Helvetia Group

Annual Report 2016

Your Swiss Insurer.

Profile

The Helvetia Group with headquarters in Switzerland has grown over the past almost 160 years to become a successful international insurance group. Alongside its home market of Switzerland, its core geographic markets also include Germany, Italy, Austria and Spain, which form the "Europe" segment. Helvetia is active in the life and non-life business in these markets. In addition to these markets, Helvetia also offers tailored specialty lines coverage and reinsurance via the "Specialty Markets" segment in France and through selected destinations worldwide. It has 6,481 employees providing services for more than 5 million customers and achieved a business volume of more than CHF 8.5 billion for the 2016 financial year. Helvetia attaches great importance to practical geographic diversification and a good balance between the profitable non-line business, the growing life and pensions business and the promising international specialty lines business. The registered shares of Helvetia Holding AG are traded on the SIX Swiss Exchange.

Contents

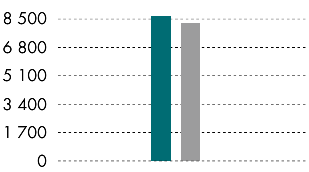
	2016	2015	Change	More details on page
Key share data Helvetia Holding AG				
Group underlying earnings per share in CHF	47.7	42.1	13.4 %	54
Group profit for the period per share according to IFRS in CHF	36.1	29.0	24.5 %	54
Consolidated equity per share in CHF	486.3	470.4	3.4 %	54
Price of Helvetia registered shares at the reporting date in CHF	548.5	566.0	–3.1 %	54
Market capitalisation at the reporting date in CHF million	5 454.9	5 628.9	–3.1 %	54
Number of shares issued	9 945 137	9 945 137		179

in CHF million			in original currency	
Business volume				
Gross premiums life	4 525.0	4 311.1	5.0 %	97
Deposits received life	110.0	148.0	–25.7 %	97
Gross premiums non-life	3 536.6	3 532.7	0.1 %	143
Assumed reinsurance	341.1	243.5	40.1 %	108
Business volume	8 512.7	8 235.3	3.4 %	97
Key performance figures				
Underlying earnings life business	173.5	175.7	–1.2 %	98
Underlying earnings non-life business	340.5	331.8	2.6 %	98
Underlying earnings Other activities	–22.2	–68.5	–67.6 %	98
Underlying earnings of the Group after tax	491.8	439.0	12.0 %	98
IFRS earnings of the Group after tax	376.6	309.5	21.7 %	98
Investment result	1 212.8	1 185.4	2.3 %	150
of which investment result from Group financial assets and investment property	1 144.4	1 105.6	3.5 %	103
Key balance sheet figures				
Consolidated equity (without preferred securities)	4 812.6	4 655.3	3.4 %	115
Provisions for insurance and investment contracts (net)	42 315.3	41 143.0	2.8 %	
Investments	49 578.9	47 939.0	3.4 %	103
of which Group financial assets and investment property	46 471.6	45 036.3	3.2 %	
Ratios				
Return on equity[1]	9.7 %	8.9 %		99
Reserve to premium ratio non-life	152.2 %	154.4 %		
Combined ratio (gross)	88.5 %	91.7 %		
Combined ratio (net)	91.6 %	92.1 %		100
Direct yield	2.2 %	2.2 %		103
Investment performance	2.5 %	1.6 %		103
Employees				
Helvetia Group	6 481	6 675	–2.9 %	45
of which segments Switzerland and Corporate	3 376	3 478	–2.9 %	45

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

Business volume

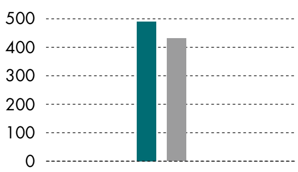
in CHF million



■ 31.12.2016 ■ 31.12.2015

Profit*

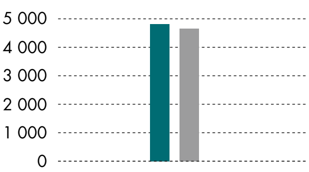
in CHF million



* underlying earnings

Equity

in CHF million



FINANCIAL YEAR 2016

DIVIDEND

CHF 21.00

+ 10 %

Thanks to the solid business performance and the progress made in achieving the synergy targets, the Board of Directors is proposing to the Shareholders' Meeting to increase the dividend by 10 % to CHF 21.00 per share. The payout ratio based on the underlying earnings is 44 %, or 58 % based on the IFRS earnings after taxes.

BUSINESS VOLUME

+ 2.6 %

CHF 8,512.7 million

In the 2016 financial year, Helvetia generated consolidated Group business volumes of CHF 8,512.7 million, which corresponds to year-on-year growth of 2.6 % in original currency. The success of the modern, capital-efficient life products, which improved by 18.3 % in original currency, deserves particular mention. In the non-life business, premiums rose by a total of 1.5 % in original currency despite income-oriented portfolio optimisations in some countries.

SUCCESSFUL INTEGRATION / REALISED SYNERGIES

CHF 118 million

The operational integration of Nationale Suisse and Basler Austria has almost been finalised. The success of the integration efforts is reflected in the synergies that have already been realised: the underlying earnings include realised pre-tax synergies of CHF 118 million. Helvetia is therefore well on the way to reaching its synergy targets.

NET COMBINED RATIO

91.6 %

–0.5 % points

Thanks to a considerably improved claims ratio and a lower cost ratio supported by synergies, the net combined ratio declined from 92.1 % to 91.6 %. All segments reported net combined ratios of less than 100 %.

PROFIT

+ 12 %

CHF 492 million

The Helvetia Group reported a convincing underlying earnings of CHF 492 million after taxes, an increase of 12 % on the previous year. This profit growth was supported by an improved technical performance for the non-life business as well as the other activities business, with the year-on-year improvement in the latter driven by a better technical result for Group reinsurance. Earnings for the life business were stable in spite of a continuously difficult environment.

NEW BUSINESS MARGIN (LIFE)

1.3 %

+ 0.4 % points

In the life business, the new business margin developed particularly well and improved from 0.9 % in the previous year to 1.3 %. This reflects the success of the measures that were implemented to improve the profitability of the life business.

Dr Pierin Vincenz Chairman of the Board of Directors
Dr Philipp Gmür Chief Executive Officer

In 2016, Helvetia Group recorded pleasing underlying earnings and an increased business volume. At the same time, the company continued its development at a strategic level. Pierin Vincenz, Chairman of the Board of Directors, and Group CEO Philipp Gmür share their views.

Mr Gmür, the Annual Report contains examples of Helvetia's customer focus and how this is driving the company forward. What is behind this approach?
Philipp Gmür "A high level of customer focus is our main priority. With the *helvetia 20.20* strategy, we are adopting an even more systematic approach in ensuring that our activities revolve around our customers' needs to an even greater extent than before. We want to make their dealings with us as simple and as convenient as possible. Our customers, who are ever better informed, increasingly networked and more and more mobile, are already benefiting from the opportunity to get personal advice at our premises or online. For example, our digital range includes smile.direct in Switzerland and the new fully digital household insurance offering in Germany. In a completely new development, we are currently testing specific video chat options."

You achieved your financial objectives for 2016. How did you generate this improvement of 12% in earnings?

Philipp Gmür "We are very satisfied with the underlying earnings of CHF 492 million. In the non-life business, we posted a positive technical performance, which had a positive influence on the result. The 'Other activities' business area also contributed to the increase thanks to better technical results in Group reinsurance. At the same time, the life business remained stable in a continued challenging environment. The solid technical performance in the non-life business is also apparent in the improved net combined ratio of 91.6%."

Helvetia increased its business volume by 2.6% relative to 2015. What were the drivers of this development?

Philipp Gmür "A major driver of this increase was the life business – the volume grew here by 3.4%. We have made considerable advances with our modern capital-efficient products, which is also reflected in the 0.4% increase in the new business margin. Following the acquisition of Nationale Suisse, we also optimised individual portfolios in the non-life business in order to safeguard profitability. As a result, we only grew by 1.5% in this business."

How does the Board of Directors view the results, Dr Vincenz?

Pierin Vincenz "Overall, we view the results as pleasing. It should be emphasised that the integration of Nationale Suisse has been pushed ahead with quickly. The good progress made in terms of integration – including as regards Basler Austria – means that the underlying earnings already include synergies totalling CHF 118 million before tax – in 2015 this figure was CHF 45 million before tax. Equally as important is the fact that we remain solidly capitalised."

What do the results mean for the shareholders?

Pierin Vincenz "We have good news for our shareholders: when we announced the merger with Nationale Suisse, we offered them the prospect of a significant dividend increase as soon as the synergies were realised. This was planned for the 2018 financial year. We are now ahead of schedule. We want to allow our shareholders to participate in this success already by bringing forward part of the dividend increase. Realised synergies combined with the good annual results posted in 2016 mean that we can submit a proposal to the Shareholders' Meeting for a dividend of CHF 21.00 per share – this is 10% or CHF 2.00 per share more than in the prior year."

Philipp Gmür took over the management of Helvetia Group in September 2016. How have things started?

Pierin Vincenz "Philipp Gmür knows Helvetia very well. After taking on the role of CEO of Helvetia Switzerland in 2003, he has been substantially involved in Helvetia's success and contributed to the development of the *helvetia 20.20* strategy from the outset. This meant it was also possible to ensure a smooth management transition. I am convinced that he will keep Helvetia on its successful course and put all his energy into further advancing the company."

Have you been able to register any initial successes, Mr Gmür?

Philipp Gmür "To ensure efficient implementation of the strategy, we took the fundamental step of adjusting the Group structure as of 1 January 2017 and established a new Executive Management. As part of this process, we have already been able to fill the positions in the newly created Non-Life Switzerland and IT Executive Management areas as well as in the Corporate Development support function with very strong new additions. With the new set-up, we are stepping up the collaboration between different areas within the organisation and optimising the basis for digitalisation and innovations – and we are also closer to the market and our customers."

"A high level of customer focus is our main priority."

Dr Philipp Gmür

Within the new Executive Management, there are considerably more functions related to Switzerland. What role does the international business play?
Pierin Vincenz "Within the Executive Management, all business areas focusing on growth and income are now represented. The Swiss business remains the key source of income. This will also remain the case in the future. Over the long term, however, our growth prospects in our home market are limited due to the high level of market saturation. In order to achieve our ambition of increasing the business volume to CHF 10 billion by 2020, we need to strengthen our positions outside Switzerland. In addition to organic growth, we are also seeking acquisition opportunities to drive development in the European country markets, in particular in Spain and Germany."

You are also making use of opportunities in other markets, however, as shown by the assumption of the remaining shares in Chiara Assicurazioni, for example.
Philipp Gmür "Yes. In December 2016, we acquired a further 47% in the Italian insurer, meaning that it is now fully under our ownership. As part of this process, we extended the existing distribution agreements with five Italian partner banks. In doing so, we have secured access to customers in the non-life business via more than 1,500 bank branches in northern and central Italy for a further ten years. Thanks to this purchase, we can also accelerate the streamlining of our Italian business units. Such sales collaborations, gains in efficiency and new distribution forms via digital channels will also increase the business volume."

At the end of the year, you acquired the majority stake in the technology-based mortgage intermediary MoneyPark for CHF 107 million. What do you expect from this?
Philipp Gmür "MoneyPark provides a bridge to our insurance business in the areas of housing, finance and pension provision. The company has been on the market since 2012 and is already established with its unique business model that is unparalleled in Switzerland to date. As an independent intermediary, MoneyPark combines personal advisory services and digital technology in an exemplary manner. We view this purchase as a promising investment for the future that will allow us to tap into a completely new source of income. It is also key that we learn from MoneyPark and are able to boost the digital transformation within Helvetia."

"The promise to pass on at least CHF 1 billion to our shareholders still stands."

Dr Pierin Vincenz

MoneyPark is an initial strong anchor in the "home" eco system. What do you mean by this?
Philipp Gmür "We want to be present where insurance needs arise. This includes the development of eco systems relating to the topic of 'home'. We are doing this together with other solution providers in order to provide customers with an excellent, continuous journey – from the process of seeking a home to the conclusion of a mortgage agreement or from the renting and gaining of insurance for a new flat to the actual move. In being an active part of such eco systems, we gain access to new customers and to sources of income from business areas that we have not been involved in to date despite their links to the insurance industry."

**Growth always means investment.
What is left for the dividend?**

Pierin Vincenz “Ensuring profitability is our focus. In addition to our growth ambition, we have also set ourselves a clear dividend objective: For the 2016 to 2020 financial years, we want to pass on a cumulative amount of at least CHF 1 billion to our shareholders. This promise stands.”

“We are getting fit for the future.”

Dr Pierin Vincenz

Are you straying away from safe ground with major investments in start-ups?

Pierin Vincenz “Helvetia has proven itself to be a reliable partner over almost 160 years and we will continue to do so. However, standing still means falling behind. We have to get fit for the future, become more agile and use digitalisation to venture into new fields. To do so, we need to embark on unconventional paths and explore new areas. However, we must measure all of our decisions according to whether they ultimately generate added value for our shareholders, customers and employees.”

In what direction will you take Helvetia in 2017?

Philipp Gmür “We want to push ahead quickly with the implementation of the *helvetia 20.20* strategy. Initial steps have already been taken: the completion of the management team, the acquisition of MoneyPark and the launch of the Helvetia Venture Fund at the start of 2017 with which we want to invest in insurance-related start-ups over the coming years. Helvetia should increasingly make its own mark on the insurance market. Our size, our team of skilled and ambitious employees and our financial strength mean we have everything required to do just this.”

Pierin Vincenz “The guidelines are clear, the implementation of the strategy has started with great impetus and we are convinced that we will achieve our ambitious objectives by 2020. Helvetia finds itself in the midst of a transformation. We would like to thank our shareholders, customers and employees for supporting this change. We assure you that Helvetia will always remain true to itself.”

Thank you for this interview.

At a glance

Helvetia is active in the life, non-life and reinsurance sectors, with some 6,481 employees providing services for more than five million customers. With a business volume of more than CHF 8.5 billion, Helvetia generated underlying earnings of CHF 491.8 million in financial year 2016.

Our strategy
With our *helvetia 20.20* strategy, we are making the company more digital, more agile and more valuable. In doing so we will exploit the opportunities afforded by digitalisation. Read more about this from **page 28.**

Our markets / segments
In addition to its very strong Swiss home market, which is a segment in its own right, Helvetia continues to focus on the European country markets in Germany, Austria, Spain, Italy and France. With the exception of France – which with its special transport niche business falls in the specialty markets segment – these countries form the Europe segment. The specialty markets segment comprises France, the international transport, technical and art insurance business and the global Active Reinsurance business. Read more about this on **page 35.**

Our services / product portfolio
Helvetia is a quality-oriented all-lines insurer with over 150 years of experience. Whether the need is for private or occupational pension plans, non-life insurance or mortgages: Helvetia offers a comprehensive range of products from a single source for private individuals and SMEs. Read more about this from **page 36.**

Our sales channels / our partners
Helvetia's sales structures are optimised for individual countries. It has numerous strong sales partnerships, which it has been able to continuously expand in recent years. The multi-channel approach will be further expanded in all country markets in the coming years. Read more about this from **page 40.**

Our customers
We see every customer relationship as a personal partnership, sustained by professionalism, understanding and mutual trust. Read more about this on **page 41.**

Our employees
Helvetia considers committed, well trained and well-informed employees to be key factors in its success. Read more about this on **pages 44 / 45**.

Our environment
Helvetia has a broadly diversified commitment to supporting culture, society, education, recreation, the environment and the economy. Read more about this from **page 46.**

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 from **page 48.**

Our investment management
Using a sustainable investment policy tailored to its liabilities, Helvetia generates attractive investment returns with limited risk exposure. Read more about this on **page 51.**

Our investors
Helvetia reduces the risks for investors and customers with its long-term focus and efficient risk and investment management processes, while growing profitably and minimising earnings volatility. Helvetia pursues a sustainable dividend policy and its primary aim is to pay out increasing dividends every year. Read more about this on **pages 52 to 54**.

Our corporate governance principles
Helvetia considers good corporate governance to be very important. It is fully aligned to the Group's strategy and positioning and integrated into day-to-day work. Read more about this from **page 66.**


Our strategy
page 28
Our investors
page 52
Our corporate governance principles
page 66
Our markets
page 35
Our investment management
page 51
Our services / product portfolio
page 36
Our risk management
page 48
Our sales channels / our partners
page 40
Our customers
page 41
5 million
Our environment
page 46
Our employees
page 44
6481

Events 2016

»22.1.2016
Helvetia awards for the tenth time the Alpine Protection Forest Award to projects that champion protection forests.

»10.3.2016
As planned, Helvetia's Board of Directors is reduced by three members following the almost finished integration of Nationale Suisse.

»14.3.2016
Supported by the acquisitions of Nationale Suisse and Basler Austria, Helvetia improves both profit and volumes in the 2015 financial year. With the new *helvetia 20.20* strategy, Helvetia will build on its strengths to become more digital, more agile and more valuable.

»22.4.2016
Helvetia's shareholders approve all the motions of the Board of Directors at the Shareholders' Meeting.

»20.5.2016
Helvetia Switzerland once again posts a solid result for the occupational pensions business and can considerably reduce costs.

»13.6.2016
STELLA, the winner of Helvetia's Art Prize, presents her "No Money – No Original-Shop" solo exhibition at LISTE – Art Fair Basel.

»30.8.2016
Former Federal Councillor Adolf Ogi receives the 2016 Erich Walser Generations Prize at the 10th World Demographic & Ageing Forum in St Gall.

»31.8.2016
After nine successful years as CEO, Stefan Loacker hands over the reins to Philipp Gmür.

»5.9.2016
Helvetia posts a solid business performance for the first half of 2016 and will start 2017 with a new corporate structure.

»3.11.2016
Vontobel sells its 4 % stake in Helvetia to Patria Genossenschaft.

»14.11.2016
Helvetia commits to renewable energy and joins RE100, a global initiative of companies working together to encourage the use of renewable energy sources.

»12.12.2016
The Helvetia Group strengthens its management and adds two members to its new Executive Management.

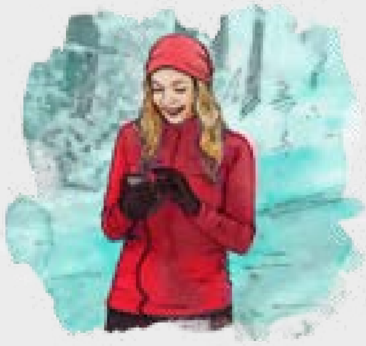
»16.12.2016
Helvetia takes over 70 % of the shares of MoneyPark, the biggest mortgage intermediary in Switzerland, thus investing in a new business model and pushing ahead with digitalisation.

»27.12.2016
In Italy, Helvetia acquires the outstanding minority interest of 47 % of the shares of Chiara Assicurazioni and extends its distribution agreements with partner banks until 2026.

The focus falls on our customers

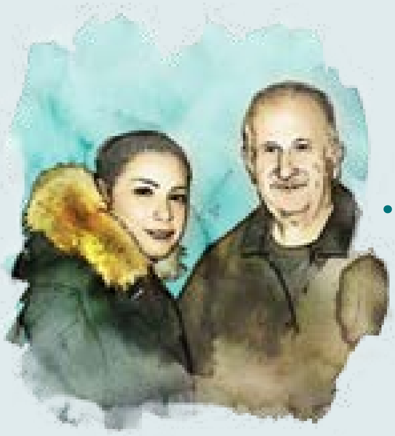
Helvetia has always succeeded in responding to customers' needs and creating attractive solutions. Customer behaviour has been fundamentally changing for some years: Our customers are better informed, more networked and more mobile. Their behaviour is complex and nowadays they decide for themselves how to interact with an insurance company and the extent to which they want to be integrated into the process through self-services. As a result, customers have more individualised needs, which we are addressing with our new *helvetia 20.20* strategy. Applying this principle, we profile six of our customers in this Annual Report. In doing so we demonstrate how easy it is nowadays to contact us via various communication channels, to buy some of our future-proof products online and to benefit from our digital services. We already offer our corporate customers future-proof products today that perfectly meet their needs.

Discover a customer-centric, modern and agile Helvetia on the following pages.



“Just a few clicks to a long-term business relationship.”

As a taxi driver and someone who drives often, Mirko Rajic needs his vehicle every day and drives hundreds of thousands of kilometres every year. In contrast to his job, however, he does not know a lot about insurance products. He prefers leaving such things to his younger daughter Gabriela. But he still wants to know that he has the best insurance cover for his vehicles and his driving performance.



Gabriela and Mirko Rajic

The direct route to the right insurance

"I wanted to help my father the easy way. I generally make use of the opportunities afforded by the Internet. While searching the web, I soon found smile.direct on a portal comparing insurance services. It seemed to be uncomplicated and cost-effective. I was surprised by the ease and round-the-clock availability. My father and I were immediately impressed by the modular system. The solutions are pragmatic and transparent, and smile.direct simply cuts out everything superfluous. Which is why there is also no small print at smile.direct."

Advice available all day and night

"Usually, insurance cover is not the kind of thing that interests me, but I liked the idea of setting up such a business relationship online with just a few clicks of the mouse. When I asked a question on the live chat feature, I immediately received all the information I wanted by e-mail. And the entire procedure of taking out insurance took only five minutes. I was able to return the policy that was issued online and printed and signed at home by me to smile.direct on the same day."

smile.direct Insurance

smile.direct, a Helvetia company, offers motor vehicle, household and legal expenses insurance solutions. The direct insurer believes in providing an efficient and unbureaucratic service. Thanks to lean and transparent processes, it can always offer good services at good prices. In the customer satisfaction surveys carried out by comparis.ch, smile.direct is regularly considered to be the best, ranking in first place.

“All modules can be viewed at a glance.”

Kim Thornagel is a typical digital native. The 22-year-old Kim from Bochum has been using smartphones and computers since her early childhood and is very well versed in using social networks. She thus obtains most of her information about everything and anything online, including her insurance cover.

Kim Thornagel

Good experience with Helvetia

“Through friends and school, I was already caught with the WWW bug when I was small. My friends and I shop almost exclusively online and get information about anything we might need on the Internet. When I moved into my own apartment at the end of 2016, I also needed my own household contents insurance. It made sense for me to choose Helvetia, as I already had a good experience with Helvetia in Germany.”

Done with just seven clicks of the mouse

“For me, insurance policies are a necessary and expensive evil, and insurance companies have a very fusty image in my eyes. I was therefore all the more surprised when I found an interesting online solution on the homepage of Helvetia Germany – VIVA Household, tailor-made for me! All modules can be viewed at a glance, the most important information is provided in just a few words and with just seven clicks of the mouse the matter was done and my most important belongings had good insurance cover.”

Easy to pay with PayPal

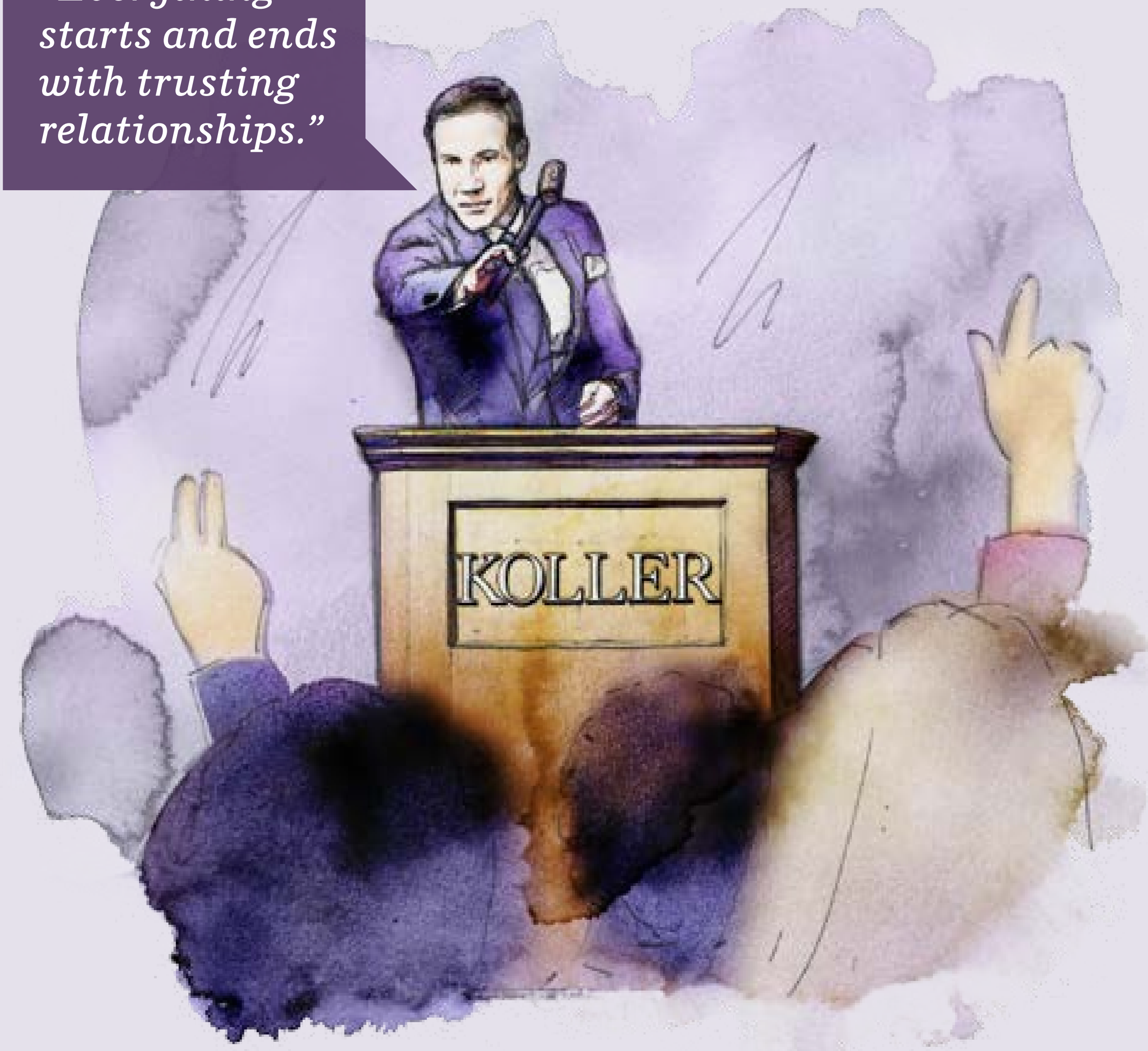
“What more do I want? This fast process, the clarity, the price, payment via PayPal, the free choice of deductible even up to EUR 0: this left me totally convinced. And I even received a discount code for an online shop for EUR 30.00. In return, Helvetia gained a new fan – me.”

VIVA Household

Helvetia Germany has developed a tailor-made product for young, online-savvy customers. With just a few clicks of the mouse, they can take out fully digital household contents insurance. Using what are known as AddONs, customers can add flexible modules to their household contents insurance. These AddONs offer, for example, comprehensive cover for the customer’s smartphone or bicycle insurance.

Just a few seconds after concluding the contract, the customer receives a simple and clearly structured policy. Thanks to the responsive design, the site can also be accessed from mobile end devices. For more interesting information on VIVA Household, visit us at www.helvetia.com/hausrat-viva.

“Everything starts and ends with trusting relationships.”



The renowned auction house Koller in Zurich has been in business for almost 60 years. The unique works of art owned by his long-standing customers need fully comprehensive and individual – and thus the best – insurance cover. For many years, Cyril Koller has obtained this cover from Helvetia.

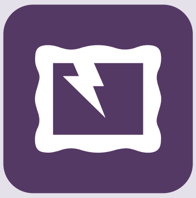
Cyril Koller

Specialised in art

"As the Swiss industry leader and a globally renowned auction house, we are involved in the auction and sale of some 8,000 luxury items every year. Our loyal customers entrust their treasures to us. We justify this trust with the provision of an excellent service, personal attention and first-class insurance cover at all locations. Our long-standing relationship with Helvetia began in 2000 with the former Nationale Suisse, a company specialising in art insurance. These days, we work with the successor Helvetia and still have the same personal advisor. This collaboration is very successful and has always yielded the desired results."

Individual and flexible solutions

"We can reach our advisor at any time. His proposals for solutions to our complex requirements are always convincing and cover every single risk. It is also crucial for us that the insurance cover can be flexibly and individually adjusted to the market value of an art work."



Competent claims settlement

"The good relationship with Helvetia is also reflected in the claims settlement process, which is performed calmly, competently and without complications. Trusting relationships are the be-all and end-all in our business. This also includes our relationship with Helvetia."

Helvetia Artas art insurance

Helvetia's Specialty Lines segment offers first-class art insurance solutions. In this sensitive area, some 2,500 private and institutional customers put their trust in the expertise and specialisation of Helvetia's employees. The all-risk insurance automatically includes the option of adding transport cover to the stationary cover provided for works of art. Artas art insurance is also offered abroad through our subsidiary in Liechtenstein.

"Our needs are optimally met."

3D printing is a fascinating achievement of modern technology. An object created in this manner, whether for the medical or construction industry, is always unique. For Günter Berger and the creative inventors behind this business model, their profession is not just a job, but a passion to which they are totally dedicated.

Günter Berger

Promising first contact
"As the innovative minds behind the company 4D Factory, we were looking for a flexible and modern insurance company that would insure our still young industry of 3D printing. I contacted Helvetia for information on the recommendation of a good friend who works for the Helvetia General Agency in Zug. The first contact was already very promising – our phone enquiry was processed immediately and fast."

Tailor-made insurance for an unusual business model
"Helvetia has since proved to be extremely flexible and helped develop a tailor-made insurance solution for our unusual business model. We were particularly impressed by the insurance cover for additional costs triggered by business interruptions or power failures. The solution offered by Helvetia is perfectly geared to meet our needs. And when we had to report a claim, Helvetia also proved to be the perfect partner."

Contagious joy
"Our friend, the Helvetia customer advisor, has now become a very welcome partner for all the insurance needs of our company. He has also been infected by our enthusiasm for the objects printed in 3D and is a passionate collector of our prototypes."

3D printer insurance
Helvetia's 3D printer insurance offers comprehensive and inexpensive all-risk cover for customers' investments in additive manufacturing (fast manufacturing of models, prototypes and end products). The insurance covers not only damage to the 3D printer itself, but also to the printed matter, raw materials, 3D technologies and the resulting financial loss.

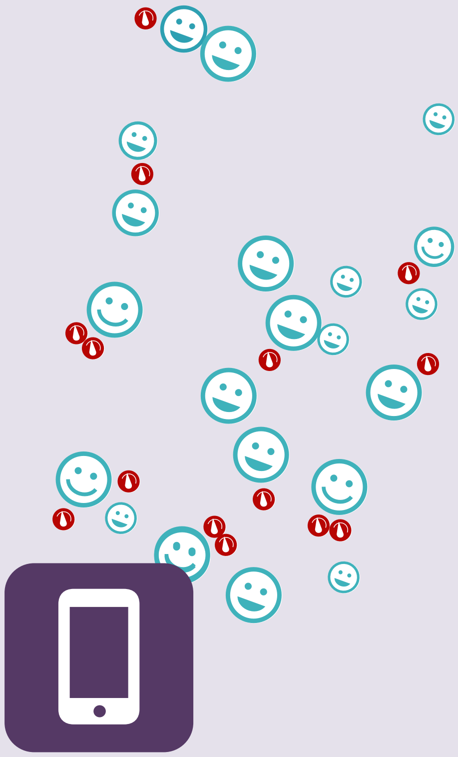
“The idea of combining technology with an everyday routine is excellent.”

Juan Fernández Vázquez, a customer of Helvetia Spain, uses his car insured with Helvetia for private and business trips of around 15,000 km per year. As a Helvetia aficionado, he was one of the first users of the innovative Helvetia “Good Driver” app, allowing him to monitor his road behaviour and compare his performance with other interested drivers.

Juan Fernández Vázquez

The app provides valuable support
"I have been insured with several policies with Helvetia since 2001. When I saw the Helvetia advertisement for the new 'Good Driver' app, I was immediately enthusiastic. I liked the idea of combining technology and a routine everyday task such as driving your car in order to improve your personal driving performance. I have been using the app regularly since I installed it, and find that it provides valuable support in helping me to optimise my style of driving."

An incentive to drive more conscientiously
"I am still fascinated by the very precise feedback after every car journey. This shows me how many times I accelerated and braked during just a short trip. The app also has an attractive design and is easy to use. The points system means that I can compare myself to my friends. This motivates me to drive more conscientiously so that my name can be at the top of the rankings at the end of the month."



Helvetia "Good Driver" app
The Helvetia "Good Driver" app, launched in June 2016 in collaboration with the telecommunications company Telefónica I+D, gives drivers continuous feedback on their driving performance, on the beginning and end of a trip, about starts and stops. The app provides the driver with statistics on distance, speed, distractions, abrupt braking action and acceleration. The "Good Driver" app was ranked as the fifth best app in the Spanish insurance market at the beginning of 2017.

> “The blog shares much expertise about Helvetia and its products.”

A real gem is hidden in the garage of Guido Burch: a black-and-red “Unic” dating from 1912. For Guido, this vintage car not only offers limitless fun on the road, but also freedom and a hobby.

Guido Burch

Huge passion for collecting
"I was just a small boy when I discovered my passion for old cars. I bought my first collector's item in 1973. Over the next decades, this was followed by other vintage cars, the oldest from as far back as 1912."

Enthusiastic response to blog entry
"When Helvetia contacted me to ask if I would write an article for Helvetia's blog on my passion for collecting old cars, I immediately agreed, being a spontaneous person. The article www.helvetia.com/blogstory-oldtimer met with great enthusiasm and has already been clicked more than 4,000 times. Expanded by tips from an expert and a link to the vintage car insurance product, the blog article not only tells an entertaining story, but also offers much expert know-how and interesting information on Helvetia and its products. And this is how I, a retired Helvetia employee, also became a regular reader of Helvetia's blog. I am mainly interested in the stories told by customers and the sponsorship topics on which the blog regularly reports. The Helvetia blog was started in 2012 and has since won many prizes."

Carefree enjoyment
"And of course, my collector's items are well insured by a special Helvetia vintage car policy."

The Helvetia blog
Helvetia's blog expands Helvetia's Internet presence in all country markets (except France). With our comprehensive editorial reports, the blog takes our customers on an entertaining, informative and surprising tour through the world of Helvetia. Reports, profiles, interviews and photo galleries share interesting information that is worth knowing about our customers, products and services with our blog readers. We also regularly offer useful tips on insurance and pension products. Surveys, attractive competitions and direct links to the most popular social media platforms round off the contents. Customers can also communicate with us directly, put questions to us, share their opinion, comment on articles and videos and exchange information among themselves on the blog. The Helvetia blog is thus the perfect fit for our "Personality and partnership" brand strategy.

Company profile

Group strategy

helvetia 20.20 strategy: Helvetia will become more digital, more agile and more valuable
With our Helvetia 2015+ strategy we considerably expanded our strength in our home market Switzerland and further cemented our position in selected European markets. We improved our profitability and increased customer benefits. With the *helvetia 20.20* strategy we are setting ourselves new objectives: Helvetia will become more digital and more agile. We will place an even greater emphasis on our customers.

Our new strategy systematically focuses on current trends:

As our **customers** are becoming more individual and demanding, we are aligning our activities even more consistently towards their needs: Our service offering is becoming more personalised, simpler and more convenient.

The **world is becoming more digital** – we are using this fact to drive our development: We are modernising the way we interact with our customers over a variety of channels, incorporating our partners more closely into our systems. We are also increasing our use of smart data, which helps us to further personalise our market services and determine risks more precisely. We are also increasingly automating our processes.

The **significant changes in the insurance market provide opportunities:** We are taking advantage of the mostly stable economic environment as well as digitalisation in the non-life business to generate healthy growth, while aligning the life business to more modern and capital-efficient products. We aim to continue expanding our customer base and sales network in future with targeted acquisitions. We are now also putting emphasis on systematic innovation management and corporate ventures.

Overall, we will become more customer-focused, digital and agile while remaining true to our values of trust, dynamism and enthusiasm.

To efficiently implement the strategy as outlined here we adopted a new corporate structure with clearly focused segment tasks from 1 January 2017. Following the successful integration of Nationale Suisse and Basler Austria, we can now further step up collaboration within the company and at the same time focus more strongly on the market and our customers.

Ambitious financial objectives as benchmarks for evaluating the success of the *helvetia 20.20* strategy

The success of our *helvetia 20.20* strategy will be measured against clear financial objectives:

helvetia 20.20

Fit for the future
- Modern and digital
- Customer-centric through combination of traditional strengths and new opportunities
- Agile and efficient

Still personal and reliable
- Sustainable customer promise
- Healthy capital base

Financial targets

• Volume	CHF 10 billion
• Profitability	NL: Net combined ratio < 93 % L: New business margin > 1 %
• Costs	Synergies from acquisitions > CHF 130 million before tax
• Return on equity	8 – 11 %
• Dividend	Payout (5 y.)> CHF 1 billion
• Capital	SST ratio 140 – 180 % S&P rating class A

The Switzerland, Europe and Specialty Markets segments have their own ambitious objectives derived from the Group strategy:

Switzerland segment

Helvetia to become the best Swiss insurer with *helvetia 20.20*

As number three, we already have a strong position in the Swiss market. With the *helvetia 20.20* strategy, we are pursuing the ambitious goal of becoming the best Swiss insurer thanks to innovative and customised insurance and pension solutions. Here, we will focus on retail customers as well as small and medium-sized companies.

In financial terms, we want to benefit from the synergy effects from completed acquisitions and thus increase our contribution to Group profit on a sustainable basis.

As the leading all-lines insurer, Helvetia wants to grow profitably in all areas in Switzerland. To achieve this we are expanding our customer channels in a targeted manner and are consistently pushing ahead with our digital transformation. The focus will be on profitable growth in all segments of the non-life business and on capital-efficient solutions in the life business. In sales, the diverse, digital interactions with our customers will be expanded through multiple touchpoints. With smile.direct we have a direct insurance company in Switzerland that is already very well placed on the market and continually achieves top results in terms of quality, service and quotes in neutral comparison tests.

In addition to the acquisition of new customers, we will place an even greater focus on retaining and developing existing customers. Strong partnerships with Raiffeisen and Swisscanto remain an important pillar of the strategy. We use open structures to optimally integrate our partners into our systems for service design and provision. One example of this is our cooperation since June 2016 with the moving and storage platform MOVU.

As another important step in gaining new customers and promoting digitalisation, we acquired 70 % of the shares of MoneyPark in December. MoneyPark has a unique business model as a technology-based, independent intermediary and has already established itself as the biggest mortgage intermediary in the Swiss market. The company combines an online platform with personal consulting services. With this majority stake in MoneyPark, we are adding a new, independent business model to our portfolio. This not only allows us to tap into new sources of revenue, but also opens up access to new customers and a broader range of products. With MoneyPark as the first strong anchor, we are building up a "home" eco system that will guarantee customers a continuous and excellent customer journey.

Europe segment

Well equipped for changing customer behaviour and digitalisation

We have a consistent positioning in the Europe segment comprising the country markets Germany, Austria, Italy and Spain. Our focus falls on retail and SME customers. There is a complete range of non-life products and an emphasis on the capital-efficient life business under a uniform brand image. We distribute our products in all countries with an integrated multi-channel approach. This common positioning approach gives rise to various synergies within Europe, primarily in the methodical development of technical results, in projects and, of course, in IT support.

The European business is profitable and all market units generate profits. With the European subsidiaries we are reducing our dependence on developments in the Swiss market and creating opportunities for further profitable growth.

Exploiting above-average potential

By 2020, we aim to employ a growth strategy to drastically increase our business volume and thus substantially improve our market position in the European markets. We are actively looking for acquisition opportunities in the profitable non-life business. We are also consistently pushing ahead with our digital transformation in Europe. The first digitalisation projects have already been successfully implemented in Germany, such as pet health insurance, Smart & Easy for small companies and VIVA Household insurance for online-oriented customers. “Annex” distribution is another innovation in the field of “digital insurance”, i.e. the distribution of an insurance product together with another product or service, such as eyeglass insurance that has been sold through www.brillen.de since August 2016.

Thanks to our successful cooperation with Telefónica, we have launched Helvetia’s first telematics app in Spain (Helvetia “Good Driver”).

Specialty Markets segment

Further growth as a selective niche player

In implementing the *helvetia 20.20* strategy, the Specialty Markets segment will make use of our promising starting position and expanding Helvetia’s position as a selective niche provider of specialty lines and Active Reinsurance.

We have a top position as specialty lines insurer in Switzerland. The branch offices established outside Europe provide us with access to the growth markets in Asia and Latin America. As the number-two transport insurer in France, we have an optimal network for developing the specialty business lines of engineering and art. Together with Active Reinsurance, we can ensure global and profitable risk diversification.

Increased profit contribution targeted

We want to use profitable growth in selected market niches to increase our contribution to the Group’s profit. Our disciplined underwriting policy will not change. In Specialty Lines Switzerland & International we are pursuing a selective, international forward strategy and the expansion of our market leadership in Switzerland. We want to further solidify our strong market position in France based on the provision of comprehensive online support for customers and partners, among other things. The specialty lines of engineering and art will also be developed. We are strengthening our Active Reinsurance business by expanding our product range and offering additional services.

Implementation of *helvetia 20.20* strategy

At Group level, the *helvetia 20.20* strategy will be implemented in line with 16 Group-wide strategic initiatives. These follow our implementation vision of "an identity as the leading Swiss all-lines insurer – with national and international ambition – digital and innovative – and with a highly developed customer focus". They make a key contribution to the achievement of the strategic objectives communicated by the Helvetia Group and have been designed to enhance the fundamentals of our business, accelerate profitable growth, enhance efficiency and deliver quality.

These initiatives serve as a management tool for the Group. There are also other specific initiatives that refer to the *helvetia 20.20* strategy that are carried out separately by the individual segments. The implementation of the initiatives will be monitored with regard to time and costs expended, benefits, milestones, responsibilities and target achievement by a Group-wide programme management team.

Conclusion: The *helvetia 20.20* strategy creates value for our customers, employees and shareholders. Helvetia gets fit for the future, while remaining personal and reliable.

Implementation of *helvetia 20.20* strategy

	Vision			
	Identity as leading Swiss all-lines insurer	with **national and international ambition**	**digital and innovative**	and with a highly developed **customer focus**
Objectives				
Accelerating profitable growth	Strong brand	Strong international positioning (EU / SpM)	Attractive eco systems and business models	Expansive customer access
Improving efficiency	New agility	Value-creating capital management	Digital operating model	Simple products (NL / IL / GL)
Delivering quality	Top employer	ONE Group	Smart data	Highest convenience
Stimulating foundations	Successful integration	Simple legal structure	Future-proof systems	Knowledge about customers

The Helvetia brand

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

Helvetia uses unified brand positioning to address all stakeholders. 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 "tailor-made solutions", "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." With the claim "Your Swiss Insurer", we express both our origins and our ties with traditional Swiss values, not to mention our ambition to be a reliable partner in the area of insurance and pensions. Brand awareness and its perception are polled in regular surveys of retail customers and brokers in all markets. In the annual ratings published by the agency Interbrand, Helvetia was once again among the top 50 most valuable brands in Switzerland in 2016.

***helvetia 20.20* to further strengthen our brand**

The "Helvetia" brand is also a priority of the *helvetia 20.20* strategy launched in 2016: we consistently strengthen our brand in order to secure the customer experience as "Your Swiss Insurer" at all touchpoints. In doing so we want to deliver fully on our brand promise as a reliable partner for customised solutions.

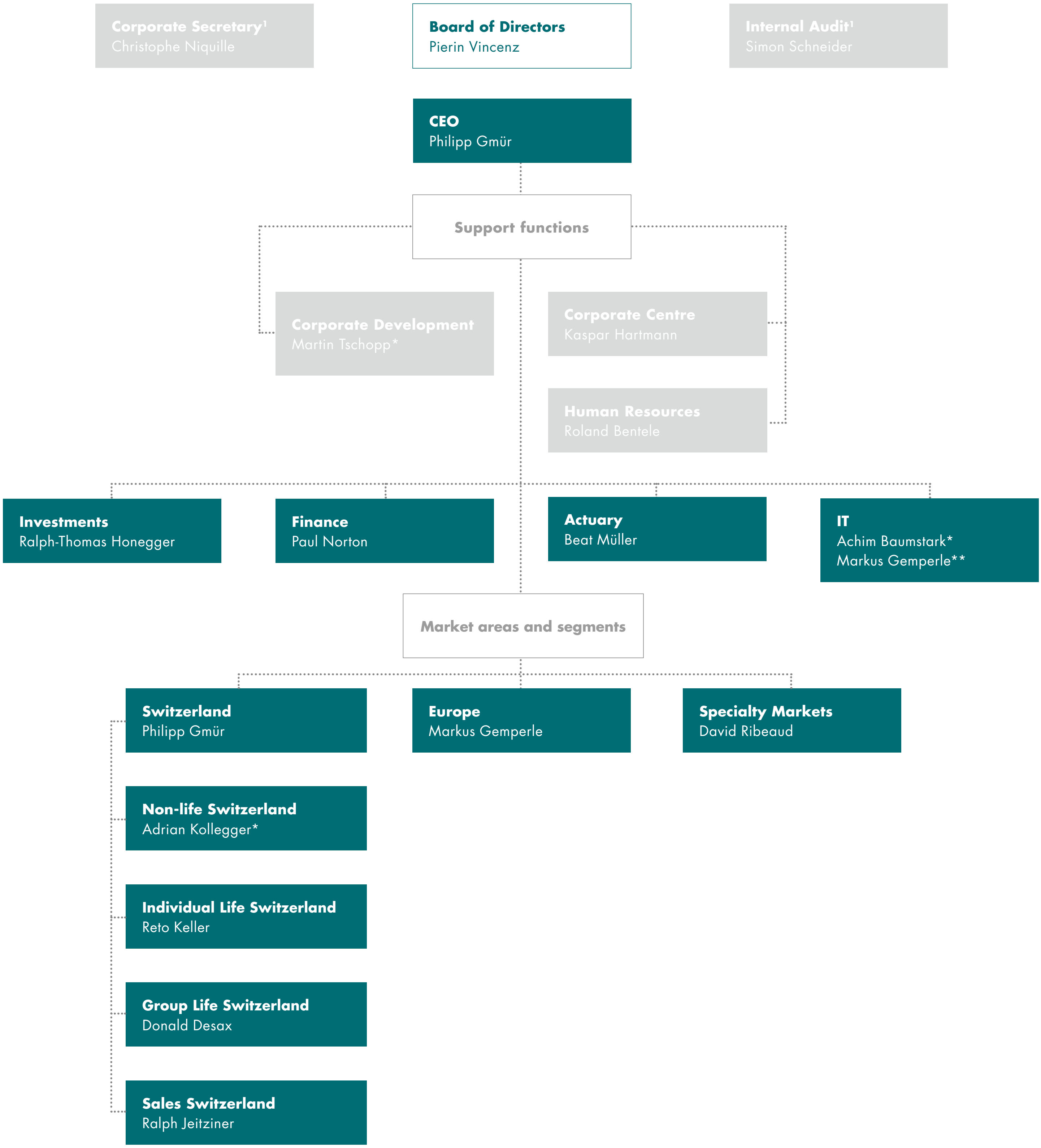
Greater commitment to sport

Our close ties to Switzerland are reflected in our sponsorships. From the 2016/2017 season, Helvetia will be the presenting partner for the Swiss Cup for four years. With 64 teams, this is the national football competition for all clubs in Switzerland. As we have offices at more than 80 locations in Switzerland, this gives us an opportunity to demonstrate our local presence for our customers everywhere in the country. The Helvetia Swiss Cup is played from August to May and is the ideal supplement to our ski sponsorship.

We extended our partnership of Swiss Ski by four years in 2016. Helvetia has sponsored skiing since the 2005/2006 season and believes in long-term partnerships. This continuity means we are paving the way for successful athletes and thus strengthening identification with the Helvetia brand. Thirty athletes from Switzerland, Germany, Italy and Austria – including four Olympic champions, Dario Cologna, Simon Ammann, Sandro Viletta and Victoria Rebensburg (until 2016) – are sponsored personally.

