

Well prepared.

Safety fosters excellence.



Baloise key figures

	2009	2010	Change in %
in CHF million			
Business volume			
Gross premiums written nonlife	3,136.4	3,044.9	-2.9
Gross premiums written life	3,723.4	3,814.9	2.5
Subtotal of IFRS gross premiums written¹	6,859.8	6,859.8	0.0
Investment-type premiums	2,905.6	2,681.6	-7.7
Total business volume	9,765.4	9,541.4	-2.3
Business result			
Profit / loss for the period before borrowing costs and taxes			
Nonlife	382.6	380.3	-0.6
Life ⁵	151.0	182.7	21.0
Banking	61.0	67.9	11.3
Other activities	-32.5	-23.7	-27.1
Profit for the period	421.0	436.7	3.7
Balance sheet			
Investments including investment-type life insurances ²	62,356.4	61,170.0	-1.9
Technical reserves	45,344.2	43,445.7	-4.2
Equity	4,510.0	4,133.5	-8.3
Ratios in percent			
Return on equity (RoE)	10.3	10.4	-
Combined ratio nonlife (gross)	91.2	92.2	-
Combined ratio nonlife (net)	94.4	95.2	-
New business margin life	9.3	11.8	-
Investment performance	4.9	3.5	-
Embedded value life insurance			
Embedded value (MCEV)	2,625.8	2,573.5	-2.0
APE (annual premium equivalent)	504.6	498.4	-1.2
Value of new business	46.9	58.9	25.7
Key share figures			
Shares issued in units	50,000,000	50,000,000	0.0
Consolidated profit per share basic ³ in CHF	8.64	9.14	5.8
Consolidated profit per share diluted ³ in CHF	8.57	8.89	3.7
Equity per share ³ in CHF	90.1	86.5	-4.0
Closing price in CHF	86.05	91.00	5.8
Market capitalisation in CHF million	4,302.5	4,550.0	5.8
Dividend per share ⁴ in CHF	4.50	4.50	0.0

1 Premiums written and policy fees gross.

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

3 Calculation is based on the consolidated profit and equity before minority interests respectively.

4 2010 based on the proposal to the Annual General Meeting.

5 Of which latency calculation effects from other business segments:

31 December 2009 CHF 6.9 million / 31 December 2010 CHF -10.4 million.

At a glance

WHO WE ARE:

Headquartered in Basel, Switzerland, Baloise Group is a European provider of insurance and pension solutions. In Switzerland Baloise operates as a focused financial services provider, combining insurance and banking. Its other markets are Germany, Austria, Belgium, Luxembourg, Liechtenstein, Croatia and Serbia. Its sales network includes its own sales organisation, brokers and other partners. Its innovative pension product business for private customers throughout Europe is driven by the Baloise competence centres in Luxembourg and Liechtenstein. Baloise Holding Ltd shares are quoted in the main segment of the SIX Swiss Exchange. Baloise Group has approximately 8,800 employees.

WHAT WE STAND FOR:

We want people to feel safe. To play our part in this respect, we created the “Safety World.” Everything we do is aimed at safety. As such, we consciously go further than other insurance companies: we combine insurance with smart prevention. In this way, we help to ensure that losses do not occur in the first place. Should something happen nevertheless, then we’re right there. Fast and capable as always.

WHAT WE ACHIEVED IN 2010:

- Profit of CHF 436.7 million (previous year: CHF 421.0 million), a plus of 3.7 %
- Return on equity of 10.4 % (previous year: 10.3 %)
- Excellent solvency of 224 % (previous year 230 %)
- Equity amounting to CHF 4,133.5 million (previous year: CHF 4,510.0 million)
- Business volume growth in local currencies of 1.7 % to a total of CHF 9,541.4 million
- Dividend per share of CHF 4.50 unchanged over the previous year, equating to a dividend return of 4.9 % on the price at year-end of CHF 91.00
- Combined ratio (net) of 95.2 % (previous year: 94.4 %)
- Embedded value (MCEV) of CHF 2,573.5 million (previous year: CHF 2,625.8 million); new business margin of 11.8 % (previous year: 9.3 %)
- Baloise Bank SoBa: 6.6 % or CHF 280.1 million more in customer deposits; total portfolio of CHF 4,515.9 million

WHAT WE WANT TO ACHIEVE BY 2012:

Building on our efficient and profitable core business we aim – as before – to achieve a return on equity over the insurance cycle of 15 % and to continue to steadily increase earnings per share. In the nonlife business, we aim to continue to keep the combined ratio appreciably below 100 %. We want to sustainably increase profitability by CHF 200 million by 2012 by means of our strategic programme “Baloise 2012.”

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Well prepared. You can only deliver exceptional performance if you prepare carefully.
Three exceptional experts speak about their own very personal preparation methods.
They talk about the discipline they muster and the many important details they pay attention to.
About the things that are necessary in the build-up in order to achieve excellence.

Good preparation minimises risk and increases safety. Baloise is also guided by this insight.
We want people to feel safe. We think ahead and provide our customers with essential
information and solutions. So that they are optimally prepared to shape their lives successfully.

Ueli Steck, alpinist, Interlaken, Switzerland

An extreme mountaineer who climbs the world's mountains in record time. Thanks to his comprehensive and meticulous preparation, he safely achieves the seemingly impossible.



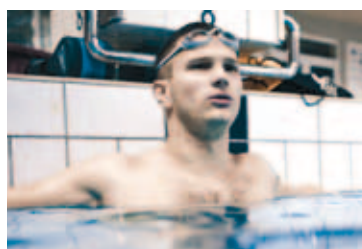
Heidi Bächli, neurosurgeon, Heidelberg, Germany

A woman in the fast lane. She loves complex challenges, which she faces in great safety – not least because she can rely wholeheartedly on an experienced team.



Mihovil Španja, competitive swimmer, Dubrovnik, Croatia

A top athlete who became a professional swimmer due to an early illness.
For him, good preparation means success through safety in both sport and life.







“Good preparation
is my life insurance.”

Ueli Steck, alpinist



“Fear is extremely important. If you lose your fear, you no longer have respect and you overestimate yourself.”



“The preparation phase is actually the most interesting part. The hike itself is after all just the realisation of your plan. For me, the goal is not the summit – the goal is trying to reach it.”



What do you think good preparation has to do with safety?

Well, the safety thing... Lots of people think that what I do is extreme, crazy, because the danger is clearly obvious. I will fall if I make a mistake while climbing without a rope. It is incomprehensible to many that someone would take the risk at all. But if you work on it, you will find solutions so that it is no longer dangerous. That allows you to push the limits so far in the end.

Have you ever dived into a project unprepared?

No, I can't do that. I don't have the nerves for it. You could perhaps see that as a handicap, typically Swiss. Everything has to be prepared carefully. Otherwise I don't risk it. You don't just climb into a wall unsecured, at least I don't. I know what can happen if something goes wrong. I never start a climb if I'm not 100% convinced that it will work and I'll be back home in the evening. But to get to that point is extremely difficult. It takes time and calls for perfect preparation.

You get into a state of flow when you climb a mountain.

Does that sometimes happen in the preparation phase as well?

Yes. When you're fit and doing a fast training session, you see only the route at some point and it just flows. You notice how your legs push... That's an awesome feeling. It is even more intense afterwards when you're climbing, this flow state, because you have to concentrate even harder. Your thoughts don't stray for even a second; there is nothing but the next hold. You see it and you're sure, I won't let it go, nothing will happen. That is beautiful.

You train nearly every day.

Yes, in the climbing hall, jogging, cross-country skiing in winter – that's somewhere between 1,000 and 1,200 hours of straight training time per year.

Do you sometimes lack motivation?

Sure. You have to get fit during the winter. To get up and run at 5:30 in the morning is not something that comes easily even to me. Sometimes I have to tell myself: It's time to go now. But afterwards I'm happy.

How do you prepare mentally?

The real mental preparation, that only happens to me through the physical preparation. Your head's straight only when you feel that you're physically fit.

How fast and how light can you go is the theme of your speed climbing. Is that also true for the preparation time?

Yes. I try things that no one has done before, techniques that some might say won't work out. You don't really run wearing crampons. But when you do train like this, you notice that it does actually work very well. There are many things that I try to optimise, also regarding equipment.

What role does the thrill of anticipation play?

That's important. It's got to be fun. I've been preparing for a big project for a year now. I'd love to fly right now! That's really positive. If you don't look forward to the climb you'll never get on top of the mountain.

Routine is important to you. What are your daily rituals?

My two morning coffees are actually the most important ritual. And it's important that the day always has some tranquil periods. My daily routine is pretty tight, so I have to create some free space, otherwise I get bogged down.

What do you think shortly before you start out?

When you start climbing you concentrate on the next action. There's nothing else. Beforehand thousands of thoughts go through your mind: What is there up there? How will I do that? Before you start out you have to try to focus on one thing: now comes the first hold. Nothing else. The rest comes afterwards. When I start out at the bottom of the Eiger, I don't need to think about what to expect 1,700 metres higher up. That's not important at that point in time. I'm prepared for that. Then you have to have the confidence to say: The moment has arrived, I know what I have to do and I will be able to solve anything I come up against.

Is that a feeling of freedom?

Yes. I can do it. That's it. There is a solution. That's great.

Do you see it as a failure if you have to turn back?

No, quite the contrary. You have to be able to do that. I've done that a couple of times. It's important to analyse why you turned back afterwards. Then you suddenly realise that it was the right decision. If I had continued I would probably not have come back...

Reflection is really preparation.

Yes, for the next time. When you arrive at the foot of the mountain, look at it and say: Hey, it's just not possible now – then it's just not possible. Then you know that is the right decision for sure.

How important is it to think the almost impossible to be able to achieve it?

That is extremely important. You have to have dreams. I have so many ideas that I might never realise, that are at present not realistic at all. Goals that I might never achieve myself. But perhaps someone else will – because of what I have done. Because you pave the way.

Yes. If someone had said five years ago that I would climb the north face of the Eiger in less than three hours, no one would have thought it possible. Now we know it's possible. The way is paved for everyone else. Now I'm trying to do that in the Himalaya range.



“At first you think it’s impossible. Then you start to train and slowly a structure emerges, until you’re up to the challenge somewhere down the line.”



UELI STECK

The Swiss national Ueli Steck is one of the best climbers in the world. He has solo-climbed the three big north faces in the Alps in record time.

- 2009 Ascent of Makalu, Nepal
Ascent of Gasherbrum II (8,035 m)
in the Karakorum range, Pakistan
“Golden Gate” route on El Capitan, USA
Winner of the “Piolet d’Or”
Speed record Matterhorn, Switzerland:
1 hour 56 minutes
- 2008 Speed record Grandes Jorasses, France:
2 hours 21 minutes
First ascent of the north face of Tengkampoche (6,500 m), Nepal
New Eiger speed record:
2 hours 47 minutes
- 2007 Speed ascent Eiger, Switzerland:
3 hours 54 minutes
- 2005 Solo ascent of the north face of the Cholatse (6,400 m)
and the east face of the Tawoche (6,505 m), Nepal
- 2002 First ascent of Mount Dickey, Alaska





“If you love challenges, you have to be ready for anything.”

Associate professor Dr Heidi Bächli, neurosurgeon



“You always have to be ready for action as a neurosurgeon. In an emergency situation, there’s no time for long discussions. You have to have your knowledge at the ready.”

I am in the hospital at 7:15 a.m. at the latest. First I go into the office and put on my white coat. Sometimes I get a call immediately and need to go somewhere. So I have to be ready. I check my e-mails and then it’s usually time for the morning meeting where we talk about the night before. Afterwards we call up the surgery plan and I might go directly to the operating theatre. Or I do whatever else has to be done, dictating letters for example. Besides that I always have consultation time on Tuesdays.

Originally I studied sport and biology and wanted to be a teacher. I completed that degree. But when I was sitting my state exams there was a surplus of teachers, and so I began to study medicine on the side as it were. That’s really typical for me; I love doing several things at the same time. While studying medicine I actually wanted to do neurology. But when I came across neurosurgery as part of an internship, I liked it so much that I stuck with it. Later I specialised in paediatric surgery.

I’m not a creature of habit. I try to avoid that. Only then do you have the necessary respect for the job you do. If it becomes a routine you could become careless. The only thing I do routinely is have a good breakfast – because I never know when I’ll get to eat something again during the day. During an operation I sometimes work eight to ten hours at a stretch.

I’m concentrating so hard that I don’t feel hungry or thirsty. It takes training to bear up to that physically. Sometimes I am a bit tired afterwards. But when I then see how grateful the children are because they could be relieved of their suffering – then I know what I do it all for.

“Neurology is a very tough field. You have very high attendance times and occasionally operate all through the night. You have to have your heart in it, otherwise you couldn’t cope.”

The preparation always depends on the kind of operation. When the operation is elective I can plan it. I scarcely have to prepare for routine surgery. The main work beforehand is always with the parents. We have to discuss why the operation is necessary, what we want to achieve, and explain the risks. And then of course it depends on the type of illness the child has. If it is a rare tumour, for example, or a complicated brain operation, then I might also consult colleagues from other specialist fields – in very rare cases even in the USA. It goes without saying that there are no long discussions in emergency situations. I look at the images, make a diagnosis and then it’s off



into the operating theatre relatively quickly. There I can completely rely on my team that performs the anaesthesia. The disinfecting of the instruments is a job done by the theatre nurse. But I usually wash and cover the patient myself when I have the leading position. Then I know that everything is just as I want it to be. Good preparation is very important. After all, complications can occur even during straightforward operations – when a blood vessel bursts, for example. You need to be prepared for every eventuality. But that is also the fascinating thing about my job, that it is so complex and intricate.

“I really enjoy tricky operations.”

For me it always has to be a proper challenge – I really like that. It’s probably in my nature. I am very impulsive and need a certain hustle and bustle. At the same time you have to be very patient when performing neurological surgery. It might be that you find yourself sitting in front of a giant microscope for hours making preparations in millimetre steps. And that’s only possible if you enjoy it. My former boss once said that I wouldn’t like it if it was too easy. He was probably right. That’s perhaps why I chose the most difficult of all fields.



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ASSOCIATE PROFESSOR DR HEIDI BÄCHLI

Heidi Bächli has headed the paediatric neurosurgery unit at the renowned University Clinic Heidelberg, Germany, since the middle of March 2010. She specialises in spasticity operations on children with cerebral palsy. Before that she worked for 15 years at the University Children's Hospital in Basel where she was able to develop the paediatric neurosurgery unit. She continues to provide consultant support there and commutes to Switzerland twice a month for this purpose.



The image is a composite. The background is a photograph of a swimmer from behind, wearing a blue swim cap and goggles, swimming in a pool with lane lines. The water is bright blue with white foam from the swimmer's stroke. In the bottom left corner, there is a close-up of a gold medal with the number '19' and the word 'DUBROVNIK' visible. In the top right corner, there is a yellow buoy with the text 'EFFECTUS D.L.L. DUBROVNIK' printed on it. The overall theme is competitive swimming and achievement.

“If I am well-prepared, there is no risk of swimming badly.”

Mihovil Španja, competitive swimmer

Dubrovnik. Water everywhere. It has been raining for 20 days; the sea seems to have washed over the city. We meet Mihovil Španja in the *Hotel Ivka*. Together we drive to the *Gradski Bazen*, Dubrovnik's municipal swimming pool and home to the water polo club *Jug*. Mihovil Španja trains here for several hours every day. They all train here. There are 30 water polo teams in the small coastal town alone.

Mihovil Španja swims in lane number 8. A small man with a massive torso on thin legs. He hardly uses them when he swims – he pushes himself out of the water almost completely with the strength in his arms and back. He stops briefly at the end of each stretch, tilts his head once to the left and once to the right, smiles. He exudes strength and serenity. A wet piece of paper with his training units sticks to his starting block.



Each day is planned in Mihovil Španja's life, in sport as well as in his spare time. And he records it meticulously. His diary also says when he bought his boat with which he goes out fishing on the sea now and then.

“It's all in the mind. If there is enough will to get from A to B, we are ready for our life. This journey might take me two or three minutes longer – but I always get to where I want.”

Mihovil Španja was just six months old when he contracted polio. In the course of his rehabilitation, he finally began swimming and won seven medals directly at his first competition outside Croatia. And he took it from there.

Later when we are sitting at the dining table at his home, he tells us he was a hyperactive child. After his swimming lesson, he used to stay in the pool for the water polo training and afterwards stood in the goal on the football pitch just to finally feel tired. Other people with polio are in wheelchairs. Mihovil Španja was spared this fate because he started swimming so early on.

Then he shows us his treasures: there's hardly enough wall space for all the medals and certificates in the small room. That's maybe why he carries his Olympic success in Athens as a circular tattoo on his left upper arm. We arrange for him to send us a list with all the prizes he has won up to now – that's around 300 awards from all over the world, from his participation in the world championships, European championships and the Paralympic Games. These experiences give him the strength to go calmly into competitions, appear strong and believe in himself.

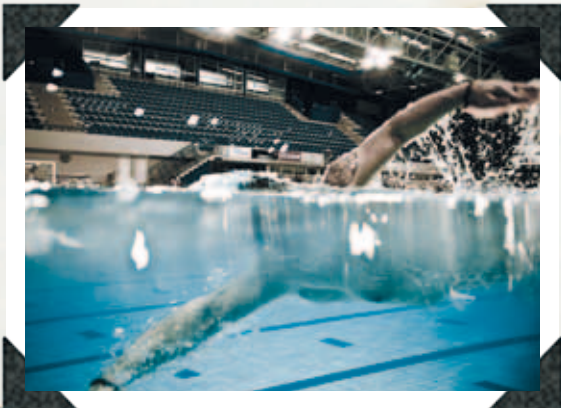
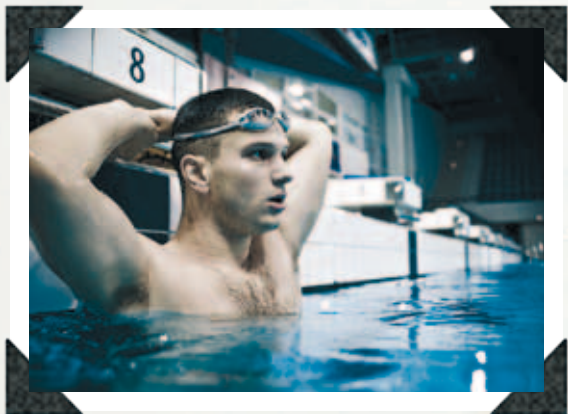


“Details are very important when you want to optimise athletic performance. It costs too much not to be well prepared.”



His concentration is at its peak in the changing room shortly before the competition starts. Still he remains quite relaxed. He counts the stars while even the older swimmers seem nervous. It's better for him this way. *Polako*. That means easy in Croatian. We will try to remember that and ask him what safety means to him. "To be a professional athlete and not feel safe in every situation is very risky," he replies with a meaningful expression. His trainer controls everything; he is in daily contact with him via e-mail or text. It's all in his hands. He also decides on the resting phases. A kind of sport god? "Yes." Mihovil Španja laughs – as he often does.

"When you win an Olympic medal, you cry because you're so happy and think: It was worth it – all the effort. It was just the preparation for this kick."



Mihovil Španja gets out an advertisement from the Paralympic Committee. It shows him in a calm, strong pose. He translates the text for us. The message is: He was told that it would take hard work and discipline to become a professional athlete – no one told him his handicap could be a problem. Then the punchline: "What we don't have makes us stronger." His illness was not just the trigger for his career, it is still a strong driver. Mihovil Španja likes to demonstrate what you can achieve with discipline and the right attitude: Currently he is preparing for the European championship in Berlin and the Paralympics in London in the summer of 2012. If he wins the gold medal there, he wants to end his professional career.

We don't have a lot of time left in Dubrovnik. We take a quick spin on the city wall. At last the sun comes through.

ATHENS 2004





MIHOVIL ŠPANJA

Mihovil Španja is one of the most successful Croatian athletes. His achievements include breaking thirteen world records.

- 2010 Double world champion in 400 m freestyle and 100 m breaststroke, as well as twice runner-up in 100 m backstroke and 200 m medley at the world championship, Eindhoven, Netherlands
- 2009 Double world champion in 200 m medley and 100 m backstroke, as well as double world champion in 100 m breaststroke and 100 m medley, Rio de Janeiro, Brazil
- Double European champion in 200 m medley and 100 m breaststroke, as well as twice runner-up in 400 m freestyle and 100 m backstroke at the European championship, Reykjavik, Iceland
- 2008 Three A finals in 100 m backstroke, 200 m medley and 100 m breaststroke at the Paralympic Games, Beijing, China
- 2006 Bronze at the world championship in 100 m backstroke, Durban, South Africa
- 2004 Three-times bronze in 100 m backstroke, 200 m medley and 400 m freestyle at the Paralympic Games, Athens, Greece
- 2002 Runner-up in 100 m backstroke and bronze in 400 m freestyle at the world championship, Mar del Plata, Argentina
- 2001 European champion in 400 m freestyle, Stockholm, Sweden
- 2000 Three A finals at the Paralympic Games, Sydney, Australia
- 1999 Runner-up in the European championship in 400 m freestyle, Braunschweig, Germany

Shareholder information

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“Year-on-year we are keen to satisfy the high expectations of our customers and shareholders. Higher earning power, attractive growth and improved financial targets confirm our success.”

“Strategic continuity generates safety”



Dr Rolf Schäuble, Chairman of the Board of Directors (right),
and Dr Martin Strobel, CEO of Baloise Group (left)

DEAR SHAREHOLDERS

We can present you a good result for Baloise Group's 2010 fiscal year. Consolidated profit for the period increased by 3.7% to CHF 436.7 million compared to the previous year. Profits before tax, which best reflect the success of our core business, rose by 8.0% to CHF 607.2 million. The second pillar, on which our good performance is based, is business growth. In Switzerland, our domestic market, and in the majority of our foreign markets, our good positioning and convincing solutions for our customers enabled us to grow faster than the market average. Moreover, thanks to our prudent and systematic risk management, we have a strong and flexible balance sheet. All this is not to be taken for granted in times of record-low interest rates and unfavourable foreign

exchange rates, to which our business reacts nervously. Our result sees us on track to reach our strategic goal of becoming one of the most profitable and fastest growing insurers in Europe by 2012.

Year after year, the Board of Directors and the Corporate Executive Committee strive to meet shareholders' high expectations. We are therefore pleased that we were able to outperform important Baloise financial targets in 2010. As such, the return on equity increased to 10.4%, whilst earnings per share rose by 3.7% to CHF 8.89. Thanks to our good result and sound condition, we are able to propose a continued attractive gross dividend of CHF 4.50 to the Annual General Meeting.

We thank our employees for their special dedication, their loyalty and their sense of responsibility. However, our sincere thanks also go to you, the owners of Baloise, and to our customers for their trust and loyalty.

Based on our almost 150 years of Swiss tradition, we stand for value-creating continuity. We are fully aware that, as such, we are not the most exciting company but probably one of the safest. For generations we have been successfully cultivating this core belief, and we are of the opinion that it will continue to be extremely viable in the future seen against the backdrop of the currently unstable environment.

In 2010, continuity was again our guiding principle. Two years ago we launched the programme “Baloise 2012” with the intention of enhancing growth and profitability at Baloise in the long term. Since then we have been working painstakingly to achieve this. We have improved the company’s efficiency with numerous measures. The contribution to earnings from this programme already amounted to CHF 92 million last year.

Our value-creating continuity is viable for the future.

We want people to feel safe. In our view it is our most important task to contribute to this. Our promise to customers, employees and shareholders is therefore “Making you safer.”

With a combination of targeted prevention and classic insurance, we offer our customers additional value above and beyond that offered by the conventional insurance business. We delight in the many positive benefits: the significantly higher product density per client, the greater readiness to recommend Baloise to others, the above-average increase in new customers. Here again, we are providing continuity: we will continue to hone our safety profile in a rigorous manner.

Safety is offered to our shareholders not only via the profitability of the capital they entrust to us or by way of a reliable dividend, but also because of the way we push ahead and expand the company. At the forefront is organic growth, be it through innovations such the variable pensions offered by Baloise Life or the enhancement of existing insurance products with prevention components. Acquisitions of companies or portfolios are only options for us if they harmonise with our business model, create value in the medium term and fit in with the Baloise culture. Recently we underwent cautious expansion: at the beginning of 2010 in Luxembourg with Fortis Luxemburg IARD and at the start of 2011 in Belgium with Avéro. In Germany we can quickly push ahead with the separation of Deutscher Ring companies following the conclusion of the framework agreement with the staff representatives. Thus we can lay the foundations for further growth in this important market with a more efficient unit.

In the coming years as well, we anticipate volatile financial markets and uncertain economic development. Our forecasts are therefore conservative.

Building on our efficient and profitable core business we aim – as before – to achieve a return on equity over the insurance cycle of 15 % and to continue to steadily increase earnings per share. In the nonlife business, we aim to continue to keep the combined ratio appreciably below 100 %. We want to sustainably increase profitability by CHF 200 million by 2012 by means of our strategic programme “Baloise 2012.”

Basel, March 2011



Dr Rolf Schäuble

Chairman of the Board of Directors



Dr Martin Strobel

Group Chief Executive Officer

Baloise share gains significantly compared to reference indices

Closing at CHF 91.00 the Baloise share* achieved a performance of 5.8 % in 2010. Thus significantly outperforming the reference indices. The dividend yield proposed to the General Annual Meeting amounts to 4.9 %. Baloise thus remains a shareholder-friendly investment.

The tense economic situation and low interest rates, as well as high market uncertainties, put financial stocks under pressure, mainly in the second quarter of 2010. The Baloise share was also unable to evade this trend and closed at CHF 75.55 on 30 June 2010, 12.2 % lower than at the start of the year. In the same period the Swiss Market Index lost 6.4 % in value and also the European Insurance Industry Index was quoted 7.7 % lower after the first half-year.

The Baloise share recorded strong growth of 20.5 % in the second half of the year and outperformed both the Swiss Market Index (+ 5.0 %) and the European Insurance Industry Index (+ 10.1 %).

Above all, the Baloise share more than compensated for the deficit of the first half-year by regaining value so strongly in the last quarter in comparison to the reference indices and closed the stock market year 2010 at CHF 91.00. This resulted in a price performance of 5.8 % seen over the whole year. This was significantly above that of the Swiss Market Index, which lost 1.7 % compared to the previous year and above the European Insurance Industry Index, which gained 1.6 %.

The Baloise share is included in the Swiss Leader Index (SLI) due to market capitalisation and its trading volume. This comprises the 30 largest and most solvent Swiss stocks.

DIVIDENDS PAID OUT TO SHAREHOLDERS

For the 2010 fiscal year, the Board of Directors will propose a cash dividend of CHF 4.50 to the Annual General Meeting on 29 April 2011. Measured against the year-end price, this represents a cash dividend yield of 4.9 %.

