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Financial report 2017

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Key figures

	2017	2016	Change
Key share data Helvetia Holding AG			
Group underlying earnings per share in CHF	**49.2**	47.7	**3.0%**
Group profit for the period per share according to IFRS in CHF	**39.1**	36.1	**8.4%**
Consolidated equity per share in CHF	**528.5**	486.3	**8.7%**
Price of Helvetia registered shares at the reporting date in CHF	**548.5**	548.5	**0.0%**
Market capitalisation at the reporting date in CHF million	**5454.9**	5454.9	**0.0%**
Number of shares issued	**9945137**	9945137	

in CHF million			in original currency
Business volume			
Gross premiums life	**4384.3**	4525.0	**-3.1%**
Deposits received life	**163.2**	110.0	**48.4%**
Gross premiums non-life	**3678.5**	3536.6	**4.0%**
Active Reinsurance	**415.3**	341.1	**21.8%**
Business volume	**8641.3**	8512.7	**1.5%**
Key performance figures			
Underlying earnings life business	**193.1**	173.5	**11.3%**
Underlying earnings non-life business	**363.5**	340.5	**6.7%**
Underlying earnings Other activities	**-54.2**	-22.2	**n.a.**
Underlying earnings of the Group after tax	**502.4**	491.8	**2.2%**
IFRS earnings of the Group after tax	**402.9**	376.6	**7.0%**
Investment result	**1513.4**	1212.8	**24.8%**
of which investment result from Group financial assets and investment property	**1348.7**	1144.4	**17.9%**
Key balance sheet figures			
Consolidated equity (without preferred securities)	**5229.4**	4812.6	**8.7%**
Provisions for insurance and investment contracts (net)	**44385.5**	42315.3	**4.9%**
Investments	**52306.1**	49578.9	**5.5%**
of which Group financial assets and investment property	**48629.2**	46471.3	**4.6%**
Ratios			
Return on equity[1]	**9.8%**	9.7%	
Reserve to premium ratio non-life	**156.3%**	152.2%	
Combined ratio (gross)	**88.8%**	88.5%	
Combined ratio (net)	**91.8%**	91.6%	
Direct yield	**2.1%**	2.2%	
Investment performance	**2.8%**	2.5%	
Employees			
Helvetia Group	**6592**	6481	**1.7%**
of which segments Switzerland and Corporate	**3499**	3376	**3.6%**

[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).

Financial report

Risk, capital 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 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 complying with / observing the guidelines and policies for risk management within the scope of their operating activities in the respective 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.

Emerging 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 section 16 (from page 155) of the Annual 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.

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						

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

These objectives are kept in balance by taking account of risk capacity and cost / benefit arguments. 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. The Swiss insurance supervisory authorities aim to standardise the Swiss Solvency Test models of insurance companies. Helvetia is involved in this process and continually ensures proper implementation of the new requirements. Furthermore, Helvetia is well prepared to integrate potential new developments into its capital management.

The European Insurance and Occupational Pensions Authority (EIOPA) has implemented a review process to determine the capitalisation under Solvency II. Helvetia is following these developments as well and is in a position to adapt changes in the calculation logic and reflect them in its capital management in a timely (appropriate) manner.

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. In the life business, the terms of fixed-income securities and liabilities are aligned with one another. 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 65% 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 66%.

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

2017 was an excellent year for equities, with markets all over the world posting pleasing gains. Measured by the Swiss Performance Index, Swiss equities generated a total return of nearly 20%. As a result, they clearly outperformed the eurozone and slightly underperformed the US market. The emerging markets posted a particularly strong result, gaining more than 30% owing to the favourable global economic environment, persistently low interest rates and strong corporate earnings.

Swiss insurance shares were not quite able to keep pace with the overall market, but nevertheless achieved a solid performance of just under 10%. The Helvetia share fell somewhat short of the industry average with just below 4%.

Changes to the core shareholder base

At the end of 2017, Helvetia's core shareholder Patria Genossenschaft still held 34.1% of the share capital. Raiffeisen Schweiz sold its 4.0% share to institutional investors in September 2017. Accordingly, the free float increased slightly over the previous year (61.9%) to 65.9%. As of 31 December 2017, the following important shareholders were entered in the share register of Helvetia Holding:

– Patria Genossenschaft 34.1%

The majority of registered shareholders are based in Switzerland. Among the institutional shareholders – excluding the above core shareholder – 47.1% of the shares are held by investors who have their registered office in Switzerland (previous year: 47.7%). 52.9% (previous year: 52.3%) are held by foreign investors. Shares pending registration increased slightly year-on-year, ending the year at 23.0%. The average volume of Helvetia shares traded each day in 2017 was CHF 10.3 million, representing a year-on-year increase of around 45%. In particular, this is due to the increased free float following the sale of the share package by Raiffeisen Schweiz and the resulting increase in the average number of Helvetia shares traded, which rose by some 38% to 18,890 shares per day in 2017. Compared to the previous year, the structure of the types of investors has shifted slightly from banks and insurance companies to private individuals.

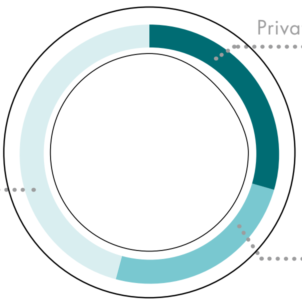
Bonds in circulation

In 2017, the Helvetia Group placed a subordinated undated bond for CHF 500 million (coupon 3.375%) on the Swiss capital market.

Helvetia share

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

Investor groups
(excluding core shareholder base)
in %



Bonds in circulation

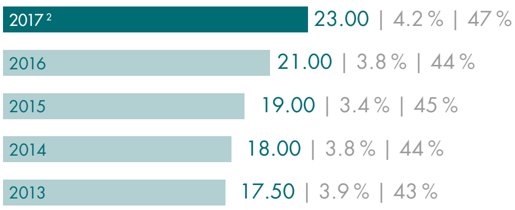
	Issue volume	Interest	Term	Year of issue
Subordinate bond	CHF 300 million	3.00% p.a.	Perpetual	2015
Bond	CHF 225 million	0.75% p.a.	6 years	2014
Bond	CHF 150 million	1.50% p.a.	10.5 years	2014
Subordinate bond	CHF 400 million	3.50% p.a.	Perpetual	2014
Subordinate bond	CHF 225 million	4.00% p.a.	30 years	2014
Bond	CHF 150 million	1.125% p.a.	6 years	2013
Subordinate bond	EUR 500 million	3.375% until 2027, subsequently variable	29.9.2047	2017

Successful Shareholders' Meeting in 2017

The Helvetia Group once again presented a very good annual result to the 1,668 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 2016. Furthermore, in accordance with the articles of incorporation and in line with the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV), all members of the Board of Directors were proposed for re-election and reappointed individually for a further term in office. Dr Ivo Furrer was elected as a new member of the Board of Directors.

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

Key share data Helvetia Holding AG

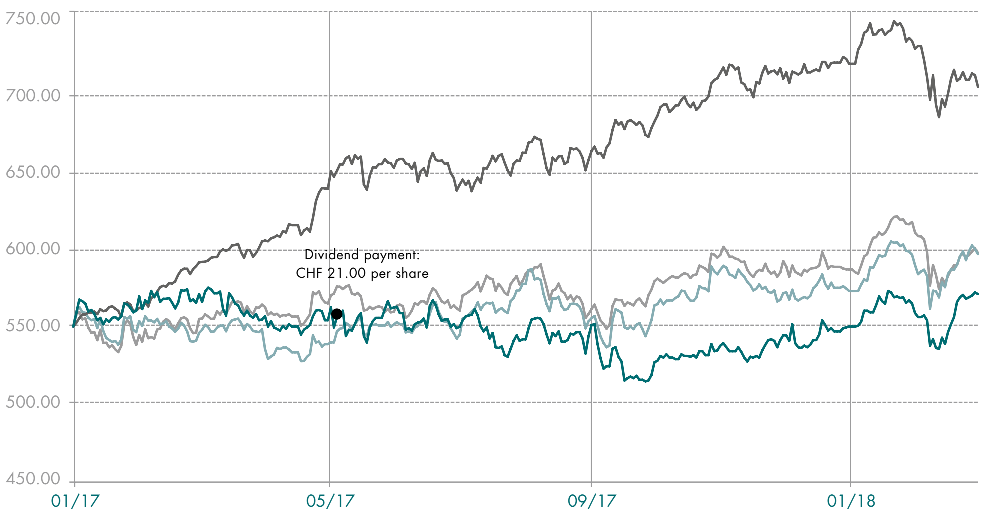
	2017	2016
Number of shares issued		
Treasury shares	51 341	49 638
Shares outstanding	9 893 796	9 895 499
Number of shares issued	9 945 137	9 945 137
Price of Helvetia registered shares in CHF		
Year-end	548.5	548.5
High for the year	579.5	572.0
Low for the year	506.0	476.3
Market capitalisation in CHF million	5 454.9	5 454.9
Consolidated equity per share in CHF	528.5	486.3
Price/ book ratio (P / B)[1]	1.0	1.1
Group underlying earnings per share in CHF	49.2	47.7
IFRS earnings for the period per share in CHF	39.1	36.1
Price / earnings ratio (P / E)[1]	14.0	15.2
Dividend per share[2]	23.00	21.00
Payout ratio on the basis of underlying earnings	47 %	44 %
Payout ratio on the basis of IFRS	59 %	58 %
Dividend yield[1/2]	4.2 %	3.8 %

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

Share price development 1.1.2017 – 28.2.2018

in CHF

Helvetia
Swiss Insurance Price Index
SMIM
STOXX Europe 600 Insurance



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 14 ff in the company brochure.

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", which was issued in 2002 by economiesuisse and updated in 2016, the Corporate Governance Guidelines (RLCG) of SIX Swiss Exchange in the version of 13 December 2016, the Circular "Corporate governance - insurers" of the Swiss Financial Market Supervisory Authority (FINMA) of 7 December 2016, the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) of 20 November 2013 and the FINMA Circular 2010 / 1 in the version of 22 September 2016. The compensation report included in the Annual Report (from page 35) 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 Financial 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.pdf) and the organisational rules with appendices (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf) are also available on our website at https://www.helvetia.com/corporate/web/en/home/investor-relations/overview/publications/business-publications.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 13 of the company brochure. This structure is intended to create the best possible legal, financial, fiscal and regulatory framework and to ensure smooth, efficient and flexible business operations.

Following the now concluded integration of Schweizerische National-Versicherungs-Gesellschaft AG ("Nationale Suisse"), the corporate structure was further optimised and simplified in 2017 by the merger of Helvetia Beteiligungen AG – an intermediate holding company for the holding of various investments in subsidiaries – and Schweizerische Versicherungsgesellschaft AG as well as the intra-Group sale of Helvetia Schweizerische Lebensversicherungsgesellschaft to the parent company. Helvetia Finance Ltd., Jersey, which had been almost inactive for years and was no longer required, was liquidated in 2017.

The complete list of Group companies, including investments, is shown from page 183.

Helvetia Holding AG has its head office in St Gall and is listed on the SIX Swiss Exchange in Zurich: security number / ticker 1227168 / HELN. Key data for investors is given on pages 8 to 9 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 183 and 184. 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 from page 190.

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 most important shareholder Patria Genossenschaft (founding partner). On the reporting date, 16,297 (previous year: 14,625) 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.

The shareholder pool was dissolved with the sale of the Raiffeisen Schweiz AG holding on 15 September 2017 Patria Genossenschaft, Basel, remains the largest shareholder with 34.1 %.

At the end of 2017, only Blackrock with a share of 3.21 % exceeded the reporting threshold of 3 %. 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.htmlhttps/Emittent:Helvetia Holding AG.

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: Helvetia currently has no 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.pdf).

2.3 Changes in capital

– 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.

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 8 to 9. On 31 December 2017, Helvetia held 46,363 treasury shares (0.46 %).

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, in particular, 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.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

The Board of Directors (BoD) of the Helvetia Group 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 (EM). The Board of Directors has nine members. Dr Pierin Vincenz was re-elected as Chairman at the 2017 Shareholders' Meeting (SM) and Dr Ivo Furrer was elected as a new member. Dr Herbert Scheidt did not stand for re-election at the 2017 Shareholder's Meeting.

On 18 December 2017, Dr Pierin Vincenz opted to stand down as Chairman with immediate effect, as the ongoing investigation of the Swiss Financial Market Supervisory Authority FINMA into him relating to his previous role at Raiffeisen Switzerland will not be completed prior to the 2018 Shareholders' Meeting. The Board of Directors regrets this decision. Pierin Vincenz had been a member of the Board of Directors since 2000 and had served as Chairman since October 2015. During this period, he made a significant contribution to shaping Helvetia, initiated important changes and prepared Helvetia for the future. The Board of Directors appointed Vice-Chairwoman Doris Russi as the new Chairwoman. She will manage the official duties of the Board of Directors until the Shareholders' Meeting in April 2018.

Helvetia has 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.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
Doris Russi Schurter	Chairwoman	2008	o o			
Dr Hans Künzle	Vice-Chairman	2015	o		o o	
Dr Hans-Jürg Bernet	Member	2006		o o		o o
Jean-René Fournier	Member	2011				o
Dr Ivo Furrer	Member	2017	o			o
Dr Patrik Gisel	Member	2015			o	
Prof. Dr Christoph Lechner	Member	2006	o		o	
Dr Gabriela Maria Payer	Member	2014		o	o	
Dr Andreas von Planta	Member	2014		o		o

SGC	Strategy and Governance Committee	o o	Chairman / Chairwoman
NCC	Nomination and Compensation Committee	o	Member
IRC	Investment and Risk Committee		
AC	Audit Committee		

As at: 31 December 2017

3.1 Members of the Board of Directors

Pierin Vincenz

Doctor of economics (Dr oec. HSG)
Swiss, Niederteufen, 1956
Chairman of the Board of Directors until 18 December 2017

Doris Russi Schurter

Law degree (lic. iur.) (University of Fribourg), lawyer
Swiss, Lucerne, 1956
Chairwoman until the 2018 Shareholders' Meeting

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
Chairwoman of the Board of Directors of Luzerner Kantonalbank (since 12 April 2017)

Appointments at other companies
Four appointments, in particular President of the Board of Directors of Patria Genossenschaft, Basel; President of the Board of Directors of LZ Medien Holding, Lucerne; and Member of the Board of Directors of Swiss International Air Lines, Basel

Pro bono appointments
Four appointments, in particular President of the Association of Swiss Companies in Germany, VSUD, Basel

Hans Künzle

Doctorate in law (University of Zurich)
Swiss, Zurich, 1961
Vice-Chairman

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

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

Professional background, exercising operational executive functions
Joined Zurich Insurance 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 Swiss Insurance Association (SVV); 2001–2005 Member of the Management Board and Vice-President of the Fördergesellschaft I.VW

Appointments at listed companies
Member of the Board of Directors of St. Galler Kantonalbank, St Gall

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

Pro bono appointments
Two appointments at charitable organisations and institutions

Jean-René Fournier

Bachelor's degree in economics University of Fribourg (lic. oec. publ.)
Swiss, Sion, 1957
Member

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 Council of States, Vice-Chairman of the Council of States 2017/2018

No appointments at listed companies

Appointments at other companies
Six appointments at non-listed companies/institutions: Vice-Chairman 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; Chairman of the Board of Directors of Immobilien Gletsch AG, Obergesteln; 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

Ivo Furrer

Doctorate in law (University of Zurich)
Swiss, Winterthur, 1957
Member

Professional background, exercising operational executive functions
1982–1999 Winterthur Versicherungen, various management positions in Canada, the US and London as well as Chief Underwriting Officer Global Corporate; 1999–2002 Credit Suisse Group, including as a member of the Executive Committee e-Investment Services Europe; 2002–2008 Zurich Financial Services, Head of international key account business in Germany, member of the Global Corporate Executive Committee, CEO Life Switzerland; 2008–2017 Swiss Life Group, CEO Switzerland and member of the Corporate Executive Board

Appointments at listed companies
Member of the Board of Directors of Julius Baer Group Ltd.

Appointments at other companies
Seven appointments, in particular Vice-Chairman of the Board of Directors of Sanitas Health Insurance

Pro bono appointments
Member of the Board of Trustees of the Foundation for Children in Switzerland

Patrik Gisel

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

Professional background, exercising operational executive functions
1987 – 1993 research assistant and lecturer at the University of St. Gallen; 1987 – 1993 Project and Group Manager for "IT Development Finance"; Swiss Bank Corporation, Zurich; 1993 – 1994 consultant for banks and insurance at The Boston Consulting Group, Zurich; 1994 – 1999 Managing Director 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

No appointments at listed companies

Appointments at other companies
Eight appointments at non-listed companies, in particular Chairman of the Board of Directors of Notenstein La Roche Privatbank AG, StGall; Vice-Chairman of the Board of Directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich; Member of the Board of Directors of ARIZON Sourcing AG, StGall, SIX Group AG, Zurich, and the Swiss Bankers Association (SwissBanking), Basel

Pro bono appointments
Two appointments at charitable institutions

Christoph Lechner

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

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 St. Gallen, doctorate and habilitation, guest professor in the USA (Wharton and Connecticut) as well as South America (IAE Argentina); since 2004 Professor of Strategic Management at the University of St. Gallen 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
Member

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; from 2012–2017 Head of Training and Member of the Executive Management of the Swiss Finance Institute, since 2012 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
President of acbe – Association of Compensation and Benefits and member of various advisory bodies

No pro bono appointments

Andreas von Planta

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

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 Chairman of the Board of Directors of HSBC Private Bank (Switzerland) SA, Geneva; President of the Regulatory Board of SIX Swiss Exchange (previously registration office of SWX Swiss Exchange); Member of the Board of Directors of Raymond Weil SA, Lancy

No pro bono appointments

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

The Members of the Board of Directors of Helvetia Holding AG are identical to the Boards of Directors of the two subsidiaries, Helvetia Schweizerische Versicherungsgesellschaft AG and Helvetia Schweizerische Lebensversicherungsgesellschaft AG. 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 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.

All Board members are non-executive directors. With the exception of Hans Künzle (CEO of Nationale Suisse until 31 December 2014), 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 14 to 18.

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. Dr Patrik Gisel represents the Raiffeisen Group as a cooperation partner.
- 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.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 14 to 18.

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 2017 Shareholders' Meeting. Following the sale of the shares of Raiffeisen Schweiz AG and the dissolution of the shareholder pool owing to its exit, Dr Patrik Gisel will not stand for re-election at the 2018 Shareholders' Meeting. The other Board members and the members of the Nomination and Compensation Committee will stand for re-election. The Board of Directors will now propose to the 2018 Shareholders' Meeting that Doris Russi Schurter be elected as Chairwoman of the Board of Directors and that Beat Fellmann, Dr Thomas Schmuckli and Regula Wallimann be elected as new members of the Board of Directors

The table on page 13 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 13 shows the tasks that were delegated to the committees by the Board of Directors. The figure shows the constitution of the Board of Directors as at 31 December 2017. 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 the following 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf) and the composition of each committee is presented on page 13.

