Helvetia Group

Annual Report 2014

Your Swiss insurer.

helvetia

Growing together

The announcement of the takeover of Nationale Suisse in July 2014 was made under the title "solidarity". Joining together means closing ranks and harnessing forces. According to the motto: Together we are stronger. However, this only applies if we manage to focus on what we have in common and overcome any divisions. Of course, new developments always arouse uncertainties and fears. At the same time, however, the positive spirit of the new-found energy is becoming increasingly solid and tangible for all participants as each day passes.

This is also reflected in the visual concept of this year's Annual Report. Here we see employees from Helvetia and Nationale Suisse joining together in similar roles. They seek eye contact with each other, and the actual gesture should be interpreted as looking each other in the eye and making contact for the cooperation targeted. In their statements they talk about their surprise at the announcement, about recovering hidden values, about fears and respect for the new challenge, about looking forward to the new potential, about dynamic movement, about additional impetus, about when the best of two worlds combine and about new perspectives. Even if their views differ, there is still one clear direction: we are convinced that, thanks to the new strengths, we will be able to master any challenges that the future may present.

Profile

Helvetia Group has its registered office in Switzerland. Over the past 150 years, it has grown to become a successful international insurance group. Alongside its domestic market of Switzerland, its core geographic markets include Germany, Italy, Austria, Spain and France. Helvetia is active in the life, non-life and reinsurance sectors, and 7,012 employees provide services to more than 4.7 million customers. Business volume in financial year 2014 was nearly CHF 7.8 billion. The registered shares of Helvetia Holding AG are traded on the SIX Swiss Exchange.

Nationale Suisse has been part of Helvetia Group since October 2014. Nationale Suisse is an innovative and international Swiss insurance group which offers attractive risk and pension solutions which focus on tailor-made specialty lines. Nationale Suisse, with around 1,900 employees, shall be fully integrated into Helvetia. The consolidated gross premiums from Nationale Suisse were CHF 274.5 million in 2014. During the course of the integration, Nationale Suisse (NATN) shall be delisted from the SIX Swiss Exchange.

Ambition

Helvetia Group's ambition is to sustainably strengthen its attractive business portfolio. The merger with Nationale Suisse will give us a leading position in the domestic Swiss market, enviable positions in selected European markets and – with the specialty lines – strong potential for international growth. We will also strive to gradually strengthen our market position and continuously expand our market share. In doing so, a practical geographic diversification and a harmonious balance between the profitable non-life business, the high-potential pensions business and the promising international specialty lines business are of the utmost importance.

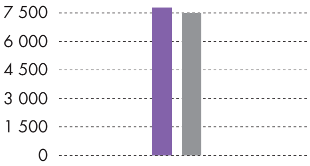
	2014	2013	Change in CHF	More details on page
Key share data Helvetia Holding AG				
Group profit for the period per share in CHF	43.0	40.9	5.1 %	179
Consolidated equity per share in CHF	503.2	445.0	13.1 %	112
Price of Helvetia registered shares at the reporting date in CHF	474.0	447.5	5.9 %	40
Market capitalisation at the reporting date in CHF million	4 687.6	3 872.2	21.1 %	60
Number of shares issued	9 889 531	8 652 875		175

in CHF million			in Group currency	
Business volume				
Gross premiums life	4 614.5	4 547.5	1.5 %	90
Deposits received life	153.0	183.6	–16.7 %	90
Gross premiums non-life	2 789.2	2 550.9	9.3 %	90
Active reinsurance	209.9	194.8	7.8 %	106
Business volume	7 766.6	7 476.8	3.9 %	90
Key performance figures				
Underlying earnings life business[1]	151.2	152.9	–1.1 %	91
Underlying earnings non-life business[1]	255.4	191.7	33.3 %	91
Underlying earnings other activities[1]	15.1	19.2	–21.3 %	91
Underlying earnings of the Group after tax[1]	421.7	363.8	15.9 %	91
IFRS earnings of the Group after tax	393.3	363.8	8.1 %	91
Investment result	1 476.9	1 332.2	10.9 %	146
of which investment result from Group financial assets and investment property	1 275.4	1 156.8	10.3 %	97
Key balance sheet figures				
Consolidated equity (without preferred securities)	4 963.1	3 831.2	29.5 %	112
Provisions for insurance and investment contracts (net)	41 275.0	34 518.7	19.6 %	163
Investments	48 018.0	39 576.1	21.3 %	97
of which Group financial assets and investment property	44 843.4	36 736.7	22.1 %	–
Ratios				
Return on equity[2]	9.6 %	9.5 %		20
Reserve to premium ratio non-life	187.2 %	142.3 %		–
Combined ratio (gross)	90.6 %	91.6 %		–
Combined ratio (net)	93.1 %	93.6 %		95
Direct yield	2.5 %	2.7 %		96
Investment performance	7.7 %	1.7 %		96
Solvency I	216 %	218 %		92
Employees				
Helvetia Group	7 012	5 037	39.2 %	31
of which Switzerland	3 766	2 369	59.0 %	31

1 For detailed information about calculating the underlying earnings, refer to pages 90/91.
2 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

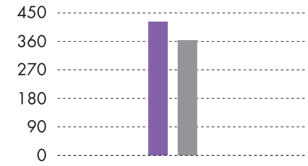
in CHF million



■ 31.12.2014 ■ 31.12.2013

Profit*

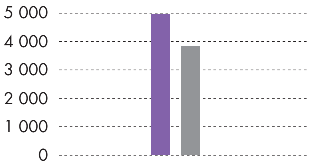
in CHF million



*underlying earnings

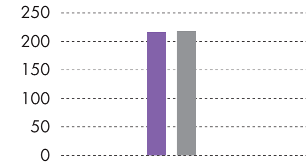
Equity

in CHF million



Solvency I

in %



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FINANCIAL YEAR
2014

STRONG RISE IN PROFIT +15.9 %

Helvetia Group generated underlying earnings of CHF 422 million in the 2014 financial year. This was CHF 58 million or around 16 % more than in the previous year. Earnings were driven by the profitable non-life business, where profit increased by around 33 % to CHF 255 million. Of this, the two companies acquired – Nationale Suisse and Basler Austria – contributed around CHF 22 million. The profit in the life business remained stable in a difficult capital market environment.

INCREASED DIVIDENDS CHF 18.00

Thanks to Helvetia's very good profit, the Board of Directors will propose an increase in the dividend to CHF 18.00 at the Shareholders' Meeting.

CAPITAL POSITION 216 %

The capital base remains extremely solid, even after the acquisitions, with a Solvency I ratio of 216 %. The SST ratio at the end of 2014 is expected to be between 150 and 200 % even after the acquisitions.

INTEGRATION "ON TRACK"

Helvetia can already show first successes in the integration of Nationale Suisse and Basler Austria: the future management structures, target organisations, processes and the harmonised product range for the "new Helvetia" have been defined in all the country markets. The sales launch with an expanded network of offices under the Helvetia brand will take place in Switzerland on 1 May 2015 and gradually in Germany, Spain and Italy from mid-2015.

The acquired company Basler Austria now operates under the brand name, Helvetia. The new sales organisation has been launched with the sale of the consolidated product range in life insurance.

DYNAMIC GROWTH IN NON-LIFE +10.3 %

Thanks to the takeover of Nationale Suisse and Basler Austria, premiums increased across the group by 10.3 % in the profitable non-life business (in original currency)[1] to CHF 2,789 million. The two acquisitions in the largest country markets of Switzerland and Austria boosted growth considerably, and premium volumes in the non-life business increased by 14.5 % and 23.5 %.

COMBINED RATIO 93.1 %

Thanks to the low claims ratio in a financial year that had few major claim events, the net combined ratio improved to 93.1 %, once again exceeding the Group's target range of 94 % to 96 %.

[1] Original currency is abbreviated to OC in the following.

Ladies and Gentlemen

Doris Russi Schurter Vice-Chairwoman of the Board of Directors
Stefan Loacker Chief Executive Officer

Even in the business world, light and shadow are often found close together. At the end of a very successful financial year, the long-standing Chairman of the Board of Directors, Erich Walser, died unexpectedly on 30 December 2014. Erich Walser shaped the continous development of Helvetia Group into a successful European all-lines insurer with his great creativity and creative energy for over 35 years – as Chief Executive Officer from 1991 to 2007 and as Chairman of the Board of Directors from 2003. It is no exaggeration to describe Erich Walser as the architect of Helvetia today. We will always honour his memory.

On the business side, Helvetia Group can look back at a very successful 2014 reporting year. Strategically, we were able to take a major step forward with the acquisitions of Nationale Suisse and Basler Austria. The "new Helvetia" is now in the top three in Switzerland, will strengthen its market position in Europe and combines the existing strengths of both groups with the new market area "Specialty Markets". The operational performance was also convincing with a very good development of the business and further increased profits.

Helvetia Group's IFRS profit for the period was overlaid by temporary special effects following the acquisitions. We are therefore focusing on "underlying earnings" until the end of the 2017 financial year in order to comment on the operating performance of the new Helvetia Group. Helvetia increased its underlying earnings by 16 % to CHF 422 million (previous year: CHF 364 million). The acquired companies contributed CHF 22 million pro rata to earnings. The CHF 393 million profit for the period pursuant to IFRS is 8 % higher than the previous year. This was primarily influenced by acquisition effects.

The improvement comes from the non-life business and is based on a 33.3 % increase in underlying earnings to CHF 255.4 million (previous year: CHF 191.7 million). The reason for this is an organically better technical result, additionally supported by the two acquisitions. The net combined ratio improved to 93.1 % (previous year: 93.6 %). In addition to a habitually strong Swiss home market, all the European country markets also realised a combined ratio of below 100 % and overall an increased contribution to earnings. The underlying earnings for the life business remained largely stable in a difficult capital market environment at CHF 151.2 million (previous year: CHF 152.9 million).

In 2014, the volume of business grew 4.4 % in original currency to CHF 7,766.6 million (previous year: CHF 7,476.8 million). Basler Austria and Nationale Suisse delivered their first contribution to growth of CHF 328.1 million; both the life and non-life business benefited from the acquisitions. The consolidation of the new companies took place in the 2014 financial statements and will be fully reflected in the 2015 financial year. Organically, the volume of business increased by 0.3 % (in original currency). The non-life business grew by 1.4 %, whereas the life business was intentionally curtailed.

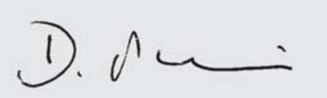
The integration of the two companies is going according to plan. The management, target organisations and a harmonised range of products have been defined in all the country markets for the "new Helvetia". The company acquired in Austria is now also using the brand name "Helvetia". The new business organisation has already started to sell the unified product range in life insurance there. The joint sales launch of the extended network of offices under the Helvetia brand in Switzerland is planned as of 1 May 2015 as part of the integration of Nationale Suisse; the country markets of Germany, Spain and Italy will gradually follow from mid-2015. In Belgium, the process of strategic review already initialised by Nationale Suisse was concluded with the sale of Nationale Suisse Belgium.

Successful business performance and the acquisitions of Nationale Suisse and Basler Austria have increased Helvetia Group's investment assets to CHF 48.0 billion (previous year: CHF 39.6 billion). In 2014, Helvetia generated current investment income of CHF 993 million. This is equivalent to a direct yield of 2.5 %[1]. Including the contribution of real estate, the overall performance was an attractive 7.7 %[1] and generated a contribution of CHF 2.95 billion, of which CHF 1.28 billion was reported in the income statement (previous year: CHF 1.16 billion).

Following the acquisitions, Helvetia retains a very good capital position. This is also reflected in the Solvency I ratio, which was around 216 % (previous year: 218 %). We believe that the SST ratio as of the end of 2014 will remain within the target range of 150 to 200 % even after the acquisitions. Equity excluding preferred securities increased to CHF 4,963.1 million mainly due to the capital increase in connection with the cash and share offer for Nationale Suisse and the increase in the valuation reserves for investments (previous year: CHF 3,831.2 million). Standard & Poor's confirmed Helvetia's A rating following the completion of the acquisition of Nationale Suisse at the end of October 2014 and gave it a stable outlook. The attractive dividend policy will now be continued: we will propose a 2.9 % increase in the dividend to CHF 18.00 per share at the Shareholders' Meeting.

Helvetia Group can look back at a strategically and operationally successful financial year. The integration of Nationale Suisse and Basler Austria is on track. In the medium and long term, this will result in additional growth opportunities, substantial economies of scale and synergies and an improved risk profile. The newly formed insurance group is thus ideally positioned for sustainable, healthy further development.

We would like to thank you, our valued shareholders, for your confidence in Helvetia.



Doris Russi Schurter
Vice-Chairwoman of the Board of Directors

Stefan Loacker
Chief Executive Officer

[1] Direct yield and investment performance weighted as a result of acquisitions during the year.


* 22 February 1947
† 30 December 2014

Erich Walser – obituary

The Chairman of the Board of Directors of Helvetia Group, Erich Walser, died unexpectedly on 30 December 2014. Erich Walser played a decisive role, first as CEO, and later as Chairman of the Board of Directors. The Board of Directors, Executive Management and employees were deeply affected by his sudden death. Erich Walser was 67 years old when he died, following a brief, serious illness in the middle of his active, dedicated and successful career with Helvetia.

In 1979, Erich Walser entered the finance department of the former Helvetia Feuer, which, alongside various management roles, soon also entrusted him with the task of strategic planning. When he was appointed General Manager in 1991, the Board of Directors gave him the task of implementing a new strategy, which was intended in particular to take the company from a non-life insurer to an all-lines Group. Under his leadership as CEO, the company rapidly increased its cooperation with the Patria life insurance, which had its headquarters in Basel, and which ultimately led to the merger of the two companies in 1996. The new Helvetia Patria was able to establish itself very well on the market in the years that followed.

In 2001, in addition to his role as CEO, Erich Walser also undertook the mandate as Delegate of the Board of Directors. At the end of 2003, he also took on the role as Chairman of the Board of Directors alongside his role as CEO, up to the autumn of 2007. As the Chairman of the Board of Directors he was also able to use his strategic flair together with a number of acquisitions both at home and abroad to successfully prepare Helvetia Group for future market developments. Even recently in July 2014, Erich Walser was able to announce a convincing merger for the Swiss insurance industry, with the takeover of Nationale Suisse.

The steady development of Helvetia into a successful European all-lines insurer owes a great deal to the determination, prudence and outstanding entrepreneurial vision of Erich Walser. His management was characterised by considerable trust and respect across and beyond all levels. It is not an overstatement to say that Erich Walser may be considered as the architect of today´s Helvetia. He also shaped the corporate culture as an example of integrity, humanity and modesty.

His exceptional capabilities and tremendous experience were recognised widely – both inside and outside of Helvetia – whether by the Swiss Insurance Association, the University of St Gall or in SMEs and in social institutions; they all benefited from his creative energy. In all his spheres of activity, he used his comprehensive knowledge and his determined and, at the same time, accessible manner, to develop lasting conditions for success and viable relationships for the good of the company and society in general.

We will always honour the memory of Erich Walser.

The new Helvetia

In order to complement organic growth, Helvetia Group pursues an active acquisition policy.

In the past financial year Helvetia was able to make two strategically important acquisitions:

On 15 May 2014, Helvetia Group announced the acquisition of Basler Versicherungs-Aktiengesellschaft in Austria, a subsidiary of Bâloise Group. The transaction was completed in August 2014. The acquisition expands our volume in Austria by more than 50%, and, with a premium volume of approximately EUR 400 million, puts Helvetia in the top 10 insurance companies.

Helvetia is extending its advisory network both in the strong exclusive sales network and in agency and broker sales. The merger of central services allows additional professionalisation, greater efficiency and thus the realisation of synergy effects.

The combination of two companies that have a very similar corporate culture and understanding of business is a special opportunity to expand Helvetia´s market presence in Austria. On the completion of the acquisition, the Executive Board team was also reorganised. It now consists of members from both companies thus giving it the best start for integration on an equal footing. The integration is going according to plan. The two local companies are to be merged during the first half of 2015.

A landmark decision was reached in July 2014: On 7 July 2014, Helvetia and Nationale Suisse announced that they had agreed to form a new insurance group together. To this end, Helvetia made the shareholders of Nationale Suisse a combined cash and share offer of CHF 80.00 per Nationale Suisse share. The transaction was very positively received by the capital market.

The "new Helvetia" from the merger will generate a premium volume of around CHF 9 billion and have a profit potential of more than CHF 500 million. Thanks its strong top 3 position in the home market, attractive positions in the European core markets as well as the "Specialty Markets", the new Group has combined the strengths of both companies and created the best conditions for continued healthy performance.

Combining the business of Helvetia and Nationale Suisse creates a leading all-lines insurer in **Switzerland**. The "new Helvetia" can benefit from extensive merger and synergy effects, for example in the product range, access to customers and customer care or in technical insurance expertise. Thanks to a better balance between life and non-life business and new possibilities in the specialty business and in the health / accident insurance business, the insurance portfolio is optimised. The multichannel strategy continues to have a central role – through the expansion of our own sales network, the addition of direct sales through smile.direct as an independent brand and through strategic partnerships with both companies´ long-standing partners.

15.5.2014
Helvetia acquires
Basler Austria

7.7.2014
Announcement: Helvetia and
Nationale Suisse join to form
a new Swiss insurance group

8.8.2014
Helvetia publishes offer
document for the takeover of
Nationale Suisse

28.8.2014
Helvetia completes acquisition
of Basler Austria

The new **Europe** business segment includes the countries Germany, Austria, Italy and Spain and the merger has enabled Helvetia to grow the non-life business and further focus on its development. Additional potential can also be found in cross-selling, e.g. in the life business as well as in the specialty business. Any country-specific differences shall be taken into consideration when doing so.

The new market area **Specialty Markets** combines the expertise of both companies and has three important sections:

– The "Specialty Lines Switzerland / International" market unit bundles management and development of the engineering (technical insurance), marine (transport) and art business lines in Switzerland as well as in the non-European international markets such as Asia or Latin America.
– The "France" market unit will continue its development as a focused transport insurance specialist.
– The "Active Reinsurance" market unit will continue to work on the focused development of its global business model.

In the top management bodies of the enlarged Helvetia Group, representatives of both companies are working from now on to ensure a successful path for the new company. Details of this can be found in the "Board of Directors" and "Executive Management" chapters from pages 49 and 55 of this report.

Since completion of the offer on 20 October 2014, the integration work is running at full speed. The new target structures for all market units and Group functions and the fundamental organisational model for the new Helvetia were already adopted at the start of December 2014. The implementation for Switzerland will take place on 1 May 2015, the operational merger for the foreign units, which is being carried out in accordance with local legal and regulatory requirements, will also take place during 2015. Read more on the integration in the following interview with CEO Stefan Loacker from page 12.

Helvetia succeeded in obtaining the financing for the acquisition much more quickly than originally planned and within a few weeks successfully placed two bonds (hybrid and senior) for CHF 625 million and CHF 375 million, respectively. This is one of the largest bond placements in the Swiss insurance sector in years.

2014 time line »

1.9.2014
Interim financial statements: Helvetia increases profit and prepares for the merger with Nationale Suisse

17.9.2014
Shareholders approve capital increase and elect five new members to the Board of Directors

22.9.2014
Interim result for the public purchase and exchange offer for the takeover of Nationale Suisse (81.22 %)

“The dream of being the best Swiss insurance company”

6 questions for Stefan Loacker, CEO of Helvetia Group

1. How should we as outsiders understand the merger of the two companies?
Stefan Loacker: As key shareholders, we have always been interested in the long-term development of the Nationale Suisse Group. When we were invited to present a binding concept for a mutual future, we mobilised all our strengths. We are very happy that Nationale Suisse was impressed by our offer. Our two companies maintain a similar culture. Both are Swiss companies with sustained, healthy capital. Our aim is to become the best Swiss insurer. The best, not the biggest! An insurer which guarantees to offer first-rate products and professional consultation by means of strong customer access and state-of-the-art processes both at home and abroad. A company which is known by everyone for its considerable reliability. Helvetia and Nationale Suisse are mutual dream partners.

2. What were the first reactions like?
Stefan Loacker: We informed the employees personally the following day and visited investors from London to Paris to Frankfurt. The first few hours were, understandably, shaped by a strong need for information. Our joint strategy is very persuasive, meaning that we experienced a lot of approval everywhere. Of course, particularly at the start, everyone wondered whether the merger would in fact take place and how our joint vision would then be realised. Today, we are already a major step further, and that initial uncertainty is gradually being replaced with specific prospects.

3. What are the biggest challenges?
Stefan Loacker: The high complexity and the fact that many important questions arise at the same time is challenging. That needs careful planning and a structure in the project team – consisting of representatives of both insurance groups. That way we can stay on top of things and make decisions quickly if we need to. But we must not forget that integration is not a race against time, but rather needs two to three years overall.

2014 time line »

2.10.2014
Successful start to the financing process for the takeover of Nationale Suisse. Helvetia places double-tranche bond amounting to CHF 525 million

8.10.2014
Successful partial completion of the financing process and submission of all supervisory approvals. Increase in the bond volume to CHF 625 million

10.10.2014
Provisional final result on the takeover of Nationale Suisse (96.29 %)

15.10.2014
Definitive final result on the takeover of Nationale Suisse (96.29 %)

4. How do you deal with the responsibility of successfully combining the two companies and of fulfilling all expectations in doing so – those of employees, customers and the public?

Stefan Loacker: My management team and I are happy to bear the responsibility ourselves. Bearing responsibility ultimately means being allowed to shape something. That´s a great privilege. Keeping the balance between all the stakeholders is nothing new for us. The shape of our logo with three sides already reminds us symbolically that employees, customers and shareholders always need to be taken into account equally. The question about the public can be answered pretty simply: be transparent and authentic, leave no leeway for interpretation, make clear and credible statements, make sure you implement what you announce. All that creates trust.

5. Helvetia and Nationale Suisse are two companies with their own strong, historically evolved cultures. How can and should the integration of Nationale Suisse influence Helvetia´s culture?

Stefan Loacker: Culture is always shaped by the people involved. Our values, such as trust, dynamism and enthusiasm, are being given an even stronger foundation by the merger with Nationale Suisse. Mutual trust as a basis for the integration; dynamisation in the further development of our business; ultimately, the enthusiasm for actively seizing this unique opportunity for a "new Helvetia".

6. How satisfied are you with the state of the integration work?

Stefan Loacker: We can look back on what has happened since 7 July 2014 with great satisfaction. We initially started discussing important topics in a small group of people and also clarifying the legal framework and management issues, principles of the integration work, important milestones and critical processes, etc. However, we were only permitted an actual exchange of information after the completion of the transaction. Meanwhile, we have worked out the future structure and responsibilities for all market areas across the group, the so called "Target Operating Models" .

The merger of the two field sales organisations into the "new Helvetia" will substantially strengthen Helvetia Switzerland´s network of offices as of 1 May 2015.

A joint range of products and services will be offered under a single brand and management from this time onwards. The necessary infrastructure for this will be prepared in the next few months. The existing, successful Helvetia products will be supplemented by innovative products from Nationale Suisse. smile.direct from Nationale Suisse adds an additional, successful sales channel. Via this platform, customers are served via the Internet and by phone – in the spirit of "digital insurance". Abroad, the integration work also concentrates on the joint management organisation and the sales launch as well as the legal merger, while taking account of the different legal and regulatory requirements of the individual markets.

Although we are well on course with the integration, we are very well aware that we still have some special tasks to deal with. 2015 will be highly decisive for our ambition. Due to the extremely successful start, I am today completely convinced that the "new Helvetia" will be a great success.

20.10.2014
Helvetia completes acquisition of Nationale Suisse

21.10.2014
Successful completion of financing for takeover of Nationale Suisse. Placing of a senior bond.

28.10.2014
Standard & Poor's confirms Helvetia A rating

5.11.2014
Announcement: Helvetia dramatically increases sales network

17.11.2014
Helvetia now holds more than 98 % of Nationale Suisse

Your Swiss insurer

OUR EMPLOYEES

p. 30

Helvetia is active in life insurance, non-life insurance and reinsurance and has approximately 7,012 employees providing services for more than 4.7 million customers. In addition to its main market of Switzerland, Helvetia also has branch offices and subsidiaries in Germany, Austria, Spain, Italy and France. With a business volume of approximately CHF 7.8 billion, Helvetia generated a net profit of CHF 393.3 million in financial year 2014.

Our investors
Helvetia reduces risks for investors and customers through its long-term focus and using efficient risk and investment management, while growing consistently, maintaining sustainable profitability and minimising earnings volatility. Helvetia pursues a sustainable dividend policy and its primary aim is to pay out increasing dividends each year. Read more about this on **pages 40 and 21.**

Our employees
Helvetia considers well-trained, committed and well-informed employees to be the most important source of success. Read more about this on **page 30.**

Our sales channels / our partners
Helvetia's sales structures are optimised for specific countries and it has numerous strong sales partnerships which it has been able to continuously expand in recent years. The multi-channelling approach will be further expanded in all country markets in the coming years. Read more about this on **page 32.**

Our customers
We see every customer relationship as a personal partnership, sustained by professionalism, understanding and mutual trust. Read more about this on **page 32.**

Our services / product portfolio
Helvetia is a quality-oriented all-lines insurer with over 150 years of experience. Whether private or occupational pension, whether non-life insurance or mortgage, with an extensive product range, Helvetia is a one-stop shop for private individuals and SMEs. Read more about this on **page 36.**

Our environment
Helvetia's voluntary involvement in the areas of culture, society, education, recreation, the environment and the economy is broadly diversified. Read more about this on **page 38.**

Our risk management
Risk management ensures that sufficient risk-bearing capital is available at all times to cover the risks assumed. Read more about this on **page 43.**

Our investment management
Using a sustainable investment policy tailored to its liabilities, Helvetia generates attractive investment returns with limited risk. Read more about this on **page 48.**

Our corporate governance principles
Helvetia considers good corporate governance very important. It is systematically geared to the Group's strategy and positioning and integrated into day-to-day work. Read more about this on **page 59.**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Company profile

Group strategy

Helvetia Group has stood for reliable insurance services for more than 150 years. The cornerstones of our success are based on the combination of selected markets, attractive insurance solutions and aiming for sustainable growth, accompanied by technical discipline, high awareness of costs and a prudent investment strategy. This is supported by a solid capital base. Our achievements in 2014 show that we are well on course with our "Helvetia 2015+" strategy in what continues to be a challenging environment in many respects. We are convinced that in future we will continue to be able to create the greatest added value for our customers, employees and shareholders by continuing our profitable growth strategy.

Strategic ambition

Helvetia Group's ambition is to dynamically and sustainably strengthen the value of our attractive business portfolio in selected European markets. We want to be one of the leading providers in our domestic market of Switzerland and further develop our positions in the attractive regions of Central and Southern Europe. In doing so, we place great value on a practical geographic diversification as well as achieving a harmonious balance between the profitable non-life business, the high-potential pensions business and the cyclical reinsurance business. In addition to this, we will continue to actively and systematically seek targeted acquisitions and strategic collaborations.

Our ambition will be implemented based on organic growth supplemented by selected, targeted acquisitions with a focus on further developing our retail and SME business. With our innovative and tailor-made customer solutions, accompanied by a consistent further development of our sales reach, we see great potential for the future. We see ourselves as a quality provider and aim to be the "Swiss insurer". Customer orientation is deeply anchored in our core values. We consider the satisfaction of our customers and our employees to be what is most important. It is on this foundation that we can create the best possible benefits for our shareholders, flanked by our continued efforts to increase our earning power. In doing so, we pursue our efforts to constantly increase the productivity of our operating processes in the country markets by means of selected processes and systems at a group wide level.

We accentuate our ambition by means of the following objectives in accordance with our principle: "To excel in growth, profitability and customer loyalty."

2014 was characterised by a tentative economic recovery in our core markets, whereby the economic environment remained challenging. It is against this backdrop that our strategy "Helvetia 2015+" was once again proven. Helvetia was able to achieve respectable successes in terms of inorganic growth in all three strategic fields of growth, profitability and customer loyalty.

Growth

We want to dynamically expand our market positions. In financial year 2014, our ambition for growth was characterised by two strategically significant takeovers.

The acquisition of Basler Austria gives Helvetia the capability to increase premiums by more than 50 % and become one of the top 10 insurance companies in Austria with a premium volume of EUR 400 million. In the financial year 2014, business volume rose by 18 % due to the acquisition, and Basler Austria has been included in the consolidated report since 28 August 2014. In the non-life business the increase was even higher at 23.5 %. The largest share of the acquired business portfolio was in the high yielding non-life business, and Helvetia has thus been able to create an ideal balance between the business areas. The expanded sales network also provides an opportunity for sustained and profitable growth. Finally, the consolidation of central services allows additional professionalisation and greater operational efficiency.

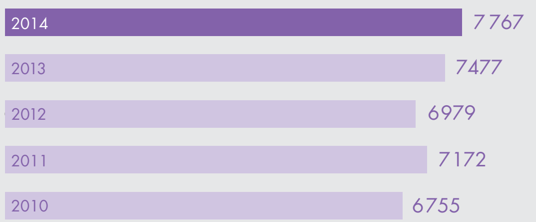
The merging of Helvetia and Nationale Suisse was agreed in July. The "new Helvetia" resulting from the merger will generate a premium volume of around CHF 9 billion and have a profit potential of more than CHF 500 million. This will represent a leading all-sector insurance in Switzerland. The takeover also enabled us to improve our positions in our foreign core markets. The new market area "Specialty Markets" has combined the expertise of both companies in the business lines engineering (technical insurance), art, transport insurance and active reinsurance. The three new strategic areas of Switzerland, Europe and "Specialty Markets" provide the best possible optimal use of the proven strengths of both companies and offer the most favourable conditions for healthy further development. More information can be found in the chapter "The new Helvetia" on pages 10 to 13.

The conditions for achieving sustained profitable organic growth remained difficult in 2014. Although we noticed a recovery in our core markets, the overall economic environment remains challenging, especially in the Southern European countries. In addition, there was a further tightening of the low interest rate environment.

On a currency-adjusted basis, the acquisition helped the profitable non-life business to achieve satisfying growth of 10.3 %. Excluding the two acquired companies, the growth amounted to 1.4 %. Virtually all the country markets made a positive contribution towards growth. Only the country market of France experienced a slight decline as a result of declining unprofitable contracts. Thanks to the acquisitions, life business grew by 1.1 % and would have declined had it not been for Nationale Suisse and Basler Austria. The new business in single premiums in individual life experienced a significant decline, especially in our largest country market of Switzerland, on account of the low interest environment. However, group life insurance continues to show growth.

Following the acquisitions of Nationale Suisse and Basler Austria, the merged product portfolios of the "new Helvetia" offer organic new opportunities for market cultivation in each country and therefore potential for attractive organic growth. Looking back, Helvetia was able to sustainably and, in part, significantly, further develop the market positions in all core markets. The "new Helvetia" will continue to have particularly robust capitalisation and now very favourably increased earnings power. This makes it possible for us to carry out value-enhancing transactions, although our focus for the coming financial year lies clearly on ensuring a smooth integration process.

Business volume
in CHF million



Profitability

We want to sustainably increase our profitability. Despite a difficult economic environment, Helvetia has been able to achieve satisfying growth in underlying earnings (i.e. the underlying profit from the businesses of Helvetia, Nationale Suisse and Basler Austria including synergies and without transaction effects such as restructuring costs and the amortisation of intangible assets and fair value adjustments) of 15.9 %. The main driver was again the profitable non-life business which impressed with an increase of 33.2 %. The increased result was due to an organically better technical result, supported by the acquisition of Nationale Suisse and Basler Austria. The net combined ratio improved from 93.6 % in 2013 to 93.1 %. We are still committed to achieving a systematic and sustained improvement to our cost base over time.

Despite the planned decline in business volume in the life business, it was still able to almost maintain its absolute profit contribution. This result is pleasing, especially in view of adverse factors, including the continued sustained low interest rate and the increase in reserves required because of this. In addition, the equity markets no longer experienced the boost they had in 2013. We will continue to focus on the capital-efficient non-traditional life insurance in new business, whereby we particularly want to further develop our state-of-the-art life insurance products.

After the completion of the merger with Nationale Suisse, Helvetia Group will have an increased earnings power. In addition, the greater proportion of the profitable non-life business, particularly in our home market of Switzerland, will achieve higher profit margins in the Group. This will be further emphasised by the realisation of the synergy effects that we are aiming for within the scope of both transactions.

Customer loyalty

We want to increase the benefits to our customers based on their needs. Our dedication to retail and SME clients places customer loyalty at the centre of our business. Thus we have implemented numerous long-term measures in our core markets to gain new customers and generate loyalty among existing customers. We aim to offer our customers true added value, specifically with our innovative products and tailored customer solutions.

Alongside this, we see very good starting points for even more comprehensive customer solutions. Particularly in the products of Nationale Suisse which have not been included in the Helvetia business portfolio up until now. These include, among others, health and accident insurance in Switzerland and also art insurance.

Financial objectives

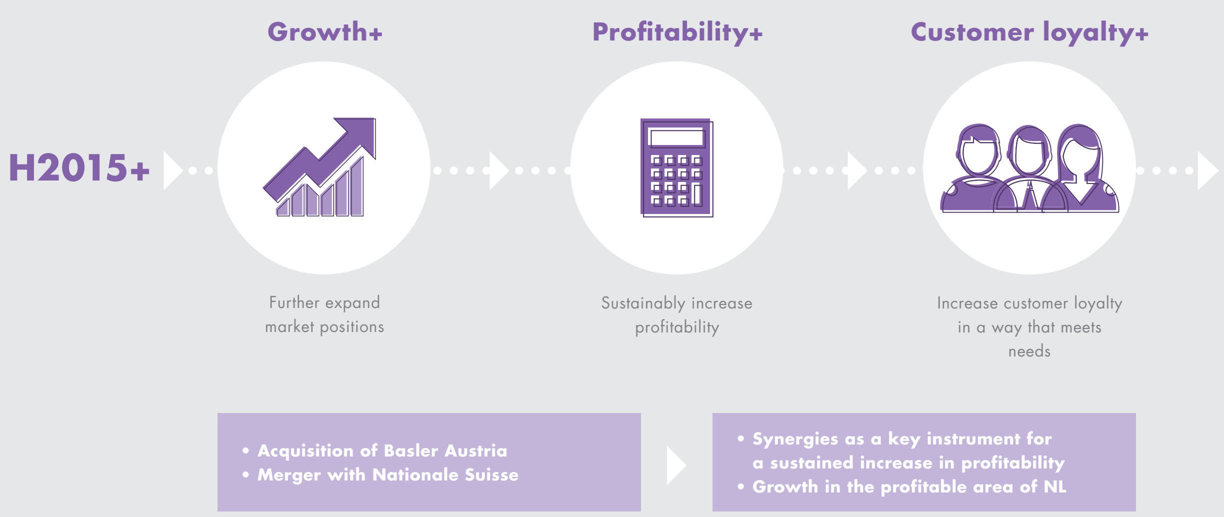
	Objectives 2015+	Achievement 2014
Combined ratio (non-life)	94 % – 96 %	93.1 %
New business margin (life)	1.2 % – 1.5 %	0.8 %
Solvency I	> 175 %	216 %
Rating class	A	A
Return on equity (ROE) due to the interest rate environment temporarily slightly below 10 %	8 % – 10 %	9.6 %[1]
Payout ratio[1/2]	30 % – 50 %	44 %
Growth above the market		> 4 %
Improved cost efficiency		~

1 In percent of earnings from operations
2 Proposal to the Annual General Meeting

Our financial objectives

One of the ways we measure the success of our strategy is with medium-term financial objectives. The continuing challenging economic environment has made it harder to achieve the objectives for some of the "Helvetia 2015+" strategy criteria. The return on equity achieved in 2014 was 9.6 %[1], therefore within the expected range of between 8 and 10 %. With a Solvency I ratio of 216 %, Helvetia continues to have very good capital strength. Helvetia is sustainably continuing its shareholder-friendly distribution policy with attractive and stable flows of dividends. It is the primary aim to pay out dividends to the shareholders, which increase each year, whereby the payout ratio will move within a range of 30 and 50 %. Thanks to the satisfying rise in earnings, an increase in the dividend to CHF 18.00 per share will be proposed to the Shareholders' Meeting. At a payout ratio of 44 % and a dividend yield of 3.8 %, Helvetia is sustainably continuing its shareholder-friendly distribution policy.

Ambition of Helvetia 2015+ on course



Ruedi Burkart,
Head of Sales Force – East Region

could sense a process of change among the employees as soon as the announcement was made. For him, a key factor is for the company to become ONE insurance company as quickly as possible: “The greatest challenge lies in us becoming a SINGLE entity fast. It is only then that the important levers for synergies and efficiency will be able to take effect.”

Joy Müller,
Managing Director of smile.direct

knows the competitive environment of the online insurance business and primarily sees the opportunity to develop this further through the merger: "Agility, dynamism and speed are critical in our environment. I look forward to being involved in future projects and hope we can continue to work together as an innovator and pioneer in the direct business."

The Helvetia brand

"Personality and partnership" shape the profile of the Helvetia brand

Helvetia uses unified brand positioning to address all stakeholders, making it possible to present the company and its offers in a more plausible and consistent way. The terms "personality" and "partnership" are the focal points. Customer needs and collaboration based on trust are the most important factors. Our brand promises of "perfect fit", "reliability" and "fairness" bring life to the brand. A flexible advertising concept allows us to adapt to the customer needs of the country markets. The heart of our advertising campaign is dialogue with our customers and how we support their individual and varied requirements with our products: "Whatever your plans, we're there for you." The conversation builds trust and interest and creates the foundation for a solid partnership.

Brand awareness and its perception throughout the Group is surveyed in regular surveys of retail customers and brokers. Our long-term continued involvement in skiing across Europe, the expansion of online activities with country-specific Helvetia blogs and further market processing measures have increased brand awareness of Helvetia in all target groups. Helvetia's profile as "your Swiss insurer" has been strengthened. The perception of Helvetia as a particularly trustworthy and quality-focussed insurance and pension institution has seen encouraging development.

Pursuing the single brand strategy

Nationale Suisse has been part of Helvetia Group since October 2014. The plan is to fully integrate Nationale Suisse into Helvetia. The business models of both companies are suited in many respects; two strong partners with a proud history and similar corporate values are coming together. The new insurance group will appear under the brand "Helvetia" and continue its single brand strategy. The "new Helvetia" will position and further develop itself as a strong, distinctive and successful insurance company on the market. Nationale Suisse's "European travel insurance" and the online insurer "smile.direct" will continue to be independent brands within the scope of the defined brand architecture of Helvetia. Both brands enjoy a strategic position and have a good reputation in their specific market segments.

Skiing sponsorship strengthens brand awareness and identification

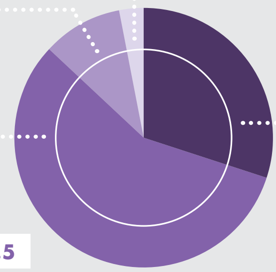
Helvetia is committed to a long-term partnership with the International Ski Federation FIS and with Swiss-Ski, event organisers and athletes in various disciplines. 30 athletes from Switzerland, Germany, Italy and Austria – including four Olympic champions: Dario Cologna, Simon Ammann, Sandro Viletta and Victoria Rebensburg – are personally sponsored. Helvetia is present at numerous world-class events in skiing as principal sponsor. The two most important contracts – premium sponsor of the FIS Cross-Country World Cup including Tour de Ski and official partner of the FIS Alpine World Cup – run until 2017. Helvetia is the principal sponsor of the Helvetia Nordic Trophy, the biggest Swiss competition for young skiers in cross-country skiing, ski jumping and Nordic combined. The contract with the Swiss-Ski Federation runs until the end of the 2016/2017 season. As of the winter season 2014/2015, Helvetia is also the new premium sponsor of cross-country skiing trails in Switzerland and of Romandie Ski de Fond. This continuity in skiing sponsorship means we are laying the basis for successful sportsmen and sportswomen to strengthen identification with the Helvetia brand through their dynamism and enthusiasm.

Business activities and country markets

Helvetia is a successful insurance group, active throughout Europe. Alongside the home market of Switzerland, Helvetia has operations in Germany, Austria, Spain, Italy and France and organises parts of its investment and financing activities through subsidiaries and fund companies in Luxembourg and Jersey. The Group Head Office is located in Swiss St Gall. Helvetia is active in life insurance, non-life insurance and re-insurance and its approximately 7,000 full-time equivalent employees provide services for more than 4.7 million customers. Nationale Suisse has been part of the Helvetia Group since October 2014. Nationale Suisse is an innovative and international Swiss insurance group, which offers attractive risk and pension solutions in the areas of non-life – especially in tailor-made specialty lines coverage – and in life insurance.

Helvetia customers especially include private individuals and small and medium-sized companies. Their needs are shaped both by the various stages in their lives and, particularly in life insurance, by changes in the economic environment. Our product development and sales activities are consistently guided by the customer life cycle. As a quality provider, however, we also differentiate ourselves by being highly service oriented. That is why efficient claims handling is also one of the reasons for our success. We achieve a high level of customer loyalty through quick, personal and competent customer care. Our long-term-oriented business model requires prudent underwriting policies. Sound investment and risk management ensure that we can cover our customers' insurance coverage at all times.

Life insurance
The home market of Switzerland is the most important market in life business with 74 % of the business. Helvetia also provides life insurance in Italy, Germany, Spain and Austria through its subsidiaries.



Overview of individual life product portfolio

	CH	DE	IT	ES	AT	Nationale Suisse portfolio
Traditional Risk insurance and savings, financial and pension solutions with interest rate guarantees from Helvetia	X	X	X	X	X	X
Investment-linked Insurance policies with interest risk either with policyholder, at Helvetia with appropriate risk hedging or with an external partner	X	X	X	X	X	X
Deposits Investment contracts (contracts without a significant insurance technical risk)	X		X			X

In the current investment environment, we see a strong need for products with guarantees, which also have greater flexibility and participation in returns. Helvetia therefore focuses increasingly on modern products with dynamic, individual guarantee concepts. The guarantees included in the products are partially provided by renowned third-party providers.

At around 57 % (of total volume / of the Group's total life volume), the occupational pension plans for SMEs represent one of the most important insurance business lines. At 97 %, this business is generated almost exclusively in Switzerland, where Helvetia has become the third largest provider of BVG (Swiss occupational pension system) insurance solutions.

Profitability and efficiency

The profitability of the life business is determined by the development of technical risk and events on the financial markets. Share price and interest rate trends influence insurance demand and determine the achievable investment returns and policy benefits guaranteed over the long term. The continuing low level of interest rates poses the greatest macroeconomic challenge for asset management. In the past, Helvetia has always succeeded in achieving attractive returns with the capital employed. Despite continuing low interest rates, in 2014, we again managed to achieve stable interest margins between current income and the guarantees given, from which customers and shareholders benefit.

Overview of group life product portfolio

Occupational pension plans (BVG) (Switzerland only)

Full insurance solutions via Helvetia Collective Foundation
All risks and benefits in occupational pension plans are assured and guaranteed by Helvetia Insurance. Assumption of complete administration. Package for companies and independent charitable organisations.

Management pension scheme
Additional and separate pension solutions, which go beyond the legal requirements.

BVG Invest
Covers the risks of death and invalidity by means of insurance contracts with Helvetia. Assumes the complete administration. Manages the investments through the Helvetia Investment Foundation. Appropriate pension plans with return opportunities.

Risk insurance
Risk insurance and blanket risk contracts for semi-autonomous occupational pension foundations, assumption of complete administration.

Swisscanto Foundations
As a joint venture of Helvetia Insurance and the Association of Swiss Cantonal Banks, the Swisscanto Collective Foundations offer products and services for occupational pension plans and supplemental provision. Savings investment via the cantonal banks; insuring against the risks of death and invalidity with Helvetia. Sales via cantonal banks and brokers. The Swisscanto Vested Benefits Foundation manages vested benefits accounts for customers of the cantonal banks who do not operate their own vested benefits foundation. Helvetia manages the branch offices of all three foundations.

Helvetia Investment Foundation
Joint investment and administration of the pension funds investment. Specialising in indexed and core satellite investment products as well as real estate investments.

Helvetia Consulta AG
Draws up analyses and expert opinions, IAS19 calculations. Assumes the technical administration. Comprehensive consultation and services for occupational pension funds foundations.

Non-life insurance

The emphasis in our non-life business is on service quality, sustainable pricing and opening up new access to sales. With the takeover of Nationale Suisse, Helvetia has expanded the product portfolio and therefore strengthened its activities in the profitable non-life business. Non-life business increased from 34 % in 2013 to 36 % of the total volume. In the clearly focussed specialty lines of engineering, marine, art and travel, Nationale Suisse has also established itself as a professional niche provider. In the future, Helvetia will also be providing health and accident insurance from Nationale Suisse in Switzerland. The also recently acquired smile.direct is characterised by its leading customer satisfaction on the market and a very good price-performance-ratio. Further details on the development of the non-life business as a result of the takeover of Nationale Suisse can be found in the chapter "The new Helvetia" on pages 10–13 of this report.

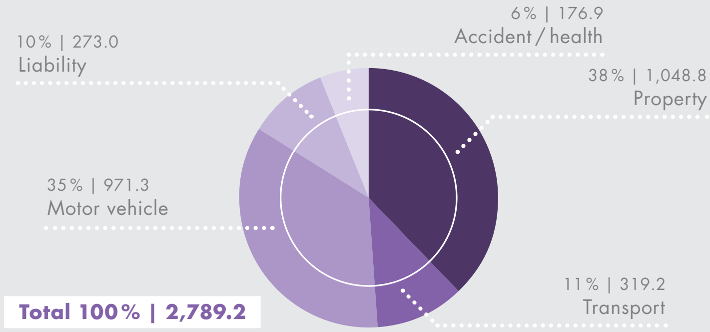
Alongside the domestic market of Switzerland, Helvetia also offers its non-life services in Germany, Italy, Spain and Austria. In Austria, we significantly strengthened our position in 2014 by acquiring Basler Austria. In France, Helvetia has already established itself as the top 2 provider in the marine and transport insurance business. Through the Specialty Markets division, Helvetia will in the future also have a presence through representative offices in Istanbul for Turkey and Miami for Latin America and through branches in Singapore and Kuala Lumpur.

Profitability and efficiency

Helvetia Group pursues a disciplined underwriting strategy in order to ensure portfolio quality, and only underwrites larger business risks selectively. We work together with renowned reinsurers to hedge against major loss events. Profitability also depends on portfolio composition, premium and cost performance as well as claims. Profitability can be measured with the combined ratio, which has on average been below 95 % at Helvetia in recent years. Also in financial year 2014, the net combined ratio was 93.1 %, which is a reflection of portfolio quality.

Business volume non-life 2014

Share in % | in CHF million

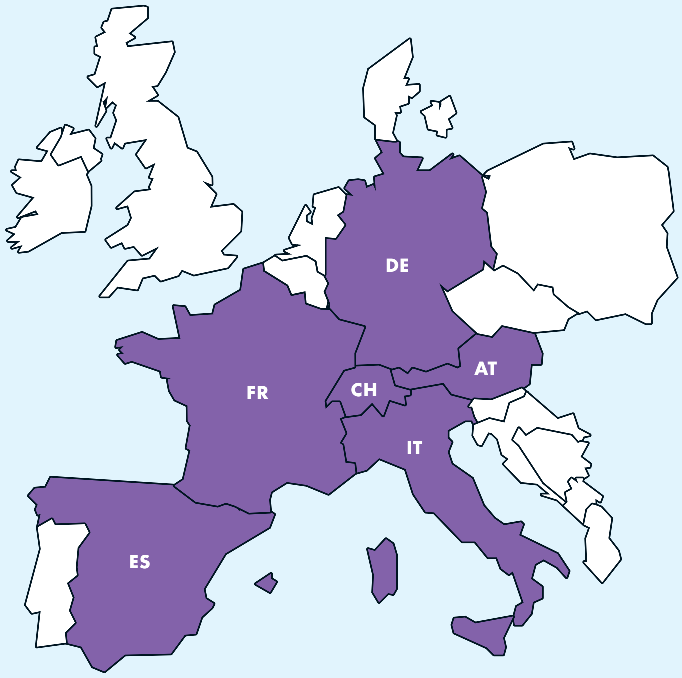


Overview of non-life product portfolio

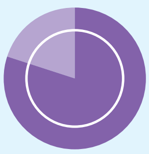
	CH	DE	IT	ES	AT	FR	LI
Property	X	X	X	X	X	X	
Marine / transportation	X	X	X	X	X	X	X
Liability	X	X	X	X	X	X	
Health / accident	X*	X	X	X	X		
Technical insurance	X*	X*	X*	X*			X*
Art	X*	X*	X*	X*			X
Travel	X*						
smile.direct	X*						

* New insurance sectors after the acquisition of Nationale Suisse

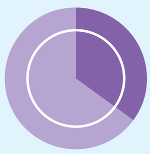
Reinsurance business
Helvetia is one of the oldest reinsurers in the world. As a niche provider, it stands out because of its sustainable and long-term business relationships and strict underwriting policy. The focus of activities is on the highly diversified non-life insurance business. Active Reinsurance strives to grow selectively with profitable, worldwide underwriting lines. It also benefits from the balance sheet strength of the new Helvetia and makes further increased underwriting capacities available to its customers.



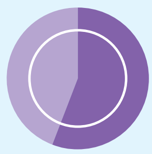
Business volume 2014



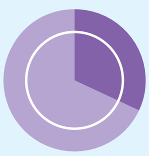
Switzerland
Volume:
CHF 4,451 million
80 % 20 %



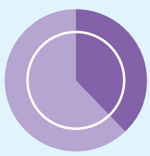
Germany
Volume:
CHF 865 million
35 % 65 %



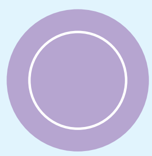
Italy
Volume:
CHF 1,149 million
56 % 44 %



Spain
Volume:
CHF 436 million
32 % 68 %



Austria
Volume:
CHF 376 million
38 % 62 %



France
Volume:
CHF 252 million
100 %

Life Non-life

Group structure

- **Helvetia Holding AG** — St Gall 1
  - *** Schweizerische National-Versicherungs-Gesellschaft** — Basel 98.51 % 2 (of which 13.71 % held by Helvetia Beteiligungen AG)
- **Helvetia Versicherungen** — St Gall 100 % 2
  - **Helvetia Life** — Basel 100 % 2
  - **Helvetia Finance** — St Helier (Jersey) 100 % 2
- **Helvetia Beteiligungen** — St Gall 100 % 3
  - **Helvetia Holding Suizo** — Madrid 100 % 3
    - **Helvetia Compañía Suiza** — Seville 99 % 3
  - **Helvetia Europe** — Luxembourg 100 % 3
    - **Helvetia Versicherungen** — Vienna 100 % 3
      - **Helvetia Versicherungen Österreich (formerly Basler)** — Vienna 100 % 3
  - **Helvetia Vita** — Milan 100 % 3
  - **Chiara Vita** — Milan 100 % 3
- **Helvetia Reinsurance** — St Gall 4
- **Helvetia Life** — Frankfurt 100 % 3
- **Helvetia** — Headquarters for Germany, Frankfurt 4
  - **Helvetia International** — Frankfurt 100 % 3
- **Helvetia** — Headquarters for Austria, Vienna 4
- **Helvetia** — Headquarters for Italy, Milan 4
  - **Helvetia Italia Assicurazioni** — Milan 100 % 3
- **Chiara Assicurazioni** — Milan 53 % 3
- **Helvetia** — Headquarters for France, Paris 4
  - **Helvetia Assurances** — Paris 100 % 3

* the acquisition of Schweizerische National-Versicherungs-Gesellschaft AG means Helvetia Holding has acquired 100% of the following subsidiaries:
- Europäische Reiseversicherungs AG, Basel
- Care Travel AG, Brüttisellen
- Schweizerische National-Versicherungs-Gesellschaft AG, Vaduz, Liechtenstein
- Nationale Suisse Latin America LLC, Miami, USA
- Schweizer-National Versicherungs-AG, Frankfurt, Germany
- Nationale Suisse Compagnia Italiana SpA, San Donato, Italy
- Nationale Suisse Vita Compagnia SpA, San Donato, Italy
- Nacional Suiza Compañía de Seguros S.A., Barcelona, Spain
- Schweizerische National Leben AG, Bottmingen (97.59 %)
- Medicall AG, Brüttisellen (74.32 %)

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

As of March 2015

Employees

The mergers in the financial year 2014 have also had a significant effect on the HR agenda. Comprehensive change management and the prudent incorporation of the new employees have formed the focus of the integration work.