The share buy-back programme, which started in September 2008, was continued in 2010 and extended to 30 April 2011. A maximum of 2,000,000 registered shares will be bought

back. This equates to a proportion of at most 4 % of outstanding shares. By the end of December 2010, a total of 1,597,961 shares had been purchased at an average price of CHF 77.53. The share buy-back programme has thus been 79.9 % completed as of 31 December 2010.

Year	Buy-back volume (in units)	Buy-back volume (in CHF million)	Average price (in CHF)
2008 ¹	274,217	17.7	64.42
2009	907,678	71.5	78.75
2010	416,066	34.7	83.50
Total	1,597,961	123.9	77.53

¹ Comprises exclusively the share buy-back programme in place since September 2008. An additional 1,173,715 treasury shares were repurchased at an average price of CHF 95.99 in 2008, as part of the previous share buy-back programme (2006–2008).

The current status of this ongoing share buy-back programme can be viewed at:

www.baloise.com → Investor relations → Baloise share → Share buy-back programme

SHAREHOLDER STRUCTURE

Baloise Holding Ltd has a broad shareholder base. The free float of the Baloise share is still 100 %. The BlackRock Group, now with a 5.03 % stake in Baloise, exceeded the reportable 5 % threshold on 9 September 2010. This was the only significant change to the shareholder base in the 2010 fiscal year. Information on the significant shareholders as of 31 December 2010 is detailed in the table on page 103.

* Baloise share = share of Baloise Holding Ltd

SHARE STATISTICS

	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Price at year-end in CHF	121.80	111.50	78.50	86.05	91.00
High in CHF	126.70	135.00	119.80	102.60	97.85
Low in CHF	76.40	104.90	44.80	52.60	74.15
Market capitalisation in CHF million	6,736.4	6,021.0	3,925.0	4,302.5	4,550.0
Consolidated profit per share basic in CHF	12.90	15.15	7.33	8.64	9.14
Consolidated profit per share diluted in CHF	12.90	15.15	7.32	8.57	8.89
Price / earnings ratio (P / E) ¹	9.40	7.36	10.71	9.96	9.96
Price / carrying value ratio (P / B) ¹	1.34	1.20	1.00	0.95	1.05
Number of shares issued in units	55,307,150	54,000,000	50,000,000	50,000,000	50,000,000
./ Number of treasury shares in units	1,849,548	3,997,308	1,566,985	2,282,790	2,800,239
Number of shares in circulation in units	53,457,602	50,002,692	48,433,015	47,717,210	47,199,761
Average number of shares outstanding ²	54,086,516	51,887,469	48,852,533	47,905,512	47,394,282
Dividends per share ³ in CHF	3.80	4.50	4.50	4.50	4.50
Dividend pay-out ratio ³	30.1	29.7	61.4	52.1	49.2
Dividend yield ³	3.1	4.0	5.7	5.2	4.9

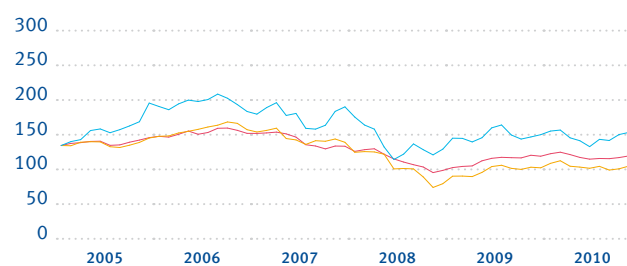
1 Calculation is based on the consolidated profit and equity before minority interests respectively.

2 Relevant for the earnings per share calculation (see Financial Report page 122).

3 2010 based on proposal to Annual General Meeting.

BALOISE SHARE

Security symbol	BALN
Nominal value	CHF 0.10
Security number	1.241.051
ISIN	CH0012410517
Exchange	SIX Swiss Exchange
Security type	100% registered shares

INDEXED SHARE PRICE DEVELOPMENT¹ BÂLOISE HOLDING
REGISTERED SHARE 2005 – 2010

1 31 December 2004 = 100

■ Baloise Holding registered share (BLAN)
■ SWX SP Insurance Price Index (SMINNX)
■ Swiss Market Index (SMI)

Our markets

Baloise focuses on markets, customers, sales channels and products with a high degree of added value. We target private individuals, small and medium-sized enterprises with a positive risk and earnings profile as well as selected industrial companies as customers.

SWITZERLAND

In its home market, Switzerland, Baloise operates under the brand names “Basler Versicherungen” and “Baloise Bank SoBa.” Baloise Switzerland is the largest business unit within the Group. As a financial services provider it focuses on comprehensive insurance and pension solutions. Its clients are private individuals, small and medium-sized enterprises as well as selected industrial companies. The company’s own sales force constitutes the core of its sales strategy. This is augmented by a network of selected sales partners for specific product and client segments, and by brokers and the Internet. Baloise Bank SoBa specifically complements the range of pension solutions with banking products that are sold by the insurance sales force and by the Bank itself. In north-west Switzerland its market positioning is also that of a full-service bank.



KEY FIGURES SWITZERLAND

	2009	2010
Employees	3,908	3,786
Business volume in CHF million	3,930.0	4,108.2
Combined ratio (gross) in percent	84.7	88.0

GERMANY

Baloise operates in Germany with the brands “Basler Germany”, “Deutscher Ring Sach” and “Deutscher Ring Leben” all under one management. The Baloise portfolio includes insurance and pension solutions in the areas of indemnity, accident and life insurances for private individuals, small and medium-sized enterprises and selected industrial clients. As far as sales are concerned, Baloise concentrates on using its own insurance sales force and brokers. Deutscher Ring Leben

and Deutscher Ring Sach specialise in private pension solutions. Sales are generated by its own insurance sales force, via the sales partners OVB and ZEUS as well as through brokers using Moneymaxx brand products.



KEY FIGURES GERMANY

	2009	2010
Employees	3,294	2,858
Business volume in CHF million	2,169.9	1,987.1
Combined ratio (gross) in percent	94.3	97.1

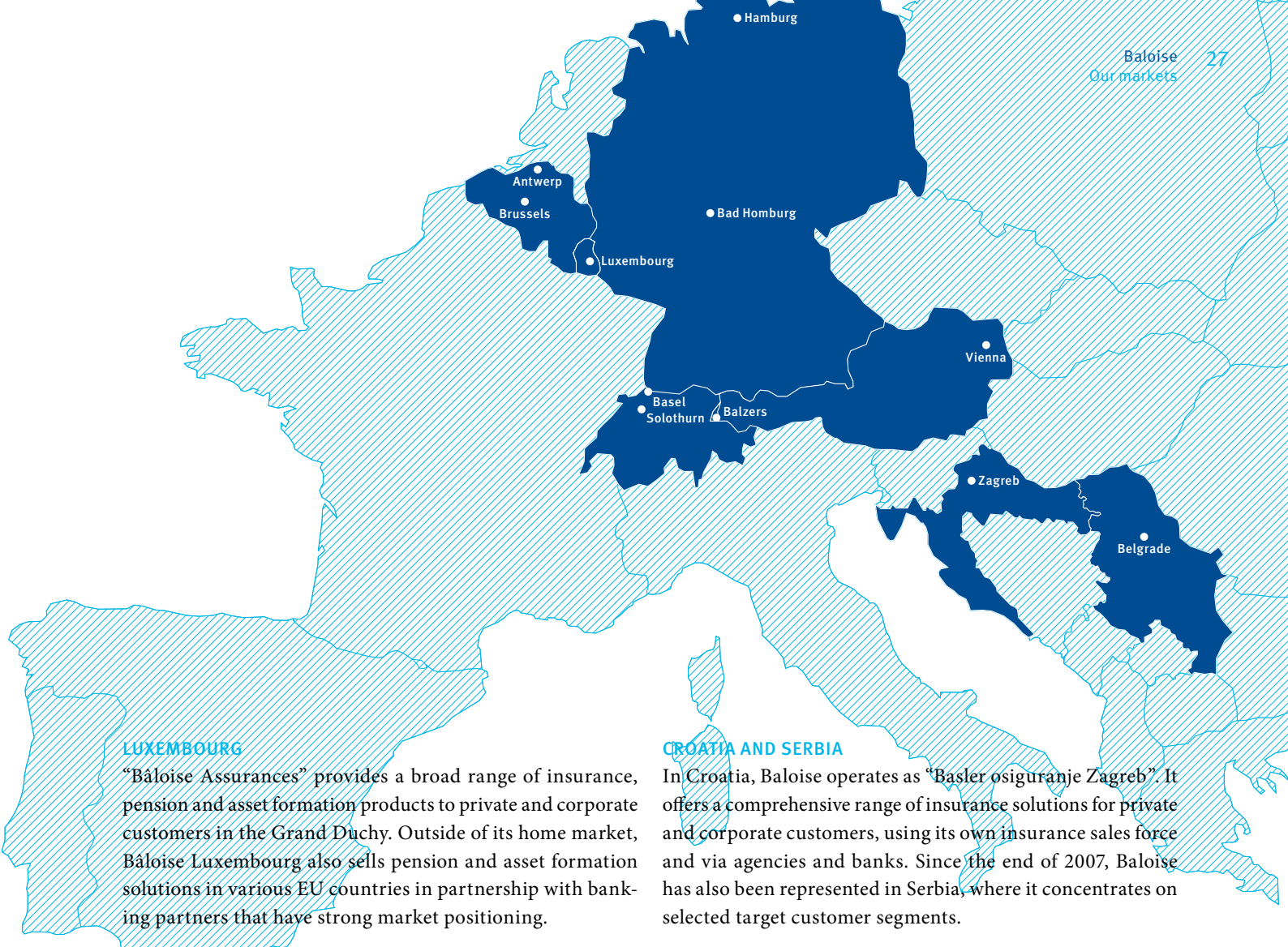
BELGIUM

Baloise is represented on the Belgian market by the brand “Mercator,” which includes Avéro business as of 2011. Mercator sees itself as a partner for professional brokers. The company provides a broad range of life and nonlife insurance products for private individuals as well as small and medium-sized enterprises. The acquisition of Nateus announced in mid-March 2011 will make Mercator one of the leading insurers in Belgium.



KEY FIGURES BELGIUM

	2009	2010
Employees	825	813
Business volume in CHF million	820.5	798.1
Combined ratio (gross) in percent	98.1	94.0



LUXEMBOURG

“Baloise Assurances” provides a broad range of insurance, pension and asset formation products to private and corporate customers in the Grand Duchy. Outside of its home market, Baloise Luxembourg also sells pension and asset formation solutions in various EU countries in partnership with banking partners that have strong market positioning.



KEY FIGURES LUXEMBOURG

	2009	2010
Employees	198	234
Business volume in CHF million	962.0	1,269.9
Combined ratio (gross) in percent	91.6	81.4

AUSTRIA

In Austria “Basler Versicherungen” provides insurance and pension solutions to private customers as well as to small and medium-sized enterprises. The company’s own sales force is mainly responsible for marketing of these products.



KEY FIGURES AUSTRIA

	2009	2010
Employees	264	237
Business volume in CHF million	162.5	161.9
Combined ratio (gross) in percent	106.6	97.5

CROATIA AND SERBIA

In Croatia, Baloise operates as “Basler osiguranje Zagreb”. It offers a comprehensive range of insurance solutions for private and corporate customers, using its own insurance sales force and via agencies and banks. Since the end of 2007, Baloise has also been represented in Serbia, where it concentrates on selected target customer segments.



KEY FIGURES CROATIA AND SERBIA

	2009	2010
Employees	876	831
Business volume in CHF million	92.6	78.8
Combined ratio (gross) in percent	110.9	110.2

LIECHTENSTEIN

Baloise Life, founded in Balzers in 2007, develops innovative pension solutions and tailor-made life insurance products for private customers across Europe. It markets these via national Baloise companies as well as via third party partners.



KEY FIGURES LIECHTENSTEIN

	2009	2010
Employees	26	34
Business volume in CHF million	1,600.0	1,119.0

Brand and strategy

Our brand promise is “Making you safer.” Everything we do is geared towards safety. We combine insurance with smart prevention solutions and thus help to ensure that damage does not occur in the first place.

OUR STRATEGIC GOAL

We will be one of Europe’s most profitable and fastest growing insurers by 2012.



BRAND DELIVERABLES

Safety

Safety is our core achievement. Safety is behind every achievement, every service and every product. As a force which liberates energy, inspires and fosters.

Strength

Baloise is a strong partner. Strong in terms of growth, returns and results. We can be relied on when it really counts, because our strength means we are a partner people can depend on.

Professionalism

Baloise stands for professionalism. This allows us to produce top-quality performance. We are professional in our approach to our core business, our customers and our marketing. Because we know that professionalism brings inner peace.

BRAND VALUES

Swiss

Baloise is proud of its Swiss origins. Since 1863. This means we combine reliability, humanism, solidity, tradition, financial strength and independence.

Innovative

Our innovative drive gives us the necessary competitive edge. This is evident from our systematic, comprehensive focus on safety as well as our customer management. We create an environment that fosters innovation in every area.

Partnership

Commitment to partnership is one of our biggest emotional strengths. It is based on recognising and creating added value. We work to nurture and deepen our relationships with all our stakeholders. So that we are always able to generate enthusiasm.

Higher profit and solid growth

The increase in profit to CHF 436.7 million and above-average growth in the classic insurance business in local currencies of 3.7 % are testimony to the sound condition of Baloise.

OVERVIEW

Baloise was able to increase its profit by 3.7 % to CHF 436.7 million in 2010 (previous year: CHF 421.0 million). In operating terms the result is even more impressive: profit before borrowing costs and taxes grew by 8.0 % to CHF 607.2 million (previous year: CHF 562.1 million). In so doing, numerous market environment challenges had to be mastered, notably the sharp fall in the value of the euro against the Swiss franc, low interest rates and the increase in major claims. Innovative products and the targeted implementation of the brand promise “Making you safer” led to above-average growth in insurance premiums. The strategic programme “Baloise 2012” is on track and made a net contribution to earnings of CHF 92 million. This was attributable primarily to enhanced business processes in Switzerland and Belgium, various growth initiatives and benefits due to company separations in Germany. The “Baloise 2012” programme encompasses around 100 measures intended to sustainably increase Baloise Group profitability by CHF 200 million by 2012.

The brand positioning with the promise “Making you safer” was further reinforced in all business units. Preventive services feature increasingly in classic insurance products such as motor vehicle, household and transport insurances. The consequences are remarkable: the positioning generates higher product density among target customers, above-average numbers of new clients, a higher level of customer loyalty and a greater readiness to recommend the company to other people. For the last-mentioned consequence, Baloise Austria won the “Recommender Award” for the company with the highest ratio of customer recommendations.

Baloise achieved impressive growth in the 2010 fiscal year. Total business volume, which includes investment-type life insurance products, reached CHF 9,541.4 million (previous year: CHF 9,765.4 million). This equates to a plus in local currencies of 1.7 % and a decline of 2.3 % in Swiss francs, attributable to the unfavourable euro exchange rate. Insurance premiums in accordance with IFRS accounting methods (“classic insurance business”) precisely equalled the previous year’s level of CHF 6,859.8 million. If, however, premium development is seen from a local currency perspective, thus reflecting market performance more exactly, significant growth of 3.7 % was achieved. The investment life insurance products of Baloise Life in Liechtenstein and Baloise in Luxembourg enjoyed highly pleasing development once again. Striking growth impetus was recorded by the units in Switzerland, Belgium, Luxembourg and Austria. Baloise business volume remains well diversified across the whole Group.

BUSINESS VOLUME 2010 (GROSS) BY STRATEGIC BUSINESS UNIT

in percent

→ Switzerland	43.1
→ Germany	20.8
→ Belgium	8.4
→ Luxembourg	13.3
→ Other units and Group business	14.4



DISTRIBUTION INCOME

	2009	2010	+/- %
in CHF million			
Total business volume	9,765.4	9,541.4	- 2.3
Life	3,723.4	3,814.9	2.5
Nonlife	3,136.4	3,044.9	- 2.9
Investment-type insurance premiums	2,905.6	2,681.6	- 7.7
Income from services rendered	427.3	283.4	- 33.7

The scope of consolidation of Baloise Group was expanded to include “Fortis Luxembourg IARD S.A.,” the acquisition of which was concluded on 7 January 2010. As from this date, it has been fully consolidated as “Baloise Assurances IARD S.A.”. In the first quarter of 2010, both Croatian nonlife and life units of Baloise Group were merged with the insurer “Basler osiguranje Zagreb d.d.” acquired in 2007. As far as the deconsolidation due to the loss of control of the German “OVB Holding AG” is concerned, we refer you to the detailed description provided on page 68 of the 2010 Financial Report.

NONLIFE DIVISION: HIGH PROFITABILITY

Thanks to the high quality of the insurance portfolio, growth and various recoverability and efficiency enhancement measures, the nonlife division (indemnity and personal loss insurance) performed impressively. With profit before borrowing costs and taxes amounting to CHF 380.3 million (previous year: CHF 382.6 million), the division continued to be the backbone of Baloise Group in income terms, due primarily to lower costs and an exceptional combined ratio despite major claims and storm losses. This amounted to a gross ratio of 92.2 % (previous year: 91.2 %). The net value (after deducting reinsurance) was 95.2 % (previous year: 94.4 %). The efficiency enhancement measures resulted in a significant decline in the expense ratio to a gross level of 30.7 % (previous year: 32.0 %) and net level of 31.9 % (previous year: 33.4 %). Business volume (identical to IFRS premium income in this division) amounted to CHF 3,044.9 million (previous year: CHF 3,136.4

COMBINED RATIO NET PERFORMANCE



million). This equates in Swiss francs to a decline of 2.9 % due to the exchange rate; in local currencies attractive growth of 2.2 % was achieved.

LIFE INSURANCE DIVISION: GOOD GROWTH

Thanks to the good financial result and successful implementation of the “Baloise 2012” measures, the life insurance division was able to achieve a profit before borrowing costs and taxes of CHF 182.7 million (previous year: CHF 151.0 million); this equates to a plus of 21.0 %. The lower interest rates dampened the technical result significantly. The necessary reduction of the life annuity dividends that resulted in Switzerland, as well as the improved investment result had a positive effect. Business volume – including investment-type life insurance – reached CHF 6,496.5 million (previous year: CHF 6,629.0 million), an increase of 1.5 % in local currencies and a fall of 2.0 % in Swiss franc terms. In the case of the high-volume investment-type life insurance products, Baloise Luxembourg was able to achieve very strong growth. Baloise Life in Liechtenstein again generated good business volume even though – as expected – the exceptionally high level of the previous year driven by the Italian tax amnesty could not be repeated. The increase in classic life insurance income (IFRS premium volume) amounted to an excellent 2.5 % in Swiss francs and 5.0 % in local currencies.

The embedded value of the life business decreased from CHF 2,625.8 million to CHF 2,573.5 million, which equates to a return on embedded value of - 2.3 % (in local currencies

+ 2.9%). A reduction of CHF 567.8 million stems – after considering liquidity premiums – from changes in the economic environment as well as the weaker euro. Operative earnings contributed CHF 533.0 million to embedded value. The value of new business amounts to CHF 58.9 million. The new business margin increased to 11.8 % (previous year: 9.3 %).

BANKING DIVISION: HIGH PROFITABILITY

The banking division generated a profit before borrowing costs and taxes of CHF 67.9 million (previous year: CHF 61.0 million). The growth of 11.3 % is attributable to the pleasing developments at Baloise Bank SoBa, Baloise Asset Management and Baloise Fund Invest. Thanks to the good quality of its portfolio and efficient business processes, Baloise Bank SoBa generated a profit in accordance with local accounting methods of CHF 21.2 million, equating to an increase of 2.2 % over that of the previous year. Customer deposits rose by CHF 280.1 million or 6.6 % to total inventories of CHF 4,515.9 million.

EQUITY: SOLID DEVELOPMENT

Consolidated equity (after minority interests) of Baloise Group amounted to a total of CHF 4,133.5 million on 31 December 2010 (previous year: CHF 4,510.0 million). The 8.3 % decrease was due to the dividend for the 2009 fiscal year and the share

buy-back and the deconsolidation of the OVB group in the course of the separation of companies in Germany as well as negative currency effects.

The share buy-backs as part of the share buy-back programme reduced equity by CHF 34.7 million. Return on equity increased to 10.4 % from 10.3 % in the previous year. Group solvency stood at the still excellent level of 224 % as compared with 230 % in the previous year.

INVESTMENTS: HIGHER NET INCOME

The capital markets were characterised by the European debt crisis and its negative impact on interest rates and currencies. The fall in value of the euro and the dollar against the Swiss franc influenced the investment result: book losses on external debt instruments, currency-related (consequential) impairment, lower current income on foreign currency bonds and reduced contribution to earnings by foreign business units. Nevertheless, net income for policyholders rose from CHF 1,697.1 million to CHF 1,934.4 million. This equates to a net return of 3.5 %. Recurrent income amounted to CHF 1,811.2 million and was, as such, just below the previous year's value, above all due to currency-related issues. IFRS performance (including net adjustments of investments not recognised in profit and loss) amounted to 3.5 %, down on the previous year's value of 4.9 % for currency and interest rate reasons.

OWN INVESTMENTS BY CATEGORIES¹

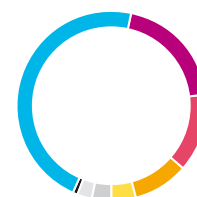
	2009	2010	+/- %
in CHF million			
Investment properties	5,071.7	5,046.6	-0.5
Shares	2,090.5	2,216.1	6.0
Alternative financial investments	1,394.6	1,300.4	-6.8
Fixed-income securities	25,772.8	24,962.2	-3.1
Mortgage assets	10,584.9	10,653.7	0.6
Policy and other loans	8,058.6	7,039.8	-12.6
Derivatives	123.7	357.8	189.2
Cash and cash equivalents	2,488.8	1,862.2	-25.2
Total	55,585.6	53,438.8	-3.9

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

INVESTMENT COMPONENTS 2010

in percent

Fixed-income securities	46.7
Mortgage assets	19.9
Policy and other loans	13.2
Investment properties	9.5
Shares	4.1
Cash and cash equivalents	3.5
Alternative financial investments	2.4
Derivatives	0.7



BALOISE ASSETS AS OF 31.12.2009

	Nonlife	Life	Banking	Total Group
in CHF million				
Own investments	9,140.5	39,431.1	6,555.1	55,585.6
Investment-type life insurances ¹		6,818.1		6,818.1
Total recognised assets	9,140.5	46,249.2	6,555.1	62,403.7
Asset management for third parties				5,046.2
Total managed assets				67,449.9

BALOISE ASSETS AS OF 31.12.2010

	Nonlife	Life	Banking	Total Group
in CHF million				
Own investments	8,467.9	38,007.8	6,779.7	53,438.8
Investment-type life insurances ¹		7,821.7		7,821.7
Total recognised assets	8,467.9	45,829.5	6,779.7	61,260.5
Asset management for third parties				4,993.9
Total managed assets				66,254.4

¹ Including CHF 90.5 million (previous year: CHF 47.2 million) other assets (precious metal stocks from investment-type life insurance policies).

Even in times of low interest rates, Baloise still adheres to its quality requirements for bond investments to ensure that the investment portfolio's very high level of debtor quality is not put at risk. Gross impairment of only CHF 2.6 million (0.01 % of fixed-interest investments) is testimony to this quality. In the life business, investments consider existing obligations toward policyholders, while the nonlife business can exploit additional market opportunities. As from the end of April, more than 80 % of euro bonds held by the Swiss companies were currency hedged; this way, book losses due to the fall in the value of the euro were restricted to a significant extent. As at the end of the year, hedge ratios were even higher in some cases.

Equity positions were cautiously increased in the nonlife business. The investment categories hedge funds and private equity generated good results in local currencies; the currency risk was hedged to an extent of at least 60 %. Gross impairment on equity-type financial investments amounted to CHF 98.2 million. A unique feature of the properties directly held was their strong value and income stability. No net impairment was necessary on mortgage bonds.

Switzerland

High growth dynamics

The segment Switzerland confirmed its outstanding profitability and growth strength in both the insurance and banking sectors.

KEY FIGURES SWITZERLAND

	2009	2010	+/- %
in CHF million			
Business volume	3,930.0	4,108.2	4.5
Of which: life	2,649.8	2,822.9	6.5
Of which: nonlife	1,280.2	1,285.3	0.4
Combined ratio (gross) in percent	84.7	88.0	-
Profit before borrowing costs and taxes	308.0	273.7	-11.1

BALOISE INSURANCE: HIGH OPERATING PROFITABILITY WITH STRONG GROWTH

The excellent condition of the core business, notably in the nonlife sector, and significantly reduced costs were the main factors driving income. Profit before borrowing costs and taxes amounted to CHF 273.7 million (previous year: CHF 308.0 million). The decline of 11.1 % is attributable to low interest rates, the strong Swiss franc and major claims. With business volume totalling CHF 4,108.2 million (previous year: CHF 3,930.0 million), Baloise Group's largest unit passed the four billion mark for the first time ever. The plus of 4.5 % is above the market average due above all to the convincing growth of the collective life insurance business. The innovative variable annuity products (life insurance with a capital guarantee) of Baloise Life in Liechtenstein, newly introduced into the Swiss market, attracted great interest among customers.

The nonlife division achieved a business volume of CHF 1,285.3 million (previous year: CHF 1,280.2 million), which corresponds to an increase of 0.4 %. The accident and health insurance business recorded strong growth. The gross combined ratio amounted to 88.0 % (previous year: 84.7 %). The

increase in major claims and the fall in handling and settlement profit caused a rise in the loss ratio while rigorous business process optimisation resulted in a reduced expense ratio.

Business volume in the life insurance division grew by 6.5 % to CHF 2,822.9 million (previous year: CHF 2,649.8 million). The Group Life Business (occupational pension plans) grew particularly strongly at 11.5 % both in terms of annual and one-off premiums. This was attributable to the attractive products and to the good positioning of Baloise Insurance as a strong partner in the occupational pension sector. In the case of the classic individual life insurance business, demand was weak as expected due to the interest rate situation. There was a shift in favour of variable annuity products which proved to be very popular.

BALOISE BANK SOBA: GROWTH AND PROFIT ENHANCEMENT

Baloise Bank SoBa had a successful financial year in 2010. At CHF 21.2 million, net profit was 2.2 % up on the previous year's level despite the difficult environment. Customer deposits grew by CHF 280.1 million or 6.6 % while customer loans increased by CHF 301.0 million or 5.4 %. The result of the interest margin-based business declined slightly due to low market interest rates and competition-related pressure on margins. Income from commission and services recorded a fall of 14.0 %. The company was able to cut material expenses by 18.4 % due to further optimisation of the cost base. The cost-income ratio improved to 66.8 % (previous year: 68.4 %). Total assets improved by 4.4 % and amounted to CHF 6.4 billion as of 31 December 2010. The proven cooperation with Baloise Insurance made a key contribution to the positive result.