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 2017, the SGC had three 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 Chief Executive Officers of all market units, 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 2017, 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 and the Head of Risk Management attend its meetings in an advisory capacity. In 2017, 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 2017. 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 five times in 2017. One member was absent from two 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.
If the office of Chairman is vacant, the Board of Directors appoints a Chairman from among its own members until the conclusion of the next Ordinary Shareholders' Meeting.

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 once in 2017.

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, three times in the absence of one member of the Board of Directors and once in the absence of two members of the Board of Directors. 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.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

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 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 market units outside of Switzerland, he is responsible for the operational management of the Group.

New established Executive Management

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. The integrated corporate structure with clearly focussed segment tasks allows for a greater focus on the market and our customers. In addition to the already existing Europe and Specialty Markets segments, the Switzerland segment was supplemented by the Non-Life, Individual Life, Group Life and Sales market areas. This structure ensures that all the major business areas focusing on growth and income are represented in the Executive Management and that the latter is brought closer to market developments.

A new Actuarial Services area was also created at Group level. IT is also to be strengthened and its growing importance for digitisation reflected with the establishment of its own Group division.

The already existing Finance and Investments functions continue to be represented as before in the new Executive Management.

Support functions

Three support functions will now report directly to the CEO. The new organisational unit Corporate Development supports the Executive Management with issues relating to the company's further development. Among others, the tasks of corporate communication, branding, legal and compliance and sustainability management are based in the Corporate Centre. The Head of Human Resources also reports directly to the CEO.

Helvetia is well positioned. With *helvetia 20.20* and the new corporate structure, the course is set for continued success.

A detailed organisational chart can be found in our company brochure on page 13.

4.1 Members of the Executive Management

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

Achim Baumstark

Diploma in Computer Science
(University of Karlsruhe)
German, Basel, 1964
Head of IT / Group CTO

Professional background
1992 – 1995 Consultant and Project Manager at Andersen Consulting; 1995 – 2000 Programme Manager at debis Systemhaus, Stuttgart; 2000 – 2005 Managing Director, Chief Operating Officer at Daimler Chrysler Services Information Technology Ltd., United Kingdom; 2005 – 2006 Chief Information Officer for Europe / Africa / Asia Pacific at Daimler Chrysler Financial Services AG, Berlin; Director ITF / F at Daimler Chrysler AG, Stuttgart; 2009 – 2012 Head of Group Solutions at Zurich Financial Services; 2012 – 2013 Chief Information Officer at Zurich Switzerland; 2013 – 2017 Chief Information Officer, member of the Executive Board of the Helsana Group; in his current position since 1 April 2017

No further appointments

Donald Desax

Master of Law University of Berne
Swiss, Wallbach, 1959
Head of Ocupational Pensions Switzerland

Professional background
1986 – 1990 Corporate Advisor in relation to the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans at Patria Insurance; 1990 – 1995 Department Head and Managing Director at Servisa; 1996 joined Helvetia Insurance: Member of the Executive Management of Helvetia Switzerland; 1996 – 2001 Head of Companies client area; 2001 – 2016 Head of Business Benefit division; Member of the Executive Management in his current role since 1 January 2017

Appointments at listed companies
None

Appointments at other companies
Member of the Federal Occupational Benefit Plan Commission; Member of the Life Committee of the Swiss Insurance Association; Vice-President of the Swisscanto Vested Benefits Foundation of the Cantonal Banks; Member of the Strategy and Governance Committee of the Swisscanto Collective Foundation of the Cantonal Banks; Member of the Board of Prevo AG, Basel, and Chairman of the Helvetia Investment Foundation

Pro bono appointments
None

Markus Gemperle

Doctorate in Law from the University of St. Gallen
Swiss, Niederteufen, 1961
CEO Europe

Professional background
1988–1990 Academic Assistant, Institute of Insurance Economics, University of St. Gallen; 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 of Helvetia 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; Chairman of the Investment Committee of the Swiss Insurance Association; Honorary Consul General for Austria in Basel

Pro bono appointments
None

Ralph Jeitziner

Swiss Federal Diploma in Insurance and
Social Security Specialist
Swiss, Liestal, 1965
Head of Sales Switzerland

Professional background
1985 – 1995 Basler Versicherungen: various functions at the head office and agencies; Coop Life / Coop Versicherungen AG, Basel: 1995 – 1999 Head of Sales Switzerland 1999 – 2001 Member of the Executive Management, Head of Marketing & Sales; Nationale Suisse: 2001 – 2005 Member of the Extended Executive Management Switzerland, Head of Market Region Mittelland; 2005 Member of the Executive Management; 2005 – 2010 Head of Customer Service Non-Life & Sales; 2010 – 2014 Head of Multi-Channel Sales Switzerland; 2015 joined Helvetia Insurance: Member of the Executive Management of Helvetia Switzerland; 2015 – 2016 Head of Sales Switzerland; Member of the Executive Management in his current role since 1 January 2017

No appointments at listed companies

Appointments at other companies
Chairman of the Board of Directors of Coop Rechtsschutz AG, Aarau; Chairman of the Board of Directors of Medicall AG, Brüttisellen; Member of the Board of Trustees of Sanitas Health Insurance, Zurich, and Chairman of the Employers' Association of Basel-Stadt.

Pro bono appointments
None

Reto Keller

Licentiate in Business Administration and Business
Information Technology,
University of Zurich
Swiss, Ecublens, 1963
Head of Private Pensions Switzerland

Professional background
1987 – 1992 Andersen Consulting (Accenture): Senior Consultant; 1992 – 1997 Texas Instruments Software (James Martin Associates): Senior Consultant; 1997 – 1998 Information Builders: Head of Services for French-speaking Switzerland ; Providentia (Mobiliar Group): 1998 – 2000 Management of project portfolio, application architecture and Web group; 2001 – 2003 Head of Customer Service and Member of Senior Management; Phenix Versicherung (Allianz Group): 2004 – 2007 Head of Life Insurance and Member of the Executive Management; 2008 – 2011 CEO and Delegate to the Board of Directors; joined Helvetia Insurance: 2011 Member of the Executive Management of Helvetia Switzerland and Head of Private Pensions; Member of the Executive Management in his current role since 1 January 2017

No further appointments

Adrian Kollegger

Licentiate in Economics (lic. oecs.) from the University of St. Gallen
Swiss, Zurich, 1974
Head of Non-Life Switzerland

Professional background
2001–2003 Strategic Assistant to the CEO of Continental Europe at Zurich Financial Services; 2003–2009 Various management functions at Zurich Global Corporate Spain, Barcelona; 2010–2017 Member of the Executive Management in various roles (2010–2012 Head Commercial Business & Brokers, 2012–2016 Head Agents & Personal Lines Distribution, 2016–2017 Head Commercial Customers) Zurich Switzerland; Member of the Executive Management in his current role since 1 April 2017

Appointments at listed companies
None

Appointments at other companies
Member of the Claim Committee of the Swiss Insurance Association, Zurich

Pro bono appointments
None

Beat Müller

Degree in Actuarial Science (dipl. phil. II) from the University of Basel, Actuary SAA, graduate Swiss pension insurance expert
Swiss, Breitenbach, 1964
Head of Actuarial Services

Professional background
1985–1989 various positions at a pension fund advisory office and at IBM; 1990 joined Helvetia Insurance: 1990–2007 Actuary and Chief Actuary Life Insurance, from 2003 also Head of Actuarial Services Life Helvetia Group; 2007 Head of Actuarial Services / ALM and member of the Executive Management of Helvetia Switzerland; Member of the Executive Management in his current role since 1 January 2017

Appointments at listed companies
None

Appointments at other companies
Vice-President of the Swiss Association of Actuaries; Member of the Strategy and Governance Committee of the Swisscanto Collective Foundation of the Cantonal Banks

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 Finance and Regulation Committee of the Swiss Insurance Association, Zurich

Pro bono appointments

None

David Ribeaud

Dipl. in Natural Sciences, ETH Zurich,
Actuary SAA
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/geschaeftsleitung/geschaeftsleitungsmitglieder.html.

4.2 Other activities and interests

See pages 24 to 29.

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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.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 Executive Management members is provided on pages 24 to 29.

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.

With retroactive effect from 2017, the Board of Directors will only be granted fixed compensation, in which components of previously paid variable long-term compensation will be integrated. In the changeover year, retroactive approval for fixed compensation for the Board of Directors is still required at the 2018 Shareholders' Meeting. In future (from the 2018 Shareholders' Meeting), it will then only be necessary to vote prospectively on the total amount of fixed compensation for the Board of Directors.

The 2018 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) fixed (retroactive) compensation to the Board of Directors for the past financial year from the conversion of the variable compensation (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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf). For details on compensation, please refer to the compensation report on pages 41 to 46.

5.2 Statutory rules regarding principles of long-term and 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 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. In an amendment to this statutory option, the Board of Directors decided in 2017 to only pay itself fixed compensation, but in an adjusted amount, as of the 2018 Shareholders' Meeting. A member must obtain at least 30% of this fixed compensation in the form of blocked shares.

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 (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf).

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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.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:// https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.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 2017 Shareholders' Meeting, no individual shareholder with voting rights represented more than 10% of the voting rights, with the exception of Patria Genossenschaft as individual shareholder and founding member of Helvetia in its current form – still as a pool member at this time. 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 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 "Schweizerischen 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 (20 April 2018) 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 (10 April 2018) specified by the Board of Directors and announced in the "Schweizerischen 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.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 2017 financial year consisted of:

– Bill Schiller (since 2014), ACA, Partner Financial Services; lead auditor.
– Andrea Bischof (since 2015), Swiss Certified Accountant, Director Financial Services.

8.2 Audit fees

In the reporting year, the fees charged by the auditors amounted to: CHF 3,785,386.00.

8.3 Fees for additional consultancy services

CHF 75,519.00. 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, five meetings were held and the external auditors attended all five meetings. Discussions between the external auditors, the Chairwoman 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, Group risk management, legal and compliance, general secretariat and corporate governance are held periodically. The external and internal audit teams also liaise frequently regarding issues such as audit planning, audits and results as well as current problems.

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 Letter to Shareholders about the previous business year and most important key figures along with the invitation to the Shareholders' Meeting. The annual report in spring and the interim report in autumn are both made available to the general public. Both documents are available on the website (https://www.helvetia.com/corporate/web/en/home/investor-relations/auf-einen-blick/publikationen/jahresabschluss.html and https://www.helvetia.com/corporate/web/en/home/investor-relations/auf-einen-blick/publikationen/halbjahres-abschluss.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 https://www.helvetia.com/corporate/web/en/home.html. Topics include corporate governance, 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: https://www.helvetia.com/corporate/web/en/home/media-and-stories/overview/news-subscription.html.

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 on page 203 of this financial 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 the Helvetia Group 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 market units. 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 (BoD) and the Executive Management (EM), which must be reported pursuant to the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV). All sections comply with the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse in 2002 and updated in 2016, the Corporate Governance Guidelines (RLCG) of the SIX Swiss Exchange of 13 December 2016, Circular 2010/1 "Compensation Systems" by the Swiss Financial Market Supervisory Authority FINMA of 7 December 2016, 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 (BoD and EM). 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 BoD and EM 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

Board of Directors

Executive Management / CEO

All employees in Switzerland

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

The BoD 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 BoD 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 BoD compiles a yearly compensation report submitting the total amounts of fixed compensation of the BoD and fixed and variable compensation of the EM to the Shareholders' Meeting for approval. No payment / share allocations may take place before the final approval of the compensation for the BoD and the EM by the Shareholders' Meeting.

The Shareholders' Meeting (SM) 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 BoD and the EM are determined.
b) Approval of the following total amounts by way of individual voting:

- fixed compensation of the BoD for the period from the current SM to the next SM (prospective);
- fixed compensation of the EM for the period from 1 July following the current SM to 30 June of the next year (prospective);
- variable compensation of the BoD for the past financial year (retrospective); this will no longer apply after the 2019 SM because of the cancellation of the variable compensation for the BoD; in 2018, the SM will vote retroactively on fixed compensation for the BoD in compensation of the previous variable compensation;
- total variable compensation of the EM 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/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf.

Fixed compensation components

The Nomination and Compensation Committee defines the principles on which compensation decisions are based. With regard to the SM that takes place in April and the compensation periods beginning subsequently (BoD: SM to SM, EM: 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 BoD and then to the SM 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.

Change to the variable compensation component for the Board of Directors

To adjust the compensation system to those that are usual in the market, the BoD will no longer be paid any prospective variable compensation from the 2018 SM.

Variable compensation components of the Executive Management

The variable compensation components for members of the EM – 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 BoD for final approval by the Shareholders' Meeting. 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).

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 BoD 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 BoD.

a) Fixed compensation
Every BoD member receives a fixed basic fee determined in advance, which is generally the same for all members of the BoD. Differences arise from the allowances that are paid to the Vice-Chairmen and the members and chairmen of the committees. These payments take account of the responsibility and specific functions of each of the individual BoD members. The higher total compensation paid to the Chairwoman takes into account her greater involvement in the company's management and operational activities.
The former variable compensation for the BoD is now converted into fixed compensation and the basic remuneration is increased by this amount.
This change is applied retroactively to 2017 in accordance with the following method:

- A new fixed total amount for the 2017 financial year and the period from 1 January 2018 to the 2018 SM (April 2018) for the BoD equalling the original variable compensation will be proposed to the SM 2018 for approval.
- For the period from the SM 2018 to the SM 2019, the SM will only vote on a total amount for fixed compensation in accordance with the above rule (change from retrospective to prospective compensation).

Thirty percent of the total compensation calculated in this manner will be paid out in the form of shares that are blocked for at least three years (standard solution). The members of the BoD can apply for an extension to the vesting period for each generation of shares. There is a claw-back option (return of the blocked shares if the business performance is bad during the vesting period, the reasons for which lie in gross mistakes made by the BoD during the reference year (analogous to the LTC rule in the compensation regulations for the EM).

The remaining 70% of the total compensation is paid out in cash.

When a Director leaves the BoD, the total 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 BoD will no longer receive any variable compensation components from the 2018 SM.

c) Meeting attendance fees
No attendance fee is paid.

d) Expenses
The members of the BoD receive lump-sum expense allowances of CHF 10,000 per Director as part of their total fixed compensation for each term of office. This lump-sum expense allowance covers minor expenditures and travel expenses for the members of the BoD within Switzerland. Other expenses can – provided they are not covered directly by the company – be billed. The Chairwoman of the BoD is also compensated for the use of an external infrastructure.

e) Shares and options
Members of the BoD receive part of their fixed remuneration in the form of shares (see a). 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. BoD members also do not benefit from any discounts (premium discounts, etc.) that are offered to the EM and the Helvetia employees.

2. Compensation for the Executive Management

The compensation of the members of the EM comprises the components described below:

a) Fixed compensation
The members of the EM 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 SM. 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 EM 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 SM 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 EM member in cash. The individual targets of an EM member include quantitative and / or qualitative components and depend on his or her operational responsibility. Compensation for individual target achievement is due to the EM 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 EM member 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 EM 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 EM 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 EM member in question. If the person in question leaves the EM, 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 EM and the long-term development of the company in two ways: positive or negative share price trends over the three-year period, and the possibility that the number of allocated shares can be reduced retroactively. The Board of Directors can approve different rules on an ad hoc basis.

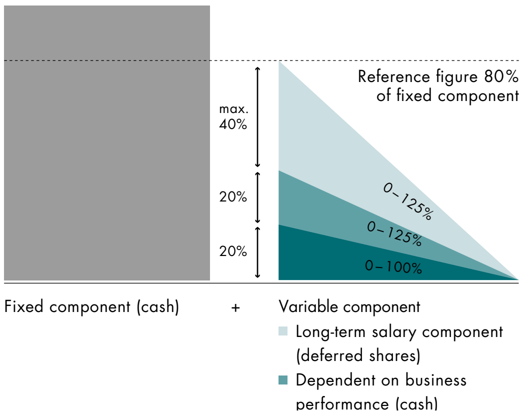
On the date of allocation, the company and the SM approving these payments are fully aware of the cost of these LTC. Helvetia buys the corresponding number of shares on the allocation date and transfers these shares to a frozen custody account. After three years the exact same number of shares deposited in this frozen custody account is transferred to the ownership of the EM members. 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 EM member. The EM member, 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 EM member 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 BoD 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).

For the LTC, 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

Compensation for Executive Management



figures are insufficient. The percentage of target achieved (LTC, results-based component), as calculated by the Nomination and Compensation Committee of the BoD, 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 EM. 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 EM members 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 EM members 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 a tax 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 EM members 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 EM members to retire from the age of 60. These additional contributions are presented as part of the overall pension contributions made to EM members. No extraordinary benefits are paid.

Executive Management boards of the market units

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 Switzerland there is an employee share purchase plan that allows employees to participate in the performance of Helvetia and thus strengthens 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 BoD, 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 EM members can also take part in this programme, but the BoD members may not. The employee share purchase plan is also not available abroad. The costs associated with the share purchase plan in 2017 were recognised in the income statement at CHF 1.4 million (previous year: CHF 1.4 million).

II. Compensation paid to the Board of Directors and the Executive Management in 2017

This section provides information on the compensation, shares and loans granted to the BoD members and EM members with a reporting duty of the Helvetia Group in the 2017 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 2,623,000. 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). The members of the Board of Directors received additional fixed compensation of CHF 494,085 transferred in the form of a total of 826 shares blocked for three years at a stock exchange price of CHF 569.00 (28 February 2018). This is subject to approval by the Shareholders' Meeting. In the previous year, the members of the Board of Directors received fixed remuneration of CHF 2,859,502 and variable remuneration of CHF 543,939 paid in the form of a total of 903 deferred shares at a stock exchange price of CHF 573.00.

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 an interest rate of 1.57% (previous year: 2.0%). There are no other insurance contracts, loans or guarantees.

All compensation and fees paid to the BoD members are shown in the table below. No payments were or are made to BoD members who have left.

