Helvetia Group

# Annual Report 2010

helvetia

## Profile

In the past 150 years, Helvetia Group with its registered office in Switzerland has grown from a number of Swiss and foreign insurance companies into a successful international insurance group. Its core geographic markets include its home market Switzerland as well as Germany, Austria, Spain, Italy and France. Helvetia is active in the life, non-life and reinsurance segments, and approximately 4,900 employees provide services to more than two million customers. Business volume in the 2010 financial year equalled CHF 6.8 billion. The registered shares of Helvetia Holding AG are traded on the SIX Swiss Exchange.

2010

# Contents



**In good hands**

Trust, drive and enthusiasm. These are the core values of Helvetia – and they embody a commitment to a relationship with our stakeholders that is based on partnership and the highest quality. In this Annual Report, we show how we hold ourselves to this commitment. How does Helvetia live up to its values and what concrete evidence does it provide in this regard? The Zurich-based photographer Dan Cermak visited various Helvetia country markets on our behalf and translated our commitment to customers, brokers, investors, employees and the general public into pictures. In addition to the photographs, we also give you solid proof that speaks for itself, be it in the form of survey results or financial statistics. Our multi-faceted stakeholders are always at the centre of the images. With Helvetia you are in good hands!

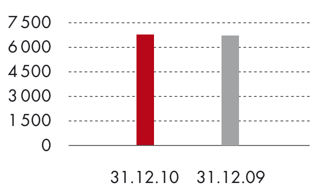
| | 2010 | 2009 | Change |
|---|---|---|---|
| **Key share data Helvetia Holding AG** | | | |
| Group profit for the period per share in CHF | 39.3 | 37.5 | 4.7% |
| Consolidated equity per share in CHF | 366.3 | 372.2 | –1.6% |
| Price of Helvetia registered shares at the reporting date in CHF | 359.5 | 320.8 | 12.1% |
| Market capitalisation at the reporting date in CHF million | 3 110.7 | 2 775.4 | 12.1% |
| Number of shares issued | 8 652 875 | 8 652 875 | |

| in CHF million | | | in Group currency |
|---|---|---|---|
| **Business volume** | | | |
| Gross premiums life | 3 896.1 | 3 676.5 | 6.0% |
| Deposits received life | 283.5 | 408.6 | –30.6% |
| Gross premiums non-life | 2 344.4 | 2 383.4 | –1.6% |
| Assumed reinsurance | 231.4 | 242.5 | –4.6% |
| Business volume | 6 755.4 | 6 711.0 | 0.7% |
| **Key performance figures** | | | |
| Result life | 108.5 | 102.0 | 6.4% |
| Result non-life | 177.4 | 216.3 | –18.0% |
| Result other activities | 55.6 | 8.5 | 548.4% |
| Group profit for the period after tax | 341.5 | 326.8 | 4.5% |
| Profit from investments | 1 133.5 | 1 239.2 | –8.5% |
| **Key balance sheet figures** | | | |
| Consolidated equity (without preferred securities) | 3 157.6 | 3 208.4 | –1.6% |
| Reserves for insurance and investment contracts (net) | 28 584.1 | 27 508.9 | 3.9% |
| Investments | 33 587.1 | 33 072.4 | 1.6% |
| **Ratios** | | | |
| Return on equity[1] | 10.7% | 10.8% | |
| Reserve to premium ratio non-life | 141.1% | 130.7% | |
| Combined ratio (gross) | 89.5% | 89.1% | |
| Combined ratio (net) | 94.1% | 91.3% | |
| Direct yield | 3.0% | 3.2% | |
| Investment performance | 2.9% | 4.8% | |
| Solvency I | 220% | 219% | |
| **Employees** | | | |
| Helvetia Group | 4 923 | 4 511 | 9.1% |
| of which Switzerland | 2 561 | 2 160 | 18.6% |

1 Based on the earnings per share (including interest on preferred securities through profit and loss) divided by the average shareholder capital (equity without preferred securities).

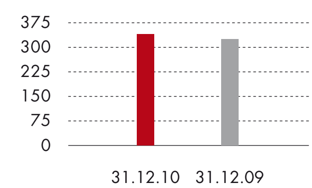
**Business volume**

in CHF million



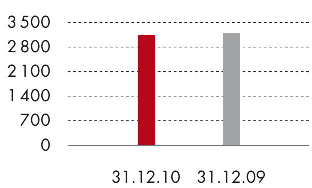

**Profit**

in CHF million



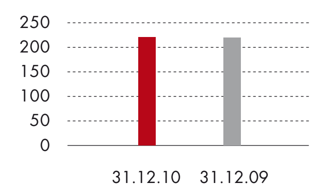

**Equity**

in CHF million




**Solvency I**

in %



# 2010 financial year

Helvetia Group performed well again in the 2010 financial year. Business volumes saw encouraging growth. The net income at CHF 341.5 million exceeded the previous year's level by 4.5%. The capital base remains high with a Solvency I margin of 220% and the return on equity of more than 10% is also within the target range. The results achieved are a good prelude to the new "Helvetia 2015+" strategy.

**High profitability** page 60

The technical results of the life and non-life businesses were once again pleasing. The non-life combined ratio was 94.1%, falling within the target range. Consistent cost management and the cautious investment policy contributed to the pleasing result and makes it possible once again to propose an attractive dividend to the Shareholders' Meeting.

**Profit**

341.5 million

**Strong growth** page 60

Helvetia continued its dynamic growth in the second half of 2010. Currency adjusted business volume grew by 5.3% compared to the previous year. The non-life and life businesses both generated strong growth. This is the result of consistent ongoing development of our market access in Switzerland and abroad.

**Business volume in original currency**

+5.3%

**Significant acquisitions** page 65

The acquisition of Alba and Phenix in the fourth quarter allows Helvetia to increase its business volumes in the Swiss property and casualty insurance business by about 25%. Helvetia already has major earnings power in this business area. The outstanding results of the last year show this with combined ratios of below 85%. The acquisitions will result in a clear improvement in the market position in the domestic market.

**Non-life business Switzerland** (anticipated from 2011)

+25%

**Successful completion of the 2010 strategy** page 19

Helvetia brought the strategy period 2007 – 2010 to a close at the end of the past financial year. The management priorities which we consistently pursued have been proved to be correct and sustainable. A range of measures have allowed us to achieve important strategic goals. In future, Helvetia will consistently align its growth strategy to the motto "To excel in growth, profitability and customer loyalty".

**Strategy**

2015+

**Erich Walser**
Chairman of the Board of Directors

**Stefan Loacker**
Chief Executive Officer

## Ladies and Gentlemen

Helvetia Group ends the 2007 – 2010 strategy period with a very successful financial year: profit after tax of CHF 341.5 million and growth of 5.3%. The non-life and life businesses both generated impressive premium growth. The Group's capital base remains strong with a Solvency I margin of 220%. The solid balance sheet and robust annual profit mean that Helvetia can ask the Shareholders' Meeting to approve an attractive dividend of CHF 16.00 per share. This reflects an increase of CHF 1.50 compared to the previous year and a payout ratio of 41%. CHF 8.00 per share of this will be paid out from the contribution reserves and will not be subject to withholding tax.

Helvetia achieved many things in the 2010 financial year. A highlight of the last year was the acquisition of Alba Allgemeine Versicherungs-Gesellschaft AG, Phenix Versicherungsgesellschaft AG and Phenix Lebensversicherungsgesellschaft AG. This significantly expands our position in our home market and will boost business volumes in the Swiss non-life business by more than 25% in the current year. The integration is proceeding according to plan. From May 2011, all Swiss companies will share a common sales organisation and will all use the standard Helvetia branding. In July 2010 we completed the process of integrating the French transport insurer L'Européenne d'Assurance Transport (CEAT) which we acquired in 2009. The integration process allows us to offer our range of products and competencies under a single brand in the market. We now offer comprehensive insurance coverage to transport and logistics companies in France from a single provider.

2010 also saw the conclusion of the 2007 – 2010 strategy period, during which we have achieved our core objectives. We have used organic growth and targeted acquisitions in the country markets of Italy, France, Austria and Switzerland to improve our market position and to increase the proportion of life business in the foreign portfolio. In parallel, we have enhanced our operating efficiency and optimised the financial structure, inter alia by issuing two new bonds.

Helvetia Group is well positioned to meet the new solvency requirements of the Swiss Solvency Test (SST), which entered into force on 1 January 2011, while at the same time operating in a capital-efficient manner. Our current capital position remains solid, even in terms of the requirements of the Swiss Solvency Test. We welcome the fact that our customers now enjoy the best possible security regarding their financial provision and coverage for their personal risks. The Swiss insurance industry hopes that the regulator will apply appropriate judgement and harmonise regulations with future European guidelines to ensure that Swiss insurance companies are not disadvantaged in comparison to EU countries.

In terms of our strategy, Helvetia will continue to forge ahead with developments. We will accentuate and develop our "Helvetia 2015+" Group strategy in line with our motto "To excel in growth, profitability and customer loyalty". Helvetia's ambition is to significantly strengthen its attractive business portfolio in its current markets, to sustainably enhance profitability and to better satisfy the needs of our customers. The linear expansion of our successful course creates opportunities in the years ahead for substantial potential to add value for customers and shareholders.

We would like to thank you for your confidence thus far. We are convinced that we will prove the quality and dynamism of Helvetia again in 2011.

**Erich Walser**
Chairman of the Board of Directors

**Stefan Loacker**
Chief Executive Officer

# Helvetia invests systematically in the next generation.

**Apprentices in Switzerland**
2006 – 2010

| 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| 109 | 119 | 126 | 126 | 125 |

From 2006 to 2010 Helvetia Switzerland employed more than 120 apprentices on average. Every year Helvetia offers permanent employment to approximately 55% of the apprentices who finish their apprenticeship.

Helvetia is an important employer in the regions where it has offices. Around 4,900 employees work in the country markets. To guarantee the top quality of its services and insurance products for the future too, Helvetia invests systematically in promoting the next generation.

Helvetia Group's ambition is to significantly strengthen its attractive business portfolio in its current markets. We want to be one of the leading providers in our domestic market of Switzerland. We will gradually strengthen our position in the country markets Italy, Germany, Spain, Austria and France and continuously increase our market share. In doing so we place great value on sensible geographic diversification as well as a harmonious balance between the profitable non-life business, the fast-growing occupational benefits insurance business, and the cyclical reinsurance business.

**Stefan Loacker**
Chief Executive Officer

# Company profile

# Board of Directors

The Board of Directors of Helvetia Holding AG serves as the company's highest executive body. It is responsible for the overall management and strategic direction of the Group, and appoints and oversees the Executive Management. The Board of Directors currently consists of nine members. In a bid to benefit from the specific expertise of the individual Board members and ensure that their know-how is brought into the decision-making process, various committees have been set up. In the Strategy and Governance Committee, the Compensation Committee, the Audit Committee and the Investment and Risk Committee, Helvetia has at its disposal four Board committees designed to ensure effective corporate control and supervision. The committees mostly do preparatory work. The areas where they have the power to take decisions are set out in Appendix I of the organisational regulations: "www.helvetia.com/gruppe/governance."

## Elections

The terms of office of the individual Board members have been organised to ensure that one-third of the seats are up for election or re-election every year. The term of office of the individual members is determined on election and may not exceed three years. Re-election is possible. Elections and re-elections take place separately. The mandates of Paola Ghillani and Doris Russi Schurter will expire at the 2011 Shareholders' Meeting, but both of them will stand for re-election. The Board members Silvio Borner and Urs Widmer have reached the statutory age limit and will resign from the Board of Directors at the coming Shareholders' Meeting.

Silvio Borner has successfully applied his in-depth knowledge of economic policy and economic matters since 1983 as a member of the board of directors of the former Patria and since 1996 on the Board of Directors of Helvetia (which merged with Patria). As chairman of the board of directors of Patria Genossenschaft – the successor to the former Patria Lebensversicherungs-Genossenschaft and principal shareholder of Helvetia – he helped to shape the future of Helvetia with his commitment in the full Board of Directors, as Vice-Chairman and in a range of committees.

Urs Widmer also made a significant contribution to the development of Helvetia since his election to the Helvetia Board of Directors in 2005. He freely put his banking and auditing experience as well as his legal knowledge at the disposal of Helvetia, both on the full Board of Directors and as a member of the Audit Committee.

The Board of Directors would like to thank both of them for their exceedingly valued contribution.

State Councillor Jean-René Fournier, member of the board of directors of Patria Genossenschaft, and Herbert J. Scheidt, CEO and chairman elect of the Vontobel Group, will be proposed as new Board members to the Shareholders' Meeting.

**The Board of Directors of Helvetia Holding AG**

| | Function | Entry | Elected until | SGC | CC | IRC | AC |
|---|---|---|---|---|---|---|---|
| Erich Walser | Chairman | 2001 | 2013 | o o | + | o | + |
| Silvio Borner | Vice-Chairman | 1996 | 2011 | o | o o | | |
| Hans-Jürg Bernet | Member | 2006 | 2012 | | | o | o |
| Paola Ghillani | Member | 2008 | 2011 | | o | | |
| Christoph Lechner | Member | 2006 | 2013 | o | | | |
| John Martin Manser | Member | 1996 | 2012 | | o | o o | |
| Doris Russi Schurter | Member | 2008 | 2011 | | | | o |
| Pierin Vincenz | Member | 2000 | 2012 | o | | o | |
| Urs Widmer | Member | 2005 | 2011 | | | | o o |

SGC Strategy and Governance Committee
CC Compensation Committee
IRC Investment and Risk Committee
AC Audit Committee

o o Chairman
o Member
\+ May join meetings at own request in an advisory capacity

The Board of Directors (from left to right)

**Silvio Borner** **Hans-Jürg Bernet** **Urs Widmer** **Doris Russi Schurter** **Erich Walser** **John Martin Manser** **Paola Ghillani** **Christoph Lechner** **Pierin Vincenz**

**Erich Walser**
lic. oec. HSG, lic. iur.
Swiss, Rehetobel, 1947

Professional background, executive responsibilities Chairman of the Board of Directors, until 1978 various positions at different banks; 1979 joined Helvetia: various management positions; 1991 Chief Executive Officer of Helvetia Versicherungen; 1994 Chief Executive Officer of the Helvetia Patria Group; 2001 Managing Director reporting to the Board of Directors, from 12.12.2003 to 31.8.2007 Chairman of the Board of Directors and CEO of Helvetia Group, in current function since 1.9.2007.
Mandates in particular Chairman of the Swiss Insurance Association, Zurich; Chairman of the Sponsoring Institution of the Institute of Insurance Economics at the University of St-Gall; Vice-Chairman of the board of directors of Allreal Holding AG, Baar; Vice-Chairman of the board of directors of Huber + Suhner AG, Herisau, as well as six board member mandates at non-listed companies and five board of trustee mandates.

**Silvio Borner**
Emeritus Prof. Dr oec.
Swiss, Basel, 1941

Professional background, executive responsibilities Director of the WWZ Summer School for Law, Economics and Public Policy at the University of Basel, business journalist and scientific advisor.
Mandates in particular Chairman of the board of directors of Patria Genossenschaft, Basel; Chairman of the board of trustees of Helvetia Patria Jeunesse.

**Hans-Jürg Bernet**
Dr oec. HSG
Swiss, St-Gall, 1949

Professional background, executive responsibilities 1977 joined Zürich Versicherungen, various management positions, including: 1993 member of the executive board of Zurich Switzerland, 2001 – 2005 CEO of Zurich Switzerland, 2001 – 2004 member of the expanded executive board of ZFS Group; 2002 – 2005 Vice-Chairman of the SIA (Swiss Insurance Association), 2001 – 2005 member of the board of directors and Vice-Chairman of the Sponsoring Institution of the Institute of Insurance Economics.
Mandates in particular member of the board of directors of the St-Gall Cantonal Bank and SWICA Healthcare Organisation as well as four board mandates at non-listed companies and two board of trustee mandates.

**Paola Ghillani**
Pharmacist
Swiss, Bulle, and Italian, Collecchio, 1963

Professional background, executive responsibilities with Ciba/Novartis as consumer health analyst and product manager as well as marketing director for Benelux, international marketing director at Bernafon International Ltd; from 1999 to 2005 CEO of Max Havelaar Foundation, Switzerland; currently the owner of her own company focusing on strategic planning and management consulting in Zurich.
Mandates in particular member of the International Committee of the Red Cross; member of the management board of Migros-Genossenschafts-Bund, Zurich; member of the board of directors of Weleda AG, of Romande Energie Holding SA, and of Transitec SA; several commitments as member of expert committees for sustainable investment funds.

**Christoph Lechner**
Prof. Dr oec.
German, Hettlingen, 1967

Professional background, executive responsibilities 1987 – 1995 Deutsche Bank in various positions, including: Corporate Banking and Assistant to the Managing Director (Germany); Corporate Finance (Singapore); 1995 to 2004 University of St-Gall, doctorate and professorial thesis, visiting professor in the US (Wharton and Connecticut) and South America (IAE Argentina); since 2004 Professor for Strategic Management at the University of St-Gall and Director of the Institute for Management.

Mandates in particular member of the board of directors of Hügli Holding AG, Steinach.

**John Martin Manser**
MBA; Financial Consultant
Swiss, Riehen, 1947

Professional background, executive responsibilities Commercial banking in Switzerland, the UK and Brazil; 1981 treasurer at the Brazilian subsidiary of Ciba-Geigy; 1988 – 1990 CFO and 1990 – 1996 treasurer at Ciba-Geigy AG, Basel (head office); 1996 – 2007 Head of Novartis Group Treasury: Novartis International AG, Basel.
Mandates in particular member of the board of directors of Union Bancaire Suisse, Geneva; member of the Investment Commission of the University of Basel.

**Doris Russi Schurter**
Lic. iur., lawyer (with her own law firm)
Swiss, Lucerne, 1956

Professional background, executive responsibilities Partner at KPMG Switzerland, 1994 – 2004 managing partner of KPMG Lucerne.
Mandates in particular Vice-Chairman of the board of directors of Patria Genossenschaft, Basel; member of the boards of directors of Lucerne Cantonal Bank in Lucerne, LZ Medien Holding, Lucerne, and swissgrid ag, Laufenburg; one board member mandate at a non-listed company and three board of trustee mandates; General Manager of the ART MENTOR FOUNDATION LUCERNE; Chairman of the Arbitration Commission of the Central Switzerland Chamber of Commerce, and various commitments at the University of Lucerne and the Lucerne University of Applied Sciences.

**Pierin Vincenz**
Dr oec. HSG
Swiss, Teufen, 1956

Professional background, executive responsibilities 1979 – 1982 Schweizerische Treuhandgesellschaft, St-Gall; 1986 – 1990 Swiss Bank Corporation Global Treasury at the head office in Zurich and Deputy Director Swiss Bank Corporation O'Conner Services L.P. Chicago; 1991 – 1996 Hunter Douglas, Lucerne, Vice-President and Treasurer; since 1996 Raiffeisen Group, St-Gall: member of the executive board and Head of the Finance department; since 1999 CEO of Raiffeisen Group, St-Gall.
Mandates in particular member of the board committee of the Swiss Bankers Association, Basel; Chairman of the board of directors of Aduno Group, Glattbrugg; member of the board of directors of Vontobel Holding AG, Zurich; member of the board of directors of the Mortgage Bond Bank of the Swiss Mortgage Institutions, Zurich; member of the board of directors of SIX Group AG, Zurich; Chairman of the board of directors of Plozza Vini SA, Brusio; member of the board of directors of Pflegekinder-Aktion Schweiz and five board of trustee mandates.

**Urs Widmer**
Dr iur., lawyer (with his own law firm)
Swiss, Küsnacht, 1941

Professional background, executive responsibilities Management positions at ATAG Ernst & Young AG; ATAG debis Informatik AG; ATAG Wirtschaftsinformation Holding AG; Ernst & Young Europe; Ernst & Young International and ATAG Ernst & Young Holding AG, where he was most recently Chairman of the board of directors until 2002.
Mandates in particular Chairman of the board of directors (since 2005) of Vontobel Holding AG and Bank Vontobel AG; member of the board of directors of Barry Callebaut AG; board of trustee mandates for Zurich Zoo Foundation and Technopark, Zurich.

Secretary of the Board of Directors:
**Christophe Niquille,** Dr oec. HSG.

# Executive Management

The Executive Management is the highest ranking executive body of Helvetia Group and implements the strategy adopted by the Board of Directors.

The organisation of the Executive Management is structured to the value chain and the management of the operating business units. Key functions such as the control of financial operations, investment business, group reinsurance, strategy and operations and elements of personnel management are centralised, making it easier to pool knowledge and resources. The management structure – with international, functional responsibilities – is particularly effective, and enables rapid decision-making, enhances transparency and avoids duplication.

### Strengthening the operational and strategic command

As the Executive Management of Helvetia Group did not change in the 2010 financial year, it could focus fully on strengthening the cooperation between the various ExM members and on the operational and strategic management of the Group.

### Changes at the country units

At Helvetia Germany, Werner Kraft and Harald Warning left the Executive Management at the end of February 2011. Werner Kraft will be reporting directly to the CEO and will focus on personnel issues, while Harald Warning will take over as the Head of Life Sales. The Finance department will be restructured and strengthened by the appointment of a full-time CFO, Burkhard Gierse, from 1 January 2011. Since 1998 Burkhard Gierse worked in various functions at PricewaterhouseCoopers, where he was a senior manager for the last four years.

In Austria, Markus Bänziger, the Head of Life and Finance, took on a new challenge outside of Helvetia at the beginning of July 2010. The CEO Burkhard Gantenbein is handling his duties until further notice.

Following the retirement of the long-standing CEO for Helvetia Italy, Fabio de Puppi, Francesco La Gioia took over as the Head of Helvetia Italy on 1 December 2010. He was CEO of Zurich Italy and a member of the executive board of Zurich Western Europe from 2001 to 2009.

On 1 January 2011 Sandro Scapellato replaced the Head of Sales, Michele Colio. Sandro Scapellato gained his experience in marketing and sales with various insurance companies, and for the last four years he was the head of marketing and sales at Assimoco.

In France, CEAT, which was taken over in 2009, was integrated into Helvetia in operational, strategic as well as locational terms on 1 July 2010. CEO Alain Tintelin is supported by Jeanne Castaing, Christian Baudiment and Philippe Bourge as the members of the Executive Management for Helvetia France. Jean François Luiggi and Gilbert Zimmer also attended the meetings of the Executive Management and added their strengths to this committee.

- **Board of Directors** – Erich Walser, Chairman
  - **CEO Group** – Stefan Loacker
    - **General Secretariat** – Christophe Niquille
    - **Internal Audit** – Simon Schneider
    - **Finance** – Paul Norton
    - **Investments** – Ralph-Thomas Honegger
    - **Human Resources and Services** – Markus Isenrich
    - **Strategy & Operations** – Markus Gemperle
    - **Switzerland** – Philipp Gmür *
    - **Germany** – Wolfram Wrabetz *
    - **Austria** – Burkhard Gantenbein *
    - **Italy** – Francesco La Gioia *
    - **Spain** – Jozef Marie Paagman *
    - **France** – Alain Tintelin *

■ Members of the Group Executive Management
▨ reports to the Chairman of the Board of Directors
* CEOs of the country markets

As of early April 2011

The Executive Management (from left to right)

**Markus Isenrich** **Markus Gemperle** **Philipp Gmür** **Stefan Loacker** **Wolfram Wrabetz** **Ralph-Thomas Honegger** **Paul Norton**

**Stefan Loacker**
lic. oec. HSG; Mag. rer. soc. oec., Vienna University of Economics and Business Administration
Austrian citizen, Speicher, 1969
› Chief Executive Officer of Helvetia Group (CEO)

Professional background 1994 – 1997 Rentenanstalt/Swiss Life: corporate planning department; 1997 joined Helvetia: Assistant to Head of Staff to Executive Management, Corporate Development; Head of Staff Group Executive Management; 2000 Head of Corporate Development; Member of Senior Management; 2002 Der ANKER, Vienna: Head of Finance and IT; member of the board of directors; 2005 Der ANKER, Vienna: Chief Executive Officer; since 1 September 2007 in current position with various mandates at subsidiaries of Helvetia Group outside Switzerland.
Mandates in particular member of the board of the Swiss Insurance Association, Zurich.

**Markus Gemperle**
Dr. iur. HSG,
Swiss, Niederteufen, 1961
› Head of Strategy & Operations (CSO)

Professional background 1986 – 1988 Legal Counsel Claims Department, Helvetia Feuer, St-Gall; 1988 – 1990 Academic Assistant, Institute for Insurance Science, University of St-Gall; 1990 joined Helvetia Insurance; various management functions in the Swiss non-life segment; 2002 Head of Corporate Centre Helvetia Patria Group; 2004 Member of Executive Management Switzerland: Head of IT; 2006 Member of Executive Management Switzerland: Head of Operations & Partners; 2008 Member of Group Executive Management in current position with various mandates at subsidiaries of Helvetia Group in Switzerland and abroad.
Mandates in particular one board mandate for a non-listed company and three board of trustee mandates.

**Philipp Gmür**
Dr. iur., lawyer, LL.M.
Swiss, Lucerne, 1963
› Chief Executive Officer of Helvetia Switzerland

Professional background 1988 – 1990 worked in various courts, the administration and law firms; 1991 – 1993 Clerk at the High Court of Lucerne; 1993 joined Helvetia: general agent in Lucerne; 2000 member of Executive Management Switzerland: Head of Sales; 2003 member of Group Executive Management in current position with various mandates for subsidiaries of Helvetia Group in Switzerland.
Mandates in particular member of the boards of trustees of the pension funds of Helvetia Versicherungen; Vice-Chairman of the Helvetia Patria Jeunesse Foundation; Vice-Chairman of the Swisscanto Vested Benefits Foundation and the Swisscanto Supra Joint Foundation of the Cantonal Banks; member of the board of directors of Coop Rechtsschutz AG, Aarau; member of the board of directors of Prevo AG, Basel, and three other board member mandates for non-listed companies and four board of trustee mandates.

**Ralph-Thomas Honegger**
Dr. rer. pol.
Swiss, Arlesheim, 1959
› Head of Investments (CIO)

Professional background 1987 joined Patria: various management positions, including: Head of Portfolio Strategy and Portfolio Management; 1997 Member of Executive Management Switzerland: initially Head of Investment Clients, then Head of Individual Life; 2002 Member of Group Executive Management in current position with various mandates at subsidiaries of Helvetia Group outside Switzerland.
Mandates in particular Chairman of the board of trustees of the pension funds of Helvetia Versicherungen; member of the board of trustees of the Swisscanto Vested Benefits Foundation and the Swisscanto Supra Joint Foundation of the Cantonal Banks; Chairman of the board of trustees of Helvetia Investment Foundation; Honorary

Consul General for Austria in Basel; member of the board of directors of Tertianum AG, Zurich.

**Markus Isenrich**
lic. oec. HSG, lic. iur.
Swiss, St-Gall, 1953
› Head of Human Resources and Services

Professional background until 1984 Canton of St-Gall Planning Department; 1985 joined Helvetia: various management positions, including: Head of Real Estate, Head of Staff, General Secretary; 2000 member of Group Executive Management in current position with various mandates at subsidiaries of Helvetia Group in Switzerland and abroad.
Mandates in particular Chairman of the pension funds of Helvetia Versicherungen; Chairman of the board of directors of swissregiobank, Wil SG; one board mandate for a non-listed company and two mandates for housing co-operatives; member of the board of IHK St-Gall Appenzell; member of the board of the Sponsoring Institution of the Institute for International Economics and Applied Economic Research (SIAW) at the University of St-Gall; member of the Sponsoring Institution of the Research Institute for Labour Economics and Labour Law (FAA-HSG) at the University of St-Gall.

**Paul Norton**
B.A. History (University of Reading/UK); Chartered Accountant
British citizen, Zurich, 1961
› Head of Finance at Helvetia Group (CFO)

Professional background 1983 – 1992 Price Waterhouse, London; 1992 – 1994 Revisuisse Price Waterhouse, Zurich; 1994 – 1996 Price Waterhouse, London; 1996 – 1999 Zurich Financial Services (ZFS), Centre Solutions, Head of Transaction Tax and Accounting Europe; 1999 – 2002 ZFS: Head of External Reporting; 2002–2007 Winterthur Insurance: Head of Corporate Development and Capital Management; in current position since 1 July 2007; member of Group Executive Management with various mandates at subsidiaries of Helvetia Group in Switzerland and abroad.
Mandates in particular member of the Economy and Financial Affairs Committee of the Swiss Insurance Association, Zurich.

**Wolfram Wrabetz**
Prof. Dr iur., Certified Business Administrator
German citizen, D-Bad Soden, 1950
› Chief Executive Officer of Helvetia Germany

Professional background various positions with the Gerling Group; 1981 joined Helvetia Germany: various management positions; 1995 General Manager for Germany and Chairman of Helvetia Leben and Helvetia International, D-Frankfurt/Main; since 1998 with Helvetia Group in current position.
Mandates in particular member of the Chairman’s and Professional Committees for Private Customers and Chairman of the Legal Committee of the German Insurance Association, D-Berlin; member of the Insurance Advisory Council of the Federal Financial Supervisory Authority, D-Bonn; representative of the Hesse State Government for the insurance industry; Honorary Consul General in Germany of the Republic of Ecuador in D-Frankfurt/Main; Vice-Chairman of the Chamber of Commerce and Industry, D-Frankfurt/Main.

# Group strategy

Helvetia brought the strategy period 2007–2010 to a successful close at the end of the past financial year. Looking back, the management priorities which we consistently pursued have been proved to be correct and sustainable, and we can now continue to build on the strength we have gained.

At the beginning of the last strategy period in 2007, Helvetia decided to consistently focus on achieving top results in the fields of growth, profitability and customer loyalty. By strengthening our position in our existing markets, both in terms of quantity and quality, we will continue to do our best to create sustained added value for our shareholders, customers and employees. Our primary focus falls on organic and external growth as well as the constant improvement of our operating efficiency. We are confident that we can achieve our strategic ambitions with a combination of country-specific initiatives and cross-Group measures.

### Development in 2010

Last year, Helvetia once again focused on its ambition to achieve its core strategic objectives. In the country markets we successfully expanded our market positions without jeopardising the profitability of our portfolios. The acquisitions of Alba and Phenix in the fourth quarter significantly contributed to improving our home market position in the strongly consolidated Swiss market. Our success in reducing the non-life expense ratio to less than 30% shows our increased process efficiency and successful exploitation of the Group-wide potential for synergies. Our efforts to provide our customers with targeted support that has been tailored to their needs in specific stages of their lives helped to further improve customer satisfaction, which again translated into good results in this field in 2010. This brings the 2007–2010 strategy period to a convincing end, especially as the objectives for this period were formulated before the impact of the global financial crisis could be foreseen. Despite the fact that economic conditions had worsened substantially, Helvetia managed to achieve or even exceed its strategic objectives. The following table gives an overview of the most important results achieved in the 2007–2010 strategy period in the four main focus areas of dynamic growth, expansion of the life business, enhancement of operating efficiency, and capital management and M&A.

**Review of the successful 2007–2010 strategy period**

**Growth momentum**
We noticeably expanded our market access in several countries. A balanced combination of organic growth and acquisitions helped to improve our business volume by more than 37%.

**Expansion of life business**
We sustainably increased our life and occupational benefits insurance business in our foreign markets by introducing modern products and new approaches to distribution. The foreign share of this fast-growing business sector was improved from 22% to 32%.

**Enhancement of operational efficiency**
We systematically improved the efficiency of our operational processes and continuously optimised our cost structures. The non-life cost ratio in non-life business was reduced from approximately 33% to less than 30%. We maintained our operating margins in spite of the persistent pressure on prices.

**Efficient capital management and M&A**
With a healthy balance between solidity and capital leverage we managed to maintain the high quality of our balance sheet even during the financial crisis, which built even more trust. At the same time our important domestic and foreign acquisitions laid the groundwork for the future.

# H2015+

### Our strategic ambition

Helvetia Group's ambition is to significantly strengthen its attractive business portfolio in its current markets. We want to remain one of the leading providers in our domestic market of Switzerland, substantially expand our position in Germany and Spain, and exploit the available potential in Italy, Austria and the French transport insurance business in full. In doing so we place great value on sensible geographic diversification as well as a good balance between the profitable non-life business, the fast-growing life and occupational benefits insurance businesses, and the cyclical reinsurance business. The new strategy "Helvetia 2015+" ties in seamlessly with our business policies to date and ideally equips the company to meet all future challenges and opportunities.

### To excel in growth, profitability and customer loyalty

Our business model is consistently aligned to our motto "To excel in growth, profitability and customer loyalty". All our activities are designed to strengthen our profile in these three fields.

Helvetia is growing continuously and profitably: We have the potential we need to gain additional market shares in all our country markets. Given the historically high weighting of the non-life business in some country markets, we would like to expand our life business in these markets. Top priority will be given to profitable growth driven by our own sales power. We are also intensifying our focus on targeted acquisitions in our existing markets in order to strengthen our market position even further. We are in particular striving to establish new and expand existing cooperation programmes and alliances.

Helvetia works efficiently and has its costs under control: We are improving our productivity by implementing more Group-wide processes and systems. Cross-country synergies will gain in importance in the future. Technical discipline of the sort that we have repeatedly put to the test in the past will continue to shape our actions. We sustainably and profitably invest the capital of our shareholders and customers and continue to optimise our capital structure with a targeted approach to capital management.

Helvetia offers the best quality: Helvetia's customers receive advice that meet their personal requirements. They can expect products that are easy to understand as well as service quality offered in a spirit of partnership. As the trust of our customers is our greatest capital, we nurture and strengthen this trust with a strong approach to customer relationship management (CRM). We are also intensifying our efforts to build up a uniform, likeable and recognisable market image.

The table on the next page summarises our strategic priorities and selected initiatives for the coming years.

### Our financial objectives for 2013

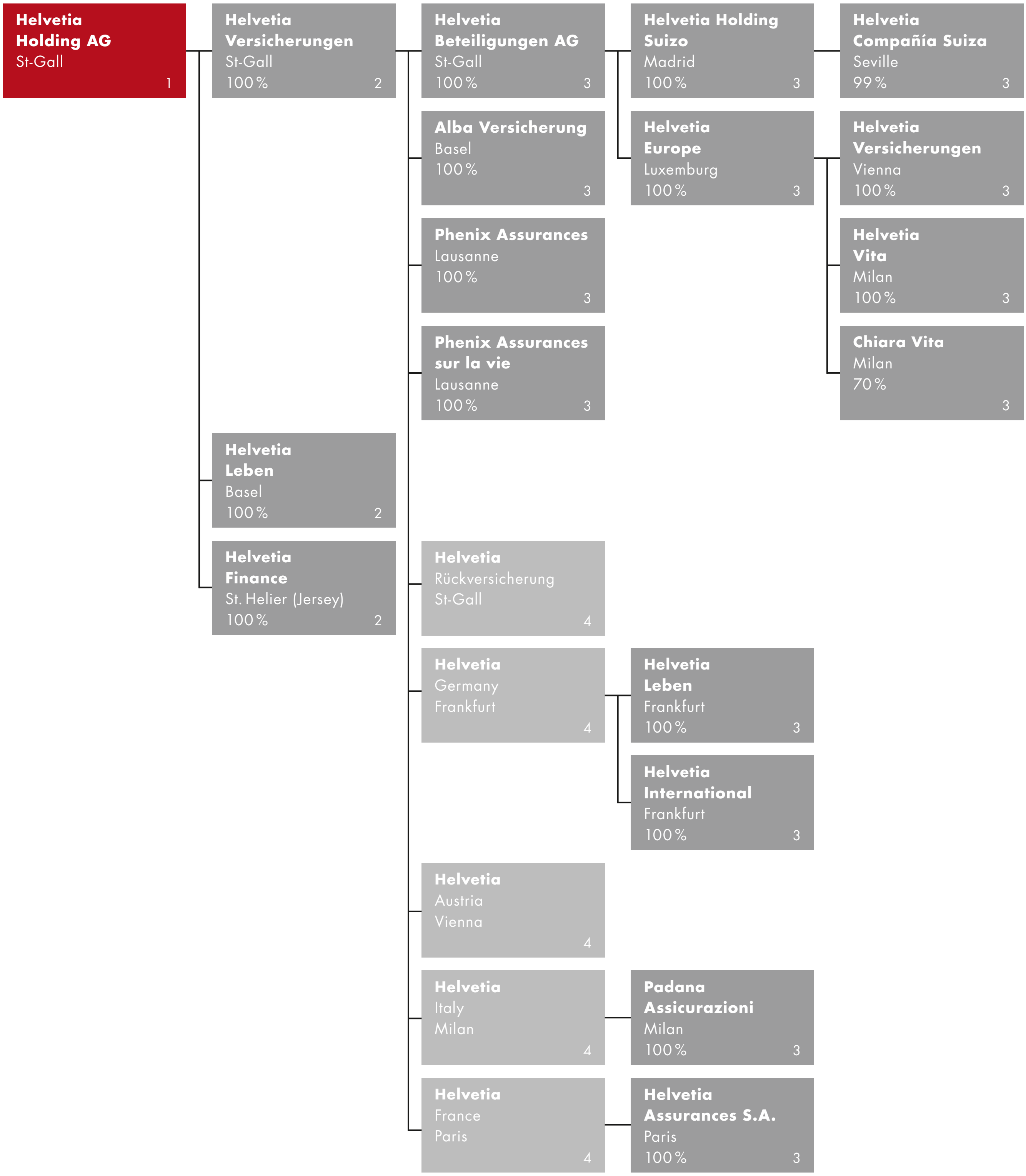
We use medium-term financial objectives to measure the success of our "Helvetia 2015+" strategy, which serves as a signpost on our way to reaching our long-term ambitions. These financial objectives have been formulated until 2013 and are reviewed annually.

| | |
|---|---|
| Combined ratio (non-life) | 94% – 96% |
| New business margin (life) | 1.2% – 1.5% |
| Solvency I | > 175% |
| Rating class | A |
| Return on equity | 10% – 12% |
| Payout ratio | 30% – 50% |
| Organic growth above the market | |
| Improved cost efficiency | |

### Helvetia 2015+ Group strategy

| Our strategic priorities | Our strategic initiatives | Our objectives |
| --- | --- | --- |
| **Strengthen our market position even further**<br>We are confident about the geographic configuration and growth potential of our portfolio. Innovative products, the systematic expansion of our sales network and targeted acquisitions and cooperation programmes in our existing markets form the mainstay of our growth ambition. As we particularly want to grow by expanding our sales reach, it is very important for us to be able to interact with our customers via a wide variety of channels. This will also boost the expansion of our life and occupational benefits insurance businesses in our foreign markets. | – Expand the multi-channelling approach in all country markets<br>– Establish a "European" life product development process step by step<br>– Pursue an active M&A strategy | – Strengthen our market position significantly<br>– Target above-market organic growth<br>– Improve the life business share in our foreign markets |
| **Sustainably enhance our profitability**<br>Efficiency improvements lay the foundation for sustainably increasing our productivity. In this regard it is very important to establish interaction between local and cross-Group measures that target the achievement of our objectives. Both in the life and non-life business sectors we are doing everything we can to define and exploit the Group-wide potential for synergies. In addition, financial optimisation is essential in a changing regulatory environment if we wish to safeguard the interests of our shareholders. | – Industrialisation of business processes and acceleration of Group-wide IT bundling<br>– Strategic management of the life business by the new Group-wide Life Centre<br>– Optimisation of the financial structure in line with the supervisory requirements (Swiss Solvency Test/Solvency II) | – Constant improvement in cost efficiency<br>– Sustainably secure our leading position with a non-life combined ratio of around 94–96%<br>– Improve the earning power of the life insurance business<br>– Implementation of an efficient financial structure |
| **Improve customer benefits in line with customer needs**<br>At Helvetia, customer relationship management refers to an in-depth knowledge of the needs of our insured and partners. CRM aims to offer the best quality and to enlist a high degree of customer retention. To reach this objective, the focus must fall on the customer in all areas and phases of life, which can be done with highly efficient sales processes and a targeted approach to customers. This process is supported by strengthening the Helvetia brand. | – Optimisation of CRM approach in order to manage sales processes<br>– Quality management of business processes (EFQM)<br>– Brand campaign and Group-wide branding concept | – Improved understanding and satisfaction of customer needs<br>– Increase the share of customer funds that is reinvested<br>– Regularly achieve top marks from our customers and sales partners |

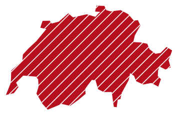
# Group structure




1 Helvetia Holding AG, listed on the SIX Swiss Exchange
2 Direct subsidiaries of Helvetia Holding AG
3 Indirect subsidiaries of Helvetia Holding AG
4 Operational facilities of Helvetia Versicherungen, St-Gall

# Country markets

**Switzerland** With a market share of approximately 8%, Helvetia is one of the largest insurance companies in Switzerland. Two successful acquisitions in the fourth quarter of the 2010 financial year will boost the volume of the non-life business by around 25% and strengthen our sales power in our home market. With a share of volume of more than 50%, Helvetia's own sales force is still the most important distribution channel. It is supplemented by renowned cooperation partners such as the Swiss cantonal banks and Raiffeisen Switzerland as well as selected broker relationships. In the new strategy period the internet will also be introduced step by step as a new distribution channel.



**Germany** Helvetia operates in Germany through a branch office and two subsidiaries as a property, accident and life insurer, covering almost all private and commercial insurance requirements. Two thirds of new business is generated by brokers and the remaining third comes in through agents who work only on behalf of Helvetia. The sales network of Helvetia Germany consists of a total of 7,000 brokers and 350 independent general agents. In addition to existing cooperation relationships, ARAG was gained as a new partner during the reporting year. ARAG's 1,400 active agents will in future refer all their motor vehicle business to Helvetia.

**Italy** Helvetia is one of the top 20 companies in the Italian insurance market. It operates as an all-lines insurer primarily in the economically interesting northern regions of the country. The Group companies sell Helvetia products through more than 400 multi-company agents and exclusively via the insurance corners in the operational facilities of ENI Group. Life insurance products are mainly sold through the exclusive cooperation relationship with Banco di Desio. At a volume of around EUR 500 million, the over-the-counter sales make a substantial contribution to business volumes.

**Spain** Helvetia is among the 30 leading insurers in the Spanish insurance market. It offers a broad range of life and non-life products. A good 500 employees serve more than 660,000 customers via a country-wide distribution network. This network is supplemented by selected broker and agent relationships that generate around 25% of the business volume. The regions recording the strongest sales are Andalusia and Navarre. During the new strategy period a marketing campaign focusing on three areas, Catalonia, the Basque region and the Madrid conurbation, will be launched to expand business to additional core regions.

**Austria** Helvetia actively sells all life, property and accident insurance lines in Austria through Helvetia Versicherungen AG, while the head office for Austria specialises in transport insurance. With a market share of approximately 1.5%, Helvetia is close to the top 10 in the Austrian insurance market. The most important distribution channels include Helvetia's own sales force and independent agents who generate around 50% of new business. A total of approximately 390 employees provide support to regional customers. The distribution network will be expanded in future by adding exclusive agents.

**France** Helvetia has been successfully focusing on transport insurance for almost 20 years through its branch office in France. With the acquisition of the transport insurer L'Européenne d'Assurances Transport (CEAT), which has since changed its name to Helvetia Assurances S.A., Helvetia joined the ranks of the leading specialised insurers in the important French transport insurance market. Helvetia sells goods, transporter liability and accidental damage insurance through a countrywide network of around 1,800 brokers reporting to five decentralised offices. Helvetia employs a good 100 people in France.

# Helvetia's success is driven by the commitment of its employees.

**Customer survey on private pension provision**
2010

| | |
|---|---|
| Good advisory service | 84% |
| Good experience | 74% |
| Active customer care | 79% |

0 100

Helvetia carries out a survey on private pension provision among its customers every two years. They confirm that Helvetia offers excellent and pro-active advisory services. For 84% of the customers it is the quality of the advice that convinced them to take out insurance from Helvetia.

Its employees are a company's most important resource. It is only through their commitment and skills that success can be sustainable. Helvetia's employees accept personal responsibility for the satisfaction of their customers and stand out through their above-average customer focus.

# Business activities

Discipline and caution characterise the business philosophy of Helvetia. This is demonstrated by customer focus, a disciplined underwriting policy, a conservative investment strategy and professional risk management.

Helvetia concentrates on serving the needs of private customers and SMEs. Customer needs vary depending on the different life phases and changes in the economic environment. Product development and sales are therefore consistently focused on these varying needs. Helvetia distinguishes itself as a quality insurance provider by offering an above-average service culture and we strive to achieve a high level of customer loyalty through prompt, personal and professional service.

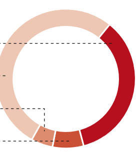
## Life insurance activities

Dynamic growth and the pursuit of efficiency characterise the life business of Helvetia. The earnings power of the life segment is strongly influenced by the risk result and investment income. Investments of CHF 29 billion are currently under management, and the returns on these investments are mainly used to cover the insurance liabilities. In addition to the traditional insurance risks, investment risks therefore also play a significant role. The investment portfolio is centrally managed and broadly diversified and minimises the volatility of results while offering attractive returns for customers and shareholders.

Over the long term, demand for life insurance is expected to rise as the increased ageing of the population and growing government deficits are likely to boost demand for private pension solutions. The expansion of the life business is therefore a strategic goal of the Group. Already about 60% of business volumes are generated in the life business today. About 70% of this is derived from the home market in Switzerland. The acquisition of Chiara Vita means that a significant step was taken in Italy during the last strategy period. This has turned Italy into the second largest life unit in the Group. Via its subsidiaries, Helvetia also sells life insurance in Germany, Spain and Austria, where it has relatively small life portfolios with great potential for growth. The expansion of these still nascent portfolios will be prioritised in future via organic growth as well as growth through targeted acquisitions and cooperation programmes. The earnings power and efficiency of the non-Swiss portfolio in the life insurance segment will be further reinforced and coordinated by a Group-wide centre of competence in the context of the "Helvetia 2015+" strategy.

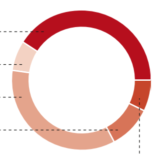
**Business volume life**

| in CHF million | 2010 | Units in % |
|---|---|---|
| Individual life | 1 472.0 | 35% |
| Group life | 2 230.8 | 53% |
| Unit-linked | 193.3 | 5% |
| Deposits | 283.5 | 7% |
| **Total** | **4 179.6** | **100%** |



**Business volume non-life**

| in CHF million | 2010 | Units in % |
|---|---|---|
| Property | 950.2 | 41% |
| Transport | 167.0 | 7% |
| Motor vehicle | 821.4 | 35% |
| Liability | 244.4 | 10% |
| Accident/health | 161.4 | 7% |
| **Total** | **2 344.4** | **100%** |



In individual life, the broad range of products includes term insurance and traditional savings, financing and pension solutions as well as unit-linked products where the insured bear the investment risk. Investment-focused financial products with a small risk exposure are managed as deposits from investment contracts on behalf of the insured. With a share of around 50%, employee benefits insurance for SMEs is an important business line. Almost 95% of this business is generated in Switzerland, where Helvetia has grown to become the third largest provider of employee benefits insurance.

## Non-life activities

The quality of the portfolio is at the centre of activities in property insurance. Helvetia applies a disciplined underwriting strategy and only very selectively underwrites large corporate risks. This ensures the sustainable quality of the portfolio, which translates into low claims ratios. Helvetia works closely with renowned reinsurance partners to reinsure major loss events. The rule of thumb is that every major loss event should be expected to have a maximum impact on the earnings of 1% of the premiums. This reduces the volatility in the reported profits. The earnings power is also dependent on the composition of the portfolio, premium and cost developments and claims experience. Profitability is measured by the combined ratio, which for Helvetia has been less than 95% on average over the past few years. In the current environment of low investment returns, good operating performance is essential. One of the goals of the "Helvetia 2015+" strategy is to safeguard the strong profitability of the non-life business with risk-appropriate pricing and actuarial discipline.

Switzerland and Germany each generate around 25% of the Group-wide non-life business volume, followed by Italy and Spain. The focus is on quality of service, the establishment of new sales channels and sustainable tariffs. To date, this has allowed us to generate above-average growth even in saturated markets. In 2010, the Group-wide non-life portfolio grew by 6%. The acquisition of two companies in the fourth quarter is expected to result in acquisition growth of about 25% in Switzerland in 2011, increasing market share in the profitable home market to approximately 30%.

Sales efforts focus on property, transport, liability and motor vehicle insurance. The traditional strength of the stable property insurance business is expressed in its share of around 40% of the Group-wide portfolio. It is distinguished by relatively low claims ratios, but has higher acquisition costs than the other business lines. The share of the motor vehicle insurance business is consciously held below the market average. This supports the profitability of the non-life portfolio.

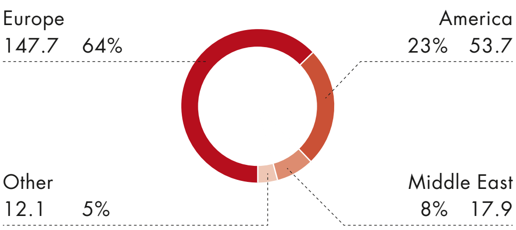
## Other activities

Other activities mainly comprise the cross-border activities related to managing and supporting the business transactions of the Group and the assumed reinsurance business. Helvetia is one of the oldest reinsurers in the world. As a niche provider, the assumed reinsurance of Helvetia is characterised by excellent business relationships, a strict underwriting policy and a great degree of sector diversification. The focus is on the OECD markets. The reinsurance segment does not pursue any volume targets but concentrates exclusively on the profitability of the business written.

The average combined ratio of Helvetia over the past few years was less than 95%, which underlines the profitability of the non-life business.
‹

**Portfolio structure of assumed reinsurance by country**

in CHF million



# Risk and investment management

The current exceedingly challenging economic and regulatory environment demands a comprehensive risk and investment management approach that forms an integral component of corporate governance.

## Risk management

Helvetia's risk management helps to ensure that the company objectives are achieved, promotes a culture of risk and responsibility within the company and facilitates an awareness of risks. The primary goal of our risk management is the efficient protection of the capital base and the reputation of Helvetia Group and its subsidiaries.

### Risk management organisation

The organisational structure of Helvetia Group ensures a uniform application of the Group-wide risk management standards. Roles and responsibilities in the business units are aligned with the risk management organisation of Helvetia Group. This is based on a governance model that differentiates between three basic functions: risk owner, risk observer and risk taker.

The Board of Directors of Helvetia Holding AG (in particular the Investment and Risk Committee, the Audit Committee and the Strategy and Governance Committee) and the Group Executive Management are the supreme risk owners of Helvetia Group. These bodies carry the core responsibility for risk management and define the desired level of risk tolerance for the Group and the individual business units.

Various risk observers evaluate the risk entered into by Helvetia Group in a manner that is independent of any operational responsibility. The Risk Committee coordinates the cooperation between risk observers and risk takers and advises the Board of Directors and the Executive Management in their decisions. The central risk controlling function is "Risk and Capital Management" which is responsible for the expansion and ongoing development of the risk management system and for the monitoring of risks and management measures and serves as the competence centre for the risk management for the Group. Risk and Capital Management is supported by specialised risk controlling functions, such as the Group Actuarial Department and Asset Management. The internal audit unit is responsible for monitoring the efficiency of the Group's risk management system in an approach that is independent of processes.

Risk takers manage and administer risks in the operational context. They are responsible for risk management in their individual company units and processes.

**Risk management organisation**

## The risk management process and the risk environment

The essential components of the Helvetia Group risk management process include the identification, analysis and management of risks, the monitoring of the success, effectiveness and appropriateness of the risk management measures and reporting and communication. The risk management process ensures that there is sufficient risk-bearing capital available at all times to meet existing risk exposure in a manner aligned with the selected risk tolerance.

Helvetia Group is exposed to a wide range of risks in the course of its business activities. These risks must all be incorporated into the Group risk management process. Market risks arise in relation to interest rate changes and fluctuations in the value of equity prices, real estate and exchange rates that influence the value of the Group's investment portfolio. Liquidity risks refer in general to the risk of being unable to provide for unexpected fund outflows in a timely manner. Counterparty risks (also known as credit risks) refer to the risk of default or a change in the credit quality in respect of a contractual counterparty. Technical insurance risks (also known as actuarial risks) in the life and non-life sectors are the classic risks borne by an insurance company, and are deliberately accepted in the context of the business strategies selected. Operational risks are the potential for losses resulting from errors or the failure of internal processes, employees and systems or from external events. Strategic risks include the risk that business goals will not be achieved due to insufficient orientation of own business activities in the market or the market environment. Latent risks refers to a range of risks which have not yet been realised as a concrete risk but they do exist in real terms and have a high potential to cause major damage. An extensive overview of the risks arising from financial instruments and insurance contracts is provided in chapter 17 (from page 169) of the financial report.

Risk management ensures that there is sufficient risk-bearing capital available at all times.
‹

## Methods of risk analysis and risk management

The complex risk environment requires the deployment of a range of methods of risk analysis. Helvetia Group uses the Swiss Solvency Test (SST) of the Swiss supervisory authorities as the primary tool to analyse and quantify market risks, counterparty risks and insurance risks. We also use internal models to assess market risks and insurance risks. The management and limitation of risks is effected using hedging instruments, specific product design, reinsurance cover, limit systems (including exposure management and loss limits), diversification strategies, process optimisation and other risk management measures. The SST also became a binding supervisory risk measure at the beginning of the new financial year on 1 January 2011.

**Risk environment**

| Market risks | Liquidity risks | Counterparty risks | Actuarial risks | Operational risks |
|---|---|---|---|---|
| Share price risk<br>Interest rate risk<br>Exchange rate risk<br>Real estate investment risk<br>Long-term liquidity risks<br>Other | Medium-term liquidity risks<br>Short-term liquidity risks | Reinsurance<br>Investments<br>Other receivables | Life (mortality, longevity, disability, costs, exercising of options)<br>Non-life (natural hazards, major claims, base volatility, reserve risk) | **Strategic risks**<br>**Latent risks** |

## Capital management

Capital management is an important cornerstone in achieving the long-term growth targets of Helvetia Group, which are focused on profitability. The optimisation of capital allocation and income streams is effected with the emphasis on the following objectives:

– ensuring compliance with regulatory capital requirements at all times at the Group level and at the level of the individual companies;
– securing the capital required to underwrite new business;
– optimising the earning power of its equity;
– supporting the strategic growth, inter alia by optimising the Group's financial flexibility.

Helvetia Group targets an interactive financial strength rating of at least "A–".
›

These objectives are defined by taking account of risk capacity and cost/benefit arguments. Therefore, as part of the capital management activities, Helvetia Group targets an interactive financial strength rating of at least "A–".

### Governance and organisation

Capital management is coordinated via an operational and a strategic process. The operational capital management process covers financing within the Group as well as ensuring sufficient capital in the individual legal entities of the Group. The strategic process manages an optimal level of capitalisation and the risk profile of the business units in the context of their profitability and growth potential and therefore in line with the Group's strategic goals.

### Methods of capital calculation and capital management

The calculation of the capitalisation is effected at both the local and the Group level. At the local level, country-specific regulatory requirements and requirements relating to commercial law form the basis of calculating the capitalisation. At the Group level, the capitalisation is calculated on the basis of the consolidated balance sheet. In this process, the capital requirements are calculated according to the Solvency I, Swiss Solvency Test and Standard & Poor's capital models relevant to Helvetia Group.

The Group perspective and the local perspective are then collated and an assessment is made of the capitalisation of Helvetia Group and its business units. As a supplement to other indicators, this assessment is an important management benchmark for Helvetia Group.

Capital management for the units of Helvetia Group is effected using appropriate financing and risk transfer measures on the basis of threshold values and taking into account current and budgeted developments. In addition, an analysis is made of the impact of stress scenarios and sensitivities on capitalisation. This process guarantees that the funds provided by the shareholders are deployed in an optimal manner and also optimises the potential return.

## Investment management

Helvetia pursues a sustainable investment policy that is oriented to the liabilities of the insurance business and aims to generate an attractive return over the medium and long term for its customers and shareholders while making a reliable contribution to the Group result.

**Tried and tested investment strategy**
Helvetia's investment strategy is based on an asset-liability concept that has been proven over many years. It is deployed for the individual business units as well as for the Group as a whole. The starting point is a meticulous analysis of the liabilities that then forms the basis for a strategic asset allocation which is defined for each business unit. The strategic asset allocation must meet the high security requirements of the insurance business, on the one hand, and the yield expectations of the individual stakeholder groups on the other. In addition, the supervisory solvency requirements, which include both the Solvency I regime and now also the Swiss Solvency Test, must be fulfilled at all times. Preparations for the Swiss Solvency Test led to a step-by-step increase in the capital tied up in fixed-interest investments in the life insurance portfolios over the past few years.

**Broadly diversified investment portfolio**
Helvetia has a broadly diversified investment portfolio. A balanced allocation of investments in the portfolio is maintained between and within the individual asset classes. The high degree of diversification ensures that a default by individual counterparties is quite manageable. Furthermore, Helvetia applies stringent quality criteria for borrower creditworthiness. They must at least be awarded a minimum A rating. However, approximately 88% of the bond portfolio has a minimum rating of AA or higher. In addition, about 74% of the portfolio is made up of government bonds and bonds with a guarantee, with the weighting of countries outside our business areas being quite low. This applies in particular to Greece, Portugal and Ireland.