Art as an identification factor

Helvetia has close links to art. We own one of the most important collections of contemporary Swiss art. In our Art Foyer in 2016 we exhibited "Passage Park #4: A Hotspot Shack" of the Basel art couple Studer / van den Berg and "Assemblage Bricolage Collage" consisting of own and borrowed works. With the Helvetia Art Prize we also award a prize to promote young artists. We now promote digitalisation projects, too. This affords new opportunities for displaying and exhibiting their collections to cultural institutions such as the Kunsthaus Zurich, the Ernst Ludwig Kirchner Museum in Davos and the Museum of Art Lucerne.



■ Members of the Executive Management
1 Reports to the Chairman of the Board of Directors
* As of 1 April 2017
** Ad interim until 31 March 2017

As at 1 January 2017

Business activities, segments and market areas

Helvetia is a successful, internationally active Swiss insurance group. With 6,481 full-time equivalent employees, Helvetia provides services for more than five million customers. Helvetia is active in the life, non-life and reinsurance sectors. Helvetia divides its business activities into the three segments of Switzerland, Europe and Specialty Markets: Its business activities in its home Swiss market are bundled in the Switzerland segment. The Europe segment covers the country markets of Germany, Austria, Spain and Italy.

In the Specialty Markets segment, Helvetia offers cover in the specialty lines marine/transport, art and engineering insurance. With its Specialty Markets segment, Helvetia not only has a local presence in Switzerland, France and the Principality of Liechtenstein, but also in Turkey and Miami for Latin America as well as in Singapore and Malaysia. Its Active Reinsurance business is also assigned to this segment. The reinsurance business focuses on the well-diversified non-life business. In this niche area, Helvetia stands out thanks to its sustainable and long-standing business relationships and strict underwriting policy.

Business volume 2016

in CHF million	Switzerland segment	Europe segment				Specialty Markets segment
	5 107	863	822	527	422	771
	Switzerland	Italy	Germany	Austria	Spain	Switzerland / international, France, Active reins.
Life	72 %	43 %	31 %	42 %	30 %	
Non-life	28 %	57 %	69 %	58 %	70 %	100 %

Non-life business

In addition to traditional non-life (motor vehicle, property, liability) and personal (accident and health) insurance cover, Helvetia's Swiss and European non-life product portfolio also includes special insurance policies such as transport, engineering and art insurance. These are consolidated together with the Active Reinsurance business in the Specialty Lines segment.

The Helvetia Group pursues a disciplined underwriting strategy in order to ensure portfolio quality, and only underwrites larger business risks selective-

Non-life product portfolio

	CH	DE	IT	ES	AT	FR	LI	AR[1]
Property	●	●	●	●	●	●		●
Motor vehicle	●	●	●	●	●	●		●
Liability	●	●	●	●	●	●		●
Accident / health	●	●	●	●	●			●
Travel	●							
Transport	●	●	●	●	●	●	●	●
Engineering	●	●	●	●	●	●	●	●
Art	●	●	●	●		●	●	

[1] Active Reinsurance

Premiums by business line

33 % Property (incl. Engineering)

33 % Motor vehicle

9 % Active Reinsurance

9 % Accident / health

8 % Transport (incl. Art)

8 % Liability

Premiums by segment

43 % Europe

37 % Switzerland

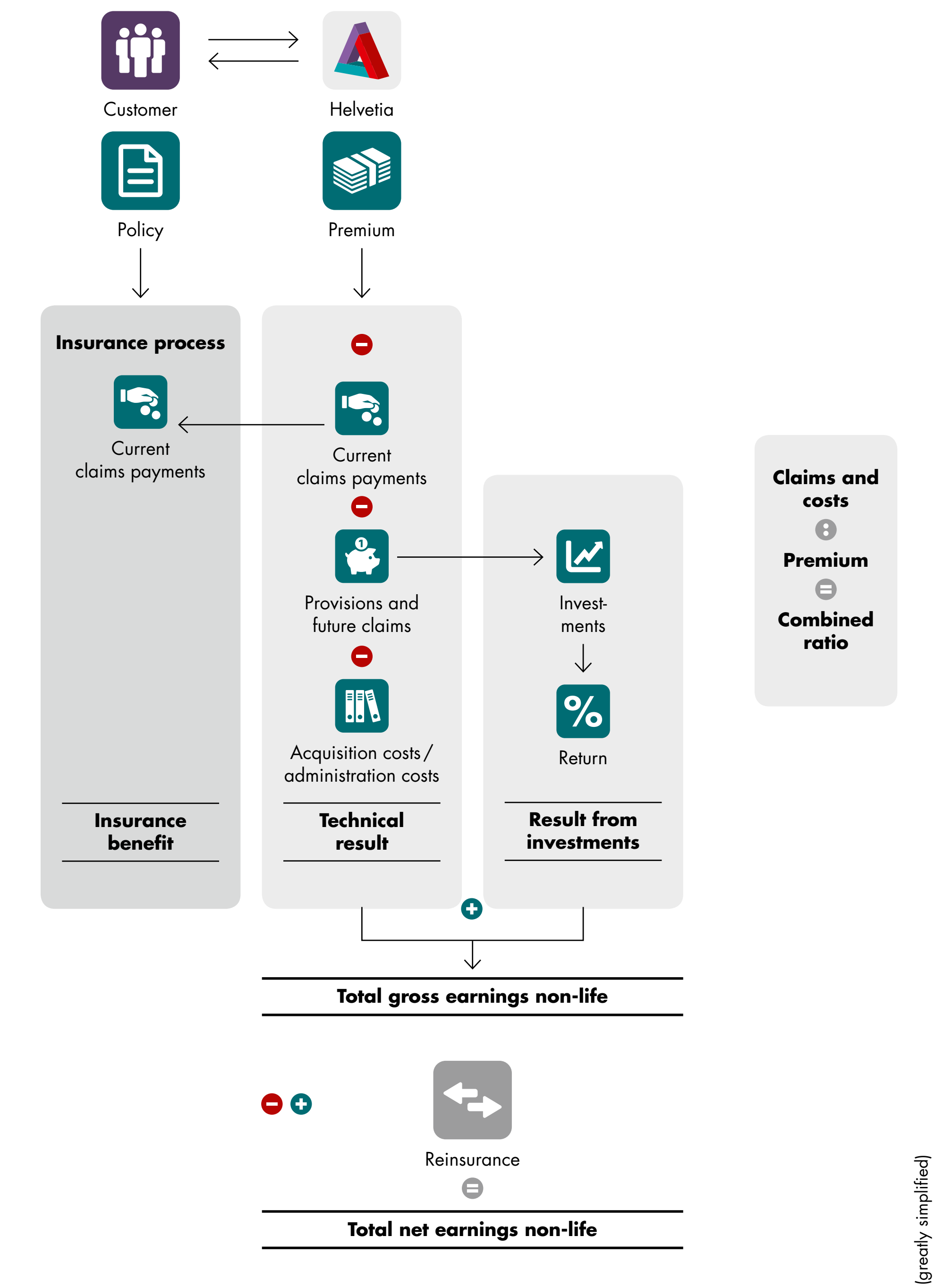
20 % Specialty Markets

Net combined ratio

91.6 %

ly. 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 net combined ratio, which has on average been below 95 % at Helvetia in recent years. Also in financial year 2016, the net combined ratio was 91.6 %, which reflects the portfolio quality.

How does non-life insurance work?



Life business

Helvetia offers life insurance in Switzerland, Italy, Germany, Spain and Austria. The home market of Switzerland is the most important market with 79 % of the business. In addition to individual life products, the product range also includes group life insurance policies. At around 60 % of the Group's total life volume, 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 established itself as one of the top 3 providers of BVG (Swiss occupational pension system) insurance solutions.

Individual life product portfolio

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

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 insured and guaranteed by Helvetia Insurance. Assumption of complete administration. Package for companies and independent charitable organisations.

Management pension plans
Additional and separate pension solutions, which go beyond the mandatory requirements.

Helvetia BVG Invest
Covers the risks of death and disability by means of insurance contracts with Helvetia. Assumes the complete administration. Investments are managed by 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 disability 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, IAS 19 calculations. Assumes the technical administration. Comprehensive consultation and services for occupational pension fund foundations.

2016 business volume by product

60 % Group life

40 % Individual life

25 % Traditional

15 % Modern (investment-linked and investment deposits)

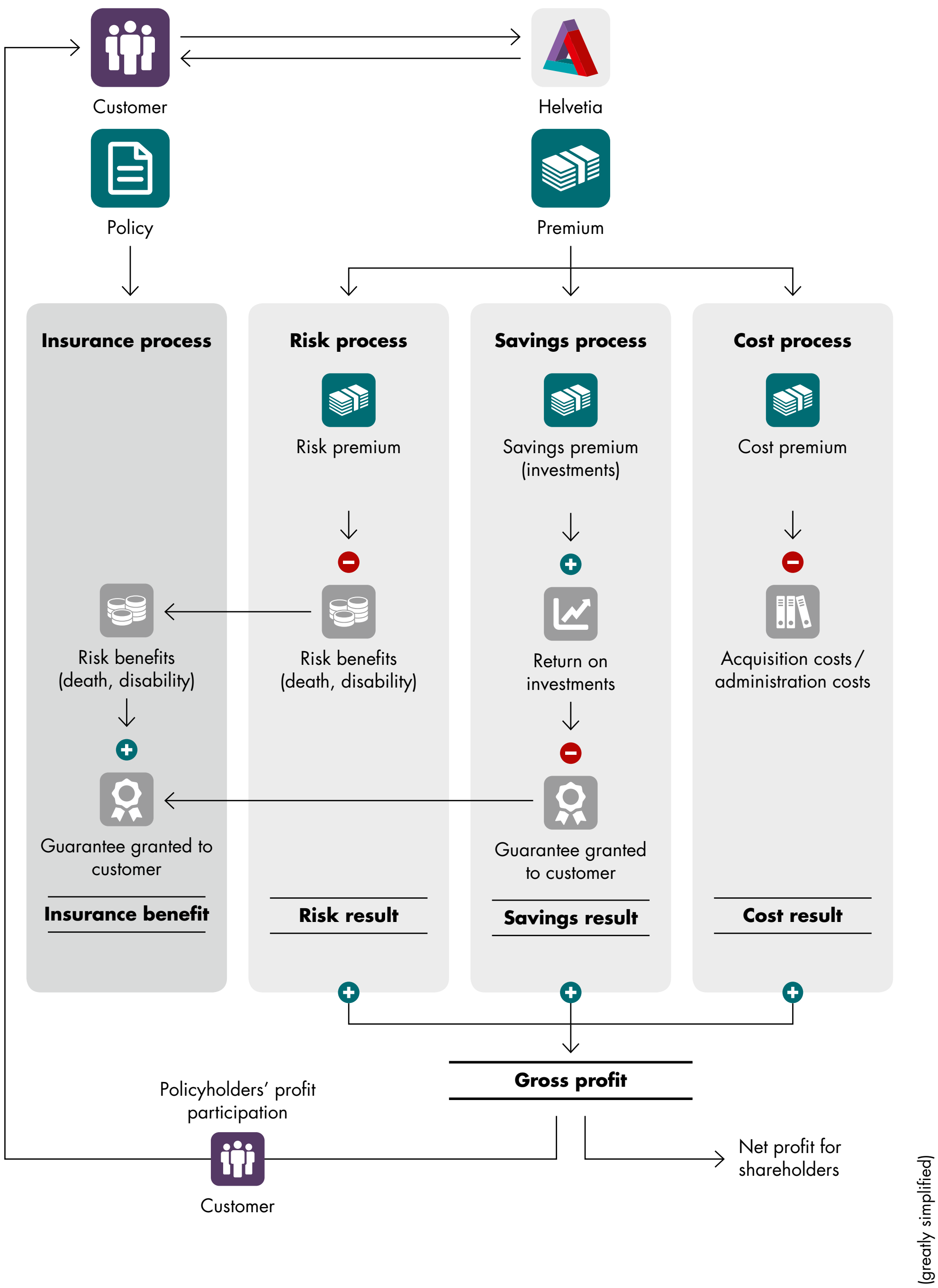
Premiums by segment

79 % Switzerland

21 % Europe

In addition to the development of technical risk, the profitability of the life business is especially influenced by the investment and savings result and thus by the performance of the financial markets. The investment result plays an important role in generating the income required to ensure that the long-term insurance obligations can be met. In the past, Helvetia has always succeeded in achieving attractive returns with the capital employed. Despite the low interest-rate environment, in 2016 we again managed to generate stable interest margins between current income and the guarantees given, from which customers and shareholders benefit.

How does life insurance work?



Customers and sales

Sales structures optimised for individual countries

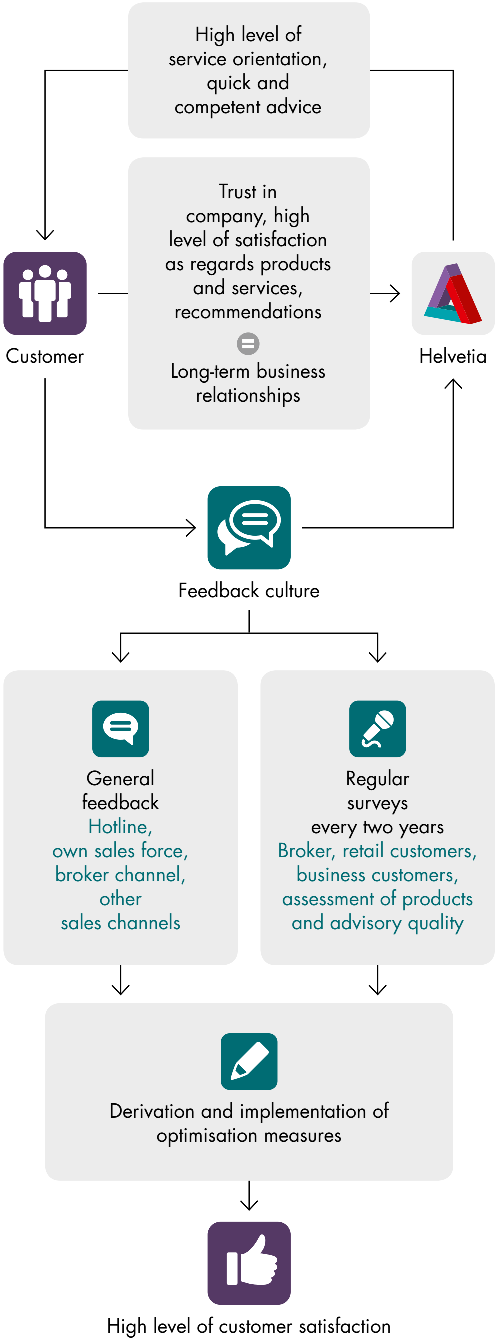
Helvetia also aims to grow through the expansion of its distribution capabilities. And our decentralised distribution is set up to meet the specific needs of the local country markets. This allows us to quickly recognise and react to shifts in demand. Helvetia pursues the multi-channelling approach, i.e. accessing to customers through various sales channels. In addition, we work with renowned distribution partners. With smile.direct we also have a direct insurer in Switzerland 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 sales force	Agents	Brokers	Partners	Direct sales / new media
CH	●		●	– Raiffeisen, Notenstein, Vontobel, Association of Swiss Cantonal Banks – sanitas / innova and Solida – SEV	●
DE		(exclusive and non-exclusive)	●	– ARAG (motor vehicle insurance)	● – Brillen.de – CHECK24 – Finanzchef24
IT		(based on legal specifications not acting exclusively)	●	– Banking partners, Banco di Desio (life), Chiara Assicurazioni network (non-life) with many additional partner banks – Worksite marketing partners (ENI, Agusta)	
ES		●	●	– Product-specific partnerships (e.g. Carrefour for household and burial costs insurance) – Sales agreement with AON for burial insurance	Product-specific burial provisions Household risk insurance
AT	●	●	●	– Durchblicker (motor vehicle insurance and household)	
FR			●	– 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. Dialogue with our customers is therefore very important to us.



Our awards

	Relevant products and services	Survey Survey results Source
CH	Pension solutions for retail customers	Retail customer pension tracking 2016 – Overall image: Third place – Customer satisfaction: Third place – Recommendation: Third place – Service quality: Second place – Good advisors: Second place – Innovative pension solutions: Second place – Commitment to customers: Third place amPuls benchmarking study
	SME property and business liability insurance	SME non-life tracking Overall image: Third place amPuls benchmarking study
	Occupational pensions (BVG) for business customers, life insurance for retail customers, non-life insurance for retail and business customers	Swiss Broker Panel 2016 Planned collaborations: – Occupational pensions: Second place – Private pensions: First place – NL[1] retail customers: First place – NL business customers: First place – Accident insurance: First place – Daily allowance: First place ValueQuest benchmarking study
DE	Service quality for life insurance brokers	Broker champion 2016 Second place Versicherungsmagazin / ServiceValue GmbH, 2016
	Service quality for non-life insurance brokers	Broker champion 2016 First place Versicherungsmagazin / ServiceValue GmbH, 2016
	Private pension funds / private accident insurance / residential buildings	Franke & Bornberg "FFF" (outstanding) Franke & Bornberg rating agency
	Solvency stress test	Morgen & Morgen Excellent Morgen & Morgen rating agency
IT	Non-life insurance	"Premio Le Fonti" First place ("Best bancassurance in non-life") Premio Internazionale Le Fonti
ES	Non-profit	Recognition as a partner of the non-profit organisation Elkarkide, which focusses on the integration of disadvantaged people
AT	Service quality	Service Award 2016 First place Fondsprofessionell specialist magazine
	Non-traditional life insurance	Assekuranz Award (insurance policy award) First place ÖVM Forum
	Companies	Top employer in the finance and insurance sector First place Kununu
	Household insurance	ÖGVS quality test Top 3 Trend business magazine

[1] NL = Non-life

This list is not exhaustive

New products and innovations

New products

VIVA Household Online

In Germany, Helvetia launched VIVA Household Online, a fully digital insurance product specifically designed for young, urban customers with a high online affinity. Our customers can obtain suitable insurance cover with just a few clicks – for their smartphone, bicycle, sports equipment or other household goods. The new premium calculator is user-friendly and very easy to use. Payment is made easily and safely via Paypal. VIVA Household Online is a user-friendly and transparent product offering tailor-made insurance cover.

Smart & Easy for small business enterprises

Helvetia developed a digital product for small enterprises in Germany. With Helvetia Business Smart & Easy our customers can insure their business equipment, stock and inventory at replacement value against fire, burglary, vandalism, mains water, storms and hail damage for up to a maximum of EUR 250,000. The product is simple and transparent, and with just a few clicks our customers have their digital insurance policy.

Modular system for legal expenses insurance

In Austria, Helvetia now offers a comprehensive new benefit package for legal expenses insurance structured according to the areas "personal", "living" and "motor vehicles". With this package, our customers benefit from a wide choice of legal expenses benefits and the option to increase the sums insured.

E-Bike Online

Helvetia Austria launched a new online product for E-Bikes. This customised liability and legal expenses insurance is the perfect product for customers wishing to protect their bike and driver. As there are different packages on offer, customers can even include Europe-wide accidental damage cover.

Homeinsurance Online

In Spain, Helvetia launched a new online product for home owners and tenants called Homeinsurance Online. The product consists of four modules. Home owners and tenants can insure both property that is used permanently and property that is used only part of the time such as vacation apartments or homes against fire, water damage, theft and glass breakage. The product also offers a liability component.

Tranche product with a fixed coupon

Helvetia Spain developed a new tranche of a unit-linked investment product offering death cover and the guaranteed repayment of the initial investment upon maturity of the tranche. The fixed coupon payment of 2 % per year during the entire term to maturity makes this product very attractive to customers.

Auto HI Drive Box

In Italy, Helvetia successfully launched the new product Auto HI Drive Box. This is what is known as a telematics solution that uses a box installed in the car to monitor the driver's performance on the road. This product includes an automatic SOS emergency call in the event of an accident, comprehensive assistance services, a route logging service and traffic information. Customers who buy this product receive attractive premium rebates depending on their road behaviour.

Flexible risk product

Helvetia completed its range of life risk products (whole life insurance policies) for its partnerships with banks and other cooperation partners in Italy and Spain. Customers buying these products also have the option of adjusting the sums insured to the annual decline in the credit amount.

Innovations

Pilot for online consulting services

Since 1 November 2016 for a pilot phase of three months, customers and interested persons have been able to make appointments with the Horgen/ Knonaueramt General Agency and engage in online video or chat consultations. Through a simple document-sharing process, contracts can even be concluded or forms signed digitally during the video consultation. To optimise the system further, customers and employees are asked for feedback on their experience and satisfaction after every online contact.

Cooperation between Helvetia and MOVU

Since June 2016, Helvetia has been cooperating with the MOVU moving platform in Switzerland. This Swiss start-up is currently revolutionising the process of moving house without owning a single truck. The successful cooperation is based on various pillars. MOVU customers can buy existing Helvetia products from the online shop, such as rent deposit insurance. They can also book a free insurance check-up by Helvetia and are then sent suitable quotations. Helvetia with its large portfolio of real estate can also tell its tenants wishing to move about MOVU.

Investment in MoneyPark

Helvetia has acquired 70 % of MoneyPark in December 2016. MoneyPark is the biggest independent mortgage intermediary on the Swiss market. Using a proprietary, web-based platform, the interest conditions offered by more than 70 financing partners can be reliably compared. Personal consulting services are provided at 20 branches or via video. MoneyPark is our first strong anchor for building a “home” eco system. The companies participating in the network will profit from gaining access to new customers, while the customers themselves will benefit from a continuous and excellent customer journey.

Warranty insurance

With this type of insurance between companies, Helvetia offers the product directly to merchants and producers. With this product, not only the merchant as the insured person benefits from a guaranteed and lean settlement process for warranty claims (for unforeseen and sudden damage arising from planning and calculation errors, design or manufacturing faults, defects in material, etc.), but also its customers. This product gives merchants the highest possible degree of financial planning certainty and also improves their market position as they can offer their customers profitable added value.

7x24h ULTRO drive-in booking system

To improve its service excellence for customers who suffered hail damage, Helvetia implemented ULTRO, an efficient drive-in booking system for customers, in Switzerland. This system allows our customers after having contacted Helvetia once to independently book or change appointments at a drive-in location that suits them 24h, seven days a week. ULTRO is available in all national languages, boasts a responsive design and is very user-friendly.

Employees

In 2016, we managed to conclude the intensive integration phase following the acquisitions (Nationale Suisse Group, Basler Austria), the influx of new employees and a large number of other changes in many aspects or to a large extent. This also offered an opportunity to understand the views of the employees and work on measures to further improve employee satisfaction. With the new *helvetia 20.20* strategy we could also develop important new objectives for our staff policy and implement measures to support our targeted transformation into a company that is more agile, more customer-focused and more innovative.

Keeping employees satisfied

As the satisfaction of the employees and their commitment to the company are very important to Helvetia, an internal employee survey known as "Commit" is carried out every three years. During the survey, employees can state their opinion on various aspects of their personal work situation as well as the company as a whole. The objective is to find out how the employees are doing, what motivates them in their work and what is needed to create even better framework conditions for working together satisfactorily and successfully in future. The very high participation rate of 83 % clearly shows that the employees and the company are engaged in an active dialogue concerning their cooperation.

The results of the 2016 employee survey confirm that the employees are doing very well. The majority of staff members is extremely satisfied with their direct line manager, their team and the contents of their work. Encouragingly, other important factors such as commitment, i.e. the employees' loyalty to Helvetia, and customer-centric conduct also received high ratings. These are both extremely important conditions for building stable and successful relationships cultivated in a spirit of partnership with our customers. Group-wide we have identified room for improvement in the areas of culture and personal development. These two topics are being actively targeted by the *helvetia 20.20* strategy. The survey results were presented to all the employees. Together with their managers, the employees discussed options for maintaining our current strengths and measures for achieving further improvements. Without a doubt, Helvetia's balanced employment conditions, its strong identity as a successful insurance group and a corporate culture based on mutual respect and trust also contributed to the very satisfactory results of this survey.

Evolution of corporate culture

A demanding and intensely competitive market environment dominated by digitalisation also challenges Helvetia to constantly evolve its corporate culture. Building on our proven strengths, we want to become more agile, more focused on our customers and more innovative, thus laying the foundation for our ongoing success in the future. The Management plays a central role in the evolution of our corporate culture. They kickstart the change processes, promote the establishment of a trust and feedback culture, and encourage their employees to break new ground. In this way they make an essential contribution to the targeted transformation. The company's cultural revitalisation process is supported by a Group-wide leadership programme, the objective of which is to promote new ways of thinking and new approaches, strengthen self-reliant and responsible action and further speed up the decision-making processes. A supported system of values, a strong shared identity and a clearly focused *helvetia 20.20* strategy provide the orientation that is needed to approach this new world with courage. And finally, the programme also aims to expand the ability to cooperate with others in the organisation and with new partners. This will enable us to offer even better solutions to our customers and to exploit new business opportunities. The Group-wide leadership programme thus makes an important contribution to the ability to recognise changes in the environment as an opportunity that should be tackled in a results-focused manner.

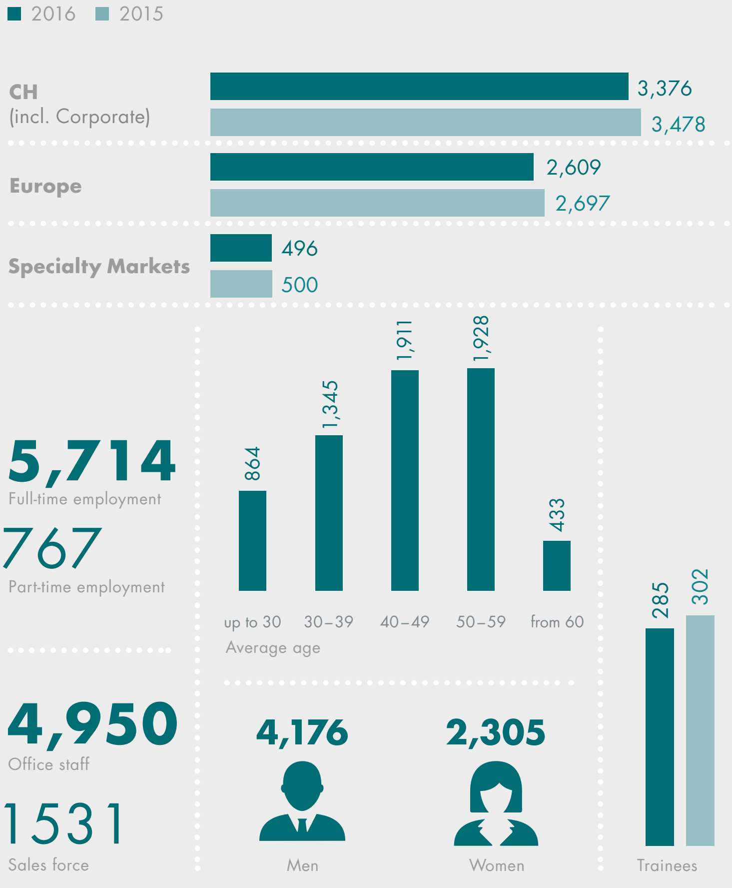
The central challenges of agility, customer focus and innovation were also discussed intensely at other events, such as the management forum for the managers of the country markets and the employee event in Switzerland in September. In order to encourage a broad-based dialogue among all employees and managers, the continued development of our corporate culture is also a regular focal topic in our internal communication media.

Improvement of employer attractiveness

Well-trained, motivated and innovative employees are an essential element of success in the achievement of the strategic objectives. With a systematic and proactive personnel planning and development programme, Helvetia is paying great attention to this aspect. We are intensifying our efforts to increase our attractiveness as an employer in order to ensure the long-term retention of our current workforce and remain interesting to external specialists. A key element of these efforts is the introduction of a systematic, Group-wide system of talent and succession management that redefines the approach to employee promotion. Employees at all levels are promoted in a targeted manner and supported in their professional development. Special attention is paid to talented employees who could accept even more responsibility in the organisation in the future.

More attention is also paid to succession planning for key positions, where the objective is to ensure the smooth transition of functions critical to success. The promotion and expansion of diversity also help to improve our attractiveness as an employer. In this regard, Helvetia places a particular emphasis on topics such as age and gender. We also systematically invest in employer branding because a positive employer image not only increases the motivation of our employees, enhances their identification with the company and improves the retention of our current workforce, but also attracts potential new employees. With these diverse measures we make an important contribution to ensuring that Helvetia is ready to meet the challenges of the future.

Number of full-time equivalents according to GRI [1]



[1] The definition of key figures complies with the Global Reporting Initiative (GRI) and includes all employees (permanent and temporary). The employees in training were not included but are disclosed in a separate figure.

Corporate Responsibility

Helvetia's business activities have been governed by integrity and responsibility for almost 160 years. With our holistic management concept we create value for our customers, shareholders and employees while also making a contribution to our environment and society. In 2016, the Executive Management initiated an update to the corporate responsibility strategy. In the next five years Helvetia aims to make further progress, in particular in its core business. Paying sufficient attention to the different perspectives and expectations of our internal and external stakeholders remains a complex challenge. We play different roles for our different stakeholder groups: as a sustainable insurance company, as a trustworthy company, as an attractive employer, and as a committed local partner. The sustainability aspects that are considered material are identified in the following diagram.

For detailed information about the corporate responsibility strategy and key topics, please refer to: www.helvetia.com/cr-strategy www.helvetia.com/materiality-matrix

Development of CR strategy
Key CR themes for our business[1]

	Supported ambition	Relevant sustainability aspects			Significance in the next five years
		Economy	Society	Environment	
Corporate Governance	Trustworthy company	•	•		→
Risk management	Trustworthy company	•	•	•	↑
Sustainable procurement	Trustworthy company	•	•	•	→
Customer expectations and protection	Sustainable insurance	•			↑
Sustainable offering	Sustainable insurance	•	•	•	↑
Sustainable investments	Sustainable insurance	•	•	•	↑
Employee commitment[2]	Attractive employer	•			↑
Supporting of employees[3]	Attractive employer	•	•		↑
Public policy	Committed location partner	•	•		→
Corporate citizenship[4]	Committed location partner		•	•	→

• Economy • Society • Environment → Consistently high ↑ Increasing

[1] In autumn 2015, a total of 23 representatives from stakeholder groups comprising employees, customers, investors, competitors, business partners, supervisory authorities and non-government organisations as well as individuals from the worlds of politics and society were asked as part of a personal discussion to state the significance of 15 aspects included on a CR theme list and to assess how their level of relevance will develop in the coming five years.
[2] Corporate and business culture in which self-initiative and co-determination are demanded, promoted and appreciated.
[3] Progressive HR management with a focus on continual employee development and the well-being of the workforce. Investments in training and further education, health management and work life balance.
[4] Maintenance of good and constructive relationships with location partners and promotion of regional locations. Strengthening of the spirit of solidarity through the assumption of responsibility for society.

Focus on core business

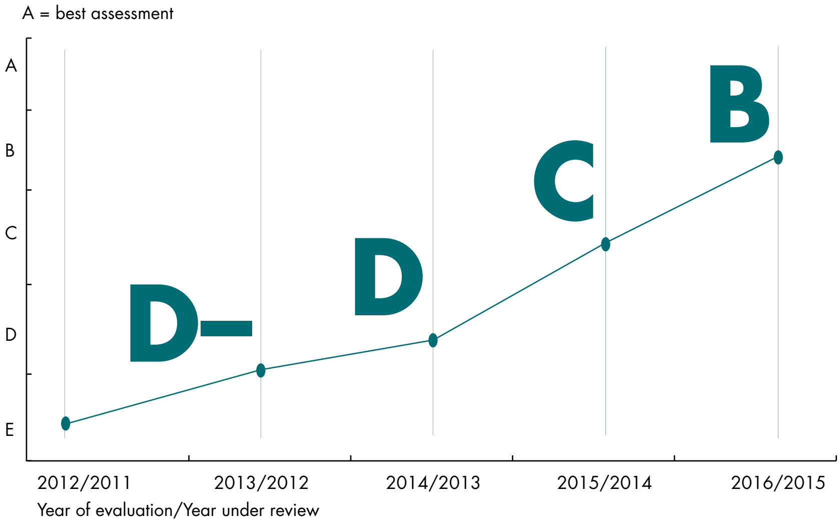
Ecological, social and governance standards are important to an insurance company and its investors. This is not only true for its own operating business, but in particular also for its business with customers. At Helvetia, our underwriting practice takes a long-term view. We guarantee the fair treatment of claims and offer a selection of products in the fields of renewable energy and mobility. As an insurance group we manage investments that are made up from our own assets, but in particular also from the premiums earned from our policyholders. We strive to invest in a sustainable manner. This is an ambitious objective. To reach this objective, we have drawn up a roadmap to guide the progressive integration of environmental, social and governance topics into our investment processes. This specifically includes intensive research into sustainability information, company and country analyses and the consistent monitoring and management of the risks facing our own investment portfolio. The conviction that sustainability in investing is important also shaped our cooperation with other companies and institutions. At the end of 2016, the workgroup for institutional asset owners of Swiss Sustainable Finance, of which Helvetia is a member, issued a Handbook on Sustainable Investments. For detailed information on Swiss Sustainable Finance, refer to: www.sustainablefinance.ch

Progress in environmental management

We reached important milestones in environmental management in the past year. The non-profit organisation CDP (former Carbon Disclosure Project) for the first time awarded a B to Helvetia for its environmental performance in 2016 (previous year: C). This confirmed Helvetia's status as a company practising good climate management.

At 28% in 2016, we have already exceeded our goal of reducing the ecological footprint per Group employee by at least 20% by 2020. We achieved these savings by switching to 100% electricity from renewable sources and implementing the proposals derived from energy audits. For example, our Austrian subsidiary reduced its energy consumption by 20% in the past two years. This was facilitated by investing in building measures, switching to LED lights and expanding the photovoltaic system. In view of this performance, the Helvetia Head Office applied for "blue card" certification and will receive the Austrian Sustainable Building Council (ÖGNI) label for 2017 as one of three historical buildings in Austria.

For more information on Helvetia's environmental management, refer to: www.helvetia.com/environment



Public Disclosure **(D– and D)** Awareness **(C– and C)**
Active Management **(B– and B)** Leadership **(A– and A)**

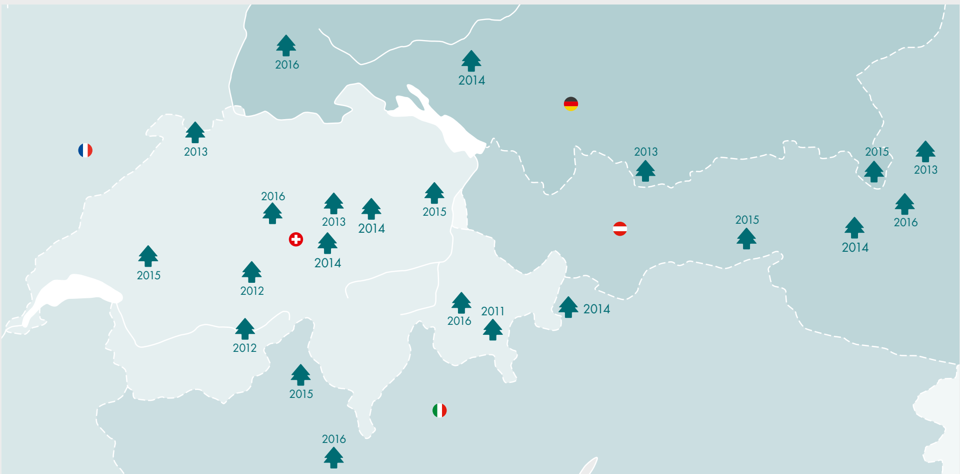
Sustainability as a unifying element

Helvetia has 6,481 employees who with their input and commitment make a substantial contribution to customer satisfaction. A systematic approach to occupational health management gives employees the opportunity to protect their well-being and prevent stress. For this approach, Helvetia received the "Friendly Work Space" award from Health Promotion Switzerland in 2016.

Helvetia's social activities include donations, voluntary and honorary employee engagement, the initiative to protect forests and the Helvetia Patria Jeunesse Foundation. With the initiative to protect forests, we work to protect people from falling rocks, landslides and avalanches. Since 2011 we have supported 22 projects promoting intact European mountain forests (www.helvetia.com/protection-forest).

The Helvetia Patria Jeunesse Foundation supports individual projects for children and young people and promotes, among others, music and theatre productions, training camps, sports and play equipment. Its partners include charitable initiatives and institutions that urgently require support and seldom come to public notice (www.helvetia-patria-jeunesse.ch).

Helvetia initiative to protect forests



Risk and investment management

Risk management

In the current challenging economic environment, comprehensive risk management is a top priority and integral to the way the Helvetia Group manages its business.

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

Risk management – organisation

The organisational structure of the 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 functions of risk owner, risk observer and risk taker.

Risk management organisation

Risk owner

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

Executive Management

Risk observer

Risk Committee

Risk management

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

Risk taker

Risk management in the company units and processes

Internal Audit

The supreme risk owner is the Board of Directors of Helvetia Holding AG (particularly the Investment and Risk Committee, Audit Committee and 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 risk appetite for the Group, both of which are aligned to the business strategy.

Various risk observers assess the risks assumed by the Helvetia Group, independently of any 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 "Group Risk Management" is responsible for the improvement 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. The Risk Committee is supported by specialised risk-controlling functions, such as the Group actuarial office and risk controlling in 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.

Risk management process and risk environment

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

In our business activities, we are exposed to numerous risks that 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 and technical liabilities. 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 technical risks of life and non-life belong to the traditional risks of an insurance company. They are consciously accepted 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 also taken into consideration. Reputational risks can also arise in connection with strategic and emerging risks. Strategic risks include the risk of not achieving business targets due to the inadequate alignment of a company's business activities to the market and in the market environment. Emergent risks are risks that have not yet manifested as actual risks, but are already in existence and have a high potential for large claims. Concentration risks (also known as cluster risks) can arise from risk exposure to a single counterparty or from parallel risk positions that are vulnerable to a mutual risk factor. A detailed portrayal of the risks resulting from financial instruments and insurance contracts is provided in Note 16 (from page 195) of the Financial Report.

Methods for risk analysis and control

The diverse risk environment requires the use of differing methods of risk analysis. Among other things, the Helvetia Group uses internal stochastic risk models as an instrument for analysing and quantifying market, counterparty and technical risks. The company applies internal models, among others for the areas of market risk and technical risk. Risks are controlled and limited by means of hedging instruments, specific product design, reinsurance cover, limit systems (including exposure control and loss limits), diversification strategies, process optimisation and other risk reduction measures.

Capital management

Our capital management is an essential pillar for achieving the Helvetia Group's long-term growth targets aimed at profitability. The optimisation of capital allocation and income flows has the following objectives:

- ensuring compliance with supervisory capital requirements at all times;
- securing the capital required to underwrite new business;

Risk environment

Market risks	Liquidity risks	Counterparty risks	Technical risks	Operational risks	Strategic risks	Emerging risks
Share price risk	Medium-term	Reinsurance	Life (mortality, longevity, surrender rates, disability, costs, exercising of options)	Financial reporting	Business model	New and qualitatively different risks
Interest rate risk	Short-term	Investments	Non-life (natural hazards, major claims, base volatility, reserve risk)	Business operations (e.g. with regard to outsourcing, BCM)	Fundamental business policy decisions	Phantom risks
Spread risk		Other receivables		Compliance		
Exchange rate risk						
Real estate investment risk						
Long-term liquidity risks						
Other						
			Reputational risks			
Concentration risks						

- optimising the earning power of its equity and the associated dividend potential;
- supporting strategic growth;
- optimising financial flexibility.

These objectives are defined in consideration of the risk-bearing capacity and cost/benefit factors. Furthermore, as part of our capital management, we pursue the goal of an interactive rating of financial strength of at least "A–" at Group level.

Methods for measuring capital

The measurement of capitalisation is carried out both at Group and local level, i.e. at the level of the individual legal entities. At the 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 against the capital models that are relevant to the Helvetia Group: Swiss Solvency Test and Standard & Poor's. When measuring the capitalisation of the Group's legal entities, the applicable solvency rules are applied (Swiss Solvency Test in Switzerland and Solvency II in the EU).

In these capital models, the IFRS equity forms the basis for establishing the available capital. Depending on the model, additional capital is added and other components, such as planned dividend payments and intangible assets, are deducted. As for Solvency II, albeit not in an identical manner, the Swiss Solvency Test involves measuring all assets and liabilities at market prices in order to calculate the available capital.

Under Standard & Poor's, the Swiss Solvency Test and Solvency II, the required capital is calculated using a risk-based method. 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, we manage the capitalisation and risk profile of business units in terms of profitability and growth potential and therefore the strategic Group targets. Capital is managed integrally in accordance with a defined capitalisation target under the relevant capital models, and is aligned with the corporate strategy using multi-year capital planning. At an operational level, the capital management process incorporates the financing of the Group as a whole as well as the safeguarding of the adequate and efficient capitalisation of the individual legal entities of the Group. In this process, capitalisation is closely monitored and optimised according to internally defined thresholds. This management also takes account of liquidity requirements.

Outlook

The supervisory requirements for risk and capital management remain subject to major changes. In the EU and in Liechtenstein, Solvency II entered into force fully on 1 January 2016. With its EU-based business units, the Helvetia Group is directly affected by the Solvency II requirements. Helvetia has duly implemented the new requirements and is well prepared for any future developments.

Investment management

The 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 our customers and shareholders and to make a reliable contribution to the Group result.

Proven asset liability management – tried-and-tested investment strategy

The investment strategy of Helvetia is based on a time-tested asset liability concept. First, we derive a strategic asset allocation for each business unit from a careful analysis of the liabilities. This satisfies the high security requirements of the insurance business while at the same time meeting the yield requirements of each of the individual stakeholder groups. Moreover, our 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 supervisory 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 fixed-income products in the life business. Due to the long maturities of the assets, the current phase of very low interest rates is only gradually affecting direct yields. 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

Helvetia's investment portfolio is broadly diversified. The balanced distribution of the portfolio applies both between and within the individual asset classes. Moreover, we place 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 exposure to the BBB segment is limited. At the end of the year, around 68 % 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 67 %.

Attractive, stable investment income

We generate attractive investment income for our customers and shareholders, through the careful combination of low-risk assets, such as high-quality bonds and mortgages and instruments with higher returns such as real estate, equities, foreign currency bonds and corporate bonds, combined with controlled investment risk. The income gained from bonds, mortgages and real estate ensures sustained and stable investment income, while gains in value from the equities create interesting medium-term yield potential. 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 review of the investment policy. We make adjustments to take advantage of new opportunities arising from short-term market developments, while remaining within the tactical ranges 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 income statement from excessive losses in value. This applies both to exposures in foreign currency which are constantly and to a large degree hedged by futures, and to equities. In addition, we subject counterparty risks to ongoing analysis and control using various criteria such as ratings, credit quality and the development of interest spreads. In order to avoid cluster risks, absolute exposure limits apply to the individual counterparties, depending on their quality.

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

Share and bonds

Helvetia share

Ticker symbol	HELN
Par value	CHF 0.10
Security number	1 227 168
Listed on	SIX

Swiss equities performed modestly in 2016. At the beginning of the year, share prices dropped across the board following concerns about growth and a rekindling of the debt crisis. The markets subsequently managed to digest the unexpected results of the Brexit referendum and the referendum about the Italian constitution comparatively quickly. Later in the year they seemed to have been freed by the surprising outcome of the US election and showed an impressive rallye at the end of the year, particularly on the other side of the Atlantic. Swiss equities also benefited from this trend and managed mostly to make up for the price losses in the first half by the end of the year. Large caps performed less well, but mid caps did substantially better.

In line with the market, the Helvetia share posted a slightly positive annual performance of 0.4 %, thus lagging behind the Swiss Insurance Index, which returned 9.8 %. However, our share outperformed the broader benchmark for the European insurance sector, the EuroStoxx Insurance 600, by 1.5 percentage points.

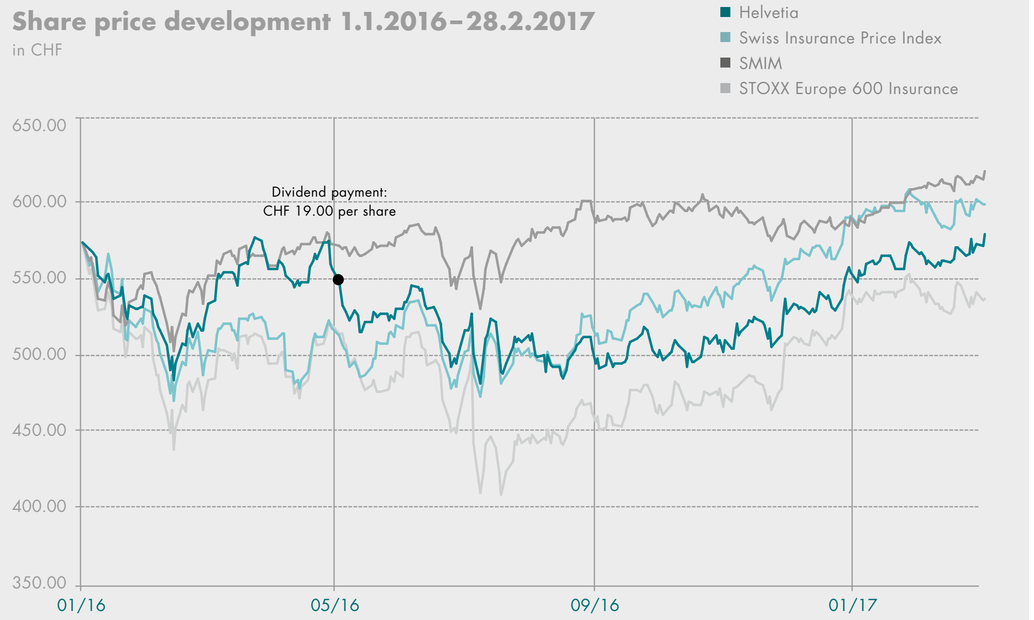
Changes to the core shareholder base

At the end of 2016, Helvetia's core shareholders still held 38.1 % of the share capital. At 61.9 %, the free float was the same as in the previous year. Compared to the end of 2015, there was the following change in the composition of the core shareholder base: Patria Genossenschaft took over the Vontobel Group's 4.0 % stake and thus held 34.1 % of the Helvetia shares at the end of December 2016 (previous year: 30.1 %). As of 31 December 2016, the following important shareholders were entered in the share register of Helvetia Holding:

Shareholders as at 31 December 2016

- Patria Genossenschaft 34.1 %
- Raiffeisen Switzerland 4.0 %

Share price development 1.1.2016–28.2.2017
in CHF



In line with the trend of the past few years, the number of shareholders increased by more than 10 % to 14,625 shareholders on 31 December 2016 (31 December 2015: 13,203).

At the end of the year, the employees held 1.25 % of the registered share capital, around 0.13 % of which was held by members of the Board of Directors and Executive Management of Helvetia.

The majority of registered shareholders are based in Switzerland. Among the institutional shareholders – excluding the above core shareholders – 47.7 % of the shares are held by investors who have their registered office in Switzerland (previous year: 54.0 %). 52.3 % (previous year: 46.0 %) are held by foreign investors. Shares pending registration declined slightly year-on-year, ending the year at 19.4 %.

On average, Helvetia shares for CHF 7.1 million were traded per day in 2016, representing a year-on-year decline of around 18 %. This is due to the smaller average number of traded Helvetia shares, which declined to 13,710.

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

Successful Shareholders' Meeting in 2016

The Helvetia Group once again presented a very good annual result to the 1,820 shareholders with voting rights attending the Ordinary 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 2015. Furthermore, in accordance with the adjusted articles of incorporation and in line with the VegüV, all members of the Board of Directors were proposed individually for re-election and reappointed individually for a further term in office.

Dividend policy

Helvetia strives to generate an attractive return on invested capital for its shareholders, and pursues a sustainable distribution policy that allows the company to maintain its solid capital base. As a result of the good performance in 2016, the Board of Directors is proposing to the Shareholders' Meeting to further raise the dividend to CHF 21.00 per share (previous year: CHF 19.00).