Compensation for the Board of Directors

	Fixed compensation		Variable compensation[1]		Total compensation	
	2017	2016	2017	2016	2017	2016
in CHF, incl. AHV / IV / EO employer contributions						
Pierin Vincenz (Chairman) (until 18.12.2017)	798 438	770 917	208 160	222 273	1 006 598	993 190
Doris Russi Schurter (Chairwoman) (since 18.12.2017)	267 556	254 052	31 703	32 528	299 259	286 580
Hans Künzle (Vice-Chairman)	260 548	445 130[2]	31 703	32 528	292 251	477 658
Hans-Jürg Bernet (Member)	220 250	206 746	31 703	32 528	251 953	239 274
Jean-René Fournier (Member)	157 175	147 175	31 703	32 528	188 878	179 703
Ivo Furrer (Member) (since Shareholders' Meeting 28.4.2017)	104 783	0	21 534	0	126 317	0
Patrik Gisel (Member)	157 175	147 175	31 703	32 528	188 878	179 703
Balz Hösly (until Shareholders' Meeting 22.4.2016)	0	33 290	0	9 638	0	42 928
Peter Kaemmerer (until Shareholders' Meeting 22.4.2016)	0	33 290	0	9 638	0	42 928
Christoph Lechner (Member)	199 225	238 283	31 703	32 528	230 928	270 811
John Martin Manser (until Shareholders' Meeting 22.4.2016)	0	61 323	0	9 638	0	70 961
Gabriela Maria Payer (Member)	185 208	147 175	31 703	32 528	216 911	179 703
Herbert J. Scheidt (Member) (until Shareholders' Meeting 28.4.2017)	73 417	199 738	10 767	32 528	84 184	232 266
Andreas von Planta (Member)	199 225	175 208	31 703	32 528	230 928	207 736
Total	**2 623 000**	**2 859 502**	**494 085**	**543 939**	**3 117 085**	**3 403 441**

[1] As of 2017, shares blocked for a minimum of three years; 2016 in prospective shares

[2] Includes the additional payment in 2016 to the pension fund of CHF 210,000 owed under the former employment contract

2. Compensation paid to the Executive Management

In the reporting year, the members of the EM received fixed compensation totalling CHF 8,031,894. The fixed compensation includes all scheduled allowances, meeting attendance fees and expenses. Variable compensation of CHF 4,668,248 was granted to the EM. This is subject to approval by the SM. In the previous year, the members of the EM received fixed remuneration of CHF 5,143,105 and variable remuneration of CHF 3,595,186.

As part of this variable compensation, the EM was allocated LTC shares of CHF 1,523,782 million (previous year: CHF 1.56 million). This corresponds to 2,678 shares at a price of CHF 569.00 as of reference date 28 February 2018 (previous year: 2,730 shares at CHF 573.00).

EM members may conclude insurance contracts, loans and other services under the terms and conditions currently in effect for employees. At the reporting date, five mortgage loans had been granted to Philipp Gmür (CHF 1,000,000 [previous year: CHF 1,000,000]), Reto Keller (CHF 620,000 [previous year: CHF 0]), Beat Müller (CHF 1,170,000 [previous year: CHF 0]), Paul Norton (CHF 500,000 [previous year: CHF 0]) and David Ribeaud (CHF 1,015,000 [previous year: CHF 1,015,000]). 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: 0.95%). The loan to Reto Keller of CHF 500,000 was subject to interest of 1.38% in 2017, the extra mortgage of CHF 120,000 was subject to interest of 2.39%. The loan to Beat Müller of CHF 986,000 was subject to interest of 1.40% in 2017, the extra mortgage of CHF 184,000 was subject to interest of 1.34%. The loan to Paul Norton of CHF 500,000 was subject to interest of 0.98% in 2017. The loan to David Ribeaud of CHF 595,000 was subject to interest of 0.89% in 2017 (previous year: 0.89%), the extra mortgage of CHF 420,000 was subject to interest of 0.95% (previous year: 0.95%). There are no other loans or guarantees.

During the reporting year, EM members received non-monetary benefits as part of the company car programme valued at CHF 34,867 (previous year: CHF 17,317). All other benefits that the EM members 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.

Compensation for Executive Management

as at 31 December, in CHF million	2017	2016
Salaries and other short-term benefits:		
– Fixed compensation (incl. expense allowances, child / education allowances, long-service awards, company car)	6 405 563	4 171 789
– Employer contributions to pension funds with respect to the fixed compensation	1 626 331	971 316
Total fixed compensation paid out	**8 031 894**	**5 143 105**
– Variable compensation[1]	2 595 640	1 722 529
– Share-based compensation in the form of deferred shares acquired during the financial year (LTC)[2]	1 523 782	1 564 290
– Employer contributions to pension funds with respect to the variable compensation	548 826	308 367
Total variable compensation	**4 668 248**	**3 595 186**
Total compensation	**12 700 142**	**8 738 291**

[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

Within the new organisation of the Group management introduced on 1 January 2017, which has chiefly seen the consolidation of the management bodies at Group level and in the Switzerland market unit, 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 EM (see also the explanations to Art. 5.2 from page 31 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. These amounts were disclosed in the 2016 compensation report (see table below).

Payments to former EM members

In the context of his notice period (until 31 August 2017), Stefan Loacker was paid the contractually agreed amounts as follows: fixed CHF 698,511, variable CHF 544,551, plus the related payments to the pension fund of CHF 174,563.

3. Highest individual compensation

The highest individual amount paid out in the reporting year was paid to Philipp Gmür (CEO). Subject to approval by the Shareholders' Meeting, this amounted to CHF 1,860,221 in total (2016 Stefan Loacker: CHF 2,116,820), comprising the following: cash remuneration of CHF 1,346,628 (fixed component CHF 955,226, variable component CHF 391,402), share-based payments of CHF 266,292 in the form of deferred shares, and employer contributions to pension funds of CHF 247,301.

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

	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 (1.9.2016 – 30.6.2017) Group CEO	116 700	21 152	137 852
Achim Baumstark (1 April – 30 June 2017) Head of IT / CTO	110 000	23 072	133 072
Donald Desax (1.1. – 30.6.2017) Head of Occupational Pensions CH	217 500	51 163	268 663
Ralph Jeitziner (1.1. – 30.6.2017) Head of Sales CH	217 500	46 016	263 516
Reto Keller (1.1. – 30.6.2017) Head of Private Pensions CH	200 000	45 119	245 119
Adrian Kollegger (1.4. – 30.6.2017) Head of Non-Life CH	115 000	14 578	129 578
Beat Müller (1.1. – 30.6.2017) Head of Actuarial Services	200 000	45 119	245 119
Total	**1 176 700**	**246 219**	**1 422 919**

III. Compensation for the Board of Directors and the Executive Management to be approved by the 2018 Shareholders' Meeting

Under the VegüV and the Articles of Incorporation, the SM must approve the following compensation for the BoD and the EM:

- Total amount of the fixed compensation for the BoD for the period from the 2018 SM to the 2019 SM
- Total amount of the fixed compensation for the EM for the period from 1 July 2018 to 30 June 2019
- Total amount of the fixed compensation for the BoD for the past financial year 2017 and the period from 1 January 2018 to the 2018 SM
- Total amount of variable compensation for the EM for the past financial year 2017

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 2017: SM to SM or 1 July to 30 June, respectively, of the year following the SM. 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 SM and actually paid out).

Total fixed compensation amount for the Board of Directors (prospective) SM to SM

	Prospective 2018/2019	Actual 2017/2018	Approved for 2017/2018	Change
Total fixed compensation	3 100,000	2 439 000	3 010 000	
Allocation to the pension fund for Hans Künzle		210 000 [1]		
Total variable compensation Board of Directors	**3 100 000**	**2 649 000**	**3 010 000**	**–12.0%**

[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

Total fixed compensation Executive Management for the period 1 July–30 June

	Prospective 2018/2019	Actual 2017/2018	Approved for 2017/2018	Change
Salaries and other short-term benefits:				
– Fixed compensation (incl. expenses allowances child / education, allowances, long-service awards, company car)	6 000 000	6 184 389	6 100 000	
– Employer contributions to pension funds with respect to the fixed compensation	2 200 000	2 108 451	2 300 000	
Total fixed compensation Executive Management	**8 200 000**	**8 292 840**	**8 400 000**	**–1.3%**

1. Approval of the total amount of fixed compensation for the Board of Directors for the period from the 2018 Shareholders' Meeting to the 2019 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 2018 / 2019 period.

In addition, parts of the previous variable compensation for the BoD were converted into a fixed component and added to the fixed basic compensation.

The changes to the fixed total compensation proposed to the Shareholders' Meeting thus include the additions referring to the former variable compensation as well as the personnel changes on the Board of Directors.

The Board of Directors requests approval from the Shareholders' Meeting for fixed compensation for the Board of Directors in the total maximum amount of CHF 3,100,000 for the period from the Shareholders' Meeting 2018 to the Shareholders' Meeting 2019.

2. Approval of the total amount of fixed compensation for the Executive Management for the period from 1 July 2018 to 30 June 2019

The fixed compensation for the Executive Management up to 1 July 2018 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 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 following total amount for fixed compensation for the Executive Management for the 2018 / 2019 period will be proposed:

The Board of Directors requests approval from the Shareholders' Meeting for the fixed compensation for the Executive Management in the total maximum amount of CHF 8,200,000 for the period from 1 July 2018 to 30 June 2019.

3. Approval of the total compensation for the Board of Directors for 2017 for the retroactive fixed compensation components

The amounts involved in the conversion of the former variable compensation of the Board of Directors into a fixed component were disclosed in para. 1a) and in section II. Because of this change from retrospective variable compensation to prospective fixed compensation, the Shareholders' Meeting still has to approve this compensation retroactively for the period from 1 January 2017 to the 2018 Shareholders' Meeting. In terms of the amount, it equals the former variable compensation (30% of the basic fee) calculated on the basis of an extent of target achievement of 100%. This retroactive approval will not be needed from the 2018 Shareholders' Meeting (in future, only prospective approval of the total fixed compensation for the Board of Directors).

The Board of Directors requests approval from the Shareholders' Meeting for additional fixed compensation for the Board of Directors in the amount of CHF 700,000 for the past financial year 2017 until the SM 2018.

4. Approval of the total amount of variable compensation for the Executive Management for the past financial year 2017

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 report for the financial year 2017. The resulting differences between 2016 and 2017 arose solely from changes in the extent of target achievement and the already mentioned changes to the Executive Management on 1 January 2017. The method of calculation and the reference figures did not change.

The Board of Directors requests approval from the Shareholders' Meeting for total variable compensation for the Executive Management in the amount of CHF 5,500,000 for the past financial year 2017.

Total additional compensation Board of Directors, retrospective financial year – SM 2018

	Retrospective 2017	Paid out 2017 for 2016	Approved for 2016	Change
Total fixed compensation	600 000	517 880	520 000	
Employer contributions AHV / IV / EO	100 000	26 541	27 000	–
Total variable compensation Board of Directors	**700 000[1]**	**544 421[2]**	**547 000**	**–0.5%**

[1] fixed compensation incl. additional amount for period from 1 January 2018 to SM (April 2018)
[2] 2016 retrospective variable compensation

Total variable compensation Executive Management (retrospective) for financial year

	Retrospective 2017	Paid out 2017 for 2016	Approved for 2016	Change
Variable compensation[1]	4 800 000	3 286 819	3 290 000	
Employer contributions to pension funds with respect to the variable compensation (incl. AHV / IV / EO)	700 000	308 367	310 000	
Total variable compensation	**5 500 000**	**3 595 186**	**3 600 000**	**0.0%**

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

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Report of the Statutory Auditor

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

We have audited the remuneration report dated 1 March 2018 of Helvetia Holding AG for the year ended
31 December 2017. 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 41 to 43 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 2017 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, 1 March 2018

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

Business performance

Business performance

Market environment

Our market position in competitive markets

Over 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 by volume include Switzerland, Germany, Italy and Spain with global market shares of 1.2%, 4.5%, 3.4% and 1.5%[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 significant growth opportunities in these countries.

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

Market environment in the European insurance market[2]

Global market conditions improved during the past financial year. While persistently low interest rates also presented insurers with challenges last year, GDP growth increased both in the eurozone and the US and according to forecasts is likely to total around 2% for 2017. The global insurance market posted a moderate increase in premium income with strong growth rates, especially in emerging markets. Thanks to the global economic growth, the **non-life business** posted premium growth of around 3%, thus outstripping the corresponding figure for the previous year. In the industrialised countries, inflation-adjusted premium volumes increased by approximately 2%. In the western European countries, the upturn was primarily due to the growth of the motor vehicle insurance business in Germany, France, Spain and the United Kingdom. The Italian insurance market, however, continued to be characterised by weak growth due to the low price level in the motor vehicle business. In contrast, premium volumes developed very positively in the Spanish non-life business, which advanced more strongly than the overall economy with growth of 3.9%[3]. This can be attributed to booming economic developments and the recovering labour market. At 1.7%, premium income in Switzerland in the non-life insurance business also increased during 2017 more than in the previous year according to projections of the Swiss Insurance Association[4]. The large mo-

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 760 billion, representing around 16% of the global market[1].

CH **No. 3**
CHF 4,978 million
71% Life
29% Non-life

DE **No. 29**
CHF 866 million
32% Life
68% Non-life

AT **No. 8**
CHF 551 million
41% Life
59% Non-life

IT **No. 25**
CHF 894 million
44% Life
56% Non-life

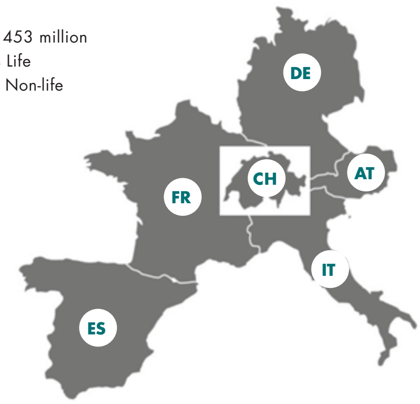
FR **Niche positions No. 2 (transport / marine)**
CHF 211 million

ES **No. 30**
CHF 453 million
30% Life
70% Non-life

[1] Sources: Sigma 3 / 2017, Swiss Re and Helvetia estimates

Market positions of country markets as at the end of 2016

Premium volumes of country markets for financial year 2017



tor vehicle insurance (+0.3%) and property insurance (+0.5%) business lines also contributed to this growth.

Underwriting profitability in Europe remained stable during the past year. In general, the insurance industry benefited from the relatively low impact from natural catastrophes. In contrast, the motor vehicle insurance business line once again exhibited a trend towards slightly rising claims costs. However, the combined ratios of the insurance industry in Europe remained stable on the whole. In Switzerland, the claims experience was slightly higher than in recent years due to severe weather and hail events[4].

In the past financial year, the **life insurance business** was also dominated by conditions on the capital markets. The greatest challenges for life insurers were the low interest-rate environment and new regulatory requirements, including the Solvency II regime.

Growth in the life insurance market stagnated in the continental European markets compared to 2016. In Germany, premium volumes declined slightly due to the somewhat weaker revenues from single premiums. Following extraordinarily strong growth in the previous year, the Spanish life insurance market also experienced a decline of almost −6%[3]. The Swiss Insurance Association projects that premiums in the Swiss life insurance business will decline by −3.8% in 2017[4]. However, relative to the previous year (−6%), the decline is not as marked.

Until 2017, the global **reinsurance market** was characterised by a low price level, which was attributable to favourable claims developments and the increasing overcapacities of the reinsurance sector. In 2017, the sector was then confronted with an extraordinarily large burden from natural catastrophes, such as hurricanes Harvey, Irma and Maria, the earthquake in Mexico and forest fires in southern Europe and California. The combined ratio in the Property & Casualty segment for last year is thus estimated to be over 110%. The claims burden caused by the storms absorbed a considerable share of the alternative reinsurance capital and also reduced the overcapacities in the traditional reinsurance sector. Increasing prices are therefore expected for the coming contract renewal rounds, especially in the case of portfolios affected by large claims. Global premium volumes in the area of non-life reinsurance increased by around 3% in 2017, driven by increasing cessions from the emerging markets.

Market environment in the European capital markets

2017 was an outstanding year for equities, with almost all markets around the world generating double-digit performance figures. The global index (MSCI World) advanced by around 20%, with the US market posting an overall performance – measured by the Dow Jones Index – of approximately 25%. While the European markets, including Switzerland, were unable to fully keep pace with this performance, they did record attractive returns that far exceeded those of the previous year.

The robust state of the economy, rising economic growth and improved labour markets were responsible for this pleasing development. They boosted confidence in a sustainable economic upswing. At the same time, monetary framework conditions remained favourable, accompanied by an extremely low level of inflation. Although the central banks moved to slowly prepare the markets for the end of their ultra-expansive monetary policy, demonstrating great sensitivity in the process, they only implemented countermeasures on a controlled basis and with caution. The US Federal Reserve hiked key interest rates on a total of three occasions by 0.25% and from October began to reduce its balance sheet in small steps. This led to a flattening of the yield curve, in particular due to an increase in short-term rates. The European Central Bank persisted with its expansive policy, but from October halved its monthly asset purchases from the original figure of EUR 60 billion to EUR 30 billion. At the same time, it announced the extension of the purchase programme until September 2018. Due to the exchange rate, the Swiss National Bank was left with little room for manoeuvre in this environment. It maintained its negative interest rates. Nevertheless, the pressure on the Swiss franc subsided at the end of the year and the overvaluation weakened somewhat. Long-term interest rates, however, remained at a low level.

The promising economic climate combined with the prudent actions of the central banks bred confidence among investors. This was reflected in

1 Source: sigma 3 / 2017, Swiss Re
2 Source: Swiss Re Institute, Global insurance review 2017 and outlook 2018 / 2019
3 Versicherungswirtschaft heute (Insurance Studies Today), http://versicherungswirtschaft-heute.de/maerkte-vertrieb/spanien-kfz-policen-legen-zu-leben-verliert-massiv/
4 Source: SVV, https://www.svv.ch/de/newsroom/privatversicherer-auf-solidem-kurs

record low equity market volatility and in narrowing credit spreads. Potential risks, be they political, economic or structural in nature, were largely set aside.

The behaviour of the central banks is likely to be decisive for further developments. In view of the tensions between economic growth, booming labour markets and rising investment expectations, monetary policy will play a key role. Finding a balance between the long overdue departure from the unconventional monetary policy and lending support to the economic upturn is likely to require all the tricks of central bank policy.

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 will therefore be emphasising the "underlying earnings", which eliminates these temporary effects and better reflects the operating performance of the new Helvetia Group. From 2018, we will once again focus on the IFRS result.

Please note:
Sums in this section are based on unrounded figures and may not add up due to rounding differences. Likewise, year-on-year changes are calculated on the basis of unrounded figures.

The Helvetia Group's business performance

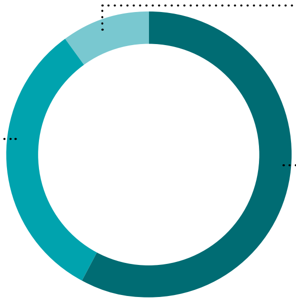
2017 was once again a successful financial year for Helvetia. Following the completion of the integration of Nationale Suisse and Basler Austria, which were acquired in 2014, we increased our profit for the past financial year to above the CHF 500 million mark (CHF 502.4 million). The result was supported by strong technical results as well as very good developments on the capital markets. The share of consolidated earnings accounted for by the non-life business has increased from 56% in financial year 2013 to more than 70% in financial year 2017. Helvetia is thus less dependent on developments on the capital markets. In financial year 2017, Helvetia also recorded a slight increase in terms of business volume.

