMPENSATION COMMITTEE

Georg F. Kraye, Dr. iur., Chair  
Klaus Jenny, Dr. oec., Deputy Chair  
Gertrud Höhler, Prof. Dr. phil.  
Eveline Saupper, Dr. iur.

### INVESTMENT COMMITTEE

Rolf Schäuble, Dr. oec., Chair  
Georg F. Kraye, Dr. iur., Deputy Chair  
Hansjörg Frei, Dr. iur.  
Klaus Jenny, Dr. oec.



# MANAGEMENT

(AS OF 1<sup>ST</sup> MARCH 2008)



From left to right: Martin Strobel, Rolf Schäuble, German Egloff, Martin Wenk, Thomas Sieber

**GROUP CEO**

Rolf Schäuble, Dr. oec.\* (as of 6.12.2007)

**CORPORATE SECRETARY**

Markus von Escher, Dr. iur.

**CORPORATE COMMUNICATIONS**

Thomas Kähr

SWITZERLAND	INTERNATIONAL	FINANCE	ASSET MANAGEMENT	CORPORATE CENTER
Martin Strobel, Dr. rer. pol.*	Rolf Schäuble, Dr. oec.* (as of 6.12.2007)	German Egloff*	Martin Wenk*	Thomas Sieber, Dr. iur.* (as of 6.12.2007)
PRIVATE AND CORPORATE CUSTOMERS Franz J. Kaltenbach, Dr. rer. nat.	BASLER GERMANY Frank Grund, Dr. iur.	FINANCIAL ACCOUNTING Michael Müller	INVESTMENT STRATEGY AND INVESTMENT CONTROLLING Bernhard Casar	CORPORATE DEVELOPMENT Thomas Wodrich
BALOISE BANK SOBA Alois Müller	DEUTSCHER RING GERMANY Wolfgang Fauter	FINANCIAL RELATIONS Carsten Stolz, Dr. rer. pol.	BALOISE ASSET MANAGEMENT Reto Diezi, Dr. oec. publ.	CORPORATE HUMAN RESOURCES Christoph K. Thoma
SALES AND MARKETING Daniel Fluri	MERCATOR BELGIUM Jan De Meulder	FINANCIAL MANAGEMENT Stefan Nölker, Dr. rer. nat.	REAL ESTATE Hans-Peter Bissegger	LEGAL AND TAX Andreas Eugster
INFORMATION SYSTEMS AND LOGISTICS René Güttinger	BÂLOISE LUXEMBOURG André Bredimus	PERFORMANCE MANAGEMENT Martin Kampik Karl Signer	BALOISE FUND INVEST Robert Antonietti	COMPLIANCE Frank Marti
ACCOUNTING/ CONTROLLING Urs Bienz	BASLER AUSTRIA Otmar Bodner, Dr. iur.		BALOISE LIFE (LIECHTENSTEIN) Annemie D'Hulster (as of 1.1.2008)	RUN OFF Bruno Rappo
	CROATIA AND SERBIA Lothar Mayrhofer, Dr. Mag. oec.			

\* Member of the Corporate Executive Committee

# Aiming high right away

OR STARTING OFF SMALL?



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Some love to work part-time. Others start blooming when they have a demanding leading position.

The balance between work and private life, between performance and recreation, is as unique as people's life plans. Whatever their decision, Baloise will support them.

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# CONSOLIDATED INCOME STATEMENT

## FIVE-YEAR OVERVIEW (RESTATED FROM 2004)

	2003	2004	2005	2006	2007
in CHF million					
<b>Income</b>					
Premiums earned and policy fees (gross) <sup>1</sup>	7,371.1	6,936.0	6,835.1	6,706.6	6,880.2
Reinsurance premiums ceded	-256.4	-211.2	-197.3	-187.5	-207.9
Premiums earned and policy fees (net)	7,114.7	6,724.8	6,637.8	6,519.1	6,672.3
Investment income	2,063.8	1,862.1	1,794.5	1,823.7	2,033.1
Realised gains and losses on investments <sup>2</sup>	-32.7	265.2	549.4	702.8	598.1
Income from services rendered	319.0	312.2	211.9	286.4	387.5
Results from investments in associates	26.4	3.7	35.5	62.0	8.3
Other operating income	157.7	137.1	74.3	144.3	125.6
<b>Income</b>	<b>9,648.9</b>	<b>9,305.1</b>	<b>9,303.4</b>	<b>9,538.3</b>	<b>9,824.9</b>
<b>Expenses</b>					
Claims and benefits paid (gross)	-5,561.3	-5,418.4	-5,772.1	-5,325.0	-5,597.9
Change in actuarial reserves (gross)	-1,645.4	-1,251.4	-1,094.6	-1,080.8	-833.6
Losses incurred ceded to reinsurers	78.7	51.6	189.7	43.4	107.6
Acquisition costs	-277.1	-475.3	-524.8	-493.8	-524.8
Operating and administrative expenses for insurance business	-835.6	-806.4	-815.1	-847.8	-938.3
Investment expenses	-75.9	-75.9	-88.1	-93.9	-104.3
Interest expense on insurance liabilities	-98.9	-90.1	-78.5	-67.0	-76.1
Expense from financial contracts	-296.4	-248.9	-130.0	-156.5	-162.3
Other operating expenses	-671.1	-612.9	-460.6	-575.5	-660.5
<b>Expenses</b>	<b>-9,383.0</b>	<b>-8,927.7</b>	<b>-8,774.1</b>	<b>-8,596.9</b>	<b>-8,790.2</b>
Borrowing costs	-42.2	-52.6	-53.4	-28.2	-28.4
<b>Profit before tax</b>	<b>223.7</b>	<b>324.8</b>	<b>475.9</b>	<b>913.2</b>	<b>1,006.3</b>
Income taxes	-125.4	-101.5	-72.4	-206.1	-192.5
<b>Profit for the period</b>	<b>98.3</b>	<b>223.3</b>	<b>403.5</b>	<b>707.1</b>	<b>813.8</b>
Allocated to:					
Shareholders	91.4	210.0	395.8	699.4	803.3
Minority interests	6.9	13.3	7.7	7.7	10.5
Earnings / loss per share in CHF					
Diluted	1.7	3.9	7.3	12.93	15.48
Undiluted	1.7	3.9	7.3	12.93	15.48

ADDITIONAL INFORMATION					
	2003	2004	2005	2006	2007
in CHF million					
Gross premiums written and policy fees	7,374.7	6,941.3	6,839.1	6,716.5	6,868.4
Investment-type premiums	261.0	443.0	554.4	774.7	1,069.2
<b>Gross premiums written, policy fees and investment-type premiums</b>	<b>7,635.7</b>	<b>7,384.3</b>	<b>7,393.5</b>	<b>7,491.2</b>	<b>7,937.6</b>
Assets for the account and at the risk of life insurance policyholders	798.2	1,143.6	2,245.8	2,976.6	4,366.9
Combined ratio (gross) <sup>3</sup> in percent	97.6	93.0	100.6	90.2	93.0
Funding ratio nonlife in percent	177.4	179.6	187.0	194.8	195.6

1 In line with the accounting principles used at Baloise Group, investment-type insurance premiums are not included in the premiums earned and policy fees.