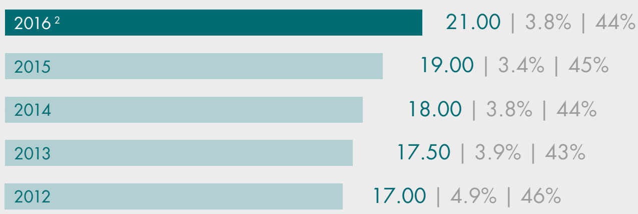
Bonds in circulation

In 2015, the Helvetia Group placed a subordinated undated bond for CHF 300 million (coupon 3 %) on the Swiss capital market.

Bonds issued in 2014 for CHF 225 million (coupon: 0.75 %) and for CHF 150 million (coupon: 1.50 %) as well as a subordinated perpetual bond for CHF 400 million (coupon: 3.50 %) and a subordinated bond for CHF 225 million (coupon: 4.00 %) are also in circulation. A bond for CHF 150 million (coupon: 1.125 %) issued in 2013 will mature in 2019.

Investor groups (excluding core shareholder base)
in %

Dividend history
Dividend per share (in CHF) | dividend yield at year-end price | payout ratio [1]



[1] Based on underlying earnings
[2] Proposal to the Shareholders' Meeting

Bonds in circulation

	Issue volume	Interest	Term	Year of issue
Subordinate bond	CHF 300 million	3.00 % p.a.	Perpetual	2015
Bond	CHF 225 million	0.75 % p.a.	6 years	2014
Bond	CHF 150 million	1.50 % p.a.	10.5 years	2014
Subordinate bond	CHF 400 million	3.50 % p.a.	Perpetual	2014
Subordinate bond	CHF 225 million	4.00 % p.a.	30 years	2014
Bond	CHF 150 million	1.125 % p.a.	6 years	2013

Key share data Helvetia Holding AG

	2016	2015
Number of shares issued		
Treasury shares	49 638	47 951
Shares outstanding	9 895 499	9 897 186
Number of shares issued	9 945 137	9 945 137
Price of Helvetia registered shares in CHF		
Year-end	548.5	566.0
High for the year	572.0	587.5
Low for the year	476.3	436.8
Market capitalisation in CHF million	5 454.9	5 628.9
Consolidated equity per share in CHF	486.3	470.4
Price- / book ratio[1]	1.1	1.2
Group underlying earnings per share in CHF	47.7	42.1
IFRS earnings for the period per share in CHF	36.1	29.0
Price / earnings ratio[1]	15.2	19.5
Dividend per share[2]	21.00	19.00
Payout ratio on the basis of underlying earnings	44 %	45 %
Payout ratio on the basis of IFRS	58 %	66 %
Dividend yield[1/2]	3.8 %	3.4 %

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

Further information on our bonds can be found at https://www.helvetia.com/corporate/content/en/investor-relations/anleihen.html.

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 reporting year, our road shows took us to Zurich, Geneva, Lugano, Paris, Frankfurt, London, Dublin, Edinburgh, Milan, Scandinavia, the Netherlands and the USA. We also hold 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.

Corporate Governance

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. The Board of Directors has ten members. Dr Pierin Vincenz was re-elected as Chairman at the 2016 General Meeting.

We have formed various committees 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 that ensure the effective control and monitoring of the company. The tasks of the committees are of an essentially preparatory nature. The cases in which their decision-making powers are used are listed in the Notes to the organisational regulations: https://www.helvetia.com/corporate/content/dam/helvetia/corporate/de/about-us/documents/organisationsreglement.pdf.

The composition of the Board of Directors is shown in the following table.

The Board of Directors of Helvetia Holding AG

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

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

o o Chairman / Chairwoman
o Member

As at 31.12.2016

Pierin Vincenz

Doctor of economics (Dr oec. HSG), Swiss, Niederteufen, 1956

Professional background, exercising operational executive functions
Since 1 October 2015 Chairman of the Board of Directors; 1979–1982 Schweizerische Treuhandgesellschaft, StGall; 1986–1990 Swiss Bank Corporation Global Treasury at the head office in Zurich, as well as Vice-Director at Swiss Bank Corporation O'Connor Services L.P. Chicago; 1991–1996 Hunter Douglas, Lucerne, Vice-President and Treasurer; 1996–1999 Raiffeisen Group, StGall: Member of Executive Management and Head of the Finance Department; from 1999 until September 2015 Chairman of Executive Management of the Raiffeisen Group, StGall.

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

Appointments at other companies
Six appointments at non-listed companies: President of the Board of Directors of the Aduno Holding AG, Zurich; President of the Board of Directors of Investnet AG, Herisau; President of the Board of Directors Repower AG, Poschiavo; President of the Board of Directors of Vincenz Management AG, Niederteufen; President of the Board of Directors of Plozza Vini SA, Brusio; Member of the Board of Directors of Bergbahnen Brigels-Waltensburg-Andiast AG.

Pro bono appointments
Ten appointments at charitable organisations and institutions.

Doris Russi Schurter

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

Professional background, exercising operational executive functions
1980–1982 Swiss Bank Corporation, Basel; 1983–1991 various management positions at Fides Treuhandgesellschaft, Basel and Lucerne; 1992–2005 various management positions as a partner at KPMG Switzerland, including 1994–2005 Managing Partner at KPMG Lucerne.

Appointments at listed companies
Member of the Board of Directors of Luzerner Kantonalbank, Lucerne.

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

Pro bono appointments
Six 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, Zurich, 1961

Professional background, exercising operational executive functions
Until 1989 at Bülach District Court; 1989–2004 various managing roles at Winterthur Versicherungen, including CEO of Winterthur operations in the Czech Republic and Head of 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 Insurance.

No appointments at listed companies

Appointments at other companies
Two appointments: Member of the Board of Directors of CSS Versicherung, Lucerne, and of Sompo Canopius Holding, Zurich.

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

Hans-Jürg Bernet

Doctorate in economics from the University of StGall (Dr oec. HSG)
Swiss, StGall, 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 StGaller Kantonalbank, StGall.

Appointments at other companies
Six appointments at non-listed companies, in particular President of the Board of Directors of Hälg Holding AG, StGall, and MediDataAG, Root; Member of the Board of Directors of SWICA healthcare organisation, Winterthur, and Adcubum AG, StGall.

Pro bono appointments
Two appointments at charitable organisations and institutions.

Jean-René Fournier

Bachelor's degree in economics from the University of Fribourg (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, Basel; Member of the Board of Directors of Forces motrices de la Gougra SA, Sierre, and Grande Dixence SA, Sion; Member of the Board of Directors of Immobilien Gletsch AG, Ober-gesteln; 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.

Patrik Gisel

Doctorate in economics (Dr oec. HSG), Swiss, Erlenbach, 1962

Professional background, exercising operational executive functions
1987–1993 research assistant and lecturer at the University of St Gall; 1987–1993 Project and Group Manager in the IT Development Finance Department, Swiss Bank Corporation, Zurich; 1993–1994 consultant for banks and insurance at The Boston Consulting Group, Zurich; 1994–1999 head of department at a Managing Director level in IT at the SBC (later UBS), Swiss Bank Corporation / UBS AG, Zurich; 2000 Raiffeisen Group, St Gall: since 2000 Member of the Executive Management, until 2004 Head IT Finance and Corporate Development and CFO, from 2002–2015 Deputy Chief Executive Officer, from 2005–2015 Head of Market Department, since 1 October 2015 Chief Executive Officer at Raiffeisen Switzerland.

Appointments at listed companies
Member of the Board of Directors of Leonteq AG, Zurich.

Appointments at other companies
Eight appointments at non-listed companies: Chairman of the Board of Directors of Notenstein La Roche Privatbank AG, St Gall; Vice-Chairman of the Board of Directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich; Member of the Board of Directors of ARIZON Sourcing AG, St Gall; Member of the Board of Directors of SIX Group AG, Zurich; Member of the Board of the Swiss Bankers Association (SwissBanking), Basel; Member of the Executive Board of the Schweizerischen Management Gesellschaft, Zurich; Member of the Board of the Unico Banking Group Brussels; Member of the Board of Directors of Ergis AG, Wald AR.

Pro bono appointments
One appointment at a charitable institution.

Christoph Lechner

Prof. and doctor of economics HSG (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 of StGall, 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 StGall and also Chairman of the Board at the Institute of Management (IfB).

Appointments at listed companies
Vice-President of the Board of Directors of Hügli Holding AG, Steinach.

No appointments at other companies or pro bono appointments

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 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.

Appointments at listed companies
Member of the Board of Directors of VP Bank AG, Liechtenstein.

Appointments at other companies
Four advisory board appointments.

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, Zurich, and Vice-President of the Board of Directors of HERO AG, Lenzburg.

Appointments at other companies
Four appointments at non-listed companies, in particular President of the Board of Directors of the Swiss Bankers' Association and Member of the Board of Directors of SIX Group AG, Zurich; Member of the Board of Directors of the European Banking Federation, Brussels, Belgium.

Pro bono appointments
Eight appointments at charitable organisations and institutions.

Andreas von Planta

Doctorate in law (University of Basel), LL.M. (Columbia 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
Member of the Board of Directors of Novartis AG, Basel.

Appointments at other companies
Seven appointments, in particular Member of the Board of Directors of Raymond Weil SA, Lancy, 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

Corporate Secretary:
Christophe Niquille, doctorate in economics (Dr oec. HSG)

Executive Management

The Executive Management is the highest executive body of the Helvetia Group and is responsible for implementing the strategy adopted by the Board of Directors. The organisational structure of our management is aligned with the value chain as well as the management of the operational business units. Key functions such as the management of financial operations and IT, the investment business, Group reinsurance and parts of risk and personnel management are centralised, facilitating the pooling of knowledge and resources. The management structure with cross-border, functional responsibilities is very efficient, enables rapid decision-making, enhances transparency and avoids duplication.

Changes to the Group Executive Management

At the end of August 2016, Stefan Loacker stepped down as CEO after nine years at the top of Group Executive Management. He handed over the baton to Dr Philipp Gmür, who has been with the company for 23 years and has held various management positions during this time. Since 2003, Philipp Gmür has headed up the home market as CEO Switzerland and a member of Group Executive Management. He has taken over the reins of a healthy company that has positioned itself successfully under the stewardship of his predecessor Stefan Loacker.

Philipp Gmür has moulded Helvetia Switzerland into a very profitable unit and driven its development through organic growth and acquisitions. He made a significant contribution to the development of the *helvetia 20.20* strategy and has the ideal background to enable the Helvetia Group to continue its successful course.

In addition to his new function, Philipp Gmür will also remain at the helm of Helvetia Switzerland. As such, Group Executive Management only comprised five members between 1 September 2016 and the end of the year. The other responsibilities within the Executive Management remained the same.

As at 1 January 2017, Helvetia established a new Executive Management structure and Group Executive Management was merged with key parts of Executive Management Switzerland.

Changes to subsidiaries

Austria

On 1 July 2016, Jürgen Horstmann, who until this date had served as a member of Executive Management for the Life business at Helvetia Germany and Austria, ended his dual mandate. His professional focus will in future be placed on Helvetia Germany.

Josef Gutschik left Helvetia as the member of Executive Management for Finance on 30 September 2016. His area and the Life department of Jürgen Horstmann were taken on by Andreas Bayerle as at 1 October 2016. As a former Board member in the area of finance at various insurance companies, Andreas Bayerle has the ideal specialist qualifications for this enlarged department.

Italy

Paola Canfora took up her position as Head of Non-Life Retail at Helvetia Italy on 16 September 2016. She replaced Claudio Rampin, who has left Helvetia. Paola Canfora has worked for various insurance companies for almost 20 years and boasts a wealth of insurance know-how.

Philipp Gmür

Doctorate in law (University of Fribourg), lawyer, LL.M. (Duke Law School), Swiss, Lucerne, 1963
Chief Executive Officer / Group CEO

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 Executive Management of Helvetia Switzerland: Head of Sales; 2003 Member of the Group Executive Management and CEO Switzerland; in his current position since 1 September 2016.

Appointments at listed companies
None

Appointments at other companies
Member of the Board Committee of the Swiss Insurance Association (SVV); Member of the Board of Directors of Coop Rechtsschutz AG, Aarau; Member of the Board of Directors at two other non-listed companies.

Pro bono appointments
Two Board of Trustees appointments.

Markus Gemperle

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

Professional background
1988–1990 Academic Assistant, Institute of Insurance Economics, University of St Gall; 1990 joined Helvetia Insurance: Head of various departments in the non-life business in Switzerland; 2002 Head of Corporate Centre Helvetia 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 the Group Executive Management: Head of Strategy & Operations; 2015 Member of the Group Executive Management in his current position.

Appointments at listed companies
None

Appointments at other companies
Chairman and Member of the Board of Directors at unlisted companies.

Pro bono appointments
Chairman of a Board of Trustees.

Ralph-Thomas Honegger

Doctorate from the University of Basel (Dr rer. pol.), Swiss, Arlesheim, 1959
Chief Investment Officer (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 the Group Executive Management in his current position with various appointments at foreign subsidiaries of the Helvetia Group.

Appointments at listed companies
Vice-Chairman of the Board of Directors of Allreal Group, Zurich.

Appointments at other companies
Head of the Investment Commission of the Raiffeisen Pension Fund; Honorary Consul General for Austria in Basel.

Pro bono appointments
None

Paul Norton

B.A. History (University of Reading / UK); Chartered Accountant, British and Swiss national, Zurich, 1961,
Chief Financial Officer (CFO) of the Helvetia Group

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

Appointments at listed companies
None

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

Pro bono appointments
None

David Ribeaud

Dipl. natural sciences ETH Zurich, actuary SAV
Swiss, Zurich, 1970
CEO 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 in current position.

No further appointments

Note: The CVs of the new members of the Executive Management from 1 January 2017 are available on the Internet at https://www.helvetia.com/corporate/content/en/ueber-uns/unternehmensfuehrung/geschaefts-leitung/geschaeftsleitungsmitglieder.html.

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 objectives are to further strengthen confidence in the 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 optimised throughout the Group. For the Board of Directors, the Executive Management and all employees of Helvetia, corporate governance is an ongoing process that is regularly reviewed. During this process, new developments, findings and needs are immediately integrated into daily tasks and responsibilities. Good corporate governance can only be truly effective if it is constantly aligned to the Group's strategy and positioning. For more information, please refer to pages 28 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 Corporate Governance Guidelines (RLCG) of 1 January 2016, and the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) of 20 November 2013. The compensation report included in the Annual Report (from page 79) provides details of our compensation system and the compensation paid to the Board of Directors and the Executive Management. 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 (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf) and the organisational rules with appendices (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/organisationsreglement.pdf) are also available on our website at https://www.helvetia.com/corporate/content/en/publikationen/unternehmenspublikationen.html. This website also contains plenty of additional interesting and up-to-date information.

1. Corporate structure and shareholders

1.1 Corporate structure

Helvetia is an international Swiss all-lines insurance group. The parent company, Helvetia Holding AG, is organised in accordance with Swiss law. The management structure is shown on page 33. This structure is intended to create the best possible legal, financial, fiscal and regulatory framework and to ensure smooth, efficient and flexible business operations.

On 20 October 2014, as part of a public purchase and exchange offer, Helvetia acquired 96.29 % of the registered shares of Schweizerische National-Versicherungs-Gesellschaft AG ("Nationale Suisse") and integrated the company as a subsidiary into the Group during the course of 2015. In other countries, the substantially smaller local Nationale Suisse offices were merged with Helvetia's offices in 2016 (exception: life business in Italy).

The complete list of Group companies, including investments, is shown from page 221.

Helvetia Holding AG has its head office in St Gall and is listed on the SIX Swiss Exchange in Zurich: security number / ticker 1 227 168 / HELN. Key data for investors is given on pages 52 to 54 under "Share and bonds". Following the delisting of Nationale Suisse in 2015, Helvetia Holding AG is now the only listed company within the Group. The Group's subsidiaries included in the scope of consolidation are listed on pages 221 and 222.

Reports on the main subsidiaries – Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall (Helvetia Versicherungen), and Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel (Helvetia Leben), – can be found in the Notes on page 230.

1.2 Major shareholders

We maintain an open and shareholder-friendly strategy in an effort to build up a widely diversified and informed shareholder base. We have a long-term and, in view of the positive development of the Group, very successful relationship with our major pool of shareholders, Patria Genossenschaft (founding partner), Raiffeisen and Vontobel (cooperation partners). On the reporting date, 14,625 (previous year: 13,203) 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 stock.

As regards our shareholder base, the holdings of the pool are worthy of special mention. The pool changed in 2016 when Vontobel Beteiligungs AG sold all its shares to Patria Genossenschaft on 2 November 2016 and formally left the shareholder pool. In spite of this transaction, the pool still owns 38.1 % of the share capital of Helvetia Holding and now comprises the shares of the following two partners:

– Patria Genossenschaft, Basel, with 34.1 %,
– Raiffeisen Schweiz, St Gall, with 4.0 %.

The pool agreement remains in force between Patria Genossenschaft and Raiffeisen without any changes. It 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 pool partners of the Helvetia Group in their capacity as strategically oriented, long-term investors and shareholders who are interested in the successful development of the company. The two pool members can still only sell their Helvetia shares with the consent of the other pool partner, who has 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, there are no significant business relationships between the pool partners and the Helvetia Group. These cooperation activities are charged at market conditions.

In 2016, two other shareholders of Helvetia fell below or exceeded the reporting threshold of 3 %: Blackrock (reported share: 2.91 % on 7 July 2016) and UBS Fund Management (reported share: 3.00 % on 5 October 2016). All Helvetia's notices on share transactions exceeding the reporting threshold can be viewed at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=HELVETIAP.

1.3 Cross-holdings

There are no cross-holdings that exceed 3.0 % of the capital or voting rights.

2. Capital structure

2.1 Capital

Helvetia Holding AG has share capital of CHF 994,513.70, consisting of 9,945,137 registered shares with a nominal value of CHF 0.10 each. At the year-end price of CHF 548.50 per share, this equals a market capitalisation of CHF 5,454.9 million.

2.2 Authorised and conditional capital

Authorised capital: The option to create authorised capital pursuant to Art. 3 of the articles of incorporation (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf) was exercised with the takeover of Nationale Suisse. The rights that had not been exercised by 17 September 2016 have expired in accordance with the articles of incorporation. Helvetia therefore no longer has any authorised capital.

Conditional capital: The share capital can be increased by a maximum of CHF 129,793.20 by issuing a maximum of 1,297,932 fully paid-up registered shares with a par value of CHF 0.10 each. The conditions for this are set out in Art. 4 of the articles of incorporation (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf).

2.3 Changes in capital

– In December 2004, an authorised share capital increase of CHF 23,598,750 was carried out by issuing 2,359,875 registered shares with a par 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 2.2.
– 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, 1,236,656 fully paid up registered shares were issued in October 2014 and 55,606 in March 2015 with a par value of CHF 0.10 each or CHF 129,226.20 in total. The share capital of Helvetia Holding AG thereby increased to CHF 994,513.70, consisting of 9,945,137 registered shares with a nominal value of CHF 0.10 each. The remaining authorised capital of a maximum of CHF 773.80 that could be created by issuing 7,738 fully paid-up registered shares with a par value of CHF 0.10 each expired on 17 September 2016 in accordance with the articles of incorporation.

2.4 Shares and participation certificates

The share capital comprises 9,945,137 fully paid-up registered shares with voting and dividend rights with a nominal value of CHF 0.10 each. There are no preferential rights or participation certificates. For more details concerning Helvetia shares, please refer to pages 52 to 54. On 31 December 2016, Helvetia held 49,638 treasury shares (0.49 %).

2.5 Dividend right certificates

There are no dividend right certificates.

2.6 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 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 and 8 of the articles of incorporation (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf). Any amendment by the Shareholders' Meeting to the statutory restriction of transferability referred to above requires a two-thirds majority of votes represented.

2.7 Convertible bonds and options

a) Convertible bonds
   No convertible bonds have been issued since 2004.
b) Options
   The Helvetia Group has not issued any options.
c) Employee options
   The Helvetia Group has not issued any employee options.

3. Board of Directors

See also the diagram and information provided on pages 56 to 61.

3.1 Members of the Board of Directors

As of the end of financial year 2016, the Board of Directors of Helvetia Holding AG consisted of 10 members. Dr Pierin Vincenz has been the Chairman of the Board of Directors since 1 October 2015. The Board of Directors of Helvetia Holding AG is identical to the Boards of Directors of the two subsidiaries, Helvetia Leben and Helvetia Versicherungen. All the members of the Board of Directors have experience and knowledge of a wide variety of fields. They have the requisite expertise to represent their personal opinion in discussions with the Executive Management. Since the 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 Board members is concerned, we follow the requirements of the Swiss Code of Best Practice for Corporate Governance and most recently also Circular 2017 / 2 Corporate Governance – Insurers issued by FINMA on 17 December 2016.

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. Its committees consist of non-executive members. The members of the Nomination and Compensation Committee and the Audit Committee have never been members of the Executive Management. The members of the Nomination and Compensation Committee have neither personal relationships with Helvetia or any business relationships through the companies and organisations represented by them; nor do they have 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 56 to 61. All Board members are non-executive directors. With the exception of Hans Künzle (CEO of Nationale Suisse until 31 December 2014 and a Board member from 1 January 2015), no Board member belonged to the Executive Management of the Helvetia Group or any of its Group 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.

3.2 Other activities and interests

Information on the activities and interests of the members of the Board of Directors is provided on pages 57 to 61.

In addition, there are the following business relationships with companies represented by members of the Board of Directors:

- Doris Russi Schurter and Jean-René Fournier represent Patria Genossenschaft in the shareholders' pool. Dr Patrik Gisel represents the Raiffeisen 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.
- State Councillor Jean-René Fournier is the only member of the Board of Directors who holds public political office.

3.3 Statutory rules regarding the number of activities allowed pursuant to Art. 12 para. 1 (1) VegüV

According to Art. 32 (mandates outside the Group) of the articles of incorporation (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf), members of the Board of Directors may not hold more than five additional mandates with listed companies and ten additional mandates with non-listed companies.

This restriction does not apply to:

a) Mandates with companies that are controlled by the company directly or indirectly or in joint agreement with third parties or which control the company directly or indirectly or in joint agreement with third parties;
b) Mandates accepted by a member of the Board of Directors on instructions of the company or companies directly or indirectly controlled by the company. Members of the Board of Directors may not hold more than ten such mandates; and
c) Mandates with associations, charitable organisations, foundations and staff pension funds. Members of the Board of Directors may not hold more than ten such mandates.

Mandates include mandates in the most senior governing or managing body of a legal entity that is obliged to register with the Commercial Register or a similar foreign register. Mandates with different legal entities controlled by the same company or beneficial owner count as a single mandate.

A list of such mandates of the individual Board members is provided on pages 57 to 61.

3.4 Election and term of office

All Board members, the Chairman and the members of the Nomination and Compensation Committee are individually elected at the Shareholders' Meeting each year in accordance with the provisions of the VegüV. Re-election of existing Board members is possible. The option of re-election ends at the latest with the Ordinary Shareholders' Meeting in the year in which a Board member turns 70. No Board member will reach the statutory age limit of 70 before or after the 2016 Shareholders' Meeting. Following the sale of the shares of Vontobel and its exit from the shareholders' pool, Herbert Scheidt will not stand for re-election at the 2017 Shareholders' Meeting. The other Board members, the Chairman and the other members of the Nomination and Compensation Committee will stand for re-election. The Board of Directors is proposing Dr Ivo Furrer as the new candidate for election to the Board of Directors to the 2017 Shareholders' Meeting.

The table on page 56 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

Corporate 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 diagram on page 56 shows the tasks that were delegated to the committees by the Board of Directors. 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 employ 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 in close cooperation with 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 (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/organisationsreglement.pdf), and the composition of each committee is presented on page 56.

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 the Helvetia Group. The SGC assumes duties and powers that have been assigned to it 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. In 2016, the SGC had five meetings, all of which were attended by all its members. 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 the compensation of the members of the Executive Management, and submits proposals on the fixed and variable salaries and remuneration of the members of the Executive Management to the Shareholders' Meeting. The NCC 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. The NCC also puts forward proposals regarding personnel decisions and appointments and dismissals of members of the 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 2016, the NCC had five meetings, all of which were attended by all 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. It proposes the strategic ranges of asset allocation, approves the investment strategy, supervises the investment activities of the Helvetia Group and decides on investments to the extent that the Board of Directors has delegated this task to it. The IRC determines the 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 2016, 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 2016. One of the Board members was absent from one of the 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, and verifies their compliance with applicable accounting standards and external reporting requirements. It assesses risk governance and risk organisation, and monitors the functional capacity and effectiveness of the internal control systems (ICS). The AC 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 optimum 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 development 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. The AC 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 2016. One member was absent from 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, 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 inspect any and all documents at all times.

The 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 external premises. 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 twice in 2016.

As a general rule, meetings are attended by all Board members and, in an advisory capacity, also some of the members of the Executive Management. Meetings are organised as follows: The meeting starts as a closed meeting of the Board of Directors for discussing internal topics. The meeting is then continued in the presence of the CEO and, depending on the topic, some or all of the members of the Executive Management.

In the reporting year, four half-day meetings were held as well as a two-day seminar, two in the absence of one director. 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 the 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 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: (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/organisationsreglement.pdf).

3.7 Information tools and control instruments regarding the Executive Management

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 country 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 II of the organisational regulations (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/organisationsreglement.pdf).

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 pages 62 to 65.

4.1 Members of the Executive Management

The members of the Executive Management are presented on page 63 et seq. The Executive Management has been headed by Dr Philipp Gmür since 1 September 2016. Together with the division heads of the Executive Management and the Executive Management boards of the country markets outside of Switzerland, he is responsible for the operational management of the Group. Further information is available on pages 33 and 62.

4.2 Other activities and interests

See pages 63 to 65.

4.3 Statutory rules regarding the number of activities allowed pursuant to Art. 12 para. 1 (1) VegüV

According to Art. 32 (mandates outside the Group) of the articles of incorporation (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf), members of the Executive Management may not hold more than five additional mandates with listed companies and ten additional mandates with non-listed companies. In practice, this rule is interpreted considerably more restrictively for members of the Executive Management as it is assumed that full-time members of the Executive Management have to invest their time at work primarily in the interests of the company and that external mandates should only be approved by way of exception (e.g. family companies or in order to gain additional experience by being a member of the board of another company).

This restriction does not apply to:

a) Mandates with companies that are controlled by the company directly or indirectly or in joint agreement with third parties or which control the company directly or indirectly or in joint agreement with third parties;
b) Mandates accepted by a member of the Executive Management on instructions of the company or companies directly or indirectly controlled by the company. Members of the Executive Management may not hold more than ten such mandates; and
c) Mandates with associations, charitable organisations, foundations and staff pension funds. Members of the Executive Management may not hold more than ten such mandates.

Mandates include mandates in the most senior governing or managing body of a legal entity that is obliged to register with the Commercial Register or a similar foreign register. Mandates with different legal entities controlled by the same company or beneficial owner count as a single mandate.

A list of such mandates of the individual members of the Executive Management is provided on pages 63 to 65.

4.4 Management contracts

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

5. Compensation, shares and loans

5.1 Contents and method for determining compensation and participation programmes and rules regarding voting on compensation by the Shareholders' Meeting

According to the VegüV, the Board of Directors is also in charge of general compensation issues and compensation models. It is supported in its work by the Nomination and Compensation Committee, which provides advice to the Board of Directors in the decision-making process in accordance with the internal organisational regulations and has final decision-making power in some areas.

Pursuant to the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV), the Board of Directors compiles a yearly compensation report submitting the total amounts of fixed and variable compensation of the Board of Directors and the Executive Management to the Shareholders' Meeting for approval. 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.

The Shareholders' Meeting therefore has the following powers in matters concerning compensation:

– As regards the general report on business performance: 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 Executive Management are determined.
– Approval of the following total amounts by way of individual voting:

a) fixed compensation of the Board of Directors for the period from the current Shareholders' Meeting to the next Shareholders' Meeting (prospective);
b) fixed compensation of the Executive Management for the period from 1 July following the current Shareholders' Meeting to 30 June of the next year (prospective);
c) variable compensation of the Board of Directors for the past financial year (retrospective);
d) variable compensation of the Executive Management for the past financial year (retrospective).

The delineation of powers for compensation matters is defined in Appendix I of the organisational regulations (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/organisationsreglement.pdf). For details on compensation, please refer to the compensation report on pages 85 to 91.

5.2 Statutory rules regarding principles of performance-related compensation and additional amount for new Executive Management members

In addition to their fixed compensation, the members of the Board of Directors and the Executive Management can also be paid a variable compensation that is based on the achievement of specific performance objectives. The variable compensation should target the business performance.

The performance objectives can include personal objectives, Group objectives and division-specific objectives. Objectives that are related to the market, other companies or similar benchmarks are also possible. The function and level of responsibility of the recipient of the variable compensation should be taken into account when formulating the performance objectives. The Board of Directors or, if the matter has been delegated to it, the Compensation Committee determines the weighting of the performance objectives and the target values and reports on these in the compensation report.

Compensation is paid in the form of cash, shares, options, similar instruments or units, benefits in kind or services. The Board of Directors or, if the matter has been delegated to it, the Compensation Committee determines the conditions and deadlines for allocation, exercise and transfer as well as the vesting periods and conditions of expiry, if any. The Board may decide that conditions and deadlines for exercise and transfer as well as vesting periods are shortened or cancelled, payments are made under the assumption that the target values are reached or payments are cancelled if specific events defined in advance should occur, such as a change in control or the termination of an employment or mandate relationship. In doing so, the Board of Directors takes account of the company's ability to recruit suitable employees on the labour market and to retain these employees.

Compensation can be paid by the company or by a company controlled by it (Art. 30 of the articles of incorporation, https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf).

If there are any changes to the Executive Management during the course of a year, the company or the companies controlled by it are authorised to pay an additional amount for this period to each member who joins the Executive Management or is promoted on the Executive Management after the date on which the Shareholders' Meeting approved the compensation if the amount that was already approved is not sufficient to cover their compensation. The additional amount per compensation period may not exceed 40% for the Chief Executive Officer and 25% for the other positions on the Executive Management of the total maximum amount of compensation that was most recently approved for the Executive Management (Art. 29 of the articles of incorporation, https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf).

5.3 Statutory rules for loans, credits and pension benefits to members of the Board of Directors and the Executive Management

Loans may only be granted to the members of the Board of Directors at market conditions and to the members of the Executive Management at the usual employee conditions. Loans may only be granted for as long as the total amount of all outstanding loans to members of the Board of Directors and the Executive Management, including the new loans, is not more than twice the total amount of compensation that was most recently approved by the Shareholders' Meeting (Art. 33 of the articles of incorporation, https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf).

6. Co-determination rights of shareholders

Helvetia observes the principle of equal treatment of shareholders.

6.1 Voting rights restrictions and proxy voting

Certain restrictions on voting rights that are identical to the 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 2016 Shareholders' Meeting, no individual shareholder or group of shareholders consisting of pool members with voting rights represented more than 10% of the voting rights, except for Patria Genossenschaft. No specific exceptions with respect to voting 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.

6.2 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 Patria Genossenschaft as individual shareholder and for the group of pool members mentioned in section 6.1 also apply here.

6.3 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 invitation and agenda are also published in the "Schweizerisches Handelsamtsblatt".

6.4 Addition of items to the agenda

Shareholders with voting rights who together represent shares with a par 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.

6.5 Registration of shares

The right to attend the Shareholders' Meeting (28 April 2017) 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 (18 April 2017) specified by the Board of Directors and announced in the "Schweizerisches Handelsamtsblatt". 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.

7. Change in control and protection measures

7.1 Obligation to announce takeover bids

Art. 26 of the articles of incorporation (https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/statuten.pdf) states that the obligation to announce a takeover bid in accordance with Art. 32 of the Stock Market Act (BEHG) only applies if a shareholder acquires 40% or more of the voting rights.

7.2 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.

8. Statutory auditors

8.1 Term 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' term of office must be renewed by the Shareholders' Meeting every year. The KPMG AG audit team for the 2016 financial year consisted of:

- Bill Schiller (since 2014), ACA, Partner Audit Financial Services; lead auditor.
- Andrea Bischof (since 2015), Swiss Certified Accountant, Senior Manager Audit Financial Services.

8.2 Audit fees

In the reporting year, the fees charged by the auditors amounted to CHF 4,328,394.00.

8.3 Fees for additional consultancy services

CHF 62,722.00

These fees covered legal and tax advisory services.

8.4 Information tools of the 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.

Representatives of the external auditors attend meetings of the Audit Committee in an advisory capacity. Copies of the minutes are sent to all 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 issues.

9. Information policy

Helvetia communicates with shareholders, potential investors, retail investors and the general public comprehensively and on a regular basis. Shareholders receive a short information brochure about the previous business year and most important key figures along with the invitation to the Shareholders' Meeting. The Annual Report and the interim report are both made available to the general public. Both documents are available on the website (https://www.helvetia.com/corporate/content/en/publikationen/infokit-jahresabschluss.html and https://www.helvetia.com/corporate/content/en/publikationen/infokit-halbjahresabschluss.html). Upon request the documents can also be sent to investors or interested parties free of charge. Other current and archived information on the 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 as investor interests such as the key figures, equity story, bonds, rating, annual and interim results and information about the stock 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. The following link can be used for this: http://webservices.newsbox.ch/helvetia/registration/executable/add_person.php.

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 provided 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, voting instructions to independent proxies and corrections of data can be processed online. Access is via www.shapp.ch. Instructions regarding initial registration are included in the invitation to the Shareholders' Meeting. Shareholders who are already registered are issued with the respective documentation electronically until further notice.

Compensation report

The first section of the compensation report of Helvetia Holding AG sets out the general principles, main components and criteria regarding the compensation concept and participation rights as well as the loan and credit terms and conditions for members of the Board of Directors and the Executive Management on Group level and the teams in the respective countries. It provides 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 Executive Management, which must be reported pursuant to VegüV. All sections comply with the "Swiss Code of Best Practice for Corporate Governance" as amended on 28 August 2014, the Corporate Governance Guidelines (RLCG) of SIX of 1 January 2016, Circular 2010/1 "Compensation Systems" by the Swiss Financial Market Supervisory Authority FINMA, the Swiss Code of Obligations and the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) of 20 November 2013, which entered into force on 1 January 2014.

I. General compensation principles

The 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 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 transparent, 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.

Helvetia remuneration model

	Fixed component	Variable component		
Board of Directors	✓	✓		
Executive Management / CEO	✓	✓	✓	✓
All employees in Switzerland	✓		✓	✓
	Base salary / basic remuneration	Long-term compensation component (LTC) as % of base salary / basic remuneration	Results-based compensation 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 chair-persons (cash) EM and employees: fixed salary based on individual function (position, skills, responsibility, etc.) incl. fringe benefits (cash)	Long-term investment instrument (Executive Management: calculation basis: shares; transfer of ownership in shares or in cash / Board of Directors: transfer of ownership only in shares)	Compensation paid depending on the general business performance (cash)	Variable compensation component based on personal target achievement (cash)

The Board of Directors is in charge of general compensation issues and compensation models. It is supported in its work by the Nomination and Compensation Committee, which provides assistance to the Board of Directors in the decision-making process in accordance with the internal organisational regulations and has final decision-making power in some areas. Pursuant to the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV), the Board of Directors compiles a yearly compensation report submitting the total amounts of fixed and variable compensation of the Board of Directors and the Executive Management to the Shareholders' Meeting for approval. 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.

The Shareholders' Meeting therefore has the following powers in matters concerning compensation:

a) As regards the general report on business performance: 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 Executive Management are determined.

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

The delineation of powers for compensation matters is defined in Appendix I of the organisational regulations: https://www.helvetia.com/corporate/content/dam/helvetia/corporate/en/about-us/documents/organisationsreglement.pdf.

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 and the compensation periods beginning subsequently (Board of Directors: Shareholders' Meeting to Shareholders' Meeting; Executive Management: 1 July to 30 June of the following year), 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 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 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 final approval by the Shareholders' Meeting (total amounts for the Board of Directors and 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.

When discussing a variable compensation component for the Board of Directors, the competent committee decided that the provision of some incentive to the Board of Directors is not detrimental to the company's healthy and successful development and that the scope and calculation of the variable compensation (which, depending on business performance, can range from CHF 0 to a maximum of CHF 37,500 per Board member or CHF 247,500 for the Chairman of the Board of Directors and is paid in shares that are only transferred three years later in full knowledge of the longer-term business performance) will not serve as a false incentive.

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 in the event of illness, the incapacity to work or 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 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 salary determined in advance, except for the Chairman whose higher fixed salary takes into account his greater involvement in management and operational activities of the company. The Vice-Chairmen, members of the committees and Chairmen of the 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, the fixed 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 on the basis of the closing price on the date of the meeting of the Nomination and Compensation Committee at which the extent of target achievement is determined. Ownership of the resulting number of shares is transferred after three years. When a Director leaves the Board, the LTC is calculated on a pro rata basis up to the end of the month in which he or she leaves the Board of Directors. 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. Other expenses can – provided they are not covered directly by the company – be billed.

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 did not participate in any previous share option programmes.

f) Severance pay, loans and discounts
No provision is made for severance payments, and no such payments were made or promised in the past or in the reporting year. Loans are granted at usual market conditions. In principle, Board members also do not benefit from any discounts (premium discounts, etc.) that are offered to Helvetia employees.

2. Compensation for the Executive Management

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

a) Fixed compensation
The members of the 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 is determined individually using a valuation system applied by the Hay Group, a company specialising in compensation issues, and takes account of the function and responsibility assumed by each Executive Management member as well as the compensation paid by the Group's competitors. It also includes all child or education allowances and long-service bonuses.

b) Variable compensation
The final 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 achievement of the personal targets agreed with the line manager in advance. The result of this multiplication is paid out to the Executive Management member 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.

Results-based compensation component (reference value 20% of fixed compensation): This compensation component based on the annual result is multiplied by the percentage of target achievement, which 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 for the relevant financial year with a special consideration of developments in Switzerland.

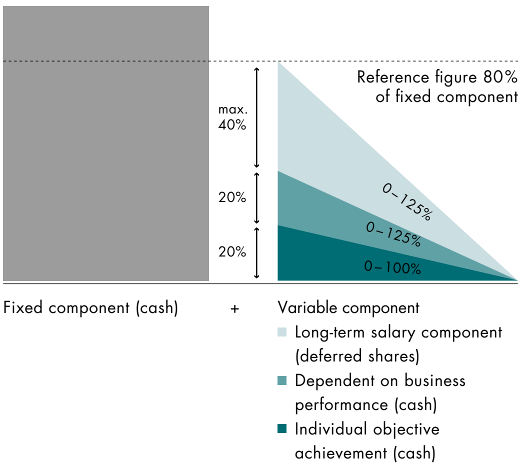
Long-term results-based compensation component (LTC up to no more than 40% of fixed compensation): This compensation component with a longer-term orientation is multiplied by the percentage of the strategic target achieved. In contrast to the regular results-based compensation component, the amount calculated in this way is granted to the Executive Management member in the form of a deferred claim to a certain number of shares. The relevant share price is calculated on the basis of the closing price on the date of the meeting of the Nomination and Compensation Committee at which the extent of target achievement is determined. The relevant 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 in the first preceding year, and no cancellation of any claims from the second preceding year. This concept establishes a direct link between the members of the Executive Management and the long-term development of the company in two ways: positive or negative share price trends over the three-year period, and the possibility that the number of allocated shares can be reduced retroactively.

On the date of allocation, the company and the Shareholders' Meeting approving these payments are fully aware of the cost of these LTC. Helvetia buys the corresponding number of shares on the allocation date and transfers these shares to a frozen custody account. After three years the exact same number of shares deposited in this frozen custody account is transferred to the ownership of the member of the Board of Directors / Executive Management. Helvetia does not incur any additional costs at this time. The price may change in the period between the allocation of deferred shares and the transfer of the shares to the ownership of the member of the Board of Directors / Executive Management. The member of the Board of Directors / Executive Management, and not the company, has exposure to price change risk (both positive and negative developments). In contrast with other systems, the number of shares allocated per financial year does not change over time if business is good. However, if business is bad, the member of the Board of Directors / Executive Management can lose out after three years (claw-back).

The extent to which strategic objectives have been achieved (ranging from 0 to 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 stocks).

Compensation for Executive Management



For the LTC (Board of Directors and Executive Management), 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 Executive Management. These variable compensation components (individual, results-based and LTC for the EM) 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 the Executive Management are entitled to a Helvetia company car which they may also use for private purposes for a fixed fee. The employer does not grant any other benefits in kind.

d) Shares and options
The members of the 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 para 3). They therefore also benefit from the 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 provision is made for severance payments, and no such payments were made or promised in the past or in the reporting year. 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. The employer pays the standard joint contribution. The employer also finances the option for members of the Executive Management to retire from the age of 60. These additional contributions are presented as part of the overall pension contributions made to members of the Executive Management. No extraordinary benefits are paid.

Local Executive Management Boards

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 Group 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 a sense of belonging to the Group of the Executive Management teams abroad.

3. Helvetia employees in Switzerland: share purchase plan

In 2005, an employee share purchase plan was introduced in Switzerland to allow employees to participate in the performance of Helvetia and thus to strengthen their personal ties to the company. Employees can purchase registered shares of Helvetia Holding AG at reduced prices. The number of available shares is specified by the Board of Directors, taking account of the financial results and the functions of the employees concerned. The purchase price is calculated on the basis of the average stock market price during the five trading days following the publication of the financial results. Participation in this scheme is voluntary. As these shares are subject to a mandatory vesting period of three years, they can be sold by the company at a tax-exempt discount of 16.038 %. The members of the Executive Management can also take part in this programme, but the members of the Board of Directors may not. The share purchase plan is not open to employees abroad. The costs associated with the share purchase plan in 2016 were recognised in the income statement at CHF 1.4 million (previous year: CHF 1.1 million).

II. Compensation paid to the Board of Directors and the Executive Management in 2016

This section provides information on the compensation, shares and loans granted to the members of the Board of Directors and the Executive Management of the Helvetia Group in the 2016 financial year.

1. Compensation paid to the Board of Directors

In the reporting year, the members of the Board of Directors received fixed compensation totalling CHF 2,859,502. The fixed compensation includes all allowances and expenses set out in the compensation regulations as well as the contributions to social insurance schemes (employer contributions AHV/IV/EO). A variable payment (including AHV/IV/EO) of CHF 543,939 in the form of a total of 903 deferred shares at a stock exchange price of CHF 573.00 on 6 March 2017 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 2,512,526 and variable remuneration of CHF 391,112 paid in the form of a total of 680 deferred shares at a stock exchange price of CHF 547.00.

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 normal customer conditions, had the same interest rate as in the previous year of 2.0%. There are no other insurance contracts, loans or guarantees.

On the basis of the termination agreement concluded with Hans Künzle in 2014 in connection with his resignation as CEO of Nationale Suisse, Helvetia had to allocate a further CHF 210,000 to the pension fund as of 1 July 2016 upon the definitive calculation basis for his retirement becoming available.

Compensation for the Board of Directors

	Fixed compensation		Variable compensation[1]		Total compensation	
	2016	2015	2016	2015	2016	2015
in CHF, incl. AHV/IV/EO						
Pierin Vincenz (Chairman) (since 1.10.2015)	770917	286534	222273	73622	993190	360156
Doris Russi Schurter (Vice-Chairwoman) (Chairwoman a.i. from 30.12.2014 until 30.9.2015)	254052	487195	32528	28183	286580	515378
Hans Künzle (Vice-Chairman) (since 1.1.2015)	445130[4]	198734	32528	28183	477658	226917
Hans-Jürg Bernet (Member)	206746	178755	32528	28183	239274	206938
Jean-René Fournier (Member)	147175	126180	32528	28183	179703	154363
Patrik Gisel (Member) (since 1.10.2015)	147175	31545	32528	7477	179703	39022
Balz Hösly (Member) (until Shareholders' Meeting 22.4.2016)	33290	170556[2]	9638	28183	42928	198739
Peter Kaemmerer (Member) (until Shareholders' Meeting 22.4.16)	33290	84120	9638	28183	42928	112303
Christoph Lechner (Member)[3]	238283	157725	32528	28183	270811	185908
John Martin Manser (Member) (until Shareholders' Meeting 22.4.2016)	61323	185765	9638	28183	70961	213948
Gabriela Maria Payer (Member)	147175	126180	32528	28183	179703	154363
Herbert J. Scheidt (Member)	199738	157725	32528	28183	232266	185908
Andreas von Planta (Member)	175208	321512[2]	32528	28183	207736	349695
Total	**2859502**	**2512526**	**543939**	**391112**	**3403441**	**2903638**

1 In deferred LTC shares
2 Additionally contains the fees paid to Mr A. von Planta and B. Hösly from 1.1.2015 until end of April 2015 for remaining on the Board of Directors of Nationale Suisse of CHF 177000 (A. von Planta) and CHF 69000 (B. Hösly).
3 Additionally contains the compensation for additional tasks.
4 Includes the additional payment in 2016 to the pension fund of CHF 210,000 owed under the former employment contract

Helvetia advanced this amount – which could not yet be taken into account in the 2016 / 2017 compensation agreement – under the condition that the Shareholders' Meeting approves this payment in the vote on the total amount of fixed compensation for the Board of Directors in 2017 / 2018 (see section III, 1., page 88). The amount has already been included in the compensation for Hans Künzle.

All compensation and fees paid to the Board of Directors are shown in the table on page 85. No payments were and are made to members of the Board of Directors who have left.

2. Compensation paid to the Executive Management

In the reporting year, the members of the Executive Management received fixed compensation totalling CHF 5,143,105. The fixed remuneration includes all scheduled allowances, meeting attendance fees and expenses. Variable remuneration of CHF 3,595,186 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 remuneration of CHF 4,781,450 and variable remuneration of CHF 3,358,127.

As part of this variable remuneration, the Executive Management was allocated LTC shares of CHF 1.56 million (previous year: CHF 1.44 million). This amount represents 2,730 shares at a price of CHF 573.00 on the reference date of 6 March 2017 (previous year: 2,635 shares at CHF 547.00).

Members of the Executive Management may conclude insurance contracts, loans and other services under the terms and conditions currently in effect for employees. At the reporting date, two mortgage loans had been granted to Philipp Gmür (CHF 1,000,000 [previous year: CHF 1,000,000]) and David Ribeaud (CHF 1,015,000 [previous year: CHF 595,000]). In the reporting year the loan to Philipp Gmür, which is a fixed mortgage at normal employee conditions, had an interest rate of 0.95 % (previous year: 1.65 %). The mortgage loan to David Ribeaud is divided into two tranches. The first tranche of CHF 595,000 had an annual interest rate of 0.89 % in 2016 (previous year: 0.89 %), the second of CHF 420,000 had an interest rate of 0.95 % p.a. in 2016. There are no other loans or guarantees.

During the reporting year, members of the Executive Management received non-monetary benefits as part of the company car programme valued at CHF 17,317 (previous year: CHF 25,910). All other benefits that the members of the Executive Management have received as employees (e.g. discounts on insurance products) are included in the fixed remuneration listed above. They did not receive additional benefits in kind or bill the company for any additional services.

During the financial year, Stefan Loacker resigned as Group CEO as of 31 August 2016 and left the company at this time. Dr Philipp Gmür, the existing CEO Switzerland, took over this role as part of the reorganisation of the Group and Switzerland management structures planned for 1 January 2017.

The compensation figures provided above and the following table include the compensation paid to Stefan Loacker for his time as CEO (1 January 2016 to 31 August 2016) and for the first four months (1 September 2016 to 31 December 2016) of his 12-month notice period. For the duration of his notice period, Stefan Loacker was entitled to the payment of the contractually owed fixed and variable compensation components. Like all former members of the Executive Management, he was and is not entitled to any severance pay or other non-contractual payments.

3. Highest individual compensation

The highest individual amount paid out in the reporting year was paid to Stefan Loacker (CEO until 31 August 2016). Subject to approval by the Shareholders' Meeting, this amounted to CHF 2,116,820 in total (previous year: CHF 1,952,416), comprising the following: cash remuneration of CHF 1,458,511 (fixed component CHF 1,030,111, variable component CHF 428,400), share-based payments of CHF 449,232 in the form of deferred shares, and employer contributions to pension funds of CHF 209,077.