Management culture

The corporate culture of Helvetia is based on performance and trust. Mutual respect, acting as a role model and close cooperation are firmly anchored in the principles of Helvetia Group. This policy has continued to prevail at Helvetia with the integration of the new companies acquired in 2014. A total of around 2,000 new employees of the Nationale Suisse Group and Basler Austria have been incorporated throughout the whole Helvetia Group. A key factor in the successful integration of the employees is a mutual integration culture – which also forms the foundation for a common approach to management. With this in mind, the integration was launched with project teams made up from both companies, so as to establish a joint integration culture right from the start. The integration of the new companies has followed Group-wide principles that take into account the management culture at Helvetia and has also been supported by suitable HR measures such as management seminars and team-building events, which have helped to support the process of change.

Helvetia firmly believes in a culture of cooperation, and the company encourages regular feedback, which is the key to maximising the potential of the individual and ensuring the successful development of the company. The dialogue between employees and Helvetia is supported by national committees that also represent the interests and rights of the employees. As an international Group, Helvetia also encourages regular cross-border dialogue between the Group Executive Management and the national employee representatives, which promotes mutual understanding and solidarity.

Employee satisfaction

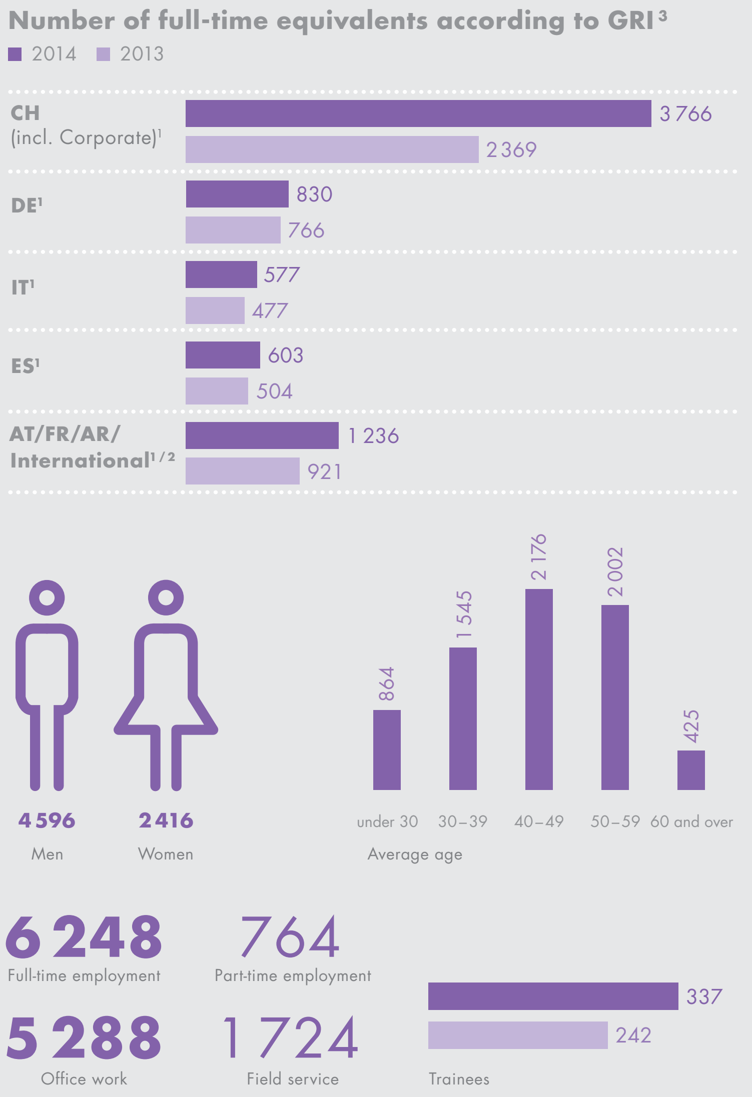
Helvetia aims to provide its employees with an environment that promotes their well-being and allows them to maximise their performance. Helvetia has a positive, value-based corporate and management culture, a transparent and target-orientated compensation system that rewards performance and personal responsibility. A standardised objective setting system is used throughout the Group to help us accomplish this. During the course of formal employee appraisals, the employees' performance is assessed and their opportunities for development discussed with them. Helvetia attaches great importance to giving its employees individualised, equal opportunities. Measures to support women include promoting a better work-life balance by using flexible working time models, the granting of parental leave and, in some cases, in-house company childcare facilities. Helvetia also ensures equal pay for men and women.

As part of the "Commit" survey, employee satisfaction is regularly measured by an independent institute. The most recent survey was in 2013 and all Helvetia employees had the opportunity to anonymously express their thoughts concerning their working environment. In total 85 % of employees took part in the survey (2010: 84 %). The results, with 78 of 100 total possible points (2010: 77 points), indicated a strong connection with Helvetia, and, when compared with the benchmark of other financial service providers, remains well above the average. The next Group-wide survey is planned for 2016.

Personnel development

Well-educated, dedicated and competent employees are the most important drivers of our success. Helvetia operates in a demanding, intensely competitive market environment that is changing considerably due to globalisation, of new technology and regulation. With a systematic and proactive personnel planning and development programme, Helvetia is addressing these changes as well as future demographic challenges. Personnel planning is concentrated on acquiring new employees and on the systematic definition and development of their potential.

Within the scope of the integration work, HR duties have included the support of the line functions in terms of job placements so as to ensure the balance between the stability and further development of the Group as well as the optimum employment of the employees and the use and expansion of existing skills and expertise. The knowledge exchange between the employees of the different companies has been promoted within the framework of management training, as has the desire of the employees to participate actively in the changes. A leadership training package has been designed under the title "How to successfully manage the integration", which was launched in Switzerland in 2014 and will be rolled out to all the relevant country markets in 2015. To take into consideration the different local requirements, this training package will be supplemented in each case with specific local modules. The programme is part of the familiar Group modular international management training programme, in which the top managers regularly participate and which deals with developments in strategic matters. In order to ensure that the contents are up to date, Helvetia works closely with renowned educational institutions such as the London Business School and the University of St Gall. Helvetia also fosters the international transfer of knowledge and Group-wide collaboration by means of an inpat / expat programme for specialists and managers. In addition, the annual management forum provides a platform for managers from all country markets to exchange information about a current, strategically-relevant management issue within the Group. In 2014, this focused entirely on the integration.



1/2 The increase in employees compared to the previous year was due to the acquisitions of Nationale Suisse Group (1) and Basler Austria (2).

3 Definition of key figures comply with the Global Reporting Initiative (GRI) and include all employees (permanent and temporary). The employees in training were not included but disclosed in a separate figure.

The definition was revised so that the number of FTEs for the previous year (including employees in training) was about 90 FTEs less the figures published for 2013.

Customers and sales

Sales structures optimised for specific countries

Helvetia also aims to grow through the expansion of its distribution capabilities. For this reason, interaction with customers through a wide range of channels is very important. Customer needs are at the heart of our sales activities. And our decentralised distribution is set up to meet the specific needs of the local country markets. This allows us to quickly recognise and react to shifts in demand. Helvetia pursues the multi-channelling approach, i.e. accessing to customers through various sales channels. In addition, we work with renowned distribution partners. This increases our sales reach.

After the takeover of Nationale Suisse, with the merging of the two sales forces, Helvetia has substantially increased its network of branch offices in the most important country market of Switzerland as of 1 May 2015. We can significantly develop our market position particularly in the French part of Switzerland and in Ticino. With smile.direct we also have an online sales platform that is already very well placed on the market and repeatedly achieves top results in terms of quality, service and quotes in neutral comparison tests.

Overview of the sales channels by country

	Own field service	Agents	Brokers	Partners	Direct sales / new media
Switzerland	X		X	Raiffeisen, Notenstein, Vontobel, Association of Swiss Cantonal Banks Helsana / innova and Solida SEV	X
Germany		(exclusive and non-exclusive)	X	ARAG (legal protection) Suzuki or car dealerships	
Italy		(based on legal specifications not acting exclusively)	X	Banking partners, Banco di Desio (life), Chiara Assicurazioni network (non-life) with many further partner banks Worksite marketing partners (ENI, Agusta)	
Spain		X	X	Product-specific partnerships (e.g. Carrefour for household and funeral costs insurance, household, Alcampo for funeral costs insurance)	Product-specific funeral provisions Risk insurance
Austria	X		X		
France			X	Yacht insurance with Société Générale, bank partner with Caisses Régionales and access to the GAN agents network for transport insurance	

Focus on customer needs
Trust in our company, high levels of satisfaction with our products and services, recommendations and long-term business relationships form the basis of our business success. Helvetia primarily differentiates itself as a quality provider by being very highly service-oriented. It achieves a good level of customer loyalty through quick, personal and competent customer care. Our customers' feedback is important to us. Depending on the sales focus in the individual countries, feedback is gathered via a Helvetia hotline, the sales force, the broker channel or our distribution partners. We obtain important information from our workshops about how we can make our processes, correspondence and product information simple and comprehensible. Customer questionnaires add an extra level to this feedback and enable us to carry out a detailed assessment of our products and advice quality. An independent market research institute surveys our retail customers every two years. These surveys are coordinated at the Group level and take place at the same time for all the individual country companies and product areas. Following the surveys, benchmark studies are prepared which serve to assess the location with regard to our image and the satisfaction and loyalty of various customer target groups. We collect information separately for the product areas of non-life, group life and private pension provision. In addition, we carry out regular broker surveys and participate in external surveys.

In the past financial year, external surveys were carried out on customers and brokers in the German-speaking Helvetia markets. Helvetia achieved very good results in terms of service orientation and customer satisfaction. The details can be found in the table below:

Our awards

	Survey	Relevant products and services	Survey results	Source
Switzerland	Comparis	Vehicle insurance	Good overall mark (5.2) and top rating for claims settlement and customer service	
Germany	Broker champions 2014	Service quality for life insurance broker	1 place	Versicherungsmagazin / ServiceValue GmbH, 2014
	Broker champions 2014	Service quality for property insurance brokers	6th place	Versicherungsmagazin / ServiceValue GmbH, 2014
	Stiftung Warentest	Two personal liability rates	Highest mark	Finanztest 12/2014
	experten-netzwerk	Transport insurance	2nd place	experten-netzwerk
Austria	Assekuranz Award (Insurance policy award)	CleVesto	3rd place (non-traditional life insurance)	Prize of the Austrian Insurance Brokers Association
	Recommender	Companies	2nd place (nationwide insurer)	FMVÖ customer survey, Finanzmarketingverband Österreich (Finance marketing association Austria)
	Best Recruiters	Companies	Silver BEST RECRUITERS seal of approval	GPK's "Career's Best Recruiters" study

The results for the customer surveys carried out in Italy will be available in the spring of 2015.

Detailed information about awards in Germany at:

Detailed information on Italy at:

Ylenia Mazzariello
apprentice at head office in St Gall

is sure that the merger of Helvetia and Nationale Suisse will provide an interesting company for jobseekers in Switzerland: "I hope that the 'new Helvetia' will be a fair and attractive employer, will continue to care about the welfare of its employees and that Helvetia will continue to be dedicated to its junior staff and support them."

Tania Furler
apprentice in sales support
General Agency in Lucerne

heard about the merger just before she started her apprenticeship at Nationale Suisse. Any initial uncertainties were quickly cleared up thanks to the good communication: "First of all, I asked myself what the outcome would be for the employees but also the apprentices. Luckily, I didn't have to wait long before my mind was put at rest."

New products and innovations

Innovations
Helvetia has been involved in social networks since 2010. Since then, social media has also become firmly established in the professional environment as a new communication channel. It not only offers the functionality of direct information and contact platforms but is also a crucial marketing instrument.

Helvetia blog
Since the launch of the Helvetia blog in Switzerland in November 2012, the Helvetia country markets of Germany, Austria, Spain and Italy went on to develop their own blogs during 2013. The blog received a silver medal in the "Best of Corporate Publishing" (BCP) competition in 2013 and 2014. With over 700 publications submitted, BCP is one of the most important competitions for corporate communication in Europe.

Tele1
A new development in the financial year 2014 was the collaboration with the TV channel Tele1 in Switzerland. Together with Raffeisen Switzerland, Helvetia is a partner of the "Geld" programme, which broadcasts interesting information about the world of money. Every two weeks, a representative of Helvetia visits the Tele1 studio to answer questions concerning current insurance topics. The programme is watched by up to 250,000 viewers in Central Switzerland.

Helvetia app
The free Helvetia app has been available for smartphones and mobile devices in Spain since the financial year 2014. Among other features, it offers customers the option to access their personal data or policies and also use the Helvetia location search.

HelvetiaNet
An innovative broker portal was introduced in Germany in the financial year 2014. The new HelvetiaNet gives brokers a detailed insight into customer, contract and claims data. One of the features enables brokers to process claims notifications and remuneration settlements online. By using a claims tracking tool, the broker can inform its customers about the processing status of their claims notification at any time.

Anti-fraud software
Insurance fraud is not only a punishable offence, it also affects insurance companies. Software solutions help to identify such cases in a targeted manner. Since the past financial year, a software solution specially developed for Helvetia Germany has been used to identify circumstances that could potentially be fraudulent.

New products in the financial year 2014
Helvetia provides tailor-made insurance solutions to help support its customers in managing risks and financially providing for a securer future. We continually adapt our product portfolios so as to keep up with the ever-changing requirements. Existing product solutions are optimised and new products launched.

The following overview shows the new products launched in the financial year 2014.

New products[1]

	Product name	Significant product characteristics	Further information
Switzerland Life	IndiCa	– Cooperation with Notenstein in the area of non-mandatory management pension schemes – Personalised investment strategies for the pension fund assets of members of management pension schemes – The collaboration offers retail customers investment advice and solutions to insurance issues from one source as well as comprehensive advice and care	
Switzerland Non-life	Earthquake insurance	– Cooperation with the Basellandschaftliche Kantonalbank (BLKB) with Helvetia Versicherungen, Basler Versicherungen, HIS Solutions and Swiss Re – Automatic earthquake insurance with a mortgage with the BLKB – Buildings and floor ownership sections up to a building insurance value of CHF 5 million are insured	
Germany Life	CleVesto Balance	– Fund-linked annuity insurance – Focus on single premiums	http://www.helvetia.com/de/content/de/privatkunden/leben-alter/fondsgebundene-versicherungen/helvetia-clevesto-balance.html
	Accident insurance	– Covers cosmetic operations up to EUR 30,000 – Medical assistance up to EUR 15,000 – Increased advance payments for ongoing treatment	
	Accident benefit (also for children)	– Financial benefits to cover the ongoing consequences of an accident – Life-long annuity from 50% invalidity	www.helvetia.com/de/content/de/privatkunden/unfall/unfallrente.html
Germany Non-life	AutoCare	– Cover for parking damage and roof avalanches – Discount protection as well as reimbursement of the purchase price of a new car after a total write-off or theft	www.helvetia.com/de/content/de/privatkunden/fahrzeug/kfz-versicherung-autocare.html
	CargoMovers	– Transport insurance for removal companies	
	CargoArt	– Insurance protection for art exhibitions and art transportation – Insuring exhibitions against damage and loss – Co-insurance of exhibitions which are being stored temporarily by a haulage company – International validity	
Austria life	Helvetia provision for children – Bambino	– Traditional life insurance for children – "Provider clause": if something should happen to the provider during the period of payment of the premium, Helvetia will continue with the ongoing premiums. – Includes the option to make additional payments or withdrawals, time-out arrangements	www.helvetia.com/at/content/de/privatkunden/lebensversicherungvorsorge/kindervorsorge.html
Austria Non-Life	Helvetia "Totally Private" household insurance	– Completely revised household insurance with forty new coverage points – Offered in three variants: classic, enhanced, exclusive – New: the Helvetia consolation; one-off compensation after burglary or robbery – New additional module: increase in gross negligence	www.helvetia.com/at/content/de/privatkunden/haushaltversicherung.html
	Helvetia – living and working in the countryside	– Coverage of risk in agricultural operations, irrespective of the size of the company – Special highlight: underinsurance is excluded.	www.helvetia.com/at/content/de/firmenkunden/Landwirtschaftsversicherung.html

[1] Focus on German-speaking countries

Corporate responsibility

For detailed information about the corporate responsibility strategy and key topics, refer to:

Sustainability is a key factor in ensuring long-term economic success. As a company that operates throughout Europe, Helvetia acts on its corporate responsibility by continuously critically assessing the impact of its own business activities both on the environment and on society. In doing so, Helvetia exceeds the expectations of statutory provisions and takes into consideration more far-reaching voluntary standards.

As part of an extensive analysis, at the start of 2013 Helvetia assessed the opportunities and risks in terms of sustainability, and gleaned a Group-wide corporate responsibility strategy from this. It focuses on involving corporate responsibility aspects in the insurance business, the protection of natural resources and a varied, social commitment at the Helvetia locations. Targets have been set in the individual areas of activity and appropriate measures and projects launched. Some of which started in 2014.

Progress in the core business

For detailed information, refer to:

Helvetia was the founding member of Swiss Sustainable Finance. The platform – established in 2014 – promotes the sustainability of the Swiss financial centre. Over 80 organisations – including financial services providers, investors, research organisations and the public sector – have agreed to help promote social and environmental issues in the investment and financing business. The membership has given Helvetia the opportunity to obtain more information about "socially responsible investments" and benefit from collaboration with universities. The prime aim is to hold specialist discussions with other investors regarding the integration of environmental, social and governance criteria.

So as to implement its sustainable procurement policy, Helvetia has established recommendations for all the key product categories. These include the areas of human rights, employment standards, environmental protection and combating corruption. The international Corporate Responsibility Advisory Board has taken the responsibility for implementing the recommendations throughout the Group. The open dialogue with the suppliers should lend an important stimulus to the further development of the sustainable procurement strategy.

The procurement strategy is published on the Group's website https://www.helvetia.com/corporate/content/en/about-us/commitment/corporate-responsibility/service-links.html

For detailed information about the CR organisation, refer to https://www.helvetia.com/corporate/content/en/about-us/commitment/corporate-responsibility/organisational-management.html

Environmental management measures

All Helvetia country markets have taken measures to improve their environmental performance and environmental protection. These resulted in slightly lowering the emissions which are incurred by business trips and also achieving certain savings in energy, water, paper consumption and waste. By converting to renewable energy and installing a photovoltaic system on the roof of the Helvetia Head Office in Vienna, Austria became the first country market to considerably reduce its greenhouse gas pollution. Preliminary studies on green building standards are under way in France, Austria and Switzerland. The majority of CO_2 emissions come for our own office buildings. Therefore, measures to increase their energy efficiency have been a particularly effective instrument in further reducing our ecological footprint.

Helvetia is listed in the Climate Disclosure Leadership Index (CDLI) of the CDP (former Carbon Disclosure Project) for the first time ever. As a non-profit organisation, each year the CDP asks the largest listed companies throughout the world to publish their greenhouse gas emissions. The results show how transparently and effectively companies are tackling the issues of climate change. The transparency of the information provided by Helvetia has been assessed by the CDP which has awarded 96 out of a maximum of 100 points (2013: 82 points).

For more information about Helvetia environmental reporting, refer to https://www.helvetia.com/corporate/content/en/about-us/commitment/corporate-responsibility/news.html

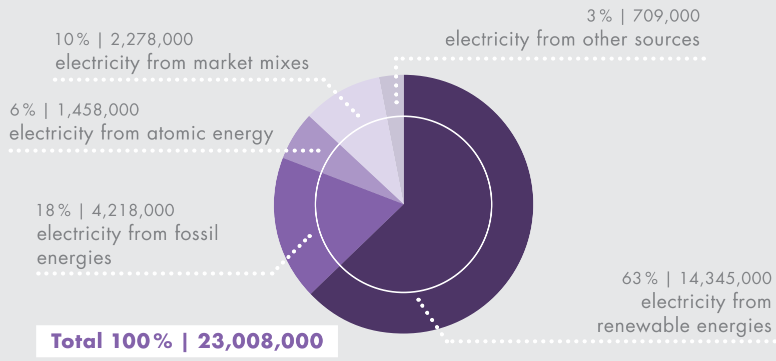
Corporate responsibility

For Helvetia, corporate responsibility has always meant taking responsibility for the community. Social commitment in the form of donations, social sponsoring and supporting the voluntary activities of Helvetia employees and third-parties are becoming increasingly linked with aspects of the insurance business. This has been especially successful with the commitment to protect forests, which, alongside Switzerland, has now also been rolled out in Germany, Austria and Italy. With a total of 130,000 tree donations, Helvetia is supporting mountain forests which offer protection from rock fall, landslides and the formation of avalanches above villages, roads and railways. The initiative, which has been conducted together with forest organisations, perfectly suits a comprehensive risk management with a combined involvement in prevention through to repairing damage. A variety of existing initiatives concerning demographic change, science and education as well as social and cultural projects in all country markets are continuing successfully.

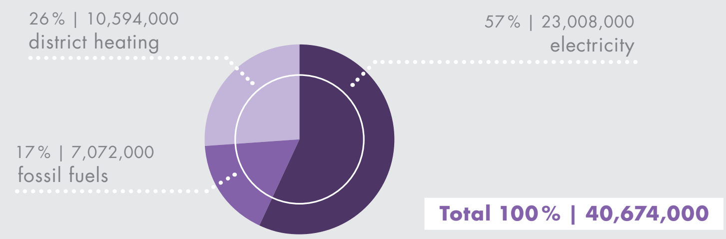
The Helvetia Patria Jeunesse Foundation – located in Basel – has been devoted to Swiss child and youth welfare for more than 35 years. It provides resources for institutions who work to help socially disadvantaged children and supports the specific culture, sport and health activities of associations and youth groups.

For detailed information about the initiative to protect forests, the commitment of the Helvetia country markets and the CR milestones, refer to https://www.helvetia.com/corporate/content/en/about-us/commitment/corporate-responsibility/protection-forest.html
https://www.helvetia.com/corporate/content/en/about-us/commitment/corporate-responsibility.html
https://www.helvetia.com/corporate/content/en/about-us/commitment/corporate-responsibility/milestones.html
www.helvetia.ch/jeunesse

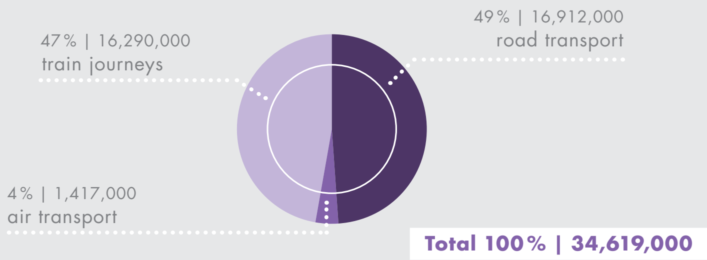
Electricity mix of Helvetia Group
in % | in kWh



Energy mix of Helvetia Group
in % | in kWh



Transport mix of Helvetia Group
in % | in km



Investor information

Helvetia share	
Symbol	HELN
Nominal value	CHF 0.10
Security number	1 227 168
Listing	SIX

2014 was a good year overall for Swiss shares. The continuing aggressive monetary policy by central banks, the low interest rates and the good shape of companies created good fertile ground for securities. This particularly applies to insurance shares too, which rose in value not only on solid technical results, but also attractive dividends. Compared to the market as a whole, the insurance segment achieved a satisfying outperformance. The Helvetia share achieved a total return of 10.2 %, which was partly due to price gains (6.3 percentage points) and partly to the earnings distribution of CHF 17.50 in 2014 (3.9 percentage points). This performance meant the share was slightly behind the relevant reference levels of the Swiss and European market. Taking account of the capital increase and bond issues for financing the acquisition of Nationale Suisse, it is nevertheless possible to speak of a good result, which proves investors' great confidence in Helvetia's business model in general and the merger with Nationale Suisse in particular.

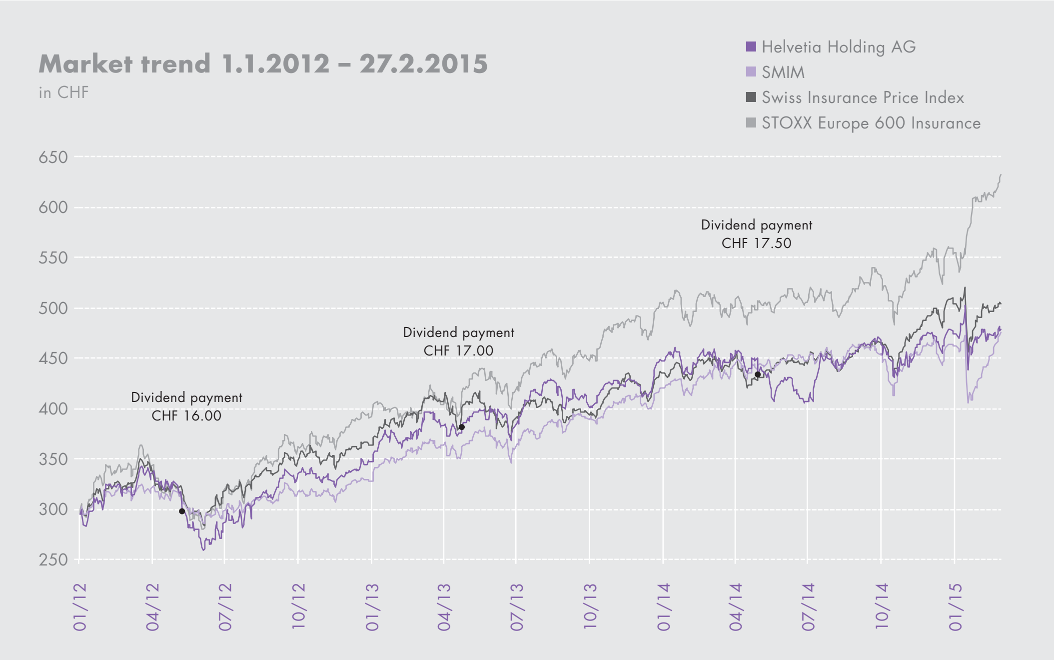
Stable core shareholder base

Compared to the end of 2013 there was no change in the composition of the core shareholder base. Due to the acquisition of Nationale Suisse and the associated capital increase, there was temporarily a slight dilution of the shareholding of our pool shareholders, which was, however, reversed by means of purchases. The free float thus remains unchanged at 61.9 %:

Shareholder base as of 31 December 2014

– Patria Genossenschaft	30.1 %
– Vontobel Gruppe	4.0 %
– Raiffeisen Schweiz	4.0 %

The allocation of newly issued shares as part of the takeover offer to the former Nationale Suisse shareholders markedly increased the number of shareholders as of the end of 2014 by around 20 % to 11,991 shareholders.



At the end of the year, the employees held 1.4 % of the registered share capital, around 0.1 % of which was held by members of the Board of Directors and Executive Management of Helvetia Group.

The majority of registered shareholders are based in Switzerland. Of the institutional shareholders – excluding the above core shareholders – 64.2 % have their registered office in Switzerland (previous year: 65.0 %) and 35.8 % are based abroad (previous year: 35.0 %). Shares pending registration rose slightly year-on-year, ending the year at 23.5 %.

The average volume of Helvetia shares traded each day in 2014 was nearly CHF 8.6 million, representing a year-on-year increase of nearly 25 %. This represents a higher than average increase in comparison with the respective trading volume on the Swiss Exchange.

The structure of the types of investors has shifted slightly since the previous year to include more private individuals, banks and insurance companies and fewer other institutional investors.

Successful Shareholders' Meetings in 2014

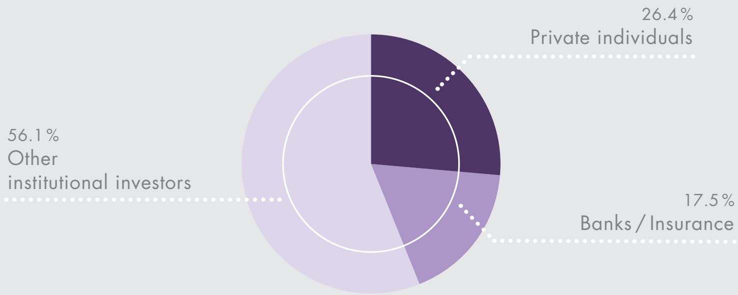
Helvetia Group once again presented a very good annual result to the 1,630 shareholders with voting rights attending the Shareholders' Meeting. The Shareholders' Meeting took note of the strong operating performance in challenging market conditions and approved the annual report, financial statements and consolidated financial statements for 2013. Furthermore, in accordance with the adjusted articles of incorporation and in line with the Minder initiative, all members of the Board of Directors were proposed individually for re-election and reappointed for a further term in office.

An extraordinary Shareholders' Meeting took place in September 2014 within the framework of the Nationale Suisse takeover. Here, the establishment of approved capital for the takeover offer and the election of four members of the Board of Directors as well as the CEO of Nationale Suisse to the Board of Directors of Helvetia were approved. Due to a statutory upper limit for members of the Board of Directors, Mrs Paola Ghillani decided to withdraw from her office at the end of 2014.

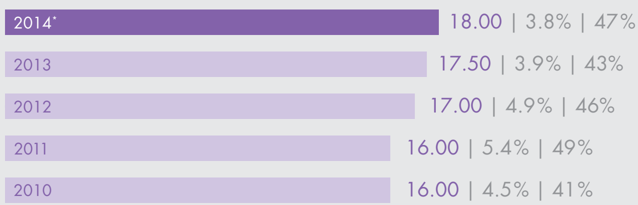
Dividend policy

Helvetia strives to generate an attractive return on invested capital for its shareholders, and pursues an income-oriented, sustainable distribution policy that allows the company to maintain its solid capital base. As a result of the strong 2014 annual results, the Board of Directors is proposing to further raise the dividend to CHF 18.00 per share (previous year: CHF 17.50).

Investor groups (excluding core shareholder base)
in %



Dividend history
Dividend per share (in CHF) | Dividend yield at year-end price | Payout ratio



* Proposal to the Shareholders' Meeting

New bond issues

	Issue volume	Interest	Term
Bond	CHF 225 million	0.75 % p.a.	6 years
Bond	CHF 150 million	1.50 % p.a.	10.5 years
Subordinated bond	CHF 400 million	3.50 % p.a.	Perpetual
Subordinated bond	CHF 225 million	4.00 % p.a.	30 years

Key share data Helvetia Holding AG

	2014	2013
Number of shares		
Treasury shares	26 288	44 255
Shares outstanding	9 863 243	8 608 620
Number of shares issued	9 889 531	8 652 875
Share price in CHF		
Year-end	474.0	447.5
High for the year	481.3	450.0
Low for the year	402.5	352.0
Market capitalisation in CHF million	4 687.6	3 872.2
Consolidated equity per share in CHF	503.2	445.0
Price / book ratio (P/B)[1]	0.9	1.0
Profit for the period per share in CHF	43.0	40.9
Price / earnings ratio (P/E)[1]	11.0	10.9
Dividend per share[2]	18.00	17.50
Payout ratio on the basis of underlying earnings	44 %	43 %
Payout ratio on the basis of IFRS[2]	47 %	43 %
Dividend yield[1/2]	3.8 %	3.9 %

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

Bonds in circulation

Helvetia made use of the favourable market conditions to finance partly the acquisition of Nationale Suisse through issuing a total of four new bonds.

In addition, a CHF 150 million bond placed in 2013 (coupon: 1.125 %) and a CHF 300 million subordinated, perpetual bond (coupon: 4.75 %) are in circulation. Further information on our bonds can be found on our website in the "Investors / Debt information" section.

Active capital market communication

Helvetia communicates with shareholders, potential investors, financial analysts, retail investors 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 2014 reporting year, our road shows took us to Zurich, Geneva, Lugano, Paris, Frankfurt, London, Dublin, Milan, Scandinavia, Benelux and the USA. In addition, we held group and individual discussions with investors and take part in selected conferences hosted by various 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 online in the "Investors" section at www.helvetia.com.

Risk and investment management

Risk management

Comprehensive risk management is a top priority and integral to the way Helvetia Group manages its business. This is particularly the case in light of the 2014 takeover of the Nationale Suisse Group and the Basler Austria as well as the continuing challenging economic environment. To ensure appropriate risk control and governance, the risk management of the Nationale Suisse is undergoing a transition under the guidance of the Helvetia risk organisation. Integration in the Helvetia risk organisation will take place during 2015.

A primary objective of risk management is the sustained safeguarding of the capital base as well as the reputation of Helvetia Group and its Group companies.

Risk management organisation

Risk owners

Board of Directors
(Investment and Risk, Audit, Strategy and Governance committees)

Executive Management

Risk observers

Risk Committee

Risk and Capital Management

Specialised risk controlling units
(e.g., Group Actuarial Departments Life / Non-Life, Asset Management)

Risk takers

Risk management in the company units and processes

Internal auditors

Risk management organisation

The organisational structure of Helvetia Group ensures a standardised application of the Group-wide risk management standard. In doing so, roles and responsibilities in the business units comply with the risk management organisation of the Group. This is based on a governance model that differentiates between the three basic roles of risk owner, risk observer and risk taker.

The supreme risk owner is the Board of Directors of Helvetia Holding (particularly the Investment and Risk Committee, Audit Committee and the Strategy and Governance Committee) as well as the Group Executive Management. As the central bodies responsible for this function, they bear the ultimate responsibility for risk and define the risk strategy and the risk appetite for the Group.

Various risk observers assess the risks entered into by Helvetia Group irrespective of an operational responsibility. The Risk Committee coordinates the collaboration between the risk observers and the risk takers and advises the Board of Directors and Executive Management in their decisions. The central risk controlling role "Risk & Capital Management" is responsible for the growth and development of the risk management system as well as for monitoring risks and controlling measures, and serves as a competence centre for the Group's risk management. It is supported by specialised risk controlling functions, such as the Group actuarial office and asset management. The internal auditor independently monitors the efficiency of the risk management system.

The risk takers control and manage risks in an operational context. They are responsible for risk management in the different business areas and processes.

Gérald Kanis
Chief Reinsurance Executive

sees the merger of Nationale Suisse and Helvetia as offering potential for new developments: “I hope that the merger will provide plenty of ideas for modernisation, that the ‘new Helvetia’ will continue to move forwards with the best of both worlds and will be given that extra boost from the integration.”

Bruno Rohner
Head of Business Services, Specialty Lines & Foreign Countries

is aware of the difficulties they face: “The integration of two companies poses a tremendous challenge for all – as a participant and as an affected party. It is only with the mutual respect and trust of the employees that we can build on the strengths of both companies and therefore shape a successful future for customers, employees and shareholders alike.”

Risk management process and risk environment

The key components of Helvetia Group risk management process include the identification, analysis and management of risks, the monitoring of the success, effectiveness and appropriateness of the risk management measures, and reporting and communication. The risk management processes ensure that sufficient risk-bearing capital is available at any time to cover the risks assumed in accordance with the chosen risk tolerance.

The numerous risks to which Helvetia Group is exposed in its business activities are included in the Group's risk management process. Market risks arise, in particular, from interest rate changes, fluctuations in share prices, real estate prices, or exchange rates which influence the value of the Group's investments. Liquidity risk generally refers to the risk of being unable to provide an unexpected cash outflow in a timely manner. Counterparty or credit risk is the risk of a contractual counterparty being unable to pay or of a change in the counterparty's creditworthiness. The insurance technical risks of life and non-life belong to the traditional risks of insurance company and are consciously entered into as part of the chosen business strategy. Operational risk represents the risk of losses due to errors or the failure of internal processes, employees or systems, or as a result of external events whereby operational risks are taken also into consideration. Strategic risks include the risk of not achieving business targets due to the inadequate alignment of a company's business activities on the market and in the market environment. Emerging risks are risks that have not yet been realised as actual risks, but are already in existence and have a high potential for large claims. A detailed portrayal of the risks resulting from financial instruments and insurance contracts is provided in Note 16 (from page 191) of the Financial Report.

Methods for risk analysis and control

The diverse risk environment requires the use of differing methods of risk analysis. Helvetia Group uses the Swiss Solvency Test from the Swiss supervisory authorities as a primary instrument for analysing and quantifying market, counterparty and technical risks. The company uses internal models here, including for the areas of market risk and technical risk. Risks are controlled and limited by means of hedging instruments, specific product design, reinsurance protection, limit systems (including exposure control and loss limits), diversification strategies, process optimisations and other measures.

Risk environment

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

Capital management

Capital management is an essential pillar for achieving Helvetia Group's long-term growth targets aimed at profitability. The optimisation of the capital allocation and income flows has 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 strategic growth;
- optimising financial flexibility.

These objectives will be defined whilst taking into consideration the risk-bearing capacity and cost / benefit considerations. Furthermore, as part of its capital management, Helvetia Group pursues the goal of an interactive financial strength rating of at least "A–".

Methods for measuring capital

The measurement of capitalisation is carried out both at Group level and at local level, i.e. at the level of the individual legal entities. At a local level, the country-specific regulatory and commercial law requirements are key. At Group level, capital is measured on the basis of the consolidated balance sheet. In doing so, the capital requirements are measured by the capital models which are relevant to Helvetia Group: Solvency I, Swiss Solvency Test and Standard & Poor's.

In these capital models, the IFRS equity forms the basis for establishing the available capital. Additional capital is added depending on the model 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 prices 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 Standard & Poor's and under the Swiss Solvency Test. In the Swiss Solvency Test, the effects of risks on the available capital are determined by means of scenario simulations and statistical methods, and quantified taking into consideration dependencies and diversification effects in the form of a risk-based capital requirement.

Capital management process

Helvetia applies an integrated approach to capital management. At the strategic level, the capitalisation and the risk profile of business units are managed in terms of profitability and growth potential and therefore of the strategic Group targets. Capital is managed integrally in accordance with a defined capitalisation target under the Swiss Solvency Test, Solvency I and Standard & Poor's, and is aligned with the corporate strategy using multi-year capital planning. At an operational level, the capital management process incorporates the financing within the Group as well as the safeguarding of adequate capitalisation of the individual legal entities of the Group. In this process, the capitalisation is closely monitored and optimised according to internally defined thresholds.

Outlook

The regulatory requirements for risk and capital management remain subject to major changes. Provisionally from 1 January 2016, Solvency II requirements will see the application of a risk-based supervisory instrument in the introduction phase in the EU. With its EU-based business units, Helvetia Group is also directly affected by Solvency II requirements. Helvetia is well prepared for the new requirements. In addition to the monitoring of corporate governance, the introduction of Solvency II at Helvetia requires in particular providing the necessary data and systems to enable the optimal incorporation of the new requirements in the existing processes (particularly reporting, risk and capital management) and to implement them in a timely manner using strict planning and tests. Further statements concerning capital management are provided on page 180 in the notes to the Financial Report.

Investment management

Helvetia Group pursues a sustainable investment policy tailored to the liabilities arising from the insurance business. The objective is to generate attractive medium- and long-term returns for the shareholders and to make a reliable contribution to the Group result.

Proven asset liability management

The investment strategy of Helvetia is based on a time-tested asset liability concept. First, a strategic asset allocation for each business unit is derived on the basis of a careful analysis of the liabilities. This satisfies the high security requirements of the insurance business while at the same time meeting the requirements for returns of each of the individual stakeholder groups. Moreover, the asset liability management ensures that there is always enough capital available for the ongoing strategic development of the Group and that the increasing regulatory requirements are taken into consideration. In doing so, the regulatory solvency requirements must be fulfilled at all times. The introduction of the Swiss Solvency Test made it possible to gradually and noticeably extend the duration of the fixed-income products in the life business. Due to the long maturities of the assets, the period of very low interest rates is only gradually having an effect on direct returns. At the same time, the reduction in the guaranteed interest rates included in life insurance policies also helps balance out this effect.

Broadly diversified investment portfolio

The Helvetia investment portfolio is broadly diversified. The balanced distribution of the portfolio applies both between and within the individual asset classes. In order to avoid cluster risks, absolute exposure limits apply to the individual counterparties, depending on their creditworthiness. Moreover, Helvetia places high demands on the quality of the counterparties. Our internal investment guidelines dictate that new investments may only be made with borrowers whose credit rating is investment grade. However, the amount available for investment in the BBB segment is limited. At the end of the year, around 70 % of the bond portfolio had at least an AA rating. In addition, the proportion of government securities and collateralised bonds is above average at around 72.4 %.

Attractive, stable investment income

We generate attractive investment income for our customers and shareholders while controlling investment risk through the prudent combination of low-risk assets, such as high-quality bonds and mortgages, which make up almost 70 % of the portfolio, and instruments with higher returns such as real estate and shares. The interest income gained from bonds, mortgages and real estate ensures the sustained stability of the investment income, while the valuation gains from the equity exposure create interesting medium-term potential for returns. Helvetia's high-quality property portfolio is an excellent fit with the liabilities from the insurance business, not only because of the long-term stable and attractive rental income, but also due to the stable values of the assets.

Prudent investment strategy and timely risk management

The investment strategy is defined in detail and implemented as part of the annual adaptation of the investment approach. Adjustments are made to take advantage of new opportunities arising from short-term market developments, while remaining within the tactical bandwidths established by the management. The investment strategy is always supported by timely risk management. The objective of the risk-controlling measures is to protect the balance sheet and the income statement from excessive losses in value. This applies to exposures in foreign currencies and shares, whereby – depending on market developments – particular use is made of options and futures to hedge risks; in addition, counterparty risks are subjected to ongoing analysis and control using various criteria such as ratings, credit quality, and the development of interest spreads. To avoid cluster risks, we also apply graded upper limits based on debtor quality.

Investment strategy and risk management are designed to ensure the Group's long-term solvency and to optimise the impact of volatile markets on the annual result.

Board of Directors

The Board of Directors of Helvetia Holding AG is the highest management body of the company. It is responsible for the overall management and the strategic direction of the Group and it also appoints and monitors the Executive Management. As a result of the merger with Nationale Suisse and the unexpected death of its long-serving chairman, Erich Walser, at the end of December 2014, the Board of Directors currently consists of twelve members. The office of Chairman of the Board of Directors will be exercised by the vice-chairwoman Mrs Doris Russi Schurter until the end of the 2015 Shareholders' Meeting.

Different committees have been formed in order to make good use of individual member expertise in the decision-making processes. With the Strategy and Governance Committee, the Nomination and Compensation Committee, the Audit Committee as well as the Investment and Risk Committee, Helvetia has four Board committees which ensure the effective control and monitoring of the company. The tasks of the committees are of an essentially preparatory nature. Any decision-making powers are listed in the Notes of the organisational regulations: www.helvetia.com/en/gruppe/governance

The composition of the Board of Directors as of January 2015 is shown in the following table. The reconstitution of the Board of Directors, taking account of the members elected at the 2014 Extraordinary Shareholders' Meeting, is scheduled for following the re-election at the 2015 Shareholders' Meeting.

The Board of Directors of Helvetia Holding AG

	Office	Joined	SGC	NCC	IRC	AC
Doris Russi Schurter*	Vice-Chairwoman	2008	o o			o
Dr Hans Künzle	Vice-Chairman	2015	o			
Dr Hans-Jürg Bernet	Member	2006		o		o o
Jean-René Fournier	Member	2011				o
Dr Balz Hösly	Member	2014				
Dr Peter Kaemmerer	Member	2014				
Prof. Christoph Lechner	Member	2006	o		o	
John Martin Manser	Member	1996		o o	o o	
Dr Gabriela Maria Payer	Member	2014				
Herbert J. Scheidt	Member	2011			o	o
Dr Pierin Vincenz	Member	2000	o		o	
Dr Andreas von Planta	Member	2014				

SGC Strategy and Governance Committee
NCC Nomination and Compensation Committee
IRC Investment and Risk Committee
AC Audit Committee

o o Chairman
o Member

* The duties of the Board of Directors will be managed by Vice-Chairwoman Doris Russi Schurter until the end of the Shareholders' Meeting 2015.

As at 1 January 2015

Erich Walser

Bachelor's degree, law degree (lic. oec. HSG, lic. iur.)
Swiss, Rehetobel, 1947

until 30 December 2014

Doris Russi Schurter

Law degree (lic. iur.), Lawyer (with own practice)
Swiss, Lucerne, 1956

(Vice-Chairwoman, manages the official duties of the Board of Directors until the end of the Shareholders' Meeting 2015)

Professional background, exercising operational executive functions
Until 2005, partner at KPMG Switzerland, including 1994 – 2005 Managing Partner at KPMG Lucerne.

Appointments at listed companies
Member of the Board of Directors of Lucerne cantonal bank, Lucerne.

Appointments at other companies
Four appointments, in particular President of the Board of Directors of Patria Genossenschaft, Basel; Vice President of the Board of Directors Swissgrid AG, Laufenburg; and Member of the Board of the LZ Medien Holding, Lucerne.

Pro bono appointments
Five appointments, in particular President of the Association of Swiss Companies in Germany, VSUD, Basel, and several commitments at the University of Applied Sciences and University of Lucerne.

Hans Künzle

Doctorate in law (University of Zurich), Swiss, Wollerau, 1961

Professional background, exercising operational executive functions
1989 joined Winterthur Versicherungen; 1995 – 2004 various managing roles in Switzerland and in Europe, including: CEO of Winterthur operations in the Czech Republic and responsible for mergers & acquisitions at group level; 2004 – 2014 CEO of the Schweizerische National-Versicherungs-Gesellschaft AG, Basel; since 1 January 2015 Vice President of the Board of Directors of Helvetia Versicherungen.

No appointments at listed companies

Appointments at other companies
Appointments, in particular Member of the Board of Directors of CSS Versicherung.

Pro bono appointments
Four appointments, in particular Member of the Board and in the National Committee of UNICEF Switzerland and on the Board of Pro Infirmis.

Hans-Jürg Bernet

Doctorate in economics from the University of St Gall (Dr. oec. HSG), Swiss, St Gall, 1949

Professional background, exercising operational executive functions
Joined the Zurich Insurance Group in 1977, various managerial positions, including: 1993 member of the Executive Management of Zurich Switzerland, 2001 – 2005 CEO Zurich Switzerland, 2001 – 2004 Member of the Extended Group Executive Board of the ZFS Group; 2002 – 2005 Vice-President of the SVV (Swiss Insurance Association); 2001 – 2005 Member of the Management Board and Vice-President of the Fördergesellschaft I.VW.

Appointments at listed companies
Member of the Board of Directors of St Gall cantonal bank, St Gall.

Appointments at other companies
Four appointments at non-listed companies, in particular member of the Board of SWICA healthcare organisation, Winterthur.

Pro bono appointments
Four appointments at charitable organisations and institutions.

Jean-René Fournier

Bachelor's degree in economics from the University of Freiburg (lic. oec. publ.), Swiss, Sion, 1957

Professional background, exercising operational executive functions
Management positions at UBS; 1997 – 2009 State Council of the canton of Valais; since 2007 Senate of the canton of Valais; 2011 – 2013 President of the Finance Commission of the Senate.

No appointments at listed companies

Appointments at other companies
Six appointments at non-listed companies / institutions: Member of the Board of Directors of Patria Genossenschaft; Member of the Board of Directors of Forces motrices de la Gougra SA, Sierre, and Grande Dixence SA, Sion; Senior Advisor of Credit Suisse SA; Vice President of the Swiss Trade Association and President of the Union valaisanne des arts métiers.

Pro bono appointments
President of the Board of Trustees of the Disability Foundation Valais de Cœur.

Balz Hösly

Doctorate in law (University of Zurich), lawyer, specialist lawyer SAV, law of inheritance, mediator SAV, Swiss, Zurich, 1958

Professional background, exercising operational executive functions
1987 – 1999 various managerial positions in international and national business of the Winterthur Versicherungen, including: Head of Development of Group Strategy and Market Development in Europa; 2000 – 2004 CEO of the Swiss export promotion organisation, Osec; since 2004 partner of the law firm MME Legal AG, Zurich and Zug.

Appointments at listed companies
Member of the Board of Directors of Nationale Suisse, Basel (until Shareholders' Meeting 2015).

Appointments at other companies
Three appointments, particularly President of the Board of Directors of the regional marketing agency, Greater Zurich Area AG, Zurich, and President of the Board of Directors of AG Hallenstadion, Zurich.

No pro bono appointments

Paola Ghillani

Pharmacist Swiss, Bulle, and Italian, Collecchio, 1963

until 31 December 2014

Peter A. Kaemmerer

Doctorate in law (University of Munich), MBA (European Business School INSEAD in Fontainebleau) German, Tokyo, Japan, 1956

Professional background, exercising operational executive functions
Numerous managerial functions in Asia and the USA in Landesbank Baden-Württemberg (LBBW), most recently as Member of the Board in Stuttgart, responsible for international business. Since 2011, CEO of DKSH Japan in Tokyo.

No appointments at listed companies, other companies or pro bono appointments

Christoph Lechner

Prof. and doctor of economics (Prof. Dr. oec.) Swiss and German citizenship, Hettlingen, 1967

Professional background, exercising operational executive functions
1987 – 1995 various positions at Deutsche Bank, including: Corporate Banking and Assistant to the Management (Germany); Corporate Finance (Singapore); 1995 – 2004 University St Gall, promotion and habilitation, guest professor in the USA (Wharton and Connecticut) as well as South America (IAE Argentina); 2004 to present, professor of Strategic Management at the University of St Gall and also Chairman of the Board at the Institute of Management (IfB).

Appointments at listed companies
Member of the Board of Directors of Hügli Holding AG, Steinach.

No appointments at other companies or pro bono appointments

John Martin Manser

MBA; financial consultation, Swiss, Riehen, 1947

Professional background, exercising operational executive functions
Commercial banking in Switzerland, in the United Kingdom and in Brazil; 1981 Treasurer in the Brazilian affiliate of Ciba-Geigy; 1988 – 1990 Head of Finance and 1990 – 1996 Treasurer Ciba-Geigy AG, Basel (head office); 1996 – 2007 Head of the Novartis Group Treasury: Novartis International AG, Basel.

Appointments at listed companies
Member of the Board of Hiag Immobilien AG, Basel.

Appointments at other companies
Member of the Board of Directors of Union Bancaire Privée, Geneva.

Pro bono appointments
Member of the Investment Commission at the University of Basel.

Gabriela Maria Payer

Doctorate in philosophy (University of Zurich), Swiss, St. Moritz, 1962

Professional background, exercising operational executive functions
Until 1993 responsible for marketing at IBM and American Express; 1993 – 2012 numerous management roles with the UBS AG; including: 1999 set-up and management of UBS E-Banking; 2005 worldwide management of Human Resources Wealth Management & Business Banking; 2009 founding and management of the UBS Business University for the entire Group; since 2012 Head of Training and Member of the Executive Management of the Swiss Finance Institute, also owner of the consulting company, PAYERPARTNER, for strategic business development.

No appointments at listed companies

Appointments at other companies
Member of the Advisory Boards of CEO Positions AG and MakingScienceNews AG.

No pro bono appointments

Herbert J. Scheidt

Business and masters degrees at the Universities of Sussex and New York, Swiss and German citizenship, Zurich, 1951

Professional background, exercising operational executive functions
Different managerial roles at Deutsche Bank in Essen, Frankfurt, New York, Milan and Geneva; 1999 – 2000 Head of Private Banking International and from 2001 Chief Executive Officer at Deutsche Bank (Schweiz) AG; 2002 – 2011 CEO of the Vontobel Group; since May 2011 Chairman of the Board of Directors Vontobel Holding AG, Zurich.

Appointments at listed companies
President of the Board of Directors of Vontobel Holding AG and Vice-President of the Board of Directors of HERO AG, Lenzburg.

Appointments at other companies
Four appointments at non-listed companies, in particular Director of the Association of Swiss Commercial and Investment Banks (VHV); Member of the Board of Directors of the SIX Group AG, Zurich; Member of the Board of Directors of the Swiss Bankers' Association.

Pro bono appointments
Eight appointments at charitable organisations and institutions.

Pierin Vincenz

Doctor of Economics (Dr. oec. HSG)
Swiss, Teufen, 1956

Professional background, exercising operational executive functions
1979 – 1982 Schweizerische Treuhandgesellschaft, St Gall; 1986 – 1990 Swiss Bank Corporation Global Treasury at the head office in Zurich, as well as Vice-Director at Swiss Bank Corporation O'Conner Services L.P. Chicago; 1991 – 1996 Hunter Douglas, Lucerne, Vice-President and Treasurer; 1996 – 1999 Raiffeisen Group, St Gall: Member of Executive Management and Head of the Finance Department; since 1999 Chairman of Executive Management of the Raiffeisen Group, St Gall.

Appointments at listed companies
Vice-President of the Board of Directors of Leonteq Securities AG, Zurich.