2 Inclusive financial liabilities held for trading (derivative financial instruments).

3 From 2005, exclusive legally required interest on actuarial reserves for annuities.

# CONSOLIDATED BALANCE SHEET

## FIVE-YEAR OVERVIEW (RESTATED FROM 2004)

	2003	2004	2005	2006	2007
in CHF million					
<b>Assets</b>					
Property, plant and equipment	696.8	647.5	626.3	638.3	672.6
Intangible assets	1,091.0	1,223.1	1,357.2	1,357.5	1,601.7
Investments in associates	241.0	152.6	174.7	175.0	177.6
Investment property	5,653.4	5,619.2	5,581.7	5,312.6	5,269.5
Financial assets of an equity nature	5,413.7	6,757.4	9,839.0	10,902.3	12,137.8
Financial assets of a debt nature	32,367.0	23,208.8	22,915.1	24,523.3	24,288.9
Mortgages and loans	12,459.1	16,995.5	17,635.5	17,801.6	18,399.2
Derivative financial instruments	292.9	264.9	48.6	75.8	54.2
Other assets / receivables	4,484.1	2,516.9	2,652.3	2,478.8	2,722.3
Deferred tax assets <sup>1</sup>	905.9	999.7	34.5	25.8	51.3
Cash and cash equivalents	695.9	698.0	450.2	741.5	1,620.4
<b>Total assets</b>	<b>64,300.8</b>	<b>59,083.6</b>	<b>61,315.1</b>	<b>64,032.5</b>	<b>66,995.5</b>

	2003	2004	2005	2006	2007
in CHF million					
<b>Equity and liabilities</b>					
<b>Equity</b>					
Equity before minority interests	3,319.8	3,433.9	4,330.4	4,921.9	4,781.9
Minority interests	40.7	63.9	60.9	64.6	83.7
<b>Total equity</b>	<b>3,360.5</b>	<b>3,497.8</b>	<b>4,391.3</b>	<b>4,986.5</b>	<b>4,865.6</b>
<b>Liabilities</b>					
Technical reserves (gross)	43,521.2	42,825.8	44,915.9	46,521.8	47,811.0
Liabilities from banking business and financial contracts	9,904.1	5,493.9	6,062.5	6,744.0	8,079.1
Derivative financial instruments	252.4	160.3	243.4	44.6	34.9
Accruals and other liabilities	5,621.8	5,395.7	4,965.1	4,929.3	5,511.7
Deferred tax liabilities <sup>1</sup>	1,640.8	1,710.1	736.9	806.3	693.2
<b>Total liabilities</b>	<b>60,940.3</b>	<b>55,585.8</b>	<b>56,923.8</b>	<b>59,046.0</b>	<b>62,129.9</b>
<b>Total equity and liabilities</b>	<b>64,300.8</b>	<b>59,083.6</b>	<b>61,315.1</b>	<b>64,032.5</b>	<b>66,995.5</b>

1 From 2005, deferred tax assets and liabilities have been netted off against each other - provided the IFRS offsetting requirements have been met.

# BUSINESS VOLUME, PREMIUMS AND COMBINED RATIO

## BUSINESS VOLUME 2006

	Group	Switzer- land	Germany			Benelux			Other countries		
			Basler Deutsch- land	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria, Croatia and Serbia	Other <sup>2</sup>	Total
in CHF million											
Nonlife	3,065.1	1,280.5	842.4	214.6	1,057.0	541.7	47.9	589.6	97.9	40.1	138.0
Life	3,651.4	2,413.8	221.7	814.5	1,036.2	118.5	43.3	161.8	39.6	-/-	39.6
Subtotal of IFRS gross premiums written <sup>1</sup>	6,716.5	3,694.3	1,064.1	1,029.1	2,093.2	660.2	91.2	751.4	137.5	40.1	177.6
Investment-type premiums	774.7	36.1	3.3	208.8	212.1	78.5	444.0	522.5	4.0	-/-	4.0
<b>Total business volume</b>	<b>7,491.2</b>	<b>3,730.4</b>	<b>1,067.4</b>	<b>1,237.9</b>	<b>2,305.3</b>	<b>738.7</b>	<b>535.2</b>	<b>1,273.9</b>	<b>141.5</b>	<b>40.1</b>	<b>181.6</b>

## BUSINESS VOLUME 2007

	Group	Switzer- land	Germany			Benelux			Other countries		
			Basler Deutsch- land	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria, Croatia and Serbia	Other <sup>2</sup>	Total
in CHF million											
Nonlife	3,190.6	1,285.9	866.2	223.2	1,089.4	587.4	53.4	640.8	135.8	38.7	174.5
Life	3,677.8	2,413.3	211.0	820.1	1,031.1	123.5	42.7	166.2	67.2	-/-	67.2
Subtotal of IFRS gross premiums written <sup>1</sup>	6,868.4	3,699.2	1,077.2	1,043.3	2,120.5	710.9	96.1	807.0	203.0	38.7	241.7
Investment-type premiums	1,069.2	43.5	6.7	256.5	263.2	81.9	674.4	756.3	6.2	-/-	6.2
<b>Total business volume</b>	<b>7,937.6</b>	<b>3,742.7</b>	<b>1,083.9</b>	<b>1,299.8</b>	<b>2,383.7</b>	<b>792.8</b>	<b>770.5</b>	<b>1,563.3</b>	<b>209.2</b>	<b>38.7</b>	<b>247.9</b>

1 Premiums written and policy fees (gross).

2 Group business, run-off.

**COMBINED RATIO GROSS,  
NONLIFE, 2006<sup>1</sup>**

	Group	Switzer- land	Germany			Benelux			Other countries		
			Basler Deutsch- land	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria, Croatia and Serbia	Other <sup>2</sup>	Total
as a percentage of premiums earned											
Loss ratio	59.4	62.0	61.8	41.3	57.7	59.2	51.1	58.6	59.2	47.4	55.8
Expense ratio	30.1	24.5	30.3	53.1	34.9	33.5	38.5	33.8	40.5	16.8	33.6
Profit-sharing ratio	0.7	1.3	0.5	-/-	0.4	0.0	0.1	0.0	-/-	1.3	0.4
<b>Combined ratio</b>	<b>90.2</b>	<b>87.8</b>	<b>92.6</b>	<b>94.4</b>	<b>93.0</b>	<b>92.7</b>	<b>89.7</b>	<b>92.4</b>	<b>99.7</b>	<b>65.5</b>	<b>89.8</b>