**Attractive, stable investment return**
A skilful combination of low-risk investment such as bonds and mortgages, which represent almost 70% of the portfolio, with high-yielding instruments such as real estate and equities is used to generate an attractive investment return for our customers and shareholders with a controlled investment risk. The interest income generated by bonds, mortgages and real estate serves as the basis for the sustainable stability of the investment income while the equity investments expose the portfolio to valuation gains over the medium term, adding an attractive potential in the form of investment returns.

**Cautious investment policy and real-time risk managementt**
The investment strategy is implemented and updated in line with the investment policy which is adjusted annually. In this process, opportunities that arise are exploited within the defined tactical bandwidths and in response to short-term market developments. The investment policy is also supported by real-time risk management. The objective of these measures is to protect the balance sheet and the income statement against excessive valuation losses, especially on currencies and equities, without restricting the earnings potential of the securities. For risk management, Helvetia uses mainly options and futures. The hedging level varies in relation to market developments. The investment policy and risk management are applied to ensure the long-term solvency of the Group and to optimise the effects of volatile markets on the annual results.

Thanks to its successful hedging policy and the high quality of its investments, Helvetia earns an attractive return for its shareholders.

‹

# Human resources management

Our approximately 4,900 employees in six countries identify strongly with the company and are totally committed to meeting the needs of their customers and partners every day.

Clear objectives, clear instructions and a consistent management approach in all company units shaped by Helvetia's three guiding principles (trust, drive and enthusiasm) and a consistent focus on our customers and partners have increasingly contributed to the success of Helvetia Group in the last few years. These fundamental company features have been supplemented by the Helvetia employees' high degree of identification with their tasks and their line managers. This is also confirmed by the results of the employee survey "Commit" which was carried out in all business units for the first time in 2010. At 83 out of 100 points, participation in the survey was extraordinarily high. The employees were able to give feedback to 86 questions, including questions on the company's organisation, processes, management culture, objectives, incentives and knowledge transfer policy.

**Customer-oriented conduct scores high**

At over 80 points, the high score for customer-oriented conduct underlines the strong personal commitment and high level of job satisfaction of the Helvetia employees. There is also very little deviation in the ranking given to the most important topics by the various business units. According to the employees, Helvetia's cultural strengths include job content, manager quality and a consistent focus on achieving the agreed objectives. If the results of the survey are compared to an equivalent survey for Switzerland, Helvetia Group is the first-ranking insurance company and one of the best 30 employers in Switzerland.

The fields of action identified for every business unit serve as the basis for formulating a range of country-specific measures. The employees generally believe that there is potential to improve the company's readiness to accept innovation and change as well as the training and development opportunities available to employees. As part of the new Group Human Resources strategy, suitable measures for improving these fields of action will be formulated and implemented in the coming years. The next survey is planned for 2013.

**Strengthening the Group HR function**

The team of HR managers developed a new Group HR strategy to complement the new Helvetia Group strategy. Its implementation is shaped to a large extent by the HR topics that will be important going forward: development and retention of the best employees, preparation for change, and the establishment of the conditions essential to the development of the entire organisation. The strategic ambition for the Group HR function has been formulated correspondingly: "Within our Group we want to develop and promote the innovative strength and cooperation skills of our employees with sustainable activities. By providing individually designed management advisory and support services we want to expand the subject expertise and management know-how of our senior managers and promote the exchange of experiences between them. In the interests of long-term employee retention and loyalty we manage and communicate our values, embrace our manageable size and our Swiss roots, and strengthen Helvetia's position on the European labour market."

**"We support your development"**
Group HR will focus on the following objectives in particular in the coming years:
- establishing a uniform Group-wide understanding of the development and deployment of professional HR tools;
- establishing and maintaining a strong and uniform position as employer;
- promoting the international deployment of suitable Helvetia managers and specialists within Helvetia Group;
- strengthening Group-wide cooperation and networking with a view to strategic challenges and in the interests of exploiting the economies of scope;
- promoting an uncomplicated exchange of know-how and experience among our managers.

In redesigning the strategic development programme for senior managers at Helvetia Group for the coming years, the HR team can build on the very positive and far-reaching achievements of the former International Executive Programme (IEP). In future Helvetia will also apply an IEP Top40 module specifically geared to the strategic needs of first-level managers in Executive Management. In addition to network building and the exchange of subject know-how, senior managers will be increasingly confronted by external ideas that stimulate thought as well as new methods and approaches to finding solutions, including case studies and visits to other companies. The focus will fall on strategic management and leadership skills.

**Pressing ahead with the establishment of an HR skills base**
The objective of the past strategy period 2007 – 2010 to consistently expand and strengthen HR competence in the individual business units was achieved, as indicated by, among others, the following:
- except for Helvetia France, all business units currently use a uniform system to evaluate employees and identify their potential (known as PEP);
- all business units use a uniform system to agree objectives (MbO or management by objectives);
- all business units apply targeted activities to develop and promote their employees;
- all business units have a pandemic as well as a business continuity concept and all business units attach great importance to the promotion of health at the workplace.

Management skills are developed with a Group-wide training programme focusing on strategic management and leadership.

‹

**Employees**

| | CH | DE | IT | ES | AT | RF | Total |
|---|---|---|---|---|---|---|---|
| As at 31 December 2009 | 2 160 | 728 | 388 | 510 | 610 | 115 | 4 511 |
| Departures | 210 | 47 | 21 | 39 | 61 | 12 | 390 |
| Entries | 611 | 40 | 45 | 48 | 55 | 3 | 802 |
| As at 31 December 2010 | 2 561[1] | 721 | 412 | 519 | 604 | 106 | 4 923 |

[1] Including employees of Alba and Phenix, the companies acquired in the reporting year.

# Commitment to society and the environment

In its mission statement Helvetia clearly states its commitment to responsible entrepreneurial conduct.

Our promise refers to its actual business activities, its consideration of all ecologically relevant aspects, the trusting relationship with its employees, and the exchange of information and ideas with relevant stakeholders and interest groups. In Helvetia's everyday business dealings, this commitment is reflected in a range of uncomplicated and pragmatic programmes.

**Sustainability in its core business**

In the property and casualty insurance business in particular, products related to the environment and the conservation of nature harbour much potential for growth and also highlight Helvetia's profile as a responsible company. In its home market Switzerland, the photovoltaic and artesian insurances are good examples of this type of product. Helvetia also grants a green discount on the insurance premiums for vehicles powered with alternative fuel in selected country markets. In Germany and Spain a product is offered that combines insurance cover and environmental commitment – environmental damage insurance offers companies coverage for the financial consequences of environmental damage they may cause to a body of water, the soil or biodiversity.

The work of the Oikos Foundation for Economy and Ecology demonstrates that profitability and sustainability are by no means mutually exclusive. Helvetia is a member of the Oikos Foundation which provides financial support to the Oikos network. In this way it underlines its commitment to responsible entrepreneurial conduct that cares for the environment and society and ensures that future decision-makers are trained in this field.

**Environment and nature conservation**

Helvetia is one of the largest landlords in Switzerland and also owns a substantial number of large properties in its country markets. It regularly carries out large construction and renovation projects that have to comply with the economic, ecological and social aspects listed in Helvetia's own catalogue of specifications for such projects. At Helvetia's head offices, great care is taken to ensure that new buildings and renovation projects are compatible with the environment. In the previous year, the expansion of Helvetia's head office in Milan was one of the first buildings of its kind built to the Minergie standard in Italy.

Helvetia is a member of a number of national and international institutions that promote the sustainable use of our natural resources. Helvetia invests tangibly as well as intangibly in the environment and nature conservation, whether as a member of Öbu, the Sustainable Business Network or as a participant in the United Nations Environment Programme (UNEP). In the past year Helvetia again supported the environmental award "Der Grüne Zweig" (The Green Branch) awarded by the WWF Eastern Switzerland.

Helvetia Group's head office has for several years been situated in the midst of a very special garden accessible to the public: approximately 35,000 plants of 180 different species of shrubs and grass flourish on 11,000 square metres and create a unique flower landscape that differs according to the season. Helvetia's garden – one of the largest shrub gardens in Europe – received the Schulthess garden prize in 2010.

**Social responsibility**
Part of Helvetia's operating profit is used to support projects related to sport and social, educational and cultural programmes. In 2010 Helvetia again shouldered its responsibility in this field. The Helvetia Patria Jeunesse Foundation, for example, finances projects in Switzerland that promote the interests of children and young people and donated amounts of up to CHF 8,000 to 53 different initiatives. It also continued its support of schools and universities in 2010, including the University of St-Gall in Switzerland, the University of Florence in Italy and the Sir Karl Popper School in Vienna, Austria. In Spain an initiative is promoted where the period for which students study is honoured with a payment in a fixed amount in euro. The money "earned by learning" in this way in 2010 will be used to build four schools in Haiti.

At last year's family day, Helvetia Italy found an original way to demonstrate that strategic growth objectives can also take account of environmental aspects. Together, the employees and their children built a large tree using recycled materials to symbolise cooperation and respect. Those who wanted to do something worthwhile but still uncomplicated at work could take part in the "Joining hands against leukaemia" campaign in Germany and Switzerland in 2010 and register as potential stem cell donators. In addition, discounts for public transport tickets, campaigns promoting a healthy lifestyle and a broad range of specialist and personal training courses are par for the course in almost all country markets. In Germany employees with children have access to a family service that provides quick and uncomplicated support in all problematic situations.

Art and music continue to be focus points for Helvetia. Helvetia's art collection was expanded further, and music events such as the St. Galler Festspiele and the Menuhin Festival in Gstaad were supported. Attention also turned to the preservation of cultural traditions. At the 2010 Swiss Wrestling and Alpine Festival, Helvetia was the king's partner, and in Germany it supported the German Opera Ball, a top-class cultural and charitable event for a good cause. In the past year the company also collected donations which will be used to promote the schooling of children in Ethiopia. In Spain, popular festivals such as Semana Santa in Seville or the San Fermines festival in Pamplona are supported, and Helvetia Italy contributed to the Arnaldo Pomodoro Foundation which promotes cultural events and exhibitions.

In the 2010 financial year, Helvetia Switzerland renewed its contract to sponsor the Swiss Ski Association for another three years until the 2013/2014 season. This is Helvetia Switzerland's largest sponsorship contract through which the company supports young talents and top athletes equally. In the field of winter sport, for example, Helvetia supported not only top athletes such as Simon Ammann and Dario Cologna in 2010, but also the junior athletes participating in the Helvetia Nordic Trophy. Helvetia expanded its sponsorship for cross-country skiing. It now sponsors the entire Swiss men's cross-country team, so that the Helvetia brand is very prominent at cross-country skiing events these days. In the past season Helvetia was also the presenting sponsor of the Four Hills Tournament, one of Europe's most important winter sport events. Helvetia is also still the sponsor of the Swiss Ski Association and supports the Swiss sport assistance programme. At the same time its presence at various competition events boosts recognition of the Helvetia brand in Switzerland and abroad.

In 2010, sport, art and music were again the focus points for Helvetia.

‹

# Helvetia takes care of the environment.

**Investments in Minergie buildings**
2010

in CHF

> 200 million

In 2010 Helvetia was involved in new construction projects meeting the Minergie standard to the tune of more than CHF 200 million.

Helvetia takes its social responsibility seriously, and an important part of this responsibility is taking care of the environment. As a large investor in real estate Helvetia attaches importance to the protection of our natural resources and is committed to improving the quality of life. Construction projects must meet ecological as well as economic criteria.

Helvetia is committed to responsible action as this lays the foundation for the trust of our customers, partners and shareholders. In the reporting year we adopted the Helvetia Code of Compliance and developed a teaching programme for our employees to train them to apply these principles to their daily work.

# Governance

# Corporate governance

Good corporate governance is very important to Helvetia. It is consistently geared to the strategy and market position of the Group and integrated in our daily work.

Helvetia wants to meet the demanding legal and ethical expectations of its shareholders and all other stakeholders by providing comprehensive and transparent reporting and responsible and value-oriented corporate governance, to the best of its knowledge and in good faith. The main aims here are to further strengthen confidence in Helvetia Group, to safeguard the interests of our shareholders, and to ensure and sustainably enhance the value of the Group. We successfully ensure that the principles of good corporate governance are consistently implemented and continually optimised throughout the Group. This objective is also served by the publication of a Code of Compliance, which reminds all employees at all levels of the rules of conduct which we have always applied and which are really par for the course if a company is to be managed responsibly.

For the Board of Directors, Executive Management and all employees of Helvetia, corporate governance is an ongoing process that is periodically reviewed and used to integrate new developments, findings and requirements into daily professional life and responsibility structures. The fact that the Group has its own Corporate Governance Officer underlines its willingness and efforts to practice proper corporate governance. Good corporate governance can only be truly effective if it is constantly oriented to the Group's strategy and positioning. For more information, please refer to pages 19 et seq.

With this strategic focus, Helvetia wants to comply as fully as possible with the applicable standards of the Swiss Code of Best Practice for Corporate Governance and the SIX Swiss Exchange Corporate Governance Guidelines of 1 January 2007 including appendices. Important information can also be found in the Financial Report, Note 16 "Compensation paid to the Board of Directors and the Executive Group Management" on pages 165 to 168. If relevant information is provided elsewhere in the Annual Report or in other documents, reference is made to the location or document concerned. Important documents such as the articles of incorporation and the organisation rules with appendices are also available on our website at www.helvetia.com/gruppe/governance. This website also contains plenty of additional interesting and up-to-date information.

Helvetia Group reports in detail on the compensation paid to the members of the Board of Directors and the Group Executive Management. This compensation report consists of two parts, both of which are integrated into this Annual Report. This report comprises:

- Part I "General compensation principles" on pages 51 et seq. and
- Part II in Note 16 on pages 165 et seq. with the relevant figures for the 2010 financial year.

Helvetia's compensation principles and policy are simple, transparent, modern and – in particular when compared to the principles applied by our most important competitors – well-balanced. As in the past years, these principles comply with the values in which Helvetia Group believes. The Board of Directors believes that the compensation policy applied by Helvetia is exemplary.

## 1. Group structure and shareholder base

### 1.1 Group structure

Helvetia is an internationally active Swiss all-line insurance group that focuses primarily on central and southern Europe. The parent company, Helvetia Holding AG, is organised in accordance with Swiss law. The management structure is shown on page 15. The organisational structure is intended to create the best possible legal, financial, fiscal and regulatory framework and to ensure smooth, efficient and flexible business operations.

The legal structure of Helvetia Group (including investments in associates) is shown on page 22.

Helvetia Holding AG has its head office in St-Gall and is listed on the SIX Swiss Exchange in Zurich: security no./ticker 1 227 168/HELN. Key data for investors is given on pages 78 to 81 under "Investor information".

Helvetia Holding AG is the only listed company within the Group. The Group's subsidiaries included in the scope of consolidation are listed on pages 193 and 194. Detailed reports on the main subsidiaries – Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen (Helvetia Versicherungen) and Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel (Helvetia Leben) – can be found in the Notes on page 201.

### 1.2 Major shareholders

In addition to a strong, long-term and, in view of the positive development of the Group, very successful relationship with our major pool shareholders Patria Genossenschaft (founding partner), Raiffeisen and Vontobel (cooperation partners), we apply an open and shareholder-friendly strategy in an effort to build up a widely diversified and satisfied shareholder base. On the balance sheet date, 8,640 shareholders were registered in the share register of Helvetia Holding. Compared to the previous year, the number of registered shareholders improved by 17.7%, which underlines the attractiveness of our share. The following major or otherwise notable holdings entered in the share register of Helvetia Holding AG deserve special mention:

a) Shareholder pool (37.8%), comprising
- Patria Genossenschaft, Basel (29.8%, with an additional 0.3% outside the pool),
- Vontobel Beteiligungen AG, Zurich (4.0%), and
- Raiffeisen Switzerland, St-Gall (4.0%).

The pool agreement strengthens and promotes Helvetia's strategic focus on cooperation in areas outside its core business (insurance), and supports the activities of the Group in crucial areas such as sales. It unites the cooperation partners of Helvetia Group in their capacity as long-term shareholders with a strategic focus on who are interested in the successful development of the company. Pool members may only sell their Helvetia shares with the consent of the other pool members, who also have a right of first refusal at market conditions. Beyond the scope of normal cooperation activities relating to consulting and the sale of financial, insurance and asset management products and services – in each case at market conditions – there are no significant business relationships between pool members and Helvetia Group.

b) Bâloise Group, Basel, is registered for 3.5%.

### 1.3 Cross-holdings

There are no cross-holdings that exceed 3% of the capital or voting rights.

## 2. Capital structure

### 2.1 Share capital

The share capital of Helvetia Holding AG amounts to CHF 865,287.50 divided into 8,652,875 registered shares with a nominal value of CHF 0.10 each. At the year-end price of CHF 359.50 per share, this equals a market capitalisation of CHF 3,110.7 million.

### 2.2 Treasury shares

Helvetia held 32,254 treasury shares (0.37%) on 31 December 2010.

### 2.3 Conditional capital

The share capital can be increased by a maximum of CHF 129,793.20 by issuing a maximum of 1,297,932 registered shares with a nominal value of CHF 0.10 each which must be fully paid up. The conditions for such a share capital increase are set out in Art. 3bis of the articles of incorporation.

### 2.4 Changes in capital

- In 2001, the share capital was reduced by CHF 16,492,980 to CHF 65,971,920 by a reduction in the nominal share value from CHF 50.00 to CHF 40.00 and a 4-for-1 share split to CHF 10.00 per share.

The number of shareholders rose from 7,338 to 8,640 in the reporting year.
‹

- In 2002, the share capital was reduced by 4.61% to CHF 62,930,000 through a share buyback programme and the cancellation of shares amounting to CHF 3,041,920.
- In December 2004, an approved share capital increase of CHF 23,598,750 was effected by issuing 2,359,875 registered shares with a nominal value of CHF 10.00 each, as a result of which the share capital increased from CHF 62,930,000 to CHF 86,528,750.
- In 2007, conditional share capital was introduced; see section 2.3.
- Helvetia celebrated its 150th anniversary in 2008. To celebrate this event and recognise the confidence in and loyalty of the shareholders to Helvetia and at the same time to optimise the capital structure of the company, Helvetia reduced the nominal value of the registered share from CHF 10.00 to CHF 0.10 and paid out the difference of CHF 9.90 to its shareholders in the form of a nominal value dividend.
- As the share capital did not change in 2010, the share capital values set out in section 2.1 to 2.3 valid from 25 July 2008 and the information on the conditional capital are still correct.

### 2.5/2.6 Shares, participation certificates and dividend-right certificates

The share capital comprising 8,652,875 fully paid-up registered shares did not change in the reporting year.

›

The share capital comprises 8,652,875 fully paid-up registered shares with voting and dividend rights with a nominal value of CHF 0.10 each. There are no preferential rights, participation certificates or dividend-right certificates. For more details concerning the Helvetia share, please refer to pages 78 to 81.

### 2.7 Restriction on transferability, nominee registration

The Board of Directors may refuse to approve registration with voting rights if an individual would then own more than 5% of the voting rights of the entire share capital recorded with the Commercial Register. Here the term "individual" also includes buyers of shares who are connected to each other either by way of capital or votes, or by united management, or in any other form. This restriction also applies if, for example, shares were subscribed or acquired by means of convertible rights that are associated with instruments issued by the company or third parties. In the year under review, no new exceptions were declared regarding the restriction of transferability (for major shareholders: see section 1.2). Private individuals who do not declare in the application for registration that they have acquired the shares on their own behalf (= nominees) will only be entered in the share register for a maximum of 3% of the total share capital. The registration regulations are described in detail in Art. 7 of the articles of incorporation. Any amendment by the Shareholders' Meeting to the statutory restriction of transferability referred to above requires a two-thirds majority of represented votes.

### 2.8 Convertible bonds and options

a) Convertible bonds
No convertible bonds have been issued since 2004.

b) Options
Helvetia Group has not issued any options.

c) Employee options
The employee share option programme was concluded as of the end of 2002, and expired at the end of October 2005.

## 3. Board of Directors

Also see the diagram and information provided on pages 10 to 13.

### 3.1 Members of the Board of Directors

The Board of Directors of Helvetia Holding AG consists of nine members. It is identical to the Boards of Directors of the two subsidiaries, Helvetia Leben and Helvetia Versicherungen. Members of the Board of Directors are required to possess experience and know-how about a wide variety of fields. They should have the requisite expertise to represent their personal opinion in discussions with the Executive Management. Since Helvetia Group conducts a significant proportion of its business abroad, the Board of Directors also includes citizens of different countries and members who have extensive international experience. Members of the Board of Directors should possess strong personal values (including integrity), specialised financial, business and insurance knowledge, experience in strategic and executive management, the ability to think in a visionary manner, social skills and a belief in sustainability. They must also have the necessary amount of time at their disposal for the efficient and proper performance of a director's mandate. As far as the independence of the Board members is concerned, Helvetia complies with the basic requirements of the Swiss Code of Best Practice for Corporate Governance. For example, the Board consists only of members whose personal and business skills enable them to form an independent opinion and take decisions that are in the best interests of the company. The committees consist of non-executive and independent directors. The members of the Compensation Committee and the Audit Committee have either never been members of the Executive Management or have not been members of the Executive Management for the past three years or more. The members of the Compensation Committee and the companies represented by them have no or insignificant personal business relationships with Helvetia and also do not hold any cross-directorships. The rule that members must abstain from taking part in meetings when business is dealt with that involves their own interests is consistently applied by all committees. Every year the Board of Directors assesses the level of compliance with these requirements and the quality of the services it has performed, both in its entirety and within each committee, and – where necessary – identifies any improvements that may be required.

The composition of the Board of Directors is given on pages 10 to 13.

Erich Walser, Chairman of the Board of Directors, handed over the function of CEO of Helvetia Group to Stefan Loacker on 1 September 2007. His cooling-off period ended on 1 September 2010, from which date he has been an independent member of the Board of Directors. None of the members of the Board of Directors holds any executive functions or – except for Erich Walser – belonged to the Executive Management of Helvetia or any of its Group companies during the financial years preceding the reporting year. None of the members of the Board of Directors has any significant business relationships with Helvetia other than as policyholders at normal conditions.

The members of the Board of Directors boast many years of international experience as well as highly specialised knowledge of the insurance industry.
‹

### 3.2 Other activities and interests

The following business relationships exist with companies represented by members of the Board of Directors:

– In the shareholder pool, Silvio Borner and Doris Russi Schurter represent Patria Genossenschaft, Pierin Vincenz represents the Raiffeisen Group, and Urs Widmer represents the Vontobel Group.
– Silvio Borner is the Chairman and Doris Russi Schurter the Vice-Chairman of the board of directors of Patria Genossenschaft, Basel, the statutory objectives of which are to promote the conclusion and execution of life insurance contracts with Helvetia in the interests of its members, and to secure and promote its independence and development through financial participation in Helvetia.
– Helvetia, the Vontobel Group and the Raiffeisen Group are cooperation partners in the areas of consulting and the sale of financial services. Both groups are therefore members of the shareholder pool together with Patria Genossenschaft.

Four committees assist the Board of Directors in its management and control activities.
›

### 3.3 Cross directorships
See section 3.2.
Urs Widmer and Pierin Vincenz are members of the boards of directors of Vontobel Holding AG and Helvetia Holding AG. There are no other cross-ties with the boards of directors of listed companies.

### 3.4 Election and term of office
The normal term of office for members of the Board of Directors is three years. Members of the Board of Directors are required to step down for reasons of age at the Shareholders' Meeting that is held in the year in which they turn 70. Silvio Borner and Urs Widmer will reach the statutory maximum age before or after the 2011 Shareholders' Meeting and will not stand for re-election. Proposals for the election of their successors will be included in the invitation to the Shareholders' Meeting. The new members will complete the term of office of the retiring members. Terms of office are coordinated in such a way as to ensure that, every year, one-third of the members of the Board of Directors is available for election or re-election. Re-election is possible. Every member of the Board of Directors has to be elected by the shareholders. For information concerning the first-time election to the Board of Helvetia Holding AG and the remaining term of office of the members of the Board of Directors, please refer to the table on page 10.

### 3.5 Internal organisation
Good governance at Helvetia is based on the relevant legal provisions (in particular company law and stock market legislation) and on internal directives and regulations. The functions defined by the Board of Directors and the allocation of duties are set out on page 10. The Board of Directors appoints the Chairman, Vice-Chairman, the chairmen and members of the various committees as well as the secretary of the Board of Directors.

### Committees appointed by the Board of Directors
In order to use the broad business experience of its individual members in its decision-making processes and to meet its supervisory reporting obligations, the Board of Directors has formed special committees from among its own members to assist the Board and the Executive Management in its management and control activities: the Strategy and Governance Committee, the Compensation Committee, the Investment and Risk Committee, and the Audit Committee. The duties and powers of these committees are described in detail in the organisational regulations, and the composition of each committee is presented on page 10.

a) The **Strategy and Governance Committee** prepares the resolutions to be passed by the Board of Directors in the event of a change or redefinition of strategy, monitors the strategic risks within the framework of the defined strategy and the related measures, deals with mergers, takeovers and disposals of companies or major portfolios, and prepares the required resolutions by the full Board of Directors. It prepares the resolutions by the Shareholders' Meeting regarding the appointment and dismissal of members of the Board of Directors, puts forward proposals regarding personnel decisions and appointments and dismissals of members of the Group Executive Management, handles the appointment and dismissal of the country CEOs and other members of the country Boards, and periodically reviews plans and measures to retain and promote senior managers. It also secures good corporate governance within Helvetia Group, assumes duties and powers that have been assigned to the Strategy and Governance Committee by the Board of Directors, deals with issues entrusted to it by the Chairman that are not reserved for the full Board of Directors in accordance with the law, the articles of incorporation or Group regulations, and discusses important and urgent issues. It convenes as often as business requires. In order to deal with specific issues, it may call on internal or external specialists to attend its meetings, which is regularly the case. As a rule, the CEO takes part in an advisory capacity. In 2010, the Strategy and Governance Committee held four meetings, all of which were attended by all its members. Most of the meetings lasted approximately half a day.

b) The **Compensation Committee** puts forward proposals regarding the structure of the compensation system that applies to the members of the Board of Directors and to the salaries and compensation of the members of the Group Executive Management, and specifies the fixed and variable salaries and compensation due to the members of the Executive Management. It approves the concept and strategy of the employee pension funds in Switzerland on behalf of the employer, and takes note of their annual financial statements. During the three-year cooling-off period (until the end of August 2010), the Chairman cannot be a member of the Compensation Committee, but may on request take part in its meetings in an advisory capacity. The Compensation Committee convenes as often as business requires. In order to deal with specific issues, the Committee may call on internal or external specialists to attend its meetings, which is regularly the case. The CEO takes part in an advisory capacity when topics that affect the Executive Management are on the table. In 2010, the Compensation Committee held three meetings, all of which were attended by all its members. Most of the meetings lasted approximately half a day.

c) The **Investment and Risk Committee** formulates the investment concept, basic guidelines and investment strategy, proposes the strategic bandwidths of asset allocation, approves the investment strategy and supervises the investment activities of Helvetia Group. It also makes investment decisions insofar as the Board of Directors has entrusted it with the corresponding powers, determines the most important risk strategies, the risk tolerance, risk appetite and applicable risk limits, and monitors all non-strategic and non-operational risks as well as the related risk management measures and compliance with limits. It convenes as often as business requires. The CEO, CFO and CIO as well as the Head of Risk Management usually attend the meetings in an advisory capacity; in 2010 they attended all meetings. In order to deal with specific issues, it may call on internal or external specialists to attend its meetings, which is regularly the case. In 2010, the Investment and Risk Committee held four meetings, all of which were attended by all its members. Most of the meetings lasted approximately half a day.

d) The **Audit Committee** assists the Board of Directors in its duties with regard to overall supervision and financial control. It examines the accounts from the points of view of completeness, integrity and transparency, verifies their compliance with applicable accounting standards and external reporting requirements, assesses risk governance and risk organisation, and monitors the functional capacity and effectiveness of the internal control systems (ICS). It monitors the operational risks and related risk management measures, and verifies the independence and quality of the audits by the internal and external auditors. It ensures optimal cooperation between internal and external control units, the Audit Committee, the Chairman and the Executive Management. The Audit Committee approves the internal audit plan and assists with the compilation of external audit plans, examines the results of audits, comments on them for the attention of the Board of Directors, and may if necessary award special audit mandates. It also prepares the election of the statutory auditors, and submits the necessary proposals to the Board of Directors. It verifies the consistency of auditing activities with any existing consulting mandates and examines the overall fee structure. The Chairman may on request take part in the meetings in an advisory capacity. The CEO, CFO, representatives of the external auditors and the head of Internal Auditing attend its meetings in an advisory capacity. The attendance rate was 100% at closing meetings. In order to deal with specific issues, it may call on internal or external specialists to attend its meetings, which is regularly the case. In 2010, the Audit Committee held three meetings, all of which were attended by all members. Most of the meetings lasted approximately half a day.

The three-year cooling-off period for the Chairman of the Board of Directors ended in August 2010.
‹

The Chairman of the Board of Directors and the CEO work closely together to ensure that shareholders receive timely and correct information.
›

#### Chairman of the Board of Directors

The Chairman heads the Board of Directors. He calls the meetings of the Board, prepares the agenda for the Board meetings and meetings of the Strategy and Governance Committee, and chairs these meetings. He prepares the Shareholders' Meeting and the invitation to the Shareholders' Meeting, and also chairs this meeting. He draws up the strategic objectives that are discussed by the Board of Directors and represents the shareholders in important strategic projects in consultation with the CEO. He ensures that shareholders receive timely and correct information on the Group's business operations and nurtures relationships with large investors. Together with the other executive bodies of the Group, the Chairman ensures good corporate governance and an effective internal control system. He serves as line manager to the CEO and acts in consultation with the CEO whenever possible. He and the CEO prepare the CEO's annual agreement on objectives, and he assesses the CEO's performance every year. The Chairman may take part in important meetings of the Executive Management as a guest; to this end he receives the agenda and accompanying documents for all meetings. He manages the Group's internal audit team as well as the head of the secretariat in hierarchical as well as practical terms, assesses requests for information, a hearing or inspection of documents from members of the Board of Directors as well as their acceptance of new board or similar mandates (the Strategy and Governance Committee decides on such mandates of the Chairman), signs Commercial Register applications and handles other tasks delegated to him by the Board of Directors. He may at all times inspect any and all documents.

#### Full Board of Directors

The Board of Directors convenes as often as business requires, though as a rule six times a year. Most of its meetings, which usually last half a day, are held at Group head office in St-Gall, one is held at the head office of Helvetia Switzerland in Basel, while the executive seminar, which usually lasts two days, is generally held at the premises of a subsidiary abroad. The Board of Directors is quorate if the majority of the members are present. Its resolutions are carried with a majority of the votes of the members in attendance. Resolutions may also be passed by circular letter, which happened once in 2010. As a rule, all members of the Board of Directors and (in an advisory capacity) all members of the Executive Management attend its meetings. In the year under review, four half-day meetings were held as well as a two-day seminar, twice in the absence of one director; the members of the Executive Management attended all meetings. In order to deal with specific issues, it may call on specialists to attend its meetings, which is regularly the case. Members of the Board of Directors and all executive bodies are obliged to abstain if business is being dealt with that involves their own interests or the interests of related parties (natural persons or legal entities).

#### 3.6 Delineation of powers

The Board of Directors possesses the following powers based on its inalienable and non-transferable duties stipulated in the provisions of Swiss company law, the articles of incorporation and the internal organisational regulations of Helvetia Group:

- overall management of the Group;
- definition of the organisational principles;
- definition of the structure and principles of accounting, financial control and financial planning;
- appointment and dismissal of members of the Group Executive Management;
- overall supervision of the managemnt of the Group's business activities;
- preparation of the Annual Report;
- preparation of the Shareholders' Meeting;
- the implementation of its resolutions, and
- the approval of major legal transactions.

Appendix I of the organisational regulations contains a detailed description of the division of powers between the Board of Directors, the Board Committees and the Executive Management: www.helvetia.com/gruppe/governance.

### 3.7 Information and control tools

The Board of Directors is kept up to date in a variety of ways concerning the activities of Helvetia, its course of business and trends in the market. At its meetings, it requests information concerning:

– content and outcome of matters dealt with by the various Board Committees, including all resolutions and proposals – all committees are required to submit copies of their minutes without delay;
– course of business and market trends, to be provided by the CEO and the individual national managers and division heads, as well as main projects, to be provided by the persons responsible, as necessary;
– status of compliance with budget and other annual objectives as well as strategic plan values for several years;
– results and findings of the audits done by the external and internal auditors which are in particular discussed by the Audit Committee and recorded in its minutes;
– the most important strategic, financial and operational risks, any changes to them and risk management measures that have been taken or are planned;
– compliance with legal and regulatory provisions and internal regulations;
– significant developments and events that could influence the interests of stakeholders, spontaneously on the occurrence of special events, otherwise in a detailed annual report and a condensed interim report.

Every month, the members of the Board of Directors receive key data concerning the course of business. They also periodically receive reports on current issues relating to governance as well as selected analyses and situation reports concerning market trends, market players and noteworthy occurrences. The regular reports submitted to the Board of Directors and its committees are listed in Appendix II of the organisational regulations: www.helvetia.com/gruppe/governance.

At the meetings, every member of the Board of Directors may ask other members and members of the Executive Management for information concerning all matters pertaining to the Group. Outside of meetings, every member of the Board of Directors may ask the Executive Management to provide information about the general course of business or the course of specific business cases, and/or may inspect any business documents as required.

The Board of Directors also has the Internal Audit unit at its disposal as an auditing and supervisory body that monitors compliance with legal and regulatory provisions, internal guidelines and directives systematically, purposefully and in a risk-oriented manner.

It also receives reports concerning the general development and specific activities of Helvetia in the areas of corporate governance and compliance.

## 4. Executive Management

See also pages 14 to 18.

### 4.1 Members of the Executive Management

The members of the Group Executive Management are presented on pages 16 to 18. The Executive Management of Helvetia Group has been chaired by Stefan Loacker since 1 September 2007. Together with division heads at Group level and the management boards of the country markets, he is responsible for the operational management of the Group. For further details, please refer to pages 14 to 15.

### 4.2 Other activities and interests

See also pages 17 and 18.

### 4.3 Management contracts

There are no management contracts with external parties that have to be disclosed.

## 5. Co-determination rights of shareholders

Helvetia observes the principle of equal treatment of shareholders.

The Board of Directors is regularly informed of the most important strategic financial and operational risks.

‹

The Board of Directors convenes the Shareholders' Meeting and draws up the agenda.
›

### 5.1 Voting right restrictions and proxy voting

Certain restrictions on voting rights that are identical to restrictions relating to the transferability of registered shares of Helvetia Holding AG are described in section 2 above.

The Board of Directors specifies the rules that govern participation in the Shareholders' Meeting and the determination of voting rights. For representatives of executive bodies, independent voting rights and custody proxies (who do not necessarily have to be shareholders themselves), it may stipulate regulations that deviate from the restriction of proxy voting to 10% of the share capital.

At the 2010 Shareholders' Meeting, no individual shareholder or group of shareholders consisting of pool members with voting rights represented more than 10% of the voting rights, except for Patria Genossenschaft. No specific exceptions with respect to voting right restrictions or proxy voting were granted in the year under review.

Shareholders who possess voting rights but who do not attend the Shareholders' Meeting may assign their voting rights to a third party (who does not necessarily have to be a shareholder) by means of a written power of attorney. However, he or she may only represent the voting rights of third parties if, together with his or her own shares, they do not exceed 10% of the total share capital. Here, too, shareholders who are connected to each other by way of capital or votes or by united management or in any other form count as one shareholder.

### 5.2 Statutory quorum

The Shareholders' Meeting is quorate regardless of the number of shareholders in attendance and votes represented by proxy. Unless stipulated otherwise by legal provisions or the articles of incorporation, the Shareholders' Meeting passes resolutions by an absolute majority of the submitted votes. In addition to the resolutions cited in Art. 704 par. 1 of the Swiss Code of Obligations, a two-thirds majority of represented votes is required for amendments to the articles of incorporation, the premature termination of office of more than one member of the Board of Directors, and the liquidation of the company. The exceptions for Patria Genossenschaft as individual shareholder and for the group of pool members mentioned in 5.1 also apply here.

### 5.3 Convening the Shareholders' Meeting

The Shareholders' Meeting is convened by the Board of Directors, or if necessary by the auditors. Liquidators and representatives of creditors also have the right to call a meeting.

As a rule, the Ordinary Shareholders' Meeting is held in April, but at the latest within six months after the end of the financial year. Extraordinary Shareholders' Meetings are convened as necessary.

Shareholders with voting rights who together represent at least 10% of the share capital may request a Shareholders' Meeting in writing, stating the items on the agenda and the motions to be put forward. Every shareholder receives a personal invitation not later than 20 days before the meeting, including a detailed agenda, a brief explanation of the motions to be put forward, plus other explanations concerning significant occurrences in the year under review. The items on the agenda are also published in various Swiss newspapers and in the electronic media.

### 5.4 Addition of items to the agenda

Shareholders with voting rights who together represent shares to the nominal value of at least CHF 2,000 may request the addition of items to the agenda in writing, stating the motions to be put forward, no later than 45 days before the Shareholders' Meeting.

### 5.5 Registration of shares

The right to attend the Shareholders' Meeting (6 May 2011) and exercise voting rights is reserved for persons who were registered in the share register as shareholders with voting rights as of the cut-off date (26 April 2011) specified by the Board of Directors and announced in the Swiss Commercial Gazette and various other newspapers. In exceptional cases, guest tickets for the Shareholders' Meeting may be issued, but holders of such tickets do not have any voting rights. Every share registered in the register entitles the holder to cast one vote.

## 6. Change in control, protection measures

### 6.1 Obligation to announce takeover bids

Art. 26 of the articles of incorporation states that the obligation to announce a takeover bid in accordance with Art. 32 of the Stock Market Act only applies if a shareholder acquires 40% or more of the voting rights.

### 6.2 Clauses regulating a change in control

Employment contracts of Helvetia do not contain any agreements regarding a change in control. The practice of "golden parachutes" does not apply at Helvetia. Normal periods of notice apply (maximum 12 months for members of the Executive Management, 6 months for other managerial staff), during which the rules for contractual and variable salary arrangements remain applicable.

## 7. Auditors

### 7.1 Duration of mandate, term of office of lead auditor

The independent auditors KPMG Ltd, Zurich, have served as the auditors of Helvetia Holding AG and its consolidated subsidiaries since 2005. The auditors' mandate must be renewed by the Shareholders' Meeting every year.

The KPMG Ltd audit team for the 2010 financial year consisted of:

- Hieronymus T. Dormann, Swiss Certified Accountant, Partner Audit Financial Services, lead auditor;
- Christian Fleig, Swiss Certified Accountant, Director Audit Financial Services.

### 7.2 Audit fees

In the year under review, the fees charged by the auditors amounted to:
CHF 2,992,391.00.

### 7.3 Fees for additional consultancy services

CHF 103,402.00

These fees primarily concern services associated with the implementation of new software, tax consultancy services and investigations regarding the optimisation of the capital structure.

### 7.4 Supervision and control of audit

a) External auditors
The Audit Committee prepares the election of the auditors, which, as a rule, is scheduled to rotate approximately every seven years. It supervises and assesses their activities, predominantly through the external auditors' reports on audit results, the reporting process, decisions, for example on IFRS issues, and statements in the local audits. Important findings are summarised in a management letter.

b) Internal auditors
In addition to an external auditor, Helvetia Group has an internal auditing department that reports directly to the Audit Committee and the Chairman of the Board of Directors. The Head of Internal Audit reports directly to the Chairman of the Board of Directors, which enhances the independence of the internal auditors.

c) External and internal auditors
Representatives of the external auditors and the Head of Internal Audit attend meetings of the Audit Committee in an advisory capacity. The minutes of the Audit Committee are submitted to all members of the Board of Directors, and reports on the activities of the Audit Committee are provided at the meetings of the Board of Directors. In the year under review, three meetings were held and the external auditors attended all three meetings. Discussions between the external auditors, the Chairman of the Board of Directors, the Chairman of the Audit Committee, the CEO and the CFO take place annually. Meetings or an exchange of experiences with specialists from the areas of Group finance, corporate finance and risk management, legal and compliance, general secretariat and corporate governance are held periodically. The external and internal audit teams are also frequently in contact regarding issues such as audit planning, audits and results as well as current problems.

In the reporting year KPMG again served as auditor.

‹

The shareholders receive a semi-annual shareholders' letter containing a short overview of business operations.

›

## 8. Information policy

As a rule, Helvetia provides its shareholders with information twice a year as part of the periodic reporting on annual and interim results in the form of a detailed letter to the shareholders. This letter deals with a variety of current issues, including strategy, market positioning and business policy. A portrait of Helvetia Switzerland is available to anyone who may be interested. Furthermore, our website (www.helvetia.com) contains additional current and archived information about Helvetia Group, on topics such as corporate governance, Group structure and strategy, employees, sponsorship and history as well as investor informations, such as key figures, Equity Story, bonds, rating, annual and interim reports and share including current share price trends. In addition, further publications, media releases and important dates can be found here. Helvetia periodically meets with institutional investors and presents the published financial results at special road shows. These presentations can also be called up on our website.

Our Investor Relations team will be pleased to assist with any personal enquiries (contact details are indicated at the end of this report as well as on our homepage).

# Compensation report

Helvetia's compensation principles are simple, transparent and geared to the long term. In the reporting year a new compensation component designed to promote the sustainable success of Helvetia Group was introduced.

The compensation report for the shareholders of Helvetia Holding AG and other interested parties consists of two parts. This section describes the general principles and essential features and criteria of the compensation concept and participation rights as well as the loan terms and conditions for members of the Board of Directors and the Group and Switzerland Executive Management teams. It provides an overview of the philosophy, guiding principles and processes pertaining to the compensation paid by Helvetia that apply at all operational and management levels for performance-related pay and salaries. This represents part I of the compensation report. The application of the general principles in the business year and the specific payments are set out in the Financial Report under Note 14 (page 162) "Share-based payments" and Note 16 "Compensation paid to the Board of Directors and the Group Executive Management" from page 165 et seq. This represents part II of the compensation report. Both parts comply with the requirements of the Corporate Governance Guidelines, the Swiss Code of Best Practice for Corporate Governance and the Swiss Code of Obligations.

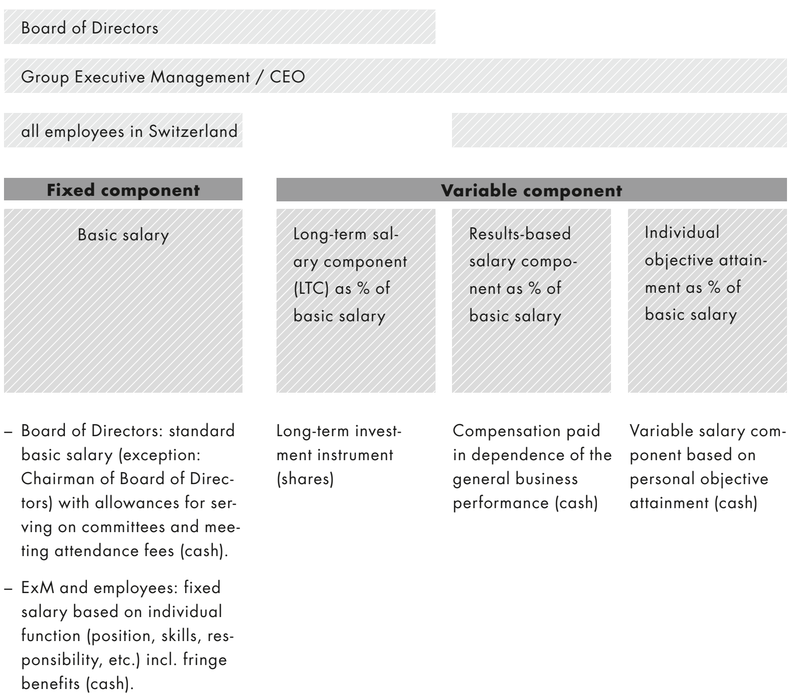
## General compensation principles

Helvetia Group applies a multi-level but still simple and transparent compensation system for all employees in Switzerland as well as its governing and executive bodies (Board of Directors and Group Executive Management). As shown below, this system is composed of fixed and variable salary components.

At Helvetia, compensation is fixed so that:

– it is simple, transparent and comprehensible, and fair and appropriate for the members of the Board of Directors and the Executive Management, for all managers and employees. Those who do good work should also be paid well;
– it takes account of the responsibility carried by the function holder, the quality of his or her work and the effort and time involved in carrying out the work;
– there is an appropriate relationship between the fixed and variable salary components to ensure that the variable compensation is not so high that it has a negative impact on employees' risk tolerance and motivates them to focus on short-term criteria only;
– it is function-appropriate and shaped to a considerable extent by individual objectives and the overall result of the company;

**Helvetia remuneration model**



- it is reasonable and competitive compared to the salaries paid by other companies in the same labour market and business sector; and
- it is reasonable when the lowest and highest salaries within Helvetia are compared.

The Board of Directors is in charge of general compensation issues and the compensation models.

The Board of Directors is in charge of general compensation issues and the compensation models.

›

### Fixed salary components

The Compensation Committee defines the principles on which compensation decisions are based. In the fourth quarter of every year, the Compensation Committee reviews the compensation concepts to ensure that they are still appropriate and in line with the market. At the same meeting the Compensation Committee also determines the fixed salaries of the members of the Group Executive Management for the next financial year. The Board of Directors is informed of the details at the next meeting of the full Board. Any amendments to the compensation regulations of the Board of Directors that are discussed at this meeting must be approved by the full Board of Directors.

The Compensation Committee uses different documents as the basis for its review of the market resilience and appropriateness of the fixed salary components. For example, renowned independent institutes are mandated from time to time to prepare comparative studies that can serve as a benchmark. The compensation reports of comparable competitors are also analysed, and publications by different interest groups such as "Ethos", information obtained from advisors specialising in personnel issues and audits, and articles that appeared in the media also provide an important basis for comparison.

### Variable salary components

The variable salary components of the members of the Board of Directors, the Group Executive Management and all Helvetia employees in Switzerland are determined by the Compensation Committee during the first quarter of every year once the key figures for the past financial year and the individual objective attainment results are available. The Compensation Committee uses a criteria matrix to assess the results-based objective achievement; this matrix is discussed in detail in conjunction with the long-term salary component below.

A long-term salary component (LTC) was introduced for the Board of Directors and the Group and Switzerland Executive Management teams on 1 January 2010. The Compensation Committee also determines this salary component, which replaced the former special bonus as well as 10% of the results-based salary component. The LTC follows the compensation guidelines of FINMA and focuses on a long-term business strategy.

### Other compensation components

Helvetia also offers employee benefits packages that are attractive in a market comparison to all its employees and managerial staff. The employee benefits insurance provides employees and their dependants with the assurance that they will be financially secure on retirement or if they should become sick or disabled or in the event of death in a way that employees who work for a first-class pension provider can expect to be.

Helvetia's compensation systems as well as the employee benefits programmes, some of which can be optimised at an individual level, have proved themselves; they are correct and fair, balanced and competitive, and the amounts that are paid can be justified at all times.

### 1. Board of Directors

The compensation principles and individual components of the compensation concept as well as the procedure when determining performance-related payments are set out in the compensation regulations issued by the full Board of Directors.

The compensation paid to the members of the Board of Directors consists of the following simple and transparent components, whereby the fixed cash component should be the largest component by far:

a) Fixed salary

Every member of the Board of Directors receives a fixed salary determined in advance. All members of the Board of Directors receive the same basic salary, except for the Chairman, whose salary is higher. The Vice-Chairman and the chairmen and members of the committees also receive an allowance in addition to their basic salary. These payments take account of the responsibility and workload of each of the individual Board members. The compensation for every individual Board member calculated in this way is paid out in cash. When a director leaves the Board, compensation is paid on a pro rata basis up to the end of the month in which he or she leaves the Board of Directors. The fee for a new Board member is also calculated pro rata.

b) Variable component
The variable salary component paid to a Board member is calculated based on a reference value of 30% of the fixed compensation. This reference figure is multiplied by the degree of objective attainment that applies to the entire company (for the calculation of the degree of objective attainment, see the explanations on the LTC below). The Board member is then allocated a prospective number of shares for this amount. The relevant value of the share is calculated as the average of the stock exchange prices for the Helvetia Holding share for five consecutive trading days from the day on which the business result is announced. Ownership to the resulting number of shares is transferred after three years. When a director leaves the Board, the LTC is paid on a pro rata basis up to the end of the month in which he or she leaves the Board of Directors.

c) Meeting attendance fees
Board members are paid an attendance fee for every meeting. Telephone conferences are not deemed to be meetings. The compensation regulations govern the amount of the meeting attendance fees.

d) Expenses
The members of the Board of Directors do not receive any lump-sum expenses allowances. Costs for accommodation at the place where a meeting takes place and for foreign trips are paid by the company.

e) Shares and options
The variable component is paid to the members of the Board of Directors in the form of shares (see b). Board members do not participate in any employee share purchase plans and also did not participate in any previous share option programmes.

f) Severance pay, loans and discounts
No severance payments are granted. Loans are granted at usual market conditions. Board members also do not benefit from any discounts (premium discounts, etc.) that are offered to the Helvetia employees.

**2. Executive Management**

The compensation paid to the members of the Group Executive Management consists of the following components:

The compensation paid to the members of the Executive Management consists of a fixed and a variable component. The latter is dependent on the individual degree of objective attainment and the company's business performance.
‹

a) Fixed salary
The members of the Executive Management are paid a fixed salary in cash which is determined every year by the Compensation Committee. This salary is determined on an individual basis in accordance with the aforementioned criteria and takes account of the function and level of responsibility of the individual member of the Executive Management. It also includes all child or education allowances and anniversary bonuses.

b) Variable component
The final amount of the variable salary component which may not exceed 60% of the fixed salary component (CEO 70%) depends on the following three factors:

Individual objective attainment (20% of fixed salary component): This reference figure is multiplied by the degree of attainment of the personal objectives agreed with the line manager in advance. The result of this multiplication is paid out to the member of the Executive Management in cash. The individual objectives of a member of the Executive Management can include quantitative and/or qualitative components and depend on his or her operational responsibility. Compensation for individual objective attainment is due to the Executive Management member regardless of the general business result.

Results-based component (20% of fixed salary component): This compensation component based on the annual result is multiplied by the degree

Part of the variable component is paid out in the form of shares. These shares pass to the ownership of the Executive Management member after a vesting period of three years.

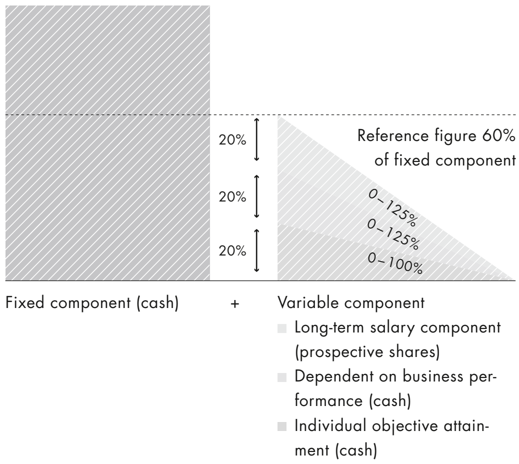
›

of objective attainment (for the calculation of the degree of objective attainment, see the LTC explanations below; the degree of objective attainment can range from 0% to 125%). The resulting amount is paid out to the member of the Executive Management in cash.

**Long-term results-based salary component (LTC; reference figure Executive Management members 20%, CEO 30% of the fixed salary component):**
This forward-looking salary component is also multiplied by the degree of objective attainment. In contrast to the results-based salary component, the amount calculated in this way is not paid out to the Executive Management member in cash, but in the form of a prospective claim to a certain number of shares. The relevant value of the share is calculated as the average of the stock exchange prices for the Helvetia Holding share for five consecutive trading days from the day on which the business result is announced. This number of shares is transferred to the ownership of the Executive Management member after three years, provided that there were no negative developments in this period that were triggered in the reporting year and can be attributed to the conduct of the Executive Management member in question. If the person in question leaves the Executive Management, his or her prospective claims for all three years lapse. This concept establishes a direct link between the members of the Executive Management and the long-term development of the company in two ways: positive or negative share price trends over the three-year period and the possibility that the number of allocated shares can be reduced retroactively.

**Calculation of degree of objective attainment (results-based component and LTC):**
The degree of objective attainment is used to calculate both the results-based component and the long-term component. When the LTC was introduced, the criteria used to calculate the degree of objective attainment and the multiplier for the results-based component for all employees, the Executive Management and the Board of Directors were also specified. This multiplier is determined by the Board of Directors in the first quarter of the year in view of the objective attainment in accordance with the following criteria, and can

**Remuneration for Executive Management**




range from 0% to 125%. The assessment is based on:

– Profit: The reference figure is the annually reported Group profit for the period relative to the strategic target figure.
– Growth: The reference figure is the growth in business volume in the business lines operated relative to the relevant market segment achieved in the financial year.
– Risk-adjusted return: The calculation is based on the return on equity (ROE) in the reporting year relative to the important sector-relevant solvency figures.
– Shareholder value: The reference figure is the performance of the Helvetia registered share compared to the performance of the DJ European Insurance SXIE (index of European insurance stocks).

Even though the assessment of the objective attainment is prescribed in a matrix, the Board of Directors can deviate from the objectively calculated overall degree of objective attainment in justified cases.

The final degree of objective attainment or payout ratio as calculated by the Board of Directors is multiplied by the target figure for the results-based payment for employees at all functional levels (percentage of the fixed salary component). The results-based component calculated in this way and the individual objective attainment component together comprise the total variable salary component of the employees.

For the LTC (Executive Management Group and Switzerland, Board of Directors), which is also multiplied with this degree of objective attainment, there is a restriction in that no LTC is paid if the degree of objective attainment is less than 61%, the Group as a whole reports a loss, and/or the solvency figures are insufficient.

These variable salary components (individual, results-based and LTC) are an important feature of Helvetia's performance culture, under which every individual employee is compensated according to the quality and quantity of his or her work as well as his or her responsibility and workload and also the result achieved by the company as a whole. The variable components are paid out in cash and only the LTC is paid in the form of prospective shares.

c) Expenses and benefits in kind
The payment of expenses is governed by written regulations. The members of the Executive Management are entitled to a Helvetia company car which they may also use for private purposes for a fixed fee. The employer does not grant any other non-monetary benefits.

d) Shares and options
The members of the Group Executive Management can, on a voluntary basis, acquire the maximum number of shares available to them under the employee share purchase plan. The same conditions apply as for all other employees of Helvetia in Switzerland (see section 3). They therefore also benefit from a discount of 16.038% which is granted because these shares are blocked for three years. There have not been any share option programmes since 2003.

e) Severance pay and loans
No severance payments are granted. Loans are granted at usual market conditions.

f) Pension benefits
The employer's annual contributions to pension funds are governed by the pension fund regulations. No extraordinary benefits were paid.

### Executive Management Switzerland and abroad

The same compensation regulations apply for the Executive Management Switzerland as for the Group Executive Management. Executive Management abroad is compensated according to the local market conditions governing the compensation systems. The local compensation systems can include fixed and variable salary components. At Group level the members of the local Executive Management are also paid a results-based bonus in the form of shares which equals 10% of the local basic salary. The reference figure is also multiplied by the degree of objective attainment. This Group bonus has been designed to promote the sense of belonging to the Group of the Executive Management teams abroad.

## 3. Helvetia employees in Switzerland: share purchase plan

In 2005, an employee share purchase plan was introduced in Switzerland to allow employees to participate in the performance of Helvetia and thus to strengthen their personal ties to the company. Employees can purchase registered shares of Helvetia Holding AG at reduced prices. The number of available shares is specified by the Board of Directors, taking account of the financial results and the functions of the employees concerned. The purchase price is calculated on the basis of the average stock market price during the five trading days following the publication of the financial results. Participation in this scheme is voluntary. As these shares are subject to a mandatory vesting period of three years, they can be sold by the company at a tax-exempt discount of 16.038%. The members of the Executive Management can also take part in this programme, but the members of the Board of Directors may not. The share purchase plan is also not open to employees abroad.

Helvetia's employees in Switzerland can participate in the company's performance via a share purchase plan.
‹

# Helvetia makes life easy for brokers.

**Broker quality barometer**
2010

The CHARTA 2010 quality barometer rates the German insurers from the point of view of the brokers. Helvetia Germany gets four out of five stars for its comprehensive service to brokers and its life insurance products, thus gaining first place in both of these categories.

Brokers are important distribution partners of Helvetia. Their needs for simple and comprehensible products as well as comprehensive services are always taken into account. It is not for nothing that Helvetia receives glowing marks in independent broker surveys.

We work efficiently and effectively with adaptable and manageable structures to keep our costs competitive and to allow us to continue to grow as a solid, productive and high-yielding group. Our performance in the reporting year confirms that we are on the right track.

# Business development

# Business development

With a profit of CHF 341.5 million, Helvetia confirms its earnings power and concludes the strategy period by increasing its profitability again. This result was underpinned by dynamic growth, a good claims experience and solid investment income. Against this was the negative impact of the Swiss franc.

