



Helvetia Group

**Annual
Report
2011**

Your Swiss insurer.

helvetia 

Ascribing value to the brand

Helvetia Group operates in various countries in Europe. In each of these countries we have to take account of cultural differences and the individual needs of our clients. Some things, however, are not bound by national borders. Many values are always true, regardless of mentality or language. Such as our brand promise: **tailor-made solutions, fairness and reliability**. This is our compass in our daily work and gives the Helvetia brand life, turning our brand into shorthand for the above qualities. A brand about which people speak and which they recommend to others, including their best friends – in total confidence.

On the coming pages you will meet people in words and images that interact and engage in a dialogue with one another. They trust one another and are confident of their abilities. Everyday personal encounters demonstrate our promise. It is the result of a long process of personal and professional interaction.

In this sense the images used in the 2011 Annual Report underline the joint qualities that link us across borders. At the same time we also pay homage to the values that guide us, which are a promise to everybody supporting our success and relying on us.

Contents

4 Letter to Shareholders	Business development
Company Profile	60 Group result
8 Board of Directors	62 Business activities
12 Executive Management	63 Investments
17 Group strategy	65 Business units
20 The Helvetia brand	78 Investor information
22 Group structure	Financial report
23 Country markets	86 Consolidated financial statement Helvetia Group
26 Business activities	200 Financial statements Helvetia Holding AG
28 Risk and investment management	210 Embedded value
32 Corporate responsibility	214 Service
Governance	
40 Corporate governance	
50 Compensation report	

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 2.5 million customers. Business volume in the 2011 financial year was more than CHF 7 billion. The registered shares of Helvetia Holding AG are traded on the SIX Swiss Exchange.

Ambition

Helvetia Group's ambition is to sustainably 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 of 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.

	2011	2010	Change
Key share data Helvetia Holding AG			
Group profit for the period per share in CHF	32.6	39.3	-17.2%
Consolidated equity per share in CHF	389.1	366.3	6.2%
Price of Helvetia registered shares at the reporting date in CHF	295.0	359.5	-17.9%
Market capitalisation at the reporting date in CHF million	2 552.6	3 110.7	-17.9%
Number of shares issued	8 652 875	8 652 875	

in CHF million

in Group currency

Business volume

Gross premiums life	4 258.6	3 896.1	9.3%
Deposits received life	261.2	283.5	-7.9%
Gross premiums non-life	2 431.8	2 344.4	3.7%
Assumed reinsurance	220.5	231.4	-4.7%
Business volume	7 172.1	6 755.4	6.2%

Key performance figures

Result life	155.2	108.5	43.1%
Result non-life	134.3	177.4	-24.3%
Result other activities	-0.8	55.6	-101.3%
Group profit for the period after tax	288.7	341.5	-15.4%
Investment result	832.9	1 133.5	-26.5%
of which investment result from Group financial assets and investment property	878.4	1 049.0	-16.3%

Key balance sheet figures

Consolidated equity (without preferred securities)	3 352.9	3 157.6	6.2%
Provisions for insurance and investment contracts (net)	30 152.9	28 571.3	5.5%
Investments	34 839.0	33 587.1	3.7%
of which Group financial assets and investment property	32 978.0	31 652.6	4.2%

Ratios

Return on equity ¹	8.7%	10.7%
Reserve to premium ratio non-life	134.2%	140.5%
Combined ratio (gross)	94.4%	89.5%
Combined ratio (net)	95.6%	94.1%
Direct yield	2.9%	3.0%
Investment performance	3.6%	2.9%
Solvency I	219%	221%

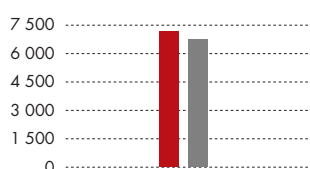
Employees

Helvetia Group	4 909	4 923	-0.3%
of which Switzerland	2 477	2 561	-3.3%

¹ Based on the earnings per share (including interest on preferred securities through profit and loss) divided by the average shareholder capital (equity before preferred securities).

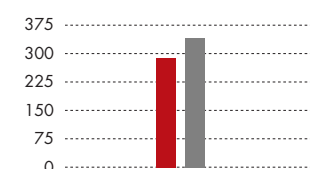
Business volume

in CHF million



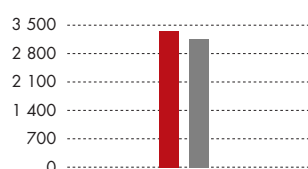
Profit

in CHF million



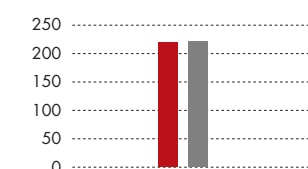
Equity

in CHF million



Solvency I

in %



2011 financial year

Helvetia is a healthy company. Despite the continuing economic turbulence, Helvetia continued to grow and posted a solid annual result. The capital market downturn in the second half of the year did not affect the strong capital base. The equity position is stable and the Solvency I margin remains strong. A sustainable operating performance is essential in the present challenging climate. Helvetia is well-equipped to absorb the risks inherent in the current turbulent environment and to exploit new opportunities.

Record volumes

Page 60

In 2011, Helvetia Group again reported outstanding premium growth. With a 10.9% increase in volume, Helvetia boasted dynamic growth. Both the life and the non-life business posted double-digit growth in original currency. For the first time in its history, Helvetia Group achieved a business volume of more than CHF 7 billion.

Business volume

7 billion

Successful home market

Page 65

The business volume for the Swiss market, with an excellent combined ratio, improved by around 18%. The integration of the two insurance companies, Alba and Phenix, acquired in 2010 was to a large extent completed with the legal merger of the two companies and the sale of the non-core portfolios in the fourth quarter.

Combined ratio Switzerland

86.0%

Solid business development

Page 62

The business lines posted solid operating results. The non-life business produced a convincing combined ratio of 95.6% and the life business generated stable interest margins. The fact that the financial crisis nevertheless impacted the group is reflected in the annual result of CHF 288.7 million, which was not quite on a level with the previous year. However, the solid operating performance allows us to pay the same dividend as last year.

Stable dividends

CHF 16.00

Strong capital base

Page 61

With a Solvency I margin of 219% and an equity base of CHF 3.4 billion, Helvetia proved its sustainability in the midst of a worsening European debt crisis and volatile stock markets in the second half of the year. Helvetia's investment portfolio is widely diversified and the company is very demanding when it comes to the quality of its counterparties. The rating agency S&P again confirmed Helvetia's "A-" rating with stable outlook in the fourth quarter.

Solvency I

219%



Erich Walser

Chairman of the Board of Directors

Stefan Loacker

Chief Executive Officer

Ladies and Gentlemen

In 2011, Helvetia posted a premium volume of CHF 7,172.1 million, for the first time passing the seven billion mark. This was accompanied by strong growth of 10.9%. However, despite this impressive result we should not forget that 2011 was not an easy year for insurers. The European debt crisis and the increasingly gloomy economic prospects placed considerable strain on financial markets during the second half of the year. Against this background, the net profit of CHF 288.7 million supported by a solid technical result and strictly controlled costs is a clear indication of our earnings power. The investment performance of the Group during 2011 was marked by stable current income and gains on the real estate portfolio on the one hand and by stock market losses on the other. Thanks to the continuing high quality of our investments, our equity base remains solid. The Solvency I margin is still strong at 219%. This development has enabled us to ask the Shareholders' Meeting to approve a dividend of CHF 16.00 per share, the same as last year. Half of this amount will be paid out from the capital contribution reserve and will not be subject to any withholding tax. The payout ratio is therefore in the upper target range, while the return on equity is slightly lower at 8.7%.

Profitable and sustainable growth, together with continuing positive operating results, also forms the foundation for the future success of our company. With our Helvetia 2015+ strategy we are pursuing our ambition to expand our attractive business portfolio in its current markets, sustainably enhance our profitability, and better satisfy the needs of our customers.

Our strategic direction also proved itself during 2011. All country markets increased their premium volumes and gained market shares. In the Swiss home market, the inte-

gration of the two insurance companies Alba and Phenix acquired in 2010 was mostly finalised with the legal merger of the two companies and the sale of the health and accident portfolio, which was not part of our core business. In the year under review, the Group's life centre of competence for the first time launched a multi-market life insurance product in Switzerland and Spain, which will also be sold in other countries. To enhance our profitability, in particular by cutting our operating costs, synergies were sustainably exploited in the IT and operations areas at Group level. This helped us to further reduce our administrative costs.

In the last letter to our shareholders we announced that we were planning to redefine the brand strategy of Helvetia. This goal has now been achieved. Some of our country markets have already kicked off the 2012 financial year with the new Group-wide brand and advertising concept, and the other country markets will follow. We have therefore devoted a whole chapter of this annual report to the Helvetia brand. The new brand concept is supported by an extended and Group-wide commitment to skiing: Helvetia has been the new premium sponsor of the FIS Cross-Country World Cup since the beginning of the 2011/2012 skiing season. Our objective is to increase brand recognition in all country markets and strengthen the brand profile.

Helvetia is a company with Swiss roots that has stood for reliability and partnership for over 150 years. This positioning has brought us success throughout Europe. We promise to provide our customers with simple, straightforward solutions tailored to their needs. We want to be a fair and reliable partner in all our business relationships. The success of Helvetia is based on the trust of its customers, shareholders, partners and employees.

We sincerely thank you for your trust and cooperation.



Erich Walser
Chairman of the Board of Directors



Stefan Loacker
Chief Executive Officer

“A brand is more than just an optical sign. It embodies the character of a company and gives the company its identity. A brand has its own personality, and in Helvetia’s case this personality is characterised by tailor-made solutions, fairness and reliability. But a brand is useless if it does not deliver what it promises. The management of our brand is therefore a focal point of our daily activities. We keep our promises to our customers, partners and the environment, and give the Helvetia brand its own unique profile.”

Stefan Loacker
Chief Executive Officer

Company profile

8	Board of Directors
12	Executive Management
17	Group strategy
20	The Helvetia brand
22	Group structure
23	Country markets
26	Business activities
28	Risk and investment management
32	Corporate responsibility

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 Hans-Jürg Bernet, John Martin Manser and Pierin Vincenz will expire at the 2012 Shareholders' Meeting.

All three members will stand for re-election and will be proposed for re-election by the Shareholders' Meeting by the Board of Directors.

In the reporting year the Board members Silvio Borner and Urs Widmer reached the statutory age limit and therefore resigned from the Board of Directors at the Shareholders' Meeting of 6 May 2011.

State Councillor Jean-René Fournier, member of the board of directors of Patria Genossenschaft, and Herbert J. Scheidt, chairman of the Vontobel Group, were proposed as new Board members at the same Shareholders' Meeting.

Please consult the table below for the composition of the Board of Directors.

The Board of Directors of Helvetia Holding AG

	Function	Entry	Elected until	SGC	CC	IRC	AC
Erich Walser	Chairman	2001	2013	oo	oo	+	+
Doris Russi Schurter	Vice-Chairwoman	2008	2014	o			o
Hans-Jürg Bernet	Member	2006	2012		o		oo
Jean-René Fournier	Member	2011	2014				o
Paola Ghillani	Member	2008	2014		o		
Christoph Lechner	Member	2006	2013	o		o	
John Martin Manser	Member	1996	2012		o	oo	
Herbert J. Scheidt	Member	2011	2013			o	o
Pierin Vincenz	Member	2000	2012	o		o	
SGC	Strategy and Governance Committee			oo			Chairman
CC	Compensation Committee			o			Member
IRC	Investment and Risk Committee					+	May join meetings at own request in an advisory capacity
AC	Audit Committee						



The Board of Directors of Helvetia Holding AG

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 December 2003 to 31 August 2007 Chairman of the Board of Directors and CEO of Helvetia Group, in current function since 1 September 2007.

Mandates in particular 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

Resigned from the Board of Directors of Helvetia Versicherungen at the Shareholders' Meeting of 6 May 2011.

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-Chairwoman, from May 2011 Chairwoman 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 (until the end of October 2011); Chairwoman 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.

(from left to right)
Herbert J. Scheidt,
John Martin Manser,
Paola Ghillani,
Christoph Lechner,
Erich Walser,
Hans-Jürg Bernet,
Doris Russi Schurter,
Jean-René Fournier,
Pierin Vincenz

Hans-Jürg Bernet

Dr oec. HSG

Swiss, St-Gall, 1949

Professional background, executive responsibilities 1977 joined Zurich Insurance, 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 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 member mandates at non-listed companies and two board of trustee mandates.

(from 2011 Shareholders' Meeting)

Jean-René Fournier

lic. oec. publ. from the University of Freiburg

Swiss, Sion, 1957

Professional background, executive responsibilities Managerial positions with UBS; 1997–2009 State Council of the Canton of Valais; since 2007 representative of the Canton of Valais in the Council of States; since 2001 Chairman of the Finance Commission of the Council of States.

Mandates in particular member of the board of directors of Patria Genossenschaft; member of the board of directors of Forces motrices de la Gougria SA, Sierre, and Grande Dixence SA, Sion; Senior Advisor for Credit Suisse SA; Chairman of the board of directors of Les Fils de Charles Favre SA, Sion, as well as member of the board of the Swiss Trade Association and Chairman of the board of Union valaisanne des arts et métiers.

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 1999–2005 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-Genossenschaftsbund, Zurich; member of the boards of directors of Weleda AG, Romande Energie Holding SA, and Transitec SA; several commitments as member of expert committees for sustainable investment funds.

Christoph Lechner

Prof. Dr oec.

Swiss and German citizen, 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); 1995–2004 University of St-Gall, doctorate and professorial thesis, visiting professor in the USA (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 Privée, Geneva; member of the Investment Commission of the University of Basel.

(from 2011 Shareholders' Meeting)

Herbert J. Scheidt

Commercial diploma and master degrees from the Universities of Sussex and New York
Swiss and German citizen, Zurich, 1951

Professional background, executive responsibilities Various managerial positions with Deutsche Bank in Essen, Frankfurt, New York, Milan and Geneva; 1999–2000 Head of Private Banking International and from 2001 Chief Executive Officer of Deutsche Bank (Schweiz) AG; 2002–2011 CEO of Vontobel Group; since May 2011 Chairman of the board of directors of Vontobel Holding AG and Bank Vontobel AG, Zurich.

Mandates in particular member of the board of directors of the Association of Swiss Commercial and Investment Banks; member of the board of directors of SIX Group AG, Zurich; Vice-Chairman of the board of directors of HERO AG, Lenzburg; member of the board of directors of the Swiss Bankers Association and member of the board of the German Council on Foreign Relations.

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; Chairman 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; Chairman of the board of directors of the Swiss Institute for Banks and Finance at the University of St-Gall; 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

Resigned from the Board of Directors of Helvetia Versicherungen at the Shareholders' Meeting of 6 May 2011.

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 and elements of risk and 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.

Streamlining of Group Executive Management

As part of the streamlining of the Group's organisational structure, Human Resources and Services was transferred to the country market Switzerland on 1 July 2011. The Head of Human Resources and Services, Markus Isenrich, resigned from the Group Executive Management on the same date. He has since been heading the HR International unit which focuses on Group-wide issues, Group Legal Services as well as Employee Benefits Switzerland. This streamlining of the Group structure enables the Executive Management to focus in a more concentrated manner on the operational and strategic management of the Group.

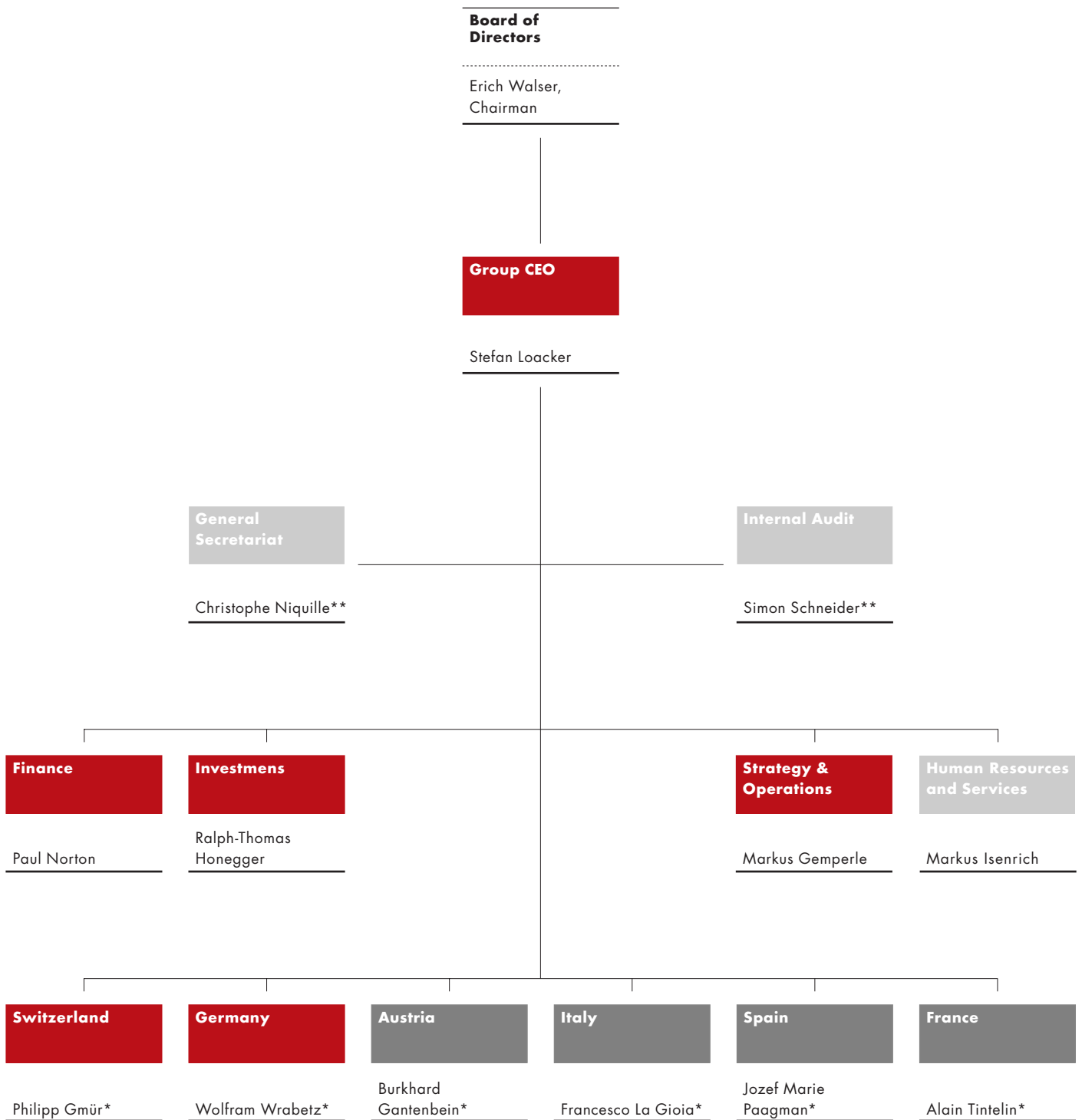
Changes at the country units

In Switzerland, Angela Winkelmann, former head of Private Pension Provision, has been heading Human Resources and Services, now part of the Switzerland country market, since 1 July 2011. Reto Keller, former CEO of Phenix, took over as head of Private Pension Provision and also joined the Executive Management of Helvetia Switzerland. Uwe Bartsch, Head of Operations & Development, was appointed to the Executive Management for Switzerland on 1 July 2011.

The Head of Life Germany, Jürgen Horstmann, also took on the management of the same unit in Austria. He was also elected as a member of the

Board of Directors of Helvetia Austria and will remain a member of the Executive Management for Germany.

In 2011, an expanded Executive Management was introduced for Italy. The new members of the expanded Executive Management are Andrea Oggioni (IT Project Management), Valter Manca (Organisation & Cost Management) and Roberto Brignone (Human Resources).



- Members of the Group Executive Management
 - Support functions
 - * CEOs of the country markets
 - ** reports to the Chairman of the Board of Directors
- As of middle of March 2012



The Executive Management of Helvetia Group

(from left to right)

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

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.

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 in 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 at subsidiaries of Helvetia Group in Switzerland.

Mandates in particular Chairman of the Campaigning Committee of the Swiss Insurance Association; 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 member of the boards of trustees of the pension funds of Helvetia Versicherungen; member 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 (until 30 June 2011) 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 (since September 2011 acrevis Bank AG, St-Gall); 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; 2007: Since 1 July 2007 in current position; 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; 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

In the first year after its implementation, the new “Helvetia 2015+” strategy has proved its mettle in a turbulent economic environment. As part of the implementation of this strategy, the Group is bringing all its activities into line with the guiding principle “To excel in growth, profitability and customer loyalty”.

Helvetia Group has been synonymous with reliable insurance services for more than 150 years. The linear continuation of the successful course of the Helvetia 2015+ strategy is founded on a combination of selected markets, profitable insurance products and a sustainable drive for growth, accompanied by actuarial discipline, an active awareness of costs and a conservative investment strategy. This is supported by a solid capital base. We are convinced that our profitable growth strategy will allow us to continue to create the biggest added value for our customers, employees and shareholders in the future.

Strategic ambition

It is the ambition of Helvetia Group to maintain its attractive business portfolios and to grow dynamically and sustainably in its existing country markets. We want to remain a leading insurance provider in our home market Switzerland and sustainably strengthen our position in our foreign markets by seizing all opportunities that arise and exploiting the synergies between our home and foreign markets. In doing so we are striving for a good balance between our profitable non-life business, the strong-growing life and employee benefits business, and the cyclical reinsurance business.

The achievement of our ambition depends on the strategic areas of growth, profitability and customer loyalty. Our strategy is based on organic growth with innovative products and the constant expansion of our sales reach. We are also targeting actively selected acquisitions and strategic cooperation programmes in our current markets. To strengthen our earnings power we continue to give the highest priority to a sustainable investment strategy, actuarial discipline and the constant improvement of our cost efficiency. The 2011 financial year was successful in all three of these strategic areas, as can be seen from the following examples.

Growth

We want to expand dynamically our market positions. To this end we launched various Group-wide multi-channelling and product development initiatives, supplemented by targeted acquisition activities. Seen overall the Group again reported very dynamic growth in the 2011 financial year and for the first time reached a business volume of more than CHF 7 billion.

With a double-digit plus, Helvetia Group grew above the market in some country markets in both the life and the non-life business, in particular in the non-life business in Switzerland which grew by 25.5%. The annual financial statements for the first time include the full results of the companies Alba and Phenix that were acquired in 2010. The integration of the new companies proceeded according to plan. In May 2011 the sales force was successfully integrated in the Helvetia organisation, the legal merger was finalised in November 2011, and the non-core business was sold in the fourth quarter. The most important milestones in the integration process have therefore been reached and Helvetia's position in the attractive Swiss non-life market has been sustainably strengthened. Some country markets also posted market share gains in the life business. In Switzerland and Spain, the first capital-efficient multi-market product developed in the Group-wide Life Centre has already boosted our growth. This product will be launched in additional country markets shortly.

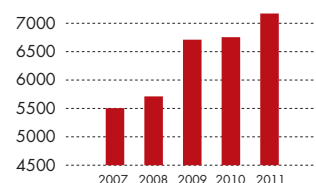
Profitability

We want to sustainably enhance our profitability. As we further reduced the administrative costs in the 2011 financial year to 8.0%, the non-life cost ratio dropped to 28.4%.

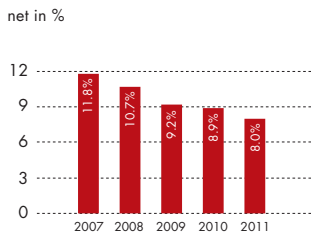
The “IT & Systems” group initiative launched a number of different projects that contributed

Business volume

in CHF million



Administrative cost ratio non-life



to the reduction in IT costs. For instance, a technical platform for running new applications with multi-channel capability was set up and the mainframes for the German-language business units were migrated to a joint computer centre.

The individual country markets run their own special projects. Helvetia Germany, for example, started an initiative to establish a new operating model. Wide-ranging measures such as the decentralised definition of new work processes have already been implemented. Austria and Germany are involved in a project to exploit synergies in the life business. To ensure the achievement of the strategic objectives, the life units in both country markets are now under joint management. In Spain we are running an initiative to improve the profitability of the motor vehicle business. The rates have been analysed – and adjusted where necessary – and new products for niche vehicles such as agricultural vehicles have been developed.

Customer loyalty

We want to improve customer benefits in line with customer needs. A Customer Relationship Management centre of competence was set up at Group level. We are establishing best practices for all country units that enable us to better understand customer needs and specific requirements. A CRM IT platform was also implemented at Group level, and specific improvements in the management of customer relationships have already been implemented in Switzerland and in Spain. Projects to implement these measures in additional country markets will be launched in 2012.

To improve our image in the German broker market we are developing “spearhead products” to support sales and the acquisition of new customers. In Austria we started an initiative to introduce a broker portal. This platform went online in mid-2011.

In 2011 Helvetia once again earned top marks in customer and broker surveys. In a customer satisfaction survey, Helvetia Italy achieved top results for customer retention, claims settlement and fairness in the payment of benefits. Helvetia Switzerland was recognised for its pension business, and Helvetia Germany

once again achieved top marks for its services to brokers. Our brand recognition and the honing of our profile as a Swiss quality brand also took centre stage in 2011. Because of the new Group-wide brand strategy, we have dedicated an individual chapter to the Helvetia brand.

Strategy update Helvetia 2015+

The strategy is revised annually against the background of actual and expected changes in the environment in order to ensure that current events are considered in the strategic planning. We can hold on to our medium- and long-term objectives in spite of the turbulent economic environment and confirm the thrust of our current ambitions. Individual initiatives were adapted to the changed environment and new ones were launched. For example, in 2012, we will address a number of proven cross-country pricing, claims management and fraud combating processes in order to safeguard our non-life business and achieve further added value.

Our financial objectives

We measure our success against medium-term financial objectives. Given current economic trends these are quite ambitious but still achievable and were confirmed as our medium-term ambition during last year’s strategy update. A comparison with the values for 2011 shows that we are on the right track in spite of persistent economic turbulence. Once again the Solvency I target was exceeded by far and the “A–” rating with stable outlook was confirmed in the fourth quarter. The business units are posting solid operating results and strong growth while cost ratios are falling. The combined ratio for the non-life business is in the target range, while the new business margin of 1% for the life business just misses the target due to the difficult economic circumstances. The generally positive operational trend and our good capital base allow us to pay out the same dividend as last year. The payout ratio is in the upper target range, while the return on equity at 8.7% is slightly lower.

Financial objectives

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

Strengthen our market position even further

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. We will also boost the expansion of our life and employee benefits insurance businesses in our foreign markets.

Our strategic initiatives

- Expand the multi-channelling approach in all country markets
- Establish a “European” life product development process step by step
- Pursue an active M&A strategy

Our achievements 2011

- Growth above the market achieved in both the life and non-life businesses
- Market share improved, market position in Switzerland strengthened specifically with the integration of Alba and Phenix
- The accident/health insurance business that did not fit in with the business mix for Switzerland was sold successfully
- The first capital-efficient multi-market product was launched in Switzerland and Spain, and will be launched in additional country markets soon

Sustainably enhance our profitability

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
- Strategic management of the life business by the new Group-wide Life Centre
- Optimisation of the financial structure in line with the supervisory requirements (Swiss Solvency Test/Solvency II)

- Local initiatives to cut costs further are on track
- Cost ratio is 28.4%, administrative cost ratio was reduced to 8.0%
- At 95.6%, the non-life combined ratio is in the target range
- Stable new business margin for life insurance

Improve customer benefits in line with customer needs

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 ensure 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
- Quality management of business processes (EFQM)
- Brand campaign and Group-wide branding concept

- A CRM competence centre has been established at Group level and a CRM IT platform has been implemented
- Helvetia achieved top marks in various customer/broker surveys
- A Group-wide brand and marketing concept has been prepared and will be implemented in all country markets in 2012
- Helvetia is the new premium sponsor of the FIS Cross-Country World Cup

The Helvetia brand

Helvetia Group has been pursuing a single-brand strategy since 2006. With eye-to-eye communication, Helvetia nurtures relationships that are credible and durable. It promises its customers reliability, fairness and tailor-made solutions – and sticks to those promises.

The Helvetia brand is managed centrally, but market campaigns and other marketing activities are mainly handled by the individual country units, which have the required local market knowledge. To ensure Group-wide governance compliance, ideas and experiences are exchanged by the persons responsible for the brand image and communication at meetings of the Brand Management Council.

Brand architecture is geared to Helvetia brand

The Helvetia Strategy 2015+ focuses on organic growth above the market, supported by selective acquisitions. The brands that have been acquired since 2006 as part of this M&A policy are managed according to a defined brand architecture after the brand value and business strategy have been reviewed to ensure compatibility with the targeted single-brand strategy. The acquisition of CEAT in France in 2009 and Alba and Phenix in Switzerland in 2010 was quickly followed by a re-branding process during which the brands were consistently integrated in the Helvetia brand. Currently, the companies Padana Assicurazioni and Chiara Vita acquired in Italy in 2008 are still operating under independent brands, accompanied by the reference "A company of the Helvetia Group".

Brand promise focuses on customer's personality

In consistent application of the single-brand strategy, a uniform brand and marketing concept will be introduced step by step in all country markets from 2012. With such a uniform brand position, Helvetia can then for the first time communicate an identical brand and service promise for all markets – a promise which will be met by all units offering suitable insurance and pension solutions to the market. This revised brand position centres around the terms individuality and partnership. At Helvetia, customer needs and cooperation based on trust with all stakeholders enjoy the highest priority. Helvetia promises its customers reliability, fairness and tailor-made solutions. This brand promise is also the main topic of this year's annual report.

New Group-wide marketing campaign based on dialogue

The new brand and marketing campaign is a dialogue with the customers, because talking creates trust, kindles interest and builds the foundation for a solid partnership. The Helvetia advertising dialogues start with an impulse, usually in the form of a question – for example, with the question "What is courage?". As not everybody needs the same amount of courage to master the small and big challenges of life, the answers are usually very personal. But one thing is certain: Helvetia supports its customers in their endeavours with individual insurance and pension solutions: "Whatever you want to do. We are there for you." Helvetia also relies on its identity-defining Swiss origin. Swissness and more than 150 years of experience give the brand a solid foundation which helps the Group to withstand crises, meet the challenges of the future and operate successfully. Everywhere in Europe Helvetia is associated with a high degree of trustworthiness and acknowledged insurance and financial competence. These characteristics are manifested in Helvetia's brand claim:

"Helvetia. Your Swiss insurer."

Brand profile strengthened by Group-wide ski sponsorships

The revised brand and marketing concept should improve brand recognition and strengthen the brand's profile as a personal partner for insurance and tailor-made pension solutions. Local marketing and sales activities are

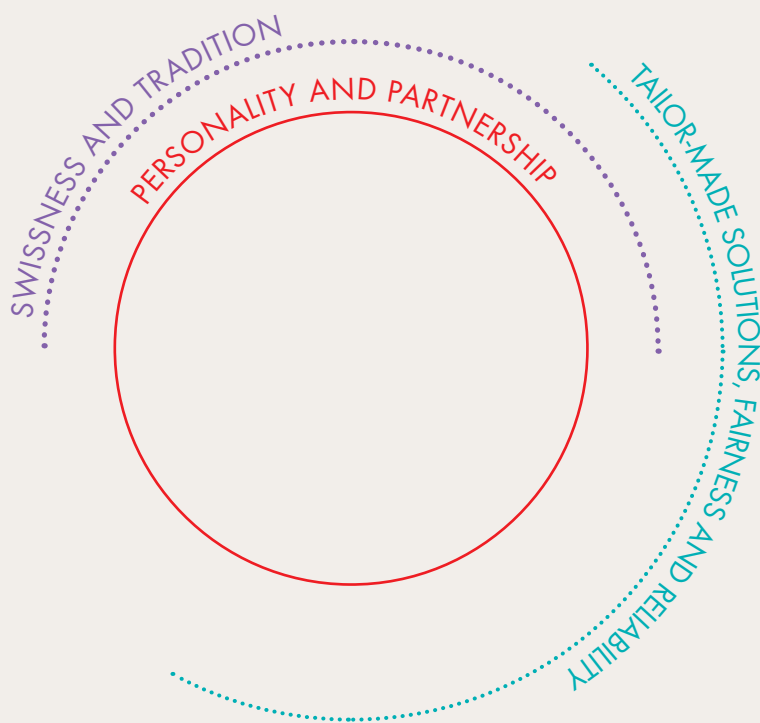
supported by Group-wide activities, in particular the expansion of the ski sponsorships that started in 2006 in Switzerland. With its support for the FIS Cross-Country World Cup, Helvetia added another international sponsoring platform to its arsenal from the start of the 2011/2012 skiing season. With this sponsorship Helvetia is represented with a prominent brand presence at more than 70 races in 11 countries. For the first time Helvetia is also acting as the personal sponsor of athletes outside of Switzerland. As prestigious personalities and brand ambassadors, these athletes strengthen the relationship between Helvetia and the public in their own countries. Together they represent Helvetia's focus on Europe and give the brand a face. This sport sponsorship underlines the goal of giving the Helvetia brand a uniform internal and external brand image everywhere in Europe.