Details of the business performance at Group level are provided below:
The **business volume** amounted to **CHF 8,641.3 million** (financial year 2016: CHF 8,512.7 million). In currency-adjusted terms, this was an increase of 0.7%. Expressed in Swiss francs, on the other hand, the business volume increased by 1.5% thanks to positive exchange rate effects. In the non-life business, Helvetia posted satisfying currency-adjusted growth of 4.3%. In the life business, the investment-linked business enjoyed very pleasing growth of 14.1%. Due to the reduction of the traditional individual life business and a special effect in the Swiss group life business in the prior-year period, total life volume, however, declined by a total of 2.4%.

Underlying earnings after taxes[1] amounted to **CHF 502.4 million**, up 2.2% on the previous year (financial year 2016: CHF 491.8 million). Both the life and non-life businesses contributed to this increase in earnings. Underlying earnings in the life business amounted to CHF 193.1 million, up 11.3% on the previous year. In the non-life business, Helvetia produced earnings

Business volume by segment in financial year 2017

Share in % | in CHF million



Reconciliation to IFRS profit for the period

in CHF million	2017	2016	Growth in % (CHF)
Group underlying earnings after taxes*	**502.4**	**491.8**	**2.2**
of which: life	193.1	173.5	11.3
of which: non-life	363.5	340.5	6.7
of which: Other activities	–54.2	–22.2	n/a
Integration costs	–40.2	–56.9	
Amortisation of intangible assets	–58.6	–61.5	
Additional depreciation due to revaluation at market values	–32.6	–37.2	
Additional tax effects and other	31.9	40.4	
IFRS Group profit for the period	**402.9**	**376.6**	**7.0**
*Underlying earnings include:			
Pre-tax synergies, CHF million	137.3	118.3	
Pre-tax financing costs, CHF million	13.3	13.3	

[1] Underlying earnings are adjusted for integration costs as well as amortisation of intangible assets, additional 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.

of CHF 363.5 million, an increase of 6.7% on the corresponding reporting period of the previous year. Both business areas impressed with improved technical results and also benefited from the good performance on the capital markets. However, a further increase in the tax ratio relative to the previous year in both business areas had the opposite effect. Underlying earnings for the Other Activities business area stood at CHF −54.2 million in financial year 2017 (financial year 2016: CHF −22.2 million). The reasons for this decline in earnings – despite at the same time a significant improvement in the technical result for Group reinsurance – are higher costs due to the new hybrid bond issued in spring 2017, a lower investment result, the effect of the acquisition of MoneyPark and DL (Defferrard & Lanz), the lack of the positive tax effects as seen in the prior year and higher costs due to planned strategic investments.

The segments also largely performed well. In Switzerland and Europe, we improved our results relative to the previous year by 11.9% and 5.4%, respectively. The Specialty Markets segment remained behind the previous year's result. In particular, claims arising from Hurricanes Harvey, Irma and Maria effected the result. The Corporate segment also lagged behind the previous year, a result that can be attributed to the aforementioned higher financing costs and the lack of the extraordinary positive tax effect included in the previous year. As intended, planned project costs were also higher than in the previous year. Detailed comments on the results of the respective business areas and the segments can be found on the following pages.

Net combined ratio
91.8%

Underlying earnings
502.4 million

Business volume
8 641.3 million

At **91.8%**, the **net combined ratio** at Group level remained almost stable at the prior-year level (financial year 2016: 91.6%) despite the greater claims burden owing to natural catastrophes (especially Hurricanes Harvey, Irma and Maria in the Specialty Markets segment). The claims ratio improved by 0.4 percentage points to 62.1%. The Europe segment made a key contribution here. Here, the claims ratio declined by 1.6 percentage points relative to the previous year, a development that can primarily be attributed to the successful portfolio optimisation measures. However, the claims ratio also improved in Switzerland by 0.5 percentage points. Overall, thanks to the good performance in Europe, Helvetia succeeded in offsetting the increased claims burden in the Specialty Markets segment.

In contrast, the cost ratio increased by 0.6 percentage points to 29.7%. While we were able to slightly reduce the cost ratio in the Europe segment, the cost ratios in Switzerland and the Speciality Markets segment increased by 0.6 and 1.4 percentage points, respectively, on a year-on-year basis. Details in this regard are described under the Switzerland and Specialty Markets segments.

Thanks to the successful integration of Nationale Suisse and Basler Austria acquired in 2014, underlying earnings included **pre-tax synergies** of **CHF 137.3 million** (financial year 2016: CHF 118.3 million). CHF 92.8 million of this was attributed to savings on personnel expenses and CHF 44.5 million to other cost reductions.

The **Helvetia Group's profit for the period reported under IFRS** was **CHF 402.9 million** for financial year 2017 – compared to CHF 376.6 million in the previous year, which represents a 7.0% increase. The IFRS profit for the period was significantly influenced by acquisition effects. These include in particular
- integration costs of CHF 40.2 million,
- planned amortisation of intangible assets and
- additional depreciation totalling CHF 91.2 million owing to the revaluation of interest-bearing securities.

Helvetia still has a **strong capital base**. The SST ratio as at the end of June 2017 was within the target range of 140% to 180%. With the first-time publication of the newly recquired "Financial Condition Report" on 30 April 2018, Helvetia will publish a concrete SST ratio. Equity[2] increased from CHF 4,812.6 million at the end of 2016 to CHF 5,229.4 million. This increase can chiefly be attributed to retained earnings, currency effects from the translation of the equity of the European units into the Group's currency of Swiss francs and the revaluation of benefit obligations in accordance with IAS 19. An opposite effect came from the distribution of the dividend. The **return on equity** based on underlying earnings remained at the level of the previous year in 2017 at **9.8%** (financial year 2016: 9.7%).

[2]Equity (without preferred securities)

Performance of business areas: Non-life

The non-life business posted a pleasing performance in financial year 2017; premium volumes and underlying earnings improved compared to the previous year. The net combined ratio remained stable at the level of the previous year despite an increase in the claims burden owing to natural catastrophes.

Non-life business volume

In the reporting period, Helvetia generated non-life premiums of **CHF 4,093.8 million** (financial year 2016: CHF 3,877.7 million).

In currency-adjusted terms, this is 4.3 % more than in the previous year. The growth rate in Swiss francs was thus higher at 5.6 % due to positive exchange rate effects.

Viewed by segment and line of business, our premiums developed as follows:

Development by segment

Switzerland

CHF 1,464.9 million + 1.4 %

- Main growth drivers: health / accident business, property insurance and motor vehicle business

Europe

CHF 1,729.1 million, + 1.5 % in OC

- Europe once again with growth driven by Spain, Austria and Germany
- Italy with market-wide contraction of motor vehicle insurance

Specialty Markets

CHF 899.8 million, + 15.9 % in OC

- Increase in business volume due to growth in the Specialty Lines CH / International (+ 26.5 % in OC due to one-time special effect) and
- in Active Reinsurance (+ 21.8 %)

Development by line of business

Property insurance

CHF 1,389.6 million, +6.2 % in OC

Motor vehicle

CHF 1,286.3 million, +0.5 % in OC

Active Reinsurance

CHF 415.3 million, +21.8 %

Health / accident

CHF 348.2 million, +3.6 % in OC

Liability

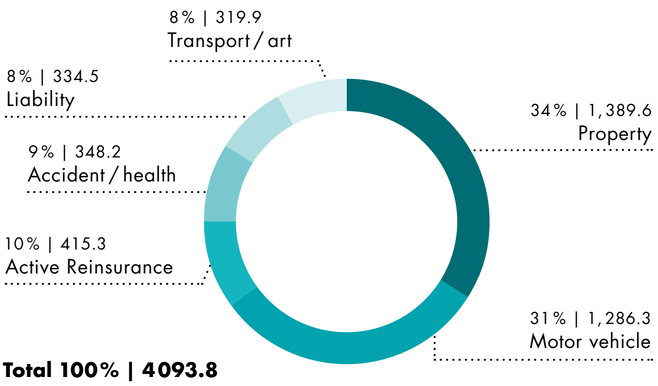
CHF 334.5 million, +0.6 % in OC

Transport

CHF 319.9 million, – 1.8 % in OC as a result of portfolio optimisation measures in Germany and France to increase profitability

Non-life business volume by business line in financial year 2017

Share in % | in CHF million



Underlying earnings for non-life business

Underlying earnings after taxes amounted to **CHF 363.5 million**, up by 6.7% on the prior year (financial year 2016: CHF 340.5 million). This once again confirms that the non-life business is the Group's driver of profitability. The following factors contributed to the good earnings trend:

↖ Higher investment results owing to good capital market developments and the larger investment portfolio, as the investments of Helvetia Beteiligungen were transferred to the Non-Life segment following the merger of Helvetia Beteiligungen AG, St Gall, with Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall.
↖ Slightly higher technical result due to higher premium volume and improved claims ratio

↙ Higher taxes, as the previous year was positively influenced by special effects

Net combined ratio

Despite a significantly greater burden from natural catastrophes / major claims relative to the previous year, the net combined ratio in financial year 2017 of **91.8%** remained at the prior-year level (financial year 2016: 91.6%). The main reasons are:

↖ Improvement in claims ratio (0.4 percentage points) to 62.1%
- Significant improvement in the claims ratio in Europe thanks to successful portfolio optimisation measures; Europe was thus able to compensate for the greater burden from natural catastrophes in the Speciality Markets segment

↙ Increase in expense ratio (0.6 percentage points) to 29.7%
- Higher premium volumes offset by growth-related higher costs and smaller one-time effects
- Synergies used to finance projects

Our portfolio optimisation measures in the Europe segment are especially noteworthy. By taking these measures, Helvetia has succeeded in improving its portfolio quality and significantly increasing profitability. This is reflected, in particular, in the very good gross claims ratio in Europe of 62.4%. However, we were also successful on the cost side: relative to the previous year, the cost ratio in Europe fell by 0.2 percentage points to 30.8%. Our objective is to also achieve a cost ratio in Europe of under 30% in the medium term.

IFRS result

The profit for the period under IFRS was **CHF 290.0 million** (financial year 2016: CHF 251.2 million). The difference to underlying earnings is due to the amortisation of intangible assets and the depreciation of interest-bearing securities required under IFRS acquisition accounting as well as the integration costs and corresponding taxes.

Performance of business areas: Life

Helvetia also posted a solid business performance for the life business. We were able to further increase profitability, partly thanks to the good performance recorded for new business.

Life business volume

The life business volume was **CHF 4,547.5 million.** This equates to a currency-adjusted decline, in line with our strategy, of 2.4% relative to the previous year (financial year 2016: CHF 4,635.0 million), although the previous year also benefited from a special effect in the Swiss group life business. Expressed in Swiss francs, the decline was 1.9%, owing to the positive currency effects mentioned above.

Viewed by segment and line of business, our business developed as follows in 2017:

Development by segment

Switzerland

CHF 3,512.7 million, –4.1%

- Pleasing growth for investment-linked insurance solutions (+12.7%)
- Planned decline in traditional individual life business (–12.3%)
- Drop in group life business (–3.5%) despite very good growth in capital-efficient insurance solutions (Swisscanto) because of a positive special effect in the full insurance product in the previous year

Europe

CHF 1,034.8 million, +3.9% in OC

- Growth driven by Germany (+6.7% in OC),
- Italy (+4.6% in OC) and Spain (+4.5% in OC) due to good performance of investment-linked products
- Austria with slight decline (–0.9% in OC) due to planned decline in traditional products and large contracts with single premiums in the previous year

Further details on the segments start on page 62.

Development by line of business

Investment-linked insurance solutions

CHF 809.9 million, +14.1% in OC

- Italy was the major growth driver (+39.3%)
- Switzerland and Germany also with double-digit growth
- Good performance in Spain

Traditional insurance solutions

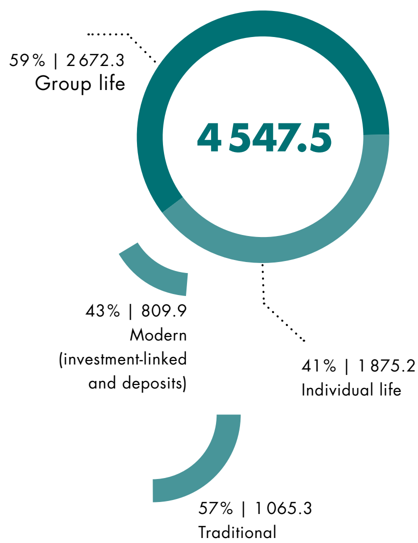
CHF 1,065.3 million, –10.3% in OC due to planned reduction

Group life business

CHF 2,672.3 million, –3.2% in OC due to lower volumes in the Swiss group life business (full insurance) due to a special effect in the prior year, despite very good growth in capital-efficient products (Swisscanto, details on page 62).

Life business volume by business line in financial year 2017

Share in % | in CHF million



Underlying earnings for life business

Helvetia's underlying earnings in the life business in the past financial year amounted to **CHF 193.1 million** (financial year 2016: CHF 173.5 million). The following factors made a contribution:

↖ Higher savings result due to a reduction in the minimum interest rate in the Swiss group life business in both the mandatory and non-mandatory area
↖ Stable risk result
↖ Normal valuation fluctuations as part of the valuation of customer options for index-linked products as well as positive special effects
↖ Higher gains from investments

↙ Higher expenses for policyholder participation as a result of the improved investment performance
↙ Slightly higher expenses for strengthening of reserves
↙ Higher tax rate (previous year was positively influenced by special effect)

IFRS result

The profit for the period under IFRS was **CHF 173.4 million** (financial year 2016: CHF 150.6 million). The IFRS result in particular includes integration costs, depreciation due to the revaluation of interest-bearing securities under IFRS acquisition accounting, and the corresponding customer shares and taxes.

New business margin and embedded value

In 2017, the new business margin improved considerably and stood at 1.8 % (previous year: 1.3 %). One driver was the higher volume of new business in capital-efficient, investment-linked insurance solutions for both the individual life and the group life business. Additionally higher interest rate assumptions and especially the changes made to traditional savings products as well as the push in sales of capital-efficient products had a positive effect on the new business margin.

As at 31 December 2017, the Helvetia Group's embedded value was CHF 3,790.1 million. The Helvetia Group's embedded value thus increased by CHF 525.9 million or 16.1 % since the beginning of the year (see page 197). This growth is in large part due to changes in the model, which mean, for example, that hybrid capital is now attributed to solvency costs and valuation reserves are measured with their specific yield assumptions. However, in addition to the expected changes (roll-forward), contributions to this increase came from positive economic differences, the increase of value of new business and currency gains, which were offset by movements of capital from dividend payments.

Other activities

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

Underlying earnings for the Other activities business area stood at **CHF −54.2 million** in financial year 2017 (financial year 2016: CHF −22.2 million). The following factors made a contribution:

↖ Improved technical result for Group reinsurance, which was boosted by the good performance of the direct business

↙ Higher costs due to new hybrid bond issued in spring 2017
↙ Lower investment result, as the investments of Helvetia Beteiligungen were transferred to the non-life segment following the merger of Helvetia Beteiligungen AG, St Gall, with Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall
↙ Higher costs due to the acquisition of MoneyPark and DL (Defferrard & Lanz) and planned project investments
↙ The lack of the positive tax effects as in the previous year

The **IFRS profit for the period** was **CHF −60.5 million** (financial year 2016: CHF −25.2 million).

Investments

Relative to the previous year, the investment volume increased by more than CHF 2.5 billion, totalling CHF 52.3 billion. This increase can be attributed to the new money inflow from the insurance business and unrealised price gains, especially on the equity holdings.

Helvetia continued its investment strategy in the year under review on the basis of the proven asset-liability model. New investments were primarily focussed on fixed-income securities, chiefly denominated in euros, US dollars and Swiss francs. Supported by the favourable market conditions for institutional investors, we expanded the mortgage portfolio in Switzerland by around CHF 600 million, chiefly with long-term loans. In the real estate area, funds primarily flowed into the expansion and renewal of the portfolio. The equity portfolio was only expanded slightly and chiefly benefited from the good markets. Overall, the asset allocation remained almost constant.

Helvetia generated an investment result recognised in the income statement of CHF 1.35 billion on its financial assets and real estate – an increase of more than CHF 200 million relative to 2016. Current income totalled slightly more than CHF 1 billion. In particular, it was possible to increase rental income on real estate, while income on financial assets fell slightly as a result of persistently low interest rates. For retained absolute earnings, the direct return fell as expected from 2.2 % to 2.1 %.

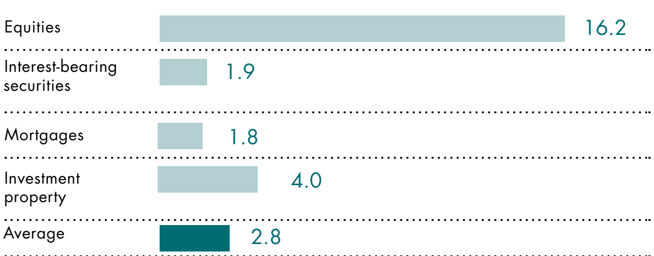
The extraordinary investment result contributed almost CHF 350 million to the total return. The marked year-on-year increase was chiefly attributable to the pleasing performance posted by equities, which generated an attractive total return – driven by the more favourable equity environment worldwide.

The unrealised gains recognised in equity changed only marginally. The slight decline experienced for fixed-income securities was practically offset by the growth in equities classified as AFS. The portfolio posted a performance of an attractive 2.8 %.

Despite the favourable market developments, the equity and foreign currency exposures remained largely hedged throughout the entire year in order to cushion the impact of any adverse market developments on the income statement and balance sheet. Although the economic framework conditions are intact and the economy is gaining momentum worldwide, the tried-and-tested hedging policy will also be continued in the current year. In light of the high valuation level of many investment markets, the cautious and timely management of investment risks remains imperative.