Compensation for Executive Management

as of 31.12., in CHF million	2016	2015
Salaries and other short-term benefits:		
– Fixed compensation (incl. expense allowances, child / education allowances long-service awards, company car)	4 171 789	3 874 299
– Employer contributions to pension funds with respect to the fixed compensation	971 316	907 151
Total fixed compensation paid out	**5 143 105**	**4 781 450**
– Variable compensation[1]	1 722 529	1 594 087
– Share-based compensation in the form of deferred shares acquired during the financial year (LTC)[2]	1 564 290	1 441 345
– Employer contributions to pension funds with respect to the variable compensation	308 367	322 695
Total variable compensation	**3 595 186**	**3 358 127**
Total compensation	**8 738 291**	**8 139 577**

[1] Total bonus amount based on personal and results-based target achievement
[2] Comprises the value of the deferred shares allocated as part of the LTC

III. Compensation for the Board of Directors and the Executive Management to be approved by the 2017 Shareholders' Meeting

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

- Total amount of the fixed compensation for the Board of Directors for the period from the 2017 Shareholders' Meeting to the 2018 Shareholders' Meeting
- Total amount of the fixed compensation for the Executive Management for the period from 1 July 2017 to 30 June 2018
- Total amount of variable compensation for the Board of Directors for the past financial year 2016
- Total amount of variable compensation for the Executive Management for the past financial year 2016

As regards fixed compensation, these total amounts refer to different time periods in comparison to the figures given in section II and in reference to financial year 2016: Shareholders' Meeting to Shareholders' Meeting or 1 July to 30 June, respectively, of the year following the Shareholders' Meeting. These figures are therefore not directly comparable. To provide the reader with a comparison, however, the amounts to be approved are compared to the figures from the same period of the previous year (the amounts approved by the Shareholders' Meeting and actually paid out).

1. Approval of the total amount of fixed compensation for the Board of Directors for the period from the 2017 Shareholders' Meeting to the 2018 Shareholders' Meeting

The Board of Directors reviewed its fixed compensation and decided not to adjust the rates for the basic and various additional payments for the 2017/2018 period. Accordingly, the changes in the total fixed compensation submitted to the Shareholders' Meeting for approval refer to the personnel changes in the Board of Directors (resignations of the Board members Dr Balz Hösly, Dr Peter Kaemmerer and John Manser at the 2016 Shareholders' Meeting; resignation of Herbert Scheidt at the 2017 Shareholders' Meeting; proposed election of Dr Ivo Furrer at the 2017 Shareholders' Meeting). An amount for CHF 100,000 is included for special mandates given to individual Board members for which extra compensation in addition to the regular Board mandate can be paid.

In accordance with the allocation to the Pension Fund of Helvetia for Hans Künzle in connection with his resignation as CEO of Nationale Suisse as of 31 December 2014 and his retirement as of 1 July 2016, which is described above and was provisionally implemented in 2016, the relevant amount of CHF 210,000 will also be presented to the Shareholders' Meeting for approval as part of the total compensation package.

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

	Prospective 2017/2018	Actual 2016/2017	Approved 2016/2017	Change
Total fixed compensation	2 800 000	2 684 893	2 740 000	
Allocation to the pension fund for Hans Künzle[1]	210 000			
Total fixed compensation amount Board of Directors	**3 010 000**	**2 684 893**	**2 740 000**	**-2.0%**

[1] Allocation to the pension fund for Hans Künzle in connection with his retirement as CEO of Nationale Suisse as at 1 July 2016 to be approved retroactively

The Board of Directors requests approval from the Shareholders' Meeting for fixed remuneration for the Board of Directors in the total maximum amount of CHF 3,010,000 for the period from the Shareholders' Meeting 2017 to the Shareholders' Meeting 2018.

2. Approval of the total amount of fixed compensation for the Executive Management for the period from 1 July 2017 to 30 June 2018

The fixed compensation for the Executive Management up to 1 July 2017 has been reviewed and no function-related adjustments are to be made. The introduction of the new Helvetia Group structure, which will now include 11 Executive Management members, as of 1 September 2016 (change of CEO)/ 1 January 2017 does, however, give rise to significant changes to the proposed total amount. Within the new organisation of the Group management, which has chiefly seen the consolidation of the management bodies at Group level and in the Swiss country market, four members of the former Executive Management Switzerland team switched to the Executive Management as at 1 January 2017. On 1 April 2017, Adrian Kollegger and Achim Baumstark, who had both previously worked outside the company, were also appointed to the Executive Management as Head of Non-Life Switzerland and Chief Technology Officer, respectively.

In accordance with Art. 29 of the articles of incorporation, should there be changes within the Executive Management during the course of the year, each member who joins the Executive Management or is promoted within the Executive Management following the granting of approval by the Shareholders' Meeting for the proposed compensation can be paid an additional amount for this period if the compensation already approved by the Shareholders' Meeting is not sufficient to cover his or her compensation. The additional amount for each new member of the Executive Management may not exceed 25% and for a new CEO (promoted or new employee) 40% of the most recently approved total amount for the maximum compensation to be paid to the Executive Management (see also the explanations to Art. 5.2 from page 75 in the chapter on "Corporate governance"). Within the limits of these rules and in compliance with the approved maximum amounts, the following amounts will be paid to the new members of the Executive Management in addition to the fixed compensation already approved for the period from 1 July 2016 to 30 June 2017.

Additional amounts for the fixed compensation of new EM members for the 2016/2017 period
in accordance with Art. 19 VegüV/Art. 29 of the Helvetia Articles of Incorporation

	Actual 2016/2017	Employer contributions to pension funds with respect to the fixed compensation of new EM members	Total additional amounts for the fixed compensation of new EM members
Philipp Gmür (additional payment for CEO Group 1 September 2016 to 30 June 2017)	116700	21152	137852
Achim Baumstark (1 April to 30 June 2017)	110000	23072	133072
Donald Desax (1 January to 30 June 2017)	217500	51163	268663
Ralph Jeitziner (1 January to 30 June 2017)	217500	46016	263516
Reto Keller (1 January to 30 June 2017)	200000	45119	245119
Adrian Kollegger (1 April to 30 June 2017)	115000	14578	129578
Beat Müller (1 January to 30 June 2017)	200000	45119	245119
Total	**1176700**	**246219**	**1422919**

Without these additional amounts, the total period approved by the Shareholders' Meeting for the 2016/2017 period has been used up in full.

Within the framework of the new Group structure (change in CEO and new Executive Management members) and mostly assuming no other changes in the fixed payments, the total amount as per the following table will be proposed for the Executive Management for the 2017/2018 period.

Total fixed compensation Executive Management (EM) for the period from 1 July to 30 June

	Prospective 2017/2018	Actual 2016/2017	Approved 2016/2017	Change
Salaries and other short-term benefits:				
– Fixed remuneration (incl. expenses allowances child/education allowances and long services awards, company car) for existing EM members	3 500 000	4 094 993	4 095 000	
– Employer contribution to pension funds with respect to the fixed compensation of existing EM members	1 300 000	898 349	966 000	
Total amount for existing EM members	**4 800 000**	**4 993 342**	**5 061 000**	**–1.3%**
– Fixed remuneration (incl. expenses allowances child/education allowances and long services awards, company car) for new EM members	2 600 000	1 176 700		
– Employer contribution to pension funds with respect to the fixed compensation of new EM members	1 000 000	231 050		
Total amount for new EM members	**3 600 000**	**1 407 750**		
Total fixed compensation	**8 400 000**	**6 401 092**	**5 061 000**	

The Board of Directors thus requests approval from the Shareholders' Meeting for the fixed remuneration for the Executive Management in the total maximum amount of CHF 8,400,000 for the period from 1 July 2017 to 30 June 2018.

3. Approval of the total amount of variable compensation for the Board of Directors for the past financial year 2016

The calculation of the variable compensation of the Board of Directors was described in para. 2 and the amounts were disclosed in section II. As, in contrast to fixed compensation, variable compensation is defined and approved retrospectively, these amounts correspond to the amounts already stated in the reporting for the financial year 2016. The resulting differences between 2015 and 2016 arose from changes in the composition of the Board of Directors (resignation of three Board members at the 2016 Shareholders' Meeting) and the extent of target achievement. The method of calculation and the reference figures did not change.

Total sum variable compensation Board of Directors (retrospective) for financial year

	Retrospective 2016	Paid out 2016 for 2015	Approved for 2015	Change
Total variable compensation	520 000	371 960	372 000	
Employer contributions AHV/IV/EO	27 000	19 063	20 000	–
Total amount variable compensation Board of Directors	**547 000**	**391 023**	**392 000**	**0.0%**

The Board of Directors requests approval from the Shareholders' Meeting for total variable compensation for the Board of Directors in the amount of CHF 547,000 for the past financial year 2016.

4. Approval of the total amount of variable compensation for the Executive Management for the past financial year 2016

The variable compensation components of the Executive Management and their calculation were described in para. 2 and the amounts were disclosed in section II. Due to the retrospective definition and approval of the variable compensation, these amounts here also correspond to the amounts already stated in the reporting for the financial year 2016. The resulting differences between 2015 and 2016 arose solely from changes in the extent of target achievement and the already mentioned change of CEO. The method of calculation and the reference figures did not change.

Total sum variable compensation Executive Management (retrospective) for financial year

	Retrospective 2016	Paid out 2016 for 2015	Approved for 2015	Change
Variable compensation[1]	3 290 000	3 035 432	3 036 000	
Employer contributions to pension funds with respect to the fixed compensation (incl. AHV / IV / EO)	310 000	322 695	323 000	
Total variable compensation	**3 600 000**	**3 358 127**	**3 359 000**	**0.0 %**

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

The Board of Directors requests approval from the Shareholders' Meeting for total variable compensation for the Executive Management in the amount of CHF 3,600,000 for the past financial year 2016.

Report of the Statutory Auditor

To the General Meeting of Helvetia Holding AG, St. Gallen

We have audited the remuneration report dated 7 March 2017 of Helvetia Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (the Ordinance) contained in section II on pages 85 to 87 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. 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 Ordinance.

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 2016 of Helvetia Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Bill Schiller
Licensed Audit Expert
Auditor in Charge

Andrea Bischof
Licensed Audit Expert

Zurich, 7 March 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Business development

Business development

Market environment

Our market position in competitive markets

Over almost 160 years, the Helvetia Group has grown from individual Swiss and foreign insurance companies into a successful insurance group that is active throughout Europe. Helvetia is one of the top-three all-line insurers in the Swiss insurance market. Helvetia is also well positioned in other key European markets. Some of the biggest insurance markets include Switzerland, Germany, Italy and Spain with global market shares of 1.4%, 4.7%, 3.6% and 1.4%[1]. Helvetia is among the top-ten insurance companies in Austria. Because of the smaller market shares in Germany, Italy and Spain (see chart), Helvetia sees growth opportunities in these countries. It intends to exploit this potential by focusing on the needs of customers and distribution partners for whom the company is an ideal match owing to its size, distribution structures and geographic focus.

With the Specialty Markets segment, which comprises engineering insurance, transport, art and Active Reinsurance, Helvetia is further expanding its expertise as a specialty insurer.

Our market positions

Strong potential for growth based on room to expand market positions abroad

The markets in which Helvetia is active generate a volume of USD 750.8 billion, representing 16.5% of the global market[1].

CH **No. 3**
CHF 5 107 million
72% Life
28% Non-life

DE **No. 33**
CHF 822 million
31% Life
69% Non-life

AT **No. 10**
CHF 527 million
42% Life
58% Non-life

IT **No. 26**
CHF 863 million
43% Life
57% Non-life

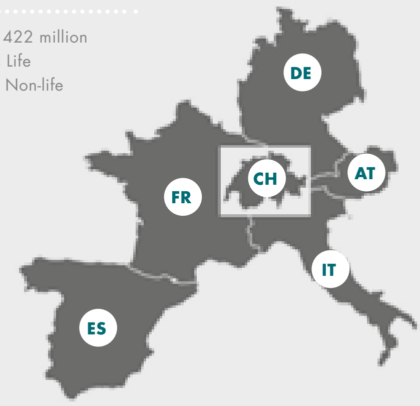
FR **Niche positions No. 2 (transport / marine)**
CHF 215 million

ES **No. 28**
CHF 422 million
30% Life
70% Non-life

[1] Sources: Sigma 3 / 2016, Swiss Re and Helvetia estimates

Market positions of country markets as at the end of 2015

Premium volumes of country markets for financial year 2016



Market environment in the European insurance market

Current market conditions[2] once again proved challenging to insurance companies in 2016 as a result of persistently low interest rates. GDP growth declined year-on-year both in the eurozone as well as the US. The global insurance market generated moderate growth with opposing trends in the non-life and life segments. The **non-life business** posted weaker growth in 2016 than in the previous year. In the industrialised countries, premium growth declined due to the sluggish economy and weaker prices in the corporate customer business. However, Western European countries exhibited some improvement, which was largely attributable to the strong motor vehicle insurance business in Germany and Spain. While non-life insurance in France remained stable at a weak level, premium income declined in Italy, albeit to a smaller extent than in previous years. According to estimates, the non-life business in Germany generated growth of 2.5% (previous year: 3.3%). The Italian non-life market contracted by a further 1.8% in 2016 following a sharp decline of 2.9% in the previous year. In contrast, the trend in Spain in particular was once again positive[3], with the Spanish non-life business growing by 4.5% last year. This was mainly attributable to gains in the motor vehicle insurance business, with premium volumes in this segment increasing by an estimated 5.1%. According to projections of the Swiss Insurance Association (SVV), premium income in the non-life insurance business in Switzerland increased by 1.1%[4].

Europe was mainly untouched by major storms and natural catastrophes last year[2]. Nevertheless, the Elvira and Friederike storms in Germany and France led to considerable weather-related claims, which caused the combined ratios of the insurance industries in these countries to increase by two percentage points and one percentage point, respectively. Due to the low level of market penetration of earthquake cover in Italy, only a small proportion of the costs of a series of earthquakes in that country were borne by the insurance industry.

In the past financial year, the **life insurance business** was once again dominated by conditions in the capital markets. The greatest challenges for life insurance companies were the low-interest environment and falling bond yields in the wake of the Brexit vote.

Growth in the life insurance market varied in the continental European markets in 2016. Premium volumes in Spain soared by 23.9%. Premiums in Germany declined at a slower rate market-wide than in the previous year. In Italy, growth in life insurance premiums slowed from 4.0% in 2015 to an estimated –2.1% in the year under review. The SVV projects that premiums in the Swiss life insurance business will decline by 6% in 2016[4].

The global **reinsurance market** remained an open market in 2016 and was characterised by overcapacity[2]. Global premium volumes in the area of non-life reinsurance rose by around 1.0%, driven by the growth in the industrialised countries (estimated 1.6%). Reinsurance prices continued to fall slightly in 2016, causing pressure on the providers of reinsurance solutions to remain high. Leading reinsurance companies anticipate that prices will bottom out soon and that the price pressure will subside. Furthermore, the demand for capital-efficient reinsurance solutions will likely be stimulated thanks to the introduction of new solvency requirements. The sector's technical results in the first half of the year under review were strong despite an increase in the claims burden owing to natural disasters and large claims. The sector's combined ratio for 2016 of an estimated 93% to 94% was somewhat higher than in previous years, due to the fact that unusually low catastrophe claims in previous years resulted in beneficial conditions.

Market environment in the European capital markets

The year 2016 was characterised by a number of pivotal political decisions – the "Brexit" vote, the election of Donald Trump as the president of the US and the resignation of Italian Prime Minister Renzi. These events were all preceded by a considerable amount of uncertainty but in retrospect had few effects on the financial markets.

Political unrest was a source of ongoing uncertainty. The widely evoked "uprising of angry citizens" at the ballot boxes concealed what was in fact quite a strong economic performance. Unemployment continued to decrease in the US, falling to long-time lows. The economic recovery in the eurozone continued and unemployment also decreased further in Europe.

The combination of political uncertainty and strong economic data did not bring about any real shift in monetary policy. The long-awaited rate hike in the US did not come until the end of December, when key interest rates were once again increased slightly. The European Central Bank did not yet choose to follow the US's lead, which means that the Swiss National Bank cannot yet change its policy and must retain its negative interest rates.

Yields on long-term bonds in all major currencies and in Swiss francs continued to plunge to all-time lows over the course of the year. Not until the US election was there a turnaround in US interest rates, which were mirrored to a limited extent by the euro and the Swiss franc.

The positive year-end closing prices on the stock markets – with the exception of the SMI – were able to compensate for the considerable slumps throughout the year. The euro and US dollar exchange rates

1 Source: sigma 3 / 2016, Swiss Re
2 Source: Swiss Re, Economic Research & Consulting, Global insurance review 2016 and outlook 2017 / 2018, November 2016
3 Versicherungswirtschaft heute (Insurance Studies Today), http://versicherungswirtschaft-heute.de/maerkte-vertrieb/spaniens-assekuranz-erzielt-praemienrekord/
4 Source: SVV (Swiss Insurance Association), http://www.svv.ch/de/medien/medienmitteilungen/versicherer-beweisen-ihre-leistungsfaehigkeit-anspruchsvollem-umfeld

with the Swiss franc remained relatively stable; only the British pound suffered major losses in the wake of the Brexit vote.

The real estate markets recovered in some peripheral countries and they remained stable at a high level in Germany and Switzerland, although it became more difficult to sign new leases outside of large cities. The demand for mortgage loans in Switzerland remains high. Margins are stable, although the introduction of new providers and the return of banks to the market have had a noticeable effect.

The economic environment should favour an optimistic outlook for 2017; nevertheless, some upcoming elections in Europe are likely to cause volatility. Rising inflation – in particular in the US, where the 2% level has been sustainably surpassed – should trigger a more restrictive monetary policy; however, statements from central banks tend to suggest an ongoing cautious stance.

Preliminary remark:
In the 2014 financial year, Helvetia acquired the Nationale Suisse Group and Basler Austria.

The IFRS profit for the period for Helvetia after the acquisitions is temporarily significantly impacted 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 to the end of the 2017 financial year, Helvetia is therefore putting emphasis on “underlying earnings”, which eliminate these temporary effects and therefore reflect the operating performance of the new Helvetia Group.

The Helvetia Group's business performance

Overview

For the insurance industry, 2016 once again proved to be a challenging year. Persistently low interest rates, volatile equity markets and the associated low returns characterised the market environment. Regulatory requirements also increased further with the introduction of Solvency II in the EU.

Helvetia continued to improve its result despite the difficult framework conditions. Underlying earnings amounted to CHF 491.8 million, up 12 % on the previous year. The net combined ratio at Group level improved by 0.5 percentage points over the prior year to 91.6 %. This was largely due to a year-on-year improvement in the claims experience. The business volume in original currency grew by 2.6 % Group-wide[1] to CHF 8,512.7 million despite portfolio optimisations in the non-life business and a challenging market environment in the life business.

Helvetia continued to push ahead quickly with the integration of Nationale Suisse and Basler Austria, which it acquired in 2014. Only the merger of the operating units in Italy and the migration of individual insurance portfolios have yet to be completed; however, these are planned to be carried out in the course of financial year 2017.

The successful integration is also reflected in the achievement of the synergy goals: underlying earnings include realised pre-tax synergies of CHF 118.3 million (financial year 2015: CHF 45.3 million).

Group business volume: Currency-adjusted increase of 2.6 % to CHF 8,512.7 million – portfolio optimisations in non-life business, satisfying development of modern life products

In financial year 2016, Helvetia generated a Group-wide business volume of CHF 8,512.7 million. This represents a 2.6 % increase (in OC) over the previous year (financial year 2015: CHF 8,235.3 million). Expressed in Swiss francs, the business volume grew by 3.4 %. The sharper increase was the result of exchange rate effects, as the trend in the euro franc exchange rate was positive.

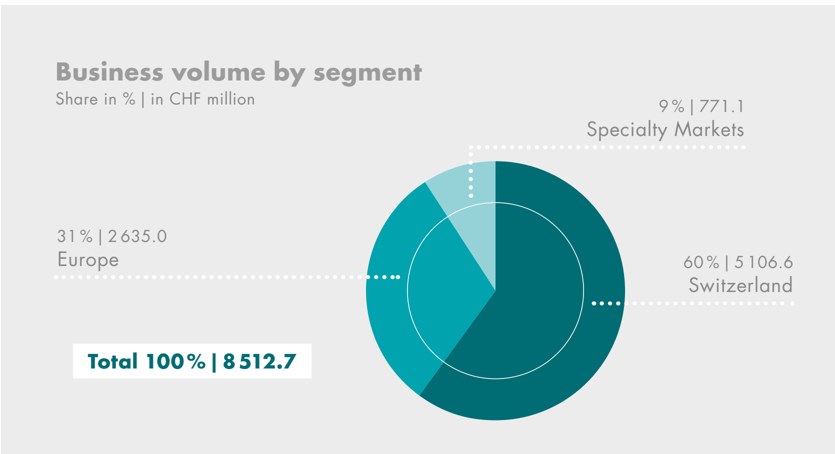
Viewed by **business area**, premiums in the non-life business in original currency increased by 1.5 % Group-wide, although Helvetia carried out deliberate portfolio optimisations in certain countries. Helvetia reported currency-adjusted growth of 3.4 % in the life business. Capital-efficient, modern products (investment-linked and investment deposits) were among the drivers of this growth and improved by 18.3 % in total (in OC) on the prior year. In line with the strategy, the premiums generated by traditional insurance solutions declined.

The performance of the premium volume in the life and non-life businesses is described in detail on pages 99 and 101.

[1] Original currency, abbreviated to OC

Helvetia Group key figures

	2016	2015	Growth in % (CHF)	Growth in % (OC)
in CHF million				
Total business volume	**8 512.7**	**8 235.3**	**3.4**	**2.6**
Gross premiums life	4 525.0	4 311.1	5.0	4.5
Investment deposits life	110.0	148.0	– 25.7	– 27.2
Total life	**4 635.0**	**4 459.1**	**3.9**	**3.4**
Gross premiums non-life	**3 877.7**	**3 776.2**	**2.7**	**1.5**



Breaking down the volume growth by **segment**, Switzerland generated the greatest absolute growth with gains of CHF 153.2 million or 3.1 %. In Europe, Helvetia generated a slightly smaller currency-adjusted business volume (–1.2 %), largely due to restructuring measures in the non-life portfolios in Germany, Italy and Spain. Helvetia also generated a 13.3 % increase in premiums over the previous year in the Specialty Markets segment. In line with the strategy, this growth was driven by Active Reinsurance.

Group underlying earnings: increased by 12.0 % to CHF 491.8 million.

Helvetia is also pleased with the past year's developments in terms of results. Underlying earnings[2] after taxes amounted to CHF 491.8 million, up 12 % on the prior year (financial year 2015: CHF 439.0 million).

In the **non-life business**, Helvetia improved its result by 2.6 % to CHF 340.5 million compared to the previous year (financial year 2015: CHF 331.8 million). This development was due to the positive technical performance.

In the **life business**, the result of CHF 173.5 million matched the previous year's level (financial year 2015: CHF 175.7 million), while the result for "Other activities" improved substantially from CHF –68.5 million in financial year 2015 to CHF –22.2 million.

Viewed by **segment**, underlying earnings in Switzerland rose to CHF 366.2 million (financial year 2015: CHF 364.9 million). Helvetia improved its underlying earnings in Europe to CHF 113.4 million (financial year 2015: CHF 98.4 million), and the result for the Corporate segment also increased year-on-year (financial year 2016: CHF –23.6 million; financial year 2015: CHF –67.8 million). The result in the Specialty Markets segment of CHF 35.9 million fell short of the previous year's figure (financial year 2015: CHF 43.4 million).

The following pages offer a detailed description of the performance for the individual life, non-life and other activities businesses as well as the IFRS segments Switzerland, Europe, Specialty Markets and Corporate.

Thanks to the successful implementation of the integration, underlying earnings include realised pre-tax synergies of CHF 118.3 million. CHF 82.8 million of this can be attributed to savings on personnel expenses and CHF 35.5 million to other cost reductions. As at 31 December 2016, around 446 employees had left the company as part of the integration of Nationale Suisse and Basler Austria, which has been under way since autumn 2014.

Helvetia Group's profit for the period reported under IFRS was CHF 376.6 million for financial year 2016 – compared to CHF 309.5 million in the previous year. The Group profit under IFRS was significantly influenced by the effects of the acquisitions.

[2] Underlying earnings are adjusted for integration costs as well as amortisation of intangible assets, additional planned depreciation due to the 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.

Reconciliation to the IFRS Group profit for the period

in CHF million	2016	2015	Growth in % (CHF)
Group underlying earnings after taxes*	**491.8**	**439.0**	**12.0**
of which: life	173.5	175.7	–1.2
of which: non-life	340.5	331.8	2.6
of which: other activities	–22.2	–68.5	–67.6
Integration costs	–56.9	–74.8	
Amortisation of intangible assets	–61.5	–59.8	
Additional depreciation due to revaluation at market values	–37.2	–42.5	
Additional tax effects and other	40.4	47.6	
IFRS Group profit for the period	**376.6**	**309.5**	21.7
*Underlying earnings include:			
Pre-tax synergies	118.3	45.3	
Pre-tax financing costs	13.3	13.3	

These include in particular:
- Integration costs of CHF 56.9 million,
- planned amortisation of intangible assets, and
- planned additional depreciation totalling CHF 98.7 million owing to the revaluation of interest-bearing securities.

Capital base and solvency remain solid

Helvetia still maintains a strong capital base. The SST ratio after the first half of 2016 was within the 140 % and 180 % range. Equity[3] increased from CHF 4,655.3 million as at the end of 2015 to CHF 4,812.6 million despite the distribution of an attractive dividend, mainly owing to the result.

The return on equity calculated on the basis of underlying earnings increased from 8.9 % in financial year 2015 to 9.7 % in the year under review.

Performance of business areas

Non-life

Non-life business volume: Currency-adjusted increase of 1.5 % in spite of portfolio optimisations

In financial year 2016, Helvetia generated premiums in the **non-life business** of CHF 3,877.7 million (financial year 2015: CHF 3,776.2 million). This represents a 1.5 % (in OC) increase over the previous year. Expressed in CHF, the growth rate was higher at 2.7 % due to exchange rate effects.

Viewed by **segment**, the Specialty Markets segment generated the greatest premium growth with an increase of 13.3 %. In line with the strategy, this growth was driven by Active Reinsurance. In the Switzerland segment, premiums increased year-on-year by 0.6 % to CHF 1,444.2 million. Currency-adjusted premiums for the Europe segment were down by 2.4 % on financial year 2015. The decrease is mainly the result of portfolio optimisations in Germany, Italy and Spain as well as a market-wide decline in the motor vehicle business in Italy.

Viewing premium growth by **insurance line**, Helvetia generated the greatest gains in Active Reinsurance (+40.1 %). Helvetia also slightly increased volume in the liability segment, while the health and accident business remained stable.

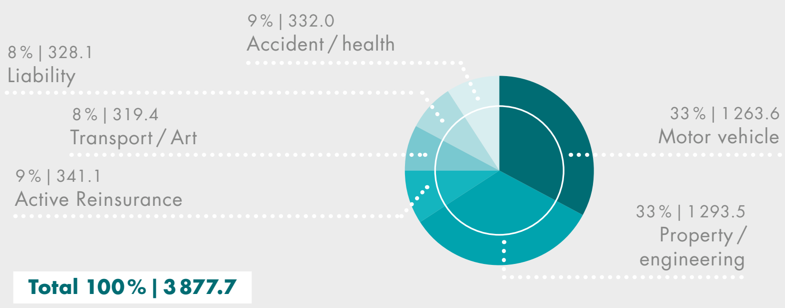
[3] Equity (without preferred securities)

Non-life business volume by segment

in CHF million	2016	2015	Growth in % (CHF)	Growth in % (OC)
Group business volume	**3 877.7**	**3 776.2**	**2.7**	**1.5**
Switzerland	**1 444.2**	**1 436.1**	**0.6**	**0.6**
Europe	**1 662.4**	**1 664.7**	**–0.1**	**–2.4**
Germany	568.4	579.6	–1.9	–4.2
Italy	494.1	502.8	–1.7	–4.0
Spain	295.5	292.7	0.9	–1.4
Austria	304.4	289.6	5.1	2.7
Specialty Markets	**771.1**	**675.4**	**14.2**	**13.3**
Switzerland / International	215.0	214.8	0.1	–0.4
France	215.0	217.1	–0.9	–3.2
Active Reinsurance	341.1	243.5	40.1	40.1

Non-life business volume by sector

Share in % | in CHF million



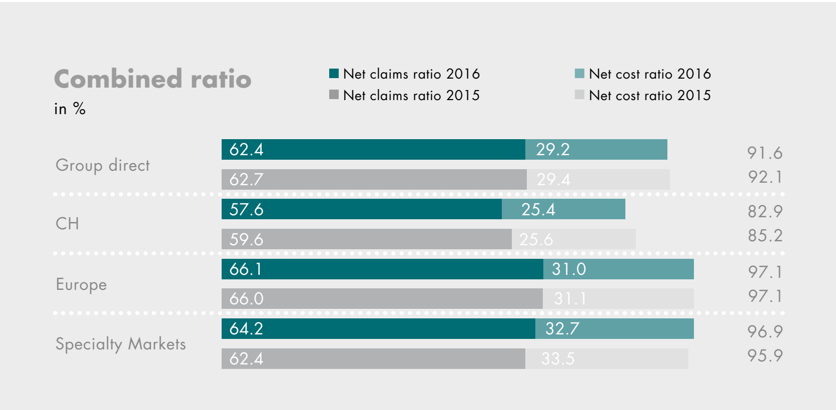
Underlying earnings Non-life: Good technical performance, investment result down year-on-year due to lower gains and losses on investments

Underlying earnings in the non-life business were CHF 340.5 million (financial year 2015: CHF 331.8 million). The improved results were driven by the technical result, while the investment result decreased year-on-year. The poorer investment result was largely due to lower gains on capital investments compared to the previous year, also owing to the weaker performance of the equity markets, in particular in the first half-year. Furthermore, Helvetia also realised significantly higher gains in financial year 2015 than in the year under review. This was mainly intended to compensate for currency losses resulting from the Swiss National Bank's decision to abandon the euro peg. Ultimately, the previous year's investment result benefited from higher real estate appreciation.

Net combined ratio: Very good net combined ratio of 91.6 % thanks to favourable claims ratio

The **net combined ratio** improved from 92.1 % in financial year 2015 to 91.6 % in financial year 2016. This was due in particular to the positive trend in the claims ratio. The improved claims experience, which was also characterised by considerably fewer large claims thanks to portfolio optimisations, caused the gross claims ratio to drop significantly in nearly all country markets. This also benefited Group reinsurance, to which the countries ceded fewer claims compared to the previous year. The net claims ratio improved accordingly from 62.7 % to 62.4 %. Thanks to realised synergies, the cost ratio also decreased from 29.4 % in financial year 2015 to 29.2 %. It should be noted that the synergies were not only realised in the non-life business, but to some extent also in the life business and in the Corporate segment. The synergies achieved in the non-life business would have had a greater impact on the cost ratio had it not been for certain compensating effects: For example, the portfolio optimisations carried out resulted in lower premium volumes in most units. Helvetia partially compensated for this by underwriting new business with a good risk profile, which has already had a noticeable effect on the claims ratio. On the other hand, however, the company accordingly incurred higher new business commissions. Moreover, there was a further negative effect during the reporting year from the adjustment of discount rates in connection with pension obligations (IAS 19).

The profit for the period under IFRS was CHF 251.2 million (financial year 2015: CHF 240.3 million). The difference from underlying earnings is due to the planned amortisation of intangible assets and depreciation of interest-bearing securities required under IFRS acquisition accounting as well as integration costs.



Life

Life business volume: Positive trend for modern insurance solutions, curtailment of traditional business

The life business generated a business volume of CHF 4,635.0 million, which represents a 3.4 % increase (in OC; financial year 2015: CHF 4,459.1 million) for Helvetia despite a challenging market environment. Expressed in Swiss francs, the increase was 3.9 %, owing to the currency effects mentioned above.

Viewed by **segment**, Helvetia increased the business volume in its Switzerland segment by 4.1 % to CHF 3,662.4 million (financial year 2015: CHF 3,517.3 million). Helvetia's business volume in the Europe segment increased by 0.9 % (in OC). Further details on the segments start on page 104.

Broken down by **insurance line**, the business volume in the individual life business increased by 1.5 % (in OC). With currency-adjusted growth of 18.3 % in total, the modern insurance solutions (investment-linked and investment deposits) performed very well. Sales of classic insurance solutions shrank in line with the strategy. However, this decline could be compensated in full by the strong performance of the modern insurance solutions. The group life business improved by 4.8 % (in OC) on the previous year. This growth was contributed almost exclusively by Switzerland.

Underlying earnings for life business: Stable earnings despite persistent low-interest environment

Helvetia's underlying earnings in the life business in the past financial year amounted to CHF 173.5 million (financial year 2015: CHF 175.7 million).

While the interest result improved considerably year-on-year – mainly because of the reduction in the statutory minimum interest rate for the Group life business – the risk result fell short of the previous year's figure largely owing to a weaker claims experience that was within the usual range of fluctuation. The net investment result improved compared to the previous year. However, the expenses for the interest-related strengthening of the reserves increased year-on-year, in particular in Switzerland and Germany.

The profit for the period under IFRS was CHF 150.6 million (financial year 2015: CHF 149.8 million). The IFRS result in particular includes integration costs as well as planned additional depreciation due to the revaluation of interest-bearing securities under IFRS acquisition accounting.

New business margin and Embedded Value

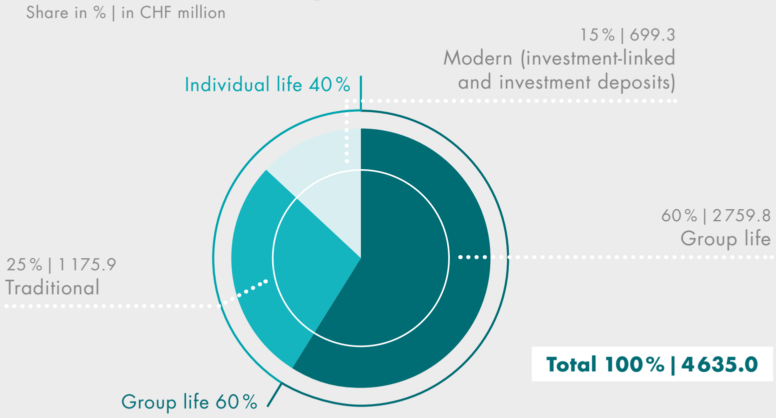
The new business margin for 2016 improved considerably year-on-year at 1.3 % (financial year 2015: 0.9 %). This reflected the success of various measures – such as the focused sales of modern insurance products and the revision of traditional products – that Helvetia implemented in the course of the year in order to improve the profitability of the life business.

As at the end of 2016, the Embedded Value of the Helvetia Group was CHF 3,264.1 million. This corresponds to an increase of 2.1 % from December 2015. The improvement was mainly driven by posi-

Life business volume by segment

in CHF million	2016	2015	Growth in % (CHF)	Growth in % (OC)
Group business volume	**4 635.0**	**4 459.1**	**3.9**	**3.4**
Switzerland	**3 662.4**	**3 517.3**	**4.1**	**4.1**
Europe	**972.6**	**941.8**	**3.3**	**0.9**
Germany	253.4	250.6	1.1	– 1.2
Italy	369.3	422.4	– 12.6	– 14.6
Spain	126.9	123.4	2.9	0.5
Austria	223.0	145.4	53.4	49.8

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



tive contributions from operating profit and new business. In contrast, the opposite effect was achieved by assumptions about future capital gains, which had to be retracted due to persistently low interest rates, although not to the same extent as in the previous year. As was the case in previous years, Helvetia financed the dividend that was distributed to shareholders also from the life units, which further decreased the Embedded Value.

Other activities

In addition to the Corporate segment (financing companies, Corporate Centre, centrally managed investments [funds] and Group reinsurance), “Other activities” also include various service companies outside Switzerland that cannot be allocated to life or non-life business.

The Other activities segment’s contribution to underlying earnings of CHF −22.2 million was much better than the previous year’s contribution of CHF −68.5 million. This is primarily attributable to a significantly higher technical result for Group reinsurance, which was burdened in the previous year by a worse claims experience and the reinsurance structure of the foreign units of the former Nationale Suisse portfolio in particular. The Corporate Centre also posted a substantially better result after the previous year was burdened by currency losses following the SNB’s decision to scrap the euro peg. There was also a positive tax effect in the reporting year.

The profit for the period under IFRS was CHF −25.2 million (financial year 2015: CHF −80.6 million).

Investments

Increased investment volume, stable asset allocation

Helvetia’s investment portfolio grew by CHF 1.6 billion to CHF 49.6 billion as at year-end. New funds were mainly invested in fixed-income securities, mortgages, real estate and, to a lesser extent, equities. The asset allocation remained almost stable. Fixed-income securities were the dominant asset class, accounting for 60 % of the portfolio, followed by investment property with 14 %, mortgages with 9 % and equities, investment funds and alternative investments with 7 %. In addition, financial assets, which were held for the risk and return of policyholders, amounted to CHF 3.1 billion or 6 % of the asset allocation.

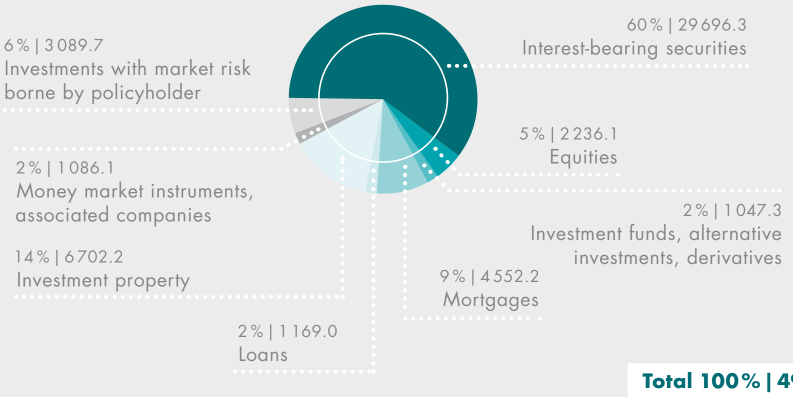
Stable investment income, strong performance

Despite persistently low and in some cases even negative interest rates, Helvetia increased its direct investment income by CHF 11.2 million to just below CHF 1 billion. Thanks to investments in foreign currency bonds, corporate bonds, long-term fixed-rate mortgages and real estate, the company was able to match the previous year’s direct yield of 2.2 %. The asset class with the undisputedly highest returns was once again real estate with a contribution of 3.6 %. The dividend yield reached an attractive level at 2.9 %, while bonds and mortgages each yielded 2.0 %, respectively.

The current investment result exceeded the previous year’s figure by CHF 38.8 million, reaching CHF 1,144.4 million. All investments made a positive contribution to the overall result. Factoring in value changes of assets classified as AFS recognised in equity, the performance was 2.5 %. In view of the overall performance of the equity markets and record-low interest rates, this amounts to a good result.

Prudent risk management

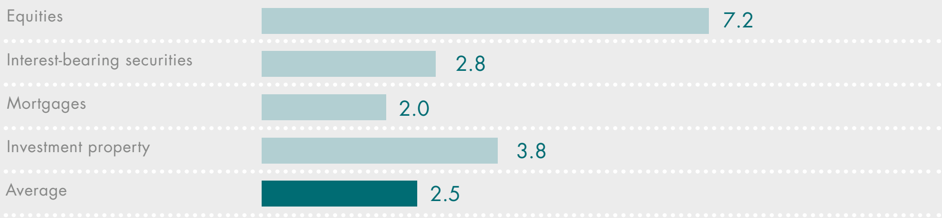
Despite favourable equity markets by year-end and slightly rising interest rates, risk management called for a consistently high level of attention. The markets remained prone to setbacks at all times as a result of ongoing economic, political and terrorism-related risks. Net foreign currency exposure in US dollars and euro was largely hedged all year long and the potential for losses from equity exposure was kept within predefined limits thanks to put options.



Performance of Group investments

in CHF million	2016	2015
Current income on Group financial assets	763.3	751.3
Rental income on Group investment property	236.3	237.1
Current income on Group investments (net)	**999.6**	**988.4**
Gains and losses on Group financial assets	131.5	61.0
Gains and losses on Group investment property	13.3	56.2
Gains and losses on Group investments (net)	**144.8**	**117.2**
Investment result from Group financial assets and investment property (net)	**1 144.4**	**1 105.6**
Change in unrealised gains and losses recognised in equity	4.2	–370.6
Total profit from Group financial assets and investment property	**1 148.6**	**735.0**
Average Group investment portfolio	45 566.6	44 801.5
Direct annualised return	2.2 %	2.2 %
Investment performance	2.5 %	1.6 %

Investment performance
in %



Outlook

The economic outlook is likely to improve further this year; however, the debt crisis, which has not yet been fully resolved, various geopolitical risks and economic policy reversals mean that setbacks cannot be ruled out. In view of this environment, the proven investment and risk policy will be continued this year. In particular, it will be important to stabilise current investment income and exploit opportunities for attractive extraordinary additional returns.

Segment business development
Switzerland

Overview

In Switzerland, Helvetia can look back on a solid business performance in financial year 2016. All key data improved from the previous year, further cementing the role of the home market of Switzerland as the cornerstone of the Helvetia Group.

Business volume grew to CHF 5,106.6 million, which corresponds to an increase of 3.1 %. Premiums in the non-life business increased by 0.6 % to CHF 1,444.2 million. Supported by the growth of the group life business, total business volume for the life business rose by 4.1 % year-on-year to CHF 3,662.4 million.

Underlying earnings were CHF 366.2 million, which represented a slight increase of CHF 1.3 million. Underlying earnings improved in the non-life business while they declined slightly in the life business.

In the **non-life business**, Helvetia benefited from an improved technical performance in Switzerland. In contrast, the investment result declined as a result of lower gains and losses on investments, owing among other things to the poor performance of equities in the first half-year in particular. Furthermore, Helvetia also realised significantly higher gains in financial year 2015 than in the year under review. This was mainly intended to compensate for currency losses resulting from the Swiss National Bank's decision to abandon the euro peg. Moreover, there was a further negative effect during the reporting year from the adjustment of discount rates in connection with pension obligations (IAS 19).

In the **life business**, underlying earnings decreased marginally overall despite an improvement in the operating result.

The improved operating result was driven by the interest result, which benefited from the reduction of the minimum interest rate in both the mandatory and non-mandatory group life business as at 1 January 2016 as well as the revision of traditional individual life products. The risk result was lower than in the previous year, mainly because of a weaker – but still within the usual range of fluctuation – claims experience. As a result of the market-related decrease in the investment result and higher interest-related strengthening of the reserves, underlying earnings decreased overall despite the corresponding adjustments to policyholder participation.

The IFRS result reported for the Switzerland segment for the period increased by 2.4% to CHF 285.7 million (financial year 2015: CHF 279.2 million) due to lower integration costs.

Non-life: Excellent combined ratio of 82.9% thanks to very good claims ratio; premium growth impacted by portfolio optimisations

Helvetia generated slight premium growth of 0.6% in the non-life business in financial year 2016. In the motor vehicle insurance business, Helvetia booked 1.5% more premiums than in the previous year. This increase was mainly due to the conversion of some motor vehicle policies of the former Nationale Suisse to Helvetia's billing period, resulting in stronger growth in the first half-year in particular, which weakened by year-end as expected. Helvetia carried out portfolio optimisations in the property and liability segments in the form of terminations, non-renewals of major contracts and reductions in coverage. Accordingly, premiums in these segments were stable to slightly decreasing.

The country market Switzerland posted an excellent **net combined ratio** in the past financial year of 82.9% (financial year 2015: 85.2%), which was considerably lower than in the previous year. Thanks to a good claims experience and an improved portfolio quality, the claims ratio fell from 59.6% in the previous year to 57.6%. The cost ratio improved from 25.6% to 25.4%, in part thanks to synergies. The synergies achieved had a fundamentally positive effect on the cost ratio; however, they were partially neutralised by various individual effects: As mentioned earlier, Helvetia ended with some poor performing business relationships in the past financial year and compensated for this with additional new business. However, this resulted in higher commission payments, as new business is generally associated with higher commissions than existing business. The adjustment of discount rates in connection with pension obligations (IAS 19) also had a negative effect on the cost ratio.

Life: Good demand for modern, capital-efficient individual life and group life products

The life business was still dominated by persistently low interest rates, volatile equity markets and an investment crisis in financial year 2016.

Group **life premiums increased by** 4.7%. Helvetia continued to pursue its full-range strategy in the reporting period, but maintained its selective underwriting policy with regard to new business. Nevertheless, single premiums increased by 8.2% year-on-year. This was, however, mainly due to a single transfer of policyholder bonuses into retirement assets, booked as premiums in the first half-year. The regular premiums – which are key to assessing business performance – also increased by CHF 9.8 million or 0.8%. Sales of products offered by Swisscanto, which Helvetia distributes via cantonal banks, were particularly pleasing. When it comes to these products, Helvetia serves solely as a reinsurer for death and disability.

Helvetia Switzerland generated growth of CHF 25.7 million or 2.7% in the **individual life business**. This growth was driven by the modern insurance solutions (investment-linked and investment deposits), which improved by 11.8% in total year-on-year. On the product side, the guarantee plan demonstrated a positive trend. The two "Value Trend" tranche products that were issued were also marketed successfully in a very challenging market

Key figures Switzerland

in CHF million	2016	2015	Growth in %
Total business volume	**5 106.6**	**4 953.4**	**3.1**
Life	3 662.4	3 517.3	4.1
Non-life	1 444.2	1 436.1	0.6
Combined ratio	**82.9%**	**85.2%**	**–2.3% points**
Underlying earnings	**366.2**	**364.9**	**0.3**
IFRS result	285.7	279.2	2.4

environment. The negative capital market environment, however, depressed demand for investment deposits. The business with traditional insurance solutions also declined in line with the strategy.

Europe

Overview

Helvetia can also look back on a successful business performance in the Europe segment. The company generated underlying earnings of CHF 113.4 million in financial year 2016, which represented an increase of 15.2 % over the previous year (financial year 2015: CHF 98.4 million).

With regard to business volume, in the Europe segment Helvetia booked premiums of CHF 2,635.0 million. In original currency, the business volume was therefore 1.2 % below the previous year's figure (financial year 2015: CHF 2,606.5 million), while it increased by 1.1 % in Group currency due to the exchange rate.

The decrease in volume in original currency was mainly due to restructuring measures that Helvetia implemented in the non-life portfolios in the Germany, Italy and Spain country markets. These portfolio optimisations were carried out following the acquisition of Nationale Suisse and have now been largely completed. The market-wide decline in the motor vehicle business in Italy also had a negative effect on volume growth.

Viewed by **business area**, Helvetia generated underlying earnings in the **non-life business** of CHF 73.7 million (financial year 2015: CHF 64.3 million). Alongside a slightly improved technical result, the increase was mainly due to one-off positive tax effects in Italy and Germany.

The **life result** was CHF 39.1 million, up 14.2 % on the prior-year period (financial year 2015: CHF 34.2 million). The main reason for the increase was a better overall investment result, which was positively impacted by the active realisation of gains and other special effects. In contrast, increased expenses for policyholder participations and higher expenses for interest-related reserves in Germany, Austria and Spain had the opposite effect.

Viewed by **market unit**, all countries except Austria increased their underlying earnings. The decline in earnings in Austria was due to lower real increases in real estate values in the non-life business compared to the previous year.

The IFRS result for the period reported for the Europe segment was CHF 83.2 million, which was 28.8 % below the previous year's figure (financial year 2015: CHF 64.6 million).

Key figures Europe

in CHF million	2016	2015	Growth in % (CHF)	Growth in % (OC)
Group business volume	**2 635.0**	**2 606.5**	**1.1**	**–1.2**
Life	**972.6**	**941.8**	**3.3**	**0.9**
Germany	253.4	250.6	1.1	–1.2
Italy	369.3	422.4	–12.6	–14.6
Spain	126.9	123.4	2.9	0.5
Austria	223.0	145.4	53.4	49.8
Non-life	**1 662.4**	**1 664.7**	**–0.1**	**–2.4**
Germany	568.4	579.6	–1.9	–4.2
Italy	494.1	502.8	–1.7	–4.0
Spain	295.5	292.7	0.9	–1.4
Austria	304.4	289.6	5.1	2.7
Underlying earnings	**113.4**	**98.4**	**15.2**	**12.5**
Germany	26.6	20.3	30.7	27.6
Italy	29.9	21.1	41.8	38.5
Spain	30.9	28.3	9.1	6.6
Austria	26.0	28.7	–9.4	–11.4
IFRS result	83.2	64.6	28.8	25.9

Non-life: Lower premium volume due to portfolio optimisations to improve profitability; stable combined ratio

The premium income generated by the non-life business in the Europe segment was CHF 1,662.4 million (financial year 2015: CHF 1,664.7 million). The currency-adjusted decline of 2.4% was largely attributable to the portfolio optimisations mentioned above.