Appointments at other companies
Six appointments at non-listed companies: Member of the Board Committee of the Swiss Bankers' Association, Basel; President of the Board of Directors of the Aduno Group, Glattbrugg; President of the Board of Directors of Notenstein Privatbank AG, St Gall; President of the Board of Directors of TCMG Asset Management AG, Zollikon; Member of the Board of Directors of Pfandbriefbank Schweizerischer Hypothekarinstitute AG, Zurich; President of the Board of Directors of Plozza Vini SA, Brusio.

Pro bono appointments
Ten appointments at charitable organisations and institutions.

Andreas von Planta

Doctorate in law (University of Basel), LL.M (Colombo University), lawyer, Swiss, Cologny / GE, 1955

Professional background, exercising operational executive functions
Since 1983 law firm Lenz & Staehelin, Geneva; partner since 1988.

Appointments at listed companies
President of the Board of Directors of Nationale Suisse, Basel (until Shareholder's Meeting 2015); Member of the Board of Directors of Novartis AG, Basel.

Appointments at other companies
Eight appointments, in particular Member of the Board of Directors of Raymond Weil SA, Lancy; President of the Board of Directors of Clinique Générale-Beaulieu SA, Geneva and HSBC Private Bank (Swiss) SA, Geneva; President of the Regulatory Board of SIX Swiss Exchange (previously registration office of SWX Swiss Exchange).

No pro bono appointments

Secretary of the Board of Directors:
Christophe Niquille,
doctorate in economics (Dr. oec. HSG)

Executive Management

The Executive Management is the highest executive body of Helvetia Group and is responsible for implementing the strategy adopted by the Board of Directors. The organisational structure of the Management is oriented to the value chain and the management of the operating business units. Key functions such as the management of financial operations and information technology, investment business, group reinsurance, strategic and operational functions and parts of risk and personnel management are centralised, making it easier to pool knowledge and resources. The management structure – with cross-border, functional responsibilities – is very efficient, enables rapid decision-making, enhances transparency and avoids duplication.

Two significant takeovers

The takeovers of Nationale Suisse and Basler Austria have brought about changes in the Executive Management, both in the Group as well as in the local companies, which mainly came into force as of 1 January 2015. For the purposes of relevance, we are publishing this information in this Annual Report.

Changes to the Group Executive Management

Wolfram Wrabetz retired from the Helvetia Group Executive Management as at 31 December 2014, having been a member for many years. Wolfram Wrabetz served Helvetia for a total of 33 years, the last 20 of which as CEO for Helvetia Germany. In this role, he was also a member of the Group Executive Management since 1998.

Markus Gemperle, previously Head of Strategy and Operations, will be managing the new market area of "Europe" in the future. This includes the country markets of Germany, Austria, Italy and Spain as well as the Group-wide functions of Corporate IT and Corporate Operations. With the acquisition of Nationale Suisse, as of 1 January 2015 David Ribeaud was appointed Head of the new market area "Specialty Markets" in the Group Executive Management. Previously, David Ribeaud was a Member of the Executive Management of Nationale Suisse Group as Head of Specialty Lines & Foreign Countries. In this new role, Mr Ribeaud will be responsible for managing and developing the business lines of engineering, marine and art "Switzerland and International", the market unit France as well as active reinsurance.

The Group Executive Management will continue with six members. The other responsibilities within the Executive Management remain unchanged.

Changes to subsidiaries

Switzerland

From Nationale Suisse, Ralph A. Jeitziner and Armin Suter have joined the Executive Management Switzerland from 1 January 2015. During the course of the year, Mr Jeitziner will replace Mr René Stocker as Head of Sales, as Mr Stocker will be retiring.

Armin Suter has taken over the IT area from Uwe Bartsch, who will be heading up the company development area.

Germany

In Germany, Volker Steck joined the company on 1 October 2014. As of 1 January 2015 he replaced Wolfram Wrabetz as CEO Germany.

Torsten Müller joined the Executive Management Germany on 1 January 2014 as Chief Information Officer.

Austria

The Executive Management Austria has been headed up since 1 October 2014 by Otmar Bodner (who joined Helvetia from Basler Austria), succeeding Burkhard Gantenbein as CEO, who left the company on 31 October 2014 at his own request in order to pursue challenges outside of insurance.

Josef Gutschik – also from Basler Austria – joined the existing management team in Austria on 1 October 2014, as CFO.

Italy

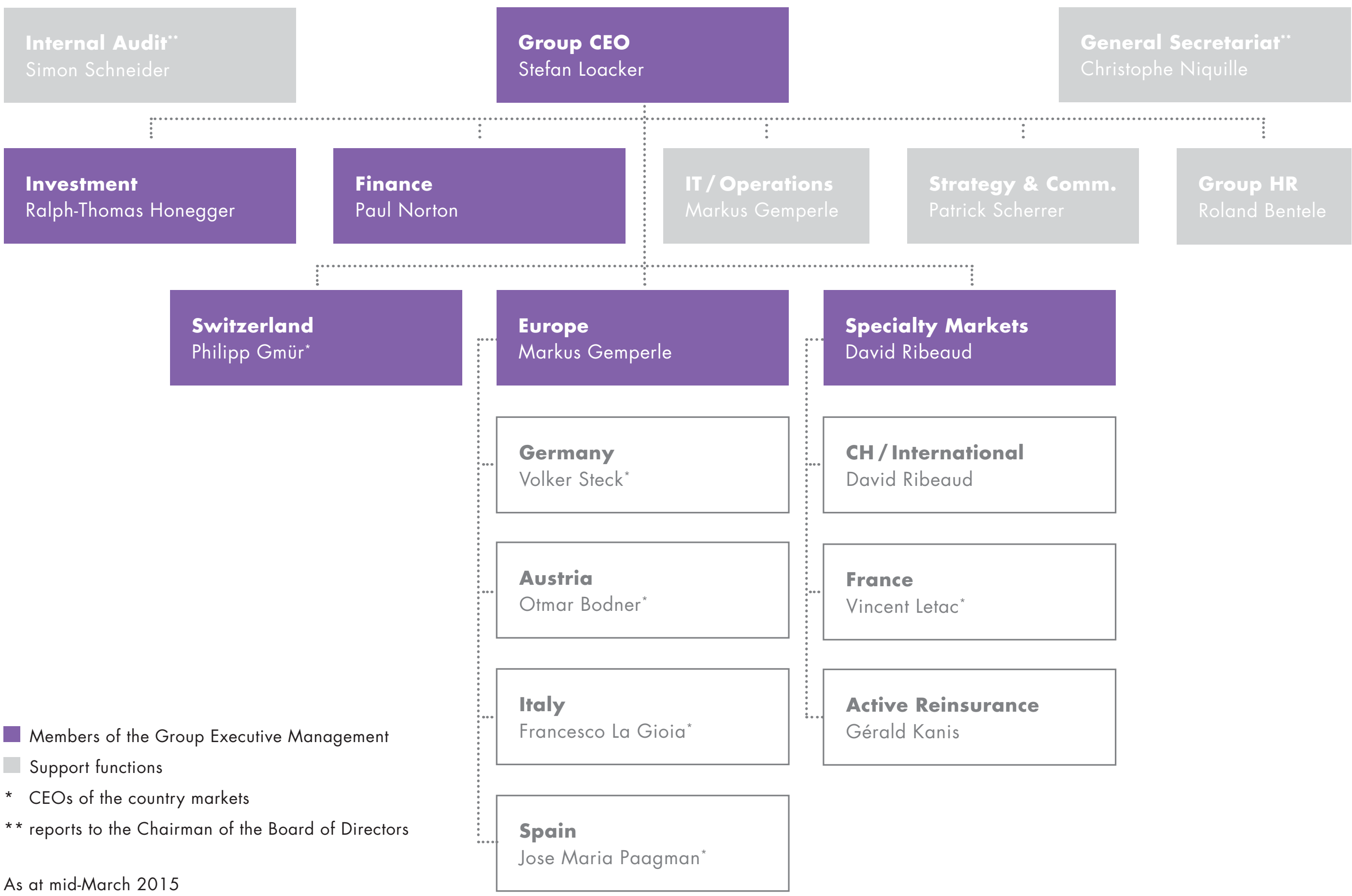
Michelangelo Avello from Nationale Suisse Italy has been newly elected to the Executive Management Italy as CFO. He replaces Antonio Minichiello, who will be the Chief Risk Officer and will remain in the Executive Management.

Also from Nationale Suisse Italy, Massimo Fedeli has become a new member of Executive Management Italy, as Head of Non-Life Commercial & Specialty Lines.

Spain

Javier de Antonio, previously CEO of Nationale Suisse Spain, joined the Helvetia Spain Executive Management on 1 January 2015 acting as the Head of the area Specialty Lines and Sales Region Catalunya.

Details concerning the curricula vitae of the new members of the Executive Management can be found in the appropriate media releases under https://www.helvetia.com/corporate/content/en/media-relations/media-releases.html



As at mid-March 2015

Stefan Loacker

Philipp Gmür Paul Norton

Markus Gemperle

David Ribeaud

Ralph Honegger

Stefan Loacker

Bachelor's degree (lic. oec. HSG); Master's degree (Mag. rer. soc. oec.), Vienna University of Economics and Business, Austrian, Speicher, 1969
Chief Executive Officer of Helvetia Group (CEO)

Professional background

1994 – 1997 Pensions lawyer / Swiss Life: involved in Group planning projects; 1997 joined Helvetia: Assistant to Head of Staff Executive Management, Business Development; Head of Staff Group Executive Management; 2000 Head of Business Development; Director; 2002 ANKER, Vienna: Head of Finance and IT; Member of Executive Board; 2005 ANKER, Vienna: Chief Executive Officer; 2007, since 1 September in his current position with various appointments at the foreign subsidiaries of Helvetia Group.

Appointments

In particular Member of the Board of the Swiss Insurance Association, Zurich; Member of the Board of Directors of Schweizerische National-Versicherungs-Gesellschaft AG, Basel.

Markus Gemperle

Doctorate in law HSG, Swiss, Niederteufen, 1961, CEO Europe

Professional background

1986 – 1988 Legal Counsel Claims Department, Helvetia Feuer, St Gall; 1988 – 1990 Academic Assistant, Institute for Insurance Studies, University of St Gall; 1990 joined Helvetia Insurance; Head of various departments in the non-life business in Switzerland; 2002 Head of Corporate Centre of Helvetia Patria Group; 2004 Member of the Executive Management of Helvetia Switzerland: Head of IT; 2006 Member of the Executive Management of Helvetia Switzerland: Head of Operations & Partners; 2008 Member of Group Executive Management: Head of Strategy & Operations; 2015 Member of the Group Executive Management in today's role with various appointments with subsidiaries of Helvetia Group in Switzerland and abroad; Member of the Executive Management of Schweizerische National-Versicherungs-Gesellschaft AG, Basel up until merger.

Appointments

In particular an appointment as a Chairman and as a member of the Board of Directors at an unlisted company and a Board of Trustees appointment.

Philipp Gmür

Doctorate (Dr. iur.), Law degree (LL.M.), Swiss, Lucerne, 1963 CEO of Helvetia Switzerland

Professional background
1988 – 1990 worked in various courts, administration and law firms; 1991 – 1993 Court Clerk at the High Court of Lucerne; 1993 joined Helvetia: Head of regional office in Lucerne; 2000 Member of the Management Board, Switzerland: Head of Sales; 2003 Member of Group Executive Management in his current position with various appointments at the Swiss subsidiaries of Helvetia Group.

Appointments
In particular, Chairman of the Campaign Committee of the Swiss Insurance Association; Member of the Board of Trustees of the pension funds of Helvetia Insurance; Vice-Chairman of the Helvetia Patria Jeunesse Foundation; Vice-Chairman of the Swisscanto Vested Benefits foundation of the Cantonal Banks; Member of the Board of Directors of Schweizerische National-Versicherungs-Gesellschaft AG, 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 appointments for non-listed companies and three board of trustee appointments.

Ralph-Thomas Honegger

Doctorate (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 the Executive Management, Switzerland: initially Head of Investment Clients, then Head of Individual Life; 2002 Member of Group Executive Management in his current position with various appointments at foreign subsidiaries of Helvetia Group.

Appointments
In particular, Board of Trustees of the pension funds at Helvetia Insurance; Head of the Investment Commission of the Raiffeisen pension fund; Honorary Consul General for Austria in Basel; Vice-Chairman, Member of the Board of Directors of Allreal Group, Zurich.

Paul Norton

BA History (University of Reading, UK); Chartered Accountant British and Swiss national, Zurich, 1961, Chief Financial Officer 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 Versicherungen: Head of Corporate Development and Capital Management; 2007: since 1 July 2007 in his current position; Member of Group Executive Management with various appointments at the subsidiaries of Helvetia Group in Switzerland and abroad.

Appointments
Member of the Economic and Financial Affairs Committee of the Swiss Insurance Association, Zurich.

David Ribeaud

Dipl. natural sciences ETH Zurich, actuary SAV Swiss, Zurich, 1970, Head of Specialty Markets

Professional background
Joined Swiss Re in 1995, last working as Senior Underwriter Property & Casualty; 2001 moved to Zurich Global Corporate Switzerland as actuary head; 2005 Chief Pricing Actuary Europe General Insurance; 2009 – 2011 Chief Underwriting Officer at Zurich Italy; 2012 joined executive management at Nationale Suisse as head of Customer Service & Non-Life Switzerland and from 2013 as head of Specialty Lines & Foreign Countries; since 1 January 2015 Member of Group Executive Management with various duties at foreign subsidiaries.

No further appointments

Corporate governance

Helvetia is committed to meeting the high legal and ethical expectations of its shareholders and all other stakeholder groups to the best of its knowledge and in good faith. This applies in particular with respect to comprehensive, transparent reporting and responsible, value-oriented corporate governance. The main aims here are to further strengthen confidence in Helvetia Group, to safeguard the interests of our customers, and thus ultimately to ensure and sustainably enhance the value of the Group, while also taking account of the best interests of the public. We successfully ensure that the principles of good corporate governance are consistently implemented and continually improved throughout the Group. For the Board of Directors, the Executive Management and all employees of Helvetia, corporate governance is a continuous process that is periodically reviewed and used to integrate new developments, findings and requirements directly into our day-to-day work and responsibilities. Good corporate governance can only be truly dynamic and effective if it is consistently aligned with the Group's strategy and positioning. For more information, please refer to pages 18 et seq.

This strategic focus expresses Helvetia's commitment to comply as fully as possible with the applicable standards of the "Swiss Code of Best Practice for Corporate Governance", the SIX Swiss Exchange Corporate Governance Guidelines of 26 September 2014, and also the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) of 20 November 2013. Information on Helvetia's compensation system and the compensation paid to the Board of Directors and Group Executive Management is now contained in a new compensation report that forms part of the Annual Report (see page 74 et seq. below). 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/en/gruppe/governance. This website also contains additional interesting and up-to-date information.

At the 2014 Shareholders' Meeting, Helvetia fully adapted its articles of incorporation to the requirements of the VegüV. All elections, the compensation policy as well as reporting and the votes on the compensations therefore reflect these requirements in full. The compensation principles and policy at Helvetia continue to be simple, transparent, state-of-the-art 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 held by Helvetia Group. The Board of Directors considers the compensation policy applied by Helvetia to be exemplary.

1. Group structure and shareholder base

1.1 Group structure

Helvetia is an international Swiss all-lines 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 56. These structures are intended to create the best possible legal, financial, controlling and regulatory framework and to ensure smooth, efficient and flexible business operations.

As of 20 October 2014, within the scope of a public purchase and exchange offer, Helvetia has acquired 96.29 % of the registered shares in the Schweizerische National-Versicherungs-Gesellschaft AG ("Nationale Suisse") and integrated the company as a subsidiary in the Group. The legally prescribed process to acquire 100 % ownership and to delist from the SIX Swiss Exchange has been initiated and should be concluded in the first half of 2015.

The legal structure of Helvetia Group (including investments) is shown on page 29.

Helvetia Holding AG has its headquarters 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 40 to 42 under "Investor information". After the intended delisting of Nationale Suisse in 2015, Helvetia Holding AG will be the only listed company within the Group. The Group's subsidiaries included in the scope of consolidation are listed on pages 220 to 222.

Reports on the principal subsidiaries – Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall (Helvetia Insurance), Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel (Helvetia Life) and Schweizerische National-Versicherungs-Gesellschaft AG – appear in the Notes on page 226.

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 of shareholders, the Patria Genossenschaft (founding partner), Raiffeisen and Vontobel (cooperation partners), we maintain an open and shareholder-friendly strategy in an effort to build up a widely diversified and informed shareholder base. At the balance sheet date, 11,991 shareholders were registered in the share register of Helvetia Holding. This renewed year-on-year increase in the number of registered shareholders underscores the attractiveness of our shares, despite all the turbulence in the financial markets. It is also the result of the share exchange in connection with the takeover of Nationale Suisse. In the context of our shareholder base, the holdings of the pool are worthy of special mention.

The following three partners hold a combined equity stake of 38.1 % in Helvetia Holding:

– Patria Genossenschaft, Basel, with 30.1 %
– Vontobel Beteiligungen AG, Zurich, with 4,0 % and
– Raiffeisen Schweiz, St Gall, with 4,0 %.

The pool agreement strengthens and promotes Helvetia's strategic focus on cooperation in areas outside its core business (insurance), and supports the activities of the Group in crucial areas such as sales. It unites the cooperation partners of Helvetia Group in their capacity as strategically orientated, long-term investing shareholders 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 fund 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 3,0 % of the capital or voting rights.

2. Capital structure

2.1 Share capital

Helvetia Holding AG has a share capital of CHF 988,953.10, consisting of 9,889,531 registered shares with a nominal value of CHF 0.10 each. At the year-end price of CHF 474.00 per share, this equals a market capitalisation of CHF 4,687.6 million.

2.2 Treasury shares

On 31 December 2014, Helvetia held 26,288 treasury shares (0.27 %).

2.3 Authorised capital

The share capital can be increased by a maximum of CHF 6,334.40 by issuing a maximum of 63,344 registered shares with a nominal value of CHF 0.10 each, which must be fully paid up. The conditions for this are set out in Art. 3 of the articles of incorporation.

2.4 Contingent 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 this are set out in Art. 4 of the articles of incorporation.

2.5 Changes in capital

- In December 2004, an approved share capital increase of CHF 23,598,750 was carried out 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.
- Conditional share capital was created in 2007: see section 2.4.
- 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 shares 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.
- At the Extraordinary Shareholders' Meeting in September 2014, for the partial financing of the takeover of Nationale Suisse, authorised capital of a maximum of CHF 130,000 was created by issuing a maximum of 1,300,000 registered shares with a nominal value of CHF 0.10 each, which must be fully paid up. Of this authorised capital, in October 2014, 1,236,656 fully paid up registered shares having a nominal value of CHF 0.10 each or CHF 123,665.60 were acquired. The share capital of Helvetia Holding AG thereby increased to CHF 988,953.10, consisting of 9,889,531 registered shares with a nominal value of CHF 0.10 each. As per 31 December 2014, the remaining authorised capital amounted to CHF 6,334.40 respectively by issuing a maximum of 63,344 registered shares with a nominal value of CHF 0.10 each, which must be fully paid up.

2.6 / 2.7 Shares, participation certificates and dividend rights certificates

The share capital comprises 9,889,531 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 rights certificates. For more details concerning Helvetia shares, please refer to pages 40 to 42.

2.8 Restriction on transferability and nominee registrations

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 reporting year, no new exceptions were declared regarding the restriction of transferability (for major shareholders: see section 1.2). Private individuals who do not declare in the application for registration that they have acquired the shares on their own behalf (= nominees) will only be entered in the share register for a maximum of 3 % of the total share capital. The registration regulations are described in detail in Art. 7 of the articles of incorporation. Any amendment by the Shareholders' Meeting to the statutory restriction of transferability referred to above requires a two-thirds majority of votes represented.

Marc Von Wartburg
COO Group,
Project Manager, Integration

sees great potential in the challenges of the merger of Helvetia and Nationale Suisse: "We want to make sure that the integration is a powerful and optimistic one. The differences are both a challenge and a treasure, which we aim to mutually nurture for the good of the company and with the necessary sensitivity."

Ernst Koller
CEO of Nationale Suisse,
Co-Project Manager of Integration

was initially surprised at the announcement, but does see that the merger will offer great potential for new developments: “Just like that, we’ve been sold! – but at least we’ve been sold to the best possible partner. The new Helvetia is significantly more than just the sum total of Helvetia and Nationale Suisse – it is something completely new.”

2.9 Convertible bonds and options

a) Convertible bonds
No convertible bonds are outstanding and none have been issued since 2004.

b) Options
Helvetia Group has not issued any options.

c) Employee options
Helvetia Group has not issued any employee options.

3. Board of Directors

See also the diagram and information provided on pages 49 to 54.

3.1 Members of the Board of Directors

As of the end of financial year 2014, the Board of Directors of Helvetia Holding AG consists of twelve members. The Chairman of the Board of Directors, Mr Erich Walser, died unexpectedly on 30 December 2014. Until the end of the 2015 Shareholders' Meeting, the position of Chairman of the Board of Directors will be carried out by the Vice Chairwoman, Mrs Doris Russi Schurter. The Board of Directors of Helvetia Holding AG 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 have experience and knowledge of 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 term of office. As far as the independence of the Board members is concerned, Helvetia complies with the basic requirements of the Swiss Code of Best Practice for Corporate Governance. For example, the Board consists only of members whose personal and business skills enable them to form an independent opinion and take decisions that are in the best interests of the company. Members of its committees are non-executive. The members of the Nomination and 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 Nomination and Compensation Committee have neither personal relationships with Helvetia nor any business relationships through the companies and organisations represented by them; nor do they hold any cross-involvements. Anti-conflict of interest rules are 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 shown on pages 49 to 54. None of the members of the Board of Directors holds any executive function, or – with the exception of Hans Künzle (CEO of Nationale Suisse until 31 December 2014 and a board member from 1 January 2015 – belonged to the Executive Management of the Helvetia Group or any of its affiliated companies in the financial years preceding the reporting period. No member of the Board of Directors has any significant business relationships with Helvetia other than as a policyholder on standard market terms.

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 the 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 the 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 by means of 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.

3.3 Cross-involvements

See section 3.2.
The cooperation agreement between Raiffeisen Group and Vontobel Group has been terminated with effect from the end of June 2017. Until it expires, the interests of the Raiffeisen Group will be represented on the Board of Directors of the Vontobel Group by a person who has no relationship with Helvetia.

Until the listing of Nationale Suisse in the spring of 2015, Andreas von Planta, Philipp Gmür, Balz Hösly and Stefan Loacker are represented in the Board of Directors of Nationale Suisse. Andreas von Planta and Balz Hösly also sit on the Board of Directors of Helvetia and Philipp Gmür and Stefan Loacker are part of the Helvetia Group Executive Management.

There are no further interlocking directorates within the Boards of Directors of listed companies.

3.4 Election and term of office

All Boards of Directors, the Chairman and the members of the Nomination and Compensation Committee are individually elected at the Shareholders' Meeting each year. Re-election of existing Board members is possible. The option of a re-election ends at the latest with the ordinary Shareholders' Meeting in the year in which the Board member turns 70. None of the members of the Board will have reached the statutory age limit of 70 before the 2015 Shareholders' Meeting, and all of the members are eligible for re-election.

Ms Paola Ghillani stepped down from the Board of Directors with effect from 31 December 2014. There are no plans for a by-election. The table on page 49 contains information on the first time each member of the Board of Directors of Helvetia Holding AG was elected to that body.

3.5 Internal organisation

The 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 intended to be carried out by the Board of Directors and the allocation of duties are set out on page 49. The Board of Directors appoints the vice chairmen, the chairman and members of the various committees (exception: the members of the Nomination and Compensation Committee) as well as the secretary of the Board of Directors.

Board committees

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 Nomination and 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 49.

a) The Strategy and Governance Committee (SGC) prepares the resolutions to be passed by the Board of Directors in the event of a change or redefinition of strategy, monitors the strategic risks within the framework of the defined strategy and the related measures, deals with mergers, acquisitions and disposals of companies or major portfolios, and prepares the required resolutions by the full Board of Directors. It also ensures good corporate governance within Helvetia Group, assumes duties and powers that have been assigned to the SGC 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 SGC 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. The CEO participates in an advisory capacity. The SGC met two times in 2014. At one meeting, one Board member was absent. Most of the meetings lasted half a day.

b) The Nomination and Compensation Committee (NCC) 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 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. 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 market Executive Management boards, and periodically reviews plans and measures to retain and promote senior managers. The NCC 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 where topics that affect the Executive Management are concerned. In 2014, the NCC held three meetings; one meeting was without one of its members. Most of the meetings lasted half a day.

c) The Investment and Risk Committee (IRC) 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 determines the most important risk strategies, the risk tolerance, risk appetite and applicable risk limits, and monitors all non-strategic and non-operational risks as well as the related risk management measures and compliance with limits. It convenes as often as business requires. The CEO, CFO, CIO as well as the Head of Risk Management attend the meetings in an advisory capacity; in 2014, they attended all meetings. 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 IRC met four times in 2014. One of the Board members was absent at three of the four meetings. Most of the meetings lasted half a day.

d) The Audit Committee (AC) assists the Board of Directors in its duties with regard to overall supervision and financial control. It examines the accounts from the perspective 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 AC, the Chairman and the Executive Management. The AC 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 assignments. 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, at his own request, take part in the meetings in an advisory capacity. The CEO, CFO, representatives of the external auditors and the head of Internal Audit attend its meetings in an advisory capacity. The attendance rate was 100% at meetings held to discuss the financial statements. 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 AC met three times in 2014. One member was absent at one of the meetings. Most of the meetings lasted half a day.

Chairman of the Board of Directors

The Chairman heads the Board of Directors. He convenes the meetings of the Board, prepares the agenda for the Board meetings 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 major 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, meetings or inspection of documents from members of the Board of Directors as well as their acceptance of new board or similar mandates (the Nomination and Compensation Committee decides on such mandates of the Chairman), signs Commercial Register applications and handles other tasks delegated to him by the Board of Directors. He may at all times inspect any and all documents.

Full Board of Directors

The Board of Directors convenes as often as business requires, as a rule five to six times a year. Most of its meetings, which usually last half a day, are held at the 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 was the case three times in 2014. 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 reporting year, half-day meetings were held as well as a two-day seminar, two in the absence of one director and two more in the absence of two directors. All 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 business and compensation 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/en/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 the 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 conducted 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 I of the organisational regulations: www.helvetia.com/en/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 55 to 58.

4.1 Members of the Executive Management

The members of the Executive Management are presented on page 57 et seq. The Executive Management at the 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. After the takeover of Nationale Suisse David Ribeaud joined the Group Executive Management on 1 January 2015. He was previously a member of the Nationale Suisse Executive Management. Further information is available on pages 55 and 56.

4.2 Other activities and interests

See pages 57 and 58.

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 rights 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 2014 Shareholders' Meeting and the extraordinary 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 the Patria Genossenschaft. No specific exceptions with respect to voting rights restrictions or proxy voting were granted in the reporting year.

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 votes cast. In addition to the resolutions cited in Art. 704, para. 1 of the Swiss Code of Obligations, a two-thirds majority of represented votes is required for amendments to the articles of incorporation, the premature termination of office of more than one member of the Board of Directors, and the liquidation of the company. The exceptions for the Patria Genossenschaft as individual shareholder and for the group of pool members mentioned in section 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 statutory 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 / May, but at the latest within six months after the end of the financial year. Extraordinary Shareholders' Meetings take place if the Board of Directors or the statutory auditors consider it necessary, if this is passed by a Shareholders' Meeting or if shareholders who represent at least 10 % of the share capital jointly request in writing an Extraordinary Shareholders' Meeting, whilst stating the items on the agenda and the motions to be put forward and choosing the names of the proposed candidates.

Each 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 reporting year. 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 with 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 (24 April 2015) 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 (14 April 2015) 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 and 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 twelve months for members of the Executive Management, six months for other managerial staff), during which the rules for contractual and variable compensation components remain applicable.

7. Statutory auditor

7.1 Duration of terms of office and tenure of office of lead auditor

The independent auditors KPMG AG, Zurich, have served as the auditors of Helvetia Holding AG and its consolidated subsidiaries since 2005. The statutory auditors' terms of office must be renewed by the Shareholders' Meeting every year. The KPMG AG audit team for the financial year 2014 consisted of:

- Philipp Rickert (since 2012), Swiss Certified Accountant, Partner Audit Financial Services, lead auditor;
- Bill Schiller (since 2013), Swiss Certified Accountant, Director Audit Financial Services.

7.2 Audit fees

In the reporting year, the fees charged by the auditors amounted to: CHF 4,094,202.00.

7.3 Fees for additional consultancy services

CHF 107,316.00.

These fees covered legal and tax advisory services and the actuarial review.

7.4 Supervision and control of audit

a) External auditors

The Audit Committee prepares the election of the statutory auditors. It monitors and assesses their activities. This supervision is predominantly carried out by means of 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. This reinforces 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 reporting year, 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 experience 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 also liaise frequently regarding issues such as audit planning, audits and results as well as current problems.

8. Information policy
Helvetia communicates with shareholders, potential investors, retail investors and the general public comprehensively and on a regular basis. Shareholders thus receive a short information brochure about the previous business year and most important key figures along with the invitation to the Annual General Meeting. The annual report and the interim report are both made available to the general public. Both documents are available on the website. Upon request the documents can also be sent to investors or interested parties free of charge. Other current and archived information on Helvetia Group is available on our website www.helvetia.com/en. Topics include corporate governance, Group structure and strategy, employees, charitable activities and history as well investor interests such as the key figures, equity story, bonds, rating, annual and interim results and information about the share including the current share price performance. In addition, further publications, media releases and important dates can be found here. Interested parties may also register online to receive the latest information on the company directly and to request particular publications.

Helvetia periodically meets with institutional investors and presents the published financial results at special roadshows. 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 website).

Prior to the Shareholders' Meeting, shareholders have the option of paperless communication with the share register of Helvetia. Services such as ordering admission cards, notices to Helvetia, valid issuance of proxies and voting instructions to independent representatives and corrections of data can be processed online. Access is via www.shapp.ch. Instructions regarding initial registration will be included in the invitation to the Shareholders' Meeting. Shareholders who are already registered will be issued with the respective documentation electronically until further notice.

Cornelia J. Braun-Schoeffel
Head of Organisation Development

sees the role of the Executive Management as directive and decisive in the integration process: “I think it is a matter of ‘movement’, one of the key words – movement for everyone. Generating positive movement is one of the most significant tasks of the coming months, particularly for the Executive Management.”

Simone Lazarus
Head of Human Resources and Organisation Development

experiences the changes in the human resources area on a day-to-day basis: "I think one of the challenges lies in the fact that the respective company cultures differ from one another more than originally assumed – this can cause uncertainties. Each manager now has the job of reducing these concerns, providing clarity as quickly as possible and promoting mutual trust."

Compensation report

The compensation report of Helvetia Holding AG shows in a first paragraph the general principles and the main components and criteria regarding the participation rights as well as the loan and credit terms and conditions for members of the Board of Directors and the Executive Management teams. They provide an overview of the philosophy, guiding principles and processes pertaining to the compensation paid by Helvetia that apply to all operational and executive levels. The application of the general principles in the financial year and the specific payments as well as the relevant information for the vote on compensation are then – unless explicitly mentioned – only presented in a second and third part for the Board of Directors and the Group Executive Management, which must be reported pursuant to VegüV. All parts comply with the Corporate Governance Guidelines (RLCG) of the SIX, the "Swiss Code of Best Practice for Corporate Governance" as amended on 26 September 2014, Circular 2010/1 "Compensation Systems" by the Swiss financial markets supervisory authority FINMA, the Swiss Code of Obligations and the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) dated 20 November 2013, which went into effect 1 January 2014. The Helvetia Holding AG articles of incorporation were already fully aligned with the regulations at the 2014 Shareholders' Meeting.

Helvetia remuneration model

Board of Directors

Group Executive Management / CEO

All employees in Switzerland

Fixed component	Variable component		
Base salary / basic remuneration	Long-term salary component (LTC) as % of base salary / basic remuneration	Results-based salary component as % of base salary	Individual target achievement as % of base salary
Board of Directors: uniform basic remuneration (exception: Chairman of the Board of Directors) with allowances for committees and committee councils (cash) ExM and employees: fixed salary based on individual function (position, skills, responsibility, etc.) incl. fringe benefits (cash)	Long-term investment instrument (Executive Management: basis of calculation: shares; transfer of ownership in shares or in cash / Board of Directors: transfer of ownership in shares only)	Compensation paid depending on the general business performance (cash)	Variable salary component based on personal target achievement (cash)

I. General compensation principles

Helvetia Group applies a multi-level and yet simple and transparent compensation system for all employees in Switzerland as well as for its governing and executive bodies with a reporting duty (Board of Directors and Group Executive Management). As shown below, this system is composed of fixed and variable compensation components. At Helvetia, compensation is deliberately fixed so that:

– it is simple, transparent and comprehensible, and fair and appropriate for the members of the Board of Directors and Group Executive Management, and 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 compensation 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 targets and the overall result of the company;
- 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 continues to be in charge of general compensation issues and compensation models. It is supported in its work by the Nomination and Compensation Committee, which provides support to the Board of Directors in the decision-making process in accordance with the internal organisational regulations and has final decision-making power in partial areas. With the introduction of the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) it is now mandatory for the Board of Directors to compile a yearly compensation report; this report presents to the Shareholders' Meeting the total amounts of fixed and variable compensation of the Board of Directors and the Group Executive Management. No payment / share allocations may take place before the final approval of the compensation for the Board of Directors and the Executive Management by the Shareholders' Meeting.

Therefore, as of 2014, the Shareholders' Meeting has the following competencies in matters concerning compensation:

a) Review of the compensation report and thus the principles and conditions under which the compensation for the members of the Board of Directors and the Group Executive Management are determined.

b) Approval of the following total amounts:
- fixed compensation to the Board of Directors for the period from the current Shareholders' Meeting up to the next Shareholders' Meeting (prospective);
- fixed compensation to the Group Executive Management for the period from the 1 July following the current Shareholders' Meeting until 30 June of the next year (prospective);
- variable compensation to the Board of Directors for the past financial year (retrospective);
- variable compensation to the Group Executive Management for the past financial year (retrospective).

The delineation of powers for compensation matters is defined in Appendix I of the organisational regulations: www.helvetia.com/en/gruppe/governance.

Fixed compensation components

The Nomination and Compensation Committee defines the principles on which compensation decisions are based. With regard to the Shareholders' Meeting that takes place in April / May and the compensation periods beginning subsequently (Board of Directors: Shareholders' Meeting to Shareholders' Meeting; Group Executive Management: 1 July to 30 June), the compensation concepts are reviewed by the Nomination and Compensation Committee to ensure that they are still appropriate and in line with the market; a proposal for appropriate adjustments to the total sum is then submitted to the Board of Directors and then to the Shareholders' Meeting at which final approval will be granted.

Various documents are used as the basis for ensuring that the fixed compensation components are appropriate and in line with the market. For example, renowned independent institutes are commissioned from time to time to prepare comparative studies that can serve as a benchmark. The compensation reports of comparable competitors are also analysed. Publications by different interest groups such as "Ethos", information obtained from advisors specialising in personnel issues and audits, and articles that appear in the media also provide an important basis for comparison.

Variable compensation components

The variable compensation components for members of the Board of Directors and the Group Executive Management – and all Helvetia employees in Switzerland – are determined by the Nomination and Compensation Committee during the first quarter of every year once the key figures for the past financial year and the individual target achievement results are available to the Board of Directors for the final approval of the Shareholders' Meeting (total amounts Board of Directors and Group Executive Management). The Nomination and Compensation Committee uses a criteria matrix to assess the results-based target achievement; this matrix is discussed in detail below in conjunction with the long-term compensation component (LTC) that has been in force since 2010.

Other compensation components
Helvetia also offers employee benefits packages, which 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 befitting employees who work for a leading insurance company.

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

1. Compensation for the Board of Directors

The compensation principles relevant for the Board of Directors and individual components of the compensation concept as well as the procedure used for determining performance-related payments are set out in the compensation regulations approved 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 compensation
Each member of the Board of Directors receives the same basic fixed remuneration determined in advance, except for the Chairman whose higher fixed remuneration takes into account his greater involvement in management and operational activities. The vice chairmen, the members of the committees and the chairmen of committees also receive an allowance in addition to their basic remuneration. These payments take account of the responsibility and specific functions of each of the individual Board members. The compensation for each individual Board member calculated annually 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.

b) Variable compensation
The variable compensation paid to a Board member is calculated based on a reference value of 30 % of the fixed compensation. This reference value is multiplied by the extent of target achievement that applies to the LTC (for the calculation of the percentage of target achieved, 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 share price is calculated as the average of the stock exchange prices for Helvetia Holding shares for five consecutive trading days from the day on which the business result is announced. Ownership of 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. Here, the deferred allocation of LTC shares applicable to each member of the Board of Directors takes place only after the approval of the total amount by the Shareholders' Meeting (retrospective determination).

c) Meeting attendance fees
No attendance fee is paid.

d) Expenses
The members of the Board of Directors receive lump-sum expense allowances of CHF 10,000 per member as part of their fixed compensation for each term of office. This lump-sum expense allowance covers minor expenditures and travel expenses for the members of the Board of Directors within Switzerland. 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 compensation is paid to the members of the Board of Directors in the form of shares (see b). They do not participate in any employee share purchase plans. They also do 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 do not benefit from any discounts (premium discounts, etc.) that are offered to Helvetia employees.

2. Group Executive Management
The compensation of the members of the Group Executive Management comprises the components described below:

a) Fixed compensation
The members of the Group Executive Management are paid a fixed compensation in cash which is determined every year by the Nomination and Compensation Committee for the period from 1 July to 30 June of the following year and the total amount of which is approved by the Shareholders' Meeting. This compensation 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 Executive Management. It also includes all child or education allowances and long service bonuses.

b) Variable compensation
The definitive amount of the variable compensation, the total amount of which must also be approved by the Shareholders' Meeting before it is paid out, is dependent on the following three factors:

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

In special circumstances (extraordinary projects, special work load), the Board of Directors may grant to members of the Group Executive Management an individual performance bonus in addition to the bonus based on the attainment of personal targets. This bonus is recognised separately as part of variable compensation in the compensation report.

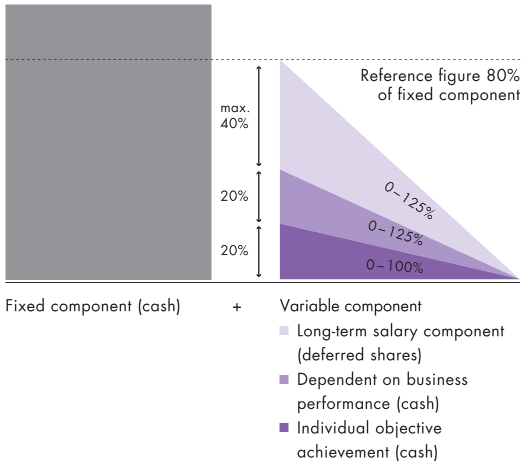
Results-based compensation component (reference value 20 % of fixed compensation): This compensation component based on the annual result is multiplied by the extent of target achievement, which in each case also applies for establishing the results-based variable compensation for all employees in Switzerland. The resulting amount is paid out to the member of Executive Management in cash. The amount of the results-based compensation is based on the operating result and the achievement of the budget goals set for the respective financial year with a special consideration of developments in Switzerland.

Long-term results-based compensation component (LTC up to no more than 40 % of fixed compensation): This compensation component with a longer-term orientation is multiplied by the percentage of the strategic target achieved. In contrast to the regular results-based compensation 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 share price is calculated as the average of the stock exchange prices for Helvetia Holding shares 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 either in the form of shares or as a cash payment based on the share price at that time, 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 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.

The degree to which strategic objectives have been attained (ranging between 0 and 125 %) is fixed annually during the first quarter following the end of a financial year by the Nomination and Compensation Committee of the Board of Directors on the basis of the criteria below. The Committee has additional room for discretion, allowing it to take additional criteria and an overall assessment into account, while remaining within the established upper limit of 125 %:

- Profit: The reference figure is the annually reported Group profit for the period relative to the previous year.
- Growth: The reference figure is the growth in business volume in the active business sectors 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 overall performance (total return; share performance incl. dividends) of the Helvetia registered share compared with the performance of the Stoxx Europe 600 Insurance index (index of comparable European insurance shares).

Compensation for Executive Management



For the LTC (Group Executive Management, Switzerland, and Board of Directors), there is an additional restriction in that no deferred shares are allocated if the Group as a whole reports a loss, and / or the solvency figures are insufficient.

The percentage of target achieved (LTC, results-based component), as calculated by the Nomination and Compensation Committee of the Board of Directors, is multiplied by the respective target figure (percentage of the fixed compensation). The results-based component calculated in this way and the result of the individual target achievement together comprise the total variable compensation of the employees and the Group and Switzerland Executive Management.

These variable compensation 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 compensation components are paid out in cash and only the LTC is paid in the form of deferred shares after three years or in the equivalent amount in cash, if desired.

c) Expenses and benefits in kind
The reimbursement of expenses is governed by written regulations. The members of Group 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 benefits in kind.

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 % that 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 employee conditions.

f) Pension benefits
The benefits to which members of the Executive Management are entitled under occupational pension plans are in line with the model for internal pension regulations applicable to all employees. In addition, the employer makes the standard joint contribution. The employer also finances the option for members of the Executive Management to retire upon reaching the age of 59. These additional contributions are presented as part of the overall pension contributions made to members of the Executive Management. No extraordinary benefits were paid.

Local Executive Management Boards
Analogous compensation regulations apply as described above for the Executive Management Switzerland as for Group Executive Management. The 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, 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 compensation. The reference figure is also multiplied by the LTC percentage of target achieved. This Group bonus has been designed to promote the sense of belonging to the Group of the Executive Management teams abroad.

3. Helvetia employees in Switzerland: share purchase plan

In 2005, an employee share purchase plan was introduced in Switzerland to allow employees to participate in the performance of Helvetia and thus to strengthen their personal ties to the company. Employees can purchase registered shares of Helvetia Holding AG at reduced prices. The number of available shares is specified by the Board of Directors, taking account of the financial results and the functions of the employees concerned. The purchase price is calculated on the basis of the average stock market price during the five trading days following the publication of the financial results. Participation in this scheme is voluntary. As these shares are subject to a mandatory vesting period of three years, they can be sold by the company at a tax-exempt discount of 16.038 %. The members of the Group 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. The costs associated with the share purchase plan in 2014 were recognised in the income statement at CHF 0.9 million (previous year: CHF 0.5 million).

in CHF	Fixed compensation 2014	Fixed compensation 2013	Variable compensation 2014[1]	Variable compensation 2013	Total compensation 2014	Total compensation 2013
Erich Walser (Chairman until 30.12.2014)	715 020	680 000	189 467	180 374	904 487	860 374
Doris Russi Schurter (Vice-Chairwoman)	205 043	195 000	25 262	24 142	230 305	219 142
Hans-Jürg Bernet (Member)	178 755	170 000	25 262	24 142	204 017	194 142
Jean-René Fournier (Member)	126 180	120 000	25 262	24 142	151 442	144 142
Paola Ghillani (Member until 31.12.2014)	126 180	120 000	25 262	24 142	151 442	144 142
Balz Hösly (Member since 20.10.2014)[2]	78 337	0	6 568	0	84 905	0
Peter Kaemmerer (Member since 20.10.2014)	21 030	0	6 568	0	27 598	0
Christoph Lechner (Member)	157 725	150 000	25 262	24 142	182 987	174 142
John Martin Manser (Member)	182 260	170 000	25 262	24 142	207 522	194 142
Gabriela M. Payer (Member since 20.10.2014)	23 659	0	6 568	0	30 227	0
Herbert J. Scheidt (Member)	157 725	150 000	25 262	24 142	182 987	174 142
Pierin Vincenz (Member)	157 725	150 000	25 262	24 142	182 987	174 142
Andreas von Planta (Member since 20.10.2014)[2]	162 983	0	6 568	0	169 551	0
Total	**2 292 622**	**1 905 000**	**417 835**	**373 510**	**2 710 457**	**2 278 510**

[1] In deferred LTC shares

[2] Additionally contains the fees paid to Mr A. von Planta and B. Hösly between 20 October 2014 and 31 December 2014 for remaining on the Board of Directors of National Suisse of CHF 132,500 (A. von Planta) and CHF 52,000 (B. Hösly).

As of 2014, the compensation also includes AHV/IV/EO employer contributions; 2013 AHV/IV/EO contributions of CHF 98,108 were paid with respect to the fixed compensation and of CHF 19,236 with respect to the variable compensation.

II 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.

1. Compensation paid to the Board of Directors

In the reporting year, the members of the Board of Directors received fixed salaries of CHF 2,292,622. The fixed salary includes all allowances and expenses set out in the compensation regulations. A variable payment (including AHV/IV/EO) of CHF 417,835 in the form of in total 814 deferred shares at a stock exchange price of CHF 480.50 on 25 February 2015 was granted to the Board of Directors. This is subject to approval by the Shareholders' Meeting. 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 1,905,000 and variable remuneration of CHF 373,510 paid in the form of in total 820 deferred shares at a stock exchange price of CHF 455.50.

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

All compensation and fees to the Board of Directors are shown in the above table. Resigning Board members did not receive any payments.

2. Compensation paid to the Group Executive Management

In the reporting year, the members of the Group Executive Management received fixed salaries of CHF 4,755,224. The fixed salary includes all scheduled allowances, meeting attendance fees and expenses. Variable remuneration of CHF 3,095,672 was granted to the Executive Management. This is subject to approval by the Shareholders' Meeting. In the previous year the members of the Executive Management received fixed salaries of CHF 4,461,206 and variable remuneration of CHF 2,724,749.

As part of this variable remuneration the Executive Management was allocated LTC shares of CHF 1.25 million (previous year: CHF 1.23 million). This corresponds to 2,599 shares at a share price of CHF 480.50 per reporting date of 25 February 2015 (previous year: 2,698 shares at CHF 455.50).

Members of the Group Executive Management may conclude insurance contracts, loans and other services under 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 1,000,000). In the reporting year the loan, a fixed mortgage at employee conditions, had an interest rate of 1.65 % (previous year: 1.65 %). There are no other insurance contracts, loans or guarantees.

During the reporting year, members of the Group Executive Management received non-monetary benefits as part of the company car programme valued at CHF 22,158 (previous year: CHF 14,844). All other benefits that the members of the Executive Management receive as employees (e.g. discounts on insurances etc.) are included in the fixed salaries given above. They did not receive additional benefits in kind or bill the company for any additional services.

3. Highest individual compensation

The highest individual amount paid out in the reporting year was paid to Stefan Loacker (CEO). This amounted to CHF 1,758,678 in total (previous year: CHF 1,643,412), comprising the following: cash remuneration of CHF 1,226,595 (fixed component CHF 859,392, variable component CHF 367,203), share-based payments of CHF 340,194 in the form of deferred shares, and employer contributions to pension funds of CHF 191,889.

Compensation for Executive Management

as of 31.12	2014	2013
Salaries and other short-term benefits:		
– Fixed remuneration (incl. expenses allowances, child / education allowances, long service awards, company car)	3 745 927	3 652 802
– Employer contributions to pension funds with respect to the fixed compensation (as of 2014 incl. contributions to AHV/IV/EO)[1]	1 009 297	808 404
Total fixed salaries paid out	**4 755 224**	**4 461 206**
– Variable compensation[2]	1 466 006	1 416 539
– Special bonus[3]	104 375	–
– Share-based compensation in the form of deferred shares acquired during the financial year (LTC)4	1 248 820	1 228 939
– Employer contributions to pension funds with respect to the variable compensation (as of 2014 incl. contributions to AHV/IV/EO)[5]	276 471	79 271
Total variable compensation	**3 095 672**	**2 724 749**
Total compensation	**7 850 896**	**7 185 955**

[1] 2013 AHV/IV/EO contributions of CHF 188,119 were paid with respect to the fixed compensation amount

[2] Total bonus amount based on personal and results-based target achievement

[3] Special bonus "Nationale Suisse Project"

[4] Comprises the value of the deferred shares allocated as part of LTC

[5] 2013 AHV/IV/EO contributions of CHF 136,242 were paid with respect to the variable compensation amount

III. Compensation for the Board of Directors and the Group Executive Management to be approved by the 2015 Shareholders' Meeting

Under VegüV and the articles of incorporation, the Shareholders' Meeting needs to approve the following compensation for the Board of Directors and the Group Executive Management:

- Total amount of the fixed compensation for the Board of Directors for the period from the 2015 Shareholders' Meeting to the 2016 Shareholders' Meeting
- Total amount of the fixed compensation for the Group Executive Management for the period between 1 July 2015 and 30 June 2016
- Total amount of variable compensation for the Board of Directors for the past financial year 2014
- Total amount of variable compensation for the Group Executive Management for the past financial year 2014

As regards fixed compensation, these total amounts refer to different time periods in comparison to the figures given in part II and in reference to financial year 2014: Shareholders' Meeting to Shareholders' Meeting or 1 July to 30 June, respectively, of the years following the Shareholders' Meeting. These figures are therefore not directly comparable. To provide to the reader with a comparison, however, the amounts to be approved are respectively contrasted with the figures from the comparison period of the previous year (or to the amounts approved by the Shareholders' Meeting and effectively paid out).

Total fixed compensation amount for the Board of Directors prospective Shareholders' Meeting to Shareholders' Meeting

	prospective 2015/2016	effective 2014/2015	approved 2014/2015	Change
Total fixed compensation	2 390 000	2 008 333	2 240 000	19.00 %
Employer contributions AHV/IV/EO[1]	123 000	–	–	–
Total fixed compensation amount Board of Directors	**2 513 000**	**2 008 333**	**2 240 000**	**25.13 %**

Total fixed compensation amount Executive Management for the period between 1 July and 30 June

	prospective 2015/2016	effective 2014/2015[2/3]	approved 2014/2015	Change
Salaries and other short-term benefits:				
– Fixed remuneration (incl. expenses allowances, child / education allowances, long service awards, company car)	4 217 000	3 700 927	4 632 000	13.9 %
– Employer contribution to pension funds with respect to the fixed compensation	911 000	783 023	–	16.3 %
Total fixed compensation	**5 128 000**	**4 483 950**	**4 632 000**	**14.4 %**

[1] With respect to the fixed compensation paid in 2014/2015, the employer paid additional AHV/IV/EO contributions of CHF 103,429

[2] Incl. D. Ribeaud, new member of Group ExM / excl. W. Wrabetz as of 1 January 2015

[3] With respect to the fixed compensation paid in 2014/2015, the employer paid additional AHV/IV/EO contributions of CHF 184,113

1. Approval of the total amount of the fixed compensation for the Board of Directors for the period from the 2015 Shareholders' Meeting to the 2016 Shareholders' Meeting

The Board of Directors has reviewed its fixed compensation and decided not to change this for the 2015/2016 period. At the 2014 Extraordinary Shareholders' Meeting, an additional amount of CHF 335,000 in addition to the original total compensation of CHF 1,905,000 (2014 Shareholders' Meeting) was approved for the members newly admitted to the Board of Directors as of 20 October 2014 and as of 1 January 2015 for the period from admission to the Board of Directors until the 2015 Shareholders' Meeting in accordance with the compensation regulations. The new members of the Board of Directors will in future receive remuneration for the whole period. The changes to the composition of the Board of Directors with remuneration otherwise remaining the same and the newly recognised employer contribution to AHV/IV/EO lead to an increase in the total remuneration amount in accordance with the table on the left.

The Board of Directors shall apply for approval from the Shareholders' Meeting for fixed salaries for the Board of Directors in the total amount of CHF 2,513,000 for the period between the Shareholders' Meeting 2015 and the Shareholders' Meeting 2016.

2. Approval of the total amount of the fixed compensation for the Group Executive Management for the period between 1 July 2015 and 30 June 2016

The fixed salaries of the Group Executive Management were reviewed for 1 June 2015, and function-related adjustments were carried out. In addition, the employer's AHV/IV/EO contributions were newly included for the 2015/2016 period. This adjustment results in an increase of the total fixed compensation amount of the Group Executive Management of 14.4 % compared to the previous period.

The Board of Directors shall apply for approval from the Shareholders' Meeting for the fixed salaries for the Group Executive Management in the amount of CHF 5,128,000 for the period between 1 July 2015 to 30 June 2016.