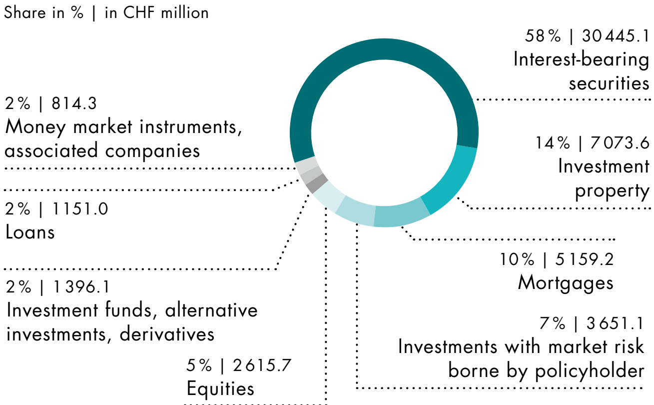
Investment performance by asset class

in %



Investment structure 2017 financial year

Share in % | in CHF million



Total 100 % | 52 306.1

Performance of Group investments

in CHF million	2017	2016
Current income on Group financial assets	759.8	763.3
Rental income on Group investment property	241.6	236.3
Current income on Group investments (net)	**1 001.4**	**999.6**
Gains and losses on Group financial assets	314.3	131.5
Gains and losses on Group investment property	33.0	13.3
Gains and losses on Group investments (net)	**347.3**	**144.8**
Investment result from Group financial assets and investment property (net)	**1 348.7**	**1 144.4**
Change in unrealised gains and losses recognised in equity	–37.9	4.2
Total profit from Group financial assets and investment property	**1 310.8**	**1 148.6**
Average Group investment portfolio	47 342.6	45 566.6
Direct annualised return	2.1 %	2.2 %
Investment performance	2.8 %	2.5 %
		–

Business performance of segments: Switzerland

Overview

In financial year 2017, the Swiss home market further cemented its role as the cornerstone of the Helvetia Group. The **business volume** amounted to **CHF 4,977.6 million** and was thus slightly down on the previous year (–2.5%), primarily due to a special effect in the group life business.

In contrast, **underlying earnings** improved by 11.9% to **CHF 409.7 million**.

Business volume

In financial year 2017, Helvetia generated **non-life premiums** in Switzerland **of CHF 1,464.9 million** (financial year 2016: CHF 1,444.2 million). This is 1.4% more than in the previous year.

In the **life business,** the **business volume** amounted to **CHF 3,512.7 million** and was thus down on the prior-year figure of CHF 3,662.4 million.

The premiums by line of business changed as follows:

Non-life business volume by line of business

Motor vehicle
CHF 603.6 million, +1.1%

Property insurance
CHF 537.4 million, +1.9%

Health / accident
CHF 168.1 million, +4.4%

Liability
CHF 152.3 million, –2.0%

Life business volume by line of business

Investment-linked insurance solutions
CHF 290.9 million, +12.7%

- Successful placement of the "Helvetia Value Trend" tranche product
- Good performance by "Helvetia Guarantee Plan" and "Helvetia Payment Plan" products

Traditional insurance solutions
CHF 630.6 million, –12.3%

- Targeted curtailment of sales of traditional guarantee products

Group life business
CHF 2,591.2 million, –3.5%

- Satisfying performance by capital-efficient Swisscanto solutions, 5.8% policy growth, 15.9% policy growth in new business
- Decline in single premiums (–7.2%) in full insurance because of a special effect in the previous year (transfer of surpluses to retirement assets booked as premiums; without this special effect the business would have grown), with a simultaneous increase of 0.8% in regular premiums

Underlying earnings

Underlying earnings after taxes for **non-life** amounted to **CHF 263.4 million**, up 13.8% on the prior year (financial year 2016: CHF 231.5 million).

Helvetia's underlying earnings in the **life business** in the past financial year amounted to **CHF 157.9 million** (financial year 2016: CHF 134.4 million), representing an increase on the previous year of 17.5%.

The following factors influenced the earnings trend in the non-life and life businesses:

Non-life earnings trend

- ↖ Substantially better investment results owing to good market developments and a larger investment portfolio, as the investments of Helvetia Beteiligungen were transferred to the Swiss non-life segment following the merger of Helvetia Beteiligungen AG, St Gall, with Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall.
- ↖ Slight improvement in the technical result due to higher premium volumes

- ↙ Significantly higher tax ratio

Life earnings trend

- ↖ Higher savings result due to a reduction in the minimum interest rate in the Swiss group life business in both the mandatory and non-mandatory area
- ↖ Stable risk result
- ↖ Normal valuation fluctuations as part of the valuation of customer options for index-linked products as well as positive special effects
- ↖ Higher gains from investments

- ↙ Higher expenses for policyholder participation as a result of the improved investment performance
- ↙ Strengthening of reserves to same extent as previous year

Net combined ratio

At **83.1%**, Switzerland still has an outstanding net combined ratio in line with the level of the previous year (financial year 2016: 82.9%). There are several reasons for this:

- ↖ Improved claims ratio (0.5 percentage points)

- ↙ Increase in the cost ratio (0.6 percentage points)
- – Higher volume offset by growth-related higher costs
- – Realised synergies used to finance projects

IFRS result

The profit for the period for the Switzerland segment under IFRS was **CHF 342.3 million** (financial year 2016: CHF 285.7 million). The IFRS result in particular includes integration costs, depreciation due to the revaluation of interest-bearing securities under IFRS acquisition accounting, and the corresponding taxes.

Business performance of segments: Europe

Overview

Helvetia posted further profitable growth in the Europe segment during the 2017 financial year: The **business volume** rose to **CHF 2,763.9 million** and was up 2.4% on the previous year in currency-adjusted terms. In Swiss francs, the Group currency, the volume of business rose by 4.9%, owing to positive exchange rate effects. The company generated **underlying earnings** of **CHF 119.5 million** in financial year 2017, which represented a pleasing increase of 5.4% over the previous year (financial year 2016: CHF 113.4 million). Particularly pleasing is also the fact that Europe now contributes almost a quarter of the Group's total profit.

Business volume

In financial year 2017, Helvetia generated **non-life premiums** of **CHF 1,729.1 million** (financial year 2016: CHF 1,662.4 million) in Europe. This represents a 1.5% increase (in OC) over the previous year.

The **life business volume** was **CHF 1,034.8 million** and thus grew by 3.9% compared to the previous year (in OC).

Details of the performance generated by the non-life and life businesses according to country and line of business can be found below:

Development of non-life business volume: By country

Germany

CHF 589.4, +1.2% in OC
– Motor vehicle insurance, health / accident insurance, liability insurance and property insurance grew
– Transport insurance declined due to latest acquisition-related optimisation measures

Italy

CHF 498.0, −1.6% in OC
– Property / liability and transport insurance grew
– Health / accident insurance stable
– Motor vehicle insurance posted market-wide decline

Austria

CHF 324.5 million, +4.0% in OC
– All lines of business with pleasing growth, health / accident, motor vehicle and property insurance as the main growth drivers

Spain

CHF 317.2 million, +4.8% in OC
– All lines of business posted positive growth

Development of life business volume: By country

Italy

CHF 395.7 million, +4.6% in OC
– Good performance of investment-linked insurance solutions (+39.3% in OC)

Germany

CHF 276.9 million, +6.7% in OC
– Main growth drivers were investment-linked insurance solutions (+15.7% in OC); traditional insurance contracted as planned

Austria

CHF 226.3 million, −0.9% in OC
– Slight growth for investment-linked insurance products, as previous year was positively impacted by additional large contracts; traditional insurance contracted as planned

Spain

CHF 135.9 million, +4.5% in OC
– Main growth drivers were investment-linked insurance solutions, a successful placement of a tranche product, good growth in burial insurance; traditional insurance contracted as planned

A clear shift in new business from traditional products to capital-efficient products was evident in all countries.

Non-life: Development by line of business

Motor vehicle
CHF 648.3 million, +0.6% in OC
(Italy with market-wide contraction in motor vehicle business, all other country markets grew)

Property insurance
CHF 631.5 million, +2.6% in OC

Liability
CHF 180.7 million, +3.4% in OC

Health / accident
CHF 180.1 million, +2.8% in OC

Transport
CHF 88.5 million, −5.1% in OC
(due to portfolio adjustments in Germany)

Life: Development by line of business

Investment-linked insurance solutions
CHF 519.0 million, +14.9% in OC

– Italy was the main growth driver (+39.3%)
– Germany and Spain also generated good growth rates
– Austria grew slightly, as previous year positively influenced by large contracts

Traditional insurance solutions
CHF 434.7 million, −7.1% in OC

– Targeted curtailment of sales of traditional guarantee products in all country markets

Underlying earnings

Underlying earnings after taxes in the **non-life business** amounted to **CHF 83.5 million**, up 13.4% on the previous year (financial year 2016: CHF 73.7 million).

Helvetia's underlying earnings in the **life business** in the past financial year amounted to **CHF 35.2 million** (financial year 2016: CHF 39.1 million).

The good earnings trend in the non-life and life businesses can be attributed to the following factors:

Non-life earnings trend

↖ Higher technical result thanks to successful portfolio optimisation measures and good gross claims experience

↙ Higher taxes, as the previous year was also positively influenced by special effect
↙ Higher non-technical costs due to loss of positive special effects included in the previous year

Life earnings trend

↖ Higher gains on investments than in the previous year

↙ Weaker savings result because of the slight decline in the interest margin
↙ Higher expenses for strengthening of reserves
↙ Higher expenses for policyholder participation due to higher gains on investments

Underlying earnings

	2017	2016	Growth in % (CHF)
Europe	**119.5**	**113.4**	**5.4**
Germany	25.8	26.6	–3.1
Italy	32.4	29.9	8.3
Spain	31.8	30.9	3.2
Austria	29.5	26.0	13.4
IFRS result	98.8	83.2	18.7

Net combined ratio

In financial year 2017, Helvetia substantially increased the profitability of the business written in the Europe segment.

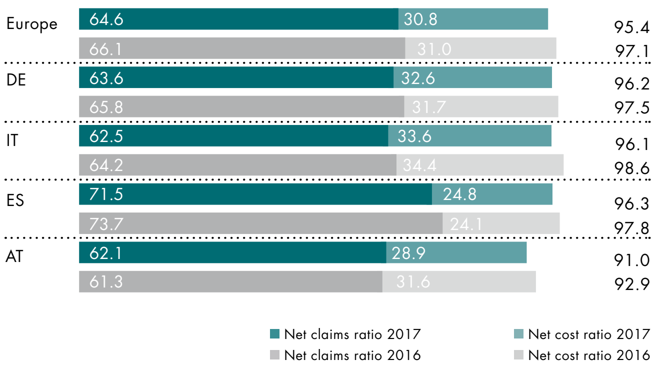
The net combined ratio improved considerably from 97.1 % in financial year 2016 to **95.4 %** in financial year 2017. The following factors contributed to the improvement in the net combined ratio:

- A significant improvement in the claims ratio (1.6 percentage points) to 64.6 % thanks to successful portfolio optimisation measures and a better gross claims experience
- An improved cost ratio (–0.2 %) thanks to further synergies

All units reported a net combined ratio of below 100 %.

Combined ratio

in %



IFRS result

The IFRS result for the period reported for the Europe segment was **CHF 98.8 million**, which was 18.7 % up on the previous year's figure (financial year 2016: CHF 83.2 million). The IFRS result in particular includes integration costs, depreciation due to the revaluation of interest-bearing securities under IFRS acquisition accounting, and the corresponding taxes.

Business performance of segments: Specialty Markets

Overview

During the past financial year, Helvetia also grew further in the Specialty Markets segment. Nevertheless, natural catastrophes weighed on the result of the Active Reinsurance assigned in this segment, even if the impact was much lower than that experienced by some competitors. Overall, the result posted by the Specialty Markets segment thus declined relative to the previous year.

Business volume

In financial year 2017, the Specialty Markets segment generated **premiums** in the amount of **CHF 899.8 million** (financial year 2016: CHF 771.1 million), representing a 15.9% increase (in OC).

The lines of business assigned in this segment performed as follows:
- Active Reinsurance CHF 415.3 million, +21.8% due to planned diversification of business
- Specialty Lines CH / International CHF 273.4 million, +26.5% (in OC); strong growth primarily driven by a one-time special effect in the recognition of premiums; adjusted growth was low single digit; expansion of business in the engineering and art / transport areas
- France CHF 211.1 million (–4.2% in OC) due to portfolio optimisation measures aimed at improving profitability

Underlying earnings

Underlying earnings amounted to **CHF 16.6 million,** down from CHF 35.9 million in financial year 2016.
The following factors influenced the earnings trend:

⬉ Higher investment result

⬋ Lower technical result
  - Negative impact of natural catastrophes on Active Reinsurance (mainly Hurricanes Harvey, Irma and Maria) and strengthening of reserves owing to the adjustment of the Ogden discount rates in the United Kingdom
  - Greater burden from natural catastrophes on the Specialty Lines CH / International

⬋ Higher non-technical costs

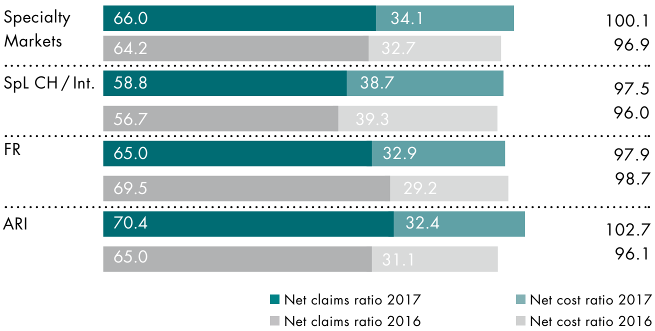
Net combined ratio

The net combined ratio was **100.1 %** (financial year 2016: 96.9 %). The following factors made a contribution:

- Increase in claims ratio due to
  - the negative impact of natural catastrophes on Active Reinsurance (Hurricanes Harvey, Irma and Maria) and the adjustment of the Ogden discount rates in the United Kingdom
  - the negative impact on the Specialty Lines CH / International likewise caused by natural catastrophes (Hurricanes Harvey, Irma and Maria)
  - with a simultaneous improvement in the claims ratio in France
- higher cost ratio due to
  - the one-time impact of a special effect in the previous year
  - underwriting of quota share treaties with higher commissions for Active Reinsurance as well as impact from the reinsurance structure

Combined ratio

in %



IFRS result

The IFRS result for the period for the Specialty Markets segment was **CHF 11.5 million**.

Corporate

In addition to the financing companies and the holding company, the Corporate segment comprises the Corporate Centre and Group reinsurance. The **underlying earnings** of this segment totalled **CHF –43.4 million**, thus falling below the prior-year figure of CHF –23.6 million. Despite a significantly improved technical result for Group reinsurance, the decline can primarily be attributed to financing costs for the newly issued hybrid bond, the loss of the one-time positive tax effects included in the previous year and the planned higher project costs.

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	2017	2016
Income			
Gross premiums written	3	8 478.1	8 402.7
Reinsurance premiums ceded		–375.5	–320.3
Net premiums written		8 102.6	8 082.4
Net change in unearned premium reserve		–59.4	–18.9
Net earned premiums		8 043.2	8 063.5
Current income from Group investments (net)	7.1.1	1 001.4	999.6
Gains and losses on Group investments (net)	7.1.3	347.3	144.8
Income investments with market risk for the policyholder	7.1.5	159.5	66.4
Share of profit or loss of associates		5.2	2.0
Other income		137.7	78.7
Total operating income		9 694.3	9 355.0
Expenses			
Claims incurred including claims handling costs (non-life)		–2 389.5	–2 309.7
Claims and benefits paid (life)		–3 631.4	–3 531.6
Change in actuarial reserves		–1 046.6	–1 248.7
Reinsurers´ share of benefits and claims		135.3	73.3
Policyholder dividends and bonuses		–188.6	–119.9
Income attributable to deposits for investment contracts		–34.2	–23.8
Net benefits to policyholders and claims		–7 155.0	–7 160.4
Acquisition costs		–1 074.9	–1 026.4
Reinsurers´ share of acquisition costs		77.4	78.4
Operating and administrative expenses		–644.8	–586.1
Interest payable		–13.6	–15.6
Other expenses		–304.8	–183.9
Total operating expenses		–9 115.7	–8 894.0
Profit or loss from operating activities		578.6	461.0
Financing costs		–65.2	–33.2
Profit or loss before tax		513.4	427.8
Income taxes	10.1	–110.5	–51.2
Profit or loss for the period		**402.9**	**376.6**
Attributable to:			
Shareholders of Helvetia Holding AG		405.3	376.6
Non-controlling interests		–2.4	0.0
Earnings per share:			
Basic earnings per share (in CHF)	11.5	39.12	36.07
Diluted earnings per share (in CHF)	11.5	39.12	36.07

Consolidated statement of comprehensive income

in CHF million	2017	2016
Profit or loss for the period	**402.9**	**376.6**
Other comprehensive income		
May be reclassified to income		
Change in unrealised gains and losses on investments	−39.0	4.4
Share of associates´ net profit recognised in other comprehensive income	–	−0.5
Change from net investment hedge	−17.8	18.1
Foreign currency translation differences	163.1	−45.5
Change in liabilities for contracts with participation features	65.3	41.7
Deferred taxes	−1.6	−6.1
Total that may be reclassified to income	170.0	12.1
Will not be reclassified to income		
Revaluation from reclassification of property and equipment	1.1	−0.2
Revaluation of benefit obligations	105.1	35.5
Change in liabilities for contracts with participation features	−12.0	−4.3
Deferred taxes	−19.6	−6.3
Total that will not be reclassified to income	74.6	24.7
Total other comprehensive income	244.6	36.8
Comprehensive income	**647.5**	**413.4**
Attributable to:		
Shareholders of Helvetia Holding AG	649.7	413.4
Non-controlling interests	−2.2	0.0

Consolidated balance sheet

in CHF million	Notes	2017	2016
Assets			
Property and equipment	5	524.4	487.1
Goodwill and other intangible assets	6	1 225.3	1 218.0
Investments in associates	7.4.1	25.8	17.6
Investment property	7.5	7 073.6	6 702.2
Group financial assets	7.2	41 555.6	39 769.4
Investments with market risk for the policyholder	7.2	3 651.1	3 089.7
Receivables from insurance business	9.7	1 198.6	1 214.3
Deferred acquisition costs	9.6	482.4	458.2
Reinsurance assets	9.5	562.4	545.0
Deferred tax assets	10.5	29.5	31.2
Current income tax assets		23.3	22.4
Other assets		352.6	405.1
Accrued investment income		311.0	323.6
Cash and cash equivalents		1 260.3	942.7
Total assets		**58 275.9**	**55 226.5**

in CHF million	Notes	2017	2016
Liabilities and equity			
Share capital	11.1	1.0	1.0
Capital reserves		660.6	661.0
Treasury shares		−9.4	−8.0
Unrealised gains and losses (net)	11.2.4	283.9	264.4
Foreign currency translation differences		−341.6	−486.8
Retained earnings		3 278.4	3 091.6
Valuation reserves for contracts with participation features	11.2.5	1 337.5	1 278.7
Equity of Helvetia Holding AG shareholders		5 210.4	4 801.9
Non-controlling interests		19.0	10.7
Equity (without preferred securities)		5 229.4	4 812.6
Preferred securities	11.3	700.0	700.0
Total equity		5 929.4	5 512.6
Actuarial reserves (gross)	9.1	36 622.2	34 954.3
Provision for future policyholder participation	9.1	1 951.0	1 908.2
Loss reserves (gross)	9.1	4 874.1	4 630.8
Unearned premium reserve (gross)	9.1	1 444.6	1 317.9
Financial liabilities from financing activities	8.1	1 616.2	978.4
Financial liabilities from insurance business	9.8	1 779.6	1 693.1
Other financial liabilities	8.2	349.8	351.5
Liabilities from insurance business	9.7	1 782.6	1 836.9
Non-technical provisions	12.1	143.5	140.6
Employee benefit obligations	13.2	692.1	830.8
Deferred tax liabilities	10.5	818.1	771.9
Current income tax liabilities		51.2	63.0
Other liabilities and accruals		221.5	236.5
Total liabilities		52 346.5	49 713.9
Total liabilities and equity		**58 275.9**	**55 226.5**