Viewed by **market unit**, Austria increased its non-life premiums by 2.7 %. Helvetia restructured various portfolios in Germany, Italy and Spain, which had a negative impact on premium growth.

In Germany, these measures primarily affected the property (industrial), transport and motor vehicle business. In contrast, Helvetia generated year-on-year growth in the liability and health / accident insurance segments. However, this growth was not able to fully compensate for the decline. In line with the market, average premiums in the motor vehicle business in Italy declined in a very price-aggressive market environment. Italy also restructured the former Nationale Suisse portfolios. As planned, restructuring measures also eroded premiums in Spain. The rise in average premiums in the motor vehicle business caused by the Baremo effect could not fully compensate for this decline.

By **line of business**, liability posted growth of a currency-adjusted 4.4 %. Premiums also increased by 0.4 % in the health and accident segments. In all other lines, restructuring measures meant that premiums were down on the previous year.

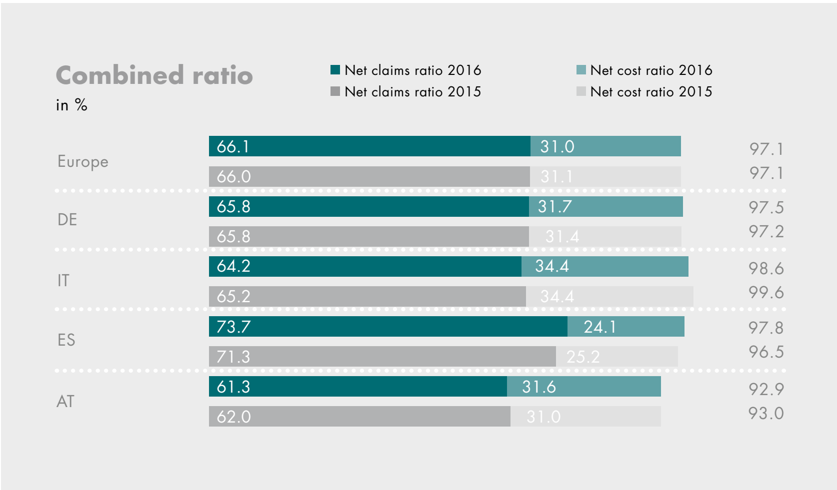
The **net combined ratio** of the Europe segment matched the previous year's figure at 97.1 %. The gross claims ratio improved considerably, also because of the portfolio optimisations. The net claims ratio increased slightly from 66.0 % to 66.1 % as the foreign units ceded more claims to Group reinsurance in the previous year. The cost ratio fell from 31.1 % to 31.0 %. All market units had net combined ratios below 100 %.

Life: Pleasing growth of 22.6 % for modern, investment-linked insurance products

In financial year 2016, Helvetia's life business volume increased by 0.9 % (in OC) from CHF 941.8 million in previous year to CHF 972.6 million.

Viewed by **market unit**, Austria's pleasing growth of 49.8 % should be emphasised in particular. In that country, the modern insurance solutions posted the largest gains. The Spanish unit also successfully marketed the modern insurance products (+3.4 %), which enabled it to compensate for the decline in traditional products together with still rapidly growing burial insurance. Overall, Spain posted slight growth of 0.5 % year-on-year. Premiums decreased in the Germany and Italy country markets. In Germany, the modern life insurance solutions also generated currency-adjusted growth of 8.4 % despite the challenging market environment. However, Helvetia Germany curtailed business with traditional insurance products, which resulted in a 1.2 % decline in the overall business volume. Helvetia Italy's business volume also decreased. This was in line with the market, which also contracted. The demand for investment-linked products in particular fell market-wide – as it did at Helvetia. These products had generated strong growth in the previous year.

Viewed by **line of business**, capital-efficient investment-linked insurance products generated satisfying growth of 22.6 % (in OC) throughout Europe. This growth was supported by higher premiums for unit-linked life insurance products in Germany, Spain and Austria. Investment deposits declined in a weak capital market environment. The traditional individual life business declined by 14.8 %.



Specialty Markets

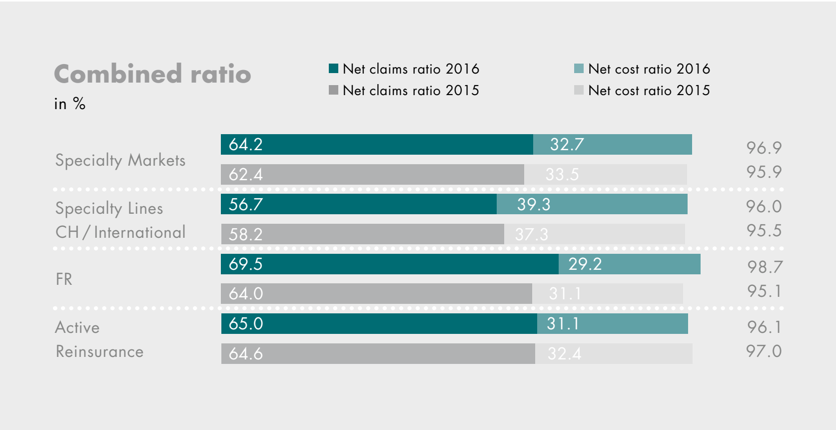
The premium volume generated in the Specialty Markets segment rose from CHF 675.4 million in financial year 2015 to CHF 771.1 million in the reporting period, which represents an increase of CHF 13.3 % (in OC). This growth was driven by Active Reinsurance, which reported a premium volume of CHF 341.1 million (financial year 2015: CHF 243.5 million), or 40.1 % more than in the previous year. In line with the strategy, this growth was the result of targeted diversification by region and business line as well as the selective expansion of existing business relationships. The Specialty Lines Switzerland / International market unit, which includes the Specialty Lines business in Switzerland and the international markets, generated stable premiums compared to the previous year in a difficult and highly competitive market environment (soft market). In France, Helvetia posted declining year-on-year premium volumes in currency-adjusted terms.

Underlying earnings amounted to CHF 35.9 million, down from CHF 43.4 million in financial year 2015. The decrease was mainly due to the lower technical result in France.

The **net combined ratio** was 96.9 % (financial year 2015: 95.9 %). Active reinsurance improved its combined ratio by 0.9 percentage points. The combined ratio of Specialty Lines Switzerland / International increased by 0.5 percentage points, which was due to the investment-related increase in the cost ratio. The increase in the combined ratio in France stems from a higher loss ratio due to a higher run-off result in the prior year. The cost ratio in France improved year-on-year to 29.2 % (financial year 2015: 31.1 %).

Key figures for Specialty Markets

in CHF million	2016	2015	Growth in % (CHF)	Growth in % (OC)
Total business volume	**771.1**	**675.4**	**14.2**	**13.3**
Non-life				
Switzerland / International	215.0	214.8	0.1	–0.4
France	215.0	217.1	–0.9	–3.2
Active Reinsurance	341.1	243.5	40.1	40.1
Underlying earnings	**35.9**	**43.4**	**–17.4**	**n. a.**
IFRS result	33.2	43.4	–23.6	–24.1



Corporate

The Corporate segment comprises the Corporate Centre and Group reinsurance, in addition to the financing companies and the holding company. At CHF –23.6 million, the contribution to underlying earnings of this segment is considerably better than the previous year's contribution of CHF –67.8 million. This came from the substantially improved result for Group reinsurance. The previous year was also burdened by higher exchange rate losses following the scrapping of the euro peg in January 2015.

Financial report

Consolidated financial statements of Helvetia Group

Notes to the consolidated financial statements

Financial statements of Helvetia Holding AG

Consolidated income statement

in CHF million	Notes	2016	2015
Income			
Gross premiums written	3	8402.7	8087.3
Reinsurance premiums ceded		–320.3	–326.4
Net premiums written		8082.4	7760.9
Net change in unearned premium reserve		–18.9	20.3
Net earned premiums		8063.5	7781.2
Current income from Group investments (net)	7.1.1	999.6	988.4
Gains and losses on Group investments (net)	7.1.3	144.8	117.2
Income investments with market risk for the policyholder	7.1.5	66.4	78.9
Share of profit or loss of associates		2.0	0.9
Other income		78.7	136.1
Total operating income		9355.0	9102.7
Expenses			
Claims incurred including claims handling costs (non-life)		–2309.7	–2388.6
Claims and benefits paid (life)		–3531.6	–3290.1
Change in actuarial reserves		–1248.7	–1159.6
Reinsurers' share of benefits and claims		73.3	125.1
Policyholder dividends and bonuses		–119.9	–127.5
Income attributable to deposits for investment contracts		–23.8	–43.7
Net benefits to policyholders and claims		–7160.4	–6884.4
Acquisition costs		–1026.4	–1016.6
Reinsurers' share of acquisition costs		78.4	62.2
Operating and administrative expenses		–586.1	–552.7
Interest payable		–15.6	–21.9
Other expenses		–183.9	–272.3
Total operating expenses		–8894.0	–8685.7
Profit or loss from operating activities		461.0	417.0
Financing costs		–33.2	–21.0
Profit or loss before tax		427.8	396.0
Income taxes	10.1	–51.2	–86.5
Profit or loss for the period		**376.6**	**309.5**
Attributable to:			
Shareholders of Helvetia Holding AG		376.6	307.8
Minority interests		0.0	1.7
Earnings per share:			
Basic earnings per share (in CHF)	11.5	36.07	28.98
Diluted earnings per share (in CHF)	11.5	36.07	28.98

Consolidated statement of comprehensive income

in CHF million	2016	2015
Profit or loss for the period	**376.6**	**309.5**
Other comprehensive income		
May be reclassified to income		
Change in unrealised gains and losses on investments	4.4	–370.1
Share of associates' net profit recognised directly in equity	–0.5	1.0
Change from net investment hedge	18.1	28.2
Foreign currency translation differences	–45.5	–166.2
Change in liabilities for contracts with participation features	41.7	161.8
Deferred taxes	–6.1	55.7
Total that may be reclassified to income	12.1	–289.6
Will not be reclassified to income		
Revaluation from reclassification of property and equipment	–0.2	–0.5
Revaluation of benefit obligations	35.5	–157.7
Change in liabilities for contracts with participation features	–4.3	20.4
Deferred taxes	–6.3	28.9
Total that will not be reclassified to income	24.7	–108.9
Total other comprehensive income	36.8	–398.5
Comprehensive income	**413.4**	**–89.0**
Attributable to:		
Shareholders of Helvetia Holding AG	413.4	–88.9
Minority interests	0.0	–0.1

Consolidated balance sheet

in CHF million	Notes	2016	2015
Assets			
Property and equipment	5	487.1	495.9
Goodwill and other intangible assets	6	1 218.0	1 176.9
Investments in associates	7.4.1	17.6	17.1
Investment property	7.5	6 702.2	6 429.1
Group financial assets	7.2	39 769.4	38 607.2
Investments with market risk for the policyholder	7.2	3 089.7	2 885.6
Receivables from insurance business	9.7	1 214.3	1 316.0
Deferred acquisition costs	9.6	458.2	467.6
Reinsurance assets	9.5	545.0	553.4
Deferred tax assets	10.5	31.2	28.0
Current income tax assets		22.4	25.1
Other assets		405.1	297.9
Accrued investment income		323.6	342.0
Cash and cash equivalents		942.7	1 503.0
Total assets		**55 226.5**	**54 144.8**

in CHF million	Notes	2016	2015
Liabilities and equity			
Share capital	11.1	1.0	1.0
Capital reserves		661.0	660.9
Treasury shares		−8.0	−6.5
Unrealised gains and losses (net)	11.2.4	264.4	232.0
Foreign currency translation differences		−486.8	−457.9
Retained earnings		3091.6	2994.7
Valuation reserves for contracts with participation features	11.2.5	1278.7	1215.8
Equity of Helvetia Holding AG shareholders		4801.9	4640.0
Minority interests		10.7	15.3
Equity (without preferred securities)		4812.6	4655.3
Preferred securities	11.3	700.0	700.0
Total equity		5512.6	5355.3
Actuarial reserves (gross)	9.1	34954.3	33802.6
Provision for future policyholder participation	9.1	1908.2	1925.7
Loss reserves (gross)	9.1	4630.8	4616.0
Unearned premium reserve (gross)	9.1	1317.9	1304.6
Financial liabilities from financing activities	8.1	978.4	935.2
Financial liabilities from insurance business	9.8	1693.1	1909.0
Other financial liabilities	8.2	351.5	231.7
Liabilities from insurance business	9.7	1836.9	1975.2
Non-technical provisions	12.1	140.6	152.8
Employee benefit obligations	13.2	830.8	866.3
Deferred tax liabilities	10.5	771.9	788.2
Current income tax liabilities		63.0	32.4
Other liabilities and accruals		236.5	249.8
Total liabilities		49713.9	48789.5
Total liabilities and equity		**55226.5**	**54144.8**

Consolidated statement of equity

	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
Notes	11.1			11.2.4
in CHF million				
Balance as of 1 January 2015	1.0	657.8	–8.2	321.7
Profit or loss for the period	–	–	–	–
Income and expense that may be reclassified to income	–	–	–	–89.6
Income and expense that will not be reclassified to income	–	–	–	–0.3
Total other comprehensive income	–	–	–	–89.9
Comprehensive income	–	–	–	–89.9
Transfer from / to retained earnings	–	–	–	–
Change in minority interests	–	–	–	0.2
Purchase of treasury shares	–	–	–9.2	–
Sale of treasury shares	–	3.4	10.9	–
Share-based payment	–	1.5	–	–
Dividends	–	–	–	–
Share capital increase	0.0	–	–	–
Shareholders' contributions	–	45.0	–	–
Allocation of shareholders' contributions	–	–45.0	–	–
Issuance of preferred securities	–	–1.8	–	–
Redemption of preferred securities	–	–	–	–
Balance as of 31 December 2015	**1.0**	**660.9**	**–6.5**	**232.0**
Balance as of 1 January 2016	1.0	660.9	–6.5	232.0
Profit or loss for the period	–	–	–	–
Income and expense that may be reclassified to income	–	–	–	31.9
Income and expense that will not be reclassified to income	–	–	–	–0.1
Total other comprehensive income	–	–	–	31.8
Comprehensive income	–	–	–	31.8
Transfer from / to retained earnings	–	–	–	–0.2
Acquisition of subsidiaries	–	–	–	–
Change in minority interests	–	–	–	0.8
Purchase of treasury shares	–	–	–11.0	–
Sale of treasury shares	–	–1.6	9.5	–
Share-based payment	–	1.7	–	–
Dividends	–	–	–	–
Shareholders' contributions	–	45.0	–	–
Allocation of shareholders' contributions	–	–45.0	–	–
Balance as of 31 December 2016	**1.0**	**661.0**	**–8.0**	**264.4**

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					
−322.2	2997.6	1261.1	4908.8	54.3	4963.1	700.0	5663.1
–	272.1	35.7	307.8	1.7	309.5	–	309.5
−135.8	–	−62.4	−287.8	−1.8	−289.6	–	−289.6
–	−76.7	−31.9	−108.9	0.0	−108.9	–	−108.9
−135.8	−76.7	−94.3	−396.7	−1.8	−398.5	–	−398.5
−135.8	195.4	−58.6	−88.9	−0.1	−89.0	–	−89.0
–	−20.5	−1.0	−21.5	0.0	−21.5	21.5	0.0
0.1	0.6	14.3	15.2	−37.6	−22.4	–	−22.4
–	–	–	−9.2	–	−9.2	–	−9.2
–	–	–	14.3	–	14.3	–	14.3
–	–	–	1.5	–	1.5	–	1.5
–	−178.4	–	−178.4	−1.3	−179.7	−21.5	−201.2
–	–	–	0.0	–	0.0	–	0.0
–	–	–	45.0	–	45.0	–	45.0
–	–	–	−45.0	–	−45.0	–	−45.0
–	–	–	−1.8	–	−1.8	300.0	298.2
–	–	–	–	–	–	−300.0	−300.0
−457.9	**2994.7**	**1215.8**	**4640.0**	**15.3**	**4655.3**	**700.0**	**5355.3**
−457.9	2994.7	1215.8	4640.0	15.3	4655.3	700.0	5355.3
–	330.5	46.1	376.6	0.0	376.6	–	376.6
−27.4	–	7.5	12.0	0.1	12.1	–	12.1
–	17.3	7.6	24.8	−0.1	24.7	–	24.7
−27.4	17.3	15.1	36.8	0.0	36.8	–	36.8
−27.4	347.8	61.2	413.4	0.0	413.4	–	413.4
–	−21.1	1.7	−19.6	0.0	−19.6	19.6	0.0
–	−43.6	–	−43.6	7.7	−35.9	–	−35.9
−1.5	2.4	–	1.7	−12.2	−10.5	–	−10.5
–	–	–	−11.0	–	−11.0	–	−11.0
–	–	–	7.9	–	7.9	–	7.9
–	–	–	1.7	–	1.7	–	1.7
–	−188.6	–	−188.6	−0.1	−188.7	−19.6	−208.3
–	–	–	45.0	–	45.0	–	45.0
–	–	–	−45.0	–	−45.0	–	−45.0
−486.8	**3091.6**	**1278.7**	**4801.9**	**10.7**	**4812.6**	**700.0**	**5512.6**

Consolidated cash flow statement

in CHF million	2016	2015
Cash flow from operating activities		
Profit before tax	427.8	396.0
Reclassifications to investing and financing activities (affecting cash)		
Realised gains and losses on property, equipment and intangible assets	–8.9	–1.2
Realised gains and losses on sale of affiliated and associated companies	–1.1	–7.6
Dividends from associates	–1.1	–0.7
Adjustments		
Depreciation / amortisation of property, equipment and intangible assets	110.2	128.5
Realised gains and losses on financial instruments and investment property	–136.0	–258.2
Unrealised gains and losses on investments in associates	–0.9	–0.1
Unrealised gains and losses on investment property	–10.5	–44.5
Unrealised gains and losses on financial instruments	163.0	134.3
Share-based payments for employees	1.7	1.5
Foreign currency gains and losses	–59.2	128.6
Other income and expenses not affecting cash[1]	–182.3	27.6
Change in operating assets and liabilities		
Deferred acquisition costs	7.0	10.4
Reinsurance assets	15.7	38.3
Actuarial reserves	1 248.8	1 159.5
Provisions for future policyholder participation	–24.3	–56.8
Loss reserves	43.2	36.1
Unearned premium reserve	24.3	–21.1
Financial liabilities from insurance business	–27.6	–203.3
Changes in other operating assets and liabilities	–241.4	–274.2
Cash flow from investments and investment property		
Purchase of investment property	–296.9	–202.5
Sale of investment property	22.1	126.0
Purchase of interest-bearing securities	–4 688.2	–5 255.2
Repayment / sale of interest-bearing securities	3 701.2	4 780.7
Purchase of shares, investment funds and alternative investments	–1 479.6	–1 347.2
Sale of shares, investment funds and alternative investments	1 018.9	1 289.1
Purchase of structured products	–14.1	–13.8
Sale of structured products	68.2	0.8
Purchase of derivatives	–19 353.0	–17 769.5
Sale of derivatives	19 256.8	17 744.1
Origination of mortgages and loans	–609.4	–579.6
Repayment of mortages and loans	384.8	399.8
Purchase of money market instruments	–3 322.3	–4 292.0
Repayment of money market instruments	3 739.4	3 679.2
Cash flow from operating activities (gross)	–223.7	–247.0
Income taxes paid	–39.9	–71.0
Cash flow from operating activities (net)	–263.6	–318.0

in CHF million	2016	2015
Cash flow from investing activities		
Purchase of property and equipment	–26.5	–35.5
Sale of property and equipment	14.9	4.6
Purchase of intangible assets	–20.7	–28.0
Sale of intangible assets	1.0	2.4
Purchase of investments in associates	–0.1	0.0
Sale of investments in associates	–	0.2
Purchase of investments in subsidiaries, net of cash and cash equivalents	–106.4	–
Sale of investments to former subsidiaries, net of cash and cash equivalents	12.3	7.8
Dividends from associates	1.1	0.7
Cash flow from investing activities (net)	–124.4	–47.8
Cash flow from financing activities		
Increase of share capital	–	0.0
Sale of treasury shares	7.9	14.3
Purchase of treasury shares	–11.0	–9.2
Shareholders' contributions	45.0	45.0
Purchase of investments in subsidiaries	–21.6	–22.4
Issuance of preferred securities	–	297.8
Redemption of preferred securities	–	–300.0
Issuance of debt instruments	34.4	26.0
Repayment of debt	–3.8	–2.6
Dividends paid	–213.2	–206.9
Lease payments under finance lease	–2.3	–2.2
Cash flow from financing activities (net)	–164.6	–160.2
Effect of exchange rate differences on cash and cash equivalents	–7.7	–61.4
Total change in cash and cash equivalents	**–560.3**	**–587.4**

	2016	2015
Cash and cash equivalents		
Cash and cash equivalents as of 1 January	1 503.0	2 090.4
Change in cash and cash equivalents	–560.3	–587.4
Cash and cash equivalents as of 31 December	**942.7**	**1 503.0**

	2016	2015
Composition of cash and cash equivalents		
Cash	0.3	0.3
Due from banks	917.4	1 463.3
Other cash equivalents with a maturity of less than three months	25.0	39.4
Balance as of 31 December	**942.7**	**1 503.0**

	2016	2015
Other disclosures on cash flow from operating activities:		
Interest received	801.4	847.8
Dividends received	87.2	83.9
Interest paid	20.4	21.8

[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 Gall, 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. Helvetia also has branches in Singapore and Malaysia and representative offices in Liechtenstein, the USA and Turkey. Some of Helvetia's investment and financing activities are managed through subsidiaries and fund companies in Luxembourg, Ireland and Jersey.

The Board of Directors approved the consolidated financial statements and released them for publication at its meeting on 7 March 2017. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 28 April 2017.

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 2.5 (page 121).

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:

– Disclosure initiative - Amendments to IAS 1: Presentation of financial statements
– IFRS 11: Acquisitions of interests in joint operations
– Annual improvements to IFRS (cycle 2012–2014)

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 2016 consolidated financial statements:

Changes in accounting policies	to be applied for annual periods beginning on / after:
IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Disclosure initiative – Amendments to IAS 7	1 January 2017
IFRS 15: Revenue from Contracts with Customers	1 January 2018
IFRS 9: Financial Instruments	1 January 2018
IFRS 4: Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	1 January 2018
IAS 40: Transfers of Investment Property	1 January 2018
Annual improvements to IFRS (cycle 2014 – 2016)	1 January 2018
IFRS 16: Leasing	1 January 2019

The amendment to IFRS 4, which was published in September 2016, provides companies that are primarily active in the insurance business with the option to postpone the introduction of IFRS 9 until 1 January 2021 at the latest. Helvetia will make use of this deferral option. 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 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.

2.3.1 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.

2.3.2 Associates

Associates of Helvetia Group are accounted for using the equity method if significant influence is exercised by Helvetia Group. 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 Helvetia Group are listed together with the fully consolidated subsidiaries from the table in section 18.3 (from page 221).

2.4 Foreign currency translation

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

2.4.1 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 "Reserve for 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 145).

2.4.2 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.

Foreign currency translation differences are generally recognised in the income statement. 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.

2.5 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.

2.5.1 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.

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).

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.

The "Level" categories relate to the observability of prices and valuation factors and are not an indication of the quality of a financial instrument.

2.5.2 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.

2.5.3 Fair value of investment property

In Switzerland, Germany and Austria, investment properties are valued in accordance with the discounted cash flow (DCF) method. The method is described in section 2.11.1 (page 125).

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, use and location of the property in question. The discount rates applied in the reporting period are set out in section 7.5 (page 157).

2.5.4 Insurance-specific estimate uncertainties

The uncertainties regarding estimates in the area of technical results are explained in section 2.15 (from page 127). Any material change to the parameters used for the calculation of the provisions is commented on in sections 9.3 from page 170 (non-life business) and 9.4 on page 172 (life business).

2.5.5 Impairment of goodwill

Capitalised goodwill is tested annually for impairment. The method is described in section 2.10 (page 124). The recoverable amount is calculated on the basis of several assumptions, which are disclosed in section 6 (from page 148).

2.6 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 16.4 (from page 203) as part of the risk assessment process.

2.7 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 2.10, page 124).

2.8 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. The leasing liability is recognised in the same amount. The leasing instalment is broken down into an amortisation component and a financing component. Financing costs are apportioned over the term 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.

2.9 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 expected 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 capitalised PVFP in respect of both the life business and non-life business. This is tested for impairment every year.

Included in the other intangible assets are brands acquired through acquisitions. These are amortised in accordance with their useful life.

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 from the time of commissioning. Depreciation is recognised in the income statement under "Operating and administrative expenses". The useful life is usually between three and ten years.

Intangible assets with an indefinite useful life are not amortised, but are reviewed annually for impairment (see section 2.10, page 124). 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.

2.10 Impairment of tangible assets, goodwill and other intangible assets

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

An intangible asset is impaired if its book 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 synergies generated by the company merger. To calculate any impairment loss, the value in use of the CGU is determined and compared to the carrying value. The value in use is calculated 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.

2.11 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 2.3.2 (page 120), as part of "Consolidation principles".

2.11.1 Investment property

The aim of the investment property portfolio is to earn rental income 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, use 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. Rental income is recognised on a straight-line basis over the lease term.

Helvetia Group does not capitalise properties where it acts as tenant in an operating lease relationship.

2.11.2 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 with the exception of 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 the trade date. Derecognition of a financial investment occurs on expiry 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 affair 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)".

2.11.3 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 2.5, page 121). 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 requirement.

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.

2.12 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 195).

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.

2.13 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.

2.14 Financial liabilities

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

Those financial liabilities that are 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 2.15, page 127) 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 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.

Written put options on shares in subsidiaries are reported under IFRS as financial liabilities in the amount of the present value of the overall purchase price. These options are recognised in equity with no impact on profit or loss. Helvetia also offsets value changes against equity with no effect on the income statement.

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.

2.15 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.

2.15.1 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.

2.15.2 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 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 accrued 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.

2.15.3 Reinsurance

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

The direct business transferred to reinsurance companies is called ceded reinsurance and includes cessions from 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 as realistically as possible 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 a retrocession. The principles of ceded business apply in this instance.

2.16 Income taxes

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

Reserves for deferred income tax assets and liabilities are calculated using the tax rate changes enacted or announced 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.

2.17 Receivables

Receivables from the insurance business and other receivables are carried at amortised cost. In general, this corresponds to the nominal value of the receivables. Permanent impairment is recognised through profit or loss. The impairment loss is reported under “Other expenses” in the income statement.

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

2.18 Accrued 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.

2.19 Cash and cash equivalents

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

2.20 Treasury shares

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

2.21 Non-technical provisions and contingent liabilities

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

Any current obligations for which an outflow of assets is unlikely or the extent of which cannot be reliably estimated are reported under contingent liabilities.

2.22 Employee benefits

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

Short-term employee benefits are due in full within 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.

2.23 Share-based payment

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.

2.24 Other liabilities

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

2.25 Offsetting of assets and liabilities

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

3. Segment information

The operating segments of Helvetia Group are “Switzerland”, “Europe”, “Specialty Markets” and “Corporate”.

The segment “Switzerland" comprises the Swiss country market. The “Europe” segment comprises the country markets of Germany, Italy, Spain and Austria. The “Specialty Markets” segment includes transport, art and engineering insurance policies in the Switzerland/International and France market units, as well as the global Active Reinsurance business. The segment “Corporate” includes all Group activities, the financing companies, Group reinsurance and Helvetia Holding AG.

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

In life business, the Helvetia Group offers various product lines, such as life insurance, pension plans and annuity insurance.

The non-life business provides property, motor vehicle, liability, transport, health and accident insurance. The non-life business also includes Active Reinsurance.

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 are classed as “Other activities”.

The accounting principles used for segment reporting correspond to the significant accounting policies for the financial statements. The Helvetia Group treats services and the transfer of assets and liabilities between segments like transactions with third parties. Investments in other companies and dividend income from associated companies between segments are eliminated in the respective segment. 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 18.3 (from page 221).

3.1 Segment information

	Switzerland		Europe	
	2016	2015	2016	2015
in CHF million				
Income				
Gross premiums written	5 093.4	4 924.6	2 538.2	2 487.8
Reinsurance premiums ceded	–150.1	–149.3	–280.1	–350.5
Net premiums written	4 943.3	4 775.3	2 258.1	2 137.3
Net change in unearned premium reserve	0.2	17.5	3.4	4.4
Net earned premiums	4 943.5	4 792.8	2 261.5	2 141.7
Current income on Group investments (net)	753.5	746.0	211.3	212.8
Gains and losses on Group investments (net)	58.2	82.8	72.3	56.3
Income investments with market risk for the policyholder	8.0	–3.0	58.4	81.9
Share of profit or loss of associates	1.7	0.4	0.3	0.5
Other income	23.7	40.8	38.4	35.6
Total operating income	5 788.6	5 659.8	2 642.2	2 528.8
of which transactions between geographical segments	80.8	92.1	218.3	276.5
Total revenues from external customers	5 869.4	5 751.9	2 860.5	2 805.3
Expenses				
Claims incurred including claims handling costs (non-life)	–774.7	–803.0	–1 086.4	–1 155.1
Claims and benefits paid (life)	–2 916.8	–2 556.4	–615.0	–733.7
Change in actuarial reserves	–933.8	–1 046.9	–314.9	–122.8
Reinsurers' share of benefits and claims	25.0	–1.1	157.1	277.2
Policyholder dividends and bonuses	–104.4	–121.1	–13.0	–4.8
Income attributable to deposits for investment contracts	–1.8	–2.4	–22.0	–41.3
Net benefits to policyholders and claims	–4 706.5	–4 530.9	–1 894.2	–1 780.5
Acquisition costs	–374.7	–376.0	–475.7	–487.9
Reinsurers' share of acquisition costs	40.9	33.1	81.7	95.9
Operating and administrative expenses	–308.6	–291.3	–179.4	–172.4
Interest payable	–11.7	–19.3	–6.1	–8.8
Other expenses	–95.3	–129.2	–64.3	–77.4
Total operating expenses	–5 455.9	–5 313.6	–2 538.0	–2 431.1
Profit or loss from operating activities	332.7	346.2	104.2	97.7
Financing costs	–	–	0.0	–0.1
Profit or loss before tax	332.7	346.2	104.2	97.6
Income taxes	–47.0	–67.0	–21.0	–33.0
Profit or loss for the period	**285.7**	**279.2**	**83.2**	**64.6**

Specialty Markets		Corporate		Elimination		Total	
2016	2015	2016	2015	2016	2015	2016	2015
771.1	675.5	315.2	393.8	–315.2	–394.4	8402.7	8087.3
–56.3	–56.1	–149.7	–163.2	315.9	392.7	–320.3	–326.4
714.8	619.4	165.5	230.6	0.7	–1.7	8082.4	7760.9
–34.8	–7.1	13.0	3.8	–0.7	1.7	–18.9	20.3
680.0	612.3	178.5	234.4	0.0	0.0	8063.5	7781.2
22.5	21.7	16.0	17.5	–3.7	–9.6	999.6	988.4
0.3	–10.6	14.0	–11.3	–	–	144.8	117.2
–	–	–	–	–	–	66.4	78.9
–	–	–	–	–	–	2.0	0.9
9.9	33.5	9.3	30.1	–2.6	–3.9	78.7	136.1
712.7	656.9	217.8	270.7	–6.3	–13.5	9355.0	9102.7
28.5	28.7	–332.6	–414.5	5.0	17.2	–	–
741.2	685.6	–114.8	–143.8	–1.3	3.7	9355.0	9102.7
–442.9	–446.3	–151.3	–271.6	145.6	287.4	–2309.7	–2388.6
–	0.0	–12.2	–10.3	12.4	10.3	–3531.6	–3290.1
–	7.6	7.4	9.5	–7.4	–7.0	–1248.7	–1159.6
8.9	58.2	35.7	84.1	–153.4	–293.3	73.3	125.1
–2.5	–1.6	–	–	–	–	–119.9	–127.5
–	–	–	–	–	–	–23.8	–43.7
–436.5	–382.1	–120.4	–188.3	–2.8	–2.6	–7160.4	–6884.4
–175.7	–158.4	–103.1	–111.1	102.8	116.8	–1026.4	–1016.6
11.0	11.9	44.2	35.1	–99.4	–113.8	78.4	62.2
–65.4	–64.3	–32.9	–24.4	0.2	–0.3	–586.1	–552.7
0.1	–0.5	–2.6	–6.7	4.7	13.4	–15.6	–21.9
–13.2	–19.7	–11.9	–46.0	0.8	0.0	–183.9	–272.3
–679.7	–613.1	–226.7	–341.4	6.3	13.5	–8894.0	–8685.7
33.0	43.8	–8.9	–70.7	0.0	0.0	461.0	417.0
–	–	–33.2	–20.9	–	–	–33.2	–21.0
33.0	43.8	–42.1	–91.6	0.0	0.0	427.8	396.0
0.2	–0.4	16.6	13.9	0.0	0.0	–51.2	–86.5
33.2	**43.4**	**–25.5**	**–77.7**	**0.0**	**0.0**	**376.6**	**309.5**

Details on Europe segment

in CHF million	Germany 2016	Germany 2015	Italy 2016	Italy 2015
Income				
Gross premiums written	821.8	830.2	766.6	806.5
Reinsurance premiums ceded	–93.8	–116.6	–83.8	–116.5
Net premiums written	728.0	713.6	682.8	690.0
Net change in unearned premium reserve	0.7	–5.2	–1.0	7.0
Net earned premiums	728.7	708.4	681.8	697.0
Current income on Group investments (net)	64.4	62.8	86.8	87.5
Gains and losses on Group investments (net)	29.7	17.3	21.8	20.2
Income investments with market risk for the policyholder	24.1	34.4	21.9	41.2
Share of profit or loss of associates	–	–	–	–
Other income	7.4	5.1	22.3	22.5
Total operating income	854.3	828.0	834.6	868.4
of which transactions between geographical segments	0.8	0.5	–	–
Total revenues from external customers	855.0	828.5	834.6	868.4
Expenses				
Claims incurred including claims handling costs (non-life)	–356.0	–417.9	–326.2	–334.4
Claims and benefits paid (life)	–144.2	–132.1	–250.2	–384.5
Change in actuarial reserves	–146.4	–147.0	–57.7	45.8
Reinsurers' share of benefits and claims	38.4	112.0	55.2	75.8
Policyholder dividends and bonuses	–14.4	–14.2	–2.3	–0.3
Income attributable to deposits for investment contracts	–	–	–22.0	–41.3
Net benefits to policyholders and claims	–622.6	–599.2	–603.2	–638.9
Acquisition costs	–164.3	–170.0	–125.5	–133.3
Reinsurers' share of acquisition costs	30.6	31.0	19.8	25.3
Operating and administrative expenses	–54.0	–53.6	–67.4	–63.3
Interest payable	–3.5	–3.4	–1.6	–4.4
Other expenses	–19.2	–7.5	–30.5	–32.1
Total operating expenses	–833.0	–802.7	–808.4	–846.7
Profit or loss from operating activities	21.3	25.3	26.2	21.7
Financing costs	–	–	0.0	–0.1
Profit or loss before tax	21.3	25.3	26.2	21.6
Income taxes	–2.9	–7.3	–4.8	–11.3
Profit or loss for the period	**18.4**	**18.0**	**21.4**	**10.3**

	Spain		Austria		Elimination		Total Europe	
	2016	2015	2016	2015	2016	2015	2016	2015
	422.4	416.1	528.2	435.5	−0.8	−0.5	2 538.2	2 487.8
	−20.9	−39.2	−82.4	−78.7	0.8	0.5	−280.1	−350.5
	401.5	376.9	445.8	356.8	0.0	0.0	2 258.1	2 137.3
	2.4	0.7	1.3	1.9	0.0	0.0	3.4	4.4
	403.9	377.6	447.1	358.7	–	–	2 261.5	2 141.7
	20.9	22.1	39.2	40.4	–	–	211.3	212.8
	4.3	3.8	16.5	15.0	–	–	72.3	56.3
	1.8	1.4	10.6	4.9	–	–	58.4	81.9
	0.5	0.6	−0.2	−0.1	–	–	0.3	0.5
	4.3	4.1	4.4	3.9	–	–	38.4	35.6
	435.7	409.6	517.6	422.8	–	–	2 642.2	2 528.8
	–	–	−0.8	−0.5	218.3	276.5	218.3	276.5
	435.7	409.6	516.9	422.3	218.3	276.5	2 860.5	2 805.3
	−215.7	−216.9	−188.7	−186.1	0.2	0.2	−1 086.4	−1 155.1
	−80.6	−82.5	−140.0	−134.6	–	–	−615.0	−733.7
	−8.4	−4.3	−102.4	−17.3	–	–	−314.9	−122.8
	11.0	35.3	52.7	54.3	−0.2	−0.2	157.1	277.2
	–	–	3.7	9.7	–	–	−13.0	−4.8
	–	–	–	–	–	–	−22.0	−41.3
	−293.7	−268.4	−374.7	−274.0	–	–	−1 894.2	−1 780.5
	−83.8	−89.7	−102.1	−94.9	0.0	0.0	−475.7	−487.9
	5.1	15.1	26.2	24.5	0.0	0.0	81.7	95.9
	−26.7	−26.0	−31.3	−29.5	0.0	0.0	−179.4	−172.4
	−0.1	−0.1	−0.9	−0.9	–	–	−6.1	−8.8
	2.0	−15.5	−16.6	−22.3	0.0	0.0	−64.3	−77.4
	−397.2	−384.6	−499.4	−397.1	0.0	0.0	−2 538.0	−2 431.1
	38.5	25.0	18.2	25.7	0.0	0.0	104.2	97.7
	–	–	–	–	–	–	0.0	−0.1
	38.5	25.0	18.2	25.7	0.0	0.0	104.2	97.6
	−10.1	−6.9	−3.2	−7.5	0.0	0.0	−21.0	−33.0
	28.4	**18.1**	**15.0**	**18.2**	**0.0**	**0.0**	**83.2**	**64.6**

3.2 Information by business activities

in CHF million	Life 2016	Life 2015	Non-life 2016	Non-life 2015
Income				
Gross premiums written	4525.0	4311.1	3878.5	3777.3
Reinsurance premiums ceded	–61.3	–63.7	–426.0	–492.7
Net premiums written	4463.7	4247.4	3452.5	3284.6
Net change in unearned premium reserve	2.5	–0.3	–33.7	15.1
Net earned premiums	4466.2	4247.1	3418.8	3299.7
Current income on Group investments (net)	868.9	865.4	122.5	130.7
Gains and losses on Group investments (net)	111.5	90.3	19.0	39.4
Income investments with market risk for the policyholder	66.4	78.9	–	–
Share of profit or loss of associates	0.0	–0.1	2.0	1.0
Other income	32.1	31.8	38.7	78.3
Total operating income	5545.1	5313.4	3601.0	3549.1
Expenses				
Claims incurred including claims handling costs (non-life)	–	–	–2304.3	–2404.6
Claims and benefits paid (life)	–3531.8	–3290.1	–	0.0
Change in actuarial reserves	–1248.7	–1169.6	–	7.5
Reinsurers' share of benefits and claims	14.6	9.1	176.6	325.4
Policyholder dividends and bonuses	–113.4	–128.7	–6.5	1.2
Income attributable to deposits for investment contracts	–23.8	–43.7	–	–
Net benefits to policyholders and claims	–4903.1	–4623.0	–2134.2	–2070.5
Acquisition costs	–224.3	–230.6	–801.8	–791.7
Reinsurers' share of acquisition costs	25.7	19.1	107.9	121.8
Operating and administrative expenses	–208.2	–193.2	–343.4	–334.2
Interest payable	–16.9	–31.6	–4.7	–11.2
Other expenses	–42.1	–54.9	–131.4	–172.0
Total operating expenses	–5368.9	–5114.2	–3307.6	–3257.8
Profit or loss from operating activities	176.2	199.2	293.4	291.3
Financing costs	–	–	0.0	–0.1
Profit or loss before tax	176.2	199.2	293.4	291.2
Income taxes	–25.6	–49.4	–42.2	–50.9
Profit or loss for the period	**150.6**	**149.8**	**251.2**	**240.3**

Other activities 2016	Other activities 2015	Elimination 2016	Elimination 2015	Total 2016	Total 2015
315.2	393.8	–316.0	–394.9	8402.7	8087.3
–149.7	–163.2	316.7	393.2	–320.3	–326.4
165.5	230.6	0.7	–1.7	8082.4	7760.9
13.0	3.8	–0.7	1.7	–18.9	20.3
178.5	234.4	–	–	8063.5	7781.2
16.7	17.0	–8.5	–24.7	999.6	988.4
14.3	–12.5	–	–	144.8	117.2
–	–	–	–	66.4	78.9
–	–	–	–	2.0	0.9
12.2	30.8	–4.3	–4.8	78.7	136.1
221.7	269.7	–12.8	–29.5	9355.0	9102.7
–151.3	–271.6	145.9	287.6	–2309.7	–2388.6
–12.2	–10.3	12.4	10.3	–3531.6	–3290.1
7.4	9.5	–7.4	–7.0	–1248.7	–1159.6
35.7	84.1	–153.6	–293.5	73.3	125.1
–	–	–	–	–119.9	–127.5
–	–	–	–	–23.8	–43.7
–120.4	–188.3	–2.7	–2.6	–7160.4	–6884.4
–103.2	–111.1	102.9	116.8	–1026.4	–1016.6
44.2	35.1	–99.4	–113.8	78.4	62.2
–34.6	–25.0	0.1	–0.3	–586.1	–552.7
–3.4	–7.6	9.4	28.5	–15.6	–21.9
–12.9	–46.3	2.5	0.9	–183.9	–272.3
–230.3	–343.2	12.8	29.5	–8894.0	–8685.7
–8.6	–73.5	0.0	0.0	461.0	417.0
–33.2	–20.9	–	–	–33.2	–21.0
–41.8	–94.4	0.0	0.0	427.8	396.0
16.6	13.8	0.0	0.0	–51.2	–86.5
–25.2	**–80.6**	**0.0**	**0.0**	**376.6**	**309.5**

3.3 Additional information

by segment:

as of 31.12.	Switzerland 2016	2015	Europe 2016	2015
in CHF million				
Assets by geographical segment	42402.9	41140.2	12816.9	12680.9
of which investments	37027.2	35872.4	10744.4	10390.0
– investments in associates	16.0	15.4	1.6	1.7
– investment property	6199.7	5966.2	486.1	440.3
– Group financial assets	29759.7	28861.5	8218.8	8091.7
– financial assets with market risk for the policyholder	1051.8	1029.3	2037.9	1856.3
Liabilities by geographical segment	37835.2	36665.3	11336.2	11272.3
of which technical provisions (gross)	32264.3	31342.5	9162.5	8997.4
– life	30014.7	29089.8	6995.9	6788.8
– non-life	2249.6	2252.7	2166.6	2208.6
Cash flow from operating activities (net)	349.3	–124.9	–23.1	–32.4
Cash flow from investing activities (net)	–89.9	20.3	–14.6	–37.5
Cash flow from financing activities (net)	–422.7	85.5	8.5	46.7
Acquisition of owner-occupied property, equipment and intangible assets	122.4	–5.0	23.7	43.7
Depreciation and amortisation on tangible and intangible assets	–60.5	–79.0	–41.3	–39.0
Impairment of tangible and intangible assets affecting income	–	0.0	–	–1.5
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	0.2	–
Share-based payment transaction costs	–1.8	–2.1	–	–

by business activity:

as of 31.12.	Life 2016	2015	Non-life 2016	2015
in CHF million				
Assets by business activity	44237.1	43081.1	12796.5	12859.7
Liabilities by business activity	41150.9	40105.3	9359.3	9397.5
Acquisition of owner-occupied property, equipment and intangible assets	0.4	0.2	22.9	40.5
Depreciation and amortisation on tangible and intangible assets	–8.8	–9.4	–82.8	–101.3
Impairment of tangible and intangible assets affecting income	–	–	–0.1	–1.6
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	0.2	–
Share-based payment transaction costs	–0.7	–1.1	–1.1	–1.0

Specialty Markets		Corporate		Elimination		Total	
2016	2015	2016	2015	2016	2015	2016	2015
1 966.1	2 141.3	–1 214.0	–874.3	–745.4	–943.3	55 226.5	54 144.8
1 226.2	1 213.2	600.1	490.7	–19.0	–27.3	49 578.9	47 939.0
–	–	–	–	–	–	17.6	17.1
16.4	16.4	–	6.2	–	–	6 702.2	6 429.1
1 209.8	1 196.8	600.1	484.5	–19.0	–27.3	39 769.4	38 607.2
–	–	–	–	–	–	3 089.7	2 885.6
1 372.4	1 596.2	–84.5	199.0	–745.4	–943.3	49 713.9	48 789.5
1 379.4	1 312.0	467.1	564.4	–462.1	–567.4	42 811.2	41 648.9
–	–	32.8	40.9	–32.5	–40.9	37 010.9	35 878.6
1 379.4	1 312.0	434.3	523.5	–429.6	–526.5	5 800.3	5 770.3
–438.4	27.0	–154.9	–288.1	3.5	100.4	–263.6	–318.0
–5.6	–12.7	–10.8	–18.9	–3.5	1.0	–124.4	–47.8
405.7	–20.3	–156.1	–170.7	0.0	–101.4	–164.6	–160.2
0.7	15.7	12.7	9.1	–	–	159.5	63.5
–2.4	–2.8	–6.1	–6.0	–	–	–110.3	–126.8
–0.1	–0.1	–	–	–	–	–0.1	–1.6
0.0	–	–	–	–	–	0.2	–
–	–	–1.5	–2.2	–	–	–3.3	–4.3

Other activities		Elimination		Total	
2016	2015	2016	2015	2016	2015
–1 027.4	–832.4	–779.7	–963.6	55 226.5	54 144.8
–16.6	250.3	–779.7	–963.6	49 713.9	48 789.5
136.2	22.8	–	–	159.5	63.5
–18.7	–16.1	–	–	–110.3	–126.8
–	0.0	–	–	–0.1	–1.6
–	–	–	–	0.2	–
–1.5	–2.2	–	–	–3.3	–4.3

3.4 Gross premiums by segment and business area

in CHF million		Gross premiums before elimination 2016	2015	Elimination 2016	2015	Gross premiums 2016	2015	Change in %	Change in % (FX-adjusted)
Switzerland	non-life	1444.2	1436.6	–	–0.5	1444.2	1436.1	0.6	0.6
Switzerland	life	3649.2	3488.0	–	–	3649.2	3488.0	4.6	4.6
Total Switzerland		5093.4	4924.6	–	–0.5	5093.4	4924.1	3.4	3.4
Europe	non-life	1662.4	1664.7	–	–	1662.4	1664.7	–0.1	–2.4
Europe	life	875.8	823.1	–	–	875.8	823.1	6.4	3.9
Total Europe		2538.2	2487.8	–	–	2538.2	2487.8	2.0	–0.3
Specialty Markets	non-life	771.2	675.5	–0.1	–0.1	771.1	675.4	14.2	13.3
Corporate		315.2	393.8	–315.2	–393.8	–	–	–	–
Total gross premiums		**8718.0**	**8481.7**	**–315.3**	**–394.4**	**8402.7**	**8087.3**	**3.9**	**3.1**

3.5 Gross premiums by business line

in CHF million	Gross premiums 2016	2015[1]	Change in %	Change in % (FX-adjusted)
Traditional individual life insurance	1 175.9	1 244.4	–5.5	–6.4
Investment-linked life insurance	589.3	434.5	35.6	33.8
Individual insurance	1 765.2	1 678.9	5.1	4.0
Group insurance	2 759.8	2 632.2	4.9	4.8
Gross premiums life	4 525.0	4 311.1	5.0	4.5
Property	1 293.5	1 287.1	0.5	–0.7
Transport	319.4	342.2	–6.7	–8.5
Motor vehicle	1 263.6	1 256.4	0.6	–0.7
Liability	328.1	320.1	2.5	1.3
Accident / health	332.0	326.9	1.6	0.4
Gross premiums non-life	3 536.6	3 532.7	0.1	–1.1
Gross premiums reinsurance	341.1	243.5	40.1	40.1
Total gross premiums	**8 402.7**	**8 087.3**	**3.9**	**3.1**

[1] The allocation of the non-life premiums to the individual sectors has been adjusted.