Germany

Separation making progress

The German unit comprising Basler and Deutscher Ring Leben and Sach reported a good result. The separation of Deutscher Ring is progressing according to plan.

KEY FIGURES GERMANY

	2009	2010	+/- %
in CHF million			
Business volume	2,169.9	1,987.1	-8.4
Of which: life	1,141.1	1,048.2	-8.1
Of which: nonlife	1,028.8	938.9	-8.7
Combined ratio (gross) in percent	94.3	97.1	-
Profit before borrowing costs and taxes	91.2	118.7	30.2

Baloise's German business generated a profit before borrowing costs and taxes of CHF 118.7 million in 2010 (previous year: CHF 91.2 million). Positive one-off effects of the separation of Deutscher Ring and cost improvements were able to offset the negative impact of major and elementary claims as well as of interest rate development. A positive impact on business development was attributable to the further reinforcement of the Safety World: product density among target customers and the number of new clients grew significantly while customer loyalty with Safety World contact improved considerably.

Business volume amounted to a total of CHF 1,987.1 million (previous year: CHF 2,169.9 million). In local currency terms, the business unit was as such above the previous year's level. In a challenging German market, this is to be seen as a success, all the more so because Deutscher Ring transferred around 45 % of its main sales organisation to Signal Iduna as part of its agreed separation activities. Despite a highly competitive environment, the nonlife insurance division generated a premium volume of CHF 938.9 million (previous year: CHF 1,028.8 million). This equates in local currency to a slight

decline of 0.4 %. The gross combined ratio of the nonlife insurance business amounted to 97.1 % (previous year: 94.3 %). Thanks to the rigorous implementation of the optimisation programmes, the gross expense ratio fell by 0.5 percentage points while the loss ratio rose by 3.4 percentage points due to numerous major and storm claims. Business volume in the life insurance division amounted to CHF 1,048.2 million (previous year: CHF 1,141.1 million), a minor increase in local currency of 0.3 %. In the case of the classic life insurance business, the trend towards risk products increased while endowment insurance policies continued to lose ground. As far as sales channels were concerned, the trend shifted towards brokerage.

The separation of Deutscher Ring is progressing according to schedule; the business plan with anticipated synergy benefits of EUR 20 to 25 million per year continues to be valid. At the end of November 2010, an outline agreement with a redundancy plan was concluded with the executive works council. Currently the first divisions are being separated in both personnel and operational terms.

Belgium and Luxembourg Strong growth dynamics

The business units Mercator in Belgium and Bâloise in Luxembourg reported very high growth dynamics above the market average and were thus able to strengthen their market positions significantly.

BELGIUM: STRONG GROWTH AND HIGH CONTRIBUTION TO PROFIT

KEY FIGURES BELGIUM

	2009	2010	+ / - %
in CHF million			
Business volume	820.5	798.1	- 2.7
Of which: life	241.2	239.8	- 0.6
Of which: nonlife	579.3	558.3	- 3.6
Combined ratio (gross) in percent	98.1	94.0	-
Profit before borrowing costs and taxes	54.4	142.9	162.7

Mercator generated a profit before borrowing costs and taxes of CHF 142.9 million (previous year: CHF 54.4 million). The striking rise is due primarily to business process optimisation, the extremely good income position of the nonlife business and the high level of income generated via capital investments. Growth was again very impressive. Business volume totalled CHF 798.1 million (previous year: CHF 820.5 million). Adjusted to take account of the negative exchange rate of the euro, this equates to growth in local currency of 6.2%. The nonlife business grew in local currency by 5.2% and amounted to CHF 558.3 million. The excellent gross combined ratio of the nonlife business of 94.0% (previous year: 98.1) underlines its operational profitability. Life insurance business volume amounted to CHF 239.8 million, a rise in local currency of 8.5%. The investment-type life insurance products experienced particularly strong growth with a plus of 18.1%. In the Safety World sector, Mercator focused on small and medium-sized companies, for which it introduced targeted damage prevention. At the beginning of 2011, Mercator bolstered its market position by purchasing the insurer Avéro. The acquisition of Nateus announced in mid-March 2011 will make Mercator one of the leading insurers in Belgium.

LUXEMBOURG: ADVANCES IN MARKET POSITION

KEY FIGURES LUXEMBOURG

	2009	2010	+ / - %
in CHF million			
Business volume	962.0	1,269.9	32.0
Of which: life	906.9	1,188.2	31.0
Of which: nonlife	55.1	81.7	48.3
Combined ratio (gross) in percent	91.6	81.4	-
Profit before borrowing costs and taxes	6.0	14.3	138.3

Bâloise Luxembourg achieved an excellent result with profit before borrowing costs and taxes of CHF 14.3 million (previous year: CHF 6.0 million). Fortis Luxembourg IARD S.A. (henceforth Bâloise Assurance IARD S.A.) acquired on 7 January 2010, significantly reinforced the company's market position and added additional strength to the already strong growth dynamics. The business volume of Bâloise Luxembourg totalled CHF 1,269.9 million (previous year: CHF 962.0 million), an increase in local currency of 44.1%. The main impetus came from the acquisition as well as from investment-type life insurance products that are sold in the euro zone. Nonlife business volume amounted to CHF 81.7 million (previous year: CHF 55.1 million), to which Bâloise Assurance IARD contributed CHF 26.4 million. Adjusted to take account of the acquisition, nonlife growth stood at an excellent 9.4% in local currency. The gross combined ratio amounted to an outstanding 81.4% (previous year: 91.6%) thanks to an 11.2% improvement in the loss ratio. Business volume in the life insurance division rose to CHF 1,188.2 million (previous year: CHF 906.9 million). The growth in local currency of 43.0% is attributable to the development in unit-linked products. In the domestic market too, Bâloise Luxembourg enjoyed growth in local currency of 6.8% in the classic life insurance sector.

Other units and Group business

Basler Austria saw a continuation of its above-average growth and invested further in the expansion of its sales activities. Further efficiency enhancement occurred in Croatia following the conclusion of the integration process.

KEY FIGURES OTHER UNITS

	2009	2010	+/- %
in CHF million			
Business volume	1,855.1	1,359.7	-26.7
Of which: life	1,690.0	1,197.4	-29.1
Of which: nonlife	165.1	162.3	-1.7
Combined ratio (gross) Basler Austria in percent	106.6	97.5	-
Combined ratio (gross) Croatia and Serbia in percent	110.9	110.2	-
Profit before borrowing costs and taxes	-20.8	-16.9	-18.8

AUSTRIA: STRONG GROWTH

Basler Austria saw a continuation of the strong growth of previous years while investing further in the expansion of its sales activities. The company was able to attract more new sales agencies than expected. Business volume amounted to CHF 161.9 million (previous year: CHF 162.5 million); this equates to growth in local currency of 8.7 % as compared with overall market growth of around 1 %. The nonlife division achieved a business volume of CHF 121.3 million (previous year: CHF 120.0 million), an increase in local currency of 10.4 %. The combined ratio improved significantly thanks to optimisation and the absence of major claims and storm damage to a gross level of 97.5 % (previous year: 106.6 %). The expense ratio also declined due to targeted cost cuts. Business volume of CHF 40.5 million (previous year: CHF 42.5 million) was generated by life insurance activities, a plus in local currency of 4.0 %. Investment-type life insurance policies made an above-average contribution to this.

CROATIA AND SERBIA: EFFICIENCY ENHANCEMENT IN A CONTRACTING ENVIRONMENT

Following the conclusion of the integration process in Croatia, the focus was on operational reorganisation and business process optimisation. As compared with the previous year, the business result improved significantly but continued to be in negative territory. In a contracting environment the business volume of both units declined to CHF 78.8 million (previous year: CHF 92.6 million), a fall in local currency of 7.6 %. The company was able to maintain its market share in the Croatian nonlife sector whereby the motor vehicle insurance business grew noticeably. Life insurance business volume declined sharply, due in part to the loss of a bank sales partner. The gross combined ratio improved to 110.2 % (previous year: 110.9 %) thanks to a fall in the expense ratio.

BALOISE LIFE, LIECHTENSTEIN: ATTRACTIVE, INNOVATIVE PENSION PRODUCTS

The business volume of Baloise Life in Liechtenstein, which specialises in innovative life insurance products, amounted to CHF 1,119.0 million in the 2010 financial year (previous year: CHF 1,600.0 million). Thus the business with variable pension products (variable annuities) achieved strong growth generating CHF 103.4 million. Despite the expiry of the tax amnesty in Italy after April 2010, the company was able to maintain its business volume in investment-type life insurance policies at a high level.

GROUP BUSINESS

The segment "Group business" comprises the units for intra-Group reinsurance and financing, as well as the holding companies and corporate IT. Profit before borrowing costs and taxes amounted to CHF 74.5 million (previous year: CHF 123.3 million). The decline was attributable to the reinsurance unit's lower underwriting result and to negative currency development.

Sustainable Business Management

PAGES 38 – 46

“In line with our ‘Making you safer’ promise, we think particularly long-term, since our smart prevention solutions help ensure that damage does not occur in the first place.”

- Every day we make an invaluable contribution to the economy and to society, for example by providing occupational pension solutions.
 - We create and maintain jobs that add value and thereby accept our social responsibility.
 - We generate earnings to invest in the future of Baloise and to help fund the public sector by paying taxes.
 - We apply capital resources efficiently, in the interests of shareholders and of the wider economy.
 - We go easy on natural resources.
-

The employees form the basis of our success. We are preparing them for the future.

Performance, innovation and partnership are the core values of our corporate culture. The skills and the motivation of our employees are the foundation of our successes – today and tomorrow.

KEY FIGURES

- ➔ As of 31 December 2010, the Baloise Group had 8,797 (2009: 9,391) employees (FTE in 2010: 7,688).
- ➔ 45.1 % (2009: 45.7 %) of all employees are women.
- ➔ Baloise employs 244 (2009: 248) apprentices, trainees and interns throughout the Group.
- ➔ 34.1 % (2009: 50.0 %) of those who left the company did so of their own accord.
- ➔ In our main market, Switzerland, 58.8 % (2009: 61.9 %) of employees participated in our Employee Share Ownership Programmes.
- ➔ Baloise invested CHF 12.5 million (2009: CHF 15.3 million) in the basic and further training of its employees.
- ➔ Employees' average length of service within Baloise is 13 years.
- ➔ Staff turnover as of 31 December 2010 was 10.4 % (2009: 7.8%).

EMPLOYEE SKILLS ARE OUR DISTINCTION

“Making you safer” is our promise to our clients, shareholders and employees. This means that we actively contribute to preventing damage. Our employees require relevant skills so that we can be successful in this. Baloise encourages these skills and focuses on the values of the company being lived out. Baloise's corporate strategy is to become one of Europe's most profitable and fastest growing insurers. All our HR policies are geared towards achieving this strategic objective. In this respect we are guided by our corporate values: “Partnership,” “Innovative” and “Swiss.”

As an employer, Baloise is guided by the following principles:

- ➔ We are an attractive and forward-looking employer.
 - ➔ By retaining and recruiting outstanding employees, we contribute to the company's long-term success.
 - ➔ We invest long-term in the skills and career development of our employees.
 - ➔ Performance-driven, highly motivated and well-trained employees enable us to obtain competitive advantages.
- Our Human Resources strategy lays the foundations to enable us to implement these principles. The elements of our Human Resources strategy are:
- ➔ To be the preferred employer in our sector
 - ➔ To be performance and results-driven
 - ➔ To be a highly qualified, learning organisation
 - ➔ To have excellent leadership and management skills
 - ➔ To be highly adaptable and flexible
 - ➔ To have an employee-focused corporate culture

PREFERRED EMPLOYER

In 2008, Baloise mapped out a Talent Strategy with the aim of becoming one of the best employers in our branch. On that occasion we introduced the Group-wide “Talent Finder.” Since then, our staff recruiting has become considerably more efficient. By means of this web-based Talent Management System, we were able to recruit more high-quality candidates and reduce both the costs and the time spent on staffing. Thanks to this new concept, we were able to create a talent pipeline for the first time, with more than 10,000 (previous year: 3,500) potential candidates. This corporate talent pool has already enabled us to fill around 20 % (previous year: 10 %) of new job vacancies efficiently and inexpensively. We maintain regular contact with many of these external talents, in order to win

them to fill suitable vacant positions. In addition, as far as recruitment is concerned, we also increasingly rely on innovative Web 2.0 technologies. This means less search processes via job advertisements in newspapers and via personnel consultants.

In 2010 the Talent Finder was prepared for its introduction in the Serbian unit, the most recent addition to the Baloise Group. This was necessary because of our growth targets and the introduction of new products. The cost-savings effect is very rapidly noticeable especially in small units with strong growth that have to recruit intensively. The system could be introduced in Serbia at minimal cost, thanks to the good preparatory work of the Croatian colleagues, where the Talent Finder has been in action since 2009.

PERFORMANCE AND RESULTS ARE WHAT COUNT

We are performance- and results-driven and we remunerate our employees accordingly on this basis. The focus of our incentive systems lies on a long-term, share-based remuneration, in particular regarding executives. We also want to meet the interests of our shareholders in this manner.

More than 60 % of employees throughout the Group are subject to annual target agreements and performance reviews. The amount of variable remuneration for executives is directly linked to individual performance. In 2010 we introduced a uniform, variable remuneration policy and system in all countries. The aim of the new system is to encourage performance-orientation. In addition, we also now count risk aspects, value creation and strategy implementation besides the business result as criteria for the level of executive remuneration. Besides that, development and follow-up plans were integrated into the management system.

The elements of the remuneration guidelines are:

- Competitiveness in the market
- Consideration of company and individual performance
- Fairness and transparency
- Sustainability

INVESTMENT IN STRATEGY-ENHANCING ADVANCED TRAINING

In 2009, Baloise created an innovative development programme for the top 70 executives and 80 talented employees – the Strategic Leadership Programme (SLP). In 2010 this programme was expanded to include a further 200 talents and managers. During this programme the participants acquire the skills necessary to successfully realise the corporate strategy. The SLP consists of 30 learning modules divided between four topics (growth, optimisation, new business areas, management). The skills (e.g. customer focus, pricing, courage or credibility) are acquired in four steps:

1. Acquiring knowledge: Within each of the 30 learning and activity modules a group visits leading business schools and acquires up-to-date knowledge.
2. Studying “best practice:” “best practice” companies within and outside our sector are analysed as part of each activity module.
3. Derivation of action plans for Baloise.
4. Implementation: the participants communicate and implement this knowledge and these action plans within their organisations.

The knowledge transfer and networking of the participants is fostered during an annual meeting; this took place for the first time in Jesteburg, Germany, in June 2010. There strategies, brand positioning and the necessary skills were deepened.

An open advanced-training format for all employees, under the name “Extended Knowledge Conference – ekc” was offered in Basel for the first time in 2010. Here, external speakers, who also train the management in important skills as part of the SLP, gave lectures on specific topics. The topic “Implementation – how to realise things successfully” kicked off the seminar. Further “Extended Knowledge Conference – ekc” are planned for 2011.

BALOISE'S 8,797 EMPLOYEES IN 2010 BY COUNTRY

	in percent	Employees
→ Switzerland	43.0 %	3,786
→ Germany	32.5 %	2,858
→ Croatia and Serbia	9.4 %	831
→ Belgium	9.2 %	813
→ Austria	2.7 %	237
→ Luxembourg	2.7 %	234
→ Liechtenstein	0.4 %	34
→ Others	0.0 %	4

STRONG ADAPTABILITY AND FLEXIBILITY

Many parts of the Group underwent change in 2010. At present, the two largest changes concern Germany, and involve the merging of Basler Germany with Deutscher Ring Leben und Sach and the Group area Switzerland with the “Leader” initiative.

We carried out the integration of Fortis in Luxembourg in 2010. The aim was to ensure the transfer of the Fortis employees and their knowledge to Baloise, thereby retaining as many members of staff as possible. The same goal was set regarding the independent marketing of Fortis. The integration was planned in detail and formulated bit by bit in cooperation with employees and agencies. In retrospect, it can be established that both the cultural integration as well as the knowledge transfer has been largely successful and that the organisation is well prepared for the future.

EXCELLENT LEADERSHIP AND MANAGEMENT SKILLS

Baloise systematically identifies and develops talented executives since 2008. In a three-stage process, “round table” meetings, involving local management, the Corporate Executive Committee and the Chairman of the Board of Directors, were held in 2010 to discuss the strengths and skill enhancement needs of 231 (2009: 231) incumbents in key positions, 288 (2009: 280) succession candidates and 271 (2009: 183) talented individuals from the Group. Overall, as in 2009, we

could promote more internal employees to key positions than we had to recruit staff to fill these, also in 2010. Individual skill enhancement plans with specific action to be taken have been agreed with all people identified.

Business units in each country perform the internal talent identification and development process. Taking Croatia as an example, we can see that such a structured approach supports staff retention and focused advancement even in markets that were hit badly by the economic crisis in 2010. We were able to retain many important talents there despite reorganisation of the unit and systematically train them for future challenges.

Our efforts in talent management were also externally acknowledged in 2010. A survey of the University of Innsbruck and Transformation Management AG sees Baloise among the top ten companies in Germany, Austria and Switzerland with regard to talent management. Baloise holds second place in its home market Switzerland, as well as in the finance segment.

BALOISE ENCOURAGES INTERNAL MOBILITY

In 2008, we launched the new Group Talent Management System, thus laying the process and system-related foundations to enable us to efficiently facilitate mobility within the Group. By merging our performance management, talent identification and development planning in 2010, we have created the framework to further promote internal mobility and thus further development and internal promotion. This way, the internal prospects are even higher for employees with good performance and potential. We take the view that this will significantly reduce the number of cancellations by employees.

DIVERSITY AND PARTNERSHIP WITH EMPLOYEES

In order to be able to understand our target groups, it is necessary to cultivate a diverse employee structure. 45.1 % (2009: 45.7 %) of employees and 16.7 % (2009: 17.0 %) of executives are women. Baloise does not tolerate any form of discrimination. The management of our business units and those responsible for HR matters ensure this maxim is followed; they are supported in this by the internal Compliance Network.

Baloise promotes its employees solely on the basis of their performance, their potential and their identification with corporate values.

For many years Baloise has also actively given support in health issues. Basler Switzerland received the label “Friendly WorkSpace® – Registered” from the Swiss health promotion board in April 2010. This has been awarded since 2009 to companies that promote corporate health management beyond the mandatory guidelines.

Healthy companies require healthy employees – since their well-being contributes considerably to a company’s development. In a friendly workspace employees perform better, are more solution-oriented, motivated and innovative. The label shows that resources are available in a company to maintain and promote the health and performance of its employees. With this commitment to promoting health, Baloise is honouring its promise “Making you safer” internally as well. Basler is proud to be the first overall insurer in Switzerland to receive this award.

In recent years, we have implemented an overall concept in Switzerland. It includes e.g. a guideline on burn-out, mobbing, alcohol at the workplace, concepts to deal with absences, an internal case management, training programmes for stress management, total annual work time, ergonomic furniture, sports, in-house offers for back/neck massage, physical and mental deep relaxation, drink timer, Intranet advice regarding nutrition and preventative medical care.

Baloise has also invested a great deal in expanding corporate health management for companies in other countries in past years. A survey on demographic change and its implications is currently being conducted in Belgium.

In Germany, health management was embedded in the HR strategy in the Hamburg office as well as in Bad Homburg. The aim is to raise the health awareness of the employees and promote a healthy work-life balance. In 2010 campaigns on the topics “skin screening,” “healthy diet” and measures regarding pandemics and the protection of non-smokers were carried out. In addition, Basler Germany established three places in a crèche and assigned them internally to its employees. The company thus enables a better compatibility of

job and family, as well as strengthening the employee bond to the company.

BALOISE DIALOGUES WITH EMPLOYEE REPRESENTATIVES

Baloise respects the right of every employee to be or become a member of an employee representation body. We maintain a direct, transparent and constructive dialogue with all employee representatives and committees.

Employees from every international subsidiary are represented in the Baloise European Forum. We thus provide employee representatives with direct access to the Corporate Executive Committee, as well as promote communication locally. A two-day meeting of the European Forum and employee representatives was held in Vienna in May 2010. The emphasis was on corporate strategy and the implementation of the new Group IT and Group procurement system.

100 % of Baloise employees are represented by employee committees, staff associations, trade unions or other employee organisations.

TOP LINKS

www.baloise.com/careers

➔ [Attractive employer](#)

➔ [Personnel development](#)

➔ [Our employees](#)

➔ [Direct hires and trainees](#)

➔ [Job openings](#)

Long-term protection of the environment

In 1995 Baloise signed the UNEP* Insurance Industry Declaration. In our environmental mission statement, we commit ourselves, amongst other things, to continuously reduce our direct impact on the environment by planning, building and managing corporate real estate, in order to save resources. The same principles and criteria apply to the procurement of equipment and materials.

SAVING CO₂ BY TRAIN

Employees are encouraged to use the train for travelling on business wherever possible. The train tickets for domestic and international travel are ordered through the Swiss Railways' ordering portal "SBB Businesstravel" and printed out at the workplace. Waiting times at the ticket counter and time-consuming expense claims are eliminated. As part of its service, the SSB also evaluates the rail travel with regard to CO₂ emissions. In 2010, 1,936,000 passenger kilometres were covered by train on business in Switzerland. This means that 100,000 litres of fuel were saved compared to road transport. The CO₂ emissions of 222 tonnes that were avoided is equal to the CO₂ emissions generated by about 100 minergy detached houses in one year.

ENERGY EFFICIENCY IN COMPUTER CENTRES

Basler's computer centres are being brought together step by step. This means that existing infrastructures are used more efficiently, operating costs are optimised and the security of the data entrusted to Basler is improved.

Approximately 30 % of the process energy used in modern computer centres is used to maintain a comfortable indoor climate. The responsible managers at Basler have analysed the consumption data of our computer centres and defined measures to reduce the consumption figures that are good already today by 5 to 10 % over the next three years. Here too we wish to keep our promise to use resources carefully and reduce the operating costs on a long-term basis.

SAVING PAYS OFF

In 2009, Basler Germany set itself the target to use of finite resources sparingly and increase employee awareness of environmental issues. To this purpose, Basler Germany started

a project together with experts. Changing the lighting at one location, reducing the water flow quantities of the sanitary facilities and improved waste separation led to savings of 43,700 kWh electricity, 45,762 CO₂ and 700 m³ of water and a costs reduction of over EUR 100,000 euros per year. These successfully implemented measures were rewarded with an environmental certificate. Further measures are planned for the year 2011 regarding the vehicle fleet, the outdoor lighting and the purchasing of consumables.

MAKING BETTER USE OF THE LIMITED AVAILABLE SPACE

The open-plan offices were extensively refurbished in the main building in Basel. Adjustments were made to the floor plan and workplaces to meet the demands of the modern working world. New open-space offices were created in the cell office area; only a few single offices remain. The floor plan was transferred to the other two Group headquarter buildings. Because the existing space is used more efficiently, an additional 400 workplaces have been created at Group headquarters whilst energy consumption remains almost unchanged. We can now let over 8,000 m² office space – this is equivalent to a medium-sized office building with 8 storeys.

ECO-EFFICIENCY IN OPERATION

The material and energy flows involve the consumption of the large office buildings used operationally and the computer centres in Switzerland. We record the consumption of just under 53 % of the 8,797 employees at the Baloise Group. The energy consumption per person was again reduced by nearly 1 %, although the energy consumption of the Baloise Group in Switzerland increased slightly due to the merging of the computer centres. It is our aim to reduce the energy consumption by 2 to 3 % each year in the years 2004 to 2013. We remain

* UNEP = United Nations Environment Programme

ENVIRONMENTAL AUDIT

	2008 absolute	2009 absolute	2010 absolute	Relative	Unit	+ / - %
Employees*	5,413	5,427	4,667		headcount	- 14.0
Energy reference area	164,598	164,927	142,872		ERA m ²	- 13.4
Locations	13	13	13		number of buildings	0.0
Electricity consumption	27,187,936 KWh	27,591,295 KWh	23,506,845 KWh	5,037	kWh / employee	- 14.8
Heating consumption	14,813,880 KWh	14,991,052 KWh	13,194,068 KWh	92	kWh / m ²	- 12.0
Water consumption	81,827 m ³	77,737 m ³	61,053 m ³	52	l / employee / day	- 21.5
Paper consumption	846 t	832 t	765 t	164	kg / employee	- 8.1
Paper types				7.00 %	recycled	
				74.00 %	chlorine-free	
				19.00 %	chlorine-bleached	
Copy paper consumption	93.6 million A4 sheets	90.7 million A4 sheets	99.4 million A4 sheets	21,300	A4 sheets / employee	9.6
Amount of refuse	928 t	1,184 t	1,039 t	223	kg / employee	- 3.8
Types of refuse				50.00 %	paper / cardboard	
				9.00 %	other materials	
				1.00 %	special waste	
				40.00 %	misc. waste / refuse	
Business travel	18.36 million km	23.46 million km	16.01 million km	3,430	km / employee	- 31.8
Mode of transport				20.80 %	km by air	
				41.20 %	km by road	
				38.00 %	km by public transport	
CO ₂ emissions	19,463 t	20,687 t	16,575 t	3,552	kg / employee	- 19.9

* The Deutscher Ring group no longer contains the figures of Deutscher Ring Kranken. Thereby reducing the absolute values of the energy and material flows significantly.

on target. The environmental changes as well as the rising energy prices and costs oblige and motivate us as a responsible company that uses resources efficiently.

TOP LINKS

www.baloise.com/sustainability

[→ Ecology → Environmental mission statement](#)

[→ Ecology → Ecology audit](#)

[→ Risk Management](#)

[→ Interview with Rolf Schäuble](#)

Our Risk Management counts among the best 15 percent in Europe

As an integral component of Baloise strategic management, risk management makes a major contribution to the Group's positioning. As a European insurance company with Swiss roots, we possess a strong balance sheet and a high degree of operational earning power which have been optimised in relation to risks taken on the one hand and earnings opportunities on the other.

Risk Management at Baloise is both risk and value management. Our risk model is based on innovative standards, meaning that we can always keep our "making you safer" promise.

In 2010, Standard & Poor's again awarded the Enterprise Risk Management of Baloise the very good rating "strong." We are therefore among the best 15% of all European insurers.

Our risk management is a uniform strategic and operational system that applies throughout the Group and has the following subsections:

- Risk map: this forms the backbone of risk considerations and defines basic risk issues, such as underwriting and market risks as well as operational business risks.
- Risk governance and risk culture: this involves fostering and firmly embedding risk awareness, handling and perception throughout the entire organisation.
- Risk measurement: This identifies, quantifies and models the risks in all business and financial processes.
- Risk processes: risk organisation, and the standards that apply to it, are important aspects of Risk Management, in conjunction with management, reporting and evaluation processes.
- Strategic Risk Management: its task is to simultaneously optimise the risks taken by the Group and its earnings opportunities.