**COMBINED RATIO GROSS,  
NONLIFE, 2007<sup>1</sup>**

	Group	Switzer- land	Germany			Benelux			Other countries		
			Basler Deutsch- land	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria, Croatia and Serbia	Other <sup>2</sup>	Total
as a percentage of premiums earned											
Loss ratio	61.0	62.8	66.0	43.6	61.4	57.6	55.9	57.5	63.5	42.6	55.3
Expense ratio	31.5	24.9	30.9	53.6	35.5	36.7	35.7	36.6	40.4	17.1	34.2
Profit-sharing ratio	0.5	0.9	0.4	-/-	0.4	0.0	-/-	0.0	-/-	0.3	0.1
<b>Combined ratio</b>	<b>93.0</b>	<b>88.6</b>	<b>97.3</b>	<b>97.2</b>	<b>97.3</b>	<b>94.3</b>	<b>91.6</b>	<b>94.1</b>	<b>103.9</b>	<b>60.0</b>	<b>89.6</b>

**COMBINED RATIO NONLIFE<sup>1</sup>**

	Gross		Net	
	2006	2007	2006	2007
as a percentage of premiums earned				
Loss ratio	59.4	61.0	61.6	61.6
Expense ratio	30.1	31.5	31.6	33.0
Profit-sharing ratio	0.7	0.5	0.8	0.5
<b>Combined ratio</b>	<b>90.2</b>	<b>93.0</b>	<b>94.0</b>	<b>95.1</b>

**RESERVE RATIO NONLIFE**

	2006	2007
in CHF million		
Technical reserve for own account	5,624.0	5,892.9
Premiums written and policy fees for own account	2,886.6	3,012.7
<b>Reserve ratio in percent</b>	<b>194.8</b>	<b>195.6</b>

1 Excluding legally required interest on annuity reserves.

2 Group business, run-off.



# TECHNICAL INCOME STATEMENT

	Nonlife		Life	
	2006	2007	2006	2007
in CHF million				
<b>Gross</b>				
Gross premiums written and policy fees	3,065.1	3,190.6	3,651.4	3,677.8
Change in unearned premium reserves	-9.9	11.8	-/-	0.0
Premiums earned and policy fees (gross)	3,055.2	3,202.4	3,651.4	3,677.8
Claims and benefits paid (gross)	-1,801.9	-1,882.0	-3,523.1	-3,715.9
Change in technical reserves (gross)				
Change in loss reserve / actuarial reserves <sup>1</sup>	-42.3	-101.6	-585.6	-161.1
Expense for surplus participation of policyholders	-21.4	-15.4	-431.6	-554.7
Technical expenses	-925.2	-1,010.2	-508.1	-551.2
<b>Total technical result (gross)</b>	<b>264.4</b>	<b>193.2</b>	<b>-1,397.0</b>	<b>-1,305.1</b>
<b>Ceded to reinsurers</b>				
Reinsurance premiums ceded	-167.7	-182.7	-19.8	-25.2
Claims and benefits paid	132.6	113.2	6.2	3.3
Reinsurance share in losses paid	-97.8	-17.0	1.6	6.6
Expense for surplus participation of policyholders	0.1	-0.8	0.8	1.5
Technical expenses	9.0	12.1	3.9	4.4
<b>Total technical result of ceded business</b>	<b>-123.8</b>	<b>-75.2</b>	<b>-7.3</b>	<b>-9.4</b>
<b>For own account</b>				
Premiums earned and policy fees	2,887.5	3,019.7	3,631.6	3,652.6
Claims and benefits paid	-1,669.3	-1,768.8	-3,516.9	-3,712.6
Change in loss reserve / actuarial reserves <sup>1</sup>	-140.1	-118.6	-584.0	-154.5
Expense for surplus participation of policyholders	-21.3	-16.1	-430.8	-553.2
Technical expenses	-916.2	-998.1	-504.2	-546.8
<b>Total technical result for own account</b>	<b>140.6</b>	<b>118.1</b>	<b>-1,404.3</b>	<b>-1,314.5</b>
Investment income (gross)	296.6	340.6	1,368.2	1,507.2
Realised gains and losses on investments <sup>2</sup>	121.6	141.3	474.3	438.8
Investment expenses	-19.8	-21.0	-73.6	-79.8
Other financial expense and income	3.2	-62.5	-118.4	-132.8
<b>Result from investment income</b>	<b>401.6</b>	<b>398.4</b>	<b>1,650.5</b>	<b>1,733.4</b>
Borrowing costs	-/-	-/-	-/-	-/-
<b>Profit before tax</b>	<b>542.2</b>	<b>516.5</b>	<b>246.2</b>	<b>418.9</b>
Income taxes	-92.4	-70.0	-80.1	-79.9
<b>Profit for the period</b>	<b>449.8</b>	<b>446.5</b>	<b>166.1</b>	<b>339.0</b>

1 Including change in loss adjustment expenses provisions.

2 Including financial liabilities held for trading (derivative financial instruments).

## GROSS PREMIUMS BY INDUSTRIES

NONLIFE	2006	2007	+/- %
in CHF million			
Accident	444.8	477.9	7.4
Health	107.4	112.9	5.1
General liability	340.8	353.0	3.6
Motor	1,002.1	1,028.0	2.6
Marine	148.0	148.4	0.3
Property	926.1	968.3	4.6
Other	42.3	49.4	16.8
Active reinsurance	53.6	52.7	-1.7
<b>Gross premiums written, nonlife</b>	<b>3,065.1</b>	<b>3,190.6</b>	<b>4.1</b>

LIFE	2006	2007	+/- %
in CHF million			
Single premiums	1,697.5	1,972.6	16.2
Periodic premiums	2,728.5	2,774.4	1.7
Investment-type premiums	-774.6	-1,069.2	38.0
<b>Gross premiums written, life</b>	<b>3,651.4</b>	<b>3,677.8</b>	<b>0.7</b>

# EMBEDDED VALUE

## DEVELOPMENT OF EMBEDDED VALUE

	2006	2007
in CHF million; all figures "after tax"		
<b>Embedded value as of 1<sup>st</sup> January</b>	<b>2,359.7</b>	<b>2,627.8</b>
Operating profit from policy portfolio, adjusted equity plus earnings from new business	134.7	253.0
Economic changes, including changes in unrealised gains and losses on investments (shares and properties)	178.1	372.7
Dividend and capital movements	-60.2	-40.6
Exchange differences	15.4	17.7
<b>Embedded value as of 31<sup>st</sup> December</b>	<b>2,627.8</b>	<b>3,230.6</b>
Of which: value of policy portfolio	1,096.2	1,416.8
Of which: adjusted equity	2,011.1	2,272.7
Of which: cost of solvency	-479.6	-458.8

## NEW BUSINESS

	2006	2007
Value of new business (VNB) in CHF million	15.9	20.3
APE <sup>1</sup> in CHF million	217.2	212.5
Sensitivities of new business value at risk discount rate (+/- 1.0%) in percent	-31.9 / +33.9	-30.3 / +35.1
Ratio VNB to APE in percent	7.3	9.5

## SENSITIVITIES

	2006	2007
in percent		
+/- 1% change in risk discount rate	-6.3 / +7.2	-6.1 / +7.1
+/- 10% change in the market value of shares	+6.3 / -6.3	+5.0 / -5.0
+/- 10% change in the market value of properties	+4.5 / -4.5	+3.8 / -3.8
+/- 0.5% change in new money rate	+3.8 / -4.1	+3.9 / -4.4

1 Annual Premium Equivalent = 100% new annual premiums + 10% of single premiums.

The embedded value of life insurance business consists of three elements: firstly, the adjusted shareholders' equity of life insurance activities and secondly, the value of in-force business at the end of the reporting period, with the cost of solvency being deducted. The embedded value excludes any value that may be attributed to future new business.