3. Approval of the total amount of variable compensation for the Board of Directors for the past financial year 2014

The calculation of the variable compensation of the Board of Directors was described in section 2 and the amounts were disclosed in part II. The resulting differences between 2013 and 2014 simply arose from changes in the degree of target attainment and changes in the Board of Director's composition (newly joined members as of 20 October 2014 or 1 January 2015) while the calculation and the reference figures remained unchanged.

The Board of Directors shall apply for approval from the Shareholders' Meeting for variable compensation for the Board of Directors in the total amount of CHF 419,000 for the concluded financial year 2014.

4. Approval of the total amount of variable compensation for the Group Executive Management for the past financial year 2014

The variable compensation components of the Group Executive Management and their calculation were described in section 2 and the amounts were disclosed in part II. The resulting differences between 2014 and 2015 simply arose from changes in the degree of target attainment and changes in the basic salaries while the calculation, the number of members of the Group Executive Management and the reference figures remained unchanged.

The Board of Directors shall apply for approval from the Shareholders' Meeting for the variable compensation for the Group Executive Management in the amount of CHF 3,097,000 for the concluded financial year 2014.

Total sum variable compensation Board of Directors retrospective financial year

	retrospective 2014	paid out 2014 for 2013	approved for 2013	Change
Total variable compensation	398 000	374 000	375 000	6.42 %
Employer contributions AHV/IV/EO[1]	21 000	–	–	–
Total sum variable compensation Board of Directors	**419 000**	**374 000**	**375 000**	**12.03 %**

Total sum variable compensation Executive Management retrospective financial year

	retrospective 2014	paid out 2014 for 2013	approved for 2013	Change
Variable compensation[2]	2 820 000	2 645 478	2 725 000	6.6 %
Employer contributions paid to pension funds with respect to the variable compensation (as of 2014 incl. AHV/IV/EO)[3]	277 000	79 271	–	N/A
Total variable compensation	**3 097 000**	**2 724 749**	**2 725 000**	**13.7 %**

[1] With respect to the variable compensation paid in 2014 for 2013, the employer paid additional AHV/IV/EO contributions of CHF 19,261

[2] Comprises the value of the deferred shares allocated as part of LTC

[3] With respect to the variable compensation paid in 2014 for 2013, the employer paid additional AHV/IV/EO contributions of CHF 136,242

Andreas Gronbach
Head of Portfolio Controlling & Administration

is convinced that the merger will bring about potential for a strong new company, even if a lot of things will change: “I’m hoping that the ‚new Helvetia’ will become a company that can operate independently and successfully for many decades to come in a fiercely competitive insurance market.”

Renate Schabus
Head of Asset Management

has experienced in several takeovers and has had a lot of positive experiences. She's fully aware of the difficulties of such a merger: "This process represents a challenge for all those involved and brings with it an increased workload. If those affected can become participants in the process, then they can have the positive feeling of being part of a large-scale project that has been brought to a successful conclusion."

Report of the Statutory Auditor to the General Meeting of

Helvetia Holding AG, St.Gallen

We have audited the remuneration report dated 11 March 2015 of Helvetia Holding AG for the year ended 31 December 2014. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies contained in section II on pages 80 and 81 of the compensation report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Or-dinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2014 of Helvetia Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Philipp Rickert
Licensed Audit Expert,
Auditor in Charge

Bill Schiller
Licensed Audit Expert

Zurich, 11 March 2015

Business development

Business development

Market environment

Our market position in competitive markets

In over 150 years, Helvetia Group has grown from a number of Swiss and foreign insurance companies into a successful insurance group that conducts business across Europe. With the integration of Nationale Suisse, Helvetia has been able to strengthen its position as a leading all-lines insurer in the top 3 of the Swiss insurance market. With the market area "Specialty Markets", which includes engineering, transport and art, Helvetia is further developing its competence as a specialty insurer. Thanks to the acquisition of Basler Austria, Helvetia ranks among the top 10 insurance companies in Austria.

Germany, Italy and Spain are among the highest volume insurance markets in the world, with over 5 %, 3 % and 2 % of global market share respectively[1]. As Helvetia's market share in these markets is lower (see figure), we expect further growth in these markets. We utilise this growth potential by focusing on the needs of our customers and sales partners, for whom we are a good match due to our size, sales structures and geographical scope.

Our market positions

Strong potential for growth based on room for growth in market positions abroad

The markets in which Helvetia is active generate a volume of EUR 625 billion, representing 18,7 % of the global market[1].

CH No. 3

CHF 4 451 million.
80 % life
20 % non-life

DE No. 31

CHF 865 million
35 % life
65 % non-life

AT No. 9

CHF 376 million
38 % life6
2 % non-life

IT No. 21

CHF 1,149 million
56 % life
44 % non-life

FR Niche position No. 2 (transport / marine)

CHF 252 million

ES No. 29

CHF 436 million
32 % life
68 % non-life

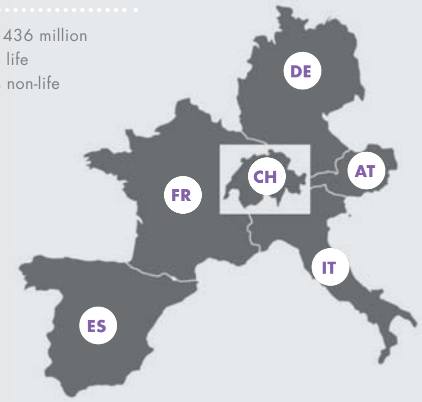
Ambition 2015+

Helvetia strives to sustainably boost its attractive business portfolio in its current active markets and to continuously develop market shares.

[1] Source: Sigma 3/2014 and Helvetia estimate

Market positions of country markets at the end of 2013

Premium volume of country markets in financial year 2014



Market environment in the European insurance market

The current market conditions[2] in the European markets continued to present a number of challenges to insurers in 2014. In the past financial year, the recovering economy caused the global insurance market to grow more strongly again. The growth of the global economy was driven primarily by the USA, as recovery in the European markets in particular tended to be slow in comparison. The decline in growth in Germany in the second quarter had a particularly dampening effect on the European economy. The restructured supervisory regulations in Europe under Solvency II created additional momentum and a greater need for action.

Once again, a positive trend prevailed in the **non-life business**[3], particularly in Southern Europe. After the still evident effects of last year's recession, the Spanish economy showed signs of a recovery. Experts believe that the Spanish market has grown again by 0.8 % in financial year 2014[4]. Nevertheless, the strong pressure on prices and costs continued to prevail in the

Spanish non-life market. The Italian market continued to experience a very hard price war, particularly in the motor vehicle business. According to estimates from the supervisory authority IVASS, the non-life market again declined by 3.2 % in 2014, and the motor vehicle business saw a decrease of 6.1 %. The transport business in France also experienced an increase in competition intensity, primarily due to pricing measures. However, the Swiss non-life market remained robust in 2014, with an estimated growth of 1.0 %[5], and in Germany the non-life business was supported by the economic recovery. Europe was mainly untouched by major storms and natural catastrophes in 2014. The 2014 Whitsun weekend storms and heavy rains in Germany led to considerable weather-related claims, which will be reflected in the combined ratios of European insurers. In addition, the low interest rate environment in the non-life business also had an unfavourable impact on the profitability of insurers, although to a lesser extent than in the life business.

The **life insurance business** in the past financial year was dominated by conditions in the capital markets. The biggest problem for life insurers in 2014 was once again the low interest rate environment, as low-risk investments yielded very low returns. With regard to business volume, all country markets in which Helvetia operates continued to show signs of growth. The foreseeable further cuts in statutory pension schemes will boost demand for private pension solutions. The turmoil in the financial markets has increased the demand for products with financial guarantees and yield-oriented financial investments.

The global **reinsurance market** came under pressure due to the further increased traditional and alternative capacities. The low interest rate environment meant that more alternative capital was added to the reinsurance sector. 2014 was therefore characterised by overcapacity. This enabled primary insurers to cover their requirements in a more tailored manner, thanks to innovative solutions in specific areas. Natural catastrophes in 2014 presented fewer claims worldwide due to extreme weather and earthquakes. Despite the floods, storms and hailstorms in central and northern Europe, the impact was lower than in previous years. These factors caused pressure on prices and conditions to further increase in virtually all areas. However, this development was contrary to the trend that, although especially primary insurers in the developed markets are demanding price reductions, they increasingly favour sustainable conditions and partnerships with their reinsurers, whilst giving short shrift to pure opportunistic transactions. It is also expected that the consolidation phase in the reinsurance market which was initiated at the turn of the year and had been expected for a long time will continue in the coming months and years.

Market environment in the European capital markets

In contrast to most of the projections, interest rates in Switzerland and in Europe sank to new lows during the course of the year. Interest spreads also decreased further. This development is partly due to the sustained aggressive monetary policy of the European Central Bank and partly due to the only hesitant tightening of the monetary reins by the Fed. Added to this was the lagging economic recovery in Europe, in contrast to the robust economic upturn in the USA.

Commensurate with the fall in interest rates, bonds achieved significant increase in value, which reached double-digit percentages in bonds with longer maturities. The uncomfortable downside of this performance strength is that the new inflow of funds had to be invested at increasingly low rates of return, putting pressure on the current income.

The equity markets performed inconsistently and remained vulnerable throughout the entire year, regularly alternating between periods of recovery and setbacks. Geopolitical risks in the wake of the Ukrainian crisis, economic concerns in Europe or the fear of a renewed flare-up of the debt crisis caused stock prices to fall time after time. While the American and Swiss equity markets concluded the year with attractive gains of 12.6 % and 9.5 %, respectively, the majority of the European markets were lethargic and scarcely made any headway.

[1] Source: sigma 3/2014, Swiss Re
[2] Source: Swiss Re, Economic Research & Consulting, Global Insurance Review 2014 and Outlook 2015/2016, November 2014
[3] Insurance Journal, 16 October 2014; www.insurancejournal.com/news/international/2014/10/16/343751.htm
Insurance Journal, 14 October 2014; www.insurancejournal.com/news/international/2014/10/14/343406.htm
Aon, Reinsurance Outlook, September 2014; http://thoughtleadership.aonbenfield.com/Documents/20140912_analytics_reinsurance_market_outlook_september2014.pdf
[4] Source: ICEA Market figures Q4 2014 closing
[5] Source: Swiss Insurance Association SVV

There were no great surprises with exchange rates. The economic recovery in the USA and the impending end of the QE programme strengthened the US dollar. The Swiss franc remained closely tied to the euro due to the minimum exchange rate established by the National Bank.

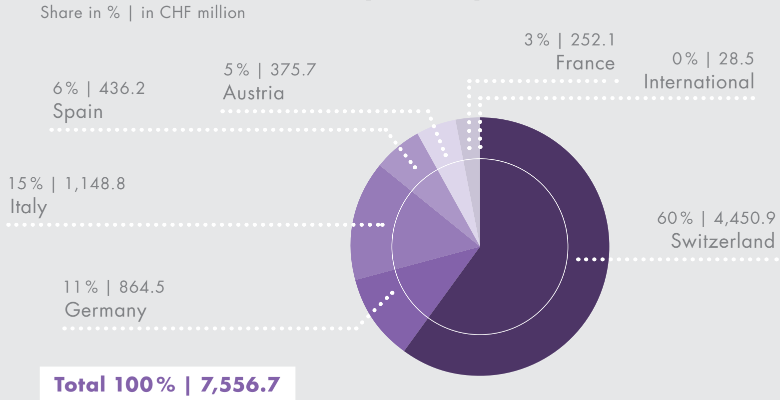
Helvetia Group key figures

in CHF million	2014*	2013	Growth in % (CHF)	Organic growth in % (OC)
Group business volume	**7 766.6**	**7 476.8**	**3.9**	**0.3**
Gross premiums life	4 614.5	4 547.5	1.5	– 0.5
Deposits life	153.0	183.6	– 16.7	– 16.0
Gross premiums non-life	2 789.2	2 550.9	9.3	1.4
Business volume for direct insurance	**7 556.7**	**7 282.0**	**3.8**	**– 0.2**
Active reinsurance	209.9	194.8	7.8	7.8

* including Nationale Suisse and Basler Austria on a pro rata basis

Direct business volume by country

Share in % | in CHF million



Total 100 % | 7,556.7

Helvetia Group's performance

Helvetia was able to impress once again in the financial year 2014 with a very good business performance. The acquisitions of Nationale Suisse and Basler Austria saw Helvetia take significant steps in the Swiss and Austrian markets. With a strong top 3 positioning, Helvetia is a leading all-lines insurer in Switzerland. In Austria, Helvetia is ranked among the top 10 Austrian insurance companies. Thanks to the acquisition of Nationale Suisse, Helvetia was also able to develop further its position in Europe. The good business performance was also reflected in the business figures.

The business volume of the new Helvetia Group was CHF 7,766.6 million, representing an increase compared to the previous year – especially thanks to the acquisitions – of 4.4 % in original currency. The two companies acquired in 2014, Nationale Suisse and Basler Austria, made their first contribution to growth with CHF 328.1 million. Both of the acquired companies were consolidated pro rata in the consolidated financial statements 2014 and will show the full impact of their contributions in 2015. The organic growth recorded amounted to 0.3 % (in OC). Underlying earnings[1] of the new Helvetia Group increased by 15.9 % from CHF 363.8 million in financial year 2013 to CHF 421.7 million[2].

The net combined ratio of 93.1 % was once again very good, and above the target of 94 to 96 %. Capitalisation remained strong as well: Solvency I came to 216 % (2013: 218 %). Our SST ratio as of 30 June 2014 was within the 150 – 200 % range.

[1] Underlying earnings are adjusted for integration expenses, as well as amortisation of intangible assets, additional planned amortisation due to revaluation of interest-bearing securities at market value and other one-off effects of the acquisitions. Underlying earnings is not an IFRS key figure, and therefore was not audited by the Helvetia Group's statutory auditor. Nonetheless, it is derived from the audited IFRS figures.

[2] As in the previous year no significant special effects from acquisitions were reported, thus the previous year's earnings have not been adjusted.

Business volume: increased 4.4 % (in OC) thanks to acquisitions, stable development without acquisitions

In the financial year 2014, the new Helvetia Group achieved a business volume of CHF 7,766.6 million. Compared with the previous year (CHF 7,476.8 million), this represents an increase of 4.4 % (in OC). At a volume of CHF 328.1 million recorded on a pro rata basis, the two companies acquired in financial year 2014, Nationale Suisse and Basler Austria, made a significant contribution to growth. The business volume recorded organic growth of 0.3 % (in OC). Both the life and the non-life business profited from the two acquisitions. The development of the business volume in the life and non-life segments is described in detail on pages 92 to 94.

Earnings: a significant improvement of the underlying earnings thanks to the non-life business; stable earnings in life insurance in the difficult capital market environment

Preliminary remark: Helvetia acquired the Nationale Suisse Group in financial year 2014, and it was fully consolidated on 20 October 2014. Therefore, Nationale Suisse is taken into account as of that date in the 2014 Group financial statements. Basler Austria was also acquired and is included in the Helvetia Group financial statements as from 28 August 2014.

The IFRS profit for the period for Helvetia after the acquisitions will be temporarily significantly shaped by special effects. These special effects include integration costs, planned amortisation of intangible assets and additional planned write-downs due to the revaluation of interest-bearing securities to fair value, resulting from the specific IFRS accounting requirements for acquisitions.

Up until the end of financial year 2017, Helvetia is therefore putting emphasis on so-called "underlying earnings", which eliminates these temporary effects and therefore reflects the operating performance of the new Helvetia Group.

Helvetia Group impressed with underlying earnings of CHF 421.7 million, an increase of 15.9 % compared with the previous year (CHF 363.8 million[3]). The two acquisitions in financial year 2014, Basler Austria and Nationale Suisse, contributed CHF 22.1 million to these earnings (since the first consolidation in the financial statements). The improvement at Group level stems from the non-life business, while the result of the life business remained largely stable despite a difficult capital market environment, and the result for "Other activities" decreased due to the capital market. The results of the individual segments are described in detail on the following pages.

Bridge to the IFRS profit for the period

Helvetia Group's profit for the period reported in accordance with IFRS for financial year 2014 is CHF 393.3 million – an increase of 8.1 % compared to the previous year. The IFRS profit for the period was significantly influenced by acquisition effects: including integration costs of CHF 84.9 million, amortisation of intangible assets, further planned write-downs of CHF 83.1

[3] As the previous year reported no significant special effects from acquisitions, the previous year's earnings have not been adjusted.

Key figures for Helvetia Group

in CHF million	2014*	2013	Growth in % (CHF)
Group underlying earnings after tax**	**421.7**	**363.8**	**15.9**
Of which life	151.2	152.9	– 1.1
Of which non-life	255.4	191.7	33.3
Of which other activities	15.1	19.2	– 21.3
Integration costs	– 84.9	–	n.a.
Amortisation of intangible assets	– 70.1	–	n.a.
Additional write-downs due to revaluation at fair value	– 13.0	–	n.a.
Valuation gains on Nationale Suisse shares	108.9	–	n.a.
Taxes and other	30.7	–	n.a.
IFRS profit for the period	**393.3**	**363.8**	**8.1**

* Including Nationale Suisse and Basler Austria on a pro rata basis
** Underlying earnings does not yet include any synergies in financial year 2014, but does include financing costs of CHF 2.6 million.

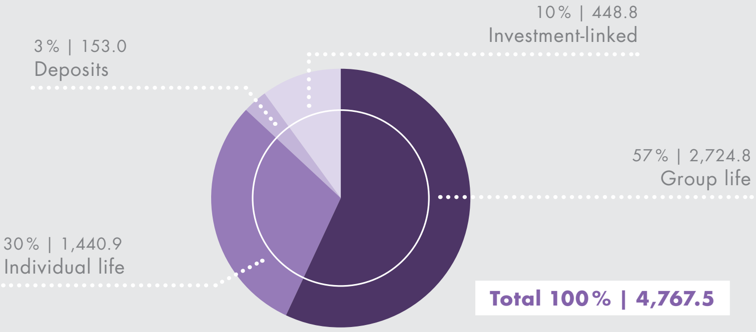
million due to the revaluation of interest-bearing securities as well as valuation gains of CHF 108.9 million on Nationale Suisse shares which were already owned by Helvetia before the acquisition.

Life business volume by country

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**4767.5**	**4731.1**	**0.8**	**1.1**	**– 1.1**
Switzerland	3538.7	3574.4	– 1.0	– 1.0	– 2.9
Germany	300.4	301.1	– 0.2	1.1	1.1
Italy	641.5	595.6	7.7	9.1	6.0
Spain	141.1	130.2	8.3	9.7	9.7
Austria	142.5	129.8	9.8	11.2	1.4
Belgium	3.3	n.a.	n.a.	n.a.	n.a.

* Including Nationale Suisse and Basler Austria on a pro rata basis

Life business volume by sector
Share in % | in CHF million



Capitalisation / Solvency: solvency remains sound

Even after the two acquisitions, Helvetia still has a very good capital position. This is also reflected in the excellent Solvency I ratio of 216 %. Despite paying an attractive dividend, equity[4] rose compared to the financial year 2013 from CHF 3,831.2 million to CHF 4,963.1 million. The higher profit contributed to the increase. In addition, CHF 535 million was attributable to the capital increase during the course of the Nationale Suisse acquisition. The unrealised gains and losses recognised in equity also saw a further increase due to the declining interest rate environment. The return on equity increased from 9.5 % in 2013 to 9.6 %[5].

Development of business activities

Life

Business volume: stable business development at Group level, very good performance in Spain, initial growth effects from the acquisition in Austria, sustained demand for Swiss group insurance

The business volume in the life business of the new Helvetia Group grew to CHF 4,767.5 million and therefore by 1.1 % (in OC) compared to the previous year. The two acquired companies, Basler Austria and Nationale Suisse, contributed to the business volume with premiums of CHF 103.0 million. The organic growth recorded amounted to – 1.1 % (in OC).

By country, the foreign subsidiaries experienced a further growth in business activities. The performance of the Spanish subsidiary with an increase of 9.7 % (in OC), which was particularly due to a considerable demand for profitable investment-linked products, was pleasing. Austria was also able to significantly increase its premiums on account of the acquisition. As the Italian insurance market remained dominated by a

[4] Equity excluding preferred stock
[5] In percent of underlying earnings

strong demand for traditional insurance solutions, the growth of the business volume (+9.1 % [in OC]) generated by Helvetia Italy was attributable to traditional business with single premiums. Germany also reported a slight increase of 1.1 % (in OC). However, the home market of Switzerland recorded a decline, as the growing group life business was not able to fully compensate for the decline in the individual life business.

By **line of business,** the premium volume in the **group life business** increased slightly compared to the previous year (+0.8 % in OC). The growth came from Switzerland; the demand for full insurance solutions there remains high.

In the **individual life business**, the business volume increased by 3.3 % (in OC) on account of the acquisitions. By contrast, the organic growth recorded was negative. As a result of the difficult capital market environment, the single-premium business declined significantly. Particularly in the largest market of Switzerland, the exceptionally strong growth of the previous year in investment-linked products did not continue on account of the low interest environment.

Profit for the period: stable earnings in a difficult capital market environment

Underlying earnings for the life insurance segment amounted to CHF 151.2 million, representing a slight decline of 1.1 % compared with the previous year. As a result of the difficult capital market environment, lower investment returns were recorded in financial year 2014. In addition to this, the interest result dropped in the Swiss group life business as a result of the Swiss Federal Council increasing the minimum interest rate for 2014 from 1.5 % to 1.75 % within the scope of the annual adjustment. Both effects could not be fully compensated for by the lower policyholder participation compared with the previous year. In comparison with the previous year, the risk result remained stable. The sustained low interest rate environment required a further increase to reserves in the country markets of Switzerland, Germany and Spain.

The profit for the period reported in accordance with IFRS was CHF 115 million (2013: CHF 152.9 million). The decline is mainly attributable to the write off of goodwill for Chiara Vita in Italy. For more details, refer to the country contribution of Italy on page 103.

Embedded value

At the end of 2014, the embedded value of Helvetia Group was CHF 2,979.3 million. This corresponded to growth of CHF 56.7 million or 1.9 % compared with December 2013 or a decline of CHF 225.4 million or 7.7 % without taking the new acquisitions into consideration.

The analysis of changes shows that, without the new acquisitions, the embedded value records a decline essentially due to the considerably poorer than planned economic result on account of the falling interest rates. This is by contrast to a significantly better operating profit due to more favourable mortality and cost assumptions as well as the positive contribution of the new business in all countries. The newly added adjusted equity of the acquisitions included in the capital movements ultimately led to an increase in the embedded value of the life insurance portfolio.

The volume of new business fell compared to the previous year because, for capital market reasons, it was not possible to launch investment-linked tranche products in the individual life business in Switzerland to the desired extent and it was therefore no longer possible to build on the exceptionally successful previous year. In occupational pension plans in Switzerland, the record premiums of the previous year were not reached again. The main reason was the outsourcing of the Swisscanto pension business. Since 1 January 2014 Swisscanto has taken over the liabilities for these pensions from Helvetia. After foreign markets had suffered in 2013 due to the difficult economic environment, the volume of new business rose again in this area.

As a result of the lower interest rate environment, new business profitability in all countries was below the previous year's level.

Non-life

Business volume: pleasing growth thanks to acquisitions (+10.3 % in OC); solid organic performance driven by the large insurance lines of motor vehicle and property insurance

In the **non-life business segment** Helvetia generated a premium volume of CHF 2,789.2 million (2013: 2,550.9 million) in the financial year 2014, representing an increase compared to the previous year of 10.3 % (in OC). The two acquisitions, Nationale Suisse and Basler Austria, contributed significantly to this growth with CHF 225.1 million. The organic growth also amounted to a satisfying 1.4 % (in OC).

In terms of **lines of business**, the increase was primarily driven by the large insurance lines of property insurance (+12.7 % [in OC]), motor vehicle insurance (+9.3 % [in OC]) and liability (+6.8 % [in OC]). In all three lines, Nationale Suisse and Basler Austria contributed significantly to the premium increase. But also in the accident and health business, Helvetia generated 22.7 % higher premiums (in OC) in 2014 than in the previous year. This growth originates largely from the health and accident insurance portfolio taken over from Nationale Suisse. In contrast, the organic growth was particularly emphasised in the large business lines of motor vehicle (+3.3 % [in OC]) and property (+0.8 % [in OC]) but also in the health and accident business (+5.5 % [in OC]).

In terms of **country markets**, the acquisition-related increase was most pronounced in Switzerland and Austria. Spain also recorded a pleasing performance: the continuing economic recovery had a positive effect on the Spanish non-life business. In conjunction with Nationale Suisse's contribution to growth, this led to a volume increase of 8.8 % (in OC).

Thanks to Nationale Suisse, the Italian subsidiary also recorded 6.2 % (in OC) higher premiums. The motor vehicle and property businesses of Nationale Suisse in particular supported this growth. Only France remained behind the previous year's result. Alongside the lagging economic recovery, the portfolio adjustments in the transport business also had a negative effect on the premium volume.

The underlying earnings in the non-life business was CHF 255.4 million (2013: CHF 191.7 million). The 33.3 % increase in these earnings was attributable to an organically improved technical result with additional support from the two acquisitions.

Non-life business volume by country

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**2789.2**	**2550.9**	**9.3**	**10.3**	**1.4**
Switzerland	912.2	797.0	14.5	14.5	2.5
Germany	564.1	542.1	4.0	5.4	2.5
Italy	507.3	484.3	4.8	6.2	– 0.1
Spain	295.1	275.0	7.3	8.8	2.1
Austria	233.2	191.4	21.8	23.5	1.8
France	252.1	261.1	– 3.4	– 2.2	– 2.2
International**	25.2	n.a.	n.a.	n.a.	n.a.

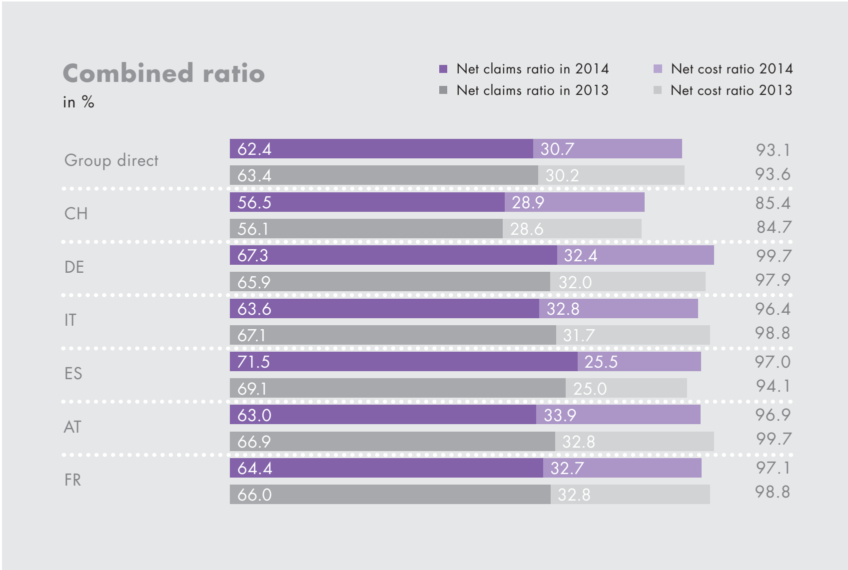
* Including Nationale Suisse and Basler Austria on a pro rata basis
** Includes the country market of Belgium, the representative office in Liechtenstein and the specialty business of Nationale Suisse in Latin America, Turkey and Asia

Non-life business volume by sector
Share in % | in CHF million

Combined ratio: the net combined ratio again beats the Group target range of 94 – 96 %

The **net combined ratio** improved from 93.6 % in the previous year to 93.1 %. Helvetia was therefore able once again to surpass the target range of a combined ratio of between 94 and 96 %.

The profit for the period reported in accordance with IFRS was CHF 176 million (2013: CHF 191.7 million). The decline is mainly attributable to the restructuring provisions as a result of the acquisitions of Nationale Suisse and Basler Austria. The planned amortisation of intangible assets and further planned write-downs due to the revaluation of interest-bearing securities, which were to be carried out in within the scope of the acquisition accounting according to IFRS, also had a major effect on earnings.



Other activities

Alongside the financing companies and the holding company, "Other activities" includes the Corporate Centre and reinsurance. The active Reinsurance, which pursues an income-oriented policy, recorded an increase in business volume of 7.8 %. At CHF 15.1 million, the contribution to underlying earnings of "Other activities" was below that of the previous year of CHF 19.2 million despite an improved reinsurance performance. The decline was mainly due to a lower investment result from the Group's internal funds as well as increased costs. The profit for the period reported in accordance with IFRS was CHF 102.3 million (2013: CHF 19.2 million). During the course of the acquisition of Nationale Suisse, the Nationale Suisse shares which were already owned by Helvetia at the date of the acquisition were revalued at the offer price of CHF 81.44. This resulted in a profit of CHF 108.9 million.

Investments

Thanks to the acquisition of Nationale Suisse, the investment volumes of Helvetia Group increased to CHF 48.0 billion. The fixed-income securities and investment property in particular recorded a marked increase.

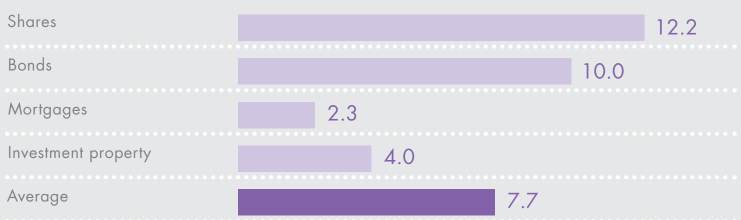
Fixed-income securities amounted to CHF 29.3 billion or 61 % of total investments and remained the most important asset class. Together with mortgages amounting to CHF 4.0 billion or a share of 8 %, loans amounting to CHF 1.4 billion or 3 % and money market instruments amounting to CHF 877 million or 2 %, interest bearing investments represented nearly three quarters of the total investment volume. Real estate investments of CHF 6.3 billion as well as exposures of almost CHF 3 billion in shares, investment funds and alternative investment volumes amounted to 19 %. The remaining 7 % was attributable to financial assets where the market risk lies with the policyholder.

Current income of CHF 993 million was recorded in the reporting year. This corresponds to a direct yield of 2.5 %[6]. The decline of 0.2 percentage points compared with the previous year was within expectations. It is mainly due to the drop in interest rates, which led to constantly falling yields for new investments. As a result, the performance of fixed-income securities reached a peak of 10.0 %. Equities generated returns of 12.2 %. Including the ongoing contribution of real estate, the investment performance amounted to an attractive 7.7 %[6] and generated a contribution of CHF 2.95 billion. Of this, CHF 1.28 billion was reported in the income statement, while CHF 1.68 billion remains in equity as unrealised gains. The previous year's decline of CHF 0.53 billion was more than compensated for with this.

The shares were hedged to a high degree throughout the whole year. Put options that were 10 % out of the money at the purchase date were usually employed. These had the desired effect against the regularly occurring market setbacks during 2014 and protected the portfolio from excessive losses. On average 66 % of the net foreign currency exposures of the Swiss investment portfolio in euros, US dollars and British pounds were hedged. Nevertheless, the insurance protection did not take effect as the Swiss National Bank retained the minimum exchange rate to the euro, and both the dollar and the pound appreciated.

Investment performance

in %[6]



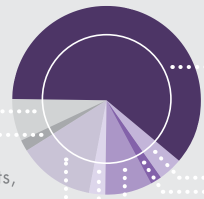
Outlook

With the integration of Nationale Suisse in 2015, the investment policy will be subjected to an intensive review based on the proven asset liability approach, and adjusted taking into consideration the current market circumstances. We will adhere to our security and earnings-oriented approach, even if, in view of the record-low interest rates for government bonds, we may have to assume gradually greater risks.

[6] Direct yield and investment performance weighted due to acquisitions in the course of the year.

Investment structure 2014

Share in % | in CHF million



Performance of the Group investments

in CHF million	2014	2013
Current income on Group financial assets	783.9	762.4
Rental income on Group investment property	209.0	204.6
Current income on Group investments (net)	992.9	967.0
Gains and losses on Group financial assets	279.7	206.6
Gains and losses on Group investment property	2.8	– 16.8
Gains and losses on Group investments (net)	282.5	189.8
Result from financial assets and Group investment property (net)	1 275.4	1 156.8
Change in the unrealised gains / losses recognised in equity	1 677.0	– 527.9
Total result from financial assets and investment property of the Group	**2 952.4**	**628.9**
Average Group investment portfolio	39 286.0	35 806.4
Direct yield*	2.5 %	2.7 %
Investment performance*	7.7 %	1.7 %

* Weighted due to acquisitions in the course of the year

Silvio Hefti
Head of Corporate IT

was convinced by the concept of the "new Helvetia" right from the start: "We are all working hard to ensure that the two companies can make use of the opportunities that the merger provides and that the new Helvetia becomes a reality – for shareholders, for customers and for employees."

Detlev Ruprecht
Head of Group IT

is now looking positively to the future, after an initial phase of uncertainty and disappointment: “To be no. 3 in Switzerland is a great thing. We have a very good starting position and are therefore best equipped for the future.”

Business units

Switzerland

Helvetia Switzerland can look back on a successful fiscal year 2014. With the acquisition of Nationale Suisse, Helvetia is now the leading Swiss all-lines insurance company in Switzerland, with a solid place among the top 3. The business volume of the new Helvetia rose from CHF 4,371.4 million to CHF 4,450.9 million, thereby adding on 1.8 %. The strength of the Swiss home market is also reflected in a good set of key figures: both Helvetia and Nationale Suisse showed organic growth and gained market share in the non-life business and further expanded their positions in the life market. However, the growth in the non-life business was not able to compensate fully for the decline in the life business.

The underlying earnings increased from CHF 250.8 million to CHF 293.5 million. The increase in the non-life business was essentially attributable to a once again better technical result and also to the contribution to earnings by Nationale Suisse. The solid result in life business enabled reserves to be strengthened so as to take the low interest rate environment into account.

Key figures Switzerland

in CHF million	2014*	2013	Growth in %	Organic growth in %
Group business volume	**4450.9**	**4371.4**	**1.8**	**–1.9**
Life	3538.7	3574.4	–1.0	–2.9
Non-life	912.2	797.0	14.5	2.5
Combined ratio	**85.4 %**	**84.7 %**	**n.a.**	**–**
Underlying earnings	**293.5**	**250.8**	**17.0**	**–**
IFRS result	221.1	250.8	–11.8	

* Including Nationale Suisse on a pro rata basis

The recorded profit for the period according to IFRS for the country market of Switzerland was CHF 221.1 million and therefore 11.8 % lower than in the previous year. The decline is fully attributable to the restructuring provisions and integration costs recognised during the acquisition of Nationale Suisse.

Life: sustained group life business, individual life decreased because of interest rate environment, as the good growth in the deposits only partially compensated for the decrease in the investment-linked insurance

The business volume in the life business decreased slightly from CHF 3,574.4 million in the previous year to CHF 3,538.7 million. In doing so, the growth achieved in the group life business was balanced out by the declining individual life business. Nationale Suisse contributed to the individual life business with premiums amounting to CHF 68.5 million.

In the **group life business** (occupational pensions business), a sustained demand for full insurance solutions still prevails in the Swiss market. Helvetia has also profited from this and, in the financial year 2014, was again able to slightly increase volumes (+0.8 %). With the important regular premiums, Helvetia even achieved growth of 6.1 %, which was significantly above the market, which grew 3.5 % according to the estimates of the Swiss Insurance Association (SVV). In addition to our own sales force, selected brokers and direct sales in particular contributed to the business expansion. By contrast, the single premiums in the group life business reported a decline. This was due to the fact that since 1 January 2014 the major customer Swisscanto Collective Foundation has assumed responsibility for pensions, which had previously been covered by Helvetia. Helvetia therefore no longer receives the single premiums previously paid to cover these pensions. Without this one-off special effect, we would have recorded growth for single premiums in the group life business.

However, the **individual life business** recorded a decline compared with the previous year. While the volume of traditional life insurance reduced as planned, as a result of the difficult capital market environment Helvetia was unable to continue the successful growth of the previous year in investment-linked insurance. The single premium deposits did increase significantly thanks to the sustained high demand for the "payment plan" product compared with the previous year; however, they were not able to offset the decline in investment-linked insurance.
The share of modern capital-efficient pension products of the total premium volume of the individual life business was 37.2 %. In line with the strategy, Helvetia focussed particularly on the growth in these product categories.

Non-life: acquisition of Nationale Suisse as a key growth driver (+14.5 %), organic business performance in all lines across the market

The premium income in the non-life business increased to CHF 912.2 million (2013: CHF 797 million). The very pleasing growth of 14.5 % is mainly attributable to the acquisition of Nationale Suisse, which contributed CHF 95.3 million to premiums on a pro-rata basis. The property and motor vehicle business of Nationale Suisse supported the growth. The property business increased 17.1 % and the motor vehicle business increased 8.6 % as a result of the acquisition. The transport business experienced a significant increase (+25.6 %) for the first time again, to which Nationale Suisse also contributed significantly. However, the business operated by Helvetia independently performed very positively. All lines grew well organically, growing 2.5 % in total, and therefore also above the forecast market growth of 1.0 %. This was essentially aided by the large insurance lines of property insurance and motor vehicle insurance. This strong organic growth is even more encouraging, considering we have observed increased competition across all lines of business and sales channels (particularly among the brokers).

The **net combined ratio** at 85.4 % remains at a very good level. Both the cost ratio and also the claims ratio increased slightly compared with the previous year on account of the acquisition of Nationale Suisse. As a result of the integration, Helvetia also sees additional opportunities to improve efficiency by the use of appropriate cost reduction potential. Without the acquisition, both the claims ratio and the cost ratio would have improved further.

Germany

With premiums of CHF 864.5 million, Helvetia Germany achieved premium growth of 3.9 % (in original currency) compared with the financial year 2013. The main growth driver was the non-life business (+5.4 % in OC), which particularly profited from the acquisition of Nationale Suisse, which contributed to the business volume with premiums amounting to CHF 15.5 million. Helvetia Germany grew organically by 2.0 % (in OC). At CHF 14.5 million, the underlying earnings of the German subsidiary were below those of the previous year, which was due to a weaker investment result in the life business together with fewer claims ceded to reinsurance in the non-life business and more claims in the industrial business.

The IFRS profit for the period was CHF 14.1 million compared to CHF 24.2 million in the previous year. The decline is attributable to the effects described. Integration costs reported due to the acquisition of Nationale Suisse had only a marginal influence on the profit for the period in 2014.

Key figures Germany

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**864.5**	**843.2**	**2.5**	**3.9**	**2.0**
Life	300.4	301.1	– 0.2	1.1	1.1
Non-life	564.1	542.1	4.0	5.4	2.5
Combined ratio	**99.7 %**	**97.9 %**	**n.a.**	**–**	**–**
Underlying earnings	**14.5**	**24.2**	**– 40.1**	**–**	**–**
IFRS result	14.1	24.2	– 42.0		

* Including Nationale Suisse on a pro rata basis

Life: stable business development, pleasing growth of capital-efficient investment-linked insurance

At CHF 300.4 million, the premium volumes of Helvetia Germany in the life business increased by 1.1 % (in OC) compared to the previous year (2013: CHF 301.1 million). While the sale of traditional insurance solutions with single premiums was intentionally curtailed, the volume of investment-linked insurance solutions increased by 10.8 % (in OC). In line with strategy, Helvetia pushed the growth of modern and investment-linked insurance. The growth was exclusively achieved organically, as Nationale Suisse did not have a life insurance portfolio in Germany.

Non-life: growth in all insurance lines, positive effect of the portfolio restructuring in the previous year

In the non-life business, premiums rose to CHF 564.1 million, up 5.4 % (in OC) from the prior year (2013: CHF 542.1 million). Nationale Suisse contributed CHF 15.5 million in premiums towards this growth. All insurance lines added their part to achieve the higher volume. The major lines of motor vehicle insurance (+15.2 % [in OC]), property insurance (+2.4 % [in OC]) and liability insurance (+4.5 % [in OC]) grew in particular, thanks to Nationale Suisse. The non-life business in Germany likewise achieved an organic increase in premiums of the prion year 2.5 % (in OC). The portfolio restructuring of the prior year and the resulting adjustments to premiums had positive impacts in the form of premium growth, mainly in the motor vehicle and residential building lines.

At 99.7 %, the **net combined ratio** increased compared with financial year 2013 (previous year: 97.9 %). The increase was due to a higher claims ratio resulting from large and late claims.

Italy

Helvetia Italy recorded a business volume of CHF 1,148.8 million in financial year 2014, an increase of 7.8 % (in OC) (2013: CHF 1,079.9 million). With a pro rata volume of CHF 48.7 million, Nationale Suisse made a considerable contribution. Both the life and the non-life business supported this growth. However, Helvetia Italy also recorded very pleasing organic results and increased the volume by 3.2 % (in OC). The underlying earnings improved to CHF 32.4 million, an increase of 57.5 % compared with the previous year (2013: CHF 20.6 million). In the non-life business, the improved technical results in particular contributed towards the result increase, which is reflected in the lower net combined ratio. Higher investment income was achieved in the life business.

The IFRS profit for the period at CHF 3.0 million was, however, below that of the previous year (2013: CHF 20.6 million).

As a result of the annual impairment test, the goodwill from the acquisition of Chiara Vita S.p.A of CHF 27.1 million was completely written off. The difficult general economic situation in Italy and the current very low interest rate environment had a negative impact on the life business. In addition, market-wide shifts in the product mix have been seen in the past few years – from modern products to the traditional, less profitable insurance solutions. This was the main reason for the assumption of lower cash flows over the planning horizon, which was chosen in the impairment test and this is why management has decided to carry out an appropriate impairment.

Life: robust growth, but market-wide increasing demand for traditional products

In the life business, the business volume of the Italian subsidiary increased by 9.1 % (in OC) to CHF 641.5 million (2013: CHF 595.6 million). Nationale Suisse contributed to the growth with premiums amounting to CHF 18.5 million. Helvetia's life business in Italy grew organically by around 6.0 % (in OC). The increase originated from the traditional business. As a result of the difficult capital market environment, during the past financial year only three tranche products with very small volumes were launched. The investment-linked insurance solutions therefore reported a slight decline.

Non-life: business volume increases 6.2 % (in OC) on account of the acquisitions, organically stable business, development better than the market

At CHF 507.3 million, the non-life business premium volumes were 6.2 % (in OC) above those of the previous year (financial year 2013: CHF 484.3 million). Including the pro rata contribution from Nationale Suisse, the largest insurance line, motor vehicle insurance, recorded growth of 1.9 % (in OC). The property (+5.7 % [in OC]), liability (+10.5 % [in OC]) and health / accident (+13.7 % [in OC]) insurance also developed positively, although here the Nationale Suisse portfolio played a significant role. Overall, Nationale Suisse contributed to the non-life business with premiums amounting to CHF 30.2 million.

Helvetia's organic growth was – 0.1 % (in OC) and was thus better than the market, which declined 3.1 %[7] according to estimates of the supervisory authority IVASS. The decline at Helvetia was attributable to the motor vehicle business, which is still receding (– 2.9 % [in OC]) – albeit at a slower pace than the market[8] – and which the other lines were not able to make up for.

[7] Data as of end of Q3/2014

[8] According to the figures issued by the supervisory authority IVASS, the decline in premiums in the motor vehicle business was 6.2 % as of the end of Q3/2014

Key figures Italy

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**1 148.8**	**1 079.9**	**6.4**	**7.8**	**3.2**
Life	641.5	595.6	7.7	9.1	6.0
Non-life	507.3	484.3	4.8	6.2	– 0.1
Combined ratio	**96.4 %**	**98.8 %**	**n.a.**	**–**	**–**
Underlying earnings	**32.4**	**20.6**	**57.5**	**–**	**–**
IFRS result	3.0	20.6	– 85.6		

* Including Nationale Suisse on a pro rata basis

The **net combined ratio** improved from 98.8 % in the previous year to 96.4 % in the reporting year. The claims ratio fell from 67.1 % to 63.6 %, primarily thanks to portfolio restructuring. On the other hand, the cost ratio increased slightly. This is mainly due to Chiara Assicurazioni, which was taken into account for a full reporting year for the first time. Although Chiara Assicurazioni's portfolio did increase the cost ratio due to sales via bank channels, it produced lower claims ratios.

Spain

The Spanish unit achieved a premium volume of CHF 436.2 million in the financial year 2014 – representing a 9.1 % (in OC) increase on the previous year (2013: CHF 405.2 million).

Both the life (+9.7 % [in OC]) and as the non-life business (+8.8 % [in OC]) contributed to this positive performance. Nationale Suisse again provided a significant contribution to the growth in the non-life business.

In total, Nationale Suisse contributed CHF 18.1 million in premiums to the business volume on a prorated basis. But Helvetia Spain was also able to increase volume organically by a very positive 4.5 % (in OC), which was significantly better than market growth at 0.8 %[9].

At CHF 28.3 million, underlying earnings were above those of the previous year (CHF 27.1 million). At CHF 27.7 million, the IFRS profit for the period was virtually at the same level as the underlying earnings.

[9] Source: ICEA Market figures, Q4 2014 closing

Key figures Spain

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**436.2**	**405.2**	**7.6**	**9.1**	**4.5**
Life	141.1	130.2	8.3	9.7	9.7
Non-life	295.1	275.0	7.3	8.8	2.1
Combined ratio	**97.0 %**	**94.1 %**	**n.a.**	**–**	**–**
Underlying earnings	**28.3**	**27.1**	**4.4**	**–**	**–**
IFRS result	27.7	27.1	2.1		

* Including Nationale Suisse on a pro rata basis

Life: in line with strategy, good development of investment-linked life insurance

In the life business, the premium volumes increased 9.7 % (in OC) to CHF 141.1 million (2013: CHF 130.2 million). Growth drivers here were investment-linked insurance products as well as burial insurance. In the past financial year, Spain was able to place a relatively small tranche product. Growth was exclusively organic, as Nationale Suisse had no life business in Spain.

Non-life: acquisition-related increase in the business volume of 8.8 % (in OC) but also a pleasing organic growth of 2.1 % (in OC) for the first time again

In the non-life business, the positive performance already seen in the first half of the year continued. At CHF 295.1 million, compared with the previous year, Helvetia Spain generated 8.8 % (in OC) more premium income (2013: CHF 275.0). Nationale Suisse contributed towards this with CHF 18.1 million. Helvetia also once again recorded a significant positive growth: premiums increased by 2.1 % (in OC) compared with the previous year. In terms of insurance lines, particularly the motor vehicle business (+11.6 % [in OC]) and the property business (+8.8 % [in OC]) reported substantial increases; Nationale Suisse also contributed towards what was, in any case, pleasing growth here. Thanks to the newly established distribution partnership with Helvetia France and the premium contribution of Nationale Suisse, the transport sector also reported significant growth (+32.3 % [in OC]).

The **net combined ratio** increased from 94.1 % in the previous year to 97.0 % in the reporting year. As a result of the economic recovery in Spain, the frequency of claims particularly in the motor vehicle business increased again. For this reason the claims ratio increased from 69.1 % in the financial year 2013 to 71.5 % in the reporting year. The cost ratio, however, remained virtually stable at 25.5 % (2013: 25.0 %).

"Other insurance units"

The segment "Other insurance units" consists of the countries of Austria and France and also Reinsurance. The business volume achieved in this segment was CHF 866.2 million. The country market of Belgium, the representative office in Liechtenstein and the specialty business of Nationale Suisse in Latin America, Turkey and Asia that is written via representative offices in Istanbul and Miami and via branches in Singapore and Kuala Lumpur are also allocated to this segment. The underlying earnings amounted to CHF 63.6 million and the IFRS result was CHF 50.8 million.

Austria

Due to the acquisition of Basler Austria, Helvetia now ranks among the top 10 Austrian insurance companies. Thanks to the acquisition, premium volumes increased by 18.5 % (in OC) from CHF 321.2 million to CHF 375.7 million. Basler Austria contributed CHF 53.6 million to this on a pro rata basis over 4 months. However, the Helvetia portfolio also performed well organically and increased by 1.6 % (in OC) compared with the previous year.

Life: robust growth of the capital-efficient investment-linked insurance

At CHF 142.5 million, the premium volumes reported in the life business were 11.2 % (in OC) higher than those of the previous year (2013: CHF 129.8 million). At CHF 12.6 million, Basler Austria contributed significantly to this growth; however, Helvetia Austria also recorded organic growth of 1.4 % (in OC). In terms of product categories, investment-linked insurance solutions in particular enjoyed continued strong demand, reporting growth of 23.8 % (in OC).

Non-life: increase in the non-life volume by 23.5 % (in OC), thanks to the acquisition of Basler Austria

In the non-life business, the acquisition of Basler Austria was even more conspicuous: compared to the previous year, premiums increased by 23.5 % (in OC) to CHF 233.8 million (2013: CHF 191.4 million). Basler Austria's share of this growth was CHF 41 million. Helvetia also grew organically: the growth achieved was 1.8 % (in OC). All insurance lines improved their premium volumes compared with the previous year. The greatest contribution to growth came from the large business line, motor vehicle insurance, (+22.7 % [in OC]) and property insurance (+20.2 % [in OC]). Premiums also increased significantly in the accident and health area (+47.1 % [in OC]) and the liability business (+24.1 % [in OC]).

The **net combined ratio** also improved from 99.7 % in financial year 2013 to 96.9 % in the reporting year. As significantly fewer weather-related claims were reported in the past financial year, the claims ratio was a very good 63 %.

Key figures other insurance units

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**866.2**	**777.1**	**11.5**	**12.6**	**2.7**
Austria	375.7	321.2	17.0	18.5	1.6
Life	142.5	129.8	9.8	11.2	1.4
Non-life	233.2	191.4	21.8	23.5	1.8
France	252.1	261.1	–3.4	–2.2	–2.2
Non-life	252.1	261.1	–3.4	–2.2	–2.2
Active reinsurance	209.9	194.8	7.8	n.a.	7.8
International**	28.5	n.a.	n.a.	n.a.	n.a.
Combined ratio					
Austria	96.9 %	99.7 %	n.a.	–	–
France	97.1 %	98.8 %	n.a.	–	–

* Including Nationale Suisse and Basler Austria on a pro rata basis

** Includes the country market of Belgium, the representative office in Liechtenstein and the specialty business of Nationale Suisse in Latin America, Turkey and Asia

France

Volume development influenced by portfolio adjustments, improvement in the combined ratio to 97.1 %

In France, Helvetia achieved a premium volume of CHF 252.1 million in the financial year 2014, compared with CHF 261.1 million in the previous year. The reason for the decline was partly portfolio restructuring and partly the general economic environment only improving slowly, which had a negative effect on the transport sector.

The net combined ratio improved from 98.8 % in the previous year to 97.1 % in the reporting year. The portfolio restructuring was particularly noticeable in the claims ratio, which fell from 66.0 % in 2013 to 64.4 % in the reporting year.

Active reinsurance

Business development: encouraging volume increase of 7.8 %, further diversification of the portfolio

The active reinsurance is still oriented primarily towards the profitability of the portfolio. Therefore the focus is on underwriting in contract business based on longer-term relationships in the non-life business (property, casualty and specialty). In financial year 2014, active reinsurance increased its premium volume by 7.8 % from CHF 194.8 million to CHF 209.9 million. The growth is attributable to both new business and increases in shares from existing business relationships. The portfolio is well diversified with appropriate new business from the USA, France, Britain and China.

Net combined ratio at 98.2 %

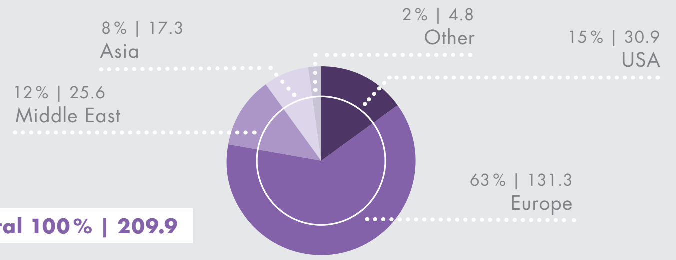
The net combined ratio increased slightly from 97.7 % in the previous year to 98.2 % in financial year 2014. The increase is attributable to the slightly increased cost ratio, while the claims ratio was 1.5 % below that of the previous year on account of fewer major claims.

The international area includes the country markets of Liechtenstein and Belgium as well as the specialty business of Nationale Suisse in Latin America, Turkey and Asia that is written via representative offices in Istanbul and Miami and via branches in Singapore and Kuala Lumpur.