Consolidated statement of equity

	Notes	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 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**
Balance as of 1 January 2017		1.0	661.0	–8.0	264.4
Profit or loss for the period		–	–	–	–
Income and expense that may be reclassified to income		–	–	–	18.7
Income and expense that will not be reclassified to income		–	–	–	1.2
Total other comprehensive income		–	–	–	19.9
Comprehensive income		–	–	–	19.9
Transfer from / to retained earnings		–	–	–	–0.4
Acquisition of subsidiaries		–	–	–	–
Change in minority interests		–	–	–	–
Purchase of treasury shares		–	–	–11.6	–
Sale of treasury shares		–	–2.3	10.2	–
Share-based payment		–	1.9	–	–
Dividends		–	–	–	–
Share capital increase		–	–	–	–
Shareholders´ contributions		–	40.0	–	–
Allocation of shareholders´ contributions		–	–40.0	–	–
Balance as of 31 December 2017		**1.0**	**660.6**	**–9.4**	**283.9**

Foreign currency translation differences	Retained earnings	Valuation reserves for contracts with participation features	Equity of Helvetia Holding AG shareholders	Non-controlling interests	Equity (without preferred securities)	Preferred securities	Total equity
	11.2.2	11.2.5					
–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**
–486.8	3091.6	1278.7	4801.9	10.7	4812.6	700.0	5512.6
–	365.2	40.1	405.3	–2.4	402.9	–	402.9
145.2	–	6.0	169.9	0.1	170.0	–	170.0
–	57.8	15.5	74.5	0.1	74.6	–	74.6
145.2	57.8	21.5	244.4	0.2	244.6	–	244.6
145.2	423.0	61.6	649.7	–2.2	647.5	–	647.5
–	–15.1	–2.8	–18.3	0.0	–18.3	18.3	0.0
–	–2.0	–	–2.0	2.0	0.0	–	0.0
–	0.2	–	0.2	–2.0	–1.8	–	–1.8
–	–	–	–11.6	–	–11.6	–	–11.6
–	–	–	7.9	–	7.9	–	7.9
–	–	–	1.9	–	1.9	–	1.9
–	–208.9	–	–208.9	–0.3	–209.2	–18.3	–227.5
–	–10.4	–	–10.4	10.8	0.4	–	0.4
–	–	–	40.0	–	40.0	–	40.0
–	–	–	–40.0	–	–40.0	–	–40.0
–341.6	**3278.4**	**1337.5**	**5210.4**	**19.0**	**5229.4**	**700.0**	**5929.4**

Consolidated cash flow statement

in CHF million	2017	2016
Cash flow from operating activities		
Profit before tax	513.4	427.8
Reclassifications to investing and financing activities (affecting cash)		
Realised gains and losses on property, equipment and intangible assets	–0.8	–8.9
Realised gains and losses on sale of subsidiaries and associated companies	–0.2	–1.1
Dividends from associates	–1.1	–1.1
Adjustments		
Depreciation / amortisation of property, equipment and intangible assets	118.3	110.2
Realised gains and losses on financial instruments and investment property	–17.6	–136.0
Unrealised gains and losses on investments in associates	–4.0	–0.9
Unrealised gains and losses on investment property	–25.5	–10.5
Unrealised gains and losses on financial instruments	–120.4	163.0
Share-based payments for employees	1.9	1.7
Foreign currency gains and losses	9.0	–59.2
Other income and expenses not affecting cash[1]	–14.7	–182.3
Change in operating assets and liabilities		
Deferred acquisition costs	–8.2	7.0
Reinsurance assets	6.6	15.7
Actuarial reserves	1046.6	1248.8
Provisions for future policyholder participation	45.2	–24.3
Loss reserves	68.2	43.2
Unearned premium reserve	69.6	24.3
Financial liabilities from insurance business	4.9	–27.6
Changes in other operating assets and liabilities	–123.3	–241.4
Cash flow from investments and investment property		
Purchase of investment property	–317.8	–296.9
Sale of investment property	46.2	22.1
Purchase of interest-bearing securities	–3675.1	–4688.2
Repayment / sale of interest-bearing securities	3527.2	3701.2
Purchase of shares, investment funds and alternative investments	–1413.0	–1479.6
Sale of shares, investment funds and alternative investments	917.5	1018.9
Purchase of structured products	–4.1	–14.1
Sale of structured products	0.5	68.2
Purchase / Sale of derivatives	–236.5	–96.2
Origination of mortgages and loans	–932.8	–609.4
Repayment of mortages and loans	401.5	384.8
Purchase of money market instruments	–3156.3	–3322.3
Repayment of money market instruments	3449.4	3739.4
Cash flow from operating activities (gross)	174.6	–223.7
Income taxes paid	–121.7	–39.9
Cash flow from operating activities (net)	52.9	–263.6

in CHF million	2017	2016
Cash flow from investing activities		
Purchase of property and equipment	–45.3	–26.5
Sale of property and equipment	4.3	14.9
Purchase of intangible assets	–36.4	–20.7
Sale of intangible assets	9.7	1.0
Purchase of investments in asscociates	–4.0	–0.1
Sale of investments in associates	0.2	–
Purchase of investments in subsidiaries, net of cash and cash equivalents	–60.0	–106.4
Sale of investments to former subsidiaries, net of cash and cash equivalents	–	12.3
Dividends from associates	1.1	1.1
Cash flow from investing activities (net)	–130.4	–124.4
Cash flow from financing activities		
Increase of share capital	0.4	–
Sale of treasury shares	7.9	7.9
Purchase of treasury shares	–11.6	–11.0
Shareholders´ contributions	40.0	45.0
Purchase of investments in subsidiaries	–0.2	–21.6
Issuance of debt instruments	555.1	34.4
Repayment of debt	–7.0	–3.8
Dividends paid	–232.2	–213.2
Lease payments under finance lease	–2.3	–2.3
Cash flow from financing activities (net)	350.1	–164.6
Effect of exchange rate differences on cash and cash equivalents	45.0	–7.7
Total change in cash and cash equivalents	**317.6**	**–560.3**

Cash and cash equivalents		
Cash and cash equivalents as of 1 January	942.7	1 503.0
Change in cash and cash equivalents	317.6	–560.3
Cash and cash equivalents as of 31 December	**1 260.3**	**942.7**

Composition of cash and cash equivalents		
Cash	0.2	0.3
Due from banks	1 148.2	917.4
Other cash equivalents with a maturity of less than three months	111.9	25.0
Balance as of 31 December	**1 260.3**	**942.7**

Other disclosures on cash flow from operating activities:		
Interest received	776.5	801.4
Dividends received	93.6	87.2
Interest paid	34.4	20.4

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

1. General information

Helvetia Group is an all-lines insurance group which operates in many 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.

The Board of Directors approved the consolidated financial statements and released them for publication at its meeting on 1 March 2018. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 20 April 2018.

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 80).

2.1 Standards applied for the first time in the reporting year

The following published sector-relevant standards (IAS / IFRS), interpretations (IFRIC) and amendments to the standards were applied by the Group for the first time in the reporting year:
– IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
– Disclosure initiative – Amendments to IAS 7
– Annual improvements to IFRS (cycle 2014 – 2016) – amendments to IFRS 12

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 2017 consolidated financial statements:

Changes in accounting policies	to be applied for annual periods beginning on / after:
IFRS 15: Revenue from Contracts with Customers	01/01/2018
IFRS 4: Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	01/01/2018
IAS 40: Transfers of Investment Property	01/01/2018
Annual improvements to IFRS (cycle 2014 – 2016)	01/01/2018
IFRS 2: Clarifications of Classification and Measurement of Share Based Payment Transactions	01/01/2018
IFRIC 22: Foreign Currency Transactions and Advance Consideration	01/01/2018
IFRS 16: Leasing	01/01/2019
IFRS 19: Remeasurement at a plan amendment, curtailment or settlement	01/01/2019
IFRIC 23: Uncertainty regarding treatment for income tax purposes	01/01/2019
IAS 28: Investments in Associates and Joint Ventures	01/01/2019
IFRS 9: Financial Instruments	01/01/2021
IFRS 17: Insurance Contracts	01/01/2021

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 exercise this option. It qualifies for this postponement option, as the liabilities arising from the insurance business on the relevant reporting date, 31 December 2015, accounted for over 90% of the Helvetia Group's total balance sheet liabilities. Helvetia is thus primarily active in the insurance business.

At present, it is not yet possible to definitively assess the impact of IFRS 9 and IFRS 17 on the financial statements of the Helvetia Group from 2021.

The other amendments 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 183).

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 105).

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.

Helvetia regards the funds as transparent vehicles for the purpose of evaluating the funds for consolidation. The market value of the underlying investments is determined by the fund management.

The market value of private equity investments is calculated via the discounted cash flow (DCF) method. This is done by applying the internal rate of return (IRR).

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 85).

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 117).

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 88). Any material change to the parameters used for the calculation of the provisions is commented on in sections 9.3 from page 130 (non-life business) and 9.4 on page 132 (life business).

2.5.5 Impairment of goodwill

Capitalised goodwill is tested annually for impairment. The method is described in section 2.10 (page 84). The calculation of the recoverable amount is based on a number of assumptions, which are detailed in section 6 (from page 108).

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 loans as well as provisions for insurance and investment contracts is described in section 16.5 (from page 170) 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 84).

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 as set 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 84). 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 determined using 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 80), 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, Germany 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. The income from the properties is determined on the basis of the current rental index and adjusted to the assessment horizon on the basis of the current rental potential.

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 at fair value through profit or loss"). Dividends are recorded when a legal right arises. Depreciation and appreciation resulting from the amortised cost method are included in interest income in the income statement. Interest and dividend income from Group financial assets that are designated as "at fair value through profit or loss" are included in the item "Current income on Group investments (net)".

2.11.3 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 80). 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 155).

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 88) 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 ac-

tuarial 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. Offsetting of assets and liabilities

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 the Helvetia Group are "Switzerland", "Europe", "Specialty Markets" and "Corporate".

The segment "Switzerland" comprises the Swiss country market and the financial intermediaries MoneyPark and Defferrard & Lanz. 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 Group's own fund 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 183).

3.1 Segment information

in CHF million	Switzerland 2017	Switzerland 2016	Europe 2017	Europe 2016
Income				
Gross premiums written	4952.0	5093.4	2626.3	2538.2
Reinsurance premiums ceded	–158.2	–150.1	–250.6	–280.1
Net premiums written	4793.8	4943.3	2375.7	2258.1
Net change in unearned premium reserve	6.9	0.2	–9.6	3.4
Net earned premiums	4800.7	4943.5	2366.1	2261.5
Current income on Group investments (net)	769.6	753.5	206.3	211.3
Gains and losses on Group investments (net)	177.1	58.2	87.1	72.3
Income investments with market risk for the policyholder	38.2	8.0	121.3	58.4
Share of profit or loss of associates	4.5	1.7	0.7	0.3
Other income	80.0	23.7	34.0	38.4
Total operating income	5870.1	5788.6	2815.5	2642.2
of which transactions between geographical segments	84.2	80.8	175.0	218.3
Total revenues from external customers	5954.3	5869.4	2990.5	2860.5
Expenses				
Claims incurred including claims handling costs (non-life)	–755.8	–774.7	–1072.3	–1086.4
Claims and benefits paid (life)	–3057.8	–2916.8	–573.6	–615.0
Change in actuarial reserves	–613.9	–933.8	–432.5	–314.9
Reinsurers´ share of benefits and claims	5.1	25.0	114.9	157.1
Policyholder dividends and bonuses	–161.7	–104.4	–18.7	–13.0
Income attributable to deposits for investment contracts	–1.9	–1.8	–32.3	–22.0
Net benefits to policyholders and claims	–4586.0	–4706.5	–2014.5	–1894.2
Acquisition costs	–384.0	–374.7	–485.5	–475.7
Reinsurers´ share of acquisition costs	35.5	40.9	72.9	81.7
Operating and administrative expenses	–338.7	–308.6	–185.0	–179.4
Interest payable	–8.9	–11.7	–6.6	–6.1
Other expenses	–152.5	–95.3	–63.8	–64.3
Total operating expenses	–5434.6	–5455.9	–2682.5	–2538.0
Profit or loss from operating activities	435.5	332.7	133.0	104.2
Financing costs	–9.5	–	–3.0	0.0
Profit or loss before tax	426.0	332.7	130.0	104.2
Income taxes	–83.7	–47.0	–31.2	–21.0
Profit or loss for the period	**342.3**	**285.7**	**98.8**	**83.2**

	Specialty Markets		Corporate		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	899.8	771.1	313.3	315.2	−313.3	−315.2	8 478.1	8 402.7
	−90.8	−56.3	−189.1	−149.7	313.2	315.9	−375.5	−320.3
	809.0	714.8	124.2	165.5	−0.1	0.7	8 102.6	8 082.4
	−58.7	−34.8	1.9	13.0	0.1	−0.7	−59.4	−18.9
	750.3	680.0	126.1	178.5	0.0	0.0	8 043.2	8 063.5
	22.2	22.5	19.0	16.0	−15.7	−3.7	1 001.4	999.6
	7.4	0.3	75.7	14.0	–	–	347.3	144.8
	–	–	–	–	–	–	159.5	66.4
	–	–	–	–	–	–	5.2	2.0
	15.9	9.9	8.6	9.3	−0.8	−2.6	137.7	78.7
	795.8	712.7	229.4	217.8	−16.5	−6.3	9 694.3	9 355.0
	48.5	28.5	−323.9	−332.6	16.2	5.0	–	–
	844.3	741.2	−94.5	−114.8	−0.3	−1.3	9 694.3	9 355.0
	−560.8	−442.9	−146.8	−151.3	146.2	145.6	−2 389.5	−2 309.7
	–	–	−9.7	−12.2	9.7	12.4	−3 631.4	−3 531.6
	–	–	3.8	7.4	−4.0	−7.4	−1 046.6	−1 248.7
	73.6	8.9	96.5	35.7	−154.8	−153.4	135.3	73.3
	−8.2	−2.5	–	–	–	–	−188.6	−119.9
	–	–	–	–	–	–	−34.2	−23.8
	−495.4	−436.5	−56.2	−120.4	−2.9	−2.8	−7 155.0	−7 160.4
	−204.4	−175.7	−97.9	−103.1	96.9	102.8	−1 074.9	−1 026.4
	12.8	11.0	48.7	44.2	−92.5	−99.4	77.4	78.4
	−70.7	−65.4	−48.8	−32.9	−1.6	0.2	−644.8	−586.1
	0.3	0.1	−2.2	−2.6	3.8	4.7	−13.6	−15.6
	−25.0	−13.2	−63.8	−11.9	0.3	0.8	−304.8	−183.9
	−782.4	−679.7	−220.2	−226.7	4.0	6.3	−9 115.7	−8 894.0
	13.4	33.0	9.2	−8.9	−12.5	0.0	578.6	461.0
	–	–	−65.2	−33.2	12.5	–	−65.2	−33.2
	13.4	33.0	−56.0	−42.1	0.0	0.0	513.4	427.8
	−1.9	0.2	6.3	16.6	0.0	0.0	−110.5	−51.2
	11.5	**33.2**	**−49.7**	**−25.5**	**0.0**	**0.0**	**402.9**	**376.6**

Details on Europe segment

in CHF million	Germany 2017	Germany 2016	Italy 2017	Italy 2016
Income				
Gross premiums written	866.3	821.8	756.1	766.6
Reinsurance premiums ceded	–60.8	–93.8	–81.3	–83.8
Net premiums written	805.5	728.0	674.8	682.8
Net change in unearned premium reserve	–0.2	0.7	1.9	–1.0
Net earned premiums	805.3	728.7	676.7	681.8
Current income on Group investments (net)	63.5	64.4	85.1	86.8
Gains and losses on Group investments (net)	38.5	29.7	25.7	21.8
Income investments with market risk for the policyholder	48.2	24.1	32.4	21.9
Share of profit or loss of associates	–	–	–	–
Other income	6.1	7.4	19.0	22.3
Total operating income	961.6	854.3	838.9	834.6
of which transactions between geographical segments	1.5	0.8	–	–
Total revenues from external customers	963.1	855.0	838.9	834.6
Expenses				
Claims incurred including claims handling costs (non-life)	–356.7	–356.0	–299.2	–326.2
Claims and benefits paid (life)	–154.5	–144.2	–202.2	–250.2
Change in actuarial reserves	–183.4	–146.4	–94.2	–57.7
Reinsurers´ share of benefits and claims	16.3	38.4	32.4	55.2
Policyholder dividends and bonuses	–13.9	–14.4	–5.6	–2.3
Income attributable to deposits for investment contracts	–	–	–32.3	–22.0
Net benefits to policyholders and claims	–692.2	–622.6	–601.1	–603.2
Acquisition costs	–174.5	–164.3	–122.2	–125.5
Reinsurers´ share of acquisition costs	14.6	30.6	21.5	19.8
Operating and administrative expenses	–60.5	–54.0	–66.1	–67.4
Interest payable	–4.4	–3.5	–1.2	–1.6
Other expenses	–8.1	–19.2	–42.2	–30.5
Total operating expenses	–925.1	–833.0	–811.3	–808.4
Profit or loss from operating activities	36.5	21.3	27.6	26.2
Financing costs	–0.4	–	–2.6	0.0
Profit or loss before tax	36.1	21.3	25.0	26.2
Income taxes	–11.1	–2.9	–4.6	–4.8
Profit or loss for the period	**25.0**	**18.4**	**20.4**	**21.4**