For investments, the adjusted shareholders' equity is based on fair values, while statutory rates were used for actuarial liabilities. The most important components of the shareholders' equity are the sums of unrealised gains and losses on investments (shares and properties), which can be subject to strong fluctuations. For business from Luxembourg,

Austria and Croatia, Serbia and Liechtenstein and for the German company Deutscher PensionsRing, only the embedded value disclosed under IFRS will be taken into account.

The value of the insurance portfolio is equivalent to the resultant future earnings that are determined by discounting all expected cash flows. This requires a large number of assumptions; the key assumptions are itemised in the table below.

The cost of solvency is equivalent to the cost of funding the solvency requirements of the business.

ASSUMPTIONS	2006	2007
in percent		
<b>Group</b>		
Risk discount rate	7.6	7.6
Return on bonds (1 <sup>st</sup> projected annual return – long term return)	2.85 – 2.85	3.6 – 3.8
Return on shares	7.2	7.2
Return on properties	4.8	4.8
<b>Switzerland</b>		
Risk discount rate	7.5	7.5
Return on bonds (1 <sup>st</sup> projected annual return – long term return)	2.65 – 2.65	3.4 – 3.6
Return on shares	7.0	7.0
Return on properties	4.75	4.70
<b>EU</b>		
Risk discount rate	8.3	8.3
Return on bonds (1 <sup>st</sup> projected annual return – long term return)	4.0 – 4.0	4.6 – 4.8
Return on shares	8.0	8.0
Return on properties	5.2	5.2

External audit: Deloitte & Touche LLP has examined the calculation method chosen by the Baloise Group and the assumptions and calculations applied to the computation of the embedded value in the life business as of 31<sup>st</sup> December 2007. Deloitte considers the calculation method and assumptions used by Baloise to be appropriate and reasonable and the disclosures on embedded value, using the chosen methodology and assumptions, to be properly prepared. For the purpose of this report, Deloitte has examined on a test basis some of the data provided by Baloise, relying, however, on the financial information published in the financial report.

**GEOGRAPHIC SPREAD OF EMBEDDED VALUE**

	2006	2007
in CHF million; all figures "after tax"		
<b>Switzerland</b>	<b>2,242.0</b>	<b>2,646.0</b>
Of which: value of policy portfolio	861.7	1,107.6
Of which: adjusted equity	1,756.5	1,891.1
Of which: cost of solvency	-376.2	-352.7
<b>Other</b>	<b>451.4</b>	<b>655.8</b>
Of which: value of policy portfolio	234.5	309.2
Of which: adjusted equity	320.3	452.8
Of which: cost of solvency	-103.4	-106.2
Consolidation	-65.7	-71.2
<b>Embedded value as of 31<sup>st</sup> December</b>	<b>2,627.8</b>	<b>3,230.6</b>

**GEOGRAPHIC SPREAD OF NEW BUSINESS**

	2006	2007
<b>New business margin Switzerland in percent</b>	<b>10.2</b>	<b>14.9</b>
Value of new business in CHF million	10.9	14.1
APE in CHF million	106.4	94.7
<b>New business margin EU in percent</b>	<b>4.5</b>	<b>5.2</b>
Value of new business in CHF million	5.0	6.1
APE in CHF million	110.8	117.8

# BANKING ACTIVITIES

## RESULTS BANKING ACTIVITIES

	2006	2007
in CHF million		
Total interest income	181.5	195.0
Total interest expense	-81.2	-90.8
<b>Net interest income</b>	<b>100.3</b>	<b>104.2</b>
Net commission and fee income	69.2	58.8
Trading income	-1.7	-0.4
Other income	3.1	6.4
<b>Total operating income</b>	<b>170.9</b>	<b>169.0</b>
Personnel expenses	-49.5	-51.2
Material expenses	-48.1	-38.6
Total operating expenses	-97.6	-89.8
<b>Gross profit</b>	<b>73.3</b>	<b>79.2</b>
Losses and impairments due to credit risks	-5.6	-4.4
Depreciation of intangible assets and property, plant and equipment	-4.1	-5.7
<b>Profit before tax and minority interests</b>	<b>63.6</b>	<b>69.1</b>
Income taxes	-12.3	-10.0
<b>Profit for the period</b>	<b>51.3</b>	<b>59.1</b>

## ADDITIONAL INFORMATION

	2006	2007
in CHF million		
Assets managed for third parties	8,950.6	9,413.8
Risk weighted assets of banking activities	3,443.7	3,415.5

## ASSET ALLOCATION

	2006	2007
in CHF million		
Fixed-interest securities	331.2	300.2
Shares	1.7	1.7
Derivative financial instruments	12.4	18.3
Alternative financial investments	-/-	-/-
Investment properties	0.0	-/-
Mortgage assets	4,909.0	4,913.5
Policy and other loans	270.7	267.8
Cash and cash equivalents	94.9	108.3
<b>Total</b>	<b>5,619.9</b>	<b>5,609.8</b>

# ASSET PERFORMANCE

## INVESTMENT PERFORMANCE 2006<sup>1</sup>

	Fixed-interest securities	Shares	Investment properties	Mortgage assets, policy loans and other loans	Alternative financial assets, derivatives and cash and cash equivalents	Total
in CHF million						
Current income	747.7	139.9	231.1	683.3	21.7	1,823.7
Realised gains and losses and impairment loss recognised in profit or loss (net)	73.3	462.6	80.5	-11.8	-37.1	567.5
Change in unrealised gains and losses on equity	-446.5	396.3			222.9	172.7
Cost of investment management	-33.1	-8.6	-13.7	-12.2	-26.1	-93.7
<b>Operational profit</b>	<b>341.4</b>	<b>990.2</b>	<b>297.9</b>	<b>659.3</b>	<b>181.4</b>	<b>2,470.2</b>
<b>Average investment portfolio</b>	<b>23,464.7</b>	<b>5,881.2</b>	<b>5,447.1</b>	<b>17,718.6</b>	<b>2,790.8</b>	<b>55,302.4</b>
<b>Performance in percent</b>	<b>1.5</b>	<b>16.8</b>	<b>5.5</b>	<b>3.7</b>	<b>6.5</b>	<b>4.5</b>