3.6 Gross premiums and deposits received

	Business volume 2016	2015	Change in %	Change in % (FX-adjusted)
in CHF million				
Gross premiums life	4525.0	4311.1	5.0	4.5
Deposits received from investment contracts life[1]	110.0	148.0	–25.7	–27.2
Gross premiums and deposits received life	4635.0	4459.1	3.9	3.4
Gross premiums non-life	3536.6	3532.7	0.1	–1.1
Gross premiums reinsurance	341.1	243.5	40.1	40.1
Gross premiums and deposits received	**8512.7**	**8235.3**	**3.4**	**2.6**

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

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

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	31.12.2016	31.12.2015
1 EUR	1.0720	1.0874
1 USD	1.0164	1.0010
1 GBP	1.2559	1.4754

Annual average	2016	2015
	Jan–Dec	Jan–Dec
1 EUR	1.0892	1.0640
1 USD	0.9873	0.9645
1 GBP	1.3281	1.4709

4.2 Foreign exchange gains and losses

The foreign exchange results in the consolidated income statement in reporting year 2016 show a profit of CHF 57.2 million (previous year: loss of CHF 150.6 million).

The foreign exchange gain from financial investments is included in "Gains and losses on Group investments" in the consolidated income statement and amounts to CHF 51.6 million (previous year: loss of CHF 159.3 million), excluding foreign currency translation differences from investments at fair value through profit and loss and non-monetary positions.

Other foreign currency translation gains and losses are reported under the items "Other expenses" and "Other income".

5. Property and equipment

in CHF million	Undeveloped land 2016	2015	Owner-occupied property 2016	2015	Equipment 2016	2015
Acquisition costs						
Balance as of 1 January	17.2	8.2	626.6	676.8	146.1	141.4
Change in scope of consolidation	–4.9	–	–	0.0	–0.2	–0.3
Additions	–	–	1.2	12.3	17.7	14.9
Disposals	–	–0.1	–15.9	–2.3	–1.7	–3.4
Revaluation gains on transfers to investment property	–	–	0.0	0.8	–	–
Transfer	–	9.7	1.8	–33.9	–	–
Foreign currency translation differences	0.0	–0.6	–3.5	–27.1	–1.1	–7.0
Other changes	–	–	–	–	2.2	0.5
Balance as of 31 December	**12.3**	**17.2**	**610.2**	**626.6**	**163.0**	**146.1**
Accumulated depreciation / impairment						
Balance as of 1 January	0.0	–	204.5	201.8	101.4	82.9
Depreciation	–	–	12.6	14.1	11.2	25.5
Impairment	–	–	–	1.6	–	0.0
Reversal of impairment losses	–	–	–0.2	–	0.0	–
Disposals depreciation / impairment	–	–	–10.7	–0.3	–1.0	–2.1
Transfer	–	0.0	0.0	–1.9	–	–
Foreign currency translation differences	–	–	–1.4	–10.8	–1.0	–5.4
Other changes	–	–	–	–	2.2	0.5
Balance as of 31 December	**0.0**	**0.0**	**204.8**	**204.5**	**112.8**	**101.4**
Book value as of 31 December	**12.3**	**17.2**	**405.4**	**422.1**	**50.2**	**44.7**
of which assets under finance lease	–	–	31.1	32.7	–	–
Book value as of 1 January	17.2	8.2	422.1	475.0	44.7	58.5

Property under construction 2016	Property under construction 2015	Total 2016	Total 2015
11.9	3.9	801.8	830.3
–	–	–5.1	–0.3
7.6	8.3	26.5	35.5
–	–	–17.6	–5.8
–	–	0.0	0.8
–0.3	–0.3	1.5	–24.5
0.0	0.0	–4.6	–34.7
–	–	2.2	0.5
19.2	**11.9**	**804.7**	**801.8**
0.0	0.0	305.9	284.7
–	–	23.8	39.6
–	–	–	1.6
–	–	–0.2	–
–	–	–11.7	–2.4
–	–	0.0	–1.9
–	–	–2.4	–16.2
–	–	2.2	0.5
0.0	**0.0**	**317.6**	**305.9**
19.2	**11.9**	**487.1**	**495.9**
–	–	31.1	32.7
11.9	3.9	495.9	545.6

6. Goodwill and other intangible assets

in CHF million	Goodwill 2016	2015	Other intangible assets 2016	2015	Total 2016	2015
Acquisition costs						
Balance as of 1 January	1 015.8	1 042.9	536.7	538.3	1 552.5	1 581.2
Change in the scope of consolidation	89.1	–	23.2	–0.8	112.3	–0.8
Additions	–	–	20.7	28.0	20.7	28.0
Disposals	–	–	–5.0	–2.6	–5.0	–2.6
Foreign currency translation differences	–3.7	–27.1	–4.0	–26.2	–7.7	–53.3
Balance as of 31 December	**1 101.2**	**1 015.8**	**571.6**	**536.7**	**1 672.8**	**1 552.5**
Accumulated amortisation/impairment						
Balance as of 1 January	24.4	27.0	351.2	281.0	375.6	308.0
Change in the scope of consolidation	–	–	–	–0.1	–	–0.1
Amortisation	–	–	86.5	87.2	86.5	87.2
Impairment	–	–	0.1	0.1	0.1	0.1
Reversal of impairment losses	–	–	–	–	–	–
Disposals amortisation/impairment	–	–	–3.9	–0.2	–3.9	–0.2
Foreign currency translation differences	–0.3	–2.6	–3.2	–16.8	–3.5	–19.4
Balance as of 31 December	**24.1**	**24.4**	**430.7**	**351.2**	**454.8**	**375.6**
Book value as of 31 December	**1 077.1**	**991.4**	**140.9**	**185.5**	**1 218.0**	**1 176.9**
Book value as of 1 January	991.4	1 015.9	185.5	257.3	1 176.9	1 273.2

In connection with the takeover of the financial intermediary MoneyPark AG, goodwill of CHF 89.1 million was recorded in 2016 (see section 18, page 219).

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

Goodwill is tested annually for impairment (see section 2.10, from page 124).

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

as of 31.12.2016	Goodwill	Growth rate	Applied discounting interest rate
in CHF million		in %	in %
Switzerland life	4.4	1.0%	7.35%
Switzerland non-life	740.1	1.0%	7.28%
Specialty Lines Switzerland / International	15.0	1.5%	6.85%
France non-life	65.2	1.5%	9.61%
Spain	38.0	1.0%	9.74%
Italy non-life	36.7	1.5%	11.09%
Austria	61.8	1.0%	8.36%
Germany non-life	26.8	1.0%	8.40%
MoneyPark AG	89.1	1.5%	7.01%

as of 31.12.2015	Goodwill	Growth rate	Applied discounting interest rate
in CHF million		in %	in %
Switzerland life	4.4	1.0%	7.27%
Switzerland non-life	740.1	1.0%	7.14%
Specialty Markets Switzerland / International	15.0	1.5%	6.98%
France non-life	66.1	1.0%	9.96%
Spain	38.6	1.0%	9.85%
Italy non-life	37.2	1.5%	10.49%
Austria	62.8	1.0%	8.82%
Germany non-life	27.2	1.0%	8.85%

The impairment test carried out in 2016 did not result in any impairment requirement.

The impairment test compares the recoverable amount to the carrying 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 asset. These free cash flows are usually considered for a period of three to five years and are based on the budget and the strategic plans approved by management. 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 take account of the risks attached to the business units in question.

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 unit “France Non-Life”. The applied discount rate must increase by 0.7% – 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	2016	2015
Current income from Group investments (net)	7.1.1	999.6	988.4
Gains and losses on Group investments (net)	7.1.3	144.8	117.2
Investment result from Group financial assets and investment property		1 144.4	1 105.6
Income from investments with market risk for the policyholder	7.1.5	66.4	78.9
Investment result from financial assets and investment property		1 210.8	1 184.5
Share of profit or loss of associates		2.0	0.9
Investment income (net)		**1 212.8**	**1 185.4**

7.1.1 Current income from investments by class

in CHF million	Group investments 2016	Group investments 2015	Investments with market risk for the policyholder 2016	Investments with market risk for the policyholder 2015	Total 2016	Total 2015
Interest–bearing securities	574.2	557.0	10.0	15.5	584.2	572.5
Shares	64.6	60.4	1.2	1.2	65.8	61.6
Investment funds	14.1	11.1	3.0	2.5	17.1	13.6
Alternative investments	4.3	8.7	–	–	4.3	8.7
Derivative financial instruments[1]	–1.0	–1.0	–	–	–1.0	–1.0
Mortgages	86.9	89.4	–	–	86.9	89.4
Loans	31.7	35.7	–	–	31.7	35.7
Money market instruments	–2.2	1.0	–	–	–2.2	1.0
Other	0.0	0.0	–	–	0.0	0.0
Current income on financial assets (gross)	772.6	762.3	14.2	19.2	786.8	781.5
Investment management expenses on financial assets	–9.3	–11.0	–	–	–9.3	–11.0
Current income on financial assets (net)	763.3	751.3	14.2	19.2	777.5	770.5
Rental income	317.7	313.0	–	–	317.7	313.0
Investment management expenses on property	–81.4	–75.9	–	–	–81.4	–75.9
Current income from investment property (net)	236.3	237.1	–	–	236.3	237.1
Current income from investments (net)	**999.6**	**988.4**	**14.2**	**19.2**	**1 013.8**	**1 007.6**

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

Asset management expenses on property include all maintenance and repair costs as well as the operating expenses for property that did not generate rental income during the reporting year. The latter amounted to CHF 4.3 million in the reporting year (previous year: CHF 3.2 million).

Based on notice periods, tenancies generated operating lease receivables for the Helvetia Group of CHF 73.2 million (previous year: CHF 68.7 million) due in less than one year, CHF 153.1 million (previous year: CHF 152.0 million) due between one and five years, and CHF 40.4 million (previous year: CHF 34.6 million) due in more than five years.

Interest income from investments at fair value through profit or loss stood at CHF 21.1 million (previous year: CHF 24.3 million).

7.1.2 Direct yield from interest–rate sensitive financial assets

	2016	2015
in %		
Interest–bearing securities	1.9	1.9
Mortgages, loans and money market instruments	1.7	1.9
Total direct yield of interest–rate sensitive financial assets	**1.9**	**1.9**

7.1.3 Gains and losses on investments

	Group investments		Investments with market risk for the policyholder		Total	
	2016	2015	2016	2015	2016	2015
in CHF million						
Interest–bearing securities	257.9	52.8	2.0	–2.6	259.9	50.2
Shares	64.9	92.1	–0.4	4.5	64.5	96.6
Investment funds	4.1	–3.8	53.7	48.1	57.8	44.3
Structured products	–	–	5.5	1.8	5.5	1.8
Alternative investments	–11.7	2.1	–	–	–11.7	2.1
Derivative financial instruments	–186.0	–68.3	–8.6	7.9	–194.6	–60.4
Mortgages	–1.0	–1.4	–	–	–1.0	–1.4
Loans	5.1	–2.5	–	–	5.1	–2.5
Other	–1.8	–10.0	–	–	–1.8	–10.0
Gains and losses on financial assets (net)	**131.5**	**61.0**	**52.2**	**59.7**	**183.7**	**120.7**
Investment property	13.3	56.2	–	–	13.3	56.2
Gains and losses on investments (net)	**144.8**	**117.2**	**52.2**	**59.7**	**197.0**	**176.9**

"Derivatives" comprises gains and losses on derivative financial assets and derivative financial liabilities, of which CHF 4.0 million (previous year: loss of CHF 4.6 million) represents a gain 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 financial assets by category

in CHF million	2016	2015
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses		
Interest-bearing securities	0.7	40.9
Mortgages	–1.0	–1.4
Loans	5.1	–2.5
Realised gains and losses on loans (LAR) incl. money market instruments	4.8	37.0
Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses		
Interest-bearing securities	14.3	–8.7
Realised gains and losses on HTM investments	14.3	–8.7
Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses		
Interest-bearing securities	252.7	12.9
Shares	–10.3	60.5
Investment funds	–0.3	0.9
Alternative investments	–11.1	1.8
Realised gains and losses on AFS investments	231.0	76.1
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses		
Interest-bearing securities	–0.8	–0.2
Investment funds	–0.1	2.2
Derivative financial instruments	–194.6	–60.4
Realised and book gains and losses on financial assets held for trading	–195.5	–58.4
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	–7.0	5.3
Shares	74.8	36.1
Investment funds	58.2	41.2
Structured products	5.5	1.8
Alternative investments	–0.6	0.3
Realised and book gains and losses on financial assets designated as at fair value through profit or loss	130.9	84.7
Other	–1.8	–10.0
Total gains and losses on investments (net)	**183.7**	**120.7**

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

The table above includes increases in impairment losses on financial assets of CHF 49.8 million (previous year: CHF 34.2 million) as well as impairment loss reversals on financial assets of CHF 26.9 million (previous year: CHF 6.9 million).

7.1.5 Income from investments with market risk for the policyholder

in CHF million	2016	2015
Current income	14.2	19.2
Gains and losses	52.2	59.7
Income from investments with market risk for the policyholder	**66.4**	**78.9**

7.2 Investments by class

as of 31.12.2016	Notes	Group investments	Investments with market risk for the policyholder	Total
in CHF million				
Investments in associates	7.4.1	17.6	–	17.6
Investment property	7.5	6 702.2	–	6 702.2
Financial assets by class	7.6			
Interest-bearing securities		29 696.3	922.3	30 618.6
Shares		2 236.1	35.3	2 271.4
Investment funds		939.1	2 056.7	2 995.8
Structured products		–	19.1	19.1
Alternative investments		1.5	–	1.5
Derivative financial assets		106.7	52.6	159.3
Mortgages		4 552.2	–	4 552.2
Loans		1 169.0	–	1 169.0
Money market instruments		1 068.5	3.7	1 072.2
Total financial assets		39 769.4	3 089.7	42 859.1
Total Investments		**46 489.2**	**3 089.7**	**49 578.9**

as of 31.12.2015	Notes	Group investments	Investments with market risk for the policyholder	Total
in CHF million				
Investments in associates	7.4.1	17.1	–	17.1
Investment property	7.5	6 429.1	–	6 429.1
Financial assets by class	7.6			
Interest-bearing securities		28 666.8	907.7	29 574.5
Shares		2 169.5	39.4	2 208.9
Investment funds		649.8	1 811.1	2 460.9
Structured products		–	67.6	67.6
Alternative investments		46.6	–	46.6
Derivative financial assets		92.4	56.4	148.8
Mortgages		4 243.3	–	4 243.3
Loans		1 260.3	–	1 260.3
Money market instruments		1 478.5	3.4	1 481.9
Total financial assets		38 607.2	2 885.6	41 492.8
Total investments		**45 053.4**	**2 885.6**	**47 939.0**

7.3 Investments by business area

as of 31.12.2016	Notes	Life	Non-Life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	0.2	17.4	–	17.6
Investment property	7.5	5 850.3	836.1	15.8	6 702.2
Financial assets by class	7.6				
Interest-bearing securities		25 677.2	4 570.8	370.6	30 618.6
Shares		831.6	192.4	1 247.4	2 271.4
Investment funds		3 613.2	416.6	–1 034.0	2 995.8
Structured products		19.1	–	–	19.1
Alternative investments		1.4	0.1	–	1.5
Derivative financial assets		154.7	4.1	0.5	159.3
Mortgages		4 408.6	143.6	–	4 552.2
Loans		1 043.9	147.8	–22.7	1 169.0
Money market instruments		705.2	367.0	–	1 072.2
Total financial assets		36 454.9	5 842.4	561.8	42 859.1
Total Investments		**42 305.4**	**6 695.9**	**577.6**	**49 578.9**

as of 31.12.2015	Notes	Life	Non–Life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	0.1	17.0	–	17.1
Investment property	7.5	5 590.2	823.2	15.7	6 429.1
Financial assets by class	7.6				
Interest-bearing securities		24 978.2	4 261.4	334.9	29 574.5
Shares		823.5	192.9	1 192.5	2 208.9
Investment funds		3 120.6	402.2	–1 061.9	2 460.9
Structured products		67.6	–	–	67.6
Alternative investments		29.7	16.9	–	46.6
Derivative financial assets		143.6	5.2	–	148.8
Mortgages		4 096.5	146.8	–	4 243.3
Loans		1 121.0	163.1	–23.8	1 260.3
Money market instruments		930.5	551.4	–	1 481.9
Total financial assets		35 311.2	5 739.9	441.7	41 492.8
Total investments		**40 901.5**	**6 580.1**	**457.4**	**47 939.0**

7.4 Investments in associates

Dividend income from associates totalled CHF 1.1 million (previous year: CHF 0.7 million). In 2015, the gain from the disposal of the investment in the associated company Sersanet S.A., Madrid, was CHF 0.2 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 221).

7.4.1 Development of investments in associates

in CHF million	2016	2015
Balance as of 1 January	17.1	39.9
Change in the scope of consolidation[1]	–	–
Additions[1]	0.1	0.0
Disposals[1]	–	–
Unrealised gains and losses in equity	–0.5	1.0
Share of profits for the year	2.0	0.7
Dividends paid	–1.1	–0.7
Impairment (net)	–	–
Foreign currency translation differences	0.0	–0.2
Other changes	–	–23.6
Book value as of 31 December	**17.6**	**17.1**
Impairment losses		
Accumulated impairment losses as of 1 January	0.0	0.4
Impairment losses of the period	–	–
Reversal of impairment losses of the period	–	–
Disposals	–	–0.4
Foreign currency translation differences	–	0.0
Accumulated impairment losses as of 31 December	**0.0**	**0.0**

[1] Details on additions and disposals for associates are provided in section 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.	2016	2015
in CHF million		
Assets		
Non-current assets	104.8	97.6
Current assets	14.5	20.3
Total assets	**119.3**	**117.9**
Liabilities and equity		
Equity	43.2	41.8
Long-term liabilities	64.8	64.9
Short-term liabilities	11.3	11.2
Total liabilities and equity	**119.3**	**117.9**

in CHF million	2016	2015[1]
Profit for the year		
Income	55.0	56.5
Expenses	−50.5	−51.9
Profit for the year	**4.5**	**4.6**

[1] Prior-year figures adjusted

Helvetia Group's share in the liabilities of associates amounted to CHF 34.4 million (previous year: CHF 32.1 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	2016	2015
Balance as of 1 January	5966.2	462.9	6429.1	6317.8
Change in scope of consolidation	–	−6.2	−6.2	–
Additions	103.8	47.1	150.9	31.7
Capitalised subsequent expenditure	146.0	–	146.0	170.8
Disposals	−13.1	−9.0	−22.1	−126.0
Realised gains and losses[1]	−0.1	2.9	2.8	11.7
Book gains and losses[1]	−1.6	12.1	10.5	44.5
Transfer from / to property and equipment	−1.5	0.0	−1.5	22.6
Foreign currency translation differences	–	−7.3	−7.3	−44.0
Balance as of 31 December	**6199.7**	**502.5**	**6702.2**	**6429.1**

[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, Austrian and German Group companies is calculated using a generally accepted discounted cash flow method. The method is described in section 2.11.1 (page 125).

In the reporting year, the discounted cash flow method was based on discount rates ranging from 3.1% to 7.5% (previous year: 2.4% to 5.9%). If the discount rates were increased by 10 basis points, the value would be reduced by CHF 172.6 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 448.6 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 2016	2015	Acquisition cost / amortised cost 2016	2015
in CHF million				
Financial assets at amortised cost:				
Loans and receivables (LAR)				
Interest-bearing securities	2 166.4	2 299.8	2 166.4	2 299.8
Mortgages	4 552.2	4 243.3	4 552.2	4 243.3
Loans	1 169.0	1 260.3	1 169.0	1 260.3
Money market instruments	1 068.5	1 478.5	1 068.5	1 478.5
Total "loans and receivables" (LAR)[1]	8 956.1	9 281.9	8 956.1	9 281.9
Held-to-maturity investments (HTM)				
Interest-bearing securities	2 513.4	2 790.5	2 513.4	2 790.5
Total financial assets at amortised cost	**11 469.5**	**12 072.4**	**11 469.5**	**12 072.4**
Financial assets at fair value:				
At fair value through profit and loss (held for trading)				
Interest-bearing securities	15.9	18.7	14.2	15.9
Investment funds – mixed	34.6	52.0	23.0	35.1
Derivative financial assets	99.5	88.7	83.3	85.8
Investments with market risk for the policyholder	52.6	56.4	51.1	51.0
Total "held for trading"	202.6	215.8	171.6	187.8
Designated as at fair value through profit or loss				
Interest–bearing securities	1 115.9	1 065.5	1 098.6	1 043.5
Shares	1 178.7	1 136.3	884.8	894.4
Investment funds – interest-bearing securities	21.8	28.2	32.9	28.7
Investment funds – equities	103.8	82.2	97.3	113.8
Investment funds – mixed	519.9	317.5	575.6	336.3
Investments with market risk for the policyholder	3 037.1	2 829.2	2 677.2	2 486.6
Alternative investments	1.4	3.6	7.4	11.9
Total "designated"	5 978.6	5 462.5	5 373.8	4 915.2
Total "at fair value through profit and loss"	6 181.2	5 678.3	5 545.4	5 103.0
Available–for–sale (AFS)				
Interest-bearing securities	23 884.7	22 492.3	22 112.1	20 687.7
Shares	1 057.4	1 033.2	745.3	746.9
Investment funds – interest-bearing securities	83.2	5.6	82.0	5.1
Investment funds – equities	144.6	135.9	122.7	118.3
Investment funds – mixed	31.2	28.4	29.3	27.7
Alternative investments	0.1	43.0	0.1	47.4
Total "available-for-sale" (AFS)	25 201.2	23 738.4	23 091.5	21 633.1
Derivative financial assets for hedge accounting	7.2	3.7	–	–
Total financial assets at fair value	**31 389.6**	**29 420.4**	**28 636.9**	**26 736.1**
Total financial assets	**42 859.1**	**41 492.8**		

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

	Unrealised gains / losses net		Fair value		By valuation method: Quoted market prices		Based on market data		Not based on market data	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
					Level 1		Level 2		Level 3	
			2 542.0	2 673.1	52.6	1 889.9	2 489.4	783.2	–	–
			4 758.7	4 482.6	–	–	4 758.7	4 482.6	–	–
			1 357.0	1 442.7	–	–	1 357.0	1 442.7	–	–
			1 068.5	1 478.5	–	–	1 068.5	1 478.5	–	–
			9 726.2	10 076.9	52.6	1 889.9	9 673.6	8 187.0	–	–
			3 105.5	3 365.5	165.9	3 337.6	2 939.6	27.9	–	–
			12 831.7	**13 442.4**	**218.5**	**5 227.5**	**12 613.2**	**8 214.9**	**–**	**–**
			15.9	18.7	15.9	18.7	–	–	–	–
			34.6	52.0	34.6	52.0	–	–	–	–
			99.5	88.7	2.0	2.6	97.5	86.1	–	–
			52.6	56.4	8.6	7.6	44.0	48.8	–	–
			202.6	215.8	61.1	80.9	141.5	134.9	–	–
			1 115.9	1 065.5	321.9	1 046.9	789.1	18.6	4.9	–
			1 178.7	1 136.3	1 178.4	1 136.0	0.3	0.3	–	–
			21.8	28.2	21.8	28.2	–	–	–	–
			103.8	82.2	103.8	82.2	–	–	–	–
			519.9	317.5	180.4	292.2	339.5	21.5	–	3.8
			3 037.1	2 829.2	2 565.2	2 646.8	471.8	182.3	0.1	0.1
			1.4	3.6	–	–	0.2	2.2	1.2	1.4
			5 978.6	5 462.5	4 371.5	5 232.3	1 600.9	224.9	6.2	5.3
			6 181.2	5 678.3	4 432.6	5 313.2	1 742.4	359.8	6.2	5.3
	1 772.6	1 804.6	23 884.7	22 492.3	8 595.2	22 204.4	15 289.5	287.9	–	–
	312.1	286.3	1 057.4	1 033.2	1 045.7	1 023.7	11.4	4.0	0.3	5.5
	1.2	0.5	83.2	5.6	83.2	5.6	–	–	–	–
	21.9	17.6	144.6	135.9	144.6	135.9	–	–	–	–
	1.9	0.7	31.2	28.4	18.2	0.6	–	–	13.0	27.8
	0.0	–4.4	0.1	43.0	–	–	–	10.5	0.1	32.5
	2 109.7	2 105.3	25 201.2	23 738.4	9 886.9	23 370.2	15 300.9	302.4	13.4	65.8
			7.2	3.7	–	–	7.2	3.7	–	–
	2 109.7	**2 105.3**	**31 389.6**	**29 420.4**	**14 319.5**	**28 683.4**	**17 050.5**	**665.9**	**19.6**	**71.1**

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

In 2016, Helvetia applied revised criteria for the classification of financial instruments by valuation method. In doing so, it introduced a higher threshold for the fulfilment of the criterion "traded on an active market" for interest-bearing securities. The main trading sites for our securities were also systematically redefined. Owing to the introduction of these changes, investments in the amount of CHF 16,748.6 million were reclassified from "Level 1" to "Level 2", while investments totalling CHF 4.9 million were reclassified from "Level 1" to "Level 3". In the previous year, investments in the amount of CHF 5.4 million were transferred from "Level 1" to "Level 2".

Of the previous year's CHF 71.1 million total "Level 3" investments, investments of CHF 17.6 million and CHF 5.4 million were reclassified to "Level 1" and "Level 2", respectively, while "Level 1" investments of CHF 4.9 million were assigned to "Level 3" (previous year: "Level 2" investments of CHF 4.9 million were transferred to the "Level 3" investments).

Other changes in the "Level 3" total are the result of sales in the amount of CHF 31.0 million (previous year: CHF 3.5 million) and acquisitions in the amount of CHF 3.8 million (previous year: CHF 7.4 million).

A loss of CHF 12.7 million was reported under "Gains and losses on financial instruments" in the income statement and a gain of CHF 6.5 million was recorded under "Change in unrealised gains and losses on financial instruments" in the statement of comprehensive income. Overall, this resulted in a loss of CHF 6.2 million for the "Level 3" investments (previous year: loss of 6.4 million). The valuation loss on the "Level 3" investments held on the reporting date was CHF 0.4 million (previous year: CHF 6.4 million). The "Level 3" portfolio was worth CHF 19.6 million at the end of the year.

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

7.7 Derivatives

7.7.1 Derivative financial assets

	Maturity profile of contract values			Contract value		Fair value	
as of 31.12.	< 1 year	1–5 years	> 5 years	2016	2015	2016	2015
in CHF million							
Interest rate instruments							
Forward rate agreements	–	–	61.0	61.0	61.0	62.2	62.7
Total interest rate instruments	–	–	61.0	61.0	61.0	62.2	62.7
Equity and equity-index instruments							
Options (over-the-counter)	1 291.2	378.2	688.3	2 357.7	2 240.4	55.6	62.8
Options (exchange-traded)	148.2	–	–	148.2	139.4	2.0	2.6
Other	–	–	2.8	2.8	2.3	8.4	7.4
Total equity and equity-index instruments	1 439.4	378.2	691.1	2 508.7	2 382.1	66.0	72.8
Currency instruments							
Forwards	2 269.8	–	–	2 269.8	599.6	23.9	9.6
Total currency instruments	2 269.8	–	–	2 269.8	599.6	23.9	9.6
Derivatives for hedge accounting							
Forwards	343.3	–	–	343.3	348.3	7.2	3.7
Total derivatives for hedge accounting	343.3	–	–	343.3	348.3	7.2	3.7
Total derivative financial assets	**4 052.5**	**378.2**	**752.1**	**5 182.8**	**3 391.0**	**159.3**	**148.8**

7.7.2 Derivative financial liabilities

as of 31.12.	Maturity profile of contract values < 1 year	1–5 years	> 5 years	Contract value 2016	2015	Fair value 2016	2015
in CHF million							
Interest rate instruments							
Forward rate agreements	–	–	55.0	55.0	54.2	61.2	61.8
Total interest rate instruments	–	–	55.0	55.0	54.2	61.2	61.8
Equity and equity-index instruments							
Options (over-the-counter)	31.8	312.8	688.3	1 032.9	950.8	27.7	24.1
Total equity and equity-index instruments	31.8	312.8	688.3	1 032.9	950.8	27.7	24.1
Currency instruments							
Forwards	3 400.9	–	–	3 400.9	3 804.3	146.9	75.0
Total currency instruments	3 400.9	–	–	3 400.9	3 804.3	146.9	75.0
Derivatives from life policies	19.8	27.3	15.2	62.3	70.6	3.5	4.6
Derivatives for hedge accounting							
Forwards	340.5	–	–	340.5	239.2	20.7	1.1
Total derivatives for hedge accounting	340.5	–	–	340.5	239.2	20.7	1.1
Total derivative financial liabilities	**3 793.0**	**340.1**	**758.5**	**4 891.6**	**5 119.1**	**260.0**	**166.6**

7.7.3 Derivatives for hedge accounting

	Net investment hedge 2016	2015
in CHF million		
Amount recognised in equity	14.7	28.4
Gains and losses reclassified to the income statement	3.4	–0.2
Ineffectiveness reclassified to income statement	4.0	–4.6

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

7.8 Maturity dates and impairment of financial assets

7.8.1 Analysis of past due financial assets without impairment

	< 1 month		2–3 months		4–6 months		> 6 months	
as of 31.12.	2016	2015	2016	2015	2016	2015	2016	2015
in CHF million								
Mortgages	11.9	10.3	7.2	5.7	10.5	4.4	10.0	3.1
Total past due financial assets without impairment	**11.9**	**10.3**	**7.2**	**5.7**	**10.5**	**4.4**	**10.0**	**3.1**

Outstanding amounts are collected in the course of the normal debt collection procedures and impaired if necessary (see section 2.11.3, page 126). Information on the collateral held by Helvetia Group is provided in section 16.5 (from page 212).

7.8.2 Analysis of individual impaired financial assets at amortised cost

	Gross		Individual impairment		Net	
as of 31.12.	2016	2015	2016	2015	2016	2015
in CHF million						
Mortgages	6.6	7.8	3.4	2.8	3.2	5.0
Loans	0.0	2.5	0.0	2.5	–	–
Total individual impaired financial assets at amortised cost	**6.6**	**10.3**	**3.4**	**5.3**	**3.2**	**5.0**

7.8.3 Change in the impairment of financial assets at amortised cost

	Mortgages		Other loans		Total	
	2016	2015	2016	2015	2016	2015
in CHF million						
Balance as of 1 January	2.8	1.6	2.5	1.1	5.3	2.7
Change in the scope of consolidation	–	–	–	–1.0	–	–1.0
Impairment	2.9	1.7	–	3.3	2.9	5.0
Reversal of impairment losses	–2.3	–0.5	–1.7	–0.8	–4.0	–1.3
Disposals impairment	0.0	0.0	–0.8	–	–0.8	0.0
Foreign currency translation differences	–	–	0.0	–0.1	0.0	–0.1
Balance as of 31 December	**3.4**	**2.8**	**0.0**	**2.5**	**3.4**	**5.3**

8. Financial liabilities

The Helvetia Group classifies financial liabilities according to their origin as financial liabilities from financing activities, financial liabilities from insurance business and other financial liabilities. Financial liabilities from insurance business are reported as a component of the insurance business in section 9.8 (page 175).

The 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).

Section 16.4.1 (page 204) contains a maturity schedule of loans and financial liabilities.

8.1 Total financial liabilities from financing activities

	Book value		Acquisition cost / amortised cost		Fair value	
as of 31.12.	2016	2015	2016	2015	2016	2015
in CHF million						
Financial liabilities at amortised cost						
Bonds	747.2	746.8	747.2	746.8	798.5	796.7
Liabilites from finance lease	18.4	20.9	18.4	20.9	18.4	20.9
Total financial liabilities at amortised cost	765.6	767.7	765.6	767.7	816.9	817.6
Financial liabilities at fair value						
Minority interests in own funds	212.8	167.5	164.8	133.8	212.8	167.5
Total financial liabilities at fair value	212.8	167.5	164.8	133.8	212.8	167.5
Total financial liabilities from financing activities	**978.4**	**935.2**	**930.4**	**901.5**	**1 029.7**	**985.1**

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 15.0 million (previous year: CHF 15.0 million) under "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 expense under this agreement amounts to CHF 0.0 million (previous year: CHF 0.1 million) and is 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.

The valuation methods used to calculate the fair value of financial liabilities from financing activities belong to the "Level 2" category.

Own bonds

Issuer	Nominal	Coupons	Year of issue	Maturity	Effective interest rate[1]	Book value	
as of 31.12.						2016	2015
in CHF million							
Bonds in liabilities							
Helvetia Holding AG	CHF 150 Mio.	1.125%	2013	08.04.2019	1.17%	149.9	149.8
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio.	0.75%	2014	28.10.2020	0.85%	224.2	223.9
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 150 Mio.	1.50%	2014	28.04.2025	1.55%	149.4	149.4
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio. Subordinate bond	4.00% up to 2024, then variable	2014	17.10.2044	4.02%	223.7	223.7
Total bonds in liabilities						**747.2**	**746.8**
Bonds in equity							
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 400 Mio. Subordinate bond	3.50% up to 2020, then variable	2014	perpetual[2]		400.0	400.0
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 300 Mio. Subordinate bond	3.00% up to 2022, then variable	2015	perpetual[3]		300.0	300.0
Total bonds in equity						**700.0**	**700.0**

[1] The effective interest rate quantifies the actual cost of loans (taking account of the transaction rate, premium / discount, transaction costs, payment dates, repayment, etc.)
[2] First call date for the issuer 17.04.2020
[3] First call date for the issuer 23.11.2022

Liabilities from finance lease

				Total	
as of 31.12.	< 1 year	1–5 years	> 5 years	2016	2015
in CHF million					
Future lease payments	2.4	9.8	7.1	19.3	22.0
Discounting amounts	–0.2	–0.6	–0.1	–0.9	–1.1
Present value liabilities from finance lease	**2.2**	**9.2**	**7.0**	**18.4**	**20.9**

8.2 Other financial liabilities

as of 31.12.	Notes	Acquisition cost / amortised cost 2016	2015	Fair value 2016	2015
in CHF million					
Financial liabilities at amortised cost					
Other		34.3	39.1	34.3	39.1
Total financial liabilities at amortised cost		34.3	39.1	34.3	39.1
Financial liabilities at fair value					
Derivative financial liabilities	7.7.2	77.1	73.5	260.0	166.6
Other		57.2	26.0	57.2	26.0
Total financial liabilities at fair value		134.3	99.5	317.2	192.6
Total other financial liabilities		**168.6**	**138.6**	**351.5**	**231.7**

The carrying amounts equal 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, the seller was granted the option of selling a further 25 % of the shares to Helvetia in 2017, provided that the contractually agreed premium volumes are exceeded. With the purchase of the remaining shares in Chiara Assicurazioni by Helvetia in 2016, the option lapsed (value in previous year: CHF 11.1 million) and was derecognised with no effect on the income statement.

Upon the acquisition of MoneyPark in 2016, the minority shareholders were granted the option to sell their shares to Helvetia at 95 % of the fair value. The options can be exercised in 2020 (minor shareholders only), 2022 and 2027. “Financial liabilities at fair value” includes a related liability of CHF 43.6 million.

The valuation method used for the calculation of the liability of CHF 43.6 million belongs to the “Level 3” category (previous year: none). Other financial liabilities of CHF 125.0 million (previous year: CHF 138.6 million) were valued using “Level 2” valuation methods.

9. Insurance business

9.1 Reserves for insurance business

as of 31.12.	Notes	Gross 2016	2015	Reinsurance assets 2016	2015	Net 2016	2015
in CHF million							
Actuarial reserves		34954.3	33802.6	88.6	61.4	34865.7	33741.2
Provision for policyholder participation		1908.2	1925.7	–	–	1908.2	1925.7
Loss reserves		4630.8	4616.0	354.5	389.7	4276.3	4226.3
Unearned premium reserve		1317.9	1304.6	52.8	54.8	1265.1	1249.8
Deposits for investment contracts	9.8	1052.9	1063.1	–	–	1052.9	1063.1
Total reserves for insurance business		**43864.1**	**42712.0**	**495.9**	**505.9**	**43368.2**	**42206.1**

9.1.1 Reserves for insurance business by business area

as of 31.12.	Notes	Gross 2016	2015	Reinsurance assets 2016	2015	Net 2016	2015
in CHF million							
Life insurance contracts							
Actuarial reserves for insurance contracts life		32 564.6	31 497.4	88.6	61.4	32 476.0	31 436.0
Provision for policyholder participation – life contracts		1 692.3	1 688.4	–	–	1 692.3	1 688.4
Unearned premium reserve for insurance contracts life		207.3	211.2	4.8	5.3	202.5	205.9
Reserves for life insurance contracts		34 464.2	33 397.0	93.4	66.7	34 370.8	33 330.3
Non-life insurance contracts							
Loss reserves for insurance contracts non-life	9.3.1	4 630.8	4 616.0	354.5	389.7	4 276.3	4 226.3
Provision for policyholder participation – non-life contracts		58.9	60.9	–	–	58.9	60.9
Unearned premium reserve for insurance contracts non-life		1 110.6	1 093.4	48.0	49.5	1 062.6	1 043.9
Reserves for non-life insurance contracts		5 800.3	5 770.3	402.5	439.2	5 397.8	5 331.1
Total reserves for insurance contracts		40 264.5	39 167.3	495.9	505.9	39 768.6	38 661.4
Investment contracts							
Actuarial reserves for investment contracts with descretionary participation features		2 389.7	2 305.2	–	–	2 389.7	2 305.2
Provision for policyholder participation – investment contracts		157.0	176.4	–	–	157.0	176.4
Reserves for investment contracts with descretionary participation features		2 546.7	2 481.6	–	–	2 546.7	2 481.6
Deposits for investment contracts	9.8	1 052.9	1 063.1	–	–	1 052.9	1 063.1
Total reserves for investment contracts		3 599.6	3 544.7	–	–	3 599.6	3 544.7
Total reserves for insurance business		**43 864.1**	**42 712.0**	**495.9**	**505.9**	**43 368.2**	**42 206.1**

Further details on technical reserves for the life and 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 16.4.1 (page 204).

9.2 Changes in reserves for insurance business

in CHF million	Actuarial reserves 2016	Actuarial reserves 2015	Policyholder participation 2016	Policyholder participation 2015
Reserves for insurance contracts life (gross)				
Balance as of 1 January	31 497.4	30 869.2	1 688.4	1 860.0
Change in the scope of consolidation	–	–111.4	–	–
Allocation / Release	4 476.1	4 167.8	141.2	34.7
Used amounts	–3 334.7	–2 976.3	–134.8	–173.4
Foreign currency translation differences	–60.5	–427.1	–3.7	–32.4
Other changes	–13.7	–24.8	1.2	–0.5
Balance as of 31 December	**32 564.6**	**31 497.4**	**1 692.3**	**1 688.4**
Reserves for insurance contracts non-life (gross)				
Balance as of 1 January			60.9	74.4
Change in the scope of consolidation			–	–
Allocation / Release			6.5	–1.2
Used amounts			–8.4	–10.7
Foreign currency translation differences			–0.1	–0.4
Other changes			–	–1.2
Balance as of 31 December			**58.9**	**60.9**
Reserves for investment contracts with discretionary participation features				
Balance as of 1 January	2 305.2	2 551.7	176.4	200.9
Allocation / Release	304.4	281.9	–16.7	–5.6
Used amounts	–197.0	–313.9	–0.2	–0.2
Foreign currency translation differences	–34.3	–242.2	–2.2	–19.2
Other changes	11.4	27.7	–0.3	0.5
Balance as of 31 December	**2 389.7**	**2 305.2**	**157.0**	**176.4**
Deposits for investment contracts				
Balance as of 1 January				
Deposits received / withdrawals				
Value changes				
Foreign currency translation differences				
Other changes				
Balance as of 31 December				
Total reserves from insurance business (gross)				
Reinsurers' share in reserves for insurance contracts				
Balance as of 1 January	61.4	71.5		
Change in the scope of consolidation	–	–0.1		
Allocation / Release	72.8	5.9		
Used amounts	–44.3	–10.1		
Foreign currency translation differences	–1.3	–5.8		
Other changes	0.0	–		
Balance as of 31 December	**88.6**	**61.4**		
Total reserves from insurance business				

Loss reserves 2016	2015	Unearned premium reserve 2016	2015	Total 2016	2015
		211.2	217.2	33 397.0	32 946.4
		–	–2.5	–	–113.9
		–3.0	–0.5	4 614.3	4 202.0
		–	–	–3 469.5	–3 149.7
		–0.3	–3.0	–64.5	–462.5
		–0.6	–	–13.1	–25.3
		207.3	**211.2**	**34 464.2**	**33 397.0**
4 616.0	4 863.9	1 093.4	1 217.5	5 770.3	6 155.8
–	–53.4	–	–17.8	–	–71.2
1 194.0	1 235.3	27.3	–20.6	1 227.8	1 213.5
–1 150.8	–1 199.2	–	–	–1 159.2	–1 209.9
–28.5	–221.7	–10.1	–78.6	–38.7	–300.7
0.1	–8.9	0.0	–7.1	0.1	–17.2
4 630.8	**4 616.0**	**1 110.6**	**1 093.4**	**5 800.3**	**5 770.3**
		–	–	2 481.6	2 752.6
		–	–	287.7	276.3
		–	–	–197.2	–314.1
		–	–	–36.5	–261.4
		–	–	11.1	28.2
		–	**–**	**2 546.7**	**2 481.6**
				1 063.1	1 344.7
				–23.2	–197.2
				23.7	43.7
				–13.5	–125.1
				2.8	–3.0
				1 052.9	**1 063.1**
				43 864.1	**42 712.0**
389.7	432.1	54.8	76.2	505.9	579.8
–	–3.5	–	–3.8	–	–7.4
36.0	70.0	1.3	–4.5	110.1	71.4
–81.1	–89.7	–	–	–125.4	–99.8
–1.7	–19.2	–0.5	–13.1	–3.5	–38.1
11.6	0.0	–2.8	0.0	8.8	0.0
354.5	**389.7**	**52.8**	**54.8**	**495.9**	**505.9**
				43 368.2	**42 206.1**

9.3 Non-life business

Loss reserves are determined using actuarial methods based on many years of claims experience. 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 48.1 million as of 31 December 2016 (previous year: CHF 39.5 million).

Insurance conditions and risks in the non-life business are described in section 16.2 (from page 197). 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 2007	2007	2008
in CHF million			
Run-off year 1		1 522.8	1 346.6
Run-off year 2		1 467.3	1 397.9
Run-off year 3		1 410.5	1 425.1[3]
Run-off year 4		1 478.4[3]	1 410.4
Run-off year 5		1 448.8	1 526.4[2]
Run-off year 6		1 532.4[2]	1 506.5
Run-off year 7		1 530.8	1 984.7[1]
Run-off year 8		2 003.2[1]	1 971.1
Run-off year 9		1 992.2	1 971.4
Run-off year 10		1 981.5	
Estimated claims after year of loss occurence		1 981.5	1 971.4
Accumulated claims paid as of 31 December		–1 915.2	–1 860.1
Estimated loss reserves as of 31 December	701.5	66.3	111.3
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
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
4 Due to the demarcation effect for underwriting year agreements (Active Reinsurance, parts of the transport business), the claims expenses increased in the second insurance year.

The table above regarding the claims settlement in non-life business shows that, after taking into consideration the effects from earlier acquisitions:

- Claims settlement is very stable.
- Sufficient provisions are raised at an early stage to cover all existing technical liabilities.
- The fluctuation of the annual claims incurred is small overall for the well-diversified portfolio even before reinsurance.

2009	2010	2011	2012	2013	2014	2015	2016	Total
1 426.6	1 516.9[3]	1 665.3	1 793.0[2]	1 830.0	2 714.3[1]	2 664.1	2 462.7	
1 555.4[3]	1 518.6	1 826.5[2]	1 810.0	2 695.2[1]	2 633.9	2 760.8[4]		
1 520.0	1 598.7[2]	1 743.9	2 652.1[1]	2 608.0	2 481.7			
1 602.8[2]	1 568.5	2 485.1[1]	2 570.6	2 544.8				
1 573.1	2 154.7[1]	2 421.7	2 539.1					
2 099.5[1]	2 113.2	2 409.2						
2 088.6	2 111.3							
2 079.7								
2 079.7	2 111.3	2 409.2	2 539.1	2 544.8	2 481.7	2 760.8	2 462.7	
–1 938.1	–1 979.0	–2 187.6	–2 302.2	–2 244.9	–1 890.7	–1 888.5	–1 131.7	
141.6	132.3	221.6	236.9	299.9	591.0	872.3	1 331.0	4 705.7
								48.1
								245.5
								29.9
								5 029.2
								–398.4
								4 630.8

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 19.6 million as of 31 December 2016 (previous year: CHF 19.4 million).

In the Swiss life business, the actuarial reserves increased by CHF 161.8 million due to changes to local actuarial assumptions, in particular assumptions regarding mortality, expected claims for disability and the maximum interest rate for reserves, within the framework of the standard periodic review.

Insurance conditions and risks in the life business are described in section 16.3 (from page 199). Sensitivities of actuarial reserves are outlined in section 16.3.3 (from page 200).

9.4.1 Assets and liabilities with market risk for the policyholder

as of 31.12.	2016	2015
in CHF million		
Assets with market risk for the policyholder		
Investments with market risk for the policyholder	3089.7	2885.6
Other assets	25.9	27.3
Total assets with market risk for the policyholder	**3115.6**	**2912.9**
Liabilities with market risk for the policyholder		
Actuarial reserves (gross)	2023.9	1814.0
Unearned premium reserve (gross)	11.1	11.6
Financial liabilities	1080.6	1087.3
Total liabilities with market risk for the policyholder	**3115.6**	**2912.9**

9.5 Reinsurance assets

as of 31.12.	Notes	2016	2015
in CHF million			
Reinsurers' share in reserves for insurance contracts	9.1.1	495.9	505.9
Reinsurance deposit receivables		49.1	47.5
Reinsurance assets		**545.0**	**553.4**

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.

9.6 Deferred acquisition costs

	Life		Non–life		Total	
	2016	2015	2016	2015	2016	2015
in CHF million						
Balance as of 1 January	289.3	300.9	178.3	203.5	467.6	504.4
Change in the scope of consolidation	–	–	–	–4.0	–	–4.0
Capitalised in the period	50.0	30.6	84.3	75.0	134.3	105.6
Amortised in the period	–54.3	–37.9	–87.0	–78.1	–141.3	–116.0
Impairment in the period	–	–	–	–	–	–
Foreign currency translation differences	–0.4	–4.3	–1.9	–16.0	–2.3	–20.3
Other changes	–0.1	–	–	–2.1	–0.1	–2.1
Balance as of 31 December	**284.5**	**289.3**	**173.7**	**178.3**	**458.2**	**467.6**

The 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 reporting date. The share of "Deferred acquisition costs" classified as short-term is CHF 154.3 million (previous year: CHF 151.6 million).

9.7 Receivables and liabilities from insurance business

	Receivables (LAR)		Liabilities at amortised cost	
as of 31.12.	2016	2015	2016	2015
in CHF million				
Due from / due to policyholders	603.2	486.8	1 547.4	1 443.5
Due from / due to agents and brokers	128.3	217.7	149.2	224.1
Due from / due to insurance companies	482.8	611.5	140.3	307.6
Total receivables / liabilities	**1 214.3**	**1 316.0**	**1 836.9**	**1 975.2**

The receivables and liabilities from insurance business are primarily short–term. A maturity schedule of the liabilities is provided in the table in section 16.4.1 (page 204). 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.