## Group result

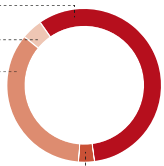
The 2010 financial year was characterised by the sustained development of profits and business volumes. This saw profit for the period rising by 4.5% to CHF 341.5 million while growth continued to be dynamic. In addition, the acquisition of Alba und Phenix means that the strategy period is concluded with significant momentum for the future. The solid technical performance of both the life and non-life businesses once again underpinned the result, and both segments benefitted from additional efficiency gains. Despite the low interest rate environment and the strength of the Swiss franc, investments also made a robust contribution to the annual profit with a direct return of 3%. To provide additional financial flexibility, a subordinated bond with a volume of over CHF 300 million was issued on the CHF market in the second half of the year. This increased the equity base by 7.8% to CHF 3,457.6 million. As in the previous year, profit and growth were broadly supported. All units, with the exception of Spain which is still suffering from the economic environment, contributed to volume growth and all country markets concluded the 2007–2010 strategy period profitably. However, the contributions to the Group profit by the foreign units were somewhat restrained by currency conversion into the strong Group currency.

### Strong growth dynamic

With volume growth of 5.3% on a currency adjusted basis, Helvetia confirms its strategic goal of growing sustainably. The life and non-life businesses both generated strong dynamic growth of 5.6% each. By contrast, assumed reinsurance, which invoices the majority of its premiums in foreign currencies, reported a decline in volume of 4.6% due to currency effects. All markets contributed to growth in the life business, with Germany reporting the strongest rise at 22.5%. The 5.6% growth achieved in the life business was almost entirely due to organic growth, with only 0.1% contributed by the acquisition of Phenix Life in Switzerland. The non-life business likewise posted organic growth of 4.0%. An additional 1.6% was added in the reporting year by the acquisition of non-life insurance companies in Switzerland and Helvetia S.A. (formerly CEAT),

**Business volume**

| in CHF million | Growth % in original currency (OC) | 2010 | 2009 |
|---|---|---|---|
| Gross premiums life | 8.9 | 3 896.1 | 3 676.5 |
| Deposits received life | –23.6 | 283.5 | 408.6 |
| Gross premiums non-life | 5.6 | 2 344.4 | 2 383.4 |
| Business volume for direct insurance | 5.6 | 6 524.0 | 6 468.5 |
| Assumed reinsurance | –4.6 | 231.4 | 242.5 |
| **Business volume** | **5.3** | **6 755.4** | **6 711.0** |



which was fully consolidated for a full 12-month period for the first time. In the non-life area, all the units also contributed to growth with the exception of Spain, which suffered a decline of 2.5% due to the recession. Italy, however, was the growth engine of the segment with a 19.1% increase in volume. This concluded the 2007–2010 strategy period with strong growth, although the volume statement in the Group currency was significantly muted by the strength of the Swiss franc. In CHF terms, total growth of 0.7% was achieved, while the growth in CHF terms in the non-life business declined by 1.6%. The growth rates shown in the tables are in original currency (OC).

## Sustainable business result

The technical performance in the reporting year was convincing with sustained good results in the life and non-life areas. At CHF 1,133.5 million, investment income was also solid once again. Both our shareholders and customers share in the investment income in the form of surpluses. The good investment result was due to a cautious investment policy and the real-time hedging of our foreign currency and equity exposure, which meant that the negative effects of the strong Swiss franc on the investment income could largely be offset. Despite the still sluggish economic recovery and the challenging conditions on the financial markets, the combination of the robust investment income and the sustainably good technical performance contributed to the pleasing life result of CHF 108.5 million, which was 6.4% higher than in the previous year. The non-life business also delivered a robust result again, amounting to CHF 177.4 million (previous year: CHF 216.3 million). The decline in comparison to the previous year is largely the result of a change in the claims structure, with fewer major claims and natural disasters, which meant that a significantly lower loss burden could be passed on to the reinsurers than in the previous period. The net combined ratio of 94.1% translated into a repeatedly very good non-life result. This was facilitated by an excellent claims result and additional efficiency gains, reflected in a cost ratio of 29.7%. This meant that the strategic goal of reducing the Group cost ratio to below 30% was achieved. At CHF 47.1 million, the result for "Other activities" (Helvetia Holding, the financing companies, the reinsurance business and the Corporate Centre) was significantly higher than in the previous year, primarily because of currency effects and investment income. These currency effects, however, were partially neutralised by equity adjustments.

The technical performance in the reporting year was impressive with sustained good results in the life and non-life business.

‹

**Group key performance figures**

| | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| Life | 108.5 | 102.0 |
| Non-life | 177.4 | 216.3 |
| Other activities | 55.6 | 8.5 |
| **Group profit** | **341.5** | **326.8** |

## Capital base remains solid

With this very good overall result, Helvetia also managed to maintain its solid capital position compared to the previous year. The weak euro impacted heavily on the reserve for foreign currency translation differences. This and the payment of last year's dividend meant that shareholder capital (equity without the new preferential securities) decreased modestly from CHF 3,208.4 million at the beginning of the year to CHF 3,157.6 million. Against this background of a strong capital base, the return on equity of 10.7% based on shareholder capital is very pleasing. Equity increased by 7.8% to CHF 3,457.6 million compared to the previous year; this increase included the CHF 300 million subordinated bond which was allocated to equity. In addition, the Solvency I margin of 220% has remained stable since the beginning of the year. The first-class capital position of the Group was confirmed by the repeated "A–" rating from Standard & Poor's, thus proving that Helvetia remains a reliable partner.

With posted growth of 5.6% for each of the life and non-life businesses, Helvetia once again boasted dynamic development in 2010.

›

# Business activities

## Strongly growing life business

Following the significant increase in volume driven by acquisitions in the previous year, the life business in 2010 delivered a strong, predominantly organic growth in volume of CHF 94.5 million or 5.6% in original currency. This volume was mainly generated in the Swiss business, where high inflows in the group life business in particular resulted in good growth of 4.8% in total. However, Italy, Spain and Austria also made a pleasing contribution to this positive situation. In Germany, strong demand for traditional insurance in the individual and group life businesses and the success of the unit-linked insurance business meant that business in the original currency rose by an outstanding 22.5%. In the last year, acquisitions had a minimal impact on the life business of only 0.1% in total. This performance shows that the life business is the growth engine of the Group, in line with strategy.

The volume of new business generated remained pleasingly stable. The growth trend is therefore continuing on a sustainable basis. Despite the continued decline in interest rates and the strong Swiss franc, embedded value rose by CHF 34 million compared to the end of the year. More information on the embedded value is provided from page 210.

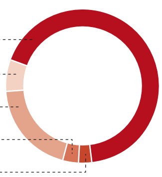
## Profitable non-life business

In an economic environment that remains difficult, the non-life business posted 5.6% growth on a currency adjusted basis. Organic growth accounts for 4.0% and acquisitions for 1.6%. This latter is reflected in the growth rates for Switzerland and France. The performance and premiums of Helvetia S.A., acquired in 2009, were consolidated for the full 12-month period for the first time, while the results of Alba and Phenix in Switzerland, acquired in 2010, were only consolidated for two months to date. With the exception of the transport insurance, where premiums fell due to the general slide in transport volumes, all business lines did well. The targeted organic growth was supported by Italy in particular where new agents and sales channels delivered growth of 19.1%. Switzerland, Germany and Austria also contributed to the growth while Spain continued to suffer from the weak local economy.

The technical performance of the non-life business was once again pleasing. This is reflected in the net combined ratio of 94.1%, which is just slightly higher than the exceptional ratio (91.3%) achieved for the previous year. However, the ratio for 2010 is still in the target range and is also very good in a multi-year comparison. This development is explained by the slightly higher claims ratio, which at 64.4% is generally good and confirms the high quality of the portfolio and the profitable portfolio composition. The slight increase in the loss ratio is due to a larger number of medium-sized claims covered by the Group's retention. In 2010, Spain, Germany and Austria in particular were impacted by bad weather and major claims that could not be ceded to reinsur-

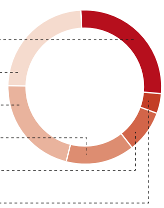
**Business volume life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Switzerland | 4.8 | 2 832.7 |
| Germany | 22.5 | 274.9 |
| Italy | 3.7 | 821.8 |
| Spain | 5.2 | 134.7 |
| Austria | 4.6 | 115.5 |
| **Total** | **5.6** | **4 179.6** |



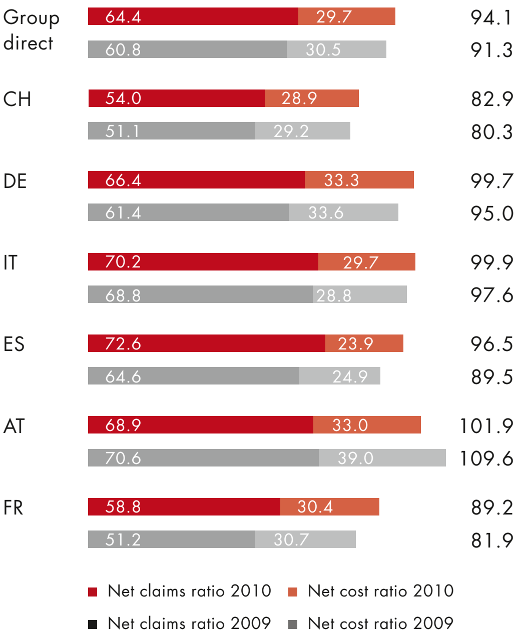
**Business volume non-life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Switzerland | 1.5 | 638.6 |
| Germany | 1.1 | 559.5 |
| Italy | 19.1 | 499.9 |
| Spain | –2.5 | 339.1 |
| Austria | 4.6 | 204.6 |
| France | 33.6 | 102.7 |
| **Total** | **5.6** | **2 344.4** |



**Combined Ratio**

in %




ance. The gross combined ratio was at a strong level of 89.5% in the reporting year, in line with the exceptional level of the previous year. Thanks to Group-wide efficiency programmes, administration costs were streamlined in almost all country markets and the administration cost ratio could be reduced by another 0.5 percentage points. Despite the competitive market situation, it was also possible to cut the distribution cost ratio in many markets. The cost ratio is now under the 30% level defined in the strategy – the cost ratio is 29.7% or 0.8 percentage points below the level of the previous year.

### Other activities

The "Other activities" segment was significantly influenced by the strong Swiss franc. At CHF 55.6 million the profit for this business area is much higher than in the previous year. While the contribution to the annual result made by reinsurance was reduced by the weak euro and US dollar, higher currency gains were generated by the investment funds included in this segment.

## Investments

2010 was a challenging and difficult year for investments. Although the global economy emerged from the recession faster than anticipated, the debt crisis in Europe and unemployment in the USA weighed heavily on the markets. Central banks kept interest rates low. In the third quarter, the yield on the 10-year Swiss government bond dropped to as little as 1%. At the same time, significant discounts developed in the government bond segment. The performance of the equity markets was unremarkable, but the euro weakened against the Swiss franc to a historical low and the US dollar fell below parity with the Swiss franc. Against this background, Helvetia once again delivered an impressive investment profit.

### Tried-and-tested investment tactics

In this market environment, the currency hedging policy developed and implemented in the last few years has proven its worth. As a result of the international diversification of its Swiss investment portfolio, Helvetia has significant euro and US dollar holdings. Helvetia believes that investors are not rewarded over the long term for exposure to exchange rate risks so, given the increasing currency volatility, Helvetia has hedged these holdings considerably higher than 80% on average. The capital loss on the foreign currency exposure totalled CHF 351 million but this was compensated by the profit on the hedge positions.

The investment structure remained stable in the reporting year. Bonds make up the biggest asset class at 57% of the portfolio, followed by real estate and mortgages. The high quality of the bond portfolio has been confirmed. A very large proportion (97%) of the bond portfolio has a rating of at least A, while 88% of the portfolio has a rating of AA or higher. Exposure to Italian (CHF 740 million) and Spanish (CHF 300 million) government bonds is intended to cover insurance liabilities in these country markets. The remaining exposure to PIIGS countries is CHF 92 million, which is not material in comparison to the total investment portfolio of CHF 33.6 billion.

Helvetia's investment policy proved itself in view of the economic challenges dominating the reporting year.

‹

Investment income was good in general and was supported by attractive rental income and solid interest income.

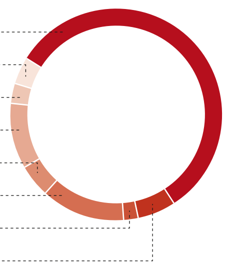
›

### Attractive investment income

In 2010, Helvetia achieved a direct yield of 3.0% (previous year 3.2%). The decline is partly due to the decline in interest rates on new net investments. Other factors include the lower investment income from the business units after conversion to CHF. The decline of the euro against the Swiss franc resulted in a reduction in income of CHF 40 million after conversion to the Group currency compared to the previous year. Performance was 2.9%, which was 1.9% below the previous year. This was primarily due to significantly lower returns on equities. In comparison to benchmark indices, this is a good overall result which was underpinned by attractive rental income and solid interest income from mortgages, bonds and loans.

#### Investment structure

| | 2010 | Units in % |
|---|---|---|
| in CHF million | | |
| Bonds | 19 276.6 | 57% |
| Shares | 1 327.3 | 4% |
| Investment funds, alternative investments, derivatives | 972.7 | 3% |
| Mortgages | 3 318.2 | 10% |
| Loans | 1 491.1 | 5% |
| Investment property | 4 479.5 | 13% |
| Money market instruments, associates | 835.6 | 2% |
| Unit-linked investments | 1 886.1 | 6% |
| **Total investments** | **33 587.1** | **100%** |



#### Performance of investments held on behalf and at the risk of the Group

| | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| Interest and dividend income | 764.7 | 799.9 |
| Rental income | 245.3 | 247.0 |
| Current income | 1 010.0 | 1 046.9 |
| Gains and losses on investments | 112.3 | 83.8 |
| Gains and losses on investment property | 6.7 | –10.9 |
| Gains and losses | 119.0 | 72.9 |
| Expenses for asset management and other income | –78.4 | –77.7 |
| Investment income | 1 050.6 | 1 042.1 |
| Change in unrealised gains and losses recognised in equity | –127.8 | 383.2 |
| **Total investment income** | **922.8** | **1 425.3** |
| Average investment portfolio | 31 441.5 | 30 118.0 |
| Direct yield | 3.0% | 3.2% |
| Investment performance | 2.9% | 4.8% |

## Business units

The business units of Helvetia Group once again reported solid results in 2010. The units reported very pleasing volumes in original currency terms despite the ongoing tough economic environment in some foreign markets. The weak euro in particular had a noticeable impact on the country results in the reporting year. On the one hand, the weaker euro significantly muted growth reported in Swiss francs while, on the other, it also reduced the country results of the foreign units in Swiss francs by about 10% when these results were converted to the Group currency.

The claims cost in the non-life business is stable in comparison to the previous year. However, there were only a few major claims, which were covered by reinsurance. As a result, Helvetia Group's retention deductibles are relatively higher than in 2009. The net claims ratio for the Group was therefore 3.4% higher than the excellent gross ratio of 61.0%, which remained practically stable. The underlying earning power of the country segments thus remains solid.

### Switzerland

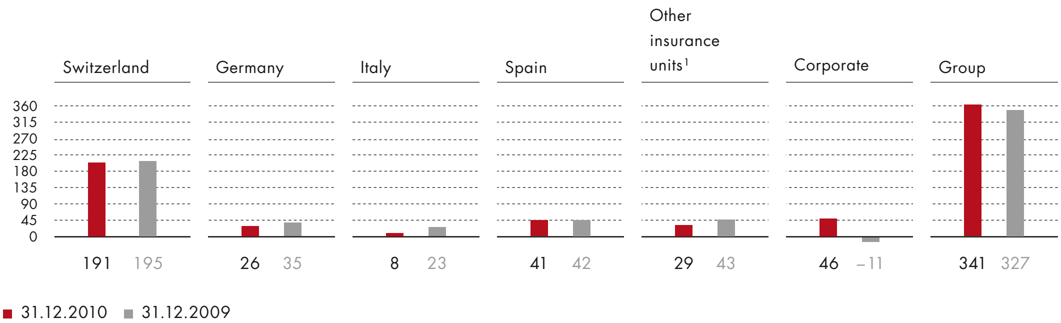
Helvetia Switzerland ended the 2010 reporting year on a successful note. The growth rate continued unabated in 2010 with growth of 4.2% and a total volume of CHF 3,471.3 million. In addition, the acquisition of Alba and Phenix in the fourth quarter saw the conclusion of a major strategic step. The Swiss market is highly consolidated, rarely presenting the opportunity to purchase portfolios or entire companies. This acquisition significantly expands the Swiss non-life business in particular. On an annualised basis, volumes are projected to increase by 25%. The pro rata contribution to growth in 2010 is 0.4%. Profit for the period was characterised by an excellent set of technical results, solid investment income and further efficiency improvements. The contribution to the annual result of CHF 191.5 million was once again at a very pleasing level (previous year: CHF 194.9 million).

#### Fast-growing life business

The life business was again able to achieve significant growth. Business volume reached a total of CHF 2,832.7 million which represents growth of 4.8% compared to the previous year. Organic growth of 6.9% in the group life business was the primary driver for this encouraging development. Regular premiums in the group life business totalled CHF 958.2 million, achieving growth of 3.5% compared to the previous year. Single premiums, which also include the figures for transfers of new customer inflows, were increased by an impressive 10% to CHF 1,134.4 million year on year. These strong figures are evidence of the excellent reputation Helvetia enjoys and confirm the adopted strategy of a consistent focus on small and medium-sized enterprises, participation in the Generali Employee Benefit Programme and the cooperation agreement with the Association of Swiss Cantonal Banks. This saw the con-

**Switzerland**

**Segment results after tax**




[1] This segment includes Austria, France and Reinsurance.

tinuation of the trend of the past few years and confirmed Helvetia's position of number three in this business line.

In 2010, two attractive endowment tranche products were launched in the individual life business with a volume of CHF 50 million each. These proved to be very popular and were fully subscribed in advance. In the traditional individual life business, single premiums were only marginally below the volumes of the previous year, while regular premiums were able to achieve growth of 1.5%. The unit-linked business declined in a reflection of the market trend. Attractive tranche products are once again being developed for 2011. They tie up relatively less shareholder capital while offering a higher potential return for customers.

### Non-life business continues to be profitable

In the non-life business, insurers continued to be confronted by tough competition across all business lines. Nevertheless, Helvetia also managed to achieve significant growth here – both organic growth as well as growth flowing from the two acquisitions. Premiums were increased by 1.5% to CHF 638.6 million (non-life growth excluding Alba/Phenix: +0.3%). All business lines contributed to this growth with the exception of the transport line, which is less significant in terms of volume. With a loss ratio of 54.0% (previous year: 51.1%), the 2010 claims year continued the low claims trend of the previous periods. There were no major loss events. Additional efficiency improvements in administration allowed for a further reduction of the cost ratio by 0.3% to 28.9%. Overall, this resulted once again in an excellent net combined ratio of 82.9%.

### Swiss ambition

Over the last four years, the home market has achieved healthy, above-average growth and generated sustainable contributions to the result. Not even the financial and economic crisis has managed to harm this pleasing performance. In January 2011, Helvetia kicked off a new strategy period. The Strategy "H2015+" programme will help Helvetia Switzerland to further implement its vision "To excel in growth, profitability and customer loyalty" and is based on the ambition of significantly improving its top market position. The new strategy is based on a total of 13 strategic initiatives. The immediate priority is the integration of Alba and Phenix, the two insurance companies acquired in 2010. In addition, Helvetia will in future focus even more strongly on the needs of its customers, further simplify its processes and continue to optimise the deployment of equity in the life business.

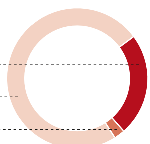
**Germany**

## Germany

Helvetia Germany successfully defended its market position. It wrote gross premiums of CHF 834.4 million, representing an increase of 7.2% in original currency (or –2.6% in CHF due to exchange rate differences). The result was impacted positively by further cost cuts and improved investment income, while the result was weakened in particular by the market-wide increase in the burden of claims due to bad weather, which was only covered to a small extent by reinsurance due to the relatively small event claim amounts. At CHF 26.2 million, the overall contribution to the result for the German business unit was approximately one quarter of the level of the previous year, not least because of exchange rate differences.

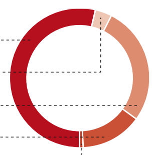
**Business volume Switzerland life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Individual life | –0.3 | 675.8 |
| Group life | 6.9 | 2 092.6 |
| Unit-linked | –6.6 | 64.3 |
| **Total** | **4.8** | **2 832.7** |



**Business volume Switzerland non-life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Property | 0.3 | 345.1 |
| Transport | –9.5 | 24.7 |
| Motor vehicle | 4.1 | 177.4 |
| Liability | 3.4 | 90.2 |
| Accident/health | 100.0 | 1.2 |
| **Total** | **1.5** | **638.6** |



### Life business shows dynamic growth

The life business continued to perform very well again in 2010. Business volume of CHF 274.9 million was generated, representing significant original currency growth of 22.5% (in CHF: 11.2%) that is noticeably better than the general market average. This was facilitated by an expanded product range that is in line with the market and focuses on customers' demands for security and the safety of their assets. The introduction of a security credit for the successful "CleVesto Allcase" product line translated into significant growth of 21.7% for the unit-linked insurance business and bears witness to fresh growth impulses. The volume improvement was mainly driven by products financed with single premiums, which more than doubled, and also had a positive impact on growth in the group life business. In contrast to the market trend, however, business financed by regular premiums also improved again. To support this high level of growth, the new product lines will be further expanded.

### Non-life business is proceeding well

The non-life business posted business volume growth of 1.1% in original currency (–8.2% in CHF), which was once again above the market. The volume that was generated amounted to CHF 559.5 million. This growth is mainly attributable to property insurance, where Helvetia acquired some large new customer relationships and expanded existing relationships. The transport business contracted under pressure from the economy again in 2010. Helvetia Germany continued to drive forward innovative products in 2010 in order to stay on the growth path. New niche products were launched, and a new marketing strategy was developed for motor vehicle insurance. A sales cooperation agreement was concluded with Allgemeine Rechtsschutzversicherungs AG (ARAG) for the German market. The agreement has the objective of facilitating reciprocal referrals for legal protection, motor vehicle and policy business between the two companies.

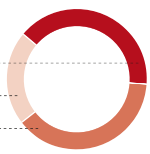
The long and cold winter at the start and the end of the year meant that the claims experience was burdened by a large number of frost and accident claims, and the storm Xynthia and several fire claims also had a negative impact. Nevertheless, the gross claims ratio was a very good 61.3%, which is only slightly higher than the value of 60.0% for the previous year. The lack of large claims meant that fewer losses could be ceded to reinsurers. This translated into a comparatively high level of losses retained for own account. The net claims ratio after reinsurance is therefore around 5 percentage points higher than in the previous year. In contrast, the administration cost ratio was reduced by another 0.2 percentage points thanks to cost cuts, while the distribution cost ratio also declined despite an increase in high-commission business by 0.1 percentage points. At 99.7%, the net combined ratio is therefore noticeably higher than in the previous year while the gross combined ratio at 93.1% hardly changed.

### Success serves as a foundation for the future

Following on from the successful implementation of the 2007–2010 strategy, Helvetia Germany will focus consistently on the objectives of the new Strategy "H2015+" programme in the fu-

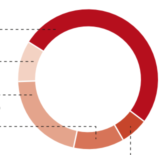
**Business volume Germany life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Individual life | 2.8 | 110.0 |
| Group life | 93.7 | 58.9 |
| Unit-linked | 21.7 | 106.0 |
| **Total** | **22.5** | **274.9** |



**Business volume Germany non-life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Property | 4.8 | 288.3 |
| Transport | –6.4 | 51.5 |
| Motor vehicle | 0.9 | 119.3 |
| Liability | –6.7 | 64.9 |
| Accident/health | –0.3 | 35.5 |
| **Total** | **1.1** | **559.5** |



ture. The good market position will be further strengthened through product innovation, upgrades of the existing product portfolio and measures to boost distribution. In addition, the organisational structure will be streamlined to further improve efficiency. Positive evaluations in independent market surveys confirm the commitment to highlighting the needs of customers and partners every day. In the CHARTA quality barometer survey, Helvetia achieved top ranking, with two first places in the categories for broker management and products (both in the life business). This is part of the objective to offer the best quality and to achieve a high degree of customer retention.

**Italy**

## Italy

The Italian business units reported a business volume of CHF 1,321.7 million for 2010. This represents an increase of 9.1% in original currency (in CHF, due to exchange rate differences: – 0.9%). This strong growth is primarily the result of expanding the distribution network. In 2010, many new agents were added and additional Insurance Corners were opened in the major ENI production and administration centres. Furthermore, the sales figures from the cooperation with Banco di Desio showed impressive growth of about 5%. As seen already in the interim figures, however, the country market's contribution to the result falls short of the previous year at CHF 8.3 million. This is partly due to exchange rate differences and in particular due to reduced investment income in the life business and a higher net burden of claims in the non-life business. By contrast, the development of the gross claims ratio is very positive.

### Growth in the life business

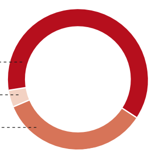
The life business achieved a growth rate of 3.7% in original currency (– 5.8% in CHF) and business volume of CHF 821.8 million. This growth was mainly supported by the traditional life insurance business with almost 30%, but deposit volumes trended sharply downwards due to the planned structural change in the product mix. Chiara Vita, acquired in 2008, also made a very satisfactory contribution to the overall growth rate with a volume of around EUR 500 million, equivalent to growth of almost one third since the acquisition. Helvetia Vita also posted excellent distribution growth, primarily due to the revised product range and a noticeable increase in agencies. In the second half of the year, the product range was expanded with two new traditional insurance products, which have already seen very good sales and should support profitable growth in the future. Compared to the previous year, the life business generated lower investment income because through the merging of individual funds in 2009 it was possible to realise profits on securities. This had a positive effect on the results in the previous year.

### Non-life business continues to produce strong growth

Helvetia Italy bucked the general market trend and recorded especially dynamic growth in the non-life business. With a growth rate of 19.1% in original currency (8.2% in CHF), our business unit generated a premium volume of CHF 499.9 million. All business lines except the small Italian transport business reported positive growth rates, with property and liability insurance leading the

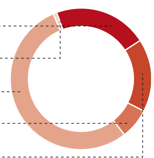
**Business volume Italy life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Individual life | 28.7 | 507.9 |
| Group life | 15.0 | 30.4 |
| Deposits | – 23.6 | 283.5 |
| **Total** | **3.7** | **821.8** |



**Business volume Italy non-life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Property | 10.4 | 107.2 |
| Transport | – 10.9 | 3.0 |
| Motor vehicle | 29.1 | 270.7 |
| Liability | 11.8 | 35.6 |
| Accident/health | 7.4 | 83.4 |
| **Total** | **19.1** | **499.9** |



field with a strong growth rate of over 10% each, followed by motor vehicle insurance which grew by almost 30%. This double digit growth reflects the success of the sales force that was expanded into a multi-channeling system in previous periods. All distribution channels posted positive growth. Agencies and brokers recorded strong improvements and the new subsidiary Padana reported strong volume growth boosted by its additional Insurance Corners in the operational facilities of ENI Group.

The combined ratio before payments to reinsurers has improved slightly and at a very pleasing 96.7% is well below 100%. The higher net burden of claims for the Italian non-life business line is less satisfactory, however. As seen in the first half of the year, the net combined ratio after payments to reinsurers is close to the 100% level. However, this was mainly due to the absence of major claims, which in volume terms are covered by reinsurance. As a result, Helvetia Italy's retention deductibles are relatively higher than in the previous year.

### "H2015+" strategy under new leadership

Dynamic growth of more than 200% was achieved during the strategy period 2007–2010. This propelled Helvetia in Italy into the ranks of the top 20 insurers in the Italian market. The sales structure was expanded from a traditional agency network into a multi-channelling system and the newly acquired units were successfully integrated. Helvetia created great potential for efficiency enhancement by implementing a number of measures to simplify its processes. One such example is the upgrading of the IT landscape. The new strategy of the country market aims to continue optimising the cost structures and capitalising on the attractive growth potential. Fabio de Puppi retired as CEO of the Italian country market after many years of successful service and was replaced from December 2010 by Francesco La Gioia, an experienced insurance professional who will press ahead with the dynamic development of the Italian country market.

## Spain

In 2010, business operations for Helvetia Spain continued to be impacted by the difficult economic situation. In this environment characterised by falling demand for insurance, it was possible to maintain a stable total volume of CHF 473.8 million – with divergent trends in the life and non-life business – and to increase the contribution to the result by about 6%. The reported profit in francs amounted to CHF 40.8 million, which was 3.8% lower than the previous year due to exchange rate differences. The result for the non-life business was affected by long periods of continuous rainfall, the claims for which were only partly covered by reinsurance, while the life business result suffered from reduced investment profits due to the underperformance of the Spanish stock market. Positive factors included additional efficiency improvements and an adjustment to interest rates in the life business prescribed by the local regulator.

**Spain**

### Life business – healthy growth above the market

In the life business, the strategic distribution agreement concluded with Bancaja as part of the Helvetia multi-channelling system and other strategic initiatives had a positive impact on the growth rate. At 17.2% in original currency, group life business volume recorded a solid double-digit improvement, driven by funeral expenses insurance. In 2010, the successful launch of a new unit-linked product proved to be another highlight. This more than compensated for the market-wide and demand-driven decline suffered by the individual insurance business. With a volume of CHF 134.7 million, the life business bucked the general market trend and posted 5.2% growth in original currency (–4.5% in CHF), as a result of which the technical results were improved, although these were also influenced by the market-wide, annual adjustment to interest rates prescribed by the local regulator. Current investment income also remained stable, but the impairment of certain financial investments weighed on the result. Overall, the portfolio mix of risk and savings products and the measures to enhance efficiency in the life business have proved successful.

### Increased competition and weak economy shape non-life business

Across the market, the Spanish non-life business continues to be afflicted by the weak economy. Helvetia Spain was also unable to escape this trend and reported lower growth (–2.5%/in CHF: –11.4%) as in the previous year, with volume of CHF 339.1 million. The recession primarily impacted the corporate customer business in the transport and liability business lines. Even in the current market environment, profitability remains the priority for Helvetia Spain. In this regard therefore, large contracts were avoided in the area of accident insurance in particular, where these no longer meet the corporate criteria. Sales efforts and the introduction of new products meant that pleasingly positive growth rates were achieved in the area of private insurance.

In the first half of the year Spain was plagued by bad weather that had a noticeable impact on the claims ratio. Intense competition also continued to exert pressure on average premiums. At 72.6%, the net claims ratio was clearly above the excellent levels achieved in previous years. The cost ratio, however, was reduced by 1.0 percentage points to 23.9%, as a further drop in administrative costs made up for a moderate increase in distribution costs. The net combined ratio is 96.5%, compared to 89.5% for the previous year.

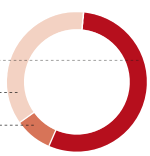
### Strategic outlook

The strategy of Helvetia Spain is directly based on the Helvetia motto "To excel in growth, profitability and customer loyalty". In the context of growth, the focus is on productivity improvements in the agency and broker channels. In addition, new forms of distribution will be systematically implemented, such as targeting affinity groups. In terms of products, Helvetia Spain will further leverage its already excellent market position in areas such as funeral expenses insurance. In future, the profitability of the business will be further expanded by the automation of important processes. Innovations in this regard include the ongoing development of the e-service portal for customers and intermediaries.

In the sphere of customer loyalty, the launch of a comprehensive CRM system will help to address customers in an even more targeted and personal manner, to further increase the cross-selling rate and to improve the satisfaction levels of agents.

**Business volume Spain life**

| | Growth % | 2010 |
|---|---|---|
| in CHF million | in OC | |
| Individual life | –11.5 | 74.1 |
| Group life | 17.2 | 48.9 |
| Unit-linked | 344.9 | 11.7 |
| **Total** | **5.2** | **134.7** |



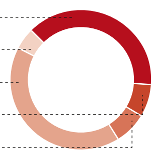
**Austria**

## Austria

The positive trend experienced by the Austrian business unit in the first half of 2010 was confirmed at the end of the year with currency-adjusted growth of 4.6% (–5% in CHF due to exchange rate differences). The actual growth achieved is well above the initial market forecast. This demonstrates clear growth momentum and productivity improvements in both the life and non-life businesses already in the first year after the introduction of the new sales force structure. The total business volume generated totalled CHF 320.0 million, with growth coming in particular from the motor vehicle business (8.1%) and single premiums (+113.4%) in the life business. The non-life insurance burden of claims has improved significantly after the disappointing result in the previous year. This represents an important step in the direction of achieving the targeted sustainable earnings power.

**Business volume Spain non-life**

| | Growth % | 2010 |
|---|---|---|
| in CHF million | in OC | |
| Property | –1.6 | 131.4 |
| Transport | –15.7 | 16.5 |
| Motor vehicle | 1.8 | 140.2 |
| Liability | 1.8 | 26.0 |
| Accident/health | –20.4 | 25.0 |
| **Total** | **–2.5** | **339.1** |



### Dynamic life insurance business

Helvetia Austria ended 2010 with a pleasing volume expansion in the life insurance business. Volume was increased by 4.6% in original currency (in CHF: –4.9%) to CHF 115.5 million. Important positive factors in this satisfactory development include the contribution made by single premium products with two successful issues of tranche products and growth of 113.4% as well as strong productivity improvements, especially in exclusive distribution. In addition, strong momentum was provided for the current premium by the launch of a funeral expenses insurance in the fourth quarter. This, in combination with the fall in the contract cancellation rate, more than halved the expiry-induced decline in traditional life insurance in comparison to the previous year. 2010 was also a solid year for the technical result. In terms of products, the focus in future will be revising the range of successful unit-linked life insurance products as well as an innovative guarantee concept.

### Strong growth in the non-life business

The non-life business grew by 4.6% year on year to CHF 204.6 million in original currency (–5.0% in CHF). This was significantly higher than the projected market growth of 1.4%. The growth was generated in the property, transport and motor vehicle business lines. In motor vehicle insurance, premium growth was particularly strong at 8.1%. This was due in particular to the expansion of the secondary business lines for passenger accident insurance and assistance as well as a generally attractive product range.

Compared to 2009, the claims ratio improved by 1.7 percentage points to 68.9%. Although there were fewer instances of bad weather and basic claims in the property insurance business also trended downward, there were several major claims in the second half of the year that weighed on the result. At 33.0%, the cost ratio is 6 percentage points lower than in the previous year, but as this includes a one-off effect in addition to the consistent continuation of cost discipline, the sustainable cost reduction is around the pleasing level of 3 percentage points. The combined ratio is therefore 101.9% overall.

### Efficiency and sales in focus

2011 will be defined by the launch of the new strategy. This will provide a fresh momentum for the life business, along with the newly created Life Centre at Group level and the stronger cooperation between the Austrian and German country markets. Exclusive distribution in 2011 will see the introduction of a balanced scorecard to ensure fully integrated management and productivity improvements. Furthermore, a new broker portal and the academy for agents will lay an additional foundation for future growth.

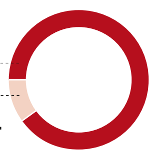
## France

Helvetia France acquired the transport insurer L'Européenne d'Assurance Transport (CEAT) in 2009, thereby expanding its specialised transport portfolio with accidental damage insurance for utility vehicles. This step allowed the country market to boost its business volumes strongly in 2010 and now positions it as the number one transport specialist in France offering an exclusive one-stop range of insurance.

**France**

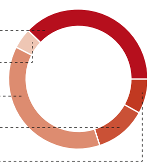
**Business volume Austria life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Individual life | 2.6 | 104.2 |
| Unit-linked | 27.6 | 11.3 |
| **Total** | **4.6** | **115.5** |



**Business volume Austria non-life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Property | 4.4 | 77.5 |
| Transport | 2.4 | 9.7 |
| Motor vehicle | 8.1 | 77.0 |
| Liability | –0.1 | 24.1 |
| Accident/health | –1.3 | 16.3 |
| **Total** | **4.6** | **204.6** |



### Strong distribution performance

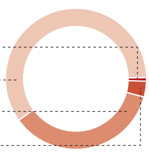
2010 was the first year in which all four quarters of premiums and services from the new company were fully consolidated in Helvetia's financial statements. Compared to the previous year, significant volume growth of 33.6% (or 21.4% in CHF due to exchange rate differences) was achieved. In total the companies generated a volume of CHF 102.7 million. Around one third refers to accidental damage insurance for utility vehicles and two-thirds relate to the traditional transport business. The transport insurance business was strongly affected by economic developments in recent reporting periods. However, it was possible to counteract the associated decline in volumes through targeted sales efforts, the acquisition-led consolidation of the broker-based distribution network and intensive distribution efforts. As a result, the volumes in traditional transport business declined by only about 4% in original currency (previous year: – 13%). Despite a higher burden of claims and increased competition, the combined ratio of 89.2% still reflects the company's high level of profitability, which is also boosted by the satisfactory contribution of the new company.

### Successful integration

The integration of the new company has been fully implemented. Through the integration of the specialised technical and distribution functions of both teams it was possible to exploit synergies as planned. The two companies have operated under the Helvetia name since the brand integration in the first half of 2010. Systematic cross-selling activities between the two specialised portfolios should also boost growth in the future. In addition, the former CEAT (now Helvetia S.A.) holds a distribution licence for Benelux, the potential of which will now be steadily exploited. The companies therefore have the best foundation to build sustained and profitable growth through their combined strengths. This new positioning creates added value for customers and shareholders.

**Business volume France non-life**

| in CHF million | Growth % in OC | 2010 |
|---|---|---|
| Property | 165.1 | 0.7 |
| Transport | – 3.9 | 61.6 |
| Motor vehicle | 342.2 | 36.8 |
| Liability | – 14.7 | 3.6 |
| **Total** | **33.6** | **102.7** |



## Assumed reinsurance

The strong performance of the Swiss franc and a year of heavy losses for the industry presented major challenges for assumed reinsurance at Helvetia in 2010. Despite this, a solid profit for the year was generated yet again.

### Solid profit for 2010

In 2010, assumed reinsurance achieved a good renewal round and again achieved premium volume significantly well in excess of CHF 200 million. Approximately 97% of the business volume in assumed reinsurance was transacted in foreign currencies. The applicable currencies for the assumed reinsurance business, such as euro and US dollar, weakened in comparison to the Swiss franc in 2010. Compared to the previous year, a currency adjusted decline in premium volume of 4.6% to CHF 231.4 million was posted despite the good renewals in 2010.

In 2010, the reinsurance sector was confronted by the second largest number of natural disasters in the last 30 years. Although Helvetia's assumed reinsurance was impacted by the winter storm "Xynthia", the earthquake in Chile and other natural disasters, Helvetia was able to absorb this burden of claims very well thanks to a stable, broadly diversified portfolio and effective retrocession cover. It was also possible to keep the cost ratio down in comparison to the market. As a result, it was possible once again to keep the combined ratio below 100% in the reporting year and to make a good contribution to the Group result.

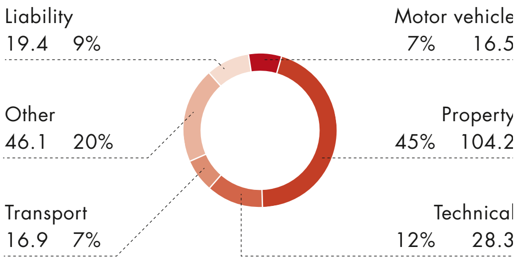
### Market trends in 2011

The market-wide capital base for reinsurers reached a new record high at the end of 2010. The higher range of capacity was due in part to lower demand for reinsurance cover by direct insurers. This overcapacity resulted in softer rates and easier conditions despite the higher trend claim. In general, the reinsurance business line is certainly facing a challenging year given the sustained margin erosion and the ongoing low interest rate environment.

Helvetia typically renews about 80% of its portfolio at the end of the year. In the context of the current market situation, the primary focus for 2010 was retaining long-standing and profitable customer relationships. Although less new business was written in comparison to previous years due to a selective underwriting policy, it was still possible to achieve net growth in original currency terms because there were fewer cancellations. In Swiss francs, however, there was a premium reduction of about 10%. If the claims experience is normal, assumed reinsurance with its attractive business portfolio is favourably positioned to achieve a profitable result again in 2011.

**Portfolio structure by insurance line**

in Mio. CHF



# At Helvetia the customer always comes first.

**Customer satisfaction**
2004 – 2009:

No. 1

In the annual survey by the public opinion research company DemoSCOPE the Helvetia Service Centre in Switzerland has ranked for six years in series.

Helvetia processes claims competently and with the minimum of red tape. We attach importance to providing an individual service to the customer during the entire claims settlement. Customer satisfaction is consistently high, and Helvetia always receives excellent marks in the regular surveys.

We communicate openly, comprehensibly and in a timely manner with all our stakeholders and earn healthy profits for our shareholders. As part of the "Helvetia 2015+" strategy we are aiming for a dividend payout of between 30 and 50%. In the reporting year the dividend per share was increased once again.

# Investor information

# Investor information

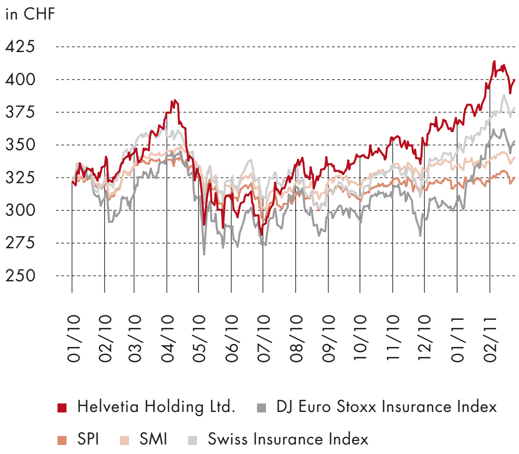
The Helvetia share again achieved a significant outperformance in 2010. The share closed at CHF 359.50 with a gain of 12.1%.

**Helvetia share**

| | |
|---|---|
| symbol | HELN |
| nominal value | CHF 0.10 |
| security number | 1227168 |
| listing | SIX |

The euro sovereign debt crisis and periodic concerns about the economy and deflation cast a shadow over equity markets in 2010. In this difficult environment the performance of the Helvetia share was pleasingly positive. The share kicked off the year on a strong note and reached the highest level for the year at CHF 387.75 as early as April. This was followed by steep losses in the wake of the sovereign debt crisis in the PIIGS countries and the share reached its lowest point for the year of CHF 278.75 in July. The price then recovered steadily during the second half of the year. Not least because of Helvetia's reputation as a conservative and safe investment, the share closed the year at CHF 359.50. This is equivalent to a performance of 12.1%, allowing the Helvetia share to outperform the Swiss Insurance Index, which only rose by 5%, as well as the European benchmark index, which saw a loss of almost 7%, even when measured in euro. The Helvetia share also ended the decade with a significant outperformance. In the period from January 2000 to December 2010, the Helvetia share achieved a performance of plus 33%. By comparison, the performance of the SMI in this period was negative with a return of minus 11.5% and the Swiss Insurance Index declined by 53.5%.

**Market trend 1.1.2010–28.2.2011**




### Changes in the shareholder structure

There were 8,640 registered shareholders on 31 December 2010. This reflects a renewed increase of about 1,302 shareholders or 17.7%. At the end of 2010, the employees held 1.4% of the share capital, around 0.2% of which was held by the members of the Board of Directors and the Executive Management of Helvetia Group.

Measured by shareholdings, the majority (80.4%) of shareholders (previous year: 73.7%) are based in Switzerland and 19.6% (previous year: 26.3%) are based abroad.

In April, Munich Re reduced its shareholding in Helvetia Holding AG to below 3%. Previously, the company held a stake of 8.16% in Helvetia. The block of shares was sold to a broad range of investors in order to increase the freefloat of Helvetia shares. This resulted in an increase in the liquidity as well as an improvement of the capital market positioning of Helvetia shares. An annual average of 16,100 shares were traded per trading day, which reflects an increase of about 23% compared to the previous year.

As of 31 December 2010, the following important shareholders were registered on the share register of Helvetia Holding AG:

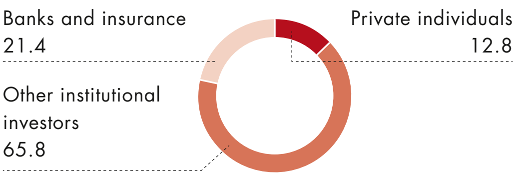
**Shareholders as of 31 December 2010**

| | |
|---|---|
| – Patria Genossenschaft | 30.1% |
| – Vontobel Group | 4.0% |
| – Raiffeisen Switzerland | 4.0% |
| – Bâloise | 3.5% |

As in the previous years, the structure of investor groups changed only slightly in the reporting year. The structure as of 31 December 2010 was as follows:

**Investor groups**

in %




## Shareholders' Meeting 2010 on a sporting note

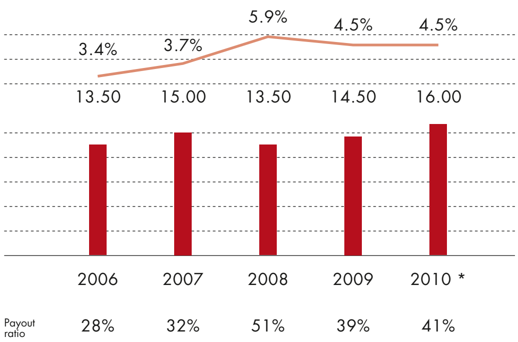
1,292 shareholders with voting rights attended the 14th Shareholders' Meeting of Helvetia Group in April 2010 and approved all the items proposed by the Board of Directors. They represented 59.3% of the share capital. Prof. Christoph Lechner and Dr Urs Widmer made themselves available for re-election to the Board of Directors. In the case of Dr Widmer, the three-year term of office will be reduced to one year due to age restrictions. Both were confirmed by a large majority. Erich Walser, who has served as Chairman of the Board of Directors of Helvetia since 2003, was also re-elected by the Shareholders' Meeting for another 3-year term of office. After completion of the business of the Shareholders' Meeting, the renewal of Helvetia's contract to sponsor the Swiss Ski Association was announced to the many shareholders present during a podium discussion that included well-known ski professionals such as Simon Ammann and Dario Cologna.

## Dividend policy

Helvetia strives to generate an attractive return on invested capital for its shareholders, and pursues an income-oriented, continuous distribution policy that also allows the company to maintain its solid capital base. In the context of the "Helvetia 2015+" strategy, we aim to pay out a stable proportion of profits in a range of 30 to 50%. Our policy aims for a payout ratio of about

**Dividend history**

in CHF




Dividend per share
Dividend yield at year-end price
* Proposal to the Shareholders' Meeting for a dividend payment

40%, but also takes into account the flexibility necessary in the context of the dynamic economic and regulatory environment. The sustained dividend payouts in the past few years reflect the positive earnings trend for Helvetia Group. Thanks to the good results for the last financial year and the conservative, well diversified investment strategy, the Group's capital base remains solid with a solvency margin of 220%. The strong balance sheet and sustained earnings power mean that Helvetia can ask the Shareholders' Meeting to approve a dividend of CHF 16.00. This is an increase of 10.3% and a payout ratio of 41% for 2010. It will be proposed that CHF 8.00 of this is paid from the capital contribution reserves, whereby, according to the change in the law, no Swiss withholding or income tax will apply for people domiciled in Switzerland. Helvetia can allocate a total of around CHF 260 million of the capital contribution reserves for current and future dividend payments.

The good annual profit and the strength of the balance sheet allow Helvetia to request the Shareholders' Meeting to approve a dividend that is once again higher than in the previous year.

‹

In 2010 Helvetia issued a subordinated bond which received the Swiss Franc Bond Award from the International Financing Review.

›

## Excellent bonds

Helvetia Group issued two bonds on the Swiss capital market in the 2010 financial year. Strong investor demand for the two issues underlines the attractiveness of Helvetia as an issuer and facilitated financing at preferential rates.

At the end of March, Helvetia Holding AG issued a fixed-rate bond with a volume of CHF 150 million and a term of three years. Helvetia used this issue and the favourable market conditions to refinance the bond maturing on 5 March 2010. The fixed annual coupon on the bond is 1.75%. The value date of the bond is 19 April 2010, and it will mature on 19 April 2013. The bond is listed on the SIX Swiss Exchange under ISIN CH0111813132.

To provide additional financial flexibility, a subordinated perpetual bond without a step-up coupon was issued in November 2010. The subordinated bond with a nominal volume of CHF 300 million was issued via the subsidiary Helvetia Schweizerische Versicherungsgesellschaft in St-Gall. The bond has a fixed coupon rate of 4.75% p.a. for the first five years. After this period a floating interest based on the three-month CHF LIBOR rate will apply. The bond can be called for the first time after five years. It is listed on the SIX Swiss Exchange under ISIN CH0119799424. This step, which the company has wanted to take for some time, allows Helvetia to continue to optimise its financial structure and actively pursue the growth objectives underlying the new "Helvetia 2015+" strategy. The bond meets all rating and solvency requirements and is the first of its kind in the CHF market. It received the Swiss Franc Bond Award from the renowned British financial publication "International Financing Review". IFR explained its choice by saying that Helvetia had opened the market for this attractive form of financing. For details on the bond, go to www.helvetia.com.

## Information portfolio

Helvetia communicates with shareholders, potential investors, financial analysts and the general public comprehensively and on a regular basis. We attach great importance to communication and we see our relationship with our shareholders as a long-term, fair and balanced partnership. We communicate our financial results at analysts', media and telephone conferences. All publications are made publicly available at the same time. All capital market players have equal access to information. We engage in regular dialogue with our investors and visit them in the most important financial centres. In the past financial year we expanded our roadshows to include Geneva and Paris in addition to Zurich, London, Frankfurt, Edinburgh and Scandinavia. In addition, we hold group and individual discussions with investors and take part in selected conferences hosted by financial institutions. All registered shareholders receive a shareholders' letter with a brief overview of business operations every six months. The annual report and financial report are sent to shareholders on request. All publications and a wealth of information for shareholders, analysts and media representatives are available in the "Investor Relations" section at www.helvetia.com.

**Key share data Helvetia Holding AG**

| | 2010 | 2009 |
|---|---|---|
| Number of shares issued | | |
| Treasury shares | 32 254 | 32 254 |
| Shares outstanding | 8 620 621 | 8 620 621 |
| Number of shares issued | 8 652 875 | 8 652 875 |
| Price of Helvetia registered shares in CHF | | |
| Year-end | 359.5 | 320.8 |
| High for the year | 387.8 | 375.0 |
| Low for the year | 278.8 | 144.0 |
| Market capitalisation in CHF million | 3 110.7 | 2 775.4 |
| Consolidated equity per share in CHF | 366.3 | 372.2 |
| Price-/book ratio (P/B)[1] | 1.0 | 0.9 |
| Profit for the period per share in CHF | 39.3 | 37.5 |
| Price/earnings ratio (P/E)[1] | 9.1 | 8.5 |
| Dividend per share[2] | 16.00 | 14.50 |
| Payout ratio[2] | 41% | 38% |
| Dividend yield[1, 2] | 4.5% | 4.5% |

1 Based on year-end price.
2 Proposal to the Shareholder's meeting.

# The opinion of every employee is important to Helvetia

**Employee survey**
2010

77

In 2010, a comprehensive employee survey called "Commit" was carried out at Group level. Personal employee commitment is above-average Group wide with 77 out of 100 points at an excellent participation ratio of 83%.

Helvetia fosters a dialogue-focused culture in which mutual feedback is important. Regular surveys are carried out to give employees the opportunity to voice their opinion and make suggestions for improvement. Helvetia is very satisfied with the survey results. The commitment of the Helvetia employees makes a powerful statement.