## INVESTMENT PERFORMANCE 2007<sup>1</sup>

	Fixed-interest securities	Shares	Investment properties	Mortgage assets, policy loans and other loans	Alternative financial assets, derivatives and cash and cash equivalents	Total
in CHF million						
Current income	849.9	164.2	256.4	710.9	51.7	2,033.1
Realised gains and losses and impairment loss recognised in profit or loss (net)	-54.8	641.5	-22.2	0.6	22.0	587.1
Change in unrealised gains and losses on equity	-538.4	-383.8			130.8	-791.4
Cost of investment management	-34.8	-11.9	-16.5	-13.4	-27.7	-104.3
<b>Operational profit</b>	<b>221.9</b>	<b>410.0</b>	<b>217.7</b>	<b>698.1</b>	<b>176.8</b>	<b>1,724.5</b>
<b>Average investment portfolio</b>	<b>24,229.5</b>	<b>5,870.7</b>	<b>5,291.1</b>	<b>18,126.9</b>	<b>3,400.1</b>	<b>56,918.3</b>
<b>Performance in percent</b>	<b>0.9</b>	<b>7.0</b>	<b>4.1</b>	<b>3.9</b>	<b>5.2</b>	<b>3.0</b>

1 Excluding assets for the account and at the risk of life insurance policyholders

CURRENT INCOME, INSURANCE<sup>1</sup>

	2006			2007		
	Nonlife	Life	Total	Nonlife	Life	Total
in CHF million						
Fixed-interest securities	160.3	571.9	732.2	186.6	643.8	830.4
Shares	29.6	109.6	139.2	33.7	130.0	163.7
Derivative financial instruments	-/-	-/-	-/-	-/-	-/-	-/-
Alternative financial investments	2.5	5.0	7.5	4.1	15.1	19.2
Investment properties	44.3	181.6	225.9	49.1	202.6	251.7
Mortgage assets	11.3	167.6	178.9	12.1	169.9	182.0
Policy and other loans	44.0	324.6	368.6	43.2	328.7	371.9
Cash and cash equivalents	4.6	7.9	12.5	11.8	17.1	28.9
<b>Total current income</b>	<b>296.6</b>	<b>1,368.2</b>	<b>1,664.8</b>	<b>340.6</b>	<b>1,507.2</b>	<b>1,847.8</b>

REALISED GAINS AND LOSSES, INSURANCE<sup>1</sup>

	2006			2007		
	Nonlife	Life	Total	Nonlife	Life	Total
in CHF million						
Fixed-interest securities	-3.1	76.7	73.6	-18.6	-35.5	-54.1
Shares	117.1	313.4	430.5	154.4	478.2	632.6
Derivative financial instruments	-11.3	-109.8	-121.1	-16.7	-116.6	-133.3
Alternative financial investments	15.7	69.7	85.4	22.2	135.1	157.3
Investment properties	1.8	1.8	3.6	1.2	-26.6	-25.4
Mortgage assets	-2.0	-2.8	-4.8	0.2	0.5	0.7
Policy and other loans	3.4	4.5	7.9	-1.4	-1.7	-3.1
Cash and cash equivalents	-/-	-/-	-/-	-/-	-/-	-/-
<b>Total capital gains and losses</b>	<b>121.6</b>	<b>353.5</b>	<b>475.1</b>	<b>141.3</b>	<b>433.4</b>	<b>574.7</b>

ASSET ALLOCATION, INSURANCE<sup>1</sup>

	2006			2007		
	Nonlife	Life	Total	Nonlife	Life	Total
in CHF million						
Fixed-interest securities	5,244.6	18,309.0	23,553.6	5,421.5	18,275.3	23,696.8
Shares	1,258.5	4,763.6	6,022.1	1,124.3	4,553.1	5,677.4
Derivative financial instruments	1.7	23.2	24.9	2.0	22.8	24.8
Alternative financial investments	356.7	1,819.6	2,176.3	357.1	1,746.9	2,104.0
Investment properties	942.3	4,203.2	5,145.5	912.5	4,211.6	5,124.1
Mortgage assets	371.3	4,661.1	5,032.4	404.3	4,917.1	5,321.4
Policy and other loans	973.3	7,324.8	8,298.1	1,025.6	7,522.4	8,548.0
Cash and cash equivalents	233.4	255.3	488.7	474.4	895.2	1,369.6
<b>Total</b>	<b>9,381.8</b>	<b>41,359.8</b>	<b>50,741.6</b>	<b>9,721.7</b>	<b>42,144.4</b>	<b>51,866.1</b>

<sup>1</sup> Excluding assets for the account and at the risk of life insurance policyholders.



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Bâloise-Holding

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# INCOME STATEMENT

## BÂLOISE-HOLDING

	Note	2006	2007
in CHF million			
Income from participating interests		296.4	399.0
Interest and securities income	2	30.4	19.8
Other income	3	2.0	2.8
<b>Total income</b>		<b>328.8</b>	<b>421.6</b>
Administrative expenses	4	-3.7	-25.9
Interest expense	5	-27.2	-27.5
Depreciation	6	-30.0	-50.5
Other expense	7	-8.7	-3.9
<b>Total expenses</b>		<b>-69.6</b>	<b>-107.8</b>
Tax expenditure		-1.8	-0.3
<b>Profit for the period</b>		<b>257.4</b>	<b>313.5</b>

# BALANCE SHEET

## BÂLOISE-HOLDING

	Note	31.12.2006	31.12.2007
in CHF million			
<b>Assets</b>			
Cash and cash equivalents		165.3	16.3
Treasury shares		113.8	340.1
Receivables from Group companies		60.0	69.9
Receivables from third parties		0.3	1.3
Accruals	10	66.0	49.1
<b>Current assets</b>		<b>405.4</b>	<b>476.7</b>
Participations	8	1,416.1	1,575.3
Loans to Group companies	9	30.0	30.0
Financial assets		11.8	0.2
<b>Non-current assets</b>		<b>1,457.9</b>	<b>1,605.5</b>
<b>Total assets</b>		<b>1,863.3</b>	<b>2,082.2</b>
<b>Equity and Liabilities</b>			
Liabilities to Group companies		34.3	4.9
Liabilities to third parties		13.7	0.2
Bonds	11	900.0	1,200.0
Provisions		9.1	10.7
Accruals		13.7	14.3
<b>Liabilities</b>		<b>970.8</b>	<b>1,230.1</b>
Share capital		5.5	5.4
Legal reserves			
General reserves		11.7	11.7
Reserves for treasury shares		119.1	367.7
Other reserves		498.1	153.2
Retained earnings		258.1	314.1
<b>Equity</b>	12	<b>892.5</b>	<b>852.1</b>
<b>Total equity and liabilities</b>		<b>1,863.3</b>	<b>2,082.2</b>

# NOTES

## BÂLOISE-HOLDING

### 1. ACCOUNTING STANDARDS

Baloise's annual accounts are produced in accordance with the regulations of the Swiss Code of Obligations.