Brand monitoring measures success of Helvetia brand

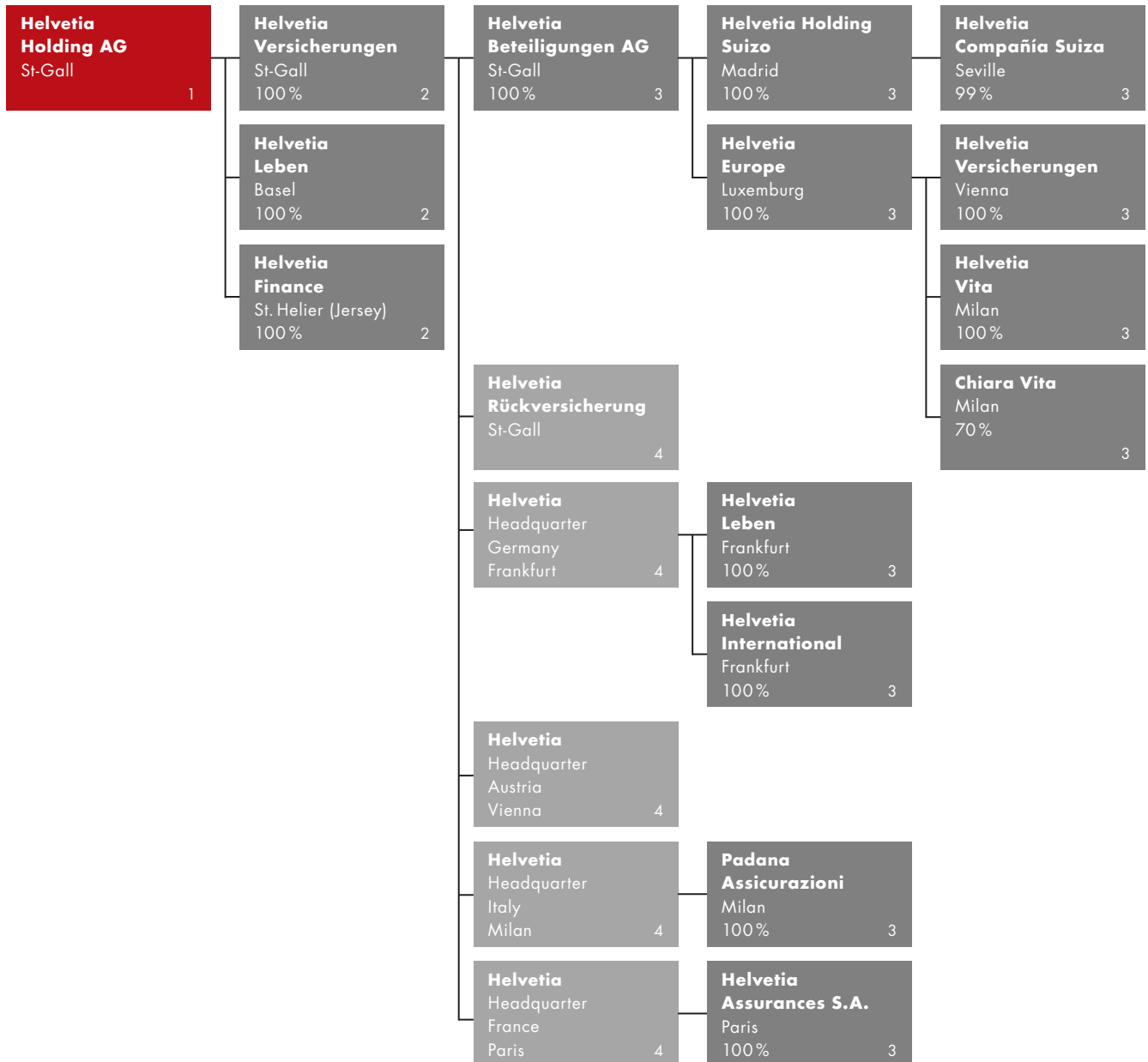
Being seen in a positive light is the capital of the Helvetia brand. Helvetia therefore measures the recognition of the brand and its profile among the target groups every year with the help of Group-wide brand monitors in all country units. These measure the success of previous marketing measures and are also used to plan and determine future objectives and activities for every individual country. According to the most recent survey, Helvetia's brand recognition in its home market Switzerland has improved strongly in the past few years: 94% of all participants in the survey are familiar with Helvetia. During the last employee survey in 2010, this external image was also juxtaposed to the internal image. In addition to the measurement of satisfaction, this forms the basis for the targeted development of our preferred corporate culture, which centres on our brand promise and allows us to achieve our strategic objectives in line with our guiding principle "To excel in growth, profitability and customer loyalty".

The Helvetia brand is more than just a company name or an optical sign: it is the face that Helvetia wears for the public and the character that determines its conduct. It is the identity that gives us

the assurance to conduct our business. The relationships between Helvetia and its employees, partners, private and corporate customers are based on trust and a positive image.



Group structure



1 Helvetia Holding AG, listed on the SIX Swiss Exchange
3 Indirect subsidiaries of Helvetia Holding AG

2 Direct subsidiaries of Helvetia Holding AG
4 Operational facilities of Helvetia Versicherungen, St-Gall

Country markets

Switzerland With a market share for the year 2011 of 11.2% in the life and 5.6% in the non-life business, Helvetia is one of the largest insurance companies in Switzerland. Helvetia serves private customers as well as small and medium-sized enterprises at more than 60 branches. With a share of volume of around 50%, Helvetia's own sales force is the most important distribu-

tion channel. It is supplemented by renowned cooperation partners such as the Swiss cantonal banks and Raiffeisen Switzerland as well as selected broker relationships. The two new companies acquired in 2010, Alba and Phenix, were legally merged with the life and non-life insurance units of Helvetia Switzerland in November 2011.



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. The new non-life insurance sales channel "Assekuranz-Vertrieb" is gaining in importance. With this sales channel, Helvetia products are taken on by other insurance companies who sell them through their own sales force organisations.



Italy Helvetia is one of the top 20 companies in the Italian insurance market. It operates as an all-line 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. As part of its Worksite Marketing

efforts, Helvetia concluded two new agreements in Italy in 2011. Life insurance products are mainly sold through the exclusive cooperation relationship with Banco di Desio.



Spain Helvetia is among the 30 leading insurers in the Spanish insurance market. It offers a broad range of life and non-life products. 680,000 customers are served via a country-wide distribution network. This network is supplemented by selected broker and agent relationships that generate around 22% 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 branch 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 in-

dependent agents who each generates around 50% of new business. A total of approximately 390 employees provide support to regional customers. Since 2010, the distribution network has been strengthened by independent but exclusive agents. The new bank and cooperation sales channel was launched at the end of 2011.




France Helvetia has been successfully focusing on transport insurance for around 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 S.A., Helvetia has become the leading specialised transport insurer in the important French transport insurance market. Helvetia

sells goods, transporter liability and accidental damage insurance through a countrywide network of more than 2,000 brokers organised through five central offices.





A man in a dark suit is seen from the side, looking towards a fleet of white trucks parked in a lot. The background is a clear blue sky. The text is overlaid on the image.

“Your tenacity pays off. Our product is totally in tune with the spirit of our time. So that we can cultivate entirely new market segments.”

It's encouraging when we find a solution that fully lives up to expectations. But the road to this point is often long, and setbacks are part and parcel of the journey. What's important is always to know what you're doing – and why you're doing it.

Only those who listen carefully, understand the problem, and act accordingly can meet the needs of the other party. These tailor-made solutions are what we stand for at Helvetia, which is why our products always fully live up to expectations. And will continue to do so tomorrow.

This is why Helvetia is the best insurance for you.

Business activities

Helvetia has a history of 150 years of insurance know-how characterised by sustained growth and solid results. It is known among its customers and partners for the quality and high level of its services, its efficiency and its solidity.

Helvetia focuses on the needs of private individuals and small and medium-sized enterprises. It distinguishes itself by offering an above-average service culture. Helvetia's commitment to meeting the needs of its customers and partners in their different phases of life also serves as the motto of this Annual Report and takes centre stage in its product development and sales activities. Our progress enjoys general recognition, and in 2011 Helvetia received an award in Switzerland for image, customer satisfaction and customer loyalty in the pension business. Helvetia Germany also achieved top marks for its services to brokers again.

Life activities

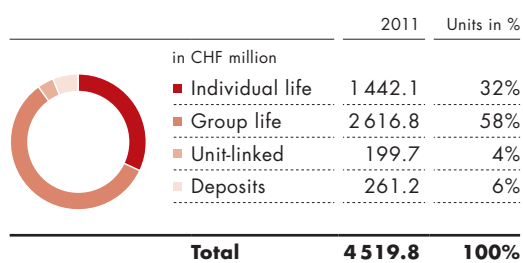
Growth and the pursuit of efficiency characterise the life business of Helvetia. To support these objectives, the business units have been strengthened by a joint centre of competence. In the 2011 financial year, Helvetia Switzerland and Helvetia Spain launched the first multi-market product developed by this Life Centre. Modern, standardised but, nevertheless, tailor-made solutions that are based on a centralised prod-

uct concept taking account of specific local features, supplement the already diverse range of products on offer to these country markets.

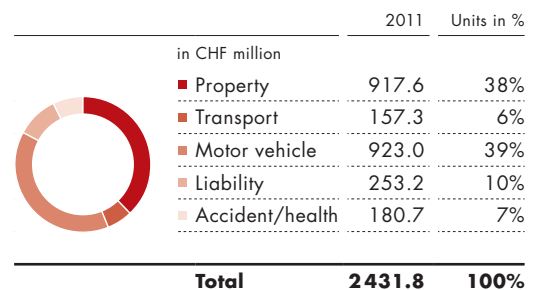
Product portfolio

The service spectrum includes term insurance, traditional savings, financing and pension solutions as well as unit-linked products where the insured themselves assume the investment opportunities and risks. Investment-focused financial products with a small risk exposure are managed as deposits from investment contracts on behalf of the insured. It is a Group policy not to offer, what is known as insurance wrapper products. Employee benefits insurance for SMEs accounts for almost 50% of the life business, and almost 95% of these premiums are generated in Switzerland where Helvetia has grown into the third-largest provider. The products are sold through Helvetia's own sales force, independent agents and exclusive bank cooperation partners, including Raiffeisen and the Cantonal Banks in Switzerland and Banco di Desio and Bancaja in our foreign markets.

Business volume life



Business volume non-life



Earnings power and efficiency

The earnings power of the life business is not only determined by the actuarial risk experience, but also by events on the financial markets. Share price and interest rate developments affect the demand for insurance cover and determine the investment income that can be earned as well as the long-term guaranteed insurance benefits. The life business currently manages investments of around CHF 30 billion, and the returns on these investments are mainly used to cover the insurance liabilities. In the past Helvetia has always generated an attractive return on its invested capital. In spite of persistent low interest rates in 2011, Helvetia again achieved stable margins between current income and guarantees issued to customers, which benefit its customers and shareholders.

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.

Non-life activities

In the non-life business, Helvetia focuses on service quality, sustainable rates and the cultivation of new sales channels. In 2011, Helvetia Italy acquired two new customers where it can offer insurance benefits to the company employees at the workplace. This has made it easier to generate above-average and profitable growth even in saturated markets, making a growth rate of 11.5% possible in the 2011 financial year.

Product portfolio

In 2011, the home market's share in non-life premium income rose from 27% to 33% thanks to the acquisitions made by the Group in 2010. The new companies were fully included in the sales volumes for the first time in 2011. Germany currently accounts for approximately 22% of the non-life business volume, followed by Italy and Spain. The traditional strength of the stable property insurance business is expressed in its share of around 38% of the Group-wide portfolio. Compared to the previous year, the share of the motor vehicle business increased from 35% to 39%. This growth was driven in Switzerland by the acquisition of Alba, which included a well-developed motor portfolio, in Germa-

ny by the new cooperation partnership with ARAG, and in Italy by the increase in new agents who initially produced an above-average number of new motor vehicle policies owing to the short contract term.

Earnings power and efficiency

Helvetia Group applies a disciplined underwriting strategy and only selectively underwrites large corporate risks. This ensures the 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. The earnings power of the non-life segment 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 especially, good operating performance is essential. In 2011 too, Helvetia was successful with a net combined ratio of 95.6%. 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.

Reinsurance

Helvetia is one of the oldest reinsurers in the world. As a niche provider, Helvetia is characterised by excellent business relationships, a strict underwriting policy and a great degree of sector diversification. The focus of its activities falls on the OECD markets. The reinsurance segment does not pursue any volume targets but concentrates exclusively on the profitability of the business written. Further information on the reinsurance portfolio can be found on pages 72 and 73.

With a net combined ratio of 95.6%, Helvetia turned in a good performance again in 2011.

Risk and investment management

The identification, measurement and management of risks form one of the central tasks of an insurance company. Helvetia’s risk management helps to ensure that the corporate objectives are achieved and promotes a culture of risk and responsibility within the company.

Risk management

Against the background of today’s challenging economic environment, a comprehensive risk management system takes first priority for Helvetia Group and is an integral component of its corporate governance. 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 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 differ-

entiates between three basic functions: risk owner, risk observer and risk taker.

The Board of Directors of Helvetia Holding (in particular the Investment and Risk Committee, the Audit Committee and the Strategy and Governance Committee) and the Group Executive Management are the ultimate risk owners of Helvetia Group. These bodies carry the core responsibility for risk management and define the desired level of risk tolerance of 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 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 the monitoring of risks and management measures and serves as the competence centre for the Group’s risk management. 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 the ad hoc monitoring of the efficiency of the Group’s risk management system.

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 process and risk environment

The essential components of Helvetia Group risk management process include the identification, analysis and management of risks, the monitoring

Risk management organisation



Risk environment

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

of the success, effectiveness and appropriateness of 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 accordance 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 risk refers in general to the risk of being unable to provide for unexpected cash outflows in a timely manner. Counterparty risk (also known as credit risk) refers 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. Operational risk includes the impact of reputational risks. 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 refer 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 170) of the Financial Report.

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 SST of the Swiss supervisory authorities as the primary tool to analyse and quantify market, counterparty and insurance risks. We also use internal models to assess market risks and insurance risks. Management and limitation of risks are 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.

Capital management

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

- ensuring compliance with regulatory capital requirements;
- securing the capital required to underwrite new business;

Helvetia uses the Swiss Solvency Test of the Swiss supervisory authorities as the primary tool for analysing and quantifying risk.

As part of its capital management, Helvetia Group targets a minimum rating of "A-". This rating was confirmed again in the fourth quarter of 2011.

›

- optimising the earning power of its equity;
- supporting strategic growth;
- optimising financial flexibility.

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

Methods of capital calculation and capital management

Capitalisation is calculated at both Group and local levels, i.e. at the level of the individual legal entities. At the local level, country-specific regulatory requirements and requirements relating to commercial law form the basis of the capitalisation calculation. At Group level, capitalisation is calculated on the basis of the consolidated balance sheet. In this process, capital requirements are calculated according to Solvency I, the SST and the Standard & Poor's capital models relevant to the Group.

In these capital models, the available capital is calculated on the basis of the IFRS equity. Depending on the model, additional capital is added and other components such as planned dividend payments and intangible assets are deducted. Under the SST, all assets and liabilities are measured at market price for the calculation of the available capital.

While the amount of capital required under Solvency I is basically calculated as a function of business volume, a risk-based calculation method is applied to calculate the capital required under the Standard & Poor's model and the Swiss Solvency Test. In SST, the effects of risk on the available capital are determined with different scenario simulations and statistical methods, while dependencies and diversification effects are quantified as a risk-based capital requirement.

Capital management process

Helvetia applies an integrated approach to capital management. At the strategic level, the 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. The capital is managed integrally on the basis of an internally defined capitalisation target under the SST, Solvency I and Standard & Poor's, and is brought into line with the corporate strategy with the help of multi-year capital plans. The capitalisation of the market units is regularly compared to their profitability in order to find the optimum balance between the two. At the operational level, the capital management process covers financing within the Group as well as ensuring sufficient capital in the individual legal entities of the Group, mainly on the basis of local statutory requirements. Their capitalisation is monitored closely and optimised in accordance with internally defined threshold values.

Outlook

Supervisory requirements for risk and capital management are currently changing drastically. After a multi-year introduction phase, SST entered into force as the capital requirement standard for Helvetia Group and its Swiss units on 1 January 2011. The EU has a similar supervisory tool in the form of Solvency II, which is currently in the introduction stage and is expected to enter into force on 1 January 2014. Through its EU business units, Helvetia Group is also directly affected by Solvency II. Thanks to its long-standing experience in risk management and the SST, Helvetia is well prepared for the new challenges and is dedicated to implementing the new requirements in good time.

Investment management

Helvetia Group pursues a sustainable investment policy that focuses on 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 asset-liability management – proven 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. Asset-liability management also ensures that the Group always has sufficient capital for its strategic development projects. In addition, the supervisory solvency requirements, which include both the Solvency I regime and now also the SST, must be fulfilled at all times. The requirements of the SST led to a step-by-step increase in the terms of the fixed-interest investments in the life insurance portfolio 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 quality criteria for selecting its counterparties. On 31 December approximately 83% of the bond portfolio had a minimum rating of AA or higher. In addition, about 77% of the portfolio is made up of government bonds and bonds with a guarantee. The weighting of countries outside our business areas has always been quite low. Total exposure to Greece, Portugal and Ireland was well below 1% of the total portfolio. After this was actively reduced further in 2011, total exposure on 31 December was only CHF 36.5 million or 0.1% of the portfolio, while the exposure to Greece was reduced through sales and market value adjustments to CHF 1.2 million.

Attractive, stable investment return

A skilful combination of low-risk investments 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 invest-

ment income while the equity investments expose the portfolio to valuation gains over the medium term, adding attractive potential in the form of investment returns.

Cautious investment policy and real-time risk management

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 always supported by real-time risk management. The objective of the risk-managing measures is to protect the balance sheet and the income statement against excessive valuation losses. This applies to currencies and equities where options and futures are primarily used to hedge risk, depending on market trends, while counterparty risks are continuously analysed and managed on the basis of different criteria such as ratings, credit quality and the development of interest rate spreads. To avoid cluster risks, maximum limits based on debtor quality also apply.

The investment tactics and risk management are geared towards safeguarding the long-term solvency of the Group and optimising the impact of volatile markets on the overall result.

At 0.1% of the investment portfolio, Helvetia's exposure to Greek, Portuguese and Irish government bonds is insignificant.

◀

Corporate responsibility

Using resources sustainably and working in harmony with the environment and society – Helvetia wants to promote this approach among its employees and firmly establish it as part of their daily routine to ensure sustained corporate success.

Corporate responsibility is constantly gaining in importance. At Helvetia too, this topic is embedded in our set of values and is of central importance. For this reason, sustainability was the motto of Helvetia Group's 2011 Management Forum. The event was attended by the members of the Executive Management teams of all country markets as well as selected Group managers. In 2011, the presentations of the guest speakers focused on topics such as genetic engineering and longevity, financial market and geopolitical risks, and the protection of the environment. The Forum also served as the starting point for Helvetia to further improve its sustainability profile, and the company is continuing to drive this process forward in the current financial year.

The Group's sustainability concept is based on various economic, ecological and social aspects. Business success is founded on long-term insurance activities, which demand the careful husbanding of resources. As an insurance company, we contribute with our core business to the realisation of projects by our customers and the functioning of the entire national economy every single day. Our ambition is to create added value for our shareholders, customers and employees.

Environment

Helvetia is committed to the sustainable use of natural resources and endeavours to carry out its business activities in harmony with its environment.

Sustainability in our core business

As an insurance company, Helvetia manages assets of around CHF 35 billion and invests these assets with a long-term focus. As a large investor Helvetia attaches importance to the husbanding of natural resources and the improvement of our quality of life. At around 14% and a total of

CHF 4.8 billion, real estate is the second-biggest asset class after bonds and therefore harbours much potential for demonstrating commitment to sustainability. Construction projects, for instance, must meet both economic and ecological standards. Helvetia therefore insists on the Minergie standard for new buildings. In 2011, a total of CHF 250 million was invested in Minergie properties in Switzerland, and in 2010 the amount invested was CHF 200 million.

For Helvetia, sustainable conduct means using alternative and environmentally-friendly energies as well as supporting its customers who work in this field. In its home market, the photovoltaic and artesian insurance products are good examples of how Helvetia uses insurance products to promote solar power plants and earth probes. It also grants a green discount on insurance premiums for vehicles powered with alternative fuel in selected country markets. In Germany, a product is sold that offers companies cover for the financial consequences of environmental damage they may cause to a body of water, the soil or biodiversity. In January last year, Helvetia Austria launched insurance cover for private solar power plants. This is an innovative product in the Austrian market, with which Helvetia actively contributes to the promotion of solar power.

Helvetia cares for its environment

Forests offer natural protection against falling rocks, landslides, avalanches and floods. Helvetia promotes the preservation and reforestation of protective forests to protect people, houses and roads against natural disasters. With the support of prominent public figures, 10,000 trees were planted in a protective forest in the Engadine in 2011. As a symbol of this commitment, all Helvetia employees in Switzerland were given a "personal" tree in the protective forest of St. Moritz as a gift.

The employees also demonstrated personal dedication to this project by buying trees themselves. With this project Helvetia also made a small contribution to the protection of the climate, as one tree compensates 10kg of CO₂ per year on average. By participating in the Carbon Disclosure Project the Group also wants to introduce controls and transparency into its interaction with the environment. As part of the regular surveys, Helvetia measures its CO₂ emissions and discloses the figures for its greenhouse gas emissions and energy consumption.

Helvetia also supports a number of internal and external initiatives. Memberships in national and international institutions that actively promote the protection of the environment have been part and parcel of the Group's corporate culture for many years. For example, Helvetia is a member of the United Nations Environment Programme and Öbu, a Swiss think tank for the environment and social and management issues. In 2011 Helvetia was also a sponsoring partner of the environmental award "Der Grüne Zweig" offered by the WWF Eastern Switzerland every year.

To improve the Group's ecological balance sheet, for meetings the employees of Helvetia are always encouraged to use the video conference systems available at the Helvetia locations and to travel by public transport. They are also expected to use the train for business trips whenever possible. This cuts the use of company cars, and in 2011 the German companies increased the use of public transport by around 10%. Helvetia also participated in the "Bike 2 Work" campaign in Switzerland, Germany and Austria. From June to August the employees responded to this call and biked to work on a total of 20 days.

Social responsibility

For many years Helvetia Group has dedicated part of its profits to charitable projects to promote environmental, cultural and sports initiatives.

Helvetia promotes cultural events

In 2011, the cultural events sponsored by the Group once again represented a focal point of Helvetia's responsibility to society. The company made a generous contribution to cultural life and supported popular events such as the St. Galler Festspiele and the Jazz Festival in Basel as a partner. Moreover, Helvetia's activities are not limited to Switzerland. In Seville in Spain, for example, there is a "Sala Helvetia" where people interested in cultural issues can participate in a number of different forums. Helvetia Germany supports the German Opera Ball, a top-class cultural event held at the Alte Oper in Frankfurt every year which always promotes a good cause, such as the "Menschen für Menschen" Foundation, Karl Heinz Böhm's aid for Ethiopia initiative, and the Foundation "A Chance for Children", which promotes intact mother-child relationships in Germany and parts of Africa.

Helvetia meets its social responsibilities

The Helvetia Patria Jeunesse Foundation established in 1978 supports institutions and projects that promote the interests of children and young people in Switzerland. Helvetia's social commitment also extends to public education. In addition to the University of St-Gall, Helvetia supports institutions in the other country markets such as the Sir Karl Popper School in Vienna, with whom Helvetia has been cooperating since 2008. This school allows gifted children and young people to reach their full potential through individualised learning. Helvetia is also a member of various business organisations, including the Swiss Insurance Association, the Swiss Institute for the Promotion of Safety and Security, the Swiss Association for Workplace Health Promotion and OIKOS.

In 2011, around 10,000 trees were planted in a protective forest in the Engadine.



Employees

Helvetia sees its relationship with its employees as a long-term and fair partnership based on mutual trust and respect.

Accepting a high degree of responsibility, the employees make a decisive contribution to the company's sustained success and actively participate in improvement and change processes.

All Group units use a uniform system to agree to these objectives. Helvetia Group had 4,909 employees as of 31 December 2011. Personnel-related expenses totalled CHF 572.8 million, of which CHF 437.5 million went towards salaries and commission payments.

Helvetia sees well-trained employees as drivers of success

Helvetia Group offers its employees a large range of options for continuing their education and improving their skills. The training courses on offer are very varied. For example, all employees in Switzerland can attend courses on communication, personal development, workplace design, IT applications, language training or the work-life balance. Last year, Helvetia Switzerland logged an average of 3.7 training days per employee. The Group's other markets also offer training programmes geared to the needs of the individual countries. Group-wide, a total of 3.3 working days on average is invested in training.

Helvetia offers its employees performance-based pay, flexible working hours, targeted continuing education opportunities and equal opportunities for development.

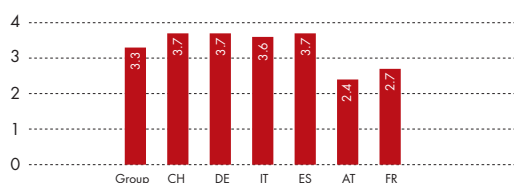
In tune with the guiding principle "We support your development", a special HR international team handles the training of managers for all country markets. Based on an in-depth assessment of personal potential, this team runs a modular international executive programme to intensify the management know-how of the around 200 senior executives in the Group and provide them with a platform for exchanging experiences. Our renowned external partners in this programme are the London Business School and the University of St-Gall. Helvetia also promotes the exchange of know-how between specialists and managers within the Group with a targeted in-pat-ecat programme that can be implemented individually as part of Group-wide projects and initiatives and to ensure the Group-wide application of uniform standards.

Helvetia attaches great importance to equal opportunities for development

At Helvetia, performance and commitment are honoured regardless of origin or gender. In October 2011, Helvetia held a diversity workshop where the results of an employee survey in 2010 were analysed and discussed from this perspective, e.g. mutual recognition and opportunities for professional development. After discussion of these topics, improvement measures were formulated for submission to the Executive Management Switzerland. In Switzerland, the largest business unit, 44% of the employees are women but only one in five managers is female. Group-wide this is around 18%. Helvetia's objective is to implement a package of measures to offer women the same career opportunities as men. Currently Helvetia Switzerland already grants 20 weeks of maternity leave, one week of paternity leave and crèche facilities at the head offices in Basel and St-Gall. The mentoring programme also helps female managers to realise their promotion goals.

Training

in days



Helvetia is dedicated to its employees

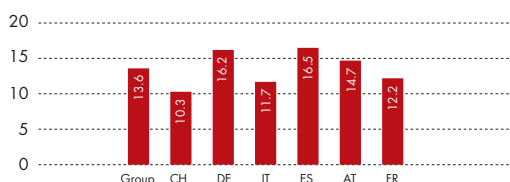
In all its country markets, Helvetia is dedicated to the well-being of its employees. It is becoming increasingly difficult for employees to find a good balance between work, family and health. Helvetia is fully cognisant of this trend and supports its employees with a range of services. In

Germany, for example, a family service provides wide-ranging advisory services to employees and their families and supports them in difficult situations. Seminars on improving the work-life balance are included in the comprehensive range of training courses in most country markets. The same is true of "Fit & Well", Helvetia Switzerland's programme for the promotion of workplace health that offers employees many different services related to health and sport. Helvetia also applies flexible working time models in all Group units to make it easier for employees to reconcile their jobs and private lives.

Not least due to its prudent personnel policy, Helvetia has for many years recorded good employee attrition figures. The average employee works for Helvetia for almost 14 years, and this figure has remained relatively constant over the course of many years. This is also reflected in the employee survey that was carried out in all country markets for the first time in 2010, where Group-wide participation reached an excellent 83%. At 77 out of 100 points, commitment at Group level scored encouragingly high. Job content (76), assessment of managers (74) and consistent targeting of agreed objectives (72) also received good marks. The next Group-wide survey is planned for 2014 at the latest. Helvetia also wants to introduce a Group-wide employer branding concept to strengthen its attraction as an employer and to project this image to the outside world.

Period of employment

in years




Helvetia regularly carries out Group-wide satisfaction surveys among its employees.

Employees

	CH	DE	IT	ES	AT	FR	Total
As at 31.12.2010	2 561	721	412	519	604	106	4 923
As at 31.12.2011	2 477	750	427	523	628	104	4 909





“OK, I’ll tell you. I got the letter
from David. I think he’s in love with me.
But don’t tell anyone!
And who do you fancy?”

A level playing field and the same rules for everybody: without this conviction life doesn’t work. This not only applies to top politicians or sportspeople. Fairness is the foundation for every good relationship – and every true friendship. Those who are fair can expect fairness in return.

A fair insurance company needs a little more. The ability to listen well, for example, or taking time, showing understanding, offering uncomplicated help and meeting its customers halfway when required. This is how we understand fairness. And we set this example with conviction.

This is why Helvetia is the best insurance for you.

Business relationships that are lastingly successful are based on fairness. True to our tradition, we conduct ourselves honestly and responsibly. We see our relationship with our customers and shareholders as well as among our business units and employees as a balanced partnership. We keep our word. Today and tomorrow.

Governance

40 **Corporate governance**

50 **Compensation report**

Corporate governance

Appropriate corporate governance is one of the basic requirements for a successful company. It sets the keynote for the business conduct and image of Helvetia – internally as well as externally.

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 – also in the best interests of the public. We successfully ensure that the principles of good corporate governance are consistently implemented and continually optimised throughout the Group. For the Board of Directors, the 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 17 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 29 October 2008 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 166 to 169. 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 50 et seq. and
- Part II in Note 16 on pages 166 et seq. with the relevant figures for the 2011 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 13. 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 195 and 196. Detailed reports on the main subsidiaries – Helvetia Schweizerische Versicherungsgesellschaft AG, St-Gall (Helvetia Versicherungen), and Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel (Helvetia Leben) – can be found in the Notes on page 200.

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, 8,685 shareholders were registered in the share register of Helvetia Holding. Compared to the previous year, the number of registered shareholders remained more or less constant, which underlines the attractiveness of our share even in times of financial sector turbulence. In this regard, the shareholders' pool is worthy of special mention.

The pool consists of three partners who together hold 37.8% of Helvetia Holding's capital:

- Patria Genossenschaft, Basel (29.8%, with an additional 0.3% outside the pool);
- Vontobel Beteiligungen AG, Zurich (4%); and
- Raiffeisen Switzerland, St-Gall (4%).

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.

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 295.0 per share, this equals a market capitalisation of CHF 2,552.6 million.

2.2 Treasury shares

Helvetia held 36,193 treasury shares (0.42%) on 31 December 2011.

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.
- 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.

At 8,685, the number of shareholders of Helvetia Holding remained more or less constant.

- 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 2011, the share capital values set out in section 2.1 to 2.3 valid from 25 July 2008 and the information on the conditional share capital are still correct.

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

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 regis-

tration 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 8 to 11.

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

The share capital comprising 8,652,875 fully paid-up registered shares did not change in 2011.



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 8 to 11.

None of the members of the Board of Directors holds any executive functions or – except for Erich Walser (until 1 September 2007) – 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.

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, Doris Russi Schurter and Jean-René Fournier represent Patria Genossenschaft, Pierin Vincenz represents the Raiffeisen Group, and Herbert J. Scheidt represents the Vontobel Group.
- Doris Russi Schurter is the Chairwoman and Jean-René Fournier 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. The last two groups are therefore members of the shareholder pool together with Patria Genossenschaft.

3.3 Cross directorships

See section 3.2.

Herbert J. Scheidt 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 ordinary term of office of members of the Board of Directors is three years. The term of office ends at the latest with the Shareholders' Meeting in the year in which the Board member turns 70. As none of the serving members of the Board of Directors will reach this statutory age limit before the 2012 Shareholders' Meeting, all three of the members eligible for re-election are available for re-election. Proposals for their election will be included in the invitation to the Shareholders' Meeting.

Any new members will complete the term of office of 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 8.

Members of the Board of Directors have an ordinary term of office of three years.



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 8. 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 8.

a) The **Strategy and Governance Committee** prepares the resolutions to be passed by the Board of Directors in the event of a change or re-definition of strategy, monitors the strategic risks within the framework of the defined strategy and the related measures, deals with mergers, take-overs 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. The Strategy and Governance Committee 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 2011, the Strategy and Governance Committee held four meetings. At two meetings, a Board member was absent due to illness. 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. 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 2011, the Compensation Committee held two 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

Doris Russi Schurter replaced Silvio Borner as the Vice-Chairman of the Board of Directors.

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 2011, 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 2011, the Investment and Risk Committee held four meetings. One Board member was absent at one meeting, and two Board members were absent at another meeting. 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 special-

ists to attend its meetings, which is regularly the case. In 2011, the Audit Committee held three meetings. At two meetings, one Board member was absent. Most of the meetings lasted approximately half a day.

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.

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

◀

The duties and powers of the Board of Directors, the special committees and the Executive Management are described in detail in the organisational regulations.

›

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 and 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 its 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 2011. 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, one in the absence of one director and one in the absence of two directors. At the executive seminar, one director was absent on the first day and two directors were absent on the second day. 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 management of the Group's business activities;
- preparation of the Annual Report;
- preparation of the Shareholders' Meeting;
- implementation of its resolutions; and
- 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 12 to 16.

4.1 Members of the Executive Management

The members of the Group Executive Management are presented on pages 14 to 16. In the reporting year, Markus Isenrich, Head of Human Resources and Services, left the Executive Management on 30 June 2011 but continues to be available to the CEO for various international HR and Group projects. His former remit has been integrated into the Switzerland country market as part of the simplification of the Group structure.

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 12 and 13.

4.2 Other activities and interests

See also pages 14 to 16.

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.

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 2011 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

The Group Executive Management was streamlined in the reporting year and Human Resources & Services was transferred to the country market Switzerland.



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 no 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 (4 May 2012) 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 (24 April 2012) 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 2011 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.

According to Art. 730a, par. 2 of the Swiss Code of Obligations, the lead auditor for the ordinary audit may exercise this function for a maximum of seven years. He or she may only resume the mandate again after a break of three years. At the Shareholders’ Meeting 2012, the seventh year as lead auditor will end for Hieronymus T. Dormann. During the election of the auditors, a

No amendments to the articles of incorporation are scheduled for the 2012 Shareholders’ Meeting.

new lead auditor will be proposed to the Shareholders' Meeting.

7.2 Audit fees

In the year under review, the fees charged by the auditors amounted to: CHF 2,778,810.00.