	Spain		Austria		Elimination		Total Europe	
	2017	2016	2017	2016	2017	2016	2017	2016
	453.1	422.4	552.3	528.2	−1.5	−0.8	2 626.3	2 538.2
	−20.0	−20.9	−90.0	−82.4	1.5	0.8	−250.6	−280.1
	433.1	401.5	462.3	445.8	0.0	0.0	2 375.7	2 258.1
	−10.6	2.4	−0.7	1.3	0.0	0.0	−9.6	3.4
	422.5	403.9	461.6	447.1	0.0	–	2 366.1	2 261.5
	19.3	20.9	38.4	39.2	–	–	206.3	211.3
	3.1	4.3	19.8	16.5	–	–	87.1	72.3
	4.7	1.8	36.0	10.6	–	–	121.3	58.4
	0.6	0.5	0.1	−0.2	–	–	0.7	0.3
	4.3	4.3	4.6	4.4	–	–	34.0	38.4
	454.5	435.7	560.5	517.6	0.0	–	2 815.5	2 642.2
	–	–	−1.5	−0.8	175.0	218.3	175.0	218.3
	454.5	435.7	559.0	516.9	175.0	218.3	2 990.5	2 860.5
	−218.9	−215.7	−198.8	−188.7	1.3	0.2	−1 072.3	−1 086.4
	−81.0	−80.6	−135.9	−140.0	–	–	−573.6	−615.0
	−19.3	−8.4	−135.6	−102.4	–	–	−432.5	−314.9
	13.4	11.0	54.1	52.7	−1.3	−0.2	114.9	157.1
	–	–	0.8	3.7	–	–	−18.7	−13.0
	–	–	–	–	–	–	−32.3	−22.0
	−305.8	−293.7	−415.4	−374.7	–	–	−2 014.5	−1 894.2
	−87.3	−83.8	−101.6	−102.1	0.1	0.0	−485.5	−475.7
	5.1	5.1	31.8	26.2	−0.1	0.0	72.9	81.7
	−26.3	−26.7	−32.1	−31.3	0.0	0.0	−185.0	−179.4
	−0.1	−0.1	−0.9	−0.9	–	–	−6.6	−6.1
	2.1	2.0	−15.6	−16.6	0.0	0.0	−63.8	−64.3
	−412.3	−397.2	−533.8	−499.4	0.0	0.0	−2 682.5	−2 538.0
	42.2	38.5	26.7	18.2	0.0	0.0	133.0	104.2
	–	–	–	–	–	–	−3.0	0.0
	42.2	38.5	26.7	18.2	0.0	0.0	130.0	104.2
	−9.5	−10.1	−6.0	−3.2	0.0	0.0	−31.2	−21.0
	32.7	**28.4**	**20.7**	**15.0**	**0.0**	**0.0**	**98.8**	**83.2**

3.2 Information by business activities

	Life		Non-life	
	2017	2016	2017	2016
in CHF million				
Income				
Gross premiums written	4 384.3	4 525.0	4 095.3	3 878.5
Reinsurance premiums ceded	–62.6	–61.3	–438.6	–426.0
Net premiums written	4 321.7	4 463.7	3 656.7	3 452.5
Net change in unearned premium reserve	6.7	2.5	–68.1	–33.7
Net earned premiums	4 328.4	4 466.2	3 588.6	3 418.8
Current income on Group investments (net)	864.7	868.9	138.4	122.5
Gains and losses on Group investments (net)	216.7	111.5	54.5	19.0
Income investments with market risk for the policyholder	159.5	66.4	–	–
Share of profit or loss of associates	0.0	0.0	5.2	2.0
Other income	48.0	32.1	67.6	38.7
Total operating income	5 617.3	5 545.1	3 854.3	3 601.0
Expenses				
Claims incurred including claims handling costs (non-life)	–	–	–2 390.1	–2 304.3
Claims and benefits paid (life)	–3 631.4	–3 531.8	–	–
Change in actuarial reserves	–1 046.4	–1 248.7	–	–
Reinsurers´ share of benefits and claims	21.5	14.6	173.4	176.6
Policyholder dividends and bonuses	–178.1	–113.4	–10.5	–6.5
Income attributable to deposits for investment contracts	–34.2	–23.8	–	–
Net benefits to policyholders and claims	–4 868.6	–4 903.1	–2 227.2	–2 134.2
Acquisition costs	–227.4	–224.3	–846.6	–801.8
Reinsurers´ share of acquisition costs	17.5	25.7	103.7	107.9
Operating and administrative expenses	–211.6	–208.2	–365.5	–343.4
Interest payable	–14.5	–16.9	–4.6	–4.7
Other expenses	–92.7	–42.1	–139.1	–131.4
Total operating expenses	–5 397.3	–5 368.9	–3 479.3	–3 307.6
Profit or loss from operating activities	220.0	176.2	375.0	293.4
Financing costs	–10.3	–	–2.2	0.0
Profit or loss before tax	209.7	176.2	372.8	293.4
Income taxes	–36.3	–25.6	–82.8	–42.2
Profit or loss for the period	**173.4**	**150.6**	**290.0**	**251.2**

	Other activities		Elimination		Total	
	2017	2016	2017	2016	2017	2016
	313.3	315.2	−314.8	−316.0	8 478.1	8 402.7
	−189.0	−149.7	314.7	316.7	−375.5	−320.3
	124.3	165.5	−0.1	0.7	8 102.6	8 082.4
	1.9	13.0	0.1	−0.7	−59.4	−18.9
	126.2	178.5	–	–	8 043.2	8 063.5
	19.6	16.7	−21.3	−8.5	1 001.4	999.6
	76.1	14.3	–	–	347.3	144.8
	–	–	–	–	159.5	66.4
	–	–	–	–	5.2	2.0
	25.6	12.2	−3.5	−4.3	137.7	78.7
	247.5	221.7	−24.8	−12.8	9 694.3	9 355.0
	−146.9	−151.3	147.5	145.9	−2 389.5	−2 309.7
	−9.7	−12.2	9.7	12.4	−3 631.4	−3 531.6
	3.8	7.4	−4.0	−7.4	−1 046.6	−1 248.7
	96.5	35.7	−156.1	−153.6	135.3	73.3
	–	–	–	–	−188.6	−119.9
	–	–	–	–	−34.2	−23.8
	−56.3	−120.4	−2.9	−2.7	−7 155.0	−7 160.4
	−97.9	−103.2	97.0	102.9	−1 074.9	−1 026.4
	48.7	44.2	−92.5	−99.4	77.4	78.4
	−66.1	−34.6	−1.6	0.1	−644.8	−586.1
	−3.8	−3.4	9.3	9.4	−13.6	−15.6
	−76.0	−12.9	3.0	2.5	−304.8	−183.9
	−251.4	−230.3	12.3	12.8	−9 115.7	−8 894.0
	−3.9	−8.6	−12.5	0.0	578.6	461.0
	−65.2	−33.2	12.5	–	−65.2	−33.2
	−69.1	−41.8	0.0	0.0	513.4	427.8
	8.6	16.6	0.0	0.0	−110.5	−51.2
	−60.5	**−25.2**	**0.0**	**0.0**	**402.9**	**376.6**

3.3 Additional information

by segment:

as of 31.12.	Switzerland 2017	Switzerland 2016	Europe 2017	Europe 2016
in CHF million				
Assets by geographical segment	44 012.4	42 402.9	14 338.8	12 816.9
of which investments	38 496.0	37 027.2	12 200.1	10 744.4
– investments in associates	21.4	16.0	1.9	1.6
– investment property	6 508.9	6 199.7	549.7	486.1
– Group financial assets	30 845.4	29 759.7	9 117.7	8 218.8
– financial assets with market risk for the policyholder	1 120.3	1 051.8	2 530.8	2 037.9
Liabilities by geographical segment	39 129.2	37 835.2	12 693.8	11 336.2
of which technical provisions (gross)	32 889.6	32 264.3	10 377.4	9 162.5
– life	30 693.3	30 014.7	8 023.3	6 995.9
– non-life	2 196.3	2 249.6	2 354.1	2 166.6
Cash flow from operating activities (net)	379.1	349.3	75.7	–23.1
Cash flow from investing activities (net)	–260.8	–89.9	–126.2	–14.6
Cash flow from financing activities (net)	302.7	–422.7	55.0	8.5
Acquisition of owner-occupied property, equipment and intangible assets	95.7	122.4	25.2	23.7
Depreciation and amortisation on tangible and intangible assets	–75.0	–60.5	–34.4	–41.3
Impairment of tangible and intangible assets affecting income	–	–	–	–
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	0.8	0.2
Share-based payment transaction costs	–2.1	–1.8	–	–

by business activity:

as of 31.12.	Life 2017	Life 2016	Non-life 2017	Non-life 2016
in CHF million				
Assets by business activity	46 467.4	44 237.1	13 943.0	12 796.5
Liabilities by business activity	43 242.2	41 150.9	10 241.8	9 359.3
Acquisition of owner-occupied property, equipment and intangible assets	16.8	0.4	55.7	22.9
Depreciation and amortisation on tangible and intangible assets	–6.8	–8.8	–83.9	–82.8
Impairment of tangible and intangible assets affecting income	–	–	–0.3	–0.1
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	0.8	0.2
Share-based payment transaction costs	–0.9	–0.7	–1.2	–1.1

	Specialty Markets 2017	2016	Corporate 2017	2016	Elimination 2017	2016	Total 2017	2016
	2 223.0	1 966.1	−1 135.1	−1 214.0	−1 163.2	−745.4	58 275.9	55 226.5
	1 213.8	1 226.2	884.2	600.1	−488.0	−19.0	52 306.1	49 578.9
	–	–	2.5	–	–	–	25.8	17.6
	15.0	16.4	–	–	–	–	7 073.6	6 702.2
	1 198.8	1 209.8	881.7	600.1	−488.0	−19.0	41 555.6	39 769.4
	–	–	–	–	–	–	3 651.1	3 089.7
	1 668.7	1 372.4	18.0	−84.5	−1 163.2	−745.4	52 346.5	49 713.9
	1 621.2	1 379.4	449.3	467.1	−445.6	−462.1	44 891.9	42 811.2
	–	–	30.8	32.8	−30.3	−32.5	38 717.1	37 010.9
	1 621.2	1 379.4	418.5	434.3	−415.3	−429.6	6 174.8	5 800.3
	92.0	−438.4	−499.6	−154.9	5.7	3.5	52.9	−263.6
	−11.8	−5.6	269.4	−10.8	−1.0	−3.5	−130.4	−124.4
	−47.3	405.7	44.4	−156.1	−4.7	0.0	350.1	−164.6
	2.6	0.7	2.2	12.7	–	–	125.7	159.5
	−2.5	−2.4	−6.9	−6.1	–	–	−118.8	−110.3
	−0.3	−0.1	–	–	–	–	−0.3	−0.1
	–	0.0	–	–	–	–	0.8	0.2
	–	–	−2.6	−1.5	–	–	−4.7	−3.3

	Other activities 2017	2016	Elimination 2017	2016	Total 2017	2016
	−913.4	−1 027.4	−1 221.1	−779.7	58 275.9	55 226.5
	83.6	−16.6	−1 221.1	−779.7	52 346.5	49 713.9
	53.2	136.2	–	–	125.7	159.5
	−28.1	−18.7	–	–	−118.8	−110.3
	–	–	–	–	−0.3	−0.1
	–	–	–	–	0.8	0.2
	−2.6	−1.5	–	–	−4.7	−3.3

3.4 Gross premiums by segment and business area

		Gross premiums before elimination		Elimination		Gross premiums		Change in %	Change in % (FX-adjusted)
		2017	2016	2017	2016	2017	2016		
in CHF million									
Switzerland	non-life	1464.9	1444.2	–	–	1464.9	1444.2	1.4	1.4
Switzerland	life	3487.1	3649.2	–	–	3487.1	3649.2	–4.4	–4.4
Total Switzerland		4952.0	5093.4	–	–	4952.0	5093.4	–2.8	–2.8
Europe	non-life	1729.1	1662.4	0.0	–	1729.1	1662.4	4.0	1.5
Europe	life	897.2	875.8	–	–	897.2	875.8	2.4	–0.0
Total Europe		2626.3	2538.2	0.0	–	2626.3	2538.2	3.5	1.0
Specialty Markets	non-life	899.8	771.2	0.0	–0.1	899.8	771.1	16.7	15.9
Corporate		313.3	315.2	–313.3	–315.2	–	–	–	–
Total gross premiums		**8791.4**	**8718.0**	**–313.3**	**–315.3**	**8478.1**	**8402.7**	**0.9**	**0.1**

3.5 Gross premiums by business line

	Gross premiums 2017	2016	Change in %	Change in % (FX-adjusted)
in CHF million				
Traditional individual life insurance	1 065.3	1 175.9	–9.4	–10.3
Investment-linked life insurance	646.7	589.3	9.8	8.2
Individual insurance	1 712.0	1 765.2	–3.0	–4.1
Group insurance	2 672.3	2 759.8	–3.2	–3.2
Gross premiums life	4 384.3	4 525.0	–3.1	–3.6
Property	1 389.6	1 293.5	7.4	6.2
Transport	319.9	319.4	0.2	–1.8
Motor vehicle	1 286.3	1 263.6	1.8	0.5
Liability	334.5	328.1	1.9	0.6
Accident / health	348.2	332.0	4.9	3.6
Gross premiums non-life	3 678.5	3 536.6	4.0	2.7
Gross premiums reinsurance	415.3	341.1	21.8	21.8
Total gross premiums	**8 478.1**	**8 402.7**	**0.9**	**0.1**

3.6 Gross premiums and deposits received

in CHF million	Business volume 2017	2016	Change in%	Change in % (FX-adjusted)
Gross premiums life	4384.3	4525.0	−3.1	−3.6
Deposits received from investment contracts life[1]	163.2	110.0	48.4	45.4
Gross premiums and deposits received life	4547.5	4635.0	−1.9	−2.4
Gross premiums non-life	3678.5	3536.6	4.0	2.7
Gross premiums reinsurance	415.3	341.1	21.8	21.8
Gross premiums and deposits received	**8641.3**	**8512.7**	**1.5**	**0.7**

[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	31.12.2017	31.12.2016
1 EUR	1.1702	1.0720
1 USD	0.9745	1.0164
1 GBP	1.3183	1.2559

Annual average	2017	2016
	Jan–Dec	Jan–Dec
1 EUR	1.1159	1.0892
1 USD	0.9797	0.9873
1 GBP	1.2750	1.3281

4.2 Foreign exchange gains and losses

The foreign exchange results in the consolidated income statement in the reporting year show a loss of CHF 0.4 million (previous year: CHF 57.2 million profit).

The foreign exchange gain from financial investments is included in "Gains and losses on Group investments" in the income statement and amounts to CHF 85.0 million (previous year: CHF 51.6 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 2017	2016	Owner-occupied property 2017	2016	Equipment 2017	2016
Acquisition costs						
Balance as of 1 January	12.3	17.2	610.2	626.6	163.0	146.1
Change in scope of consolidation	–	–4.9	–	–	0.2	–0.2
Additions	–	–	5.1	1.2	12.5	17.7
Disposals	–2.6	–	–0.1	–15.9	–3.7	–1.7
Revaluation gains on transfers to investment property	–	–	–	0.0	–	–
Transfer	–	–	38.8	1.8	–	–
Foreign currency translation differences	–	0.0	22.0	–3.5	7.6	–1.1
Other changes	–	–	0.5	–	0.0	2.2
Balance as of 31 December	**9.7**	**12.3**	**676.5**	**610.2**	**179.6**	**163.0**
Accumulated depreciation / impairment						
Balance as of 1 January	0.0	0.0	204.8	204.5	112.8	101.4
Depreciation	–	–	17.9	12.6	12.2	11.2
Impairment	–	–	–	–	–	–
Reversal of impairment losses	–	–	–0.8	–0.2	–	0.0
Disposals depreciation / impairment	–	–	–0.1	–10.7	–3.0	–1.0
Transfer	–	–	–1.2	0.0	–	–
Foreign currency translation differences	–	–	9.7	–1.4	6.1	–1.0
Other changes	–	–	–	–	0.0	2.2
Balance as of 31 December	**0.0**	**0.0**	**230.3**	**204.8**	**128.1**	**112.8**
Book value as of 31 December	**9.7**	**12.3**	**446.2**	**405.4**	**51.5**	**50.2**
of which assets under finance lease	–	–	32.7	31.1	–	–
Book value as of 1 January	12.3	17.2	405.4	422.1	50.2	44.7

Property under construction 2017	2016	Total 2017	2016
19.2	11.9	804.7	801.8
–	–	0.2	–5.1
27.7	7.6	45.3	26.5
–	–	–6.4	–17.6
–	–	–	0.0
–28.7	–0.3	10.1	1.5
0.1	0.0	29.7	–4.6
–0.5	–	0.0	2.2
17.8	**19.2**	**883.6**	**804.7**
0.0	0.0	317.6	305.9
–	–	30.1	23.8
–	–	–	–
–	–	–0.8	–0.2
–	–	–3.1	–11.7
0.7	–	–0.5	0.0
0.1	–	15.9	–2.4
–	–	0.0	2.2
0.8	**0.0**	**359.2**	**317.6**
17.0	**19.2**	**524.4**	**487.1**
–	–	32.7	31.1
19.2	11.9	487.1	495.9

6. Goodwill and other intangible assets

	Goodwill		Other intangible assets		Total	
	2017	2016	2017	2016	2017	2016
in CHF million						
Acquisition costs						
Balance as of 1 January	1 101.2	1 015.8	571.6	536.7	1 672.8	1 552.5
Change in the scope of consolidation	36.9	89.1	6.9	23.2	43.8	112.3
Additions	–	–	36.4	20.7	36.4	20.7
Disposals	–	–	–11.7	–5.0	–11.7	–5.0
Foreign currency translation differences	23.1	–3.7	26.6	–4.0	49.7	–7.7
Balance as of 31 December	**1 161.2**	**1 101.2**	**629.8**	**571.6**	**1 791.0**	**1 672.8**
Accumulated amortisation / impairment						
Balance as of 1 January	24.1	24.4	430.7	351.2	454.8	375.6
Amortisation	–	–	88.7	86.5	88.7	86.5
Impairment	–	–	0.3	0.1	0.3	0.1
Disposals amortisation / impairment	–	–	–1.8	–3.9	–1.8	–3.9
Foreign currency translation differences	2.2	–0.3	21.5	–3.2	23.7	–3.5
Balance as of 31 December	**26.3**	**24.1**	**539.4**	**430.7**	**565.7**	**454.8**
Book value as of 31 December	**1 134.9**	**1 077.1**	**90.4**	**140.9**	**1 225.3**	**1 218.0**
Book value as of 1 January	1 077.1	991.4	140.9	185.5	1 218.0	1 176.9

Goodwill of CHF 36.9 million was recorded in 2017 in connection with the takeover of the mortgage broker Defferrard & Lanz SA. Goodwill of CHF 89.1 million was recorded in 2016 in connection with the takeover of MoneyPark AG, (see section 18, page 179).

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 84).

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

as of 31.12.2017	Goodwill	Growth rate	Applied discounting interest rate
in CHF million		in %	in %
Switzerland life	4.4	1.0%	8.20%
Switzerland non-life	740.1	1.0%	8.32%
Specialty Lines Switzerland / International	15.0	1.5%	8.16%
France non-life	71.3	1.5%	9.65%
Spain	41.5	1.0%	10.39%
Italy non-life	39.9	1.5%	11.16%
Austria	67.5	1.0%	9.18%
Germany non-life	29.2	1.0%	9.14%
MoneyPark AG	89.1	1.5%	7.61%
Defferrard & Lanz SA	36.9	1.5%	7.65%

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 Markets 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%

The impairment test carried out in 2017 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 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 does not result in any impairment.