**CASH AND CASH EQUIVALENTS** Cash and cash equivalents include cash in banks as well as cash equivalents such as call-, time deposits or money market paper if these have an original maturity of fewer than 90 days.

**TREASURY SHARES** Treasury shares acquired as part of the share buy-back programme are posted at the buy-back price or at the lower fair value.

**RECEIVABLES** Receivables are carried at nominal value net of the impairments necessary.

**ACCRUALS** Accruals take into account both expenses paid in advance for the new fiscal year as well as revenue from the current fiscal year which is only received later. Included under the same heading are dividends decided on the balance sheet date by the Annual General Meeting of the subsidiary companies, which are carried in Baloise-Holding as dividend claims.

**PARTICIPATIONS** Participations are recognised at acquisition value net of the amortisation necessary.

**LOANS TO GROUP COMPANIES** Valuation of the loans was made at nominal value taking into account the necessary amortisation. Individual impairments were conducted according to the prudence principle for all recognisable risks.

**OTHER FINANCIAL ASSETS** Marketable securities are either recognised at the purchase price or at the fair value, with the lower of the two being applied.

**LIABILITIES** Liabilities are recognised at nominal value.

**BONDS** Bonds are recognised at nominal value. The emission costs, reduced by the premium, are charged in full to the income statement upon issue of the bond.

**PROVISIONS** Provisions are accrued to cover any risks according to the principles of prudent management.

**ACCRUALS** Accruals include revenue already received regarding the new fiscal year and expenses for the fiscal year, which will only be paid later.

### NOTES TO THE INCOME STATEMENT AND THE BALANCE SHEET

#### 2. INCOME FROM INTEREST AND SECURITIES

	2006	2007
in CHF million		
Income from treasury shares (previous year: income / earnings from securities)	25.3	6.0
Interest on loans to Group companies	0.1	1.0
Income from other financial assets	0.5	10.9
Other interest receivables	4.5	1.9
<b>Total interest and securities income</b>	<b>30.4</b>	<b>19.8</b>

**3. OTHER INCOME**

	2006	2007
in CHF million		
Income from services rendered	2.0	1.9
Other financial income	0.0	0.9
<b>Total other income</b>	<b>2.0</b>	<b>2.8</b>

**4. ADMINISTRATIVE EXPENSES**

	2006	2007
in CHF million		
Personnel expenses	1.4	15.2
Other administrative expenses	2.3	10.7
<b>Total administrative expenses</b>	<b>3.7</b>	<b>25.9</b>

**5. INTEREST EXPENSES**

	2006	2007
in CHF million		
Interest from bonds	26.5	26.8
Other interest expenses	0.7	0.7
<b>Total interest expenses</b>	<b>27.2</b>	<b>27.5</b>

**6. DEPRECIATION**

	2006	2007
in CHF million		
Depreciation on participations	30.0	29.6
Depreciation on treasury shares	-/-	20.9
<b>Total Depreciation</b>	<b>30.0</b>	<b>50.5</b>

**7. OTHER EXPENSES**

	2006	2007
in CHF million		
Expenses incurred for services rendered	1.6	1.4
Other expenses	7.1	2.5
<b>Total other expenses</b>	<b>8.7</b>	<b>3.9</b>

## 8. PARTICIPATIONS

Company	Holding at 31.12.2006 in %	Holding at 31.12.2007 in %	Currency	Shares / holdings at 31.12.2007 in million
Basler, Versicherungs-Gesellschaft, Basel	100	100	CHF	75.0
Basler Lebens-Versicherungs-Gesellschaft, Basel	100	100	CHF	50.0
Baloise Bank SoBa, Solothurn	100	100	CHF	50.0
Baloise Asset Management Schweiz AG, Basel	100	100	CHF	1.5
Baloise Asset Management International AG, Basel	100	100	CHF	1.5
Haakon AG, Basel	75	75	CHF	0.2
Baloise Life (Liechtenstein) AG, Balzers	-/-	100	CHF	5.0
Basler Versicherung Beteiligungsges. mbH, Hamburg	100	-/-	EUR	-/-
Baloise Beteiligungs-Holding GmbH, Bad Homburg	100	100	EUR	0.0
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100	100	CHF	249.9
Bâloise Delta Holding S.A.R.L., Bertrange (Luxembourg)	-/-	100	EUR	150.0
Baloise Fund Invest Advico, Bertrange (Luxembourg)	100	100	EUR	0.1
Baloise Insurance Co, (I.O.M), Ltd, Douglas, Isle of Man	100	100	CHF	31.2
Baloise Insurance Company (Bermuda) Ltd., Hamilton, Bermuda	100	100	CHF	5.0
Baloise Finance (Jersey) Ltd., St. Helier, Jersey	100	100	CHF	1.3
Osiguranje Zagreb d.d., Zagreb	-/-	100	HRK	44.8
Nezivotno osiguranje Basler a.d.o., Beograd	-/-	100	RSD	245.4
Zivotno osiguranje Basler a.d.o., Beograd	-/-	100	RSD	174.9

The percentage of interest is rounded up to the nearest percent. For additional details of participations owned directly by Baloise-Holding see pages 94 and 95 of the financial report for 2007.

## 9. LOANS TO GROUP COMPANIES

	2006	2007
in CHF million		
Subordinated loan to Baloise Bank SoBa	30.0	30.0

## 10. ACCRUALS

Due to resolutions of the Annual General Meeting of 14<sup>th</sup> February 2008 of Baloise Fund Invest Advico, Luxembourg, of 28<sup>th</sup> February 2008 of Baloise Asset Management Schweiz AG, Basel, and the Baloise Asset Management International AG, Basel, of 29<sup>th</sup> February 2008 of Haakon AG, Basel, and of 11<sup>th</sup> March 2008 of Baloise Bank SoBa, Solothurn, the accrued dividend claims (income from participating interests) for the fiscal year 2007 were taken into account as deferred expenses.