7.3 Fees for additional consultancy services

CHF 93,977.00.

These fees primarily concern services associated with the legal and tax consultancy.

7.4 Supervision and control of audit

a) External auditors

The Audit Committee prepares the election of the auditors. 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. Copies of the minutes are sent to all the members of the Board of Directors. Reports on the activities of the Audit Committee are provided at the meetings of the full 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.

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 information, 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).

During the election of KPMG as the auditors, a new lead auditor will be proposed to the Shareholders' Meeting.

<

Compensation report

Helvetia’s compensation principles are simple, transparent and geared to the long term. They take account of the interests of the employees and shareholders and are designed to enhance the insurance group’s sustained success.

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

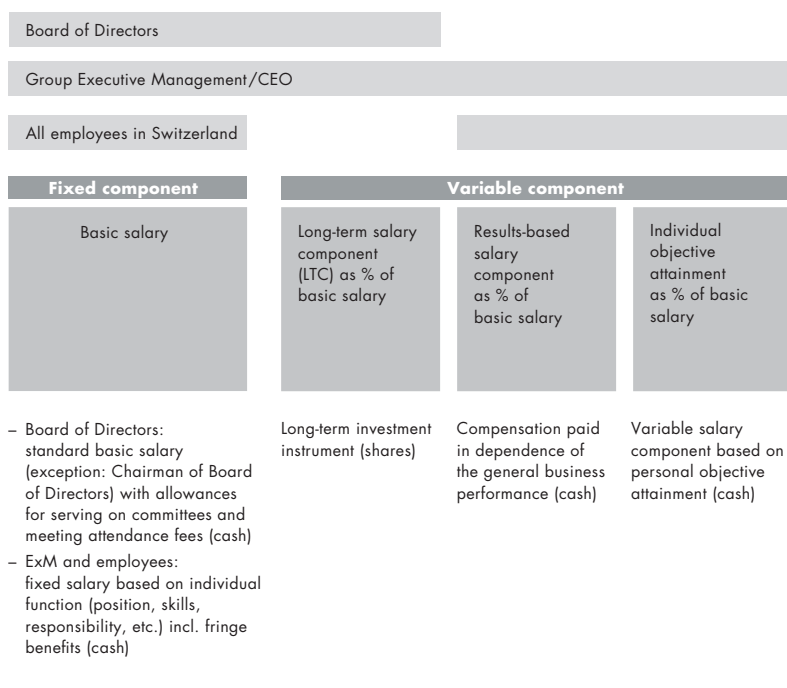
business year and the specific payments are set out in the Financial Report under Note 14 (page 164) “Share-based payments” and Note 16 “Compensation paid to the Board of Directors and the Group Executive Management” from page 166 et seq. This represents part II of the compensation report. Both parts 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 compensation models. It is supported in its work by the Compensation Committee. The delineation of powers for compensation questions is defined in Appendix I to the organisational regulations: www.helvetia.com/gruppe/governance.

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 (LTC) below.

On 1 January 2010, an LTC was introduced for the Group Executive Management and the Executive Management for Switzerland. The Compensation Committee also takes the decisions regarding this salary component. In compliance with FINMA's compensation guidelines, the objective of this component is to promote a longer-term business perspective.

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 is the largest component by far:

a) Fixed salary

All members of the Board of Directors receive the same basic fixed salary determined in advance, except for the Chairman whose salary is higher.

The Compensation Committee reviews the compensation concepts every year to ensure that they are appropriate and in line with the market.

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.

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 compensation

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 LTC (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 (deferred 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 of the members of the Group Executive Management comprises the following:

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 is based on 60% of the fixed salary component (CEO Group and Switzerland: 80%) 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 of objective attainment (for the calculation of the results-based salary, see the 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.

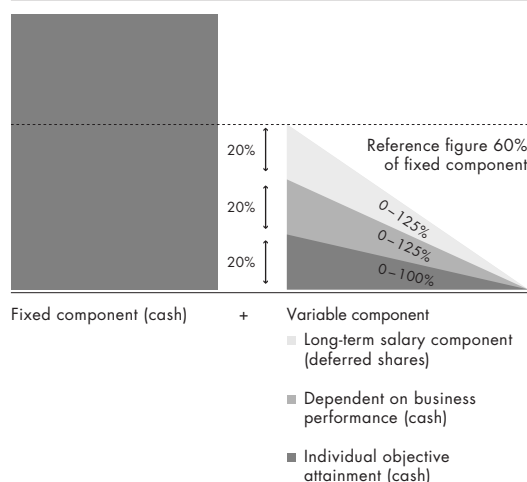
Long-term results-based salary component (LTC; reference figure Executive Management members 20%, CEO Group and Switzerland 40% of the fixed salary): This forward-looking salary component is multiplied by the LTC degree of objective attainment. In contrast to the results-based salary component, the amount calculated in this way is not paid out to the Executive Management member in cash, but in the form of a deferred 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 deferred claim lapses as follows: cancellation of all claims for the year in which notice of termination was given, cancellation of one-half of the claims for the first preceding year and no cancellation of any claims from the second preceding year. 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 (LTC): The degree of objective attainment is determined for 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 multipliers

for the results-based component for all employees, the Executive Management and the Board of Directors were also specified. These multipliers are 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 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 active business lines 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).

Remuneration for Executive Management



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.

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.

For the LTC (Executive Management Group and Switzerland, Board of Directors), 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.

Calculation of the degree of objective attainment for results-based compensation: As a rule, the calculation of the degree of objective attainment for the results-based salary component is based on the same criteria as that for the LTC. Owing to the shorter-term horizon and the fact that the group of beneficiaries is employed exclusively in Switzerland, profit and growth as well as the country result for Switzerland can be weighted more strongly within the specified range (0% to 125%), thus enabling a different rate to be determined than that for the LTC.

The final degree of objective attainment or payout ratio (LTC, results-based component) as calculated by the Board of Directors, is multiplied by the respective target figure (percentage of the fixed salary component). The results-based component calculated in this way and the result of the individual objective attainment together comprise the variable salary component of the employees and the Executive Management Group and Switzerland.

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 deferred 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 abroad are also paid a results-based bonus in the form of shares, based on a reference figure of 10% of the local basic salary. The reference figure is also multiplied by the LTC 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 finan-

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



cial 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 not open to employees abroad.

A person wearing a blue hoodie is looking at a white door. The door has a simple rectangular panel design. The background is a light-colored wall.

“Hey, brilliant. It fits perfectly.
We couldn’t find a better flat. Bring out the
charm and it’s ours.”

Life is filled with adventure. Particularly at that age when we experience so many things for the first time: the first job, the first place of your own, moving in with someone else for the first time. Taking a chance on something that could be risky: this is what makes life interesting.

But with all the risks we also want some security and long-term prospects – security that doesn’t limit us but makes it possible to experience new things without jeopardising the future. This is what we mean when we speak of tailor-made solutions.

This is why Helvetia is the best insurance for you.



Not only the products and advisory services but also the language and substance of Helvetia are tailored to the special needs of our customers: easy to understand and – what is most important – a perfect fit. We blaze new trails and design intelligent solutions in dialogue with our partners. Efficient, purposeful and forward-looking.

Business development

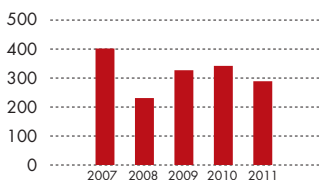
60	Group result	.....
62	Business activities	.....
63	Investments	.....
65	Business units	.....
65	Switzerland	.....
66	Germany	.....
68	Italy	.....
69	Spain	.....
70	Austria	.....
71	France	.....
72	Assumed reinsurance	.....

Business development

Helvetia closed the 2011 financial year with a record volume. For the first time the Group generated sales of more than CHF 7 billion. Our earnings power was confirmed by a profit of CHF 289 million and also supported by both the life and non-life business areas. The increase in equity and the high solvency ratio complete the robust overall picture.

Profit development

in CHF million



Group result

With broad-based growth of over 10%, Helvetia passed the seven billion business volume mark for the first time. Double-digit growth rates were reported both in the life and non-life businesses. The profit for the year of CHF 288.7 million confirms the robust operating performance in a challenging market environment. The technical results remained at a very high level in both the non-life – with a combined ratio of 95.6% – and life businesses. At CHF 155.2 million, the life profit was up 40% and completely offset the decline in non-life business of around 24% to CHF 134.3 million. The around 15% decline in the result is thus in large part also due to the reduction in income from currency fluctuations in the “Other activities” result compared to the previous year. The cautious investment strategy paid off in the year under review, in particular following the turnaround on the capital markets in the second half of the year, and protected the investments from equity and currency losses exceeding the set limits. Alongside the direct yield of 2.9%, the high quality of the investments allowed the equity base to be maintained at a consistently high level.

This is reflected in the rise in equity of around 6% and the Solvency I margin of 219%. Helvetia is thus well positioned to operate successfully – even in a market that remains challenging.

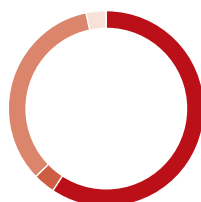
High growth momentum

At CHF 7,172.1 million, Helvetia posted record sales thanks to a currency-adjusted increase of 10.9%. This success was supported equally by the life business, including deposits from investment contracts, with growth of 11.4% and the non-life business with growth of 11.5%. Only assumed reinsurance, which pursues an income-oriented policy without volume targets, reported a decline in volume of 4.7%. This is attributable to the fact that the majority of its premiums are invoiced in foreign currencies that have lost value against the Swiss franc.

Approximately half of the currency-adjusted growth of 11.5% in the non-life business comes from Alba and Phenix, the two companies acquired in Switzerland at the end of 2010. As a result of this acquisition effect, Switzerland at 25.5% made the strongest contribution to the Group's growth. However, measured in local cur-

Business volume

	Growth %	2011	2010
in CHF million	in original currency (OC)		
■ Gross premiums life	12.0	4 258.6	3 896.1
■ Deposits received life	2.5	261.2	283.5
■ Gross premiums non-life	11.5	2 431.8	2 344.4
Business volume for direct insurance	11.4	6 951.6	6 524.0
■ Assumed reinsurance	-4.7	220.5	231.4
Business volume	10.9	7 172.1	6 755.4



rency, Italy at 15.3%, France at 9.9% and Germany at 5.1% also succeeded in posting strong growth. While volumes in Spain have fallen by 2.7% due to the recessionary environment, Austria was able to contribute a small plus of 0.3%. The growth of 11.4% in original currency experienced in life insurance was almost entirely organic in nature and geographically broad based. Alongside Switzerland, which posted strong overall growth of 16.8%, Germany also reported a strong plus of 9.4% and Spain advanced by 7.8%. The decline of 4.6% in Italy was thus offset by the other markets.

In the Group currency, the rise in overall volume of 6.2% was muted owing to the strength of the Swiss franc. As a result of the weighting of the foreign entities, non-life reported growth in Swiss francs was only 3.7%, while the currency had less of an impact on the life business with an 8.1% growth rate.

Sustainable operating business

In the life business, profit rose by 43.1% from CHF 108.5 million to CHF 155.2 million. This excellent outcome is based on consistently good risk results. In particular, due to the continuing low interest rate environment, reserve strengthening resulting from interest rate movements was considerably lower this year compared with last year. The non-life business also delivered another convincing technical performance with a combined ratio of 95.6%. That this was not as good as in the previous year is mainly attributable – alongside the weather related claims that occurred in some country markets – to the extraordinary claims situation in Germany. In this, Helvetia's second largest non-life market, claims cost increased significantly in the second half of the year right across the board. Helvetia was

unable to escape this trend. The less favourable claims situation compared to the previous year reduced the reported profit in the non-life business by 24.3% to CHF 134.3 million. Further progress was made in cost management on the other hand. Improvements in efficiency facilitated yet another reduction in the cost ratio from 29.4% to 28.4%. At CHF 878.4 million, the investment result at Helvetia's risk remains solid, with stable current portfolio income. While the challenging investment environment particularly in the second half of the year led to equity losses, these were offset by extraordinary gains on real estate. Whereas "Other activities" benefited strongly from currency gains in the previous year, these no longer occurred in the year under review.

With the record volumes generated, Helvetia buttressed its target of growing profitably and sustainably above the market.

Sound capital base

Helvetia was able to maintain its robust capital position even in a challenging market environment and underpin its dynamic growth with capital. At 219%, the Solvency I margin is practically unchanged at the previous year's high level. Compared to the previous year, equity rose by 5.6% to CHF 3,652.9 million. Taking into account the payment of an attractive dividend, this increase is attributable to the profit generated for the year as well as the increase in unrealised gains on investments, which benefited from interest rate trends and strong demand for high quality bonds. The outstanding capitalisation is also reflected in the confirmation in the fourth quarter of the "A–" rating by Standard & Poor's. However, return on equity fell to 8.7% due to the decline in the annual result and simultaneous increase in equity.

Profit by business area

	2011	2010
in CHF million		
Life	155.2	108.5
Non-life	134.3	177.4
Other activities	-0.8	55.6
Group profit	288.7	341.5

In 2011, volumes improved by more than 11% each for both the life and non-life business.

Business activities
Convincing life business

The growth posted in the life business of CHF 340.2 million, or 11.4% on a currency-adjusted basis, is broadly based across business lines and countries. The main driver of this encouraging trend was the home market of Switzerland, which advanced by 16.8% thanks to the strong performance of the group life business and a reinvigorated showing from the individual life business. Germany also recorded strong growth of 9.4% in original currency, primarily due to increases in all business lines, while Spain successfully expanded its funeral expenses insurance in particular. In Austria, tranche products enjoyed a successful market launch, whereas Italy was forced to accept a market-driven decrease in volume. Viewed by product, the group life business in Switzerland as well as capital-efficient unit-linked and index-linked products continued to do well. Compared to the previous year, new life business improved significantly by 17%, while reporting a stable new business margin of 1.0% (previous year: 1.1%). This is very encouraging in the current challenging economic climate.

The life business continues to put in a robust performance, which is reflected in the embedded value. At CHF 2,261.7 million, this is roughly on a par with the previous year and generated a return of 2.8% (previous year: 1.5%). The embedded value calculation is discussed in detail on pages 210 to 212 of the Annual Report.

Continuity in non-life business despite higher burden of claims

The non-life business reported strong growth of 11.5% in original currency. This rise in volume was mainly generated in Switzerland, where Helvetia posted growth of 25.5% and significantly improved its market share thanks to the acquisition of Alba and Phenix. Organic growth also outstripped the market in Switzerland and the foreign markets. Only Spain continued to suffer a decline in non-life volumes due to the recessionary environment. Of the individual business lines, motor vehicle insurance generated the highest growth of 21.3%. This was driven by the acquisition in Switzerland, which included a well-developed motor portfolio, by the successful start to the cooperation partnership with ARAG in Germany and by the above-average production of policies by the new agents in Italy. The growth in this fiercely competitive business is particularly pleasing in the wake of recent price rises, especially in the Italian market. The 3.0% rise in property insurance and the recovery of the transport business, which had suffered from the general downturn in transport business in previous periods, is also gratifying.

While in the previous year many claims remained just within the deductible, the accumulation of major claims in the year under review resulted once again in higher reinsurance cover, thus highlighting the importance of this form of protection in a multi-year comparison. Due to the higher burden of claims overall, the net combined ratio rose by 1.5 points to 95.6% and is thus within the target range. Thanks to volume growth and

Business volume life

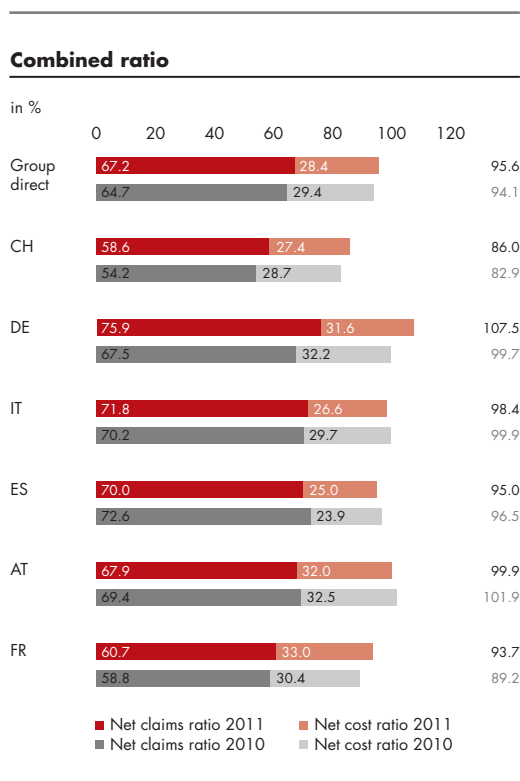
	Growth %	2011
	in CHF million	in OC
Switzerland	16.8	3308.5
Germany	9.4	270.5
Italy	-4.6	704.8
Spain	7.8	130.7
Austria	1.4	105.3
Total	11.4	4519.8



Business volume non-life

	Growth %	2011
	in CHF million	in OC
Switzerland	25.5	801.6
Germany	5.1	528.8
Italy	15.3	518.5
Spain	-2.7	296.8
Austria	0.3	184.5
France	9.9	101.6
Total	11.5	2431.8





improvements in operating efficiency, the cost ratio improved in almost all markets. At Group level, it fell by one point to 28.4%.

Operating improvements and reduced volatility

The "Other activities" business area comprises Helvetia Holding, the financing companies, the Corporate Centre, the Group's investment funds and the reinsurance business. Diverse measures were taken to reduce the volatility in this segment, which was mainly caused by currency effects. Thus, in addition to a stable technical performance, the reinsurance business also benefited from lower currency losses. The contribution to profit by the Group's investment funds reported in this segment fell considerably due to the hedge accounting introduced at the start of the year and lower currency fluctuations overall. Should the euro recover, this accounting measure will enable losses recognised in profit or loss to be avoided. The result for this segment is therefore CHF 56.4 million lower than in the previous year.

Investments

In 2011, events on the investment markets were dominated by the debt crisis. The debate surrounding the solvency of individual countries in the euro zone, the risk of spillover effects for large national economies and the fear of the euro falling apart caused high stock market volatility and interest rates to fluctuate widely. The uncertainty prompted many investors to reduce their risks and triggered a flight to quality. Consequently, prices of prime government bonds shot up alongside prices of material assets such as residential real estate. The Swiss franc also set off on a record-breaking run. By contrast, the bond prices of euro states under observation were eroded; equities lost up to 30% during the year.

Robust investment result

At CHF 878.4 million, the Group's investment result was made up of current income of CHF 938.9 million and gains and losses of CHF –60.5 million. At 2.9%, direct yield from current income is 0.1 percentage points lower than in 2010. This value reflects the decline in interest rates due to lower yields on new investments that caused the yield level of the portfolio to fall slightly. Four fifths of current net income are derived from interest and dividends and one fifth from rental income. Real estate thus again proved to be an extremely reliable source of income. As far as the gains and losses on the portfolio are concerned, losses on investments of CHF –196.5 million – generated primarily by equities – were offset by gains on the real estate portfolio of CHF 136.0 million. The latter arose partly from the favourable rental of new build and renovation projects, and partly from the slight lowering of the capitalisation rate in accordance with market rates. As a result of our accounting practices price fluctuations from large parts of the equity exposures are recognised as losses immediately in the income statement. In the statement of comprehensive income, the realised losses of CHF –60.5 million were more than compensated for by the increase in unrealised gains recognised in equity of CHF 292.5 million. This increase is a result of the good market valuation of the fixed-income securities and underlines the high quality of our portfolio. Our direct exposure to Italian and Spanish government bonds of CHF 1,112.3 million is intended almost solely to cover our insurance liabilities in

Our investment policy focusing on sustainable and stable results and the preservation of capital proved its mettle once again in a volatile market environment.

At the end of the year a very large share of our portfolio of more than 80% still had a rating of at least AA.

›

those countries. At 0.1%, the investment in government bonds of the other PIIGS, which was actively reduced in 2011, remains insignificant – measured against the portfolio as a whole. Overall performance stands at 3.6%.

Tried-and-tested risk management

Our broadly diversified, consistent investment structure and the high quality of the individual in-

vestments once again proved advantageous in the crisis-stricken year that was 2011. The same applies to our risk management, which protects the investments from equity and currency losses exceeding the set limits. As a rule, a high percentage of currency exposures is hedged with futures, while equity prices are hedged with out-of-the-money put options. We will continue to pursue this investment and hedging policy in 2012.

Investment structure

	2011	Units in %
in CHF million		
■ Bonds	20 287.5	58%
■ Shares	1 257.9	4%
■ Investment funds, alternative investments, derivatives	738.2	2%
■ Mortgages	3 523.1	10%
■ Loans	1 456.0	4%
■ Investment property	4 763.5	14%
■ Money market instruments, associates	1 000.5	3%
■ Unit-linked investments	1 812.3	5%
Total Investments	34 839.0	100%

Performance of Group investments

	2011	2010
in CHF million		
Current income from Group financial assets	755.8	744.9
Rental income from Group investment property	183.1	186.4
Current income from Group investments (net)	938.9	931.3
Gains and losses on Group financial assets	-196.5	111.0
Gains and losses on Group investment property	136.0	6.7
Gains and losses on Group investments (net)	-60.5	117.7
Investment result from Group financial assets and investment property (net)	878.4	1 049.0
Change in unrealised gains and losses recognised in equity	292.5	-127.9
Total profit from Group financial assets and investment property	1 170.9	921.1
Average investment portfolio	32 284.8	31 377.1
Direct yield	2.9%	3.0%
Investment performance	3.6%	2.9%

Business units

Overall, the business units of Helvetia Group reported good growth momentum in 2011. With double-digit growth of 10.9%, Helvetia outperformed the market in its home market as well as most of its foreign markets. The weak euro once again had a noticeable impact in the reporting period. Conversion at the average exchange rates again significantly muted growth reported in Swiss francs. Unless otherwise stated, the growth rates provided reflect growth in local (original) currency, while volumes are reported in CHF. The intensification of the debt crisis and the fall in equity markets in the second half of the year further reduced investment income with an impact on earnings in both the life and non-life business in most business units. Investment income is analysed in detail on page 63 of the Annual Report. The technical results of the units were consistently solid. Only Germany reported a combined ratio of more than 100% in the non-life business.

Switzerland

The home market continues to be a solid pillar for our business even in difficult times. Overall, gross premiums improved to CHF 4,110.1 million, which means that the country market of Switzerland exceeded the four billion franc threshold for the first time. This strong growth of 18.4% was driven by the acquisition of the insurance companies Alba and Phenix as well as by sustained organic growth. At CHF 260.6 million, the result is significantly better than in the previous year, despite the decline in investment income. This is largely due to exceptional

technical results, which confirm the quality of the portfolio.

Life business exceeds three billion franc threshold

In the life business, Helvetia Switzerland again delivered strong growth. For the first time, volumes exceeded the three billion franc threshold and grew by 16.8% to CHF 3,308.5 million. Acquired volumes from the former Phenix contributed, especially regular premiums in the individual life business. Regular premiums in the group life business totalled CHF 1,040.8 million, achieving impressive growth of 8.6% compared to the previous year. Single premiums, which also include the contribution to actuarial reserves of new customers, increased by 27.1% to CHF 1,442.3 million. These strong figures are evidence of the excellent reputation Helvetia enjoys and confirm the chosen 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.

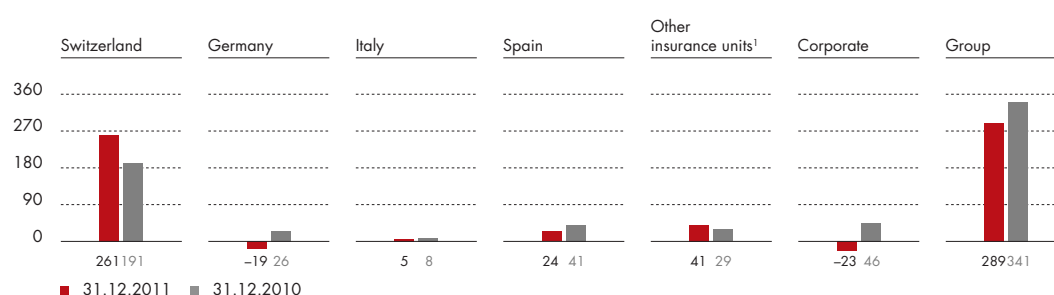
In the individual life business, including unit-linked insurance products, regular premiums increased by 4.1% to CHF 436.8 million. Single premiums grew by 21.4% to CHF 388.2 million. 2011 saw the launch of three attractive products: the "Helvetia Guarantee Plan", "Helvetia Invest 100" and "Helvetia Value Trend". While the "Helvetia Guarantee Plan" continues to be offered on an ongoing basis, the other two insurance products were single tranche products and their launch volumes

Switzerland



Segment results after tax

in CHF million



¹ This segment includes Austria, France and Reinsurance

sold out very quickly. The expansion of the cooperation with Raiffeisen is also on track, and makes up almost 20% of new business. Helvetia is also benefiting from its reputation in private pension provision: once again, Helvetia received the award for the insurance company with the best overall marks for image in the Swiss market.

In general, only slightly weaker investment income and very good risk results for the mortality and disability components made it possible to strengthen reserves adequately, even in a time of demographic change and persistently low interest rates.

Non-life business in excellent shape

The acquisition of the insurance companies Alba and Phenix had the most obvious impact on the non-life business. Compared to the previous year, gross premium volume increased by 25.5% to CHF 801.6 million. Growth was spread across all lines of business. The most notable increase was for the motor vehicle business, which increased by about 50% compared to the previous year thanks to the acquisitions. However, Helvetia also demonstrated strong organic growth and strengthened its market position overall. In order to target the younger generation, Helvetia Youth insurance was launched in 2011. It is aimed at the 14–25 age category and meets their needs for simple and compact insurance solutions. In internal as well as independent market surveys, customers once again gave Helvetia good marks for its uncomplicated and rapid processing of claims in 2011, which contributes to customer satisfaction and loyalty.

At 86%, the net combined ratio was 3.1 percentage points higher than the excellent result for the previous year but is still at a very good level. The increase was due to the slightly higher net loss ratio

of 58.6% as a result of weather-related claims. Nevertheless, with the exception of hail damage in the summer months of 2011, Helvetia Switzerland can generally look back on a year with few claims. The cost ratio was reduced in line with the strategy to 27.4%.

Integration largely completed

The focus in 2011 was on the integration of Alba and Phenix. Thanks to efficient planning and the overwhelming commitment of everyone involved, all the milestones were achieved. Following the integration of the sales force in May, the legal merger in November and the already successful migration of the insurance portfolios from the property insurance units to Helvetia's systems, 2012 will see the migration of the other portfolios. Work will continue during the current year to develop the range of products and simplify processes with the aim of optimising the focus on client needs.

Germany

Helvetia Germany once again delivered strong growth in 2011. The positive growth trend of the previous year continued with an increase of 6.5% in original currency (–4.2% in CHF due to exchange rate differences). Helvetia wrote total gross premiums of CHF 799.3 million. The results reflect a more differentiated picture. The non-life business reported an unusually high burden of claims in the second half of 2011, in line with the trend experienced across the market. Investment income was also down modestly due to the downturn of the equity markets in the second half of the year, but further cost reductions had a positive impact. Over-

Germany



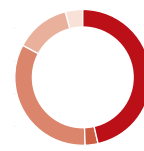
Business volume Switzerland life

	Growth %	2011
in CHF million		
■ Individual life	12.6	761.1
■ Group life	18.7	2 483.1
■ Unit-linked	0.1	64.3
Total	16.8	3 308.5



Business volume Switzerland non-life

	Growth %	2011
in CHF million		
■ Property	7.9	372.6
■ Transport	2.9	25.4
■ Motor vehicle	50.6	267.1
■ Liability	16.5	105.1
■ Accident/health	-	31.4
Total	25.5	801.6



all, the German business reported its first annual loss at minus CHF 18.7 million.

Life continues to be robust and dynamic

The life business once again developed very well in 2011. Business volume of CHF 270.5 million was generated across all lines of business, representing growth of 9.4% (-1.6% in CHF) that is noticeably better than the general market trend. This was facilitated by an expanded product range that focuses on growing customer demand for security. The new rates introduced for the employee benefits business led to encouraging growth in this segment, driven by products financed with single premiums as well as business financed by regular premiums. Although both have been experiencing a market wide stagnation or even downturn. This dynamic growth also had a positive impact on the cost situation and the result. To support this high level of growth, important product lines will be developed further, including the unit-linked products, employee benefits products and occupational disability products.

Non-life business reports unusually high burden of claims

Total volume generated in the non-life business was very positive at CHF 528.8 million. At 5.1% in original currency (-5.5% in CHF), growth was once again above the market. Virtually all non-life business lines contributed to this growth. The motor vehicle business posted the largest share of this growth, primarily supported by the new AutoCare marketing strategy and the successful marketing cooperation with Rechtsschutzversicherungs AG (ARAG). Furthermore, many new products for corporate customers were introduced during the reporting year as part of a programme to bolster this segment. The transport business also seemed to

have recovered with only limited declines in premiums due to the economic environment.

The German non-life market experienced unusually high claims in 2011. Helvetia's claims experience was affected by the period of intense cold at the end of the previous year that resulted in disproportionately high level of late claims. Although, the attritional loss generally remained stable during the financial year, increased claims resulting from bad weather and an unusual frequency of large claims in the industrial and corporate segments during the second half of the year resulted in a significantly higher claims ratio. Despite the cushioning effect of reinsurance cover, the claims ratio deteriorated by about 8 percentage points on a net basis compared to the previous year. In contrast, the administrative cost ratio was down by another 0.3 percentage points, while the distribution cost ratio also declined by 0.3 percentage points due to the increase in motor vehicle business which is subject to lower commission. This saw the cost ratio fall by 0.6 points. As a result of claims, the net combined ratio of 107.5%, is considerably higher than for the previous year. We are taking steps to reverse this development. During 2011, a programme was launched to boost the earnings power of the non-life business through automatic risk controlling, rate adjustments and the analysis of individual contracts.

Brand position strengthened

At the start of the strategy period 2015+, Helvetia Germany defined new measures, some of which were already initiated or implemented during 2011. The streamlining of the organisational structure and introduction of more automation will enhance effi-

Business volume Germany life

	Growth %	2011
	in CHF million	in OC
Individual life	6.0	104.8
Group life	13.2	60.0
Unit-linked	10.9	105.7
Total	9.4	270.5

Business volume Germany non-life

	Growth %	2011
	in CHF million	in OC
Property	2.2	264.8
Transport	-2.4	45.2
Motor vehicle	15.3	123.7
Liability	8.0	63.0
Accident/health	0.4	32.1
Total	5.1	528.8

ciency even more. New and revised products, a bolstered sales force and stronger distribution cooperation will further strengthen the competitive position. Germany is one of the first country markets to start the 2012 financial year with the new brand and marketing concept. The new campaign should reinforce customer and partner brand recognition. Good marks from industry magazines and important analyst houses in sector-specific brand comparisons already confirm the enhanced customer focus for policyholders and partners.

Italy



Italy

The country market Italy was particularly strongly affected by the euro crisis in 2011, but Helvetia successfully held its own in this environment. Looking back over the financial year, in which Helvetia Italy generated a total business volume of CHF 1,223.3 million, the growth trend that emerged in the first half of 2011 was confirmed with divergent tendencies in the life and non-life business. The growth of 2.9% in original currency (–7.4% in CHF due to exchange rate differences) was achieved through dynamic premium growth in the non-life business, mainly driven by the strong expansion of the distribution network in the last few years, to which two new major cooperation agreements have been added in the reporting year. Life volumes declined in line with lower demand due to economic conditions but were still better than the market. The country result is CHF 5.1 million lower year-on-year, mainly as a result of lower investment income but also due to the impact of an increase in the tax rate.

Solid life sales

In an economic environment characterised by a steep decline in demand for insurance, Helvetia was able to consolidate its market position further. In contrast to previous periods, deposits from investment contracts once again showed a modest increase of 2.5%. However, gross premium income, which makes up about two thirds of the life portfolio, fell by 8.4%, resulting in a total volume of CHF 704.8 million or a decline of 4.6% (–14.2% in CHF). In contrast to the very negative market expectations, Helvetia turned in a solid sales performance. This was partly due to the sale of four successful tranche products with a volume of more than CHF 150 million. In addition to the dominant bank distribution channel, 2012 will see various moves to counter falling demand by boosting life insurance premiums at the agency level. The largest share of investments is managed for the life business, which also experienced the impact of the financial crisis on its results in 2011. Although current income has risen due to reinvestment at higher interest rates, the portfolio also suffered losses due to market developments.

Dynamic non-life business

The non-life business once again reported very dynamic growth. With an increase of 15.3% in original currency (3.7% in CHF) and a business volume of CHF 518.5 million, Helvetia once again grew well above the Italian market average, which is expected to be in the region of 3%. This confirms and reinforces the strategic choice to focus on distribution: all sales channels – agents, brokers and the In-

Business volume Italy life

	Growth %	2011
	in CHF million	in OC
Individual life	– 8.3	419.1
Group life	– 10.1	24.5
Deposits	2.5	261.2
Total	– 4.6	704.8

Business volume Italy non-life

	Growth %	2011
	in CHF million	in OC
Property	– 3.2	93.3
Transport	16.1	3.1
Motor vehicle	26.2	307.1
Liability	17.0	37.5
Accident/health	3.3	77.5
Total	15.3	518.5

insurance Corners in the ENI operational facilities – contributed to this success, which was spread across virtually all non-life business lines. The motor vehicle business line led this growth, but the other business lines also generated visible overall growth. As part of its worksite marketing efforts, Helvetia concluded two new agreements in Italy in 2011. These facilitated access for Helvetia Italy to more than 7,000 employees at AgustaWestland, an Anglo-Italian helicopter manufacturer, and Terna, a company in the energy sector. Growth is also supported by an exceptional service orientation. An industry survey of motor vehicle insurance customer satisfaction showed that Helvetia led the rankings in 2011 in important categories such as customer retention and claims settlement.