THE RISK MAP

The risk map distinguishes between the different categories of risk to which Baloise is exposed:

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

A detailed description can be found on page 31 of the Financial Report.

The risk map is embedded in the organisation and the responsibilities of the entire Group. Each risk is assigned to a risk owner (with overall responsibility) and to a separate risk controller (risk monitoring and control).

RISK GOVERNANCE AND RISK CULTURE

Expansion of risk governance and risk culture has a long tradition at Baloise. We continuously work to improve this culture throughout the entire organisation. Appointed risk owners and risk controllers for specific risk issues is as much a part of this culture as membership of committees that meet regularly to deal with risk issues. At the same time, risk models and processes are continually improved. 2009 saw the completion of a project to upgrade the internal control system (ICS).

Baloise risk organisation 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 the local management. They are responsible for taking risk strategy decisions.

Special boards also prepare decision documents relating to specific risk areas, such as asset/liability management, compliance, IT risks and allocation, for these committees.

This is rounded off by close cooperation between the Group's Risk Management team and local risk experts. This comprehensive risk organisation is our platform for sharing and continuous further development of "best practices."

Group Risk Management is responsible for:

- the development of consistent, mandatory risk models across the Group,
- the monitoring of standards across the Group,
- reporting,
- compliance with risk processes,
- communication with external partners such as auditors, corporate supervisory bodies and rating agencies.

The business units are responsible for locally implementing Group specifications. Overall responsibility lies with the Group's Chief Financial Officer, followed by the Head of Financial Management. Ultimate responsibility with regard risk tolerance, business objectives, Risk Management strategy and standards is in the hands of the Board of Directors of Baloise Holding Ltd.

RISK MEASUREMENT

Our risk model standardises quantification of all business and financial market risks in all strategic business units. It is in line with the principles and calculation methods of the Swiss Solvency Test and the European Union's Solvency II guidelines. As a pioneering Risk Management tool, it provides a firm foundation to enable management to make strategic and operational decisions.

Baloise models are based on the concept of economic risk capital – currently the most advanced market standard. To do this, a target capital figure is derived, solely on the basis of risk calculation considerations – irrespective of financial accounting treatment or capital adequacy regulations as per Solvency I – to enable the company to remain solvent, even in adverse circumstances, and to meet its obligations to policyholders at any time. We constantly compare this target capital figure with existing capital, i. e. actual capital.

In addition to this integrated risk model, we use the risk map to identify, describe and assess specific risks in relation to their likely impact on business results. Our corporate

database of specific risks, which includes detailed descriptions of risks, their incorporation in the risk map and early warning indicators, is generated from this standard process. On the quantitative side, this description is complemented by the measurement of risks in respect of their likely financial impact on the company's balance sheet. Each risk is recorded together with a description of risk-minimising action to be taken. The database is updated twice a year.

This combination of an overall risk model on the one hand, and the specific risk approach on the other, ensures that Baloise has an appropriate risk overview at all times.

RISK PROCESSES

"Group-wide Risk Management Standards" lay mandatory foundations for risk processes. This set of rules specifies mandatory methods, rules and caps / floors across the Group. These standards determine how different risk issues are assessed, managed and reported. A system of risk limits, which function as early warning indicators, reduces the risks taken.

In order to comprehensively limit risk at an aggregated level, the Group uses a system of limits based on economic risk capital. This system tracks the Group's and individual business units' risk capital in real time. We also monitor individual, issue-specific risks, using limits, as illustrated in the following examples:

- The underwriting risks are based on underwriting guidelines. Local underwriters base their decisions on these. Risk calculation-related deductible analyses go hand in hand with key reinsurance policies.
- We monitor market and financial structure risks in all investment units, using a wide range of reporting processes. There are, for example (in addition to maximum limits for equities exposure), clear mandatory guidelines for bond ratings. Credit risks are assessed using not only the "Basel II" approach, but also advanced statistical methods.
- Business environment risks and operational and strategic risks are individually recorded using standard procedures and we assess their impact on capital.

Risk reports covering half a year are discussed with decision-makers in order to derive appropriate measures. We use our monthly risk analysis to review the overall solvency position, focusing on capital investment risks. Reports to regulatory authorities complete the picture.

STRATEGIC RISK MANAGEMENT

Our internal risk model, which quantifies all business and financial market risks in a standard manner, also forms the basis of strategic discussions about Baloise readiness to take risks. The capital requirements derived from this model represent minimum actual capital requirements in this regard.

There is a comprehensive view of primary strategic risks and how to manage them. Strategic Risk Management provides a clear perspective on developing new areas of business and optimising the risk-return ratio of our existing business.

Results targets for individual business units, which take their specific risk situation into account, are a key element of this control system. These specifications are included in the target agreements with local management.

OUR PROFESSIONAL RISK MANAGEMENT SYSTEM PROVED ITS WORTH IN 2010

The effectiveness and usefulness of Baloise's risk strategy principles were demonstrated in 2010. Group solvency at 224 % is an excellent indicator of the Group's financial strength.

- The Baloise Group's investment strategy focuses on diversification and the principle of only investing in instruments that can be fully assessed.
- Our investment policy regarding shares remained very conservative in 2010. The net proportion of investments in shares was 5.8 % on 31 December 2010.
- Our stable property portfolio, with its high-quality recurring revenues from capital employed, proved to be an important earnings pillar.
- Currency risks on fixed-interest and alternative financial investments were hedged to a considerable extent.
- The Group's net combined risk of 95.2 % verifies our very good actuarial practice in the non-life business.

Risk Management will continue to make rapid advances in the next few years, and make Baloise a company with a superior risk strategy and positioning.

More information on the subject of risk management can be found in the 2010 Financial report, "5. Management of insurance and financial risks" pages 30 to 67.

Corporate Governance

PAGES 48 – 83

“We stand for transparency and efficiency, as well as for the balance between management and control.”

Transparent Corporate Governance

As a value-creating, business Baloise has always attached great importance to good management-responsible Corporate Governance and continues to uphold this tradition.

Operating within the framework of the Swiss Code of Best Practice and the SIX Corporate Governance Guidelines, Baloise aspires in particular to foster a corporate culture with high ethical standards, which emphasises the integrity of the company and its employees. Baloise is convinced that high-quality corporate governance has a positive impact on the long-term performance of the company.

This chapter mirrors the structure of the SIX Corporate Governance Guidelines (29 October 2008 version), in order to provide more transparency and thus better comparability with previous years, as well as with other companies. The Swiss Code of Best Practice has also been taken into account, in particular Appendix 1 published in 2007, with its recommendations on compensation. Baloise publishes an actual Compensation Report as item 5 of the Corporate Governance Report, which also complies with the guidelines contained in the circular 2010/1 of the Swiss financial market supervisory authority FINMA.

It was announced at the Board of Directors meeting on 9 December 2010 that Dr Rolf Schäuble will resign from the Board of Directors at the Annual General Meeting on 29 April 2011. During 17 years of service that Dr Rolf Schäuble was active as Chairman of the Board of Directors and at times simultaneously as Chief Executive Officer for Baloise and contributed considerably to the company's success during this time. The longstanding member of the Board of Directors Dr Andreas Burckhardt will be appointed Dr Rolf Schäuble's successor. Prof. Dr Gertrud Höhler has been a member of the Board since 1998 and will resign at the Annual General Meeting 2011 as a result of having reached the regulatory age limit. The Annual General Meeting 2011 will propose the election of Dr med. Georges-Antoine de Boccard as the successor of Prof. Dr Höhler, and Dr iur. Andreas Beerli (both Swiss citizens) as a new member of the Board of Directors.

1. GROUP AND SHAREHOLDER STRUCTURE

Group structure

Headquartered in Basel, Switzerland, Baloise Holding is organised as a joint-stock holding company, incorporated under Swiss law, and listed on the SIX Swiss Exchange. As of 31 December 2010, the Baloise Group had a market capitalisation of CHF 4,550.0 million.

- Information on the Baloise share can be found in the Annual Report from page 24 onwards.
- Major subsidiaries and participations as of 31 December 2010 can be found in the notes to the Consolidated Annual Financial Statements in the Financial Report from page 10 onwards.
- Segment reporting by region and business segments are contained in the notes to the Consolidated Annual Financial Statements in the Financial Report from page 69 onwards.
- The operational Group management structure is presented on page 58 of the Annual Report.

Shareholders

As a public company with a broad shareholder base, Baloise Holding is part of the Swiss Market Index SMIM (SMI Mid) and the Swiss Leader Index (SLI).

Shareholder structure

As of 31 December 2010, a total of 19,493 shareholders were registered in the Baloise Holding share register. Compared to the previous year, the number of registered shareholders increased by 15.190%. BlackRock Inc., New York, holds 5.03% of the outstanding shares directly as well as through its subsidiaries according to the disclosure on 16 September 2010.

The “Significant shareholders” section on page 103 of the Annual Report provides further information on the composition of the shareholder base as of 31 December 2010.

The reports made to the issuer and the SIX Swiss Exchange AG Disclosure Office during the fiscal year according to Article 20 BEHG (Federal Act on Stock Exchanges and Securities Trading) and published on their electronic publishing platform, can be viewed using the search function on www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html.

Treasury shares

As of 31 December 2010, Baloise Holding held 2,138,121 treasury shares (4.28 %).

Cross holdings

Cross holdings involving capital ownership or voting rights do not exist.

2. CAPITAL STRUCTURE

Dividend policy

Baloise Holding pursues a policy of paying steady, profit-based dividends. Conventional cash dividends are supplemented with other distribution instruments such as share buy-backs and options. Essentially, around one-third of annual profits are paid out, while taking the Group’s internal financing requirements into account.

Share buy-back programme

The share buy-back programme, which started in September 2008, was continued in 2010 and extended to 30 April 2011. A maximum of 2,000,000 registered shares will be bought back. This equates to a proportion of at most 4 % of outstanding shares. By the end of December 2010, a total of 1,597,961 shares had been purchased at an average price of CHF 77.53. The share buy-back programme has thus been completed to 79.9 % as of 31 December 2010.

Buy-back volumes and prices are published weekly on the Internet.

➔ www.baloise.com → Investor relations
→ Baloise share → Share buy-back programme

Dividends paid to shareholders

Due to our shareholder-friendly dividend policy, CHF 1,766.1 million have been passed onto shareholders in the form of cash dividends and share buy-backs over the last five years.

	Cash dividends	Share buy-backs	Total
Year in CHF million			
2006	121.7	113.8	235.5
2007	210.2	390.9	601.1
2008	243.0	130.3	373.3
2009	225.0	71.5	296.5
2010	225.0	34.7	259.7
Total	1,024.9	741.2	1,766.1

In each case on 31 December.

Equity of Baloise Holding

The following table shows how equity has changed during the last three reporting periods.

CHANGES IN BALOISE HOLDING EQUITY (BEFORE APPROPRIATION OF PROFIT)

	2008	2009	2010
in CHF million			
Share capital	5.0	5.0	5.0
General reserves	11.7	11.7	11.7
Reserves for treasury shares	46.6	118.3	156.4
Unappropriated reserves	115.7	298.6	264.9
Retained earnings	480.4	230.2	234.2
Baloise Holding equity	659.4	663.8	672.2

In each case on 31 December.

The share capital of Baloise Holding amounts to CHF 5.0 million since 29 April 2008. It is divided into 50,000,000 registered shares with a face value of CHF 0.10, bearing an entitlement to a dividend.

Authorised and contingent capital, other financing instruments

Authorised capital

A resolution passed at the Annual General Meeting on 30 April 2009 authorised the Board of Directors to increase share capital until 30 April 2011 by CHF 500,000 at most, by issuing a maximum of 5,000,000 registered shares with a face value of CHF 0.10, which are to be subscribed and paid in full. Accordingly, § 3 section 4 of the Articles of Incorporation was rewritten in 2009.

➔ www.baloise.com → Responsibility
→ Corporate Governance → Rules and regulations

Contingent capital

The 2004 Annual General Meeting (§ 3 of the Articles of Incorporation) created contingent capital. This capital enables share capital to be increased by a maximum of 5,530,715 registered shares each with a face value of CHF 0.10. This equates to a maximum nominal share capital increase of CHF 553,071.50

Contingent capital serves to hedge possible option or conversion rights, which are granted in conjunction with bonds or similar debentures. Shareholders do not have subscription rights. The respective holders of option and conversion rights are entitled to subscribe for the new registered shares. The Board of Directors can restrict or exclude shareholders' pre-emptive subscription rights when issuing optional and convertible bonds on international capital markets. More detailed information about the structure of this contingent capital can be found in § 3 of the Baloise Holding Articles of Incorporation.

➔ www.baloise.com → Responsibility
→ Corporate Governance → Rules and regulations

Other financing instruments

No participation or bonus certificates exist.

Consolidated equity of the Baloise Group

On 31 December 2010, consolidated equity of the Baloise Group amounted to CHF 4,133.5 million. Details about trends in 2009 and 2010 can be found on pages 8 and 9 of the Financial Report in the consolidated statement of changes in equity. Full details on 2008 can be found in the consolidated statement of changes in equity on page 8 of the Financial Report 2009.

Outstanding bonds

Baloise Holding and other Group companies have issued bonds on the open market. At the end of 2010, a total of six bonds issued by Baloise Holding and other Group companies were outstanding on the open market. Details on the outstanding bonds can be found on page 101 and on the Internet.

➔ www.baloise.com → Investor relations → Bonds

Rating

Standard & Poor's Ratings Services rated the financial strength of Baloise Insurance Ltd unchanged at an "A-" rating with a stable outlook. This reflects the strong capitalisation, a high degree of financial flexibility, the strong competitive positioning, as well as the excellent earning power of the Baloise Group's business model. Group-wide risk management is rated as "strong".

➔ www.baloise.com → Investor relations → Rating

3. BOARD OF DIRECTORS

Only the Chairman of the Board of Directors, Dr Rolf Schäuble, holds an executive post. All other members of the Board of Directors are independent and non-executive. In the three fiscal years preceding the reporting period, they were not appointed to an executive post within any Group company and do not maintain any substantial business relationships with the Baloise Group.

The following persons were re-elected in the fiscal year:

- Dr Georg F. Kraye for a three-year term of office
- Werner Kummer for a three-year term of office
- Prof. Dr Gertrud Höhler for a one-year term of office as a result of having reached the regulatory age limit at the 2011 Annual General Meeting.

→ Hansjörg Frei for a two-year term of office as a result of having reached the regulatory age limit at the 2012 Annual General Meeting.

Newly elected in the reporting year:

→ Dr Michael Becker for a three-year term of office

It will be proposed to the 2011 Annual General Meeting to elect the following persons as new members of the Board of Directors:

→ Dr Georges-Antoine de Boccard (1951, CH). Dr de Boccard studied medicine at the University of Geneva

and is a self-employed, practising physician based in Geneva. He is a member of various organisations related to his profession.

→ Dr iur. Andreas Beerli (1951, CH) studied and completed his PhD at the University of Basel. He was employed at Baloise and Swiss Re where he held various management posts. Most recently he was the Chief Operating Officer and member of corporate management at Swiss Re. He has worked as an independent consultant since 2009.

MEMBERS

	Chairman's Committee	Audit Committee	Compensation Committee	Investment Committee	Nationality	Born in	Appointed in	End of mandate
Dr Rolf Schäuble, Chairman, Lenzburg	C			C	CH	1944	1993	2011
Dr Georg F. Kraye, Vice-Chairman, Basel	VC		C	DC	CH	1943	1995	2013
Dr Michael Becker, Darmstadt		M			D	1948	2010	2013
Dr Andreas Burckhardt, Basel		M			CH	1951	1999	2012
Dr Hansjörg Frei, Mönchaltorf	M	M		M	CH	1941	2004	2012
Prof Dr Gertrud Höhler, Berlin			M		D	1941	1998	2011
Dr Klaus Jenny, Zurich	M		DC	M	CH	1942	2003	2012
Werner Kummer, Küsnacht		C			CH	1947	2000	2013
Dr Eveline Saupper, Pfäffikon			M		CH	1958	1999	2011

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

BOARD ATTENDANCE 2010: ORDINARY MEETINGS OF THE FULL BOARD OF DIRECTORS

	11.3.2010	23.4.2010	23.8.2010	24.8.2010	8.12.2010	9.12.2010
Dr Rolf Schäuble, Chairman	x	x	x	x	x	x
Dr Georg F. Kraye, Vice-Chairman	x	x	x	x	x	x
Dr Michael Becker	n/a	n/a	x	x	x	x
Dr Andreas Burckhardt	x	x	x	x	x	x
Dr Hansjörg Frei	x	x	x	x	x	x
Prof. Dr Gertrud Höhler	x	x	x	x	x	x
Dr Klaus Jenny	x	x	x	x	x	x
Werner Kummer	x	x	x	x	x	x
Dr Eveline Saupper	x	x	x	x	x	x

x = present, o = absent, n/a = not applicable



Board of Directors from left to right: Rolf Schäuble, Georg F. Kraye, Michael Becker, Andreas Burckhardt

Rolf Schäuble (1944, CH, Dr oec. HSG) obtained his doctorate (Dr oec. HSG) after reading economics at the University of St. Gallen. Between 1975 and 1993, he held various posts in the Zurich Insurance Group in Zurich, as of 1986 as a member of the management board. In 1993 Dr Rolf Schäuble joined the Board of Directors of Baloise Holding Ltd and was appointed Chairman in 1994. From 1996 until 2002, he was also a delegate of the Board of Directors and Chief Executive Officer of the Baloise Group. Between 2002 and December 2007, he served only as Chairman of the Board of Directors. From 6 December 2007 until 31 December 2008 he again served simultaneously as Chief Executive Officer. This dual mandate ended on 31 December 2008.

Georg F. Kraye (1943, CH, Dr iur.) has been a member of the Board of Directors since 1995 and its Vice-Chairman since 2004. From 6 December 2007 until 31 December 2008 he also fulfilled the role of Lead Director. He studied law, obtaining a doctorate (Dr iur.). Dr Georg F. Kraye is Honorary Chairman of the Board of Directors at Bank Sarasin & Cie AG, Basel and was the Chairman of the Swiss Bankers Association until 2003. He is an independent, non-executive director.

Michael Becker (1948, D, Dr iur.) has been a member of the Board of Directors since 2010. He studied law in Hamburg and Tübingen and took over the position Head of Accounting and Controlling at Merck KGaA, Darmstadt in 1998. Since 2000, he has been a member of the management board and personally liable partner of Merck KGaA and, since 2002,

a member of the Board of Directors and personally liable partner of E. Merck KG, Darmstadt that holds 70 % of the Merck KGaA shares. He is an independent, non-executive director.

Andreas Burckhardt (1951, CH, Dr iur.) has been a member of the Board of Directors since 1999. He studied law at the Universities of Basel and Geneva and obtained his doctorate (Dr iur.). He worked for Fides Treuhandgesellschaft from 1982 until 1987 and served as General Secretary of the Baloise Group from 1988 until 1994. Since 1994 he has been Director of the Basel Area Chamber of Commerce. Dr Andreas Burckhardt is Vice-President of the Swiss Association of Chambers of Commerce and has been a member of the Great Council of the Canton of Basel City since 1997 (President in 2006/2007). He is an independent, non-executive director.

Hansjörg Frei (1941, CH, Dr iur.) has been a member of the Board of Directors since 2004. He studied law at the University of Zurich and obtained his doctorate (Dr iur.). Dr Hansjörg Frei joined Winterthur in 1982 and was most recently a member of the Group Executive Board, with responsibility 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. He was Chairman of the Swiss Insurance Association (SIA) from 2000 to 2003. Dr 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. He is an independent, non-executive director.



Hansjörg Frei, Gertrud Höhler, Klaus Jenny, Werner Kummer, Eveline Saupper

Gertrud Höhler (1941, D, 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. From 1987 to 1990 Prof. Dr Gertrud Höhler was PR consultant to the Chairman of Deutsche Bank AG, Alfred Herrhausen, and between 1992 and 1995 was a non-executive director at Grand Metropolitan PLC, London. She is a member of the Board of Directors of Georg Fischer AG, Schaffhausen, and was a member of the Board of Directors of Ciba AG, Basel, from 1998 until 2009. Prof. Dr Gertrud Höhler is an independent, non-executive director.

Klaus Jenny (1942, CH, Dr oec. HSG) has been a member of the Board of Directors since 2003. He studied economics at the University of St. Gallen, obtaining his doctorate (Dr oec.). In 1987 Dr Klaus Jenny became a member of the General Directorate of the Schweizerische Kreditanstalt and a member of the Executive Board of Credit Suisse Group and his last post was CEO of the “Credit Suisse Private Banking” business unit. He has been an independent financial advisor to businesses and private individuals since 1999. He is a member of the Board of Directors of Clariant AG, of Maus Frères S.A., of Edmond de Rothschild Holding S.A., of the Banque Privée Edmond de Rothschild S.A., of Téléverbier S.A. and various other (non-listed) companies. Dr Klaus Jenny is an independent, non-executive director.

Werner Kummer (1947, CH, Dipl.-Ing. ETH, MBA Insead) has been a member of the Board of Directors since 2000. From 1990 to 1994, he was Chairman of the Executive Board of Schindler Aufzüge AG and subsequently was a member of the Schindler Group Management Committee, with responsibility for the Asia Pacific region, until 1998. He was CEO of Forbo Holding AG from 1998 until March 2004. Werner Kummer is an independent business consultant, a member of the Board of Directors of Walter Meier AG, Chairman of the Board of Directors of Gebrüder Meier AG, a member of the Supervisory Board of Schindler Deutschland Holding GmbH as well as being a member of the Board of the Zurich Chamber of Commerce. He is an independent, non-executive director.

Eveline Saupper (1958, CH, Dr iur.) has been a member of the Board of Directors since 1999. She studied law at the University of St. Gallen and obtained her doctorate (Dr iur.). Today, she is an attorney-at-law and a certified tax expert. From 1983 to 1985, she was with Peat Marwick Mitchell (now KPMG Fides) in Zurich and from 1985 to 1992 with Baker & McKenzie in Zurich and Chicago. She joined Homburger AG, Zurich, in 1992, where she is a partner. Dr Eveline Saupper is a member of the boards of the Hess Holding SA, Luxembourg, of subsidiaries of the Hess group as well as of the Homburger AG, Zurich. She is an independent, non-executive director.

Secretary to the Board of Directors: Dr Thomas Sieber,
Rheinfelden
Head of Group Audit Committee: Rolf-Christian Andersen,
Meilen
More information on the members of the Board of Directors
can be found on the Internet

➔ www.baloise.com → About us → Organisation
→ Board of Directors

Cross-ownerships

No cross-ownerships exist.

Election and terms of office

At the end of 2010, the Board of Directors consisted of nine members. Each member is elected by the Annual General Meeting for a term of three years. Around one-third of the members step down annually unless they are re-elected (staggered replacement). Due to age restrictions, a Board of Directors mandate ends no later than the Annual General Meeting following a member's 70th birthday. Currently the average age is about 64. Each member of the Board of Directors is elected individually, and if requested by the shareholders, also granted an individual discharge.

Internal organisation

Duties of the Board of Directors

Subject to the decision-making powers of the shareholders at the Annual General Meeting, the Board of Directors is the company's supreme decision-making body. Essentially, decisions are made by the Board of Directors, unless authority has been delegated to the Chairman of the Board of Directors, to the Committees, the Corporate Executive Committee or to the CEO on grounds of organisational regulations.

As per Article 716a of the Swiss Code of Obligations and Section 1 II of the organisational regulations, the principal duties of the Board of Directors are general management, overall and financial supervision of the company and specifying the organisational structure.

➔ www.baloise.com → Responsibility
→ Corporate Governance → Rules and regulations

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 proposals for their areas of responsibility. The Investment and Compensation Committees in particular have their own decision-making authority.

As a rule, committees appointed by the Board of Directors consist of four members, who are elected annually by the Board. The Chairman and the 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 duties of these committees are governed by the organisational regulations and by the written regulations applying to each committee.

➔ www.baloise.com → Responsibility
→ Corporate Governance → Rules and regulations

Duties of the committees

The **Chairman's Committee** provides advice on key business transactions, in particular on important strategic and personnel decisions. In this respect the Chairman's Committee also acts as the Nomination Committee. Furthermore, it acts as the Investment Committee, approving the Group's investment policy and property investments for the Group's own use at Head Office.

The **Compensation Committee** specifies the structure and the amount of compensation paid to members of the Board of Directors as well as the salaries of the members of the Corporate Executive Committee. As part of the incentive plan it specifies higher-ranking corporate objectives and their attainment. It approves compensation policies for Corporate Executive Committee members and monitors their correct application. The Chairman of the Board of Directors is not a member of this committee.

The **Audit Committee** supports the Board of Directors in those supervisory and financial duties that cannot be delegated (Article 716a Swiss Code of Obligations), by evaluating the organisational structure and the functioning of international and external auditing systems and the annual and consolidated financial statements. The Audit Committee also evaluates

the effectiveness of internal control systems, including risk management and the status of compliance. The Audit Committee has discussed the consolidated financial statement for the 2010 fiscal year both with management and with the external auditors. Based on these discussions, the Audit Committee has recommended that the audited Annual Financial Statement be incorporated in the Group's Annual Report for the fiscal year ended on 31 December 2010 and submitted to the Annual General Meeting. The Board of Directors has endorsed this proposal.

Board of Directors and committee meetings

The full Board of Directors meets as often as business requires, but no less than four times a year, in compliance with organisational regulations.

➔ www.baloise.com → Responsibility
 → Corporate Governance → Rules and regulations

In 2010, the full Board of Directors of Baloise Holding convened ordinarily on six occasions. The table on page 51 shows the directors' attendance at these full Board meetings. All members of each relevant committee attended all the additional twelve committee meetings. Board attendance by members of the Board of Directors was thus a very respectable 100%. One meeting of the full Board of Directors dealt with the further training of the members, in particular, the topics Risk Report (including Swiss Solvency Test), reporting and accounting trends.

➔ www.baloise.com → Responsibility
 → Corporate Governance → Board attendance

In the year just ended, the Chairman's Committee met five times, including once for a two-day strategy meeting. The Investment Committee met once. The Audit Committee met four times and the Compensation Committee met on two occasions.

Members of the Corporate Executive Committee are regularly invited to attend full Board of Directors meetings. Meetings of the Audit Committee are primarily attended by the Chief Executive Officer, the Chief Financial Officer, the

Head of Corporate Audit, the Secretary of the Board of Directors and by representatives of the external auditors. Meetings of the Compensation Committee are primarily attended by the Chief Executive Officer, the Secretary of the Board of Directors and the Head of Group Human Resources.

Division of authority and responsibilities between the Board of Directors and the Corporate Executive Committee

The division of authority and responsibilities between the Board of Directors and the Corporate Executive Committee is governed primarily by organisational regulations and investment policies. Both documents are reviewed on an ongoing basis and updated as changing circumstances require.