# Financial report

**Consolidated financial statement of Helvetia Group**



**Financial statement of Helvetia Holding AG**

# Consolidated income statement

| | Notes | 2010 | 2009 |
|---|---|---|---|
| in CHF million | | | restated |
| **Income** | | | |
| Gross premiums written | 3 | 6 471.9 | 6 302.4 |
| Reinsurance premiums ceded | | –310.1 | –332.2 |
| Net premiums written | | 6 161.8 | 5 970.2 |
| | | | |
| Net change in unearned premium reserve | | –34.6 | –74.1 |
| Net earned premiums | | 6 127.2 | 5 896.1 |
| | | | |
| Interest and dividend income | 7.1.1 | 783.1 | 817.2 |
| Gains and losses on investments (net) | 7.1.3 | 175.2 | 262.6 |
| Income on investment property | 7.1.5 | 252.0 | 236.1 |
| Other income | | 107.5 | 67.3 |
| Total operating income | | 7 445.0 | 7 279.3 |
| | | | |
| **Expenses** | | | |
| Claims incurred including claims handling costs (non-life) | | –1 581.4 | –1 556.2 |
| Claims and benefits paid (life) | | –2 694.7 | –2 536.1 |
| Change in actuarial reserves | | –1 505.3 | –1 467.0 |
| Reinsurers´ share of benefits and claims | | 132.2 | 177.7 |
| Policyholder dividends and bonuses | | –51.0 | –117.0 |
| Net insurance benefits and claims | | –5 700.2 | –5 498.6 |
| | | | |
| Acquisition costs | | –714.7 | –706.8 |
| Reinsurers´ share of acquisition costs | | 65.0 | 61.7 |
| Operating and administrative expenses | | –454.2 | –473.9 |
| Interest payable | | –30.1 | –35.3 |
| Other expenses | | –204.1 | –198.8 |
| Total operating expenses | | –7 038.3 | –6 851.7 |
| | | | |
| Profit or loss from operating activities | | 406.7 | 427.6 |
| | | | |
| Financing costs | | –4.6 | –7.3 |
| Share of profit or loss of associates | | 1.6 | 1.2 |
| Profit or loss before tax | | 403.7 | 421.5 |
| | | | |
| Income taxes | 10 | –62.2 | –94.7 |
| | | | |
| **Profit or loss for the period** | | **341.5** | **326.8** |
| | | | |
| Attributable to: | | | |
| Shareholders of Helvetia Holding AG | | 339.0 | 323.4 |
| Minority interests | | 2.5 | 3.4 |
| | | | |
| Earnings per share: | | | |
| Basic earnings per share in CHF | 11.5 | 39.32 | 37.54 |
| Diluted earnings per share in CHF | 11.5 | 39.32 | 37.54 |

# Consolidated statement of comprehensive income

| in CHF million | Notes | 2010 | 2009 restated |
|---|---|---|---|
| **Profit or loss for the period** | | **341.5** | **326.8** |
| **Other comprehensive income** | | | |
| Change in unrealised gains and losses on financial instruments | | −126.9 | 382.6 |
| Share of associates' net profit recognised directly in equity | | 0.0 | 0.1 |
| Revaluation from reclassification of property and equipment | | −1.0 | 0.7 |
| Foreign currency translation differences | | −204.8 | 0.8 |
| Change in liabilities for contracts with participation features | | 49.5 | −196.0 |
| Deferred taxes | 10.4 | 25.8 | −42.5 |
| Total other comprehensive income | | −257.4 | 145.7 |
| **Comprehensive income** | | **84.1** | **472.5** |
| Attributable to: | | | |
| Shareholders of Helvetia Holding AG | | 91.4 | 467.6 |
| Minority interests | | −7.3 | 4.9 |

# Consolidated balance sheet

| in CHF million | Notes | 2010 | 2009 restated | 1.1.2009 restated |
|---|---|---|---|---|
| **Assets** | | | | |
| Property and equipment | 5 | 381.8 | 416.7 | 602.0 |
| Goodwill and other intangible assets | 6 | 313.9 | 190.1 | 182.6 |
| Investments in associates | 7.3 | 48.4 | 62.4 | 56.0 |
| Investment property | 7.4 | 4479.5 | 4351.2 | 4065.8 |
| Financial assets | 7.5 | 29059.2 | 28658.8 | 26637.3 |
| Receivables from insurance business | 9.6 | 963.7 | 974.9 | 680.2 |
| Deferred acquisition costs | 9.5 | 362.6 | 357.5 | 332.7 |
| Reinsurance assets | 9.1 | 479.1 | 493.6 | 470.4 |
| Deferred tax assets | 10.5 | 25.1 | 23.7 | 27.5 |
| Current income tax assets | | 21.6 | 16.2 | 12.7 |
| Other assets | | 158.1 | 155.1 | 195.2 |
| Accrued investment income | | 325.4 | 345.7 | 335.3 |
| Cash and cash equivalents | | 942.0 | 460.1 | 284.9 |
| **Total assets** | | **37560.4** | **36506.0** | **33882.6** |

| in CHF million | Notes | 2010 | 2009 restated | 1.1.2009 restated |
|---|---|---|---|---|
| **Liabilities and equity** | | | | |
| Share capital | 11.1 | 0.9 | 0.9 | 0.9 |
| Capital reserves | | 385.0 | 389.9 | 386.1 |
| Treasury shares | | –6.9 | –6.9 | –17.1 |
| Unrealised gains and losses (net) | 11.2.4 | 86.9 | 118.9 | 49.1 |
| Foreign currency translation differences | | –296.3 | –97.7 | –98.4 |
| Retained earnings | | 2 301.8 | 2 121.9 | 1 964.3 |
| Valuation reserves for contracts with participation features | 11.2.5 | 654.1 | 636.6 | 513.6 |
| Equity of Helvetia Holding AG shareholders | | 3 125.5 | 3 163.6 | 2 798.5 |
| Minority interests | | 32.1 | 44.8 | 40.5 |
| Equity (without preferred securities) | | 3 157.6 | 3 208.4 | 2 839.0 |
| Preferred securities | 11.3 | 300.0 | - | - |
| Total equity | | 3 457.6 | 3 208.4 | 2 839.0 |
| Actuarial reserves (gross) | 9.1 | 24 506.4 | 23 524.8 | 22 053.8 |
| Provision for future policyholder participation | 9.2 | 671.3 | 743.7 | 553.7 |
| Loss reserves (gross) | 9.3.1 | 2 877.7 | 2 681.5 | 2 665.1 |
| Unearned premium reserve (gross) | 9.1 | 957.2 | 992.4 | 908.3 |
| Financial liabilities from financing activities | 8.1 | 185.4 | 245.4 | 245.3 |
| Financial liabilities from insurance business | 8.2 | 2 425.1 | 2 701.6 | 2 616.1 |
| Other financial liabilities | 8.3 | 96.0 | 87.9 | 139.1 |
| Liabilities from insurance business | 9.6 | 1 347.5 | 1 221.1 | 766.3 |
| Non-actuarial provisions | 12.1 | 92.1 | 86.9 | 73.9 |
| Employee benefit obligations | 13.2 | 263.1 | 282.0 | 269.7 |
| Deferred tax liabilities | 10.5 | 470.6 | 517.5 | 460.8 |
| Current income tax liabilities | | 59.4 | 46.9 | 44.7 |
| Other liabilities and accruals | | 151.0 | 165.9 | 246.8 |
| Total liabilities | | 34 102.8 | 33 297.6 | 31 043.6 |
| **Total liabilities and equity** | | **37 560.4** | **36 506.0** | **33 882.6** |

# Consolidated statement of equity

| in CHF million | Notes | Share capital | Capital reserves | Treasury shares | Unrealised gains and losses (net) |
|---|---|---|---|---|---|
| | | 11.1 | | | 11.2.4 |
| Balance as of 1 January 2009 | | 0.9 | 386.1 | –17.1 | 49.1 |
| Effects of changes in accounting and valuation principles | | - | - | - | - |
| Balance as of 1 January 2009 restated | | 0.9 | 386.1 | –17.1 | 49.1 |
| Profit or loss for the period | | - | - | - | - |
| Revaluation of investments | | - | - | - | 278.4 |
| Foreign currency translation differences | | - | - | - | - |
| Change in liabilities for contracts with participation features | | - | - | - | –189.6 |
| Deferred taxes | | - | - | - | –18.9 |
| Total other comprehensive income | | - | - | - | 69.9 |
| Comprehensive income | | - | - | - | 69.9 |
| Transfer from/to retained earnings | | - | - | - | –0.1 |
| Acquisition of subsidiaries | | - | - | - | - |
| Disposal of subsidiaries | | - | - | - | - |
| Purchase of treasury shares | | - | - | –30.4 | - |
| Sale of treasury shares | | - | 3.2 | 40.6 | - |
| Share-based payment | | - | 0.6 | - | - |
| Dividends | | - | - | - | - |
| Shareholders' contributions | | - | 16.0 | - | - |
| Allocation of shareholders' contributions | | - | –16.0 | - | - |
| **Balance as of 31 December 2009** | | **0.9** | **389.9** | **–6.9** | **118.9** |
| Balance as of 1 January 2010 | | 0.9 | 389.9 | –6.9 | 118.9 |
| Profit or loss for the period | | - | - | - | - |
| Revaluation of investments | | - | - | - | –86.0 |
| Foreign currency translation differences | | - | - | - | - |
| Change in liabilities for contracts with participation features | | - | - | - | 41.3 |
| Deferred taxes | | - | - | - | 15.8 |
| Total other comprehensive income | | - | - | - | –28.9 |
| Comprehensive income | | - | - | - | –28.9 |
| Transfer from/to retained earnings | | - | - | - | –3.1 |
| Acquisition of subsidiaries | | - | - | - | - |
| Disposal of subsidiaries | | - | - | - | - |
| Purchase of treasury shares | | - | - | –4.2 | - |
| Sale of treasury shares | | - | –0.7 | 4.2 | - |
| Share-based payment | | - | 1.0 | - | - |
| Dividends | | - | - | - | - |
| Shareholders' contributions | | - | 16.0 | - | - |
| Allocation of shareholders' contributions | | - | –16.0 | - | - |
| Issuance of preferred securities | | - | –5.2 | - | - |
| **Balance as of 31 December 2010** | | **0.9** | **385.0** | **–6.9** | **86.9** |

| Foreign currency translation differences | Retained earnings | Valuation reserves for contracts with participation features | Equity of Helvetia Holding AG shareholders | Minority interests | Equity (without preferred securities) | Preferred securities | Total equity |
|---|---|---|---|---|---|---|---|
| | | 11.2.5 | | | | 11.3 | |
| –98.4 | 1899.2 | 513.6 | 2733.4 | 40.3 | 2773.7 | - | 2773.7 |
| - | 65.1 | - | 65.1 | 0.2 | 65.3 | - | 65.3 |
| –98.4 | 1964.3 | 513.6 | 2798.5 | 40.5 | 2839.0 | - | 2839.0 |
| - | 275.4 | 48.0 | 323.4 | 3.4 | 326.8 | - | 326.8 |
| - | - | 96.5 | 374.9 | 8.5 | 383.4 | - | 383.4 |
| 0.7 | - | - | 0.7 | 0.1 | 0.8 | - | 0.8 |
| - | - | - | –189.6 | –6.4 | –196.0 | - | –196.0 |
| - | - | –22.9 | –41.8 | –0.7 | –42.5 | - | –42.5 |
| 0.7 | - | 73.6 | 144.2 | 1.5 | 145.7 | - | 145.7 |
| 0.7 | 275.4 | 121.6 | 467.6 | 4.9 | 472.5 | - | 472.5 |
| - | –1.3 | 1.4 | 0.0 | 0.0 | 0.0 | - | 0.0 |
| - | - | - | - | 0.1 | 0.1 | - | 0.1 |
| - | - | - | - | –0.3 | –0.3 | - | –0.3 |
| - | - | - | –30.4 | - | –30.4 | - | –30.4 |
| - | - | - | 43.8 | - | 43.8 | - | 43.8 |
| - | - | - | 0.6 | - | 0.6 | - | 0.6 |
| - | –116.5 | - | –116.5 | –0.4 | –116.9 | - | –116.9 |
| - | - | - | 16.0 | - | 16.0 | - | 16.0 |
| - | - | - | –16.0 | - | –16.0 | - | –16.0 |
| **–97.7** | **2121.9** | **636.6** | **3163.6** | **44.8** | **3208.4** | **-** | **3208.4** |
| –97.7 | 2121.9 | 636.6 | 3163.6 | 44.8 | 3208.4 | - | 3208.4 |
| - | 302.1 | 36.9 | 339.0 | 2.5 | 341.5 | - | 341.5 |
| - | - | –28.5 | –114.5 | –13.4 | –127.9 | - | –127.9 |
| –198.6 | - | - | –198.6 | –6.2 | –204.8 | - | –204.8 |
| - | - | - | 41.3 | 8.2 | 49.5 | - | 49.5 |
| - | - | 8.4 | 24.2 | 1.6 | 25.8 | - | 25.8 |
| –198.6 | - | –20.1 | –247.6 | –9.8 | –257.4 | - | –257.4 |
| –198.6 | 302.1 | 16.8 | 91.4 | –7.3 | 84.1 | - | 84.1 |
| - | 2.4 | 0.7 | 0.0 | 0.0 | 0.0 | - | 0.0 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | –4.2 | - | –4.2 | - | –4.2 |
| - | - | - | 3.5 | - | 3.5 | - | 3.5 |
| - | - | - | 1.0 | - | 1.0 | - | 1.0 |
| - | –124.6 | - | –124.6 | –5.4 | –130.0 | - | –130.0 |
| - | - | - | 16.0 | - | 16.0 | - | 16.0 |
| - | - | - | –16.0 | - | –16.0 | - | –16.0 |
| - | - | - | –5.2 | - | –5.2 | 300.0 | 294.8 |
| **–296.3** | **2301.8** | **654.1** | **3125.5** | **32.1** | **3157.6** | **300.0** | **3457.6** |

# Consolidated Cash flow statement

| in CHF million | 2010 | 2009 restated |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 403.7 | 421.5 |
| **Reclassifications to investing and financing activities (affecting cash)** | | |
| Realised gains and losses on property, equipment and intangible assets | –5.7 | 0.0 |
| Realised gains and losses on sale of affiliated and associated companies | - | –1.4 |
| Dividends from associates | –0.7 | –0.8 |
| **Adjustments** | | |
| Depreciation/amortisation of property, equipment and intangible assets | 50.5 | 44.9 |
| Realised gains and losses on financial instruments and investment property | –316.6 | 66.3 |
| Unrealised gains and losses on investments in associates | –0.6 | –0.1 |
| Unrealised gains and losses on investment property | 10.5 | 21.4 |
| Unrealised gains and losses on financial instruments | –143.6 | –345.5 |
| Share-based payments for employees | 1.0 | 0.6 |
| Foreign currency gains and losses | 237.1 | –0.4 |
| Other income and expenses not affecting cash[1] | –10.7 | 73.1 |
| **Change in operating assets and liabilities** | | |
| Deferred acquisition costs | –14.9 | –24.8 |
| Reinsurance assets | 42.2 | –22.3 |
| Actuarial reserves | 1 505.4 | 1 466.8 |
| Provisions for future policyholder participation | –51.6 | –22.4 |
| Loss reserves | 98.8 | 4.2 |
| Unearned premium reserve | 27.2 | 80.2 |
| Financial liabilities from insurance business | 34.3 | 9.1 |
| Changes in other operating assets and liabilities | 74.8 | 96.0 |
| **Cash flow from investments and investment property** | | |
| Purchase of investment property | –221.0 | –190.8 |
| Sale of investment property | 77.1 | 82.5 |
| Purchase of bonds | –5 655.2 | –4 632.1 |
| Repayment/sale of bonds | 4 543.1 | 3 286.9 |
| Purchase of shares, investment funds and alternative investments | –2 070.8 | –1 811.7 |
| Sale of shares, investment funds and alternative investments | 1 815.5 | 1 729.0 |
| Purchase of derivatives | –10 619.7 | –200.2 |
| Sale of derivatives | 10 824.2 | 277.5 |
| Origination of mortgages and loans | –536.9 | –370.9 |
| Repayment of mortages and loans | 363.0 | 428.5 |
| Purchase of money market instruments | –34 531.0 | –37 403.7 |
| Repayment of money market instruments | 34 846.1 | 37 362.3 |
| Cash flow from operating activities (gross) | 775.5 | 423.7 |
| Income taxes paid | –73.1 | –80.7 |
| Cash flow from operating activities (net) | 702.4 | 343.0 |

| in CHF million | 2010 | 2009 restated |
|---|---|---|
| **Cash flow from investing activities** | | |
| Purchase of property and equipment | –11.1 | –24.0 |
| Sale of property and equipment | 8.2 | 0.8 |
| Purchase of intangible assets | –34.5 | –13.0 |
| Sale of intangible assets | 0.2 | 0.1 |
| Purchase of investments in asscociates | - | –6.3 |
| Sale of investments in associates | 7.5 | - |
| Purchase of investments in subsidiaries, net of cash and cash equivalents | –278.0 | –37.5 |
| Sale of investments in subsidiaries, net of cash and cash equivalents | - | 2.3 |
| Dividends from associates | 0.7 | 0.8 |
| Cash flow from investing activities (net) | –307.0 | –76.8 |
| | | |
| **Cash flow from financing activities** | | |
| Sale of treasury shares | 3.5 | 43.8 |
| Purchase of treasury shares | –4.2 | –30.4 |
| Shareholders' contributions | 16.0 | 16.0 |
| Issuance of preferred securities | 293.3 | - |
| Issuance of debt instruments | 149.3 | - |
| Repayment of debt | –200.0 | - |
| Dividends paid | –130.0 | –116.9 |
| Lease payments under finance lease | –2.6 | –3.4 |
| Cash flow from financing activities (net) | 125.3 | –90.9 |
| | | |
| Effect of exchange rate differences on cash and cash equivalents | –38.8 | –0.1 |
| | | |
| **Total change in cash and cash equivalents** | **481.9** | **175.2** |

| | | |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and cash equivalents as of 1 January | 460.1 | 284.9 |
| Change in cash and cash equivalents | 481.9 | 175.2 |
| | | |
| **Cash and cash equivalents as of 31 December** | **942.0** | **460.1** |

| | | |
|---|---|---|
| **Composition of cash and cash equivalents** | | |
| Cash | 0.4 | 0.5 |
| Due from banks | 940.3 | 459.5 |
| Other cash equivalents with a maturity of less than three months | 1.3 | 0.1 |
| | | |
| **Balance as of 31 December** | **942.0** | **460.1** |

| | | |
|---|---|---|
| **Other disclosures on cash flow from operating activities** | | |
| Interest received | 764.8 | 775.4 |
| Dividends received | 64.1 | 59.4 |
| Interest paid | 8.6 | 11.4 |

[1] "Other income and expenses not affecting cash" primarily contains the change to interest-accruing profit participation of owners of contracts with discretionary participation features.

# 1. General information

Helvetia Group is an all-lines insurance group which operates in many life and non-life business segments as well as in reinsurance. The holding company, Helvetia Holding AG with headquarters in St-Gall, is a Swiss public limited company listed on the SIX Swiss Exchange. The Group operates through its branch offices and subsidiaries in the insurance markets of Switzerland, Germany, Austria, Spain, Italy and France, and worldwide in assumed reinsurance business. Parts of its investment and financing activities are managed through subsidiaries and fund companies in Luxembourg and Jersey. The Board of Directors approved the consolidated financial statements and authorised them for issue on 2 March 2011. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 6 May 2011.

# 2. Summary of significant accounting policies

The Consolidated financial statement of Helvetia Group were prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention with the exception of adjustments resulting from the IFRS requirement to record investments at fair value. The fair value valuation methods are explained in Note 2.6 (page 97).

## 2.1 Standards applied for the first time in the reporting year

The following published sector-relevant standards (IAS/IFRS), interpretations (IFRIC) and amendments to the standards were applied by the Group for the first time in the reporting year:

### IFRS 3 rev. – Business combination and IAS 27 – Consolidated and separate financial statements

The two standards IFRS 3 rev. – Business combinations and the amendments to IAS 27 – Consolidated and separate financial statements must be applied together. The revised standards contain a number of amendments, including:

- Acquisition-related costs must be charged to expenses;
- Contingent liabilities must be recognised and measured at fair value at the date of acquisition. Subsequent changes must be taken through profit and loss. Goodwill is no longer adjusted on the basis of such changes;
- With a business combination achieved in stages the acquirer must remeasure its previously held equity interest in the acquired company at its acquisition-date fair value and recognise the resulting gain or loss in the income statement.

The carrying values related to business combinations that pre-date the application of the revised standards do not have to be adjusted.

The amendments do not have any significant impact on Helvetia Group's asset, financial and income situation. On the other hand, the disclosures related to business combinations have to be expanded, which was done in Note 19 "Scope of consolidation".

### Other recently introduced accounting policies

In addition to the above, the following published sector-relevant standards (IAS/IFRS) and interpretations as well as amendments to the standards up to 1 January 2010 were adopted:

- Amendments to IAS 39 Financial instruments: recognition and measurement – Items qualifying as hedged items;
- IFRIC 17 Distributions of non-cash assets to owners;
- Annual improvements to IFRS (2008): IFRS 5 – Non-current assets held for sale and discontinued operations;
- Annual improvements to IFRS (2009).

The application of the amendments does not have any significant impact on Helvetia Group's asset, financial and income situation or its disclosure obligations.

## 2.2 Standards not yet applied in the reporting year

Due to the effective dates on which they enter into force, the following published sector-relevant standards, interpretations and amendments to standards were not applied to the 2010 consolidated financial statements:

| **Changes in accounting policies** | **to be applied for annual periods beginning on/after** |
|---|---|
| Amendments to IAS 32 Financial instruments: presentation – classification of rights issues | 1.2.2010 |
| IFRIC 19 Extinguishing financial liabilities with equity instruments | 1.7.2010 |
| Annual improvements to IFRS (2010): IFRS 3 rev. | 1.7.2010 |
| IAS 24 (rev. 2009) Related party disclosures | 1.1.2011 |
| Amendments to IFRIC 14: IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement | 1.1.2011 |
| Annual improvements to IFRS (2010) | 1.1.2011 |
| Amendments to IFRS 7: Disclosure – Transfer of Financial Assets | 1.7.2011 |
| Amendments to IAS 12: Deferred Tax – Recovery of Underlying Assets | 1.1.2012 |
| IFRS 9 Financial instruments: classification and measurement | 1.1.2013 |

The effects of IFRS 9 cannot be predicted at this time, but the other new amendments to standards and interpretations are not expected to have any significant impact on the financial statements.

## 2.3 Voluntary changes to the accounting and valuation principles

With effect from 1 January 2010, Helvetia Group has voluntarily changed its accounting policy regarding the presentation of acquisition costs in order to give equal treatment to the life and non-life business areas and to ensure compliance with the accrual basis of accounting. Previously, acquisition costs were only deferred for the life business, but now Helvetia also defers non-life acquisition costs as is usual for the sector.

The acquisition costs that can be deferred are calculated from the commission that was paid and are depreciated over the term of the contracts or, if shorter, the premium payment period. The deferred acquisition costs are also tested for recoverability on every balance sheet date.

Earlier reporting periods were adjusted to the amended balance sheet practice. The following table summarises the effects on the consolidated balance sheet and income statement:

| in CHF million | Initially reported | Adjustments | After adjustments | Initially reported | Adjustments | After adjustments |
|---|---|---|---|---|---|---|
| **Consolidated balance sheet** | **1.1.2009** | | | **31.12.2009** | | |
| **Assets** | | | | | | |
| Deferred acquisition costs | 224.0 | 108.7 | 332.7 | 227.2 | 130.3 | 357.5 |
| Deferred tax assets | 36.6 | –9.1 | 27.5 | 34.2 | –10.5 | 23.7 |
| **Liabilities and equity** | | | | | | |
| Retained earnings | 1899.2 | 65.1 | 1964.3 | 2050.5 | 71.4 | 2121.9 |
| Minority interests | 40.3 | 0.2 | 40.5 | 44.6 | 0.2 | 44.8 |
| Unearned premium reserve (gross) | 892.1 | 16.2 | 908.3 | 963.8 | 28.6 | 992.4 |
| Deferred tax liabilities | 442.7 | 18.1 | 460.8 | 497.9 | 19.6 | 517.5 |
| **Consolidated income statement** | | | | **31.12.2009** | | |
| Net change in unearned premium reserve | | | | –61.5 | –12.6 | –74.1 |
| Acquisition costs | | | | –728.5 | 21.7 | –706.8 |
| Income taxes | | | | –91.9 | –2.8 | –94.7 |
| **Profit or loss for the period** | | | | **320.5** | **6.3** | **326.8** |
| **Earnings per share** | | | | **31.12.2009** | | |
| Basic earnings per share in CHF | | | | 36.81 | 0.73 | 37.54 |
| Diluted earnings per share in CHF | | | | 36.81 | 0.73 | 37.54 |

## 2.4 Consolidation principles

All the significant companies included in the consolidation have the same reporting periods. Smaller Group companies with different financial years prepare interim financial statements as of the reporting date of 31 December.

### 2.4.1 Subsidiaries

The consolidated financial statement includes the financial statements of Helvetia Holding AG, its subsidiaries and its own investment funds. Consolidation occurs when Helvetia Holding AG exercises indirect or direct control over the company's operations. Subsidiaries acquired during the course of the financial year are included in the consolidated financial statement from the date on which Helvetia Group took effective control. Acquisitions of companies are recorded using the purchase method. Intercompany transactions and balance sheet items are eliminated.

### 2.4.2 Associates

Associated companies of Helvetia Group are accounted for using the equity method if significant control is exercised by Helvetia Group. Significant control is assumed when the Group controls 20 to 50% of the voting rights. The goodwill resulting from equity valuation is posted to "Investments in associates". The carrying value of all investments is tested for impairment if there is objective and substantial evidence for impairment at the balance sheet date.

Associates of Helvetia Group are listed together with the fully consolidated subsidiaries in Note 19 (from page 191).

## 2.5 Foreign currency translation

The reporting currency of the Helvetia Group is the Swiss franc (CHF).

### 2.5.1 Translation of financial statements prepared in foreign currency

Items included in the financial statements of those entities that do not have the Swiss franc as their functional currency were translated using the applicable closing rate. Items in the income statement are translated at the average exchange rates for the reporting period. The resulting translation differences are recorded in "Foreign currency translation differences" in equity, not affecting profit or loss. Upon disposal of a subsidiary, these differences, attributable to the subsidiary in question and accumulated in equity, are released through income. The rates applied in these financial statements are given in Note 4.1 (page 119).

### 2.5.2 Translation of foreign currency transactions

Foreign currency transactions in the individual entities are accounted for using the exchange rate on the date of the transaction.

The individual entities translate balance sheet items denominated in foreign currencies as follows: monetary and non-monetary balance sheet items, which are recorded at fair value, at closing rates, and non-monetary items, which are recorded at cost, at historical rates. "Monetary items" include cash and cash equivalents, assets and liabilities for which Helvetia Group either receives or pays a fixed or determinable amount of money.

For non-monetary items classified as available-for-sale investments, such as shares and shares in investment funds, the unrealised foreign exchange gain is recognised in equity without affecting the income statement until the financial instrument is sold. However, for monetary items such as bonds and loans, the unrealised foreign exchange difference is immediately recognised in the income statement.

## 2.6 Accounting estimates and key assumptions

Preparing the financial statements in accordance with IFRS requires Group management to make assumptions and estimates that affect the reported amounts of assets and liabilities for the ongoing business year. All estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual figures and estimates may differ as a result. Management judgement is in particular required in the following assumptions relevant to the preparation of the financial statements.

### 2.6.1 Fair value of financial assets and liabilities

The methods and assumptions used to determine the fair value are described below.

The fair value of a financial instrument is the quoted market price for which an asset could be exchanged in an active market between knowledgeable, willing parties in an arm's length transaction. "In an active market" means that the prices are made available regularly, either by a stock exchange, a broker or a pricing service, and that these prices represent current and regular market transactions. For financial assets, the fair value is the quoted bid price, and for financial liabilities it is the quoted ask price. Financial instruments measured at the prices listed on an active market belong to the "Level 1" category of valuation methods.

If no market value in an active market is available, the fair value is determined using valuation methods. Such methods are considerably influenced by assumptions, which can lead to varying fair value estimates. Financial instruments for which the model assumptions are based on observable market data are allocated to the "Level 2" valuation category. The comparison with current market transactions, references to transactions with similar instruments and option price models fall in this category. This concerns the following items, in particular:

– Mortgages and loans: The fair value of mortgages and borrower's note loans is determined on the basis of discounted cash flows. Mortgages are measured by applying the current interest rates of Helvetia Group for comparable mortgages that have been granted. The Swiss franc swap curve is used to measure borrower's note loans;
– Derivative financial instruments: The fair value of equity and currency options is determined using option price models (Black-Scholes option pricing), while the fair value of forward exchange rate agreements is determined on the basis of the forward exchange rate on the reporting date. The fair value of interest rate swaps is calculated using the present value of future payments.

If the valuation assumptions are not based on observable market data, the financial instrument in question falls in the "Level 3" valuation category. This applies in particular to alternative investments. The fair value of private equity investments is calculated using the discounted cash flow (DCF) method and applying the internal rate of return (IRR). Hedge funds are valued on the basis of the fair values of the listed securities contained in the fund in question.

If the range of possible fair values is very large and reliable estimates cannot be made, the financial instrument is measured at cost, less any value adjustments (impairment).

### 2.6.2 Impairment of available-for-sale investments

The judgement as to whether an equity instrument classified as available-for-sale is subject to impairment depends on the existence of objective indications. One decisive criterion is the constant or considerable decrease in the value of an instrument: at Helvetia Group, instruments are considered impaired if their fair value remains below cost for longer than nine months or falls 20% or more below cost irrespective of the period of time. In addition, ratings and analyst reports can serve as an indication that a company's circumstances have changed with respect to technology, the market, economy or law, to such an extent that the cost can probably no longer be recovered. In these cases, the need for impairment is examined and – if justified – recorded.

### 2.6.3 Fair value of investment property

In Switzerland, investment properties are valued in accordance with the discounted cash flow (DCF) method. The procedure is described in Note 2.12.1 (page 101).

The choice of the discount rate plays an important role in the DCF valuation method used in Switzerland. The discount rates are based on a long-term, risk-free average rate plus a premium for market risk plus regional and property-related surcharges and discounts based on the current condition and the location of the property in question. The discount rates applied in the reporting period are set out in Note 7.4 (page 129). The portfolio is regularly reviewed and appraisal reports are prepared by independent experts. All other countries use independent experts to determine market estimates at intervals of three years, at the most.

### 2.6.4 Accounting estimates specific to insurance

The estimate uncertainties in actuarial practise are explained in Note 2.15 (from page 103). Any significant change to the parameters used for the calculation of the provisions is documented in Notes 9.3 (non-life business) and 9.4 (life business).

### 2.6.5 Impairment of goodwill

Capitalised goodwill is tested annually for impairment. The procedure is described in Note 2.11 (page 100). The recoverable amount is calculated on the basis of several assumptions, which are disclosed in Note 6 (from page 122).

## 2.7 The current, non-current distinction

Assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the reporting date. All other assets and liabilities are considered to be non-current.

The following items are fundamentally classified as non-current: "Property and equipment", "Goodwill and other intangible assets", "Investments in associates", "Investment property" and "Deferred tax assets and liabilities".

The following items are fundamentally classified as current: "Current income tax assets and liabilities", "Accrued investment income" and "Cash and cash equivalents".

All other items are of a mixed nature. The differentiation between current and non-current balances of relevant items is set out in the notes. The maturity schedule of financial assets, financial liabilities and provisions for insurance and investment contracts is described in Note 17.5 (from page 177) as part of the risk assessment process.

## 2.8 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accrued impairment. Depreciation is normally calculated using the straight-line method over the estimated useful life as follows:

| | |
|---|---|
| Furniture | 4–15 years |
| Technical equipment | 4–10 years |
| Vehicles | 4–6 years |
| Computer hardware | 2–5 years |

The following rates of depreciation apply to owner-occupied property:

| | |
|---|---|
| Supporting structure | 1.0–3.5% |
| Interior completion | 1.33–8.0% |

Land is not depreciated. Useful life is adjusted if the pattern of consumption of the economic benefit has changed. Value-adding investments are added to the current carrying value in the period and are depreciated over the entire term if an increase in the economic benefit is expected from the investment and reliable estimates exist for the cost. Depreciation is recognised in the income statement under "Operating and administrative expenses". Repairs and maintenance are charged to the income statement as incurred. Tangible assets are regularly tested for impairment (see Note 2.11, page 100).

## 2.9 Leasing

If a lease agreement transfers all risks and rewards incidental to the ownership to Helvetia Group, the lease is classified and treated as a finance lease. The finance lease agreements of Helvetia Group are limited to lessee agreements. At inception of the lease agreement, recognition occurs at the lower of the present value of the minimum lease payments and the fair value of the lease object. A finance lease obligation of the same amount is recorded as a liability. Lease payments are apportioned between the finance charge and reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. The depreciation of the asset follows the rules for depreciating tangible assets. All other lease agreements are classified as operating leases. Payments – less any reductions – made under operating lease agreements are charged to the income statement on a straight-line basis over the term of the lease.

### 2.10 Goodwill and other intangible assets

Acquired intangible assets are recognised at cost and amortised over their useful life. If a portfolio of insurance contracts or investment contracts is acquired, an intangible asset is recognised for an amount that equals the present value of all future gains minus the solvency costs included in the acquired contracts. This "value in force" (VIF) is amortised in proportion to the gross gains or gross margins over the actual term of the acquired contracts. This term is usually between three and ten years. Helvetia has only capitalised VIF in respect of the life business. This is tested for impairment every year. The intangible assets also include acquired distribution agreements. The value of an acquired distribution agreement equals the present value of all expected future gains. The distribution agreements are depreciated in proportion to the expected gross gains or gross margins over the term of the future contracts. This term is usually between five and fifteen years. Other intangible assets also include intangible assets developed by the company, principally internally developed software that is recorded at cost and amortised on a straight-line basis from the date on which it enters service. Depreciation is recognised in the income statement under "Operating and administrative expenses". The useful life is usually between three and ten years.

Intangible assets with an indefinite useful life are not amortised, but are reviewed annually for impairment (see Note 2.11). Goodwill is recognised as of the acquisition date and comprises the fair-value purchase price plus the amount of any non-controlling interest in the acquired company and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired company, minus the net of the acquisition-date amounts of the identifiable assets, liabilities and contingent liabilities of the acquired company.

A positive balance is accounted for as goodwill. If the value of the acquired entity's net assets exceeds the acquisition costs at the purchase date, this surplus is immediately recognised in the income statement. Goodwill acquired in a business combination is recognised at cost, net of accumulated impairment loss, and is tested annually for impairment. It is carried as an asset in the local currency of the acquired entity and translated at the applicable closing rate on each balance sheet date.

### 2.11 Impairment of tangible assets, goodwill and other intangible assets

The carrying value of tangible assets or an intangible asset amortised using the straight-line method is tested for impairment if there is evidence for impairment. Goodwill and intangible assets with an indefinite useful life are reviewed for impairment annually in the second half of the year.

An intangible asset is impaired if its carrying value exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset at current market conditions after deducting any direct disposal costs. Value in use is the present value of estimated future cash flows expected to be generated from the continuing use of an asset and from its disposal at the end of its useful life. For the purpose of impairment testing, the value in use is measured under realistic conditions, with consideration given to planned activities and their resulting cash in- and outflows. If the recoverable amount is less than the carrying value, the difference is charged to the income statement as an impairment loss. This is reported in the position "Other expenses".

A reversal of the impairment loss is recognised if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was accounted for. If the new circumstances result in a decreased impairment loss, the reversal impairment is reported up to the maximum of the historical cost and recorded in the income statement in "Other expenses".

For the purpose of impairment testing, goodwill is allocated at the time of acquisition to those cash generating units (CGU) that are expected to benefit from the business combination. If there is no intention to sell, the value in use of the CGU is determined and compared to the carrying value for the purpose of calculating any impairment loss. The value in use is calculated applying the discounted cash flow (DCF) method, with future operating cash flows less necessary operating investments (free cash flows) being included. If there is an intention to sell, the fair value less cost to sell is used for impairment testing. If an impairment loss arises, the goodwill is adjusted accordingly. An impairment loss for goodwill cannot be reversed.

## 2.12 Investments

At Helvetia Group, investments include investments in associates, investment property and financial assets (securities, derivative financial assets, loans and money market instruments). The treatment of investments in associates is described in Note 2.4.2 (page 97), under "Consolidation principles".

### 2.12.1 Investment property

The aim of the investment property portfolio is to earn rentals or achieve long-term capital appreciation. Property held for investment purposes includes both land and buildings and is carried at fair value.

Changes in fair value are recognised in the income statement. Companies in Switzerland calculate fair value using a generally accepted discounted cash flow (DCF) valuation method. The portfolio is regularly reviewed and appraisal reports are prepared by independent experts. All other countries use independent experts to determine market estimates at least every three years. These estimates are updated between valuation dates.

The DCF valuation method is a two-tier gross rental method based on the principle that the value of a property equals the total of future earnings on the property. In the first phase, the individual annual cash flows for a property over the next ten years are calculated and discounted as of the valuation date. In the second phase, the unlimited capitalised income value for the time following the first ten years is calculated and also discounted as of the valuation date. The risk-adjusted discounted rates that are used for the DCF valuation are based on the current condition and the location of the property in question. The cash flows used for the forecast are based on the rental income that can be earned in the long term.

Helvetia Group does not capitalise properties where it acts as tenant in an operating lease relationship. Rental income is recognised on a straight-line basis over the lease term.

### 2.12.2 Financial assets

The recognition and measurement of financial assets follow the IFRS categories: "loans" (loans and receivables, LAR), "held-to-maturity" (HTM), "at fair value through profit or loss" and "available-for-sale" (AFS).

Financial assets are initially recognised at fair value. Directly attributable transaction costs are capitalised, except for financial assets at fair value through profit or loss, for which the transaction costs are charged to the income statement. Helvetia Group records all acquisitions and disposals of financial instruments at trade date. Derecognition of a financial investment occurs on expiration of the contract or at disposal if all risks and control have been transferred and if no rights to cash flows from the investment are retained. Through its securities lending activities, the Group lends out certain securities to other companies for a certain period of time and against payment. The securities lent to third parties remain under the control and in the portfolio of Helvetia Group. Revenues from securities lending are recorded in the income statement under "Interest and dividend income".

Loans (LAR) and financial assets that the Group has the intention and ability to hold to maturity (HTM) are carried at amortised cost (AC). LAR loans are not traded on an active market. Helvetia Group usually generates them by directly providing funds to a debtor.

"Financial assets at fair value through profit or loss" comprise "financial assets held for trading" and "financial assets designated as at fair value through profit or loss". An instrument is classified as "held for trading" if it is held with the aim of making short-term gains from market price fluctuations and dealer margins. Upon initial recognition, financial investments are irrevocably classified as "designated as at fair value" only if they are a component of a particular group of financial assets that, according to a documented investment strategy, are managed on a fair value basis, or their recognition as at fair value serves to compensate for market value fluctuations of liabilities due to policyholders. The value fluctuations that result from the fair value valuation are directly recognised in the income statement and reported separately from "Interest and dividend income" in the item "Gains and losses on investments".

Financial assets held for an undetermined period and which cannot be classified to any other category are classified as "available-for-sale" (AFS). AFS investments are carried on the balance sheet at fair value. Unrealised gains and losses are recognised directly in equity with no impact on profit or loss.

Interest income is recognised on an accruals basis subject to the asset's effective rate of interest (including "Financial assets at fair value through profit or loss"). Dividends are recorded when a legal right arises. Depreciation and appreciation resulting from the amortised cost method are included in interest income in the income statement. The line item "Interest and dividend income" also contains the interest and dividend income from investments that are designated as "at fair value through profit or loss".

### 2.12.3 Impairment of financial assets

The carrying values of financial assets that are not classified as "at fair value through profit or loss" (LAR, HTM, AFS) are regularly reviewed for impairment. If objective and substantial evidence indicates permanent impairment at the reporting date, the difference between cost and the recoverable amount is recognised as an impairment through profit or loss. An equity instrument is considered impaired if its fair value falls considerably or constantly below cost (see also Note 2.6, page 97). Debt instruments are impaired or sold if it is probable that not all amounts due under the contractual terms will be collectible. This usually happens when contractually agreed interest or redemption payments are stopped or are in arrears, if the debtor suffers from serious financial difficulties and/or if the rating falls below a specific threshold value. If, in order to avoid impairment, new conditions are negotiated for mortgages or loans, the mortgages or loans in question are still recognised in the balance sheet at amortised cost.

For LAR and HTM financial investments, the recoverable amount at the reporting date is equivalent to the present value of estimated future cash flows discounted at the original interest rate. Impairments are booked using an allowance account. The impairment is reversed through profit or loss if a subsequent event causes a decrease in the impairment loss.

For AFS financial assets, the recoverable amount at the reporting date equals the fair value. For non-monetary AFS financial assets, such as shares and investment fund units, any additional impairment loss after the initial impairment is immediately recognised in the income statement. The impairment is not reversed, even if the circumstances causing the impairment cease to apply. Valuation gains are recognised in equity until disposal. For monetary AFS financial assets, such as bonds, the impairment is reversed through profit or loss if the circumstances causing the impairment cease to apply.

Financial investments are derecognised at the latest when the bankruptcy proceedings end or, in the case of ongoing bankruptcy proceedings, when the outstanding debt plus interest is received. If a settlement is agreed, derecognition takes place at the end of the agreed period after receipt of the payment.

## 2.13 Financial derivatives

Derivative financial instruments are classified as "Financial assets held for trading" and are shown in the item "Financial assets at fair value through profit or loss". Helvetia Group currently does not use hedge accounting as defined by IAS 39. The hedging strategies used by Helvetia Group for risk management purposes are described in Note 17 (from page 169).

Derivatives may also be embedded in financial instruments, insurance contracts or other contracts. They are measured either together with their host contract or separately at fair value. The underlying security and derivative are measured and recognised separately if the risk characteristics of the embedded derivative are not closely related to those of the host contract. Changes in the fair value of derivatives are recognised in the income statement.

## 2.14 Financial liabilities

Financial liabilities are initially recognised at fair value. Directly attributable transaction costs are offset, except in the case of financial liabilities at fair value through profit or loss. After initial recognition, financial liabilities are carried at fair value or amortised cost (AC). The financial liability is derecognised when the obligation has been discharged.

Those financial liabilities that are either held for trading or irrevocably classified upon initial recognition as "designated as at fair value through profit or loss" are recognised at fair value. The latter classification is given to deposits if they are associated with investment contracts or products for which the policyholder benefit is almost identical with the investment return. For these deposits for investment contracts without a discretionary participation feature (see Note 2.15) only the withdrawals and allocations that are part of the operating result are recorded in the income statement. The risk and cost portions of premiums from policyholders are recognised in the income statement and recorded in the item "Other income". The policyholder's deposit is directly credited or debited with the investment portion of the premium.

Those financial liabilities not held for trading and also not designated as at fair value through profit or loss are recognised at amortised cost. Interest expenses for financial liabilities that are used for financing purposes are recognised in the income statement as "Finance costs". Depreciation and appreciation resulting from the amortised cost method are offset against interest expenses in the income statement.

## 2.15 Insurance business

Direct business includes assumed primary business and business ceded to reinsurers. Indirect business consists of assumed reinsurance business and business retroceded to reinsurers. The actuarial items are described as "gross" before deduction of ceded business and as "net" after the deduction.

Insurance contracts as defined by IFRS comprise all products containing a significant insurance risk. The significance is assessed at product level.

Contracts that are considered insurance products in the formal sense of the law and mainly carry financial risk rather than any significant insurance risk are treated as financial instruments unless they carry a discretionary participation feature (DPF), in which case they are classified as insurance contracts. Under IFRS, discretionary participation features are contractual benefits where, in addition to the guaranteed benefit, the policyholder has a claim to the realised or unrealised investment returns on certain assets or to a share of the insurance company's profit or loss. This additional benefit must form a significant proportion of the overall contractual benefit, and its amount or timing must be at the insurance company's discretion.

### 2.15.1 Non-life business

The actuarial items in non-life business are established Group-wide on the same principles. All non-life insurance products of Helvetia Group contain significant insurance risk and are recognised as insurance contracts.

Loss reserves are set aside for all claims incurred by the end of the accounting period. The reserves also include provisions for claims incurred but not yet reported. Actuarial methods that take account of uncertainties are applied to determine the amount of reserves. Reserves are not discounted, except for those provisions for claims for which there are payment arrangements.

Reserve estimates and the assumptions on which they are based are reviewed continuously. Valuation changes are taken to profit or loss at the time of the change.

A Liability Adequacy Test (LAT) is carried out on every reporting date to determine whether, taking into consideration expected future cash flows, the existing liabilities of each business line (property, motor vehicle, liability, transport and accident/health insurance) at all Group companies are adequately covered up to the reporting date in order to ensure a loss-free valuation. Expected future premium income is compared to expected claims expenses, expected administration and acquisition costs and expected policyholder dividends. If the expected costs exceed the expected premium income, the loss reserves are increased.

Helvetia Group defers acquisition costs. These are calculated from the commission that was paid and are depreciated over the term of the contracts or, if shorter, the premium payment period.

Premiums are booked at the beginning of the contract period. Earned premiums are calculated pro rata per individual contract and recorded as income for the relevant risk periods. Premium proportions relating to future business periods are accounted for as unearned premium reserves. The cost of claims is assigned to the relevant period.

### 2.15.2 Life business

Helvetia Group classifies all life insurance products containing significant insurance risk as insurance contracts.

The valuation and accounting principles applied locally by the life companies determine the actuarial items in life business. The assumptions made in setting the reserves are based on best estimate principles that, firstly, take account of the business-specific situation, such as existing capital investments and the market situation as well as, for example, possible yields from reinvestments, and secondly, local actuarial bases of calculation (e.g. interest rates, mortality). The assumptions vary according to country, product and year of acceptance, and take account of country-specific experiences.

Unearned premium reserves and actuarial reserves are calculated using local methods. Zillmerisation is not applied to actuarial reserves in any country market apart from Germany and Austria.

All Group companies defer acquisition costs under local accounting rules. Depending on the country, either the effectively incurred acquisition costs or acquisition cost surcharges included in the premium are deferred in part.

A Liability Adequacy Test (LAT) is applied at each reporting date to examine whether existing reserves are sufficient to cover expected future needs. The reserve increases that are shown by the LAT to be necessary are calculated Group-wide according to standard principles. The LAT is based on actuarial principles using best estimate assumptions. The estimate of expected needs is calculated by using the difference between the present value of the benefits (including expected administration costs and expected policyholder dividends) and the present value of expected gross premiums. If expected needs exceed existing reserves (less deferred acquisition costs not included in the actuarial reserve), the actuarial reserve is increased to the required level through profit or loss.

Policyholders with contracts containing discretionary participation features may have the right to participate in local investment returns on capital or local company results under statutory or contractual regulations. Provisions set up for that purpose in accordance with local accounting principles are not changed under IFRS rules and are included under "Provision for future policyholder participation" or under "Actuarial reserve" in the balance sheet.

Portions of the valuation differences in relation to local accounting principles allocated to contracts containing discretionary participation features which affect either the net income or unrealised gains in equity are also reserved under the aforementioned balance sheet item. The portion is equal to the percentage rate which sets the minimum participation level of policyholders in the respective revenues under local statutory or contractual regulations. This participation in income is credited or debited to the item "Provision for future policyholder participation" through profit or loss. Similarly, the portion of unrealised gains or losses is recognised in the provisions without affecting profit or loss.

The remaining gains – either through profit or loss or with no impact on the results – that relate to contracts with a discretionary participation feature (i.e. every share for which no legal or contractual obligations exist) are recorded under "Valuation reserves for contracts with participation features" within equity.

Bonuses already assigned which accrue interest are allocated to the deposits of policyholders and are contained in the balance sheet as "Financial liabilities from insurance business".

If insurance contracts contain both an insurance and a deposit component, unbundling is carried out if the rights and obligations resulting from the deposit component cannot be fully reflected without a separate valuation of the deposit component.

Financial derivatives embedded in insurance contracts that are not closely related to the host contract are recognised at fair value. Option pricing techniques are used to assess embedded derivatives. Such embedded derivatives are accounted for under "Other financial liabilities", separate from the actuarial reserve.

Premiums, insurance benefits and costs arising from life insurance contracts are booked as they fall due. These income and expenses are accrued or deferred so that profit from the contracts is recognised in the appropriate period.

### 2.15.3 Reinsurance

Reinsurance contracts are contracts between insurance companies. As in primary insurance business, there must be sufficient risk transfer for a transaction to be booked as a reinsurance contract, otherwise the contract is considered a financial instrument.

The direct business transferred to reinsurance companies is called ceded reinsurance and includes cessions from direct life and non-life businesses. Premiums, unearned premium reserves and premium adjustments for ceded business are recognised and shown separately from primary business in the financial statements. The accounting rules used for primary insurance business apply to ceded businesses.

Assets from ceded reinsurance business are regularly reviewed for potential impairment and uncollectibility. If there is objective and substantial evidence of permanent impairment at the balance sheet date, the difference between the carrying value and estimated recoverable amount is recognised in the income statement as an impairment loss.

Indirect business accepted by another insurance company is called assumed reinsurance. As in primary insurance business, technical reserves are included in the respective actuarial items on the liabilities side, and are similarly estimated using mathematical-statistical models and the most up-to-date information available. They also reflect uncertainties. Non-traditional insurance contracts are treated as financial instruments and are reported under "Reinsurance assets" or "Financial liabilities from insurance business" if no significant insurance risks have been transferred. Net commission is reported directly in the income statement.

Indirect business ceded to insurance companies outside the Group is reported as retrocession. The principles of ceded business apply in this instance.

## 2.16 Income taxes

Actual income tax assets and liabilities are calculated using the currently applicable tax rates. Income tax assets and liabilities are only recognised if a reimbursement or payment is expected.

Deferred income tax assets and liabilities are calculated using the tax rate changes enacted or substantively enacted as of the balance sheet date. Deferred taxes are recognised for all temporary differences between the IFRS carrying values of assets and liabilities and the tax bases of these assets and liabilities, using the liability method. 0Deferred tax assets from losses carried forward are recorded only to the extent that it is probable that future taxable profit can be offset against the relevant losses. Deferred tax assets and liabilities are offset when an enforceable legal right was granted by the tax authorities in question to set off actual tax assets and liabilities.

### 2.17 Receivables

Receivables from insurance business and other receivables are carried at amortised cost which is, in general, the nominal value of the receivables. Impairment is recognised in the income statement. The impairment loss is reported under "Other expenses" in the income statement.

Impairment for receivables from insurance business is booked as individual impairment or collective impairment. If the counterparty does not meet its payment obligations during the normal reminder procedure, the claims are impaired on the basis of the historic delinquency ratio for specific risk groups. Individual impairment is also carried out to take account of current default risks, in the event the counterparty is overindebted or threatened by bankruptcy, or in the event of foreclosure.

### 2.18 Accrued investment income

Interest income on interest-bearing financial investments and loans that must be allocated to the reporting year is accrued or deferred under financial assets.

### 2.19 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term liquid investments with a maturity of not more than three months from the date of acquisition.

### 2.20 Treasury shares

Treasury shares are recorded at cost, including transaction costs, and reported as a deduction from equity. In case of a sale the difference between cost and sale price is recorded as a change in capital reserves, with no impact on profit or loss. Treasury shares are exclusively shares of Helvetia Holding AG, St-Gall.

### 2.21 Non-technical provisions and contingent liabilities

Non-technical provisions contain current obligations that will probably require an outflow of assets, but the extent of such obligations and the time they will be called have not yet been determined exactly. Provisions are created if, on the balance sheet date and on the basis of a past event, a current obligation exists, the probability of an outflow of assets is high and the extent of the outflow can be reliably estimated.

Any current obligations with a low probability of an outflow of assets or the extent of which cannot be reliably estimated are reported under contingent liabilities.

### 2.22 Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

Short-term employee benefits are due in full within 12 months after the end of the reporting period. They include salaries, social security contributions, holiday and sickness pay, bonuses and non-monetary benefits for active employees. Expected expenses for entitlements which can be accumulated, such as accrued holiday and overtime entitlements, are recognised as short-term liabilities at the balance sheet date.

Post-employment benefits pertain to defined contribution plans and defined benefit plans. The amount of the employers' contributions for defined contribution plans depends on the employee services rendered during the reporting period and is charged directly to the income statement. For defined benefit plans, pension obligations and related expenses are calculated at each balance sheet date by a qualified actuary, using the projected unit credit method. The actuarial assumptions applied to the calculations consider the regulations of the respective countries and Group companies. Changes in the assumptions or differences between the expected and actual return from the plan's assets are actuarial gains and losses. Actuarial gains and losses to be depreciated in the income statement are recorded for each individual plan using the "corridor method", under which recognition is only required if the balance of the accumulated, unrecognised actuarial gains and losses exceeds the greater of 10% of the present value of the defined benefit obligations and 10% of the fair value of plan assets at the end of the previous reporting period. The portion of actuarial gains and losses outside the 10%-corridor is recognised in the income statement over the expected average remaining working lives of the employees participating in the plans.

For funded benefit plans, a surplus in the plan may arise if the fair value of the plan assets exceeds the present value of the defined benefit obligations. Portions of this surplus are only recognised and recorded as an asset if an economic benefit in the form of future reductions in contributions or refunds to the employer arises. There is a contribution reduction as defined by IFRS if the employer must pay lower contributions than service cost. A review is also carried out to ensure that newly arising actuarial gains or losses do not lead to an increase or decrease in the assets on record.

Other long-term employee benefits are benefits that fall due 12 months or more after the balance sheet date. At Helvetia Group, these consist mainly of long-service awards and are calculated using actuarial principles. The amount recognised in the balance sheet is equal to the present value of the defined benefit obligation less any plan assets.

Termination benefits consist, for example, of severance pay and benefits from social schemes for redundancies. Such benefits are immediately recognised as expenses in the income statement at the time the employment relationship is terminated.

### 2.23 Share-based payments

Share-based payment transactions include all compensation agreements under which employees receive shares, options or similar equity instruments or the granting Group company assumes obligations that depend on the price of its shares. All share-based payment transactions with employees are recognised at fair value.

A long-term salary component (LTC) for the Board of Directors and the Executive Management was introduced as part of the variable salary. This consists of Helvetia Holding AG shares allocated prospectively over three years. The objective is to promote a longer-term business perspective. This payment is recognised proportionally in the income statement every year until ownership to the shares is transferred.

Equity instruments granted to employees through employee share purchase plans represent compensation for services already rendered for which compensation expenses arise in the granting company. The amount of the compensation expenses is based on the fair value of the equity instruments at the grant date and is expensed over the vesting period.

### 2.24 Other liabilities

Other liabilities are carried at amortised cost, which is generally equal to the nominal value.

### 2.25 Offsetting of assets and liabilities

Assets and liabilities are netted in the balance sheet when there is a legal right to offset the recognised amounts and only the net position has actually been reported.

# 3. Segment information

The management structure of Helvetia Group is primarily based on country markets. Each country has its own management team which is in charge of the operational management of all local business units and carries responsibility for the legal entities. With the exception of the reinsurance business, segmentation is based on the country markets where all service-rendering activities occur. These country markets also reflect the locations where customers of Helvetia Group reside.

The operating segments of Helvetia Group derived from this structure comprise the country markets "Switzerland", "Germany", "Italy", "Spain" and "Other insurance units", including Austria, France and the global reinsurance business. The "Corporate" segment is a separate reporting segment and includes all Group activities as well as the financing companies and Helvetia Holding AG.

For additional information, Helvetia Group classifies its activities as life business, non-life business and other activities.

In the life business, Helvetia Group offers various product lines, such as life insurance, pension plans and annuities. The non-life business includes property, motor vehicle, liability and transport insurance policies as well as health and accident insurance coverage. Units that are not involved in any actuarial business that can be allocated directly to the "life" or "non-life" segments are included in one of these two segments.

All other units as well as the assumed and ceded reinsurance business are included in "Other activities".

The accounting policies that apply to the segment reporting are the same as those described in the summary of significant accounting policies. Inter-segmental services and transfers of assets and liabilities are made on an arm's length basis. Investments in other companies and investment and interest income from subsidiaries between the segments are eliminated within the respective segment. All other inter-segmental relations and revenues within the Group are eliminated in full.

The assignment of individual Group entities to the various regional and business areas is explained in Note 19 (from page 191).