The net combined ratio improved by 1.5 percentage points year-on-year, primarily owing to a 3.1 percentage point reduction in the cost ratio. The cost ratio fell due to operational progress and an increase in motor vehicle business subject to lower commission rates, while the claims ratio rose moderately due to a shift in the product mix. The overall net combined ratio was 98.4%.

Strategy on course

The market environment is likely to remain extremely challenging in 2012. For growth to remain on track, sales of life insurance via the agency network will have to become more dynamic and worksite marketing efforts will have to be reinforced. The acquisition of two new major customers already represents a significant milestone. Important initiatives in the strategic area of customer loyalty concern in particular the implementation of the Group-wide CRM platform and the new brand strategy, which will also be launched in the Italian market in 2012.

Business volume Spain life

	Growth %		2011
	in CHF million	in OC	
Individual life	-4.3	63.8	
Group life	12.0	49.2	
Unit-linked	67.2	17.7	
Total	7.8	130.7	

Spain

Given the difficult economic climate, the performance of the Spanish business unit in 2011 is very encouraging. Spain is one of the insurance markets most visibly impacted by the financial crisis. The market for non-life business remains in decline and demand for life products is very muted compared to previous periods. In this recessionary environment, Helvetia Spain was able to increase total business volume modestly by 0.3% (-9.8% in CHF due to exchange rate differences). Total premiums written amounted to CHF 427.5 million. Despite falling volumes in non-life insurance and lower investment income, Helvetia Spain was once again able to make a solid contribution of CHF 23.8 million to the result in 2011. This figure, however, was lower than in the previous year.

Spain



Strong growth in life business

In the life business, the group life business was once again the engine of growth with an increase of 12.0%, mainly supported by expanded sales initiatives for funeral expenses insurance via a range of distribution channels. Unit-linked products also provided a clear boost with the launch of a new tranche product in the fourth quarter. This more than compensated for the declining volumes in individual insurance and resulted in volumes growing by 7.8% in original currency (-3.0% in CHF). In CHF, the volume of 130.7 million has been generated in line with the profitability target. This has once again proven the case for Helvetia's strategic positioning as a solvent and competent Swiss insurance provider in the area of private pension provision.

Business volume Spain non-life

	Growth %		2011
	in CHF million	in OC	
Property	1.1	119.5	
Transport	-1.1	14.7	
Motor vehicle	-8.0	116.0	
Liability	-5.0	22.2	
Accident/health	8.6	24.4	
Total	-2.7	296.8	

In contrast to the previous year, the annual adjustment to market-wide interest rates prescribed by the local regulator did not have a positive impact on the result. As in the previous year, the capital markets also only made a below-average contribution due to ongoing poor conditions on the Spanish financial markets.

Non-life business continues to be profitable

Despite an overall decline in business volumes, the Spanish non-life business posted a solid performance in 2011 with an improvement in the most important figure for non-life insurance, the combined ratio. Compared to the previous year, volume fell by 2.7% in original currency (-12.5% in CHF) to CHF 296.8 million due to the recession, albeit with divergent trends in the various business lines. Falling demand and increased competition in the motor vehicle business had the biggest impact, with this business line posting the biggest decline at 8.0%. Other lines sensitive to the economic cycle – transport and liability – also showed modest declines. With growth of 1.1% and premiums of CHF 119.5 million, the profitable property insurance line, however, saw expansion thanks to good demand from private customers, making it the largest line in terms of volume for the Spanish non-life business.

Despite the decline in volumes, the profitability of the non-life business improved year-on-year. The claims ratio fell to 70.0% from 72.6% in the previous year thanks to improvements in motor vehicle insurance and other property insurance lines. The cost ratio, however, increased moderately due to more competition and higher distribution costs. Overall, this led to a visible improvement in the net combined ratio from 96.5% to 95.0%, although the decline in investment income also affected the result of this business unit.

Strategy

In 2011, the new strategy period was launched with various measures. Helvetia Spain is pursuing growth initiatives that focus on customer needs, the expansion of partner sales and new forms of distribution, such as targeting affinity groups and expanding in regions with strong potential. Consistent industrialisation of processes is also expected to enhance efficiency. On the product side, Helvetia's market position in the life business will be strengthened in 2012 by expanding the funeral expenses insurance and savings products. In the non-life business, targeted distribution initiatives will be used to counter falling demand for motor vehicle insurance. In the current difficult environment, however, the primary focus falls on the profitability of the business written.

Austria

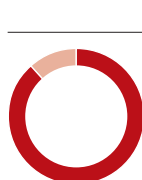
2011 can be seen as the year that confirmed the strategic focus of Helvetia Austria. The technical performance and business volumes generated (CHF 289.8 million) are convincing for both business areas in a difficult economic climate. Premiums grew by 0.7% in original currency (-9.4% in CHF due to exchange rate differences) in a contracting insurance market. This was driven in particular by single premium products and fund solutions. This development proves the sustainability of the success achieved with the reorganisation of the sales structures in 2009. The measures put into place to improve the services and support provided to brokers are also bearing fruit, and Helvetia achieved top ranking in a number of different categories in the 2011 Austrian Insurance Awards, the most important benchmark study in the Austrian broker seg-

Austria



Business volume Austria life

	Growth %	2011
in CHF million	in OC	
Individual life	-0.4	93.3
Unit-linked	17.8	12.0
Total	1.4	105.3



Business volume Austria non-life

	Growth %	2011
in CHF million	in OC	
Property	-6.0	65.6
Transport	0.3	8.7
Motor vehicle	5.2	72.8
Liability	1.8	22.1
Accident/health	5.1	15.3
Total	0.3	184.5



ment. This also confirms that the new strategy implemented for the broker sales channel was the right choice.

Life business bucks market trend

The life insurance business of Helvetia Austria performed well. In addition to continued solid technical results, the portfolio was able to add modest growth in business volumes of 1.4% (–8.8% in CHF) to counteract the general negative market trend. Total premiums of CHF 105.3 million were generated. The successful launch of two index-linked tranche products in particular resulted in strong growth in single premiums which, combined with the increase in unit-linked products, was able to fully compensate the decline in regular premiums. Unit-linked premiums recorded a plus of 17.8% thanks to innovative product improvements, especially the fund savings plan allowing the flexible accumulation of wealth while enjoying tax advantages that was launched in the second quarter. In a difficult environment, the strategic focus on tranche products, innovative fund products and the selective expansion of distribution has proved to be the right approach. The focus continues to fall on capital-efficient products and collaboration with the German country market, supported by greater emphasis on alternative sales channels such as banks and agencies.

Non-life business on track

The non-life business posted growth of 0.3%. Gains were recorded for all business lines except for property insurance, where growth was dampened by the planned discontinuation of a niche product. Adjusted for this effect, business volumes would have increased by 4.1% above the market forecast. The posted growth of 0.3% translates into a decline of 9.8% in the Group currency (CHF) to CHF 184.5 million.

In addition to strong growth in motor vehicle insurance of 5.2%, property insurance improved noticeably with adjusted growth of 3.9%, with Helvetia's own sales force and the independent agents contributing equally to this performance. To improve the attractiveness of the product range, new legal expenses and household insurance products were launched in the current financial year. The introduction of a broker portal not only increased the attractiveness of Helvetia in this distribution channel, but also resulted in efficiency improve-

ments. Product enhancements, such as the launch of a factor rate in the motor vehicle insurance business, will give further impetus to growth and profitability in 2012.

The technical performance was also encouraging. The burden of claims in the property insurance business was low and profitability in the motor vehicle insurance business improved substantially year-on-year. These developments were supported by the fact that there were no natural disasters or major claims in 2011. This combined with a lower cost ratio resulted in an improvement of the net combined ratio which at 99.9% dropped below 100% again, compared to 101.9% in 2010 and 109.6% in 2009.

Strategy and targets

Comprehensive new sales and efficiency initiatives were launched at the start of 2011. Helvetia Austria and Helvetia Germany intensified their collaboration in the life business under joint management. At the same time, exploitation of IT synergies within the Group was given strong emphasis. Helvetia Austria also adopted the new brand identity at the start of the 2012 financial year, which will support marketing efforts. Attractive new products and the targeted addition of agencies and sales staff will also stimulate growth, while profitability will be enhanced by the new broker portal solution, automated processes and a new balanced scorecard for sales management implemented in 2011.

France

Helvetia France, the Group's transport specialist, can look back on a successful financial year. Although competition in the transport sector remains fierce, the growth figures reflect first signs of an economic recovery. After several difficult years, the transport portfolio is generating organic growth again for the first time. At almost 10% (–1.1% in CHF due to exchange rate differences), Helvetia grew above the market. Total business volume generated was CHF 101.6 million. Both the established portfolio and the portfolio acquired in 2009 made a solid contribution to this success.

Pleasing growth dynamic

Further growth in transport volumes and fleet size, cross-selling activities and intensive sales campaigns by Helvetia again resulted in substantial

France



growth of around 9% in both the traditional transport insurance and accidental damage insurance lines. The French transport market is recovering slower due to strong competition, with an anticipated decline of 2%.

The claims ratio still reflects the residual effects of the weak economy in previous years, and the claims trend steepened year-on-year under pressure from a number of large claims. At 60.7%, the claims ratio is therefore above the level of the previous year. The cost ratio is also slightly higher year-on-year, mainly due to a rising proportion of business with higher rates of commission and a change in methodology for cost accounting. Overall, Helvetia France made an encouraging contribution to the Group's result with a net combined ratio of 93.7%.

Strategic focus

The focus in 2012 continues to fall on the exploitation of synergies and cross-selling opportunities. In terms of sales, this means focusing on new sales channels and cooperation partners in order to stimulate growth. Helvetia will also move ahead with unlocking the full potential of the sales licence for the Benelux countries. For underwriting, the quality of the portfolio will receive particular attention given the fierce competition. Administrative functions will be optimised and further savings targeted in order to bring costs down. The new Group-wide brand campaign will lead to better visibility and positioning as the number one transport specialist.

Assumed reinsurance

2011 was a year dominated by natural disasters. Earthquakes in Japan and New Zealand and a large number of weather-related natural disasters resulted in insured claims of more than USD 100 billion. This makes the 2011 calendar year the second most expensive year since 2005 in the history of the global insurance industry with a negative impact on the technical results of many direct insurers and reinsurers.

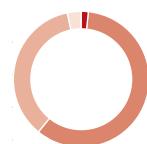
Good profit for 2011

Although the reinsurance portfolio was reinforced by a successful renewal round in original currency in 2011, the reported premium volume fell due to currency effects. Year-on-year, the assumed reinsurance business posted a decline in premiums of 4.7% to CHF 220.5 million.

Due to a very cautious underwriting practice in Asia, Oceania and the USA, Helvetia was hardly affected by the major natural disasters in 2011 and the burden of claims for natural disasters is comparable with the previous year. The cost of individual major claims, however, was significantly higher and resulted in a year-on-year rise in the gross burden of claims but very good retrocession coverage offset the bulk of these claims. As a result the combined ratio deteriorated only slightly compared to the very good figure for the previous year, and remains significantly below 100%. The assumed reinsurance business thus once again made a profit contribution to the Group's result in the double-digit million range. Even in a year of natural disasters like 2011, the basis for this sustained success is a selective underwriting policy focused on profitability and a balanced, broadly diversified portfolio. The com-

Business volume France non-life

	Growth %		2011
	in CHF million	in OC	
■ Property		177.7	1.8
■ Transport		8.7	60.2
■ Motor vehicle		9.4	36.3
■ Liability		4.0	3.3
Total	9.9	101.6	



Portfolio structure of assumed reinsurance by country

	2011	Units in %
■ Europe	137.2	62%
■ America	49.9	23%
■ Middle East	17.8	8%
■ Other	15.6	7%
Total	220.5	100%



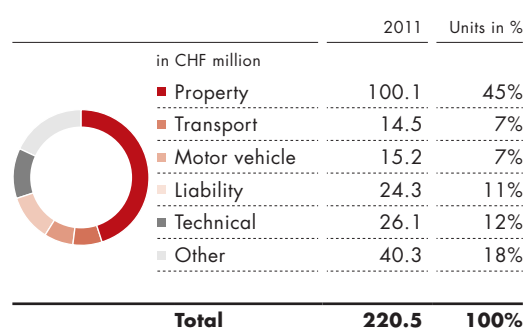
position of the portfolio by sector and region remained virtually unchanged in 2011.

Market trends in 2012

The record level of natural disasters in 2011 has not weakened the capital base of the reinsurers. As a result, there has been no reduction in reinsurance capacity. In terms of the 2012 renewal round, there are no signs yet of a general hardening of the market. Significant rate increases have only been experienced for contracts exposed to disasters and affected by claims.

With a modest premium reduction in original currency, Helvetia had a good and successful 2012 renewal round in a difficult environment. It was mostly possible to compensate cancellations, including certain contracts willingly foregone, with attractive new business and an expansion of existing business.

Portfolio structure of assumed reinsurance by insurance line





“Daddy, we’re going to have a football goal in our new garden, aren’t we?
You promised!”

What does a promise mean in these times? Hopefully it still means a lot. For us, it’s both a reward and an obligation when people put their expectations in us. Often it’s the seemingly small and simple things with which we can make someone really happy.

Keeping our promises: for us this is self-evident. A partnership is based on trust, and trust is born from mutual reliability. It’s a good feeling to have a reliable partner at your side, particularly when it comes to insurance.

This is why Helvetia is the best insurance for you.



Our business relationships are based on reliability and mutual esteem. We inspire confidence in our customers, shareholders and employees with our above-average services, tangible emotionality, and active and comprehensible communication marked by mutual respect.

Investor information

78 **Investor information**

Investor information

The Helvetia share succeeded in holding its ground in a turbulent market environment. Although the share posted a negative performance of 17.9% in the wake of the debt crisis, closing at CHF 295.00, it stood up well in an international sector comparison.

Helvetia share

symbol	HELN
nominal value	CHF 0.10
security number	1 227 168
listing	SIX

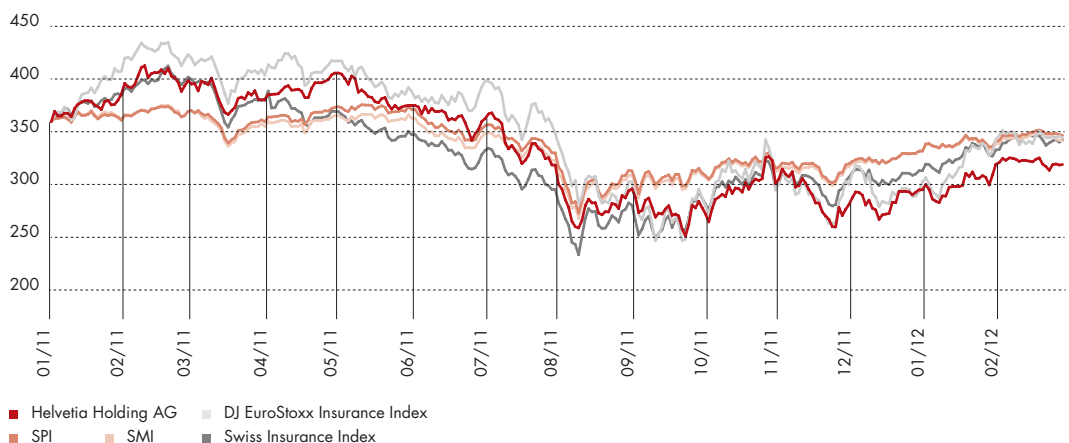
Europe can look back on a turbulent stock market year. While the markets started the year on a promising note, the mood increasingly changed – driven by the EU sovereign debt crisis and the worsening economic outlook. In the wake of the debt crisis, financial instruments in particular saw a massive slump in prices due to their exposure to government bonds. Although there was a marked recovery towards the end of the year following the record lows in August and September, the majority of established markets nevertheless closed the year well into negative territory, with double-digit percentage price losses predominating. The American market was the only one to go against this negative trend. By comparison, the SMI closed the year down roughly 8%.

The Helvetia share kicked off 2011 on a positive note, climbing from CHF 359.50 at the start of the year to its highest level for the year at CHF 414.50

in February. Against a backdrop of increasing market turbulence it suffered, however, massive losses before hitting its lowest point for the year at CHF 244.80 in September. The share recovered by the end of the year, closing at CHF 295.00. This is equivalent to a performance of minus 17.9% year-on-year. Compared to the Swiss Insurance Index, which also reported a negative performance of minus 12.9%, the share underperformed by approximately 5 percentage points. However, overall sector performance was bolstered by two index heavyweights that outperformed the market. Compared to other competitors on the Swiss market and in particular on an international level, our share nevertheless succeeded in holding its ground very well. The DJ EuroStoxx Insurance Index, the European benchmark index, saw a loss of 18.4% by comparison. The Helvetia share also got off to a good start in the year now underway.

Market trend 1.1.2011 – 29.2.2012

in CHF



Stable shareholder structure

There were 8,685 registered shareholders on 31 December 2011. At the end of 2011, the employees held 1.4% of the share capital, around 0.1% of which was held by the members of the Board of Directors and the Executive Management of Helvetia Group. The majority of registered shareholders are based in Switzerland. Measured by shareholdings, they make up 78.7% (previous year: 80.4%), 21.3% (previous year: 19.6%) are based abroad. The free float is unchanged at 61.9%. An annual average of 13,600 shares were traded per trading day, which reflects a decrease of around 15% compared to the previous year.

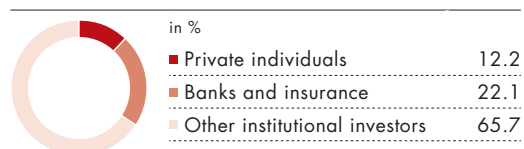
In March, the Bâloise Group reduced its shareholding in Helvetia to below 3.0%. There was no change in the core shareholder structure. As of 31 December 2011, the following important shareholders were thus registered in the share register of Helvetia Holding AG:

Shareholders as of 31 December 2011

– Patria Genossenschaft	30.1%
– Vontobel Group	4.0%
– Raiffeisen Switzerland	4.0%

The structure of the types of investors has barely changed since the previous year. The structure as of 31 December 2011 was as follows:

Investor types



Successful Shareholders' Meeting 2011

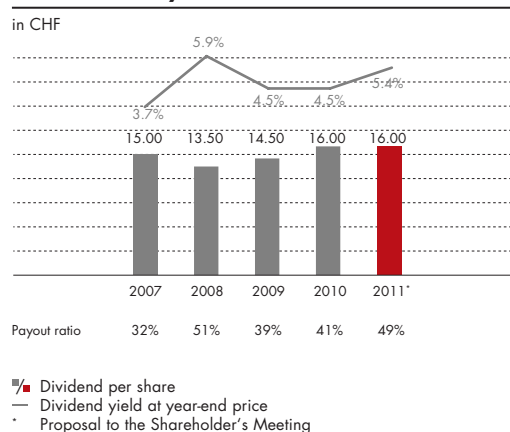
Helvetia Group announced a good annual result to the 1,408 shareholders in attendance – around 100 more than in the previous year. The Shareholders' Meeting approved the annual report, financial statements and consolidated financial statements for 2010. Chairman of the Board Erich Walser thanked the two long-standing directors Silvio Borner and Urs Widmer, both of whom are leaving because they have reached the statutory maximum age for Board members. The Shareholders' Meeting elected the two proposed candidates Jean-René Fournier and Herbert J. Scheidt as new Board members. They represent Patria Genossenschaft and Vontobel respectively, two of Helvetia Group's largest shareholders. Both Ms Paola Ghillani and Ms Doris Russi Schurter were re-elected to the Board of Directors for a further term of office of three years.

The free float of Helvetia's share capital is unchanged at 61.9%.

Sustainable dividend policy

Helvetia strives to generate an attractive return on invested capital for its shareholders, and pursues an income-oriented, continuous distribution policy that allows the company to maintain its solid capital base. Despite the difficult economic environment, Helvetia achieved a good operating result for 2011. Thanks to a well-diversified, conservative investment strategy the Group's capital base remains solid, with a Solvency I margin of 219%. The strong balance sheet and sustained earnings power mean that Helvetia can

Dividend history



Half of the dividend will be paid from the capital contribution reserve and will be exempt from withholding tax.



ask the Shareholders' Meeting to approve a dividend of CHF 16.00 – the same level as last year. This is equivalent to a payout ratio of 49% for 2011. As in the previous year, it is proposed to pay half of the dividend from the capital contribution reserve, whereby no Swiss withholding or income tax will apply for private persons domiciled in Switzerland. This leaves a capital contribution reserve of CHF 122 million for future dividend payments.

Active capital market communication


Helvetia communicates with shareholders, potential investors, financial analysts and the general public comprehensively and on a regular basis. We communicate financial results at analysts', media and telephone conferences. All publications are made publicly available at the same time. We engage in regular dialogue with our investors and visit them in the most important financial centres. In the year under review, our roadshows took us to Zurich, Frankfurt, London, Edinburgh, Geneva, Paris 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

	2011	2010
Number of shares issued		
Treasury shares	36 193	32 254
Shares outstanding	8 616 682	8 620 621
Number of shares issued	8 652 875	8 652 875
Price of Helvetia registered shares in CHF		
Year-end	295.0	359.5
High for the year	414.5	387.8
Low for the year	244.8	278.8
Market capitalisation in CHF million	2 552.6	3 110.7
Consolidated equity per share in CHF	389.1	366.3
Price/book ratio (P/B) ¹	0.8	1.0
Profit for the period per share in CHF	32.6	39.3
Price/earnings ratio (P/E) ¹	9.1	9.1
Dividend per share ²	16.00	16.00
Payout ratio ²	49%	41%
Dividend yield ^{1,2}	5.4%	4.5%

¹ Based on year-end price

² Proposal to the Shareholder's meeting



“Congratulations. At 25 you’re already your own boss. You can be proud of yourself. And if you should ever need help, you know that we’ll always be there for you.”

All of us want to be able to rely on something – on other people, on promises, on expectations. And we value it when others rely on us, as this is a sign of their recognition.

Reliability demands trust and a belief in others, which require openness and transparency. We can only rely on others if we know and understand them. The same is true for you and us.

This is why Helvetia is the best insurance for you.



Financial report

Consolidated financial statement of Helvetia Group

86	Consolidated income statement
87	Consolidated statement of comprehensive income
88	Consolidated balance sheet
90	Consolidated statement of equity
92	Consolidated cash flow statement
	Notes to the consolidated financial statement
94	General information
95	Summary of significant accounting policies
109	Segment information
119	Foreign currency translation
120	Property and equipment
122	Goodwill and other intangible assets
124	Investments
137	Financial liabilities
141	Insurance business
148	Income taxes
151	Equity
157	Provisions and other commitments
159	Employee benefits
164	Share-based payments
165	Related party transactions
166	Compensation paid to the Board of Directors and the Group Executive Management
170	Risk management
192	Events after the reporting date
193	Scope of consolidation
197	Report of the Group Auditor

Financial statements of Helvetia Holding AG

199	Income statement
199	Balance sheet
200	Notes to the financial statements
203	Report of the Statutory Auditors

Consolidated income statement

	Notes	2011	2010
in CHF million			reclassified
Income			
Gross premiums written	3	6 910.9	6 471.9
Reinsurance premiums ceded		-298.7	-310.1
Net premiums written		6 612.2	6 161.8
Net change in unearned premium reserve		-31.6	-34.6
Net earned premiums		6 580.6	6 127.2
Current income from Group investments (net) ¹	7.1.1	938.9	931.3
Gains and losses on Group investments (net) ¹	7.1.3	-60.5	117.7
Income from unit-linked investments ¹	7.1.5	-46.6	82.9
Share of profit or loss of associates ¹		1.1	1.6
Other income ¹		83.8	107.1
Total operating income		7 497.3	7 367.8
Expenses			
Claims incurred including claims handling costs (non-life) ¹		-1 688.3	-1 591.0
Claims and benefits paid (life)		-2 868.0	-2 694.7
Change in actuarial reserves		-1 456.0	-1 505.3
Reinsurers' share of benefits and claims ¹		103.3	132.6
Policyholder dividends and bonuses		-77.5	-51.0
Net insurance benefits and claims		-5 986.5	-5 709.4
Acquisition costs		-738.8	-714.7
Reinsurer's share of acquisition costs		66.3	65.0
Operating and administrative expenses ¹		-374.6	-375.8
Interest payable		-30.7	-30.1
Other expenses ¹		-70.5	-194.5
Total operating expenses		-7 134.8	-6 959.5
Profit or loss from operating activities		362.5	408.3
Financing costs		-3.5	-4.6
Profit or loss before tax		359.0	403.7
Income taxes	10.1	-70.3	-62.2
Profit or loss for the period		288.7	341.5
Attributable to:			
Shareholders of Helvetia Holding AG		287.0	339.0
Minority interests		1.7	2.5
Earnings per share:			
Basic earnings per share (in CHF)	11.5	32.55	39.32
Diluted earnings per share (in CHF)	11.5	32.55	39.32

¹ Reclassification of prior-year figures, see section 2.3 on page 96.

Consolidated statement of comprehensive income

	Notes	2011	2010
in CHF million			
Profit or loss for the period		288.7	341.5
Other comprehensive income			
Change in unrealised gains and losses on investments		292.6	-126.9
Share of associates' net profit recognised directly in equity		0.0	0.0
Revaluation from reclassification of property and equipment		-0.1	-1.0
Change from net investment hedge		3.8	-
Foreign currency translation differences		-9.0	-204.8
Change in liabilities for contracts with participation features		-230.1	49.5
Deferred taxes	10.4	-8.1	25.8
Total other comprehensive income		49.1	-257.4
Comprehensive income		337.8	84.1
Attributable to:			
Shareholders of Helvetia Holding AG		343.0	91.4
Minority interests		-5.2	-7.3

Consolidated balance sheet

	Notes	2011	2010
in CHF million			reclassified
Assets			
Property and equipment	5	368.9	381.8
Goodwill and other intangible assets	6	284.5	303.8
Investments in associates	7.4.1	48.7	48.4
Investment property	7.5	4 763.5	4 479.5
Group financial assets ¹	7.2	28 214.5	27 173.1
Investments for unit-linked contracts ¹	7.2	1 812.3	1 886.1
Receivables from insurance business	9.6	1 041.7	963.7
Deferred acquisition costs	9.5	367.4	362.6
Reinsurance assets	9.1	402.8	479.1
Deferred tax assets	10.5	29.7	25.1
Current income tax assets		17.7	21.6
Other assets		205.4	158.1
Accrued investment income		339.6	325.4
Cash and cash equivalents		1 250.5	942.0
Total assets		39 147.2	37 550.3

¹ Reclassification of prior-year figures, see section 2.3 on page 96.

	Notes	2011	2010
in CHF million			reclassified
Liabilities and equity			
Share capital	11.1	0.9	0.9
Capital reserves		316.6	385.0
Treasury shares		-8.4	-6.9
Unrealised gains and losses (net)	11.2.4	106.1	86.9
Foreign currency translation differences		-300.2	-296.3
Retained earnings		2 449.1	2 301.8
Valuation reserves for contracts with participation features	11.2.5	760.9	654.1
Equity of Helvetia Holding AG shareholders		3 325.0	3 125.5
Minority interests		27.9	32.1
Equity (without preferred securities)		3 352.9	3 157.6
Preferred securities	11.3	300.0	300.0
Total equity		3 652.9	3 457.6
Actuarial reserves (gross)	9.1	25 808.5	24 506.4
Provision for future policyholder participation	9.1	899.7	667.4
Loss reserves (gross)	9.1	2 827.0	2 868.8
Unearned premium reserve (gross)	9.1	970.7	957.2
Financial liabilities from financing activities	8.1	182.3	185.4
Financial liabilities from insurance business	8.2	2 306.1	2 425.1
Other financial liabilities	8.3	74.7	96.0
Liabilities from insurance business	9.6	1 344.6	1 347.5
Non-actuarial provisions	12.1	96.7	92.1
Employee benefit obligations	13.2	265.2	263.1
Deferred tax liabilities	10.5	489.3	473.3
Current income tax liabilities		41.0	59.4
Other liabilities and accruals		188.5	151.0
Total liabilities		35 494.3	34 092.7
Total liabilities and equity		39 147.2	37 550.3

Consolidated statement of equity

		Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
in CHF million	Notes	11.1			11.2.4
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
Change from net investment hedge		-	-	-	-
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
Purchase of treasury shares		-	-	-4.2	-
Sale of treasury shares		-	-0.7	4.2	-
Share-based payment		-	1.0	-	-
Dividends		-	-	-	-
Share capital increase		-	-	-	-
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
Balance as of 1 January 2011		0.9	385.0	-6.9	86.9
Profit or loss for the period		-	-	-	-
Revaluation of investments		-	-	-	280.2
Change from net investment hedge		-	-	-	-
Foreign currency translation differences		-	-	-	-
Change in liabilities for contracts with participation features		-	-	-	-240.7
Deferred taxes		-	-	-	-20.3
Total other comprehensive income		-	-	-	19.2
Comprehensive income		-	-	-	19.2
Transfer from / to retained earnings		-	-	-	-
Acquisition of subsidiaries		-	-	-	-
Change in minority interests		-	-	-	0.0
Purchase of treasury shares		-	-	-5.8	-
Sale of treasury shares		-	-0.7	4.3	-
Share-based payment		-	1.5	-	-
Dividends		-	-69.2	-	-
Share capital increase		-	-	-	-
Shareholders' contributions		-	42.0	-	-
Allocation of shareholders' contributions		-	-42.0	-	-
Balance as of 31 December 2011		0.9	316.6	-8.4	106.1

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					
-97.7	2 121.9	636.6	3 163.6	44.8	3 208.4	-	3 208.4
-	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	3 125.5	32.1	3 157.6	300.0	3 457.6
-296.3	2301.8	654.1	3 125.5	32.1	3 157.6	300.0	3 457.6
-	221.2	65.8	287.0	1.7	288.7	-	288.7
-	-	31.5	311.7	-19.2	292.5	-	292.5
3.8	-	-	3.8	-	3.8	-	3.8
-7.7	-	-	-7.7	-1.3	-9.0	-	-9.0
-	-	-	-240.7	10.6	-230.1	-	-230.1
-	-	9.2	-11.1	3.0	-8.1	-	-8.1
-3.9	-	40.7	56.0	-6.9	49.1	-	49.1
-3.9	221.2	106.5	343.0	-5.2	337.8	-	337.8
-	-6.8	0.3	-6.5	-	-6.5	6.5	0.0
-	0.0	-	0.0	-	0.0	-	0.0
0.0	0.0	-	0.0	0.0	0.0	-	0.0
-	-	-	-5.8	-	-5.8	-	-5.8
-	-	-	3.6	-	3.6	-	3.6
-	-	-	1.5	-	1.5	-	1.5
-	-67.1	-	-136.3	-2.5	-138.8	-6.5	-145.3
-	-	-	-	3.5	3.5	-	3.5
-	-	-	42.0	-	42.0	-	42.0
-	-	-	-42.0	-	-42.0	-	-42.0
-300.2	2449.1	760.9	3 325.0	27.9	3 352.9	300.0	3 652.9

Consolidated cash flow statement

	2011	2010
in CHF million		
Cash flow from operating activities		
Profit before tax	359.0	403.7
Reclassifications to investing and financing activities (affecting cash)		
Realised gains and losses on property, equipment and intangible assets	0.0	-5.7
Dividends from associates	-0.6	-0.7
Adjustments		
Depreciation / amortisation of property, equipment and intangible assets	44.9	50.5
Realised gains and losses on financial instruments and investment property	-28.4	-316.6
Unrealised gains and losses on investments in associates	-0.3	-0.6
Unrealised gains and losses on investment property	-131.1	10.5
Unrealised gains and losses on financial instruments	251.8	-143.6
Share-based payments for employees	1.5	1.0
Foreign currency gains and losses	37.6	237.1
Other income and expenses not affecting cash ¹	-35.5	-10.7
Change in operating assets and liabilities		
Deferred acquisition costs	-9.3	-14.9
Reinsurance assets	69.8	42.2
Actuarial reserves	1 445.8	1 505.4
Provisions for future policyholder participation	-38.4	-51.6
Loss reserves	4.4	98.8
Unearned premium reserve	32.3	27.2
Financial liabilities from insurance business	-34.3	34.3
Changes in other operating assets and liabilities	-120.9	74.8
Cash flow from investments and investment property		
Purchase of investment property	-219.8	-221.0
Sale of investment property	60.0	77.1
Purchase of bonds	-4 391.9	-5 655.2
Repayment / sale of bonds	3 452.9	4 543.1
Purchase of shares, investment funds and alternative investments	-1 302.8	-2 070.8
Sale of shares, investment funds and alternative investments	1 308.3	1 815.5
Purchase of structured products	-0.6	-
Purchase of derivatives	-9 914.5	-10 619.7
Sale of derivatives	10 042.2	10 824.2
Origination of mortgages and loans	-577.2	-536.9
Repayment of mortgages and loans	384.6	363.0
Purchase of money market instruments	-39 941.8	-34 531.0
Repayment of money market instruments	39 772.0	34 846.1
Cash flow from operating activities (gross)	519.7	775.5
Income taxes paid	-77.0	-73.1
Cash flow from operating activities (net)	442.7	702.4

	2011	2010
in CHF million		
Cash flow from investing activities		
Purchase of property and equipment	-8.7	-11.1
Sale of property and equipment	0.2	8.2
Purchase of intangible assets	-12.0	-34.5
Sale of intangible assets	0.1	0.2
Sale of investments in associates	-	7.5
Purchase of investments in subsidiaries, net of cash and cash equivalents	0.0	-278.0
Dividends from associates	0.6	0.7
Cash flow from investing activities (net)	-19.8	-307.0
Cash flow from financing activities		
Increase of share capital	3.5	-
Sale of treasury shares	3.6	3.5
Purchase of treasury shares	-5.8	-4.2
Shareholders' contributions	42.0	16.0
Issuance of preferred securities	-	293.3
Issuance of debt instruments	-	149.3
Repayment of debt	-	-200.0
Dividends paid	-147.1	-130.0
Lease payments under finance lease	-2.4	-2.6
Cash flow from financing activities (net)	-106.2	125.3
Effect of exchange rate differences on cash and cash equivalents	-8.2	-38.8
Total change in cash and cash equivalents	308.5	481.9
Cash and cash equivalents		
Cash and cash equivalents as of 1 January	942.0	460.1
Change in cash and cash equivalents	308.5	481.9
Cash and cash equivalents as of 31 December	1 250.5	942.0
Composition of cash and cash equivalents		
Cash	0.4	0.4
Due from banks	1 242.8	940.3
Other cash equivalents with a maturity of less than three months	7.3	1.3
Balance as of 31 December	1 250.5	942.0
Other disclosures on cash flow from operating activities:		
Interest received	752.3	764.8
Dividends received	50.2	64.1
Interest paid	7.1	8.6

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 the 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 publication on 6 March 2012. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 4 May 2012.