➔ www.baloise.com → Responsibility
 → Corporate Governance → Rules and regulations

Corporate Executive Committee information and control tools

The Group Corporate Audit department reports directly to the Chairman of the Board of Directors. Effective risk management is of key importance to an insurance group. This is why there is a chapter on financial risk management in the Annual Report from page 44, and in the Financial Report from page 30 on.

Members of the Board of Directors receive the minutes of Corporate Executive Committee meetings for their perusal. The Chairman of the Board of Directors may attend meetings of the Corporate Executive Committee at any time.

4. CORPORATE EXECUTIVE COMMITTEE

Martin Strobel (1966, D/CH, Dr rer. pol.) studied computer science, business management and business information systems at the Universities of Kaiserslautern, Windsor (Canada) and Bamberg, prior to obtaining his doctorate (Dr rer. pol.). From 1993 to 1999 he held various posts at Boston Consulting Group, Dusseldorf, dealing with strategic IT management issues in the banking and insurance sector. He joined the Baloise Group in 1999. Initially he was Head of IT at Basler Switzerland, with responsibility for major cross-business projects in the insurance and banking divisions within the Baloise Group. He was a member of the Corporate Executive Committee from 2003 to 2008, with responsibility for the Corporate Division Switzerland. With effect from 1 January 2009, Dr Martin Strobel took over as Chief Executive Officer.

Jan De Meulder (1955, B) studied mathematics and insurance mathematics at the universities of Antwerp and Leuven, Belgium. From 1978 until 1992, he worked in Antwerp for the ING Group at De Vaderlandsche Insurance. He was responsible, amongst other things, for product development and production in the life sector. After two years as General Manager of the Life Association of Scotland, Jan De Meulder joined the Fortis Group, Brussels, in 1994 and there he held various senior management posts, most recently as CEO of Fortis Corporate Insurance. He joined the Baloise Group in 2004. Since then he has held the position of CEO of the Belgian subsidiary, Mercator Verzekeringen, in Antwerp. Since 1 January 2009, Jan De Meulder has been head of the International Corporate Division.

German Egloff (1958, CH, lic. oec. HSG) graduated in business economics from the University of St Gallen. From 1985 onwards, he held various management posts at Winterthur Insurance, Switzerland. In 1997, as a member of the Executive Board, he assumed responsibility for individual nonlife insurance products, which also included the management of Wincare and (as Chairman of the Board of Directors) of Sancare. From 1998 to 2002, German Egloff was Chief Financial Officer of Winterthur Switzerland and a member of the Board

of Directors of Wincare, becoming its Chairman in 2000. From 2002 to 2004, he was Chief Financial Officer at Zurich Financial Services Switzerland. His area of responsibility included finance, human resources, IT, logistics and procurement. German Egloff has been a member of the Corporate Executive Committee (Head of the Corporate Division Finance) since 1 December 2004, with responsibility for Investor Relations, Financial Management and Financial Accounting & Corporate Finance as well as, most recently, also for Corporate IT. The appointed actuary of the Baloise's Swiss business likewise reports to German Egloff.

Olav Noack (1967, D/CH, Dr oec.) graduated in business economics and political science from the university of St Gallen (Dr oec.). From 1995 to 2002, he was employed by McKinsey, Switzerland and USA, as a consultant to various insurers in the life and health insurance sectors and also in the nonlife business. Dr Olav Noack was responsible for the realignment of the Life Insurance division at UBS from 2002 until 2007. As Head of Life Insurance, he developed UBS product offerings for various countries. Most recently, he was responsible for unit trust products, all life insurance companies as well as third party business at Barclays Wealth. Since 1 February 2009, Dr Olav Noack has been a member of the Corporate Executive Committee, and the CEO of the Corporate Division Switzerland.

Thomas Sieber (1965, CH, Dr iur., M.B.L., lawyer) studied law at the University of St Gallen. At the beginning of 1994, he qualified to practice law in the canton of Zurich. He then spent a year on a Swiss National Science Foundation scholarship at the University of California in Berkeley, working on his thesis, for which he received a "summa cum laude" distinction and the Walther Hug Prize. From 1999 to 2002, he lectured in corporate law at the University of St Gallen. After working for Landis & Gyr and Siemens, Dr Thomas Sieber joined the Baloise Group in 1997, initially as Deputy Head of Legal and Taxes, and he has headed this division since 2001 while also holding the post of Secretary to the Board of Directors of Baloise Holding. Dr Thomas Sieber has managed

several strategic projects within the Baloise Group. As part of the review of the Swiss Insurance Supervisory Act, he managed the “Financial Markets Supervisory Authority” task force of the Swiss Insurance Association (SIA). With effect from 6 December 2007, Dr Thomas Sieber was appointed Head of the Corporate Center division, with responsibility for Human Resources, Legal and Taxes, Compliance, Corporate Development and Run Off and, since 2009, likewise for the newly created Group Procurement division. Thomas Sieber is also a member of the board of directors of EuroAirport Basel Mulhouse.

Martin Wenk (1957, CH, lic. iur.) graduated in law at the University of Basel obtaining his doctorate (lic. iur.) prior to holding various posts with a major bank from 1982 to 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 of America. From 1992 until 2000, he was Head of Portfolio Management Switzerland within the Baloise Group, with responsibility for managing the assets of various companies in Switzerland and within the Group, including the pension funds. He joined the Corporate Executive Committee (as Head of the Corporate Division Asset Management) in 2001, with responsibility for Asset Management, including the Investment Strategy, Investment Controlling, Baloise Asset Management, Real Estate and Baloise Fund Invest units (fund business). Martin Wenk is a member of the board of Unigestion Holding, Geneva.

Further information on the members of the Corporate Executive Committee can be found on the Internet.

With the exception of Dr Martin Strobel and Martin Wenk, none of the members of the Corporate Executive Committee serve on the boards of Directors of non-Baloise Group companies.

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

➔ www.baloise.com ➔ About us ➔ Organisation
 ➔ Corporate Executive Committee

Management



From left to right: Olav Noack, Jan De Meulder, German Egloff, Martin Strobel, Martin Wenk, Thomas Sieber

GROUP CEO

Martin Strobel, Dr rer. pol.*

Corporate Secretary		Corporate Communications		
Markus von Escher, Dr. iur.		Thomas Kähr		
SWITZERLAND	INTERNATIONAL	FINANCE	ASSET MANAGEMENT	CORPORATE CENTER
Olav Noack, Dr. oec. HSG* (until 21.3.2011) Michael Müller* (as of 22.3.2011)	Jan De Meulder*	German Egloff*	Martin Wenk*	Thomas Sieber, Dr iur. *
Product Management Commercial Clients Clemens Markstein	Germany Frank Grund, Dr iur.	Financial Accounting & Corporate Finance Carsten Stolz, Dr rer. pol.	Investment Strategy & Investment Controlling Thomas Schöb	Corporate Development Thomas Wodrich
Product Management Private Customers & Focused Financial Services Wolfgang Prasser	Belgium Gert De Winter	Investor Relations Marc Kaiser	Baloise Asset Management Reto Diezi, Dr oec. publ.	Group Human Resources Christoph Thoma
Sales & Marketing Bernard Dietrich	Luxembourg André Bredimus	Financial Management Stefan Nölker, Dr rer. nat.	Real Estate Hans-Peter Bissegger	Group Legal & Tax Andreas Eugster
Baloise Bank SoBa Jürg Ritz	Austria Otmar Bodner, Dr iur.	Corporate IT René Güttinger	Baloise Investment Services Robert Antonietti	Group Compliance Silvia Kalbermatten, Dr iur.
Operations & IT Urs Bienz	Croatia & Serbia Darko Cesar	Baloise 2012 Roger Matthes		Run Off Bruno Rappo
Finance & Risk Michael Müller	Baloise Life (Liechten- stein) Annemie D’Hulster	Appointed Actuary Switzerland Marie-Thérèse Kohler, Dr sc. Math. ETH (until 31.12.2010) Thomas Müller, Dr sc. math. (as of 1.1.2011)		Group Procurement Manfred Schneider, Dr rer. nat.
Claims Stephan Ragg, Dr iur.	Regional Management Peter Zutter Martin Kampik			

* Member of the Corporate Executive Committee

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

The remuneration policy, guidelines and system of Baloise are described in this chapter. In addition, the remuneration and loans to the members of the Board of Directors and the Corporate Executive Committee, including the participations of this group of persons, are disclosed. Key to the content and scope of this disclosure are Articles 663b bis and 663c of the Swiss Code of Obligations, the standard relating to information on Corporate Governance of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance including the circular 10/1 of the Federal Financial Supervisory Authority (FINMA) on remuneration systems. These regulations stipulate that certain details are to be made in the notes to the financial statements and other information is to be given in the section on corporate governance. Baloise considers this chapter as integral to corporate reporting and has therefore decided to publish the complete Compensation Report in the Annual Report and the chapters regarded as necessary in the Financial Report.

5.1. Compensation Committee of the Board of Directors

In accordance with the Swiss Code of Best Practice, the Board of Directors formed the Compensation Committee in 2001. This committee deals with the compensation policy, particularly at the highest corporate level. Amongst other things, the Compensation Committee makes sure that

- remuneration policy and compensation systems are long-term in nature and geared to corporate strategy;
- the total compensation provided by the company is market and performance-focused and designed to attract and retain persons with the necessary skills and high performance-orientation;
- compensation justifiably reflects the company's long-term success and the individual's contribution and does not create false incentives.

The duties of the Committee include determining the structure and the amount of compensation for the Chairman and

the members of the Board as well as of the members of the Corporate Executive Committee. As part of the incentive plan, the Committee defines the Group's higher-ranking goals and assesses target attainment. It approves the regulations on compensation applicable to Corporate Executive Committee members and monitors their correct application.

The Compensation Committee consists of the following four independent members of the Board of Directors, who are re-elected annually by the Board: Dr Georg F. Krayer (Chair), Dr Klaus Jenny (Vice-Chair), Prof. Dr Gertrud Höhler, Dr Eveline Saupper. As a rule, the Committee holds at least two meetings a year. The Chair of the Compensation Committee reports to the Board of Directors regularly on the activities of the Committee. The minutes of Committee meetings are also available to the whole Board.

5.2. Remuneration policy

Principles

The company's success depends strongly on the skills and the performance of its employees. Therefore, it is vital to attract and develop well-qualified, competent and highly motivated employees and executives and retain them within the company. Baloise's remuneration policy and system are derived from these superordinate principles.

Remuneration directive and regulations

In March 2010 the Board of Directors adopted a remuneration directive proposed by the Compensation Committee, which defines the remuneration directives and philosophy valid for the Baloise Group. The remuneration directive applies to all employees of the whole Baloise Group. It reflects the policies and values of the company and is based on the following principles:

- Be competitive in the market – Baloise aims to pay basic salaries that are in line with the market and to exceed the market regarding variable remuneration when individual and company performance are very good.
- To consider the company and individual performance – performance is the basis for further development and advancement.

- Fairness and transparency – external comparison on the market also regarding wages, no discrimination.
- Sustainability – high conformity of management and shareholder interests, long-term commitment, higher proportion of restricted shares.

Based on this remuneration directive, the Board of Directors simultaneously issued a remuneration rule applying to all employees in Switzerland and correspondingly also to all employees of the Group.

All elements of the remuneration policy are thus centrally regulated by the remuneration directive and rules. This regulatory framework forms the basis for a remuneration system that also covers the requirements of the Federal Financial Supervisory Authority. This means that the variable remuneration is in future even more strongly tied to the value creation of the company.

5.3. Remuneration system of Baloise New Performance Management as of 1 January 2011

As of the 2011 fiscal year a new Performance Management System will be applied that places the short-term variable remuneration on a new footing. This new Performance Management System is a dual system that has two distinctly separate instruments:

- assesses and evaluates the individual performance.
By means of the so-called performance remuneration, the performance of the individual is directly considered, based on an individually target agreement and the corresponding achievement of the objectives. The target value depends on the basic salary and varies according to the management level of the individual.
- considers the value creation of the company.
The establishment of the so-called Performance Pool is directly linked to the company's success and is determined by the Compensation Committee ex-post. Here the Compensation Committee considers the following criteria in particular: Group result compared to the previous year and competitors, capital market view in comparison to the competitors and risks assumed, as well as implementation of the strategy.

The individually determined value is based on the superior's overall assessment which considers the criteria performance, management and conduct. In contrast to performance remuneration, there is no contractual claim to the payout or the amount of a possible payment from the Performance Pool.

The new Performance Management System was introduced on 1 January 2011. It is valid across the Group for all employees belonging to the function levels 1 to 3. In Switzerland, it also applies to the function levels 4 and 5, abroad it applies to the majority of the corresponding functions.

The compensation disclosed in the report at hand are still measured by the former system used up to now. For this reason, the previous remuneration system is described in detail below.

Market comparisons

Baloise regularly compares the salaries of its senior executive managers with those of relevant competitors (STOXX Europe 600 Insurance Index and local employment markets) and strives to pay basic salaries in line with the market.

The results of a compensation survey carried out in 2008 by Kienbaum AG show that on average Baloise pays the market mean as regards total remuneration, whilst the proportion of shares in the total remuneration package is higher than that of comparable competitors as intended. The variable part of the remuneration package can also vary strongly, which in turn confirms that linking it to performance goals really has an effect.

Function value system

To ensure in-house comparability, Baloise applies a function value system for senior executive managers in the Group and employees in Switzerland. The requirements of the holder of a certain function / position with regard to skills, knowledge and experience are evaluated and weighted in the process. Similarly weighted positions are grouped in function levels. The allocation to a certain function level is key to the identification of the applicable salary range, ancillary pay and

ELEMENTS OF THE REMUNERATION SYSTEM

Category	Component	Description	Applicable Levels
Variable	Performance Share Units	Long-term participation instrument	Senior Management FL 1 – 3
	Performance quota	Discretionary, additional, variable and performance-related salary component	
	Incentives	Variable, performance-related salary component	
Fixed	Pension	Pension scheme benefits	All employees FL 1 – 9
	Fringe benefits	Ancillary benefits	
	Salary	Fixed salary component	

other employment contract components, as well as the specific management level to which the individual belongs.

The function value system of Baloise comprises nine function levels (FL); levels 1 to 3 apply across the Group, the other levels 4 to 9 are only applicable in Switzerland:

- FL 1: Member of the Corporate Executive Committee (including the Chief Executive Officer)
- FL 2 to 4: Member of executive management
- FL 5 to 6: Member of senior management (specialists and team leaders)
- FL 7 to 9: Consultant

Remuneration system and its components

Baloise treats its remuneration as an all-inclusive package and therefore considers basic salary, short and long-term variable remuneration and also other material and non-material benefits, such as pension contributions, additional benefits or employee career development and promotion.

The goal of this remuneration system is, on the one hand, to promote a performance culture in the Baloise Group and, on the other, to facilitate the retention of qualified and management personnel within the organisation. The remuneration philosophy of Baloise aims to pay basic salaries geared to market. Furthermore, the variable remuneration components are designed so that in a very good year – with regard to

individual performance and the success of the company – incentive payments above the market average are also possible, just as they can fall below the market average in a weak year.

As a performance-driven company, Baloise establishes a clear and replicable correlation between the goals of the employees and business objectives, which can be derived from strategic priorities. Remuneration, target agreements and performance assessments are closely related. Compensation – consisting of basic salary and variable payments – shows a clear yet differentiated connection to and recognition of the performance of the individual and the success of the company and is meant to motivate employees to continue to achieve outstanding results. Actual performance forms the basis for further development, career planning and the fostering of our talents.

Baloise places great importance on the retention of key personnel and on the sustainable management of the business. This corresponds to the nature of our business, which is to enable our customers to create sustainable value and achieve a sense of safety. In addition to remuneration corresponding to the market and performance, a sustainable focus of our executive managers geared towards the interests of the shareholders is important to Baloise. Hence, portions of the incentives package are paid in shares. In addition, the three highest management levels receive a substantial portion of other salary components (performance quota, performance

share units) in the form of shares, which are blocked for three years in the sense of a deferred payment. For the members of the Corporate Executive Committees, shares as a proportion of variable remuneration amount to about 75 % and the value of the restricted shares they hold is about three-times their basic salary. This means that important elements of the new standard required by the regulatory authorities are already being fulfilled.

Basic salary

The basic salary represents the compensation appropriate to the tasks and responsibility of the position and the employee's skills and competence required to reach the business targets. Baloise aims to achieve an average position in the market when determining the basic salary. This is realised on the grounds of local business and market requirements. Basic salaries are checked regularly and adjusted if necessary, based on the individual performance, the position in the salary range as well as the company performance. The principle "same pay for the same qualification and tasks" applies when determining the basic salary. Fairness of internal pay and the Baloise Code of Conduct are also taken into account. Internal and external fairness in pay are supported by clear and market-oriented salary structures.

Incentives

Incentives as a variable and performance-related remuneration component depend on the attainment of certain targets. Individual performance is measured as part of the "Individual Performance Management" process (IPM) introduced. To this end, and in cooperation with their employees, superiors annually define key individual targets and assess the full extent of attainment by March of the following year at the latest.

In principle, all employees at function levels 1 to 5 are entitled to incentives. The regulations governing incentives for function level 1 apply to the executive Chairman of the Board of Directors. Regulations adapted to local employment and remuneration markets are applied to foreign business units.

At a 100 % level of attainment, incentives have the following values (target incentive):

- 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

Besides individual attainment of objectives, company performance has an influence on the incentive amount. The Compensation Committee defines a factor based on the annual results (operational performance management, OPM), which is determined on the basis of total shareholder value, profit trends, growth and market trends. This is multiplied with the result of individual performance. The OPM factor can lie between 0.8 and 1.3 for members of the Corporate Executive Committee and function levels 2 and 3. It ranges between 0.9 to 1.2 for function levels 4 and 5.

NUMERICAL EXAMPLE FOR A MEMBER OF EXECUTIVE MANAGEMENT (FL 4)

Basic salary: CHF 100,000

Target incentive: 22 % of basic salary

Total extent of target attainment: 80 %

OPM factor (operational performance management): 1.1

Incentive = CHF 100,000 × 0.22 × 0.8 × 1.1 = CHF 19,360

Incentives are paid with the salary for June of the following year. Basically, employees at function levels 4 and 5 have the choice which proportion they would like to have paid out in cash and which they would like to receive as shares. This option is restricted for function levels 1 to 3; here a graded obligation to draw share exists: Members of the Corporate Executive Committee must draw 50 % of their incentives in the form of shares. These obligatory salaries mean that as the individual's responsibility and total remuneration increases a significant proportion of the remuneration is paid out with a deferred effect. They also promote risk awareness among employees and encourage them to work economically and sustainably.

EMPLOYEE INCENTIVE PLAN

	2009	2010
Number of subscribed shares	179,290	170,842
Restricted until	31.8.2012	31.8.2013
Subscription price per share in CHF	45.70	41.90
Value of subscribed shares in CHF million	8.2	7.2
Fair value of subscribed shares as of subscription date in CHF million	16.8	14.3
Entitled employees	3,240	3,189
Participating employees	2,004	1,876
Subscribed shares per participant (average)	89.5	91.1

SHARE SUBSCRIPTION SCHEME (SSS)

	2009	2010
Number of subscribed shares	22,181	37,914
Restricted until	31.5.2012	31.5.2013
Subscription price per share in CHF	79.49	73.05
Value of subscribed shares in CHF million	1.8	2.8
Fair value of subscribed shares as of subscription date in CHF million	1.9	3.1
Entitled employees (FL 1 – 5)	656	667
Participating employees	66	81
SSS portion of incentive	8%	12%

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

	2009	2010
Number of subscribed shares ¹	206,717	266,117
Restricted until	31.5.2012	31.5.2013
Subscription price per share ² in CHF	76.21	70.88
Value of subscribed shares ² in CHF million	15.8	18.9
Fair value of subscribed shares as of subscription date in CHF million	17.5	21.9
Entitled employees (FL 1 – 5)	656	667
Participating employees	174	176
ESOP portion of incentive	14%	14%

¹ Including shares financed by loans.

² Net of the discounted dividend right over three years.

The incentive will change significantly with the introduction of the new Performance Management System as of 1 January 2011 and its weighting will be reduced on its transfer into the new performance remuneration.

There is also in future a choice of two share subscription plans: Share Subscription Scheme and Employee Ownership Plan (compare 5.7 “Share Subscription Scheme and Employee Ownership Plan”).

5.4. Employment contracts, service entry and departure compensation, change of control clauses

The employment contracts of senior members of staff are concluded for an unlimited period. They provide for a notice period of six months.

All six members of the Corporate Executive Committee have a twelve-month notice period. In addition, they are – as are six other members of the executive management – entitled to a severance payment amounting to one annual salary (including variable remuneration), in the event that their employment contract is terminated within twelve months after a change of control due to a takeover or merger or a merger of employers (under certain circumstances also those of employees). The notice period for the Chairman of the Board of Directors is six months. No change of control clause exists.

The remuneration directive issued by the Board of Directors in March 2010 contains clear guidelines on service entry and departure compensation: Such payments may only be made in substantiated cases. Service entry and departure compensation

- must be authorised by Compensation Committee for employees belonging to the function levels 1 to 3 regardless of the amount;
- for other positions that exceed CHF 200,000 in individual cases must also be authorised by the Compensation Committee.

5.5. Overview of the participation programmes

For some time now, the Baloise Group has offered employees and executive management personnel various plans where shares are granted as part of the total remuneration package.

- Employee incentive plans for all function levels in Switzerland (compare section 5.6.)
- Share Subscription Scheme and Employee Ownership Plan for function levels 1 to 5 in Switzerland (compare section 5.7.)
- Performance quota and performance share units for function levels 1 to 3 in the Group (compare section 5.8.)

5.6. Employee Incentive Plan

The Basler foundation for employee incentive plans, set up in 1989, offers employees from various Group companies in Switzerland the option of buying shares of the Baloise Holding Ltd at a preferential price, as a rule once a year, according to stipulations laid down in the regulations established by the foundation board. This promotes long-term employee commitment to the company, also as shareholders. The subscription price is determined by the foundation board at the beginning of the subscription period and published on the intranet. It is equivalent to half of the average rate determined for the month of August in the subscription year and amounts to CHF 41.90 for the reporting period (2009: CHF 45.70). The subscribed shares are always transferred on 1 September and are subject to a blocking period of three years.

The stock of shares employed for this purpose was acquired by the board during earlier share capital increases by Baloise Holding Ltd. It can regulate the stock of shares through additional purchases as required. The foundation will be able to continue this Employee Incentive Plan in the coming years due to existing stocks.

The foundation is managed by a board that is predominantly independent of the Corporate Executive Committee. Peter Schwager (Chairman) and Dr Heinrich Koller (solicitor) function as independent members of the foundation council; the third member is Andreas Burki (Deputy Head of Legal and Taxes Baloise).

PERFORMANCE QUOTA

	2009	2010
Participating employees (FL 1 – 3)	62	67
Total paid out in CHF million	2.2	2.8
Number of subscribed shares	13,179	18,629
Subscription price per share in CHF	79.49	73.05
Value of subscribed shares in CHF million	1.0	1.4
Fair value of subscribed shares as of subscription date in CHF million	1.1	1.5
In cash in CHF million	1.2	1.4

COMPANIES IN STOXX 600 EUROPE INSURANCE INDEX (AS OF 31 DECEMBER 2010)

Admiral Group plc	Catlin Group	Mapfre SA	Swiss Life
Aegon NV	Cattolica Assicurazioni	Münchener Rück	Swiss Re
Ageas	CNP Assurances	Old Mutual plc	Topdanmark A/S
Allianz	Delta Lloyd	Prudential plc	Trygvesta
Amlin plc	Hannover Rück	RSA Insurance Group	Vienna Insurance
Assicurazioni Generali	Helvetia	Sampo OYJ	Zurich Financial Services
Aviva plc	ING Groep NV	Scor	
Axa	Jardine Lloyd Thompson	Standard Life plc	
Baloise Holding	Legal & General Group plc	Storebrand ASA	

Source: http://www.stoxx.com/download/indices/factsheets/stx_supersectors_fs.pdf

PERFORMANCE SHARE UNITS (PSU)

	Plan 2008	Plan 2009	Plan 2010
Entitled employees (FL 1 – 3) as of start of programme	64	66	71
Number of allocated PSU	58,820	81,127	83,441
Of which: expired without compensation (departures 2008)	-5,488	-	-
Number of active PSU as of 31 December 2008	53,332	-	-
Of which: expired without compensation (departures 2009)	-	-	-
Number of active PSU as of 31 December 2009	53,332	81,127	-
Of which: expired without compensation (departures 2010)	-1,452	-2,603	-1,226
Number of active PSU as of 31 December 2010	51,880	78,524	82,215
Value of allocated PSU as of issue date in CHF million	6.7	6.3	7.4
2008 PSU expense for the Baloise Group in CHF million	1.7	-	-
2009 PSU expense for the Baloise Group in CHF million	2.0	1.8	-
2010 PSU expense for the Baloise Group in CHF million	2.1	2.0	2.1

5.7. Share Subscription Scheme and Employee Ownership Plan

Employees in Switzerland can choose between two plans for the incentive portion drawn in shares: Share Subscription Scheme and Employee Ownership Plan.

Share Subscription Scheme

Since January 2003, persons in all Group companies in Switzerland entitled to incentives can subscribe for shares at a preferential price – and since 2008 also the members of executive management in the foreign companies – taking their due incentive into account. The subscription date is always 1 June; on this day, ownership of the shares is transferred to the employee without further vesting conditions, however, they may not be sold during a blocking period of three years. The subscription price is specified by the Corporate Executive Committee each year and is published in advance on the intranet. On 19 April 2010, the Corporate Executive Committee decided that the subscription price for the reporting period be based on the volume-weighted stock average from 4 to 18 May 2010 (previous year: decision dated 20 April 2009; stock average from 6 to 11 May 2009). A discount of 10% is granted on the stock average thus calculated, therefore the subscription price in the reporting period amounted to CHF 73.05 (2009: CHF 79.49). The shares required for the Share Subscription Scheme are purchased on the market.

Share Ownership Plan

Since May 2001, the majority of senior staff in Switzerland can draw a proportion of their incentive, which is freely selectable within certain ranges, in shares instead of in cash. Upper limits exist for function levels 1 to 3, members of the Corporate Executive Committee, who are obliged to draw at least half of their incentive as shares, may not draw more than 50% of their incentive entitlement in shares as part of the Employee Share Ownership Plan. As with the Share Subscription Scheme, the subscription date is always 1 June; on this day, ownership of the shares is transferred to the employee without further vesting conditions, however, they may not be sold during a blocking period of three years. The subscription

price is determined by the Corporate Executive Committee each year and published in advance on the intranet. On 19 April 2010, the Corporate Executive Committee decided that the subscription price for the reporting period be based on the volume-weighted stock average from 4 to 18 May 2010 (previous year: decision dated 20 April 2009; stock average from 6 to 11 May 2009). The discounted dividend right is deducted from this stock average over the period of three years, so that the subscription price in the reporting period amounted to CHF 70.88 (2009: CHF 76.21). The shares required for the Share Ownership Plan are purchased on the market.