9.7.1 Analysis of past due receivables without individual impairment

	< 1 month		2–3 months		4–6 months		> 6 months	
as of 31.12.	2016	2015	2016	2015	2016	2015	2016	2015
in CHF million								
Due from policyholders	148.5	152.7	27.5	26.1	10.8	8.9	26.8	25.5
Due from agents and brokers	3.8	6.9	4.1	3.1	2.8	1.4	6.2	7.1
Due from insurance companies	7.7	7.0	0.6	0.4	0.9	0.2	9.9	1.0
Total past due receivables without individual impairment	**160.0**	**166.6**	**32.2**	**29.6**	**14.5**	**10.5**	**42.9**	**33.6**

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

9.7.2 Change in the allowance accounts for receivables

	Individual impairment		Collective impairment		Total	
	2016	2015	2016	2015	2016	2015
in CHF million						
Balance as of 1 January	18.1	20.2	23.6	32.4	41.7	52.6
Change in the scope of consolidation	–	–	–	–1.7	–	–1.7
Impairment	–1.1	5.9	19.9	13.4	18.8	19.3
Reversal of impairment losses	–5.1	–5.9	–17.9	–18.3	–23.0	–24.2
Disposals	–	–0.2	–	0.0	–	–0.2
Foreign currency translation differences	–0.2	–1.9	–0.2	–2.2	–0.4	–4.1
Other changes	1.1	0.0	–1.8	0.0	–0.7	0.0
Balance as of 31 December	**12.8**	**18.1**	**23.6**	**23.6**	**36.4**	**41.7**

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.

9.7.3 Analysis of individually impaired receivables

	Gross		Individual Impairment		Net	
as of 31.12.	2016	2015	2016	2015	2016	2015
in CHF million						
Due from policyholders	2.8	3.6	2.8	3.6	–	–
Due from agents and brokers	9.6	13.9	8.9	13.1	0.7	0.8
Due from insurance companies	1.1	1.6	1.1	1.4	0.0	0.2
Total	**13.5**	**19.1**	**12.8**	**18.1**	**0.7**	**1.0**

9.8 Total financial liabilities from insurance business

	Book value		Acquisition cost / amortised cost		Fair value	
as of 31.12.	2016	2015	2016	2015	2016	2015
in CHF million						
Financial liabilities at amortised cost						
Deposit liabilities for credited policyholder profit participation	571.8	771.3	571.8	771.3	571.8	771.3
Deposit liabilities from reinsurance contracts	68.4	74.6	68.4	74.6	68.4	74.6
Total financial liabilities at amortised cost	640.2	845.9	640.2	845.9	640.2	845.9
Financial liabilities at fair value						
Deposits for investment contracts	1 052.9	1 063.1	1 052.9	1 063.1	1 052.9	1 063.1
Total financial liabilities at fair value	1 052.9	1 063.1	1 052.9	1 063.1	1 052.9	1 063.1
Total financial liabilities from insurance business	**1 693.1**	**1 909.0**	**1 693.1**	**1 909.0**	**1 693.1**	**1 909.0**

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 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 insurance 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 technical risk. Insurance conditions and risks are described in section 16 (from page 195).

The income earned from the management of deposits for investment contracts is included in “Other income” and amounted to CHF 1.6 million in the reporting year (previous year: CHF 3.4 million).

10. Income taxes

10.1 Current and deferred income taxes

in CHF million	2016	2015
Current tax	83.8	93.4
Deferred tax	–32.6	–6.9
Total income taxes	**51.2**	**86.5**

10.2 Change in deferred tax assets and liabilities (net)

in CHF million	2016	2015
Balance as of 1 January	760.2	854.9
Change in the scope of consolidation	–0.7	1.0
Deferred taxes recognised in equity	13.2	–75.7
Deferred taxes recognised in the income statement	–32.6	–6.9
Foreign currency translation differences	–1.4	–13.1
Reclassification	2.0	0.0
Balance as of 31 December	**740.7**	**760.2**

10.3 Expected and actual income taxes

in CHF million	2016	2015
Profit or loss before tax	427.8	396.0
Expected income taxes	95.5	83.8
Increase / reduction in taxes resulting from:		
tax-exempt income or income taxed at a reduced rate	–17.0	–21.2
non-deductible expenses	4.5	13.4
Change in tax rates	–12.0	5.3
Tax elements related to other periods	–13.6	0.3
Effect of losses	–4.7	0.4
Other	–1.5	4.5
Actual income taxes	**51.2**	**86.5**

The expected tax rate applicable to the Helvetia Group was 22.3 % for 2016 (previous year: 21.2 %). This rate is derived from the weighted average of expected tax rates in the individual countries where the Group operates.

The reason for the increase in the weighted average tax rate lies in the geographical allocation of the gains 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	
	2016	2015	2016	2015	2016	2015
in CHF million						
May be reclassified to income						
Change in unrealised gains and losses on investments	4.4	–370.1	–9.5	–9.5	–5.1	–379.6
Share of associates' net profit recognised directly in equity	–0.5	1.0	0.1	–0.1	–0.4	0.9
Change from net investment hedge	18.1	28.2	–	–	18.1	28.2
Foreign currency translation differences	–45.5	–166.2	–	0.8	–45.5	–165.4
Change in liabilities for contracts with participation features	41.7	161.8	3.3	64.5	45.0	226.3
Total that may be reclassified to income	18.2	–345.3	–6.1	55.7	12.1	–289.6
Will not be reclassified to income						
Revaluation from reclassification of property and equipment	–0.2	–0.5	0.0	0.8	–0.2	0.3
Revaluation of benefit obligations	35.5	–157.7	–7.2	32.1	28.3	–125.6
Change in liabilities for contracts with participation features	–4.3	20.4	0.9	–4.0	–3.4	16.4
Total that will not be reclassified to income	31.0	–137.8	–6.3	28.9	24.7	–108.9
Total other comprehensive income	**49.2**	**–483.1**	**–12.4**	**84.6**	**36.8**	**–398.5**

10.5 Deferred tax assets and liabilities

		Tax assets		Tax liabilities	
as of 31.12.	Notes	2016	2015	2016	2015
in CHF million					
Unearned premium reserve		38.4	41.8	3.3	2.2
Loss reserves		27.3	17.0	212.7	217.6
Actuarial reserves		4.6	6.7	89.6	76.2
Provision for future policyholder participation		285.5	296.9	10.0	12.1
Investments		41.6	40.9	940.4	966.5
Deferred acquisition costs		4.6	5.1	44.5	46.6
Property, equipment and intangible assets		4.1	4.3	72.4	83.0
Financial liabilities		39.8	77.3	0.6	0.4
Non-technical provisions		2.6	0.9	11.4	19.3
Employee benefits		130.5	138.4	3.0	1.3
Tax assets from losses carried forward	10.6.1	20.9	13.7	–	–
Other[1]		76.6	91.3	29.3	69.3
Deferred taxes (gross)		**676.5**	**734.3**	**1 417.2**	**1 494.5**
Offset		–645.3	–706.3	–645.3	–706.3
Deferred taxes (net)		**31.2**	**28.0**	**771.9**	**788.2**

[1] Deferred taxes on preferred securities are now reported net. The prior-year figures have been adjusted.

Valuation differences on shares in subsidiaries of CHF 3,816.7 million (previous year: CHF 3,732.8 million) did not lead to the recognition of deferred tax liabilities, as either a reversal of the differences through realisation (dividend payment or sale of subsidiaries) is unlikely 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.	2016	2015
in CHF million		
Expire within 1 year	–	–
Expire between 2 and 3 years	3.4	–
Expire between 4 and 7 years	22.5	–
Without expiration	59.0	46.6
Total recognised losses carried forward	84.9	46.6
Resulting tax assets	20.9	13.7
Net tax assets from losses carried forward	**20.9**	**13.7**

10.6.2 Losses carried forward without tax assets recognised

As of 31 December 2016, no tax assets were recognised for losses carried forward of CHF 104.9 million (previous year: CHF 108.5 million), as the related tax benefits cannot be expected to be realised with the current earnings situation of the respective companies. These loss carryforwards do not have an expiry date. The tax rates applicable to material loss carryforwards for which no tax assets were recognised range between 24.0% and 30.0% (previous year: 30.0% to 34.4%).

11. Equity

11.1 Share capital and treasury shares

The fully paid up registered shares of Helvetia Holding AG have a par 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 %.

The treasury stock increased by 1,687 shares in the reporting year. Therefore the number of treasury shares is now 49,638. 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 1.4 million (previous year: CHF 1.1 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 45.0 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.

	Number of shares	Share capital
		in CHF million
Share capital		
As of 1.1.2015	9 889 531	1.0
As of 31.12.2015	9 945 137	1.0
As of 31.12.2016	**9 945 137**	**1.0**
Treasury shares		
As of 1.1.2015	26 288	0.0
As of 31.12.2015	47 951	0.0
As of 31.12.2016	**49 638**	**0.0**
Shares outstanding		
As of 1.1.2015	9 863 243	1.0
As of 31.12.2015	9 897 186	1.0
As of 31.12.2016	**9 895 499**	**1.0**

11.2 Reserves

11.2.1 Capital reserves

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 investments (AFS), the portion of unrealised gains and losses of associates, as well as value changes resulting from the transfer of owner-occupied property.

The reserve is adjusted at the reporting date by the portion relating to contracts with participation features and deferred taxes. The portion reserved for the owners of contracts with participation features is transferred to "Liabilities". This item plus foreign exchange influences amounts to CHF −41.7 million (previous year: CHF −161.8 million). The remaining portion regarding contracts is allocated to the "Valuation reserve for contracts with participation features in equity" (see section 11.2.5, page 182).

In the reporting year, a transfer of CHF −0.2 million (previous year: no transfer) was made to retained earnings as a consequence of disposals of owner-occupied properties transferred to investment property.

Change in unrealised gains and losses in equity

in CHF million	Notes
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	
Balance as of 31 December	
less:	
Obligations for contracts with participation features in 'Liabilities'	
Valuation reserves for contracts with participation features in 'Equity' (gross)	11.2.5
Minority interests	
Deferred taxes on remaining portion	
Unrealised gains and losses (net) as of 31 December	

Change in retained earnings

in CHF million	2016	2015
Balance as of 1 January	2 994.7	2 997.6
Profit or loss for the period	330.5	272.1
Revaluation of benefit obligations	25.6	–116.5
Change in liabilities for contracts with participation features	–4.3	20.4
Deferred taxes	–4.0	19.4
Comprehensive income	347.8	195.4
Transfer from / to retained earnings	–21.1	–20.5
Acquisition of subsidiaries	–43.6	–
Change in minority interests	2.4	0.6
Dividends	–188.6	–178.4
Total retained earnings as of 31 December	**3 091.6**	**2 994.7**

Available-for-sale investments		Associates		Transfer of owner-occupied property		Total unrealised gains and losses	
2016	2015	2016	2015	2016	2015	2016	2015
2 105.3	2 475.4	0.5	–0.5	22.2	22.7	2 128.0	2 497.6
174.3	–25.2	–0.5	1.0	–0.2	–1.3	173.6	–25.5
–	–	–	–	0.0	0.8	0.0	0.8
–	–	–	–	–0.2	–	–0.2	–
–175.5	–357.8	–	–	–	–	–175.5	–357.8
8.3	2.3	–	–	–	–	8.3	2.3
–2.7	10.6	–	–	–	–	–2.7	10.6
2 109.7	2 105.3	–	0.5	21.8	22.2	2 131.5	2 128.0
						–1 141.2	–1 182.9
						–645.8	–639.9
						–0.9	–1.9
						–79.2	–71.3
						264.4	**232.0**

11.2.5 Valuation reserves 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 2.15.2, from page 128).

Change in valuation reserve for contracts with participation features

in CHF million	2016	2015
Unrealised gains and losses on contracts with participation features		
Balance as of 1 January	639.9	718.0
Change in unrealised gains and losses	7.3	–70.6
Foreign currency translation differences	–1.4	–10.8
Reclassifications	–	3.3
Balance as of 31 December	645.8	639.9
less:		
Deferred taxes	–143.7	–145.3
Unrealised gains and losses as of 31 December	502.1	494.6
Retained earnings on contracts with participation features		
Balance as of 1 January	721.2	707.4
Change in the scope of consolidation	–	11.8
Share of profit for the year	46.1	35.6
Revaluation of benefit obligations	9.9	–41.4
Deferred taxes on revaluation of benefit obligations	–2.3	8.7
Foreign currency translation differences	0.0	0.1
Reclassifications	1.7	–1.0
Retained earnings as of 31 December	776.6	721.2
Valuation reserves for contracts with participation features as of 31 December	**1 278.7**	**1 215.8**

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

11.3 Preferred securities

In 2015, on the first call date Helvetia repaid a subordinated perpetual bond issued in 2010 for CHF 300 million paying interest at 4.75 % as of the first proper termination date. The bond was classified as equity.

To refinance this bond, Helvetia Schweizerische Versicherungsgesellschaft AG issued a subordinated perpetual bond of CHF 300 million in 2015. This bond will pay interest at 3.00 % per year until 2022. The interest is charged directly to equity. Helvetia can suspend interest payments at its discretion only when Helvetia Holding does not pay any dividends and if certain other conditions are fulfilled. However, the suspended interest payments do not lapse. This bond meets all solvency requirements and is allocated to equity.

The first call date on which Helvetia has the right, but not the obligation, to repay the bond is 23 October 2022. After this date, the interest rate will be set for five years at a time based on the five-year CHF swap rate and the initial margin of 302.5 basis points.

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.

This bond will pay interest at 3.50% per year until 2020. The interest is charged directly to equity. Helvetia can suspend interest payments at its discretion only when Helvetia Holding does not pay any dividends and if certain 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 five-year CHF swap rate, plus 322.05 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 148.6 million (previous year: CHF 136.4 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 including the interest on the preferred securities recognised directly in equity. Diluted earnings for both reporting periods correspond to the basic earnings, as no convertible instruments or options that could have a dilutive effect are outstanding.

Earnings per share for the period

in CHF	2016	2015
Profit or loss for the period	376 591 156	309 466 934
Interest on preferred securities	– 19 595 522	– 21 535 625
Earnings for shareholders and minority interests	356 995 634	287 931 309
Minority interests	9 934	– 1 742 377
Earnings for shareholders without minority interests	357 005 568	286 188 932
Weighted average number of shares outstanding	9 896 447	9 875 077
Earnings per share	**36.07**	**28.98**

11.6 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 28 April 2017 to pay a dividend per share of CHF 21.00 (previous year: CHF 19.00) with the total payout amounting to CHF 208.8 million (previous year: CHF 189.0 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 under company law and supervisory regulations with regard to the dividends that may be distributed to the parent company, i.e. the owner.

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, 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 capital adequacy requirement for Helvetia Group is calculated in accordance with the rules of the Swiss Solvency Test.

For the Swiss Solvency Test, the available capital is calculated on the basis of the IFRS equity. Taking account of the market value of the assets and liabilities, additional valuation components are added or deducted from the available capital.

The calculation of the capital adequacy requirement in accordance with the Swiss Solvency Test is risk-based. 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 and the rating, and is brought into line with the corporate strategy with the help of multi-year capital plans. The capitalisation of the individual legal entities of Helvetia Group is also monitored closely and optimised according to internally defined threshold values.

Helvetia Group met all capital adequacy requirements on 31 December 2016.

12. Provisions and other commitments

12.1 Non-technical provisions

in CHF million	2016	2015
Balance as of 1 January	152.8	168.3
Change in the scope of consolidation	0.0	–14.9
Allocation	91.4	100.0
Release	–27.6	–59.1
Used amounts	–75.3	–35.8
Foreign currency translation differences	–0.7	–5.7
Balance as of 31 December	**140.6**	**152.8**

"Non-technical provisions" 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. The share of provisions classified as current is CHF 136.9 million (previous year: CHF 149.1 million).

12.2 Contingent liabilities and other commitments

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

Capital commitments

At the reporting date, there were financial commitments for the future acquisition of financial investments and fixed assets in the amount of CHF 85.6 million (previous year: CHF 74.0 million).

Assets pledged or assigned

The Helvetia Group has pledged assets of CHF 169.0 million as security for liabilities (previous year: CHF 48.5 million). These relate to financial investments and other assets pledged to cover liabilities arising from the insurance business.

Operating lease liabilities

The Helvetia Group is a lessee in a number of operating leases. As a result, future lease liabilities will amount to CHF 5.2 million (previous year: CHF 5.5 million) due in less than one year, CHF 25.7 million (previous year: CHF 25.5 million) due between one and five years, and CHF 0.6 million (previous year: CHF 0.9 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 financial position and financial performance.

Other contingent liabilities

At the reporting date, CHF 21.7 million (previous year: CHF 23.5 million) were recognised for other contingent liabilities.

13. Employee benefits

Helvetia Group had 6,481 employees as at 31 December 2016 (previous year: 6,675). Total personnel costs are shown in the table below.

13.1 Personnel costs

in CHF million	Note	2016	2015
Commissions		157.6	154.9
Salaries		508.4	520.4
Social security costs		96.6	104.7
Pension costs – defined contribution plans		5.3	5.0
Pension costs – defined benefit plans	13.3.4	80.2	62.1
Other long-term employee benefit expenses		2.7	3.8
Termination benefits		2.8	6.4
Share-based payment transaction costs		3.3	4.3
Other personnel costs		38.0	31.4
Total personnel costs		**894.9**	**893.0**

13.2 Employee benefit receivables and obligations

		Receivables		Liabilities	
as of 31.12.	Notes	2016	2015	2016	2015
in CHF million					
Kind of benefit					
Defined benefit plans	13.3.1	–	–	708.2	737.8
Other long-term employee benefits		–	–	28.3	28.1
Short-term employee benefits		0.9	0.8	94.3	100.4
Total employee benefit receivables and obligations		**0.9**	**0.8**	**830.8**	**866.3**

“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 the 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 the 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 190). 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 contribution plans, so the benefits do not depend on the final salary. Nevertheless, these plans are also deemed to be defined benefit plans under IFRS, as in cases in which the plan assets no longer cover the pension obligations in accordance with local accounting standards – a so-called funding deficiency of an employee pension plan – restructuring contributions may be levied from the employer.

The Employee Benefits Fund of Nationale Suisse was merged with the Pension Fund of Helvetia Insurance on 1 January 2016. The regulations were harmonised to ensure that all pensioners of the merged pension funds receive the same treatment. The resulting reduction in the pension costs of CHF 23.9 million was already booked in the previous year.

13.3.1 Reconciliation of balance sheet

as of 31.12.	2016	2015
in CHF million		
Present value of funded obligations (+)	3 218.6	3 144.6
Fair value of plan assets (–)	–2 679.9	–2 573.8
Surplus (–) / deficit (+)	538.7	570.8
Present value of unfunded obligations (+)	161.2	158.7
Unrecognised assets (asset ceiling)	8.3	8.3
Net liability[1] for defined benefit plans	**708.2**	**737.8**

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

13.3.2 Change in the present value of pension obligations

in CHF million	2016	2015
Defined benefit obligation as of 1 January	3 303.3	3 269.2
Change in the scope of consolidation	3.2	–
Service cost	105.5	111.7
Interest cost	28.1	41.5
Actuarial gains (–) / losses (+)		
– demographic assumptions	10.6	0.4
– financial assumptions	68.6	182.1
– experience adjustments	–2.8	–39.7
Benefits (net)	–131.7	–200.4
Past service cost	–	–23.9
Settlements	–	–2.6
Foreign currency translation differences	–5.0	–35.0
Defined benefit obligation as of 31 December	**3 379.8**	**3 303.3**

As at 31 December 2016, 89.8 % (previous year: 90.0 %) of the pension obligations resulted from pension plans in Switzerland.

13.3.3 Changes in the fair value of plan assets

in CHF million	2016	2015
Fair value of plan assets as of 1 January	2 573.8	2 672.9
Change in the scope of consolidation	2.3	–
Employer contributions	59.6	58.2
Employee contributions	35.3	36.1
Interest income	18.1	31.1
Benefits (net)[1]	–119.3	–192.7
Settlements	–	–2.6
Return on plan assets excluding interest income	110.4	–26.9
Foreign currency translation differences	–0.3	–2.3
Fair value of plan assets as of 31 December	**2 679.9**	**2 573.8**

[1] This item includes paid-in and withdrawn vested benefits as well as pensions and annuities.

As at 31 December 2016, 99.3 % (previous year: 99.2 %) of the plan assets related to pension plans in Switzerland.

13.3.4 Net pension costs

in CHF million	2016	2015
Current service cost	105.5	111.7
Past service cost	–	–23.9
Net interest expense	10.0	10.4
Employee contributions	–35.3	–36.1
Net pension costs for defined beneit plans	**80.2**	**62.1**

Expenses 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 66.0 million.

13.3.5 Revaluation of benefit obligations

	2016	2015
in CHF million		
Actuarial gains (–) / losses (+)	76.4	142.8
Return on plan assets excluding interest income	–110.4	26.9
Limit on assets (asset ceiling)	–	–2.3
Revaluation of benefit obligations	**–34.0**	**167.4**

Revaluations of benefit obligations are recognised in the consolidated statement of comprehensive income.

13.3.6 Actuarial assumptions

	Switzerland		Abroad	
Weighted averages	2016	2015	2016	2015
in %				
Discount rate	0.6	0.7	1.8	2.3
Expected salary increases	1.0	1.0	2.7	2.8
Expected pension increases	0.0	0.0	1.9	1.8
Duration of the defined benefit liability (in years)	15.4	15.3	16.8	17.8

Helvetia based its life expectancy assumption on the BVG 2010 generation tables up to 2015 and the BVG 2015 generation tables as of 2016.

13.3.7 Sensitivity analysis

The sensitivity analysis takes into account the change to benefit obligations and the current service cost when there is a change of 50 basis points to the actuarial assumptions. Only one parameter is adjusted in each case; the other assumptions remain unchanged.

		Effect on benefit obligations		Effect on service cost	
as of 31.12.	Change	2016	2015	2016	2015
in CHF million					
Discount rate	+50bp	–245.9	–238.1	–6.7	–7.5
Discount rate	–50bp	281.5	270.2	8.0	8.9
Salary increases	+50bp	32.4	32.2	0.3	0.7
Salary increases	–50bp	–32.1	–31.5	–0.4	–0.7
Pensions	+50bp	203.0	194.8	0.2	1.0
Pensions	–50bp	–183.6	–145.0	–0.2	–0.4

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 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 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	2016	2015
Interest-bearing securities		
– listed	1 096.7	1 149.3
– unlisted	9.6	9.8
Listed shares	363.3	404.6
Listed investment funds	483.3	392.5
Listed alternative investments	78.7	0.0
Listed derivative financial assets	3.2	0.7
Money market instruments	5.7	–
Investment property	598.1	570.5
Cash and cash equivalents	12.8	26.1
Other plan assets	28.5	20.3
Total plan assets	**2 679.9**	**2 573.8**

As at 31 December 2016, plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 94.0 million (previous year: CHF 105.7 million). Plan assets do not include any of the Group's owner-occupied properties.

14. Share-based payments

14.1 Employees of the Helvetia Group in Switzerland

The Helvetia employee share purchase plan enables employees to acquire registered Helvetia Holding AG shares. With this plan, employees can directly and voluntarily participate in the added value created by the Group at preferential conditions. All employees of Helvetia in Switzerland are eligible if they are in regular employment (not on notice) and entitled to variable compensation. The number of available shares is specified by the Board of Directors, taking account of the functions of the employees concerned. All shares acquired in this manner are transferred to the ownership of the employee upon receipt and are subject to a mandatory vesting period of three years. The costs associated with the share purchase plan in 2016 were recognised in the income statement at CHF 1.4 million (previous year: CHF 1.1 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 after three years. The extent of target achievement used to calculate the LTC for all members of the Executive Management and Board of Directors is based on four criteria: profit, growth, shareholder value and risk-adjusted return. The relevant figure for converting the variable component into a specific number of deferred shares is the closing stock exchange price for the Helvetia Holding share on the date the extent of target achievement is set by the Nomination and Compensation Committee. A variable payment of CHF 0.5 million was calculated for the Board of Directors for the 2016 financial year (previous year: CHF 0.4 million). This is subject to approval by the Shareholders' Meeting. This corresponds to 903 shares at a price of CHF 573.00 as of reference date 6 March 2017. This payment is recognised proportionally in the income statement every year until ownership of the shares is transferred and amounted to CHF 0.1 million for 2016 (previous year: CHF 0.1 million).

14.3 Members of the Executive Management of the Group and Switzerland

The members of the Executive Management of the Group and Switzerland receive as part of their variable compensation a long-term compensation component (LTC). The Board of Directors determines the extent of target achievement for the LTC. The reference figure, which is multiplied by the extent of target achievement, is a percentage of up to 40 % of the fixed salary component. The LTC is converted into a specific number of shares that are allocated to the Executive Management member as a deferred payment after three years. The conversion price per share is calculated as described in section 14.2. For the 2016 financial year, LTC shares to the value of CHF 1.6 million were allocated (previous year: CHF 2.1 million). For the Executive Management of the Group this is subject to approval by the Shareholders' Meeting. This corresponds to 2 730 shares at a price of CHF 573.00 as of reference date 6 March 2017 (previous year: 3,847 shares at CHF 547.00). This payment is recognised proportionally in the income statement every year until ownership of the shares is transferred and amounted to CHF 1.0 million for 2016 (previous year: CHF 0.6 million).

14.4 Members of the Executive Management teams of the foreign subsidiaries

Besides the local compensation, the members of the Executive Management teams of the foreign subsidiaries receive a variable salary 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 the form of shares. 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 2016 financial year amounted to CHF 0.5 million (previous year: CHF 0.5 million).

15. Related party transactions

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 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 187) and section 7.4 "Investments in associates" (page 156).

The shareholder pool with a combined equity stake of 38.1% in Helvetia Holding consists of the following shareholders:

- Patria Genossenschaft, Basel, with 34.1%,
- Raiffeisen Schweiz, StGall, with 4.0%.

Helvetia Schweizerische Lebensversicherungsgesellschaft AG and Patria Genossenschaft have concluded agreements for capital support. These agreements each refer to a specific financial year. Two such agreements entered into force on the reporting date 31 December 2016. Under one agreement, Patria Genossenschaft undertakes to contribute regulatory capital of up to CHF 50 million to Helvetia Schweizerische Lebensversicherungsgesellschaft AG until 30 June 2017 should certain adverse scenarios arise in the 2016 financial year. Under the other agreement, Patria Genossenschaft undertakes to contribute regulatory capital of up to CHF 100 million to Helvetia Schweizerische Lebensversicherungsgesellschaft AG until 30 June 2018 should certain adverse scenarios arise in the 2017 financial year. The agreements will be executed at normal market conditions.

On 31 December 2016 there was a loan from Helvetia Schweizerische Versicherungsgesellschaft AG to Patria Genossenschaft of CHF 20 million with an interest rate of 0.75% that will be fully amortised in 2021 at the latest.

Helvetia has 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. 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 or cross-involvment in the boards of directors of listed companies. With the exception of Patria Genossenschaft, transactions with cooperation partners are not material for Helvetia Group, either as a single transaction or overall. The dividend payment of CHF 56.9 million (previous year: CHF 53.9 million) to Patria Genossenschaft and the contribution of CHF 45.0 million (previous year: CHF 45.0 million) by Patria Genossenschaft to Helvetia Schweizerische Lebensversicherungsgesellschaft AG were the only significant transactions in the reporting period.

15.2 Transactions with related persons

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

15.2.1 Compensation

Members of the Board of Directors 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 significant fees or remuneration relating to additional services. Where such additional services are compensated, they form an integral part of the total remuneration stated below.

The total compensation paid to the members of the Board of Directors and the Group Executive Management comprises:

as of 31.12.	2016	2015
in CHF		
Salaries and other short-term employee benefits	8 414 651	7 857 854
Prospective share-based payment (LTC)[1]	2 081 709	1 813 301
Employer contributions to pension funds	1 645 369	1 372 060
Total compensation	**12 141 729**	**11 043 215**

[1] Subject to approval by the Shareholders' Meeting

15.2.2 Loans and 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 0.95 % (previous year: 1.65 %).

At the reporting date, mortgage loans had been granted to David Ribeaud for a total amount of CHF 1 015 000 (previous year: CHF 595 000). In the reporting year, the loans, fixed mortgages at employee conditions, earned interest as follows: CHF 595 000 at 0.89 % (previous year: 0.89 %) and CHF 420 000 at 0.95 %.

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 normal customer conditions, had an interest rate of 2 % (previous year: 2 %).

There are no other loans or guarantees.

15.2.3 Shares of Group Executive Management

The shares held by the members of the Group Executive Management and persons closely related to them as of the end of the year are listed in the following table:

as of 31.12.	2016	2015
Number of shares		
Philipp Gmür	2 593	2 158
Stefan Loacker[1]	–	1 020
Markus Gemperle	1 433	1 175
Ralph-Thomas Honegger	1 250	1 122
Paul Norton	1 111	822
David Ribeaud	150	150
Total	**6 537**	**6 447**

[1] Resignation from the Executive Management as at 31 August 2016

In addition to the ownership of shares as reported, the active members of the Group Executive Management have deferred claims to a total of 4,929 shares acquired under the LTC programme.

15.2.4 Shares of 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.	2016	2015
Number of shares		
Pierin Vincenz (Chairman)	2 362	2 319
Doris Russi Schurter (Vice-Chairwoman)	1 238	790
Hans Künzle (Vice-Chairman)	800	800
Hans-Jürg Bernet (member)	1 265	1 212
Jean-René Fournier (member)	99	56
Patrick Gisel (member)	50	50
Balz Hösly[1]	–	10
Peter Kaemmerer[1]	–	10
Christoph Lechner (member)	525	482
John Martin Manser[1]	–	714
Gabriela Maria Payer (member)	140	140
Herbert J. Scheidt (member)	–	386
Andreas von Planta (member)	660	660
Total	**7 139**	**7 629**

[1] These Board members resigned from the Board of Directors at the Shareholders' Meeting of 22 April 2016.

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 1,162 shares acquired under the LTC programme.

16. Risk management

16.1 Principles of risk management

The integrated risk management of Helvetia Group ensures that all material risks are 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;
- define a risk strategy / partial risk strategies that cover the risk management objectives of all essential business activities and are aligned with the business strategy of Helvetia Group;
- 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 Group Executive Management;
- ensure appropriate monitoring of the effectiveness of internal control systems by Group 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 technical risks are delegated to the Investment and Risk Committee (IRC). The structural aspects of risk management (structure of the risk management organisation and the internal control system) and the monitoring of operational risks in particular are delegated to the Audit Committee. The strategic risks are monitored by the Strategy and Governance Committee.

Group Executive Management is responsible for implementing and complying with the strategies, business principles and risk limits defined by the Board of Directors, analysing the risk position of Helvetia Group, capital planning, defining the corresponding control measures and ensuring the necessary external transparency. The topics of risk and capital management are addressed directly in Group Executive Management meetings under the direction of the Chief Risk Officer (CRO). The Risk Committee, which is also headed by the CRO, advises Group Executive Management and coordinates, monitors and assesses the risk decisions and financing and hedging measures of all business units. Other permanent members of the Risk Committee at Group level are the Chief Financial Officer (CFO), Head of Capital Management, Head of Risk and Capital Reporting, Head of Actuarial Life, Head of Portfolio Strategy and Risk Management and Head of Group Underwriting Non-Life, Head of Compliance Group and the Head of Risk Management Switzerland as a permanent guest. Other specialists can be invited to attend a meeting when required and depending on the topic. The entire committee meets at least quarterly and it holds regular discussions at monthly meetings. The Risk and Capital Reporting department, which reports to the CRO, ensures that there is sufficient risk and capital transparency:

- The Own Risk and Solvency Assessment (ORSA) informs Group Executive Management and the Board of Directors of the capitalisation and key risks that affect Helvetia Group (including the risk strategy and management).
- 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.

16.1.2 Risk management process

The risk management process includes all activities related to the systematic assessment of risks at Helvetia Group. The key components of this 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. Helvetia Group distinguishes between the following types of risk that are included in the Group's risk management process: 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, strategic and emerging risks. Reputation risks are not recorded as a separate risk category; instead, their impact is accounted for under operational, strategic and emerging risks.

The market, counterparty and 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.

16.2 Non-life technical risks

The most important non-life segments of Helvetia Group are property (including technical insurance), casualty (liability, accident, motor vehicle) and transport insurance. Motor vehicle insurance policies represent the largest proportion of casualty insurance policies. Traditionally, Helvetia Group also owns a small, Active Reinsurance portfolio. The "Specialty Markets" operating segment includes the globally Active Reinsurance business, the international and Swiss transport, art and technical insurance business and the France country market, which is also focused on the transport business. This segment is also responsible for the representative offices in Istanbul and Miami, the branches in Singapore and Kuala Lumpur and Helvetia Liechtenstein. In contrast, the "Switzerland" and "Europe" segments are defined geographically. The share of the gross premiums per country market is as follows: Switzerland 37.2 % (previous year: 38.0 %), Germany 14.7 % (previous year: 15.3 %), Italy 12.7 % (previous year: 13.3 %), Spain 7.6 % (previous year: 7.8 %), Austria 7.9 % (previous year: 7.7 %). The share of the "Specialty Markets" segment is 19.9 % (previous year: 17.9 %), with 5.5 % (previous year: 5.7 %) attributable to the French country market and 8.8 % (previous year: 6.5 %) to Active Reinsurance.

Gross premiums by sector and country in the non-life business

as of 31.12.2016	Switzerland	Europe				Specialty Markets	Total
in CHF million		Germany	Italy	Spain	Austria		
Property	527.2	262.7	99.5	128.1	110.3	165.7	1 293.5
Transport / Art	3.7	62.4	8.2	15.0	5.4	224.7	319.4
Motor vehicle	596.8	148.8	247.1	119.7	113.7	37.5	1 263.6
Liability	155.5	63.3	52.0	16.9	38.3	2.1	328.1
Accident / health	161.0	31.2	87.3	15.8	36.7	–	332.0
Active Reinsurance						341.1	341.1
Gross premiums non-life	**1 444.2**	**568.4**	**494.1**	**295.5**	**304.4**	**771.1**	**3 877.7**

as of 31.12.2015	Switzerland[1]	Europe				Specialty Markets	Total
in CHF million		Germany	Italy	Spain	Austria		
Property	525.8	269.2	99.3	124.8	104.0	164.0	1 287.1
Transport / Art	3.4	67.9	10.9	19.4	5.5	235.1	342.2
Motor vehicle	587.9	151.1	258.8	118.7	109.3	30.6	1 256.4
Liability	158.4	61.3	47.8	14.4	36.0	2.2	320.1
Accident / health	160.6	30.1	86.0	15.4	34.8	–	326.9
Active Reinsurance						243.5	243.5
Gross premiums non-life	**1 436.1**	**579.6**	**502.8**	**292.7**	**289.6**	**675.4**	**3 776.2**

[1] The allocation of the non-life premiums to the individual sectors has been adjusted.

This table was created using principles on which the segment reporting in section 3 (from page 133) is based. Group reinsurance is included in the "Corporate" segment and in the "Other activities" business area. Information on gross premiums and cessions in these segments can be found in section 3. The role of Group Reinsurance is shown in the following sections. The description below of the risks is also relevant for the Group Reinsurance business as some of the risks of the non-life business are transferred internally in the form of reinsurance to the "Corporate" segment so that a centralised transfer can then be made to the reinsurance market.

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.

In particular, correctly pricing events with a low frequency and very high damages is subject to some uncertainty. These events include natural disasters (floods, earthquakes, storms and hail), which are particularly relevant for property insurance and motor vehicle portfolios. They also relate specifically to major losses caused by people (liability, fire and terrorism).

In addition to the prospective risk of a risk premium being too low, there is also the risk of inadequate provision for known losses or lack of reserves for losses that have occurred but are not yet known. In terms of large risks, there is more uncertainty associated with estimating future claims payments as it can take a longer time to process such claims. In the case of sectors such as liability, a longer period of time can also pass between the occurrence of a loss and its becoming known. The change in such losses can have a major impact on the technical result. For example, a change in the net claims ratio of +/–5 percentage points would have a positive or negative effect of CHF 170.9 million (previous year: CHF 165.0 million) on the income statement (not taking tax effects into account).

Helvetia Group has designed its business process in accordance with the principle of commercial prudence. This assumes that the risks are adequately identified, assessed, monitored and controlled and can be duly taken into account for the assessment of the capital requirements. The Group addresses prospective and retrospective risks with actuarial controls, adequate reserves and diversification. Helvetia Group's consistent focus on a portfolio that is well diversified geographically and across sectors encourages risk-balancing and reduces the risks described above. Helvetia Group controls the technical risks 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. In order to cover existing liabilities that are still to be claimed by policyholders, Helvetia 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.

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 manner by means of treaty reinsurance contracts. Facultative reinsurance contracts are taken out for individual large risks not covered under the treaty reinsurance contract. Treaty reinsurance contracts are coordinated by the Group Reinsurance business unit as part of Helvetia Schweizerische Versicherungsgesellschaft AG and centrally placed in the reinsurance market. In its role as Group reinsurer, Group Reinsurance ensures that the individual primary insurance units have the appropriate treaty reinsurance protection and transfers the risks assumed, taking account of 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 state of the reinsurance markets, Group reinsurance ensures efficient use of existing risk capacity at Group level and provides optimal management of the purchase of reinsurance protection.

Active reinsurance considers itself as a "follower" and usually holds smaller parts of reinsurance contracts. This policy of small holdings, combined with broad diversification (geographically and by insurance segment), leads to a balanced reinsurance portfolio free of major risk clusters.

Group-wide, the technical risks in the non-life business are dominated by natural hazards. Except in very rare cases, the reinsurance protection limits the claims remaining from a natural disaster or individual risk in the direct business at Group level to a maximum of CHF 35 million (previous year: CHF 35 million) for all Helvetia companies. The reinsurance is incremental per risk and event by means of a proportional and non-proportional reinsurance. For more information about the quality of reinsurance and claims settlement, please see sections 16.5 "Counterparty risk" (from page 212) and 9 "Insurance business" (from page 166). In the current year, 11.0 % (previous year: 13.0 %) of the premiums written in the non-life business were ceded to reinsurers. Of these, 70.4 % were ceded to Group Reinsurance and the rest to external reinsurance companies. 46.5 % of the premiums written by Group Reinsurance were retroceded.

16.3 Life technical risks

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 in run-off 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 80.6 % (previous year: 80.9 %) of the gross premium volume in the life business of Helvetia Group. The following table shows the breakdown of gross premium income by sectors and countries. A total of 1.4 % (previous year: 1.5 %) of the premiums written in the life business were ceded to reinsurers in 2016. Of these, 25.9 % were ceded to Group Reinsurance and the rest to external reinsurance companies. 66.0 % (previous year: 64.0 %) of the premiums written by Group Reinsurance were retroceded.

Gross premiums by business activities and region in the life business

as of 31.12.2016	Switzerland	Europe				Total
in CHF million		Germany	Italy	Spain	Austria	
Traditional individual life insurance	718.9	108.8	253.0	32.9	62.3	1 175.9
Group insurance	2 685.3	–	19.5	55.0	–	2 759.8
Investment-linked life insurance	245.0	144.6	–	39.0	160.7	589.3
Gross premiums life	**3 649.2**	**253.4**	**272.5**	**126.9**	**223.0**	**4 525.0**

as of 31.12.2015	Switzerland	Europe				Total
in CHF million		Germany	Italy	Spain	Austria	
Traditional individual life insurance	720.4	120.3	288.2	35.7	79.8	1 244.4
Group insurance	2 565.9	–	15.5	50.8	–	2 632.2
Investment-linked life insurance	201.7	130.3	–	36.9	65.6	434.5
Gross premiums life	**3 488.0**	**250.6**	**303.7**	**123.4**	**145.4**	**4 311.1**

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 26.0 % (previous year: 28.9 %) of the gross premium volume of the life business of Helvetia Group, with 61.1 % of the premiums (previous year: 57.9 %) coming from Switzerland. Investment-linked life insurance (index and unit-linked products) generates 13.0 % (previous year: 10.1 %). 41.6 % of the premiums (previous year: 46.4 %) from the investment-linked life business originate in Switzerland.

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 underwritten since mid-1997, and may be adjusted.

16.3.2 Group life insurance

Group life insurance accounts for 61.0 % (previous year: 61.0 %) of the gross premium volume of the life business of Helvetia Group, with 97.3 % of the premiums (previous year: 97.5 %) 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.

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 interest rate for 2014 and 2015 was 1.75 %. This rate was reduced to 1.25 % for 2016 and to 1 % for the coming year. The interest rate set by Helvetia Group for the non-mandatory component was 1.25 % in 2014 and 2015. This rate was reduced to 0.5 % for 2016 and to 0.25 % for the coming year.

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.

16.3.3 Risk management and sensitivity analysis

Helvetia Group has designed its business process in accordance with the principle of entrepreneurial caution. This assumes that the risks can be adequately assessed, evaluated, monitored and controlled. 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 portfolio.

In individual life, an insurance policy which includes death or morbidity risk may under normal conditions be underwritten 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.

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, with the retained amount 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.

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 cancellation rate 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 acts with due care. If the deflection of a parameter necessitates a higher reserving requirement, but one of the fundamental parameters in the local reserves already has sufficient safety margins, then a change in this parameter will not require a further 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.

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, policyholders live longer than expected, shareholders may have to bear losses. 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 10% reduction in mortality would lead to a reserve increase with a negative impact on the income statement of CHF 63.2 million (previous year: CHF 55.0 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 disability and reactivation rate are analysed in detail. For example, a 10% increase in the disability rate would require a reinforcement of reserves with a negative effect on the income statement of CHF 0.1 million (previous year: CHF 0.1 million), while a decrease in the reactivation rate would have a negative effect of CHF 2.1 million (previous year: CHF 1.4 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 25.0 million (previous year: CHF 25.7 million).

Cancellation risk

Depending on the nature of the contract, higher or lower cancellation rates can cause losses for shareholders. Overall, the basis of calculation at all Helvetia Group life insurance units apply sufficient safety margins so that a change in the cancellation rate would not have a major impact on the amount of reserves. For example, a 10% decrease in the cancellation rate would require a reinforcement of reserves with a negative effect on the income statement of CHF 4.7 million (previous year: CHF 4.4 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 2016, 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 4.0% 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 set 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.

Please see section 16.4.2 (from page 207) on the effect of a change in interest rates on equity and the income statement.

Risks from 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 Market risks

As at 31 December 2016, Helvetia Group managed investments totalling CHF 49.6 billion (previous year: CHF 47.9 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 largely manages its real estate, mortgages and securities itself. External providers mainly manage assets invested in convertible bonds. 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 Group's insurance customers.

Helvetia Group has established a process to ensure that all assets are invested in accordance with the principle of commercial prudence. This means that Helvetia Group only invests in assets and instruments whose risks can be properly assessed, evaluated, monitored and controlled. Market risks are controlled via the investment strategy and, if necessary, reduced by the use of derivative hedging instruments. 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 7.7.1 "Derivative financial assets" (page 160) and 7.7.2 "Derivative financial liabilities" (page 161).

Risk-bearing capacity is determined through equity and loss limits. The Investment Committee monitors and controls the investment risks of Helvetia Group. The appropriate procedures, methods and indicators have been established for this purpose. Priority is given here to the concept of asset and liability management (ALM). The investment strategy is defined annually and reviewed quarterly at Board of Directors level. Ongoing monitoring is preformed via a reporting system.

16.4.1 Liquidity risk

Helvetia Group has sufficient liquid assets to meet unanticipated cash outflows at any time. Liquid assets (cash, premiums to be invested, liquid equities and interest-bearing securities) exceed 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 Group's investment portfolio is composed of investments with no liquid markets 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 31.12.2016	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	3435.5	10388.0	7578.7	13540.7	11.4	34954.3
Provision for future policyholder participation	183.6	76.9	27.5	40.8	1579.4	1908.2
Loss reserves (gross)	1977.5	1583.5	515.2	542.6	12.0	4630.8
Unearned premium reserve (gross)	1317.9	–	–	–	–	1317.9
Total reserves for insurance and investment contracts (gross)	6914.5	12048.4	8121.4	14124.1	1602.8	42811.2
Reinsurers' share	216.1	127.5	67.7	58.2	26.4	495.9
Total reserves for insurance and investment contracts (net)	**6698.4**	**11920.9**	**8053.7**	**14065.9**	**1576.4**	**42315.3**

as of 31.12.2015	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	3297.5	10322.6	7384.6	12718.2	79.7	33802.6
Provision for future policyholder participation	176.8	82.1	27.9	40.3	1598.6	1925.7
Loss reserves (gross)	1840.6	1669.0	607.3	497.1	2.0	4616.0
Unearned premium reserve (gross)	1304.6	–	–	–	–	1304.6
Total reserves for insurance and investment contracts (gross)	6619.5	12073.7	8019.8	13255.6	1680.3	41648.9
Reinsurers' share	160.4	235.0	45.7	38.8	26.0	505.9
Total reserves for insurance and investment contracts (net)	**6459.1**	**11838.7**	**7974.1**	**13216.8**	**1654.3**	**41143.0**

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 31.12.2016	Callable at any time	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million							
Financial liabilities from insurance business	1 624.6	12.2	9.6	9.0	5.4	32.3	1 693.1
Financial liabilities from financing activities	–	16.9	437.9	418.1	–	212.8	1 085.7
Liabilities from insurance business	470.5	1 364.6	–	–	–	1.8	1 836.9
Other financial and other liabilities	0.7	150.1	–	–	–	0.2	151.0
Total financial and other liabilities	**2 095.8**	**1 543.8**	**447.5**	**427.1**	**5.4**	**247.1**	**4 766.7**

as of 31.12.2015	Callable at any time	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million							
Financial liabilities from insurance business	1 834.4	13.9	10.3	9.1	5.6	35.7	1 909.0
Financial liabilities from financing activities	–	17.0	441.4	431.8	–	167.5	1 057.7
Liabilities from insurance business	473.6	1 496.8	–	–	–	4.8	1 975.2
Other financial and other liabilities	0.6	142.9	–	–	–	0.2	143.7
Total financial and other liabilities	**2 308.6**	**1 670.6**	**451.7**	**440.9**	**5.6**	**208.2**	**5 085.6**

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 contractual cancellation right. 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

	Fair Value	Maturity of non-discounted flows of funds			
as of 31.12.2016		< 1 year	1 – 5 years	5 – 10 years	> 10 years
in CHF million					
Derivative financial assets:					
Forward exchange transactions	23.9				
Inflow		2 305.0	–	–	–
Outflow		– 2 285.6	–	–	–
Other (excercise not planned)	128.2				
Derivatives for hedge accounting	7.2				
Inflow		330.5	–	–	–
Outflow		– 324.0	–	–	–
Total derivative financial assets	**159.3**	**25.9**	**–**	**–**	**–**
Derivative financial liabilities:					
Forward exchange transactions	146.9				
Inflow		– 3 244.0	–	–	–
Outflow		3 411.9	–	–	–
Other (excercise not planned)	92.4				
Derivatives for hedge accounting	20.7				
Inflow		– 305.3	–	–	–
Outflow		326.4	–	–	–
Total derivative financial liabilities	**260.0**	**189.0**	**–**	**–**	**–**

	Fair Value	Maturity of non-discounted flows of funds			
as of 31.12.2015		< 1 year	1 – 5 years	5 – 10 years	> 10 years
in CHF million					
Derivative financial assets:					
Forward exchange transactions	9.6				
Inflow		624.4	–	–	–
Outflow		– 615.6	–	–	–
Other (excercise not planned)	135.5				
Derivatives for hedge accounting	3.7				
Inflow		333.0	–	–	–
Outflow		– 332.3	–	–	–
Total derivative financial assets	**148.8**	**9.5**	**–**	**–**	**–**
Derivative financial liabilities:					
Forward exchange transactions	75.0				
Inflow		– 3 747.7	–	–	–
Outflow		3 832.9	–	–	–
Other (excercise not planned)	90.5				
Derivatives for hedge accounting	1.1				
Inflow		– 206.6	–	–	–
Outflow		208.2	–	–	–
Total derivative financial liabilities	**166.6**	**86.8**	**–**	**–**	**–**

16.4.2 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 150).