2. Summary of significant accounting policies

The consolidated financial statements of Helvetia Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and under the historical cost convention with the exception of adjustments resulting from the IFRS requirement to recognise investments at fair value. Fair value measurement methods are explained in Note 2.7 (page 98).

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:

- IAS 24 (rev. 2009) Related party disclosures;
- Amendments to IAS 32 Financial instruments: presentation – classification of rights issues;
- Amendments to IFRIC 14: IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction;
- IFRIC 19 Extinguishing financial liabilities with equity instruments;
- Annual improvements to IFRS (2010).

IAS 24 (rev. 2009) Related party disclosures

We would like to explain the amendments as follows:

The revision introduced a more detailed description of the term “related parties” as well as simplified disclosure requirements for companies that are controlled, managed jointly or influenced substantially by the public sector.

Amendments to IAS 32 Financial instruments: presentation – classification of rights issues

From the point of view of the issuer, the amendments address the accounting for rights issues (rights, options or warrants) to acquire a fixed number of own equity instruments for a fixed price stated in a currency other than the issuer’s functional currency. Such rights that are issued at a fixed price in another currency now have to be reported as equity instruments and no longer as liabilities.

Amendments to IFRIC 14: IAS 19 – The limit on a defined benefit asset, minimum funding requirements

IFRIC 14 provides guidelines on calculating the maximum amount of the surplus of a pension fund that can be measured as an asset under IAS 19. According to IFRIC 14, the employer does not have to recognise any additional liability, unless the contributions payable in accordance with the minimum funding requirements cannot be repaid to the company.

IFRIC 19 Extinguishing financial liabilities with equity instruments

The new interpretation contains guidelines on the recognition of financial liabilities in compliance with IAS 39 if the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially.

Annual improvements to IFRS (2010)

The amendments to IFRS 7 expand the disclosure obligation. The amendment to IAS 34 expands the disclosures that must be made in the interim financial reports. An entity must now in particular also disclose material transfers between the different levels of the valuation hierarchy for financial assets measured at fair value.

2.2 Standards not yet applied in the reporting year

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

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 2011 consolidated financial statements:

Changes in accounting policies	to be applied for annual periods beginning on / after
Amendments to IFRS 7: Disclosure – transfers of financial assets	1.7.2011
Amendments to IAS 12: Deferred tax – recovery of underlying assets	1.1.2012
Amendments to IAS 1: Presentation of financial statements – presentation of OCI	1.7.2012
IAS 28 Associates and joint ventures	1.1.2013
IFRS 10 Consolidated financial statements	1.1.2013
IFRS 11 Joint arrangements	1.1.2013
IFRS 12 Disclosure of interests in other entities	1.1.2013
IFRS 13 Fair value measurement	1.1.2013
Amendments to IAS 19: Employee benefits	1.1.2013
Amendments to IFRS 7: Disclosures – offsetting financial assets and financial liabilities	1.1.2013
Amendments to IAS 32: Offsetting financial assets and financial liabilities	1.1.2014
IFRS 9 Financial instruments: classification and measurement	1.1.2015

The amendments to IAS 19 have a material impact on the recognition of employee benefits. These cannot be quantified definitively yet. The most important changes are the following:

- Actuarial gains and losses must be recognised immediately in the statement of comprehensive income and the option to defer recognition of gains and losses (the “corridor” approach) is no longer allowed. This is expected to increase the volatility of the balance sheet and the statement of comprehensive income.
- All past service cost must be recognised in the period of plan amendment and can no longer be allocated over the period until the claims can no longer be cancelled.
- Net interest may in future only be determined by applying the discount rate to the balance sheet asset or liability. This is expected to lead to an increased P&L charge, as the expected return on assets is usually estimated to be higher than the discount rate.

The effects of IFRS 9 cannot yet be anticipated. The other new standards and amendments to standards are not expected to have any material impact on the financial statements.

2.3 Reclassifications

To improve the presentation of the balance sheet, Helvetia Group now distinguishes between Group financial assets and investments for unit-linked contracts. For Group investments, a distinction is also made between current income from investments and gains and losses on investments.

Current income comprises income from interest and dividend payments as well as rental income on investment property. This item also includes directly attributable external asset management costs and maintenance costs for investment property.

The gains and losses result from price and exchange rate fluctuations affecting investments.

Specific prior-year items had to be reclassified in view of the new distinction between Group financial assets and investments for unit-linked contracts:

The initially reported balance sheet item “Financial assets” (CHF 29,059.2 million) was split into “Group financial assets” (CHF 27,173.1 million) and “Investments for unit-linked contracts” (CHF 1,886.1 million).

Investment income (CHF 1,211.9 million in total), which originally consisted of the items “Interest and dividend income” (CHF 783.1 million), “Gains and losses on investments (net)” (CHF 175.2 million), “Income on investment property” (CHF 252.0 million) and “Share of profit or loss of associates” (CHF 1.6 million), now also includes maintenance costs for investment property as well as directly attributable external asset management costs of CHF 78.4 million, which were previously reported under “Operating and administrative expenses”. In the current presentation investment income therefore amounts to CHF 1,133.5 million, while “Operating and administrative expenses” total CHF 375.8 million (initially CHF 454.2 million).

In the current presentation, the investment income of CHF 1,133.5 million now comprises the items "Current income from Group investments" (CHF 931.3 million), "Gains and losses on Group investments" (CHF 117.7 million), "Income from unit-linked investments" (CHF 82.9 million) and "Share of profit or loss of associates" (CHF 1.6 million).

Contributions to loss prevention costs are now reported as claims incurred. This takes account of the special nature of these expenses and improves the presentation of the income statement. This results in the reclassification of the prior-year figures of CHF 9.6 million from "Other expenses" to "Claims incurred including claims handling costs (non-life)" and CHF 0.4 million from "Other income" to "Reinsurers' share of benefits and claims".

Given the relationship to the operating activities of Helvetia Group, the "Share of profit or loss of associates" is now reported as operating income.

2.4 Accounting and valuation principles

In 2011, Helvetia Group introduced hedge accounting to hedge currency gains and losses on certain investments in subsidiaries with a foreign reporting currency.

As a result of this change, the hedge-effective portion of the gain or loss on the valuation of the hedging instrument is recognised under "Change from net investment hedge" in equity and the statement of comprehensive income, while the ineffective portion is recognised directly in the income statement.

When a hedge to protect a net investment in a subsidiary using a foreign reporting currency ends, the hedge continues to be recognised in the balance sheet at fair value, while all unrealised gains and losses reported in equity remain a component of equity until the subsidiary company is sold (in part).

2.5 Consolidation principles

All the material 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.

2.5.1 Subsidiaries

The consolidated financial statements include the financial statements of Helvetia Holding AG, its subsidiaries and its own investment funds. Consolidation applies 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 statements from the date on which Helvetia Group took effective control. Acquisitions of companies are recorded using the purchase method. Intergroup transactions and balance sheet items are eliminated.

2.5.2 Associates

Associated companies of Helvetia Group are accounted for using the equity method if significant influence is exercised by Helvetia Group. Significant influence is assumed when the Group controls 20% to 50% of the voting rights. The goodwill resulting from the equity valuation is recognised in "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 193).

2.6 Foreign currency translation

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

2.6.1 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 (partial) 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).

2.6.2 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 recorded at fair value, at closing rates, and non-monetary items 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 currency 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 currency gain is immediately recognised in the income statement.

2.7 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 financial 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.

2.7.1 Fair value of financial assets and liabilities

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. This category includes comparisons with current market transactions, references to transactions with similar instruments, and option price models. 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).

- 2.7.2 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 a 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.
- 2.7.3 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 2.13.1 (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 location of the property in question. The discount rates applied in the reporting period are set out in Note 7.5 (page 131). 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.
- 2.7.4 Accounting estimates specific to insurance
- The estimate uncertainties in actuarial practice are explained in Note 2.16 (from page 103). Any material 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).
- 2.7.5 Impairment of goodwill
- Capitalised goodwill is tested annually for impairment. The procedure is described in Note 2.12 (page 100). The recoverable amount is calculated on the basis of several assumptions, which are disclosed in Note 6 (from page 122).
- 2.8 The current, non-current distinction**
- Assets and liabilities are classified as current if they are expected to be realised or settled within twelve 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 the current and non-current balances of relevant items is explained 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 179) as part of the risk assessment process.
- 2.9 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 2.12, below).

2.10 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.

2.11 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 2.12). 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.

2.12 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. They are also tested for impairment if there is evidence for impairment.

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. To calculate any impairment loss, the value in use of the CGU is determined and compared to the carrying value. 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. Alternatively, 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.

2.13 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 2.5.2 (page 97), under "Consolidation principles".

2.13.1 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 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.

2.13.2 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", "available-for-sale" (AFS) and "derivatives for hedge accounting".

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 "Current income on Group investments (net)".

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 for Group investments are reported separately from current income in the item "Gains and losses on Group investments (net)".

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 in the balance sheet at fair value. Unrealised gains and losses are recognised directly in equity with no impact on profit or loss. Upon disposal or impairment, the gains and losses accumulated in equity are released through income.

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. Interest and dividend income from Group investments that are designated as „at fair value through profit or loss“ are included in the item „Current income on Group investments (net)“.

2.13.3 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 2.7, page 98). 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.

2.14 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” or are carried as “Derivatives for hedge accounting”. The hedging strategies used by Helvetia Group for risk management purposes are described in Note 17 (from page 170).

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.

2.15 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 are 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 2.16) 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.

2.16 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.

2.16.1 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.

2.16.2 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 ac-

cordance 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.

2.16.3 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 the 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 business.

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 from 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.

2.17 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. Deferred 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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 twelve 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.

Other long-term employee benefits are benefits that fall due twelve 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.

2.24 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.

2.25 Other liabilities

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

2.26 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 193).

3.1 Segment information

	Switzerland		Germany		Italy	
	2011	2010	2011	2010	2011	2010
in CHF million		reclassified		reclassified		reclassified
Income						
Gross premiums written	4 110.1	3 471.3	799.5	838.3	962.1	1 038.2
Reinsurance premiums ceded	-124.2	-119.3	-77.8	-85.4	-73.1	-77.7
Net premiums written	3 985.9	3 352.0	721.7	752.9	889.0	960.5
Net change in unearned premium reserve	10.6	20.5	1.4	0.8	-37.2	-56.4
Net earned premiums	3 996.5	3 372.5	723.1	753.7	851.8	904.1
Current income on Group investments (net) ¹	654.0	642.6	77.4	82.5	104.5	99.4
Gains and losses on Group investments (net) ¹	11.5	47.4	-4.3	5.4	-37.1	-12.2
Income from unit-linked investments ¹	-20.2	14.8	-21.9	34.5	-5.1	31.7
Share of profit or loss of associates ¹	0.6	1.0	-	-	-	-
Other income ¹	33.1	13.8	3.9	4.7	27.8	28.4
Total operating income	4 675.5	4 092.1	778.2	880.8	941.9	1 051.4
of which transactions between geographical segments	79.3	75.4	58.9	63.7	35.6	34.3
Total revenues from external customers	4 754.8	4 167.5	837.1	944.5	977.5	1 085.7
Expenses						
Claims incurred including claims handling costs (non-life) ¹	-442.6	-331.7	-433.8	-351.0	-343.3	-303.2
Claims and benefits paid (life)	-2 179.4	-2 088.6	-123.9	-115.4	-330.4	-268.4
Change in actuarial reserves	-1 222.9	-1 022.4	-116.3	-186.4	-140.7	-297.7
Reinsurers' share of benefits and claims ¹	26.1	32.5	89.5	27.7	46.7	44.4
Policyholder dividends and bonuses	-57.4	-26.1	-23.6	-13.7	2.9	-2.1
Net insurance benefits and claims	-3 876.2	-3 436.3	-608.1	-638.8	-764.8	-827.0
Acquisition costs	-253.8	-211.0	-168.1	-178.3	-99.4	-94.0
Reinsurers' share of acquisition costs	19.2	19.6	30.2	27.5	11.9	14.4
Operating and administrative expenses ¹	-199.6	-177.7	-46.3	-48.5	-59.4	-67.2
Interest payable	-25.0	-26.4	-4.0	-2.4	-2.6	-3.0
Other expenses ¹	-28.5	-47.3	-7.8	-17.7	-12.7	-57.7
Total operating expenses	-4 363.9	-3 879.1	-804.1	-858.2	-927.0	-1 034.5
Profit or loss from operating activities	311.6	213.0	-25.9	22.6	14.9	16.9
Financing costs	-	-	-	-	-0.6	-0.5
Profit or loss before tax	311.6	213.0	-25.9	22.6	14.3	16.4
Income taxes	-51.0	-21.5	7.2	3.6	-9.2	-8.1
Profit or loss for the period	260.6	191.5	-18.7	26.2	5.1	8.3

¹ Reclassification of prior-year figures, see section 2.3 on page 96.

Spain		Other insurance units		Corporate		Elimination		Total	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	reclassified		reclassified		reclassified		reclassified		reclassified
427.5	473.8	790.0	833.3	-	-	-178.3	-183.0	6910.9	6471.9
-27.2	-32.6	-174.0	-181.6	-	-	177.6	186.5	-298.7	-310.1
400.3	441.2	616.0	651.7	-	-	-0.7	3.5	6612.2	6161.8
5.6	4.9	-12.7	-0.9	-	-	0.7	-3.5	-31.6	-34.6
405.9	446.1	603.3	650.8	-	-	0.0	-	6580.6	6127.2
25.4	30.6	71.2	78.8	10.2	2.8	-3.8	-5.4	938.9	931.3
-3.6	2.7	-14.3	-58.1	-12.7	132.5	-	-	-60.5	117.7
0.1	0.1	0.5	1.8	-	-	-	-	-46.6	82.9
0.5	0.6	0.0	0.0	-	-	-	-	1.1	1.6
4.9	5.1	14.3	54.8	0.8	1.7	-1.0	-1.4	83.8	107.1
433.2	485.2	675.0	728.1	-1.7	137.0	-4.8	-6.8	7497.3	7367.8
18.9	22.1	-196.7	-201.1	-0.8	-1.2	4.8	6.8	0.0	-
452.1	507.3	478.3	527.0	-2.5	135.8	0.0	-	7497.3	7367.8
-220.0	-240.7	-381.4	-430.9	-	-	132.8	66.5	-1688.3	-1591.0
-84.3	-86.1	-158.4	-141.8	-	-	8.4	5.6	-2868.0	-2694.7
-15.0	4.2	38.3	-0.6	-	-	0.6	-2.4	-1456.0	-1505.3
27.1	13.0	57.7	86.4	-	-	-143.8	-71.4	103.3	132.6
-	-	0.6	-9.1	-	-	-	-	-77.5	-51.0
-292.2	-309.6	-443.2	-496.0	-	-	-2.0	-1.7	-5986.5	-5709.4
-84.7	-90.7	-172.0	-187.6	-	-	39.2	46.9	-738.8	-714.7
6.4	7.8	35.6	42.2	-	-	-37.0	-46.5	66.3	65.0
-28.0	-28.6	-36.2	-41.9	-4.9	-13.2	-0.2	1.3	-374.6	-375.8
0.0	-0.2	-0.9	-0.8	-3.0	-4.1	4.8	6.8	-30.7	-30.1
-3.4	-3.6	-7.2	-4.2	-10.9	-64.0	0.0	0.0	-70.5	-194.5
-401.9	-424.9	-623.9	-688.3	-18.8	-81.3	4.8	6.8	-7134.8	-6959.5
31.3	60.3	51.1	39.8	-20.5	55.7	0.0	0.0	362.5	408.3
-	-	-	-	-2.9	-4.1	-	-	-3.5	-4.6
31.3	60.3	51.1	39.8	-23.4	51.6	0.0	0.0	359.0	403.7
-7.5	-19.5	-10.2	-10.4	0.4	-6.3	0.0	0.0	-70.3	-62.2
23.8	40.8	40.9	29.4	-23.0	45.3	0.0	0.0	288.7	341.5

3.2 Information by business activities

	Life		Non-life	
	2011	2010	2011	2010
in CHF million		reclassified		reclassified
Income				
Gross premiums written	4 258.6	3 896.1	2 432.1	2 348.3
Reinsurance premiums ceded	-58.6	-60.0	-270.5	-292.9
Net premiums written	4 200.0	3 836.1	2 161.6	2 055.4
Net change in unearned premium reserve	-3.9	-1.0	-22.2	-31.2
Net earned premiums	4 196.1	3 835.1	2 139.4	2 024.2
Current income on Group investments (net) ¹	823.0	807.1	105.4	121.0
Gains and losses on Group investments (net) ¹	-47.2	25.9	6.4	36.0
Income from unit-linked investments ¹	-46.6	82.9	-	-
Share of profit or loss of associates ¹	0.6	1.0	0.5	0.6
Other income ¹	39.0	36.0	39.2	17.6
Total operating income	4 964.9	4 788.0	2 290.9	2 199.4
Expenses				
Claims incurred including claims handling costs (non-life) ¹	-	-	-1 617.6	-1 420.3
Claims and benefits paid (life)	-2 862.6	-2 688.8	-	-
Change in actuarial reserves	-1 457.9	-1 505.9	-	-
Reinsurers' share of benefits and claims ¹	26.4	25.7	178.8	111.7
Policyholder dividends and bonuses	-79.0	-48.9	1.5	-2.1
Net insurance benefits and claims	-4 373.1	-4 217.9	-1 437.3	-1 310.7
Acquisition costs	-203.9	-185.9	-483.7	-472.0
Reinsurers' share of acquisition costs	26.6	22.1	45.8	56.8
Operating and administrative expenses ¹	-159.7	-153.0	-203.1	-203.8
Interest payable	-36.9	-37.4	-9.6	-9.2
Other expenses ¹	-22.9	-76.9	-40.1	-51.8
Total operating expenses	-4 769.9	-4 649.0	-2 128.0	-1 990.7
Profit or loss from operating activities	195.0	139.0	162.9	208.7
Financing costs	-	-	-0.6	-0.5
Profit or loss before tax	195.0	139.0	162.3	208.2
Income taxes	-39.8	-30.5	-28.0	-30.8
Profit or loss for the period	155.2	108.5	134.3	177.4

¹ Reclassification of prior-year figures, see section 2.3 on page 96.

Other activities		Elimination		Total	
2011	2010	2011	2010	2011	2010
	reclassified		reclassified		reclassified
412.3	424.1	-192.1	-196.6	6910.9	6471.9
-160.9	-157.3	191.3	200.1	-298.7	-310.1
251.4	266.8	-0.8	3.5	6612.2	6161.8
-6.3	1.1	0.8	-3.5	-31.6	-34.6
245.1	267.9	0.0	-	6580.6	6127.2
28.4	22.7	-17.9	-19.5	938.9	931.3
-19.7	55.8	-	-	-60.5	117.7
0.0	0.0	-	-	-46.6	82.9
-	-	-	-	1.1	1.6
10.4	55.4	-4.8	-1.9	83.8	107.1
264.2	401.8	-22.7	-21.4	7497.3	7367.8
-205.0	-245.5	134.3	74.8	-1688.3	-1591.0
-14.1	-11.8	8.7	5.9	-2868.0	-2694.7
1.2	3.2	0.7	-2.6	-1456.0	-1505.3
43.9	75.1	-145.8	-79.9	103.3	132.6
-	-	-	-	-77.5	-51.0
-174.0	-179.0	-2.1	-1.8	-5986.5	-5709.4
-91.8	-104.9	40.6	48.1	-738.8	-714.7
32.2	33.7	-38.3	-47.6	66.3	65.0
-11.6	-20.3	-0.2	1.3	-374.6	-375.8
-3.2	-4.5	19.0	21.0	-30.7	-30.1
-11.2	-66.2	3.7	0.4	-70.5	-194.5
-259.6	-341.2	22.7	21.4	-7134.8	-6959.5
4.6	60.6	0.0	0.0	362.5	408.3
-2.9	-4.1	-	-	-3.5	-4.6
1.7	56.5	0.0	0.0	359.0	403.7
-2.5	-0.9	0.0	0.0	-70.3	-62.2
-0.8	55.6	0.0	0.0	288.7	341.5

3.3 Additional information

by segment:

as of 31.12.	Switzerland		Germany		Italy	
	2011	2010	2011	2010	2011	2010
in CHF million						
Assets by geographical segment	27 987.2	26 327.4	2 731.1	2 614.6	4 525.6	4 530.3
of which investments	25 785.3	24 308.6	2 278.1	2 242.0	3 607.9	3 780.3
of which investments in associates	46.7	46.3	-	-	-	-
Liabilities by geographical segment	25 436.0	23 976.7	2 477.0	2 322.9	4 273.4	4 256.9
of which technical provisions (gross)	23 186.7	21 826.3	2 141.2	1 981.4	2 533.0	2 429.5
Cash flow from operating activities (net)	201.5	551.9	11.5	-1.4	122.0	24.8
Cash flow from investing activities (net)	-28.2	-331.3	0.3	7.6	-4.0	-15.1
Cash flow from financing activities (net)	12.4	356.1	-	-	3.3	-18.5
Acquisition of owner-occupied property, equipment and intangible assets	1.7	160.2	1.6	2.0	8.3	13.3
Depreciation and amortisation on tangible and intangible assets	-7.4	-6.3	-2.6	-3.2	-7.8	-7.0
Impairment of tangible and intangible assets affecting income	-	-	-	-	-	-
Reversal of impairment losses on tangible and intangible assets affecting income	-	-	-	-	-	-
Share-based payment transaction costs	-1.0	-0.7	-	-	-	-

by business activity:

as of 31.12.	Life		Non-life	
	2011	2010	2011	2010
in CHF million				
Assets by business activity	32 708.2	31 099.2	5 381.5	5 335.2
Liabilities by business activity	30 823.0	29 314.6	3 788.0	3 764.7
Acquisition of owner-occupied property, equipment and intangible assets	0.2	35.9	10.9	151.7
Depreciation and amortisation on tangible and intangible assets	-8.2	-7.7	-12.9	-14.2
Impairment of tangible and intangible assets affecting income	-	-	-	-
Reversal of impairment losses on tangible and intangible assets affecting income	-	-	-	-
Share-based payment transaction costs	-0.5	-0.4	-0.5	-0.3

Spain		Other insurance units		Corporate		Elimination		Total	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1 224.9	1 288.0	2 715.5	2 774.7	296.1	276.6	-333.2	-261.3	39 147.2	37 550.3
923.3	950.1	1 909.0	2 025.8	347.9	293.2	-12.5	-12.9	34 839.0	33 587.1
2.0	2.1	0.0	0.0	-	-	-	-	48.7	48.4
1 027.9	1 070.2	2 399.7	2 457.6	213.5	269.7	-333.2	-261.3	35 494.3	34 092.7
858.0	860.0	1 955.6	2 063.3	-	-	-168.6	-160.7	30 505.9	28 999.8
47.0	47.5	16.5	46.0	57.3	33.4	-13.1	0.2	442.7	702.4
-3.6	-21.5	-3.1	-5.5	5.7	59.0	13.1	-0.2	-19.8	-307.0
-42.1	-23.0	14.4	-50.1	-94.2	-139.2	-	-	-106.2	125.3
4.3	22.9	3.9	2.4	0.9	2.7	-	-	20.7	203.5
-5.2	-5.4	-3.6	-3.8	-5.0	-5.5	-	-	-31.6	-31.2
-	-	-	-1.9	-	-	-	-	-	-1.9
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-0.5	-0.3	-	-	-1.5	-1.0
<hr/>									
Other activities		Elimination		Total					
2011	2010	2011	2010	2011	2010				
1 417.6	1 408.4	-360.1	-292.5	39 147.2	37 550.3				
1 243.4	1 305.9	-360.1	-292.5	35 494.3	34 092.7				
9.6	15.9	-	-	20.7	203.5				
-10.5	-9.3	-	-	-31.6	-31.2				
-	-1.9	-	-	-	-1.9				
-	-	-	-	-	-				
-0.5	-0.3	-	-	-1.5	-1.0				

3.4 Gross premiums by geography and business area

		Gross premiums before elimination		Elimination		Gross premiums		Change in %	Change in % (FX-adjusted)
		2011	2010	2011	2010	2011	2010		
in CHF million									
Switzerland	non-life	801.6	638.6	-	-	801.6	638.6	25.5	25.5
Switzerland	life	3 308.5	2 832.7	-	-	3 308.5	2 832.7	16.8	16.8
Total Switzerland		4 110.1	3 471.3	-	-	4 110.1	3 471.3	18.4	18.4
Germany	non-life	529.0	563.4	-0.2	-3.9	528.8	559.5	-5.5	5.1
Germany	life	270.5	274.9	-	-	270.5	274.9	-1.6	9.4
Total Germany		799.5	838.3	-0.2	-3.9	799.3	834.4	-4.2	6.5
Italy	non-life	518.5	499.9	-	-	518.5	499.9	3.7	15.3
Italy	life	443.6	538.3	-	-	443.6	538.3	-17.6	-8.4
Total Italy		962.1	1 038.2	-	-	962.1	1 038.2	-7.3	3.1
Spain	non-life	296.8	339.1	-	-	296.8	339.1	-12.5	-2.7
Spain	life	130.7	134.7	-	-	130.7	134.7	-3.0	7.8
Total Spain		427.5	473.8	-	-	427.5	473.8	-9.8	0.3
Other countries	non-life	286.1	307.3	-	-	286.1	307.3	-6.9	3.5
Other countries	life	105.3	115.5	-	-	105.3	115.5	-8.8	1.4
Reinsurance		398.6	410.5	-178.1	-179.1	220.5	231.4	-4.7	-4.7
Total other insurance business		790.0	833.3	-178.1	-179.1	611.9	654.2	-6.5	0.2
Total gross premiums		7 089.2	6 654.9	-178.3	-183.0	6 910.9	6 471.9	6.8	11.2

3.5 Gross premiums by business line

	Gross premiums		Change in %	Change in % (FX-adjusted)
	2011	2010		
in CHF million				
Individual insurance	1 442.1	1 472.0	-2.0	3.1
Group insurance	2 616.8	2 230.8	17.3	18.0
Unit-linked life insurance	199.7	193.3	3.3	11.1
Gross premiums life	4 258.6	3 896.1	9.3	12.0
Property	917.6	950.2	-3.4	3.0
Transport	157.3	167.0	-5.8	3.1
Motor vehicle	923.0	821.4	12.4	21.3
Liability	253.2	244.4	3.6	10.4
Accident / health	180.7	161.4	12.0	22.3
Gross premiums non-life	2 431.8	2 344.4	3.7	11.5
Gross premiums reinsurance	220.5	231.4	-4.7	-4.7
Total gross premiums	6 910.9	6 471.9	6.8	11.2

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)
	2011	2010		
in CHF million				
Gross premiums life	4 258.6	3 896.1	9.3	12.0
Deposits received from investment contracts life ¹	261.2	283.5	-7.9	2.5
Gross premiums and deposits received life	4 519.8	4 179.6	8.1	11.4
Gross premiums non-life	2 431.8	2 344.4	3.7	11.5
Gross premiums reinsurance	220.5	231.4	-4.7	-4.7
Gross premiums and deposits received	7 172.1	6 755.4	6.2	10.9

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	31.12.2011	31.12.2010
1 EUR	1.2139	1.2505
1 USD	0.9351	0.9321
1 GBP	1.4532	1.4593
Annual average	2011	2010
	Jan-Dec	Jan-Dec
1 EUR	1.2310	1.3688
1 USD	0.8806	1.0367
1 GBP	1.4166	1.5984

4.2 Foreign exchange gains and losses

The foreign exchange results in the 2011 consolidated income statement show a loss of CHF 53.5 million (previous year: loss of CHF 290.1 million). The foreign exchange loss from financial investments is included in "Gains and losses on Group investments" in the consolidated income statement and amounts to CHF 48.5 million (previous year: loss of CHF 245.9 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

	Undeveloped land		Owner-occupied property		Equipment	
	2011	2010	2011	2010	2011	2010
in CHF million						
Acquisition costs						
Balance as of 1 January	9.0	9.3	513.9	533.9	81.9	117.7
Change in scope of consolidation	-	-	-	18.2	-	-
Additions	-	-	0.4	2.8	7.7	8.3
Disposals	-	-0.3	-	-2.7	-0.8	-17.5
Revaluation gains on transfers to investment property	-	-	0.0	0.3	-	-
Transfer	-	-	2.2	-12.0	-	-
Foreign currency translation differences	-	-	-7.2	-44.3	-1.8	-11.6
Other changes	-	-	6.3	17.7	-	-15.0
Balance as of 31 December	9.0	9.0	515.6	513.9	87.0	81.9
Accumulated depreciation / impairment						
Balance as of 1 January	3.8	4.0	161.3	152.0	58.0	88.3
Depreciation	-	-	8.9	9.0	9.4	10.1
Impairment	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-
Disposals depreciation / impairment	-	-0.2	-	-0.8	-0.6	-17.0
Transfer	-	-	-0.1	-1.9	-	-
Foreign currency translation differences	-	-	-2.8	-14.7	-1.2	-8.4
Other changes	-	-	6.3	17.7	-	-15.0
Balance as of 31 December	3.8	3.8	173.6	161.3	65.6	58.0
Book value as of 31 December	5.2	5.2	342.0	352.6	21.4	23.9
of which assets under finance lease	-	-	42.4	45.0	-	-
Book value as of 1 January	5.2	5.3	352.6	381.9	23.9	29.4

Property under construction		Total	
2011	2010	2011	2010
0.1	0.1	604.9	661.0
-	-	-	18.2
0.6	0.0	8.7	11.1
-	-	-0.8	-20.5
-	-	0.0	0.3
-0.4	-	1.8	-12.0
0.0	0.0	-9.0	-55.9
-	-	6.3	2.7
0.3	0.1	611.9	604.9
0.0	0.0	223.1	244.3
-	-	18.3	19.1
-	-	-	-
-	-	-	-
-	-	-0.6	-18.0
-	-	-0.1	-1.9
-	-	-4.0	-23.1
-	-	6.3	2.7
0.0	0.0	243.0	223.1
0.3	0.1	368.9	381.8
-	-	42.4	45.0
0.1	0.1	381.8	416.7

6. Goodwill and other intangible assets

	Goodwill		Other intangible assets		Total	
	2011	2010	2011	2010	2011	2010
in CHF million						
Acquisition costs						
Balance as of 1 January	197.1	84.1	255.9	266.7	453.0	350.8
Change in the scope of consolidation	-	126.1	-	13.7	-	139.8
Additions	-	-	12.0	34.5	12.0	34.5
Disposals	-	-	-2.2	-16.0	-2.2	-16.0
Foreign currency translation differences	-2.1	-13.1	-5.7	-33.7	-7.8	-46.8
Other changes	-	-	-	-9.3	-	-9.3
Balance as of 31 December	195.0	197.1	260.0	255.9	455.0	453.0
Accumulated amortisation / impairment						
Balance as of 1 January	0.1	0.1	149.1	160.6	149.2	160.7
Amortisation	-	-	26.6	29.5	26.6	29.5
Impairment	-	-	-	1.9	-	1.9
Reversal of impairment losses	-	-	-	-	-	-
Disposals amortisation / impairment	-	-	-2.1	-15.8	-2.1	-15.8
Foreign currency translation differences	0.0	0.0	-3.2	-17.8	-3.2	-17.8
Other changes	-	-	-	-9.3	-	-9.3
Balance as of 31 December	0.1	0.1	170.4	149.1	170.5	149.2
Book value as of 31 December	194.9	197.0	89.6	106.8	284.5	303.8
Book value as of 1 January	197.0	84.0	106.8	106.1	303.8	190.1

Goodwill is tested annually for impairment in accordance with Note 2.12 (from page 100). The goodwill impairment test was based on the following growth and discount rates, assuming cash flows in perpetuity:

as of 31.12.2011	Goodwill	Growth rate	Discount rate
in CHF million		in %	in %
Switzerland life	4.4	1.0%	7.95%
Switzerland non-life	121.7	1.0%	6.72%
Helvetia Compañía Suiza S.A.	18.3	1.0%	11.21%
Chiara Vita S.p.A.	31.4	1.5%	10.17%
Padana Assicurazioni S.p.A.	3.4	1.5%	11.42%
Helvetia Assurances S.A.	15.7	1.0%	9.76%

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	121.7	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%

The impairment test carried out in 2011 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 three 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 discount 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

To improve the presentation of the balance sheet, Helvetia Group now distinguishes between Group financial assets and investments for unit-linked contracts (see Note 2.3, page 96).