In order to increase the impact of this Employee Share Ownership Plan, each employee receives an interest-bearing loan on market terms, which allows the employee to draw more shares in relation to the incentive granted at fair value less the discounted dividend right over a three-year period. The repayment of the loan after the three-year blocking period is hedged using a put option, which is financed by the sale of a complementary call option. After the three-year blocking period has expired, the shares remaining after the options have been exercised, less the repayment of the loan and the interest accrued, are placed at the employee's disposal.

5.8. Performance Quota and Performance Share Units (PSU)

Since 2007, two plans exist for Group employees at function levels 1 to 3:

- the performance quota as part of short-term variable remuneration focusing on the consolidated result and value creation,
- the performance share unit programme as part of long-term variable remuneration, to achieve long-term employee retention.

Performance quota

The performance quota is a flexible, discretionary instrument available to the Compensation Committee of the Board of Directors. This instrument allows the participants to engage in the success of the company and increases compensation variability. The performance quota was introduced in 2007

for employees at function levels 1 to 3 in Switzerland (including the Chairman of the Board of Directors). In 2008, this group of participants was expanded to include members of the Corporate Executive Committee of foreign business units. As of 2011, the performance quota will be arithmetically transferred to the performance pool of the new Performance Management System, so that this tool was applied for the last time in the 2010 fiscal year.

Once the fiscal year has ended, the Compensation Committee assesses the performance and the success of the management at its discretion. Based on this assessment, the Compensation Committee decides on a total sum to be made available as a performance quota. The performance quota can also be zero if a corresponding assessment is made.

The individual amounts – as part of the total sum provided by the Compensation Committee – are specified by each line manager or other senior staff member for each employee in April and paid together with the June salary. These sums depend on individual performance and the contribution to the company's success made by the person and vary in their amount and as a proportion of total remuneration. Part of the amount awarded (for members of the Corporate Executive Board 50 %) must be drawn in shares; for the remainder there is the choice to subscribe for further shares or have this amount paid out in cash. The regulations of the Employee Share Ownership Plan are valid for the part drawn in shares. The corresponding amounts are detailed in the table on pages 73 and 74 under the heading "Share Subscription Scheme."

Performance share units (PSU)

With its performance share unit programme, Baloise has had an instrument to involve its employees in the success of the company on a long-term basis and retain key personnel since 2007. Thus participants can profit even further from the long-term value enhancement of the company as long as they remain with Baloise. This means that the PSU programme creates a commonality of interests between the shareholders and management. The programme was introduced in 2007 for employees at function levels 1 to 3 in Switzerland (including the Chairman of the Board of Directors). In 2008, this group

of participants was expanded to include members of the Corporate Executive Committee of foreign business units.

At the beginning of any performance period, participating employees are awarded rights in the form of performance share units (PSU), which entitle them to subscribe for a certain number of shares free of charge after the performance period has expired. The Compensation Committee of the Board of Directors specifies the day of allocation and defines those entitled to participate in the programme at function levels 1 to 3 at its discretion. It defines the total number of PSU available as well as approximate distribution amongst the participants. In addition, it specifies individual allocation to the Chairman of the Board of Directors and to members of the Corporate Executive Committee.

The number of shares that can be subscribed for after three years, i. e. at the end of the performance period, depends on how the Baloise share has performed relative to a peer group. This comparative performance factor can hereby assume values between 0.5 and 1.5. The peer group includes the most important European insurance companies in the STOXX Europe 600 Insurance Index.

The composition of the index can be subject to changes. Due to company mergers, for example, companies can drop out of the index, others may be newly included in the index. The composition of the index at the point in time when the respective PSU are issued is key to determining the performance factor, adjusted by the companies that are no longer included in the index. Companies that have meanwhile been newly included in the index are not considered for plans that are already running.

In principle, a PSU grants the right to subscribe for a share. This is the case when Baloise share performance corresponds to the mean of the peer group; in this case the performance factor is 1.0. The programme participants receive more shares for their PSU, if Baloise shares have performed better than the peer group. The factor reaches the maximum of 1.5, when Baloise shares have performed in the uppermost quartile of peer group company performance. The factor is 0.5, if performance is in the lowest quartile of peer group company performance. If Baloise share performance is in both middle quartiles, the

performance factor is calculated using a linear scale. The performance factor is defined for the entire period ending, based on stock exchange closing prices on the last trading day of the respective performance period.

The participant receives the corresponding number of shares at the end of the performance period (vesting), i. e. on 1 January 2013 for the PSU allocated in 2010. The PSU become void without compensation or substitution, should the employment contract be terminated (except in the case of retirement, invalidity or death) during the performance period. To emphasise the long-term character of the programme, 50 % of the allocated shares are subject to an additional three-year blocking period after the performance period has expired.

PSU allocated in 2007 were converted into shares as of 1 January 2010. At the end of the performance period on 31 December 2009, the performance of the Baloise share held the 13th rank of 31 companies within the reference group (STOXX Europe 600 Insurance Index), in other words, it was in the 2nd quartile. The performance factor was thus 1.182 and the 35,673 outstanding PSU were converted into 42,169 shares (market price on 31 December 2009: CHF 86.05, market value CHF 3.6 million) The shares required for the conversion into PSU were bought on the market, half of these shares remain blocked for a further three years.

5.9. Pension schemes

Baloise provides several pension solutions that are designed differently to suit country-specific circumstances. There are different pension schemes available in Switzerland for the employees of the insurance company and the bank.

Baloise Insurance offers its employees in Switzerland an attractive pension solution as part of the 2nd pillar, which fulfils the following objectives:

- It meets the requirements of the insured in case of a risk event (old age, death or invalidity) and absorbs the resulting financial consequences with a solution based on social partnership.
- It permits an appropriate maintenance of a lifestyle enjoyed to date with a sufficiently high substitution rate (1st and 2nd pillar benefits combined) to replace

discontinued earnings. The employer makes an above-average contribution to financing of occupational pensions.

- It is forward-looking, sound, can be calculated and is reasonably priced.

The Chairman of the Board of Directors and the members of the Corporate Executive Committee are insured in the pension scheme of Baloise Insurance Ltd. The same terms apply to them as to all other insured office staff.

5.10. Remuneration to members of the Board of Directors (not including Chairman)

See tables on pages 71 and 72.

The members of the Board of Directors receive a lump sum payment with the exception of the Chairmen. The amount has remained unchanged since 2008.

Since 2006 members of the Board of Directors have been paid out 25 % of their annual remuneration in shares that are blocked for a period of three years. As with the Share Subscription Plan for management, members of the Corporate Executive Committee are also granted a 10 % discount on the market price. Members of the Board of Directors do not participate in any Employee Share Ownership Plan that is linked to the attainment of specific performance targets.

Due to contractual obligations, a one-off payment of CHF 80,000 was paid to a former member of the Board of Directors connected to his previous governing body activities in the company.

No claim to receivables from active or former members of the Board of Directors was waived.

5.11. Remuneration to the Chairman of the Board of Directors and the members of the Corporate Executive Committee

See tables on pages 73 and 74.

The Compensation Committee of the Board of Directors determines the type and the scope of compensation for the Chairman of the Board of Directors and members of the Corporate Executive Committee. This consists of a basic salary and an incentive component tied to the attainment of individual and company performance targets. The target

incentive is 54 % of basic salary and can rise to a maximum of 70 % for outstanding performance. The Compensation Committee also has the option of considering company results as part of the OPM factor (operational performance management) of at least 0.8 and a maximum of 1.3 (compare: 5.3. "Baloise remuneration system: basic salary and incentive").

In 2009, the Baloise Group performed well in a demanding market environment. Impairments of investments, low interest rates and the generally higher claims tendency in recessionary phases dampened business performance. The Compensation Committee determined 1.0 as the OPM factor for the 2009 fiscal year taking these aspects into consideration. This factor was applied to the incentives listed in the table on page 74 and paid out in 2010.

In order to strengthen the commonality of interests with the shareholders, the Chairman of the Board of Directors and members of the Corporate Executive Committee must draw at least 50 % of their incentive component as shares (see 5.7 "Share Subscription Plan and Employee Share Ownership Plan"). These obligatory salaries mean that a significant proportion of the remuneration is paid out with a deferred effect as the individual's responsibility and total remuneration increases.

Performance targets are determined using a multilevel process and approved for the coming year by the Compensation Committee. The Group result, the combined ratio and the business volume serve as objective criteria. Individual targets focus closely on the objectives for the particular areas of responsibility of the respective Corporate Executive Committee members. The weighting of these individual targets in relation to the whole target catalogue can be different for each Corporate Executive Committee member and lies between a quarter and two thirds. Individual targets are set in consultation with the respective supervising managers and likewise subject to approval by the Compensation Committee. Baloise cannot disclose further details or quantification regarding the individual targets or their degree of attainment due to competitive reasons.

A talent management target was again set for the most

senior levels of management in 2010. This also emphasises that the retention and development of talent represents an important factor in Baloise's future ability to create value. Here the targets focus on adding value today and in the future, as well as on tools that the Corporate Executive Committee has at hand to operationally optimise current results and to set the course for medium-term success.

Even if the basic salaries remained unchanged compared to the previous year, the sum of the total remuneration cannot be immediately compared to the previous year. In the reporting period PSU were converted into shares for the first time. These PSU were allocated as prospective entitlements three years ago. Their definite value was only fixed with the effected conversion. For this reason the equivalent value of the shares as a remuneration element is presented in the table on page 74 and so increases the total amount of the remuneration paid out in 2010 in comparison.

The variable portions of total remuneration are determined in spring each year as part of the Individual Performance Management process (compare 5.3. "Baloise remuneration system; incentives"). Therefore, the table on page 74 details the basic salary and pension benefits for 2010 and the variable remuneration components for the previous year that were paid out during the reporting period. The variable remuneration for the 2009 fiscal year is higher than it was in 2008. This is because the degree of target attainment was higher than in the previous year both regarding the company targets and the individual targets. When considering the total amount it is important to note that the variable remuneration of two new members of the Corporate Executive Committee is included in the sum.

In the reporting period, CHF 0.6 million resulting from the conversion of PSU were paid to a former member of the Corporate Executive Committee in the form of 7,047 shares. Half of these shares remains blocked for a further three years.

Indication variable remuneration for the 2010 fiscal year

Under the new system that will come into effect for the first time in 2011 (compare 5.3. "Baloise remuneration system; New Performance Management System as of 1 January 2011")

the variable components, amongst other things, will be determined at the beginning of the year rather than in spring. This will make it possible to show the total remuneration that was awarded in the respective year in the remuneration tables of the compensation report, even if some parts are only paid out at a later date (compliance with the so-called accrual principle).

The effective figures of the variable components awarded for the 2010 fiscal year (payment in June 2011) had not been determined at the time of printing this compensation report. In the sense of a indication, it can however be said that they will be in a similar range as in 2009.

5.12. Amounts of the total remuneration and the variable payments

Compliant with the circular 10/1 of the Federal Financial Supervisory Authority on remuneration systems, Baloise publishes the sums of the total remuneration and the variable payments in the table on page 76 for the first time and gives details regarding the amount of outstanding deferred remuneration as well as service entry and departure compensation paid.

The variable remuneration elements awarded for the 2010 fiscal year (outpayment in June 2011) had not been determined when this Compensation Report went to print. For this reason, the details given in this table on “Other variable remuneration elements” including the number of beneficiaries and the split between cash payment and shares / prospective entitlements are based on estimates and experience values from previous years. With the new Performance Management System introduced on 1 January 2011, it will be possible to comply with the Accrual Principle for the first time in the 2011 fiscal year.

5.13. Loans to key personnel

See table on page 77.

5.14. Participations and options

See table on pages 78 and 79.

5.10. Remuneration to the members of the Board of Directors (not including Chairman)

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS 2009 (PREVIOUS YEAR)

	2009 Basic remuneration	2009 Remuneration for additional functions	2009 Additional remuneration	2009 Total	2009 Of which: in cash	2009 Of which: in shares
	in CHF	in CHF	in CHF	in CHF	in CHF	Number
Dr Georg F. Kraye	125,000		0	295,000	221,313	73,687
Vice-Chairman Board of Directors		50,000				
Chair Compensation Committee		50,000				
Deputy Chair Chairman's Committee and Investment Committee		70,000				
Dr Christoph J. C. Albrecht	62,500		0	87,500	43,781	43,719
Deputy Chair Audit Committee		25,000				
Dr Andreas Burckhardt	125,000		0	175,000	131,281	43,719
Member Audit Committee		50,000				
Dr Hansjörg Frei	125,000		0	245,000	183,793	61,207
Member Chairman's Committee and Investment Committee		70,000				
Member Audit Committee		50,000				
Prof. Dr Gertrud Höhler	125,000		0	175,000	131,281	43,719
Member Compensation Committee		50,000				
Dr Klaus Jenny	125,000		0	245,000	183,793	61,207
Member Chairman's Committee and Investment Committee		70,000				
Deputy Chair Compensation Committee		50,000				
Werner Kummer	125,000		0	195,000	146,273	48,727
Chair Audit Committee		70,000				
Dr Arend Oetker	62,500		0	62,500	31,260	31,240
Dr Eveline Saupper	125,000		0	175,000	131,281	43,719
Member Compensation Committee		50,000				
Total Board of Directors (not including Chairman)	1,000,000	655,000	0	1,655,000	1,204,056	450,944
						5,673

Explanatory notes to table:

Dr Christoph J. C. Albrecht and Dr Arend Oetker resigned from the Board of Directors at the Annual General Meeting 2009 as a result of having reached the regulatory age limit. They therefore only received half of the usual remuneration in 2009.

Remuneration to former members of the Board of Directors and related individuals No remuneration was paid to

a) former members of the Board of Directors with regard to previous governing body activities in Baloise or that is not market standard
 b) individuals or companies related to the members of the Board of Directors and that is not market-standard (related individuals: spouses, civil partners, children under 18 years, companies belonging to or controlled by members of the Board of Directors, or legal or natural persons who act as a fiduciary for them).

Furthermore, receivables from this group of persons were not waived.

Cash compensation Remuneration as per contract (lump-sum compensation).

Shares 25% of the contractually agreed remuneration will be paid in shares, which are restricted for three years.

Intrinsic value: fair value minus 10% (as with SSS).

Additional remuneration No payment of additional remuneration.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS
2010

	2010	2010	2010	2010	2010	2010
	Basic remuneration	Remuneration for additional functions	Additional remuneration	Total	Of which: in cash	Of which: in shares
	in CHF	in CHF	in CHF	in CHF	in CHF	Number
Dr Georg F. Krayler	125,000		0	295,000	221,293	1,009
Vice-Chairman Board of Directors		50,000				
Chair Compensation Committee		50,000				
Deputy Chair Chairman's Committee and Investment Committee		70,000				
Dr Michael Becker	62,500		0	87,500	87,500	0
Member Audit Committee		25,000				
Dr Andreas Burckhardt	125,000		0	175,000	131,316	598
Member Audit Committee		50,000				
Dr Hansjörg Frei	125,000		0	245,000	183,784	838
Member Chairman's Committee and Investment Committee		70,000				
Member Audit Committee		50,000				
Prof. Dr Gertrud Höhler	125,000		0	175,000	131,316	598
Member Compensation Committee		50,000				
Dr Klaus Jenny	125,000		0	245,000	183,784	838
Member Chairman's Committee and Investment Committee		70,000				
Deputy Chair Compensation Committee		50,000				
Werner Kummer	125,000		0	195,000	146,276	667
Chair Audit Committee		70,000				
Dr Eveline Saupper	125,000		0	175,000	131,316	598
Member Compensation Committee		50,000				
Total Board of Directors (not including Chairman)	937,500	655,000	0	1,592,500	1,216,585	5,146

Explanatory notes to table:

Dr Michael Becker was elected as a new member of the Board of Directors at the Annual General Meeting 2010. He therefore received only half of the usual remuneration for 2010.

Remuneration to former members of the Board of Directors and related individuals Due to contractual obligations, a one-off payment of CHF 80,000 was paid to a former member of the Board of Directors connected to his previous governing body activities of the company. No remuneration was paid to individuals or companies involving the members of the Board of Directors and that is not market-standard (related individuals: spouse, civil partner, children under 18 years, companies controlled by members of the Board of Directors, legal or natural persons who act as a fiduciary for them).

Furthermore, receivables from this group of persons were not waived.

Cash compensation Remuneration as per contract (lump-sum compensation).

Shares 25% of the contractually agreed remuneration will be paid in shares, which are restricted for three years.

Intrinsic value: fair value minus 10% (as with SSS).

Additional remuneration No payment of additional remuneration.

5.11. Remuneration for the Chairman of the Board of Directors and members of the Corporate Executive Committee

REMUNERATION TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE 2009 (PREVIOUS YEAR)

	2009 Cash compensation		Employee Incentive Plan	Share Subscription Scheme	Share Ownership Plan	Prospective entitlements	2009 Shares	2009 Non-cash benefits	2009 Pension provisions	2009 Total remuneration
	Basic salary (fixed)	Incentive (variable)								
	CHF	In % of total remuneration								
in CHF										
Dr Rolf Schäuble	1,600,020	59%	522,044	4,570	521,852	0	12,136	0	51,796	2,700,282
Chairman of the Board of Directors										
Dr Martin Strobel	1,300,000	67%	238,138	4,570	238,073	0	4,551	54,167	119,530	1,954,478
CEO Baloise Group										
Dr Olav Noack	623,337	27%	0	0	0	0	4,127	955,291	718,392	2,297,020
Head of Corporate Division Switzerland										
								65,291	90,209	155,500
								890,000	628,183	1,518,183
Jan De Meulder	700,080	56%	188,399	0	29,968	0	3,127	180,529	157,378	1,256,354
Head of Corporate Division International										
German Egloff	550,020	51%	155,498	4,570	159,934	54,999	3,328	0	153,882	1,078,903
Head of Corporate Division Finance										
Dr Thomas Sieber	540,000	52%	186,826	4,570	79,490	121,295	3,277	0	97,265	1,029,446
Head of Corporate Division Corporate Center										
Martin Wenk	600,000	54%	83,592	4,570	198,725	74,999	3,641	0	158,305	1,120,191
Head of Corporate Division Asset Management										
Total Corporate Executive Committee	4,313,437	49%	852,453	18,280	706,190	251,293	22,051	1,189,987	1,404,752	8,736,392

Explanation to the table: compare pages 74 and 75

REMUNERATION TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE
2010

	2010 Cash compensation							
	Basic salary (fixed)		Incentive (variable)		Employee Incentive Plan		Share Subscription Scheme	
	CHF	In % of total remuneration	CHF	CHF	Number of shares	CHF	Number of shares	
in CHF								
Dr Rolf Schäuble Chairman of the Board of Directors	1,600,020	45%	667,191	4,190	100	667,020	9,131	
Dr Martin Strobel CEO Baloise Group	1,300,000	47%	541,921	4,190	100	441,879	6,049	
Dr Olav Noack Head of Corporate Division Switzerland	680,004	51%	271,907	0	0	271,819	3,721	
Jan De Meulder Head of Corporate Division International	700,080	44%	273,128	0	0	272,915	3,736	
German Egloff Head of Corporate Division Finance	550,020	39%	214,561	4,190	100	147,999	2,026	
Dr Thomas Sieber Head of Corporate Division Corporate Center	540,000	43%	199,055	4,190	100	140,037	1,917	
Martin Wenk Head of Corporate Division Asset Management	* 500,000	36%	24,722	0	0	328,725	4,500	
Total Corporate Executive Committee	4,270,104	44%	1,525,294	12,570	300	1,603,374	21,949	

Explanation to the table compare pages 73 and 74:

The tables contain the basic salary and pension benefits for 2009 (page 73) and 2010 (page 74) as well as the variable remuneration components for the previous year that were paid out during the reporting period. Although these variable remuneration components were paid out in 2009 (page 73) and 2010 (page 74), they involve the respective previous fiscal year. Dr O. Noack was the highest paid member of the Corporate Executive Committee in 2009. Dr O. Noack was the highest paid Corporate Executive Committee member in 2009. This is due to the fact that Baloise compensated him, compliant with common practice, for certain claims against his former employer that he waived and, for the same reason, Baloise also assumed a non-recurrent deposit to the pension fund. The corresponding amounts are contained in the columns "Non-cash benefits" and "Pension benefits" (page 73). Dr M. Strobel is the highest paid Corporate Executive Committee member in 2010.

Remuneration to former members of the Board of Directors and related individuals No remuneration was paid to individuals or companies affiliated with the Chairman of the Board of Directors or members of the Corporate Executive Board or that is not market-standard (related individuals: spouse, civil partner, children under 18 years, companies controlled by members of the Board of Directors, legal or natural persons who act as a fiduciary for them). Furthermore, receivables from this group of persons were not waived.

Due to contractual obligations (basic salary, incentive, employer contributions to the pension scheme), CHF 1.6 million were paid to a former member of the Corporate Executive Committee in 2009. In the reporting period, CHF 0.6 million resulting from the conversion of PSU were paid to a former member of the Corporate Executive Committee in the form of 7,047 shares. Half of these shares remains restricted for a further three years.

Basic salary Contractually agreed basic salary (gross).

*M. Wenk took two months unpaid leave in 2010, his basic salary was reduced accordingly.

Incentive Portion of variable, performance-related remuneration paid out in cash (gross). Case of J. De Meulder (Previous year: page 73): incentive for his former position as CEO of the Group company in Belgium.

Employee Incentive Plan Remuneration component resulting from the purchase of employee shares at a preferential price (2010: CHF 49.10; 2009: CHF 45.70). Calculation: market value minus subscription price = payment in kind.

Share Subscription Plan Portion of incentive drawn directly in shares. Calculation: fair value minus 10% discount.

Employee Share Ownership Plan Portion of incentive drawn in shares (excluding shares financed by a loan).

Share Ownership Plan		PSU 2007 (converted into shares in 2010)		Prospective entitlements	2010 Non-cash benefits	2010 Pension provisions	2010 Total remuneration
CHF	Number of shares	CHF	Number of shares	Number of PSU	CHF	CHF	CHF
0	0	646,752	7,516	9,297	0	0	3,585,173
99,999	1,411	266,755	3,100	7,554	0	119,530	2,774,274
0	0	0	0	3,951	0	110,730	1,334,460
0	0	0	0	4,067	151,104	190,374	1,587,601
108,212	1,527	222,353	2,584	3,196	0	153,939	1,401,274
150,004	2,116	87,169	1,013	3,138	0	124,916	1,245,371
150,004	2,116	242,575	2,819	3,486	0	157,058	1,403,084
508,219	7,170	818,852	9,516	25,392	151,104	856,547	9,746,064

Performance share units (PSU), prospective entitlements Entitlements that confer a right to acquire shares at a future date, subject to achieving pre-determined performance targets (compare section 5.8. Performance quota and performance share units [PSU]). The value of prospective entitlements is only added to total remuneration when they are converted into actual shares (i.e. at the end of the three-year performance period), because only then can a reliable estimate be provided and only then they have actually been earned.

Share from converted PSU (2010, page 75) The PSU allocated in 2007 were converted into shares as of 1 January 2010. At the end of the performance period on 31 December 2009, the performance of the Baloise share held the 13th rank of 31 companies within the reference group (STOXX Europe 600 Insurance Index), in other words, it was in the 2nd quartile. The performance factor was thus 1.182 and the 35,673 outstanding PSU were converted into 42,169 shares (market price on 31 December 2009: CHF 86.05, market value CHF 3.6 million) Half of these shares remains restricted for three years yet.

Non-cash benefits Basis: all elements of remuneration in compliance with the Swiss salary certificate. Besides gifts for length of service, there are relocation expenses contained in the table for new members of the Corporate Executive Committee (relates only to 2009, page 73), refunds of travel and accommodation expenses and non-cash benefits (use of a company car) of a member of the Corporate Executive Committee with a secondary residence abroad. Also sub-totalled under non-cash benefits is the compensation paid to Dr O. Noack in 2009 for waiving certain claims against his former employer.

Pension provisions Employer contributions to the pension scheme. Also contained in the tables: maintenance of invalidity protection in the home country of a member of the Corporate Executive Committee with a secondary residence abroad, and non-recurrent deposits for the benefit of Dr O. Noack for waiving certain claims against his former employer (relates only to 2009, page 73).

5.12. Amounts of the total remuneration and the variable payments

TOTAL AND VARIABLE REMUNERATION BALOISE GROUP

	Cash payment	Shares	Prospective entitlements	Total
Total remuneration				
in CHF million	808.6	7.2	7.1	822.9
Total variable remuneration (total pool)				
in CHF million	169.9	7.2	7.1	184.2
Number of beneficiaries	6,776	251	70	
Of which commission / brokerage to the insurance sales force employees				
in CHF million	111.9	0.0	0.0	111.9
Of which other variable remuneration elements				
in CHF million	57.9	7.2	7.1	72.2
Total outstanding deferred remuneration				
in CHF million	0.0	67.0	20.3	87.3
Debits / credits from remuneration for previous fiscal years recognised in profit and loss				
in CHF million	0.0	0.0	0.0	0.0
Total recruitment payments made				
in CHF million	0.3	0.0	0.0	0.3
Number of beneficiaries	3	0	0	
Total severance payments made				
in CHF million	3.1	0.0	0.0	3.1
Number of beneficiaries	86	0	0	

Explanatory notes to table:

Total remuneration All cash-value benefits which the financial institute pays directly or indirectly to a person in connection with his employment or role related to his work; e. g. cash payments, non-cash benefits, expenses that justify or increase claims to pension benefits, pensions, allocation of participation, conversion and option rights as well as waiving any claims.

Variable compensation Portion of the total remuneration whose adjustment or amount is at the discretion of the financial institutes or depends on the occurrence of agreed conditions, including performance or success-related compensation such as kickbacks and commissions. Service entry and departure compensation are likewise contained under the item variable remuneration.

Total pool Sum of all variable remuneration that a financial institute pays for a fiscal year, independent of form, of a contractual warranty, of the time of allocation and payment as well as any conditions and constraints set. Service entry and departure compensation paid in the respective fiscal year are assigned to the total pool.

Service entry compensation A one-off payment agreed when an employment contract is concluded. Facultative compensation for forfeited claims to remuneration from a previous employer is also counted as compensation for service entry.

Departure compensation Payment agreed regarding the termination of an employment contract.

The variable remuneration elements awarded for the 2010 fiscal year (outpayment in June 2011) had not been determined when this Compensation Report went to print. For this reason, the details given in this table on "Other variable remuneration elements" including the number of beneficiaries and the split between cash payment and shares / prospective entitlements are based on estimates and experience values from previous years.

With the new Performance Management System introduced on 1 January 2011, it will be possible to comply with the Accrual Principle for the first time in the 2011 fiscal year.