The pro rata business volumes recorded in this area for 2014 are CHF 28.5 million

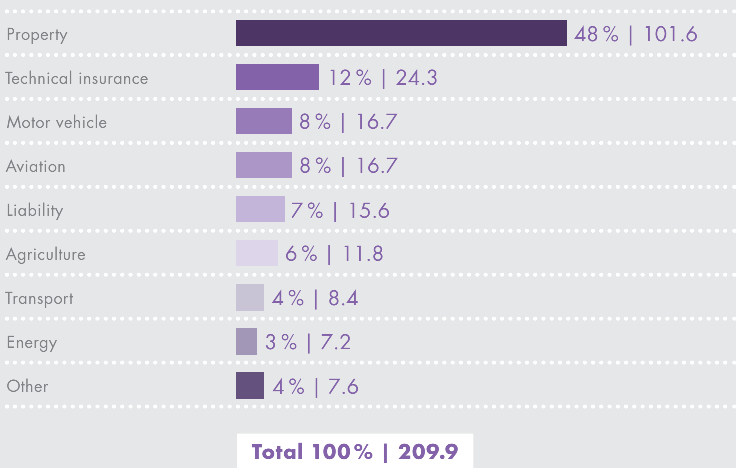
Portfolio structure of active reinsurance by region 2014

Share in % | in CHF million



Portfolio structure of active reinsurance by insurance line 2014

Share in % | in CHF million



Financial report

Consolidated financial statements of the Helvetia Group

Notes to the consolidated financial statements

Financial statements Helvetia Holding AG

Consolidated income statement

in CHF million	Notes	2014	2013 reclassified
Income			
Gross premiums written	3	7 613.6	7 293.2
Reinsurance premiums ceded		–298.9	–288.6
Net premiums written		7 314.7	7 004.6
Net change in unearned premium reserve		126.3	15.1
Net earned premiums		7 441.0	7 019.7
Current income from Group investments (net)[1]	7.1.1	992.9	967.0
Gains and losses on Group investments (net)[1]	7.1.3	282.5	189.8
Income investments with market risk for the policyholder[1]	7.1.5	200.5	160.2
Share of profit or loss of associates		1.0	15.2
Other income[1]		73.3	73.2
Total operating income		8 991.2	8 425.1
Expenses			
Claims incurred including claims handling costs (non-life)		–1 933.1	–1 761.8
Claims and benefits paid (life)		–4 142.4	–2 932.4
Change in actuarial reserves		–823.2	–1 891.1
Reinsurers' share of benefits and claims		136.9	146.8
Policyholder dividends and bonuses		–109.2	–159.6
Income attributable to deposits for investment contracts[1]		–73.8	–87.4
Net benefits to policyholders and claims		–6 944.8	–6 685.5
Acquisition costs		–906.2	–799.5
Reinsurers' share of acquisition costs		59.0	47.1
Operating and administrative expenses		–477.6	–412.3
Interest payable		–24.9	–25.0
Other expenses[1]	18.2	–220.4	–66.2
Total operating expenses		–8 514.9	–7 941.4
Profit or loss from operating activities		476.3	483.7
Financing costs		–13.0	–22.0
Profit or loss before tax		463.3	461.7
Income taxes	10.1	–70.0	–97.9
Profit or loss for the period		**393.3**	**363.8**
Attributable to:			
Shareholders of Helvetia Holding AG		391.7	363.3
Minority interests		1.6	0.5
Earnings per share:			
Basic earnings per share (in CHF)	11.5	42.98	40.89
Diluted earnings per share (in CHF)	11.5	42.98	40.89

[1] Voluntary change in presentation (see section 2.3 on page 117)

Consolidated statement of comprehensive income

in CHF million	2014	2013
Profit or loss for the period	**393.3**	**363.8**
Other comprehensive income		
May be reclassified to income		
Change in unrealised gains and losses on investments	1 669.5	–532.6
Share of associates' net profit recognised directly in equity	–0.5	–
Change from net investment hedge	–35.7	5.3
Foreign currency translation differences	16.8	8.2
Change in liabilities for contracts with participation features	–989.0	395.6
Deferred taxes	–171.9	34.1
Total that may be reclassified to income	489.2	–89.4
Will not be reclassified to income		
Revaluation from reclassification of property and equipment	7.5	4.7
Revaluation of benefit obligations	–213.9	8.2
Change in liabilities for contracts with participation features	35.1	–11.1
Deferred taxes	43.2	–2.4
Total that will not be reclassified to income	–128.1	–0.6
Total other comprehensive income	361.1	–90.0
Comprehensive income	**754.4**	**273.8**
Attributable to:		
Shareholders of Helvetia Holding AG	748.6	273.1
Minority interests	5.8	0.7

Consolidated balance sheet

in CHF million	Notes	2014	2013 reclassified
Assets			
Property and equipment	5	545.6	372.1
Goodwill and other intangible assets	6	1 273.2	335.1
Investments in associates	7.4.1	39.9	1.9
Investment property	7.5	6 317.8	5 059.8
Group financial assets[1]	7.2	38 525.6	31 676.9
Investments with market risk for the policyholder[1]	7.2	3 134.7	2 837.5
Receivables from insurance business	9.6	1 281.5	1 022.1
Deferred acquisition costs	9.5	504.4	400.5
Reinsurance assets	9.1	636.6	465.9
Deferred tax assets	10.5	23.3	23.2
Current income tax assets		28.6	17.8
Other assets		272.4	241.7
Accrued investment income		394.9	349.0
Cash and cash equivalents		2 090.4	1 708.1
Total assets		**55 068.9**	**44 511.6**

[1] Voluntary change in presentation (see section 2.3 on page 117)

in CHF million	Notes	2014	2013
Liabilities and equity			
Share capital	11.1	1.0	0.9
Capital reserves		657.8	128.8
Treasury shares		−8.2	−11.3
Unrealised gains and losses (net)	11.2.4	321.7	198.4
Foreign currency translation differences		−322.2	−302.7
Retained earnings		2997.6	2939.0
Valuation reserves for contracts with participation features	11.2.5	1261.1	863.5
Equity of Helvetia Holding AG shareholders		4908.8	3816.6
Minority interests		54.3	14.6
Equity (without preferred securities)		4963.1	3831.2
Preferred securities	11.3	700.0	300.0
Total equity		5663.1	4131.2
Actuarial reserves (gross)	9.1	33530.3	29815.6
Provision for future policyholder participation	9.1	2025.9	937.1
Loss reserves (gross)	9.1	4863.9	3121.6
Unearned premium reserve (gross)	9.1	1434.7	1053.5
Financial liabilities from financing activities	8.1	913.8	278.7
Financial liabilities from insurance business	8.2	2240.3	2173.2
Other financial liabilities	8.3	222.6	116.5
Liabilities from insurance business	9.6	2040.4	1679.0
Non-actuarial provisions	12.1	168.3	86.1
Employee benefit obligations	13.2	750.8	331.2
Deferred tax liabilities	10.5	878.2	555.6
Current income tax liabilities		33.2	42.7
Other liabilities and accruals		303.4	189.6
Total liabilities		49405.8	40380.4
Total liabilities and equity		**55068.9**	**44511.6**

Consolidated statement of equity

	Notes	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
		11.1			11.2.4
in CHF million					
Balance as of 1 January 2013		0.9	248.4	–9.8	226.7
Profit or loss for the period		–	–	–	–
Income and expense that may be reclassified to income		–	–	–	–35.1
Income and expense that will not be reclassified to income		–	–	–	3.1
Total other comprehensive income		–	–	–	–32.0
Comprehensive income		–	–	–	–32.0
Transfer from / to retained earnings		–	–	–	–
Acquisition of subsidiaries		–	–	–	–
Change in minority interests		–	–	–	3.7
Purchase of treasury shares		–	–	–4.9	–
Sale of treasury shares		–	–0.5	3.4	–
Share-based payment		–	2.0	–	–
Dividends		–	–121.1	–	–
Shareholders' contributions		–	42.0	–	–
Allocation of shareholders' contributions		–	–42.0	–	–
Balance as of 31 December 2013		**0.9**	**128.8**	**–11.3**	**198.4**
Balance as of 1 January 2014		0.9	128.8	–11.3	198.4
Profit or loss for the period		–	–	–	–
Income and expense that may be reclassified to income		–	–	–	117.9
Income and expense that will not be reclassified to income		–	–	–	5.4
Total other comprehensive income		–	–	–	123.3
Comprehensive income		–	–	–	123.3
Transfer from / to retained earnings		–	–	–	–
Acquisition of subsidiaries		–	–	–	–
Change in minority interests		–	–	–	0.0
Purchase of treasury shares		–	–	–8.0	–
Sale of treasury shares		–	2.2	11.1	–
Share-based payment		–	–2.3	–	–
Dividends		–	–	–	–
Share capital increase		0.1	535.3	–	–
Costs of share capital increase		–	–3.8	–	–
Shareholders' contributions		–	45.0	–	–
Allocation of shareholders' contributions		–	–45.0	–	–
Issuance of preferred securities		–	–2.4	–	–
Balance as of 31 December 2014		**1.0**	**657.8**	**–8.2**	**321.7**

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
	11.2.2	11.2.5					
−306.9	2 665.0	886.2	3 710.5	39.7	3 750.2	300.0	4 050.2
–	322.2	41.1	363.3	0.5	363.8	–	363.8
13.5	0.0	−68.0	−89.6	0.2	−89.4	–	−89.4
–	−8.3	4.6	−0.6	0.0	−0.6	–	−0.6
13.5	−8.3	−63.4	−90.2	0.2	−90.0	–	−90.0
13.5	313.9	−22.3	273.1	0.7	273.8	–	273.8
–	−10.9	−0.3	−11.2	–	−11.2	11.2	0.0
–	−11.3	–	−11.3	12.3	1.0	–	1.0
−9.3	7.1	−0.1	1.4	−37.5	−36.1	–	−36.1
–	–	–	−4.9	–	−4.9	–	−4.9
–	–	–	2.9	–	2.9	–	2.9
–	–	–	2.0	–	2.0	–	2.0
–	−24.8	–	−145.9	−0.6	−146.5	−11.2	−157.7
–	–	–	42.0	–	42.0	–	42.0
–	–	–	−42.0	–	−42.0	–	−42.0
−302.7	**2 939.0**	**863.5**	**3 816.6**	**14.6**	**3 831.2**	**300.0**	**4 131.2**
−302.7	2 939.0	863.5	3 816.6	14.6	3 831.2	300.0	4 131.2
–	342.7	49.0	391.7	1.6	393.3	–	393.3
−19.5	–	386.8	485.2	4.0	489.2	–	489.2
–	−100.9	−32.8	−128.3	0.2	−128.1	–	−128.1
−19.5	−100.9	354.0	356.9	4.2	361.1	–	361.1
−19.5	241.8	403.0	748.6	5.8	754.4	–	754.4
–	−10.8	−0.4	−11.2	0.0	−11.2	11.2	0.0
–	–	–	–	49.9	49.9	–	49.9
0.0	−22.3	−5.0	−27.3	−14.7	−42.0	–	−42.0
–	–	–	−8.0	–	−8.0	–	−8.0
–	–	–	13.3	–	13.3	–	13.3
–	–	–	−2.3	–	−2.3	–	−2.3
–	−150.1	–	−150.1	−1.3	−151.4	−11.2	−162.6
–	–	–	535.4	–	535.4	–	535.4
–	–	–	−3.8	–	−3.8	–	−3.8
–	–	–	45.0	–	45.0	–	45.0
–	–	–	−45.0	–	−45.0	–	−45.0
–	–	–	−2.4	–	−2.4	400.0	397.6
−322.2	**2 997.6**	**1 261.1**	**4 908.8**	**54.3**	**4 963.1**	**700.0**	**5 663.1**

Consolidated cash flow statement

in CHF million	2014	2013
Cash flow from operating activities		
Profit before tax	463.3	461.7
Reclassifications to investing and financing activities (affecting cash)		
Realised gains and losses on property, equipment and intangible assets	–1.0	–3.7
Realised gains and losses on sale of affiliated and associated companies	–	–14.7
Dividends from associates	–0.5	–0.5
Adjustments		
Depreciation / amortisation of property, equipment and intangible assets	114.3	42.6
Realised gains and losses on financial instruments and investment property	–213.0	–21.5
Unrealised gains and losses on investments in associates	–0.5	0.0
Unrealised gains and losses on investment property	–2.5	14.6
Unrealised gains and losses on financial instruments	–148.3	–277.2
Share-based payments for employees	–2.3	2.0
Foreign currency gains and losses	–34.3	–2.7
Other income and expenses not affecting cash[1]	42.7	52.0
Change in operating assets and liabilities		
Deferred acquisition costs	10.6	6.2
Reinsurance assets	20.0	–17.1
Actuarial reserves	823.2	1891.1
Provisions for future policyholder participation	–17.1	29.1
Loss reserves	3.1	31.0
Unearned premium reserve	–131.8	–14.1
Financial liabilities from insurance business	–57.8	–207.5
Changes in other operating assets and liabilities	225.5	303.7
Cash flow from investments and investment property		
Purchase of investment property	–296.1	–234.2
Sale of investment property	27.6	53.1
Purchase of interest-bearing securities	–3801.2	–3937.0
Repayment / sale of interest-bearing securities	2818.7	2901.5
Purchase of shares, investment funds and alternative investments	–979.4	–981.9
Sale of shares, investment funds and alternative investments	1084.1	782.4
Purchase of structured products	–14.4	–18.2
Sale of structured products	0.5	0.1
Purchase of derivatives	–9130.8	–8894.4
Sale of derivatives	9096.9	8789.6
Origination of mortgages and loans	–377.3	–538.9
Repayment of mortgages and loans	326.1	356.0
Purchase of money market instruments	–4094.5	–5635.3
Repayment of money market instruments	4489.1	5422.5
Cash flow from operating activities (gross)	242.9	340.3
Income taxes paid	–61.0	–77.2
Cash flow from operating activities (net)	181.9	263.1

in CHF million	2014	2013
Cash flow from investing activities		
Purchase of property and equipment	–22.2	–12.6
Sale of property and equipment	1.7	1.8
Purchase of intangible assets	–24.1	–21.7
Sale of intangible assets	0.1	15.9
Purchase of investments in associates	–0.3	–
Sale of investments in associates	0.1	61.2
Purchase of investments in subsidiaries, net of cash and cash equivalents	–603.5	–20.4
Dividends from associates	0.5	0.5
Cash flow from investing activities (net)	–647.7	24.7
Cash flow from financing activities		
Increase of share capital	–3.8	–
Sale of treasury shares	13.3	2.9
Purchase of treasury shares	–8.0	–4.9
Shareholders' contributions	45.0	42.0
Purchase of investments in subsidiaries	–42.0	–36.1
Issuance of preferred securities	397.0	–
Issuance of debt instruments	624.1	157.5
Repayment of debt	–2.1	–151.7
Dividends paid	–165.6	–160.8
Lease payments under finance lease	–2.4	–2.4
Cash flow from financing activities (net)	855.5	–153.5
Effect of exchange rate differences on cash and cash equivalents	–7.4	8.6
Total change in cash and cash equivalents	**382.3**	**142.9**
Cash and cash equivalents		
Cash and cash equivalents as of 1 January	1 708.1	1 565.2
Change in cash and cash equivalents	382.3	142.9
Cash and cash equivalents as of 31 December	**2 090.4**	**1 708.1**
Composition of cash and cash equivalents		
Cash	0.7	0.3
Due from banks	1 975.0	1 695.4
Other cash equivalents with a maturity of less than three months	114.7	12.4
Balance as of 31 December	**2 090.4**	**1 708.1**
Other disclosures on cash flow from operating activities:		
Interest received	755.7	786.6
Dividends received	75.2	60.0
Interest paid	10.5	6.3

[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 sectors of the life and non-life insurance business as well as in reinsurance. The holding company, Helvetia Holding AG, with headquarters in St. Gallen, is a Swiss public limited company listed on the SIX Swiss Exchange. Through branch offices and subsidiaries, the Group operates in the insurance markets of Switzerland, Germany, Austria, Spain, Italy and France, and worldwide in the active reinsurance business. Parts of its investment and financing activities are managed through subsidiaries and funds in Luxembourg, Ireland and Jersey. With the acquisition of Nationale Suisse Group in 2014 (see section 18, page 217), Helvetia Group is now also represented in Belgium, Liechtenstein, Malaysia, Singapore and the USA.

The Board of Directors approved the consolidated financial statements and released them for publication at its meeting of 11 March 2015. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 24 April 2015.

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 section 2.6 (page 119).

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:
– Amendments to IAS 32: Offsetting financial assets and financial liabilities
– Amendments to IAS 39 / IFRS 9: Financial instruments: Recognition and measurement: Novation of derivatives and continuation of hedge accounting
– Amendments to IFRIC 21: Levies

The adoption of these amendments did not have any material impact on Helvetia Group's asset, financial and income situation.

2.2 Standards not yet applied in the reporting year

Due to their effective dates, the following published sector-relevant standards, interpretations and amendments to standards were not applied to the 2014 consolidated financial statements:

Changes in accounting policies	to be applied for annual periods beginning on / after:
Amendments to IAS 19: Employee benefits – defined benefit plans: employee contributions	1.7.2014
Annual improvements to IFRS (2010 – 2012)	1.7.2014
Annual improvements to IFRS (2011 – 2013)	1.7.2014
Annual improvements to IFRS (2012 – 2014)	1.1.2016
Disclosure initiative (Amendments to IAS 1: Presentation of financial statements)	1.1.2016
IFRS 11: Acquisition of interests in joint operations	1.1.2016
IFRS 9: Financial instruments	1.1.2018

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

2.3 Voluntary change in presentation

As part of its voluntary disclosures, Helvetia Group previously distinguished between the Group's financial assets and financial assets for unit-linked contracts. From 1 January 2014, the term "Financial assets for unit-linked contracts" was replaced by the term "Financial assets with market risk for the policyholder".

This item now includes all financial assets for which the market risk lies entirely with the policyholder. It may include investments for which the default risk is assumed by Helvetia Group.

This new presentation makes it easier to interpret the investment results.

In addition, in order to improve presentation, since 1 January 2014 Helvetia Group now presents the earnings attributable to the holders of deposits for investment contracts separately.

Earlier reporting periods have been adjusted accordingly. The following table summarises the effects on the consolidated balance sheet and income statement:

in CHF million	Initially reported	Adjustments	After adjustments
Consolidated balance sheet	**31.12.2013**		
Group financial assets	32 389.6	–712.7	31 676.9
Investments with market risk for the policyholder[1]	2 124.8	712.7	2 837.5
Consolidated income statement	**31.12.2013**		
Current income from Group investments (net)	985.7	–18.7	967.0
Gains and losses on Group investments (net)	226.6	–36.8	189.8
Income investments with market risk for the policyholder[1]	104.7	55.5	160.2
Other income	73.3	–0.1	73.2
Income attributable to deposits for investment contracts	–	–87.4	–87.4
Other expenses	–153.7	87.5	–66.2
Profit or loss for the period	**363.8**	**–**	**363.8**
Earnings per share	**31.12.2013**		
Basic earnings per share (in CHF)	40.89	–	40.89
Diluted earnings per share (in CHF)	40.89	–	40.89

[1] previously "investments for unit-linked contracts"

2.4 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.

2.4.1 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.

Non-controlling interests (minority interests) are valued at the time of acquisition with their proportionate share of the identifiable net assets of the company.

Any changes in Helvetia Group's percentage of shares held in a subsidiary, without losing control, are treated as transactions among shareholders. The adjustments of minority interests are based on the proportional net assets of the subsidiary. Goodwill is not adjusted and no gains or losses are recognised in the income statement.

2.4.2 Associates

Associates of Helvetia Group are accounted for using the equity method if significant influence is exercised by Helvetia Group. The goodwill resulting from the equity valuation is recognised in "Investments in associates". The book value of all investments is tested for impairment if there is objective and substantial evidence for impairment at the balance sheet date. Associates of the Helvetia Group are listed together with the fully consolidated subsidiaries in section 18 (from page 217).

2.5 Foreign currency translation

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

2.5.1 Translation of financial statements prepared in foreign currency

Items included in the financial statements of such 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 currency 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 section 4.1 (page 141).

2.5.2 Translation of foreign currency transactions

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

The individual entities translate balance sheet items denominated in foreign currencies at the balance sheet date as follows: monetary and non-monetary balance sheet items recorded at fair value, at closing rates, and non-monetary balance sheet 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 financial assets classified as available-for-sale investments, such as shares and shares in investment funds, the unrealised foreign currency result is recognised in equity without affecting the income statement until the financial instrument is sold. However, for monetary financial assets such as bonds and loans, the unrealised foreign currency result is immediately recognised in the income statement.

2.6 Estimate uncertainties 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. The following information conveys which of the assumptions needed for the preparation of the financial statements require particular management judgement.

2.6.1 Fair value of financial assets and financial liabilities

The fair value of financial assets is equal to the price at which an asset could be sold on the valuation date in a normal business transaction between market participants.

Financial instruments measured at the prices quoted on an active market belong to the "Level 1" category of valuation methods. Quoted 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 regular market transactions.

If a market value in an active market is not 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.
– Interest-bearing securities without an active market, including own bonds: The fair value is based on rates set by brokers or banks, which are validated through comparison with current market transactions and in consideration of transactions with similar instruments, or determined by means of the discounted cash flow (DCF) method.

- Money market instruments: The fair value is based on rates set by brokers or banks or determined by means of the discounted cash flow method.
- 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.
- Financial liabilities: There is no active market for financial liabilities. The fair value is derived from the fair values of the underlying assets or determined by means of the discounted cash flow method.
- Minority interests in own funds and deposits for investment contracts: The fair value is derived from the fair values of the underlying assets.

If the valuation assumptions are not based on observable market data, the financial instrument in question falls into 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 method and applying the internal rate of return.

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

2.6.2 Impairment of available-for-sale investments

The judgement as to whether an equity instrument classified as available-for-sale is subject to impairment depends on the existence of objective indications. One decisive criterion is 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.

2.6.3 Fair value of investment property

In Switzerland and Austria, investment properties are valued in accordance with the discounted cash flow (DCF) method. The procedure is described in section 2.12.1 (page 123).

The choice of the discount rate plays an important role in the DCF valuation method. 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 section 7.5 (page 153). 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 no more than three years.

2.6.4 Insurance-specific estimate uncertainties

The estimate uncertainties in the area of technical results are explained in section 2.16 (from page 126). Any material change to the parameters used for the calculation of the provisions is documented in sections 9.3 from page 166 (non-life business) and 9.4 on page 168 (life business).

2.6.5 Impairment of goodwill

Capitalised goodwill is tested annually for impairment. The procedure is described in Note 2.11 (page 122). The recoverable amount is calculated on the basis of several assumptions, which are disclosed in section 6 (from page 144).

2.7 Current and 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 basically 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 financial assets" 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 section 16.5 (from page 200) as part of the risk assessment process.

2.8 Property and equipment

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

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

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

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

Land is not depreciated. Useful life is adjusted if the pattern of consumption of the economic benefit has changed. Value-adding investments are added to the current book 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 section 2.11, page 122).

2.9 Leasing

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

2.10 Goodwill and other intangible assets

Acquired intangible assets are recognised at cost and amortised over their useful life. If a portfolio of insurance contracts or investment contracts is acquired, an intangible asset is recognised for an amount that equals the present value of all future gains minus the solvency costs included in the acquired contracts. This item includes the present value for the income across the whole contract period, even if the premiums have not yet been billed. The so-called "present value of future profit" (PVFP) is amortised in proportion to the gross gains or gross margins over the actual term of the acquired contracts. This term is usually between one and ten years. Helvetia has only capitalised PVFP in respect of the life business. This is tested for impairment every year.

Included in the other intangible assets are purchased distribution agreements. Their value corresponds to the present value of all expected future profit. The distribution agreements are amortised in proportion to the gross gains or gross margins over the actual term of the future contracts. The term is usually between five and fifteen years.

The other intangible assets also include intangible assets developed by the company, principally proprietary software that is recorded at cost and amortised on a straight-line basis. Depreciation is recognised in the income statement under "Operating and administration 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 section 2.11, below). 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 acquisitor's previously held equity interest in the acquired company, minus the net of the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company.

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

2.11 Impairment of tangible assets, goodwill and other intangible assets

The book 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 again if there is evidence of 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 book value. The value in use is calculated by applying the discounted cash flow 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.

2.12 Investments

At Helvetia Group, investments comprise 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 section 2.4.2 (page 118), under "Consolidation principles".

2.12.1 Fair value of 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. The fair value of companies in Switzerland and Austria is measured using a generally accepted discounted cash flow (DCF) valuation method. The portfolio is regularly reviewed on the basis of appraisal reports prepared by independent experts. All other countries use independent experts to determine market estimates, at the most, 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 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.

2.12.2 Financial assets

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

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 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 indefinite 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 financial assets that are designated as "at fair value through profit or loss" are included in the item "Current income on Group investments (net)".

2.12.3 Impairment of financial assets

The carrying values of financial assets that are not classified as "at fair value through profit or loss" (LAR, HTM, AFS) are regularly reviewed for impairment. If objective and substantial evidence indicates permanent impairment at the reporting date, the difference between cost and the recoverable amount is recognised as an impairment through profit or loss. An equity instrument is impaired if its fair value is considerably or constantly below cost (see also section 2.6, page 119). 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 continue to be recognised in the balance sheet at amortised cost.

For LAR and HTM financial assets, 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 assets are derecognised no later than when the bankruptcy proceedings end or, in the case of ongoing bankruptcy proceedings, when the outstanding debt plus interest is received. If a settlement is agreed, derecognition takes place at the end of the agreed period after receipt of the payment.

2.13 Financial derivatives

Derivative financial instruments are classified as "Financial assets held for trading" and are shown in the item "Financial assets at fair value through profit or loss" or are carried as "Derivatives for hedge accounting". The hedging strategies used by Helvetia Group for risk management purposes are described in section 16 (from page 191).

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

2.14 Net investment hedge

For hedges of currency gains and losses on investments in subsidiaries with a foreign reporting currency, the hedge-effective portion of the gain or loss on the valuation of the hedging instrument is recognised in equity, while the ineffective portion is recognised directly in the income statement.

When a net investment hedge ends, the hedge instrument continues to be recognised in the balance sheet at fair value. All gains and losses reported in equity remain a component of equity until the company is (partially) sold. Upon the (partial) sale of the company, the unrealised gains and losses recognised in equity are transferred to 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 funds 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 section 2.16, below) 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 "Financing 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 comprises assumed primary business and business ceded to reinsurers. Indirect business consists of active reinsurance business and business retroceded to reinsurers. The technical 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 technical 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 technical risk are not insurance contracts but 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 technical items in non-life business are established Group-wide on the same principles. All non-life insurance products of Helvetia Group contain significant technical risks 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 entered as profit or loss on the income statement 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 sector (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 – without prior amortisation of the deferred acquisition costs.

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 products containing significant technical risk as insurance contracts.

The technical items in life business are determined in accordance with the local valuation and accounting principles for the respective companies. 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 – without prior amortisation of the deferred acquisition costs. If existing reserves exceed expected needs, the strengthened reserves are reduced again 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 local statutory or contractual regulations. Provisions set up for that purpose in accordance with local accounting principles are not changed under IFRS rules and are included under "Provision for future policyholder participation" or under "Actuarial reserve" in the balance sheet.

Portions of the valuation differences in relation to local accounting principles allocated to contracts containing discretionary participation features which affect either the net income or unrealised gains in equity are also reserved under "Provision for future policyholder participation". 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 exists) 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 item "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 active reinsurance. As in primary insurance business, technical provisions are included in the respective technical 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.

Reserves for deferred income tax assets and liabilities are calculated using the tax rate changes enacted or substantively enacted as of the balance sheet date. Deferred income 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 against actual tax 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 financial assets

Interest income on interest-bearing financial investments and loans that must be allocated to the reporting year are 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 that 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 past service cost 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, experience adjustments and differences between the expected and actual return from the plan's assets are actuarial gains and losses. These are recognised as revaluations in comprehensive income with no effect on the income statement. Net interest income from plan assets to be recognised in the income statement is calculated using the same interest rate applied to the calculation of interest on defined benefit obligations.

For funded benefit plans, a surplus in the plan which is recognised in comprehensive income with no effect on the income statement 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 ("asset ceiling"). 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 compensation 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

Helvetia Group is managed primarily by country markets. Each country has its own Executive Management which is responsible for the operational management of all local business units and for the legal entities. Apart from reinsurance, which operates worldwide, segmentation is based on the geographical country markets where all service-rendering activities occur. These country markets correspond to the locations of Helvetia Group's customers.

The operating segments of Helvetia Group derived from this are the country markets "Switzerland", "Germany", "Italy", "Spain" and "Other insurance units", consisting of the country markets and worldwide reinsurance. "Corporate" comprises a separate reportable segment. This comprises all Group activities, the financing companies and Helvetia Holding AG.

As additional information, Helvetia Group categorises its activities into life business, non-life business and other activities.

In life business, Helvetia Group offers products in the areas of life insurance and old-age and pension insurance. The non-life business provides property, motor vehicle, liability, transport, health and accident insurance. Units without any technical business which can be directly classed in the "life" or "non-life" business are presented in the respective segment.

All other units and active reinsurance are classed in "Other activities".

The accounting principles used for segment reporting correspond to the significant policies for the financial statements. Helvetia Group treats services and the transfer of assets and liabilities between the segments like transactions with third parties. Investments and dividend income from subsidiaries between segments are eliminated in the segment in question. All other cross-segment relationships and revenues within the Group are eliminated entirely.

The allocation of the individual Group companies to the regions and segments is set out in section 18 (from page 217).

3.1 Segment information

in CHF million	Switzerland 2014	Switzerland 2013 reclassified	Germany 2014	Germany 2013 reclassified	Italy 2014	Italy 2013 reclassified
Income						
Gross premiums written	4 390.9	4 350.3	864.5	843.2	1 056.0	917.4
Reinsurance premiums ceded	–141.4	–128.6	–88.0	–84.8	–92.2	–77.9
Net premiums written	4 249.5	4 221.7	776.5	758.4	963.8	839.5
Net change in unearned premium reserve	112.1	–0.3	3.3	–0.1	5.4	15.1
Net earned premiums	4 361.6	4 221.4	779.8	758.3	969.2	854.6
Current income on Group investments (net)[1]	723.8	704.5	72.7	73.8	93.6	88.4
Gains and losses on Group investments (net)[1]	82.3	91.9	20.5	41.2	26.7	13.0
Income investments with market risk for the policyholder[1]	73.2	20.8	37.9	41.7	67.8	87.4
Share of profit or loss of associates	1.0	14.8	–	–	0.0	–
Other income[1]	26.3	21.0	5.0	4.6	23.5	30.1
Total operating income	5 268.2	5 074.4	915.9	919.6	1 180.8	1 073.5
of which transactions between geographical segments	86.7	71.9	67.3	60.3	40.0	27.5
Total revenues from external customers	5 354.9	5 146.3	983.2	979.9	1 220.8	1 101.0
Expenses						
Claims incurred including claims handling costs (non-life)	–550.7	–416.1	–379.7	–366.5	–329.9	–347.5
Claims and benefits paid (life)	–3 419.2	–2 340.8	–138.8	–130.9	–369.0	–274.3
Change in actuarial reserves	–330.8	–1 426.9	–190.9	–201.1	–221.5	–199.7
Reinsurers' share of benefits and claims	47.9	40.0	52.4	61.0	58.9	61.1
Policyholder dividends and bonuses	–83.6	–124.1	–22.1	–30.3	–3.3	–0.9
Income attributable to deposits for investment contracts[1]	–6.3	0.1	–	–	–67.5	–87.5
Net benefits to policyholders and claims	–4 342.7	–4 267.8	–679.1	–667.8	–932.3	–848.8
Acquisition costs	–314.8	–265.6	–180.1	–173.0	–126.5	–113.0
Reinsurers' share of acquisition costs	24.7	19.4	26.2	17.5	17.9	12.4
Operating and administrative expenses	–243.9	–209.7	–52.7	–50.8	–67.8	–66.3
Interest payable	–21.6	–20.2	–3.1	–3.4	–2.1	–2.2
Other expenses[1]	–102.3	–27.1	–7.1	–6.4	–48.3	–20.7
Total operating expenses	–5 000.6	–4 771.0	–895.9	–883.9	–1 159.1	–1 038.6
Profit or loss from operating activities	267.6	303.4	20.0	35.7	21.7	34.9
Financing costs	–	–	–	–	–0.1	–0.2
Profit or loss before tax	267.6	303.4	20.0	35.7	21.6	34.7
Income taxes	–46.5	–52.6	–5.9	–11.5	–18.6	–14.1
Profit or loss for the period	**221.1**	**250.8**	**14.1**	**24.2**	**3.0**	**20.6**

[1] Voluntary change in presentation (see section 2.3 on page 117)

Spain 2014	Spain 2013 reclassified	Other insurance units 2014	Other insurance units 2013 reclassified	Corporate 2014	Corporate 2013	Elimination 2014	Elimination 2013	Total 2014	Total 2013 reclassified
436.2	405.2	1061.4	938.8	–	–	–195.4	–161.7	7613.6	7293.2
–27.2	–16.4	–145.8	–143.1	–	–	195.7	162.2	–298.9	–288.6
409.0	388.8	915.6	795.7	–	–	0.3	0.5	7314.7	7004.6
–4.0	0.5	9.8	0.4	–	–	–0.3	–0.5	126.3	15.1
405.0	389.3	925.4	796.1	–	–	–	–	7441.0	7019.7
26.0	25.4	60.3	60.8	18.9	16.2	–2.4	–2.1	992.9	967.0
5.4	2.7	45.7	20.5	101.9	20.5	–	–	282.5	189.8
4.7	3.7	16.9	6.6	–	–	–	–	200.5	160.2
0.0	0.4	0.0	0.0	–	–	–	–	1.0	15.2
5.9	5.0	11.2	11.2	2.5	1.9	–1.1	–0.6	73.3	73.2
447.0	426.5	1059.5	895.2	123.3	38.6	–3.5	–2.7	8991.2	8425.1
19.7	13.6	–215.5	–175.1	–1.7	–0.9	3.5	2.7	–	–
466.7	440.1	844.0	720.1	121.6	37.7	–	–	8991.2	8425.1
–212.5	–184.8	–578.6	–533.8	–	–	118.3	86.9	–1933.1	–1761.8
–81.7	–77.7	–144.5	–115.5	–	–	10.8	6.8	–4142.4	–2932.4
–36.3	–25.2	–40.3	–38.2	–	–	–3.4	0.0	–823.2	–1891.1
23.2	5.6	82.7	75.1	–	–	–128.2	–96.0	136.9	146.8
0.0	–	–0.2	–4.3	–	–	–	–	–109.2	–159.6
–	–	–	–	–	–	–	–	–73.8	–87.4
–307.3	–282.1	–680.9	–616.7	–	–	–2.5	–2.3	–6944.8	–6685.5
–86.1	–77.6	–242.9	–202.8	–	–	44.2	32.5	–906.2	–799.5
6.2	3.6	25.9	24.4	–	–	–41.9	–30.2	59.0	47.1
–27.8	–27.1	–65.5	–53.5	–20.1	–4.9	0.2	0.0	–477.6	–412.3
–0.2	–0.1	–0.6	–0.6	–0.7	–1.2	3.4	2.7	–24.9	–25.0
4.1	–1.8	–37.3	–9.1	–29.6	–1.1	0.1	0.0	–220.4	–66.2
–411.1	–385.1	–1001.3	–858.3	–50.4	–7.2	3.5	2.7	–8514.9	–7941.4
35.9	41.4	58.2	36.9	72.9	31.4	0.0	0.0	476.3	483.7
–	–	–	–	–12.9	–21.8	–	–	–13.0	–22.0
35.9	41.4	58.2	36.9	60.0	9.6	0.0	0.0	463.3	461.7
–8.2	–14.3	–7.4	–7.2	16.6	1.8	0.0	0.0	–70.0	–97.9
27.7	**27.1**	**50.8**	**29.7**	**76.6**	**11.4**	**0.0**	**0.0**	**393.3**	**363.8**

3.2 Information by business activities

in CHF million	Life 2014	2013 reclassified	Non-life 2014	2013
Income				
Gross premiums written	4614.5	4547.5	2790.0	2552.8
Reinsurance premiums ceded	–66.3	–62.6	–348.6	–368.5
Net premiums written	4548.2	4484.9	2441.4	2184.3
Net change in unearned premium reserve	–6.9	–3.7	134.1	22.2
Net earned premiums	4541.3	4481.2	2575.5	2206.5
Current income on Group investments (net)	871.7	851.1	109.1	105.9
Gains and losses on Group investments (net)[1]	98.3	131.0	67.6	38.1
Income investments with market risk for the policyholder[1]	200.5	160.2	–	–
Share of profit or loss of associates	0.2	14.8	0.8	0.4
Other income[1]	36.6	42.6	33.3	27.0
Total operating income	5748.6	5680.9	2786.3	2377.9
Expenses				
Claims incurred including claims handling costs (non-life)	–	–	–1794.8	–1620.0
Claims and benefits paid (life)	–4140.7	–2932.1	–	–
Change in actuarial reserves	–822.7	–1895.0	–	–
Reinsurers' share of benefits and claims	29.7	31.6	189.6	219.7
Policyholder dividends and bonuses	–106.5	–159.9	–2.7	0.3
Income attributable to deposits for investment contracts[1]	–73.8	–87.4	–	–
Net benefits to policyholders and claims	–5114.0	–5042.8	–1607.9	–1400.0
Acquisition costs	–230.5	–216.1	–622.8	–536.7
Reinsurers' share of acquisition costs	21.1	14.5	67.8	73.5
Operating and administrative expenses	–179.9	–170.0	–267.7	–230.7
Interest payable	–33.0	–31.5	–8.8	–8.9
Other expenses[1]	–58.4	–36.1	–124.1	–30.7
Total operating expenses	–5594.7	–5482.0	–2563.5	–2133.5
Profit or loss from operating activities	153.9	198.9	222.8	244.4
Financing costs	–	–	–0.2	–0.2
Profit or loss before tax	153.9	198.9	222.6	244.2
Income taxes	–38.9	–46.0	–46.6	–52.5
Profit or loss for the period	**115.0**	**152.9**	**176.0**	**191.7**

[1] Voluntary change in presentation (see section 2.3 on page 117)

Other activities		Elimination		Total	
2014	2013	2014	2013	2014	2013 reclassified
459.6	466.2	–250.5	–273.3	7613.6	7293.2
–135.1	–132.0	251.1	274.5	–298.9	–288.6
324.5	334.2	0.6	1.2	7314.7	7004.6
–0.3	–2.2	–0.6	–1.2	126.3	15.1
324.2	332.0	–	–	7441.0	7019.7
29.0	26.6	–16.9	–16.6	992.9	967.0
116.6	20.7	–	–	282.5	189.8
–	–	–	–	200.5	160.2
–	–	–	–	1.0	15.2
7.8	6.1	–4.4	–2.5	73.3	73.2
477.6	385.4	–21.3	–19.1	8991.2	8425.1
–291.7	–310.3	153.4	168.5	–1933.1	–1761.8
–13.3	–7.5	11.6	7.2	–4142.4	–2932.4
2.9	3.9	–3.4	0.0	–823.2	–1891.1
81.8	73.6	–164.2	–178.1	136.9	146.8
–	–	–	–	–109.2	–159.6
–	–	–	–	–73.8	–87.4
–220.3	–240.3	–2.6	–2.4	–6944.8	–6685.5
–112.3	–112.2	59.4	65.5	–906.2	–799.5
27.1	22.4	–57.0	–63.3	59.0	47.1
–30.2	–11.9	0.2	0.3	–477.6	–412.3
–1.4	–1.7	18.3	17.1	–24.9	–25.0
–40.9	–1.3	3.0	1.9	–220.4	–66.2
–378.0	–345.0	21.3	19.1	–8514.9	–7941.4
99.6	40.4	0.0	0.0	476.3	483.7
–12.8	–21.8	–	–	–13.0	–22.0
86.8	18.6	0.0	0.0	463.3	461.7
15.5	0.6	0.0	0.0	–70.0	–97.9
102.3	**19.2**	**0.0**	**0.0**	**393.3**	**363.8**

3.3 Additional information

by segment:

as of 31.12.	Switzerland 2014	2013	Germany 2014	2013	Italy 2014	2013
in CHF million						
Assets by geographical segment	40718.0	31688.8	3721.3	3213.4	6442.1	5365.7
of which investments	35218.5	28939.8	3175.0	2764.8	5162.3	4299.6
of which investments in associates	38.1	0.1	–	–	–	–
Liabilities by geographical segment	36152.1	28788.3	3367.1	2915.1	5924.6	4970.0
of which technical provisions (gross)	30838.2	25979.7	2913.1	2578.8	4177.6	3351.8
Cash flow from operating activities (net)	1114.4	224.5	–2.5	–38.6	–2.1	22.4
Cash flow from investing activities (net)	337.0	39.6	21.9	3.9	6.9	–9.2
Cash flow from financing activities (net)	–5.6	14.5	3.6	24.6	37.2	–43.7
Acquisition of owner-occupied property, equipment and intangible assets	986.0	1.0	38.7	4.2	48.2	27.0
Depreciation and amortisation on tangible and intangible assets	–41.2	–8.6	–3.9	–3.0	–20.5	–18.1
Impairment of tangible and intangible assets affecting income	–	–	–	–	–27.1	–
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	–	–	–	–
Share-based payment transaction costs	–1.2	–1.0	–	–	–	–

by business activity:

as of 31.12.	Life 2014	2013	Non-life 2014	2013
in CHF million				
Assets by business activity	43476.9	37078.4	12330.7	6578.7
Liabilities by business activity	40439.2	34901.2	9085.4	4652.7
Acquisition of owner-occupied property, equipment and intangible assets	37.2	–4.1	1179.2	33.7
Depreciation and amortisation on tangible and intangible assets	–11.4	–11.2	–62.4	–21.2
Impairment of tangible and intangible assets affecting income	–27.1	–	0.0	0.0
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	–	–
Share-based payment transaction costs	–0.6	–0.5	–0.6	–0.5

	Spain 2014	2013	Other insurance units 2014	2013	Corporate 2014	2013	Elimination 2014	2013	Total 2014	2013
	1 488.1	1 227.0	4 998.5	3 283.8	–1 223.2	93.9	–1 075.9	–361.0	55 068.9	44 511.6
	1 049.4	931.3	3 153.2	2 175.6	350.5	477.5	–90.9	–12.5	48 018.0	39 576.1
	1.4	1.8	0.4	0.0	–	–	–	–	39.9	1.9
	1 215.8	1 037.5	4 250.6	2 834.3	–428.5	196.2	–1 075.9	–361.0	49 405.8	40 380.4
	955.3	868.3	3 534.6	2 358.4	–	–	–564.0	–209.2	41 854.8	34 927.8
	27.6	61.9	–23.7	–67.3	–933.2	59.3	1.4	0.9	181.9	263.1
	3.3	9.9	–67.8	–8.7	–947.6	–9.9	–1.4	–0.9	–647.7	24.7
	–23.9	–52.0	170.3	81.4	673.9	–178.3	–	–	855.5	–153.5
	37.7	5.8	117.4	5.8	10.3	1.5	–	–	1 238.3	45.3
	–4.2	–4.7	–13.9	–6.1	–3.5	–2.1	–	–	–87.2	–42.6
	0.0	0.0	0.0	–	–	–	–	–	–27.1	0.0
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–0.8	–1.0	–	–	–2.0	–2.0

	Other activities 2014	2013	Elimination 2014	2013	Total 2014	2013
	544.2	1 267.7	–1 282.9	–413.2	55 068.9	44 511.6
	1 164.1	1 239.7	–1 282.9	–413.2	49 405.8	40 380.4
	21.9	15.7	–	–	1 238.3	45.3
	–13.4	–10.2	–	–	–87.2	–42.6
	0.0	–	–	–	–27.1	0.0
	–	–	–	–	–	–
	–0.8	–1.0	–	–	–2.0	–2.0

3.4 Gross premiums by geography and business area

in CHF million		Gross premiums before elimination 2014	2013	Elimination 2014	2013	Gross premiums 2014	2013	Change in %	Change in % (FX-adjusted)
Switzerland	non-life	912.4	797.0	–0.2	–	912.2	797.0	14.5	14.5
Switzerland	life	3 478.5	3 553.3	–	–	3 478.5	3 553.3	–2.1	–2.1
Total Switzerland		4 390.9	4 350.3	–0.2	–	4 390.7	4 350.3	0.9	0.9
Germany	non-life	564.1	542.1	–	–	564.1	542.1	4.0	5.4
Germany	life	300.4	301.1	–	–	300.4	301.1	–0.2	1.1
Total Germany		864.5	843.2	–	–	864.5	843.2	2.5	3.9
Italy	non-life	507.3	484.3	–	–	507.3	484.3	4.8	6.2
Italy	life	548.7	433.1	–	–	548.7	433.1	26.6	28.3
Total Italy		1 056.0	917.4	–	–	1 056.0	917.4	15.1	16.6
Spain	non-life	295.1	275.0	–	–	295.1	275.0	7.3	8.8
Spain	life	141.1	130.2	–	–	141.1	130.2	8.3	9.7
Total Spain		436.2	405.2	–	–	436.2	405.2	7.6	9.1
Other countries	non-life	511.1	454.4	–0.6	–1.9	510.5	452.5	12.8	14.3
Other countries	life	145.8	129.8	–	–	145.8	129.8	12.3	13.8
Reinsurance		404.5	354.6	–194.6	–159.8	209.9	194.8	7.8	7.8
Total other insurance business		1 061.4	938.8	–195.2	–161.7	866.2	777.1	11.5	12.6
Total gross premiums		**7 809.0**	**7 454.9**	**–195.4**	**–161.7**	**7 613.6**	**7 293.2**	**4.4**	**4.9**

3.5 Gross premiums by business line

in CHF million	Gross premiums 2014	2013 reclassified	Change in %	Change in % (FX-adjusted)
Traditional individual life insurance[1]	1 440.9	1 326.4	8.6	9.5
Investment-linked life insurance[1]	448.8	515.7	–13.0	–12.4
Individual insurance	1 889.7	1 842.1	2.6	3.3
Group insurance	2 724.8	2 705.4	0.7	0.8
Gross premiums life	4 614.5	4 547.5	1.5	1.8
Property	1 048.8	937.7	11.8	12.7
Transport	319.2	312.5	2.2	3.4
Motor vehicle	971.3	897.1	8.3	9.3
Liability	273.0	257.6	6.0	6.8
Accident / health	176.9	146.0	21.2	22.7
Gross premiums non-life	2 789.2	2 550.9	9.3	10.3
Gross premiums reinsurance	209.9	194.8	7.8	7.8
Total gross premiums	**7 613.6**	**7 293.2**	**4.4**	**4.9**

[1] Voluntary change in presentation (see section 2.3 on page 117)

3.6 Gross premiums and deposits received

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

in CHF million	Business volume 2014	2013	Change in%	Change in % (FX-adjusted)
Gross premiums life	4614.5	4547.5	1.5	1.8
Deposits received from investment contracts life[1]	153.0	183.6	–16.7	–16.0
Gross premiums and deposits received life	4767.5	4731.1	0.8	1.1
Gross premiums non-life	2789.2	2550.9	9.3	10.3
Gross premiums reinsurance	209.9	194.8	7.8	7.8
Gross premiums and deposits received	**7766.6**	**7476.8**	**3.9**	**4.4**

1 Currently, all deposits from investment contracts life relate to the country markets Italy and Switzerland.

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	31.12.2014	31.12.2013
1 EUR	1.2024	1.2255
1 USD	0.9937	0.8894
1 GBP	1.5493	1.4730

Annual average	2014	2013
	Jan–Dec	Jan–Dec
1 EUR	1.2125	1.2287
1 USD	0.9193	0.9242
1 GBP	1.5119	1.4464

4.2 Foreign exchange gains and losses

The foreign exchange results in the consolidated income statement in reporting year 2014 show a loss of CHF 40.4 million (previous year's loss: CHF 3.3 million). The foreign exchange gain from financial investments is included in "Gains and losses on Group investments" in the consolidated income statement and, excluding foreign currency translation differences from investments at fair value through profit or loss, amounts to CHF 29.4 million (previous year's loss: CHF 8.8 million). Other foreign currency gains and losses are reported under the items "Other expenses" and "Other income".

5. Property and equipment

in CHF million	Undeveloped land 2014	2013	Owner-occupied property 2014	2013	Equipment 2014	2013
Acquisition costs						
Balance as of 1 January	2.6	2.6	533.6	523.6	99.0	90.9
Change in scope of consolidation	–	–	146.3	–	34.8	0.2
Additions	0.1	–	0.1	0.4	15.5	9.4
Disposals	–	–	–1.0	–1.2	–6.5	–2.5
Revaluation gains on transfers to investment property	–	–	7.6	4.6	–	–
Transfer	–	–	0.9	2.3	–	–
Foreign currency translation differences	0.0	–	–5.2	3.9	–1.4	1.0
Other changes	5.5	–	–5.5	–	–	–
Balance as of 31 December	**8.2**	**2.6**	**676.8**	**533.6**	**141.4**	**99.0**
Accumulated depreciation / impairment						
Balance as of 1 January	–	–	188.7	178.6	78.4	71.3
Depreciation	–	–	10.9	9.7	11.7	8.3
Impairment	–	–	0.0	0.0	0.0	–
Reversal of impairment losses	–	–	–	–	–	–
Disposals depreciation / impairment	–	–	–0.5	–0.5	–6.2	–1.9
Transfer	–	–	4.8	–0.6	–	–
Foreign currency translation differences	–	–	–2.1	1.5	–1.0	0.7
Balance as of 31 December	**–**	**–**	**201.8**	**188.7**	**82.9**	**78.4**
Book value as of 31 December	**8.2**	**2.6**	**475.0**	**344.9**	**58.5**	**20.6**
of which assets under finance lease	–	–	38.1	40.1	–	–
Book value as of 1 January	2.6	2.6	344.9	345.0	20.6	19.6

Property under construction		Total	
2014	2013	2014	2013
4.0	1.1	639.2	618.2
–	–	181.1	0.2
6.5	2.8	22.2	12.6
–	–	−7.5	−3.7
–	–	7.6	4.6
−6.6	–	−5.7	2.3
0.0	0.1	−6.6	5.0
–	–	–	–
3.9	**4.0**	**830.3**	**639.2**
0.0	0.0	267.1	249.9
–	–	22.6	18.0
–	–	0.0	0.0
–	–	–	–
–	–	−6.7	−2.4
–	–	4.8	−0.6
–	–	−3.1	2.2
0.0	**0.0**	**284.7**	**267.1**
3.9	**4.0**	**545.6**	**372.1**
–	–	38.1	40.1
4.0	1.1	372.1	368.3

6. Goodwill and other intangible assets

	Goodwill		Other intangible assets		Total	
	2014	2013	2014	2013	2014	2013
in CHF million						
Acquisition costs						
Balance as of 1 January	260.4	252.5	294.5	283.5	554.9	536.0
Change in the scope of consolidation	786.2	5.9[1]	224.6	4.9	1010.8	10.8
Additions	–	–	24.1	21.7	24.1	21.7
Disposals	–	–	–0.1	–18.9	–0.1	–18.9
Foreign currency translation differences	–3.7	2.0	–4.8	3.3	–8.5	5.3
Other changes	–	–	–	–	–	–
Balance as of 31 December	**1042.9**	**260.4**	**538.3**	**294.5**	**1581.2**	**554.9**
Accumulated amortisation / impairment						
Balance as of 1 January	0.1	0.1	219.7	199.2	219.8	199.3
Amortisation	–	–	64.5	24.6	64.5	24.6
Impairment	27.1	–	0.1	–	27.2	–
Reversal of impairment losses	–	–	–	–	–	–
Disposals amortisation / impairment	–	–	–0.1	–6.2	–0.1	–6.2
Foreign currency translation differences	–0.2	0.0	–3.2	2.1	–3.4	2.1
Other changes	–	–	0.0	–	–	–
Balance as of 31 December	**27.0**	**0.1**	**281.0**	**219.7**	**308.0**	**219.8**
Book value as of 31 December	**1015.9**	**260.3**	**257.3**	**74.8**	**1273.2**	**335.1**
Book value as of 1 January	260.3	252.4	74.8	84.3	335.1	336.7

[1] Contains purchase price adjustments from earlier acquisitions of CHF 4.3 million.

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.

In connection with the 2014 takeover of Nationale Suisse and Basler Versicherungs AG in Austria, goodwill of CHF 786.2 million was recorded. The goodwill represents expected synergies and efficiency gains.