7.1 Investment income

	Notes	2011	2010
in CHF million			
Current income from Group investments (net)	7.1.1	938.9	931.3
Gains and losses on Group investments (net)	7.1.3	-60.5	117.7
Investment result from Group financial assets and investment property		878.4	1 049.0
Income from unit-linked investments	7.1.5	-46.6	82.9
Investment result from financial assets and investment property		831.8	1 131.9
Share of profit or loss of associates		1.1	1.6
Investment income (net)		832.9	1 133.5

7.1.1 Current income from investments by class

	Group investments		Unit-linked investments		Total	
	2011	2010	2011	2010	2011	2010
in CHF million						
Bonds	556.8	560.0	5.7	-	562.5	560.0
Shares	42.0	40.4	1.4	-	43.4	40.4
Investment funds	5.0	5.0	1.8	18.7	6.8	23.7
Derivative financial instruments ¹	1.7	0.2	-	-	1.7	0.2
Mortgages	98.1	96.3	-	-	98.1	96.3
Loans	53.7	58.2	-	-	53.7	58.2
Money market instruments	4.9	4.2	-	-	4.9	4.2
Other	0.0	0.1	-	-	0.0	0.1
Current income on financial assets (gross)	762.2	764.4	8.9	18.7	771.1	783.1
Investment management expenses on financial assets	-6.4	-19.5	-	-	-6.4	-19.5
Current income on financial assets (net)	755.8	744.9	8.9	18.7	764.7	763.6
Rental income	252.7	245.3	-	-	252.7	245.3
Investment management expenses on property	-69.6	-58.9	-	-	-69.6	-58.9
Current income from investment property (net)	183.1	186.4	-	-	183.1	186.4
Current income from investments (net)	938.9	931.3	8.9	18.7	947.8	950.0

¹ Derivatives comprise current income on derivative financial assets and derivative financial liabilities.

Asset 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 1.4 million in the reporting year (previous year: CHF 1.0 million).

Based on notice periods, tenancies generated operating lease receivables for Helvetia Group of CHF 68.1 million (previous year: CHF 58.0 million) due in less than one year, CHF 159.2 million (previous year: CHF 138.8 million) due between one and five years, and CHF 52.0 million (previous year: CHF 62.1 million) due in more than five years.

Interest income from investments at fair value through profit or loss stood at CHF 35.2 million (previous year: CHF 36.2 million).

7.1.2 Direct yield of interest-rate-sensitive financial assets

	2011	2010
in %		
Bonds	2.8	3.0
Mortgages, loans and money market instruments	2.7	2.8
Total direct yield of interest-rate-sensitive financial assets	2.8	2.9

7.1.3 Gains and losses on investments

	Group investments		Unit-linked investments		Total	
	2011	2010	2011	2010	2011	2010
in CHF million						
Bonds	-16.1	-217.8	0.8	-	-15.3	-217.8
Shares	-93.3	65.9	-6.0	-	-99.3	65.9
Investment funds	-70.8	9.7	-50.3	64.2	-121.1	73.9
Structured products	-	-	0.0	-	0.0	-
Alternative investments	-3.7	-1.6	-	-	-3.7	-1.6
Derivative financial instruments	-0.2	257.2	-	-	-0.2	257.2
Mortgages	-0.5	0.0	-	-	-0.5	0.0
Loans	5.2	0.9	-	-	5.2	0.9
Other	-17.1	-3.3	-	-	-17.1	-3.3
Gains and losses on financial instruments (net)	-196.5	111.0	-55.5	64.2	-252.0	175.2
Investment property	136.0	6.7	-	-	136.0	6.7
Gains and losses on investments (net)	-60.5	117.7	-55.5	64.2	-116.0	181.9

Derivatives comprise gains and losses on derivative financial assets and derivative financial liabilities, of which CHF 1.6 million represent a loss on the ineffective portion of the hedges to protect net investments in the Group's own fund companies (net investment hedge).

The increase for investment property derived from the profitable rental of finished new buildings and renovation projects as well as the slight decrease in the discount rate made necessary by market circumstances (see section 7.5, page 131). The adjustment to the discount rate resulted in a gain of CHF 119.0 million.

7.1.4 Gains and losses on investments by category

	2011	2010
in CHF million		
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses		
Bonds	9.3	1.5
Mortgages	-0.5	0.0
Loans	5.2	0.9
Realised gains and losses on loans (LAR) incl. money market instruments	14.0	2.4
Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses		
Bonds	-8.2	-43.4
Realised gains and losses on HTM investments	-8.2	-43.4
Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses		
Bonds	13.3	-146.8
Shares	-26.4	41.5
Investment funds	-1.5	0.0
Alternative investments	10.8	-1.4
Realised gains and losses on AFS investments	-3.8	-106.7
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses		
Bonds	-0.2	0.0
Shares	-3.3	2.5
Investment funds	-1.8	1.1
Derivative financial instruments	-0.2	257.2
Realised and book gains and losses on financial assets held for trading	-5.5	260.8
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	-29.5	-29.1
Shares	-69.6	21.9
Investment funds	-117.8	72.8
Structured products	0.0	-
Alternative investments	-14.5	-0.2
Realised and book gains and losses on financial assets designated as at fair value through profit or loss	-231.4	65.4
Other	-17.1	-3.3
Total gains and losses on investments (net)	-252.0	175.2

In the HTM class, one Greek security was sold due to the serious deterioration in the credit rating. This resulted in an impairment loss of CHF 2.9 million and a realised gain of CHF 0.6 million. The gains and losses reported for the HTM class also contain book losses from foreign currency translations.

The above table includes increases in impairment losses on investments of CHF 43.4 million (previous year: CHF 16.7 million) as well as impairment loss reversals on investments of CHF 3.1 million (previous year: CHF 1.1 million).

7.1.5 Income from unit-linked investments

	2011	2010
in CHF million		
Current income from unit-linked investments	8.9	18.7
Gains and losses on unit-linked investments	-55.5	64.2
Income from unit-linked investments	-46.6	82.9

7.2 Financial assets by class

as of 31.12.2011	Notes	Group investments	Unit-linked investments	Total
in CHF million				
Investments in associates	7.4.1	48.7	-	48.7
Investment property	7.5	4763.5	-	4763.5
Financial assets by class	7.6			
Bonds		20287.5	467.6	20755.1
Shares		1257.9	33.4	1291.3
Investment funds		530.7	1310.6	1841.3
Structured products		-	0.7	0.7
Alternative investments		164.9	-	164.9
Derivative financial assets		42.6	-	42.6
Mortgages		3523.1	-	3523.1
Policy loans		97.4	-	97.4
Other loans		1358.6	-	1358.6
Money market instruments		951.8	-	951.8
Total financial assets		28214.5	1812.3	30026.8
Total Investments		33026.7	1812.3	34839.0
as of 31.12.2010	Notes	Group investments	Unit-linked investments	Total
in CHF million				
Investments in associates	7.4.1	48.4	-	48.4
Investment property	7.5	4479.5	-	4479.5
Financial assets by class	7.6			
Bonds		19276.6	-	19276.6
Shares		1327.3	-	1327.3
Investment funds		701.2	1886.1	2587.3
Structured products		-	-	-
Alternative investments		177.2	-	177.2
Derivative financial assets		94.3	-	94.3
Mortgages		3318.2	-	3318.2
Policy loans		108.3	-	108.3
Other loans		1382.8	-	1382.8
Money market instruments		787.2	-	787.2
Total financial assets		27173.1	1886.1	29059.2
Total Investments		31701.0	1886.1	33587.1

7.3 Financial assets by segments

as of 31.12.2011	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	46.6	2.1	-	48.7
Investment property	7.5	4 340.2	423.3	-	4 763.5
Financial assets by class	7.6				
Bonds		17 734.0	2 157.7	863.4	20 755.1
Shares		563.1	69.7	658.5	1 291.3
Investment funds		2 221.7	309.5	-689.9	1 841.3
Structured products		0.7	-	-	0.7
Alternative investments		151.8	13.1	-	164.9
Derivative financial assets		39.5	2.2	0.9	42.6
Mortgages		3 371.3	151.8	-	3 523.1
Policy loans		97.4	-	-	97.4
Other loans		1 121.0	237.6	-	1 358.6
Money market instruments		740.6	210.2	1.0	951.8
Total financial assets		26 041.1	3 151.8	833.9	30 026.8
Total Investments		30 427.9	3 577.2	833.9	34 839.0
as of 31.12.2010	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	46.2	2.2	-	48.4
Investment property	7.5	4 063.1	413.5	2.9	4 479.5
Financial assets by class	7.6				
Bonds		16 123.5	2 316.4	836.7	19 276.6
Shares		582.9	50.0	694.4	1 327.3
Investment funds		3 035.2	288.7	-736.6	2 587.3
Structured products		-	-	-	-
Alternative investments		162.5	14.7	-	177.2
Derivative financial assets		82.4	1.9	10.0	94.3
Mortgages		3 161.0	158.4	-1.2	3 318.2
Policy loans		108.3	-	-	108.3
Other loans		1 146.2	236.6	-	1 382.8
Money market instruments		674.3	112.8	0.1	787.2
Total financial assets		25 076.3	3 179.5	803.4	29 059.2
Total Investments		29 185.6	3 595.2	806.3	33 587.1

7.4 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 0.6 million (previous year: CHF 0.7 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 193).

7.4.1 Development of investments in associates

	2011	2010
in CHF million		
Balance as of 1 January	48.4	62.4
Disposals ¹	-	-7.5
Share of profits for the year	0.9	1.3
Dividends paid	-0.6	-0.7
Impairment (net)	-	-
Foreign currency translation differences	0.0	-1.6
Other changes	-	-5.5
Book value as of 31 December	48.7	48.4
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".

7.4.2 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.	2011	2010
in CHF million		
Assets		
Non-current assets	435.7	441.6
Current assets	39.5	28.8
Total assets	475.2	470.4
Liabilities and equity		
Equity	225.5	224.1
Long-term liabilities	40.0	32.3
Short-term liabilities	209.7	214.0
Total liabilities and equity	475.2	470.4

	2011	2010
in CHF million		
Profit for the year		
Income	152.6	139.3
Expenses	-143.3	-133.6
Profit for the year	9.3	5.7

Helvetia Group's share in the liabilities of associates amounted to CHF 50.1 million (previous year: CHF 49.3 million) and its share in the contingent liabilities amounted to CHF 30.1 million (previous year: CHF 30.1 million).

7.5 Investment property

	2011	2010
in CHF million		
Balance as of 1 January	4 479.5	4 351.2
Change in scope of consolidation	-	31.4
Additions	48.7	15.8
Capitalised subsequent expenditure	171.1	205.2
Disposals	-60.0	-77.1
Realised and book gains and losses	136.0	6.7
Transfer from /to property and equipment	-1.9	10.1
Foreign currency translation differences	-9.9	-63.8
Balance as of 31 December	4 763.5	4 479.5

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 discount rates ranging from 3.4% to 4.9% (previous year: 3.4% to 5.0%). For all other portfolios, measurement is based on valuation reports by independent experts.

7.6 Financial assets by category and class

as of 31.12. in CHF million	Book value		Acquisition cost/ amortised cost	
	2011	2010	2011	2010
Financial assets at amortised cost:				
Loans and receivables (LAR)				
Bonds	2 896.6	2 908.0	2 896.6	2 908.0
Mortgages	3 523.1	3 318.2	3 523.1	3 318.2
Policy loans	97.4	108.3	97.4	108.3
Other loans	1 346.1	1 369.6	1 346.1	1 369.6
Money market instruments	951.8	787.2	951.8	787.2
Total "loans and receivables" (LAR) ¹	8 815.0	8 491.3	8 815.0	8 491.3
Held-to-maturity investments (HTM)				
Bonds	3 723.6	3 535.6	3 723.6	3 535.6
Total financial assets at amortised cost	12 538.6	12 026.9	12 538.6	12 026.9
Financial assets at fair value:				
At fair value through profit and loss (held for trading)				
Bonds	10.2	10.4	10.0	10.0
Shares	26.5	31.4	28.0	29.1
Investment funds – equities	1.2	1.6	1.4	1.9
Investment funds – mixed	141.9	182.2	120.0	152.5
Derivative financial assets	42.6	94.3	98.9	30.2
Total "held for trading"	222.4	319.9	258.3	223.7
Designated as at fair value through profit or loss				
Bonds	1 016.3	1 112.1	1 051.2	1 127.5
Shares	525.7	547.5	548.7	553.7
Investment funds – bonds	20.8	18.0	20.9	18.3
Investment funds – equities	57.2	223.5	63.6	212.5
Investment funds – mixed	288.3	246.9	297.7	250.2
Unit-linked investments	1 812.3	1 886.1	1 781.8	1 821.8
Alternative investments	164.3	16.0	199.3	7.3
Total "designated"	3 884.9	4 050.1	3 963.2	3 991.3
Total "at fair value through profit and loss"	4 107.3	4 370.0	4 221.5	4 215.0
Available-for-sale (AFS)				
Bonds	12 640.8	11 710.5	12 108.6	11 527.8
Shares	705.7	748.4	578.9	571.9
Investment funds – bonds	0.7	0.7	0.6	0.6
Investment funds – equities	20.0	19.2	20.4	17.8
Investment funds – mixed	0.6	9.1	0.6	9.2
Alternative investments	0.6	161.2	0.5	156.0
Loans	12.5	13.2	12.2	12.5
Total "available-for-sale" (AFS)	13 380.9	12 662.3	12 721.8	12 295.8
Total financial assets at fair value	17 488.2	17 032.3	16 943.3	16 510.8
Total financial assets	30 026.8	29 059.2		

¹ Excl. assets receivables from insurance business and reinsurance.

Unrealised gains/ losses net		Fair value	
2011	2010	2011	2010
		2 992.2	2 981.1
		3 676.3	3 391.7
		97.4	108.2
		1 459.0	1 427.1
		951.8	787.2
		9 176.7	8 695.3
		4 031.2	3 629.7
		13 207.9	12 325.0
		10.2	10.4
		26.5	31.4
		1.2	1.6
		141.9	182.2
		42.6	94.3
		222.4	319.9
		1 016.3	1 112.1
		525.7	547.5
		20.8	18.0
		57.2	223.5
		288.3	246.9
		1 812.3	1 886.1
		164.3	16.0
		3 884.9	4 050.1
		4 107.3	4 370.0
532.2	182.7	12 640.8	11 710.5
126.8	176.5	705.7	748.4
0.1	0.1	0.7	0.7
-0.4	1.4	20.0	19.2
0.0	-0.1	0.6	9.1
0.1	5.2	0.6	161.2
0.3	0.7	12.5	13.2
659.1	366.5	13 380.9	12 662.3
659.1	366.5	17 488.2	17 032.3

7.6.1 Assets in securities lending

At the reporting date, securities with a fair value of CHF 0.0 million (previous year: CHF 32.2 million) were committed to securities lending by the Group.

7.6.2 Derivative financial assets

as of 31.12. in CHF million	Maturity profile of contract values			Contract value		Fair value	
	< 1 year	1-5 years	> 5 years	2011	2010	2011	2010
Interest rate instruments							
Forward rate agreements	-	-	-	-	-	-	-
Swaps	-	-	3.6	3.6	3.8	1.0	0.8
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total interest rate instruments	-	-	3.6	3.6	3.8	1.0	0.8
Equity and equity-index instruments							
Forwards	-	-	-	-	-	-	-
Options (over-the-counter)	807.6	498.1	256.1	1 561.8	933.4	32.7	8.2
Options (exchange-traded)	117.4	-	-	117.4	114.0	2.6	2.7
Futures (exchange-traded)	-	-	-	-	-	-	-
Total equity and equity-index instruments	925.0	498.1	256.1	1 679.2	1 047.4	35.3	10.9
Currency instruments							
Forwards	704.1	-	-	704.1	2 049.5	6.1	82.6
Swaps	-	-	-	-	-	-	-
Options (over-the-counter)	115.3	-	-	115.3	-	0.2	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total currency instruments	819.4	-	-	819.4	2 049.5	6.3	82.6
Total derivative financial assets	1 744.4	498.1	259.7	2 502.2	3 100.7	42.6	94.3

7.6.3 Derivatives for hedge accounting

in CHF million	Net investment hedge	
	2011	2010
Amount recognised in equity	5.8	-
Gains and losses reclassified to the income statement	-2.0	-
Ineffectiveness reclassified to income statement	-1.6	-

The amounts transferred to the income statement are reported in "Gains and losses on Group investments".

7.7 Financial assets by valuation method

as of 31.12. in CHF million	Quoted market prices		Based on market data		Not based on market data		Total fair value	
	2011	2010	2011	2010	2011	2010	2011	2010
	Level 1		Level 2		Level 3			
At fair value through profit and loss (held for trading)								
Bonds	10.2	10.4	-	-	-	-	10.2	10.4
Shares	26.5	31.4	-	-	-	-	26.5	31.4
Investment funds	143.1	183.8	-	-	-	-	143.1	183.8
Derivative financial assets	25.6	2.8	17.0	91.5	-	-	42.6	94.3
Total "held for trading"	205.4	228.4	17.0	91.5	-	-	222.4	319.9
Designated as at fair value through profit or loss								
Bonds	860.8	767.6	155.5	344.5	-	-	1016.3	1112.1
Shares	525.7	547.5	-	-	-	-	525.7	547.5
Investment funds	366.3	488.4	-	-	-	0.0	366.3	488.4
Alternative investments	-	-	155.0	6.7	9.3	9.3	164.3	16.0
Total "designated"	1752.8	1803.5	310.5	351.2	9.3	9.3	2072.6	2164.0
Total "at fair value through profit and loss"	1958.2	2031.9	327.5	442.7	9.3	9.3	2295.0	2483.9
Available-for-sale								
Bonds	12544.8	11580.1	93.0	127.7	3.0	2.7	12640.8	11710.5
Shares	696.5	741.2	9.0	7.0	0.2	0.2	705.7	748.4
Investment funds	21.3	20.5	-	-	-	8.5	21.3	29.0
Alternative investments	0.1	0.3	0.5	160.9	-	-	0.6	161.2
Loans	-	-	12.5	13.2	-	-	12.5	13.2
Total "available-for-sale" (AFS)	13262.7	12342.1	115.0	308.8	3.2	11.4	13380.9	12662.3
Total financial instruments at fair value	15220.9	14374.0	442.5	751.5	12.5	20.7	15675.9	15146.2

In the reporting year, investments for CHF 3.0 million were transferred from Level 2 to Level 1 investments as there is an active market with listed market prices for these investments.

From last year's portfolio of Level 3 investments of CHF 20.7 million, around CHF 8.5 million were included in unit-linked investment funds (Level 2) that are no longer included in this statement in the reporting year. There were no purchases or sales of Level 3 investments in the reporting year.

The gain on the Level 3 investments equalled CHF 0.3 million (previous year: CHF 0.1 million). This gain was reported 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 therefore amounts to CHF 0.3 million (previous year: CHF 0.3 million). The Level 3 portfolio was worth CHF 12.5 million at the end of the year.

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

7.8 Maturity dates and impairment of financial assets

7.8.1 Analysis of past due financial assets without impairment

as of 31.12.	< 1 month		2–3 months		4–6 months		> 6 months	
	2011	2010	2011	2010	2011	2010	2011	2010
in CHF million								
Mortgages	16.1	13.8	4.6	10.0	4.5	4.3	2.3	5.7
Money market instruments	-	-	-	-	-	0.1	-	-
Total past due financial assets without impairment	16.1	13.8	4.6	10.0	4.5	4.4	2.3	5.7

Outstanding amounts are collected in the course of the normal reminder procedure and impaired if necessary (see Note 2.13.3, 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 material impact on any of the Group companies. Information on the collateral held by Helvetia Group is provided in Note 17.6 (from page 188).

7.8.2 Analysis of individual impaired financial assets at amortised cost

as of 31.12.	Gross		Individual impairment		Net	
	2011	2010	2011	2010	2011	2010
in CHF million						
Mortgages	3.5	8.4	0.9	2.7	2.6	5.7
Other loans	1.3	1.9	1.3	1.9	-	-
Total	4.8	10.3	2.2	4.6	2.6	5.7

7.8.3 Change in the impairment of financial assets at amortised cost

	Bonds		Mortgages		Other loans		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
in CHF million								
Balance as of 1 January	-	-	2.7	3.2	1.9	1.2	4.6	4.4
Impairment	2.9	-	1.0	1.1	-	0.9	3.9	2.0
Reversal of impairment losses	-	-	-2.5	-1.1	-0.6	-	-3.1	-1.1
Disposals impairment	-2.9	-	-0.3	-0.4	-	0.0	-3.2	-0.4
Foreign currency translation differences	-	-	0.0	-0.1	0.0	-0.2	0.0	-0.3
Balance as of 31 December	0.0	-	0.9	2.7	1.3	1.9	2.2	4.6

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 applies the usual financial covenants to its financial liabilities, but these are not expected to have any material impact on the contractual conditions (e.g. due date, interest rate, collateral, currency). Financial liabilities at fair value equal the amount repayable on the due date. Note 17.5.1 (page 180) contains a maturity schedule of loans and financial liabilities.

8.1 Financial liabilities from financing activities

as of 31.12. in CHF million	Acquisition cost/ amortised cost		Fair value	
	2011	2010	2011	2010
Financial liabilities at amortised cost				
Bonds	149.7	149.4	151.7	152.3
Liabilities from finance lease	32.6	36.0	32.6	36.0
Total financial liabilities from financing activities	182.3	185.4	184.3	188.3

Helvetia Holding AG, St-Gall, issued a bond of CHF 150 million in 2010. The bond pays interest at 1.75% over a term of three years. The effective interest rate used for the valuation is 1.90%. The bond will be repaid at nominal value on 19 April 2013. The bond is measured at amortised cost. At the reporting date, the bond's carrying value stood at CHF 149.7 million (previous year: CHF 149.4 million). Interest expenses of CHF 2.9 million (previous year: CHF 4.2 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 interest costs under this agreement amount to CHF 0.6 million (previous year: CHF 0.4 million) and are recognised in the income statement under "Finance costs".

Liabilities from finance lease

as of 31.12. in CHF million	< 1 year	1–5 years	> 5 years	Total	
				2011	2010
Future lease payments	2.7	11.0	21.3	35.0	39.0
Discounting amounts	-0.3	-1.2	-0.9	-2.4	-3.0
Present value liabilities from finance lease	2.4	9.8	20.4	32.6	36.0

8.2 Financial liabilities from insurance business

as of 31.12.	Book value		Acquisition cost / amortised cost		Fair value	
	2011	2010	2011	2010	2011	2010
in CHF million						
Financial liabilities at amortised cost						
Deposit liabilities for credited policyholder profit participation	751.2	768.7	751.2	768.7	751.2	768.7
Deposit liabilities from reinsurance contracts	89.3	91.6	89.3	91.6	89.3	91.6
Total financial liabilities at amortised cost	840.5	860.3	840.5	860.3	840.5	860.3
Financial liabilities at fair value						
Deposits for investment contracts	1 465.6	1 564.8	1 465.6	1 564.8	1 465.6	1 564.8
Total financial liabilities at fair value	1 465.6	1 564.8	1 465.6	1 564.8	1 465.6	1 564.8
Total financial liabilities from insurance business	2 306.1	2 425.1	2 306.1	2 425.1	2 306.1	2 425.1

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 170). The income earned from the management of deposits for investment contracts is included in "Other income" and amounted to CHF 10.7 million in the reporting year (previous year: CHF 8.9 million).

8.3 Other financial liabilities

	Notes	Acquisition cost / amortised cost		Fair value	
		2011	2010	2011	2010
as of 31.12.					
in CHF million					
Financial liabilities at amortised cost					
Other		12.8	70.5	12.8	70.5
Total financial liabilities at amortised cost		12.8	70.5	12.8	70.5
Financial liabilities at fair value					
Derivative financial liabilities	8.3.1	13.1	7.8	53.2	7.8
Other		8.7	17.7	8.7	17.7
Total financial liabilities at fair value		21.8	25.5	61.9	25.5
Total other financial liabilities		34.6	96.0	74.7	96.0

The carrying value equals the fair value.

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			Contract value		Fair value	
	< 1 year	1–5 years	> 5 years	2011	2010	2011	2010
in CHF million							
Interest rate instruments							
Forward rate agreements	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total interest rate instruments¹	-	-	-	-	-	-	-
Equity and equity-index instruments							
Forwards	-	-	-	-	-	-	-
Options (over-the-counter)	26.7	-	-	26.7	-	0.9	-
Options (exchange-traded)	19.6	-	-	19.6	-	0.4	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total equity and equity-index instruments¹	46.3	-	-	46.3	-	1.3	-
Currency instruments							
Forwards	826.9	-	-	826.9	-	32.1	-
Swaps	-	-	-	-	-	-	-
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total currency instruments¹	826.9	-	-	826.9	-	32.1	-
Derivatives from life policies	28.8	127.8	68.6	225.2	267.6	12.7	7.8
Derivatives for hedge accounting							
Forwards	211.8	-	-	211.8	-	7.1	-
Swaps	-	-	-	-	-	-	-
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total derivatives for hedge accounting	211.8	-	-	211.8	-	7.1	-
Total derivative financial liabilities	1 113.8	127.8	68.6	1 310.2	267.6	53.2	7.8

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

8.4 Financial liability instruments at fair value by valuation method

as of 31.12.2011	Quoted market prices	Based on market data	Not based on market data	Total fair value
	Level 1	Level 2	Level 3	
in CHF million				
Financial instruments at fair value				
Derivative financial liabilities ¹	0.4	40.1	-	40.5
Other	-	-	-	-
Total financial instruments at fair value	0.4	40.1	-	40.5

¹ Derivatives from life policies are not included.

In the previous year there were no financial liabilities from financial instruments at fair value.

9. Insurance business

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

as of 31.12.	Notes	Gross		Reinsurance assets		Net	
		2011	2010	2011	2010	2011	2010
in CHF million							
Actuarial reserves for insurance contracts life		24 163.4	22 971.2	81.7	92.1	24 081.7	22 879.1
Actuarial reserves for investment contracts		1 645.1	1 535.2	-	-	1 645.1	1 535.2
Total actuarial reserves		25 808.5	24 506.4	81.7	92.1	25 726.8	24 414.3
Provision for policyholder participation – non-life contracts		32.1	35.0	-	-	32.1	35.0
Provision for policyholder participation – life contracts		922.8	648.0	-	-	922.8	648.0
Provision for policyholder participation – investment contracts		-55.2	-15.6	-	-	-55.2	-15.6
Total provision for future policyholder participation		899.7	667.4	-	-	899.7	667.4
Loss reserves for insurance contracts non-life	9.3.1	2 827.0	2 868.8	248.2	312.4	2 578.8	2 556.4
Total loss reserves		2 827.0	2 868.8	248.2	312.4	2 578.8	2 556.4
Unearned premium reserve for insurance contracts non-life		811.4	799.8	15.9	15.7	795.5	784.1
Unearned premium reserve for insurance contracts life		159.3	157.4	7.2	8.3	152.1	149.1
Total unearned premium reserve		970.7	957.2	23.1	24.0	947.6	933.2
Reserves for insurance and investment contracts		30 505.9	28 999.8	353.0	428.5	30 152.9	28 571.3
Reinsurance deposit receivables				49.8	50.6		
Reinsurance assets				402.8	479.1		

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 the non-life business 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 180).

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

	Actuarial reserves		Provision for future policyholder participation	
	2011	2010	2011	2010
in CHF million				
Reserves for insurance contracts non-life (gross)				
Balance as of 1 January			35.0	24.8
Change in the scope of consolidation			-	10.1
Allocation / Release			-1.5	2.1
Used amounts			-1.3	-1.7
Foreign currency translation differences			-0.1	-0.3
Balance as of 31 December			32.1	35.0
Reserves for insurance contracts life (gross)				
Balance as of 1 January	22 971.2	22 037.4	648.0	708.8
Change in the scope of consolidation	-	326.3	-	6.5
Allocation / Release	3 857.8	3 663.5	391.9	47.8
Used amounts	-2 568.5	-2 463.2	-114.5	-101.0
Foreign currency translation differences	-97.1	-592.8	-2.6	-14.1
Balance as of 31 December	24 163.4	22 971.2	922.8	648.0
Reserves for investment contracts (gross)				
Balance as of 1 January	1 535.2	1 487.4	-15.6	10.1
Change in the scope of consolidation	-	-	-	-
Allocation / Release	456.1	536.4	-40.6	-26.5
Used amounts	-299.6	-231.3	0.0	-
Foreign currency translation differences	-46.6	-257.3	1.0	0.8
Balance as of 31 December	1 645.1	1 535.2	-55.2	-15.6
Reinsurers' share in reserves for insurance contracts				
Balance as of 1 January	92.1	112.9		
Change in the scope of consolidation	-	2.3		
Allocation / Release	20.3	23.3		
Used amounts	-28.3	-29.9		
Foreign currency translation differences	-2.4	-16.5		
Balance as of 31 December	81.7	92.1		

Loss reserves		Unearned premium reserve		Total	
2011	2010	2011	2010	2011	2010
2 868.8	2 681.5	799.8	834.0	3 703.6	3 540.3
-	362.8	-	49.0	-	421.9
734.8	811.5	29.6	26.7	762.9	840.3
-730.4	-712.7	-	-	-731.7	-714.4
-46.2	-274.3	-18.0	-109.9	-64.3	-384.5
2 827.0	2 868.8	811.4	799.8	3 670.5	3 703.6
		157.4	158.4	23 776.6	22 904.6
		-	3.9	-	336.7
		2.7	0.5	4 252.4	3 711.8
		-	-	-2 683.0	-2 564.2
		-0.8	-5.4	-100.5	-612.3
		159.3	157.4	25 245.5	23 776.6
		-	-	1 519.6	1 497.5
		-	-	-	-
		-	-	415.5	509.9
		-	-	-299.6	-231.3
		-	-	-45.6	-256.5
		-	-	1 589.9	1 519.6
312.4	292.6	24.0	28.0	428.5	433.5
-	42.2	-	-	-	44.5
-24.7	43.6	-0.3	-0.4	-4.7	66.5
-34.5	-35.4	-	-	-62.8	-65.3
-5.0	-30.6	-0.6	-3.6	-8.0	-50.7
248.2	312.4	23.1	24.0	353.0	428.5

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 materially in the reporting year.

The Liability Adequacy Test (LAT) for non-life business resulted in an additional increase in loss reserves of CHF 14.1 million as per 31 December 2011 (previous year: CHF 14.2 million).

Insurance conditions and risks in non-life business are described in Note 17.2 (from page 172). The following table sets out the development of loss reserves for the previous ten years.

9.3.1 Claims development

Year of loss occurrence	before 2002	2002	2003	2004	2005	2006
in CHF million						
Run-off year 1		1 527.8	1 428.5	1 488.1	1 617.2	1 451.0
Run-off year 2 ¹		1 449.0	1 353.7	1 467.9	1 577.9	1 438.9
Run-off year 3		1 421.7	1 305.5	1 404.8	1 504.0	1 332.1
Run-off year 4		1 402.2	1 289.1	1 355.0	1 458.7	1 321.0
Run-off year 5		1 393.0	1 246.0	1 302.1	1 459.5	1 390.4 ²
Run-off year 6		1 370.3	1 221.2	1 301.7	1 542.3 ²	1 371.5
Run-off year 7		1 355.6	1 218.8	1 394.3 ²	1 509.8	
Run-off year 8		1 359.7	1 302.1 ²	1 375.3		
Run-off year 9		1 439.6 ²	1 284.1			
Run-off year 10		1 425.9				
Estimated claims after year of loss occurrence		1 425.9	1 284.1	1 375.3	1 509.8	1 371.5
Accumulated claims paid as of 31 December		-1 350.3	-1 216.2	-1 202.0	-1 435.6	-1 235.3
Estimated loss reserves as of 31 December	225.4	75.6	67.9	173.3	74.2	136.2
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 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.

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 25.3 million as of 31 December 2011 (previous year: CHF 26.9 million).

In the Swiss life business, the actuarial reserves increased by CHF 44.1 million due to changes to 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 174). Sensitivities of actuarial reserves are outlined in Note 17.3.3 (from page 176).

9.5 Deferred acquisition costs

	Life		Non-life		Total	
	2011	2010	2011	2010	2011	2010
in CHF million						
Balance as of 1 January	234.0	227.2	128.6	130.3	362.6	357.5
Change in the scope of consolidation	-	13.8	-	1.9	-	15.7
Capitalised in the period	25.9	22.0	41.5	28.7	67.4	50.7
Amortised in the period	-23.7	-23.2	-34.4	-12.6	-58.1	-35.8
Impairment in the period	-	-	-	-	-	-
Foreign currency translation differences	-1.1	-5.8	-3.4	-19.7	-4.5	-25.5
Balance as of 31 December	235.1	234.0	132.3	128.6	367.4	362.6

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 111.9 million (previous year: CHF 167.5 million).