5.13. Loans to key personnel

CREDITS AND LOANS TO MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE (31 DECEMBER)

	Mortgages		Loans pertaining to the Share Ownership Plan		Other loans			Total
	2009	2010	2009	2010	2009	2010	2009	2010
in CHF								
Dr Rolf Schäuble								
Chairman	0	0	0	0	0	0	0	0
Dr Georg F. Kray								
Vice-Chairman	0	0	0	0	0	0	0	0
Dr Michael Becker								
Member	n/a	0	0	0	n/a	0	0	0
Dr Andreas Burckhardt								
Member	650,000	0	0	0	0	0	650,000	0
Dr Hansjörg Frei								
Member	0	0	0	0	0	0	0	0
Prof. Dr Gertrud Höhler								
Member	0	0	0	0	0	0	0	0
Dr Klaus Jenny								
Member	0	0	0	0	0	0	0	0
Werner Kummer								
Member	0	0	0	0	0	0	0	0
Dr Eveline Saupper								
Member	0	0	0	0	0	0	0	0
Total Board of Directors	650,000	0	0	0	0	0	650,000	0
Corporate Executive Committee member with the highest outstanding loan								
Dr Thomas Sieber								
Head of Corporate Division Corporate Center	1,000,000	1,000,000	1,841,765	2,369,550	0	0	2,841,765	3,369,550
Other members of the Corporate Executive Committee	2,775,000	3,625,000	5,118,099	5,903,515	0	0	7,893,099	9,528,515
Total Corporate Executive Committee	3,775,000	4,625,000	6,959,864	8,273,065	0	0	10,734,864	12,898,065

Explanatory notes to table:

Credits and Loans No loans and credits that are not market standard have been granted to

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

b) to individuals or companies related to the Chairman of the Board of Directors or members of the Corporate Executive Board (related individuals: spouse, civil partner, children under 18 years, companies belonging to or controlled by members of the Board of Directors legal or natural persons who act as a fiduciary for them).

Mortgages Mortgages up to CHF 1 million are granted on employee terms: 1% below the interest rate for customers on variable mortgages, preferential interest rate for fixed mortgages.

Loans pertaining to the Share Ownership Plan Loans to fund leveraged Share Ownership Plan (compare 5.7. Share Ownership Plan and Employee Share Ownership Plan). Interest is charged on the loans at prevailing interest rates (2010: 3%) over a term of three years.

A loan of CHF 4.1 million to a former member of the Corporate Executive Committee still exists from the Share Ownership Plan.

Other loans There are no policy loans.

5.14. Participations and options

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS EXCLUDING CHAIRMAN (31 DECEMBER)

	Free float shares		Restricted shares		Share ownership total		Percentage of issued share capital	
	2009	2010	2009	2010	2009	2010	2009	2010
Number								
Dr Georg F. Kraye								
Vice-Chairman	32,685	33,186	3,311	3,819	35,996	37,005	0.072%	0.075%
Dr Michael Becker								
Member	n/a	1,000	0	1,000	n/a	2,000	n/a	0.004%
Dr Andreas Burckhardt								
Member	387	670	2,256	2,571	2,643	3,241	0.005%	0.006%
Dr Hansjörg Frei								
Member	1,536	710	2,755	3,201	4,291	3,911	0.009%	0.008%
Prof. Dr Gertrud Höhler								
Member	387	670	2,256	2,571	2,643	3,241	0.005%	0.006%
Dr Klaus Jenny								
Member	18,536	18,928	2,755	3,201	21,291	22,129	0.043%	0.044%
Werner Kummer								
Member	847	1,174	2,412	2,752	3,259	3,926	0.007%	0.008%
Dr Eveline Saupper								
Member	387	670	2,256	2,571	2,643	3,241	0.005%	0.006%
Total Board of Directors (excluding Chairman)	54,765	57,008	18,001	21,686	72,766	78,694	0.146%	0.157%
Percentage of issued share capital	0.110%	0.114%	0.036%	0.043%	0.146%	0.157%		

Explanatory notes to table:

Shareholdings Including shares held by related individuals (spouse, civil partner, children under 18 years, companies belonging to or controlled by Board members, or legal or natural persons that act as fiduciaries for them).

Freely available shares Shares held in personal custody accounts.

Restricted shares Shares subscribed for through share-based remuneration schemes are subject to a three-year blocking period.

According to § 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 do not hold options on Baloise shares.

SHARES HELD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE (31 DECEMBER)

	Free float shares		Restricted shares		Share ownership Total		Percentage of issued share capital		Number of share awards (PSU)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Number										
Dr Rolf Schäuble										
Chairman of the Board of Directors	48,459	60,201	25,178	30,183	73,637	90,384	0.147%	0.181%	25,801	28,739
Dr Martin Strobel										
CEO Baloise Group	224	1,852	25,889	39,751	26,113	41,603	0.052%	0.083%	10,188	15,119
Jan De Meulder										
Head of Corporate Division International	1,566	1,566	840	4,576	2,406	6,142	0.005%	0.012%	3,127	9,567
German Egloff										
Head of Corporate Division Finance	1,262	4,675	33,850	36,645	35,112	41,320	0.070%	0.083%	8,026	9,046
Dr Olav Noack										
Head of Corporate Division Switzerland	120	120	0	3,721	120	3,841	0.000%	0.008%	4,127	8,078
Dr Thomas Sieber										
Head of Corporate Division Corporate Center	178	400	26,180	38,716	26,358	39,116	0.053%	0.078%	6,600	8,881
Martin Wenk										
Head of Corporate Division Asset Management	200	2,600	27,368	38,287	27,568	40,887	0.055%	0.082%	8,766	9,867
Total Chairman of the Board of Directors and members of the Corporate Executive Committee	52,009	71,414	139,305	191,879	191,314	263,293	0.383%	0.527%	66,635	89,297
Percentage of issued share capital	0.104%	0.143%	0.279%	0.384%	0.383%	0.527%				

Explanatory notes to table:

Shareholdings Including shares held by related individuals (spouse, civil partner, children under 18 years, companies belonging to or controlled by Board members, or legal or natural persons that act as fiduciaries for them).

Freely available shares Shares held in personal custody accounts.

Blocked shares Including shares financed by loans stemming from ESOP. Shares subscribed for through share-based remuneration schemes are subject to a three-year blocking period. According to § 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 ESOP are not listed here, as they do not originate from an independent 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 performance share units allocated (allocation as of 1 January 2008, 1 January 2009 and 1 January 2010).

6. SHAREHOLDER PARTICIPATION RIGHTS

Voting rights

Baloise's share capital consists solely of registered shares. Each share grants the right to one vote. There are no shares with preferential voting rights. In order to maintain a broad shareholder base and protect minority shareholders, no shareholder is registered with voting rights of more than 2%, irrespective of the number of shares held. The Board of Directors may approve exceptions to this rule with a two-thirds majority of all members (§ 5 of the Articles of Incorporation). There are currently no exceptions. Each shareholder may authorise another shareholder to exercise his / her voting rights in writing. In exercising voting rights, no shareholder may directly or indirectly aggregate his / her own and proxy votes to secure more than a fifth of all voting rights at the Annual General Meeting (§ 16 of the Articles of Incorporation).

Statutory quorums

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

A waiver of statutory voting right restrictions requires a quorum of at least three-quarters of the votes represented at the Annual General Meeting, which at the same time must also total at least one third of all shares issued by the company. This qualified majority also applies to other cases specified in § 17 paragraph 3 a – h of the Articles of Incorporation. Otherwise resolutions are adopted by a simple majority of share-based votes cast, subject to mandatory statutory provisions (§ 17 of the Articles of Incorporation).

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 fiscal year. The Baloise Holding fiscal year ends on 31 December. At least 20 days' notice of an Annual General Meeting is given. Every registered shareholder receives a personal invitation and an agenda. The invitation and the agenda are published in the Swiss Official Gazette of Commerce, in various newspapers and on the Internet.

Extraordinary General Meetings may be convened by resolution of the Annual General Meeting, the Board of Directors or the auditors. Furthermore, an Extraordinary General Meeting must be convened by the Board of Directors at the request of shareholders in compliance with legal stipulations (§ 11 of the Articles of Incorporation). For such a request to be granted, the shareholders must represent at least 10% of the share capital, in compliance with article 699 section 3 of the Swiss Code of Obligations.

Inclusion of agenda items

One or more shareholders, who together represent shares with a face value of at least CHF 100,000 may apply under article 699 section 3 of the Swiss Code of Obligations to have items placed on the agenda. Such applications must be submitted in writing to the Board of Directors no later than six weeks before the regular Annual General Meeting, detailing the motions to be put to the Annual General Meeting (§ 14 of the Articles of Incorporation).

Entry in the share register

Shareholders, who are registered with an entitlement to vote in the share register on the cut-off date (a few days prior to the Annual General Meeting) specified by the Board of Directors in the invitation, are entitled to vote at the Annual General Meeting (§ 16 of the Articles of Incorporation).

The admissibility of nominee registrations, with reference to possible percentage clauses, and registration requirements are governed by § 5 of the Articles of Incorporation. Procedures and requirements for revoking and restricting transferability are governed by the provisions of § 5 and § 17.

➔ www.baloise.com → Responsibility

→ Corporate Governance → Rules and regulations

➔ www.baloise.com → Investor relations → IR agenda.

7. CHANGE OF CONTROL AND DEFENSIVE ACTION

Upon acquiring 33 % of all Baloise shares, shareholders or groups of shareholders acting in concert are obliged to submit a takeover bid to all remaining shareholders. Baloise Holding has not opted to modify or waive this rule. There is neither a statutory opting-out nor opting-up clause, as specified in the Federal Stock Exchanges and Securities Trading Act (Stock Exchange Act).

All six members of the Corporate Executive Committee have a twelve-month notice period. In addition, they are – as are seven other members of the executive management – entitled to a severance payment amounting to one annual salary (including incentive), in the event that their employment contract is terminated within twelve months after a change of control due to a takeover or merger or a merger of employers (under certain circumstances also of employees). The notice period for the Chairman of the Board of Directors is six months. No change of control clause exists.

8. AUDITORS

The auditors are appointed annually by the Annual General Meeting. PricewaterhouseCoopers AG (PwC) and its predecessor Schweizerische Treuhandgesellschaft / STG-Coopers & Lybrand have been the auditors of Baloise Holding Ltd since 1962. Mr Martin Frei has been the Auditor in Charge since 2007. The rotation of the auditor in charge takes place every seven years compliant with article 730a section 2 of the Swiss Code of Obligations. PwC has audited nearly all Group companies since 2005.

PRICEWATERHOUSECOOPERS FEES

	2009	2010
in CHF (rounded to thousands, including outlays and VAT)		
Auditing fees	7,278,000	6,499,000
Fees for audit-related activities	455,000	250,000
Consulting fees	1,535,000	824,000
Tax consultancy	550,000	455,000
Legal advice	15,000	14,000
Transaction advice (including due diligence)	35,000	113,000
Accounting / Finance	361,000	78,000
Human Resources	149,000	87,000
Other	425,000	77,000
Total	9,268,000	7,573,000

The fees for audit-related activities comprise assignments directly or indirectly related to an existing or a future auditing contract. In particular, this includes questions concerning accounting, support in regulatory issues or special audits required by law.

As a rule, consultancy assignments are not directly nor indirectly related to the audit. They require specialised knowledge, yet also an integrated view of corporate interrelationships.

Baloise Holding has an Audit Committee made up of independent members with finance and accounting qualifications (compare table on page 51 of the Annual Report). The Audit Committee met four times during the fiscal year and on each occasion also met with the external auditors. The Audit Committee received detailed documentation on the findings of the external auditors, in particular as to the Annual and Half-Year Financial Statements at these meetings.

The Audit Committee evaluates the performance of the external auditors and their cooperation with Group Internal Audit, Risk Management and Compliance. The Audit Committee primarily discusses ongoing audits and audit reports, important results and any issues arising from the audit with the external auditors.

It proposes to the Board of Directors that external auditors be elected by the Annual General Meeting and makes recommendations regarding the auditors' fees. Prior to the start of the annual audit, the Audit Committee reviews its scope and proposes areas requiring special consideration. The Audit

Committee reviews the external auditors' fees annually. The criteria for assessing the auditors are

- Competence of the audit team
- Technical and industry knowledge
- Understanding of corporate strategy
- Complete independence whilst performing the audit
- Corporate culture of the auditor (shared core values)
- Timely reporting
- Appropriateness of fees
- Compliance with respective statutory, professional and ethical standards
- Uniform auditing methodology

The Audit Committee reviews the appropriateness of auditing services performed by external auditors, which are not related to the auditing activities, based on the following criteria:

- Compatibility of the service with the mandate as statutory auditors (independence)
- Competence as well as technical and industry knowledge
- Quality of the service provided
- Appropriateness of fees

A written directive exists, whereby material services not related to the auditing activities must be approved by Group Internal Audit prior to execution. The guarantee of independence is first reviewed by the head auditor and subsequently by the head of the Group's Internal Audit unit as part of the assignment approval process. The commercial responsibility and clearance of the assignment remains with the operational unit.

9. INFORMATION POLICY

Information principles

The Baloise Group provides comprehensive, transparent information to shareholders, potential investors, employees, clients and the general public on a regular basis. All registered shareholders receive a summary of the Annual Report once a year and a shareholder's letter with the half-year accounts, which comments on business development. The Annual Report and the Financial Report are sent to the shareholders upon request. All publications are made available to the general public at the same time. All investors enjoy equal information rights. To provide general access to our meetings with financial analysts, we use technologies such as webcasts, podcasts and telephone conferences.

Information events

Baloise provides comprehensive information on its operating activities:

- Business results are presented and objectives, strategies and business activities are explained at press conferences (Annual and Half-Year Report media conferences).
- At financial analysts' meetings, teleconferences take place to present Annual and Half-Year Financial Statements. These events are available afterwards as podcasts.
- The Annual General Meeting provides shareholders with a review of the business year.
- Regular roadshows are organised in various financial centres.
- Baloise maintains good relationships with analysts, investors and the media.
- Full details about individual Baloise events are available at www.baloise.com.

Information on the Baloise share

You can find information on the Baloise share in the Annual Report from page 24 onwards.

➔ www.baloise.com → Investor relations → Baloise share

Information on Baloise bonds

Information on outstanding Baloise bonds can be found in the Financial Report from page 111 onwards.

➔ www.baloise.com → Investor relations → Bonds

Financial calendar

At www.baloise.com, important dates for investors can be found. Here you can find the publication dates of the Annual and Half-Year Financial Statements. The General Annual Meeting, the date and invitation to the Annual General Meeting, the share register cut-off date and the ex-dividend date, if applicable, are also published here.

➔ www.baloise.com → Investor relations → IR agenda

Document availability

Media releases, disclosures, presentations, annual reports, financial reports and half-year reports and other documents are publicly available on the Internet at www.baloise.com. All documents can be obtained from the Investor Relations department or ordered on the Internet.

➔ www.baloise.com → Media relations → Media kits

Contact

The contact details for Corporate Governance and Investor Relations are listed on the inside cover of the Annual Report.

Financial Information

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Consolidated income statement

FIVE-YEAR OVERVIEW					
	2006	2007	2008	2009	2010
in CHF million					
Income					
Premiums earned and policy fees (gross) ¹	6,706.6	6,880.2	6,945.2	6,841.5	6,854.3
Reinsurance premiums ceded	-187.5	-207.9	-194.6	-190.3	-168.2
Premiums earned and policy fees (net)	6,519.1	6,672.3	6,750.6	6,651.2	6,686.1
Investment income	1,823.7	2,049.8	2,053.1	1,921.2	1,811.2
Realised gains and losses on investments ²	702.8	597.5	-1,680.1	435.6	501.6
Income from services rendered	286.4	529.0	558.2	427.3	283.4
Results from investments in associates	62.0	10.2	8.5	1.4	-0.5
Other operating income	144.3	142.1	208.9	108.1	202.7
Income	9,538.3	10,000.9	7,899.2	9,544.8	9,484.5
Expenses					
Claims and benefits paid (gross)	-5,325.0	-5,597.9	-5,676.7	-5,383.4	-5,212.9
Change in technical reserves (gross)	-1,080.8	-840.2	583.4	-968.3	-1,393.2
Reinsurance share of claims incurred	43.4	107.6	59.7	58.1	47.5
Acquisition costs	-493.8	-524.8	-566.1	-499.1	-491.5
Operating and administrative expenses for insurance business	-847.8	-938.3	-977.4	-925.1	-856.0
Investment expenses	-93.9	-104.3	-82.8	-78.8	-64.8
Interest expenses on insurance liabilities	-67.0	-76.1	-73.8	-69.4	-61.2
Result from financial contracts	-156.5	-170.6	246.4	-407.9	-219.8
Other operating expenses	-575.5	-813.4	-832.0	-708.8	-625.4
Expenses	-8,596.9	-8,958.0	-7,319.3	-8,982.7	-8,877.3
Profit before borrowing costs and taxes	941.4	1,042.9	579.9	562.1	607.2
Borrowing costs	-28.2	-28.4	-31.2	-45.1	-52.8
Profit before taxes	913.2	1,014.5	548.7	517.0	554.4
Income taxes	-206.1	-194.4	-162.0	-96.0	-117.7
Profit for the period	707.1	820.1	386.7	421.0	436.7
Attributable to:					
Shareholders	699.4	786.1	358.3	414.1	433.4
Minority interests	7.7	34.0	28.4	6.9	3.3
Earnings / loss per share					
Basic in CHF	12.93	15.15	7.33	8.64	9.14
Diluted in CHF	12.93	15.15	7.32	8.57	8.89

Footnote: See next page

ADDITIONAL INFORMATION

	2006	2007	2008	2009	2010
in CHF million					
Gross premiums written and policy fees	6,716.5	6,868.4	6,953.9	6,859.8	6,859.8
Investment-type premiums	774.7	1,069.2	904.4	2,905.6	2,681.6
Total business volume	7,491.2	7,937.6	7,858.3	9,765.4	9,541.4
Assets for the account and at the risk of life insurance policyholders	2,976.6	4,366.9	3,340.1	6,818.1	7,821.7
Combined ratio (gross)	90.2	93.0	88.1	91.2	92.2
Funding ratio nonlife in percent	194.8	195.6	183.0	187.7	180.5

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

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

Consolidated balance sheet

FIVE-YEAR OVERVIEW

	2006	2007	2008	2009	2010
in CHF million					
Assets					
Property, plant and equipment	638.3	676.5	621.2	611.2	535.7
Intangible assets	1,357.5	1,624.8	1,587.2	1,562.4	1,342.6
Investments in associates	175.0	191.7	129.4	143.1	211.3
Investment properties	5,312.6	5,269.9	5,055.5	5,071.7	5,046.6
Financial assets of an equity nature	10,902.3	12,144.0	7,551.8	9,486.1	9,844.2
Financial assets of a debt nature	24,523.3	24,433.3	23,115.6	26,502.7	25,840.5
Mortgages and loans	17,801.6	18,611.8	18,992.5	18,643.5	17,693.5
Derivative financial instruments	75.8	54.2	311.3	123.7	536.3
Other assets / receivables	2,478.8	2,721.0	2,536.2	2,593.0	2,111.6
Deferred tax assets	25.8	53.9	36.9	26.4	20.2
Cash and cash equivalents	741.5	1,648.7	1,305.5	2,528.7	2,208.9
Total assets	64,032.5	67,429.8	61,243.1	67,292.5	65,391.4

	2006	2007	2008	2009	2010
in CHF million					
Equity and liabilities					
Equity					
Equity before minority interests	4,921.9	4,733.4	3,691.0	4,315.0	4,100.0
Minority interests	64.6	241.9	204.6	195.0	33.5
Total equity	4,986.5	4,975.3	3,895.6	4,510.0	4,133.5
Liabilities					
Technical reserves (gross)	46,521.8	47,826.4	44,068.6	45,344.2	43,445.7
Liabilities from banking business and financial contracts	6,744.0	8,300.6	8,127.2	11,396.4	12,863.3
Derivative financial instruments	44.6	34.9	30.1	49.5	29.9
Other accounts payable	4,929.3	5,607.1	4,521.4	5,299.6	4,277.3
Deferred tax liabilities	806.3	685.5	600.2	692.8	641.7
Total liabilities	59,046.0	62,454.5	57,347.5	62,782.5	61,257.9
Total equity and liabilities	64,032.5	67,429.8	61,243.1	67,292.5	65,391.4

Business volume, premiums and combined ratio

BUSINESS VOLUME 2009

	Group	Switzerland	Germany	Belgium	Luxembourg	Other units ²
in CHF million						
Nonlife	3,136.4	1,280.2	1,028.8	579.3	55.1	165.1
Life	3,723.4	2,617.6	853.7	121.6	52.6	77.9
Subtotal of IFRS gross premiums written¹	6,859.8	3,897.8	1,882.5	700.9	107.7	243.0
Investment-type premiums	2,905.6	32.2	287.4	119.6	854.3	1,612.1
Total business volume	9,765.4	3,930.0	2,169.9	820.5	962.0	1,855.1

BUSINESS VOLUME 2010

	Group	Switzerland	Germany	Belgium	Luxembourg	Other units ²
in CHF million						
Nonlife	3,044.9	1,285.3	938.9	558.3	81.7	162.3
Life	3,814.9	2,791.6	792.7	110.4	51.4	68.8
Subtotal of IFRS gross premiums written¹	6,859.8	4,076.9	1,731.6	668.7	133.1	231.1
Investment-type premiums	2,681.6	31.3	255.5	129.4	1,136.8	1,128.6
Total business volume	9,541.4	4,108.2	1,987.1	798.1	1,269.9	1,359.7

1 Premiums written and policy fees (gross).

2 Other units: Austria, Croatia, Serbia and Baloise Life Liechtenstein.

COMBINED RATIO GROSS 2009

	Group	Switzerland	Germany	Belgium	Luxembourg	Other units ¹
as a percentage of premiums earned						
Loss ratio	58.6	57.7	58.6	60.3	55.1	66.9
Expense ratio	32.0	26.0	35.3	37.5	36.5	40.9
Profit-sharing ratio	0.6	1.0	0.4	0.3	0.0	0.0
Combined ratio	91.2	84.7	94.3	98.1	91.6	107.8

COMBINED RATIO GROSS 2010

	Group	Switzerland	Germany	Belgium	Luxembourg	Other units ¹
as a percentage of premiums earned						
Loss ratio	60.9	62.0	62.0	59.8	43.9	61.3
Expense ratio	30.7	25.1	34.8	33.7	37.5	39.5
Profit-sharing ratio	0.6	0.9	0.3	0.5	0.0	0.0
Combined ratio	92.2	88.0	97.1	94.0	81.4	100.8

¹ Other units: Austria, Croatia and Serbia.

COMBINED RATIO GROSS AND NET

	Gross		Net	
	2009	2010	2009	2010
as a percentage of premiums earned				
Loss ratio	58.6	60.9	60.3	62.7
Expense ratio	32.0	30.7	33.4	31.9
Profit-sharing ratio	0.6	0.6	0.7	0.6
Combined ratio	91.2	92.2	94.4	95.2

FUNDING RATIO NONLIFE

	2009	2010
in CHF million		
Technical provisions for own account ¹	5,570.5	5,219.9
Premiums written and policy fees for own account	2,967.6	2,892.1
Funding ratio in percent	187.7	180.5

¹ Not including capitalised settlement premiums.

Technical income statement

in CHF million	Nonlife		Life ³	
	2009	2010	2009	2010
Gross				
Gross premiums written and policy fees	3,136.4	3,044.9	3,723.4	3,814.9
Change in unearned premium reserves	-18.3	-5.5	0.0	0.0
Premiums earned and policy fees (gross)	3,118.1	3,039.4	3,723.4	3,814.9
Claims and benefits paid (gross)	-1,867.4	-1,818.4	-3,516.0	-3,394.5
Change in technical reserves (gross)				
Change in loss reserve / actuarial reserves ¹	16.6	-56.2	-726.1	-966.9
Expenses for policyholders' dividends	-19.1	-17.5	-239.7	-352.8
Technical expenses	-1,016.7	-949.0	-497.6	-471.8
Total technical result (gross)	231.5	198.3	-1,256.0	-1,371.1
Ceded to reinsurers				
Reinsurance premiums ceded	-172.1	-151.3	-18.2	-16.9
Claims and benefits paid	54.0	64.4	5.8	5.3
Reinsurance share of claims incurred	-4.2	-23.1	1.3	-0.3
Expenses for policyholders' dividends	0.0	0.2	1.2	1.2
Technical expenses	13.1	12.8	4.7	2.2
Total technical result of ceded business	-109.2	-97.0	-5.2	-8.5
For own account				
Premiums earned and policy fees	2,946.0	2,888.1	3,705.2	3,798.0
Claims and benefits paid	-1,813.4	-1,754.0	-3,510.2	-3,389.2
Change in loss reserve / actuarial reserves ¹	12.4	-79.3	-724.8	-967.2
Expenses for policyholders' dividends	-19.1	-17.3	-238.5	-351.6
Technical expenses	-1,003.6	-936.2	-492.9	-469.6
Total technical result for own account	122.3	101.3	-1,261.2	-1,379.6
Investment income (gross)	314.6	288.8	1,423.0	1,345.2
Realised gains and losses on investments ²	-3.5	8.4	448.1	499.0
Investment expenses	-22.1	-19.9	-85.2	-75.5
Other financial expenses and income	-28.7	1.7	-373.7	-206.4
Result from investment income	260.3	279.0	1,412.2	1,562.3
Annual result before borrowing costs and taxes	382.6	380.3	151.0	182.7
Borrowing costs	-	-	-	-
Income taxes	-51.1	-65.3	-29.2	-32.5
Annual result (segment result)	331.5	315.0	121.8	150.2

1 Including change in provisions for loss adjustment expenses.

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

3 Of which latency calculation effects from other business segments: 31 December 2009 CHF 6.9 million / 31 December 2010 CHF -10.4 million

Gross premiums by sectors

GROSS PREMIUMS BY SECTOR NONLIFE			
	2009	2010	+/- %
in CHF million			
Accident	465.4	461.6	-0.8
Health	113.7	114.7	0.9
General liability	350.7	341.3	-2.7
Motor	985.7	956.5	-3.0
Property	968.4	934.0	-3.6
Marine	137.6	125.6	-8.7
Other	52.1	53.7	3.1
Active reinsurance	62.8	57.5	-8.4
Gross premiums written, nonlife	3,136.4	3,044.9	-2.9
GROSS PREMIUMS BY SECTOR LIFE			
	2009	2010	+/- %
in CHF million			
Business volume non-recurrent deposits	3,963.1	3,913.3	-1.3
Business volume periodic deposits	2,665.9	2,583.2	-3.1
Investment-type premiums	-2,905.6	-2,681.6	-7.7
Gross premiums written, life	3,723.4	3,814.9	2.5

In the 2010 fiscal year, premium income was depressed due to Swiss franc/ euro exchange rate performance, as compared to the same period in the previous year.