The goodwill from the takeover of Basler Versicherungs AG in Austria of CHF 70.2 million has been allocated to the cash-generating unit "Austria".

The goodwill from the acquisition of Nationale Suisse of CHF 716.0 million is allocated to the cash-generating units "Switzerland non-life" (CHF 633.3 million), "Germany non-life" (CHF 30.2 million), "Italy non-life" (CHF 27.8 million) and "Spain" (CHF 24.7 million).

Details on the 2014 takeover can be seen in section 18 (from page 217).

Goodwill is tested annually for impairment in accordance with section 2.11 (from page 122).

The goodwill impairment test was based on the following growth and discount rates, assuming cash flows in perpetuity:

as of 31.12.2014	Goodwill	Growth rate	Applied discounting interest rate
in CHF million		in %	in %
Switzerland life	4.4	1.0 %	7.53 %
Switzerland non-life	755.1	1.0 %	7.52 %
Spain	42.6	1.0 %	9.82 %
Chiara Vita S.p.A.	–	1.5 %	10.28 %
Italy non-life	41.1	1.5 %	10.77 %
France non-life	73.3	1.0 %	9.41 %
Austria	69.3	1.0 %	7.46 %
Germany non-life	30.1	1.0 %	8.41 %

as of 31.12.2013	Goodwill	Growth rate	Applied discounting interest rate
in CHF million		in %	in %
Switzerland life	4.4	1.0 %	6.76 %
Switzerland non-life	121.8	1.0 %	6.66 %
Helvetia Compañía Suiza S.A., Spain	18.4	1.0 %	11.23 %
Chiara Vita S.p.A.	27.4	1.5 %	9.92 %
Italy non-life	13.6	1.5 %	11.99 %
France non-life	74.7	1.0 %	8.93 %

The impairment test compares the recoverable amount with the book value. The recoverable amount is determined by calculating the value in use. This calculation requires management to make estimates of expected cash flows to be derived from the assets. 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 plans. The growth rate is set by management and is based on past experience and future expectations. The applied discount rates are pre-tax rates and reflect the risks attached to the business units in question.

The impairment test carried out in 2014 resulted in an impairment requirement of CHF 27.1 million in the cash-generating unit Chiara Vita S.p.A. The difficult general economic situation in Italy and the current very low interest rate environment had a negative impact on the life business in Italy. In addition, market-wide shifts in the product mix have been seen in the recent years from modern products to the traditional, less profitable insurance solutions. This was the main reason for the assumption of lower cash flows in the Italian life business over the selected planning horizon of three years. The goodwill from the acquisition of Chiara Vita S.p.A., which was allocated to the "Italy" segment, was therefore completely written off. The recoverable amount for Chiara Vita S.p.A. is CHF 175.9 million.

Stress tests show that any reasonable change in any of the key assumptions used to determine the recoverable amount of the individual cash-generating units will result in the book value exceeding the recoverable amount of the cash-generating unit "Austria". The applied discount rate must increase by 1.31 % – with other unchanged assumptions –, before the estimated recoverable amount is equal to the book value.

7. Investments

7.1 Investment income

in CHF million	Notes	2014	2013 reclassified
Current income from Group investments (net)[1]	7.1.1	992.9	967.0
Gains and losses on Group investments (net)[1]	7.1.3	282.5	189.8
Investment result from Group financial assets and investment property[1]		1 275.4	1 156.8
Income from investments with market risk for the policyholder[1]	7.1.5	200.5	160.2
Investment result from financial assets and investment property		1 475.9	1 317.0
Share of profit or loss of associates		1.0	15.2
Investment income (net)		**1 476.9**	**1 332.2**

[1] Voluntary change in presentation (see section 2.3 on page 117)

The gains and losses on Group investments include a one-time gain of CHF 108.9 million from the realisation of the Nationale Suisse shares that were already held by Helvetia before the acquisition of the company.

7.1.1 Current income from investments by class

in CHF million	Group investments 2014	2013 reclassified[1]	Investments with market risk for the policyholder 2014	2013 reclassified[1]	Total 2014	2013
Interest-bearing securities	585.2	568.9	23.8	27.8	609.0	596.7
Shares	63.4	52.8	1.4	1.5	64.8	54.3
Investment funds	6.5	4.4	2.4	1.3	8.9	5.7
Alternative investments	1.5	–	–	–	1.5	–
Derivative financial instruments[2]	–0.8	–0.4	–	–	–0.8	–0.4
Mortgages	91.6	92.9	–	–	91.6	92.9
Loans	42.8	45.8	–	–	42.8	45.8
Money market instruments	2.7	4.1	–	–	2.7	4.1
Other	0.0	0.0	–	–	0.0	0.0
Current income on financial assets (gross)	792.9	768.5	27.6	30.6	820.5	799.1
Investment management expenses on financial assets	–9.0	–6.1	–	–	–9.0	–6.1
Current income on financial assets (net)	783.9	762.4	27.6	30.6	811.5	793.0
Rental income	276.5	265.9	–	–	276.5	265.9
Investment management expenses on property	–67.5	–61.3	–	–	–67.5	–61.3
Current income from investment property (net)	209.0	204.6	–	–	209.0	204.6
Current income from investments (net)	**992.9**	**967.0**	**27.6**	**30.6**	**1 020.5**	**997.6**

[1] Voluntary change in presentation (see section 2.3 on page 117)
[2] 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 reporting year. The latter amounted to CHF 2.6 million in the reporting year (previous year: CHF 1.9 million).

Based on notice periods, tenancies generated operating lease receivables for Helvetia Group of CHF 65.1 million (previous year: CHF 61.3 million) due in less than one year, CHF 146.0 million (previous year: CHF 140.7 million) due between one and five years, and CHF 38.5 million (previous year: CHF 46.7 million) due in more than five years.

Interest income from investments at fair value through profit or loss stood at CHF 32.2 million (previous year: CHF 35.4 million).

7.1.2 Direct yield from interest-rate-sensitive financial assets

	2014	2013
in %		
Interest-bearing securities	2.3	2.6
Mortgages, loans and money market instruments	2.1	2.3
Total direct yield of interest-rate-sensitive financial assets	**2.2**	**2.5**

7.1.3 Gains and losses on investments

	Group investments		Investments with market risk for the policyholder		Total	
	2014	2013	2014	2013	2014	2013
in CHF million		reclassified[1]		reclassified[1]		
Interest-bearing securities	154.9	59.6	43.7	3.3	198.6	62.9
Shares	172.2	171.0	0.5	7.3	172.7	178.3
Investment funds	14.5	6.2	121.6	91.6	136.1	97.8
Structured products	–	–	6.7	–2.0	6.7	–2.0
Alternative investments	–1.2	2.5	–	–	–1.2	2.5
Derivative financial instruments	–62.4	–42.2	0.4	29.4	–62.0	–12.8
Mortgages	–0.5	–0.1	–	–	–0.5	–0.1
Loans	2.6	9.4	–	–	2.6	9.4
Other	–0.4	0.2	–	–	–0.4	0.2
Gains and losses on financial assets (net)	**279.7**	**206.6**	**172.9**	**129.6**	**452.6**	**336.2**
Investment property	2.8	–16.8	–	–	2.8	–16.8
Gains and losses on investments (net)	**282.5**	**189.8**	**172.9**	**129.6**	**455.4**	**319.4**

[1] Voluntary change in presentation (see section 2.3 on page 117)

"Derivatives" comprises gains and losses on derivative financial assets and derivative financial liabilities, of which CHF 2.3 million (previous year: CHF 0.5 million) represent a loss on the ineffective portion of the currency hedges to protect net investment in the Group's own fund companies (net investment hedge).

7.1.4 Gains and losses on investments by category

in CHF million	2014	2013
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses		
Interest-bearing securities	4.6	0.8
Mortgages	–0.5	–0.1
Loans	2.6	9.4
Realised gains and losses on loans (LAR) incl. money market instruments	6.7	10.1
Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses		
Interest-bearing securities	–0.8	2.4
Realised gains and losses on HTM investments	–0.8	2.4
Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses		
Interest-bearing securities	98.0	39.9
Shares	120.5	2.3
Investment funds	0.5	0.0
Realised gains and losses on AFS investments	219.0	42.2
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses		
Interest-bearing securities	1.7	1.3
Investment funds	3.3	6.6
Derivative financial instruments	–62.0	–12.8
Realised and book gains and losses on financial assets held for trading	–57.0	–4.9
Realised and book gains and losses on financial assets designated as at fair value through profit or loss including foreign currency gains and losses		
Interest-bearing securities	95.1	18.5
Shares	52.2	176.0
Investment funds	132.3	91.2
Structured products	6.7	–2.0
Alternative investments	–1.2	2.5
Realised and book gains and losses on financial assets designated as at fair value through profit or loss	285.1	286.2
Other	–0.4	0.2
Total gains and losses on investments (net)	**452.6**	**336.2**

The gains and losses reported for the HTM class also contain book gains from foreign currency translations.

The above table includes increases in impairment losses on financial assets of CHF 8.1 million (previous year: CHF 1.2 million), as well as impairment loss reversals on financial assets of CHF 0.8 million (previous year: CHF 0.6 million).

7.1.5 Result from assets with market risk for the policyholder

in CHF million	2014	2013 reclassified[1]
Current income	27.6	30.6
Gains and losses	172.9	129.6
Income investments with market risk for the policyholder	**200.5**	**160.2**

[1] Voluntary change in presentation (see section 2.3 on page 117)

7.2 Investments by class

as of 31.12.2014	Notes	Group investments	Investments with market risk for the policyholder	Total
in CHF million				
Investments in associates	7.4.1	39.9	–	39.9
Investment property	7.5	6317.8	–	6317.8
Financial assets by class	7.6			
Interest-bearing securities		29314.3	1129.3	30443.6
Shares		2160.2	43.3	2203.5
Investment funds		581.8	1828.0	2409.8
Structured products		–	52.5	52.5
Alternative investments		130.1	–	130.1
Derivative financial assets		90.4	77.8	168.2
Mortgages		3951.7	–	3951.7
Policy loans		83.4	–	83.4
Other loans		1336.8	–	1336.8
Money market instruments		876.9	3.8	880.7
Total financial assets		38525.6	3134.7	41660.3
Total Investments		**44883.3**	**3134.7**	**48018.0**

as of 31.12.2013	Notes	Group investments	Investments with market risk for the policyholder	Total
in CHF million		reclassified[1]	reclassified[1]	
Investments in associates	7.4.1	1.9	–	1.9
Investment property	7.5	5059.8	–	5059.8
Financial assets by class	7.6			
Interest-bearing securities		22486.5	1087.8	23574.3
Shares		2068.6	45.5	2114.1
Investment funds		481.6	1605.5	2087.1
Structured products		–	32.4	32.4
Alternative investments		8.9	–	8.9
Derivative financial assets		86.2	64.8	151.0
Mortgages		3863.2	–	3863.2
Policy loans		78.9	–	78.9
Other loans		1326.8	–	1326.8
Money market instruments		1276.2	1.5	1277.7
Total financial assets		31676.9	2837.5	34514.4
Total Investments		**36738.6**	**2837.5**	**39576.1**

[1] Voluntary change in presentation (see section 2.3 on page 117)

7.3 Investments by segments

as of 31.12.2014	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	23.8	16.1	–	39.9
Investment property	7.5	5 457.7	842.1	18.0	6 317.8
Financial assets by class	7.6				
Interest-bearing securities		25 261.7	4 459.6	722.3	30 443.6
Shares		905.7	133.9	1 163.9	2 203.5
Investment funds		3 067.3	438.4	–1 095.9	2 409.8
Structured products		52.5	–	–	52.5
Alternative investments		56.6	73.5	–	130.1
Derivative financial assets		164.8	3.4	–	168.2
Mortgages		3 800.4	151.3	–	3 951.7
Policy loans		83.4	–	–	83.4
Other loans		1 184.4	178.2	–25.8	1 336.8
Money market instruments		734.4	145.2	1.1	880.7
Total financial assets		35 311.2	5 583.5	765.6	41 660.3
Total Investments		**40 792.7**	**6 441.7**	**783.6**	**48 018.0**

as of 31.12.2013	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	0.1	1.8	–	1.9
Investment property	7.5	4 638.7	421.1	–	5 059.8
Financial assets by class	7.6				
Interest-bearing securities		20 161.5	2 654.8	758.0	23 574.3
Shares		804.8	108.2	1 201.1	2 114.1
Investment funds		2 696.5	379.7	–989.1	2 087.1
Structured products		32.4	–	–	32.4
Alternative investments		7.8	1.1	–	8.9
Derivative financial assets		148.2	2.8	–	151.0
Mortgages		3 713.2	150.0	–	3 863.2
Policy loans		78.9	–	–	78.9
Other loans		1 162.3	164.5	–	1 326.8
Money market instruments		1 087.7	189.0	1.0	1 277.7
Total financial assets		29 893.3	3 650.1	971.0	34 514.4
Total Investments		**34 532.1**	**4 073.0**	**971.0**	**39 576.1**

7.4 Investments in associates

Dividend income from associates totalled CHF 0.5 million (previous year: CHF 0.5 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 section 18 (from page 217).

7.4.1 Development of investments in associates

in CHF million	2014	2013
Balance as of 1 January	1.9	48.5
Change in the scope of consolidation[1]	37.8	–
Additions[1]	0.3	–
Disposals[1]	–0.1	–46.6
Unrealised gains and losses in equity	–0.5	–
Share of profits for the year	1.4	0.5
Dividends paid	–0.5	–0.5
Impairment (net)	–0.4	–
Foreign currency translation differences	0.0	0.0
Book value as of 31 December	**39.9**	**1.9**
Impairment losses		
Accumulated impairment losses as of 1 January	–	7.7
Impairment losses of the period	0.4	–
Reversal of impairment losses of the period	–	–
Disposals	–	–7.7
Foreign currency translation differences	0.0	–
Accumulated impairment losses as of 31 December	**0.4**	**–**

[1] Details on additions and disposals for associates are provided in Note 18, "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. in CHF million	2014	2013
Assets		
Non-current assets	184.3	5.7
Current assets	19.8	4.3
Total assets	**204.1**	**10.0**
Liabilities and equity		
Equity	134.3	7.4
Long-term liabilities	58.4	0.0
Short-term liabilities	11.4	2.6
Total liabilities and equity	**204.1**	**10.0**

in CHF million	2014	2013
Profit for the year		
Income	59.4	11.2
Expenses	–51.0	–9.6
Profit for the year	**8.4**	**1.6**

Helvetia Group's share in the liabilities of associates amounted to CHF 29.2 million (previous year: CHF 0.7 million). Helvetia did not have any share in the contingent liabilities of associates (previous year: none).

7.5 Investment property

in CHF million	Switzerland	Abroad	2014	2013
Balance as of 1 January	4684.0	375.8	5059.8	4893.3
Change in scope of consolidation	918.0	66.2	984.2	–
Additions	66.6	11.6	78.2	102.8
Capitalised subsequent expenditure	217.9	–	217.9	131.4
Disposals	–23.5	–4.1	–27.6	–53.1
Realised gains and losses[1]	–0.2	0.5	0.3	–2.2
Book gains and losses[1]	–13.4	15.9	2.5	–14.6
Transfer from / to property and equipment	–0.4	10.9	10.5	–2.9
Foreign currency translation differences	–	–8.0	–8.0	5.1
Balance as of 31 December	**5849.0**	**468.8**	**6317.8**	**5059.8**

[1] Recognised in the income statement as "Gains and losses on Group investments (net)".

The fair value of "investment property" in the portfolio of the Swiss and Austrian Group companies is calculated using a generally accepted discounted cash flow method. The method is described in section 2.12.1 (page 123).

In the reporting year, the discounted cash flow method was based on discount rates ranging from 3.4% to 5.5% (previous year: 3.4% to 4.6%). If the discount rates were increased by 10 basis points, the value would be reduced by CHF 150.5 million. If the rental income that can be earned in the long term was reduced by 5%, there would be a negative effect of CHF 283.3 million.

For all other portfolios, measurement is based on valuation reports by independent experts. Both valuation methods are allocated to the "Level 3"category.

7.6 Financial assets by category and class

as of 31.12.	Book value 2014	2013	Acquisition cost / amortised cost 2014	2013
in CHF million		reclassified		reclassified
Financial assets at amortised cost:				
Loans and receivables (LAR)				
Interest-bearing securities	2768.6	2760.4	2768.6	2760.4
Mortgages	3951.7	3863.2	3951.7	3863.2
Policy loans	83.4	78.9	83.4	78.9
Other loans	1336.8	1326.8	1336.8	1326.8
Money market instruments	876.9	1276.2	876.9	1276.2
Total "loans and receivables" (LAR)[1]	9017.4	9305.5	9017.4	9305.5
Held-to-maturity investments (HTM)				
Interest-bearing securities	3121.8	3375.3	3121.8	3375.3
Total financial assets at amortised cost	**12139.2**	**12680.8**	**12139.2**	**12680.8**
Financial assets at fair value:				
At fair value through profit and loss (held for trading)				
Interest-bearing securities	20.7	19.3	17.4	17.6
Investment funds – mixed	65.8	74.7	45.9	54.5
Derivative financial assets[2]	89.9	79.2	74.8	67.5
Investments with market risk for the policyholder[2]	77.8	64.7	64.8	60.0
Total "held for trading"	254.2	237.9	202.9	199.6
Designated as at fair value through profit or loss				
Interest-bearing securities[2]	657.0	465.2	625.6	472.8
Shares	1112.8	973.2	855.8	756.8
Investment funds – interest-bearing securities	19.4	21.6	26.8	23.1
Investment funds – equities	124.6	84.7	119.8	91.2
Investment funds – mixed[2]	260.3	242.8	307.0	280.4
Investments with market risk for the policyholder[2]	3056.9	2772.8	2672.6	2593.4
Alternative investments	4.7	8.3	9.6	13.6
Total "designated"	5235.7	4568.6	4617.2	4231.3
Total "at fair value through profit and loss"	5489.9	4806.5	4820.1	4430.9
Available-for-sale (AFS)				
Interest-bearing securities	22746.2	15866.3	20629.3	15405.0
Shares	1047.4	1095.4	705.3	762.0
Investment funds – interest-bearing securities	6.0	0.7	5.7	0.5
Investment funds – equities	78.9	56.3	64.0	45.3
Investment funds – mixed	26.8	0.7	26.4	0.7
Alternative investments	125.4	0.6	124.6	0.6
Total "available-for-sale" (AFS)	24030.7	17020.0	21555.3	16214.1
Derivative financial assets for hedge accounting	0.5	7.1	–	–
Total financial assets at fair value	**29521.1**	**21833.6**	**26375.4**	**20645.0**
Total financial assets	**41660.3**	**34514.4**		

[1] Excl. assets receivables from insurance business and reinsurance.
[2] Voluntary change in presentation (see section 2.3 on page 117)

Unrealised gains / losses net 2014	2013	Fair value 2014	2013 reclassified	By valuation method: Quoted market prices 2014 Level 1	2013 reclassified	Based on market data 2014 Level 2	2013 reclassified	Not based on market data 2014 Level 3	2013
		3 207.1	2 899.4	2 270.8	2 176.6	936.3	722.8		–
		4 134.7	3 914.7		–	4 134.7	3 914.7		–
		83.7	78.9		–	83.7	78.9		–
		1 543.6	1 400.7		–	1 543.6	1 400.7		–
		876.9	1 276.2		–	876.9	1 276.2		–
		9 846.0	9 569.9	2 270.8	2 176.6	7 575.2	7 393.3	–	–
		3 670.3	3 544.4	3 638.3	3 504.8	32.0	39.6		–
		13 516.3	**13 114.3**	**5 909.1**	**5 681.4**	**7 607.2**	**7 432.9**	**–**	**–**
		20.7	19.3	20.7	19.3		–		–
		65.8	74.7	65.8	74.7		–		–
		89.9	79.2	2.4	0.7	87.5	78.5		–
		77.8	64.7	5.9	1.5	71.9	63.2		–
		254.2	237.9	94.8	96.2	159.4	141.7	–	–
		657.0	465.2	639.4	457.8	17.6	7.4		–
		1 112.8	973.2	1 112.4	972.9	0.4	0.3		–
		19.4	21.6	19.4	21.6		–		–
		124.6	84.7	124.6	84.7		–		–
		260.3	242.8	245.9	242.8	14.4	–		–
		3 056.9	2 772.8	2 917.2	2 713.3	139.6	59.4	0.1	0.1
		4.7	8.3		–	3.0	2.8	1.7	5.5
		5 235.7	4 568.6	5 058.9	4 493.1	175.0	69.9	1.8	5.6
		5 489.9	4 806.5	5 153.7	4 589.3	334.4	211.6	1.8	5.6
2 116.9	461.3	22 746.2	15 866.3	22 445.5	15 666.7	300.7	199.6		–
342.1	333.4	1 047.4	1 095.4	1 036.3	1 084.3	4.1	4.0	7.0	7.1
0.3	0.2	6.0	0.7	6.0	0.7		–		–
14.9	11.0	78.9	56.3	78.9	56.3		–		–
0.4	0.0	26.8	0.7	4.2	0.7		–	22.6	–
0.8	0.0	125.4	0.6		–	88.1	0.6	37.3	–
2 475.4	805.9	24 030.7	17 020.0	23 570.9	16 808.7	392.9	204.2	66.9	7.1
		0.5	7.1	–	–	0.5	7.1	–	–
2 475.4	**805.9**	**29 521.1**	**21 833.6**	**28 724.6**	**21 398.0**	**727.8**	**422.9**	**68.7**	**12.7**

In the reporting period, CHF 106.7 million of investments were transferred from "Level 1" to "Level 2", as there was no longer an active market for these assets.

Of last year's CHF 12.7 million total "Level 3" investments, CHF 2.1 million of alternative assets were sold. The acquisitions added a further CHF 59.9 million to "Level 3" investments. In addition, CHF 0.1 million "Level 3" shares were purchased.

A total loss of CHF 1.9 million was realised on the Level 3 assets (gain in previous year: CHF 2.9 million). This loss was reported under "Gains and losses on financial assets" in the income statement as a loss of CHF 2.1 million and CHF 0.2 million was reported under "Change in unrealised gains and losses on financial assets" in the statement of comprehensive income. The valuation loss on the Level 3 assets held at the reporting date therefore amounts to CHF 1.7 million (previous year: CHF 0.6 million). The Level 3 assets held as at year end amounted to CHF 68.7 million.

Helvetia includes transfers between the levels at the end of the reporting period in which the changes occurred.

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

7.6.1 Derivatives financial assets

	Maturity profile of contract values			Contract value		Fair value	
as of 31.12.	< 1 year	1–5 years	> 5 years	2014	2013	2014	2013
in CHF million							
Interest rate instruments							
Forward rate agreements	–	–	61.0	61.0	61.0	60.8	54.7
Swaps	–	–	–	–	3.7	–	1.0
Total interest rate instruments	–	–	61.0	61.0	64.7	60.8	55.7
Equity and equity-index instruments							
Options (over-the-counter)	1 458.2	319.0	661.8	2 439.0	2 200.1	89.4	67.3
Options (exchange-traded)	148.8	–	–	148.8	138.5	2.4	0.7
Other	–	–	2.1	2.1	–	5.9	–
Total equity and equity-index instruments	1 607.0	319.0	663.9	2 589.9	2 338.6	97.7	68.0
Currency instruments							
Forwards	1 145.5	–	–	1 145.5	1 280.4	9.2	20.2
Total currency instruments	1 145.5	–	–	1 145.5	1 280.4	9.2	20.2
Derivatives for hedge accounting							
Forwards	240.5	–	–	240.5	446.5	0.5	7.1
Total derivatives for hedge accounting	240.5	–	–	240.5	446.5	0.5	7.1
Total derivative financial assets	**2 993.0**	**319.0**	**724.9**	**4 036.9**	**4 130.2**	**168.2**	**151.0**

7.6.2 Derivatives for hedge accounting

in CHF million	Net investment hedge 2014	2013
Amount recognised in equity	–35.7	5.3
Gains and losses reclassified to the income statement	–	–
Ineffectiveness reclassified to income statement	–2.3	–0.5

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

7.7 Maturity dates and impairment of financial assets

7.7.1 Analysis of past due financial assets without impairment

as of 31.12.	< 1 month 2014	2013	2–3 months 2014	2013	4–6 months 2014	2013	> 6 months 2014	2013
in CHF million								
Mortgages	11.7	15.9	9.6	4.1	3.1	4.8	6.7	3.1
Total past due financial assets without impairment	**11.7**	**15.9**	**9.6**	**4.1**	**3.1**	**4.8**	**6.7**	**3.1**

Outstanding amounts are collected in the course of the normal reminder procedure and impaired if necessary (see section 2.12.3, page 124). Information on the collateral held by Helvetia Group is provided in section 16.6 (from page 210).

7.7.2 Analysis of individual impaired financial assets at amortised cost

as of 31.12.	Gross 2014	2013	Individual impairment 2014	2013	Net 2014	2013
in CHF million						
Mortgages	5.4	6.4	1.6	1.2	3.8	5.2
Policy loans	0.0	–	0.0	–	0.0	–
Other loans	5.1	0.0	1.1	0.0	4.0	–
Total	**10.5**	**6.4**	**2.7**	**1.2**	**7.8**	**5.2**

7.7.3 Change in the impairment of financial assets at amortised cost

	Mortgages		Other loans		Total	
in CHF million	2014	2013	2014	2013	2014	2013
Balance as of 1 January	1.2	1.0	0.0	0.4	1.2	1.4
Change in the scope of consolidation	0.1	–	1.2	–	1.3	–
Impairment	1.1	0.9	–	–	1.1	0.9
Reversal of impairment losses	–0.8	–0.6	–0.1	–	–0.9	–0.6
Disposals impairment	0.0	–0.1	–	–0.4	0.0	–0.5
Foreign currency translation differences	–	0.0	0.0	0.0	0.0	0.0
Balance as of 31 December	**1.6**	**1.2**	**1.1**	**0.0**	**2.7**	**1.2**

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).

The valuation methods used to calculate the fair value for financial liabilities belong to the "Level 2" category. Section 16.5.1 (page 201) contains a maturity schedule of loans and financial liabilities.

8.1 Financial liabilities from financing activities

as of 31.12.	Book value 2014	2013	Acquisition cost / amortised cost 2014	2013	Fair value 2014	2013
in CHF million						
Financial liabilities at amortised cost						
Bonds	746.4	149.6	746.4	149.6	783.9	150.9
Liabilities from finance lease	25.1	28.1	25.1	28.1	25.1	28.1
Total financial liabilities at amortised cost	771.5	177.7	771.5	177.7	809.0	179.0
Financial liabilities at fair value						
Minority interests in own funds	142.3	101.0	110.8	77.5	142.3	101.0
Total financial liabilities at fair value	142.3	101.0	110.8	77.5	142.3	101.0
Total financial liabilities from financing activities	**913.8**	**278.7**	**882.3**	**255.2**	**951.3**	**280.0**

Helvetia has bonds in liabilities and in equity. The classification depends on the characteristics of the respective bond. A list of the current bonds can be found in the table on the following page.

The bonds in liabilities are measured at amortised cost. The interest expense from bonds treated as liabilities is reported in the income statement at CHF 4.3 million (previous year: CHF 2.1 million) in the item "financing costs". The interest expense from bonds in equity is recognised as a dividend distribution in equity.

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 0.2 million (previous year: CHF 0.2 million) and are recognised in the income statement under "Financing costs".

Minority interests in own funds include the investments of the Helvetia pension and supplementary funds in Helvetia I Funds.

Issuer	Nominal	Coupons	Year of issue	Maturity	Effective interest rate[3]	Book value	
as of 31.12.						2014	2013
in CHF million							
Bonds in liabilities							
Helvetia Holding AG	CHF 150 Mio.	1.125 %	2013	08.04.2019	1.17 %	149.7	149.6
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio.	0.75 %	2014	28.10.2020	0.85 %	223.8	–
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 150 Mio.	1.50 %	2014	28.04.2025	1.55 %	149.3	–
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio. Subordinate bond	4.00 % up to 2024, then variable	2014	17.10.2044	4.02 %	223.6	–
Total bonds in liabilities						**746.4**	**149.6**
Bonds in equity							
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 300 Mio. Subordinate bond	4.75 % up to 2015, then variable	2010	perpetual[1]		300.0	300.0
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 400 Mio. Subordinate bond	3.50 % up to 2020, then variable	2014	perpetual[1]		400.0	–
Total bonds in equity						**700.0**	**300.0**

1 First call date for the issuer 30.11.2015
2 First call date for the issuer 17.04.2020
3 The effective interest rate quantifies the actual cost of loans (taking account of the transaction rate, premium / discount, transaction costs, payment dates, repayment, etc.)

Liabilities from finance lease

as of 31.12.	< 1 year	1–5 years	> 5 years	Total 2014	2013
in CHF million					
Future lease payments	2.8	10.9	13.0	26.7	30.1
Discounting amounts	–0.3	–0.8	–0.5	–1.6	–2.0
Present value liabilities from finance lease	**2.5**	**10.1**	**12.5**	**25.1**	**28.1**

8.2 Financial liabilities from insurance business

	Book value		Acquisition cost / amortised cost		Fair value	
as of 31.12.	2014	2013	2014	2013	2014	2013
in CHF million						
Financial liabilities at amortised cost						
Deposit liabilities for credited policyholder profit participation	801.7	726.0	801.7	726.0	801.7	726.0
Deposit liabilities from reinsurance contracts	93.9	106.9	93.9	106.9	93.9	106.9
Total financial liabilities at amortised cost	895.6	832.9	895.6	832.9	895.6	832.9
Financial liabilities at fair value						
Deposits for investment contracts	1 344.7	1 340.3	1 344.7	1 340.3	1 344.7	1 340.3
Total financial liabilities at fair value	1 344.7	1 340.3	1 344.7	1 340.3	1 344.7	1 340.3
Total financial liabilities from insurance business	**2 240.3**	**2 173.2**	**2 240.3**	**2 173.2**	**2 240.3**	**2 173.2**

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 come from insurance contracts without significant technical risk and without discretionary participation features. With these contracts, the policyholder participates directly 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.

Amounts paid into or from these deposits do not affect revenues and are not recorded 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 section 16 (from page 191).

The income earned from the management of deposits for investment contracts is included in "Other income" and amounted to CHF 7.0 million in the reporting year (previous year: CHF 7.8 million).

8.3 Other financial liabilities

as of 31.12.	Notes	Acquisition cost / amortised cost 2014	2013	Fair value 2014	2013
in CHF million					
Financial liabilities at amortised cost					
Other		36.8	37.0	36.8	37.0
Total financial liabilities at amortised cost		36.8	37.0	36.8	37.0
Financial liabilities at fair value					
Derivative financial liabilities	8.3.1	79.2	6.3	160.8	60.3
Other		25.0	19.2	25.0	19.2
Total financial liabilities at fair value		104.2	25.5	185.8	79.5
Total other financial liabilities		**141.0**	**62.5**	**222.6**	**116.5**

The carrying value equals the fair value.

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

With the acquisition of Chiara Assicurazioni in 2013 – if contractually agreed premium volumes are exceeded – the seller has been granted the option of disposing of a further 25 % of the shares to Helvetia Group in 2017. In this connection, the "financial liabilities at fair value" includes a provision in the amount of CHF 11.3 million (previous year: CHF 11.3 million).

8.3.1 Derivative financial liabilities

as of 31.12.	Maturity profile of contract values < 1 year	1–5 years	> 5 years	Contract value 2014	2013	Fair value 2014	2013
in CHF million							
Interest rate instruments							
Forward rate agreements	–	–	53.8	53.8	48.2	61.5	52.7
Total interest rate instruments[1]	–	–	53.8	53.8	48.2	61.5	52.7
Equity- and equity-index instruments							
Options (over-the-counter)	–	146.0	633.0	779.0	–	26.6	–
Total equity- and equity-index instruments[1]	–	146.0	633.0	779.0	–	26.6	–
Currency instruments							
Forwards	1 253.1	–	–	1 253.1	373.4	46.2	1.0
Total currency instruments[1]	1 253.1	–	–	1 253.1	373.4	46.2	1.0
Derivatives from life policies	37.9	67.4	27.3	132.6	162.2	3.4	6.3
Derivatives for hedge accounting							
Forwards	497.2	–	–	497.2	98.8	23.1	0.3
Total derivatives for hedge accounting	497.2	–	–	497.2	98.8	23.1	0.3
Total derivative financial liabilities	**1 788.2**	**213.4**	**714.1**	**2 715.7**	**682.6**	**160.8**	**60.3**

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

9. Insurance business

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

as of 31.12.	Notes	Gross 2014	2013	Reinsurance assets 2014	2013	Net 2014	2013
in CHF million							
Actuarial reserves for insurance contracts life		30 978.6	27 596.3	71.5	70.0	30 907.1	27 526.3
Actuarial reserves for investment contracts		2 551.7	2 219.3	–	–	2 551.7	2 219.3
Total actuarial reserves		33 530.3	29 815.6	71.5	70.0	33 458.8	29 745.6
Provision for policyholder participation – non-life contracts		74.4	33.1	–	–	74.4	33.1
Provision for policyholder participation – life contracts		1 750.6	845.6	–	–	1 750.6	845.6
Provision for policyholder participation – investment contracts		200.9	58.4	–	–	200.9	58.4
Total provision for future policyholder participation		2 025.9	937.1	–	–	2 025.9	937.1
Loss reserves for insurance contracts non-life	9.3.1	4 863.9	3 121.6	432.1	299.5	4 431.8	2 822.1
Total loss reserves		4 863.9	3 121.6	432.1	299.5	4 431.8	2 822.1
Unearned premium reserve for insurance contracts non-life		1 217.5	890.4	69.7	33.1	1 147.8	857.3
Unearned premium reserve for insurance contracts life		217.2	163.1	6.5	6.5	210.7	156.6
Total unearned premium reserve		1 434.7	1 053.5	76.2	39.6	1 358.5	1 013.9
Reserves for insurance and investment contracts		**41 854.8**	**34 927.8**	**579.8**	**409.1**	**41 275.0**	**34 518.7**
Reinsurance deposit receivables				56.8	56.8		
Reinsurance assets				**636.6**	**465.9**		

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 nominal value. The method used for determining the fair value of the deposit receivables is allocated to the "Level 2" category. There was no impairment of deposit receivables.

Further details on technical reserves for the life and the non-life business can be found in the following tables. A maturity schedule of the reserves for insurance contracts and investment contracts is provided in section 16.5.1 (page 201).

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

in CHF million	Actuarial reserves 2014	2013	Provision for future policyholder participation 2014	2013
Reserves for insurance contracts non-life (gross)				
Balance as of 1 January			33.1	34.4
Change in the scope of consolidation			41.8	–
Allocation / Release			2.7	–0.3
Used amounts			–3.1	–1.0
Foreign currency translation differences			–0.1	0.0
Balance as of 31 December			**74.4**	**33.1**
Reserves for insurance contracts life (gross)				
Balance as of 1 January	27596.3	25866.4	845.6	1161.6
Change in the scope of consolidation	2895.3	–	61.5	–
Allocation / Release	4390.4	4363.6	970.5	–189.1
Used amounts	–3811.3	–2685.9	–123.2	–129.5
Foreign currency translation differences	–77.1	52.2	–3.8	2.6
Other changes	–15.0	–	0.0	0.0
Balance as of 31 December	**30978.6**	**27596.3**	**1750.6**	**845.6**
Reserves for investment contracts (gross)				
Balance as of 1 January	2219.3	1976.1	58.4	53.6
Change in the scope of consolidation	132.9	–	5.4	–
Allocation / Release	575.1	459.8	139.4	4.1
Used amounts	–331.0	–246.4	0.0	0.0
Foreign currency translation differences	–44.6	29.8	–2.3	0.7
Balance as of 31 December	**2551.7**	**2219.3**	**200.9**	**58.4**
Reinsurers' share in reserves for insurance contracts				
Balance as of 1 January	70.0	74.7		
Change in the scope of consolidation	6.3	–		
Allocation / Release	25.5	27.7		
Used amounts	–29.1	–33.5		
Foreign currency translation differences	–1.2	1.1		
Balance as of 31 December	**71.5**	**70.0**		

	Loss reserves 2014	2013	Unearned premium reserve 2014	2013	Total 2014	2013
	3 121.6	3 060.5	890.4	833.0	4 045.1	3 927.9
	1 753.7	12.5	472.1	67.3	2 267.6	79.8
	956.0	899.2	–138.4	–17.3	820.3	881.6
	–952.9	–868.2	–	–	–956.0	–869.2
	–14.5	17.6	–6.6	7.4	–21.2	25.0
	4 863.9	**3 121.6**	**1 217.5**	**890.4**	**6 155.8**	**4 045.1**
			163.1	159.5	28 605.0	27 187.5
			48.1	–	3 004.9	–
			6.6	3.2	5 367.5	4 177.7
			–	–	–3 934.5	–2 815.4
			–0.6	0.4	–81.5	55.2
			–	–	–15.0	0.0
			217.2	**163.1**	**32 946.4**	**28 605.0**
			–	–	2 277.7	2 029.7
			–	–	138.3	–
			–	–	714.5	463.9
			–	–	–331.0	–246.4
			–	–	–46.9	30.5
			–	**–**	**2 752.6**	**2 277.7**
	299.5	276.7	39.6	28.0	409.1	379.4
	145.5	2.6	41.8	11.6	193.6	14.2
	56.8	66.5	–5.2	–0.2	77.1	94.0
	–67.7	–49.0	–	–	–96.8	–82.5
	–2.0	2.7	0.0	0.2	–3.2	4.0
	432.1	**299.5**	**76.2**	**39.6**	**579.8**	**409.1**

9.3 Non-life business

Actuarial methods derived from many years of claims experience are applied to determine the loss reserves. The assumptions used in determining the loss reserves have not changed materially in this reporting year.

The Liability Adequacy Test (LAT) for non-life business resulted in an additional increase in loss reserves of CHF 48.6 million as at 31 December 2014 (previous year: CHF 22.1 million).

Insurance conditions and risks in non-life business are described in section 16.2 (from page 193). The following table sets out the development of loss reserves for the previous ten years.

9.3.1 Claims settlement

Year of loss occurrence	before 2005	2005	2006
in CHF million			
Run-off year 1		1 609.9	1 443.6
Run-off year 2		1 571.0	1 431.8
Run-off year 3		1 497.4	1 325.2
Run-off year 4		1 452.2	1 314.0
Run-off year 5		1 452.9	1 384.4[3]
Run-off year 6		1 537.1[3]	1 362.8
Run-off year 7		1 504.2	1 471.2[2]
Run-off year 8		1 570.5[2]	1 466.5
Run-off year 9		1 565.0	1 978.2[1]
Run-off year 10		2 133.2[1]	
Estimated claims after year of loss occurrence		2 133.2	1 978.2
Accumulated claims paid as of 31 December		–2 068.8	–1 860.2
Estimated loss reserves as of 31 December	732.9	64.4	118.0
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] Effects of the acquisition of Nationale Suisse and Basler Austria in 2014 on estimated loss reserves:		573.4	506.1

[2] Effects from the acquisition of the French transport insurance business of Gan Eurocourtage in 2012

[3] Effects from the acquisition of Alba Allgemeine Versicherungsgesellschaft AG and Phenix Versicherungsgesellschaft AG in 2010

The table above regarding the claims development in non-life business shows, after the accounting for the effects from earlier acquisitions:

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

2007	2008	2009	2010	2011	2012	2013	2014	Total
1613.4	1439.4	1525.6	1619.7[3]	1785.4	1923.1[2]	1956.2	2910.5[1]	
1554.3	1492.5	1653.8[3]	1621.2	1958.5[2]	1940.2	2894.7[1]		
1497.6	1518.8[3]	1617.9	1712.4[2]	1871.8	2846.0[1]			
1564.7[3]	1504.2	1713.0[2]	1682.0	2695.6[1]				
1535.0	1636.1[2]	1682.6	2357.5[1]					
1631.8[2]	1615.5	2294.8[1]						
1630.1	2163.9[1]							
2169.9[1]								
2169.9	2163.9	2294.8	2357.5	2695.6	2846.0	2894.7	2910.5	
–2048.3	–2005.1	–2062.9	–2111.8	–2283.3	–2317.6	–2103.5	–1249.2	
121.6	158.8	231.9	245.7	412.3	528.4	791.2	1661.3	5066.5
								48.6
								252.0
								36.4
								5403.5
								–539.6
								4863.9
549.1	555.0	616.8	699.3	841.8	949.3	955.3	1093.0	

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 107.6 million as of 31 December 2014 (previous year: CHF 31.7 million).

In the Swiss life business, the actuarial reserves increased by CHF 115.7 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.

In connection with the strategic realignment of the Swisscanto Collective Foundation, the longevity risk will, in future, be borne by the foundation itself. This applies both to new pensions and to pensions that are already in place. The longevity risk was previously reinsured at Helvetia.

Due to this realignment, retirement pensions and survivors' pensions that originated after retirement age were transferred from Helvetia to Swisscanto on 1 January 2014. In the reporting period, this resulted in claims and benefits paid (life) of CHF 962.1 million and a corresponding reduction in the actuarial reserves.

The management of the Swisscanto Collective Foundation continues to be carried out in full by Helvetia Versicherungen, and the death and invalidity risks remain reinsured.

Insurance conditions and risks in life business are described in section 16.3 (from page 195). Sensitivities of actuarial reserves are outlined in section 16.3.3 (from page 197).

9.4.1 Assets and liabilities with market risk for the policyholder

as of 31.12.	2014	2013
in CHF million		
Assets with market risk for the policyholder		
Investments with market risk for the policyholder	3 134.7	2 837.5
Other assets	22.5	19.8
Total assets with market risk for the policyholder	**3 157.2**	**2 857.3**
Liabilities with market risk for the policyholder		
Actuarial reserves (gross)	1 773.4	1 492.1
Unearned premium reserve (gross)	12.5	13.6
Financial liabilities including derivatives	1 371.3	1 351.6
Total liabilities with market risk for the policyholder	**3 157.2**	**2 857.3**

9.5 Deferred acquisition costs

	Life		Non-life		Total	
	2014	2013	2014	2013	2014	2013
in CHF million						
Balance as of 1 January	241.8	242.2	158.7	136.1	400.5	378.3
Change in the scope of consolidation	58.1	–	60.0	25.9	118.1	25.9
Capitalised in the period	26.7	22.3	36.2	41.6	62.9	63.9
Amortised in the period	–24.9	–23.3	–48.6	–46.8	–73.5	–70.1
Impairment in the period	–	–	–	–	–	–
Foreign currency translation differences	–0.8	0.6	–2.8	1.9	–3.6	2.5
Balance as of 31 December	**300.9**	**241.8**	**203.5**	**158.7**	**504.4**	**400.5**

Helvetia Group defers acquisition costs in non-life and individual life business. The deferred acquisition costs are tested for impairment as part of the Liability Adequacy Test on every balance sheet date. The share of "Deferred acquisition costs" classified as short-term is CHF 159.9 million (previous year: CHF 116.8 million).

9.6 Receivables and liabilities from insurance business

	Receivables (LAR)		Liabilities at amortised cost	
as of 31.12.	2014	2013	2014	2013
in CHF million				
Due from / due to policyholders	502.1	440.7	1 546.1	1 295.2
Due from / due to agents and brokers	222.1	140.0	200.4	137.5
Due from / due to insurance companies	557.3	441.4	293.9	246.3
Total receivables / liabilities	**1 281.5**	**1 022.1**	**2 040.4**	**1 679.0**

The receivables and liabilities from insurance business are primarily short-term. A maturity schedule of the liabilities is provided in section 16.5.1 (page 201). The amortised cost of the receivables usually equals the fair value. The method used for determining the fair value is allocated to the "Level 2" category.

9.6.1 Analysis of past due financial assets without impairment

as of 31.12.	< 1 month 2014	2013	2–3 months 2014	2013	4–6 months 2014	2013	> 6 months 2014	2013
in CHF million								
Due from policyholders	159.9	127.4	21.2	35.8	7.5	9.1	34.6	25.3
Due from agents and brokers	11.6	3.6	3.4	5.6	1.4	2.0	15.1	5.1
Due from insurance companies	10.3	4.2	0.2	0.3	0.4	0.2	1.9	0.8
Total past due receivables from insurance business without individual impairment	**181.8**	**135.2**	**24.8**	**41.7**	**9.3**	**11.3**	**51.6**	**31.2**

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 2014	2013	Collective impairment 2014	2013	Total 2014	2013
in CHF million						
Balance as of 1 January	18.7	16.8	21.7	21.2	40.4	38.0
Change in the scope of consolidation	2.9	0.1	12.8	–	15.7	0.1
Impairment	2.1	5.2	17.6	19.7	19.7	24.9
Reversal of impairment loss	–3.2	–3.6	–19.4	–19.4	–22.6	–23.0
Disposals	–	–	0.0	0.0	0.0	0.0
Foreign currency translation differences	–0.3	0.2	–0.3	0.2	–0.6	0.4
Balance as of 31 December	**20.2**	**18.7**	**32.4**	**21.7**	**52.6**	**40.4**

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 2014	2013	Individual Impairment 2014	2013	Net 2014	2013
in CHF million						
Due from policyholders	1.4	1.3	1.4	1.3	–	–
Due from agents and brokers	17.9	16.6	17.5	16.6	0.4	0.0
Due from insurance companies	2.7	2.3	1.3	0.8	1.4	1.5
Total	**22.0**	**20.2**	**20.2**	**18.7**	**1.8**	**1.5**

10. Income taxes

10.1 Current and deferred income taxes

in CHF million	2014	2013
Current tax	49.7	69.3
Deferred tax	20.3	28.6
Total income taxes	**70.0**	**97.9**

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

in CHF million	2014	2013
Balance as of 1 January	532.4	544.5
Change in the scope of consolidation	176.1	–1.1
Deferred taxes recognised in equity	129.9	–32.4
Deferred taxes recognised in the income statement	20.3	28.6
Foreign currency translation differences	–2.0	1.5
Reclassification	–1.8	–8.7
Balance as of 31 December	**854.9**	**532.4**

10.3 Expected and actual income taxes

in CHF million	2014	2013
Expected income taxes	83.8	104.7
Increase / reduction in taxes resulting from:		
tax-exempt income or income taxed at a reduced rate	–13.7	–4.5
non-deductible expenses	13.2	0.9
Change in tax rates	0.1	–2.7
Tax elements related to other periods	–7.3	–0.4
Effect of losses	–4.7	–0.8
Other	–1.4	0.7
Actual income taxes	**70.0**	**97.9**

The expected tax rate applicable to Helvetia Group was 18.1 % for 2014 (previous year: 22.7 %). 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 weighting 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	
	2014	2013	2014	2013	2014	2013
in CHF million						
May be reclassified to income						
Change in unrealised gains and losses on investments	1 669.5	–532.6	–415.5	125.1	1 254.0	–407.5
Share of associates' net profit recognised directly in equity	–0.5	–	0.1	–	–0.4	–
Change from net investment hedge	–35.7	5.3	–	–	–35.7	5.3
Foreign currency translation differences	16.8	8.2	–0.8	–	16.0	8.2
Change in liabilities for contracts with participation features	–989.0	395.6	244.3	–91.0	–744.7	304.6
Total that may be reclassified to income	661.1	–123.5	–171.9	34.1	489.2	–89.4
Will not be reclassified to income						
Revaluation from reclassification of property and equipment	7.5	4.7	–2.0	–1.0	5.5	3.7
Revaluation of benefit obligations	–213.9	8.2	53.4	–3.5	–160.5	4.7
Change in liabilities for contracts with participation features	35.1	–11.1	–8.2	2.1	26.9	–9.0
Total that will not be reclassified to income	–171.3	1.8	43.2	–2.4	–128.1	–0.6
Total other comprehensive income	**489.8**	**–121.7**	**–128.7**	**31.7**	**361.1**	**–90.0**

10.5 Deferred tax assets and liabilities

		Tax assets		Tax liabilities	
as of 31.12.	Notes	2014	2013	2014	2013
in CHF million					
Unearned premium reserve		62.5	47.6	1.3	–
Loss reserves		49.0	6.5	203.2	205.4
Actuarial reserves		20.5	14.4	53.5	32.6
Provision for future policyholder participation		319.1	123.8	2.6	2.8
Investments		109.8	100.0	1 071.6	523.4
Deferred acquisition costs		6.0	5.7	72.9	47.6
Property, equipment and intangible assets		5.7	5.3	112.1	48.5
Financial liabilities		49.8	20.0	136.9	58.7
Non-technical provisions		1.4	0.6	40.4	11.6
Employee benefits		107.5	34.3	1.6	2.7
Tax assets from losses carried forward	10.6.1	24.7	8.5	–	–
Other		169.4	71.6	84.2	37.4
Deferred taxes (gross)		**925.4**	**438.3**	**1 780.3**	**970.7**
Offset		–902.1	–415.1	–902.1	–415.1
Deferred taxes (net)		**23.3**	**23.2**	**878.2**	**555.6**

Valuation differences on shares in subsidiaries of CHF 4,478.2 million (previous year: CHF 3,342.1 million) did 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.	2014	2013
in CHF million		
Expire within 1 year	–	–
Expire between 2 and 3 years	–	–
Expire between 4 and 7 years	–	–
Without expiration	81.7	25.0
Total recognised losses carried forward	81.7	25.0
Resulting tax assets	24.7	8.5
Net tax assets from losses carried forward	**24.7**	**8.5**

10.6.2 Losses carried forward without tax assets recognised

As of 31 December 2014, no tax assets were recognised for losses carried forward of CHF 174.0 million (previous year: CHF 101.3 million), as the related tax benefits cannot be expected to be realised with the current earnings situation of the respective companies. These do not have an expiry date. The tax rates applicable to material losses carried forward for which no tax assets were recognised range between 28.0% and 34.43%.

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 %.

At the extraordinary Shareholders' Meeting on 17 September 2014, the shareholders of Helvetia Holding AG approved the establishment of approved share capital (required for the takeover of Nationale Suisse) with a nominal value of up to CHF 130,000 excluding the subscription rights of the previous shareholders. Within the scope of the public purchase and exchange offer, these additional maximum 1.3 million shares (up to 15 % of shares issued) were offered to the shareholders of Nationale Suisse in exchange for their shares. On 20 October 2014, a share capital increase of CHF 123,665.60 was carried out by issuing 1,236,656 new shares.

The treasury stock decreased by 17,967 shares in the reporting year. Therefore the number of treasury shares is now 26,288. 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 0.9 million (previous year: CHF 0.5 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 45.0 million into the bonus reserves of Helvetia Schweizerische Lebensversicherungsgesellschaft AG (previous year: CHF 42.0 million). This was credited to equity without affecting profit or loss and allocated in total to "Provision for future policyholder participation" under liabilities in accordance with its objective.

in CHF million	Number of shares	Share capital
Share capital		
As of 1.1.2013	8 652 875	0.9
As of 31.12.2013	8 652 875	0.9
As of 31.12.2014	**9 889 531**	**1.0**
Treasury shares		
As of 1.1.2013	40 436	0.0
As of 31.12.2013	44 255	0.0
As of 31.12.2014	**26 288**	**0.0**
Shares outstanding		
As of 1.1.2013	8 612 439	0.9
As of 31.12.2013	8 608 620	0.9
As of 31.12.2014	**9 863 243**	**1.0**

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, retained earnings also comprise the revaluation of benefit obligations and statutory reserves and reserves bound by the articles of incorporation which are sustained by the 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 financial assets (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 policyholder bonus funds and deferred taxes. The portion reserved for the owners of contracts with policyholder bonus funds is transferred to "Liabilities". This item plus foreign exchange influences amounts to CHF 989.0 million (previous year: CHF 395.6 million). The remaining portion regarding these contracts is allocated to the "Valuation reserves for contracts with policyholder bonus funds" (see section 11.2.5, page 178).

In the reporting year, as in the previous year, no transfer as a consequence of disposals of owner-occupied properties transferred to investment property was made to retained earnings.