9.6 Receivables and liabilities from insurance business

as of 31.12.	Receivables (LAR)		Liabilities at amortised cost	
	2011	2010	2011	2010
in CHF million				
Due from / due to policyholders	517.6	482.2	1 084.9	1 083.7
Due from / due to agents and brokers	90.2	124.4	120.8	150.4
Due from / due to insurance companies	433.9	357.1	138.9	113.4
Total receivables and liabilities	1 041.7	963.7	1 344.6	1 347.5

The receivables and liabilities from insurance business are primarily short-term. A maturity analysis of the liabilities is provided in Note 17.5.1 (page 180). 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		2–3 months		4–6 months		> 6 months	
	2011	2010	2011	2010	2011	2010	2011	2010
in CHF million								
Due from policyholders	122.9	123.4	26.2	22.5	10.7	9.0	28.9	30.3
Due from agents and brokers	4.2	9.1	6.0	5.2	2.5	2.3	4.9	6.0
Due from insurance companies	15.1	9.1	0.3	0.3	0.5	0.3	1.5	3.1
Total past due receivables from insurance business without individual impairment	142.2	141.6	32.5	28.0	13.7	11.6	35.3	39.4

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		Collective impairment		Total	
	2011	2010	2011	2010	2011	2010
in CHF million						
Balance as of 1 January	15.3	20.0	21.0	20.3	36.3	40.3
Change in the scope of consolidation	-	0.2	-	0.6	-	0.8
Impairment	3.4	2.0	16.5	3.2	19.9	5.2
Reversal of impairment loss	-5.2	-3.5	-17.7	-0.5	-22.9	-4.0
Disposals	-	-0.4	-	-0.1	-	-0.5
Foreign currency translation differences	-0.4	-3.0	-0.4	-2.5	-0.8	-5.5
Other changes	-0.1	-	0.1	-	-	-
Balance as of 31 December	13.0	15.3	19.5	21.0	32.5	36.3

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		Individual impairment		Net	
	2011	2010	2011	2010	2011	2010
in CHF million						
Due from policyholders	1.4	1.2	1.4	1.2	-	-
Due from agents and brokers	11.0	13.1	10.7	13.1	0.3	-
Due from insurance companies	1.9	1.6	0.9	0.9	1.0	0.7
Total	14.3	15.9	13.0	15.2	1.3	0.7

10. Income taxes

10.1 Current and deferred income taxes

	2011	2010
in CHF million		
Current tax	64.8	89.2
Deferred tax	5.5	-27.0
Total income taxes	70.3	62.2

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

	2011	2010
in CHF million		
Balance as of 1 January	448.2	493.8
Change in the scope of consolidation	-	24.1
Deferred taxes recognised in equity	8.3	-22.6
Deferred taxes recognised in the income statement	5.5	-27.0
Foreign currency translation differences	-2.4	-20.1
Balance as of 31 December	459.6	448.2

10.3 Expected and actual income taxes

	2011	2010
in CHF million		
Expected income taxes	71.3	97.3
Increase / reduction in taxes resulting from:		
tax-exempt interest and dividends	-3.2	-2.1
tax-exempt gains from shares and investments	-2.1	-9.0
non-deductible expenses	11.8	8.1
Back taxes ¹	13.4	-12.4
Change in tax rates	0.7	-17.7
Tax elements related to other periods ¹	-18.3	-0.5
Use of previously unrecognized losses carried forward	-0.7	-1.8
Other	-2.6	0.3
Actual income taxes	70.3	62.2

¹ Reallocation to items "Back taxes" and "Tax elements related to other periods" due to new definition of content.

The expected tax rate applicable to Helvetia Group was 19.9% for 2011 (previous year: 24.1%). 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	
	2011	2010	2011	2010	2011	2010
in CHF million						
Change in unrealised gains and losses on investments	292.6	-126.9	-54.3	40.3	238.3	-86.6
Share of associates' net profit recognised directly in equity	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation from reclassification of property and equipment	-0.1	-1.0	0.0	0.2	-0.1	-0.8
Change from net investment hedge	3.8	-	-	-	3.8	-
Foreign currency translation differences	-9.0	-204.8	-	-	-9.0	-204.8
Change in liabilities for contracts with participation features	-230.1	49.5	46.2	-14.7	-183.9	34.8
Total other comprehensive income	57.2	-283.2	-8.1	25.8	49.1	-257.4

10.5 Deferred tax assets and liabilities

	Notes	Tax assets		Tax liabilities		
		2011	2010	2011	2010	
as of 31.12.						
in CHF million						
Unearned premium reserve		27.0	25.8	1.2	5.6	
Loss reserves		2.7	8.3	178.1	181.1	
Actuarial reserves		7.9	9.6	16.8	17.9	
Provision for future policyholder participation		121.0	59.4	19.7	7.3	
Investments		102.5	89.0	449.6	372.1	
Deferred acquisition costs		5.8	6.5	35.2	35.8	
Property, equipment and intangible assets		4.4	6.6	33.3	37.3	
Financial liabilities		15.2	26.8	58.6	58.9	
Non-actuarial provisions		0.5	0.5	8.4	8.4	
Employee benefits		17.1	18.1	0.4	1.9	
Tax assets from losses carried forward	10.6.1	1.0	1.8	-	-	
Other		60.2	53.4	23.6	27.7	
Deferred taxes (gross)		365.3	305.8	824.9	754.0	
Offset		-335.6	-280.7	-335.6	-280.7	
Deferred taxes (net)		29.7	25.1	489.3	473.3	

Temporary differences on investments in subsidiaries do not lead to the recognition of deferred tax liabilities, as either a reversal of the differences through realisation (divided payment or sale of subsidiaries) cannot be expected in the near future, or the gains are not subject to taxation.

10.6 Losses carried forward

10.6.1 Net tax assets from losses carried forward

as of 31.12. in CHF million	2011	2010
Expire within 1 year	-	-
Expire between 2 and 3 years	-	-
Expire between 4 and 7 years	-	-
Without expiration	3.9	7.3
Total recognised losses carried forward	3.9	7.3
Resulting tax assets	1.0	1.8
Net tax assets from losses carried forward	1.0	1.8

10.6.2 No tax assets for losses carried forward

As of 31 December 2011, no tax assets were recognised for losses carried forward of CHF 67.1 million (previous year: CHF 52.2 million), as the related tax benefits cannot be realised with the current earnings situation of the company. These do not have an expiry date. The tax rate applicable to material losses carried forward for which no tax assets were recognised is 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, 3,939 treasury shares were bought. Therefore the number of treasury shares is now 36,193 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 0.7 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 42.0 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.

	Number of shares	Share capital in CHF million
Share capital		
As of 1.1.2010	8 652 875	0.9
As of 31.12.2010	8 652 875	0.9
As of 31.12.2011	8 652 875	0.9
Treasury shares		
As of 1.1.2010	32 254	0.0
As of 31.12.2010	32 254	0.0
As of 31.12.2011	36 193	0.0
Shares outstanding		
As of 1.1.2010	8 620 621	0.9
As of 31.12.2010	8 620 621	0.9
As of 31.12.2011	8 616 682	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 incorporation 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) as well as the effective portion of the net investment hedge for foreign exchange gains and losses on investments in subsidiaries with a foreign reporting currency.

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 230.1 million (previous year: CHF -49.5 million) in the reporting 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 154).

In the reporting year, no funds earned on the sale or on the transfer to investment properties of owner-occupied properties were allocated to retained earnings (previous year: CHF 3.2 million).

Unrealised gains and losses in equity

	Notes	Available-for-sale investments 2011	2010
in CHF million			
Balance as of 1 January		366.5	493.3
Fair value revaluation incl. foreign currency translation differences		385.2	14.3
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		-85.9	-136.8
Losses reclassified to the income statement due to disposals		16.6	12.2
Impairment losses reclassified to the income statement		-23.3	-16.5
Balance as of 31 December		659.1	366.5
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	
2011	2010	2011	2010	2011	2010
0.2	0.2	10.3	14.5	377.0	508.0
0.0	0.0	-0.1	-1.3	385.1	13.0
-	-	0.0	0.3	0.0	0.3
-	-	-	-3.2	-	-3.2
-	-	-	-	-85.9	-136.8
-	-	-	-	16.6	12.2
-	-	-	-	-23.3	-16.5
0.2	0.2	10.2	10.3	669.5	377.0
				-402.2	-161.5
				-141.0	-109.5
				21.7	2.5
				-41.9	-21.6
				106.1	86.9

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 2.16.2, from page 104).

Development of valuation reserve for contracts with participation features

	2011	2010
in CHF million		
Unrealised gains and losses on contracts with participation features		
Balance as of 1 January	109.5	138.0
Change in unrealised gains and losses	31.2	-27.9
Foreign currency translation differences	0.3	-0.6
Balance as of 31 Dezember	141.0	109.5
less:		
Deferred taxes	-14.4	-23.6
Unrealised gains and losses as of 31 Dezember	126.6	85.9
Retained earnings on contracts with participation features		
Balance as of 1 January	568.2	530.6
Share of profit for the year	65.8	36.9
Reclassifications	0.3	0.7
Retained earnings as of 31 Dezember	634.3	568.2
Valuation reserves for contracts with participation features as of 31 Dezember	760.9	654.1

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 on which Helvetia has the right, but not the duty, to repay the bond is 30 November 2015. After this date 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 53.1 million (previous year: CHF 45.0 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

	2011	2010
in CHF		
Profit or loss for the period	288 704 296	341 454 348
Interest on preferred securities	- 6 515 469	0
Earnings per share incl. minority interests	282 188 827	341 454 348
Minority interests	- 1 661 442	- 2 524 170
Earnings per share without minority interests	280 527 385	338 930 178
Weighted average number of shares outstanding	8 617 804	8 620 621
Earnings per share	32.55	39.32

11.6 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 4 May 2012 to pay a dividend per share of CHF 16.00 (previous year: CHF 16.00) with the total payout amounting to CHF 138.4 million (previous year: CHF 138.4 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 190 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 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 Group Supervisor of Helvetia Group.

11.7 Capital management

Helvetia Group is subject to minimum supervisory requirements to ensure that it has sufficient risk-based capital to finance its obligations. These capital adequacy requirements have been implemented to protect the policyholders. These requirements are supplemented by internal capital adequacy guidelines.

The supervisory authority's equity requirement for Helvetia Group is calculated in accordance with Solvency I, and from 1 January 2011 also in accordance with the rules of the Swiss Solvency Test.

For Solvency I as well as the Swiss Solvency Test, the available capital is calculated on the basis of the IFRS equity. Additional capital is added under Solvency I such as free reserves for future policyholder participation and surpluses, and other components such as planned dividend payments and intangible assets are deducted. Under the Swiss Solvency Test, all assets and liabilities are measured at market price for the calculation of the available capital.

While the amount of capital required under Solvency I is basically calculated as a function of business volume, a risk-based calculation method is applied to calculate the capital required under the Swiss Solvency Test. To this end the effects of risk on the risk-bearing capital are determined with different scenario simulations and statistical methods, while dependencies and diversification effects are quantified as a risk-based capital requirement.

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. Helvetia Group applies an integrated approach to capital management. Based on the IFRS equity, the capital is managed integrally on the basis of an internally defined capitalisation target under the Swiss Solvency Test, Solvency I and the rating, and is brought into line with the corporate strategy with the help of multi-year capital plans. The risk profile underlying the Swiss Solvency Test is used as the basis for the actual risk management process. The capitalisation of the individual legal entities of Helvetia Group is also monitored closely and optimised according to internally defined threshold values.

The regulatory coverage ratio under Solvency I reported at Group level is in line with the strategic objectives described above. The available capital under Solvency I as of 31 December 2011 was CHF 3,328.4 million (previous year: CHF 3,169.6 million), and the required capital was CHF 1,518.5 million (previous year: CHF 1,434.8 million). As of 31 December 2011, the available capital covered 219.2% of the required capital (previous year: 220.9%).

Helvetia Group met all capital adequacy requirements on 31 December 2011.

12. Provisions and other commitments

12.1 Non-actuarial provisions

	2011	2010
in CHF million		
Balance as of 1 January	92.1	86.9
Allocation	53.2	44.9
Release	-5.3	-5.2
Used amounts	-42.7	-29.1
Foreign currency translation differences	-0.6	-5.4
Balance as of 31 December	96.7	92.1

No significant new provisions were raised in the reporting year. The “non-technical reserves” item primarily consists of provisions for liabilities due to authorities, provisions arising from other tax obligations, provisions for restructuring expenses and liabilities due to agents. The share of provisions classified as current is CHF 95.2 million (previous year: CHF 91.1 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 51.0 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 amount to CHF 4.3 million (previous year: CHF 2.9 million) due in less than one year, CHF 12.0 million (previous year: CHF 9.4 million) due between one and five years, and CHF 0.8 million (previous year: CHF 2.5 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 materially impact the Group's asset, financial and income situation.

Other contingent liabilities

Helvetia Group has guaranteed letters of credit for CHF 64.0 million (previous year: CHF 45.3 million) to third-party insurance companies as security for reinsurance business. These guarantees have been issued by a bank. Additional contingent liabilities amounted to CHF 17.8 million (previous year: CHF 30.0 million) as of the balance sheet date. Under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel, had given until 2010 a guarantee agreement towards collective foundations for CHF 0.5 million.

13. Employee benefits

Helvetia Group had 4,909 employees as of 31 December 2011 (previous year: 4,923). Total personnel costs are shown in the table below.

13.1 Personnel costs

	Note	2011	2010
in CHF million			
Commissions		107.9	91.9
Salaries		329.6	327.2
Social security costs		69.5	68.0
Pension costs – defined contribution plans		3.0	3.1
Pension costs – defined benefit plans	13.3.4	40.0	41.9
Other long-term employee benefit expenses		1.2	1.2
Termination benefits		2.5	2.5
Share-based payment transaction costs		1.5	1.0
Other personnel costs		17.6	18.8
Total personnel costs		572.8	555.6

13.2 Total employee benefit receivables and obligations

as of 31.12.	Notes	Receivables		Liabilities	
		2011	2010	2011	2010
in CHF million					
Kind of benefit					
Defined benefit plans	13.3.1	-	-	188.1	187.6
Other long-term employee benefits		-	-	15.9	13.8
Short-term employee benefits		0.7	0.7	61.2	61.7
Total employee benefit receivables and obligations		0.7	0.7	265.2	263.1

With the acquisition of Alba and Phenix in 2010, the original defined benefit obligations and plan assets were included in the provisional opening statement of financial position. Because of the pensioners who stayed with the former pension fund and the employees who did not transfer to Helvetia, both the liabilities and the assets decreased and the prior-year figures were adjusted accordingly.

“Other long-term employee benefits” principally contain liabilities for service awards. There are 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 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 162).

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.	2011	2010
in CHF million		
Present value of funded obligations (+)	1 602.1	1 517.4
Fair value of plan assets	- 1 386.6	- 1 400.2
	215.5	117.2
Present value of unfunded obligations (+)	88.5	95.7
Unrecognised actuarial gains (+) or losses (-)	- 219.0	- 112.7
Unrecognised past service cost (-)	-	-
Amounts not to be recognised in balance sheet	103.1	87.4
Net liability¹ for defined benefit plans	188.1	187.6

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

13.3.2 Movement in the defined benefit obligation

	2011	2010
in CHF million		
Defined benefit obligation as of 1 January	1 613.1	1 497.9
Service cost	52.5	48.6
Interest cost	48.8	52.7
Actuarial gains (-)/losses (+)	46.6	87.6
Benefits paid	-90.8	-89.4
Past service cost	-	-2.7
Change in the scope of consolidation	-	35.8
The other amounts	24.3	24.6
Curtailments and Settlements	-0.1	-2.0
Foreign currency translation differences	-3.8	-40.0
Defined benefit obligation as of 31 December	1 690.6	1 613.1

13.3.3 Movement in the fair value of plan assets

	2011	2010
in CHF million		
Fair value of plan assets as of 1 January	1 400.2	1 372.2
Expected return on plan assets	55.5	49.5
Actuarial gains (+)/losses (-)	-59.7	-41.0
Employer contributions	31.0	29.7
Employee contributions	18.2	16.9
Benefits paid	-84.6	-81.7
Change in the scope of consolidation	-	36.4
The other amounts	24.3	24.6
Settlements	3.3	-
Foreign currency translation differences	-1.6	-6.4
Fair value of plan assets as of 31 December	1 386.6	1 400.2

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

13.3.4 Net pension costs

	2011	2010
in CHF million		
Current service cost	52.5	48.6
Interest cost	48.8	52.7
Expected return on plan assets	-55.5	-49.5
Actuarial gains and losses	0.1	-0.3
Employee contributions	-18.2	-16.9
Change in amounts not recognised as assets	15.7	12.0
Past service cost	-	-2.7
Effect of curtailments or settlements	-3.4	-2.0
Net pension costs for defined benefit plans	40.0	41.9
Actual return on plan assets	-4.1	8.6

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 55.8 million.

13.3.5 Actuarial assumptions

	Switzerland		Abroad	
	2011	2010	2011	2010
Weighted averages				
in %				
Discount rate	2.5	2.8	5.0	4.5
Expected rate of return on plan assets	3.5	4.0	3.8	4.0
Expected salary increases	1.5	1.5	2.8	2.8
Expected pension increases	0.8	0.8	1.9	1.9

13.3.6 Actual plan asset allocation

	2011	2010
Weighted averages		
in %		
Equity instruments	26	29
Debt instruments	51	49
Real estate	20	20
Other	3	2
Total	100	100

Plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 59.6 million as of 31 December 2011 (previous year: CHF 76.6 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 in %	2011			2010		
	from	–	to	from	–	to
Equity instruments	21	–	31	14	–	32
Debt instruments	43	–	51	43	–	65
Real estate	20	–	29	14	–	24
Other	2	–	4	0	–	4

As far as investment policy and strategy are concerned, employee 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. in CHF million	2011	2010	2009	2008	2007
Present value of defined benefit obligation (-)	-1 690.6	-1 613.1	-1 497.9	-1 489.3	-1 469.2
Fair value of plan assets (+)	1 386.6	1 400.2	1 372.2	1 295.7	1 418.6
Surplus (+) / deficit (-)	-304.0	-212.9	-125.7	-193.6	-50.6
Experience adjustments on plan liabilities	-17.0	1.7	5.7	-15.0	-74.8
Experience adjustments on plan assets	-16.3	2.3	43.2	-168.0	-27.1

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 in 2011 were recognised in the income statement at CHF 0.7 million (previous year: CHF 0.7 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. As part of a long-term compensation concept (LTC) for the Board of Directors and the Group and Switzerland Executive Management teams, shares are allocated as a deferred payment for three years hence. The degree of objective attainment used to calculate the LTC for all members of the Executive Management and the Board of Directors 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 deferred 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 0.3 million (previous year: CHF 0.2 million) was calculated for the Board of Directors for the 2011 financial year. This represents 925 shares at a price of CHF 321.00 on the reference date of 5 March 2012. 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 2011 (previous year: CHF 0.1 million).

14.3 Members of the Executive Management of the Group and Switzerland

The Board of Directors determines the degree of objective attainment for the long-term results-based salary component (LTC). The reference figure for the CEOs of the Group and Switzerland is 40% of the 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 2011 financial year, LTC shares valuing CHF 1.1 million were allocated (previous year: CHF 1.3 million). This represents 3,556 shares at a price of CHF 321.00 on the reference date of 5 March 2012 (previous year: 3,354 shares at CHF 372.30). This payment is recognised proportionally in the income statement every year until ownership to the shares is transferred and amounted to CHF 0.7 million for 2011 (previous year: CHF 0.3 million).

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 any option. The conversion price per share is calculated as described in 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 2011 financial year amounted to CHF 0.5 million (previous year: CHF 0.6 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 Group 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 160) and Note 7.4 "Investments in associates" (page 130).

Helvetia Schweizerische Lebensversicherungsgesellschaft AG and Patria Genossenschaft have an agreement for capital support which can be renewed annually under certain conditions. Under this agreement Patria Genossenschaft undertakes to contribute regulatory capital of up to CHF 200 million to Helvetia Schweizerische Lebensversicherungsgesellschaft AG until 30 April 2012 if certain adverse scenarios as defined should arise. The agreement is executed at normal market conditions.

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.

Herbert J. Scheidt 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 41.7 million (previous year: CHF 37.8 million) to Patria Genossenschaft and the contribution of CHF 42.0 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 Group Executive 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 50). 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

In the reporting year the members of the Board of Directors received fixed salaries of CHF 1,875,081 in total. The fixed salary includes all allowances, meeting attendance fees and expenses set out in the compensation regulations. A variable payment of CHF 296,925 in the form of a total of 925 deferred shares at a stock exchange price of CHF 321.00 on 5 March 2012 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 remuneration of CHF 1,777,000 and variable remuneration of CHF 217,791 paid in the form of a total of 585 deferred shares at a stock exchange price of CHF 372.30 with a vesting period of three years.

	Fixed salary		Variable compensation ¹		Total compensation	
	2011	2010	2011	2010	2011	2010
in CHF						
Erich Walser (Chairman)	673 333	602 000	135 141	24 199	808 474	626 199
Silvio Borner (Vice-Chairman) ²	85 083	209 000	7 704	24 199	92 787	233 199
Doris Russi Schurter (Vice-Chairwoman)	171 333	120 000	18 297	24 199	189 630	144 199
Hans-Jürg Bernet (member)	157 333	148 000	18 297	24 199	175 630	172 199
Jean-René Fournier (member) ²	82 667	-	18 297	-	100 964	-
Paola Ghillani (member)	118 000	120 000	18 297	24 199	136 297	144 199
Christoph Lechner (member)	127 333	120 000	18 297	24 199	145 630	144 199
John Martin Manser (member)	164 000	168 000	18 297	24 199	182 297	192 199
Herbert J. Scheidt (member) ²	92 000	-	18 297	-	110 297	-
Pierin Vincenz (member)	148 000	150 000	18 297	24 199	166 297	174 199
Urs Widmer (member) ²	55 999	140 000	7 704	24 199	63 703	164 199
Total	1 875 081	1 777 000	296 925	217 791	2 172 006	1 994 791

¹ In deferred shares.

² The composition of the Board of Directors changed on 6 May 2011.

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 2011 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.	2011	2010
Number of shares		
Erich Walser (Chairman)	2 237	2 237
Silvio Borner (Vice-Chairman) ¹	n.a.	705
Doris Russi Schurter (Vice-Chairwoman)	719	719
Hans-Jürg Bernet (member)	1 008	808
Jean-René Fournier (member) ¹	20	n.a.
Paola Ghillani (member)	164	164
Christoph Lechner (member)	363	363
John Martin Manser (member)	595	595
Herbert J. Scheidt (member) ¹	100	n.a.
Pierin Vincenz (member)	2 200	1 700
Urs Widmer (member) ¹	n.a.	1 071
Total	7 406	8 362

¹ The composition of the Board of Directors changed on 6 May 2011.

In addition to the ownership of shares as set out here, the active members of the Board of Directors have deferred claims to a total of 455 share acquired under the LTC programme.

16.1.2 Loans, guarantees

At the reporting date, a mortgage loan had been granted to Jean-René Fournier for CHF 765,000 (previous year: no loans). In the reporting year the loan, a fixed mortgage at normal customer conditions, earned interest at 2%. There are no other insurance contracts, loans or guarantees.

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. in CHF	2011	2010
Salaries and other short-term employee benefits:		
– fixed salaries (incl. expenses allowances, child/education allowances, long service awards, company car)	3 742 188	3 827 139
– variable compensation	1 299 864	1 450 821
Share-based payments ¹	26 870	47 282
Total direct payments	5 068 922	5 325 242
Deferred share-based payment (LTC) acquired in the reporting year	756 918	815 401
Employer contributions to pension funds	1 003 244	1 094 118
Other long-term and non-monetary benefits	-	-
Total compensation	6 829 084	7 234 761

¹ Includes the discount of 16.038% on share purchases under the voluntary share purchasing plan for employees in Switzerland.

16.2.1 Shares

As of 31 December 2011, 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 years¹ from the purchase date. There is no share option plan.

as of 31.12.	2011	2010
Number of shares		
Stefan Loacker	551	551
Markus Gemperle	873	648
Philipp Gmür	1 728	1 728
Ralph-Th. Honegger	980	980
Markus Isenrich ¹	n.a.	1 845
Paul Norton	295	395
Wolfram Wrabetz	575	575
Total	5 002	6 722

¹ Member of the Executive Management until 30 June 2011.

In addition to the ownership of shares as set out here, the active members of the Group Executive Management have deferred claims to a total of 1 953 share acquired under the LTC programme.

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 a mortgage loan had been granted to Philipp Gmür for CHF 1,000,000 (previous year: CHF 1,600,000 for loans to two ExM members). In the reporting year the loan, a fixed mortgage at employee conditions, earned interest at 1.92% (previous year: 1.47% to 1.92%). 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 18,084 (previous year: CHF 17,589). 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. in CHF	2011	2010
Salaries and other short-term employee benefits:		
– fixed salaries (incl. expenses allowances, child / education allowances, long service awards, company car)	5 617 269	5 604 139
– variable compensation	1 299 864	1 450 821
Share-based payments ¹	26 870	47 282
Total direct payments	6 944 003	7 102 242
Deferred share-based payment (LTC) acquired in the reporting year	1 053 843	1 033 192
Employer contributions to pension funds	1 003 244	1 094 118
Other long-term and non-monetary benefits	-	-
Total compensation	9 001 090	9 229 552

¹ Includes the discount of 16.038% on share purchases under the voluntary share purchasing plan for employees in Switzerland.

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 1,380,885 in total, comprising the following: Total salary of CHF 1,050,707 (fixed component CHF 779,666, variable component CHF 271,041), share-based payments of CHF 231,120 in the form of deferred shares, and employer contributions to pension funds of CHF 99,058.

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, monitoring of the Group's risk profile and in particular 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 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 IRC supports the Executive Management in an advisory capacity. The IRC coordinates, monitors and assesses the risk decisions and financing and hedging measures of all business units. It meets at least once a quarter and is chaired by the Head of Risk & Capital 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 Risk & Capital 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 IRC 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 vehicle insurance and, to a lesser extent, liability, health and accident insurance. In 2011, 67.0% (previous year: 72.8%) 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 33.0% (previous year: 27.2%), Germany 21.7% (previous year: 23.9%), Italy 21.3% (previous year: 21.3%), Spain 12.2% (previous year: 14.5%), Austria 7.6% (previous year: 8.7%), and France 4.2% (previous year: 4.4%).

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

2011	Switzerland	Germany	Italy	Spain	Other	Total
in CHF million						
Property	372.6	264.8	93.3	119.5	67.4	917.6
Transport	25.4	45.2	3.1	14.7	68.9	157.3
Motor vehicle	267.1	123.7	307.1	116.0	109.1	923.0
Liability	105.1	63.0	37.5	22.2	25.4	253.2
Accident / health	31.4	32.1	77.5	24.4	15.3	180.7
Gross premiums non-life	801.6	528.8	518.5	296.8	286.1	2431.8
2010	Switzerland	Germany	Italy	Spain	Other	Total
in CHF million						
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	2344.4

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 107.0 million (previous year: CHF 101.2 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). The risk potential is monitored Group-wide and hedged through reinsurance contracts in a coordinated way (see also Note 17.4, page 178).

From a Group 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 25.0 million (previous year:

CHF 25.0 million). 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. In 2011, 11.1% (previous year: 12.5%) 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 vehicle 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
Uncertainties in estimating future loss payments

The main portfolio is well diversified in Europe with a bigger exposure to Switzerland. Large risks are usually hedged through non-proportional treaty reinsurance.

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 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 facultative 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, Helvetia International and a small part of the property insurance business of Helvetia Switzerland, 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 also 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 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 77.7% (previous year: 72.7%) 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, 1.4% (previous year: 1.5%) of the life premiums written was ceded to reinsurers in 2011.

Gross premiums by business activities and region in the life business

2011	Switzerland	Germany	Italy	Spain	Other	Total
in CHF million						
Individual insurance	761.1	104.8	419.1	63.8	93.3	1 442.1
Group insurance	2 483.1	60.0	24.5	49.2	-	2 616.8
Unit-linked life insurance	64.3	105.7	-	17.7	12.0	199.7
Gross premiums life	3 308.5	270.5	443.6	130.7	105.3	4 258.6
2010	Switzerland	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

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 33.9% (previous year: 37.8%) of the Group's gross premium volume in the life insurance sector, with 52.8% (previous year: 45.9%) generated in Switzerland. The share of unit-linked life insurance of the Group's gross premium volume amounts to 4.7% (previous year: 5.0%). 32.2% of the premiums (previous year: 33.3%) 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 better than 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 and Helvetia Spain 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 61.4% (previous year: 57.2%) of the Group's gross premium volume in the life insurance sector, with 94.9% (previous year: 93.8%) 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 employee 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 Switzerland 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 participation

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 Switzerland. After an insured event 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. The mandatory interest rate was 2% since 2009 and has been reduced to 1.5% for 2012.

The interest rate for the extra-mandatory insurance determined by Helvetia Group was also 2% for 2009 and 2010 and was reduced to 1.5% for 2011. It has been reduced further to 1.0% for 2012.

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, part of the return on capital exceeding the guaranteed minimum interest rates must be returned to customers 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 can be excluded or a higher premium charged for 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. 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 change, the reserve reinforcements are either increased or decreased accordingly. A decrease in reserves flows largely back to the insured 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 statements 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%, however, would 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 42.6 million (previous year: CHF 40.3 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 183) for the impact of an interest rate change on equity and the income statement.

Various impacting factors are described individually below.

Mortality risk	<p>If the death rate exceeds expectations, shareholders may suffer losses once the buffer of profit participation has been exhausted. However, 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.</p>
Longevity risk	<p>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.</p> <p>In addition to these considerations, which also apply to group life insurance, the high statutory BVG conversion rate results in expected 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.</p>
Disability risk	<p>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.</p>
Interest rate risk	<p>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 2011, 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.</p> <p>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. For 2012 the interest rate was reduced to 1.5%. Rising rates can also 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.</p>

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 segments, creates a well-balanced reinsurance portfolio without major risk clusters.

Within the reinsurance segment, Group Reinsurance serves as the Group reinsurer. It ensures that 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 ensures that uniform reinsurance standards are applied on a Group-wide basis, in particular as regards the hedging level, and also leads to synergies in the reinsurance process. 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 in
reinsurance business

2011	Non-life	Life
in CHF million		
Gross premiums written	392.1	20.3
Reinsurance premiums ceded	-151.6	-9.3
2010		
in CHF million		
Gross premiums written	402.8	21.3
Reinsurance premiums ceded	-147.6	-9.7

Terms of the contract,
guarantees and under-
writing 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 2011, Helvetia Group managed assets of CHF 34.8 billion (previous year: CHF 33.6 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 at present to hedge foreign exchange risks and to control the risk of losses on equity investments. In Helvetia's internal funds, the balance sheet's exposure to foreign currencies is hedged with a net investment hedge. The instruments mostly employed are options, forwards and futures on both equity investments and foreign exchange underlyings. In 2011, the risk of losses on equities was controlled with options, and foreign exchange exposure was largely hedged with futures contracts and currency options. More information is available in tables 7.6.2 "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 with a liquidity risk. Part of the Group's investment portfolio consists of investments in assets which are not easily realisable, such as real estate or mortgages (see also the tables on page 186 and page 189). These investments can only be realised over a longer period of time.

Maturity schedule of recognised insurance liabilities

as of 31.12.2011	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	2 732.0	8 377.7	5 406.0	9 292.8	-	25 808.5
Provision for future policyholder participation	146.6	24.3	-	-	728.8	899.7
Loss reserves (gross)	1 156.5	1 067.5	403.8	199.2	-	2 827.0
Unearned premium reserve (gross)	970.7	-	-	-	-	970.7
Total reserves for insurance and investment contracts (gross)	5 005.8	9 469.5	5 809.8	9 492.0	728.8	30 505.9
Reinsurers' share	109.1	123.0	59.8	31.1	30.0	353.0
Total reserves for insurance and investment contracts (net)	4 896.7	9 346.5	5 750.0	9 460.9	698.8	30 152.9
as of 31.12.2010	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	2 850.7	8 070.1	5 302.0	8 272.1	11.5	24 506.4
Provision for future policyholder participation	115.1	26.7	-	-	525.6	667.4
Loss reserves (gross)	1 025.0	1 051.5	452.3	340.7	-0.7	2 868.8
Unearned premium reserve (gross)	957.2	-	-	-	-	957.2
Total reserves for insurance and investment contracts (gross)	4 948.0	9 148.3	5 754.3	8 612.8	536.4	28 999.8
Reinsurers' share	112.7	163.6	95.0	56.6	0.6	428.5
Total reserves for insurance and investment contracts (net)	4 835.3	8 984.7	5 659.3	8 556.2	535.8	28 571.3

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 31.12.2011	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	2 216.8	5.2	0.5	0.3	0.4	82.9	2 306.1
Financial liabilities from financing activities	-	5.0	162.4	20.4	-	-	187.8
Liabilities from insurance business	371.6	972.8	-	-	-	0.2	1 344.6
Other financial and other liabilities	0.6	75.3	-	-	-	0.2	76.1
Total financial and other liabilities	2 589.0	1 058.3	162.9	20.7	0.4	83.3	3 914.6
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

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 31.12.2011	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	1.0	0.1	0.6	0.6	-
Forward exchange transactions	6.1				
Inflow	-	710.2	-	-	-
Outflow	-	-704.1	-	-	-
Options (planned exercise)	-	-	-	-	-
Other (exercise not planned)	35.5	-	-	-	-
Derivatives for hedge accounting	-	-	-	-	-
Inflow	-	-	-	-	-
Outflow	-	-	-	-	-
Total derivative financial assets	42.6	6.2	0.6	0.6	-
Derivative financial liabilities					
Interest rate swaps	-	-	-	-	-
Forward exchange transactions	32.1				
Inflow	-	-802.0	-	-	-
Outflow	-	834.4	-	-	-
Options (planned exercise)	-	-	-	-	-
Other (exercise not planned)	14.0	-	-	-	-
Derivatives for hedge accounting	7.1	-	-	-	-
Inflow	-	-197.5	-	-	-
Outflow	-	204.4	-	-	-
Total derivative financial liabilities	53.2	39.3	-	-	-
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 (exercise not planned)	10.9	-	-	-	-
Derivatives for hedge accounting	-	-	-	-	-
Inflow	-	-	-	-	-
Outflow	-	-	-	-	-
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 (exercise not planned)	7.8	-	-	-	-
Derivatives for hedge accounting	-	-	-	-	-
Inflow	-	-	-	-	-
Outflow	-	-	-	-	-
Total derivative financial liabilities	7.8	-	-	-	-

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 in bonds and mortgages. On the other hand, 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 31.12.2011	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	1 404.7	2 782.7	2 015.3	2 279.9	332.4	8 815.0
Held-to-maturity investments (HTM)	208.0	858.6	710.7	1 946.3	-	3 723.6
Available-for-sale investments (AFS)	724.6	4 267.8	3 541.6	4 119.2	727.7	13 380.9
Financial assets at fair value through profit or loss	378.3	976.4	85.9	96.8	2 569.9	4 107.3
Total financial assets	2 715.6	8 885.5	6 353.5	8 442.2	3 630.0	30 026.8
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

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 0.5% (previous year: 0.8%) of Helvetia Group's actuarial reserves carry an interest guarantee of more than 4%.