## 3.1 Segment information

| | Switzerland | | Germany | | Italy | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | restated | | restated | | restated |
| **Income** | | | | | | |
| Gross premiums written | 3 471.3 | 3 332.6 | 838.3 | 859.5 | 1 038.2 | 925.4 |
| Reinsurance premiums ceded | –119.3 | –119.9 | –85.4 | –100.5 | –77.7 | –74.4 |
| Net premiums written | 3 352.0 | 3 212.7 | 752.9 | 759.0 | 960.5 | 851.0 |
| Net change in unearned premium reserve | 20.5 | –1.4 | 0.8 | –0.8 | –56.4 | –45.3 |
| Net earned premiums | 3 372.5 | 3 211.3 | 753.7 | 758.2 | 904.1 | 805.7 |
| Interest and dividend income | 475.4 | 477.5 | 78.8 | 86.6 | 128.3 | 141.8 |
| Gains and losses on investments (net) | 63.6 | 105.1 | 46.3 | 38.6 | 2.0 | 95.6 |
| Income on investment property | 224.1 | 221.5 | –0.9 | –9.6 | 1.4 | 1.9 |
| Other income | 15.4 | 14.6 | 5.2 | 4.8 | 28.4 | 36.2 |
| Total operating income | 4 151.0 | 4 030.0 | 883.1 | 878.6 | 1 064.2 | 1 081.2 |
| of which transactions between geographical segments | 74.0 | 71.2 | 63.4 | 77.1 | 34.3 | 31.8 |
| Total revenues from external customers | 4 225.0 | 4 101.2 | 946.4 | 955.7 | 1 098.5 | 1 113.0 |
| **Expenses** | | | | | | |
| Claims incurred including claims handling costs (non-life) | –328.8 | –292.2 | –345.2 | –363.7 | –303.2 | –297.2 |
| Claims and benefits paid (life) | –2 088.6 | –1 958.9 | –115.4 | –134.1 | –268.4 | –201.9 |
| Change in actuarial reserves | –1 022.4 | –995.0 | –186.4 | –141.2 | –297.7 | –283.9 |
| Reinsurers' share of benefits and claims | 30.9 | 24.6 | 27.2 | 52.3 | 44.4 | 58.4 |
| Policyholder dividends and bonuses | –26.1 | –98.3 | –13.7 | –1.7 | –2.1 | –10.4 |
| Net insurance benefits and claims | –3 435.0 | –3 319.8 | –633.5 | –588.4 | –827.0 | –735.0 |
| Acquisition costs | –211.0 | –197.3 | –178.3 | –187.2 | –94.0 | –92.6 |
| Reinsurers' share of acquisition costs | 19.6 | 18.7 | 27.5 | 23.1 | 14.4 | 18.1 |
| Operating and administrative expenses | –236.0 | –235.4 | –50.3 | –60.7 | –80.0 | –78.3 |
| Interest payable | –26.4 | –29.4 | –2.4 | –2.9 | –3.0 | –4.3 |
| Other expenses | –50.2 | –22.3 | –23.5 | –15.9 | –57.7 | –149.8 |
| Total operating expenses | –3 939.0 | –3 785.5 | –860.5 | –832.0 | –1 047.3 | –1 041.9 |
| Profit or loss from operating activities | 212.0 | 244.5 | 22.6 | 46.6 | 16.9 | 39.3 |
| Financing costs | - | - | - | - | –0.5 | –1.0 |
| Share of profit or loss of associates | 1.0 | 0.4 | - | - | - | - |
| Profit or loss before tax | 213.0 | 244.9 | 22.6 | 46.6 | 16.4 | 38.3 |
| Income taxes | –21.5 | –50.0 | 3.6 | –11.8 | –8.1 | –15.4 |
| **Profit or loss for the period** | **191.5** | **194.9** | **26.2** | **34.8** | **8.3** | **22.9** |

| Spain 2010 | Spain 2009 restated | Other insurance units 2010 | Other insurance units 2009 restated | Corporate 2010 | Corporate 2009 | Elimination 2010 | Elimination 2009 | Total 2010 | Total 2009 restated |
|---|---|---|---|---|---|---|---|---|---|
| 473.8 | 523.9 | 833.3 | 864.2 | - | - | −183.0 | −203.2 | 6 471.9 | 6 302.4 |
| −32.6 | −40.2 | −181.6 | −200.8 | - | - | 186.5 | 203.6 | −310.1 | −332.2 |
| 441.2 | 483.7 | 651.7 | 663.4 | - | - | 3.5 | 0.4 | 6 161.8 | 5 970.2 |
| 4.9 | −1.7 | −0.9 | −24.5 | - | - | −3.5 | −0.4 | −34.6 | −74.1 |
| 446.1 | 482.0 | 650.8 | 638.9 | - | - | 0.0 | 0.0 | 6 127.2 | 5 896.1 |
| 28.1 | 28.2 | 72.1 | 76.3 | 5.8 | 8.8 | −5.4 | −2.0 | 783.1 | 817.2 |
| 3.8 | 21.4 | −73.0 | 8.4 | 132.5 | −6.5 | - | 0.0 | 175.2 | 262.6 |
| 2.4 | −2.4 | 25.0 | 24.7 | - | - | - | - | 252.0 | 236.1 |
| 5.1 | 6.5 | 54.8 | 6.9 | 1.7 | 1.4 | −3.1 | −3.1 | 107.5 | 67.3 |
| 485.5 | 535.7 | 729.7 | 755.2 | 140.0 | 3.7 | −8.5 | −5.1 | 7 445.0 | 7 279.3 |
| 22.1 | 28.0 | −201.1 | −211.4 | −1.2 | −1.8 | 8.5 | 5.1 | - | - |
| 507.5 | 563.7 | 528.8 | 543.8 | 138.8 | 1.9 | - | - | 7 445.0 | 7 279.3 |
| −240.7 | −237.5 | −430.0 | −461.5 | - | - | 66.5 | 95.9 | −1 581.4 | −1 556.2 |
| −86.1 | −99.2 | −141.8 | −150.9 | - | - | 5.6 | 8.9 | −2 694.7 | −2 536.1 |
| 4.2 | −34.7 | −0.6 | −10.4 | - | - | −2.4 | −1.8 | −1 505.3 | −1 467.0 |
| 13.0 | 16.0 | 86.4 | 129.4 | - | - | −69.7 | −103.0 | 132.2 | 177.7 |
| - | - | −9.1 | −6.6 | - | - | - | - | −51.0 | −117.0 |
| −309.6 | −355.4 | −495.1 | −500.0 | - | - | - | 0.0 | −5 700.2 | −5 498.6 |
| −90.7 | −92.2 | −187.6 | −188.4 | - | - | 46.9 | 50.9 | −714.7 | −706.8 |
| 7.8 | 8.9 | 42.2 | 44.0 | - | - | −46.5 | −51.1 | 65.0 | 61.7 |
| −29.5 | −36.5 | −43.5 | −50.7 | −16.2 | −12.6 | 1.3 | 0.3 | −454.2 | −473.9 |
| −0.2 | −1.0 | −0.8 | −0.8 | −4.1 | −0.2 | 6.8 | 3.3 | −30.1 | −35.3 |
| −3.6 | −1.5 | −5.1 | −10.5 | −64.0 | −0.5 | 0.0 | 1.7 | −204.1 | −198.8 |
| −425.8 | −477.7 | −689.9 | −706.4 | −84.3 | −13.3 | 8.5 | 5.1 | −7 038.3 | −6 851.7 |
| 59.7 | 58.0 | 39.8 | 48.8 | 55.7 | −9.6 | 0.0 | 0.0 | 406.7 | 427.6 |
| - | - | - | - | −4.1 | −6.3 | - | - | −4.6 | −7.3 |
| 0.6 | 0.8 | 0.0 | 0.0 | - | - | - | - | 1.6 | 1.2 |
| 60.3 | 58.8 | 39.8 | 48.8 | 51.6 | −15.9 | 0.0 | 0.0 | 403.7 | 421.5 |
| −19.5 | −16.4 | −10.4 | −5.6 | −6.3 | 4.5 | 0.0 | 0.0 | −62.2 | −94.7 |
| **40.8** | **42.4** | **29.4** | **43.2** | **45.3** | **−11.4** | **0.0** | **0.0** | **341.5** | **326.8** |

## 3.2 Information by business activities

| | Life | | Non-life | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | restated |
| **Income** | | | | |
| Gross premiums written | 3 896.1 | 3 676.5 | 2 348.3 | 2 386.5 |
| Reinsurance premiums ceded | –60.0 | –60.1 | –292.9 | –319.2 |
| Net premiums written | 3 836.1 | 3 616.4 | 2 055.4 | 2 067.3 |
| Net change in unearned premium reserve | –1.0 | 0.9 | –31.2 | –50.8 |
| Net earned premiums | 3 835.1 | 3 617.3 | 2 024.2 | 2 016.5 |
| Interest and dividend income | 673.2 | 689.0 | 103.9 | 106.7 |
| Gains and losses on investments (net) | 85.8 | 259.2 | 33.6 | 14.3 |
| Income on investment property | 225.8 | 208.6 | 25.9 | 13.9 |
| Other income | 36.0 | 45.3 | 19.8 | 20.7 |
| Total operating income | 4 855.9 | 4 819.4 | 2 207.4 | 2 172.1 |
| **Expenses** | | | | |
| Claims incurred including claims handling costs (non-life) | - | - | –1 410.7 | –1 394.3 |
| Claims and benefits paid (life) | –2 688.8 | –2 529.4 | - | - |
| Change in actuarial reserves | –1 505.9 | –1 467.6 | - | - |
| Reinsurers' share of benefits and claims | 25.7 | 22.5 | 109.5 | 169.7 |
| Policyholder dividends and bonuses | –48.9 | –114.9 | –2.1 | –2.1 |
| Net insurance benefits and claims | –4 217.9 | –4 089.4 | –1 303.3 | –1 226.7 |
| Acquisition costs | –185.9 | –176.0 | –472.0 | –481.3 |
| Reinsurers' share of acquisition costs | 22.1 | 16.0 | 56.8 | 62.9 |
| Operating and administrative expenses | –221.9 | –233.1 | –210.2 | –221.8 |
| Interest payable | –37.4 | –38.3 | –9.2 | –0.9 |
| Other expenses | –76.9 | –165.7 | –61.4 | –20.7 |
| Total operating expenses | –4 717.9 | –4 686.5 | –1 999.3 | –1 888.5 |
| Profit or loss from operating activities | 138.0 | 132.9 | 208.1 | 283.6 |
| Financing costs | - | - | –0.5 | –1.0 |
| Share of profit or loss of associates | 1.0 | 0.4 | 0.6 | 0.8 |
| Profit or loss before tax | 139.0 | 133.3 | 208.2 | 283.4 |
| Income taxes | –30.5 | –31.3 | –30.8 | –67.1 |
| **Profit or loss for the period** | **108.5** | **102.0** | **177.4** | **216.3** |

| Other activities 2010 | 2009 | Elimination 2010 | 2009 | Total 2010 | 2009 restated |
|---|---|---|---|---|---|
| 424.1 | 457.0 | –196.6 | –217.6 | 6471.9 | 6302.4 |
| –157.3 | –170.9 | 200.1 | 218.0 | –310.1 | –332.2 |
| 266.8 | 286.1 | 3.5 | 0.4 | 6161.8 | 5970.2 |
| 1.1 | –23.8 | –3.5 | –0.4 | –34.6 | –74.1 |
| 267.9 | 262.3 | 0.0 | 0.0 | 6127.2 | 5896.1 |
| 25.5 | 25.5 | –19.5 | –4.0 | 783.1 | 817.2 |
| 55.8 | –10.9 | - | 0.0 | 175.2 | 262.6 |
| 0.3 | 13.6 | - | - | 252.0 | 236.1 |
| 55.4 | 7.6 | –3.7 | –6.3 | 107.5 | 67.3 |
| 404.9 | 298.1 | –23.2 | –10.3 | 7445.0 | 7279.3 |
| –245.5 | –283.1 | 74.8 | 121.2 | –1581.4 | –1556.2 |
| –11.8 | –15.7 | 5.9 | 9.0 | –2694.7 | –2536.1 |
| 3.2 | 2.1 | –2.6 | –1.5 | –1505.3 | –1467.0 |
| 75.1 | 114.2 | –78.1 | –128.7 | 132.2 | 177.7 |
| - | - | - | - | –51.0 | –117.0 |
| –179.0 | –182.5 | 0.0 | 0.0 | –5700.2 | –5498.6 |
| –104.9 | –101.6 | 48.1 | 52.1 | –714.7 | –706.8 |
| 33.7 | 35.1 | –47.6 | –52.3 | 65.0 | 61.7 |
| –23.4 | –19.3 | 1.3 | 0.3 | –454.2 | –473.9 |
| –4.5 | –1.3 | 21.0 | 5.2 | –30.1 | –35.3 |
| –66.2 | –17.4 | 0.4 | 5.0 | –204.1 | –198.8 |
| –344.3 | –287.0 | 23.2 | 10.3 | –7038.3 | –6851.7 |
| 60.6 | 11.1 | 0.0 | 0.0 | 406.7 | 427.6 |
| –4.1 | –6.3 | - | - | –4.6 | –7.3 |
| - | - | - | - | 1.6 | 1.2 |
| 56.5 | 4.8 | 0.0 | 0.0 | 403.7 | 421.5 |
| –0.9 | 3.7 | 0.0 | 0.0 | –62.2 | –94.7 |
| **55.6** | **8.5** | **0.0** | **0.0** | **341.5** | **326.8** |

### 3.3 Additional information

by segment:

| as of 31.12. | Switzerland 2010 | 2009 | Germany 2010 | 2009 | Italy 2010 | 2009 |
|---|---|---|---|---|---|---|
| in CHF million | | restated | | restated | | restated |
| Assets by geographical segment | 26 337.5 | 24 042.4 | 2 614.6 | 2 930.6 | 4 530.3 | 5 046.9 |
| of which investments | 24 308.6 | 22 756.1 | 2 242.0 | 2 487.0 | 3 780.3 | 4 146.5 |
| of which investments in associates | 46.3 | 45.6 | - | 14.1 | - | - |
| Liabilities by geographical segment | 23 986.8 | 22 089.8 | 2 322.9 | 2 584.5 | 4 256.9 | 4 686.2 |
| of which technical provisions (gross) | 21 839.1 | 20 116.1 | 1 981.4 | 2 141.6 | 2 429.5 | 2 514.4 |
| Cash flow from operating activities (net) | 551.9 | 51.5 | –1.4 | –21.6 | 24.8 | –15.9 |
| Cash flow from investing activities (net) | –331.3 | –77.4 | 7.6 | 11.6 | –15.1 | 33.6 |
| Cash flow from financing activities (net) | 356.1 | 157.2 | - | –0.6 | –18.5 | 11.6 |
| Acquisition of owner-occupied property, equipment and intangible assets | 170.3 | 7.0 | 2.0 | 1.8 | 13.3 | 21.4 |
| Depreciation and amortisation on tangible and intangible assets | –6.3 | –10.1 | –3.2 | –4.0 | –7.0 | –6.8 |
| Impairment of tangible and intangible assets affecting income | - | - | - | - | - | - |
| Reversal of impairment losses on tangible and intangible assets affecting income | - | - | - | - | - | - |
| Share-based payment transaction costs | –0.7 | –0.6 | - | - | - | - |

by business activities:

| as of 31.12. | Life 2010 | 2009 | Non-life 2010 | 2009 |
|---|---|---|---|---|
| in CHF million | | | | restated |
| Assets by business segment | 31 099.2 | 30 130.5 | 5 345.3 | 5 293.0 |
| Liabilities by business segment | 29 314.6 | 28 686.5 | 3 774.8 | 3 585.5 |
| Acquisition of owner-occupied property, equipment and intangible assets | 35.9 | 2.8 | 161.8 | 43.1 |
| Depreciation and amortisation on tangible and intangible assets | –7.7 | –8.3 | –14.2 | –18.1 |
| Impairment of tangible and intangible assets affecting income | - | - | - | - |
| Reversal of impairment losses on tangible and intangible assets affecting income | - | - | - | - |
| Share-based payment transaction costs | –0.4 | –0.3 | –0.3 | –0.3 |

| Spain 2010 | Spain 2009 restated | Other insurance units 2010 | Other insurance units 2009 restated | Corporate 2010 | Corporate 2009 restated | Elimination 2010 | Elimination 2009 restated | Total 2010 | Total 2009 restated |
|---|---|---|---|---|---|---|---|---|---|
| 1 288.0 | 1 440.6 | 2 774.7 | 3 115.9 | 276.6 | 321.3 | –261.3 | –391.7 | 37 560.4 | 36 506.0 |
| 950.1 | 1 127.4 | 2 025.8 | 2 286.5 | 293.2 | 293.9 | –12.9 | –25.0 | 33 587.1 | 33 072.4 |
| 2.1 | 2.7 | 0.0 | 0.0 | - | - | - | - | 48.4 | 62.4 |
| 1 070.2 | 1 204.3 | 2 457.6 | 2 774.0 | 269.7 | 350.5 | –261.3 | –391.7 | 34 102.8 | 33 297.6 |
| 860.0 | 1 027.5 | 2 063.3 | 2 362.7 | - | - | –160.7 | –219.9 | 29 012.6 | 27 942.4 |
| 47.5 | 46.8 | 46.0 | 106.4 | 33.4 | 168.3 | 0.2 | 7.5 | 702.4 | 343.0 |
| –21.5 | –2.5 | –5.5 | –27.1 | 59.0 | –11.9 | –0.2 | –3.1 | –307.0 | –76.8 |
| –23.0 | –33.5 | –50.1 | –70.3 | –139.2 | –150.9 | - | –4.4 | 125.3 | –90.9 |
| | | | | | | | | | |
| 22.9 | 3.4 | 2.4 | 23.0 | 2.7 | 0.5 | - | - | 213.6 | 57.1 |
| –5.4 | –3.3 | –3.8 | –5.0 | –5.5 | –1.8 | - | - | –31.2 | –31.0 |
| - | - | –1.9 | - | - | - | - | - | –1.9 | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | –0.3 | - | - | - | –1.0 | –0.6 |

| Other activities 2010 | Other activities 2009 | Elimination 2010 | Elimination 2009 | Total 2010 | Total 2009 restated |
|---|---|---|---|---|---|
| 1 408.4 | 1 517.6 | –292.5 | –435.1 | 37 560.4 | 36 506.0 |
| 1 305.9 | 1 460.7 | –292.5 | –435.1 | 34 102.8 | 33 297.6 |
| | | | | | |
| 15.9 | 11.2 | - | - | 213.6 | 57.1 |
| –9.3 | –4.6 | - | - | –31.2 | –31.0 |
| –1.9 | - | - | - | –1.9 | - |
| - | - | - | - | - | - |
| –0.3 | - | - | - | –1.0 | –0.6 |

## 3.4 Gross premiums by geography and business area

| | | Gross premiums before elimination | | Elimination | | Gross premiums | | Change in % | Change in % (FX-adjusted) |
|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | | |
| in CHF million | | | | | | | | | |
| Switzerland | non-life | 638.6 | 629.1 | - | - | 638.6 | 629.1 | 1.5 | 1.5 |
| Switzerland | life | 2 832.7 | 2 703.5 | - | - | 2 832.7 | 2 703.5 | 4.8 | 4.8 |
| Total Switzerland | | 3 471.3 | 3 332.6 | - | - | 3 471.3 | 3 332.6 | 4.2 | 4.2 |
| Germany | non-life | 563.4 | 612.4 | –3.9 | –2.9 | 559.5 | 609.5 | –8.2 | 1.1 |
| Germany | life | 274.9 | 247.1 | - | - | 274.9 | 247.1 | 11.2 | 22.5 |
| Total Germany | | 838.3 | 859.5 | –3.9 | –2.9 | 834.4 | 856.6 | –2.6 | 7.2 |
| Italy | non-life | 499.9 | 462.0 | - | - | 499.9 | 462.0 | 8.2 | 19.1 |
| Italy | life | 538.3 | 463.4 | - | - | 538.3 | 463.4 | 16.2 | 27.9 |
| Total Italy | | 1 038.2 | 925.4 | - | - | 1 038.2 | 925.4 | 12.2 | 23.5 |
| Spain | non-life | 339.1 | 382.9 | - | - | 339.1 | 382.9 | –11.4 | –2.5 |
| Spain | life | 134.7 | 141.0 | - | - | 134.7 | 141.0 | –4.5 | 5.2 |
| Total Spain | | 473.8 | 523.9 | - | - | 473.8 | 523.9 | –9.6 | –0.4 |
| Other countries | non-life | 307.3 | 300.1 | - | –0.2 | 307.3 | 299.9 | 2.5 | 12.8 |
| Other countries | life | 115.5 | 121.5 | - | - | 115.5 | 121.5 | –4.9 | 4.6 |
| Reinsurance | | 410.5 | 442.6 | –179.1 | –200.1 | 231.4 | 242.5 | –4.6 | –4.6 |
| Total other insurance business | | 833.3 | 864.2 | –179.1 | –200.3 | 654.2 | 663.9 | –1.5 | 5.0 |
| **Total gross premiums** | | **6 654.9** | **6 505.6** | **–183.0** | **–203.2** | **6 471.9** | **6 302.4** | **2.7** | **7.1** |

## 3.5 Gross premiums by business line

| in CHF million | Gross premiums 2010 | 2009 | Change in % | Change in % (FX-adjusted) |
|---|---|---|---|---|
| Individual insurance | 1472.0 | 1433.9 | 2.7 | 8.3 |
| Group insurance | 2230.8 | 2065.2 | 8.0 | 8.7 |
| Unit-linked life insurance | 193.3 | 177.4 | 9.0 | 16.3 |
| Gross premiums life | 3896.1 | 3676.5 | 6.0 | 8.9 |
| | | | | |
| Property | 950.2 | 983.1 | –3.3 | 2.9 |
| Transport | 167.0 | 194.1 | –14.0 | –6.6 |
| Motor vehicle | 821.4 | 770.5 | 6.6 | 15.0 |
| Liability | 244.4 | 258.3 | –5.4 | 0.7 |
| Accident / health | 161.4 | 177.4 | –9.0 | 0.1 |
| Gross premiums non-life | 2344.4 | 2383.4 | –1.6 | 5.6 |
| | | | | |
| Gross premiums reinsurance | 231.4 | 242.5 | –4.6 | –4.6 |
| | | | | |
| **Total gross premiums** | **6471.9** | **6302.4** | **2.7** | **7.1** |

## 3.6 Gross premiums and deposits received

In accordance with the Group's accounting policies, deposits from investment contracts are not recognised in the income statement.

| | Business volume | | Change in % | Change in % (FX-adjusted) |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| in CHF million | | | | |
| Gross premiums life | 3 896.1 | 3 676.5 | 6.0 | 8.9 |
| Deposits received from investment contracts life[1] | 283.5 | 408.6 | –30.6 | –23.6 |
| Gross premiums and deposits received life | 4 179.6 | 4 085.1 | 2.3 | 5.6 |
| Gross premiums non-life | 2 344.4 | 2 383.4 | –1.6 | 5.6 |
| Gross premiums reinsurance | 231.4 | 242.5 | –4.6 | –4.6 |
| **Gross premiums and deposits received** | **6 755.4** | **6 711.0** | **0.7** | **5.3** |

[1] Currently, all deposits from investment contracts life relate to the country market Italy.

# 4. Foreign currency translation

## 4.1 Exchange rates

The euro, Swiss franc, British pound and US dollar are the functional currencies in the individual business units of Helvetia Group. The following exchange rates apply to the translation of these financial statements and foreign currency transactions:

| Exchange rate at reporting date | 31.12.2010 | 31.12.2009 |
|---|---|---|
| 1 EUR | 1.2505 | 1.4832 |
| 1 USD | 0.9321 | 1.0338 |
| 1 GBP | 1.4593 | 1.6694 |

| Annual average | 2010 | 2009 |
|---|---|---|
| | Jan–Dec | Jan–Dec |
| 1 EUR | 1.3688 | 1.5069 |
| 1 USD | 1.0367 | 1.0824 |
| 1 GBP | 1.5984 | 1.6945 |

## 4.2 Foreign exchange gains and losses

The foreign exchange results in the 2010 consolidated income statement show a loss of CHF 290.1 million (previous year: profit of CHF 6.3 million). The foreign exchange loss from financial investments is included in "Gains and losses on investments" in the consolidated income statement and amounts to CHF 245.9 million (previous year: profit of CHF 3.3 million), excluding foreign currency translation differences from investments at fair value through profit and loss. Other foreign currency translation gains and losses are reported under the items "Other expenses" and "Other income".

# 5. Property and equipment

| in CHF million | Undeveloped land 2010 | 2009 | Owner-occupied property 2010 | 2009 | Equipment 2010 | 2009 |
|---|---|---|---|---|---|---|
| Acquisition costs | | | | | | |
| Balance as of 1 January | 9.3 | 9.3 | 533.9 | 491.9 | 117.7 | 100.6 |
| Change in scope of consolidation | - | - | 18.2 | - | - | 0.3 |
| Additions | - | - | 2.8 | 1.5 | 8.3 | 12.8 |
| Disposals | −0.3 | - | −2.7 | - | −17.5 | −1.7 |
| Revaluation gains on transfers to investment property | - | - | 0.3 | 0.7 | - | - |
| Transfer | - | - | −12.0 | 40.0 | - | - |
| Foreign currency translation differences | - | - | −44.3 | −0.2 | −11.6 | 0.0 |
| Other changes | - | - | 17.7 | - | −15.0 | 5.7 |
| **Balance as of 31 December** | **9.0** | **9.3** | **513.9** | **533.9** | **81.9** | **117.7** |
| Accumulated depreciation / impairment | | | | | | |
| Balance as of 1 January | 4.0 | 4.0 | 152.0 | 146.9 | 88.3 | 79.5 |
| Depreciation | - | - | 9.0 | 9.9 | 10.1 | 9.9 |
| Impairment | - | - | - | - | - | - |
| Reversal of impairment losses | - | - | - | - | - | - |
| Disposals depreciation / impairment | −0.2 | - | −0.8 | - | −17.0 | −1.2 |
| Transfer | - | - | −1.9 | −4.8 | - | - |
| Foreign currency translation differences | - | - | −14.7 | 0.0 | −8.4 | 0.1 |
| Other changes | - | - | 17.7 | - | −15.0 | - |
| **Balance as of 31 December** | **3.8** | **4.0** | **161.3** | **152.0** | **58.0** | **88.3** |
| **Book value as of 31 December** | **5.2** | **5.3** | **352.6** | **381.9** | **23.9** | **29.4** |
| of which assets under finance lease | - | - | 45.0 | 54.2 | - | - |
| Book value as of 1 January | 5.3 | 5.3 | 381.9 | 345.0 | 29.4 | 21.1 |

| Property under construction 2010 | 2009 | Total 2010 | 2009 |
|---|---|---|---|
| 0.1 | 234.2 | 661.0 | 836.0 |
| - | - | 18.2 | 0.3 |
| 0.0 | 9.7 | 11.1 | 24.0 |
| - | –0.3 | –20.5 | –2.0 |
| - | - | 0.3 | 0.7 |
| - | –239.0 | –12.0 | –199.0 |
| 0.0 | 1.2 | –55.9 | 1.0 |
| - | –5.7 | 2.7 | - |
| **0.1** | **0.1** | **604.9** | **661.0** |
| 0.0 | 3.6 | 244.3 | 234.0 |
| - | - | 19.1 | 19.8 |
| - | - | - | - |
| - | - | - | - |
| - | - | –18.0 | –1.2 |
| - | –3.7 | –1.9 | –8.5 |
| - | 0.1 | –23.1 | 0.2 |
| - | - | 2.7 | - |
| **0.0** | **0.0** | **223.1** | **244.3** |
| **0.1** | **0.1** | **381.8** | **416.7** |
| - | - | 45.0 | 54.2 |
| 0.1 | 230.6 | 416.7 | 602.0 |

# 6. Goodwill and other intangible assets

| | Goodwill | | Other intangible assets | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | | | |
| Acquisition costs | | | | | | |
| Balance as of 1 January | 84.1 | 64.8 | 266.7 | 253.7 | 350.8 | 318.5 |
| Change in the scope of consolidation | 136.2 | 19.6 | 13.7 | 0.0 | 149.9 | 19.6 |
| Additions | - | - | 34.5 | 13.0 | 34.5 | 13.0 |
| Disposals | - | - | –16.0 | –0.3 | –16.0 | –0.3 |
| Foreign currency translation differences | –13.1 | –0.3 | –33.7 | 0.3 | –46.8 | 0.0 |
| Other changes | - | - | –9.3 | - | –9.3 | - |
| **Balance as of 31 December** | **207.2** | **84.1** | **255.9** | **266.7** | **463.1** | **350.8** |
| Accumulated amortisation / impairment | | | | | | |
| Balance as of 1 January | 0.1 | 0.1 | 160.6 | 135.8 | 160.7 | 135.9 |
| Amortisation | - | - | 29.5 | 25.1 | 29.5 | 25.1 |
| Impairment | - | - | 1.9 | - | 1.9 | - |
| Reversal of impairment losses | - | - | - | - | - | - |
| Disposals amortisation / impairment | - | - | –15.8 | –0.2 | –15.8 | –0.2 |
| Foreign currency translation differences | 0.0 | 0.0 | –17.8 | –0.1 | –17.8 | –0.1 |
| Other changes | - | - | –9.3 | - | –9.3 | - |
| **Balance as of 31 December** | **0.1** | **0.1** | **149.1** | **160.6** | **149.2** | **160.7** |
| **Book value as of 31 December** | **207.1** | **84.0** | **106.8** | **106.1** | **313.9** | **190.1** |
| Book value as of 1 January | 84.0 | 64.7 | 106.1 | 117.9 | 190.1 | 182.6 |

In 2010, goodwill of CHF 118.4 million was recognised in respect of the acquisition of Alba Allgemeine Versicherungs-Gesellschaft AG and CHF 13.4 million in respect of the acquisition of Phenix Versicherungsgesellschaft AG. Details are provided in Note 19 (from page 191). The goodwill of CHF 131.8 million was allocated to the cash generating unit (CGU) "Switzerland non-life". The goodwill primarily represents expected synergies and efficiency gains as well as improved access to the Swiss non-life market.

Goodwill of CHF 4.4 million was capitalised for the acquisition of Phenix Lebensversicherungsgesellschaft AG and allocated to the CGU "Switzerland life". The goodwill represents expected synergies and efficiency gains as well as improved market access in French-speaking Switzerland.

Goodwill is tested annually for impairment in accordance with Note 2.11 (from page 100). The goodwill impairment test was based on the following growth and discount rates, assuming cash flows in perpetuity:

| as of 31.12.2010 | Goodwill | Growth rate | Discount rate |
|---|---|---|---|
| | in CHF million | in % | in % |
| Switzerland life | 4.4 | 1.0% | 9.19% |
| Switzerland non-life | 131.8 | 1.0% | 10.17% |
| Helvetia Compañía Suiza S.A. | 18.8 | 1.0% | 12.32% |
| Chiara Vita S.p.A. | 32.4 | 1.5% | 9.43% |
| Padana Assicurazioni S.p.A. | 3.5 | 1.5% | 11.39% |
| Helvetia Assurances S.A. | 16.2 | 1.0% | 11.23% |

| as of 31.12.2009 | Goodwill | Growth rate | Discount rate |
|---|---|---|---|
| | in CHF million | in % | in % |
| Helvetia Compañía Suiza S.A. | 22.2 | 1.0% | 10.26% |
| Chiara Vita S.p.A. | 38.4 | 1.5% | 8.00% |
| Padana Assicurazioni S.p.A. | 4.2 | 1.5% | 10.55% |
| Helvetia Assurances S.A. | 19.2 | 1.0% | 9.86% |

The impairment test carried out in 2010 did not result in any impairment loss. The recoverable amount was determined by calculating the value in use. This calculation required management to make estimates of expected cash flows to be derived from the asset. These free cash flows are usually considered for a period of two to five years and are based on the budget approved by management and the strategic planning. The growth rate was set by management and is based on past experience and future expectations. The applied discounting rates are pre-tax rates and relate to the risks allocated to the business units in question. Management believes that any reasonable change in any of the key assumptions used to determine the recoverable amount of the individual segments will not result in impairment.

Helvetia Group's "Other intangible assets" mainly comprise long-term sales agreements, the value of the acquired insurance business (present value of future payment flows from the acquisition of long-term insurance or investment contracts), and purchased and internally developed software.

# 7. Investments

## 7.1 Investment income

| | Notes | 2010 | 2009 |
|---|---|---|---|
| in CHF million | | | |
| Interest and dividend income | 7.1.1 | 783.1 | 817.2 |
| Gains and losses on investments (net) | 7.1.3 | 175.2 | 262.6 |
| Income on investment property | 7.1.5 | 252.0 | 236.1 |
| Share of profit or loss of associates | | 1.6 | 1.2 |
| Investment income (gross) | | 1 211.9 | 1 317.1 |
| Investment management expenses on financial assets | | –19.5 | –19.3 |
| Investment management expenses on property | | –58.9 | –58.6 |
| **Investment income (net)** | | **1 133.5** | **1 239.2** |

Investment management expenses are reported under "Operating and administrative expenses" in the income statement. Investment management expenses on property include all maintenance and repair costs as well as the operating expenses for property that did not generate rental income during the period. The latter amounted to CHF 1.0 million in the reporting year (previous year: CHF 1.2 million).

### 7.1.1 Interest and dividend income

| | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| Interest on bonds | 560.1 | 583.5 |
| Interest on loans | 154.5 | 165.6 |
| Interest on money market instruments | 4.2 | 7.4 |
| Interest income | 718.8 | 756.5 |
| Dividends from shares, investment funds and alternative investments | 64.2 | 59.4 |
| Income of securities lending | 0.1 | 1.3 |
| Other | 0.0 | 0.0 |
| **Interest and dividend income** | **783.1** | **817.2** |

Interest income from investments at fair value through profit or loss stood at CHF 36.2 million (previous year: CHF 44.9 million).

### 7.1.2 Direct yield of interest-rate-sensitive financial assets

| | 2010 | 2009 |
|---|---|---|
| in % | | |
| Bonds | 3.0 | 3.3 |
| Mortgages, loans and money market instruments | 2.8 | 2.9 |
| **Total interest rate-sensitive financial assets** | **2.9** | **3.2** |

## 7.1.3 Gains and losses on investments by category

| in CHF million | 2010 | 2009 |
|---|---|---|
| **Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses** | | |
| Bonds | 1.5 | - |
| Mortgages | 0.0 | 0.0 |
| Loans | 1.7 | –0.8 |
| Realised gains and losses on loans (LAR) incl. money market instruments | 3.2 | –0.8 |
| **Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses** | | |
| Bonds | –43.4 | 2.0 |
| Realised gains and losses on HTM investments[1] | –43.4 | 2.0 |
| **Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses** | | |
| Bonds | –146.8 | 0.3 |
| Shares | 54.7 | 21.0 |
| Investment funds | 0.2 | 2.7 |
| Alternative investments | –0.1 | –4.6 |
| Realised gains and losses on AFS investments | –92.0 | 19.4 |
| **Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses** | | |
| Bonds | 0.0 | 0.1 |
| Shares | 2.5 | –0.4 |
| Investment funds | 1.1 | 16.7 |
| Derivative financial instruments | 257.2 | –85.1 |
| Realised and book gains and losses on financial assets held for trading | 260.8 | –68.7 |
| **Realised and book gains and losses on financial assets designated as at fair value through profit or loss including foreign currency gains and losses** | | |
| Bonds | –29.1 | 52.5 |
| Shares | 21.9 | 95.0 |
| Investment funds | 72.8 | 195.1 |
| Alternative investments | –0.2 | –4.4 |
| Realised and book gains and losses on financial assets designated as at fair value through profit or loss | 65.4 | 338.2 |
| Other | –3.2 | 0.0 |
| Impairment of financial assets of the period | –16.7 | –29.5 |
| Reversal of impairment losses on financial assets of the period | 1.1 | 2.0 |
| **Total gains and losses on investments (net)** | **175.2** | **262.6** |

[1] Reported gains and losses on investments classified as held-to-maturity are book gains and losses resulting from foreign currency translation.

### 7.1.4 Gains and losses on investments (net)

| in CHF million | 2010 | 2009 |
|---|---|---|
| Bonds | –217.8 | 54.9 |
| Shares | 79.1 | 115.6 |
| Investment funds | 74.1 | 214.5 |
| Alternative investments | –0.3 | –9.0 |
| Derivative financial instruments[1] | 257.2 | –85.1 |
| Mortgages | 0.0 | 0.0 |
| Loans | 1.7 | –0.8 |
| Other | –3.2 | 0.0 |
| Impairment of financial assets of the period | –16.7 | –29.5 |
| Reversal of impairment losses on financial assets of the period | 1.1 | 2.0 |
| **Gains and losses on investments (net)** | **175.2** | **262.6** |
| there of: | | |
| Gains and losses relating to investments for the account and risk of life policyholders | 64.2 | 179.7 |
| **Own-account gains and losses on investments (net)** | **111.0** | **82.9** |

[1] Derivatives comprise gains and losses on derivative financial assets and derivative financial liabilities.

### 7.1.5 Income on investment property

| in CHF million | 2010 | 2009 |
|---|---|---|
| Rental income | 245.3 | 247.0 |
| Realised and book gains and losses | 6.7 | –10.9 |
| **Total income on investment property** | **252.0** | **236.1** |

Based on notice periods, tenancies generated operating lease receivables for Helvetia Group of CHF 58.0 million (previous year: CHF 54.1 million) due in less than one year, CHF 138.8 million (previous year: CHF 117.5 million) due between one and five years, and CHF 62.1 million (previous year: CHF 54.2 million) due in more than five years.

## 7.2 Investments by business segment

| as of 31.12.2010 | Notes | Life | Non-life | Other and elimination | Total |
|---|---|---|---|---|---|
| in CHF million | | | | | |
| Investments in associates | 7.3 | 46.2 | 2.2 | - | 48.4 |
| Investment property | 7.4 | 4063.1 | 413.5 | 2.9 | 4479.5 |
| **Financial assets by class** | 7.5 | | | | |
| Bonds | | 16123.5 | 2316.4 | 836.7 | 19276.6 |
| Shares | | 582.9 | 50.0 | 694.4 | 1327.3 |
| Investment funds | | 3035.2 | 288.7 | –736.6 | 2587.3 |
| Alternative investments | | 162.5 | 14.7 | - | 177.2 |
| Derivative financial assets | | 82.4 | 1.9 | 10.0 | 94.3 |
| Mortgages | | 3161.0 | 158.4 | –1.2 | 3318.2 |
| Policy loans | | 108.3 | - | - | 108.3 |
| Other loans | | 1146.2 | 236.6 | - | 1382.8 |
| Money market instruments | | 674.3 | 112.8 | 0.1 | 787.2 |
| **Total Investments** | | **29185.6** | **3595.2** | **806.3** | **33587.1** |

| as of 31.12.2009 | Notes | Life | Non-life | Other and elimination | Total |
|---|---|---|---|---|---|
| in CHF million | | | | | |
| Investments in associates | 7.3 | 45.5 | 16.9 | - | 62.4 |
| Investment property | 7.4 | 3910.5 | 437.3 | 3.4 | 4351.2 |
| **Financial assets by class** | 7.5 | | | | |
| Bonds | | 15542.4 | 2223.8 | 897.8 | 18664.0 |
| Shares | | 655.9 | 65.9 | 686.4 | 1408.2 |
| Investment funds | | 2889.1 | 292.5 | –763.3 | 2418.3 |
| Alternative investments | | 181.8 | 15.8 | - | 197.6 |
| Derivative financial assets | | 39.6 | 3.8 | 1.3 | 44.7 |
| Mortgages | | 3037.3 | 144.8 | –1.7 | 3180.4 |
| Policy loans | | 118.2 | - | - | 118.2 |
| Other loans | | 1235.8 | 255.5 | - | 1491.3 |
| Money market instruments | | 849.7 | 275.3 | 11.1 | 1136.1 |
| **Total Investments** | | **28505.8** | **3731.6** | **835.0** | **33072.4** |

## 7.3 Investments in associates

Under a loan contract Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel, is owed CHF 7.8 million by Tertianum AG, which attracts interest at usual market conditions.

Dividend income from associates totalled CHF 0.7 million (previous year: CHF 0.8 million). Income and expenses in respect of associates are reported in the income statement under "Share of profit or loss of associates".

Investments in associates accounted for under the equity method are listed in the table in Note 19 (from page 191).

### 7.3.1 Development of investments in associates

| in CHF million | 2010 | 2009 |
|---|---|---|
| Balance as of 1 January | 62.4 | 56.0 |
| Additions[1] | - | 6.3 |
| Disposals[1] | –7.5 | - |
| Unrealised gains and losses in equity | - | 0.1 |
| Share of profits for the year | 1.3 | 0.9 |
| Dividends paid | –0.7 | –0.8 |
| Impairment (net) | - | - |
| Foreign currency translation differences | –1.6 | –0.1 |
| Other changes | –5.5 | - |
| **Book value as of 31 December** | **48.4** | **62.4** |
| **Impairment losses** | | |
| Accumulated impairment losses as of 1 January | 7.7 | 7.7 |
| Impairment losses of the period | - | - |
| Reversal of impairment losses of the period | - | - |
| Disposals | - | - |
| Foreign currency translation differences | - | - |
| **Accumulated impairment losses as of 31 December** | **7.7** | **7.7** |

[1] Details on additions and disposals for associates are provided in Note 19, "Scope of consolidation".

## 7.3.2 Aggregated financial data on associates

The table below shows an aggregated balance sheet and income statement for the investments that are accounted for under the equity method.

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| **Assets** | | |
| Non-current assets | 441.6 | 467.7 |
| Current assets | 28.8 | 35.6 |
| **Total assets** | **470.4** | **503.3** |
| **Liabilities and equity** | | |
| Equity | 224.1 | 240.4 |
| Long-term liabilities | 32.3 | 45.1 |
| Short-term liabilities | 214.0 | 217.8 |
| **Total liabilities and equity** | **470.4** | **503.3** |

| | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| **Profit for the year** | | |
| Income | 139.3 | 133.2 |
| Expenses | –133.6 | –140.9 |
| **Profit for the year** | **5.7** | **–7.7** |

Helvetia Group's share in the liabilities of associates amounted to CHF 49.3 million (previous year: CHF 56.2 million). The associates have total contingent liabilities of CHF 150.7 million (previous year: CHF 148.1 million).

## 7.4 Investment property

| | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| Balance as of 1 January | 4351.2 | 4065.8 |
| Change in scope of consolidation | 31.4 | –3.3 |
| Additions | 15.8 | 69.4 |
| Capitalised subsequent expenditure | 205.2 | 121.4 |
| Disposals | –77.1 | –82.5 |
| Realised and book gains and losses | 6.7 | –10.9 |
| Transfer from/to property and equipment | 10.1 | 190.5 |
| Foreign currency translation differences | –63.8 | 0.8 |
| **Balance as of 31 December** | **4479.5** | **4351.2** |

The fair value measurement of the "investment properties" in the portfolio of the Swiss Group companies is calculated using a generally accepted discounted cash flow method. In the year under review, this was based on discounting interest rates ranging from 3.4 to 5.0% (previous year: 3.4 to 5.0%). For all other portfolios, measurement is based on valuation reports by independent experts.

## 7.5 Financial assets by category and class

| as of 31.12. | Book value 2010 | 2009 | Acquisition cost/amortised cost 2010 | 2009 |
|---|---|---|---|---|
| in CHF million | | | | |
| Financial assets at amortised cost: | | | | |
| **Loans and receivables (LAR)** | | | | |
| Bonds | 2 908.0 | 2 484.0 | 2 908.0 | 2 484.0 |
| Mortgages | 3 318.2 | 3 180.4 | 3 318.2 | 3 180.4 |
| Policy loans | 108.3 | 118.2 | 108.3 | 118.2 |
| Other loans | 1 369.6 | 1 468.2 | 1 369.6 | 1 468.2 |
| Money market instruments | 787.2 | 1 136.1 | 787.2 | 1 136.1 |
| Total "loans and receivables" (LAR)[1]: | 8 491.3 | 8 386.9 | 8 491.3 | 8 386.9 |
| **Held-to-maturity investments (HTM)** | | | | |
| Bonds | 3 535.6 | 3 047.0 | 3 535.6 | 3 047.0 |
| **Total financial assets at amortised cost** | **12 026.9** | **11 433.9** | **12 026.9** | **11 433.9** |
| Financial assets at fair value: | | | | |
| **At fair value through profit and loss (held for trading)** | | | | |
| Bonds | 10.4 | 10.4 | 10.0 | 10.0 |
| Shares | 31.4 | - | 29.1 | - |
| Investment funds – bonds | - | 2.1 | - | 4.5 |
| Investment funds – equities | 1.6 | 2.3 | 1.9 | 2.3 |
| Investment funds – mixed | 182.2 | 232.6 | 152.5 | 195.5 |
| Derivative financial assets | 94.3 | 44.7 | 30.2 | 39.3 |
| Total "held for trading" | 319.9 | 292.1 | 223.7 | 251.6 |
| **Designated as at fair value through profit or loss** | | | | |
| Bonds | 1 112.1 | 1 256.2 | 1 127.5 | 1 270.7 |
| Shares | 547.5 | 673.2 | 553.7 | 707.6 |
| Investment funds – bonds | 18.0 | 16.3 | 18.3 | 16.1 |
| Investment funds – equities | 223.5 | 34.5 | 212.5 | 41.7 |
| Investment funds – mixed | 246.9 | 234.5 | 250.2 | 236.8 |
| Investments for account and risk of life policyholders | 1 886.1 | 1 890.2 | 1 821.8 | 1 859.7 |
| Alternative investments | 16.0 | 21.4 | 7.3 | 21.7 |
| Total "designated" | 4 050.1 | 4 126.3 | 3 991.3 | 4 154.3 |
| Total "at fair value through profit and loss" | 4 370.0 | 4 418.4 | 4 215.0 | 4 405.9 |
| **Available-for-sale (AFS)** | | | | |
| Bonds | 11 710.5 | 11 866.4 | 11 527.8 | 11 544.7 |
| Shares | 748.4 | 735.0 | 571.9 | 565.4 |
| Investment funds – bonds | 0.7 | 1.0 | 0.6 | 0.8 |
| Investment funds – equities | 19.2 | 4.0 | 17.8 | 3.2 |
| Investment funds – mixed | 9.1 | 0.8 | 9.2 | 0.8 |
| Alternative investments | 161.2 | 176.2 | 156.0 | 175.8 |
| Loans | 13.2 | 23.1 | 12.5 | 22.5 |
| Total "available-for-sale" (AFS) | 12 662.3 | 12 806.5 | 12 295.8 | 12 313.2 |
| **Total financial assets at fair value** | **17 032.3** | **17 224.9** | **16 510.8** | **16 719.1** |
| **Total financial assets** | **29 059.2** | **28 658.8** | | |

[1] Excl. assets receivables from insurance business and reinsurance.

| Unrealised gains/losses net | | Fair value | |
|---|---|---|---|
| 2010 | 2009 | 2010 | 2009 |
| | | | |
| | | 2 981.1 | 2 494.2 |
| | | 3 391.7 | 3 225.2 |
| | | 108.2 | 118.2 |
| | | 1 427.1 | 1 500.8 |
| | | 787.2 | 1 136.1 |
| | | 8 695.3 | 8 474.5 |
| | | | |
| | | 3 629.7 | 3 113.5 |
| | | **12 325.0** | **11 588.0** |
| | | | |
| | | 10.4 | 10.4 |
| | | 31.4 | - |
| | | - | 2.1 |
| | | 1.6 | 2.3 |
| | | 182.2 | 232.6 |
| | | 94.3 | 44.7 |
| | | 319.9 | 292.1 |
| | | | |
| | | 1 112.1 | 1 256.2 |
| | | 547.5 | 673.2 |
| | | 18.0 | 16.3 |
| | | 223.5 | 34.5 |
| | | 246.9 | 234.5 |
| | | 1 886.1 | 1 890.2 |
| | | 16.0 | 21.4 |
| | | 4 050.1 | 4 126.3 |
| | | 4 370.0 | 4 418.4 |
| | | | |
| 182.7 | 321.7 | 11 710.5 | 11 866.4 |
| 176.5 | 169.6 | 748.4 | 735.0 |
| 0.1 | 0.2 | 0.7 | 1.0 |
| 1.4 | 0.8 | 19.2 | 4.0 |
| –0.1 | 0.0 | 9.1 | 0.8 |
| 5.2 | 0.4 | 161.2 | 176.2 |
| 0.7 | 0.6 | 13.2 | 23.1 |
| 366.5 | 493.3 | 12 662.3 | 12 806.5 |
| **366.5** | **493.3** | **17 032.3** | **17 224.9** |

## 7.5.1 Assets in securities lending

At the reporting date, securities with a fair value of CHF 32.2 million (previous year: CHF 54.4 million) were committed to securities lending by the Group.

## 7.5.2 Derivative financial assets

| | Maturity profile of contract values | | | Contract value | | Fair value | |
|---|---|---|---|---|---|---|---|
| as of 31.12. | < 1 year | 1–5 years | > 5 years | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | | | | |
| **Interest rate instruments** | | | | | | | |
| Forward rate agreements | - | - | - | - | - | - | - |
| Swaps | - | - | 3.8 | 3.8 | 4.4 | 0.8 | 0.9 |
| Options (over-the-counter) | - | - | - | - | - | - | - |
| Options (exchange-traded) | - | - | - | - | - | - | - |
| Futures (exchange-traded) | - | - | - | - | - | - | - |
| Total interest rate instruments | - | - | 3.8 | 3.8 | 4.4 | 0.8 | 0.9 |
| **Equity and equity-index instruments** | | | | | | | |
| Forwards | - | - | - | - | - | - | - |
| Options (over-the-counter) | 731.9 | 1.4 | 200.1 | 933.4 | 1 098.2 | 8.2 | 7.1 |
| Options (exchange-traded) | 114.0 | - | - | 114.0 | 88.1 | 2.7 | 1.3 |
| Futures (exchange-traded) | - | - | - | - | - | - | - |
| Total equity and equity-index instruments | 845.9 | 1.4 | 200.1 | 1 047.4 | 1 186.3 | 10.9 | 8.4 |
| **Currency instruments** | | | | | | | |
| Forwards | 2 049.5 | - | - | 2 049.5 | 1 834.6 | 82.6 | 35.4 |
| Swaps | - | - | - | - | - | - | - |
| Options (over-the-counter) | - | - | - | - | - | - | - |
| Options (exchange-traded) | - | - | - | - | - | - | - |
| Futures (exchange-traded) | - | - | - | - | - | - | - |
| Total currency instruments | 2 049.5 | - | - | 2 049.5 | 1 834.6 | 82.6 | 35.4 |
| **Total derivative financial assets** | **2 895.4** | **1.4** | **203.9** | **3 100.7** | **3 025.3** | **94.3** | **44.7** |

## 7.6 Financial assets by valuation method

| as of 31.12. | Quoted market prices 2010 | 2009 | Based on market data 2010 | 2009 | Not based on market data 2010 | 2009 | Total fair value 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|
| in CHF million | Level 1 | | Level 2 | | Level 3 | | | |
| **At fair value through profit and loss (held for trading)** | | | | | | | | |
| Bonds | 10.4 | 10.4 | - | - | - | - | 10.4 | 10.4 |
| Shares | 31.4 | - | - | - | - | - | 31.4 | 0.0 |
| Investment funds | 183.8 | 237.0 | - | - | - | - | 183.8 | 237.0 |
| Derivative financial assets | 2.8 | 2.1 | 91.5 | 42.6 | - | - | 94.3 | 44.7 |
| Total "held for trading" | 228.4 | 249.5 | 91.5 | 42.6 | - | - | 319.9 | 292.1 |
| **Designated as at fair value through profit or loss** | | | | | | | | |
| Bonds | 767.6 | 265.9 | 344.5 | 990.3 | - | - | 1 112.1 | 1 256.2 |
| Shares | 547.5 | 673.2 | - | - | - | - | 547.5 | 673.2 |
| Investment funds | 488.4 | 285.3 | - | - | 0.0 | - | 488.4 | 285.3 |
| Alternative investments | - | - | 6.7 | 10.9 | 9.3 | 10.5 | 16.0 | 21.4 |
| Total "designated" | 1 803.5 | 1 224.4 | 351.2 | 1 001.2 | 9.3 | 10.5 | 2 164.0 | 2 236.1 |
| Total "at fair value through profit and loss" | 2 031.9 | 1 473.9 | 442.7 | 1 043.8 | 9.3 | 10.5 | 2 483.9 | 2 528.2 |
| **Available-for-sale** | | | | | | | | |
| Bonds | 11 580.1 | 11 670.7 | 127.7 | 188.4 | 2.7 | 7.3 | 11 710.5 | 11 866.4 |
| Shares | 741.2 | 732.5 | 7.0 | 2.3 | 0.2 | 0.2 | 748.4 | 735.0 |
| Investment funds | 20.5 | 5.8 | - | - | 8.5 | - | 29.0 | 5.8 |
| Alternative investments | 0.3 | 0.6 | 160.9 | 175.6 | - | - | 161.2 | 176.2 |
| Loans | - | - | 13.2 | 23.1 | - | - | 13.2 | 23.1 |
| Total "available-for-sale" (AFS) | 12 342.1 | 12 409.6 | 308.8 | 389.4 | 11.4 | 7.5 | 12 662.3 | 12 806.5 |
| **Total financial assets at fair value[1]** | **14 374.0** | **13 883.5** | **751.5** | **1 433.2** | **20.7** | **18.0** | **15 146.2** | **15 334.7** |

[1] Without investment funds for account and risk of life policyholders.

In the reporting year, investments for CHF 14.3 million were transferred from Level 2 to Level 1 investments as there is now an active market with listed market prices for these investments.

From last year's portfolio of Level 3 investments of CHF 18.0 million, around CHF 4.4 million were transferred to the Level 2 investments, as the investments were converted by the issuer and a valuation based on market data is now possible. Other changes to the Level 3 portfolio resulted from the purchase of alternative investments for CHF 8.5 million and the sale of alternative investments for CHF 1.5 million.

The gain on the Level 3 investments equalled CHF 0.1 million (previous year: CHF –3.5 million). Of this gain, CHF 0.3 million was reported under “Gains and losses on investments” in the income statement and CHF –0.2 million under “Change in unrealised gains and losses on financial instruments” in the statement of comprehensive income. The valuation gain on the Level 3 investment portfolio at the end of the year amounts to CHF 0.3 million (previous year: CHF –3.5 million). The Level 3 portfolio was worth CHF 20.7 million at the end of the year.

The replacement of one or more assumptions by plausible alternatives would not have any significant impact on the measurement of the Level 3 investments.

## 7.7 Maturity dates and impairment of financial assets

### 7.7.1 Analysis of past due financial assets without impairment

| | < 1 month | | 2–3 months | | 4–6 months | | > 6 months | |
|---|---|---|---|---|---|---|---|---|
| as of 31.12. | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | | | | | |
| Mortgages | 13.8 | 14.7 | 10.0 | 4.7 | 4.3 | 11.1 | 5.7 | 4.4 |
| Money market instruments | - | - | - | - | 0.1 | 0.2 | - | - |
| **Total past due financial assets without impairment** | **13.8** | **14.7** | **10.0** | **4.7** | **4.4** | **11.3** | **5.7** | **4.4** |

Outstanding amounts are collected in the course of the normal reminder procedure and impaired if necessary (see Note 2.12.3, page 102). Mortgages and loans are renegotiated to enable the full amount to be recovered only in a few instances and this does not have a significant impact on any of the Group companies. Information on the collateral held by Helvetia Group is provided in Note 17.6 (from page 186).

### 7.7.2 Analysis of individual impaired financial assets at amortised cost

| | Gross | | Individual impairment | | Net | |
|---|---|---|---|---|---|---|
| as of 31.12. | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | | | |
| Mortgages | 8.4 | 10.0 | 2.7 | 3.2 | 5.7 | 6.8 |
| Other loans | 1.9 | 1.2 | 1.9 | 1.2 | - | - |
| **Total** | **10.3** | **11.2** | **4.6** | **4.4** | **5.7** | **6.8** |

### 7.7.3 Change in the impairment of financial assets at amortised cost

| | Mortgages | | Other loans | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | | | |
| Balance as of 1 January | 3.2 | 2.7 | 1.2 | 0.5 | 4.4 | 3.2 |
| Impairment | 1.1 | 2.5 | 0.9 | 0.7 | 2.0 | 3.2 |
| Reversal of impairment losses | –1.1 | –2.0 | - | - | –1.1 | –2.0 |
| Disposals impairment | –0.4 | 0.0 | 0.0 | - | –0.4 | 0.0 |
| Foreign currency translation differences | –0.1 | 0.0 | –0.2 | 0.0 | –0.3 | 0.0 |
| **Balance as of 31 December** | **2.7** | **3.2** | **1.9** | **1.2** | **4.6** | **4.4** |

# 8. Financial liabilities

Helvetia Group classifies financial liabilities according to their origin as financial liabilities from financing activities, financial liabilities from insurance business and other financial liabilities. Helvetia Group's financial liabilities do not include any financial covenants that will significantly change the terms and conditions of any agreement (e.g. maturity, interest rate, securities and currency). Financial liabilities at fair value equal the amount repayable on the due date. Note 17.5.1 (see page 178) contains a maturity schedule of loans and financial liabilities.

## 8.1 Financial liabilities from financing activities

| as of 31.12. | Acquisition cost/amortised cost 2010 | 2009 | Fair value 2010 | 2009 |
|---|---|---|---|---|
| in CHF million | | | | |
| **Financial liabilities at amortised cost** | | | | |
| Bonds | 149.4 | 199.9 | 203.1 | 201.2 |
| Liabilities from finance lease | 36.0 | 45.5 | 36.0 | 45.5 |
| **Total financial liabilities from financing activities** | **185.4** | **245.4** | **239.1** | **246.7** |

A six-year bond for CHF 200 million matured on 5 May 2010. Repayment was made at nominal value on 5 May 2010. To refinance this bond, Helvetia Holding AG, St-Gall issued a bond for CHF 150 million on 19 April 2010. The bond pays interest of 1.75% over a term of three years. The effective interest rate used for the valuation is 1.90%. The bond is measured at amortised cost. At the reporting date, the bond's carrying value stood at CHF 149.4 million (previous year: CHF 199.9 million). Interest expenses of CHF 4.2 million (previous year: CHF 6.3 million) for the bond were recognised in the income statement under “Finance costs”.

Liabilities from finance leases include a debt that arose under a financing agreement regarding the acquisition of a property for own use. The building was finished in October 2009. The interest costs under this agreement amount to CHF 0.4 million (previous year: CHF 1.0 million) and are recognised in the income statement under “Finance costs”.

Liabilities from finance lease

| | < 1 year | 1–5 years | > 5 years | Total 2010 | 2009 |
|---|---|---|---|---|---|
| in CHF million | | | | | |
| Future lease payments | 2.8 | 11.2 | 25.0 | 39.0 | 49.1 |
| Discounting amounts | –0.1 | –0.3 | –2.6 | –3.0 | –3.6 |
| **Present value liabilities from finance lease** | **2.7** | **10.9** | **22.4** | **36.0** | **45.5** |

## 8.2 Financial liabilities from insurance business

| as of 31.12. | Book value 2010 | 2009 | Acquisition cost/amortised cost 2010 | 2009 | Fair value 2010 | 2009 |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | |
| Deposit liabilities for credited policyholder profit participation | 768.7 | 795.5 | 768.7 | 795.5 | 768.7 | 795.5 |
| Deposit liabilities from reinsurance contracts | 91.6 | 102.0 | 91.6 | 102.0 | 91.6 | 102.0 |
| Total financial liabilities at amortised cost | 860.3 | 897.5 | 860.3 | 897.5 | 860.3 | 897.5 |
| **Financial liabilities at fair value** | | | | | | |
| Deposits for investment contracts | 1 564.8 | 1 804.1 | 1 564.8 | 1 804.1 | 1 564.8 | 1 804.1 |
| Total financial liabilities at fair value | 1 564.8 | 1 804.1 | 1 564.8 | 1 804.1 | 1 564.8 | 1 804.1 |
| **Total financial liabilities from insurance business** | **2425.1** | **2701.6** | **2425.1** | **2701.6** | **2425.1** | **2701.6** |

Deposit liabilities for credited policyholder profit participation

Deposit liabilities for credited policyholder profit participation include interest-bearing credit balances already contractually allocated to the holders of individual life insurance policies and policyholder dividends from the group life insurance business that are either available early or only when the insurance benefits fall due, depending on the applicable insurance terms and conditions.

Deposit liabilities from reinsurance contracts

Deposit liabilities from reinsurance contracts consist of reserves for unearned premiums, future loss payments and actuarial reserves for direct (ceded) and indirect (retroceded) business.

Deposits for investment contracts

Deposits for investment contracts contain deposits of policyholders owning investment contracts without discretionary participation features, predominantly from index and unit-linked products, without significant insurance risk, allowing the policyholder to directly participate in the performance of an external fund or external index. The change in fair value is solely due to changes in the performance of the underlying investment fund or index. There is no change in fair value that is attributable to changes in the credit risk component of these liabilities. Amounts paid into or from these deposits do not affect revenues and are not entered in the income statement, but are offset against the deposit. The features of these products are very similar to those of insurance contracts, apart from the fact that there is hardly any insurance risk. Insurance conditions and risks are described in Note 17 (from page 169). The income earned from the management of deposits for investment contracts reported in the income statement amounted to CHF 8.9 million in the reporting year (previous year: CHF 14.7 million).

## 8.3 Other financial liabilities

| as of 31.12. | Notes | Acquisition cost/amortised cost 2010 | 2009 | Fair value 2010 | 2009 |
|---|---|---|---|---|---|
| in CHF million | | | | | |
| **Financial liabilities at amortised cost** | | | | | |
| Other | | 70.5 | 75.0 | 70.5 | 75.0 |
| Total financial liabilities at amortised cost | | 70.5 | 75.0 | 70.5 | 75.0 |
| **Financial liabilities at fair value** | | | | | |
| Derivative financial liabilities | 8.3.1 | 7.8 | 7.9 | 7.8 | 10.4 |
| Other | | 17.7 | 2.5 | 17.7 | 2.5 |
| Total financial liabilities at fair value | | 25.5 | 10.4 | 25.5 | 12.9 |
| **Total other financial liabilities** | | **96.0** | **85.4** | **96.0** | **87.9** |

The line item "Other" at amortised cost also contains the collateral received for ongoing derivatives transactions.