Change in unrealised gains and losses in equity

in CHF million
Balance as of 1 January
Fair value revaluation incl. foreign currency translation differences
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
Losses reclassified to the income statement due to disposals
Impairment losses reclassified to the income statement
Reclassification
Balance as of 31 December
less:
Obligations for contracts with participation features in "Liabilities"
Valuation reserves for contracts with participation features in "Equity" (gross)
Minority interests
Deferred taxes on remaining portion
Unrealised gains and losses (net) as of 31 December

Development of retained earnings

in CHF million	2014	2013
Balance as of 1 January	2 939.0	2 665.0
Profit or loss for the period	342.7	322.2
Revaluation of benefit obligations	– 172.3	3.2
Change in liabilities for contracts with participation features	35.1	– 11.1
Deferred taxes	36.3	– 0.4
Comprehensive income	241.8	313.9
Transfer from / to retained earnings	– 10.8	– 10.9
Acquisition of subsidiaries	–	– 11.3
Change in minority interests	– 22.3	7.1
Dividends	– 150.1	– 24.8
Total retained earnings as of 31 December	**2 997.6**	**2 939.0**

	Notes	Available-for-sale investments 2014	2013	Associates 2014	2013	Transfer of owner-occupied property 2014	2013	Total unrealised gains and losses 2014	2013
		805.9	1 338.5	–	–	15.2	10.5	821.1	1 349.0
		1 781.2	– 479.2	– 0.5	–	– 0.1	0.1	1 780.6	– 479.1
		–	–	–	–	7.6	4.6	7.6	4.6
		–	–	–	–	–	–	–	–
		– 116.0	– 58.8	–	–	–	–	– 116.0	– 58.8
		2.2	5.5	–	–	–	–	2.2	5.5
		2.1	– 0.1	–	–	–	–	2.1	– 0.1
		–	–	–	–	–	–	–	–
		2 475.4	805.9	– 0.5	–	22.7	15.2	2 497.6	821.1
								– 1 344.7	– 355.8
	11.2.5							– 718.0	– 215.9
								– 6.3	– 0.5
								– 106.9	– 50.5
								321.7	**198.4**

11.2.5 Development of valuation reserve for contracts with participation features

Surpluses from insurance and investment contracts beyond the country-defined "legal quotas" are recognised in the valuation reserve for contracts with participation features. These arise because the policyholder additionally participates in valuation differences that result from the differences between local and IFRS accounting.

The valuation reserve for contracts with participation features comprises the share of unrealised gains and losses on investments relating to contracts with profit participation recognised directly in equity, and the portion from retained earnings arising from valuation differences. The use of the reserves is at the insurer's discretion (see section 2.16.2, from page 126).

Development of valuation reserve for contracts with participation features

in CHF million	2014	2013
Unrealised gains and losses on contracts with participation features		
Balance as of 1 January	215.9	324.6
Change in unrealised gains and losses	503.3	–114.5
Foreign currency translation differences	–1.2	0.6
Reclassifications	–	5.2
Balance as of 31 December	718.0	215.9
less:		
Deferred taxes	–164.3	–49.0
Unrealised gains and losses as of 31 December	553.7	166.9
Retained earnings on contracts with participation features		
Balance as of 1 January	696.6	652.0
Change in the scope of consolidation	–5.0	0.0
Share of profit for the year	49.0	41.1
Revaluation of benefit obligations	–41.6	5.0
Deferred taxes on revaluation of benefit obligations	8.8	–1.1
Reclassifications	–0.4	–0.4
Retained earnings as of 31 December	707.4	696.6
Valuation reserves for contracts with participation features as of 31 December	**1 261.1**	**863.5**

Reclassifications of unrealised gains and losses on contracts with policyholder bonus funds from minorities in 2013 were made due to the increase in the investment in the subsidiary Chiara Vita from 70% to 100%.

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 stock

In 2014, Helvetia Schweizerische Versicherungsgesellschaft AG issued a subordinated perpetual bond for CHF 400 million. This bond meets all solvency requirements and is allocated to equity.

The bond will pay an annual interest of 3.50% until 2020. The interest is recognised directly in equity. Helvetia can suspend interest payments as it sees fit, providing that Helvetia Holding does not pay any dividends and other conditions are fulfilled. However, the suspended interest payments do not lapse.

The first call date on which Helvetia has the right, but not the obligation, to repay the bond is 17 April 2020. After this date, the interest rate will be set for five years at a time based on the 5-year CHF swap rate, plus 322.05 basis points.

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, providing that Helvetia Holding does not pay any dividends and other conditions are fulfilled. However, the suspended interest payments do not lapse.

The first termination date on which Helvetia has the right, but not the obligation, to repay the bond is 30 November 2015. After this date the bond will earn a floating interest rate 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 and the revaluation of benefit obligations. On the reporting date, they amounted to a total of CHF 220.2 million (previous year adjusted: CHF 92.2 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 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 or the period

in CHF	2014	2013
Profit or loss for the period	393 309 398	363 803 087
Interest on preferred securities	– 11 210 625	– 11 210 625
Earnings per share incl. minority interests	382 098 773	352 592 462
Minority interests	– 1 596 406	– 528 075
Earnings per share without minority interests	380 502 367	352 064 387
Weighted average number of shares outstanding	8 853 822	8 609 669
Earnings per share	**42.98**	**40.89**

11.6 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 24 April 2015 to pay a dividend per share of CHF 18.00 (previous year: CHF 17.50) with the total payout amounting to CHF 179.0 million (previous year: CHF 151.4 million). 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.

Helvetia Holding AG and its subsidiaries are subject to a range of restrictions in the stock corporation and supervisory regulations with regard to the dividends that may be distributed to the parent company, respectively owners.

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. The Group is also subject to supervisory requirements in the form of minimum solvency margins (Solvency I and Swiss Solvency Test), compliance with which can lead to restrictions with regard to the dividends of Helvetia Holding AG.

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 also in accordance with the rules of the Swiss Solvency Test.

For Solvency I and the Swiss Solvency Test, the available capital is calculated on the basis of the IFRS equity. Additional capital, such as free reserves for future policyholder participation and surpluses, is added under Solvency I, 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.

Whereas 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. In addition, the effects of risks on the risk-bearing capital are determined by means of scenario simulations and statistical methods, and quantified taking into consideration dependencies and diversification effects in the form of a risk-based capital requirement.

Helvetia Group manages its invested capital in accordance with the IFRS. Helvetia Group's capital management strategy is unchanged from 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 2014 was CHF 4,466.2 million (previous year adjusted: CHF 3,735.2 million), and the required capital was CHF 2,070.3 million (previous year: CHF 1,710.4 million). As of 31 December 2014, the available capital covered 215.7 % of the required capital (previous year: 218.4 %).

Helvetia Group met all capital adequacy requirements on 31 December 2014.

12. Provisions and other commitments

12.1 Non-actuarial provisions

in CHF million	2014	2013
Balance as of 1 January	86.1	100.7
Change in the scope of consolidation	36.4	–
Allocation	92.6	41.6
Release	–16.5	–15.9
Used amounts	–29.4	–40.8
Foreign currency translation differences	–0.9	0.5
Balance as of 31 December	**168.3**	**86.1**

The "non-technical reserves" item primarily consists of provisions for liabilities resulting from official regulation, provisions arising from other tax obligations, provisions for restructuring expenses and liabilities due to agents. In the reporting period, CHF 72.3 million was recognised for integration and restructuring provisions. The share of provisions classified as current is CHF 160.3 million (previous year: CHF 83.4 million).

12.2. Provisions and other commitments

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

Capital commitments

At the balance sheet date, there were financial commitments for the future acquisition of investments in the amount of CHF 30.4 million (previous year: none).

Assets pledged or assigned

Helvetia Group has pledged assets of CHF 90.6 million as security for liabilities (previous year: CHF 51.7 million). 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 operating leases. As a result, future lease liabilities will amount to CHF 7.7 million (previous year: CHF 4.0 million) due in less than one year, CHF 24.6 million (previous year: CHF 17.0 million) due between one and five years, and CHF 6.5 million (previous year: CHF 0.0 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

At the reporting date, CHF 18.5 million (previous year: CHF 20.8 million) were recognised for other contingent liabilities.

13. Employee benefits

Helvetia Group had 7,012 employees as at 31 December 2014 (previous year: 5,037). Total personnel costs are shown in the table below.

13.1 Personnel costs

	Note	2014	2013
in CHF million			
Commissions		125.0	105.5
Salaries		430.1	369.1
Social security costs		89.0	76.1
Pension costs – defined contribution plans		5.4	4.2
Pension costs – defined benefit plans	13.3.4	59.7	58.2
Other long-term employee benefit expenses		1.2	1.2
Termination benefits		2.5	2.5
Share-based payment transaction costs		2.0	2.0
Other personnel costs		17.3	21.1
Total personnel costs		**732.2**	**639.9**

13.2 Total employee benefit receivables and obligations

		Receivables		Liabilities	
as of 31.12.	Notes	2014	2013	2014	2013
in CHF million					
Kind of benefit					
Defined benefit plans	13.3.1	–	–	606.8	249.9
Other long-term employee benefits		–	–	24.7	16.2
Short-term employee benefits		1.4	0.6	119.3	65.1
Total employee benefit receivables and obligations		**1.4**	**0.6**	**750.8**	**331.2**

"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.

There are several foundations in Switzerland designed to provide 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 section 13.3.8 (page 185). There are other funded defined benefit plans in place in Germany.

In addition, 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.

The defined benefit plans include actuarial risks, particularly investment risks, longevity and interest rate risks.

The management of the pension funds is under the supervision of the respective boards of trustees. Their responsibilities are set out in the respective pension fund regulations. The pension plans are answerable to the respective local supervisory authorities. In accordance with local regulations, some of these are defined as contribution pension plans, so the benefits do not depend on the final salary. Nevertheless, these plans are also deemed to be defined as benefit plans under IAS 19, as in cases in which the plan assets no longer cover the pension obligations in accordance with local accounting standards – a so-called personal pension scheme deficit – restructuring contributions may become due from the employer.

13.3.1 Reconciliation of balance sheet

as of 31.12.	2014	2013
in CHF million		
Present value of funded obligations (+)	3 090.8	1 707.7
Fair value of plan assets (–)	– 2 672.9	– 1 581.0
Surplus (–) / deficit (+)	417.9	126.7
Present value of unfunded obligations (+)	178.4	114.9
Unrecognised assets (asset ceiling)	10.5	8.3
Net liability[1] for defined benefit plans	**606.8**	**249.9**

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

13.3.2 Movement in the defined benefit obligation

in CHF million	2014	2013
Defined benefit obligation as of 1 January	1822.6	1702.7
Change in the scope of consolidation	1112.9	0.2
Service cost	77.0	68.9
Interest cost	48.4	40.7
Actuarial gains (–) / losses (+)		
– demographic assumptions	0.0	114.3
– financial assumptions	325.5	–36.7
– experience adjustments	–11.4	–2.5
Benefits (net)	–93.7	–68.5
Curtailments and Settlements	–6.4	–
Foreign currency translation differences	–5.7	3.5
Defined benefit obligation as of 31 December	**3269.2**	**1822.6**

As at 31 December 2014, 88.8 % of the pension obligations resulted from defined benefit plans in Switzerland.

13.3.3 Movement in the fair value of plan assets

in CHF million	2014	2013
Fair value of plan assets as of 1 January	1581.0	1449.5
Change in the scope of consolidation	973.0	–0.1
Employer contributions	39.3	57.6
Employee contributions	26.5	22.3
Interest income	39.2	29.1
Benefits (net)[1]	–84.8	–61.5
Return on plan assets excluding interest income	99.1	83.7
Foreign currency translation differences	–0.4	0.4
Fair value of plan assets as of 31 December	**2672.9**	**1581.0**

[1] This item includes paid-in and withdrawn vested benefits as well as pensions and annuities.

As at 31 December 2014, 99.1 % of the pension obligations resulted from defined benefit plans in Switzerland.

13.3.4 Net pension costs

in CHF million	2014	2013
Current service cost	77.0	68.9
Net interest expense	9.2	11.6
Employee contributions	–26.5	–22.3
Net pension costs for defined benefit plans	**59.7**	**58.2**

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 65.3 million.

13.3.5 Revaluation of benefit obligations

in CHF million	2014	2013
Actuarial gains (+) / losses (–)	314.1	75.1
Return on plan assets excluding interest income	–99.1	–83.7
Limit on assets (asset ceiling)	0.1	0.2
Revaluation of benefit obligations	**215.1**	**–8.4**

Revaluations of benefit obligations are recognised in the consolidated comprehensive income statement.

13.3.6 Actuarial assumptions

	Switzerland		Abroad	
Weighted averages	2014	2013	2014	2013
in %				
Discount rate	1.2	2.3	2.2	3.5
Expected salary increases	1.0	1.0	2.6	2.8
Expected pension increases	0.0	0.0	1.7	1.8
Duration of the defined benefit liability (in years)	14.9	15.4	17.9	15.7

13.3.7 Sensitivity analysis

The sensitivity analysis takes into account the change to benefit obligations or the current service cost when there is 50 basis point change to the actuarial assumptions. Only one parameter is adjusted in each case, the other assumptions remain unchanged.

as of 31.12.2014	Change	Effect on benefit obligations	Effect on service cost
in CHF million			
Discount rate	+ 50 bp	–220.7	–8.2
Discount rate	– 50 bp	245.7	8.3
Salary increases	+ 50 bp	38.3	0.9
Salary increases	– 50 bp	–36.7	–1.8
Pensions	+ 50 bp	180.6	2.3
Pensions	– 50 bp	–13.1	–0.6

13.3.8 Plan asset allocation

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 historical 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.

The plan assets largely consist of the following financial assets:

in CHF million	2014	2013
Interest-bearing securities		
– listed	1 195.3	654.0
– unlisted	17.2	13.5
Shares listed	367.4	222.1
Investment funds		
– listed	410.3	365.3
– unlisted	48.6	–
Alternative investments		
– listed	0.1	0.1
– unlisted	5.7	–
Derivative financial assets		
– listed	1.5	–
– unlisted	–8.2	–
Investment property	580.5	296.3
Cash and cash equivalents	28.5	12.0
Other plan assets	26.0	17.7
Total plan assets	**2 672.9**	**1 581.0**

As at 31 December 2014, the plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 89.7 million (previous year: CHF 86.9 million). Plan assets do not include any of the Group's owner-occupied properties.

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 into account 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 2014 were recognised in the income statement at CHF 0.9 million (previous year: CHF 0.5 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 extent of target achievement 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 extent of target achievement 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 0.4 million was calculated for the Board of Directors for the 2014 financial year (previous year: CHF 0.4 million). This is subject to approval by the Shareholders' Meeting. The amount represents 814 shares at a price of CHF 480.50 on the reference date of 25.2.2015. This payment is recognised proportionally in the income statement every year until ownership of the shares is transferred and amounted to CHF 0.3 million for 2014 (previous year: CHF 0.3 million).

14.3 Members of the Executive Management of the Group and Switzerland

The Board of Directors determines the extent of target achievement for the long-term compensation component (LTC). The reference figure, which is multiplied by the degree of objective attainment, is a percentage of up to 40% of the fixed salary component. 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 section 14.2. For the 2014 financial year, LTC shares to the value of CHF 1.9 million were allocated (previous year: CHF 1.8 million). For the Executive Management of the Group this is subject to approval by the Shareholders' Meeting. The amount represents 3,856 shares at a price of CHF 480.50 on the reference date of 25.2.2015 (previous year: 4,011 shares at CHF 455.50). This payment is recognised proportionally in the income statement every year until ownership of the shares is transferred and amounted to CHF 1.4 million for 2014 (previous year: CHF 1.2 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 compensation component which is calculated by multiplying the extent of target achievement 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 section 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 2014 financial year amounted to CHF 0.4 million (previous year: CHF 0.3 million).

15. Related party transactions

This section sets out the links to related companies and persons.

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 as well as the pension funds and all associates of Helvetia Group. The latter two are discussed in section 13.3 "Defined benefit plans" (page 183) and section 7.4 "Investments in associates" (page 152).

The shareholder pool with a combined equity stake of 37.6 % in Helvetia Holding holds the following investments:

– Patria Genossenschaft, Basel, with 30.1 %
– Vontobel Beteiligungen AG, Zurich, with 4.0 % and
– Raiffeisen Schweiz, St Gall, with 4.0 %.

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 100 million to Helvetia Schweizerische Lebensversicherungsgesellschaft AG until 30 June 2015 if certain adverse scenarios as defined should arise. The agreement is executed at normal market conditions.

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

Helvetia Group does not have interlocking directorates in the boards of directors of listed companies. With the exception of Patria Genossenschaft (Patria cooperative society), transactions with cooperation partners are not material for Helvetia Group either as a single transaction or overall. The dividend payment to Patria Genossenschaft of CHF 45.6 million (previous year: CHF 44.3 million) and the contribution of CHF 45.0 million of Patria Genossenschaft to Helvetia Schweizerische Lebensversicherungsgesellschaft AG (previous year: CHF 42.0 million) 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).

15.2.1 Compensation

Board members and the Group Executive Management 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 relevant fees or remuneration relating to additional services.

The total compensation paid to the members of the Board of Directors and the Group Executive Management is:

as of 31.12.	2014	2013
in CHF		
Salaries and other short-term employee benefits	7 490 860	6 974 341
Prospective share-based payment (LTC)[1]	1 645 136	1 602 449
Employer contributions to pension funds	1 425 357	877 676
Total compensation	**10 561 353**	**9 454 466**

[1] Subject to approval by the Shareholders' Meeting.

15.2.2 Insurance contracts, loans or guarantees

Members of the Group Executive Management may conclude insurance contracts, loans and other services under 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 1,000,000). In the reporting year the loan, a fixed mortgage at employee conditions, earned interest at 1.65 % (previous year: 1.65 %).

Members of the Board of Directors have no claim to employee conditions. At the reporting date a mortgage loan had been granted to Jean-René Fournier for CHF 765,000 (previous year: CHF 765,000). In the reporting year, the loan, a fixed mortgage at customer conditions, earned interest at 2 % (previous year: 2 %).

There are no other insurance agreements, loans or guarantees.

15.2.3 Shares Group Executive Management

As at 31 December 2014, the members of the Group Executive Management and persons closely related to them held the shares listed in the following table, some of which were acquired under the employee share purchase plan and which have a vesting period of three years from the purchase date.

as of 31.12.	2014	2013
Number of shares		
Stefan Loacker	1 000	551
Markus Gemperle	955	648
Philipp Gmür	1 622	1 326
Ralph-Thomas Honegger	1 120	980
Paul Norton	580	295
Wolfram Wrabetz	300	300
Total	**5 577**	**4 100**

In addition to the ownership of shares as set out, the active members of the Board of Directors have deferred claims to a total of 7,142 shares acquired under the LTC program.

15.2.4 Shares Board of Directors

The shares held by the members of the Board of Directors and persons closely related to them as of the end of the year are listed in the following table.

as of 31.12.	2014	2013
Number of shares		
Erich Walser (Chairman)	–	2 237
Doris Russi Schurter (Vice-Chairman)	784	719
Hans-Jürg Bernet (member)	1 168	1 008
Jean-René Fournier (member)	20	20
Paola Ghillani (member)	20	164
Balz Hösly (member)[1]	10	–
Peter Kaemmerer (member)[1]	10	–
Christoph Lechner (member)	428	363
John Martin Manser (member)	660	595
Gabriela M. Payer (member)[1]	40	–
Herbert J. Scheidt (member)	350	350
Pierin Vincenz (member)	2 265	2 200
Andreas von Planta (member)[1]	660	–
Total	**6 415**	**7 656**

1 Joined the Helvetia Board of Directors as of 20 October 2014.

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 2,353 shares acquired under the LTC programme.

16. Risk management

16.1 Principles of risk management

The integrated risk management of Helvetia Group must continuously guarantee that all material risks can be identified, collected, evaluated and controlled in good time and managed and monitored appropriately. The risks are managed in accordance with the requirements of the relevant stakeholders, upon which the concepts and methods of risk identification, management and analysis are also based.

16.1.1 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 the risk management objectives of all essential business activities;
– set risk tolerance limits and monitor the risk profile of the Group and the individual business units;
– ensure the implementation and application of a comprehensive risk management approach, including an internal control system, that guarantees the efficient allocation of risk capital and systematic control of risks by the Executive Management;
– ensure appropriate monitoring of the effectiveness of the internal control systems by the Executive Management.

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

The Executive Management is responsible for implementing and complying with the strategies, business principles and risk limits. 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:

– The risk map informs the Executive Management and the Board of Directors of the most important risks, any changes thereto and risk management strategies.
– The risk and capital report published quarterly and the corresponding monthly analyses support the Risk Committee and risk owners 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 risk management system of the Group. 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.

Even after Helvetia Group´s acquisition of Nationale Suisse Group and Basler Austria during 2014, Helvetia Group's risk management organisation has not fundamentally altered. In order to ensure appropriate risk management and governance, Nationale Suisse´s risk management will be maintained in a transition phase and under the management of Helvetia´s risk organisation so as then to be integrated into Helvetia´s risk organisation during 2015. The following description of risk management processes and analyses relates to Helvetia Group, including the acquisitions made during 2014. The figures for previous periods reflect Helvetia Group in its original form.

16.1.2 Risk management process

The risk management process includes all activities related to the systematic assessment 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 technical risks, market risks (including equity price risk, real estate price risk, interest rate risk, currency risk and long-term liquidity risk), medium- and short-term liquidity risks, counterparty risks, operational risks (including the impact of reputational risks), strategic and emerging risks.

The market, counterparty and insurance technical risks belong to the traditional risks of an insurance company and are consciously entered into as part of the chosen business strategy. They tie up risk capital in an operational context and can be influenced through the use of hedging instruments, product design, reinsurance cover and other risk management measures. Based on the overall risk profile it is ensured that these risks are constantly covered by the risk-bearing capital. In this regard, the amount of the capital required depends on the risk tolerance limits chosen.

Insurance technical risks life and non-life are controlled by a number of actuarial methods, a risk-adjusted rate schedule, selective underwriting, proactive claims handling and a prudent reinsurance policy.

The market risks of Helvetia Group are controlled using the ALM process. This enables the company to control the various impacts of market risks in an integrated way and defines both the investment strategy and the hedging policy, taking the following points of view into consideration:

- local statutory accounting policies to ensure compliance with local regulatory requirements;
- consolidated IFRS accounting policies to ensure compliance with Group-wide regulatory requirements;
- fair value approach to ensure compliance with regulatory requirements arising from SST and Solvency II, as well as taking into account economic considerations.

Long-term liquidity risks are considered market risks and treated accordingly. Some risks arising from the lack of liquidity of the assets are, where appropriate, taken into account in market price models. Short-term liquidity risks are managed as part of the cash management process. Non-probabilistic methods are used to analyse medium-term liquidity risks.

Counterparty risks are managed via the investment and reinsurance policy and monitored on the basis of exposure analyses. Counterparty risk is minimised by investing in different counterparties with good credit ratings, who are continuously monitored and are subject to a strict limit system for managing risk clusters.

16.2 Insurance technical risks non-life

Insurance technical risks in non-life result from the random nature of occurrences of an insured event and the uncertainty regarding the amount of the resulting obligations. The most important non-life segments of Helvetia Group are property, casualty (liability, accident, motor vehicle) and transport insurance. Motor vehicle insurance policies represent the largest proportion of casualty insurance policies. In 2014, 67.3 % (previous year: 68.8 %) of the direct non-life business of Helvetia Group was generated outside of Switzerland. The share of gross premiums written per business segment is as follows: Switzerland 32.7 % (previous year: 31.2 %), Germany 20.2 % (previous year: 21.3 %), Italy 18.2 % (previous year: 19.0 %), Spain 10.6 % (previous year: 10.8 %), Austria 8.4 % (previous year: 7.5 %), France 9.0 % (previous year: 10.2 %) and other countries 0.9 %. The merger with Nationale Suisse added the new country market in Belgium, the representative office in Liechtenstein and the specialty business in Latin America, Turkey and Asia that is written via representative offices in Istanbul and Miami and via branches in Singapore and Kuala Lumpur.

Gross premiums by sector and country in the non-life business

2014 in CHF million	Switzerland	Germany	Italy	Spain	Other	Total
Property	440.8	273.3	93.0	128.7	113.0	1 048.8
Transport	32.7	58.5	6.4	16.3	205.3	319.2
Motor vehicle	312.8	138.0	268.7	117.5	134.3	971.3
Liability	114.4	62.6	48.5	15.5	32.0	273.0
Accident / health	11.5	31.7	90.7	17.1	25.9	176.9
Gross premiums non-life	**912.2**	**564.1**	**507.3**	**295.1**	**510.5**	**2 789.2**

2013 in CHF million	Switzerland	Germany	Italy	Spain	Other	Total
Property	376.3	270.6	89.2	119.9	81.7	937.7
Transport	26.0	58.1	2.5	12.5	213.4	312.5
Motor vehicle	288.0	121.3	267.3	106.7	113.8	897.1
Liability	106.7	60.6	44.4	18.6	27.3	257.6
Accident / health	0.0	31.5	80.9	17.3	16.3	146.0
Gross premiums non-life	**797.0**	**542.1**	**484.3**	**275.0**	**452.5**	**2 550.9**

This table was created using principles on which the segment reporting in section 3 is based.

Helvetia Group's consistent focus on a portfolio that is well diversified geographically and across sectors encourages risk-balancing and reduces the risk that the cost of future covered claims arising from existing contracts will be higher than expected (prospective risks). For example, a change in the net claims ratio of + / 5 percentage points would have a positive or negative effect of CHF 128.8 million (previous year: CHF 110.3 million) on the income statement (not taking deferred taxes into account). For claims already incurred there is a risk that the level of existing commitments exceeds expectations and the provisions established to cover future claim payments are insufficient (retrospective risks). The Group addresses prospective and retrospective risks with actuarial controls, adequate reserves and diversification. Despite the balancing of risks through diversification, individual risk clusters (e.g. in the form of individual large risks) or risk accumulations (e.g. via cross-portfolio exposure to natural disasters) may occur. These types of potential risks are monitored throughout the Group and hedged in a coordinated way via reinsurance contracts (see section 16.4, page 199).

Group-wide, the insurance technical risks in the non-life business are dominated by natural hazards. Except in very rare cases, the approach to reinsurance reduces the claims remaining from a natural event or individual risk at Group level to a maximum of CHF 25.0 million (previous year: CHF 25.0 million) for Helvetia companies and additionally CHF 10.0 million for Nationale Suisse companies. For more information about the quality of reinsurance and claims settlement, please see sections 16.6 “Counterparty risk” (from page 210) and 9 “Insurance business” (from page 163). In 2014, 12.5% (previous year: 14.4%) of the premiums written in the non-life business were ceded to reinsurers.

16.2.1 Liability, accident, comprehensive insurance

Helvetia Group underwrites liability insurance policies for private individuals, motor vehicles and companies. Comprehensive cover is also underwritten as part of motor vehicle insurance. At Group level, the volume of accident insurance business has increased due to the merger with Nationale Suisse.

Terms and conditions, guarantees and underwriting practices

Helvetia Group controls the insurance technical risks to which it is subjected through a risk-adjusted rate schedule, selective underwriting, proactive claims settlement and a prudent reinsurance policy. The underwriting ensures that the risks entered into meet the necessary quality criteria in terms of type, exposure, customer segment and location.

Risks arising from clusters, accumulations and trend changes

The portfolio is well diversified in Europe, with an increased concentration in Switzerland. With the inclusion of Nationale Suisse companies, the new Group has gained a broader geographical diversification, particularly in Asia and Latin America. Large risks are usually hedged through non-proportional contractual reinsurance.

Uncertainties in the estimation of future claim payments

A considerable amount of time may pass between the occurrence and the reporting of a claim event, in particular in the liability business. In order to cover existing liabilities that are still to be claimed by policyholders, the Helvetia Group establishes incurred but not reported reserves. These are calculated using actuarial methods on the basis of many years of claims experience, taking into account current developments and existing uncertainties.

16.2.2 Property insurance

Property insurance contracts cover claims for the loss of property of the insured arising from insured risks or damage to or losses of third-party property caused by negligent acts or omissions of the policyholder as well as from resulting consequential damages due to operation interruptions and additional costs.

Terms and conditions, guarantees and underwriting practices

Risk control is made possible both by risk-oriented underwriting and by the fact that reinsurance contracts define conditions under which newly underwritten risks are covered under the respective reinsurance contract. Facultative reinsurance contracts are taken out for individual large risks not covered under the reinsurance contract. Generally, only large risks with appropriate reinsurance cover are underwritten.

Risks arising from clusters, accumulations and trend changes

Property insurance operations are mainly in Europe – with the exception of active reinsurance –, Helvetia International and a small portion of the property insurance business of Helvetia Switzerland. Due to the merger with Nationale Suisse, Asian and Latin American markets were also opened up, where specific risks concerning technical exposure are assumed (project insurance and location risks). The technical risks are geographically well diversified, and the relationship between business and residential customers in the overall portfolio is balanced. The scope of the engineering business was also developed during the course of the Nationale Suisse merger.

The property insurance portfolio is exposed to natural disasters such as floods, earthquakes, wind storms and hail. Large claims and man-made disasters can also lead to high claims costs. Examples of this include explosions, fire and terrorism. Helvetia Group protects itself very effectively against catastrophe claims through selective underwriting practices and a multi-level reinsurance program.

Uncertainties in the estimation of future claim payments

For the majority of claims, settlement takes place in the year the claim is made or in the following year. In terms of large risks or in specific business lines (e.g. accident insurance or engineering), the uncertainty in estimating future claim payments is slightly higher as it can take a long time to process such claims.

16.2.3 Transport insurance

Helvetia Group operates the transport insurance business in France and to a lesser extent in Germany, Switzerland, Spain and Austria. Helvetia Group is mainly active in marine hull insurance and goods in transit. The risk exposure is primarily limited through local underwriting guidelines. Due to the merger with Nationale Suisse, the Group has obtained a distinctive profile in transport insurance and can further develop the goods in transport business in particular.

16.3 Insurance technical risks life

Helvetia Group offers a comprehensive range of life insurance products. These include risk and pension solutions and are aimed at private persons (individual life) and companies (group life insurance). The risks associated with these products are presented in detail in subsequent sections. There is also a small portfolio from the active reinsurance business – which is currently being processed and due to its size will not be discussed further in the following description. The life insurance business operates primarily in Switzerland, which accounts for 75.4 % (previous year: 78.1 %) of the gross premium volume of the Helvetia Group life business. The following table shows the breakdown of gross premium income by sectors and countries. Overall, in 2014, 1.4 % (previous year: 1.4 %) of the premiums written in the life business were ceded to reinsurers.

Gross premiums by business activities and region in the life business

2014 in CHF million	Switzerland	Germany	Italy	Spain	Other	Total
Traditional individual life insurance	603.6	161.3	528.1	52.7	95.2	1 440.9
Group insurance	2 650.2	–	20.6	54.0	–	2 724.8
Investment-linked life insurance	224.7	139.1	–	34.4	50.6	448.8
Gross premiums life	**3 478.5**	**300.4**	**548.7**	**141.1**	**145.8**	**4 614.5**

2013 in CHF million	Switzerland reclassified	Germany	Italy	Spain	Other reclassified	Total reclassified
Traditional individual life insurance[1]	602.6	173.9	410.7	50.8	88.4	1 326.4
Group insurance	2 629.9	–	22.4	53.1	–	2 705.4
Investment-linked life insurance[1]	320.8	127.2	–	26.3	41.4	515.7
Gross premiums life	**3 553.3**	**301.1**	**433.1**	**130.2**	**129.8**	**4 547.5**

1 Voluntary change in presentation (see section 2.3 on page 117)

16.3.1 Traditional individual life insurance and investment-linked life insurance

For private persons, Helvetia Group offers pure risk insurance, savings insurance and endowment insurance, annuity insurance, as well as investment-linked products. Depending on the product, premiums are paid as single or regular premiums. Most of the products include a discretionary participation feature, although some countries regulate the minimum amount of profit participation to be credited to the customer. Traditional individual life insurance accounts for 31.2 % (previous year: 29.2 %) of the gross premium volume of the life business of Helvetia Group, with 41.9 % of the premiums (previous year: 45.4 %) coming from Switzerland. The investment-linked life insurance (index and unit-linked products) generates 9.7 % (previous year: 11.3 %) of the life business of Helvetia Group. 50.1 % of the premiums (previous year: 62.2 %) from the investment-linked life business originate in Switzerland.

Terms and conditions, guarantees and profit participation

Most of the products include a premium guarantee, which means that the bases for mortality, disability, interest rates and costs used in the premium calculation are guaranteed. These bases are therefore carefully fixed at the time the insurance policy is concluded. If later developments are better than expected, profits accrue which are partially returned to the customer in the form of a participation feature. The following two important exceptions apply to the guaranteed bases: first, no interest guarantees exist for the unit-linked insurance policies. However, there may be some products that guarantee the payment of a minimum survival benefit. Secondly, in Switzerland, premiums for insurance policies for disability pensions are not guaranteed for policies concluded since mid-1997, and may be adjusted.

Underwriting and reinsurance

An insurance policy which includes death or morbidity risk may under normal conditions be concluded only on the condition of good health. The review of the application includes confirming that this condition has been met. The review uses a health questionnaire, and from a certain level of risk, is supplemented by a medical examination.

Peak risks at the level of individual policyholders are transferred to various reinsurers, with the deductible varying by country. In addition, Helvetia Switzerland, Helvetia Spain and, for some specific risks, Helvetia Italy are reinsured against catastrophic events that may concurrently cause several casualties and claim several lives.

16.3.2 Group life insurance

Group life insurance accounts for 59.0 % (previous year: 59.5 %) of the gross premium volume of the life business of Helvetia Group, with 97.3 % of the premiums (previous year: 97.2 %) coming from Switzerland. Outside of Switzerland and in a small run-off portfolio within Switzerland, the characteristics of the group life insurance products are very similar to individual insurance. Only occupational pension plans in Switzerland will therefore be addressed below under group life insurance. In Switzerland, under the Occupational Pensions Act (BVG) companies are obliged to insure their employees against the following risks: death, disability and age. Helvetia Switzerland offers products that cover these risks. Most of these products include a discretionary participation feature whose minimum amount is statutorily or contractually prescribed.

Terms and conditions, guarantees and profit participation

For the majority of the products there is no guaranteed rate for the risk premiums for death and disability or for the cost of premiums. These premiums may therefore be adjusted annually by Helvetia Switzerland. Upon the occurrence of an insured event, the resulting benefits are guaranteed up to the agreed expiry date or for life.

Interest is credited annually on the savings premiums; the interest rate for the mandatory savings component is established by the Federal Council, while Helvetia Group itself can set the rate for the non-mandatory savings component. The mandatory rate was 2.0 % from 2009 to 2011 and was reduced to 1.5 % for 2012 and 2013. For 2014, this rate is being raised to 1.75 %.

The interest rate set by Helvetia Group for the non-mandatory component was also 2.0 % in 2009 and 2010. For 2011, it was lowered to 1.5 % and from 2012 it was further reduced to 1.0 %. For 2014, this rate is being raised to 1.25 %.

When policyholders reach retirement age they may choose to have the retirement capital paid out as a lump sum or converted into a pension. The conversion of the mandatory savings component is carried out at the government-mandated BVG conversion rate, while the conversion rate on the extra-mandatory savings component is determined by Helvetia Group. After conversion, the pensions and any resulting 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 customer. For example, a portion of the capital gains above the guaranteed minimum interest rate must be returned to the customer in the form of policyholder dividends. For most products for which this statutory provision does not apply there are similar provisions in the contractual agreements with customers.

Underwriting and reinsurance

For the mandatory component of the insurance policy, it is forbidden to exclude someone from a company's insurance on account of ill health. However, certain benefits may be excluded in the non-mandatory part, or a premium for the increased risk may be required. However, there is no obligation to insure a company. On the basis of benefits previously claimed by the company and based on estimates of future claims potential, it is therefore established during the underwriting process whether and under what conditions the company will be insured.

Peak risks at the level of individual policyholders are transferred to various reinsurers via aggregate excess of loss reinsurance. The catastrophe reinsurance mentioned in 16.3.1 also covers the group life business.

16.3.3 Risks arising from trend changes and sensitivity analysis

Helvetia Group uses a variety of actuarial methods to monitor existing and new products with regard to underwriting policy, reservation, and risk-adjusted pricing. Retrospective methods compare initial expectations with actual developments. Prospective methods allow the impact of new trends to be recognised and analysed early on. Most of those calculations integrate the analysis of parameter sensitivities in order to monitor the effects of adverse developments in investment returns, mortality, cancellation rates and other parameters. Taken together, they therefore provide an effective set of instruments with which to address developments actively and in good time. If a certain risk takes a worse than expected course, the participation feature is usually the first to be reduced in most of the products. If it appears that a product no longer has a sufficient safety margin, the premiums are adjusted for new business or, if allowed, for the existing policies.

Helvetia Group establishes reserves for its life insurance business to cover expected payouts. The amount of life insurance reserves depends on the interest rates applied, actuarial parameters and other influencing factors. In addition, the Liability Adequacy Test (LAT) is used to review whether the provisions together with the expected premiums are sufficient to finance future benefits. If this is not the case, the IFRS reserves are increased accordingly.

If the assumptions are changed, the reserves are increased or decreased accordingly. A decrease in reserves flows largely back to the insured as a result of the discretionary participation feature. If it is necessary to increase reserves, the first step is to reduce the participation feature. If this is not sufficient, the rest of the increase is borne by the shareholders. In the local balance sheet, reserve reinforcements recognised as necessary may be spread over several years and, if possible, compensated by gradually decreasing the allocation of the provisions for future profit participation or by releasing hidden reserves on investments. In contrast, the necessary reserve reinforcements must be recognised immediately in profit or loss in the consolidated financial statements. However, for contracts with a participation feature, it is permitted to offset other valuation differences on the local balance sheet (in particular for investments) before deferred profit participation at Group level.

The sensitivity analysis assesses the deflection effects of mortality, invalidity, reactivation rate, interest, costs and surrender rates parameters on the reserves. If the deflection of a parameter necessitates a lower reserving requirement, then the reductions in reserves are assessed at the discretion of the responsible actuary, who, alongside the sensitivity analyses, also takes into consideration long-term developments in their decisions, and always act with due care. Conversely, if one of the fundamental parameters in the local reserves already has sufficient safety margins, then a deflection of this parameter will not require a reinforcement of reserves. It should be noted, however, that sensitivities do not normally exhibit linear behaviour, so extrapolations are not possible.

Various influencing factors and sensitivities are presented separately below. Please see section 16.5.2 (from page 204) on the effect of a change in interest rates on equity and the income statement.

Mortality and longevity risks

In order to analyse in more detail the effect of a change in mortality rates, the portfolio is divided into contracts which are exposed to greater mortality rates and those which are exposed to longevity. The first group includes, for example, risk or capital life insurances, while the second group includes annuity insurance.

If, in the portfolios exposed to greater mortality, more policyholders die than expected, shareholders may suffer losses once the buffer of profit participation has been exhausted. The analyses carried out show that this risk can be considered very low.

However, an increase in mortality rate in these portfolios, which have to be increased due to high interest rate guarantees, has a small impact on the amount of the increase in reserves.

If, in the portfolios exposed to longevity, fewer policyholders die than expected or if policyholders live longer than expected, this could result in losses for the shareholders. As life expectancy is continuously rising, when setting up reserves, the current mortality rate as well as expected trends of the increase in life expectancy are taken into account. These reserves of portfolios exposed to longevity are very sensitive to assumed life expectancies and assumed interest rates.

Pension options with guarantees, partially also mandatory conversion rates, included in the products represent an additional risk. In particular, the high mandatory BVG conversion rate in the group life insurance in Switzerland had brought about expected losses for which reserves were used at the expense of the profit participation of the policyholders. The proportion of policyholders who receive a pension at retirement and do not withdraw the capital as well as the conversion rates are monitored and the reserves kept at a sufficient level by means of possible reserve increases.

Referring to the overall portfolio, an increase in mortality by 10 % across all Helvetia Group companies would have no great effect. However, a reduction in mortality by 10 % would have a negative impact on the income statement of CHF 52.4 million (previous year: CHF 47.6 million).

Invalidity risk

Losses for the shareholders may arise if more active members than expected become disabled or fewer disabled policyholders than expected are able to return to work and the participation feature is not sufficient to absorb such deviations. Here, the parameters of invalidity and reactivation rate are analysed in detail. Therefore an increase in the disability rate by 10 % would lead to an increase in reserves with a negative impact on the income statement of CHF 0.1 million, while a reduction in the reactivation rate would have a negative impact in the amount of CHF 1.7 million.

Cost risk

If the costs included in the premiums and provisions are insufficient to cover rising costs, this could result in losses for shareholders. An increase in the cost ratio by 10 % would cause an increase in reserves and a negative effect on the income statement in the amount of CHF 15.9 million.

Cancellation risk

Depending on the nature of the contract, higher or lower cancellation rates can cause losses for shareholders. Overall, in the bases of calculation at all Helvetia Group life insurance units, sufficient margins of safety are applied so that a 10 % increase in the cancellation rate would have only a negligible effect on the amount of reserves: negative effect on the income statement in the amount of CHF 0.2 million.

Interest rate risk

Shareholders may have to bear losses if the guaranteed interest included in premiums and reserves cannot be generated. This could happen if, for example, interest rates remain very low in the long term. To counteract such developments, both the technical interest rate for new contracts in individual insurance and the BVG minimum interest rate for new and existing contracts are adjusted to the new interest rate. At the end of 2014, the highest guaranteed interest rate in individual insurance was in Spain, where older policies still include a guaranteed minimum interest rate of up to 6 %. These guarantees are partially covered by corresponding assets and the residual risk is covered by supplementary reserves. In the other countries the maximum guaranteed return is 4.75 % in EUR and 3.5 % in CHF. Rising interest rates could cause a greater number of endowment contracts to be cancelled. However, as in most countries premature contract terminations are associated with significant tax consequences and products with high interest rate sensitivity are usually subject to a deduction to take account of lower fair values of the underlying investments when the contract is terminated, this risk can be considered low.

In group life insurance, there are long-term interest rate guarantees on provisions for current benefits. The BVG minimum interest rate on the mandatory savings of policyholders is established annually by the Swiss Federal Council. Rising interest rates may also lead to increased policy cancellations in group insurance and thus to losses. Since 2004, no deductions can be made from nominally defined surrender values to take into account the fact that the fair value of the corresponding fixed-income investments may be below the (local) carrying value for contracts that have been part of the insurance portfolio of Helvetia Group for more than five years.

Risks of embedded derivatives

For index-linked life insurance, the policyholder's returns are linked to an external index. Furthermore, an investment-linked product may include a guaranteed survival benefit. These product components are to be separated as embedded derivatives and are accounted for at fair value. The majority of these guarantees and index-dependent payouts are assumed by external partners. In Switzerland, there are only a few products for which this is not the case and for which Helvetia Group thus assumes the risk, and adequate provisions exist for these cases. The amount of these provisions is primarily dependent on the volatility of the underlying investments and the level of risk-free interest rates. A change in the provision is recognised in profit and loss and cannot be offset with a profit participation.

Summary

In summary, it can be stated that although there is a variety of different product-specific risks in life insurance, these risks are controlled by Helvetia Group using a number of actuarial methods and, where necessary, with an appropriate increase in reserves. In addition, through its compliance with IFRS 4, Helvetia Group has a free, non-linked provision for future profit-sharing. This can be used to cover insurance risks.

16.4 Insurance technical risks reinsurance

Traditionally, Helvetia Group owns a small active reinsurance portfolio, which is limited in the context of business strategy. The active reinsurance is operated by Helvetia Schweizerische Versicherungsgesellschaft AG, with headquarters in St Gall.

In the insurance business, active reinsurance is considered a "follower" and usually holds smaller parts of reinsurance contracts. This policy of small holdings, combined with broad diversification (geographical and by insurance segment), leads to a balanced reinsurance portfolio free of major risk clusters.

Within the reinsurance, the "Group reinsurance" unit assumes the role and function of Group reinsurer. It ensures that the individual business units have the appropriate contractual reinsurance protection, and transfers the risks assumed, taking account of the risk correlation and diversification in the reinsurance market. This centralisation leads to the application of uniform Group-wide reinsurance standards, particularly in relation to the hedging level, as well as synergies in the reinsurance process. Based on the Group's risk appetite and the composition of the reinsurance markets, Group reinsurance ensures efficient use of existing risk capacity at the Group level and provides optimal management of the purchase of reinsurance protection.

Gross premiums by business line in the reinsurance business

2014	Non-Life	Life
in CHF million		
Gross premiums written	442.9	16.8
Reinsurance premiums ceded	–125.9	–9.2

2013	Non-Life	Life
in CHF million		
Gross premiums written	453.6	12.6
Reinsurance premiums ceded	–123.2	–8.8

Terms and conditions, guarantees and underwriting practices

The small size of the active reinsurance portfolio allows for detailed tracking of customer relations and a strict risk and engagement control of the business underwritten. An actuarial department specialising in reinsurance handles price and reserve calculations.

Risks arising from clusters, accumulations and trend changes

Geographically, the active reinsurance business is dominated by companies from OECD countries. There is a management information system for large claims. In addition to controlling risk exposure, cumulative risks from natural hazards are monitored and quantified using actuarial methods, and protected with retro cover.

For more information about the quality of reinsurance and claims settlement, please see sections 16.6 "Counterparty risk" (from page 210) and 9 "Insurance business" (from page 163).

16.5 Market risks and ALM

As at 31 December 2014, Helvetia Group managed investments totalling CHF 48.0 billion (previous year: CHF 39.6 billion).

The main market risks to which the Group is exposed are interest rate risk, exchange rate risk and equity price risk. The Group is also exposed to the real estate market through a significant portion of real estate in its investment portfolio. Market risks affect the income statement and both the asset and the liability side of the balance sheet. The Group manages its real estate, mortgages and securities itself. Smaller holdings of assets are invested in 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 lie with Helvetia's insurance customers.

Asset-Liability Management (ALM, see also section 16.1.2) at Helvetia Group is oriented towards both accounting, in particular the protection of the income statement and balance sheet, and fair value considerations on risk limitation. Besides matching the investment strategy to liabilities, targeted use is made of derivatives. Foreign currency risks are currently hedged in this way and the risk of losses on equity investments controlled. In Helvetia's internal funds, the balance sheet currency exposure is hedged by a net investment hedge. The risk of loss on shares is kept under control by hedging with options. The foreign currency exposure is largely hedged by forward contracts. More information can be found in tables 7.6.1 "Derivative financial assets" (page 156) and 8.3.1 "Derivative liabilities" (page 162).

16.5.1 Liquidity risk

Helvetia Group has sufficient liquid assets to meet unanticipated cash outflows at any time. The proportion of liquid assets (cash, premiums to be invested, liquid equities and interest-bearing securities) exceeds the volume of annual net cash flows many times. In addition, the Group manages assets and liabilities in terms of their liquidity. On the liabilities side of the balance sheet, there are no significant individual positions with liquidity risk. A portion of the investment portfolio of the Group is composed of investments whose trading is not liquid, such as real estate and mortgages. These investments can only be realised over an extended period of time.

Maturity schedule of recognised insurance liabilities

as of 31.12.2014	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	3315.5	10132.5	7407.1	12376.4	298.8	33530.3
Provision for future policyholder participation	197.7	52.3	4.2	0.4	1771.3	2025.9
Loss reserves (gross)	2130.1	1664.0	598.4	462.1	9.3	4863.9
Unearned premium reserve (gross)	1434.7	–	–	–	–	1434.7
Total reserves for insurance and investment contracts (gross)	7078.0	11848.8	8009.7	12838.9	2079.4	41854.8
Reinsurers' share	260.3	183.0	59.5	41.1	35.9	579.8
Total reserves for insurance and investment contracts (net)	**6817.7**	**11665.8**	**7950.2**	**12797.8**	**2043.5**	**41275.0**

as of 31.12.2013	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	3055.7	9539.6	6558.7	10652.9	8.7	29815.6
Provision for future policyholder participation	128.2	24.6	–	–	784.3	937.1
Loss reserves (gross)	1469.6	1112.9	376.3	162.8	–	3121.6
Unearned premium reserve (gross)	1053.5	–	–	–	–	1053.5
Total reserves for insurance and investment contracts (gross)	5707.0	10677.1	6935.0	10815.7	793.0	34927.8
Reinsurers' share	169.4	125.0	53.7	32.4	28.6	409.1
Total reserves for insurance and investment contracts (net)	**5537.6**	**10552.1**	**6881.3**	**10783.3**	**764.4**	**34518.7**

The above tables show the expected maturity of the amounts recognised in the balance sheet.

Maturity schedule of financial liabilities and liabilities (excluding derivative instruments)

as of 31.12.2014 in CHF million	Callable at any time	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
Financial liabilities from insurance business	2146.3	22.9	9.8	9.8	6.7	44.8	2240.3
Financial liabilities from financing activities	–	16.0	218.9	520.7	152.3	142.3	1050.2
Liabilities from insurance business	429.6	1605.3	–	–	–	5.5	2040.4
Other financial and other liabilities	0.6	205.6	0.0	–	–	0.5	206.7
Total financial and other liabilities	**2576.5**	**1849.8**	**228.7**	**530.5**	**159.0**	**193.1**	**5537.6**

as of 31.12.2013 in CHF million	Callable at any time	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
Financial liabilities from insurance business	2066.3	27.5	2.0	1.3	1.8	74.3	2173.2
Financial liabilities from financing activities	–	4.2	16.9	167.1	–	101.0	289.2
Liabilities from insurance business	397.7	1279.9	–	–	–	1.4	1679.0
Other financial and other liabilities	0.8	120.0	–	–	–	0.2	121.0
Total financial and other liabilities	**2464.8**	**1431.6**	**18.9**	**168.4**	**1.8**	**176.9**	**4262.4**

The above figures may differ from the amounts reported in the balance sheet, as these represent undiscounted cash flows. These were allocated to the category "callable at any time" based on the counterparty's right to cancel that is contained in the contracts. The majority of these contracts can be terminated both in life and in non-life business within one year at the latest.

Maturity schedule of derivative financial instruments

as of 31.12.2014	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:					
Forward exchange transactions	9.2				
Inflow		1 117.9	–	–	–
Outflow		–1 108.8	–	–	–
Other (exercise not planned)	158.5				
Derivatives for hedge accounting	0.5				
Inflow		240.9	–	–	–
Outflow		–240.5	–	–	–
Total derivative financial assets	**168.2**	**9.5**	**–**	**–**	**–**
Derivative financial liabilities:					
Forward exchange transactions	46.2				
Inflow		–1 282.3	–	–	–
Outflow		1 333.4	–	–	–
Other (exercise not planned)	91.5				
Derivatives for hedge accounting	23.1				
Inflow		–409.8	–	–	–
Outflow		429.6	–	–	–
Total derivative financial liabilities	**160.8**	**70.9**	**–**	**–**	**–**

as of 31.12.2013	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	0.2	0.6	0.2	–
Forward exchange transactions	20.2				
Inflow		1 299.6	–	–	–
Outflow		–1 280.4	–	–	–
Other (exercise not planned)	122.7	–	–	–	–
Derivatives for hedge accounting	7.1				
Inflow		453.3	–	–	–
Outflow		–446.4	–	–	–
Total derivative financial assets	**151.0**	**26.3**	**0.6**	**0.2**	**–**
Derivative financial liabilities:					
Forward exchange transactions	1.0				
Inflow		–371.8	–	–	–
Outflow		373.4	–	–	–
Other (exercise not planned)	59.0	–	–	–	–
Derivatives for hedge accounting	0.3				
Inflow		–98.3	–	–	–
Outflow		98.8	–	–	–
Total derivative financial liabilities	**60.3**	**2.1**	**–**	**–**	**–**

16.5.2 Interest rate risk

Helvetia Group's earnings are influenced by changes in interest rates. A prolonged period of low interest rates reduces the return on fixed-income investments in securities and mortgages. Conversely, returns increase when interest rates rise. Information on current investment returns is provided in section 7.1 (from page 146).

As with most investments, the value of Helvetia Group's liabilities depends on interest rate levels. In general, 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 the net positions (difference between assets and liabilities, i.e. "AL mismatch"), the Group compares the maturities of cash flows arising from liabilities with those arising from assets, and analyses them to ensure that the maturities are matched. The risk derived from this is managed as part of the asset liability management process. To this end, the risk capacity on the one hand and the ability to fund the guaranteed benefits or to generate surpluses on the other hand are brought into balance.