Interest guarantees

		Direct business Switzerland	Direct business EU	Reinsurance
as of 31.12.2011	CHF	Other currencies	EUR	
in CHF million				
Actuarial reserves for insurance and investment contracts excluding interest guarantee	785.0	-	297.3	-
Actuarial reserves for insurance and investment contracts with 0% interest guarantee	354.2	-	189.7	16.0
Actuarial reserves for insurance and investment contracts with positive interest guarantee	19 673.5	116.2	4 370.5	6.1
Average interest guarantee in per cent	2.06	2.77	2.58	0.82

		Direct business Switzerland	Direct business EU	Reinsurance
as of 31.12.2010	CHF	Other currencies	EUR	
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 per cent	2.32	2.89	2.61	0.77

Interest rate risk sensitivities

	Interest rate level 2011		Interest rate level 2010	
as of 31.12.	+ 10 bp	- 10 bp	+ 10 bp	- 10 bp
in CHF million				
Income statement	0.7	- 1.5	1.9	- 2.1
Equity	- 25.1	24.2	- 29.3	29.6
Gross, not taking into account the latency calculation and derivatives	- 88.3	86.3	- 69.1	69.8

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 equities 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 6.9% of the total equity portfolio (direct investments), with the exception of Allreal, a highly diversified real estate company which accounts for 17.4% of the total exposure to direct investments in equities. The market risk of the equity portfolio 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 reduced 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

as of 31.12. in CHF million	Share price risk sensitivities 2011		Share price risk sensitivities 2010	
	+ 10%	- 10%	+ 10%	- 10%
Income statement	29.5	-25.3	44.7	-38.3
Equity	31.7	-31.7	33.2	-33.9
Gross, not taking into account the latency calculation and derivatives	146.2	-146.1	173.7	-173.0

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 part of the 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

as of 31.12.2011 in CHF million	Exchange rate EUR / CHF		Exchange rate USD / CHF		Exchange rate GBP / CHF	
	+ 2%	- 2%	+ 2%	- 2%	+ 2%	- 2%
Income statement	1.9	-2.0	-1.2	1.2	-0.7	0.7

as of 31.12.2010 in CHF million	Exchange rate EUR / CHF		Exchange rate USD / CHF		Exchange rate GBP / CHF	
	+ 2%	- 2%	+ 2%	- 2%	+ 2%	- 2%
Income statement	-0.2	0.0	-1.8	1.8	-0.6	0.6

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
 2011**

as of 31.12.2011	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	204.7	164.2	-	-	368.9
Goodwill and other intangible assets	137.6	146.9	-	-	284.5
Investments in associates	46.6	2.1	-	-	48.7
Investment property	4428.0	335.5	-	-	4763.5
Group financial assets	18796.4	8664.5	501.3	252.3	28214.5
Investments for unit-linked contracts	764.3	949.9	82.2	15.9	1812.3
Receivables from insurance business	330.7	600.9	85.6	24.5	1041.7
Deferred acquisition costs	211.0	156.4	-	-	367.4
Reinsurance assets	109.1	276.8	11.1	5.8	402.8
Deferred tax assets	0.1	29.6	-	-	29.7
Current income tax assets	-	17.7	-	-	17.7
Other assets	56.1	145.1	4.2	0.0	205.4
Accrued investment income	191.4	146.1	1.6	0.5	339.6
Cash and cash equivalents	858.0	381.5	5.6	5.4	1250.5
Total assets	26 134.0	12 017.2	691.6	304.4	39 147.2
as of 31.12.2011	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	20821.7	4980.1	6.7	0.0	25808.5
Provision for future policyholder participation	864.1	35.6	-	-	899.7
Loss reserves (gross)	1148.7	1510.6	124.6	43.1	2827.0
Unearned premium reserve (gross)	288.5	629.6	37.1	15.5	970.7
Financial liabilities from financing activities	149.7	32.6	-	-	182.3
Financial liabilities from insurance business	699.5	1605.8	0.8	0.0	2306.1
Other financial liabilities	72.8	1.9	-	-	74.7
Liabilities from insurance business	1055.3	246.1	41.3	1.9	1344.6
Non-actuarial provisions	78.7	18.0	-	-	96.7
Employee benefit obligations	50.3	214.9	-	-	265.2
Deferred tax liabilities	391.0	98.3	-	-	489.3
Current income tax liabilities	19.4	21.6	-	-	41.0
Other liabilities and accruals	60.9	126.3	0.3	1.0	188.5
Total liabilities	25 700.6	9 521.4	210.8	61.5	35 494.3

**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	143.1	160.7	-	-	303.8
Investments in associates	46.2	2.2	-	-	48.4
Investment property	4 144.5	335.0	-	-	4 479.5
Group financial assets	17 666.9	8 698.0	617.1	191.1	27 173.1
Investments for unit-linked contracts	815.4	936.9	112.1	21.7	1 886.1
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	24 623.8	11 867.0	818.8	240.7	37 550.3
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	602.7	64.7	-	-	667.4
Loss reserves (gross)	1 282.8	1 440.9	106.1	39.0	2 868.8
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	354.1	119.2	-	-	473.3
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	24 364.9	9 487.7	185.8	54.3	34 092.7

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. To minimise counterparty risk, Helvetia Insurance determines minimum thresholds for counterparty credit ratings and limits its exposure per counterparty (see page 189 for the credit rating table).

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: 53.9% of derivative financial instruments are either traded on a stock exchange or secured by cash collateral, which means that these positions harbour only minimal counterparty risk. There is also a small counterparty risk for a further 38.7% of derivatives, as these were concluded with issuers who have a government guarantee (Canton of Basel-City). The remaining 7.4%, 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 the non-life and life insurance business plays a minor role;
- counterparty risk from financial guarantees and credit approval: Detailed information on contingent liabilities is provided in Note 12 (page 157).

Rating of interest rate instruments, loans and derivative financial instruments

as of 31.12.2011	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	-	176.4	333.7	8.7	0.2	432.8	951.8
Derivative financial assets (incl. hedge accounting)	-	6.4	1.8	-	-	34.4	42.6
Bonds	11 800.9	5 155.0	2 658.4	301.4	166.4	205.4	20 287.5
Mortgages	-	-	-	-	-	3 523.1	3 523.1
Loan notes	424.5	738.8	58.1	1.0	-	95.9	1 318.3
Policy and other loans	-	-	12.5	17.4	-	107.8	137.7
Total	12 225.4	6 076.6	3 064.5	328.5	166.6	4 399.4	26 261.0

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 (incl. hedge accounting)	-	42.4	0.0	-	-	51.9	94.3
Bonds	10 912.4	6 031.6	1 824.4	99.6	25.8	382.8	19 276.6
Mortgages	-	-	-	-	-	3 318.2	3 318.2
Loan notes	370.1	697.1	83.2	-	-	185.4	1 335.8
Policy and other loans	-	6.3	24.3	6.3	-	118.4	155.3
Total	11 302.5	6 988.2	2 219.4	105.9	25.8	4 325.6	24 967.4

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 31.12.2011	Exposure	Share in %
in CHF million		
AAA	4.4	0.8
AA	310.3	55.8
A	212.4	38.2
BBB	0.0	0.0
BB and lower	0.2	0.0
Not rated	28.9	5.2
Total	556.2	100.0
as of 31.12.2010		
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

The 10 largest counterparties

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:

as of 31.12.2011	Issuer rating	Book value IFRS total	AAA
in CHF million			
Switzerland	AAA	2 177.9	2 150.1
Germany	AAA	1 179.3	863.1
France	AAA	1 130.4	1 038.9
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	828.0	828.0
Austria	AA	827.1	489.7
Italy	A	800.5	-
European Investment Bank	AAA	535.9	535.9
Commerzbank AG	A	483.4	278.2
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	479.0	479.0
Cantonal Bank of Lucerne	AA	472.6	-

as of 31.12.2010	Issuer rating	Book value IFRS total	AAA
in CHF million			
Switzerland	AAA	2 069.2	2 042.1
Germany	AAA	1 171.3	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	-

EU governments under scrutiny

as of 31.12.2011	Non-life	Life	Total
in CHF million			
Government bonds			
Italy	30.8	752.3	783.1
Spain	81.7	313.8	395.5
as % of Groups's investments			3.6%
Others (Portugal, Ireland, Greece)	13.1	23.6	36.7
as % of Groups's investments			0.1%
Total	125.6	1 089.7	1 215.3
as % of Groups's investments			3.7%

		Securities rating Bonds		Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB	not rated				
-	27.8	-	-	-	-	-	-
225.2	-	-	-	-	-	91.0	-
81.7	9.8	-	-	-	-	-	-
-	-	-	-	-	-	-	-
205.8	50.0	18.1	-	-	-	63.5	-
20.3	780.2	-	-	-	-	-	-
-	-	-	-	-	-	-	-
186.0	-	-	-	1.0	-	18.2	-
-	-	-	-	-	-	-	-
447.6	-	-	-	-	-	25.0	-

		Securities rating Bonds		Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
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	-

18. Events after the reporting date

No important events occurred before or on 6 March 2012, the date on which these consolidated financial statements were completed, that are likely to have a material impact on the financial statements as a whole.

19. Scope of consolidation

The following events in the reporting year led to changes in the scope of consolidation:

- On 1 November 2011, the Group companies Alba Allgemeine Versicherungs-Gesellschaft AG and Phenix Versicherungsgesellschaft AG were merged with their parent company Helvetia Schweizerische Versicherungsgesellschaft AG, St-Gall, and the Group company Phenix Lebensversicherungsgesellschaft AG was merged with Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel.
- The Group companies Römertor Versicherungsmakler, Immobilien und Bau GmbH, Vienna, and Marc Aurel Liegenschaftsverwaltung GmbH, Vienna, were integrated in Helvetia Versicherungen AG, Vienna, retroactively to 1 January 2011.
- In 2011, the share capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt am Main, was increased by EUR 2.0 million.
- The investment in Helvetia Compañía Suiza, Seville, was increased from 98.95% to 98.97% through successive share purchases during the reporting period.

The following events in the previous year led to 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 am Main, 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 2010, 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 limited liability company.
- 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. For the 2010 financial year, 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 2010 financial year 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 provisional purchase price allocation from 2010 was revised. As a result, some adjustments were needed to Alba's opening statement of financial position.

Thanks to additional data obtained, Helvetia could more accurately estimate the actuarial reserves for the accident and health insurance business. The actuarial reserves at the date of acquisition could be reduced by CHF 12.8 million, as a result of which the deferred tax liabilities increased by CHF 2.7 million. Goodwill decreased by CHF 10.1 million. The provisional purchase price allocation was adjusted retroactively and is now final.

The following table presents an overview of the assets and liabilities acquired in 2010:

in CHF million	Alba		Alba	Phenix	Phenix Life
	provisional	adjustments	final		
Assets					
Property and equipment	8.9		8.9	0.0	9.3
Intangible assets	10.9		10.9	0.8	2.0
Capital investments	423.9		423.9	77.1	363.9
Receivables from insurance business (gross)	44.1		44.1	12.3	5.1
Tax assets	0.3		0.3	0.6	0.1
Other assets and accruals	7.0		7.0	1.8	19.3
Cash and cash equivalents	7.1		7.1	5.4	11.5
Liabilities					
Actuarial provisions	370.6	- 12.8	357.8	64.0	336.7
Financial liabilities from insurance business	-		-	-	15.5
Tax liabilities	19.0	2.7	21.7	1.6	4.6
Other liabilities and accruals	18.8		18.8	6.0	8.8
Acquired net assets					
Acquired identified assets (net)	93.8	10.1	103.9	26.4	45.6
Goodwill	118.4	- 10.1	108.3	13.4	4.4
Total acquisition costs (all paid in cash)	212.2		212.2	39.8	50.0

The receivables from the insurance business equalled CHF 65.6 million gross (Alba: CHF 47.2 million, Phenix: CHF 12.9 million, Phenix Life: CHF 5.5 million), of which CHF 4.1 million (Alba: CHF 3.1 million, Phenix: CHF 0.6 million, Phenix Life: CHF 0.4 million) were 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 share of goodwill expected to be deductible for tax purposes amounts to CHF 115.0 million.

Complete list of Group companies

as of 31.12.2011	Business activities	Holding in %	Method of consolidation	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
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	41.2
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- u. 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	98.97	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	

¹ Group costs are included in "Corporate" segment.

² Branches.

as of 31.12.2011	Business activities	Holding in %	Method of consolidation	Currency	Company's capital in million
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
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	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.

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 auditors, we have audited the consolidated financial statements given on pages 86 to 196 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 2011.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with the 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 statements 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 2011 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 (Art. 728 CO and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with Art. 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 AG

Hieronymus T. Dormann
Licenced Audit Expert, Auditor in Charge

Christian Fleig
Licenced Audit Expert

Zurich, 6 March 2012

Financial statements of Helvetia Holding AG

Income statement

	2011	2010	Change
in CHF million			
Dividend income	137.2	137.2	
Loan interest income	2.6	2.2	
Loan interest expenses	-2.6	-4.0	
Fees	0.0	-0.7	
Profit for the period before tax	137.2	134.7	1.9%
Taxes	-0.1	0.0	
Profit for the period	137.1	134.7	1.8%

Balance sheet

Assets			
Investments	803.7	803.7	
Loans to Group companies	21.0	21.0	
Non-current assets	824.7	824.7	0.0%
Cash and cash equivalents	0.0	0.0	
Balances receivable from Group companies	160.1	161.4	
Current assets	160.1	161.4	-0.8%
Total assets	984.8	986.1	-0.1%

Liabilities and equity			
Share capital	0.9	0.9	
Reserve for treasury shares	8.4	6.9	
Reserve from capital contributions	191.3	260.5	
Other statutory reserves	86.1	86.1	
Free reserves	338.7	340.2	
Profit carried forward	70.4	4.9	
Profit for the period	137.1	134.7	
Total equity	832.9	834.2	-0.2%
Bonds	150.0	150.0	
Provisions	0.1	0.0	
Accruals	1.8	1.9	
Borrowed capital	151.9	151.9	0.0%
Total liabilities and equity	984.8	986.1	-0.1%

Proposed appropriation of profit

Profit for the period	137.1	134.7	
Profit carried forward	70.4	4.9	
Release of reserve from capital contributions	69.2	69.2	
At the disposal of the Shareholders' Meeting	276.7	208.8	
Proposed dividend ¹	138.4	138.4	
Allocation to free reserves	0.0	0.0	
Profit carried forward to new account	138.3	70.4	

¹ 2011: CHF 16.00, of which CHF 8.00 represents a payout exempt of withholding tax from the reserve from capital contributions / 2010: CHF 16.00, of which CHF 8.00 represents a payout exempt of withholding tax from the reserve from capital contributions.

Notes to the financial statements of 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
	31.12.2011	31.12.2011	31.12.2010	31.12.2010
in CHF million				
Helvetia Schweizerische Versicherungs- gesellschaft AG, St-Gall	77.5	100.00%	77.5	100.00%
Helvetia Schweizerische Lebensversicherungs- gesellschaft 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 2011.

3. Bonds

On 19 April 2010, Helvetia Holding AG issued a 1.75% bond 2010–2013 with a nominal value of CHF 150 million. The bond was subscribed and paid on 19 April 2010 and 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.

4. Treasury shares

On the balance sheet date, subsidiaries of Helvetia Holding AG held 36,193 registered shares of Helvetia Holding AG (previous year: 32,254).

As of 31.12.

	2011	2010
Number of treasury shares	36 193	32 254
Reserve for treasury shares in CHF	8 367 116	6 899 526

Change in year
under review

Date	Number	Type of shares	CHF
10.4.2011	3939	Registered shares	1 467 590

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%) and Raiffeisen Switzerland 4.0% (previous year: 4.0%).

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 statements of Helvetia Group in Note 16 (from page 166).
- 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 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.
- Helvetia 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 Risk & Capital 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 Risk & Capital 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 199 to 202 of Helvetia Holding AG, which comprises the income statement, balance sheet and notes for the financial year ended 31 December 2011.

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 statement 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 2011 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 AG

Hieronymus T. Dormann
Licenced Audit Expert, Auditor in Charge

Christian Fleig
Licenced Audit Expert

Zurich, 6 March 2012



A person wearing a light blue, textured jacket is seen from the side, looking towards a stone wall in a vineyard. The wall is made of stacked stones, with some sections appearing to be made of lighter-colored, possibly concrete or plastered, blocks. The background is a lush green vineyard with rows of grapevines. The lighting is bright, suggesting a sunny day.

“A beautiful little vineyard ...
we’ve always dreamt of this.
What’s stopping us now?”

Many dreams must wait a long time before they can be fulfilled, and others remain dreams for always. What’s important is that we don’t lose sight of our dreams. And that we’re willing to help others realise their dreams.

Fairness also means taking others and their dreams seriously, showing respect for them and helping them to achieve their objectives. To target objectives together with others and to accept compromises. This is the way we see it. And have done for many years.

This is why Helvetia is the best insurance for you.

Embedded value

210 **Embedded value**

Embedded value

Helvetia Group's life business is still doing very well in today's difficult economic environment. The value of the portfolio increased slightly, while new business volumes improved substantially and the new business margin remained mostly 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.

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 the table shown below. Also included is the risk discount rate, which was previously calculated separately for Switzerland and as a joint rate for the EU countries. Due to the strongly diverging interest environment in Europe, Helvetia used a separate risk discount rate for each country market for the first time in the reporting year. Given the high levels of volatility, this rate is partly based on average interest rates, while future bond yields were still calculated as of the reference date. The risk discount rates for Italy and Spain are therefore higher and also take account of the higher credit risk. Embedded value depends on the assumptions that are applied. The scope of these dependencies is explained in the "Sensitivities" table. The embedded value that Helvetia has published here was calculated in accordance with the traditional method, which delivers values and sensitivities that differ from the market consistent embedded value according to the CFO Forum and also reacts differently to economic changes.

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 2011.

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 some of the data provided by Helvetia on a test basis, relying, however, on the financial information published in the financial report.

At the end of 2011, the embedded value of Helvetia Group amounted to CHF 2,261.7 million, which represents an increase of CHF 13.7 million or 0.6% compared to December 2010. This increase is due to a positive contribution by new business and positive operating results. On the other hand, the embedded value is negatively impacted by currency effects, and the low interest rate environment in some of our important country markets meant that the economic divergences in 2011, at minus CHF 150.5 million, had a restraining effect on the embedded value.

Patria Genossenschaft makes an annual contribution to promoting the interests of Helvetia's life policyholders, which is added to the profit reserve. In the reporting year this annual contribution increased to CHF 42 million.

The volume of new business written improved substantially in Switzerland, but remained more or less unchanged in the other countries. The higher volumes and demand-driven shift in the product mix had a positive effect on the value of new business, although this value did not improve quite as strongly as could be expected as it reacts even more sensitively to changes in the interest rate environment than the value of the

portfolio. This effect was softened by the application of individual risk discount rates for each country, made necessary by diverging interest rate trends. Seen overall, new business profitability – which is a factor of new business volume and value – is down slightly year-on-year, but Helvetia Group's life business still performed very well in a challenging economic climate.

	2011	2010
in CHF million		
Embedded value after tax		
Switzerland	1 911.6	1 858.7
of which value of insurance portfolio	1 377.7	1 308.7
of which adjusted equity	1 253.1	1 206.5
of which solvency costs	-719.2	-656.5
EU	350.1	389.3
of which value of insurance portfolio	257.2	286.1
of which adjusted equity	238.3	240.4
of which solvency costs	-145.4	-137.2
Total¹	2 261.7	2 248.0
of which value of insurance portfolio	1 634.9	1 594.8
of which adjusted equity	1 491.4	1 446.9
of which solvency costs	-864.6	-793.7

¹ Of which minority interests CHF 26.1 million as of 31.12.2011.

Assumptions

in %

Switzerland		
Risk Discount Rate	6.0%	6.5%
Yield on bonds	1.1%–1.8%	1.9%–2.6%
Yield on equities	6.5%	6.5%
Yield on real estate	4.5%	4.5%
EU		
Risk Discount Rate	7.0%–10.0%	8.0%
Yield on bonds	3.1%–4.7%	3.7%–5.2%
Yield on equities	7.5%	7.5%
Yield on real estate	4.9%	4.8%

	2011	2010
in CHF million		
Development of embedded value after tax		
Embedded value as of 1 January	2 248.0	2 213.7
Operating profit from insurance portfolio and adjusted equity	189.8	249.7
Value of new business	33.0	30.0
Economic changes, including changes to unrealised gains and losses on investments (equity and real estate)	-150.5	-176.3
Dividends and movement of capital	-48.4	1.2
Foreign currency translation differences	-10.2	-70.3
Embedded value as of 31 December	2 261.7	2 248.0

in %		
Sensitivities		
+1% change to risk discount rate	-9.9%	-10.4%
-1% change to risk discount rate	12.1%	9.6%
-10% change to fair value of equities	-2.5%	-4.4%
-10% change to fair value of real estate	-11.1%	-11.3%
+1% change to new money rate	6.6%	4.9%
-1% change to new money rate	-9.0%	-8.4%

in CHF million		
New business		
Switzerland		
Value of new business	22.7	18.3
Annual Premium Equivalent (APE)	203.4	160.0
Value of new business (APE) in %	11.2%	11.4%
Present value of new business premiums (PVNBP)	2 142.3	1 649.4
Value of new business (PVNBP) in %	1.1%	1.1%
EU		
Value of new business	10.3	11.7
Annual Premium Equivalent (APE)	123.6	122.8
Value of new business (APE) in %	8.3%	9.5%
Present value of new business premiums (PVNBP)	1 069.6	1 100.9
Value of new business (PVNBP) in %	1.0%	1.1%
Total		
Value of new business	33.0	30.0
Annual Premium Equivalent (APE)	327.0	282.8
Value of new business (APE) in %	10.1%	10.6%
Present value of new business premiums (PVNBP)	3 211.9	2 750.3
Value of new business (PVNBP) in %	1.0%	1.1%

Annual Premium Equivalent (APE): 100% annual new business premium +10% single new business premium.
 PVNBP: Present value of new business premium.

Service

214	Glossary
217	Important addresses
219	Multi-year overview
220	Financial calendar
220	Disclaimer
221	Imprint

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.

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 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.

PIIGS

The abbreviation PIIGS is an acronym created during the 2010 European sovereign debt crisis to refer to the five eurozone nations Portugal, Italy, Ireland, Greece and Spain.

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.

Reinsurance premiums

Amount paid by the insurer to the reinsurer in exchange for the latter's assumption of risks.

Reinsurer

Insurance company that assumes part of the risks entered into by a primary insurer.

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.

Solvency, Solvency I, Swiss Solvency Test

The term "solvency" refers to the minimum supervisory capital adequacy requirements that must be met by an insurance company. To calculate this, the available capital is compared to the required capital, with the available capital being the equity that is available to cover the required capital. The required capital is the minimum amount of capital funds which an insurance company needs to ensure that it can always meet its liabilities from insurance policies. Currently, insurance groups domiciled in Switzerland are subject to two different solvency systems. While the "Solvency I" system, which has been in

force for many years, requires sufficient volume-based capital to cover the insurance obligations, the required capital is calculated on a risk basis for the "Swiss Solvency Test" (SST) which entered into force on 1 January 2011.

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 investments

(See "Unit-linked policies")

Unit-linked policies

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.

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
Paul Norton	Chief Financial Officer
Wolfram Wrabetz	Chief Executive Officer Germany

National offices

Helvetia Versicherungen Executive Management Switzerland	Philipp Gmür CEO	St. Alban-Anlage 26 CH-4002 Basel
Helvetia Versicherungen Management Board Germany	Wolfram Wrabetz General Manager	Berliner Strasse 56–58 D-60311 Frankfurt a.M.
Helvetia Versicherungen Management Board Austria	Georg Krenkel General Manager	Jasomirgottstrasse 2 A-1010 Vienna
Helvetia Assicurazioni Management Board Italy	Francesco La Gioia General Manager	Via G.B. Cassinis 21 I-20139 Milan
Helvetia Assurances Management Board France	Alain Tintelin General Manager	2, rue Sainte-Marie F-92415 Courbevoie / Paris

Subsidiaries

Helvetia Schweizerische Lebensversicherungs-AG	Wolfram Wrabetz Chairman of the Board of Directors	Weissadlergasse 2 D-60311 Frankfurt a.M.
Helvetia International Versicherungs-AG	Wolfram Wrabetz Chairman of the Board of Directors	Berliner Strasse 56–58 D-60311 Frankfurt a.M.
Helvetia Versicherungen AG	Burkhard Gantenbein Chairman of the Board of Directors	Hoher Markt 10–11 A-1011 Vienna
Helvetia Vita Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A.	Fabio Bastia Director General	Via G.B. Cassinis 21 I-20139 Milan
Padana Assicurazioni S.p.A.	Sandro Scapellato Director General	Via G.B. Cassinis 21 I-20139 Milano
Chiara Vita S.p.A.	Fabio Bastia Director General	Via Pietro Gaggia 4 I-20139 Milan
Helvetia Compañía Suiza Sociedad Anónima de Seguros y Reaseguros	Jozef M. Paagman Director General	Paseo de Cristóbal Colón, 26 E-41001 Seville
Helvetia Assurances S.A.	Alain Tintelin Director General	2, rue Sainte-Marie F-92415 Courbevoie / Paris
Helvetia Europe S.A.		163, rue du Kiem L-8030 Strassen
Helvetia Finance Ltd		La Motte Chambers St Helier, Jersey, JE1 1BJ

Service

› Important addresses

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
Uwe Bartsch	Head of Operations & Development
Andreas Bolzern	Chief Financial Officer Switzerland
Donald Desax	Head of Market Area Group Life Companies
Reto Keller	Head of Market Area Private Pension Provision
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 Human Resources and Services

Helvetia Versicherungen general agencies in Switzerland

Aarau	Mitteldorfstrasse 37, 5033 Buchs AG	058 280 33 11	Kaspar Hartmann
Baden	Mellingerstrasse 1, 5400 Baden	058 280 34 11	Hanspeter Koch
Basel	Münchensteinerstrasse 41, 4052 Basel	058 280 36 11	Alexander Ebi
Bellinzona	Viale Portone 12, 6501 Bellinzona	058 280 62 11	Mauro Canevascini
Bern Ost	Bahnhofstrasse 4, 3073 Gümligen	058 280 80 55	Peter Nyffenegger
Bern Centre	Länggassstrasse 7, 3001 Bern	058 280 74 11	Daniel-Henri Günther
Biel	J. Verresiusstrasse 18, 2502 Biel	058 280 79 11	Giovanni Campanile
Chur	Helvetia Passage, Bahnhofstrasse 7, 7000 Chur	058 280 38 11	Felix Hunger
Delémont	Rue de l'Avenir 2, 2800 Delémont	058 280 73 11	Franco Della Corte
Geneva	Bd Georges-Favon 18, 1211 Genève	058 280 69 11	Serge Basterra
Givisiez	Route du Mont-Carmel 2, 1762 Givisiez	058 280 71 11	Thierry Schaerer
Horgen / Knonaueramt	Dammstrasse 12, 8810 Horgen	058 280 81 11	René Vuille-dit-Bille
Kloten	Schaffhauserstrasse 121, 8302 Kloten	058 280 65 11	Andreas Naef
Lausanne	Avenue de la Gare 1, 1003 Lausanne	058 280 70 11	Glenn Zanetti
Liestal	Rheinstrasse 3, 4410 Liestal	058 280 35 11	Roger Kamber
Lugano	Via d'Alberti 1, 6900 Lugano	058 280 61 11	Tito Solari, Giordano Zeli
Lucerne, Ob-/Nidwalden	Brünigstrasse 20, 6002 Luzern	058 280 77 11	Jörg Riebli
Männedorf / ZH-Oberland	Alte Landstrasse 260, 8708 Männedorf	058 280 81 55	Stefan Bösiger
Neuchâtel	Rue du Concert 6, 2000 Neuchâtel	058 280 75 11	Patrick Riquen
Nyon	Rue des Marchandises 15, 1260 Nyon	058 280 79 66	Jean-François Tille
Oberwallis	Kronengasse 6, 3900 Brig	058 280 67 11	Beat Zuber
Rapperswil	Kniestrasse 29, 8640 Rapperswil	058 280 60 11	Pascal Diethelm
Reinach (BL)	Hauptstrasse 15, 4153 Reinach	058 280 80 11	André von Allmen
Rheintal	ri-nova impulszentrum, 9445 Rebstein	058 280 63 11	Jürg Schwarber
Riviera / Chablais	Rue Igor-Stravinsky 2, 1820 Montreux	058 280 82 44	François Schopfer
Solothurn	Dornacherplatz 7, 4500 Solothurn	058 280 76 11	René Hohl
St-Gall-Appenzell	Rosenbergstrasse 20, 9000 St-Gall	058 280 44 11	Ulrich Bänziger
Sursee	Bahnhofstrasse 42, 6210 Sursee	058 280 37 11	Lothar Arnold
Thun	Hinter der Burg 2, 3600 Thun	058 280 78 11	Kurt Nyffenegger
Valais Romand	Rue de la Dent-Blanche 20, 1950 Sion	058 280 68 11	Jean-Maurice Favre
Winterthur	Lagerhausstrasse 9, 8400 Winterthur	058 280 66 11	Helmuth Kunz
Yverdon-les-Bains	Rue des Remparts 9, 1400 Yverdon-les-Bains	058 280 67 77	Claude-Alain Bürgi
Zug-Schwyz-Uri	Baarerstrasse 113, 6300 Zug	058 280 64 11	Heinz Schumacher
Zürich	Hohlstrasse 560, 8048 Zürich	058 280 85 85	Donato Carlucci, Peter Bickel

Brokers in Switzerland

Broker Center German-speaking Switzerland	Hohlstrasse 560, 8048 Zürich	058 280 83 95
Broker Center French-speaking Switzerland	Route du Mont-Carmel 2, 1762 Givisiez	058 280 72 84
Broker Center Ticino	Via d'Alberti 1, 6900 Lugano	058 280 61 83

Multi-year overview

	2007	2008	2009	2010	2011
Key share data Helvetia Holding AG					
Group profit for the period per share in CHF	46.7	26.9	37.5	39.3	32.6
Consolidated equity per share in CHF	332.1	323.2	372.2	366.3	389.1
Price of Helvetia registered shares at the reporting date in CHF	407.0	228.9	320.8	359.5	295.0
Market capitalisation at the reporting date in CHF million	3 521.7	1 980.6	2 775.4	3 110.7	2 552.6
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	2 887.5	3 061.1	3 676.5	3 896.1	4 258.6
Deposits received life	16.3	85.0	408.6	283.5	261.2
Gross premiums non-life	2 363.3	2 351.1	2 383.4	2 344.4	2 431.8
Assumed reinsurance	238.1	215.1	242.5	231.4	220.5
Business volume	5 505.2	5 712.3	6 711.0	6 755.4	7 172.1
Key performance figures					
Result life ¹	158.6	-19.6	102.0	108.5	155.2
Result non-life ¹	217.7	289.3	216.3	177.4	134.3
Result other activities ¹	25.7	-39.2	8.5	55.6	-0.8
Group profit for the period after tax	402.0	230.5	326.8	341.5	288.7
Investment result	1 040.0	72.0	1 239.2	1 133.5	832.9
of which investment result from Group financial assets and investment property	1 047.3	281.8	1 040.9	1 049.0	878.4
Key balance sheet figures					
Consolidated equity (without preferred securities)	2 850.6	2 773.7	3 208.4	3 157.6	3 352.9
Provisions for insurance and investment contracts (net)	25 924.7	25 754.4	27 508.9	28 571.3	30 152.9
Investments	29 381.5	30 759.1	33 072.4	33 587.1	34 839.0
of which Group financial assets and investment property	28 400.0	28 997.8	31 119.8	31 652.6	32 978.0
Ratios					
Return on equity	14.4%	8.2%	10.8%	10.7%	8.7%
Reserve to premium ratio non-life	144.2%	125.2%	130.7%	140.5%	134.2%
Combined ratio (gross) ¹	94.9%	87.0%	89.1%	89.5%	94.4%
Combined ratio (net) ¹	94.5%	89.1%	91.3%	94.1%	95.6%
Direct yield	3.3%	3.3%	3.2%	3.0%	2.9%
Investment performance	2.4%	0.9%	4.8%	2.9%	3.6%
Solvency I	217%	208%	219%	221%	219%
Employees					
Helvetia Group	4 607	4 591	4 511	4 923	4 909
of which Switzerland	2 262	2 235	2 160	2 561	2 477

¹ For 2007 according to old segmentation.

Service

- › Financial calendar
- › Disclaimer

Important dates

4 May 2012	Ordinary Shareholders' Meeting in St-Gall
3 September 2012	Publication of half-year financial results for 2012
11 March 2013	Publication of financial results 2012

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 2011. 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 and pages 36/37	Photographed in Niederteufen, Canton of Appenzell-Ausserrhoden
Pages 24/25	Photographed at Hugelshofer Transport, Frauenfeld, Canton of Thurgau
Pages 56/57	Photographed in Wittenbach, Canton of St-Gall
Pages 74/75	Photographed at Gründenmoos Stadium, St-Gall
Pages 82/83	Photographed at Karin Bischoff Couture, St-Gall
Pages 206/207	Photographed at Dottenwil Castle in Wittenbach, Canton of St-Gall

Imprint

The annual report 2011 of the Helvetia Group is available in English, German and French.

Published by

Helvetia Group, St-Gall

Design implementation

YJOO Communications AG, St-Gall

Translation

APOSTROPH AG, Lucerne

Photos

Board of Directors, Executive Management and image pictures: Klaus Andorfer, Zürich

Production (offset printing)

Schwabe AG, Basel

Copyright © 2012 by Helvetia Group, St-Gall

The German version of the Annual Report is legally binding.



Contact

Helvetia Group
Nicola Breitschopf
Head 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