### 8.3.1 Derivative financial liabilities

| as of 31.12. | Maturity profile of contract values < 1 year | 1–5 years | > 5 years | Contract value 2010 | 2009 | Fair value 2010 | 2009 |
|---|---|---|---|---|---|---|---|
| in CHF million | | | | | | | |
| **Interest rate instruments** | | | | | | | |
| Forward rate agreements | - | - | - | - | - | - | - |
| Swaps | - | - | - | - | - | - | - |
| Options (over-the-counter) | - | - | - | - | - | - | - |
| Options (exchange-traded) | - | - | - | - | - | - | - |
| Futures (exchange-traded) | - | - | - | - | - | - | - |
| Total interest rate instruments | - | - | - | - | - | - | - |
| **Equity and equity-index instruments** | | | | | | | |
| Forwards | - | - | - | - | - | - | - |
| Options (over-the-counter) | - | - | - | - | - | - | - |
| Options (exchange-traded) | - | - | - | - | - | - | - |
| Futures (exchange-traded) | - | - | - | - | - | - | - |
| Total equity and equity-index instruments | - | - | - | - | - | - | - |
| **Currency instruments** | | | | | | | |
| Forwards | - | - | - | - | 69.3 | - | 2.5 |
| Swaps | - | - | - | - | - | - | - |
| Options (over-the-counter) | - | - | - | - | - | - | - |
| Options (exchange-traded) | - | - | - | - | - | - | - |
| Futures (exchange-traded) | - | - | - | - | - | - | - |
| Total currency instruments | - | - | - | - | 69.3 | - | 2.5 |
| Derivatives from life policies | 37.0 | 127.8 | 102.8 | 267.6 | 316.1 | 7.8 | 7.9 |
| **Total derivative financial liabilities**[1] | **37.0** | **127.8** | **102.8** | **267.6** | **385.4** | **7.8** | **10.4** |

[1] At fair value through profit and loss (held for trading).

### 8.4 Financial liabilities by valuation method

At 31 December 2010 there were no financial liabilities from financial instruments at fair value. At 31 December 2009 financial liabilities from financial instruments at fair value equalled CHF 2.5 million in the "Level 2" valuation category, for which the valuation assumptions are based on observable market data. Derivatives from life policies are not included in this.

# 9. Insurance business

## 9.1 Reserves for insurance contracts and investment contracts with discretionary participation features

| as of 31.12. | Notes | Gross 2010 | 2009 | Reinsurance assets 2010 | 2009 | Net 2010 | 2009 |
|---|---|---|---|---|---|---|---|
| in CHF million | | | restated | | | | restated |
| Actuarial reserves for insurance contracts life | | 22 971.2 | 22 037.4 | 92.1 | 112.9 | 22 879.1 | 21 924.5 |
| Actuarial reserves for investment contracts | | 1 535.2 | 1 487.4 | - | - | 1 535.2 | 1 487.4 |
| Total actuarial reserves | | 24 506.4 | 23 524.8 | 92.1 | 112.9 | 24 414.3 | 23 411.9 |
| Provision for policyholder participation – non-life contracts | | 38.9 | 24.8 | - | - | 38.9 | 24.8 |
| Provision for policyholder participation – life contracts | | 648.0 | 708.8 | - | - | 648.0 | 708.8 |
| Provision for policyholder participation – investment contracts | | – 15.6 | 10.1 | - | - | – 15.6 | 10.1 |
| Total provision for future policyholder participation | | 671.3 | 743.7 | - | - | 671.3 | 743.7 |
| Loss reserves for insurance contracts non-life | 9.3.1 | 2 877.7 | 2 681.5 | 312.4 | 292.6 | 2 565.3 | 2 388.9 |
| Total loss reserves | | 2 877.7 | 2 681.5 | 312.4 | 292.6 | 2 565.3 | 2 388.9 |
| Unearned premium reserve for insurance contracts non-life | | 799.8 | 834.0 | 15.7 | 17.8 | 784.1 | 816.2 |
| Unearned premium reserve for insurance contracts life | | 157.4 | 158.4 | 8.3 | 10.2 | 149.1 | 148.2 |
| Total unearned premium reserve | | 957.2 | 992.4 | 24.0 | 28.0 | 933.2 | 964.4 |
| **Reserves for insurance and investment contracts** | | **29 012.6** | **27 942.4** | **428.5** | **433.5** | **28 584.1** | **27 508.9** |
| Reinsurance deposit receivables | | | | 50.6 | 60.1 | | |
| **Reinsurance assets** | | | | **479.1** | **493.6** | | |

Reinsurance deposit receivables are classified as "Loans and receivables" (LAR). They include deposits held by the ceding direct insurer in respect of unearned premiums, future loss payments and actuarial reserves for assumed indirect business. The fair value at the reporting date equals the reported carrying values. There was no impairment of deposit receivables.

Further details on actuarial reserves for the life and non-life businesses can be found in the following tables. A maturity analysis of the reserves for insurance contracts and investment contracts is provided in Note 17.5.1 (page 178).

## 9.2 Change in the reserves for insurance contracts and investment contracts with discretionary participation

| in CHF million | Actuarial reserves 2010 | Actuarial reserves 2009 | Provision for future policyholder participation 2010 | Provision for future policyholder participation 2009 |
|---|---|---|---|---|
| **Reserves for insurance contracts non-life (gross)** | | | | |
| Balance as of 1 January | | | 24.8 | 24.4 |
| Change in the scope of consolidation | | | 14.0 | 0.3 |
| Allocation/Release | | | 2.1 | 1.3 |
| Used amounts | | | –1.7 | –1.2 |
| Foreign currency translation differences | | | –0.3 | 0.0 |
| **Balance as of 31 December** | | | **38.9** | **24.8** |
| **Reserves for insurance contracts life (gross)** | | | | |
| Balance as of 1 January | 22 037.4 | 20 847.2 | 708.8 | 547.7 |
| Change in the scope of consolidation | 326.3 | - | 6.5 | - |
| Allocation/Release | 3 663.5 | 3 556.0 | 47.8 | 293.1 |
| Used amounts | –2 463.2 | –2 371.6 | –101.0 | –131.9 |
| Foreign currency translation differences | –592.8 | 5.8 | –14.1 | –0.1 |
| **Balance as of 31 December** | **22 971.2** | **22 037.4** | **648.0** | **708.8** |
| **Reserves for investment contracts (gross)** | | | | |
| Balance as of 1 January | 1 487.4 | 1 206.6 | 10.1 | –18.4 |
| Change in the scope of consolidation | - | - | - | - |
| Allocation/Release | 536.4 | 452.3 | –26.5 | 29.1 |
| Used amounts | –231.3 | –169.9 | - | –0.1 |
| Foreign currency translation differences | –257.3 | –1.6 | 0.8 | –0.5 |
| **Balance as of 31 December** | **1 535.2** | **1 487.4** | **–15.6** | **10.1** |
| **Reinsurers' share in reserves for insurance contracts** | | | | |
| Balance as of 1 January | 112.9 | 124.9 | | |
| Change in the scope of consolidation | 2.3 | - | | |
| Allocation/Release | 23.3 | 16.8 | | |
| Used amounts | –29.9 | –29.3 | | |
| Foreign currency translation differences | –16.5 | 0.5 | | |
| **Balance as of 31 December** | **92.1** | **112.9** | | |

| | Loss reserves | | Unearned premium reserve | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 restated | 2010 | 2009 restated |
| | 2 681.5 | 2 665.1 | 834.0 | 748.9 | 3 540.3 | 3 438.4 |
| | 371.7 | 9.3 | 49.0 | 3.8 | 434.7 | 13.4 |
| | 811.5 | 724.6 | 26.7 | 81.3 | 840.3 | 807.2 |
| | −712.7 | −720.4 | - | - | −714.4 | −721.6 |
| | −274.3 | 2.9 | −109.9 | 0.0 | −384.5 | 2.9 |
| | **2 877.7** | **2 681.5** | **799.8** | **834.0** | **3 716.4** | **3 540.3** |
| | | | 158.4 | 159.4 | 22 904.6 | 21 554.3 |
| | | | 3.9 | - | 336.7 | - |
| | | | 0.5 | −1.1 | 3 711.8 | 3 848.0 |
| | | | - | - | −2 564.2 | −2 503.5 |
| | | | −5.4 | 0.1 | −612.3 | 5.8 |
| | | | **157.4** | **158.4** | **23 776.6** | **22 904.6** |
| | | | - | - | 1 497.5 | 1 188.2 |
| | | | - | - | - | - |
| | | | - | - | 509.9 | 481.4 |
| | | | - | - | −231.3 | −170.0 |
| | | | - | - | −256.5 | −2.1 |
| | | | **-** | **-** | **1 519.6** | **1 497.5** |
| | 292.6 | 256.2 | 28.0 | 29.2 | 433.5 | 410.3 |
| | 42.2 | - | - | - | 44.5 | - |
| | 43.6 | 65.4 | −0.4 | −1.3 | 66.5 | 80.9 |
| | −35.4 | −29.3 | - | - | −65.3 | −58.6 |
| | −30.6 | 0.3 | −3.6 | 0.1 | −50.7 | 0.9 |
| | **312.4** | **292.6** | **24.0** | **28.0** | **428.5** | **433.5** |

## 9.3 Non-life business

Actuarial methods derived from many years of claims experience that take account of uncertainties associated with claims estimates are applied to determine the required loss reserves. The assumptions applied to determine the required loss reserves did not change substantially in the reporting year.

The Liability Adequacy Test (LAT) for non-life business resulted in an additional increase in loss reserves of CHF 14.7 million as per 31 December 2010 (previous year: CHF 16.8 million).

Insurance conditions and risks in non-life business are described in Note 17.2 (from page 171). The following table sets out the development of loss reserves for the previous eight years.

### 9.3.1 Claims development

| Year of loss occurrence | before 2002 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Run-off year 1 | | 1 553.6 | 1 451.7 | 1 511.5 | 1 640.6 | 1 474.9 |
| Run-off year 2 | | 1 473.5 | 1 376.0 | 1 489.3 | 1 599.9 | 1 461.3 |
| Run-off year 3 | | 1 445.8 | 1 326.8 | 1 425.8 | 1 525.1 | 1 354.2 |
| Run-off year 4 | | 1 426.0 | 1 310.3 | 1 375.5 | 1 479.4 | 1343.2[2] |
| Run-off year 5 | | 1 416.8 | 1 267.0 | 1 322.3 | 1480.5[2] | 1413.6[3] |
| Run-off year 6 | | 1 393.8 | 1 241.8 | 1322.2[2] | 1563.8[3] | |
| Run-off year 7 | | 1 378.9 | 1239.6[2] | 1416.0[3] | | |
| Run-off year 8 | | 1383.2[2] | 1324.5[3] | | | |
| Run-off year 9 | | 1464.2[3] | | | | |
| Estimated claims after year of loss occurence | | 1 464.2 | 1 324.5 | 1 416.0 | 1 563.8 | 1 413.6 |
| Accumulated claims paid as of 31 December | | – 1 368.0 | – 1 232.5 | – 1 209.2 | – 1 444.5 | – 1 239.1 |
| Estimated loss reserves as of 31 December | 308.8 | 96.2 | 92.0 | 206.8 | 119.3 | 174.5 |
| Increase of loss reserves based on LAT | | | | | | |
| Claims handling costs | | | | | | |
| Other technical reserves non-life | | | | | | |
| **Loss reserves as of 31 December** | | | | | | |
| Group reinsurance share | | | | | | |
| **Loss reserves as of 31 December** | | | | | | |

1 Assumed reinsurance claims rose in the second run-off year due to the accrual effect for proportional contracts.
2 Initial consolidation of Helvetia SA (previously CEAT) affects the entire diagonal.
3 Initial consolidation of Alba General Insurance and Phenix Insurance affects the entire diagonal.

The table above regarding the claims development in non-life business shows:

– Claims development is very stable.
– All existing actuarial liabilities are covered at an early stage by sufficient reserves.
– The fluctuation of the annual claims incurred is small overall for the well-diversified portfolio even before reinsurance.

| | 2007 | 2008 | 2009 | 2010 | Total |
|---|---|---|---|---|---|
| | 1 646.9 | 1 473.7 | 1562.1[2] | 1664.0[3] | |
| | 1 586.4 | 1527.4[1, 2] | 1687.5[1, 3] | | |
| | 1529.7[2] | 1550.1[3] | | | |
| | 1596.4[3] | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | 1 596.4 | 1 550.1 | 1 687.5 | 1 664.0 | |
| | | | | | |
| | –1 397.3 | –1 289.0 | –1 223.5 | –761.7 | |
| | 199.1 | 261.1 | 464.0 | 902.3 | 2 824.1 |
| | | | | | |
| | | | | | 14.7 |
| | | | | | 144.4 |
| | | | | | 31.2 |
| | | | | | **3 014.4** |
| | | | | | |
| | | | | | –136.7 |
| | | | | | |
| | | | | | **2 877.7** |

## 9.4 Life business

The actuarial reserve is normally calculated in a three-step process. In a first step, the actuarial reserve is computed based on local standards. These include applicable local parameters such as interest rates, mortality, surrender rates, expenses and additional biometric parameters which are usually set at the time of contract conclusion and vary by country, year of issuance and product.

If the reserves prove to be insufficient from a local point of view, they are increased in most countries in a second step. A required reserve increase may be spread over several years in the local financial statements, depending on local requirements and circumstances.

In a third step, the Liability Adequacy Test (LAT) finally applies Group-wide uniform standards to test whether the actuarial reserves included in the local financial statements (including additional reserve increases less local deferred acquisition costs) are sufficient. Across the Group the LAT required an allocation of additional actuarial reserves of CHF 26.9 million as of 31 December 2010 (previous year: CHF 38.6 million).

In the Swiss life business, the actuarial reserves increased by CHF 218.1 million due to changes to the local actuarial assumptions, in particular assumptions regarding mortality, expected claims for disability and the maximum interest rate for reserves, within the framework of the standard periodic review.

Insurance conditions and risks in life business are described in Note 17.3 (from page 173). Sensitivities of actuarial reserves are outlined in Note 17.3.3 (from page 174).

## 9.5 Deferred acquisition costs

| | Life | | Non-life | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | restated | | restated |
| Balance as of 1 January | 227.2 | 224.0 | 130.3 | 108.8 | 357.5 | 332.8 |
| Change in the scope of consolidation | 13.8 | - | 1.9 | - | 15.7 | - |
| Capitalised in the period | 22.0 | 26.5 | 28.7 | 22.3 | 50.7 | 48.8 |
| Amortised in the period | –23.2 | –23.3 | –12.6 | –0.7 | –35.8 | –24.0 |
| Impairment in the period | - | - | - | - | - | - |
| Foreign currency translation differences | –5.8 | 0.0 | –19.7 | –0.1 | –25.5 | –0.1 |
| **Balance as of 31 December** | **234.0** | **227.2** | **128.6** | **130.3** | **362.6** | **357.5** |

Helvetia Group defers acquisition costs in non-life and individual life business. The deferred acquisition costs are tested for impairment as part of the Liability Adequacy Test on every balance sheet date. The share of "Deferred acquisition costs" classified as short-term is CHF 167.5 million (previous year adjusted: CHF 182.2 million).

## 9.6 Receivables and liabilities from insurance business

| | Receivables (LAR) | | Liabilities at amortised cost | |
|---|---|---|---|---|
| as of 31.12. | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | |
| Due from/to policyholders | 482.2 | 548.6 | 1 083.7 | 1 052.9 |
| Due from/to agents and brokers | 124.4 | 119.1 | 150.4 | 104.9 |
| Due from/to insurance companies | 357.1 | 307.2 | 113.4 | 63.3 |
| **Total receivables and liabilities** | **963.7** | **974.9** | **1 347.5** | **1 221.1** |

The receivables and liabilities from insurance business are primarily short-term. A maturity analysis of the liabilities is provided in Note 17.5.1 (see page 178). The amortised cost of the receivables usually equals the fair value.

## 9.6.1 Analysis of past due receivables without individual impairment

| as of 31.12. | < 1 month 2010 | 2009 | 2–3 months 2010 | 2009 | 4–6 months 2010 | 2009 | > 6 months 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|
| in CHF million | | | | | | | | |
| Due from policyholders | 123.4 | 99.4 | 22.5 | 25.2 | 9.0 | 9.8 | 30.3 | 24.4 |
| Due from agents and brokers | 9.1 | 11.5 | 5.2 | 9.7 | 2.3 | 4.0 | 6.0 | 4.8 |
| Due from insurance companies | 9.1 | 3.3 | 0.3 | 1.9 | 0.3 | 0.7 | 3.1 | 1.3 |
| **Total past due receivables from insurance business without individual impairment** | **141.6** | **114.2** | **28.0** | **36.8** | **11.6** | **14.5** | **39.4** | **30.5** |

The analysis of past due receivables contains all past due receivables that were not impaired as well as impairments in the portfolio.

## 9.6.2 Change in the allowance accounts for receivables

| | Individual impairment 2010 | 2009 | Collective impairment 2010 | 2009 | Total 2010 | 2009 |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Balance as of 1 January | 20.0 | 14.7 | 20.3 | 21.3 | 40.3 | 36.0 |
| Change in the scope of consolidation | 0.2 | 0.4 | 0.6 | 0.2 | 0.8 | 0.6 |
| Impairment | 2.0 | 8.3 | 3.2 | 2.5 | 5.2 | 10.8 |
| Reversal of impairment loss | –3.5 | –3.0 | –0.5 | –3.7 | –4.0 | –6.7 |
| Disposals | –0.4 | –0.4 | –0.1 | - | –0.5 | –0.4 |
| Foreign currency translation differences | –3.0 | 0.0 | –2.5 | 0.0 | –5.5 | 0.0 |
| **Balance as of 31 December** | **15.3** | **20.0** | **21.0** | **20.3** | **36.3** | **40.3** |

Past due receivables from policyholders are usually impaired on a collective basis. Individual impairment is mostly applied to specific receivables from agents and brokers and from insurance companies.

## 9.6.3 Analysis of individually impaired receivables

| as of 31.12. | Gross 2010 | 2009 | Individual impairment 2010 | 2009 | Net 2010 | 2009 |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Due from policyholders | 1.2 | 1.6 | 1.2 | 1.5 | - | 0.1 |
| Due from agents and brokers | 13.1 | 17.3 | 13.1 | 17.3 | - | - |
| Due from insurance companies | 1.6 | 2.7 | 0.9 | 1.2 | 0.7 | 1.5 |
| **Total** | **15.9** | **21.6** | **15.2** | **20.0** | **0.7** | **1.6** |

# 10. Income taxes

### 10.1 Current and deferred income taxes

| in CHF million | 2010 | 2009 restated |
|---|---|---|
| Current tax | 89.2 | 77.4 |
| Deferred tax | –27.0 | 17.3 |
| **Total income taxes** | **62.2** | **94.7** |

### 10.2 Change in the deferred tax assets and liabilities (net)

| in CHF million | 2010 | 2009 restated |
|---|---|---|
| Balance as of 1 January | 493.8 | 433.3 |
| Change in the scope of consolidation | 21.4 | 0.4 |
| Deferred taxes recognised in equity | –22.6 | 42.7 |
| Deferred taxes recognised in the income statement | –27.0 | 17.3 |
| Foreign currency translation differences | –20.1 | 0.1 |
| **Balance as of 31 December** | **445.5** | **493.8** |

### 10.3 Expected and actual income taxes

| in CHF million | 2010 | 2009 restated |
|---|---|---|
| Expected income taxes | 97.3 | 102.3 |
| Increase/reduction in taxes resulting from: | | |
| tax-exempt interest and dividends | –2.1 | –1.4 |
| tax-exempt gains from shares and investments | –9.0 | –8.0 |
| non-deductible expenses | 8.1 | 10.0 |
| Back taxes | –12.4 | 0.0 |
| Change in tax rates | –17.7 | –3.8 |
| Tax elements related to other periods | –0.5 | –4.5 |
| Use of previously unrecognized losses carried forward | –1.8 | 0.2 |
| Other | 0.3 | –0.1 |
| **Actual income taxes** | **62.2** | **94.7** |

The expected tax rate applicable to Helvetia Group was 24.1% for 2010 (previous year adjusted: 24.3%). This rate is derived from the weighted average of expected tax rates in the individual countries where the Group operates.

The reason for the decrease in the weighted average tax rate lies in the geographical allocation of the profits on the one hand, and the different tax rates that apply in the individual territories on the other.

## 10.4 Tax on expenses and income recognised directly in equity

| | before tax | | deferred taxes | | after tax | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | | | |
| Change in unrealised gains and losses on financial instruments | –126.9 | 382.6 | 40.3 | –92.9 | –86.6 | 289.7 |
| Share of associates' net profit recognised directly in equity | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Revaluation from reclassification of property and equipment | –1.0 | 0.7 | 0.2 | –0.2 | –0.8 | 0.5 |
| Foreign currency translation differences | –204.8 | 0.8 | - | - | –204.8 | 0.8 |
| Change in liabilities for contracts with participation features | 49.5 | –196.0 | –14.7 | 50.6 | 34.8 | –145.4 |
| **Total other comprehensive income** | **–283.2** | **188.2** | **25.8** | **–42.5** | **–257.4** | **145.7** |

## 10.5 Deferred tax assets and liabilities

| as of 31.12. | Notes | Tax assets 2010 | 2009 | Tax liabilities 2010 | 2009 |
|---|---|---|---|---|---|
| in CHF million | | | restated | | restated |
| Unearned premium reserve | | 25.8 | 14.6 | 5.6 | 2.7 |
| Loss reserves | | 8.3 | 3.7 | 179.2 | 210.8 |
| Actuarial reserves | | 9.6 | 11.8 | 17.9 | 0.2 |
| Provision for future policyholder participation | | 59.4 | 74.0 | 6.5 | 4.3 |
| Investments | | 89.0 | 24.9 | 372.1 | 392.6 |
| Deferred acquisition costs | | 6.5 | 10.4 | 35.8 | 30.0 |
| Property, equipment and intangible assets | | 6.6 | 5.7 | 37.3 | 47.5 |
| Financial liabilities | | 26.8 | 23.4 | 58.9 | 5.9 |
| Non-actuarial provisions | | 0.5 | 0.5 | 8.4 | 9.1 |
| Employee benefits | | 18.1 | 21.0 | 1.9 | 2.0 |
| Tax assets from losses carried forward | 10.6.1 | 1.8 | 1.1 | - | - |
| Other | | 53.4 | 57.8 | 27.7 | 37.6 |
| **Deferred taxes (gross)** | | **305.8** | **248.9** | **751.3** | **742.7** |
| Offset | | –280.7 | –225.2 | –280.7 | –225.2 |
| **Deferred taxes (net)** | | **25.1** | **23.7** | **470.6** | **517.5** |

No deferred tax liabilities were recognised for withholding tax and other taxes that would be payable on the unremitted income from certain subsidiaries, as these amounts are retained.

## 10.6 Losses carried forward

### 10.6.1 Net tax assets from losses carried forward

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| Expire within 1 year | - | - |
| Expire between 2 and 3 years | - | - |
| Expire between 4 and 7 years | - | 5.7 |
| Without expiration | 7.3 | 4.3 |
| Total recognised losses carried forward | 7.3 | 10.0 |
| Resulting tax assets | 1.8 | 1.1 |
| **Net tax assets from losses carried forward** | **1.8** | **1.1** |

### 10.6.2 No tax assets for losses carried forward

As of 31 December 2010, no tax assets were recognised for losses carried forward of CHF 52.2 million (previous year: CHF 36.3 million). Of this amount, CHF 0.0 million will expire after four years or more and CHF 52.2 million do not have an expiry date. Tax rates applicable to significant losses carried forward for which no tax assets were recognised are between 17 and 29%.

# 11. Equity

## 11.1 Share capital and treasury shares

The fully paid up registered shares of Helvetia Holding AG have a nominal value of CHF 0.10 (previous year: CHF 0.10).

The purchase of Helvetia Holding AG registered shares is not subject to any restrictions. Shareholders who purchase the shares in their own name and on their own behalf are entered in the share register with voting rights for a maximum of 5% of the issued registered shares. Individuals who do not explicitly certify in the registration application that they acquired the shares on their own behalf are entered in the share register for a maximum of 3%.

In the reporting year, no treasury shares were sold. The number of treasury shares is therefore the same at 32,254 shares. The treasury shares that were granted to Helvetia Group employees at favourable terms under the Helvetia employee share purchase plan did not come from the company's own stock but were acquired on the market. This resulted in a loss of CHF 0.7 million (previous year: CHF 0.6 million), which was charged to the capital reserve without affecting profit or loss. This amount represents the difference between the market purchase price and the reduced price for employees.

In the reporting year, Patria Genossenschaft paid CHF 16.0 million (previous year: CHF 16.0 million) into the bonus reserves of Helvetia Schweizerische Lebensversicherungsgesellschaft AG. This was credited to equity without affecting profit or loss and allocated in total to "Provision for future policyholder participation" under liabilities in accordance with its objective.

| in CHF million | Number of shares | Share capital |
|---|---|---|
| **Share capital** | | |
| As of 1.1.2009 | 8 652 875 | 0.9 |
| As of 31.12.2009 | 8 652 875 | 0.9 |
| **As of 31.12.2010** | **8 652 875** | **0.9** |
| **Treasury shares** | | |
| As of 1.1.2009 | 70 312 | 0.0 |
| As of 31.12.2009 | 32 254 | 0.0 |
| **As of 31.12.2010** | **32 254** | **0.0** |
| **Shares outstanding** | | |
| As of 1.1.2009 | 8 582 563 | 0.9 |
| As of 31.12.2009 | 8 620 621 | 0.9 |
| **As of 31.12.2010** | **8 620 621** | **0.9** |

### 11.2 Reserves

#### 11.2.1 Capital reserve

The capital reserve consists of assets paid in by third parties. The capital reserve primarily comprises the share premium of shares issued by Helvetia Holding AG and the preferred securities of Helvetia Group as well as the result from treasury share transactions.

#### 11.2.2 Retained earnings

Accumulated non-distributed earnings of Helvetia Group are recognised in the balance sheet as "Retained earnings". Besides freely disposable funds, they also comprise statutory reserves and reserves bound by the articles of association which are sustained by the net profit for the year and subject to restrictions on distributions.

#### 11.2.3 Reserve for "Foreign currency translation differences"

The reserve for "Foreign currency translation differences" results from the translation of financial statements prepared in foreign currency into the Group's reporting currency (Swiss franc).

#### 11.2.4 Reserve for "Unrealised gains and losses"

The reserve for "Unrealised gains and losses" includes fair value changes of available-for-sale investments (AFS), the portion of unrealised gains and losses of associates, as well as value changes resulting from the transfer of owner-occupied property.

The reserve is adjusted at the balance sheet date by the portion relating to contracts with discretionary participation features and deferred taxes. The portion reserved for the owners of contracts with mandatory participation features is transferred to "Liabilities". This item plus foreign exchange influences amounts to CHF 49.5 million (previous year: CHF –196.0 million) for the period. The remaining portion regarding contracts with discretionary participation features is allocated to the "Valuation reserves for contracts with participation features in equity" (see Note 11.2.5, page 152).

In the year under review, CHF 3.2 million (previous year: CHF 0.1 million) earned on the sale of owner-occupied properties transferred to investment properties was allocated to retained earnings.

Unrealised gains and losses in equity

| | Notes | Available-for-sale investments 2010 | 2009 |
|---|---|---|---|
| in CHF million | | | |
| Balance as of 1 January | | 493.3 | 110.8 |
| Fair value revaluation incl. foreign currency translation differences | | 14.3 | 345.3 |
| Revaluation from reclassification of property and equipment | | - | - |
| Gains reclassified to the retained earnings due to disposals | | - | - |
| Gains reclassified to the income statement due to disposals | | –136.8 | –40.5 |
| Losses reclassified to the income statement due to disposals | | 12.2 | 59.8 |
| Impairment losses reclassified to the income statement | | –16.5 | 17.9 |
| Balance as of 31 December | | 366.5 | 493.3 |
| less: | | | |
| Obligations for contracts with participation features in "Liabilities" | | | |
| Valuation reserves for contracts with participation features in "Equity" (gross) | 11.2.5 | | |
| Minority interests | | | |
| Deferred taxes on remaining portion | | | |
| **Unrealised gains and losses (net) as of 31 December** | | | |

| | Associates | | Transfer of owner-occupied property | | Total unrealised gains and losses | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | 0.2 | 0.1 | 14.5 | 13.9 | 508.0 | 124.8 |
| | 0.0 | 0.1 | –1.3 | 0.0 | 13.0 | 345.4 |
| | - | - | 0.3 | 0.7 | 0.3 | 0.7 |
| | - | - | –3.2 | –0.1 | –3.2 | –0.1 |
| | - | - | - | - | –136.8 | –40.5 |
| | - | - | - | - | 12.2 | 59.8 |
| | - | - | - | - | –16.5 | 17.9 |
| | 0.2 | 0.2 | 10.3 | 14.5 | 377.0 | 508.0 |
| | | | | | | |
| | | | | | –161.5 | –202.8 |
| | | | | | –109.5 | –138.0 |
| | | | | | 2.5 | –10.9 |
| | | | | | –21.6 | –37.4 |
| | | | | | **86.9** | **118.9** |

11.2.5 Valuation reserve for contracts with participation features

The valuation reserves for contracts with participation features are created for surpluses from insurance and investment contracts that arise from IFRS-related adjustments, impact either net income or unrealised gains, and are not considered a liability for policyholders under country-defined "legal quotas" governing minimum distributions to policyholders. The reserves comprise the share of unrealised gains and losses on investments relating to contracts with profit participation recognised directly in equity, and portions from retained earnings arising from valuation differences relating to the same contracts. The use of the reserves is at the insurer's discretion (see Note 2.15.2, from page 104).

Development of valuation reserve for contracts with participation features

| in CHF million | 2010 | 2009 |
|---|---|---|
| **Unrealised gains and losses on contracts with participation features** | | |
| Balance as of 1 January | 138.0 | 41.5 |
| Change in unrealised gains and losses | –27.9 | 96.7 |
| Foreign currency translation differences | –0.6 | –0.2 |
| Balance as of 31 December | 109.5 | 138.0 |
| less: | | |
| Deferred taxes | –23.6 | –32.0 |
| Unrealised gains and losses as of 31 December | 85.9 | 106.0 |
| **Retained earnings on contracts with participation features** | | |
| Balance as of 1 January | 530.6 | 481.2 |
| Share of profit for the year | 36.9 | 48.0 |
| Reclassifications | 0.7 | 1.4 |
| Retained earnings as of 31 December | 568.2 | 530.6 |
| **Valuation reserves for contracts with participation features as of 31 December** | **654.1** | **636.6** |

Reclassification of the retained earnings on contracts with discretionary participation features is required under local regulations for the appropriation of profit in Italy. The amounts are transferred to retained earnings.

### 11.3 Preferred securities

In 2010, Helvetia Schweizerische Versicherungsgesellschaft AG issued a subordinated perpetual bond for CHF 300 million. This bond meets all solvency requirements and is allocated to equity. For the first five years the bond will pay an annual interest of 4.75%. The interest is recognised directly in equity. Helvetia can suspend interest payments as it sees fit, insofar as Helvetia Holding does not pay any dividends. However, the suspended interest payments do not lapse. The first termination date that Helvetia has the right, but not the duty to repay is 30 November 2015. After this the bond will earn a floating interest based on the three-month CHF LIBOR rate plus 359.6 basis points.

### 11.4 Deferred taxes recognised directly in equity

Deferred taxes recognised directly in equity arise from valuation differences that primarily result from the fair value valuation of AFS financial assets and value changes related to the transfer of property. On the reporting date, they amounted to a total of CHF 45.1 million (previous year: CHF 70.9 million).

## 11.5 Earnings per share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding of Helvetia Holding AG and the portion of the Group's net profit for the year attributable to shareholders plus the interest on the preferred securities recognised directly in equity. Diluted earnings for both reporting periods correspond to the basic earnings, as no convertible instruments or options that could have a dilutive effect are outstanding.

Earnings per share for the period

| | 2010 | 2009 |
|---|---|---|
| in CHF | | restated |
| Profit for the year less minority interests | 338 930 178 | 323 369 502 |
| Weighted average number of shares outstanding | 8 620 621 | 8 614 265 |
| **Earnings per share** | **39.32** | **37.54** |

## 11.6 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 6 May 2011 to pay a dividend per share of CHF 16.00 (previous year: CHF 14.50) with the total payout amounting to CHF 138.4 million (previous year: CHF 125.5 million). The proposal is to pay CHF 8.00 of the dividend from the capital contribution reserve, as under the new law no Swiss withholding or income tax is due for private persons domiciled in Switzerland. Helvetia can allocate a total of around CHF 260 million of the contribution reserves for current and future dividend payments. The proposed dividend will not be distributed before it has been approved by the ordinary Shareholders' Meeting. The dividend distribution is only recognised when approved by the Shareholders' Meeting.

The Swiss subsidiaries are subject to the restrictions of the Swiss Code of Obligations with regard to the dividends that may be distributed to the parent company. The Code requires 5% of profit to be allocated to the statutory reserve fund until its amount equals 20% of the paid-in share capital. In addition, 10% of the amount that is paid out as a policyholder dividend after payment of a dividend of 5% must be allocated to the reserve fund, even after the latter has reached the statutory level. Some other countries where subsidiaries of Helvetia Group operate have similar rules, and their company law restricts a dividend payment to the parent company.

In addition to the aforementioned regulations, the payment of dividends by subsidiaries of Helvetia Group may be restricted by minimum capital or solvency requirements imposed by supervisory authorities.

All insurance units of the Helvetia Group must meet minimum solvency margins (so-called Solvency I), calculated in accordance with Art. 24 et seq. of the Swiss Supervision Ordinance (AVO) for life insurance and Art. 27 et seq. AVO for non-life insurance.

Helvetia Group is required to report to the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland. FINMA also acts as the European Supervisory Office.

## 11.7 Capital management

Helvetia Group manages its invested capital in accordance with the IFRS. Helvetia Group's capital management strategy is unchanged to the prior year and focuses on the following objectives:

- ensuring compliance with regulatory capital requirements at all times;
- securing the capital required to underwrite new business;
- optimising the earning power of its equity;
- supporting the planned strategic growth;
- optimising the Group's financial flexibility.

These objectives are kept in balance by taking account of risk capacity and cost/benefit arguments. Therefore the Group targets an interactive rating of at least "A–".

The regulatory coverage ratio under Solvency I reported at Group level is in line with the strategic objectives described above.

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| in CHF million | | restated |
| Equity | 3 457.6 | 3 208.4 |
| Available capital under Solvency I | 3 159.5 | 3 060.9 |
| Required capital under Solvency I | 1 434.8 | 1 396.9 |
| **Solvency I coverage ratio** | **220.2%** | **219.1%** |

The slight increase in the coverage ratio of 1.1 percentage points reflects an increase in the available capital of CHF 98.6 million with an increase in the required capital of CHF 37.9 million.

The increase in the available capital is mainly due to the issue of preferred securities and the resulting increase in equity of CHF 249.2 million, reduced by CHF 123.8 million from the increase in goodwill and intangible assets. The increase in required capital reflects the business growth, in particular in life business, but has been weakened by the foreign currency translation effects. More information can be derived from the consolidated statement of equity.

In the previous year the increase in the coverage ratio of 14.6 percentage points was dominated by the increase in IFRS equity by CHF 369.4 million. The increase was diluted by the decrease of the final profit participation fund of CHF 33.9 million and the increase in the required capital of CHF 43.8 million.

As of 31 December 2010, all Group legal entities fulfilled the regulatory capital requirements as calculated up to the reference date.

# 12. Provisions and other commitments

## 12.1 Non-actuarial provisions

| in CHF million | 2010 | 2009 |
|---|---|---|
| Balance as of 1 January | 86.9 | 73.9 |
| Change in the scope of consolidation | - | 0.3 |
| Allocation | 44.9 | 49.1 |
| Release | –5.2 | –10.0 |
| Used amounts | –29.1 | –26.5 |
| Foreign currency translation differences | –5.4 | 0.1 |
| **Balance as of 31 December** | **92.1** | **86.9** |

No significant new provisions were raised in the reporting year. The "Non-technical reserves" item primarily consists of provisions for liabilities due to authorities arising from other tax obligations, provisions for restructuring expenses and liabilities due to agents. The share of provisions classified as current is CHF 91.1 million (previous year: CHF 80.5 million).

## 12.2 Contingent liabilities and other commitments

The following contingent liabilities are not recognised in the balance sheet:

### Capital commitments

At the balance sheet date there were no financial commitments for the future acquisition of investments (previous year: none).

### Assets pledged or assigned

Helvetia Group has pledged assets of CHF 54.7 million (previous year: CHF 54.7 million) as security for liabilities. These relate to financial assets and other assets pledged to cover liabilities arising from the underwriting business.

### Operating lease liabilities

Helvetia Group is a lessee in a number of different operating leases. As a result, future lease liabilities expiring in less than one year amount to CHF 2.9 million (previous year: CHF 3.3 million) due in less than one year, CHF 9.4 million (previous year: CHF 8.0 million) due between one and five years, and CHF 2.5 million (previous year: CHF 3.5 million) due in more than five years.

Legal proceedings

The Group is involved in various legal proceedings, claims and litigation that are mostly related to its insurance operations. However, Group management is not aware of any case that could significantly impact the Group's asset, financial and income situation.

Other contingent liabilities

Helvetia Group has guaranteed letters of credit for CHF 45.3 million (previous year: CHF 44.4 million) to third-party insurance companies as security for reinsurance business. These guarantees have been issued by a bank. Under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel, has given a guarantee agreement towards collective foundations for CHF 0.5 million (previous year: CHF 0.5 million). Additional contingent liabilities amounted to CHF 30.0 million (previous year: CHF 17.9 million) as of the balance sheet date.

# 13. Employee benefits

Helvetia Group had 4,923 employees as of 31 December 2010 (previous year: 4,511). Total personnel costs are shown in the table below.

### 13.1 Personnel costs

| | Note | 2010 | 2009 |
|---|---|---|---|
| in CHF million | | | |
| Commissions | | 91.9 | 111.2 |
| Salaries | | 327.2 | 330.5 |
| Social security costs | | 68.0 | 62.7 |
| Pension costs – defined contribution plans | | 3.1 | 3.3 |
| Pension costs – defined benefit plans | 13.3.4 | 41.9 | 41.1 |
| Other long-term employee benefit expenses | | 1.2 | 1.2 |
| Termination benefits | | 2.5 | 2.5 |
| Share-based payment transaction costs | | 1.0 | 0.6 |
| Other personnel costs | | 18.8 | 22.9 |
| **Total personnel costs** | | **555.6** | **576.0** |

### 13.2 Total employee benefit receivables and obligations

| | | Receiv-ables | | Liabilities | |
|---|---|---|---|---|---|
| as of 31.12. | Notes | 2010 | 2009 | 2010 | 2009 |
| in CHF million | | | | | |
| **Kind of benefit** | | | | | |
| Defined benefit plans | 13.3.1 | - | - | 197.0 | 217.0 |
| Other long-term employee benefits | | - | - | 13.8 | 14.0 |
| Short-term employee benefits | | 0.7 | 0.8 | 52.3 | 51.0 |
| **Total employee benefit receivables and obligations** | | **0.7** | **0.8** | **263.1** | **282.0** |

“Other long-term employee benefits” principally contain liabilities for service awards. There were no employee contingent obligations or employee contingent receivables.

## 13.3 Defined benefit plans

The employees of Helvetia Group are covered under several pension plans in Switzerland and abroad.

In Switzerland, employees are covered by the "Pensionskasse der Helvetia Versicherungen" (Pension Fund of Helvetia Insurance) with its registered office in St-Gall. It was founded with the purpose of providing occupational benefits to employees upon retirement and in the event of disability as well as after their death to their surviving dependants in accordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The benefits provided by the pension fund meet at least the statutory minimum required by the BVG. Contributions to the pension fund are set as a percentage of the employee's pensionable annual salary, deducted from the salary by the employer and transferred every month to the pension fund, together with the employer's contributions. In the reporting year there were no significant transactions between the pension fund and Helvetia Group that are not directly related to employee benefits. The Group investments included in the plan assets are set out in Note 13.3.6 (page 160).

Unfunded defined benefit plans are in place in Germany, Austria, Italy, Spain and France. The accumulated pension obligations are recorded as pension liabilities in the balance sheet of the employer. These pension plans cover benefits for retirement, death, disability or termination of the employment contract with consideration given to local labour laws and social legislation in the individual countries. The benefits are fully financed by the employer.

### 13.3.1 Reconciliation of balance sheet

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| in CHF million | | |
| Present value of funded obligations (+) | 1 661.9 | 1 388.2 |
| Fair value of plan assets | – 1 535.3 | – 1 372.2 |
| | 126.6 | 16.0 |
| Present value of unfunded obligations (+) | 95.7 | 109.7 |
| Unrecognised actuarial gains (+) or losses (–) | – 112.7 | 15.9 |
| Unrecognised past service cost (–) | - | - |
| Amounts not to be recognised in balance sheet | 87.4 | 75.4 |
| **Net liability[1] for defined benefit plans** | **197.0** | **217.0** |

[1] The "Net liabilities" position does not contain any reimbursement rights.

### 13.3.2 Movement in the defined benefit obligation

| in CHF million | 2010 | 2009 |
|---|---|---|
| Defined benefit obligation as of 1 January | 1 497.9 | 1 489.3 |
| Service cost | 48.6 | 46.8 |
| Interest cost | 52.7 | 52.2 |
| Actuarial gains (–)/losses (+) | 87.6 | –16.7 |
| Benefits paid | –89.4 | –97.1 |
| Past service cost | –2.7 | 6.6 |
| Change in the scope of consolidation | 180.3 | 0.6 |
| Other amounts | 24.6 | 18.1 |
| Curtailments and settlements | –2.0 | –0.5 |
| Foreign currency translation differences | –40.0 | –1.4 |
| **Defined benefit obligation as of 31 December** | **1 757.6** | **1 497.9** |

### 13.3.3 Movement in the fair value of plan assets

| in CHF million | 2010 | 2009 |
|---|---|---|
| Fair value of plan assets as of 1 January | 1 372.2 | 1 295.7 |
| Expected return on plan assets | 49.5 | 60.1 |
| Actuarial gains (+)/losses (–) | –41.0 | 47.6 |
| Employer contributions | 29.7 | 25.2 |
| Employee contributions | 16.9 | 16.1 |
| Benefits paid | –81.7 | –87.5 |
| Change in the scope of consolidation | 171.5 | - |
| Other amounts | 24.6 | 18.1 |
| Foreign currency translation differences | –6.4 | –3.1 |
| **Fair value of plan assets as of 31 December** | **1 535.3** | **1 372.2** |

The “Other amounts” item concerns vested benefits brought into the pension fund.

### 13.3.4 Net pension costs

| in CHF million | 2010 | 2009 |
|---|---|---|
| Current service cost | 48.6 | 46.8 |
| Interest cost | 52.7 | 52.2 |
| Expected return on plan assets | –49.5 | –60.1 |
| Actuarial gains and losses | –0.3 | –44.4 |
| Employee contributions | –16.9 | –16.1 |
| Change in amounts not recognised as assets | 12.0 | 56.6 |
| Past service cost | –2.7 | 6.6 |
| Effect of curtailments or settlements | –2.0 | –0.5 |
| **Net pension costs for defined beneit plans** | **41.9** | **41.1** |
| Actual return on plan assets | 8.6 | 107.7 |

Net pension costs for defined benefit plans are recognised in the income statement under "Operating and administrative expenses". Expected employer contributions toward defined benefit plans for the next year amount to CHF 53.9 million.

### 13.3.5 Actuarial assumptions

| | Switzerland | | Abroad | |
|---|---|---|---|---|
| Weighted averages | 2010 | 2009 | 2010 | 2009 |
| in % | | | | |
| Discount rate | 2.8 | 3.3 | 4.5 | 5.0 |
| Expected rate of return on plan assets | 4.0 | 3.6 | 4.0 | 4.0 |
| Expected salary increases | 1.5 | 2.3 | 2.8 | 2.8 |
| Expected pension increases | 0.8 | 0.8 | 1.9 | 1.9 |

### 13.3.6 Actual plan asset allocation

| Weighted averages | 2010 | 2009 |
|---|---|---|
| in % | | |
| Equity instruments | 29 | 27 |
| Debt instruments | 49 | 52 |
| Real estate | 20 | 19 |
| Other | 2 | 2 |
| **Total** | **100** | **100** |

Plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 76.6 million as of 31 December 2010 (previous year: CHF 51.3 million). Plan assets do not include any of the Group's owner-occupied properties.

## 13.3.7 Long-term target plan asset allocation

| Weighted averages | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| in % | from | | to | from | | to |
| Equity instruments | 14 | – | 32 | 14 | – | 32 |
| Debt instruments | 43 | – | 65 | 43 | – | 65 |
| Real estate | 14 | – | 24 | 14 | – | 24 |
| Other | 0 | – | 4 | 0 | – | 4 |

As far as investment policy and strategy are concerned, occupational benefit plans in Switzerland focus on total returns. The strategic goal is to optimise rates of return on plan assets, benefit costs and the funding ratio of benefit plans with a diversified mix of shares, bonds, real estate and other investments.

Expected long-term rates of return on plan assets are based on the long-term expected interest rates and risk premiums and on the target plan asset allocation. These estimates are based on historic rates of return for individual asset classes and are made by specialists in the field and pension actuaries.

Actual plan asset allocation depends on the current economic and market situation and fluctuates within pre-determined ranges. Alternative investments, such as hedge funds, are used to improve long-term rates of return and portfolio diversification.

The investment risk is monitored through the periodic review of the assets and liabilities as well as quarterly reviews of the investment portfolio.

## 13.3.8 Multi-year overview of defined benefit plans

| as of 31.12. | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| in CHF million | | | | | |
| Present value of defined benefit obligation (–) | –1 757.6 | –1 497.9 | –1 489.3 | –1 469.2 | –1 395.7 |
| Fair value of plan assets (+) | 1 535.3 | 1 372.2 | 1 295.7 | 1 418.6 | 1 402.4 |
| **Surplus (+) / deficit (–)** | **–222.3** | **–125.7** | **–193.6** | **–50.6** | **6.7** |
| Experience adjustments on plan liabilities | 1.7 | 5.7 | –15.0 | –74.8 | 0.9 |
| Experience adjustments on plan assets | 2.3 | 43.2 | –168.0 | –27.1 | 91.0 |

# 14. Share-based payments

### 14.1 Employees of Helvetia Group in Switzerland

The Helvetia employee share purchase plan enables employees to acquire registered Helvetia Holding AG shares. With this plan employees can directly and voluntarily participate in the added value created by the Group at preferential conditions. All employees of Helvetia in Switzerland are eligible if they are in regular employment (not on notice) and entitled to variable compensation. The number of available shares is specified by the Board of Directors, taking account of the functions of the employees concerned. All shares acquired in this manner are transferred to the ownership of the employee upon receipt and are subject to a mandatory vesting period of three years. The costs associated with the share purchase plan were recognised in the income statement at CHF 0.7 million (previous year: CHF 0.6 million).

### 14.2 Members of the Board of Directors

The variable component of the salary which is dependent on the business results is calculated for the members of the Board of Directors on the basis of the degree of objective attainment multiplied by a reference figure of 30% of the basic salary which is converted into shares. Up until 2009 these shares were transferred irrevocably. In 2010 a new compensation concept was introduced (long-term results-based salary component – LTC) for the Board of Directors and the Group and Switzerland Executive Management teams, whereby the shares are allocated as a prospective payment for three years hence. The degree of objective attainment that applies to the results-based salary components of all Board members and members of Executive Management is based on four criteria: profit, growth, shareholder value and risk-adjusted return. The relevant figure for converting the salary component into a specific number of prospective shares is the average of the stock exchange prices for the Helvetia Holding share for five consecutive trading days from the day on which the business result is announced. A variable payment of CHF 0.2 million (previous year: CHF 0.2 million) was approved for the Board of Directors for the 2010 financial year. This equals 549 shares at a share price of CHF 395.25 on the reference date of 1 March 2011. This payment is recognised proportionally in the income statement every year until ownership to the shares is transferred and amounted to CHF 0.1 million for 2010.

### 14.3 Members of the Executive Management of the Group and Switzerland

In the past, the Board's Compensation Committee could allocate a special bonus to members of the Group Executive Management and the Executive Management for Switzerland in the event of very good business performance. For the 2009 financial year, special bonuses amounting to CHF 0.4 million were paid out in the form of shares that are subject to a vesting period of three years. From the 2010 financial year, the special bonus was replaced by the long-term results-based salary component (LTC). The Board of Directors determines the degree of objective attainment. The reference figure for the Group CEO is 30% of his fixed salary component and for the other members of the Executive Management it is 20%. The LTC is converted into a specific number of shares that are prospectively allocated to the Executive Management member for three years hence. The conversion price per share is calculated as described in Note 14.2. For the 2010 financial year, LTC shares valuing CHF 1.3 million were allocated. This represents 3 190 shares at a price of CHF 395.25 on the reference date of 1 March 2011. This payment is recognised proportionally in the income statement every year until ownership to the shares is transferred and amounted to CHF 0.3 million for 2010.

### 14.4 Members of the Executive Management teams of the foreign subsidiaries

The members of the Executive Management teams of the foreign subsidiaries receive a variable salary component that is calculated by multiplying the degree of objective attainment by a reference figure equalling 10% of the basic salary. This results-based component is paid out in full in the form of shares without voting rights. The conversion price per share is calculated in accordance with Note 14.2. All shares acquired in this manner are transferred to the ownership of the Executive Management member upon receipt and are subject to a mandatory vesting period of three years. The share-based payments for the 2010 financial year amounted to CHF 0.6 million (previous year: CHF 0.7 million).

# 15. Related party transactions

This section sets out the relationships to related companies and persons. More information on the compensation paid to the members of the Board of Directors and the Executive Management is provided in Note 16 "Compensation paid to the Board of Directors and the Executive Management".

### 15.1 Transactions with related companies

"Related companies" are the cooperation partners represented in the shareholder pool and on the Board of Directors of Helvetia Group, i.e. Patria Genossenschaft, Vontobel Beteiligungen AG and Raiffeisen Switzerland (see page 41, Note 1.2 a) as well as the pension funds and all associates of Helvetia Group. The latter two are discussed in Note 13.3 "Defined benefit plans" (page 158) and Note 7.3 "Investments in associates" (page 128).

Helvetia has normal business relationships in the areas of advisory services, the sale of financial and insurance services and asset management services with the members of the shareholder pool. All transactions are executed at normal market conditions. There are no other significant business relationships apart from these regular cooperation activities.

Urs Widmer and Pierin Vincenz are members of the boards of directors of Vontobel Holding AG and Helvetia Holding AG. Helvetia Group does not have any other cross ties or board mandates with the boards of directors of listed companies. With the exception of Patria Genossenschaft (the Patria cooperative society), transactions with cooperation partners are not material for Helvetia Group either as a single transaction or overall. The dividend payment of CHF 37.8 million (previous year: CHF 35.2 million) to Patria Genossenschaft and the contribution of CHF 16.0 million (previous year: CHF 16.0 million) by Patria Genossenschaft to Helvetia Schweizerische Lebensversicherungsgesellschaft AG were the only significant transactions in the reporting period.

### 15.2 Transactions with related persons

"Related persons" include the members of the Board of Directors and Executive Management of Helvetia Group as well as their close family members (partners and financially dependent children).

Members of the Group Executive Management may close insurance contracts, loans and other services on the terms and conditions currently in effect for employees. Members of the Board of Directors are not entitled to preferential employee conditions.

Board members or persons closely related to them do not have any significant personal business relationships with Helvetia Group and also did not bill the Group for any fees or remuneration relating to additional services.

# 16. Compensation paid to the Board of Directors and the Executive Group Management

This section provides information on the compensation, shares and loans granted to the members of the Board of Directors and the Executive Management of Helvetia Group. The key elements of the compensation system are set out in the compensation report (from page 51). Both parts comply with the requirements of the Swiss Code of Best Practice for Corporate Governance and with the Swiss Code of Obligations. Together, these sections comprise the compensation report of Helvetia Holding AG.

## 16.1 Payments to the Board of Directors

The members of the Board of Directors received fixed payments for a total of CHF 1,777,000 in the reporting year. The fixed salary includes all allowances, meeting attendance fees and expenses set out in the compensation regulations. A variable payment of CHF 216,990 in the form of a total of 549 prospective shares at a stock exchange price of CHF 395.25 on 1 March 2011 was approved for the Board of Directors. These shares will pass to the ownership of the beneficiaries in three years.

In the previous year the members of the Board of Directors received fixed salaries of CHF 1,771,000 and variable payments of CHF 217,980 in the form of a total of 630 shares at a stock exchange price of CHF 346.00 on 10 March 2010 with a vesting period of three years.

| | Fixed salary | | Variable compensation | | Total componsation | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010[1] | 2009[2] | 2010 | 2009 |
| in CHF | | | | | | |
| Erich Walser (Chairman) | 602 000 | 602 000 | 24 110 | 24 220 | 626 110 | 626 220 |
| Silvio Borner (Vice-Chairman) | 209 000 | 213 000 | 24 110 | 24 220 | 233 110 | 237 220 |
| Hans-Jürg Bernet (member) | 148 000 | 148 000 | 24 110 | 24 220 | 172 110 | 172 220 |
| Paola Ghillani (member) | 120 000 | 114 000 | 24 110 | 24 220 | 144 110 | 138 220 |
| Christoph Lechner (member) | 120 000 | 122 000 | 24 110 | 24 220 | 144 110 | 146 220 |
| John Martin Manser (member) | 168 000 | 166 000 | 24 110 | 24 220 | 192 110 | 190 220 |
| Doris Russi Schurter (member) | 120 000 | 120 000 | 24 110 | 24 220 | 144 110 | 144 220 |
| Pierin Vincenz (member) | 150 000 | 146 000 | 24 110 | 24 220 | 174 110 | 170 220 |
| Urs Widmer (member) | 140 000 | 140 000 | 24 110 | 24 220 | 164 110 | 164 220 |
| **Total** | **1 777 000** | **1 771 000** | **216 990** | **217 980** | **1 993 990** | **1 988 980** |

[1] In prospective shares.
[2] In shares.

16.1.1 Shares

The shares held by the members of the Board of Directors and persons closely related to them as of 31 December 2010 are listed in the following table. Some of these shares vest on different dates. The members of the Board of Directors did not take part in any option programmes. They also do not participate in the employee share purchase plan.

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| Number of shares | | |
| Erich Walser (Chairman) | 2 237 | 2 167 |
| Silvio Borner (Vice-Chairman) | 705 | 655 |
| Hans-Jürg Bernet (member) | 808 | 738 |
| Paola Ghillani (member) | 164 | 94 |
| Christoph Lechner (member) | 363 | 293 |
| John Martin Manser (member) | 595 | 525 |
| Doris Russi Schurter (member) | 719 | 649 |
| Pierin Vincenz (member) | 1 700 | 1 020 |
| Urs Widmer (member) | 1 071 | 701 |
| **Total** | **8 362** | **6 842** |

16.1.2 Loans, guarantees

No loans or guarantees are granted to or taken over from members of the Board of Directors or persons closely related to them.

16.1.3 Other services

Board members or persons closely related to them do not have any significant personal business relationships with Helvetia Group and also did not bill the Group for any fees or remuneration relating to additional services.

16.1.4 Payments to resigning Board members

Resigning Board members did not receive any payments.

## 16.2 Remuneration Group Executive Management

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| in CHF | | |
| Salaries and other short-term employee benefits: | | |
| – fixed salaries (incl. expenses allowances, child/education allowances, long service awards, company car) | 3 827 139 | 3 695 478 |
| – variable compensation | 1 450 821 | 1 775 134 |
| Share-based payments[1] | 47 282 | 301 325 |
| Total direct payments | 5 325 242 | 5 771 937 |
| Prospective share-based payment (LTC) acquired in the reporting year[2] | 815 401 | - |
| Employer contributions to pension funds | 1 094 118 | 1 047 339 |
| Other long-term and non-monetary benefits | - | - |
| **Total compensation** | **7 234 761** | **6 819 276** |

1 Includes the discount of 16.038% on share purchases under the voluntary share purchasing plan for employees in Switzerland and in 2009 also the special bonus shares.
2 In 2010, this for the first time includes the value of the prospective shares allocated as LTC.

16.2.1 Shares

As of 31 December 2010, the members of the Group Executive Management and persons closely related to them held the shares listed in the following table, some of which were acquired under the employee share purchase plan and which have a vesting period of three years from the purchase date. There is no share option plan.

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| Number of shares | | |
| Stefan Loacker | 551 | 351 |
| Markus Gemperle | 648 | 449 |
| Philipp Gmür | 1 728 | 1 403 |
| Ralph-Th. Honegger | 980 | 730 |
| Markus Isenrich | 1 845 | 1 520 |
| Paul Norton | 395 | 295 |
| Wolfram Wrabetz | 575 | 475 |
| **Total** | **6 722** | **5 223** |

16.2.2 Insurance contracts, loans, guarantees

Members of the Group Executive Management may close insurance contracts, loans and other services on the terms and conditions currently in effect for employees. At the reporting date, mortgage loans to two members of the Group Executive Management to the amount of CHF 1,600,000 (previous year: CHF 1,686,952 for three members of the Executive Management), of which CHF 1,000,000 to Philipp Gmür, CEO of Helvetia Switzerland (previous year for Philipp Gmür CHF 1,000,000), is the highest amount granted to a single member of the Group Executive Management. During the reporting period, loans granted as fixed-rate mortgages at regular interest rates bore interest at rates between 1.47 and 1.92% (previous year: 1.47 to 3.72%). There are no other insurance contracts, loans or guarantees.

16.2.3 Other benefits in kind or additional services

During the reporting year, members of the Group Executive Management received non-monetary benefits as part of the company car programme to the amount of CHF 17,589 (previous year: CHF 16,905). This amount is included in the fixed salaries given above. None of the members of the Group Executive Management or any closely related persons have significant personal business relationships with Helvetia Group. They did not receive any other benefits in kind or bill the company for any additional services. Normal market conditions apply to transactions with members of the Group Executive Management that are not subject to preferential employee conditions.