## 11. BONDS

AMOUNT	Interest rate	Issued	Repayment
CHF 300 million	3.250%	1998	7.4.2008
CHF 250 million	3.375%	2003	15.12.2009
CHF 350 million <sup>1</sup>	2.375%	2004	20.12.2010
CHF 150 million	3.250%	2007	19.6.2012
CHF 150 million	3.500%	2007	19.12.2014

<sup>1</sup> Increased by CHF 100 million in 2005

## 12. CHANGES IN EQUITY

	31.12.2006	31.12.2007
in CHF million		
<b>Share capital</b>		
As of 1 <sup>st</sup> January	5.5	5.5
Reduction through cancellation of treasury shares as per AGM resolution	-/-	-0.1
<b>Total share capital</b>	<b>5.5</b>	<b>5.4</b>
<b>Legal reserves</b>		
<b>General reserve</b>		
As of 1 <sup>st</sup> January	11.7	11.7
Allocation	-/-	-/-
<b>Total general reserve</b>	<b>11.7</b>	<b>11.7</b>
<b>Reserve for treasury shares</b>		
As of 1 <sup>st</sup> January	7.8	119.1
Reduction through cancellation of treasury shares as per AGM resolution	-/-	-143.6
Allocation (carry forward from other reserves) <sup>1</sup>	111.3	392.2
<b>Total reserve for treasury shares</b>	<b>119.1</b>	<b>367.7</b>
<b>Total legal reserves</b>	<b>130.8</b>	<b>379.4</b>
<b>Other reserves</b>		
As of 1 <sup>st</sup> January	593.2	498.1
Allocation	16.2	47.3
Withdrawal (carry forward to reserve for treasury shares)	-111.3	-392.2
<b>Total other reserves</b>	<b>498.1</b>	<b>153.2</b>
<b>Retained earnings</b>		
As of 1 <sup>st</sup> January	138.6	258.1
Dividend distribution	-121.7	-210.2
Additional contributions to unappropriated reserves	-16.2	-47.3
Profit for the period	257.4	313.5
<b>Total retained earnings</b>	<b>258.1</b>	<b>314.1</b>
<b>Total equity</b>	<b>892.5</b>	<b>852.1</b>

1 The members of the Baloise Group purchased a total of 267,331 shares (without share buy-back via the second trading line) at an average price of CHF 127. During the reporting period they sold 260,831 shares at an average price of likewise CHF 127 and as of 31<sup>st</sup> December 2007 together hold 102,060 shares in Baloise-Holding. In addition, Baloise-Holding bought back 3,283,000 shares via a second trading line at an average price of CHF 119. These shares are posted under the item "Treasury Shares". The average buying rate including the shares bought back via the second trading line amounts to CHF 120.

At the ordinary Annual General Meeting of Baloise-Holding on 27<sup>th</sup> April 2007 it was decided to reduce the share capital by means of a capital reduction to the tune of 1,307,150 registered shares.

**13. SIGNIFICANT SHAREHOLDERS**

As of 31<sup>st</sup> December 2007 one individual shareholder held more than 5% of the outstanding Baloise shares. As of 31<sup>st</sup> December 2007 this was the Barclays Group with 10.25% of the outstanding shares.

The table below provides information on the current composition of the shareholders as of 31<sup>st</sup> December 2007.

**SHAREHOLDERS**

	Total holding at 31.12.2006	Share of voting rights 31.12.2006	Total holding at 31.12.2007	Share of voting rights 31.12.2007
in percent				
Barclays Group	5.4	<2.0	10.3	<2.0
Chase Nominees Group <sup>1</sup>	10.5	2.0	9.2	2.0
HSBC Overseas Nominee UK <sup>1</sup>	2.7	0.0	5.5	0.0
Investors Bank & Trust <sup>1</sup>	3.5	0.0	5.5	0.0
Mellon Bank N. A. <sup>1</sup>	3.2	0.0	4.4	0.0
Nortrust Nominees Ltd. <sup>1</sup>	2.4	0.0	2.8	0.0
UBS Group	2.2	<2.0	<2.0	<2.0

<sup>1</sup> Custodian nominees who hold shares in trust for third parties are considered as belonging to the free float pursuant to the Swiss Exchange (SWX) regulations. Such shareholder groups are not subject to registration pursuant to stock exchange law.

**14. CONTINGENT LIABILITIES**

The guarantee liabilities on 31<sup>st</sup> December 2007 were CHF 136.1 million (previous year: CHF 214.9 million).

In addition, a purchase price retention of EUR 5 million was agreed for any guarantee claims with the sellers in the purchase agreement regarding the acquisition of Osiguranje Zagreb. The sum is deposited in escrow at a bank. Furthermore, an earnout was agreed in this purchase agreement with the sellers, the amount of which depends on the increase in the premium growth and in net profits in 2007, 2008 and 2009. However, the back payment is at most EUR 20 million.

Baloise-Holding is jointly liable for the value-added tax due with all companies, which, under the leadership of the Basler Versicherungs-Gesellschaft, are subject to group taxation.

**15. PAYMENTS IN ACCORDANCE WITH OR (OBLIGATIONEN-RECHT) ART. 663B AND ART. 663C**

Information on payments to the Board of Directors or persons entrusted in whole or in part by the Board of Directors with management are carried in the Baloise Group's consolidated annual accounts.



# APPROPRIATION OF THE RETAINED EARNINGS PROPOSED BY THE BOARD OF DIRECTORS

## RETAINED EARNINGS AND APPROPRIATION OF EARNINGS

Retained earnings amount to CHF 313.5 million.

The Board of Directors proposes to the Annual General Meeting the appropriation of the retained earnings in accordance with the table below.

	2006	2007
in CHF million		
Profit of the period	257.4	313.5
Earnings carried forward	0.7	0.6
Retained earnings	258.1	314.1
Proposals by the Board of Directors		
Appropriation to unappropriated reserves	-47.3	-70.4
Dividends	-210.2	-243.0
Retained earnings to be carried forward	0.6	0.7

The distribution of profits complies with the provisions of § 30 of the Articles of Incorporation. There is a distribution per share of CHF 4.50 gross or CHF 2.92 net of the withholding tax.

# GLOSSARY

## → Actuarial reserves

Actuarial reserves refer to the provisions for future cash flows under current insurance contracts in life insurance.

## → Annual Premium Equivalent (APE)

The annual premium equivalent is the industry standard for measuring new business distribution in life insurance. It is calculated as the sum of all annual premiums from new business and a tenth of single premiums during the reporting period.

## → Assets managed for third parties

Assets, held in trust for customers and partners.

## → Brokers

Insurance agents, also called brokers, are independent insurance brokers. They are companies or individuals who are not tied to any insurance company when placing contracts. They receive a commission on each insurance product they sell.

## → Business areas

Similar or related operating activities are grouped together in business areas. They are: Non-life, Life, Banking (incl. Asset Management) and Other Activities / Corporate Business. Business area “Other activities/corporate business” includes, in particular, holding, property and investment companies.

## → Business volume

The business volume includes premium income from non-life and life insurance business and from unit-linked life insurances during the accounting period. Due to the underlying accounting principles of the Baloise Group, the latter may not be disclosed as income in the consolidated financial statements.

## → Claims incurred

Claims incurred are insurance claims paid out during the reporting period, plus establishing of provisions related to unsettled claims, reversal of provisions for claims that no longer have to be settled or not settled in full, plus cost of processing claims and the performance of related provisions.