Both the amount of the technical reserves and the value of most investments of Helvetia Group depend 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 ALM 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 31.12.2016 in CHF million	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
Loans (LAR) incl. money market instruments	1 194.3	2 275.3	3 246.6	1 788.7	451.2	8 956.1
Held-to-maturity investments (HTM)	95.5	531.1	438.6	1 448.2	–	2 513.4
Available-for-sale investments (AFS)	1 088.9	5 103.4	8 405.4	9 244.9	1 358.5	25 201.1
Financial assets at fair value through profit or loss	238.5	1 072.5	658.4	238.9	3 973.0	6 181.3
Derivative financial assets for hedge accounting	7.2	–	–	–	–	7.2
Total financial assets	**2 624.4**	**8 982.3**	**12 749.0**	**12 720.7**	**5 782.7**	**42 859.1**

as of 31.12.2015 in CHF million	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
Loans (LAR) incl. money market instruments	1 771.4	2 139.8	3 199.5	1 780.3	390.9	9 281.9
Held-to-maturity investments (HTM)	193.4	564.7	485.9	1 546.5	–	2 790.5
Available-for-sale investments (AFS)	1 154.5	5 278.1	7 235.3	8 783.6	1 286.9	23 738.4
Financial assets at fair value through profit or loss	162.4	1 108.1	680.3	235.1	3 492.4	5 678.3
Derivative financial assets for hedge accounting	3.7	–	–	–	–	3.7
Total financial assets	**3 285.4**	**9 090.7**	**11 601.0**	**12 345.5**	**5 170.2**	**41 492.8**

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 0.25% to 6%. Only 0.3% (previous year: 0.4%) of the actuarial reserve of Helvetia Group has an interest rate above 4%.

Interest rate guarantees in the life business

as of 31.12.2016	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	891.8	–	575.3	–
– with 0 % interest guarantee	931.9	0.0	739.2	2.6
– with positive interest guarantee	26 461.0	109.4	5 243.1	–
Average interest guarantee in per cent	**1.23**	**2.53**	**2.02**	**0.00**

as of 31.12.2015	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	885.5	–	548.4	–
– with 0 % interest guarantee	464.7	0.0	538.8	2.7
– with positive interest guarantee	25 979.4	130.7	5 252.4	–
Average interest guarantee in per cent	**1.44**	**2.44**	**2.20**	**0.00**

Interest rate sensitivities

as of 31.12.	Interest rate level 2016 +10 bp	Interest rate level 2016 –10 bp	Interest rate level 2015 +10 bp	Interest rate level 2015 –10 bp
in CHF million				
Income statement	0.9	–2.4	0.1	–1.8
Equity	–74.9	76.0	–68.6	50.9
Gross, not taking into account the latency calculation and derivatives	–199.0	199.8	–184.2	139.2

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, technical reserves in the life business (the actuarial reserve, deposits for investment contracts) and interest on floating-rate financial assets. The "look through" principle was used for significant holdings in mixed 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.

16.4.3 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" (10.8% 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 investments in equities represent 5.6% (before hedging) of the Group's financial assets (excluding investments from life insurance policies with the market risk borne by the customers). A substantial portion is hedged against the risk of significant losses.

Share price risk sensitivities

	Share price risk sensitivities 2016		Share price risk sensitivities 2015	
as of 31.12.	+10%	–10%	+10%	–10%
in CHF million				
Income statement	82.4	–78.9	73.9	–73.0
Equity	32.6	–27.0	34.9	–25.9
Gross, not taking into account the latency calculation and derivatives	260.0	–251.4	246.8	–240.1

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 mixed funds. The effects of share price changes on impairments was 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.

16.4.4 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 exchange rate 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.

Exchange rate sensitivities

as of 31.12.2016	Exchange rate EUR / CHF +2 %	Exchange rate EUR / CHF −2 %	Exchange rate USD / CHF +2 %	Exchange rate USD / CHF −2 %	Exchange rate GBP / CHF +2 %	Exchange rate GBP / CHF −2 %
in CHF million						
Income statement	−4.4	4.4	1.0	−1.0	−1.2	1.2

as of 31.12.2015	Exchange rate EUR / CHF +2 %	Exchange rate EUR / CHF −2 %	Exchange rate USD / CHF +2 %	Exchange rate USD / CHF −2 %	Exchange rate GBP / CHF +2 %	Exchange rate GBP / CHF −2 %
in CHF million						
Income statement	−6.8	6.8	−1.9	1.9	−1.4	1.4

In the table above, the impact of changes in exchange rates on the 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.

A “reasonable possible change” in the risk factors affecting the sensitivity analysis is defined as every symmetrical bracket that covers a range of possible exchange rate changes where the probability of its occurring over a period of one year is between 10 % and 90 %. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

Consolidated foreign currency balance sheet 2016

as of 31.12.2016	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	336.0	151.1	0.0	–	487.1
Goodwill and other intangible assets	927.0	291.0	0.0	–	1 218.0
Investments in associates	16.1	1.5	–	–	17.6
Investment property	6 199.7	502.5	–	–	6 702.2
Group financial assets	23 135.8	11 302.7	4 852.3	478.6	39 769.4
Investments with market risk for the policyholder	1 060.7	1 792.8	210.3	25.9	3 089.7
Receivables from insurance business	466.4	532.0	170.7	45.2	1 214.3
Deferred acquisition costs	288.4	161.1	8.1	0.6	458.2
Reinsurance assets	168.7	305.7	58.2	12.4	545.0
Deferred tax assets	1.9	29.3	–	–	31.2
Current income tax assets	7.1	15.2	0.1	–	22.4
Other assets	209.4	182.2	7.1	6.4	405.1
Accrued investment income	168.6	122.1	32.7	0.2	323.6
Cash and cash equivalents	393.0	479.0	58.5	12.2	942.7
Total assets	**33 378.8**	**15 868.2**	**5 398.0**	**581.5**	**55 226.5**

as of 31.12.2016	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	28 287.4	6 660.0	6.9	–	34 954.3
Provision for future policyholder participation	1 491.8	416.4	–	–	1 908.2
Loss reserves (gross)	2 063.3	2 066.3	401.3	99.9	4 630.8
Unearned premium reserve (gross)	456.5	671.8	151.8	37.8	1 317.9
Financial liabilities from financing activities	747.2	90.2	111.4	29.6	978.4
Financial liabilities from insurance business	641.3	1 050.5	1.2	0.1	1 693.1
Other financial liabilities	284.4	2.5	64.6	–	351.5
Liabilities from insurance business	1 475.0	325.3	33.8	2.8	1 836.9
Non-technical provisions	86.3	54.3	–	–	140.6
Employee benefit obligations	461.6	368.9	0.3	–	830.8
Deferred tax liabilities	645.4	126.4	0.1	–	771.9
Current income tax liabilities	31.8	31.2	0.0	–	63.0
Other liabilities and accruals	90.0	135.5	8.4	2.6	236.5
Total liabilities	**36 762.0**	**11 999.3**	**779.8**	**172.8**	**49 713.9**

Consolidated foreign currency balance sheet 2015

as of 31.12.2015	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	325.4	170.4	0.1	–	495.9
Goodwill and other intangible assets	867.5	309.4	0.0	–	1 176.9
Investments in associates	15.4	1.7	–	–	17.1
Investment property	5 966.2	462.9	–	–	6 429.1
Group financial assets	23 672.5	11 039.2	3 442.8	452.7	38 607.2
Investments with market risk for the policyholder	1 024.8	1 649.8	177.5	33.5	2 885.6
Receivables from insurance business	351.3	722.3	185.5	56.9	1 316.0
Deferred acquisition costs	294.9	171.9	0.8	–	467.6
Reinsurance assets	153.0	301.8	86.3	12.3	553.4
Deferred tax assets	0.4	27.5	0.1	–	28.0
Current income tax assets	6.0	19.1	–	–	25.1
Other assets	125.6	160.6	5.8	5.9	297.9
Accrued investment income	188.2	132.1	21.5	0.2	342.0
Cash and cash equivalents	763.8	573.0	154.1	12.1	1 503.0
Total assets	**33 755.0**	**15 741.7**	**4 074.5**	**573.6**	**54 144.8**

as of 31.12.2015	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	27 332.2	6 455.6	14.8	–	33 802.6
Provision for future policyholder participation	1 501.3	424.4	–	–	1 925.7
Loss reserves (gross)	2 058.1	2 103.9	373.1	80.9	4 616.0
Unearned premium reserve (gross)	454.8	707.0	104.2	38.6	1 304.6
Financial liabilities from financing activities	746.7	71.6	89.1	27.8	935.2
Financial liabilities from insurance business	830.6	1 077.4	0.9	0.1	1 909.0
Other financial liabilities	156.2	13.0	62.5	–	231.7
Liabilities from insurance business	1 451.5	402.7	105.1	15.9	1 975.2
Non-technical provisions	102.5	50.3	–	–	152.8
Employee benefit obligations	509.6	356.5	0.2	–	866.3
Deferred tax liabilities	652.2	136.0	–	–	788.2
Current income tax liabilities	14.1	18.3	0.0	–	32.4
Other liabilities and accruals	99.2	158.0	0.3	–7.7	249.8
Total liabilities	**35 909.0**	**11 974.7**	**750.2**	**155.6**	**48 789.5**

16.5 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 with regard to the creditworthiness of the counterparty and limits the exposure per counterparty.

16.5.1 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 associated with loans and mortgages: The largest items in the asset class of loan form the promissory note loans (92.2%), as well as policy loans (5.8%). 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 16.5.2 (page 215) for the amount of gross counterparty risk exposure in connection with derivative financial instruments. A small part of the derivative instruments is traded on a stock exchange, so there are no counterparty risks. Most of the outstanding receivables from the OTC derivatives are covered by collateral. The scope of the hedging with cash collateral is CHF 32.3 million. Existing netting agreements are also relevant. Refer to the table 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 9.7 (from page 173) "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. Since the insurance cover is linked to the fulfilment of the contractual obligations on the part of the customer, the resulting risk is relatively low for the insurance company.
- Counterparty risks from financial guarantees and loan commitments: detailed information on contingent obligations can be found in section 12 (page 185).

The information relevant for setting the level of the counterparty risk exposure includes information on balance-sheet netting and on existing netting 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 Group, the table shows the extent to which netting agreements for financial instruments exist, even if no netting takes place on the balance sheet. The netting agreements are ISDA and Swiss Master Agreements for OTC derivatives transactions. In the event of insolvency or if one of the parties does not fulfil its contractual obligations, there is a mutual right to close the current derivatives contracts and to offset outstanding receivables with liabilities and collateral received within the netting agreement.

Offsetting of financial instruments

	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		
as of 31.12.2016		Financial instruments	Cash collaterals	Net amount
in CHF million				
Derivative financial assets	159.3	−68.4	−32.2	58.7
Derivative financial liabilities	260.0	−68.4	−151.6	40.0

	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		
as of 31.12.2015		Financial instruments	Cash collaterals	Net amount
in CHF million				
Derivative financial assets	148.8	−62.1	−36.6	50.0
Derivative financial liabilities	166.6	−62.1	−16.6	87.9

16.5.2. 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 of life insurance policies. The securities and issuer ratings of recognised rating agencies were used to show credit quality.

Credit quality of debt instruments, loans and derivative financial instruments by asset class

as of 31.12.2016	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	47.9	222.4	498.4	168.2	–	131.6	1068.5
Derivative financial assets	21.0	4.7	78.4	11.4	–	35.2	150.7
Bonds	12812.7	7577.2	4441.6	4394.3	8.2	725.2	29959.2
Mortgages	–	–	–	–	–	4552.2	4552.2
Loans	266.0	703.3	71.5	18.2	–	110.0	1169.0
Total	**13147.6**	**8507.6**	**5089.9**	**4592.1**	**8.2**	**5554.2**	**36899.6**

as of 31.12.2015	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	10.2	455.0	473.4	35.2	–	504.7	1478.5
Derivative financial assets	0.4	–	66.2	12.1	–	62.5	141.2
Bonds	12675.4	7661.5	4358.8	3589.0	80.7	606.6	28972.0
Mortgages	–	–	–	–	–	4243.3	4243.3
Loans	267.0	773.3	78.1	10.9	18.2	112.8	1260.3
Total	**12953.0**	**8889.8**	**4976.5**	**3647.2**	**98.9**	**5529.9**	**36095.3**

Credit quality of debt instruments, loans and derivative financial instruments by sector

as of 31.12.2016	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Governments	6871.0	3598.3	710.5	1877.8	0.0	0.0	13057.6
Financial institutions	6144.1	3114.8	2026.9	731.5	0.1	566.1	12583.5
Corporates and others	132.5	1794.5	2352.5	1982.8	8.1	4988.1	11258.5
Total	**13147.6**	**8507.6**	**5089.9**	**4592.1**	**8.2**	**5554.2**	**36899.6**

as of 31.12.2015	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Governments	6895.7	3324.4	834.1	1870.3	1.0	24.0	12949.5
Financial institutions	5905.5	3650.8	2258.7	571.9	93.9	824.2	13305.0
Corporates and others	151.8	1914.6	1883.7	1205.0	4.0	4681.7	9840.8
Total	**12953.0**	**8889.8**	**4976.5**	**3647.2**	**98.9**	**5529.9**	**36095.3**

Credit risk from ceded reinsurance

as of 31.12.2016	Exposure	Share in %
in CHF million		
AAA	–	–
AA	388.2	56.9
A	259.8	38.1
BBB	2.3	0.3
Not rated	31.6	4.7
Total	**681.9**	**100.0**

as of 31.12.2015	Exposure	Share in %
in CHF million		
AAA	–	–
AA	330.0	54.5
A	229.6	37.9
BBB	5.7	0.9
Not rated	40.1	6.7
Total	**605.4**	**100.0**

The 10 largest counterparties[1]

as of 31.12.2016	Issuer rating	Book value total	AAA
in CHF million			
Switzerland	AAA	2 647.2	2 647.2
Italy	BBB	1 628.5	–
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	1 506.6	1 506.6
United States of America	AAA	1 383.0	1 383.0
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	1 356.2	1 356.2
France	AA	944.3	–
Germany	AAA	717.9	632.1
European Investment Bank	AAA	712.0	712.0
Cantonal Bank of Zurich	AAA	540.3	471.4
Austria	AA	510.4	–

as of 31.12.2015	Issuer rating	Book value total	AAA
in CHF million			
Switzerland	AAA	2 864.4	2 864.4
Italy	BBB	1 624.8	–
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	1 294.9	1 294.9
France	AA	1 194.1	–
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	1 190.7	1 190.7
Germany	AAA	963.9	664.8
United States of America	AAA	932.4	932.4
European Investment Bank	AAA	737.0	737.0
Austria	AA	721.3	52.3
Cantonal Bank of Lucerne	AA	514.9	–

1 measured by the cretit risk exposure shown in the tables “Credit quality of debt instruments” and “Credit risk from ceded reinsurance”

Securities rating Bonds				Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB and lower	Not rated				
–	–	–	–	–	–	–	–
–	–	1628.5	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
934.7	9.6	–	–	–	–	–	–
5.4	–	–	–	–	–	80.4	–
–	–	–	–	–	–	–	–
–	–	–	–	47.9	21.0	–	–
418.6	–	–	–	–	–	91.8	–

Securities rating Bonds				Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB	Not rated				
–	–	–	–	–	–	–	–
–	–	1624.8	–	–	–	–	–
–	–	–	–	–	–	–	–
1097.4	96.7	–	–	–	–	–	–
–	–	–	–	–	–	–	–
217.5	–	–	–	–	–	81.6	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
383.2	–	115.6	70.9	–	–	99.3	–
494.9	–	–	–	10.0	–	10.0	–

17. Events after the reporting date

No important events occurred before or on 7 March 2017, 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 of Helvetia Group:

- The Belgian subsidiary Société Immobilière Joseph II SA, Brussels, was sold on 1 March 2016. The profit from the sale of CHF 1.1 million was recognised in other income.
- Since 31 August 2016, Helvetia has held 50 % of the associated real estate company Pilatus Arena AG, Lucerne.
- On 24 December 2016, Helvetia acquired the remaining 47 % of the shares in Chiara Assicurazioni S.p.A. for CHF 21.6 million. Helvetia now holds 100 % of the company.
- On 16 December 2016, Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall, took a 70.416 % holding in MoneyPark AG, Wollerau. With this investment the insurance company is investing in a new business model and thereby opening up not only a completely new source of income, but also new access to customers and a wider range of products. MoneyPark AG will continue to operate as an independent company and therefore will be able to carry out its role as an independent intermediary in the mortgage business and the business with tailor-made pension solutions. The purchase price was CHF 107.5 million in cash.

The following overview shows the assets and liabilities at fair value acquired as part of the acquisition of MoneyPark:

in CHF million			
Assets			
Intangible assets			23.2
Tax assets			0.7
Other assets and accruals			4.8
Cash and cash equivalents			1.1
Liabilites			
Other liabilities and accruals			3.7
Acquired net assets			
Acquired identified assets (net)			26.1
Minority interests			–7.7
Goodwill			89.1
Total acquisition costs			**107.5**

The purchase price allocation in the above table is provisional.

The receivables from intermediary business amounted to CHF 4.7 million gross, of which CHF 0.1 million was classified as potentially irrecoverable.

The goodwill represents earnings potential by expanding the existing Helvetia portfolio through a new, independent business model as an intermediary in the mortgage business and the business with tailor-made pension solutions, as well as the potential for expansion towards real-estate-related property insurance. In addition, Helvetia expects to gain a stimulus and synergies in the area of digitalisation. The goodwill will be assigned to the "Switzerland" segment and is not expected to be deductible for tax purposes.

In the reporting period, MoneyPark contributed an expense of CHF 1.1 million to the Group's results. This relates to writedowns on intangible assets capitalised as part of the acquisition.

If the acquisition had been completed on 1 January 2016, the consolidated net profit in the reporting period would have been CHF 373.0 million. These pro forma values are based on unaudited financial statements in accordance with local accounting principles and assumptions regarding the impact of the special effects of the transaction. The acquisition would have had no impact on the Group's gross premiums.

In the reporting period the following mergers took place:
- Nacional Suiza Compañía de Seguros y Reaseguros S.A., Barcelona, and Helvetia Compañía Suiza, Sociedad Anónima de Seguros y Reaseguros, Seville, merged on 18 March 2016. The merged entity operates on the market as Helvetia Compañia Suiza, Sociedad Anónima de Seguros y Reaseguros, Seville.
- Helvetia Compagnia Svizzera d'Assicurazioni S.A., Milan, and Nationale Suisse Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese merged on 1 June 2016. The merged entity operates as Helvetia Compagnia Svizzera d'Assicurazioni S.A., Milan.
- Helvetia International Versicherungs-AG, Frankfurt, and "Schweizer-National" Insurance-AG, Frankfurt, merged on 27 July 2016. The merged unit operates on the market as Helvetia Versicherungen AG, Frankfurt.
- In reporting period 2016, there was a merger between Helvetia Financial Services GmbH, Swoboda & Kafka Gesellschaft m.b.H. and protecta.at Finanz- und Versicherungsservice GmbH, all with head offices in Vienna. The merged entity operates as a protecta.at Finanz- und Versicherungsservice GmbH, Vienna.
- In reporting period 2016, there was a merger between Devrientgasse 4 Projektentwicklungs- und Verwertungs GmbH, Devrientgasse 4 Projektentwicklungs- und Verwertungs GmbH & Co. KG and Helvetia Versicherungen AG, all with head offices in Vienna. The merged unit operates on the market as Helvetia Versicherungen AG, Vienna.

18.2 Events in the previous period

- In 2015, the Group increased its investment in the Nationale Suisse Group from 98.5% to 100%.
- The branch office Helvetia Swiss Insurance Company Ltd, Singapore, was established on 6 January 2015.
- Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall, and Schweizerische National-Versicherungs-Gesellschaft AG, Basel, merged on 30 April 2015. The merged entity operates as Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall.
- On 1 May 2015, Swiss National Insurance Company Ltd, Kuala Lumpur, was renamed Helvetia Swiss Insurance Company Ltd, and Nationale Suisse Latin America LLC, Miami, was renamed Helvetia Latin America LLC.
- Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel, and Schweizerische National Leben AG, Bottmingen, merged on 4 May 2015. The merged entity operates as Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel.
- On 7 May 2015, Schweizerische National-Versicherungs-Gesellschaft in Liechtenstein AG, Vaduz, was renamed Helvetia Schweizerische Versicherungsgesellschaft in Liechtenstein AG.
- Helvetia Vita S.p.A., Milan, and Chiara Vita S.p.A., Milan, merged on 1 June 2015. The merged entity operates as Helvetia Vita S.p.A., Milan.
- On 19 June 2015, Helvetia sold the travel insurance portfolio of its Belgian subsidiary Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A. to Mapfre Asistencia. The profit from the sale of CHF 0.5 million was recognised in other income.
- In the previous period, Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A. made capital repayments totalling CHF 8.7 million to Helvetia Group.
- Helvetia Versicherungen Österreich AG, Vienna, and Helvetia Versicherungen AG, Vienna merged on 28 August 2015. The merged unit operates on the market as Helvetia Versicherungen AG, Vienna.
- The sale of the Belgian subsidiary Nationale Suisse Assurances and its two underwriting agencies Vander Haegen & Co. S.A. and ARENA S.A. to the Enstar Group was settled on 13 November 2015. The profit from the sale of CHF 3.8 million was recognised in other income.
- The French subsidiary SAS Saint Cloud, Paris, was liquidated on 24 November 2015.
- Helvetia sold its shares in the associated company Sersanet, Red de Servicios Sanitarios S.A., Madrid, on 31 July 2015.
- In 2015, the Group increased its investment in its associate fvv-Voralberger Versicherungsmakler GmbH, Götzis, from 26% to 30%.
- Since 2015, 4IP European Real Estate Fund of Funds, Luxembourg, is no longer included in the financial statements as an associate, but is recognised as a financial asset.

18.3 Complete list of Group companies

as of 31.12.2016	Business activities	Holding in %	Method of consolidation	Currency	Share capital in million
Switzerland					
Helvetia Holding AG, St Gall	Other	–	–	CHF	1.0
Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall	Non-life	100.00	full	CHF	77.5
Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel	Life	100.00	full	CHF	50.0
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[1]	Non-life	100.00	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
Helvetia Beteiligungen AG, St Gall	Other	100.00	full	CHF	225.7
Helvetia Consulting AG, St Gall	Other	100.00	full	CHF	0.1
MoneyPark AG, Wollerau	Other	70.42	full	CHF	0.3
Helvetia I Funds North America	Other	75.96	full	USD	–
Helvetia I Funds Great Britain	Other	82.44	full	GBP	–
Helvetia I Funds Europe	Other	79.56	full	EUR	–
Coop Rechtsschutz AG, Aarau		42.50	equity	CHF	
Prevo-System AG, Basel		24.00	equity	CHF	
Pilatus Arena AG, Luzern		50.00	equity	CHF	
Germany					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Deutschland, Frankfurt a.M.[1]	Non-life	100.00	full	EUR	
HELVETIA Schweizerische Lebensversicherungs-AG, Frankfurt a.M.	Life	100.00	full	EUR	11.5
Helvetia 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[1]	Non-life	100.00	full	EUR	
Helvetia Vita – Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan	Life	100.00	full	EUR	47.6
Chiara Assicurazioni S.p.A., Milan	Non-life	100.00	full	EUR	12.4
Helvetia Italia Assicurazioni S.p.A., Milan	Non-life	100.00	full	EUR	15.6
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

[1] Branches

as of 31.12.2016	Business activities	Holding in %	Method of consolidation	Currency	Share 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
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	
Austria					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Österreich, Vienna[1]	Non-life	100.00	full	EUR	
Helvetia Versicherungen AG, Vienna	Life and non-life	100.00	full	EUR	12.7
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
ZSG Kfz-Zulassungsservice GmbH, Vienna		33.33	equity	EUR	
Assistance Beteiligungs-GmbH, Vienna		24.00	equity	EUR	
fvv-Vorarlberger Versicherungsmakler GmbH, Götzis		30.00	equity	EUR	
France					
Helvetia Compagnie Suisse d'Assurances S.A., Direction pour la France, Paris[1]	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
Other countries					
Belgium					
Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A., Bruxelles	Non-life	100.00	full	EUR	1.8
Ireland					
Swiss Cap PRO Red Fund, Dublin	Non-life	100.00	full	USD	–
Swiss Cap PRO Orange Fund, Dublin	Life	100.00	full	USD	–
Jersey					
Helvetia Finance Ltd., St Helier	Other	100.00	full	CHF	0.1
Liechtenstein					
Helvetia Swiss Insurance Company in Liechtenstein Ltd, Vaduz	Non-life	100.00	full	CHF	5.0
Luxembourg					
Helvetia Europe S.A., Luxembourg	Other	100.00	full	EUR	3.6
VP SICAV Helvetia Fund International 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	–
Malaysia					
Helvetia Swiss Insurance Company Ltd., Kuala Lumpur[1]	Non-life	100.00	full	USD	–
Singapore					
Helvetia Swiss Insurance Company Ltd., Singapur[1]	Non-life	100.00	full	USD	–
USA					
Helvetia Latin America LLC, Miami	Non-life	100.00	full	USD	0.1
Worldwide					
Helvetia Schweizerische Versicherungsgesellschaft AG, Rückversicherung, St Gall[1]	Other	100.00	full	CHF	

[1] Branches

KPMG

Statutory Auditor's Report

To the General Meeting of Helvetia Holding AG, St. Gallen

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Helvetia Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 110 to 222) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Valuation of life reserves

Valuation of loss reserves

Recoverability of goodwill

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of life reserves

Key Audit Matter

When valuing life reserves, management makes assumptions on future events (death, disability, longevity). In particular, this applies to the estimated value of benefits that will have to be paid out in the future as well as the settlement costs arising from these insurance contracts.

When calculating the amounts of such liabilities, assumptions on the reserving interest rate, mortality, cancellation rate, disability, expenses and the expected rate of return on capital investments are particularly relevant. These assumptions are based on realistic best estimates and take into account internal and external factors. Determining these assumptions involves significant judgement, whereby even small changes in the assumption may have a material impact on the value of the liabilities. Actual benefits paid out may deviate from the liabilities as recorded; this means the liabilities may be too low or too high.

Our response

In summary, we have audited the life reserves as follows:

- Inclusion of actuaries as part of the audit team.
- Testing of the operating effectiveness of selected key controls regarding the calculation of the life reserves and the integrity of the data used in the actuarial calculation.
- Critically assessing the methodology used by the Group to calculate the reserves.
- Examining the determination of the most important assumptions.
- Evaluating the reasonableness of the assumptions used, such as reserving interest rate, mortality, cancellation rate, disability, expenses and expected rate of return on capital investments.
- Independently recalculating the forward projection of the actuarial reserve for a sample of business lines.
- Reconciling the underlying data used to calculate the life reserves with the sub systems using random samples.

For further information on the valuation of the life reserves refer to the following:

- Chapter 9

Valuation of loss reserves

Key Audit Matter

Reserves have been established for claims incurred (both incurred and reported and incurred but not reported claims) up to the end of the business year. These include the costs of claims expected to be paid as well as the costs of handling claims. The reserves are calculated using actuarial methods and assumptions. Determining these assumptions involves significant judgment, and even small changes in the assumptions may have a material impact on the value of the reserves. In addition, the actual claims paid out may deviate from the estimates.

Our response

In summary, we have audited the claims reserves as follows:

- Inclusion of actuaries as part of the audit team.
- Testing of the operating effectiveness of selected key controls for the calculation of the loss reserves and the integrity of the data used in the actuarial calculation.
- Critically assessing the methodology used by the Group to calculate reserves.
- Examining the determination of the most important assumptions.

- Independently recalculating the reserves of the most important business lines as well as reconciling and assessing the reasonableness of the reserves recorded by the Group.

For further information on the valuation of loss reserves refer to the following:

- Chapter 9

Recoverability of goodwill

Key Audit Matter

As at year-end, the group disclosed a carrying value for goodwill of CHF 1,077.1 million. There is a risk that this carrying value may not be recoverable. The goodwill position is subject to an annual goodwill impairment test. The impairment test determines the recoverable amount by calculating the value in use, comparing it to the goodwill's carrying value. If the recoverable amoung exceeds the carrying value, no impairment is required.

The value in use is calculated using the discounted cash flow (DCF) method, which is in particular influenced by expected future cash flows, the applied discount rates as well as the growth rates. Therefore, the calculation of the value in use involves elements of uncertainty and is subject to management's judgment.

Our response

For the goodwill position, we have principally performed the following audit procedures:

- Critically assessing the budgeting process, including back-testing the most important figures; this means comparing the budget values with the actual values of the last 5 years.
- Reconciling the budget and forecast values used in the goodwill impairment test with the figures approved by the Board of Directors.
- Recalculating the DCF model.
- Involving a valuation specialist to critically assess the parameters used, in particular the discount rates and the growth rates.
- Appraising the model used by management to calculate the discount rates.
- Independently calculating the discount rates, and comparing and reviewing the reasonableness of the differences to the rates used by management.
- Comparing the growth rates applied with the inflation rates expected in the long term.
- Assessing sensitivity analyses concerning budget achievement, discount rates as well as growth rates.

For further information on the recoverability of goodwill refer to the following:

- Chapter 6

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Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

KPMG

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Bill Schiller Licensed Audit Expert Auditor in Charge	Andrea Bischof Licensed Audit Expert

Zürich, 7 March 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Financial statements of Helvetia Holding AG

Balance sheet

	2016	2015	Change
in CHF million			
Assets			
Cash and cash equivalents	0.9	3.2	
Other current receivables			
– from third parties	0.2	0.2	
– from participants	164.2	169.6	
Current assets	165.3	173.0	–4.5%
Financial assets	0.1	0.1	
Participations	2089.3	2089.3	
Non-current assets	2089.4	2089.4	0.0%
Total assets	**2254.7**	**2262.4**	**–0.3%**
Liabilities and equity			
Trade payables	3.8	4.0	
Deferred income	1.2	1.2	
Current liabilities	5.0	5.2	
Non-current interest-bearing liabilities			
– from third parties	150.0	150.0	
– from participants	988.6	988.6	
Non-current liabilities	1138.6	1138.6	
Total liabilities	1143.6	1143.8	–0.0%
Share capital	1.0	1.0	
Legal capital reserves			
– Reserve from capital contributions	0.9	0.9	
Legal retained earnings			
– General legal retained earnings	86.1	86.1	
– Reserve for treasury shares	8.0	6.5	
Voluntary retained earnings	690.4	541.3	
Retained profit			
– Profit carried forward	144.3	146.3	
– Annual profit / loss	180.9	337.0	
Treasury shares Helvetia Holding AG	–0.5	–0.5	
Total equity	1111.1	1118.6	–0.7%
Total liabilities and equity	**2254.7**	**2262.4**	**–0.3%**

Income statement

in CHF million	2016	2015	Change
Dividend income	210.1	365.7	
Realised gains on capital investments	0.0	0.8	
Interest income	0.1	0.2	
Total operating income	210.2	366.7	
Other operating expenses	0.0	–0.4	
Interest payable	–29.3	–29.3	
Total operating expenses	–29.3	–29.7	
Earnings before tax	180.9	337.0	–46.3 %
Income tax	0.0	0.0	
Annual profit / loss	**180.9**	**337.0**	**–46.3 %**

Proposed appropriation of profit

in CHF million	2016	2015
Profit for the period	180.9	337.0
Profit carried forward	144.3	146.3
At the disposal of the Shareholders' Meeting	325.2	483.3
Proposed dividend[1]	208.8	189.0
Allocation to free reserves	–	150.0
Profit carried forward to new account	**116.4**	**144.3**

[1] 2016: CHF 21.00 per registered share
2015: CHF 19.00 per registered share

Notes to the financial statements Helvetia Holding AG

1. Principles

1.1 General

The 2016 financial statements of Helvetia Holding AG were prepared in accordance with the provisions of the Swiss Code of Obligations (CO) (chapter 32 of the Swiss Code of Obligations). The applied valuation principles comply with the law. The material valuation principles that are not prescribed by law are discussed below.

1.2 Valuation principles

Measurement is done in accordance with uniform criteria. Assets and liabilities are measured on an individual basis. Subsequent to initial recognition, assets are measured at amortised cost. Liabilities are stated at par value.

Investments in other companies are recognised at purchase cost less impairment.

Loans are reported at par value less impairment.

Treasury shares are charged to equity in the balance sheet at purchase cost as of the acquisition date. In case of a sale at a later date, the gain or loss is recognised without affecting profit or loss.

1.3 No need to include cash flow statement and management report

As Helvetia Group prepares consolidated financial statements in accordance with a recognised accounting standard (IFRS), in accordance with the statutory provisions it therefore does not have to include a management report and statement of cash flow in these financial statements.

2. Notes on balance sheet and income statement items

2.1 Investments

On the reporting date, Helvetia Holding AG owned the following direct investments:

	Reported company capital	Holding as of	Reported company capital	Holding as of
	31.12.2016	31.12.2016	31.12.2015	31.12.2015
in CHF million				
Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen	77.5	100.00 %	77.5	100.00 %
Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel	50.0	100.00 %	50.0	100.00 %
Helvetia Finance Limited, Jersey	0.1	100.00 %	0.1	100.00 %

2.2 Bond

On 8 April 2013, Helvetia Holding AG issued a 1.125 % bond 2013–2019 with a nominal value of CHF 150.0 million. The bond was subscribed and paid on 8 April 2013 and must be repaid at par value on 8 April 2019. The bond has a coupon rate of 1.125 % p.a., which will be paid annually on 8 April.

2.3 Maturity structure of interest-bearing liabilities

in CHF million	31.12.2016	31.12.2015
up to 1 year	0.4	0.4
1 to 5 years	150.0	150.0
More than 5 years	988.2	988.2

2.4 Share capital and authorised capital

The share capital of CHF 994,513.70 consists of 9,945,137 registered shares with a par value of CHF 0.10.

On 25 February 2015, Helvetia Holding AG carried out an approved share capital increase of CHF 5,560.60. 55,606 new shares with a par value of CHF 0.10 were issued.

2.5 Treasury shares

On 31 December 2016, Helvetia Holding AG and its subsidiaries held 49,638 shares (CHF 8.0 million) of Helvetia Holding AG (previous year: 47,951 shares, CHF 6.5 million).

Treasury shares

	31.12.2016	31.12.2015
Number of treasury shares	49638	47951
Reserve for treasury shares in CHF million	8.0	6.5

Change treasury shares

Date	Number	Type of shares	in CHF million
As at 1 January 2015	26288	Registered shares	8.2
Purchases	59956	Registered shares	2.3
Sales	–38293	Registered shares	–4.0
As at 31 December 2015	47951	Registered shares	6.5
Purchases	9167	Registered shares	3.6
Sales	–7480	Registered shares	–2.1
As at 31 December 2016	49638	Registered shares	8.0

2.6 Dividend income

The reported dividend income of Helvetia Holding AG represents the dividend paid simultaneously to Helvetia Holding AG by the subsidiaries Helvetia Schweizerische Versicherungsgesellschaft AG and Helvetia Schweizerische Lebensversicherungsgesellschaft AG from their respective net profits for 2016.

2.7 Auditors' fees

	31.12.2016	31.12.2015
in CHF		
Auditing services	16000	16000
Other services	0	0

The audit fees include the fees for mandates connected directly or indirectly to an existing or future audit mandate as well as the fees for audit-related activities (including questions concerning the accounts, support in regulatory matters and statutory special audits).

3. Other information

3.1 Full-time equivalents
Helvetia Holding AG does not have any employees.

3.2 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 1.3 billion vis-à-vis the bond creditors of Helvetia Schweizerische Versicherungsgesellschaft AG. This is associated with (i) the subordinated bond issued in September 2015 as well as (ii) a subordinated bond issued in October 2014 in the amount of CHF 1 billion (two unsecured senior bonds at CHF 225.0 million and CHF 150.0 million, and two unsecured junior bonds at CHF 400.0 million and CHF 225.0 million).

3.3 Shareholders with interests of more than 3.00 %
The following shareholders were entered in the share register on the reporting date of 31 December 2016:
- Patria Genossenschaft, Basel, with 34.09 % (previous year: 30.09 %)
- Vontobel Beteiligungen AG, Zurich, with 0.00 % (previous year: 4.00 %)
- Raiffeisen Schweiz Genossenschaft, St Gall, with 4.00 % (previous year: 4.00 %)
- BlackRock AG, Zurich, with 2.91 %, of which 2.32 % are held indirectly (previous year: 5.28 %, of which 4.67 % were held indirectly).

3.4 Additional information for companies listed on the stock exchange
The information on investments of the members of the Board of Directors and the Executive Management required under Art. 663c para. 3 of the Swiss Code of Obligations is provided in the Notes to the 2016 consolidated financial statements of the Helvetia Group under chapter 15.

3.5 Ownership interests of members of the Board of Directors and employees
Information on the allocation of ownership interests to the members of the Board of Directors and the Executive Management is provided in the Notes to the 2016 consolidated financial statements of the Helvetia Group under chapter 15.

3.6 Material events after the reporting date
There were no material events after the reporting date that would have an impact on the carrying values of the reported assets or liabilities or that would need to be disclosed here.

KPMG

Statutory Auditor's Report

To the General Meeting of Helvetia Holding AG, St. Gallen

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Helvetia Holding AG, which comprise the balance sheet as at 31 December 2016, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 228 to 232) for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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 statements submitted to you be approved.

KPMG AG

Bill Schiller
Licensed Audit Expert
Auditor in Charge

Andrea Bischof
Licensed Audit Expert

Zurich, 7 March 2017

Embedded Value

Embedded Value measures the 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 and fluctuation reserves as well as their share in the available portion of the free bonus reserve. The value of the insurance portfolio corresponds to the present value of all expected future statutory earnings after taxes from the life insurance portfolio as of 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 yields, while future bond yields continue to be calculated as of the reference date. 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 differ from the market-consistent Embedded Value according to the CFO Forum, and also reacts differently to economic changes.

KPMG reviewed the guidelines used by Helvetia Group as well as the assumptions underlying the calculation of the Embedded Value at 31 December 2016. KPMG has carried out a review of the Embedded Value presented below by the Helvetia Group on the basis of the relevant assumptions. Nothing has come to the attention of KPMG that causes it to believe that the assumptions used and the calculated Embedded Value do not comply with the Helvetia guidelines.

As at the end of 2016, the Embedded Value of the Helvetia Group was CHF 3,264.1 million. This corresponds to an increase of 2.1 % from December 2015. The improvement was mainly driven by positive contributions from operating profit and new business. Against this, an opposite effect came from assumptions about future capital gains, which had to be lowered due to persistently low interest rates, although not to the same extent as in the previous year. As in previous years, Helvetia financed the dividend that was distributed to shareholders also from the life units, which further reduced the Embedded Value.

Every year, Patria Genossenschaft makes a contribution to the bonus reserves of Helvetia Leben AG (Swiss business) to promote the interests of Helvetia's life insurance customers. In the reporting year, this contribution amounted to CHF 45.0 million.

In keeping with its strategy, Helvetia focused on selling capital-efficient insurance solutions in the past financial year and curtailed sales of traditional products. New business volume therefore declined in 2016, while the earnings prospects for the business written improved. In Switzerland, a conscious effort was made to reduce the sale of full insurance solutions for occupational pensions, while new business with the autonomous collective foundation Swisscanto (and the cantonal banks as distribution channel) increased substantially. Helvetia is not really exposed to any interest rate risk here, as it only serves as reinsurer for the risks of death and disability. In the foreign markets, new business volumes fell the most in capital-intensive, traditional savings products, a loss which could not be fully compensated by the growth posted for risk insurance and investment-linked products.

In spite of lower new business premiums, the value of the new business written in 2016 rose from CHF 23.5 million in the previous year to CHF 32.6 million. In Switzerland, adjustments were mostly made to the traditional savings products which more than adequately compensated for the further decline in yield expectations. Thanks to the strong growth in the share of business acquired by Swisscanto and improved assumptions, for example a slightly higher interest margin for full insurance models, the value of new business also rose for the occupational pensions business. The value of new business declined year-on-year in the foreign markets, however, mainly because of lower new business volumes and lower yields on new money.

The new business margin for 2016 improved considerably year-on-year at 1.3 % (financial year 2015: 0.9 %). This reflected the success of various measures – such as the focused sales of modern insurance products and the revision of traditional products – that Helvetia implemented in the course of the year in order to improve the profitability of the life business. As a consequence, new business profitability was better than the target of 1.0 % for the current strategy period, both in Switzerland at 1.3 % and for the foreign markets at 1.2 %. New business is therefore profitable overall thanks to ongoing product adjustments and a successful product mix.

in CHF million	2016	2015
Embedded Value after tax		
Switzerland	**2 788.1**	**2 746.1**
of which value of insurance portfolio	1 758.4	1 823.9
of which adjusted equity	2 082.1	1 965.1
of which solvency costs	– 1 052.4	– 1 042.9
EU	**476.0**	**449.6**
of which value of insurance portfolio	261.9	241.0
of which adjusted equity	341.5	328.9
of which solvency costs	– 127.4	– 120.3
Total[1]	**3 264.1**	**3 195.7**
of which value of insurance portfolio	2 020.3	2 064.9
of which adjusted equity	2 423.6	2 294.0
of which solvency costs	– 1 179.8	– 1 163.2

[1] of which minority interests CHF 1.5 million as of 31.12.2016

Assumptions in %	2016	2015
Switzerland		
Risk Discount Rate	6.0 %	6.0 %
Yield on bonds	0.2 % – 1.4 %	0.3 % – 1.5 %
Yield on equities	6.0 %	6.0 %
Yield on real estate	4.4 %	4.5 %
EU		
Risk Discount Rate	6.5 % – 7.5 %	6.5 % – 8.0 %
Yield on bonds	1.6 % – 3.0 %	1.7 % – 3.1 %
Yield on equities	6.5 %	6.5 %
Yield on real estate	4.8 %	4.8 %

in CHF million	2016	2015
Development of Embedded Value after tax		
Embedded value as of 1 January	3 195.7	3 188.1
Operating profit from insurance portfolio and adjusted equity	147.9	239.0
Value of new business	32.6	23.5
Economic changes, including changes to unrealised gains and losses on investments (equity and real estate)	–45.9	–169.4
Dividends and movement of capital	–59.5	–39.1
Foreign currency translation differences	–6.7	–46.4
Embedded Value as of 31 December	**3 264.1**	**3 195.7**

in %		
Sensitivities		
+1 % change to risk discount rate	–9.7 %	–9.4 %
–1 % change to risk discount rate	11.9 %	11.6 %
–10 % change to fair value of equities	–2.9 %	–2.7 %
–10 % change to fair value of real estate	–12.0 %	–10.6 %
+1 % change to new money rate	11.2 %	11.7 %
–1 % change to new money rate	–17.5 %	–27.4 %

in CHF million		
New Business		
Switzerland		
Value of new business	23.0	12.7
Annual Premium Equivalent (APE)	171.9	179.4
Value of new business in % APE	13.4 %	7.1 %
Present value of new business premiums (PVNBP)	1 729.0	1 800.1
Value of new business in % PVNBP	1.3 %	0.7 %
EU		
Value of new business	9.6	10.8
Annual Premium Equivalent (APE)	98.7	102.7
Value of new business in % APE	9.7 %	10.5 %
Present value of new business premiums (PVNBP)	802.8	811.5
Value of new business in % PVNBP	1.2 %	1.3 %
Total		
Value of new business	32.6	23.5
Annual Premium Equivalent (APE)	270.6	282.1
Value of new business in % APE	12.0 %	8.3 %
Present value of new business premiums (PVNBP)	2 531.8	2 611.6
Value of new business in % PVNBP	1.3 %	0.9 %

Annual Premium Equivalent (APE): 100 % annual premium for new business +10 % of single premium of new business

Service

Glossary

Actuarial reserve
Technical life insurance reserve calculated in compliance with official guidelines and which, in conjunction with future premiums, secures claim payments.

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).

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.

Solvency, Solvency I, Swiss Solvency Test
The term "solvency" refers to the minimum supervisory capital adequacy requirements that must be met by an insurance company. To calculate this, the available capital is compared to the required capital, with the available capital being the equity that is available to cover the required capital.

The required capital is the minimum amount of capital funds which an insurance company needs to ensure that it can always meet its liabilities from insurance policies. Currently, insurance groups domiciled in Switzerland are subject to two different solvency systems. While the "Solvency I" system, which has been in force for many years, requires sufficient volume-based capital to cover the insurance obligations, the required capital is calculated on a risk basis for the "Swiss Solvency Test" (SST) which entered into force on 1 January 2011.

Technical reserves
Total amount of reserves for unearned premiums, reserves for claims outstanding, actuarial reserves, reserves for future policyholder dividends and other technical reserves that appear under liabilities on the balance sheet.

Total benefits
Sum of all the benefits insured (particularly applies to life insurance business).

Total business
Direct and indirect business combined.

Unearned premium reserve
In many cases, the insurance period for which a premium is paid in advance and during which the insurance company bears the risk does not correspond with the financial year. The part of the premium relating to the insurance period falling in the next financial year has not been earned by the end of the current year, and must be transferred to reserves at the end of the financial year. This is the unearned premium reserve which appears in the balance sheet under technical reserves. Changes to the unearned premium reserve are shown in the income statement.

Unit-linked 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

28 April 2017	Ordinary Shareholders' Meeting in StGall
4 September 2017	Publication of half-year financial results for 2017
5 March 2018	Publication of financial results 2017

Multi-year overview

	2012	2013	2014	2015	2016
Key share data Helvetia Holding AG					
Group profit for the period per share in CHF	37.1	40.9	43.0	29.0	36.1
Consolidated equity per share in CHF	435.4	445.0	503.2	470.4	486.3
Price of Helvetia registered shares at the reporting date in CHF	346.5	447.5	474.0	566.0	548.5
Market capitalisation at the reporting date in CHF million	2 998.2	3 872.2	4 687.6	5 628.9	5 454.9
Number of shares issued	8 652 875	8 652 875	9 889 531	9 945 137	9 945 137

in CHF million					
Business volume					
Gross premiums life	4 201.4	4 547.5	4 614.5	4 311.1	4 525.0
Deposits received life	149.8	183.6	153.0	148.0	110.0
Gross premiums non-life	2 412.4	2 550.9	2 789.2	3 532.7	3 536.6
Assumed reinsurance	214.9	194.8	209.9	243.5	341.1
Business volume	6 978.5	7 476.8	7 766.6	8 235.3	8 512.7
Key performance figures					
Result life	138.2	152.9	115.0	149.8	150.6
Result non-life[1]	187.3	204.4	193.0	240.3	251.2
Result other activities[1]	7.6	6.5	85.3	–80.6	–25.2
Group profit for the period after tax	333.1	363.8	393.3	309.5	376.6
Investment result	1 315.3	1 332.2	1 476.9	1 185.4	1 212.8
of which investment result from Group financial assets and investment property	1 087.5	1 156.8	1 275.4	1 105.6	1 144.4
Key balance sheet figures					
Consolidated equity (without preferred securities)	3 750.2	3 831.2	4 963.1	4 655.3	4 812.6
Provisions for insurance and investment contracts (net)	32 765.7	34 518.7	41 275.0	41 143.0	42 315.3
Investments	37 733.2	39 576.1	48 018.0	47 939.0	49 578.9
of which Group financial assets and investment property	34 938.0	36 736.7	44 843.4	45 036.3	46 471.6
Ratios					
Return on equity	9.2 %	9.5 %	9.0 %	6.1 %	7.4 %
Reserve to premium ratio non-life[1]	151.2 %	153.1 %	193.2 %	154.4 %	152.2 %
Combined ratio (gross)[1]	91.6 %	92.2 %	91.1 %	91.7 %	88.5 %
Combined ratio (net)[1]	94.0 %	93.9 %	93.5 %	92.1 %	91.6 %
Direct yield	2.8 %	2.7 %	2.5 %	2.2 %	2.2 %
Investment performance	5.3 %	1.7 %	7.7 %	1.6 %	2.5 %
Employees[2]					
Helvetia Group	5 215	5 037	7 012	6 675	6 481
of which segments Switzerland and Corporate	2 500	2 369	3 752	3 478	3 376

[1] Adjustment for new segmentation (Active Reinsurance now in non-life)
[2] Adjustment of the number of employees 2013 / 2014 on a full-time basis (per capita up to 2012)

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