## 16.3 Total compensation

The following table lists the total compensation paid to the members of the Board of Directors and the Group Executive Management.

| as of 31.12. | 2010 | 2009 |
|---|---|---|
| in CHF | | |
| Salaries and other short-term employee benefits: | | |
| – fixed salaries (incl. expenses allowances, child/education allowances, long service awards, company car) | 5 604 139 | 5 466 478 |
| – variable compensation | 1 450 821 | 1 775 134 |
| Share-based payments[1] | 47 282 | 519 305 |
| Total direct payments | 7 102 242 | 7 760 917 |
| Prospective share-based payment (LTC) acquired in the reporting year[2] | 1 032 391 | - |
| Employer contributions to pension funds | 1 094 118 | 1 047 339 |
| Other long-term and non-monetary benefits | - | - |
| **Total compensation** | **9 228 751** | **8 808 256** |

1 Includes the discount of 16.038% on share purchases under the voluntary share purchasing plan for employees in Switzerland and in 2009 also the special bonus shares and the variable salary component of the members of the Board of Directors.
2 In 2010, this for the first time includes the value of the prospective shares allocated as LTC.

## 16.4 Highest individual amount paid out

The highest individual amount paid out in the reporting year was paid to Stefan Loacker (CEO). This amounted to CHF 1,293,097 in total, comprising the following: Total salary of CHF 985,473 (fixed component CHF 709,670, variable component CHF 275,803), share-based payments of CHF 210,273 in the form of prospective shares, and employer contributions to pension funds of CHF 97,351.

# 17. Risk management

## 17.1 Objectives of risk management

Integrated risk management at Helvetia Group must always ensure that the main risks can be detected, recorded and assessed at an early stage, and that they can be appropriately controlled and monitored. The risks are managed in compliance with the requirements of the relevant stakeholders, and the concepts and methods of risk identification, management and analysis are also in line with these requirements.

### 17.1.1 Risk management organisation

The Board of Directors of Helvetia Holding AG and the Group Executive Management are the supreme risk owners of Helvetia Group. The Board of Directors of Helvetia Holding AG is responsible for establishing and maintaining appropriate internal controls and the risk management organisation of Helvetia Group. It is the Board's responsibility in particular to:

- set risk policy principles that support the development of risk awareness and a risk-and-control culture in the Group companies;
- determine a risk strategy/partial risk strategies that cover/s the risk management objectives of all essential business activities;
- set risk tolerance limits and monitor the risk profile of the Group and the individual business units;
- ensure the implementation and application of a comprehensive risk management approach, including an internal control system, that guarantees the efficient allocation of risk capital and systematic control of risks by the Executive Management;
- ensure appropriate monitoring of the effectiveness of the internal control systems by the Executive Management.

Within the stipulated parameters, the Board of Directors delegates operational aspects of risk management. For example, the monitoring of the Group's risk profile and in particular the monitoring of the market, liquidity, counterparty and insurance risks are delegated to the Investment and Risk Committee (IRC). The structural aspects of risk management (structure of the risk management organisation and the internal control system) and the monitoring of operational risks in particular are delegated to the Audit Committee. The strategic risks are monitored by the Strategy and Governance Committee.

The Executive Management is responsible for risk management implementation and compliance with the strategies, business principles and risk limits determined by the Board of Directors. The Risk Committee supports the Executive Management in an advisory capacity. It coordinates, monitors and assesses the risk decisions and financing and hedging measures of all business units. The Risk Committee meets at least once a quarter and is chaired by the Head of Corporate Finance & Risk Management. Other permanent members are the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Investment Officer (CIO), the Head of Group Portfolio Strategy, and the Group actuaries for life and non-life. Other specialists can be invited to attend a meeting when required and depending on the topic. The Corporate Finance & Risk Management department, which reports to the CFO and exercises the Group's risk monitoring function, ensures the necessary risk transparency:

- The Risk Map informs the Executive Management and Board of Directors of the most important risks, any changes to them and the strategies used to manage these risks.
- The quarterly Risk and Capital Report and the associated monthly analyses support the Risk Committee and risk owners by providing them with detailed information.

The internal audit unit, an independent in-house team reporting directly to the Chairman of the Board of Directors, monitors the course of operations and business, the internal control system and the efficiency of the Group's risk management system. While the risk controlling functions are responsible for the ongoing monitoring of the Group's risk management system, the internal audit unit monitors the effectiveness, appropriateness and efficiency of the risk management measures at irregular intervals and identifies weaknesses.

### 17.1.2 Risk management process

The risk management process includes all activities related to the systematic processing of risks at Helvetia Group. The essential components of this process include the identification, analysis and management of risks, the operational monitoring of the success of the risk management measures, the monitoring of the efficiency and appropriateness of the risk management measures, and reporting and communication. Helvetia Group distinguishes between the following types of risk that are included in the Group's risk management process: insurance risks, market risks (including the share price, real estate price, interest and currency risks as well as long-term liquidity risks), medium- and short-term liquidity risks, counterparty risks, operational risks (including reputational risks as an impacting dimension), strategic and latent risks.

The market, counterparty and insurance risks belong to the traditional risks of an insurance company and are consciously accepted as part of the selected business model. They tie up risk capital in an operational context and can be influenced through hedging instruments, product design, reinsurance cover and other risk management measures. Taking account of the overall risk profile, it is ensured that these risks are always covered by the Group's risk-bearing capital. In this regard, the capital adequacy requirement depends on the risk tolerance limits chosen.

Helvetia Group controls the life and non-life insurance risks with a number of actuarial methods, risk-appropriate rates, a selective underwriting approach, pro-active claims settlement and a prudent reinsurance policy.

Helvetia Group manages market risks using the ALM process, which enables the company to control the manifold impact of market risks in an integrated way and which defines both the investment strategy and the hedging policy. The following points of view are taken into account:

- local statutory accounting policies in order to comply with local regulatory requirements;
- consolidated IFRS accounting to ensure that the entire Group meets all regulatory requirements;
- fair-value approach to secure compliance with regulatory requirements deriving from SST and Solvency II and consideration of the economic perspective.

Long-term liquidity risks are deemed to fall under market risks and are treated in the same manner. Risks that arise from the insufficient liquidity of the assets are partially taken into consideration, where appropriate, in market price models. Short-term liquidity risks are managed as part of the cash management process. Non-probabilistic methods are used to analyse the medium-term liquidity risks.

Counterparty risks are managed via the investment and reinsurance policies and are monitored on the basis of exposure analyses. Counterparty risk is minimised by investing in a range of creditworthy counterparties who are continuously monitored and who are subject to a strict limit system for managing risk clusters.

## 17.2 Insurance risks non-life

The random occurrence of an insured event and uncertainty about the amount of the resulting liability create insurance risks in non-life business. The most important non-life lines of business of Helvetia Group are property, transport and casualty insurance (liability, accident, collision). The latter consists largely of motor insurance and, to a lesser extent, liability, health and accident insurance. In 2010, 72.8% (previous year: 73.6%) of Helvetia Group's direct non-life business was generated outside of Switzerland. The business segments accounted for the following percentages of gross premiums written: Switzerland 27.2% (previous year: 26.4%), Germany 23.9% (previous year: 25.5%), Italy 21.3% (previous year: 19.4%), Spain 14.5% (previous year: 16.1%), Austria 8.7% (previous year: 9.0%), and France 4.4% (previous year: 3.6%).

Gross premiums by business activities and region in the non-life business

| 2010<br>in CHF million | Switzerland | Germany | Italy | Spain | Other | Total |
|---|---|---|---|---|---|---|
| Property | 345.1 | 288.3 | 107.2 | 131.4 | 78.2 | 950.2 |
| Transport | 24.7 | 51.5 | 3.0 | 16.5 | 71.3 | 167.0 |
| Motor vehicle | 177.4 | 119.3 | 270.7 | 140.2 | 113.8 | 821.4 |
| Liability | 90.2 | 64.9 | 35.6 | 26.0 | 27.7 | 244.4 |
| Accident/health | 1.2 | 35.5 | 83.4 | 25.0 | 16.3 | 161.4 |
| **Gross premiums non-life** | **638.6** | **559.5** | **499.9** | **339.1** | **307.3** | **2 344.4** |

| 2009<br>in CHF million | Switzerland | Germany | Italy | Spain | Other | Total |
|---|---|---|---|---|---|---|
| Property | 344.2 | 302.9 | 106.8 | 147.1 | 82.1 | 983.1 |
| Transport | 27.3 | 60.6 | 3.7 | 21.6 | 80.9 | 194.1 |
| Motor vehicle | 170.3 | 130.2 | 230.8 | 151.6 | 87.6 | 770.5 |
| Liability | 87.3 | 76.6 | 35.1 | 28.0 | 31.3 | 258.3 |
| Accident/health | 0.0 | 39.2 | 85.6 | 34.6 | 18.0 | 177.4 |
| **Gross premiums non-life** | **629.1** | **609.5** | **462.0** | **382.9** | **299.9** | **2 383.4** |

This table was prepared in accordance with the principles of segment reporting described in Note 3.

Helvetia Group's consistent focus on a geographically well-diversified portfolio of mainly small risks (private customers and SMEs) encourages risk equalisation and reduces the risk that the cost of claims that are covered by existing contracts but have not yet occurred will be higher than expected (prospective risks). For example, a change in the net claims ratio by ± 5 percentage points would result in a decrease or increase of CHF 101.2 million (previous year: CHF 100.8 million) in the income statement (without taking account of deferred taxes). In relation to insured events that have already occurred there is a risk that the amount of existing liabilities might exceed expectations and that the reserves set aside will be insufficient to cover future claim payments (retrospective risks). The Group responds to prospective and retrospective risks with actuarial control measures, by setting up reserves designed to meet requirements, and by diversification. Risk balancing through diversification, however, does not totally eliminate the occurrence of isolated risk clusters (for example in the form of individual large risks) or cumulative risks (such as those resulting from multi-portfolio exposure to natural disasters). This risk potential is monitored Group-wide and hedged through reinsurance contracts in a coordinated way (see also Note 17.4, page 176).

From a Group-wide perspective, the insurance risks in the non-life business are dominated by natural hazards. Reinsurance cover reduces the residual claims from a natural disaster or individual risk at Group level to a maximum of CHF 25 million (previous year: CHF 25 million), except for extremely rare cases. More information on the quality of the reinsurance cover and the claims development over the last five years can be found in Notes 17.6 "Counterparty risks" and 9 "Insurance business". In 2010, 12.5% (previous year: 13.4%) of the premiums written in non-life business were ceded to reinsurers.

### 17.2.1 Liability, accident and accidental damage insurance

Helvetia Group underwrites liability cover for individual customers, motor vehicles and companies. Collision cover is also underwritten within the motor insurance sector. The volume of accident insurance business at Group level is small.

#### Terms of the contract, guarantees and underwriting practices

Helvetia Group controls the insurance risks to which it is exposed through risk-appropriate rates, selective underwriting, pro-active claims settlement and a prudent reinsurance policy. The underwriting process ensures that the assumed risks in terms of type, exposure, customer segment and location meet the necessary quality criteria.

#### Risks arising from clusters, accumulations and trend changes

The main portfolio is well-diversified in Europe with a higher weighting in Switzerland and Germany. Large risks are usually hedged through non-proportional treaty reinsurance.

#### Uncertainties in estimating future loss payments

In the liability business in particular, quite some time can pass between the occurrence and the reporting of a claim. In order to cover existing liabilities not yet asserted by policyholders, Helvetia Group sets up incurred but not reported reserves. These are determined with actuarial methods on the basis of many years of claims experience and with consideration to current developments and given uncertainties.

### 17.2.2 Property insurance

Property insurance contracts cover damage to or the loss of the property of the insured through insured events or damage to or loss of third-party property as a result of negligent actions or neglect by policyholders.

#### Terms of the contract, guarantees and underwriting practices

Risk-oriented underwriting of large risks provides additional risk control, while the reinsurance contracts set out the general conditions under which the newly underwritten risks will be covered by the specific reinsurance contract. Individual large risks which are not covered by the corresponding treaty reinsurance are reinsured on an optional basis. Large risks are generally not underwritten unless appropriate reinsurance cover can be purchased.

#### Risks arising from clusters, accumulations and trend changes

Apart from assumed reinsurance and Helvetia International, property insurance is limited to Europe. The insurance risks are geographically well-diversified and there is a good balance between commercial and private customers in the total property portfolio. The geographical distribution of risks has not changed significantly compared to the previous year.

The property insurance portfolio is exposed to natural disasters, such as flooding, earthquakes, wind storms and hail. Major events and man-made disasters may result in large total losses. Examples include explosions, fire and terrorism. Helvetia Group effectively guards against catastrophe losses through a selective underwriting policy and a multi-level reinsurance programme.

#### Uncertainties in estimating future loss payments

Property insurance claims are usually settled in the year of the claim or in the following year.

### 17.2.3 Transport insurance

Helvetia Group offers transport insurance as a niche market in France and to a lesser extent in Germany, Switzerland, Spain and Austria. Helvetia Group mainly focuses on cargo/hull insurance. Risk exposure is primarily managed by the application of local underwriting guidelines.

## 17.3 Insurance risks life

Helvetia Group offers a comprehensive range of life insurance products. They include risk and pension solutions and are aimed at private individuals (individual life insurance) and companies (group life insurance). The risks associated with these products are explained in detail in the following notes. There is also a small assumed reinsurance portfolio that is no longer included in the following description due to its lack of size. Life insurance is mostly operated from Switzerland, where 72.7% (previous year: 73.5%) of the Group's gross premium volume in the life insurance sector is generated. The following table shows the distribution of gross premium income by business line and region. In total, 1.5% (previous year: 1.6%) of the life premiums written was ceded to reinsurers in 2010.

Gross premiums by business activities and region in the life business

| 2010 | Switzer-land | Germany | Italy | Spain | Other | Total |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Individual insurance | 675.8 | 110.0 | 507.9 | 74.1 | 104.2 | 1 472.0 |
| Group insurance | 2 092.6 | 58.9 | 30.4 | 48.9 | - | 2 230.8 |
| Unit-linked life insurance | 64.3 | 106.0 | - | 11.7 | 11.3 | 193.3 |
| **Gross premiums life** | **2 832.7** | **274.9** | **538.3** | **134.7** | **115.5** | **3 896.1** |

| 2009 | Switzer-land | Germany | Italy | Spain | Other | Total |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Individual insurance | 677.9 | 117.8 | 434.3 | 92.2 | 111.7 | 1 433.9 |
| Group insurance | 1 956.8 | 33.4 | 29.1 | 45.9 | - | 2 065.2 |
| Unit-linked life insurance | 68.8 | 95.9 | - | 2.9 | 9.8 | 177.4 |
| **Gross premiums life** | **2 703.5** | **247.1** | **463.4** | **141.0** | **121.5** | **3 676.5** |

### 17.3.1 Individual insurance and unit-linked life insurance

Helvetia Group offers private individuals term insurance, endowment and annuity insurance as well as index- and unit-linked products. Depending on the product, premiums are paid as single or regular premiums. Most of the products include a discretionary participation feature for which regulations in certain countries stipulate the minimum amount of profit participation to be paid out to policyholders. Individual life insurance accounts for 37.8% (previous year: 39.0%) of the Group's gross premium volume in the life insurance sector, with 45.9% (previous year: 47.3%) generated in Switzerland. The share of unit-linked life insurance of the Group's gross premium volume amounts to 5.0% (previous year: 4.8%). 33.3% of the premiums (previous year: 38.8%) were generated in Switzerland.

Terms of the contract, guarantees and profit participation

Most of the products include a premium guarantee which means that the assumptions on mortality, disability, interest rates and expenses used to calculate the premiums are guaranteed. These fundamentals are therefore set prudently at the time the contract is underwritten. If the contract develops as expected, profits accrue which are paid out in part to the policyholder in the form of policyholder dividends. There are two important exceptions to note with regard to the guaranteed assumptions. Firstly, there are no interest-rate guarantees for unit-linked insurance, however, some products may guarantee a minimum benefit payout on maturity. Secondly, premiums in Switzerland for disability benefit policies concluded after mid-1997 are not guaranteed and may be adjusted.

Underwriting and reinsurance

An insurance policy covering death or disability may only be taken out at regular terms and conditions if the insured is in good health. Compliance with this condition is checked during verification of the application. The check is based on the answers to the health questionnaire, and from a specific insured risk amount, a medical examination is required.

Large risks for insured individuals are ceded to various reinsurers through excess-of-loss reinsurance with the deductible varying by country. Helvetia Switzerland and – for a few specific risks – Helvetia Italy are also reinsured against catastrophes which may concurrently cause several casualties and claim several lives.

### 17.3.2 Group life insurance

Group life insurance accounts for 57.2% (previous year: 56.2%) of the Group's gross premium volume in the life insurance sector, with 93.8% (previous year: 94.8%) generated in Switzerland. Outside of Switzerland and in a small run-off portfolio within Switzerland, group life insurance products are very similar to individual insurance policies. For this reason we focus on business with occupational benefit plans in Switzerland when referring to group life insurance below. In Switzerland, companies are required under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) to insure their employees against the risks of death and disability and for retirement benefits. Helvetia Group offers products that cover these risks. The majority of these products include a discretionary participation feature with the minimum amount being stipulated by law or by contract.

#### Terms of the contract, guarantees and profit articipation

Rate guarantees do not apply to the risk premiums for death and disability and to the expense loadings for most of these products. These premiums may therefore be adjusted annually by Helvetia Group. After a loss has occurred, the benefits that fall due are either guaranteed until the agreed expiry date or for life.

Annual interest is credited to the investment portion of the premiums. The interest rate on the mandatory savings portion is set by the Swiss Federal Council, while the interest rate on the extra-mandatory portion is determined by Helvetia Group. At the end of 2007, the interest rate for the mandatory insurance was 2.5%, and this was increased to 2.75% for 2008. The interest rate has been 2% since 2009. The interest rate for the extra-mandatory insurance determined by Helvetia Group was also 2% for 2009 and 2010 and has been reduced to 1.5% for 2011.

On retirement, a policyholder may choose to have the retirement capital paid out as a lump sum or converted into a retirement pension. The conversion of the mandatory savings capital follows the BVG conversion rate set by the government, while Helvetia Group determines the conversion rate for the extra-mandatory capital. After conversion, retirement pensions and any survivors' benefits are guaranteed for life.

Statutory regulations stipulate for the majority of products that a minimum of 90% of revenue must be used for the benefit of the policyholder. For example, the return on capital exceeding the guaranteed minimum interest rates must be returned to customers partly in the form of policyholder dividends. Similar rules are stipulated in the insurance contract for most of the products which are not subject to this statutory regulation.

#### Underwriting and reinsurance

As far as the mandatory insurance is concerned, enrolment with an employer's pension fund cannot be refused on the grounds of ill health. However, certain benefits may be excluded or a higher premium charged for the extra-mandatory cover. There is no obligation to insure a specific company. During the underwriting process it is determined whether and under which terms the company will be insured on the basis of past losses caused by that company and based on estimates of future loss potential.

Large risks for insured individuals are ceded to various reinsurers through excess-of-loss reinsurance as for individual insurance. Reinsurance for disaster events also covers group life insurance.

### 17.3.3 Risks arising from trend changes and sensitivity analysis

Helvetia Group employs a wide range of actuarial methods to monitor existing and new products with regard to underwriting policy, the setting of the necessary reserves and risk-appropriate pricing. Retrospective methods compare original expectations with actual developments. Prospective methods allow early recognition and analysis of the impact of new trends. Most of these calculations use parameter sensitivities to monitor the impact of unfavourable developments in investment returns, mortality, lapse rates and other parameters. All tools combined allow the Group to respond early and actively to adverse trends. If a certain risk takes a worse than expected course, the profit participation is usually the first to be reduced in most of the products. If a product shows evidence of an insufficient security margin, the premiums are adjusted, either for new business only or, if permissible, also for the existing portfolio.

Helvetia Group establishes reserves for its life insurance business to cover its expected guaranteed and discretionary payments. The amount of the life insurance reserves depends on the interest rates applied, actuarial parameters and other influencing factors. Additionally, the Liability Adequacy Test (LAT) examines whether the reserves in combination with expected premiums are sufficient to finance future benefits. Should this not be the case, local reserves are strengthened accordingly.

If the assumptions have to be changed, the reserve reinforcements are either increased or decreased accordingly. A decrease in reserves flows largely back to the policyholders as a result of the discretionary participation feature. Policyholder dividends are reduced in a first step to compensate for a required increase in reserves, with shareholders bearing the remaining increase. In the local statutory balance sheet, reserve reinforcements recognised as necessary may be spread over several years and, if possible, compensated by gradually lessening the allocation to the provisions for future profit participation or by the release of undisclosed reserves on investments. In the consolidated financial statements, however, required reinforcement of reserves must be immediately recognised in profit or loss, while offsetting against differences in valuation to the local balance sheet (especially for investments) is allowed in the consolidated financial statement before the deferred profit participation is determined for contracts with discretionary profit participation.

Therefore, a 10% increase in mortality in the LAT of all companies of Helvetia Group would have no impact on the reserves. This is because the margins are sufficient, even after the increase in mortality. A reduction in mortality by 10% would only have an impact on the reserves for annuity insurance. This scenario would lead to a reserve reinforcement that would burden the income statement by CHF 40.3 million (previous year: CHF 35.4 million). However, it should be noted that these sensitivities are usually non-linear, so that extrapolation is not possible. See Note 17.5.2 (from page 181) for the impact of an interest rate change on equity and the income statement.

Various impacting factors are described individually below.

Mortality risk

If the death rate exceeds expectations, shareholders may suffer losses once the buffer of profit participation has been exhausted. Analysis shows this risk to be very low for both the individual and group life sectors, which is why Helvetia Group sees no necessity for reserve reinforcements for this particular risk.

Longevity risk

If the death rate in individual insurance remains below expectations and policyholders live longer than expected, shareholders may suffer losses. Given the fact that life expectancy is continuously rising, the current mortality rate as well as expected trends regarding increases in life expectancy are taken into account when setting up reserves. These reserves are very sensitive to assumed life expectancies and interest rates.

In addition to these considerations, which also apply to group life insurance, the high statutory BVG conversion rate results in losses in the group life sector that are built into reserves at the expense of policyholders' profit participation. Besides reacting to interest rates and life expectancy, these reserves are also particularly sensitive to the assumed number of policyholders choosing a pension over a lump-sum payment on retirement.

Disability risk

Losses may occur for shareholders if the number of active policyholders becoming disabled exceeds expectations or if fewer disabled policyholders than expected recover and the profit participation system is insufficient to cushion the impact of these variances. As disability benefit policies are almost exclusively taken out in Switzerland and premiums in the group life sector and individual life business may be adjusted for disability benefit contracts sold after mid-1997, the risk in Switzerland is limited to disability benefit policies sold before mid-1997. Here, the portfolio losses that are expected to occur are covered in full by local reserve reinforcements. These reserves are sensitive to the assumed expected loss burden in particular.

Interest rate risk

Shareholders may have to bear losses if the guaranteed interest included in premiums and reserves cannot be generated. This could happen, for example, when interest rates remain very low for a long period. To counteract such a development, both the technical interest rate for new individual insurance contracts and the BVG minimum interest rate for new and existing contracts are adjusted to the new interest rate level. At the end of 2010, the individual life segment in Spain had the highest interest rate guarantees as older policies still included guaranteed minimum interest rates of up to 6%. These guarantees are partly covered by corresponding assets and the residual risk is covered by supplementary reserves. In the other countries, the maximum guaranteed return is 4% in EUR and 3.5% in CHF. Rising interest rates may lead to higher lapse rates of endowment contracts. This risk, however, is considered to be low for two reasons. Firstly, most countries enforce high tax consequences for premature contract terminations, and secondly, a deduction is usually made on highly interest-sensitive products at the time the contract is cancelled to reflect the lower fair values of the underlying investments.

Long-term interest guarantees on reserves for current benefits are in place in group life business. The BVG minimum interest rate on the mandatory accrued savings assets of the insured is reviewed annually by the Swiss Federal Council. The interest rate has been 2% since 2009. Rising rates may lead to higher lapse rates in the group life segment and thus cause losses. Since 2004, no deductions can be made from nominally defined surrender values that reflect the fact that the fair value of the corresponding fixed-income securities may be below the (local) carrying value for contracts that have been in Helvetia Group's portfolio for more than five years.

Risk in embedded derivatives

The return for policyholders of index-linked insurance contracts depends on an external index. Unit-linked insurance products may include a guaranteed survival benefit. These product components must be separated as embedded derivatives and recognised at fair value. The majority of these guarantees and index-dependent payouts are serviced by and at the risk of external partners. There are only a few products in Switzerland where this does not apply and the risk is assumed by Helvetia Group, but these are covered by appropriate reserves. Their amount is determined especially by the volatility of the underlying assets as well as by the level of the risk-free interest rate. A change in the reserve is charged to profit and loss and cannot be compensated with a profit participation component.

Summary

In summary, there is a wide range of various and product-specific risks in life insurance, which Helvetia Group monitors using a number of actuarial methods and then offsets where necessary with an appropriate increase in reserves. In compliance with IFRS 4, Helvetia Group also has free reserves at its disposal for future policyholder profit participation. These reserves can also be used to cover insurance risks.

### 17.4 Insurance risk in reinsurance

By tradition, Helvetia Group owns a small assumed reinsurance portfolio which is limited in size in compliance with its business strategy. Assumed reinsurance is managed by Helvetia Schweizerische Versicherungsgesellschaft AG headquartered in St-Gall.

The business philosophy positions assumed reinsurance as a "follower" with typically only small shares in reinsurance contracts. This policy of small shares, combined with broad diversification by geographical and business segment, creates a well-balanced reinsurance portfolio without major risk clusters.

Within the reinsurance segment, Group Reinsurance serves as a group reinsurer. It ensures that the individual business units receive appropriate contractual reinsurance cover, and transfers the assumed risks to the reinsurance market, taking account of risk correlation and diversification. This centralisation process means that uniform reinsurance standards are applied on a group-wide basis, in particular as regards the hedging level, as well as to cost savings at process level. Based on the Group's risk appetite and conditions on the reinsurance markets, Group Reinsurance ensures efficient use of the risk capacity available at Group level and optimally manages purchases of reinsurance cover.

Gross premiums by business line and region in reinsurance business

| 2010 | Non-life | Life |
|---|---|---|
| in CHF million | | |
| Gross premiums written | 402.8 | 21.3 |
| Reinsurance premiums ceded | –147.6 | –9.7 |

| 2009 | Non-life | Life |
|---|---|---|
| in CHF million | | |
| Gross premiums written | 434.5 | 22.5 |
| Reinsurance premiums ceded | –160.8 | –10.1 |

Terms of the contract, guarantees and underwriting practices

The small size of the assumed reinsurance portfolio allows for detailed tracking of customer relations and the strict control of risks and commitments from business written. An actuarial department specialising in reinsurance handles price and reserve calculations.

Risks arising from clusters, accumulations and trend changes

The assumed reinsurance business is geographically dominated by companies located in the OECD area. A management information system has been set up to manage major claims. Besides managing risk exposure, cumulative risks arising from natural disasters are monitored and quantified using actuarial methods, and are also covered by retro insurance.

Notes 17.6 “Counterparty risks” and 9 “Insurance business” provide more information about the quality of reinsurance and claims management over the past five years.

## 17.5 Market risks and ALM

As at 31 December 2010, Helvetia Group managed assets of CHF 33.6 billion (previous year: CHF 33.1 billion).

The most important market risks to which the Group is exposed are interest rate risks, exchange rate risks and share price risks. The Group is also exposed to the real estate market through a significant portion of real estate in its investment portfolio. Market risks influence the income statement as well as the balance sheet. The Group manages its real estate, mortgages and securities in-house. Smaller shares of the portfolio are invested in hedge funds or convertible bonds and are managed by external asset managers. Savings accumulated in unit-linked policies are invested in a wide range of funds, equities and bonds and are managed by third parties. The market risks associated with these funds are borne by Helvetia’s insurance customers.

Asset & Liability Management (ALM; see also Note 17.1.2) at Helvetia Group is geared towards accounting, especially protecting the income statement and balance sheet, as well as towards fair value considerations on risk limitation. Besides matching the investment strategy to liabilities, derivatives are selectively used to hedge foreign exchange risks and to control the risk of losses on equity investments. The instruments mostly employed are options, forwards and futures on both equity investments and foreign exchange underlyings. As of 31 December 2010, the risk of losses on equities was controlled with options, and foreign exchange exposure was largely hedged. More information is available in tables 7.5.2 “Derivative financial assets” and 8.3.1 “Derivative financial liabilities”.

### 17.5.1 Liquidity risk

Helvetia Group has sufficient liquid assets at its disposal to meet unforeseen outflows of funds at all times. The proportion of liquid assets (cash, premiums to be invested, liquid equities and bonds) exceeds the scale of annual net flows of funds many times over. Additionally, the Group manages assets and liabilities in terms of their liquidity. The liabilities side of the balance sheet does not contain any significant individual items. Part of the Group's investment portfolio consists of investments in assets which are not easily realisable, such as real estate or mortgages. These investments can only be realised over a longer period of time.

Maturity schedule of recognised insurance liabilities

| as of 31.12.2010 | < 1 year | 1–5 years | 5–10 years | > 10 years | Without maturity | Total |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Actuarial reserves (gross) | 2850.7 | 8070.1 | 5302.0 | 8272.1 | 11.5 | 24506.4 |
| Provision for future policyholder participation | 115.8 | 29.9 | - | - | 525.6 | 671.3 |
| Loss reserves (gross) | 1026.6 | 1054.3 | 454.5 | 343.0 | −0.7 | 2877.7 |
| Unearned premium reserve (gross) | 957.2 | - | - | - | - | 957.2 |
| Total reserves for insurance and investment contracts (gross) | 4950.3 | 9154.3 | 5756.5 | 8615.1 | 536.4 | 29012.6 |
| Reinsurers' share | 112.7 | 163.6 | 95.0 | 56.6 | 0.6 | 428.5 |
| **Total reserves for insurance and investment contracts (net)** | **4837.6** | **8990.7** | **5661.5** | **8558.5** | **535.8** | **28584.1** |

| as of 31.12.2009 | < 1 year | 1–5 years | 5–10 years | > 10 years | Without maturity | Total |
|---|---|---|---|---|---|---|
| in CHF million | restated | | | | | restated |
| Actuarial reserves (gross) | 2807.3 | 7717.6 | 5038.4 | 7950.8 | 10.7 | 23524.8 |
| Provision for future policyholder participation | 115.5 | 18.6 | - | - | 609.6 | 743.7 |
| Loss reserves (gross) | 1086.3 | 1058.1 | 367.0 | 169.9 | 0.2 | 2681.5 |
| Unearned premium reserve (gross) | 992.4 | - | - | - | - | 992.4 |
| Total reserves for insurance and investment contracts (gross) | 5001.5 | 8794.3 | 5405.4 | 8120.7 | 620.5 | 27942.4 |
| Reinsurers' share | 128.2 | 159.4 | 89.6 | 56.0 | 0.3 | 433.5 |
| **Total reserves for insurance and investment contracts (net)** | **4873.3** | **8634.9** | **5315.8** | **8064.7** | **620.2** | **27508.9** |

In the above tables, the expected maturity of the amounts reported in the balance sheet is shown.

Maturity schedule of financial and other liabilities (without derivative financial instruments)

| as of 31.12.2010 | Callable at any time | < 1 year | 1–5 years | 5–10 years | > 10 years | Without maturity | Total |
|---|---|---|---|---|---|---|---|
| in CHF million | | | | | | | |
| Financial liabilities from insurance business | 2 333.6 | 47.7 | 0.3 | 0.2 | 0.2 | 43.1 | 2 425.1 |
| Financial liabilities from financing activities | - | 5.4 | 166.5 | 21.9 | - | - | 193.8 |
| Liabilities from insurance business | 331.3 | 1 015.2 | - | - | - | 1.0 | 1 347.5 |
| Other financial and other liabilities | 0.8 | 134.6 | 0.2 | - | - | - | 135.6 |
| **Total financial and other liabilities** | **2 665.7** | **1 202.9** | **167.0** | **22.1** | **0.2** | **44.1** | **4 102.0** |

| as of 31.12.2009 | Callable at any time | < 1 year | 1–5 years | 5–10 years | > 10 years | Without maturity | Total |
|---|---|---|---|---|---|---|---|
| in CHF million | | | | | | | |
| Financial liabilities from insurance business | 2 599.6 | 44.6 | 0.1 | 0.0 | 0.1 | 57.2 | 2 701.6 |
| Financial liabilities from financing activities | - | 209.3 | 13.3 | 28.9 | - | - | 251.5 |
| Liabilities from insurance business | 299.6 | 920.6 | - | - | - | 0.9 | 1 221.1 |
| Other financial and other liabilities | 1.0 | 113.5 | - | - | - | 1.9 | 116.4 |
| **Total financial and other liabilities** | **2 900.2** | **1 288.0** | **13.4** | **28.9** | **0.1** | **60.0** | **4 290.6** |

The figures given above may not reconcile to the amounts reported in the balance sheet, as these represent non-discounted flows of funds. Allocation to the category “Callable at any time” is based on the counterparty’s right to cancel that is contained in the contracts. Most of these contracts, both life and non-life, can be terminated within one year at the latest.

## Maturity schedule of derivative financial instruments

| as of 31.12.2010 | Fair value | Maturity of non-discounted flows of funds | | | |
|---|---|---|---|---|---|
| | | < 1 year | 1–5 years | 5–10 years | > 10 years |
| in CHF million | | | | | |
| **Derivative financial assets** | | | | | |
| Interest rate swaps | 0.8 | 0.1 | 0.5 | 0.7 | - |
| Forward exchange transactions | 82.6 | | | | |
| Inflow | | 2 131.7 | - | - | - |
| Outflow | | –2 049.5 | - | - | - |
| Options (planned exercise) | - | - | - | - | - |
| Other (excercise not planned) | 10.9 | | | | |
| **Total derivative financial assets** | **94.3** | **82.3** | **0.5** | **0.7** | **-** |
| **Derivative financial liabilities** | | | | | |
| Interest rate swaps | - | - | - | - | - |
| Forward exchange transactions | - | | | | |
| Inflow | | - | - | - | - |
| Outflow | | - | - | - | - |
| Options (planned exercise) | - | - | - | - | - |
| Other (excercise not planned) | 7.8 | | | | |
| **Total derivative financial liabilities** | **7.8** | **-** | **-** | **-** | **-** |

| as of 31.12.2009 | Fair value | Maturity of non-discounted flows of funds | | | |
|---|---|---|---|---|---|
| | | < 1 year | 1–5 years | 5–10 years | > 10 years |
| in CHF million | | | | | |
| **Derivative financial assets** | | | | | |
| Interest rate swaps | 0.9 | 0.2 | 0.8 | 1.0 | 0.2 |
| Forward exchange transactions | 35.4 | | | | |
| Inflow | | 2 002.3 | - | - | - |
| Outflow | | –1 966.6 | - | - | - |
| Options (planned exercise) | - | - | - | - | - |
| Other (excercise not planned) | 8.4 | | | | |
| **Total derivative financial assets** | **44.7** | **35.9** | **0.8** | **1.0** | **0.2** |
| **Derivative financial liabilities** | | | | | |
| Interest rate swaps | - | - | - | - | - |
| Forward exchange transactions | 2.5 | | | | |
| Inflow | | –249.0 | - | - | - |
| Outflow | | 251.2 | - | - | - |
| Options (planned exercise) | - | - | - | - | - |
| Other (excercise not planned) | 7.9 | | | | |
| **Total derivative financial liabilities** | **10.4** | **2.2** | **-** | **-** | **-** |

## 17.5.2 Interest rate risk

Helvetia Group's results are affected by changes in interest rates. A prolonged period of low interest rates reduces the return on fixed-income investments such as bonds and mortgages. On the other hand, the return increases with rising interest rates. Information on current investment returns can be found in Note 7.1 (from page 124).

As with most investments, the value of Helvetia Group's liabilities depends on interest rate levels. Generally speaking, the higher the interest rate, the lower the present value of assets and liabilities. The extent of this change in values depends, among other things, on the time pattern of cash flows. To manage the volatility of net positions (assets – net liabilities, i.e. AL mismatch) the Group compares the maturities of cash flows arising from liabilities with those resulting from assets, and analyses them for maturity matching. The derived risk is managed as part of the asset and liability management process. Risk capacity, on one side, and the capacity to finance guaranteed benefits or to generate surpluses, on the other, are balanced.

### Maturity schedule of financial assets

| as of 31.12.2010 | < 1 year | 1–5 years | 5–10 years | > 10 years | Without maturity | Total |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Loans (LAR) incl. money market instruments | 1 138.2 | 2 849.8 | 1 797.7 | 2 303.1 | 402.5 | 8 491.3 |
| Held-to-maturity investments (HTM) | 249.0 | 877.9 | 814.6 | 1 594.1 | - | 3 535.6 |
| Available-for-sale investments (AFS) | 618.9 | 4 396.8 | 4 023.9 | 2 684.1 | 938.6 | 12 662.3 |
| Financial assets at fair value through profit or loss | 277.6 | 782.5 | 20.3 | 108.0 | 3 181.6 | 4 370.0 |
| **Total financial assets** | **2 283.7** | **8 907.0** | **6 656.5** | **6 689.3** | **4 522.7** | **29 059.2** |

| as of 31.12.2009 | < 1 year | 1–5 years | 5–10 years | > 10 years | Without maturity | Total |
|---|---|---|---|---|---|---|
| in CHF million | | | | | | |
| Loans (LAR) incl. money market instruments | 2 039.1 | 2 632.4 | 1 738.6 | 1 956.3 | 20.5 | 8 386.9 |
| Held-to-maturity investments (HTM) | 232.0 | 895.4 | 912.5 | 1 007.1 | - | 3 047.0 |
| Available-for-sale investments (AFS) | 621.1 | 5 626.7 | 3 958.3 | 1 683.5 | 916.9 | 12 806.5 |
| Financial assets at fair value through profit or loss | 225.6 | 956.9 | 53.5 | 75.2 | 3 107.2 | 4 418.4 |
| **Total financial assets** | **3 117.8** | **10 111.4** | **6 662.9** | **4 722.1** | **4 044.6** | **28 658.8** |

A statement on the ALM situation of a portfolio can be made by comparing the guaranteed interest rates with yields. Aggregated information on interest guarantees is given in the following diagram. The interest guarantees range from 1 to 6%. Less than 0.8% of Helvetia Group's actuarial reserves carry an interest guarantee of more than 4%.

## Interest guarantees

| as of 31.12.2010 | Direct business Switzerland CHF | Direct business Switzerland Other currencies | Direct business EU EUR | Reinsurance |
|---|---|---|---|---|
| in CHF million | | | | |
| Actuarial reserves for insurance and investment contracts excluding interest guarantee | 833.6 | - | 287.7 | - |
| Actuarial reserves for insurance and investment contracts with 0% interest guarantee | 392.7 | - | 157.8 | 18.1 |
| Actuarial reserves for insurance and investment contracts with positive interest guarantee | 18 363.2 | 127.3 | 4 319.7 | 6.3 |
| **Average interest guarantee in %** | **2.32** | **2.89** | **2.61** | **0.77** |

| as of 31.12.2009 | Direct business Switzerland CHF | Direct business Switzerland Other currencies | Direct business EU EUR | Reinsurance |
|---|---|---|---|---|
| in CHF million | | | | |
| Actuarial reserves for insurance and investment contracts excluding interest guarantee | 809.9 | - | 254.7 | - |
| Actuarial reserves for insurance and investment contracts with 0% interest guarantee | 394.0 | - | 139.3 | 18.3 |
| Actuarial reserves for insurance and investment contracts with positive interest guarantee | 17 041.5 | 123.4 | 4 734.1 | 9.6 |
| **Average interest guarantee in %** | **2.49** | **2.83** | **2.67** | **1.03** |

## Interest rate risk sensitivities

| as of 31.12. | Interest rate level 2010 +10 bp | Interest rate level 2010 –10 bp | Interest rate level 2009 +10 bp | Interest rate level 2009 –10 bp |
|---|---|---|---|---|
| in CHF million | | | | |
| Income statement | 1.9 | –2.1 | 1.2 | –1.3 |
| Equity | –29.3 | 29.6 | –24.1 | 24.3 |
| Gross, not taking into account the latency calculation and derivatives | –69.1 | 69.8 | –61.5 | 62.1 |

The above table analyses the impact of a change in interest rate on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis also takes account of the investments at fair value through profit and loss, fixed-interest available-for-sale investments, derivatives, the actuarial reserve, deposits for investment contracts and the interest earned on variable-rate investments. The "look through" principle was used for significant shares in mixed funds. The impact of a change in interest rate on impairments was not analysed.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every bracket that covers a range of possible interest rate changes where the probability of its occurring over a period of one year is between 10 and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

### 17.5.3 Share price risk

Investments in shares are used to generate long-term surpluses. Funds are mostly invested in large caps traded on the major stock exchanges. Helvetia Group holds a well-diversified portfolio (mainly stocks traded on the exchanges in Switzerland, Europe and the USA). The share of each individual position is less than 6% of the total portfolio (direct investments in equity), with the exception of Allreal, a highly diversified real estate company which accounts for 16.4% of the total exposure to direct investments in equity. Market risk is constantly monitored and, if necessary, reduced through sales or the use of hedging instruments in order to meet the strict internal requirements on risk capacity. Market risks are decreased through hedging strategies. Out-of-the-money put options are largely used to comply with internal loss limits. Direct investments in equities constitute 4.5% (before hedging) of the Group's investments (without investments for account and risk of life policyholders). A substantial proportion is hedged against the risk of significant losses.

Share price risk sensitivities

| | Share price risk sensitivities 2010 | | Share price risk sensitivities 2009 | |
|---|---|---|---|---|
| as of 31.12. | +10% | –10% | +10% | –10% |
| in CHF million | | | | |
| Income statement | 44.7 | –38.3 | 33.2 | –24.3 |
| Equity | 33.2 | –33.9 | 34.0 | –34.0 |
| Gross, not taking into account the latency calculation and derivatives | 173.7 | –173.0 | 158.4 | –157.7 |

The above table analyses the impact of a change in the share price on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis covers direct equity investments, derivatives, equity funds and one part of mixed funds. The "look through" principle was used for significant shares in mixed funds. The impact of a change in share price on impairments was not analysed.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every bracket that covers a range of possible share price changes where the probability of its occurring over a period of one year is between 10 and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

### 17.5.4 Currency risk

Most of the Group's assets, including its investments, and most of its liabilities are denominated in Swiss francs and euros. With the exception of the Swiss business, most liabilities are hedged through investments in matching currencies. In the Swiss business, investments to hedge liabilities in Swiss francs are held in both Swiss francs and euros for reasons of return and liquidity. The resulting currency risks are hedged to a great extent, using forward exchange transactions on the most important balance sheet currencies (EUR, USD) against the Swiss franc.

Foreign exchange risk sensitivities

| | Exchange rate EUR/CHF | | Exchange rate USD/CHF | | Exchange rate GBP/CHF | |
|---|---|---|---|---|---|---|
| as of 31.12.2010 | +2% | –2% | +2% | –2% | +2% | –2% |
| in CHF million | | | | | | |
| Income statement | –0.2 | 0.0 | –1.8 | 1.8 | –0.6 | 0.6 |

| | Exchange rate EUR/CHF | | Exchange rate USD/CHF | | Exchange rate GBP/CHF | |
|---|---|---|---|---|---|---|
| as of 31.12.2009 | +2% | –2% | +2% | –2% | +2% | –2% |
| in CHF million | | | | | | |
| Income statement | –0.9 | 0.8 | –2.7 | 2.7 | –0.5 | 0.5 |

The above table analyses the impact of an exchange rate change on Helvetia Group's income statement, taking account of deferred taxes and the legal quota. In accordance with the IFRS, only monetary financial instruments and insurance liabilities in non-functional currencies and derivative financial instruments were included in the analysis.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every bracket that covers a range of possible exchange rate changes where the probability of its occurring over a period of one year is between 10 and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

Consolidated foreign currency balance sheet 2010

| as of 31.12.2010 | CHF | EUR | USD | Others | Total |
|---|---|---|---|---|---|
| in CHF million | | | | | |
| **Assets** | | | | | |
| Property and equipment | 211.3 | 170.5 | - | - | 381.8 |
| Goodwill and other intangible assets | 153.2 | 160.7 | - | - | 313.9 |
| Investments in associates | 46.2 | 2.2 | - | - | 48.4 |
| Investment property | 4 144.5 | 335.0 | - | - | 4 479.5 |
| Financial assets | 18 482.3 | 9 634.9 | 729.2 | 212.8 | 29 059.2 |
| Receivables from insurance business | 309.5 | 567.8 | 67.8 | 18.6 | 963.7 |
| Deferred acquisition costs | 215.0 | 147.6 | - | - | 362.6 |
| Reinsurance assets | 153.7 | 308.1 | 11.9 | 5.4 | 479.1 |
| Deferred tax assets | 0.1 | 25.0 | - | - | 25.1 |
| Current income tax assets | 5.3 | 16.3 | - | - | 21.6 |
| Other assets | 33.7 | 123.4 | 1.0 | - | 158.1 |
| Accrued investment income | 182.9 | 140.7 | 1.8 | 0.0 | 325.4 |
| Cash and cash equivalents | 696.2 | 234.8 | 7.1 | 3.9 | 942.0 |
| **Total assets** | **24 633.9** | **11 867.0** | **818.8** | **240.7** | **37 560.4** |

| as of 31.12.2010 | CHF | EUR | USD | Others | Total |
|---|---|---|---|---|---|
| in CHF million | | | | | |
| **Liabilities** | | | | | |
| Actuarial reserves (gross) | 19 598.6 | 4 890.1 | 17.7 | - | 24 506.4 |
| Provision for future policyholder participation | 606.6 | 64.7 | - | - | 671.3 |
| Loss reserves (gross) | 1 291.7 | 1 440.9 | 106.1 | 39.0 | 2 877.7 |
| Unearned premium reserve (gross) | 299.1 | 609.6 | 35.2 | 13.3 | 957.2 |
| Financial liabilities from financing activities | 149.4 | 36.0 | - | - | 185.4 |
| Financial liabilities from insurance business | 717.1 | 1 706.7 | 1.3 | - | 2 425.1 |
| Other financial liabilities | 93.3 | 2.7 | 0.0 | - | 96.0 |
| Liabilities from insurance business | 1 059.9 | 260.7 | 25.4 | 1.5 | 1 347.5 |
| Non-actuarial provisions | 72.8 | 19.3 | - | - | 92.1 |
| Employee benefit obligations | 49.7 | 213.4 | - | - | 263.1 |
| Deferred tax liabilities | 351.4 | 119.2 | - | - | 470.6 |
| Current income tax liabilities | 22.3 | 37.1 | - | - | 59.4 |
| Other liabilities and accruals | 63.1 | 87.3 | 0.1 | 0.5 | 151.0 |
| **Total liabilities** | **24 375.0** | **9 487.7** | **185.8** | **54.3** | **34 102.8** |

Consolidated foreign currency balance sheet 2009

| as of 31.12.2009 | CHF | EUR | USD | Others | Total |
|---|---|---|---|---|---|
| in CHF million | restated | restated | | | restated |
| **Assets** | | | | | |
| Property and equipment | 200.3 | 216.4 | - | - | 416.7 |
| Goodwill and other intangible assets | 11.1 | 179.0 | - | - | 190.1 |
| Investments in associates | 45.5 | 16.9 | - | - | 62.4 |
| Investment property | 3 934.1 | 417.1 | - | - | 4 351.2 |
| Financial assets | 17 089.0 | 10 970.4 | 446.4 | 153.0 | 28 658.8 |
| Receivables from insurance business | 331.2 | 575.8 | 47.7 | 20.2 | 974.9 |
| Deferred acquisition costs | 207.8 | 149.7 | - | - | 357.5 |
| Reinsurance assets | 109.2 | 366.1 | 13.3 | 5.0 | 493.6 |
| Deferred tax assets | 0.1 | 23.6 | - | - | 23.7 |
| Current income tax assets | 1.6 | 14.6 | - | - | 16.2 |
| Other assets | 30.5 | 123.4 | 1.2 | - | 155.1 |
| Accrued investment income | 182.8 | 162.1 | 0.8 | 0.0 | 345.7 |
| Cash and cash equivalents | 179.4 | 263.2 | 12.3 | 5.2 | 460.1 |
| **Total assets** | **22 322.6** | **13 478.3** | **521.7** | **183.4** | **36 506.0** |

| as of 31.12.2009 | CHF | EUR | USD | Others | Total |
|---|---|---|---|---|---|
| in CHF million | restated | restated | | | restated |
| **Liabilities** | | | | | |
| Actuarial reserves (gross) | 18 254.7 | 5 251.6 | 18.5 | - | 23 524.8 |
| Provision for future policyholder participation | 646.7 | 97.0 | - | - | 743.7 |
| Loss reserves (gross) | 897.9 | 1 653.7 | 89.1 | 40.8 | 2 681.5 |
| Unearned premium reserve (gross) | 268.5 | 666.5 | 43.1 | 14.3 | 992.4 |
| Financial liabilities from financing activities | 199.9 | 45.5 | - | - | 245.4 |
| Financial liabilities from insurance business | 733.9 | 1 966.7 | 1.0 | 0.0 | 2 701.6 |
| Other financial liabilities | 85.3 | 2.6 | 0.0 | - | 87.9 |
| Liabilities from insurance business | 992.8 | 222.4 | 4.5 | 1.4 | 1 221.1 |
| Non-actuarial provisions | 62.9 | 24.0 | - | - | 86.9 |
| Employee benefit obligations | 34.9 | 247.1 | - | - | 282.0 |
| Deferred tax liabilities | 347.4 | 170.1 | - | - | 517.5 |
| Current income tax liabilities | 19.4 | 27.5 | - | - | 46.9 |
| Other liabilities and accruals | 40.6 | 124.8 | –0.2 | 0.7 | 165.9 |
| **Total liabilities** | **22 584.9** | **10 499.5** | **156.0** | **57.2** | **33 297.6** |

## 17.6 Counterparty risk

Counterparty risk includes risks of default and changes in value. The risk of default refers to the possibility of the counterparty becoming insolvent, while the risk of changes in value is related to the possibility of a financial loss due to a change in the counterparty's credit rating or a change in credit spreads in general. The risk of counterparties failing to meet their obligations is continuously monitored. Helvetia Insurance works with various counterparties with good credit ratings in order to minimise counterparty risk.

### 17.6.1 Risk exposure

Helvetia Group is exposed to counterparty risk in the following areas in particular:
– Counterparty risks from bonds and money market instruments;
– Counterparty risk from granted loans and mortgages: The largest positions in the loans asset class consist of borrower's note loans and policy loans. Policy loans are hedged through life insurance policies. As a loan is only granted against a certain percentage of the accumulated savings capital (< 100%), this asset class can be qualified as "fully secured". The significance of the gross exposure (without taking account of collateral) for the valuation of counterparty risk from the mortgage business is also relatively small: mortgages are secured by a real estate lien and are often also partly secured by a pledged life insurance policy, with the result that the loss rate is correspondingly low. Against this background the counterparty risk from mortgages must be described as small;
– Counterparty risk from transactions involving derivative financial instruments: 52% of the derivative financial instruments are either traded on a stock exchange or secured by cash collateral, which means that these positions do not harbour any counterparty risk. There is also no counterparty risk for a further 47% of the derivatives, as these were concluded with issuers who have a government guarantee (Canton of Basel). The remaining 1%, all of them over-the-counter (OTC) derivatives without cash collateral, carry a counterparty risk. However, these are mostly short-term derivatives (< 6 months), which means that this exposure is short-term with a correspondingly reduced risk;
– Counterparty risk from ceded reinsurance: Helvetia Group transfers part of its risk exposure to other companies under reinsurance contracts. If the reinsurer defaults, the Group continues to be liable for the reinsured liabilities. The Group therefore periodically analyses the balance sheets and credit ratings of its reinsurers. The Group places its reinsurance contracts with several first-class companies to reduce dependency on one single reinsurance company;
– Counterparty risk from insurance business: The default of other counterparties (policyholders, agents and brokers, insurance companies) can lead to the loss of receivables from insurance business. On the balance sheet, the maximum gross exposure would correspond to the items shown in Note 9 "Receivables due from policyholders, agents and brokers and insurance companies" (after deduction of receivables due from reinsurance companies recognised under "Credit risk exposure from ceded reinsurance"). These receivables, however, are usually mostly short-term. On the other hand, receivables due from policyholders is the largest item in this category. As policyholders pay their premiums in advance and insurance cover is directly dependent on customers' fulfilment of their contractual obligations, counterparty risk from both non-life and life insurance businesses plays a minor role;
– Counterparty risk from financial guarantees and credit approval: Detailed information on contingent liabilities can be found in Note 12.2 (page 155).

## Rating of interest rate instruments, loans and derivative financial instruments

| as of 31.12.2010 | AAA | AA | A | BBB | BB and lower | Not rated | Total |
|---|---|---|---|---|---|---|---|
| in CHF million | | | | | | | |
| Money market instruments | 20.0 | 210.8 | 287.5 | - | - | 268.9 | 787.2 |
| Derivative financial assets | - | 42.4 | 0.0 | - | - | 51.9 | 94.3 |
| Bonds | 10912.4 | 6031.6 | 1824.4 | 99.6 | 25.8 | 382.8 | 19276.6 |
| Mortgages | - | - | - | - | - | 3318.2 | 3318.2 |
| Borrower's note loans | 370.1 | 697.1 | 83.2 | - | - | 185.4 | 1335.8 |
| Policy and other loans | - | 6.3 | 24.3 | 6.3 | - | 118.4 | 155.3 |
| **Total** | **11302.5** | **6988.2** | **2219.4** | **105.9** | **25.8** | **4325.6** | **24967.4** |

| as of 31.12.2009 | AAA | AA | A | BBB | BB and lower | Not rated | Total |
|---|---|---|---|---|---|---|---|
| in CHF million | | | | | | | |
| Money market instruments | 9.8 | 111.3 | 842.3 | 0.0 | - | 172.7 | 1136.1 |
| Derivative financial assets | 0.0 | 32.0 | 10.6 | - | - | 2.1 | 44.7 |
| Bonds | 10877.2 | 5086.9 | 2270.4 | 118.6 | - | 310.9 | 18664.0 |
| Mortgages | - | - | - | - | - | 3180.4 | 3180.4 |
| Borrower's note loans | 489.3 | 614.4 | 107.8 | 17.8 | - | 180.4 | 1409.7 |
| Policy and other loans | - | - | 59.5 | 11.2 | - | 129.1 | 199.8 |
| **Total** | **11376.3** | **5844.6** | **3290.6** | **147.6** | **-** | **3975.6** | **24634.7** |

The above analysis shows the gross exposure to interest rate instruments, loans and derivative financial instruments, without taking account of collateral. Capital investments for the account and risk of life policyholders are not included. The credit quality analysis uses the securities and issuer ratings of Standard & Poor's, Moody's and Fitch. The issuer rating of Fedafin is also used for the analysis of Swiss municipalities and cantons and the cantonal banks.