## → Combined ratio

Ratio of non-life insurance business, expressing the sum of claims incurred (loss ratio), costs (expense ratio) and profits-sharing (profit-sharing ratio) in relation to premiums. This ratio is used to assess the profitability of the non-life insurance business.

## → Deferred tax assets and liabilities

Estimated future tax assets and liabilities, resulting from temporary differences between book value of assets and liabilities, as disclosed in the consolidated financial statements, and their tax value. Computation is based on local, and if known, future tax.

## → Embedded value

The embedded value determines the value of the life insurance in-force business for the shareholder on the reporting date. It is calculated using the three following components:

- adjusted shareholders' equity
- value of in-force life business
- less solvency costs

## → Expense ratio

The ratio between the cost of non-life insurance business to premiums, expressed in percent.

➔ **Fixed-income securities**

Securities (primarily bonds), yielding interest at a fixed rate during the whole term.

➔ **Gross**

In the annual report of an insurance company, “Gross” generally stands for a balance sheet or income statement item before the deduction of the business ceded to the reinsurer.

➔ **Group life business**

Insurance, taken out by companies or their Employee Benefit Units on behalf of their employees as part of their occupational pension planning.

➔ **IFRS**

Since 2000, the Baloise Group has prepared its consolidated annual financial statements in accordance with international accounting standards IFRS (International Financial Reporting Standards, formerly IAS).

➔ **Insurance benefits**

The benefits provided by the insurer in connection with the occurrence of an insured event.

➔ **Investment performance**

The performance measures the economic success of investments, including gains, losses, income, expenses and changes to not yet realised gains and losses as set out in the income statement against the average balance of investments at fair value.

➔ **Investment-type life insurance**

Life insurance contracts that allow policyholders to invest their savings/capital for their own account and at their own risk.

➔ **Investment-type premiums**

Premium income from life insurance, where insurance companies invest policyholder’s savings for their own account and at their own risk. In accordance with the international accounting standards applied by the Baloise Group, the savings portion of the premium income may not be disclosed as income on the income statement.

➔ **Legal quote**

Fixed statutory or contractual percentage. It requires life insurance companies to pass on a certain percentage of the profits to the policyholders.

➔ **Loss ratio**

The ratio between claims paid or payable to premiums, expressed in percent.

➔ **Loss reserve**

Provisions for claims that have not been settled at year-end.

➔ **Minimum interest rate**

Minimum required interest rate for mandatory saved pension capital in occupational pension plans.

➔ **Net**

In the annual report of an insurance company “Net” generally stands for a balance sheet or income statement item after the deduction of the business ceded to the reinsurer.

➔ **New business margin**

Value of new business divided by the Annual Premium Equivalent (APE).

➔ **Premium**

The amount paid by the policyholder for insurance. The premium consists of three elements: risk premium, costs and a savings element.

➔ **Premiums earned**

The proportion of the policy premium allocated to the risk covered by an insurer, i.e. premium less change in unearned premium reserves.

➔ **Profit after tax**

The profit after tax is the final summary of all revenue and expenses, less the borrowing costs and the current and deferred income taxes. The profit after tax includes the shares of minority shareholders in the result.

➔ **Profit-sharing ratio**

A key figure, expressing the profit-sharing/premium ratio. Profit-sharing is a rebate granted to policyholders in the non-life business due to profitable business.

➔ **Provisions**

Evaluation of future insurance benefits from identified and not yet identified damages, which are disclosed as liabilities in the balance sheet.

➔ **Periodic premiums**

Periodically recurring premium income (see definition of “premium”).

➔ **Reinsurance**

If the insurance company does not want to carry the full risk from an insurance contract, they pass on part of the risk to a reinsurance company or another direct insurer. However, the primary insurer still has to indemnify the policyholder for the full risk.

➔ **Return on equity**

Computed return on the shareholders' equity of a company during the reporting period. Return on equity is calculated by taking the earnings generated during the reporting period and dividing them by the average shareholders' equity for that year.

➔ **Run-off business**

Policy portfolio, that has ceased to enter into new contracts, with existing contracts expiring successively.

➔ **Segment**

Financial reporting at the Baloise Group is carried out in accordance with international financial accounting standards (IFRS), which requires similar transactions and business activities to be grouped and presented together. The grouped business activities are presented in “segments”, by geographic regions and business areas.

➔ **Share buy-back programme**

Procedure passed by the Board of Directors under which the company itself may repurchase outstanding shares. In Switzerland, buybacks are carried out over a second trading line, primarily for tax reasons.

➔ **Shares issued**

Total number of shares that a company has issued. The total number of shares issued, multiplied by their face value is the nominal share capital of a company.

➔ **Single premium**

Single premium insurance policies are funded through a one-off single premium at commencement of the contract. Primarily used as a financing tool for asset-building life insurance, with special emphasis on profitability and security aspects.

**→ SMI**

Swiss Market Index (SMI). Main index for the SWX Swiss Exchange.

**→ Solvency**

Required minimum capital for insurance companies specified by the regulatory authorities, to cover business risks (investments, claims, etc.). As a rule, requirements are specified at the national level and may differ from country to country.

**→ Surplus participation**

Annual, not guaranteed policyholder benefits of a life insurance, which are granted when – compared with the assumptions that underlie the premium calculation – revenue is higher and/or risk and cost behaviour patterns are more favourable.

**→ Technical reserves**

On the balance sheet, insurers disclose the value of future benefits they expect from the existing insurance contracts, calculated at the present time. The value is computed using recognised principles.

**→ Technical result**

Technical result includes a comparison of all expenses and income from the insurance business. Expenses and income unrelated to the insurance business and revenue from investments are not included in the technical result.

**→ Unearned premium reserve**

Those parts of the written premiums that have been charged for periods after the reporting date.

**→ Value of new business**

The value of new business created during the reporting period, valued at the time the policy is issued.

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# BALOISE

## GROUP INFORMATION

The Annual Report 2007 is published in German, English and French.

The Financial Report 2007 contains the audited 2007 annual financial statements with detailed information. It is available in German and in English. The German version is binding.

**FINDING AND ORDERING** The Annual Report 2007 and the Financial Report 2007 are available on the Internet at [www.baloise.com/annualreport](http://www.baloise.com/annualreport). They can be ordered through the Internet or at Baloise-Holding, Corporate Communications, Aeschengraben 21, CH-4002 Basel.

**INFORMATION FOR SHAREHOLDERS AND FINANCIAL ANALYSTS** You will find detailed information and data on the Baloise stock, the IR agenda, dividends, the latest presentations and contacts with Investor Relations on the Internet at [www.baloise.com/investors](http://www.baloise.com/investors). The information is available in German and English.

**INFORMATION FOR MEDIA REPRESENTATIVES** At [www.baloise.com/media](http://www.baloise.com/media) you will find the latest media kit containing media releases, presentations, reports, pictures and podcast files of various Baloise events as well as the media contact details.

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# In the middle of life

ANNUAL REPORT 2007