Banking activities

RESULT FROM BANKING ACTIVITIES

	2009	2010
in CHF million		
Total interest income	194.5	182.2
Total interest expenses	-94.2	-83.0
Net interest income	100.3	99.2
Net commission and fee income	58.9	59.2
Trading income	-0.7	-0.1
Other income	0.3	1.7
Total operating income	158.8	160.0
Personnel expenses	-58.7	-53.7
Material expenses	-35.1	-29.9
Total operating expenses	-93.8	-83.6
Gross result	65.0	76.4
Result from losses and impairments for credit risks	0.9	1.1
Depreciation of intangible assets and property, plant and equipment	-4.9	-9.6
Annual result before taxes	61.0	67.9
Income taxes	-9.5	-12.8
Annual result (segment result)	51.5	55.1

ADDITIONAL INFORMATION

	2009	2010
in CHF million		
Assets managed for third parties	5,046.2	4,993.9
Risk-weighted assets: banking activities	3,378.2	3,429.4

ASSET ALLOCATION

	2009	2010
in CHF million		
Investment properties	-	-
Shares	6.4	6.2
Alternative financial assets	-	-
Fixed-income securities	340.9	323.2
Mortgage assets	5,723.0	5,977.7
Policy and other loans	313.0	306.3
Derivative financial instruments	20.8	22.1
Cash and cash equivalents	151.0	144.2
Total	6,555.1	6,779.7

Investment performance

INVESTMENT PERFORMANCE 2009¹

	Fixed-income securities	Shares	Investment properties	Mortgage assets, policy and other loans	Alternative financial assets, derivatives, cash and cash equivalents	Total
in CHF million						
Current income	898.5	86.0	246.7	682.4	7.6	1,921.2
Realised gains and losses and impairment losses recognised in profit and loss (net)	27.6	103.3	-19.6	-4.8	-257.7	-151.2
Change in unrealised gains and losses on equity	690.6	236.0	-	-	28.2	954.8
Cost of investment management	-27.9	-7.0	-10.8	-15.6	-11.6	-72.9
Operational profit	1,588.8	418.3	216.3	662.0	-233.5	2,651.9
Average investment portfolio	24,419.0	2,340.7	5,063.6	18,818.0	3,647.6	54,288.9
Performance in percent	6.5	17.9	4.3	3.5	-6.4	4.9

INVESTMENT PERFORMANCE 2010¹

	Fixed-income securities	Shares	Investment properties	Mortgage assets, policy and other loans	Alternative financial assets, derivatives, cash and cash equivalents	Total
in CHF million						
Current income	883.3	70.1	242.5	608.1	7.2	1,811.2
Realised gains and losses and impairment losses recognised in profit and loss (net)	-380.2	31.8	-1.3	11.1	526.0	187.4
Change in unrealised gains and losses on equity	-64.8	-69.0	-	-	114.7	-19.1
Cost of investment management	-25.8	-8.9	-8.0	-11.9	-9.6	-64.2
Operational profit	412.5	24.0	233.2	607.3	638.3	1,915.3
Average investment portfolio	25,367.5	2,153.3	5,059.1	18,168.5	3,763.8	54,512.2
Performance in percent	1.6	1.1	4.6	3.3	17.0	3.5

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

CURRENT INCOME, INSURANCE¹

	2009			2010		
	Nonlife	Life	Total	Nonlife	Life	Total
in CHF million						
Investment properties	44.4	194.1	238.5	39.8	195.5	235.3
Shares	17.1	68.6	85.7	21.7	48.1	69.8
Alternative financial assets	1.6	1.6	3.2	0.7	1.5	2.2
Fixed-income securities	189.9	696.6	886.5	177.5	694.8	872.3
Mortgage assets	13.9	155.5	169.4	13.0	138.6	151.6
Policy and other loans	46.9	304.6	351.5	35.1	263.9	299.0
Derivative financial instruments	–	–	–	–	–	–
Cash and cash equivalents	0.8	2.0	2.8	1.0	2.8	3.8
Total current income	314.6	1,423.0	1,737.6	288.8	1,345.2	1,634.0

REALISED GAINS AND LOSSES, INSURANCE¹

	2009			2010		
	Nonlife	Life	Total	Nonlife	Life	Total
in CHF million						
Investment properties	0.8	–15.3	–14.5	–12.9	10.6	–2.3
Shares	21.9	81.1	103.0	15.1	16.8	31.9
Alternative financial assets	10.3	–3.7	6.6	12.0	46.7	58.7
Fixed-income securities	6.4	21.5	27.9	–41.4	–338.8	–380.2
Mortgage assets	–0.3	–2.0	–2.3	–0.1	0.5	0.4
Policy and other loans	1.7	–4.6	–2.9	5.6	6.7	12.3
Derivative financial instruments	–44.3	–215.6	–259.9	30.1	442.3	472.4
Cash and cash equivalents	–	–	–	–	–	–
Total capital gains and losses	–3.5	–138.6	–142.1	8.4	184.8	193.2

ASSET ALLOCATION, INSURANCE¹

	2009			2010		
	Nonlife	Life	Total	Nonlife	Life	Total
in CHF million						
Investment properties	821.0	4,129.7	4,950.7	800.8	4,143.1	4,943.9
Shares	700.6	1,365.0	2,065.6	785.3	1,420.2	2,205.5
Alternative financial assets	300.9	1,069.4	1,370.3	286.9	1,013.4	1,300.3
Fixed-income securities	5,392.3	20,001.1	25,393.4	4,635.8	19,986.1	24,621.9
Mortgage assets	427.1	4,434.8	4,861.9	441.4	4,234.5	4,675.9
Policy and other loans	1,043.4	6,889.5	7,932.9	939.7	6,013.7	6,953.4
Derivative financial instruments	7.6	90.5	98.1	20.5	312.3	332.8
Cash and cash equivalents	447.6	1,451.1	1,898.7	557.5	884.5	1,442.0
Total	9,140.5	39,431.1	48,571.6	8,467.9	38,007.8	46,475.7

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

Bâloise Holding

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Income statement Bâloise Holding

	Note	2009	2010
in CHF million			
Income from participating interests		310.6	324.5
Interest and securities income	2	9.6	11.9
Other income	3	9.3	8.8
Total income		329.5	345.2
Administrative expenses	4	-49.8	-51.4
Interest expenses	5	-43.8	-47.1
Depreciation	6	-0.3	-0.0
Other expenses	7	-6.0	-13.1
Total expenses		-99.9	-111.6
Tax expenses		-0.2	-0.2
Profit for the period		229.4	233.4

Balance sheet Bâloise Holding

	Note	31.12.2009	31.12.2010
in CHF million			
Assets			
Cash and cash equivalents		284.8	99.6
Treasury shares		111.4	149.4
Receivables from Group companies		71.5	70.9
Receivables from third parties		2.2	3.9
Accruals	8	24.0	25.4
Current assets		493.9	349.2
Participations	10	1,604.5	1,732.0
Loans to Group companies	9	64.1	58.8
Other financial assets		0.2	0.2
Non-current assets		1,668.8	1,791.0
Total assets		2,162.7	2,140.2
Equity and liabilities			
Share capital		5.0	5.0
Statutory reserve			
General reserve		11.7	11.7
Reserve for treasury shares		118.3	156.4
Other reserves		298.6	264.9
Retained earnings		230.2	234.2
Equity	12	663.8	672.2
Liabilities to Group companies		5.0	19.9
Liabilities to third parties		0.0	0.0
Bonds	11	1,442.5	1,392.5
Provisions		14.7	15.4
Accruals		36.7	40.2
Liabilities		1,498.9	1,468.0
Total equity and liabilities		2,162.7	2,140.2

Notes

Bâloise Holding

1. ACCOUNTING STANDARDS

The annual accounts of Bâloise Holding 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 and time deposits or money market instruments, if these have an original maturity of less than 90 days.

Treasury shares

Treasury shares are posted at cost or at the lower fair value.

Receivables

Receivables are stated at face value net of necessary impairments.

Accruals

Accruals considers both expenses paid in advance for the new fiscal year, as well as income from the current fiscal year that will only be received at a later date. Included under the same heading are dividends decided on the balance sheet date by the Annual General Meeting of the subsidiaries. Bâloise Holding reports these as dividend claims.

Participations

Participations are recognised at cost net of requisite depreciation.

Loans to Group companies

Loans are valued at face value, factoring in requisite depreciation. Individual value adjustments are conducted according to the prudence principle for all identifiable risks.

Other financial assets

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

Liabilities

Liabilities are recognised at face value.

Bonds

Bonds are recognised at face value. The emission costs, reduced in the amount of the premium, are charged in full to the income statement upon issue of the bond.

Provisions

Provisions are created to cover any risks according to the principles of prudent management.

Accruals

Accruals include income already received in respect of the new fiscal year and expenses for the current fiscal year which will only be paid at a later date.

NOTES TO THE INCOME STATEMENT

2. INTEREST AND SECURITIES INCOME

	2009	2010
in CHF million		
Income from treasury shares	4.2	6.7
Interest on loans to Group companies	1.1	2.4
Income from other financial assets	0.0	0.0
Other interest receivables	4.3	2.8
Total interest and securities income	9.6	11.9

3. OTHER INCOME

	2009	2010
in CHF million		
Income from services rendered	2.0	2.0
Other income	7.3	6.8
Total other income	9.3	8.8

4. ADMINISTRATIVE EXPENSES

	2009	2010
in CHF million		
Personnel expenses	-29.4	-32.5
Other administrative expenses	-20.4	-18.9
Total administrative expenses	-49.8	-51.4

5. INTEREST EXPENSES

	2009	2010
in CHF million		
Interest from bonds	-42.6	-47.0
Other interest expenses	-1.2	-0.1
Total interest expenses	-43.8	-47.1

6. DEPRECIATION

	2009	2010
in CHF million		
Depreciation on treasury shares	-0.3	-0.0
Total depreciation	-0.3	-0.0

7. OTHER EXPENSES

	2009	2010
in CHF million		
Expenses incurred from services rendered	-1.5	-1.4
Other expenses	-4.5	-11.7
Total other expenses	-6.0	-13.1

NOTES TO THE BALANCE SHEET**8. ACCRUALS**

Due to resolutions of the Annual General Meeting on 17 February 2011 of Baloise Asset Management Schweiz AG, Basel, and of Baloise Asset Management International AG, Basel, and on 1 March 2011 of Haakon AG, Basel, the accrued dividend claims (income from investments in associates) for the 2010 fiscal year were regarded as deferred expenses.

9. LOANS TO GROUP COMPANIES

	2009	2010
in CHF million		
Subordinated loan to Baloise Bank SoBa	30.0	30.0
Loan to Baloise (Luxembourg) Holding S.A.	34.1	28.8
Total loans to Group companies	64.1	58.8

10. PARTICIPATIONS

Company	Total holding as of 31.12.2009	Total holding as of 31.12.2010	Currency	Share / corporate capital as of 31.12.2010
	in % ¹	in % ¹		in million
Basler Versicherung AG, Basel	100.00	100.00	CHF	75.0
Basler Leben AG, Basel	100.00	100.00	CHF	50.0
Baloise Bank SoBa AG, Solothurn	100.00	100.00	CHF	50.0
Baloise Asset Management Schweiz AG, Basel	100.00	100.00	CHF	1.5
Baloise Asset Management International AG, Basel	100.00	100.00	CHF	1.5
Haakon AG, Basel	74.75	74.75	CHF	0.2
Baloise Life (Liechtenstein) AG, Balzers	100.00	100.00	CHF	15.0
Baloise Beteiligungs-Holding GmbH, Bad Homburg	100.00	100.00	EUR	0.0
Basler Saturn Management B.V., Hamburg	–	100.00	EUR	0.0
Baloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100.00	100.00	CHF	249.9
Baloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	150.0
Baloise Fund Invest Advico, Bertrange (Luxembourg)	100.00	100.00	EUR	0.1
Baloise Insurance Company (Bermuda) Ltd., Hamilton, Bermuda	100.00	100.00	CHF	5.0
Baloise Finance (Jersey) Ltd, St. Helier, Jersey	100.00	100.00	CHF	1.3
Basler osiguranje Zagreb d.d., Zagreb	100.00	100.00	HRK	45.0
Neživotno osiguranje "Basler" a.d.o., Belgrade	100.00	100.00	RSD	675.1
Životno osiguranje "Basler" a.d.o., Belgrade	100.00	100.00	RSD	300.1

¹ The holding is rounded down to the nearest percent.

For additional information on participations held directly by Baloise Holding see pages 144 and 145 of the 2010 Financial Report.

11. BONDS

AMOUNT

	Interest rate	Issued	Maturity date
CHF 150 million	3.250 %	2007	19.06.2012
CHF 550 million	4.250 %	2009	29.04.2013
CHF 150 million	3.500 %	2007	19.12.2014
CHF 242.5 million (convertible bond)	1.500 %	2009	17.11.2016
CHF 300 million	2.875 %	2010	14.10.2020

12. CHANGES IN EQUITY

	31.12.2009	31.12.2010
in CHF million		
Share capital		
As of 1 January	5.0	5.0
Reduction through cancellation of shares as per AGM resolution	–	–
Total share capital	5.0	5.0
Statutory reserves		
General reserve		
As of 1 January	11.7	11.7
Allocation	–	–
Total general reserve	11.7	11.7
Reserve for treasury shares		
As of 1 January	46.6	118.3
Reduction through cancellation of shares as per AGM resolution	–	–
Withdrawal (carry forward to Other reserves)	–	–
Allocation (carry forward from Other reserves) ¹	71.7	38.1
Total reserve for treasury shares	118.3	156.4
Total statutory reserves	130.0	168.1
Other reserves		
As of 1 January	115.7	298.6
Allocation from Retained earnings	254.6	4.4
Allocation (carry forward from Reserve for treasury shares)	–	–
Withdrawal (carry forward to Reserve for treasury shares)	–71.7	–38.1
Total other reserves	298.6	264.9
Retained earnings		
As of 1 January	480.4	230.2
Dividend distribution	–225.0	–225.0
Addition to unappropriated reserves	–254.6	–4.4
Profit for the period	229.4	233.4
Total retained earnings	230.2	234.2
Total equity	663.8	672.2

¹ Baloise Group companies purchased during the reporting period (not including the share buy-back via the secondary trading line) a total of 840,085 shares at an average price of CHF 83. During the reporting period they sold 379,736 shares at an average price of CHF 82 and together held a total of 1,708,136 Baloise Holding shares as of 31 December 2010. The balance of Baloise Holding shares acquired via the secondary trading line amounted to 223,565 shares, as in the previous year. These shares are stated in the balance sheet item "Treasury shares."

13. SIGNIFICANT SHAREHOLDERS

Two shareholder groups hold more than 5 % of outstanding Baloise shares as of 31 December 2010. The following table provides information on the current shareholder structure as of 31 December 2010 (figures rounded).

	Total holding as of 31.12.2009	Share of voting rights as of 31.12.2009	Total holding as of 31.12.2010	Share of voting rights as of 31.12.2010
in percent				
Shareholders				
Chase Nominees Group ¹	7.9	2.0	6.3	2.0
Signal Iduna Gruppe	5.2	2.0	>5.0	2.0
BlackRock Inc	4.2	0.0	>5.0	0.0
Mellon Bank N. A. ¹	4.0	0.0	3.5	0.0
CS Group	<2.0	<2.0	2.6	<2.0
Nortrust Nominees Ltd. ¹	3.2	0.0	2.3	0.0
Bank of New York Mellon N.V. ¹	<2.0	0.0	2.2	0.0
UBS Group	2.1	<2.0	<2.0	<2.0
State of New Jersey Common Pension Fund	2.0	2.0	0.0	0.0

¹ Custodian nominees who hold shares in trust for third parties are added to the free float pursuant to the SIX Exchange regulations. Such shareholder groups are not subject to registration pursuant to stock exchange law.

14. CONTINGENT LIABILITIES

As of 31 December 2010, the guarantee liabilities amount to CHF 164.9 million (previous year: CHF 128.6 million).

A purchase price retention of EUR 5 million to cover any guarantee claims was agreed in the purchase agreement concluded in 2007 regarding Osiguranje Zagreb. The sum is deposited in escrow at a bank. Furthermore, possible supplementary purchase price payments (earn-outs) were agreed. The amounts depend on the premium growth and net profits of Osiguranje Zagreb in the years 2007, 2008 and 2009. However, these additional payments amount to a maximum of EUR 20 million. No guarantee claims were made after the guarantee period had lapsed in the reporting period and the bank deposit in escrow was paid back to Baloise Holding.

Baloise Holding issues the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Baloise Holding, Basel, warrants that its subsidiary, Baloise Life (Liechtenstein) AG is able to meet its financial obligations to its customers, arising from RentaSafe, BelRenta Safe, RentaProtect and RentaSafe Time contracts, in particular guarantee pledges, in full at any time. The maximum liability corresponds to the actuarial reserve entered in the balance sheet of Baloise Life (Liechtenstein) for these products as of 31 December 2010.

Baloise Holding assumes the unrestricted obligation to ensure the Landesbank Baden-Württemberg that the Partner in Life S.A., Contern (Luxembourg) will be managed and financially equipped so that it is able to meet all its obligations towards the bank in due time whilst the loans amounting to EUR 40 million granted by the bank including interest, costs and commissions are not fully repaid.

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

15. PAYMENTS IN ACCORDANCE WITH OR (SWISS CODE OF OBLIGATIONS) ARTICLES 663B^{BIS} AND 663C

Information on remuneration to the Board of Directors or persons fully or partially entrusted with management duties by the Board of Directors is stated in the Baloise Group's Consolidated Annual Financial Statements.

16. DETAILS ABOUT THE PERFORMANCE OF A RISK ASSESSMENT

Details about the performance of a risk assessment can be found in Chapter 5, "Management of insurance and financial risks," in the Baloise Group's Consolidated Annual Financial Statements.

Appropriation of retained earnings as proposed by the Board of Directors

RETAINED EARNINGS AND APPROPRIATION OF EARNINGS

Net retained earnings amount to CHF 233,435,876.98.

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

	2009	2010
in CHF		
Profit for the period	229,399,605.78	233,435,876.98
Earnings carried forward	762,134.14	761,739.92
Retained earnings	230,161,739.92	234,197,616.90
Proposals by the Board of Directors		
Appropriation to unappropriated reserves	- 4,400,000.00	- 8,400,000.00
Dividends	- 225,000,000.00	- 225,000,000.00
Retained earnings to be carried forward	761,739.92	797,616.90

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

Glossary

→ Actuarial reserves

Actuarial reserves refer to provisions for current insurance policies in the life insurance segment.

→ Annual premium equivalent (APE)

The annual premium equivalent is the insurance industry standard for measuring the volume of new life insurance business. It is calculated as the sum of all annual premiums from new business and 10 % of single premiums of the reporting period.

→ Assets managed for third parties

Assets held in trust for customers and partners.

→ Baloise

“Baloise” stands for “Baloise Group”, “Baloise Holding” for “Baloise Holding Ltd”. By Baloise share we mean the share of Baloise Holding Ltd.

→ Brokers

Insurance brokers are independent insurance intermediaries. These are companies or individuals who are not tied to any insurance company when placing contracts. They receive commission for the insurance contracts they conclude.

→ Business segment

Similar or related operating activities are grouped together in business segments. These are: nonlife, life, banking (including asset management) and other activities. The business segment “Other activities” includes, in particular, holding, property and investment companies.

→ Business volume

Business volume includes premium income from the nonlife and life insurance business and from unit-linked life insurance policies during the reporting 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 comprises insurance claims paid out during the fiscal year, reserves formed in connection with unsettled claims, the dissolution of reserves for claims that no longer have to be settled or do not have to be paid in full, the costs of processing claims, as well as the performance of related provisions.

→ Combined ratio

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

→ Deferred tax assets and liabilities

Probable future tax expenses and tax relief, resulting from temporary differences between the reported value of assets and liabilities, as disclosed in the consolidated financial statements, and their tax value. The calculation is based on country-specific tax rates.

→ Embedded value (MCEV)

The Market Consistent Embedded Value (MCEV) measures the value of a life portfolio for the shareholder on the balance sheet date. See also separate MCEV report.

⇒ **Expense ratio**

The ratio of the cost of nonlife insurance business to premiums, expressed in percent.

⇒ **Fixed-income securities**

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

⇒ **Gross**

In the annual report of an insurance company, “gross” stands for a balance sheet or income statement item before the deduction of of reinsurance.

⇒ **Group life business**

Insurance policies taken out by companies or their employee benefit units on behalf of their employees as part of their company pension plans.

⇒ **IFRS**

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

⇒ **Impairment (impairment loss)**

Impairment of an asset recognised in profit and loss. Whether the carrying value of an asset is greater than its recoverable amount is determined using an impairment test. If necessary, the asset is impaired down to the recoverable amount and recognised through profit and loss.

⇒ **Insurance benefits**

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

⇒ **Investments**

Included in investments are properties, shares and alternative financial investments (stocks of an equity nature), fixed-interest securities, mortgage-backed investments,

policies and other loans, derivatives as well as cash and cash equivalents. Precious metals from the investment-type insurance business are presented under the item “Other assets”.

⇒ **Investment performance**

The performance measures the business success of investments. Gains, losses, income, expenses, as well as changes to as yet unrealised gains and losses, as set out in the income statement related to the average balance of the investments.

⇒ **Investment-type life insurance**

Life insurance policies where policyholders invest their savings for their own account and at their own risk.

⇒ **Investment-type premiums**

Premium income from life insurance policies where insurance companies invest the policyholder’s savings for the latter’s own account and at the latter’s own risk. In accordance with the International Accounting Standards applied by the Baloise Group, the savings that are part of this premium income may not be disclosed as income in the income statement.

⇒ **Legal quota**

Fixed statutory or contractual percentage requiring life insurance companies to pass on a certain percentage of earnings to the policyholders.

⇒ **Loss ratio**

The ratio of claims incurred 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 the respective savings balance of company pension plans.

➔ **Net**

In the annual report of an insurance company “net” stands for a balance sheet or income statement item after the deduction of reinsurance.

➔ **New business margin**

Value of new business divided by the annual premium equivalent (APE).

➔ **Non-recurrent deposits**

Non-recurrent deposits finance life insurance policies with a one-off deposit made when the policy begins. Primarily used as a financing tool for asset-building life insurance, with special emphasis on profitability and security aspects.

➔ **Periodic premiums**

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

➔ **Policyholders’ dividends**

Annual, non-guaranteed policyholder benefits from a life insurance policy which are granted when – compared with the assumptions that underlie the premium calculation – earnings are higher and/or risk and cost behaviour patterns are more favourable.

➔ **Premium**

The amount paid by the policyholder to cover the cost of insurance.

➔ **Premiums earned**

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

➔ **Profit after taxes**

Profit after taxes is the final consolidated sum of all earnings and expenses, less borrowing costs, as well as current and deferred income taxes. Profit after taxes includes the proportion of minority interests in the result.

➔ **Profit-sharing ratio**

Index expressing the profit-sharing/premium ratio. Profit sharing is a rebate granted to policyholders in the nonlife business due to profitable business.

➔ **Provisions**

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

➔ **Reinsurance**

If the insurance company does not want to carry the full risk from an insurance policy or an entire portfolio of policies, it passes 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**

Calculated return on the equity of a company during the fiscal year. Return on equity is calculated by taking the profit generated during the fiscal year and dividing it by average equity.

➔ **Run Off business**

Policy portfolio that has ceased to accept new policies, with existing policies 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 bundled business activities are presented in “segments,” by geographic regions and business segments.

⇒ Share buy-back programme

Procedure approved by the Board of Directors under which the company itself may repurchase outstanding shares. In Switzerland, these buy-backs are carried out through a separate trading line.

⇒ 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 the company.

⇒ SLI

The Swiss Leader Index comprises the 30 largest and most liquid securities in the Swiss equity market.

⇒ Scoring

Scoring stands for statistical analyses, whereby risk estimates based on experience values are derived from data collected. Insurers apply scoring in order to tariff equitably.

⇒ Solvency

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

⇒ Technical reserves

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

⇒ Technical result

The 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 reserves

Accrued portions of the written premiums that have been charged for periods after the balance sheet date.

⇒ Unrealised gains and losses (charged to equity)

Unrealised gains and losses are gains or losses charged to equity, which are not recognised in profit or loss and result from the valuation of assets. These are charged to equity after deducting deferred tax assets and liabilities and deferred policyholders’ dividends (life insurance business). These gains or losses are only transferred to the income statement upon disposal of the underlying asset or upon impairment (impairment loss).

⇒ Value of new business

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

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Information on the Baloise Group

The 2010 Annual Report is published in German and English.

The 2010 Financial Report contains the audited 2010 annual financial statements with detailed information. It is available in German and in English. The German version is binding.

AVAILABILITY AND ORDERING

The 2010 Annual Report and the 2010 Financial Report are available on the Internet at www.baloise.com/annualreport as of 22 March 2011.

Corporate publications can be ordered via the Internet or from the Baloise Group, Corporate Communications, Aeschengraben 21, CH-4002 Basel.

INFORMATION FOR SHAREHOLDERS AND FINANCIAL ANALYSTS

You can find detailed information and data on the Baloise share, the IR agenda, the latest presentations and how to contact Investor Relations on the Internet at www.baloise.com/investors. The information is available in German and English.

INFORMATION FOR MEDIA REPRESENTATIVES

At www.baloise.com/media you will find the latest media releases, presentations, reports, pictures and podcast files of various Baloise events as well as media contact details.

NOTE ON FORWARD-LOOKING STATEMENTS

This publication is intended to provide an overview of Baloise's business performance. It contains forward-looking statements including forecasts of future events, plans, goals, business developments and results based on the current expectations and assumptions of Baloise management. These forward-looking statements should be used with due caution as they contain both known and unknown risks. They also contain uncertainties and may be affected adversely by other factors. In consequence, business performance, results, plans and goals could differ materially from those presented explicitly or implicitly in these forward-looking statements. Influencing factors include (i) changes in the overall state of the economy, especially in key markets; (ii) financial market performance; (iii) competitive factors; (iv) changes in interest rates; (v) changes in exchange rates; (vi) changes in the statutory and regulatory framework including accounting standards; (vii) frequency and magnitude of claims and development of claims history; (viii) mortality and morbidity rates; (ix) renewals and maturity of insurance policies; (x) legal disputes and administrative proceedings; (xi) departure of key employees; (xii) negative publicity and media reports.

Baloise assumes no obligation to update or revise these forward-looking statements, to consider new information, future events etc. The past performance of Baloise is no indication of future results.

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22.3.2011	Annual results: media conference telephone conference financial analysts
29.4.2011	Bâloise Holding Ltd Annual General Meeting
30.8.2011	Half-year results: telephone conference media / financial analysts
21.3.2012	Annual results: media conference telephone conference financial analysts
27.4.2012	Bâloise Holding Ltd Annual General Meeting

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