### Credit risk from ceded reinsurance

| as of 31.12.2010 | Exposure | Share in % |
|---|---|---|
| in CHF million | | |
| AAA | 2.1 | 0.4 |
| AA | 259.6 | 46.3 |
| A | 278.8 | 49.7 |
| BBB | 0.6 | 0.1 |
| BB and lower | 0.0 | 0.0 |
| Not rated | 19.8 | 3.5 |
| **Total** | **560.9** | **100.0** |

| as of 31.12.2009 | Exposure | Share in % |
|---|---|---|
| in CHF million | | |
| AAA | 10.4 | 1.8 |
| AA | 251.3 | 43.1 |
| A | 309.1 | 53.0 |
| BBB | 0.6 | 0.1 |
| BB and lower | 0.1 | 0.0 |
| Not rated | 11.4 | 2.0 |
| **Total** | **582.9** | **100.0** |

The ten largest counterparties by credit risk exposure as disclosed in the tables "Rating of interest rate instruments, loans and derivative financial instruments" and "Credit risk from ceded reinsurance" in CHF million:

The 10 largest counterparties

| as of 31.12.2010 | Issuer rating | Book value IFRS total | AAA |
|---|---|---|---|
| in CHF million | | | |
| Switzerland | AAA | 2069.2 | 2042.1 |
| Germany | AAA | 1171.3 | 852.8 |
| France | AAA | 991.7 | 930.1 |
| Austria | AAA | 868.0 | 490.3 |
| Italy | AA | 748.0 | 8.8 |
| Mortgage Bond Bank of the Swiss Mortgage Institution | AAA | 685.8 | 685.8 |
| Commerzbank AG | A | 503.3 | 298.5 |
| European Investment Bank | AAA | 473.1 | 473.1 |
| Central Mortgage Bond Institution of the Swiss Cantonal Banks | AAA | 442.8 | 442.8 |
| Cantonal Bank of Basel | AA | 404.5 | - |

| as of 31.12.2009 | Issuer rating | Book value IFRS total | AAA |
|---|---|---|---|
| in CHF million | | | |
| Switzerland | AAA | 2106.4 | 2098.9 |
| Germany | AAA | 1041.7 | 860.6 |
| Italy | AA | 873.4 | - |
| Austria | AAA | 860.5 | 551.5 |
| France | AAA | 612.3 | 578.4 |
| Commerzbank AG | A | 541.7 | 518.3 |
| Mortgage Bond Bank of the Swiss Mortgage Institution | AAA | 511.3 | 511.3 |
| Netherlands | AAA | 403.2 | 396.6 |
| Spain | AAA | 387.9 | 324.4 |
| UBS AG | A | 380.8 | 27.8 |

| | | | | Money market instruments | Derivative financial assets | Borrower's note loans | Other loans |
|---|---|---|---|---|---|---|---|
| | | Securities rating Bonds | | | | | |
| AA | A | BBB | not rated | | | | |
| - | 27.1 | - | - | - | - | - | - |
| 224.7 | - | - | - | - | - | 93.8 | - |
| 26.8 | 34.8 | - | - | - | - | - | - |
| 239.6 | 50.0 | 18.6 | - | - | - | 69.5 | - |
| 689.5 | 49.7 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 186.0 | - | - | - | - | - | 18.8 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 264.6 | - | - | 15.7 | - | 44.2 | 80.0 | - |

| | | | | Money market instruments | Derivative financial assets | Borrower's note loans | Other loans |
|---|---|---|---|---|---|---|---|
| | | Securities rating Bonds | | | | | |
| AA | A | BBB | not rated | | | | |
| - | 7.5 | - | - | - | - | - | - |
| 69.9 | - | - | - | - | - | 111.2 | - |
| 543.4 | 330.0 | - | - | - | - | - | - |
| 226.4 | 21.9 | 0.4 | - | - | - | 60.3 | - |
| 33.7 | 0.2 | - | - | - | - | - | - |
| - | - | - | - | 1.1 | - | 22.3 | - |
| - | - | - | - | - | - | - | - |
| 6.6 | - | - | - | - | - | - | - |
| 53.7 | - | - | - | 9.8 | - | - | - |
| - | 76.1 | - | - | 270.0 | 6.9 | - | - |

# 18. Events after the reporting date

No important events occurred before or on 2 March 2011, the date on which this consolidated financial statement was completed, that are likely to have a significant impact on the financial statements as a whole.

# 19. Scope of consolidation

On 1 November 2010 Helvetia Schweizerische Versicherungsgesellschaft AG, St-Gall acquired 100% of the shares of each of the following companies: Alba Allgemeine Versicherungs-Gesellschaft AG (Alba), Phenix Versicherungsgesellschaft AG (Phenix) and Phenix Lebensversicherungsgesellschaft AG (Phenix Life). The purchase price for these three companies was CHF 302.0 million in cash.

Alba is a non-life insurance company active in Switzerland with its registered office in Basel. Phenix, based in Lausanne, is active in personal insurance and property and casualty insurance. Phenix Lebensversicherungsgesellschaft AG with its registered office in Lausanne sells individual life as well as group life products.

With this purchase Helvetia Switzerland improved its business volume for property and casualty insurance by more than 25%, thereby underlining its strategic ambition to strengthen its position in its home market. Management is also expecting the integration of the new companies into the Helvetia Group to bring synergies and efficiency gains in the medium term.

For the reporting period Alba contributed a result of CHF –6.3 million, Phenix CHF –1.8 million and Phenix Life CHF –1.7 million to the Group. If the acquisitions had been finalised on 1 January 2010, the Group's gross premiums for the reporting period would have totalled CHF 6,684.5 million and the consolidated net profit CHF 355.1 million. When calculating these amounts it was assumed that the fair value adjustments calculated as of the acquisition date would also have applied to an acquisition on 1 January 2010.

The following table presents an overview of the acquired assets and liabilities:

| in CHF million | Alba | Phenix | Phenix Life |
|---|---|---|---|
| **Assets** | | | |
| Property and equipment | 8.9 | 0.0 | 9.3 |
| Intangible assets | 10.9 | 0.8 | 2.0 |
| Capital investments | 423.9 | 77.1 | 363.9 |
| Receivables from insurance business | 44.1 | 12.3 | 5.1 |
| Tax assets | 0.3 | 0.6 | 0.1 |
| Other assets and accruals | 7.0 | 1.8 | 19.3 |
| Cash and cash equivalents | 7.1 | 5.4 | 11.5 |
| **Liabilites** | | | |
| Actuarial provisions | 370.6 | 64.0 | 336.7 |
| Financial liabilities from insurance business | - | - | 15.5 |
| Tax liabilities | 19.0 | 1.6 | 4.6 |
| Other liabilities and accruals | 18.8 | 6.0 | 8.8 |
| **Acquired net assets** | | | |
| Acquired identified assets (net) | 93.8 | 26.4 | 45.6 |
| Goodwill | 118.4 | 13.4 | 4.4 |
| **Total acquisition costs (all paid in cash)** | **212.2** | **39.8** | **50.0** |

The purchase price allocation in the above table is provisional.

The receivables from the insurance business equal CHF 65.6 million gross (Alba: CHF 47.2 million, Phenix: CHF 12.9 million, Phenix Leben: CHF 5.5 million), of which CHF 4.1 million (Alba: CHF 3.1 million, Phenix: CHF 0.6 million, Phenix Leben: CHF 0.4 million) will be classified as potentially irrecoverable. The tax assets amounting to a total of CHF 1.0 million gross can probably be claimed in full.

The profit and goodwill of Alba and Phenix are allocated in full to the "Switzerland" segment. The total goodwill expected to be deductible for tax purposes amounts to CHF 110.0 million.

The following events in the reporting year led to further changes in the scope of consolidation:

– On 25 March 2010 Helvetia Group reduced its holding in PS Beteiligungs- und Verwaltungsgesellschaft mbH & Co. KG, Frankfurt a.M., from 38.33% to 14.55%. As a result its share in this company's wholly owned subsidiary DFV Deutsche Familienversicherung AG, Frankfurt a.M., was also reduced from 38.33% to 14.55%. The shares were sold at the carrying value of the investments without affecting profit. Helvetia Group now no longer exercises significant control over these two companies. They are no longer reported as associates but are treated as financial instruments.
– Due to the realignment of the strategy to take account of the above transaction, Helvetia Group also has not exercised significant control over PS Verwaltungs-GmbH, Frankfurt a.M., since 25 March 2010. This company is now also treated as a financial instrument and is no longer reported as an associate.
– The Spanish company Previcia, Sociedad de Inversión de Capital Variable, S.A. (SICAV), Seville, was liquidated on 15 June 2010.
– In the reporting period, the share capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt am Main, was increased by EUR 2.5 million.
– In 2010, the share capital of Helvetia Financial Services AG, Vienna, was reduced in a simplified transaction by EUR 0.4 million by offsetting a loss carryforward against the share capital and the company was converted into a private limited company.

The following events in the previous year led to changes in the scope of consolidation:

– On 1 January 2009, Helvetia Group sold its stake of 75% in Rhydorf AG, Widnau, for CHF 2.3 million. The gain on the disposal of CHF 1.4 million is included in "Other income".
– Padana Assicurazioni S.p.A., Milan, acquired 60% of APSA S.r.L., Milan, on 12 January 2009. The purchase price was EUR 60,000. No goodwill was recognised on this acquisition.
– Helvetia Service AG, St-Gall was established on 22 May 2009 as a subsidiary of Helvetia Schweizerische Versicherungsgesellschaft AG, St-Gall, with a share capital of CHF 100,000;
– ecenter solutions ag, Zurich, merged with its parent company Helvetia Beteiligungen AG in St-Gall on 1 July 2009.
– On 1 July 2009, a share capital increase of EUR 4.1 million by Helvetia increased Helvetia's stake in PS Beteiligungs- und Verwaltungsgesellschaft mbH & Co. KG, Frankfurt a.M., from 26% to 38.33%.
– On 30 September 2009, Helvetia Schweizerische Versicherungsgesellschaft AG bought 100% of L'Européenne d'Assurance Transport S.A. (CEAT). This French company specialises in accidental damage insurance for transport vehicles.
– In 2009, the share capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt am Main, was increased by EUR 7.9 million.
– The company acquisitions made in 2009, which were not significant individually, generated total acquisition costs of CHF 38.6 million in cash. With a capitalised carrying value of around CHF 19.0 million (assets: CHF 39.1 million, technical reserves: CHF 13.5 million, other liabilities: CHF 6.6 million), the goodwill was CHF 19.6 million, which was allocated in full to CEAT. CEAT contributed a profit of CHF 1.3 million and APSA a profit of CHF 1.2 million in 2009. If the acquisitions had been finalised on 1 January 2009, the Group's gross premiums would have totalled CHF 6,324.8 million and the consolidated net profit (adjusted) CHF 329.4 million.

## Complete list of Group companies

| as of 31.12.2010 | Business activities | Holding in % | Method of conso-lidation | Currency | Company's capital in million |
|---|---|---|---|---|---|
| **Switzerland** | | | | | |
| Helvetia Schweizerische Versicherungsgesellschaft AG, St-Gall[1] | Non-life | 100.00 | full | CHF | 77.5 |
| Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel | Life | 100.00 | full | CHF | 50.0 |
| Patria Schweizerische Lebensversicherungs-Gesellschaft AG, St-Gall | Life | 100.00 | full | CHF | 0.1 |
| Alba Allgemeine Versicherungs-Gesellschaft AG, Basel | Non-life | 100.00 | full | CHF | 10.0 |
| Phenix Versicherungsgesellschaft AG, Lausanne | Non-life | 100.00 | full | CHF | 10.0 |
| Phenix Lebensversicherungsgesellschaft AG, Lausanne | Life | 100.00 | full | CHF | 20.0 |
| Helvetia Consulta AG, Basel | Other | 100.00 | full | CHF | 0.1 |
| Helvetia Service AG, St-Gall | Other | 100.00 | full | CHF | 0.1 |
| Tertianum AG, Berlingen | | 20.00 | equity | CHF | |
| Prevo-System AG, Basel | | 24.00 | equity | CHF | |
| **Germany** | | | | | |
| Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Deutschland, Frankfurt a.M.[2] | Non-life | 100.00 | full | EUR | |
| HELVETIA INTERNATIONAL Versicherungs-AG, Frankfurt a.M. | Non-life | 100.00 | full | EUR | 8.0 |
| HELVETIA Schweizerische Lebensversicherungs-AG, Frankfurt a.M. | Life | 100.00 | full | EUR | 6.5 |
| Der ANKER Vermögensverwaltung GmbH, Frankfurt a.M. | Other | 100.00 | full | EUR | 0.0 |
| Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt a.M. | Life | 100.00 | full | EUR | 39.2 |
| Helvetia Grundstücksverwaltung GmbH, Frankfurt a.M. | Life | 100.00 | full | EUR | 0.0 |
| Hamburger Assekuranz GmbH, Frankfurt a.M. | Other | 100.00 | full | EUR | 3.1 |
| Helvetia Leben Maklerservice GmbH, Frankfurt a.M. | Life | 100.00 | full | EUR | 0.0 |
| Helvetia Versicherungs- und Finanzdienstleistungsvermittlung GmbH, Frankfurt a.M. | Other | 100.00 | full | EUR | 0.0 |
| **Italy** | | | | | |
| Helvetia Compagnia Svizzera d'Assicurazioni S.A., Rappresentanza Generale e Direzione per l'Italia, Milan[2] | Non-life | 100.00 | full | EUR | |
| Helvetia Vita – Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan | Life | 100.00 | full | EUR | 13.4 |
| Chiara Vita S.p.A., Milan | Life | 70.00 | full | EUR | 34.2 |
| Padana Assicurazioni S.p.A., Milan | Non-life | 100.00 | full | EUR | 15.6 |
| APSA s.r.L., Milan | Non-life | 60.00 | full | EUR | 0.1 |
| GE.SI.ASS Società Consortile a R.L., Milan | Other | 55.00 | full | EUR | 0.0 |
| **Spain** | | | | | |
| Helvetia Holding Suizo, S.A., Madrid | Other | 100.00 | full | EUR | 90.3 |
| Helvetia Compañía Suiza, Sociedad Anónima de Seguros y Reaseguros, Seville | Life and non-life | 98.95 | full | EUR | 21.4 |
| Previsur Agencia de Seguros S.L., Seville | Other | 100.00 | full | EUR | 0.0 |
| Gesnorte S.A., S.G.I.I.C., Madrid | | 31.73 | equity | EUR | |
| Gesnorte de Pensiones, S.A., Entidad Gestora de Fondos de Pensiones, Madrid | | 24.00 | equity | EUR | |
| Gesnorte de Servicios, S.A., Madrid | | 28.00 | equity | EUR | |
| **Other insurance units** | | | | | |
| **Austria** | | | | | |
| Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Österreich, Vienna[2] | Non-life | 100.00 | full | EUR | |
| Helvetia Versicherungen AG, Vienna | Life and non-life | 100.00 | full | EUR | 12.7 |
| Römertor Versicherungsmakler, Immobilien und Bau GmbH, Vienna | Other | 100.00 | full | EUR | 0.0 |

| as of 31.12.2010 | Business activities | Holding in % | Method of conso-lidation | Currency | Company's capital in million |
|---|---|---|---|---|---|
| Marc Aurel Liegenschaftsverwaltung GmbH, Vienna | Other | 100.00 | full | EUR | 0.0 |
| Helvetia Financial Services GmbH, Vienna | Other | 100.00 | full | EUR | 0.2 |
| ZSG Kfz-Zulassungsservice GmbH, Vienna | | 33.33 | equity | EUR | |
| **France** | | | | | |
| Helvetia Compagnie Suisse d'Assurances S.A., Direction pour la France, Paris[2] | Non-life | 100.00 | full | EUR | |
| Helvetia Assurances S.A., Paris[3] | Non-life | 100.00 | full | EUR | 2.4 |
| **Worldwide** | | | | | |
| Helvetia Schweizerische Versicherungsgesellschaft AG, Rückversicherung, St-Gall[2] | Other | 100.00 | full | CHF | |
| **Corporate** | | | | | |
| **Switzerland** | | | | | |
| Helvetia Holding AG, St-Gall | Other | - | - | CHF | 0.9 |
| Helvetia Beteiligungen AG, St-Gall | Other | 100.00 | full | CHF | 225.7 |
| Helvetia Consulting AG, St-Gall | Other | 100.00 | full | CHF | 0.1 |
| Helvetia I Funds North America | Other | 100.00 | full | USD | - |
| Helvetia I Funds Great Britain | Other | 100.00 | full | GBP | - |
| Helvetia I Funds Europe | Other | 100.00 | full | EUR | - |
| **Germany** | | | | | |
| DeAM Fonds DFD 1 (Europa) | Other | 100.00 | full | EUR | - |
| **Jersey** | | | | | |
| Helvetia Finance Ltd., St Helier | Other | 100.00 | full | CHF | 0.1 |
| **Luxembourg** | | | | | |
| Helvetia Europe S.A., Luxembourg | Other | 100.00 | full | EUR | 11.5 |
| VP SICAV Helvetia Fund Euro Bonds | Other | 100.00 | full | EUR | - |
| VP SICAV Helvetia Fund European Equity | Other | 100.00 | full | EUR | - |
| VP SICAV Helvetia Fund International Equity | Other | 100.00 | full | EUR | - |

1 Group costs are included in "Corporate" segment.
2 Branches.
3 Formerly known as L'Européenne d'Assurances Transport S.A. (CEAT).

# Report of the Group Auditor

Report of the Group Auditors on the Consolidated Financial Statement to the General Meeting of Shareholders of Helvetia Holding AG, St-Gall

As Group auditor, we have audited the consolidated financial statements given on pages 86 to 194 of Helvetia Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of equity, cash flow statement and notes for the financial year ended 31 December 2010.

**Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on this consolidated financial statement based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statement for the year ended 31 December 2010 gives a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a par. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statement submitted to you be approved.

KPMG Ltd

Hieronymus T. Dormann
Licenced Audit Expert, Auditor in Charge

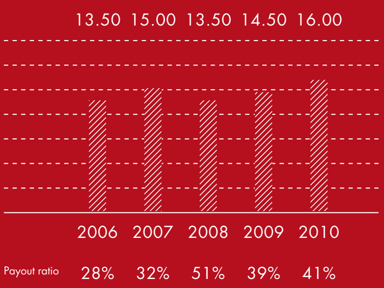
Christian Fleig
Licenced Audit Expert

Zurich, 2 March 2011

# Helvetia pursues a consistent strategy on behalf of its shareholders.

**Dividend history**
2006 – 2010

in CHF




Helvetia follows a sustainable dividend policy with attractive, market-related and stable dividend flows. Thanks to its long-term business strategy and efficient risk management procedures, Helvetia reduces the risks faced by investors and customers while still enjoying consistent growth, sustained profitability and minimised results volatility. This allows the company to pay out stable dividends.

# Financial statement Helvetia Holding AG

## Income statement

| in CHF million | 2010 | 2009 | Change |
|---|---|---|---|
| Dividend income | 137.2 | 129.4 | |
| Loan interest income | 2.2 | 3.4 | |
| Loan interest expenses | –4.0 | –6.0 | |
| Trademark expenses | 0.0 | –1.8 | |
| Fees | –0.7 | 0.0 | |
| Profit for the period before tax | 134.7 | 125.0 | 7.8% |
| Taxes | 0.0 | 0.0 | |
| **Profit for the period** | **134.7** | **125.0** | **7.8%** |

## Balance sheet

| | 2010 | 2009 | Change |
|---|---|---|---|
| **Assets** | | | |
| Investments | 803.7 | 803.7 | |
| Loans to Group companies | 21.0 | 35.7 | |
| Non-current assets | 824.7 | 839.4 | –1.8% |
| Cash and cash equivalents | 0.0 | 0.0 | |
| Balances receivable from Group companies | 161.4 | 189.5 | |
| Current assets | 161.4 | 189.5 | –14.8% |
| **Total assets** | **986.1** | **1 028.9** | **–4.2%** |
| **Liabilities and equity** | | | |
| Share capital | 0.9 | 0.9 | |
| Reserve for treasury shares | 6.9 | 6.9 | |
| Reserve from capital contributions | 260.5 | 0.0 | |
| Other statutory reserves | 86.1 | 346.6 | |
| Free reserves | 340.2 | 340.2 | |
| Profit carried forward | 4.9 | 5.4 | |
| Profit for the period | 134.7 | 125.0 | |
| Total equity | 834.2 | 825.0 | 1.1% |
| Bonds | 150.0 | 200.0 | |
| Provisions | 0.0 | 0.0 | |
| Accruals | 1.9 | 3.9 | |
| Borrowed capital | 151.9 | 203.9 | –25.5% |
| **Total liabilities and equity** | **986.1** | **1 028.9** | **–4.2%** |

## Proposed appropriation of profit

| | 2010 | 2009 |
|---|---|---|
| Profit for the period | 134.7 | 125.0 |
| Profit carried forward | 4.9 | 5.4 |
| Release of reserve from capital contributions | 69.2 | 0.0 |
| At the disposal of the Shareholders' Meeting | 208.8 | 130.4 |
| Proposed dividend[1] | 138.4 | 125.5 |
| Allocation to free reserves | 0.0 | 0.0 |
| **Profit carried forward to new account** | **70.4** | **4.9** |

[1] 2010: CHF 16.00, of which CHF 8.00 represents a payout exempt of withholding tax from the reserve from capital contributions. / 2009: CHF 14.50 per registered share.

# Notes to the annual financial statement Helvetia Holding AG

## 1. Investments

On the balance sheet date, Helvetia Holding AG owned the following direct investments:

Investments Helvetia Holding AG

| | Reported company capital | Holding as of | Reported company capital | Holding as of |
|---|---|---|---|---|
| | 31.12.2010 | 31.12.2010 | 31.12.2009 | 31.12.2009 |
| in CHF million | | | | |
| Helvetia Schweizerische Versicherungsgesellschaft AG, St-Gall | 77.5 | 100.00% | 77.5 | 100.00% |
| Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel | 50.0 | 100.00% | 50.0 | 100.00% |
| Helvetia Finance Limited, Jersey | 0.1 | 100.00% | 0.1 | 100.00% |

## 2. Dividend income

The reported dividend income of Helvetia Holding AG represents the dividend paid simultaneously to Helvetia Holding AG by the subsidiaries Helvetia Schweizerische Versicherungsgesellschaft AG and Helvetia Schweizerische Lebensversicherungsgesellschaft AG from their respective net profits for 2010.

## 3. Bonds

On 19 April 2010, Helvetia Holding AG issued a 1.75% bond 2010–2013 with a nominal value of CHF 150,000,000 on 19 April 2010; this bond has to be repaid at nominal value on 19 April 2013. The bond has a coupon rate of 1.75%, which will be paid annually on 19 April.

The 3% bond 2004–2010 of Helvetia Holding AG was repaid at nominal value of CHF 200,000,000 on 5 May 2010.

## 4. Treasury shares

On the balance sheet date, subsidiaries of Helvetia Holding AG held 32,254 registered shares of Helvetia Holding AG (previous year: 32,254).

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Number of treasury shares | 32 254 | 32 254 |
| Reserve for treasury shares in CHF | 6 899 526 | 6 899 526 |

## 5. Shareholders with interests of more than 3%

On the balance sheet date, the following shareholders owning more than 3% of the share capital were recorded in the share register: Patria Genossenschaft 30.09% (previous year: 30.09%), Vontobel Beteiligungen AG 4.0% (previous year: 4.0%), Raiffeisen Switzerland 4.0% (previous year: 4.0%) and Bâloise Group, Basel 3.53% (previous year: 3.93%).

On the balance sheet date, the shareholder pool comprised the following shareholders:

– Patria Genossenschaft, Basel, with 29.79% (previous year: 29.79%) (with an additional 0.3% outside the pool);
– Vontobel Beteiligungen AG with 4.0% (previous year: 4.0%);
– Raiffeisen Switzerland with 4.0% (previous year: 4.0%).

## 6. Additional information for companies listed on the stock exchange (transparency law)

The information on payments to and investments of the members of the Board of Directors and the Executive Management required under Art. 663b bis and Art. 663c par. 3 of the Swiss Code of Obligations is provided in the notes to the Consolidated financial statement of Helvetia Group in Note 16 (from page 165).

## 7. Guarantee and contingent liabilities

Helvetia Holding AG belongs to the VAT group of Helvetia Schweizerische Lebensversicherungsgesellschaft AG and is therefore jointly and severally liable for the VAT debts.

Helvetia Holding AG has issued a subordinate and unsecured guarantee of CHF 300 million vis-à-vis the bond creditors of Helvetia Schweizerische Versicherungsgesellschaft AG. This is connected with the subordinate bond issued in November 2010.

## 8. Notes on the risk assessment

Risk management helps to ensure that the fundamental company objectives are achieved, and contributes to the effective safeguarding of Helvetia's equity base. Risk management is part of the systematic risk management process of Helvetia Group and comprises all Group companies.

The risk management process is synonymous with the systematic processing of all risks. The essential components of this process include the identification, analysis and management of risks, the operational monitoring of the success of the risk management measures, the monitoring of the effectiveness and appropriateness of the risk management measures, and reporting and communication.

The company distinguishes between the following types of risk that are included in the risk management process: market risks (including the interest rate and currency risks associated with the liabilities and long-term liquidity risks), medium and short-term liquidity risks, counterparty risks, insurance risks, operational risks, strategic and latent risks.

The risk management process also puts particular emphasis on the operational risks, which are defined as the risk of losses resulting from the inappropriateness or failure of internal procedures, people and systems, or from external events. Operational risk includes the impact of reputational risks.

The risk management process is carried out by Helvetia Group's risk management organisation.

Helvetia Holding AG is fully integrated into the risk management process of Helvetia Group. This Group-wide risk management process and organisation also takes account of the type and scope of the business activities and specific risks of Helvetia Holding AG.

The Board of Directors of Helvetia Holding AG and the Executive Management are the supreme risk owners of Helvetia Group and its Group companies. The Board of Directors of Helvetia Holding AG is responsible for establishing and maintaining appropriate internal controls and the risk management organisation of Helvetia Group and its Group companies. It is the Board's responsibility in particular to:

– set risk policy principles that support the development of risk awareness and a risk-and-control culture in the Group companies;
– ensure appropriate monitoring of the effectiveness of the internal control systems by the Group Executive Management;
– ensure the implementation and application of a comprehensive risk management approach, including an internal control system, that guarantees the efficient allocation of risk capital and systematic control of risks by the Executive Management;
– determine a risk strategy/partial risk strategies that cover the risk management objectives of all essential business activities;
– set risk tolerance limits and monitor the risk profile of the Group and the individual business units.

Within the stipulated parameters, the Board of Directors delegates operational aspects of risk management. For example, the monitoring of the Group's risk profile and in particular the monitoring of the market, liquidity, counterparty and insurance risks are delegated to the Investment and Risk Committee. The structural aspects of risk management (structure of the risk management organisation and the internal control system) and the monitoring of operational risks in particular are delegated to the Audit Committee. The strategic risks are monitored by the Strategy and Governance Committee.

The Executive Management of Helvetia Group is responsible for implementing and complying with the strategies, business principles and risk limits determined by the Board of Directors for Helvetia Group and its Group companies. The Risk Committee supports the Executive Management in an advisory capacity. It coordinates, monitors and assesses the risk decisions and financing and hedging measures of all business units. The Risk Committee meets at least once a quarter and is chaired by the Head of Corporate Finance & Risk Management. Other permanent members are the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Investment Officer (CIO), the Head of Group Portfolio Strategy, and the Group actuaries for life and non-life. Other specialists can be invited to attend a meeting when required and depending on the topic. The Corporate Finance & Risk Management department, which reports to the CFO and exercises the Group's risk monitoring function, ensures the necessary risk transparency by, among other things, preparing a quarterly risk and capital report.

The risk management process and risk management organisation at Group level are copied at the level of the individual business units. Responsibility for the implementation of and compliance with the strategies, business principles and risk limits at business unit level is delegated by the Group Executive Management to the local Executive Management teams.

The internal audit unit of Helvetia Group, an independent in-house team reporting directly to the Chairman of the Board of Directors of Helvetia Holding AG, monitors the course of operations and business, the internal control system and the efficiency of the risk management system of the Group and its Group companies. While the risk controlling functions are responsible for the ongoing monitoring of the Group's risk management system, the internal audit unit monitors the effectiveness, appropriateness and efficiency of the risk management measures at irregular intervals and identifies weaknesses.

# Report of the Statutory Auditor

Report of the Statutory Auditors on the Financial Statements to the General Meeting of Shareholders of Helvetia Holding AG, St-Gall

As statutory auditors, we have audited the financial statement given on pages 200 to 203 of Helvetia Holding AG, which comprises the income statement, balance sheet and notes for the financial year ended 31 December 2010.

**Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statement in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statement for the year ended 31 December 2010 complies with Swiss law and the company's articles of incorporation.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a par. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statement submitted to you be approved.

KPMG Ltd

Hieronymus T. Dormann
Licenced Audit Expert, Auditor in Charge

Christian Fleig
Licenced Audit Expert

Zurich, 2 March 2011

# Investors can rely on Helvetia's profitable growth.

**Business volume history**
2006 – 2010

in CHF

+1.5 billion

With the sustainable expansion of its existing customer base and its targeted acquisitions, the business volume of Helvetia Group has grown by more than 37% in currency-adjusted terms over the past few years. This represents an improvement of CHF 1.5 billion.

Helvetia is a solid and profitable company. Management strives to attain above-average growth, profitability and the trust of its customers and distribution partners. Thanks to its cautious business policy and targeted acquisitions, Helvetia is growing continuously and is strengthening its position in its selected markets.

# Embedded value

# Embedded value

Helvetia's life business is doing very well in the difficult current economic environment. The life insurance portfolio improved modestly while the value of new business remained stable.

Embedded value measures the shareholder value of the life insurance portfolio and is made up of
– the adjusted equity;
– plus the value of the insurance portfolio;
– less the solvency costs.

The adjusted equity comprises the statutory equity and the shareholders' interest in the valuation reserves. The value of the insurance portfolio corresponds to the present value of all expected future statutory earnings after tax from the life insurance portfolio as of the reporting date. Solvency costs, i.e. the costs of solvency capital provided by the shareholder, are deducted from the embedded value. This year, the solvency costs were increased in line with current market developments.

In order to calculate embedded value, different best estimate assumptions are made, notably concerning return on investments, costs, claims experience and policyholder profit participation. The key assumptions are listed in a table on the following page. The embedded value that Helvetia has published here was calculated in accordance with the traditional method.

Deloitte audited the methodology used by Helvetia Group as well as the assumptions applied to the calculation of the embedded value as at 31 December 2010.

Deloitte considers the calculation method applied by Helvetia Group and the assumptions to be appropriate and reasonable and the disclosures on embedded value given below and based on the selected calculation method and corresponding assumptions to be in proper form. For the purpose of this report, Deloitte reviewed data on a test basis, relying, however, on the financial information published in the financial report.

At the end of 2010, the embedded value of Helvetia Group amounted to CHF 2,248.0 million, which represents an increase of CHF 34.3 million or 1.5% compared to December 2009 and includes the newly acquired portfolio of Phenix Life. This increase is due to a positive contribution by new business and positive operating results. However, the embedded value was also very negatively impacted by currency effects. The low interest rate environment meant that the economic changes in 2010 at minus CHF 176.3 million had a restraining effect on the embedded value.

The annual contribution by Patria Genossenschaft to promoting the interests of Helvetia's life policyholders in the amount of CHF 16.0 million was added to the profit reserves.

Although the volume of new business written remained stable, new business profitability and the value of new business written fell slightly year on year, primarily as a result of the low interest rate environment (especially in Switzerland) and the adjustment to the solvency costs. Given that the economic environment is very challenging, these developments are pleasing overall.

| in CHF million | 2010 | 2009 |
|---|---|---|
| **Embedded value after tax** | | |
| **Switzerland** | **1 858.7** | **1 750.4** |
| of which value of insurance portfolio | 1 308.7 | 1 103.5 |
| of which adjusted equity | 1 206.5 | 1 055.2 |
| of which solvency costs | –656.5 | –408.3 |
| **EU** | **389.3** | **463.3** |
| of which value of insurance portfolio | 286.1 | 281.8 |
| of which adjusted equity | 240.4 | 282.9 |
| of which solvency costs | –137.2 | –101.4 |
| **Total[1]** | **2 248.0** | **2 213.7** |
| of which value of insurance portfolio | 1 594.8 | 1 385.3 |
| of which adjusted equity | 1 446.9 | 1 338.1 |
| of which solvency costs | –793.7 | –509.7 |

[1] of which minority interests CHF 29.2 Mio. as of 31.12.2010.

| | 2010 | 2009 |
|---|---|---|
| **Assumptions** | | |
| **Switzerland** | | |
| Risk discount rate | 6.5% | 7.0% |
| Yield on bonds | 1.9–2.6% | 2.4–3.2% |
| Yield on equities | 6.5% | 6.5% |
| Yield on real estate | 4.5% | 4.5% |
| **EU** | | |
| Risk discount rate | 8.0% | 8.0% |
| Yield on bonds | 3.7–5.2% | 4.3–5.1% |
| Yield on equities | 7.5% | 7.5% |
| Yield on real estate | 4.8% | 4.4% |

| in CHF million | 2010 | 2009 |
|---|---|---|
| **Development of embedded value after tax** | | |
| Embedded value as of 1 January | 2213.7 | 2037.2 |
| Operationg profit from insurance portfolio and adjusted equity | 249.7 | 169.5 |
| Value of new business | 30.0 | 38.4 |
| Economic changes, including changes to unrealised gains and losses on investments (equity and real estate) | –176.3 | 4.8 |
| Dividends and movement of capital | 1.2 | –7.7 |
| Model changes compared to prior year | - | –29.6 |
| Foreign currency translation differences | –70.3 | 1.1 |
| **Embedded value as of 31 December** | **2248.0** | **2213.7** |

| in % | | |
|---|---|---|
| **Sensitivities** | | |
| +1% change to risk discount rate | –10.4 | –7.5 |
| –1% change to risk discount rate | 9.6 | 9.1 |
| –10% change to fair value of equities | –4.4 | –2.8 |
| –10% change to fair value of real estate | –11.3 | –9.2 |
| +1% change to new money rate | 4.9 | 6.5 |
| –1% change to new money rate | –8.4 | –6.4 |

| in CHF million | | |
|---|---|---|
| **New Business** | | |
| **Switzerland** | | |
| Value of new business | 18.3 | 22.4 |
| Annual Premium Equivalent (APE) | 160.0 | 164.6 |
| Value of new business (APE) in % | 11.4% | 13.6% |
| Present value of new business premiums (PVNBP) | 1649.4 | 1628.7 |
| Value of new business (PVNBP) in % | 1.1% | 1.4% |
| **EU** | | |
| Value of new business | 11.7 | 16.0 |
| Annual Premium Equivalent (APE) | 122.8 | 129.8 |
| Value of new business (APE) in % | 9.5% | 12.3% |
| Present value of new business premiums (PVNBP) | 1100.9 | 1145.9 |
| Value of new business (PVNBP) in % | 1.1% | 1.4% |
| **Total** | | |
| Value of new business | 30.0 | 38.4 |
| Annual Premium Equivalent (APE) | 282.8 | 294.4 |
| Value of new business (APE) in % | 10.6% | 13.0% |
| Present value of new business premiums (PVNBP) | 2750.3 | 2774.6 |
| Value of new business (PVNBP) in % | 1.1% | 1.4% |

Annual Premium Equivalent (APE): 100% annual new business premium + 10% single new business premium.
PVNBP: Present Value of New Business Premium.

# Service

# Glossary

**Actuarial reserves**
Underwriting reserves for life insurance which are calculated on the basis of official guidelines and, together with future premiums, serve to ensure that sufficient funds are available to pay all benefits to which an insured person may be entitled.

**Amortised cost**
The amortised cost value of an investment is the amount at which the asset is first valued, less any impairments and plus or minus the difference between the original cost price and the redemption amount on maturity (premium/discount), with the difference being amortised over the term.

**Asset liability concept**
A means of balancing assets and liabilities on our customers' behalf in such a way as to ensure that all the Group's insurance commitments can be met with maximum security at any time.

**Available solvency**
Capital funds available to cover the required level of solvency.

**Business volume**
Sum of the gross premiums written and deposits from investment contracts in the reporting year.

**Cash generating unit**
The smallest identifiable group of a company's assets that generates cash inflows that are largely independent of cash flows from other assets.

**CEO**
Chief Executive Officer.

**CFO**
Chief Financial Officer.

**CIO**
Chief Investment Officer.

**Claims ratio**
The ratio of claims incurred to net premiums earned.

**Collateral**
Assets (generally securities) which are deposited or pledged as a financial surety.

**Combined ratio**
The sum of the net expense ratio and the claims ratio is used to evaluate the profitability of non-life insurance business before underwriting interest income is taken into consideration.

**Contingent liabilities**
Liabilities with little probability of occurring or low probability of causing an outflow of funds. They are not included in the balance sheet, but are mentioned in the notes to the consolidated financial statements.

**Cost ratio**
The ratio of net underwriting expenditure to net premiums written.

**CSO**
Chief Strategy Officer.

**Deferred acquisition costs**
Costs arising in connection with the conclusion of new insurance contracts or the extension of existing insurance contracts. Such costs are reflected as an asset in the balance sheet and are allocated across the term of the contract as an expense in the income statement.

**Deferred taxation**
Deferred taxes arise due to temporary taxable differences in value between the local tax balance sheet and the IFRS balance sheet. They are determined for each balance sheet item and are either taxes owing or tax credits when viewed from the perspective of the balance sheet date.

**Deposits**
(See "Deposits from investment contracts").

**Deposits from investment contracts**
The amounts paid in during the reporting year from contracts without a significant insurance risk.

**Direct business**
All insurance policies concluded by Helvetia with customers who are not insurers themselves.

**Effective interest method**
Allocates the difference between the cost price and redemption amount (premium/discount) over the expected life of the corresponding asset using the present value method, thus achieving a consistent interest rate.

**Embedded value**
Embedded value measures the shareholder value of the life insurance portfolio and is made up of
- the adjusted equity
- plus the value of the insurance portfolio
- less the solvency costs.

**Equity ratio**
Profit/loss after tax as a proportion of the average shareholders' equity as shown in the consolidated balance sheet.

**Equity valuation**
Balance sheet practice for measurement of holdings in associated companies. The valuation of the holding in the balance sheet corresponds to the shareholders' equity in this company held by the Group. In the context of ongoing evaluation, this valuation is projected forward to take

account of changes in proportional shareholders' equity, while allocating the proportional annual earnings to the Group results.

**Fair value asset valuation**
Valuation of assets at fair market value. This is the value at which an asset may be exchanged between two specialist and independent business partners who are willing to enter into a contract. As a rule, this is the price that can be achieved on an active market.

**Finance lease**
Leasing contracts under which all the risks and opportunities associated with the property are essentially transferred to the leasing customer.

**Fixed-income investments**
Securities (such as bonds, medium-term notes) on which a fixed and constant interest is paid for their entire term.

**Fund-linked life insurance policies**
(See "Unit-linked life insurance policies").

**Gross premiums**
The premiums written in the financial year before deduction of premiums ceded to reinsurers.

**Group insurance**
Insurance contracts concluded for a company's employees.

**Hedge accounting**
A special IFRS balance sheet practice for hedging transactions which aims to present hedging instruments and underlying transactions using the same valuation methods in order to reduce the potential volatility of results.

**Impairment**
Impairment is deemed to be the amount by which the net carrying value of an asset permanently exceeds its recoverable amount (the higher of its net selling price and the net present value of cash flows which are expected to be generated from the use of the asset).

**Index-linked products**
Endowment life insurance policies which are linked to stock market indices (e.g. the Swiss Market Index) or to a securities portfolio. The insurance benefits are increased by a bonus, the amount of which is dependent on the performance of the index.

**Indirect business**
Companies involved in direct business – primary insurers – often do not bear the entire risk alone but pass some of it on to a reinsurer. Like many companies active in direct insurance business, Helvetia also acts as a reinsurer and assumes part of the risk of other primary insurers. These reinsurance transactions are known as indirect business.

**Individual insurance**
Insurance contracts concluded for individuals.

**Insurance benefits**
Amounts paid by the insurer in the financial year for claims incurred in respect of insured events.

**Legal quota**
Legal or contractual obligation to credit the policyholder with a minimum amount of the income or profits from an insurance portfolio in the form of dividends.

**Liability Adequacy Test (LAT)**
Adequacy test that checks whether the carrying value of an insurance liability is sufficient to cover estimated future requirements.

**Loss reserves**
Since not all claims will be settled by the end of the financial year in which they arise, provisions must be made in the balance sheet for these outstanding claims or claims likely to be incurred but not yet notified. Such provisions are known as loss reserves or reserves for claims outstanding. Changes to the loss reserves are shown in the income statement.

**Net earned premiums**
Net premiums written in the financial year, taking into account changes in the reserves for unearned premiums.

**Net insurance benefits and claims**
Total of all benefits paid in the financial year and all changes to technical reserves, less benefits covered by reinsurers.

**Net premiums written**
If a risk is reinsured, the reinsurer will receive a part of the gross premium in proportion to the risk assumed. The other part is used to finance the risk that remains for the primary insurer. Net premiums thus correspond to gross premiums from total business less the premiums ceded proportionally to reinsurers.

**Operating lease**
Lease agreements under which the risks and opportunities associated with the property remain with the lessor.

**Plan assets**
Assets that serve to cover employee benefits by means of a long-term fund.

**Preferred stock**
Corporate bonds that are, in the case of liquidation, subordinate to first-ranking bonds and superordinate to the shareholders and explicitly subordinate bonds.

**Premium**
Amount to be paid by the policyholder to the insurer for the provision of insurance cover.

**Premium reimbursements**
Some insurance policies provide that part of the premium may be repaid to the client as a policyholder's dividend at times when few claims have been incurred.

**Policyholders' dividend**
The positive difference between actual and guaranteed interest income, and between a policy's calculated and actual benefits or costs, is credited to the policyholder as a dividend (particularly applies to life insurance business).

**Provisions**
Amounts set aside in the balance sheet to meet likely future commitments.

**Regular premiums**
Amount paid for the provision of insurance cover, in the form of recurring payments.

**Reinsurer**
Insurance company that assumes part of the risks entered into by a primary insurer.

**Reinsurance premiums**
Amount paid by the insurer to the reinsurer in exchange for the latter's assumption of risks.

**Required solvency**
The minimum amount of capital funds an insurance company is calculated to need to ensure that it can meet its liabilities from insurance policies.

**Run-off portfolio**
An insurance portfolio that is being wound up, i.e. no new contracts are concluded for this portfolio and no existing contracts from this portfolio are extended.

**Securities lending**
The lending of securities for a fixed or unlimited period in exchange for a commission and adequate sureties.

**Single premium**
Amount paid for the provision of insurance cover, in the form of a one-time payment on commencement of the insurance.

**Technical reserves**
Total amount of reserves for unearned premiums, reserves for claims outstanding, actuarial reserves, reserves for future policyholder dividends and other technical reserves that appear under liabilities on the balance sheet.

**Total benefits**
Sum of all the benefits insured (particularly applies to life insurance business).

**Total business**
Direct and indirect business combined.

**Unearned premium reserve**
In many cases, the insurance period for which a premium is paid in advance and during which the insurance company bears the risk does not correspond with the financial year. The part of the premium relating to the insurance period falling in the next financial year has not been earned by the end of the current year, and must be transferred to reserves at the end of the financial year. This is the unearned premium reserve which appears in the balance sheet under technical reserves. Changes to the unearned premium reserve are shown in the income statement.

**Unit-linked life insurance policies**
Life insurance policies in which the insurer invests the policyholder's savings capital for the account of and at the risk of the latter. Most unit-linked life insurance policies are fund-linked products where the policyholder can determine the type of investment by choosing a particular fund.

**Unit-linked products**
(See "Unit-linked life insurance policies").

**Volume of new business**
The volume of new business is the new business written in the reporting year. Helvetia calculates this based on the present value of new business premiums (PVNBP).

**Zillmering**
Balancing of an account with part of the unamortised acquisition costs taken into consideration.

# Important addresses

## Group Head Office

Helvetia Holding AG, Dufourstrasse 40, CH-9001 St-Gall
Tel. +41 58 280 50 00, Fax +41 58 280 50 01, www.helvetia.com, info@helvetia.com

## Group Executive Management

| | |
|---|---|
| Stefan Loacker | Chief Executive Officer Group |
| Markus Gemperle | Head of Strategy and Operations |
| Philipp Gmür | Chief Executive Officer Switzerland |
| Ralph-Thomas Honegger | Chief Investment Officer |
| Markus Isenrich | Head of Human Resources and Services |
| Paul Norton | Chief Financial Officer |
| Wolfram Wrabetz | Chief Executive Officer Germany |

## National offices

| | | |
|---|---|---|
| Helvetia Versicherungen<br>Executive Management Switzerland | Philipp Gmür<br>CEO | St. Alban-Anlage 26<br>CH-4002 Basel |
| Helvetia Versicherungen<br>Management Board Germany | Wolfram Wrabetz<br>General Manager | Berliner Strasse 56–58<br>D-60311 Frankfurt a.M. |
| Helvetia Versicherungen<br>Management Board Austria | Georg Krenkel<br>General Manager | Jasomirgottstrasse 2<br>A-1010 Vienna |
| Helvetia Assicurazioni<br>Management Board Italy | Francesco La Gioia<br>General Manager | Via G.B. Cassinis 21<br>I-20139 Milan |
| Helvetia Assurances<br>Management Board France | Alain Tintelin<br>General Manager | 2, rue Sainte Marie<br>F-92415 Courbevoie/Paris |

## Subsidiaries

| | | |
|---|---|---|
| Helvetia Schweizerische<br>Lebensversicherungs-AG | Wolfram Wrabetz<br>Chairman of the Board of Directors | Weissadlergasse 2<br>D-60311 Frankfurt a.M. |
| Helvetia International<br>Versicherungs-AG | Wolfram Wrabetz<br>Chairman of the Board of Directors | Berliner Strasse 56–58<br>D-60311 Frankfurt a.M. |
| Helvetia Versicherungen AG | Burkhard Gantenbein<br>Chairman of the Board of Directors | Hoher Markt 10–11<br>A-1011 Vienna |
| Helvetia Vita Compagnia Italo Svizzera<br>di Assicurazioni sulla Vita S.p.A. | Fabio Bastia<br>Director General | Via G.B. Cassinis 21<br>I-20139 Milan |
| Padana Assicurazioni S.p.A. | Claudio Rampin<br>Director General | Via Maastricht 1<br>I-20097 San Donato Milanese |
| Chiara Vita S.p.A. | Fabio Bastia<br>Director General | Via Pietro Gaggia 4<br>I-20139 Milan |
| Helvetia Compañía Suiza<br>Sociedad Anónima de Seguros y Reaseguros | Jozef M. Paagman<br>Director General | Paseo de Cristóbal Colón, 26<br>E-41001 Seville |
| Helvetia Assurances S.A. | Alain Tintelin<br>Director General | 2, rue Sainte Marie<br>F-92415 Courbevoie/Paris |
| Helvetia Europe S.A. | | 23, Val Fleuri<br>L-1526 Luxembourg |
| Helvetia Finance Ltd | | La Motte Chambers<br>St. Helier, Jersey, JE1 1BJ |

### Headquarters Switzerland

Helvetia Versicherungen, St. Alban-Anlage 26, CH-4002 Basel
Tel. 058 280 10 00 (24h), Fax 058 280 10 01, www.helvetia.ch, info@helvetia.ch

**Helvetia Service Centre**

St. Alban-Anlage 26, CH-4002 Basel, Tel. 058 280 10 00 (24h)

### Executive Management Switzerland

| | |
|---|---|
| Philipp Gmür | Chief Executive Officer Switzerland |
| Andreas Bolzern | Chief Financial Officer Switzerland |
| Donald Desax | Head of Market Area Group Life Companies |
| Beat Müller | Head of Actuarial Department/ALM |
| René Stocker | Head of Sales Switzerland |
| Hermann Sutter | Head of Market Area Property & Casualty |
| Angela Winkelmann | Head of Market Area Private Pension Provision |

### Helvetia Versicherungen general agencies in Switzerland

| | | | |
|---|---|---|---|
| 5400 Baden | Mellingerstrasse 1 | 058 280 34 11 | Hanspeter Koch |
| 4052 Basel | Münchensteinerstrasse 41 | 058 280 36 11 | Alexander Ebi |
| 6501 Bellinzona | Viale Portone 12 | 058 280 62 11 | Mauro Canevascini |
| 3001 Berne | Länggassstrasse 7 | 058 280 74 11 | Daniel-Henri Günther |
| 3001 Berne[1] | Spitalgasse 26 | 058 280 80 55 | Peter Nyffenegger |
| 2502 Biel/Bienne | J. Verresiusstrasse 18 | 058 280 79 11 | Giovanni Campanile |
| 3900 Brig | Kronengasse 6 | 058 280 67 11 | Andreas Schmid |
| 5033 Buchs (AG) | Mitteldorfstrasse 37 | 058 280 33 11 | Kaspar Hartmann |
| 7000 Chur | Helvetia Passage, Bahnhofstrasse 7 | 058 280 38 11 | Felix Hunger |
| 2800 Delémont | Rue de l'Avenir 2 | 058 280 73 11 | Franco Della Corte |
| 8500 Frauenfeld | Altweg 16 | 058 280 39 11 | Adolf Koch |
| 1211 Geneva | Bd Georges-Favon 18 | 058 280 69 11 | Serge Basterra |
| 1762 Givisiez | Route du Mont-Carmel 2 | 058 280 71 11 | Thierry Schaerer |
| 8810 Horgen | Dammstrasse 12 | 058 280 81 11 | René Vuille-dit-Bille |
| 8302 Kloten | Schaffhauserstrasse 121 | 058 280 65 11 | Andreas Naef |
| 1001 Lausanne | Avenue de la Gare 1 | 058 280 70 11 | Glenn Zanetti |
| 4410 Liestal | Wasserturmplatz 1 | 058 280 35 11 | Roger Kamber |
| 6900 Lugano | Via d'Alberti 1 | 058 280 61 11 | Tito Solari, Giordano Zeli |
| 6002 Lucerne | Brünigstrasse 20 | 058 280 77 11 | Jörg Riebli |
| 8706 Meilen[1] | Bahnweg 133 | 058 280 81 55 | Stefan Bösiger |
| 1820 Montreux 2[1] | Rue Igor-Stravinsky 2 | 058 280 82 44 | François Schopfer |
| 2000 Neuchâtel | Rue du Concert 6 | 058 280 75 11 | Patrick Riquen |
| 1260 Nyon[1] | Rue des Marchandises 15 | 058 280 79 66 | Jean-François Tille |
| 8640 Rapperswil | Kniestrasse 29 | 058 280 60 11 | Pascal Diethelm |
| 9445 Rebstein | ri-nova impulszentrum | 058 280 63 11 | Jürg Schwarber |
| 4153 Reinach[1] | Hauptstrasse 15 | 058 280 88 11 | André von Allmen |
| 1950 Sion | Rue de la Dent-Blanche 20 | 058 280 68 11 | Jean-Maurice Favre |
| 4500 Solothurn | Dornacherplatz 7 | 058 280 76 11 | René Hohl |
| 9000 St-Gall-Appenzell | Rosenbergstrasse 20 | 058 280 44 11 | Ulrich Bänziger |
| 6210 Sursee | Bahnhofstrasse 42 | 058 280 37 11 | Lothar Arnold |
| 3600 Thun | Hinter der Burg 2 | 058 280 78 11 | Kurt Nyffenegger |
| 8400 Winterthur | Lagerhausstrasse 9 | 058 280 66 11 | Helmuth Kunz |
| 1400 Yverdon[1] | Rue de Neuchâtel 42 | 058 280 67 77 | Claude-Alain Bürgi |
| 6300 Zug | Baarerstrasse 133 | 058 280 64 11 | Heinz Schumacher |
| 8048 Zurich | Hohlstrasse 560 | 058 280 85 85 | Donato Carlucci, Peter Bickel |

### Brokers in Switzerland

| | | | |
|---|---|---|---|
| 8048 Zurich | Hohlstrasse 560 | 058 280 83 95 | Broker Centre German-speaking Switzerland |
| 1762 Givisiez | Route du Mont-Carmel 2 | 058 280 72 84 | Broker Centre French-speaking Switzerland |
| 6900 Lugano | Via d'Alberti 1 | 058 280 61 83 | Broker Centre Ticino |

[1] As part of the acquisition of Alba and Phenix, Helvetia's distribution network will be expanded by these general agencies on 1 May 2011.

# Multi-year overview

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **Key share data Helvetia Holding AG** | | | | | |
| Group profit for the period per share in CHF | 49.3 | 46.7 | 26.9 | 37.5 | 39.3 |
| Consolidated equity per share in CHF | 319.1 | 332.1 | 323.2 | 372.2 | 366.3 |
| Price of Helvetia registered shares at the reporting date in CHF | 401.5 | 407.0 | 228.9 | 320.8 | 359.5 |
| Market capitalisation at the reporting date in CHF million | 3 474.1 | 3 521.7 | 1 980.6 | 2 775.4 | 3 110.7 |
| Number of shares issued | 8 652 875 | 8 652 875 | 8 652 875 | 8 652 875 | 8 652 875 |

| in CHF million | | | | | |
|---|---|---|---|---|---|
| **Business volume** | | | | | |
| Gross premiums life | 2 827.9 | 2 887.5 | 3 061.1 | 3 676.5 | 3 896.1 |
| Deposits received life | 2.0 | 16.3 | 85.0 | 408.6 | 283.5 |
| Gross premiums non-life | 2 234.6 | 2 363.3 | 2 351.1 | 2 383.4 | 2 344.4 |
| Assumed reinsurance | 193.2 | 238.1 | 215.1 | 242.5 | 231.4 |
| Business volume | 5 257.7 | 5 505.2 | 5 712.3 | 6 711.0 | 6 755.4 |
| **Key performance figures** | | | | | |
| Result life[1] | 134.4 | 158.6 | – 19.6 | 102.0 | 108.5 |
| Result non-life[1] | 239.9 | 217.7 | 289.3 | 216.3 | 177.4 |
| Result other activities[1] | 49.5 | 25.7 | – 39.2 | 8.5 | 55.6 |
| Group profit for the period after tax | 423.8 | 402.0 | 230.5 | 326.8 | 341.5 |
| Profit from investments | 1 109.3 | 1 040.0 | 72.0 | 1 239.2 | 1 133.5 |
| **Key balance sheet figures** | | | | | |
| Consolidated equity (without preferred securities) | 2 738.4 | 2 850.6 | 2 773.7 | 3 208.4 | 3 157.6 |
| Reserves for insurance and investment contracts (net) | 25 094.6 | 25 924.7 | 25 754.4 | 27 508.9 | 28 584.1 |
| Investments | 28 927.7 | 29 381.5 | 30 759.1 | 33 072.4 | 33 587.1 |
| **Ratios** | | | | | |
| Return on equity | 16.2% | 14.4% | 8.2% | 10.8% | 10.7% |
| Reserve to premium ratio non-life | 145.7% | 144.2% | 125.2% | 130.7% | 141.1% |
| Combined ratio (gross)[1] | 93.2% | 94.9% | 87.0% | 89.1% | 89.5% |
| Combined ratio (net)[1] | 94.1% | 94.5% | 89.1% | 91.3% | 94.1% |
| Direct yield | 3.1% | 3.3% | 3.3% | 3.2% | 3.0% |
| Investment performance | 3.1% | 2.4% | 0.9% | 4.8% | 2.9% |
| Solvency I | 222% | 217% | 208% | 219% | 220% |
| **Employees** | | | | | |
| Helvetia Group | 4 595 | 4 607 | 4 591 | 4 511 | 4 923 |
| of which Switzerland | 2 239 | 2 262 | 2 235 | 2 160 | 2 561 |

[1] For 2006 – 2007 according to old segmentation.

**Important dates**

| | |
|---|---|
| 6 May 2011 | Ordinary Shareholders' Meeting in St-Gall |
| 1 September 2011 | Publication of half-year financial results for 2011 |
| 12 March 2012 | Publication of financial results 2011 |

## Cautionary note regarding forward-looking information

This document is made by Helvetia Group and may not be copied, altered, offered, sold or otherwise distributed to any other person by any recipient without the consent of Helvetia Group. Although all reasonable effort has been made to ensure the facts stated herein are accurate and that the opinions contained herein are fair and reasonable, this document is selective in nature and is intended to provide an introduction to, and overview of, the business of Helvetia Group. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by Helvetia Group as being accurate. Neither Helvetia Group nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as is reasonably possible and may be subject to revision in the future. Neither Helvetia Group nor any of its directors, officers, employees or advisors nor any other person make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this document.

This document may contain projections or other forward-looking statements related to Helvetia Group which by their very nature, involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include (1) changes in general economic conditions, in particular in the markets in which we operate; (2) the performance of financial markets; (3) changes in interest rates; (4) changes in currency exchange rates; (5) changes in laws and regulations, including accounting policies or practices; (6) risks associated with implementing our business strategies; (7) the frequency, magnitude and general development of insured claim events; (8) the mortality and morbidity experience; (9) policy renewal and lapse rates. We caution you that the foregoing list of important factors is not exclusive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties. All forward-looking statements are based on information available to Helvetia Group on the date of its posting and Helvetia Group assumes no obligation to update such statements unless otherwise required by applicable law.

The purpose of this document is to inform Helvetia Group's shareholders and the public of Helvetia Group's business activities for the year ended 31 December 2010. This document does not constitute an offer or a solicitation to exchange, buy or subscribe for securities and it does not constitute an offering circular within the meaning of Art. 652a of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of SIX Swiss Exchange. Should Helvetia Group make in the future one or more capital increases, investors should make their decision to buy or to subscribe for new shares or other securities solely based on the relevant offering circular.

This document is also available in German and French. The German version is binding.

**Photo captions**

| | |
|---|---|
| Cover photo | Helvetia shareholders in Seville |
| Pages 6/7 | Helvetia apprentices at Kletterhalle St. Gallen AG |
| Pages 24/25 | Helvetia general agent visits Lerchihof in Scheia (GR) |
| Pages 36/37 | Helvetia Minergie building Crêt-Taconnet in Neuchâtel |
| Pages 56/57 | Sales force managers and brokers in Frankfurt |
| Pages 74/75 | Helvetia customer from Basel |
| Pages 82/83 | Helvetia employees in St-Gall |
| Pages 198/199 | Helvetia shareholders in Seville |
| Pages 206/207 | Vontobel Investment Banking, Zurich |


**Imprint**
The Annual Report 2010 of the Helvetia Group is available in English, German and French.

**Published by**
Helvetia Group, St-Gall

**Design, layout and typesetting**
Die Gestalter AG, St-Gall

**Translation**
APOSTROPH AG, Lucerne

**Photos**
The members of the Board of Directors and Executive Management were photographed by Maurice Haas, Zurich.
Image pictures «In good hands»: Dan Cermak, Zurich

**Production (offset printing)**
Schwabe AG, Basel

**Contact**
Helvetia Group
Nicola Breitschopf
Head of Investor Relations
P.O. Box, CH–9001 St-Gall
Phone +41 58 280 56 04
Fax +41 58 280 55 89
www.helvetia.com
nicolamaria.breitschopf@helvetia.ch