Maturity schedule of financial assets

as of 31.12.2014	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	1367.8	2248.1	3044.5	2132.8	224.2	9017.4
Held-to-maturity investments (HTM)	269.6	631.7	494.6	1725.9	–	3121.8
Available-for-sale investments (AFS)	1300.8	5777.5	6899.0	8758.5	1294.9	24030.7
Financial assets at fair value through profit or loss	458.4	927.0	441.7	184.5	3478.3	5489.9
Derivative financial assets for hedge accounting	0.5	–	–	–	–	0.5
Total financial assets	**3397.1**	**9584.3**	**10879.8**	**12801.7**	**4997.4**	**41660.3**

as of 31.12.2013	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	1860.5	2323.3	2724.4	2202.5	194.8	9305.5
Held-to-maturity investments (HTM)	235.1	727.9	607.6	1804.7	–	3375.3
Available-for-sale investments (AFS)	705.1	4564.8	4870.6	5715.6	1163.9	17020.0
Financial assets at fair value through profit or loss	143.7	1141.0	321.8	134.0	3066.0	4806.5
Derivative financial assets for hedge accounting	7.1	–	–	–	–	7.1
Total financial assets	**2951.5**	**8757.0**	**8524.4**	**9856.8**	**4424.7**	**34514.4**

A statement on the ALM situation of a portfolio can be made by comparing the guaranteed interest rates with yields. The following illustration shows aggregate data on the average interest rates that Helvetia has to earn on its reserves in order to be able to provide the guaranteed benefits. The interest rate guarantees range from 0.5% to 6%. Only 0.6% (previous year: 0.5%) of the actuarial reserve of Helvetia Group has an interest rate above 4%.

Interest guarantees

as of 31.12.2014	Direct business Switzerland CHF	Direct business Switzerland Other currencies	Direct business EU EUR	Reinsurance
in CHF million				
Actuarial reserves for insurance and investment contracts excluding interest guarantee	1 022.0	–	642.7	–
Actuarial reserves for insurance and investment contracts with 0 % interest guarantee	386.5	0.0	514.3	9.3
Actuarial reserves for insurance and investment contracts with positive interest guarantee	24 940.8	141.3	5 869.2	4.2
Average interest guarantee in per cent	**1.84**	**2.49**	**2.33**	**0.93**

as of 31.12.2013	Direct business Switzerland CHF	Direct business Switzerland Other currencies	Direct business EU EUR	Reinsurance
in CHF million				
Actuarial reserves for insurance and investment contracts excluding interest guarantee	837.3	–	450.6	–
Actuarial reserves for insurance and investment contracts with 0 % interest guarantee	378.5	0.0	322.8	8.5
Actuarial reserves for insurance and investment contracts with positive interest guarantee	22 526.2	142.5	5 144.7	4.5
Average interest guarantee in per cent	**1.90**	**2.55**	**2.44**	**1.04**

Interest rate risk sensitivities

as of 31.12.	Interest rate level 2014 + 10 bp	Interest rate level 2014 – 10 bp	Interest rate level 2013 + 10 bp	Interest rate level 2013 – 10 bp
in CHF million				
Income statement	18.1	– 11.4	0.6	– 1.5
Equity	– 68.3	59.2	– 35.8	35.1
Gross, not taking into account the latency calculation and derivatives	– 162.6	152.3	– 118.1	113.3

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 includes investments at fair value through profit and loss, fixed-income available-for-sale financial assets, derivatives, the actuarial reserve, deposits for investment contracts and interest on floating-rate financial assets. The "look through" principle was used for significant holdings in balanced funds.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every symmetrical 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.

16.5.3 Share price risk

Investments in equities are used to generate long-term surpluses. Investments are made primarily 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 item of the total portfolio (direct investment) is generally below 6 %. An exception to this are holdings in the diversified real estate investment company "Allreal" (9.5 % of total direct investment in equities). The market risk of the equity portfolio is constantly monitored and, if necessary, reduced by sales or the use of hedging instruments in order to meet the strict internal requirements for risk capacity.

Market risks are mitigated through hedging strategies. Out-of-the-money put options are largely used to comply with internal loss limits. Direct investment in equities represents 5.6 % (before hedging) of the Group's financial assets (excluding investments from life insurance policies with the market borne by the customers). A substantial portion is hedged against the risk of significant losses.

Share price risk sensitivities

	Share price risk sensitivities 2014		Share price risk sensitivities 2013	
as of 31.12.	+ 10 %	– 10 %	+ 10 %	– 10 %
in CHF million				
Income statement	67.9	–58.9	63.9	–59.0
Equity	47.6	–47.6	54.7	–54.7
Gross, not taking into account the latency calculation and derivatives	245.4	–242.5	228.3	–225.4

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 (with the exception of the real estate investment company "Allreal"), derivatives, equity funds and part of the mixed funds. The "look through" principle was used for significant holdings in balanced funds. Effects of share price changes on impairments were not considered.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every symmetrical 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.

16.5.4 Foreign exchange rate risk

Most of the Group's assets, including its investments, as well as most of its liabilities, are denominated in CHF and EUR. Except for the Swiss business, liabilities are largely hedged through investments in matching currencies. For return and liquidity reasons, investments in the Swiss business are made both in CHF-denominated and foreign-currency-denominated assets in order to cover the CHF liabilities. The resulting currency risk is generally largely hedged within the internally defined limits. This is carried out via foreign exchange forward contracts for EUR, USD, GBP and CAD against the Swiss franc. When setting the hedging level, it had already been assumed that the Swiss National Bank would end its minimum exchange rate strategy at some point. Within the defined limits, the tactical implementation of the hedging strategy is, however, partially oriented on the minimum Swiss National Bank rate. As a consequence of the Swiss National Bank's decision of 15 January 2015 to end the minimum rate of the euro of CHF 1.20, losses occurred that had already been taken into account within the loss limit concept. In addition, the losses were more than compensated for by the increase in value of fixed-income investments that occurred due to the same event. The net effect on the profit and loss statement in 2015 is not significant from today's point of view.

Foreign exchange risk sensitivities

as of 31.12.2014	Exchange rate EUR / CHF		Exchange rate USD / CHF		Exchange rate GBP / CHF	
	+ 2 %	– 2 %	+ 2 %	– 2 %	+ 2 %	– 2 %
in CHF million						
Income statement	4.6	– 4.6	– 1.7	1.7	– 1.6	1.6

as of 31.12.2013	Exchange rate EUR / CHF		Exchange rate USD / CHF		Exchange rate GBP / CHF	
	+ 2 %	– 2 %	+ 2 %	– 2 %	+ 2 %	– 2 %
in CHF million						
Income statement	4.4	– 4.4	– 1.0	1.0	– 1.0	1.0

In the table above, the impact of changes in exchange rates on the equity and income statement of Helvetia Group is analysed, taking into account deferred taxes and the legal quota. In accordance with IFRS requirements, only the monetary financial instruments and insurance liabilities in non-functional currencies and derivative financial instruments were included in the evaluation.

As a "reasonable possible change" of the risk factors for the sensitivity analysis, each symmetric interval is defined that covers a range of possible changes in exchange rates that could occur over a year with a probability between 10 % and 90 %. Sensitivities are shown for the limits of the selected intervals that satisfy these conditions.

Consolidated foreign currency balance sheet 2014

as of 31.12.2014	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	353.0	192.5	0.1	–	545.6
Goodwill and other intangible assets	919.9	353.2	0.1	–	1 273.2
Investments in associates	14.3	25.6	–	–	39.9
Investment property	5 849.0	468.8	–	–	6 317.8
Group financial assets	23 476.2	12 822.4	1 834.8	392.2	38 525.6
Investments with market risk for the policyholder	988.9	1 955.7	176.5	13.6	3 134.7
Receivables from insurance business	328.6	754.0	150.4	48.5	1 281.5
Deferred acquisition costs	294.5	208.2	1.7	–	504.4
Reinsurance assets	214.5	341.4	64.8	15.9	636.6
Deferred tax assets	0.1	23.1	0.1	–	23.3
Current income tax assets	8.0	20.6	–	–	28.6
Other assets	87.2	181.7	2.9	0.6	272.4
Accrued investment income	213.3	173.2	7.8	0.6	394.9
Cash and cash equivalents	1 276.6	696.4	90.8	26.6	2 090.4
Total assets	**34 024.1**	**18 216.8**	**2 330.0**	**498.0**	**55 068.9**

as of 31.12.2014	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	26 353.0	7 160.3	17.0	0.0	33 530.3
Provision for future policyholder participation	1 526.9	499.0	–	–	2 025.9
Loss reserves (gross)	2 168.5	2 301.6	328.3	65.5	4 863.9
Unearned premium reserve (gross)	475.5	826.6	94.0	38.6	1 434.7
Financial liabilities from financing activities	746.4	69.2	76.4	21.8	913.8
Financial liabilities from insurance business	827.5	1 412.0	0.8	0.0	2 240.3
Other financial liabilities	147.9	13.2	61.5	–	222.6
Liabilities from insurance business	1 536.2	401.0	89.2	14.0	2 040.4
Non-technical provisions	107.4	60.9	–	–	168.3
Employee benefit obligations	360.9	389.7	0.2	–	750.8
Deferred tax liabilities	722.2	156.0	–	–	878.2
Current income tax liabilities	12.6	20.6	–	–	33.2
Other liabilities and accruals	126.2	162.9	20.6	–6.3	303.4
Total liabilities	**35 111.2**	**13 473.0**	**688.0**	**133.6**	**49 405.8**

Consolidated foreign currency balance sheet 2013

as of 31.12.2013	CHF	EUR	USD	Others	Total
in CHF million	reclassified	reclassified			reclassified
Assets					
Property and equipment	194.3	177.8	–	–	372.1
Goodwill and other intangible assets	126.8	208.3	–	–	335.1
Investments in associates	0.1	1.8	–	–	1.9
Investment property	4 684.0	375.8	–	–	5 059.8
Group financial assets[1]	20 218.8	10 054.2	1 071.2	332.7	31 676.9
Investments with market risk for the policyholder[1]	893.2	1 805.4	124.1	14.8	2 837.5
Receivables from insurance business	273.7	619.3	95.2	33.9	1 022.1
Deferred acquisition costs	214.0	186.5	–	–	400.5
Reinsurance assets	134.3	315.3	8.6	7.7	465.9
Deferred tax assets	0.1	23.1	–	–	23.2
Current income tax assets	–	17.8	–	–	17.8
Other assets	46.9	198.8	–5.9	1.9	241.7
Accrued investment income	190.0	154.6	4.0	0.4	349.0
Cash and cash equivalents	1 123.5	564.5	9.6	10.5	1 708.1
Total assets	**28 099.7**	**14 703.2**	**1 306.8**	**401.9**	**44 511.6**

as of 31.12.2013	CHF	EUR	USD	Others	Total
in CHF million	reclassified	reclassified			reclassified
Liabilities					
Actuarial reserves (gross)	23 744.6	6 055.6	15.4	0.0	29 815.6
Provision for future policyholder participation	748.1	189.7	–0.7	–	937.1
Loss reserves (gross)	1 085.6	1 814.7	163.5	57.8	3 121.6
Unearned premium reserve (gross)	294.5	705.8	29.6	23.6	1 053.5
Financial liabilities from financing activities	149.6	67.0	43.6	18.5	278.7
Financial liabilities from insurance business	690.3	1 482.1	0.8	0.0	2 173.2
Other financial liabilities	51.6	12.2	52.7	–	116.5
Liabilities from insurance business	1 289.8	319.5	60.3	9.4	1 679.0
Non-technical provisions	53.3	32.8	–	–	86.1
Employee benefit obligations	63.3	267.9	–	–	331.2
Deferred tax liabilities	445.8	109.8	–	–	555.6
Current income tax liabilities	20.1	22.6	–	–	42.7
Other liabilities and accruals	58.0	133.5	–0.1	–1.8	189.6
Total liabilities	**28 694.6**	**11 213.2**	**365.1**	**107.5**	**40 380.4**

[1] Voluntary change in presentation (see section 2.3 on page 117)

16.6 Counterparty risks

Counterparty risks include default risks and risks of changes in value. The default risk refers to the possibility of the insolvency of a counterparty, while the risk of changes in value represents the possibility of a financial loss due to a change in the creditworthiness of a counterparty 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 defines lower limits for insurance policies with regard to the creditworthiness of the counterparty and limits the exposure per counterparty (see table on page 212 on credit quality).

16.6.1 Risk exposure

Helvetia Group is mainly exposed to counterparty risk in the following areas:

- Counterparty risks arising from interest-bearing securities and money market instruments.
- Counterparty risks from loans and mortgages granted: the largest positions in the asset class of loans consists of borrower's note loans and policy loans. The policy loans are secured through life insurance policies. Since only a certain percentage of accumulated capital (<100 %) is invested, this asset class can be classified "fully secured". Gross exposure (without taking account of collateral) is of relatively little significance when assessing the counterparty risks from the mortgage business: mortgages are secured by an encumbrance, and a part of the mortgage is often additionally secured by a pledged life insurance policy, resulting in a correspondingly low loss ratio. Against this background, the counterparty risk from mortgages can be assumed to be low.
- Counterparty risk from transactions with derivative financial instruments: refer to section 16.6.2 for the amount of gross counterparty risk exposure in conjunction with the derivative financial instruments. A small part of the derivative instruments is traded on a stock exchange, so there are no counterparty risks. The scope of the hedging with cash collateral is CHF 34.2 million. The existing netting agreements are also relevant. Refer to the table below for detailed information about derivative financial instruments.
- Counterparty risks from ceded reinsurance: Helvetia Group transfers part of its risk exposure to other companies via ceded reinsurance. If the reinsurer defaults, the Group remains liable for the reinsured receivables. Therefore, the Group periodically reviews the creditworthiness of its reinsurers. To reduce dependence on a single reinsurer, the Group places its reinsurance contracts with a number of top companies.
- Counterparty risks from the insurance business: the default of other counterparties (policyholders, insurance agents, insurance companies) may lead to a loss of receivables from the insurance business. On the balance sheet, the maximum gross exposure would correspond to the items shown in section 9.6 (from page 169) "Receivables from policyholders, insurance agents and insurance companies" (after deducting receivables from the reinsurance business recognised under "Credit risk exposure from ceded reinsurance"). However, these receivables are largely of a short-term nature. In addition, the receivables from policyholders represent the largest group in this class. Because of the prepayment of premiums and the fact that the insurance cover is linked to the performance of contractual obligations by customers, the counterparty risk from the insurance business both in the non-life and life business plays a secondary role.
- Counterparty risks from financial guarantees and loan commitments: detailed information on contingent obligations can be found in section 12 (page 181).

The information relevant for setting the level of the counterparty risk exposure includes information on balance-sheet netting and on existing set-off agreements regarding financial assets and liabilities. The relevant information is summarised in the table below. As there are no financial instruments netted on the balance sheet at Helvetia, the table shows the extent to which set-off agreements for financial instruments exist, even if no netting takes place on the balance sheet. The set-off agreements are ISDA and Swiss Master Agreements for OTC derivatives transactions. If one of the parties does not fulfil its contractual obligations or in the event of insolvency, there is a mutual right to close the current derivatives contracts and to offset outstanding receivables with liabilities and collateral received within the set-off agreement.

Offsetting of financial instruments

as of 31.12.2014	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		Net amount
		Financial instruments	Cash collaterals	
in CHF million				
Derivative financial assets	168.2	–64.5	–34.2	69.5
Derivative financial liabilities	160.8	–64.5	–36.7	59.6

as of 31.12.2013	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		Net amount
		Financial instruments	Cash collaterals	
in CHF million				
Derivative financial assets	151.0	–54.0	–34.2	62.8
Derivative financial liabilities	60.3	–54.0	0.0	6.3

16.6.2. Credit quality of exposures and credit risk concentrations

The following analyses show the gross exposure to interest rate instruments, loans and derivative financial instruments, excluding collateral. They do not include investments where the credit risk is borne by the holders' life insurance policies. The securities and issuer ratings of recognised rating agencies were used to show credit quality. In addition, the issuer rating of Fedafin is used in the evaluation of Swiss municipalities, cantons and cantonal banks.

Credit quality of debt instruments, loans and derivative financial instruments by asset class

as of 31.12.2014	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	–	50.0	663.8	39.2	–	123.9	876.9
Derivative financial assets (incl. hedge accounting)	4.5	3.2	87.9	11.4	–	55.3	162.3
Bonds	12845.3	8088.5	5216.6	3062.6	202.7	445.1	29860.8
Mortgages	–	–	–	–	–	3951.7	3951.7
Borrower's note loans	397.5	758.6	89.4	27.5	–	57.6	1330.6
Policy and other loans	–	–	–	–	–	89.6	89.6
Total	**13247.3**	**8900.3**	**6057.7**	**3140.7**	**202.7**	**4723.2**	**36271.9**

as of 31.12.2013	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	–	175.0	660.0	167.7	–	273.5	1276.2
Derivative financial assets (incl. hedge accounting)	3.8	6.4	80.8	10.8	–	47.7	149.5
Bonds	10829.5	6405.3	3403.9	2005.9	121.1	274.5	23040.2
Mortgages	–	–	–	–	–	3863.2	3863.2
Borrower's note loans	393.7	787.8	72.9	12.0	–	58.3	1324.7
Policy and other loans	–	–	–	–	–	81.0	81.0
Total	**11227.0**	**7374.5**	**4217.6**	**2196.4**	**121.1**	**4598.2**	**29734.8**

Credit quality of debt instruments, loans and derivative financial instruments by sector

as of 31.12.2014	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Governments	7220.3	3245.4	809.2	2207.6	80.0	79.9	13642.4
Financial institutions	5891.6	3772.9	3306.7	453.2	117.6	261.9	13804.0
Corporates and others	135.3	1882.0	1941.8	479.9	5.1	4381.4	8825.5
Total	**13247.3**	**8900.3**	**6057.7**	**3140.7**	**202.7**	**4723.2**	**36271.9**

as of 31.12.2013	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Governments	6001.7	2487.8	498.9	1500.0	79.9	74.5	10642.8
Financial institutions	5169.0	3454.5	2607.0	528.9	34.0	416.5	12209.9
Corporates and others	56.3	1432.2	1111.7	167.5	7.2	4107.2	6882.1
Total	**11227.0**	**7374.5**	**4217.6**	**2196.4**	**121.1**	**4598.2**	**29734.8**

Credit risk from ceded reinsurance

as of 31.12.2014	Exposure	Share in %
in CHF million		
AAA	–	–
AA	359.3	47.4
A	318.8	42.0
BBB	37.4	4.9
BB and lower	0.1	0.0
Not rated	43.0	5.7
Total	**758.6**	**100.0**

as of 31.12.2013	Exposure	Share in %
in CHF million		
AAA	–	–
AA	294.7	52.9
A	193.8	34.8
BBB	38.4	6.9
BB and lower	0.1	0.0
Not rated	29.8	5.4
Total	**556.8**	**100.0**

The 10 largest counterparties

The ten largest counterparties, measured by the credit risk exposure shown in the tables "Credit quality of debt instruments, loans and derivative financial instruments" and "Credit risk from ceded reinsurance" (in CHF million):

as of 31.12.2014	Issuer rating	Book value IFRS total	AAA
in CHF million			
Switzerland	AAA	2 911.5	2 911.5
Italy	BBB	1 893.5	–
France	AA	1 450.4	–
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	1 320.2	1 320.2
Germany	AAA	1 161.8	768.8
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	1 008.5	1 008.5
Austria	AAA	931.8	419.8
European Investment Bank	AAA	875.6	875.6
European Union	AAA	554.7	554.7
Cantonal Bank of Lucerne	AA	528.3	–

as of 31.12.2013	Issuer rating	Book value IFRS total	AAA
in CHF million			
Switzerland	AAA	2 267.8	2 198.1
France	AA	1 299.9	–
Italy	BBB	1 204.8	–
Germany	AAA	1 082.2	695.8
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	938.3	938.3
Austria	AAA	779.6	363.5
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	728.6	728.6
European Investment Bank	AAA	675.4	675.4
Basler Kantonalbank	AA	496.7	–
Kingdom of the Netherlands	AAA	492.6	427.0

Securities rating Bonds				Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB and lower	Not rated				
–	–	–	–	–	–	–	–
–	–	1 893.5	–	–	–	–	–
1 335.1	115.3	–	–	–	–	–	–
–	–	–	–	–	–	–	–
137.1	165.7	–	–	–	–	90.2	–
–	–	–	–	–	–	–	–
271.4	–	120.8	–	–	–	119.8	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
508.3	–	–	–	10.0	–	10.0	–

Securities rating Bonds				Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB	Not rated				
–	56.9	–	12.8	–	–	–	–
1 200.4	99.5	–	-	–	–	–	–
–	–	1 204.8	-	–	–	–	–
136.9	157.6	–	-	–	–	91.9	–
–	–	–	-	–	–	–	–
185.4	86.5	68.2	-	–	–	76.0	–
–	–	–	-	–	–	–	–
–	–	–	-	–	–	–	–
277.8	–	–	10.4	110.0	8.5	90.0	–
13.0	52.6	–	–	–	–	–	–

17. Events after the reporting date

No important events occurred before or on 11 march 2015, 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.

18. Scope of consolidation

18.1 Events in the reporting year

The following events in the reporting period led to a change in the scope of consolidation for Helvetia Group:

- On 20 January 2014, Padana Assicurazioni S.p.A., Milan, was renamed Helvetia Italia Assicurazioni S.p.A.
- On 31 March 2014, the share capital of Helvetia Europe S.A., Luxembourg, was reduced to EUR 3.6 million as a result of structural adjustments within Helvetia Group.
- On 13 June 2014, the share capital of Helvetia Assurances S.A., Paris, was increased to EUR 94.4 million.
- In the reporting period, the Group increased its investment in Sersanet, Red de Servicios Sanitarios S.A., Madrid, from 25 % to 33.3 %.
- On 8 August, the holdings in Chiara Assicurazioni S.p.A., Milan, increased to 53 % through acquisition.
- The real estate company, Société Immobilière Joseph II SA, Bruxelles, was founded on 29 December in Belgium.
- In the financial year 2014, the level of participation in the Helvetia Compañia Suiza, Seville, increased from 98.97 % to 98.99 % due to gradual acquisition.
- On 28 August, Helvetia in Austria purchased 100 % of the Basler Versicherungs-Aktiengesellschaft, Vienna, a subsidiary of the Bâloise Group. The company generated premium volume of EUR 135.3 million in 2013, of which EUR 105.5 million was in non-life and EUR 29.8 million in the life business. The purchase price was EUR 159.3 million in cash. The takeover of Basler Austria gives Helvetia a broader base for its Austrian business. It extends Helvetia's advisory network in both the strong exclusive sales and in agency and broker sales. The merging of centralised services allows additional professionalisation and greater efficiency. The transaction increases Helvetia's volume in Austria by more than 50 % and will make Helvetia one of the top 10 insurance companies in Austria. On 21 November 2014, the Basler Versicherungs-Aktiengesellschaft, Vienna, was renamed as Helvetia Versicherungen Österreich AG, Vienna.
- The acquisition of Basler Versicherungs-Aktiengesellschaft increases the share of the Assistance Beteiligungs-GesmbH, Vienna, by 24 %. This means that the company is now classified as an associated company.
- In the reporting period, Helvetia Versicherungen AG, Vienna, purchased 26 % of the fvv – Vorarlberger Versicherungsmakler GmbH, Götzis.
- As part of a public purchase and exchange offer, on 20 October 2014, Helvetia Holding AG, St Gall, paid CHF 52.00 in cash and offered 0.0680 registered shares of Helvetia Holding AG per Nationale Suisse share, obtaining 82.6 % of the Nationale Suisse AG, Basel. Therefore, Helvetia Group increased its investment in Nationale Suisse Group to 96.3 %. The purchase price was CHF 1,727.3 million. The cash component of the purchase price was CHF 945.7 million. The exchange component, based on the final offer price of Helvetia shares as at 20 October 2015 of CHF 433.00 per share, amounted to CHF 535.5 million. Furthermore, Nationale Suisse shares were already held by Helvetia valued CHF 81,444 in the takeover offer and – according to IFRS – represent a component of the purchase price equal to CHF 246.1 million. This resulted in a profit of CHF 108.9 million. In the coming months, a new, strong Swiss insurance group will emerge under the Helvetia brand. The new Group combines the strengths of both companies, offering considerable potential to increase values and synergies. With a premium volume of over CHF 5 billion, the home market of Switzerland remains the main pillar of the merged Group. In the period from 21 October to the end of the reporting year, Helvetia increased its involvement in Nationale Suisse by purchasing a further 98.5 %.

The following overview shows acquired assets and liabilities at fair value within the scope of the company acquisitions.

in CHF million	Basler Austria	Nationale Suisse
Assets		
Property and equipment	1.7	179.4
Intangible assets	30.1	194.7
Capital investments	563.8	5 270.5
Receivables from insurance business	30.5	374.7
Tax assets	5.2	22.8
Other assets and accruals	11.2	203.6
Cash and cash equivalents	3.9	494.9
Liabilities		
Actuarial provisions	482.7	4 927.1
Financial liabilities from insurance business	11.1	125.9
Tax liabilities	11.4	197.7
Other liabilities and accruals	52.1	428.7
Acquired net assets		
Acquired identified assets (net)	89.1	1 061.2
Minority interests	–	– 49.9
Goodwill	70.2	716.0
Total acquisition costs	**159.3**	**1 727.3**

The purchase price allocation in the above table is provisional.

The receivables from the insurance business amounted to CHF 388.0 million for Nationale Suisse, of which CHF 13.3 million was classified as potentially irrecoverable. For Basler Austria, the receivables from the insurance business amounted to gross CHF 32.4 million, of which CHF 1.9 million was classified as potentially irrecoverable.

The goodwill of CHF 70.2 million from the acquisition of Basler Austria represents expected synergies and future growth potential. It is allocated entirely to the cash-generating unit “Austria”.

The goodwill from the acquisition of Nationale Suisse of CHF 716.0 million is allocated to the cash-generating units “Switzerland non-life” (CHF 633.3 million), “Germany non-life” (CHF 30.2 million), “Italy non-life” (CHF 27.8 million) and “Spain” (CHF 24.7 million). The goodwill represents the expected potential for adding value and for synergies arising from the combination of the two groups.

There is expected to be nothing tax-deductible from the recognised goodwill.

For the reporting period, the newly acquired companies contributed CHF – 28.3 million to Group earnings. These earnings comprise the profits from ordinary business operations of CHF 19.5 million at Nationale Suisse and CHF 2.6 million at Basler Austria, plus the negative accounting effects in connection with an acquisition of a company under IFRS. This includes, in particular, integration costs and amortisations of intangible assets capitalised as part of the acquisition. In the management´s view, the information on ordinary business operations gives little indication of future earnings.

If the acquisition had been completed on 1 January 2014, the Group´s gross premiums in the reporting period would have totalled CHF 8,869.5 million and the consolidated net profit would have totalled CHF 444.9 million. These pro forma figures are based on unaudited financial statements prepared in accordance with the accounting principles of the previous owner and assumptions regarding the impact of the extraordinary effects of the transaction, and, in the management’s view, do not give any indication of Helvetia Group´s future income or dividends.

18.2 Other expenses

In connection with the acquisitions, costs of CHF 6.9 million were charged for broker fees, legal and tax consultancy and auditing. These costs were recorded as "Other expenses".

Integration and restructuring expenses of CHF 77.1 million, amortisations of intangible assets from acquisitions of CHF 43.0 million and the CHF 27.1 million write-off of goodwill in Italy were the key causes of the increase in the "Other expenses" item from CHF 66.2 million in 2013 to CHF 220.4 million in the reporting year.

18.3 Events of the previous period

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

– The Group increased its share in the subsidiary Chiara Vita S.p.A., Milan, from 70 % to 100 %.
– The investment in the associated company Gesnorte SA, Madrid, fell from 31.73 % to 26 %. The associated company GESPRADO SA, Madrid, was liquidated. The investment of 21.13 % in the associated company Tertianum AG, Zurich, was sold.
– On 1 May 2013 Helvetia Versicherungen AG, St Gall, acquired 51 % of Chiara Assicurazioni, Milan. The price paid for Chiara Assicurazioni was CHF 23.1 million in cash. The purchase price may increase further depending on the technical result by 2017. Furthermore, a purchase price reduction has been agreed in the event that the premium volumes decline. No purchase price adjustments are currently anticipated. In 2017, if contractually agreed premium volumes are exceeded, the seller can sell a further 25 % of the shares to Helvetia Group. Other financial liabilities of CHF 11.3 million, without affecting profit or loss, have been recognised in connection with this transaction.

18.4 Complete list of Group companies

as of 31.12.2014	Business activities	Investment of Group in %	Method of consolidation[1]	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
Schweizerische National-Versicherungs-Gesellschaft AG, Basel	Non-life	98.51	full	CHF	8.8
Schweizerische National Leben AG, Bottmingen	Life	97.59	full	CHF	41.0
Europäische Reiseversicherungs AG, Basel	Non-life	100.00	full	CHF	3.0
Care Travel AG, Brüttisellen	Non-life	100.00	full	CHF	0.1
Medicall AG, Brüttisellen	Non-life	74.32	full	CHF	0.9
smile.direct Versicherungen, Wallisellen[2]	Non-life	98.51	full	CHF	–
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	0.5
Coop Rechtsschutz AG, Aarau		42.50	equity	CHF	
Prevo-System AG, Basel		24.00	equity	CHF	
Ireland					
Swiss Cap PRO Red Fund, Dublin	Non-life	100.00	full	USD	–
Swiss Cap PRO Orange Fund, Dublin	Life	100.00	full	USD	–
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	11.5
"Schweizer-National" Versicherungs-AG, Frankfurt a.M.	Non-life	100.00	full	EUR	5.0
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	100.00	full	EUR	34.2
Chiara Assicurazioni S.p.A., Milan	Non-life	52.95	full	EUR	12.4
Helvetia Italia Assicurazioni S.p.A., Milan	Non-life	100.00	full	EUR	15.6
Nationale Suisse Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese	Non-life	100.00	full	EUR	12.0
Nationale Suisse Vita Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese	Life	100.00	full	EUR	11.0
Nationale Suisse Servizi Assicurativi S.R.L., San Donato Milanese	Non-life	100.00	full	EUR	0.0
APSA s.r.L., Milan	Non-life	100.00	full	EUR	0.1
GE.SI.ASS Società Consortile a R.L., Milan	Other	100.00	full	EUR	0.0

as of 31 December 2014	Business segment	Investment of Group in %	Method of consolidation[1]	Currency	Company's capital in million
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	98.99	full	EUR	21.4
Nacional Suiza Compañia de Seguros y Reaseguros S.A., Barcelona	Non-life	100.00	full	EUR	18.0
Previsur Agencia de Seguros S.L., Seville	Other	100.00	full	EUR	0.0
Gesnorte S.A., S.G.I.I.C., Madrid		26.00	equity	EUR	
Sersanet, Red de Servicios Sanitarios, S.A., Madrid		33.33	equity	EUR	
Other insurance units					
Austria					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Österreich, Vienna[2]	Non-life	100.00	full	EUR	
Helvetia Versicherungen AG, Vienna	Life and non-life	100.00	full	EUR	12.7
Helvetia Versicherungen Österreich AG, Vienna	Life and non-life	100.00	full	EUR	5.1
Helvetia Financial Services GmbH, Vienna	Other	100.00	full	EUR	0.2
Swoboda & Kafka Gesellschaft m.b.H., Vienna	Other	100.00	full	EUR	0.0
RZD Datenverarbeitungsgesellschaft GmbH, Vienna	Other	100.00	full	EUR	0.0
protecta.at Finanz- und Versicherungsservice GmbH, Vienna	Other	100.00	full	EUR	0.0
Devrientgasse 4 Projektentwicklungs- und Verwertungs GmbH, Vienna	Other	100.00	full	EUR	0.0
Devrientgasse 4 Projektentwicklungs- und Verwertungs GmbH & Co. KG, Vienna	Other	100.00	full	EUR	0.0
ZSG Kfz-Zulassungsservice GmbH, Vienna		33.33	equity	EUR	
Assistance Beteiligungs-GmbH, Vienna		24.00	equity	EUR	
vvf – Vorarlberger Versicherungsmakler GmbH, Götzis		26.00	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	94.4
Groupe Save, Le Havre	Non-life	100.00	full	EUR	0.1
Belgium					
Nationale Suisse Assurances S.A., Bruxelles	Life and non-life	100.00	full	EUR	48.2
Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A., Bruxelles	Non-life	100.00	full	EUR	26.5
ARENA S.A., Bruxelles	Non-life	100.00	full	EUR	0.1
Vander Haeghen & Co. S.A., Bruxelles	Non-life	100.00	full	EUR	0.1
Société Immobilière Joseph II SA, Bruxelles	Non-life	100.00	full	EUR	11.1
Schweizerische National-Versicherungs-Gesellschaft in Liechtenstein AG, Vaduz	Non-life	100.00	full	CHF	5.0
Swiss National Insurance Company Ltd., Kuala Lumpur[2]	Non-life	98.51	full	USD	–
Swiss National Insurance Company Ltd., Singapore[2]	Non-life	98.51	full	USD	–
Nationale Suisse Latin America LLC, Miami	Non-life	100.00	full	USD	0.1
Worldwide					
Helvetia Schweizerische Versicherungsgesellschaft AG, Rückversicherung, St Gall[2]	Other	100.00	full	CHF	

as of 31 December 2014	Business activities	Investment of Group in %	Method of consolidation[1]	Currency	Company's capital in million
Corporate					
Switzerland					
Helvetia Holding AG, St Gall	Other	–	–	CHF	1.0
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	80.97	full	USD	–
Helvetia I Funds Great Britain	Other	87.57	full	GBP	–
Helvetia I Funds Europe	Other	86.11	full	EUR	–
France					
SAS Saint Cloud, Paris	Other	100.00	full	EUR	0.4
Jersey					
Helvetia Finance Ltd., St Helier	Other	100.00	full	CHF	0.1
Luxembourg					
Helvetia Europe S.A., Luxembourg	Other	100.00	full	EUR	3.6
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	–
4IP European Real Estate Fund of Funds, Luxembourg		20.96	equity	USD	–

1 Group costs are included in "Corporate" segment.
2 Branches

Report of the statutory auditor

Report of the Statutory Auditor to the General Meeting of Shareholders of Helvetia Holding AG, St Gall.

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditors, we have audited the consolidated financial statements given on pages 108 to 222 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 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements 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 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 statements 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 statements. 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 statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a, paragraph 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 statements submitted to you be approved.

KPMG AG

Philipp Rickert
Licensed Audit Expert, Auditor in Charge

Bill Schiller
Licensed Audit Expert

Zurich, 11 March 2015

Financial statements of Helvetia Holding AG

Income statement

in CHF million	2014	2013	Change
Dividend income	394.4	84.4	
Loan interest income	0.5	1.4	
Depreciation	–47.2	0.0	
Loan interest expenses	–7.4	–2.0	
Fees	–5.6	–0.4	
Profit for the period before tax	334.8	83.4	301.5 %
Taxes	0.0	0.0	
Profit for the period	**334.8**	**83.4**	**301.5 %**

Balance sheet

	2014	2013	Change
Assets			
Investments	1 743.4	803.7	
Loans to Group companies	0.1	1.6	
Treasury shares	0.5		
Non-current assets	1 744.0	805.3	116.6 %
Cash and cash equivalents	1.3	0.0	
Balances receivable from Group companies	356.4	122.9	
Current assets	357.7	122.9	191.0 %
Total assets	**2 101.7**	**928.2**	**126.4 %**
Liabilities and equity			
Share capital	1.0	0.9	
Reserve for treasury shares	8.2	11.3	
Reserve from capital contributions	0.9	0.9	
Other statutory reserves	86.1	86.1	
Free reserves	338.9	335.8	
Profit carried forward	190.5	258.5	
Profit for the period	334.8	83.4	
Total equity	960.4	776.9	23.6 %
Bonds	150.0	150.0	
Provisions	0.1	0.1	
Liabilities to Group companies	988.6	0.0	
Accruals	2.6	1.2	
Borrowed capital	1 141.3	151.3	654.4 %
Total liabilities and equity	**2 101.7**	**928.2**	**126.4 %**

Proposed appropriation of profit

	2014	2013
Profit for the period	334.8	83.4
Profit carried forward	190.5	258.5
Release of reserve from capital contributions		
At the disposal of the Shareholders' Meeting	525.3	341.9
Proposed dividend[1]	179.0	151.4
Allocation to free reserves	200.0	0.0
Profit carried forward to new account	**146.3**	**190.5**

[1] 2014: CHF 18.00 per registered share / 2013: CHF 17.50 per registered share

Notes to the financial statements Helvetia Holding AG

Introduction

The financial statements 2014 of Helvetia Holding AG comply with the provisions of the Swiss Code of Obligations (CO). As a result of applying the transitional provisions (transitional provisions of the amendments from 23 December 2011, Art. 2) of the new Swiss accounting law, these financial statements were prepared in accordance with the previous provisions rather than the new legislation for accounting and financial reporting that came into force on 1 January 2013.

1. Investments

On 31 December 2014, Helvetia Holding AG owned the following direct investments:

Investments of Helvetia Holding AG

	Reported company capital	Holding as of	Reported company capital	Holding as of
	31.12.2014	31.12.2014	31.12.2013	31.12.2013
in CHF million				
Helvetia Schweizerische Versicherungs-gesellschaft AG, St Gall	77.5	100.00 %	77.5	100.00 %
Helvetia Schweizerische Lebens-versicherungsgesellschaft AG, Basel	50.0	100.00 %	50.0	100.00 %
Helvetia Finance Limited, Jersey	0.1	100.00 %	0.1	100.00 %
Schweizerische National-Versicherungs-Gesellschaft AG, Basel	8.8	84.80 %	8.8	0.00 %

2. Capital increase

On 20 October 2014, Helvetia Holding carried out an approved share capital increase of CHF 123,665.60. 1,236,656 new shares with a nominal value of CHF 0.10 were issued.

3. 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, Helvetia Schweizerische Lebensversicherungsgesellschaft AG and Helvetia Finance Ltd. from their respective net profits for 2014.

4. Bonds

On 8 April 2013, Helvetia Holding AG issued a 1.125 % bond 2013 – 2019 with a nominal value of CHF 150 million. The bond was subscribed and paid on 8 April 2013 and must be repaid at nominal value on 8 April 2019. The bond has a coupon rate of 1.125 % p.a., which will be paid annually on 8 April.

5. Treasury shares

On the balance sheet date, subsidiaries of Helvetia Holding AG held 26 288 registered shares of Helvetia Holding AG (previous year: 44 255).

As of 31 December

	31.12.2014	31.12.2013
Number of treasury shares	26 288	44 255
Reserve for treasury shares in CHF	8 228 329	11 307 058

Change in year under review

date	Number	Type of shares	CHF
11 April 2014	– 3 939	Registered shares	– 1 464 839
11 April 2014	+ 4 960	Registered shares	2 202 488
22 October 2014	+ 1 012	Registered shares	461 867
21 November 2014	– 20 000	Registered shares	– 4 278 245
Change	**– 17 967**	**Registered shares**	**– 3 078 729**

6. Shareholders with interests of more than 3 %

On the balance sheet date on 31 December 2014, the following shareholders owning more than 3 % of the share capital were recorded in the share register: Patria Genossenschaft, Basel, with 30.12 % (previous year: 30.09 %), Vontobel Beteiligungen AG with 4.0 % (previous year: 4.0 %) and Raiffeisen Switzerland with 4.0 % (previous year 4.0 %).

On the balance sheet date, the shareholder pool comprised the following shareholders:
– Patria Genossenschaft, Basel, with 30.12 %
– Vontobel Beteiligungen AG with 4.0 %
– Raiffeisen Switzerland with 4.0 %.

7. Additional information for companies listed on the stock exchange

The information on payments to and investments of the members of the Board of Directors and the Executive Management required under Art. 663c (3) OR and the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) is provided in the notes to the consolidated financial statements 2014 of Helvetia Group under chapter 15 (from page 188).

8. 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 subordinate and unsecured guarantees of CHF 1 300 million vis-à-vis the bond creditors of Helvetia Schweizerische Versicherungsgesellschaft AG. This is associated with (i) the subordinate bond issued in November 2010 as well as with (ii) subordinate bonds in the amount of CHF 1 000 million (two unsecured senior bonds at CHF 225 million and CHF 150 million and two unsecured junior bonds at CHF 400 million and CHF 225 million).

9. 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 includes all activities related to the systematic assessment of 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, technical risks, operational risks, strategic and emerging 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 technical risks is 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 auditor to the General Meeting of Shareholders of Helvetia Holding AG, St Gall.

Report of the statutory auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Helvetia Holding AG shown on pages 225 to 229, comprising the income statement, balance sheet and notes for the year ended 31 December 2014.

Board of Directors' responsibility

The board of directors is responsible for the preparation of the financial statements 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 these financial statements 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 statements, 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 statements 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 statements for the year ended 31 December 2014 comply 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, paragraph 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

Philipp Rickert
Licensed Audit Expert, Auditor in Charge

Bill Schiller
Licensed Audit Expert

Zurich, 11 March 2015

Uwe Bartsch
Head of Operations & Development

considers the measures taken so far to be a positive start to the integration process: "Operatively speaking, we have come together in the integration sub-projects and workstreams very quickly. The desire for everyone to participate in shaping the 'new Helvetia' is evident everywhere. We must nurture this quality."

Markus Deplazes,
Head of Customer Service & Non-Life Switzerland

considers the integration of the employees in the "new Helvetia" to be a major task: "As an employee of Nationale Suisse, it will be very challenging to become part of a well-functioning system and the Helvetia family. A mutual openness to change and a respectful interaction with one another are required."

Embedded value

Embedded value measures the shareholder value of the life insurance portfolio and consists 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 at the reporting date. Solvency costs are the costs of the solvency capital provided by the shareholder and are deducted from the embedded value.

In order to calculate embedded value, various best estimate assumptions are made, notably concerning return on investments, costs, claims development and policyholder profit participation. The key assumptions are listed in the following table. These also include the risk discount rates that are established separately for each country market. Given the high levels of volatility, these rates are partly based on average interest rates, while future bond yields continue to be calculated as of the reference date. The risk discount rate in Switzerland has increased slightly compared to the previous year, thus reflecting the higher return expected by the shareholder as a consequence of the increase in equity yields, whereas it continues to decrease in Italy and Spain due to the change in local economic conditions. The amount of the embedded value heavily depends on the assumptions made. The scope of these dependencies is explained in the "Sensitivities" table. The embedded value published here by Helvetia was calculated in accordance with the traditional method, which delivers values and sensitivities that vary from the market consistent embedded value according to the CFO Forum, and also reacts differently to economic changes.

The life units of Nationale Suisse in Switzerland and Italy acquired in the second half of the reporting year and the life business of the former Basler Austria were only reported at their respective adjusted equity as of the end of 2014 (without specifically taking account of the value of the insurance portfolio or the solvency costs). The life business of Nationale Suisse Belgium is not included because of its planned sale.

Deloitte reviewed the methodology used by Helvetia Group as well as the assumptions applied to the calculation of the embedded value as at 31 December 2014.

Deloitte considers the assumptions made by Helvetia Group to be appropriate and reasonable and the disclosures on embedded value given below and based on the 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 2014, the embedded value of Helvetia Group amounted to CHF 2,979.3 million, which represents an increase of CHF 56.7 million or 1.9 % compared to December 2013, or a decrease of CHF 225.4 million or 7.7 % excluding the new acquisitions. The adjusted net asset value increased primarily because of the new acquisitions but also due to the increase in value of the shareholder´s interest in the valuation reserves above expectations. In contrast, the value of the in force portfolio fell and solvency costs rose as a result of the sharp decrease in interest rates.

The analysis of change shows that embedded value would have fallen without the new acquisitions, primarily because the economic variances were significantly worse than planned due to falling interest rates. In contrast, operating profit improved considerably due to more favourable mortality and cost assumptions and a positive contribution by new business in all countries. The newly added adjusted net asset value of the acquisitions included in the capital movements ultimately led to an increase of the embedded value of the life insurance portfolio.

Patria Genossenschaft makes an annual contribution to promoting the interests of Helvetia´s life policyholders, which is added to the policyholder reserves. In the reporting year the contribution amounted to CHF 45.0 million.

The volume of new business fell compared to the previous year because, for capital market reasons, it was not possible to launch index-linked tranche products in the Swiss individual life business to the desired extent and it was thus no longer possible to build on the exceptionally successful previous year. In occupational pension plans in Switzerland, the record premiums of the previous year were not reached again. The main reason was that the pensions of the major customer Swisscanto Collective Foundation previously paid by Helvetia have been borne by the customer itself since 1 January 2014. After foreign markets had suffered in the previous year due to the difficult economic environment, the volume of new business rose again in this area. The value of the new business written in 2014 fell significantly from CHF 53.4 million to CHF 26.3 million. This is due to the decrease in the volume of new business and the slightly higher risk discount rate in Switzerland and particularly to the lower interest rates on new investments in all countries. As a consequence, the profitability of Helvetia Group´s new business arising from the development of new business volume and value fell to 0.8 %. Overall, the difficult market environment is thus also apparent in Helvetia Group´s life business.

	2014	2013
in CHF million		
Embedded value after tax		
Switzerland	**2 557.9**	**2 508.6**
of which value of insurance portfolio	1 624.9	1 740.5
of which adjusted equity	1 855.5	1 485.1
of which solvency costs	–922.5	–717.0
EU	**421.4**	**414.0**
of which value of insurance portfolio	208.4	237.1
of which adjusted equity	334.0	295.0
of which solvency costs	–121.0	–118.1
Total[1]	**2 979.3**	**2 922.6**
of which value of insurance portfolio	1 833.3	1 977.6
of which adjusted equity	2 189.5	1 780.1
of which solvency costs	–1 043.5	–835.1

[1] of which minority interests CHF 11.0 million as of 31.12.2014

Assumptions		
in %		
Switzerland	**6.00 %**	**5.75 %**
Risk discount rate	0.6 % – 1.7 %	1.8 % – 3.0 %
Yield on bonds	6.0 %	5.75 %
Yield on equities	4.5 %	4.5 %
Yield on real estate		
EU	**6.5 % – 8.0 %**	**6.5 % – 8.5 %**
Risk discount rate	1.7 % – 3.1 %	3.7 % – 4.8 %
Yield on bonds	6.5 %	6.5 %
Yield on equities	5.0 %	5.1 %
Yield on real estate		

in CHF million	2014	2013
Development of embedded value after tax		
Embedded value as of 1 January	2922.6	2647.5
Operating profit from insurance portfolio and adjusted equity	287.0	120.2
Value of new business	26.3	53.4
Economic changes, including changes to unrealised gains and losses on investments (equities and real estate)	–467.1	136.0
Dividends, movement of capital and acquired businesses	218.5	–40.7
Foreign currency translation differences	–8.0	6.2
Embedded value as of 31 December	**2979.3**	**2922.6**

in %		
Sensitivities		
+1% change to risk discount rate	–9.3%	–10.5%
–1% change to risk discount rate	11.5%	12.9%
–10% change to fair value of equities	–2.9%	–2.4%
–10% change to fair value of real estate	–9.9%	–8.6%
+1% change to new money rate	11.1%	8.3%
–1% change to new money rate	–24.9%	–8.1%

in CHF million		
New business		
Switzerland		
Value of new business	18.8	44.2
Annual premium equivalent (APE)	202.2	217.8
Value of new business in % APE	9.3%	20.3%
Present value of new business premiums (PVNBP)	2133.4	2311.2
Value of new business in % PVNBP	0.9%	1.9%
EU		
Value of new business	7.5	9.2
Annual premium equivalent (APE)	121.7	117.3
Value of new business in % APE	6.2%	7.8%
Present value of new business premiums (PVNBP)	1044.4	1003.6
Value of new business in % PVNBP	0.7%	0.9%
Total		
Value of new business	26.3	53.4
Annual premium equivalent (APE)	323.9	335.1
Value of new business in % APE	8.1%	15.9%
Present value of new business premiums (PVNBP)	3177.8	3314.8
Value of new business in % PVNBP	0.8%	1.6%

Annual premium equivalent (APE): 100% annual premium for new business +10% of single premium of new business

Service

Glossary

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.

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
Technical costs on own account in proportion to the net premiums earned on own account.

Deferred acquisition costs
Costs which arise in connection with the conclusion of new or the extension of existing insurance contracts. They are taken into account in the balance sheet as assets, distributed across the contract period and recorded in the income statement as expenditure.

Deferred taxes
Deferred taxes arise due to temporary taxable differences between the local tax balance and the IFRS balance. They are established for each balance sheet item and are, when considered from the reporting date, either future tax liabilities or tax credits.

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 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.

FTE
"Full-Time Equivalent" is the common unit of measurement for the number of full-time employees when converting all the part-time positions into full-time positions. FTE therefore expresses the fair value of a full-time employee within a comparable period of time.

GRI (Global Reporting Initiative)
The Global Reporting Initiative is a not-for-profit organisation. It was founded in 1997 in connection with the United Nations Environment Programme (UNEP). The GRI's mandate is to develop globally applicable guidelines for sustainability reports.

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 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 earned on own account
They correspond to the premiums written in the reporting year for the entire business on own account, whilst taking into consideration the changes to the unearned premium reserves.

Net premiums written
If a risk is reinsured, the reinsurer will receive a part of the gross premium in proportion to the risk assumed. The other part is used to finance the risk that remains for the primary insurer. Net premiums thus correspond to gross premiums from total business less the premiums ceded proportionally to reinsurers.

Operating lease
Lease agreements under which the risks and opportunities associated with the property remain with the lessor.

Plan assets
Assets that serve to cover employee benefits by means of a long-term fund.

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).

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.

Provisions
Amounts set aside in the balance sheet to meet likely future commitments.

Regular premiums
Amount paid for the provision of insurance cover, in the form of recurring payments.

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

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

Return on equity (ROE)
Ratio of result to equity: 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).

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.

Single premium
Amount paid for the provision of insurance cover, in the form of a one-time payment on commencement of the insurance.

Solvenz, Solvenz 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 policies
Policies in which the insurer invests the policyholder's savings capital for the account of and at the risk of the latter.

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.

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Important dates

24 April 2015	Ordinary Shareholders' Meeting in St Gall
31 August 2015	Publication of half-year financial results for 2015
14 March 2016	Publication of financial results 2015

Multi-year overview

	2010	2011	2012	2013	2014
Key share data Helvetia Holding AG					
Group profit for the period per share in CHF	39.3	32.7	37.1	40.9	43.0
Consolidated equity per share in CHF	366.3	392.0	435.4	445.0	503.2
Price of Helvetia registered share at the reporting date in CHF	359.5	295.0	346.5	447.5	474.0
Market capitalisation at the reporting date in CHF million	3 110.7	2 552.6	2 998.2	3 872.2	4 687.6
Number of shares issued	8 652 875	8 652 875	8 652 875	8 652 875	9 889 531

in CHF million					
Business volume					
Gross premiums life	3 896.1	4 258.6	4 201.4	4 547.5	4 614.5
Deposits received life	283.5	261.2	149.8	183.6	153.0
Gross premiums non-life	2 344.4	2 431.8	2 412.4	2 550.9	2 789.2
Active reinsurance	231.4	220.5	214.9	194.8	209.9
Business volume	6 755.4	7 172.1	6 978.5	7 476.8	7 766.6
Key performance figures					
Result life	108.4	155.2	138.2	152.9	115.0
Result non-life	177.4	135.5	172.9	191.7	176.0
Result other activities	55.6	–0.8	22.0	19.2	102.3
Group profit for the period after tax	341.5	289.9	333.1	363.8	393.3
Investment result	1 133.5	832.9	1 315.3	1 332.2	1 476.9
of which investment result from Group financial assets and investment property	1 036.5	896.4	1 087.5	1 156.8	1 275.4
Key balance sheet figures					
Consolidated equity (without preferred securities)	3 157.6	3 377.9	3 750.2	3 831.2	4 963.1
Provisions for insurance and investment contracts (net)	28 571.3	30 125.5	32 765.7	34 518.7	41 275.0
Investments	33 587.1	34 839.0	37 733.2	39 576.1	48 018.0
of which Group financial assets and investment property	30 729.8	32 155.9	34 938.0	36 736.7	44 843.4
Ratios					
Return on equity	10.6 %	8.8 %	9.2 %	9.5 %	9.0 %
Reserve to premium ratio non-life	140.5 %	132.9 %	142.0 %	142.3 %	187.2 %
Combined ratio (gross)	89.5 %	94.3 %	91.1 %	91.6 %	90.6 %
Combined ratio (net)	94.1 %	95.6 %	93.7 %	93.6 %	93.1 %
Direct yield	3.0 %	2.9 %	2.8 %	2.7 %	2.5 %
Investment performance	3.0 %	3.8 %	5.3 %	1.7 %	7.7 %
Solvency I	221 %	221 %	227 %	218 %	216 %
Employees[1]					
Helvetia Group	4 923	4 909	5 215	5 037	7 012
of which Switzerland	2 561	2 477	2 500	2 369	3 766

[1] Adjustment of the number of employees 2013/2014 on a full-time basis (per capita up to 2012).

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