7. Investments

7.1 Investment result

in CHF million	Notes	2017	2016
Current income from Group investments (net)	7.1.1	1 001.4	999.6
Gains and losses on Group investments (net)	7.1.3	347.3	144.8
Investment result from Group financial assets and investment property		1 348.7	1 144.4
Income investments with market risk for the policyholder	7.1.5	159.5	66.4
Investment result from financial assets and investment property		1 508.2	1 210.8
Share of profit or loss of associates		5.2	2.0
Investment income (net)		**1 513.4**	**1 212.8**

7.1.1 Current income from investments by class

	Group investments		Investments with market risk for the policyholder		Total	
in CHF million	2017	2016	2017	2016	2017	2016
Interest-bearing securities	569.1	574.2	7.8	10.0	576.9	584.2
Shares	68.1	64.6	1.4	1.2	69.5	65.8
Investment funds	18.5	14.1	5.7	3.0	24.2	17.1
Alternative investments	–	4.3	–	–	–	4.3
Derivative financial instruments[1]	–1.0	–1.0	–	–	–1.0	–1.0
Mortgages	87.7	86.9	–	–	87.7	86.9
Loans	29.1	31.7	–	–	29.1	31.7
Money market instruments	–0.5	–2.2	–	–	–0.5	–2.2
Other	0.1	0.0	–	–	0.1	0.0
Current income on financial assets (gross)	771.1	772.6	14.9	14.2	786.0	786.8
Investment management expenses on financial assets	–11.3	–9.3	–	–	–11.3	–9.3
Current income on financial assets (net)	759.8	763.3	14.9	14.2	774.7	777.5
Rental income	326.5	317.7	–	–	326.5	317.7
Investment management expenses on property	–84.9	–81.4	–	–	–84.9	–81.4
Current income from investment property (net)	241.6	236.3	–	–	241.6	236.3
Current income from investments (net)	**1 001.4**	**999.6**	**14.9**	**14.2**	**1 016.3**	**1 013.8**

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 3.9 million in the reporting year (previous year: CHF 4.3 million).

Based on notice periods, tenancies generated operating lease receivables for the Helvetia Group of CHF 70.0 million (previous year: CHF 73.2 million) due in less than one year, CHF 153.1 million (previous year: CHF 153.1 million) due between one and five years and CHF 39.7 million (previous year: CHF 40.4 million) due in more than five years.

Interest income from investments at fair value through profit or loss stood at CHF 18.1 million (previous year: CHF 21.1 million).

7.1.2 Direct yield from interest-rate sensitive financial assets

	2017	2016
in %		
Interest-bearing securities	1.9	1.9
Mortgages, loans and money market instruments	1.7	1.7
Total direct yield of interest-rate-sensitive financial assets	**1.8**	**1.9**

7.1.3 Gains and losses on investments

	Group investments		Investments with market risk for the policyholder		Total	
	2017	2016	2017	2016	2017	2016
in CHF million						
Interest-bearing securities	161.9	257.9	–2.8	2.0	159.1	259.9
Shares	201.0	64.9	1.9	–0.4	202.9	64.5
Investment funds	75.8	4.1	142.9	53.7	218.7	57.8
Structured products	–	–	0.9	5.5	0.9	5.5
Alternative investments	2.6	–11.7	–	–	2.6	–11.7
Derivative financial instruments	–181.0	–186.0	1.7	–8.6	–179.3	–194.6
Mortgages	–1.4	–1.0	–	–	–1.4	–1.0
Loans	7.9	5.1	–	–	7.9	5.1
Money market instruments	7.1	–	0.0	0.0	7.1	0.0
FX effects from loans to subsidiaries	40.4	–1.8	–	–	40.4	–1.8
Gains and losses on financial assets (net)	**314.3**	**131.5**	**144.6**	**52.2**	**458.9**	**183.7**
Investment property	33.0	13.3	–	–	33.0	13.3
Gains and losses on investments (net)	**347.3**	**144.8**	**144.6**	**52.2**	**491.9**	**197.0**

"Derivatives" comprises gains and losses on derivative financial assets and derivative financial liabilities, of which CHF 0.5 million (previous year: CHF 4.0 million profit) represents a loss on the ineffective portion of the currency hedges to protect net investment in the Group's own fund companies (net investment hedge).

7.1.4 Gains and losses on financial assets by category

in CHF million	2017	2016
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses		
Interest-bearing securities	13.8	0.7
Mortgages	–1.4	–1.0
Loans	7.9	5.1
Money market instruments	7.1	–
Realised gains and losses on loans (LAR) incl. money market instruments	27.4	4.8
Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses		
Interest-bearing securities	4.4	14.3
Realised gains and losses on HTM investments	4.4	14.3
Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses		
Interest-bearing securities	111.2	252.7
Shares	52.6	–10.3
Investment funds	7.7	–0.3
Alternative investments	0.0	–11.1
Realised gains and losses on AFS investments	171.5	231.0
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses		
Interest-bearing securities	–0.5	–0.8
Investment funds	1.0	–0.1
Derivative financial instruments	–179.3	–194.6
Realised and book gains and losses on financial assets held for trading	–178.8	–195.5
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	30.2	–7.0
Shares	150.3	74.8
Investment funds	210.0	58.2
Structured products	0.9	5.5
Alternative investments	2.6	–0.6
Realised and book gains and losses on financial assets designated as at fair value through profit or loss	394.0	130.9
FX effects from loans to subsidiaries	40.4	–1.8
Total gains and losses on investments (net)	**458.9**	**183.7**

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 3.2 million (previous year: CHF 49.8 million) as well as impairment loss reversals on financial assets of CHF 3.8 million (previous year: CHF 26.9 million).

7.1.5 Result from investments with market risk for the policyholder

in CHF million	2017	2016
Current income	14.9	14.2
Gains and losses	144.6	52.2
Income investments with market risk for the policyholder	**159.5**	**66.4**

7.2 Investments by class

as of 31.12.2017	Notes	Group investments	Investments with market risk for the policyholder	Total
in CHF million				
Investments in associates	7.4.1	25.8	–	25.8
Investment property	7.5	7 073.6	–	7 073.6
Financial assets by class	7.6			
Interest-bearing securities		30 445.1	915.5	31 360.6
Shares		2 615.7	38.9	2 654.6
Investment funds		1 148.6	2 596.7	3 745.3
Structured products		–	23.1	23.1
Alternative investments		144.7	–	144.7
Derivative financial assets		102.8	71.8	174.6
Mortgages		5 159.2	–	5 159.2
Loans		1 151.0	–	1 151.0
Money market instruments		788.5	5.1	793.6
Total financial assets		41 555.6	3 651.1	45 206.7
Total Investments		**48 655.0**	**3 651.1**	**52 306.1**

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**

7.3 Investments by business area

as of 31.12.2017	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	0.1	23.1	2.6	25.8
Investment property	7.5	6 190.7	865.2	17.7	7 073.6
Financial assets by class	7.6				
Interest-bearing securities		25 832.4	5 047.7	480.5	31 360.6
Shares		957.0	334.9	1 362.7	2 654.6
Investment funds		4 675.6	659.0	– 1 589.3	3 745.3
Structured products		23.1	–	–	23.1
Alternative investments		0.8	2.0	141.9	144.7
Derivative financial assets		166.5	6.7	1.4	174.6
Mortgages		4 948.9	210.3	–	5 159.2
Loans		1 026.4	162.4	– 37.8	1 151.0
Money market instruments		542.0	251.6	–	793.6
Total financial assets		38 172.7	6 674.6	359.4	45 206.7
Total Investments		**44 363.5**	**7 562.9**	**379.7**	**52 306.1**

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**

7.4 Investments in associates

Dividend income from associates totalled CHF 1.1 million (previous year: CHF 1.1 million). The gain from the disposal of the investment in the associated company fvv-Vorarlberger Versicherungsmakler GmbH, Götzis, was CHF 0.1 million.

Investments in associates accounted for under the equity method are listed in the table in section 18.3 (from page 183).

7.4.1 Development of investments in associates

in CHF million	2017	2016
Balance as of 1 January	17.6	17.1
Additions[1]	4.0	0.1
Disposals[1]	0.0	–
Unrealised gains and losses in equity	–	–0.5
Share of profits for the year	5.0	2.0
Dividends paid	–1.1	–1.1
Foreign currency translation differences	0.3	0.0
Book value as of 31 December	**25.8**	**17.6**
Impairment losses		
Accumulated impairment losses as of 1 January	0.0	0.0
Impairment losses of the period	–	–
Accumulated impairment losses as of 31 December	**0.0**	**0.0**

[1] Details on additions and disposals for associates are provided in Note 18, "Scope of consolidation".

7.4.2 Aggregated financial data on associates

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

as of 31.12.	2017	2016
in CHF million		
Assets		
Non-current assets	123.8	104.8
Current assets	20.7	14.5
Total assets	**144.5**	**119.3**
Liabilities and equity		
Equity	56.7	43.2
Long-term liabilities	73.7	64.8
Short-term liabilities	14.1	11.3
Total liabilities and equity	**144.5**	**119.3**

in CHF million	2017	2016
Profit for the year		
Income	61.0	55.0
Expenses	–49.7	–50.5
Profit for the year	**11.3**	**4.5**

Helvetia Group's share in the liabilities of associates amounted to CHF 37.4 million (previous year: CHF 34.4 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	2017	2016
Balance as of 1 January	6199.7	502.5	6702.2	6429.1
Change in scope of consolidation	30.6	–	30.6	–6.2
Additions	118.3	30.5	148.8	150.9
Capitalised subsequent expenditure	169.0	–	169.0	146.0
Disposals	–21.3	–24.9	–46.2	–22.1
Realised gains and losses[1]	4.6	2.8	7.4	2.8
Book gains and losses[1]	14.9	10.6	25.5	10.5
Transfer from / to property and equipment	–6.9	–3.6	–10.5	–1.5
Foreign currency translation differences	–	46.8	46.8	–7.3
Balance as of 31 December	**6508.9**	**564.7**	**7073.6**	**6702.2**

[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 85).

In the reporting year, the discounted cash flow method was based on discount rates ranging from 3.0% to 6.0% (previous year: 3.1% to 7.5%). If the discount rates were increased by 10 basis points, the value would be reduced by CHF 176.0 million. If the rental income that can be earned in the long term were reduced by 5%, there would be a negative effect of CHF 455.5 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 2017	2016	Acquisition cost / amortised cost 2017	2016
in CHF million				
Financial assets at amortised cost:				
Loans and receivables (LAR)				
Interest-bearing securities	2 060.7	2 166.4	2 060.7	2 166.4
Mortgages	5 159.2	4 552.2	5 159.2	4 552.2
Loans	1 151.0	1 169.0	1 151.0	1 169.0
Money market instruments	788.5	1 068.5	788.5	1 068.5
Total "loans and receivables" (LAR)[1]	9 159.4	8 956.1	9 159.4	8 956.1
Held-to-maturity investments (HTM)				
Interest-bearing securities	2 436.7	2 513.4	2 436.7	2 513.4
Total financial assets at amortised cost	**11 596.1**	**11 469.5**	**11 596.1**	**11 469.5**
Financial assets at fair value:				
At fair value through profit and loss (held for trading)				
Interest-bearing securities	16.9	15.9	15.6	14.2
Investment funds – mixed	31.5	34.6	20.3	23.0
Derivative financial assets	101.1	99.5	82.3	83.3
Investments with market risk for the policyholder	71.8	52.6	52.8	51.1
Total "held for trading"	221.3	202.6	171.0	171.6
Designated as at fair value through profit or loss				
Interest-bearing securities	1 168.5	1 115.9	1 098.0	1 098.6
Shares	1 431.9	1 178.7	998.1	884.8
Investment funds – interest-bearing securities	60.4	21.8	40.9	32.9
Investment funds – equities	139.0	103.8	134.7	97.3
Investment funds – mixed	627.1	519.9	587.9	575.6
Investments with market risk for the policyholder	3 579.3	3 037.1	3 217.0	2 677.2
Alternative investments	142.7	1.4	145.7	7.4
Total "designated"	7 148.9	5 978.6	6 222.3	5 373.8
Total "at fair value through profit and loss"	7 370.2	6 181.2	6 393.3	5 545.4
Available-for-sale (AFS)				
Interest-bearing securities	24 762.3	23 884.7	23 144.4	22 112.1
Shares	1 183.8	1 057.4	771.5	745.3
Investment funds – interest-bearing securities	36.1	83.2	34.8	82.0
Investment funds – equities	234.9	144.6	196.5	122.7
Investment funds – mixed	19.6	31.2	19.0	29.3
Alternative investments	2.0	0.1	1.9	0.1
Total "available-for-sale" (AFS)	26 238.7	25 201.2	24 168.1	23 091.5
Derivative financial assets for hedge accounting	1.7	7.2	–	–
Total financial assets at fair value	**33 610.6**	**31 389.6**	**30 561.4**	**28 636.9**
Total financial assets	**45 206.7**	**42 859.1**		

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

Unrealised gains / losses net 2017	Unrealised gains / losses net 2016	Fair value 2017	Fair value 2016	By valuation method: Quoted market prices 2017 Level 1	Quoted market prices 2016	Based on market data 2017 Level 2	Based on market data 2016	Not based on market data 2017 Level 3	Not based on market data 2016
		2379.1	2542.0	52.6	52.6	2326.5	2489.4	–	–
		5293.1	4758.7	–	–	5293.1	4758.7	–	–
		1309.5	1357.0	–	–	1309.5	1357.0	–	–
		788.5	1068.5	–	–	788.5	1068.5	–	–
		9770.2	9726.2	52.6	52.6	9717.6	9673.6	–	–
		2975.5	3105.5	231.4	165.9	2744.1	2939.6	–	–
		12745.7	**12831.7**	**284.0**	**218.5**	**12461.7**	**12613.2**	**–**	**–**
		16.9	15.9	16.9	15.9	–	–	–	–
		31.5	34.6	31.5	34.6	–	–	–	–
		101.1	99.5	2.5	2.0	98.6	97.5	–	–
		71.8	52.6	13.2	8.6	58.6	44.0	–	–
		221.3	202.6	64.1	61.1	157.2	141.5	–	–
		1168.5	1115.9	221.2	321.9	944.9	789.1	2.4	4.9
		1431.9	1178.7	1424.3	1178.4	0.1	0.3	7.5	
		60.4	21.8	60.4	21.8	–	–	–	–
		139.0	103.8	139.0	103.8	–	–	–	–
		627.1	519.9	111.0	180.4	516.1	339.5	–	–
		3579.3	3037.1	3044.0	2565.2	535.2	471.8	0.1	0.1
		142.7	1.4	0.0	–	–	0.2	142.7	1.2
		7148.9	5978.6	4999.9	4371.5	1996.3	1600.9	152.7	6.2
		7370.2	6181.2	5064.0	4432.6	2153.5	1742.4	152.7	6.2
1617.9	1772.6	24762.3	23884.7	9410.0	8595.2	15352.3	15289.5		–
412.3	312.1	1183.8	1057.4	1176.6	1045.7	6.9	11.4	0.3	0.3
1.3	1.2	36.1	83.2	36.1	83.2	–	–	–	–
38.4	21.9	234.9	144.6	234.9	144.6	–	–	–	–
0.6	1.9	19.6	31.2	0.7	18.2	2.7	–	16.2	13.0
0.1	0.0	2.0	0.1	–	–	–	–	2.0	0.1
2070.6	2109.7	26238.7	25201.2	10858.3	9886.9	15361.9	15300.9	18.5	13.4
		1.7	7.2	–	–	1.7	7.2	–	–
2070.6	**2109.7**	**33610.6**	**31389.6**	**15922.3**	**14319.5**	**17517.1**	**17050.5**	**171.2**	**19.6**

Helvetia recognises transfers between the valuation method levels at the end of the reporting period in which the changes occurred.

In 2016, Helvetia applied revised criteria for classification by valuation method. In doing so, it introduced a higher threshold for the fulfilment of the "Level 1" criterion for interest-bearing securities and the main trading sites for our securities were systematically redefined. Owing to the introduction of these changes, investments in the previous year 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 reporting period CHF 2.9 million of the previous year's "Level 3" investments of CHF 19.6 million were reclassified to "Level 1", respectively, while "Level 2" investments of CHF 2.4 million (previous year: CHF 4.9 million) were assigned to "Level 3".

Other changes in the "Level 3" total result from sales in the amount of CHF 2.0 million (previous year: CHF 31.0 million) and acquisitions in the amount of CHF 156.6 million (previous year: CHF 3.8 million).

A loss of CHF 3.9 million was reported under "Gains and losses on financial instruments" in the income statement and a gain of CHF 1.4 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 2.5 million for the "Level 3" investments (previous year: loss of CHF 6.2 million). The valuation loss on the "Level 3" investments held on the reporting date was CHF 1.8 million (previous year: CHF 0.4 million). The "Level 3" portfolio was worth CHF 171.2 million at the end of the year.

The replacement of one or more assumptions by plausible alternatives would not have any material impact on the 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	2017	2016	2017	2016
in CHF million							
Interest rate instruments							
Forward rate agreements	–	25.0	35.9	60.9	61.0	59.8	62.2
Total interest rate instruments	–	25.0	35.9	60.9	61.0	59.8	62.2
Equity- and equity-index instruments							
Options (over-the-counter)	1 439.5	534.6	723.1	2 697.2	2 357.7	72.6	55.6
Options (exchange-traded)	166.0	–	–	166.0	148.2	2.4	2.0
Other	–	–	4.1	4.1	2.8	12.8	8.4
Total equity- and equity-index instruments	1 605.5	534.6	727.2	2 867.3	2 508.7	87.8	66.0
Currency instruments							
Forwards	1 826.9	–	–	1 826.9	2 269.8	25.3	23.9
Total currency instruments	1 826.9	–	–	1 826.9	2 269.8	25.3	23.9
Derivatives for hedge accounting							
Forwards	480.0	–	–	480.0	343.3	1.7	7.2
Total derivatives for hedge accounting	480.0	–	–	480.0	343.3	1.7	7.2
Total derivative financial assets	**3 912.4**	**559.6**	**763.1**	**5 235.1**	**5 182.8**	**174.6**	**159.3**

7.7.2 Derivative financial liabilities

as of 31.12.	Maturity profile of contract values < 1 year	1–5 years	> 5 years	Contract value 2017	2016	Fair value 2017	2016
in CHF million							
Interest rate instruments							
Forward rate agreements	–	20.6	32.2	52.8	55.0	57.3	61.2
Total interest rate instruments	–	20.6	32.2	52.8	55.0	57.3	61.2
Equity- and equity-index instruments							
Options (over-the-counter)	–	510.1	723.1	1 233.2	1 032.9	50.4	27.7
Total equity- and equity-index instruments	–	510.1	723.1	1 233.2	1 032.9	50.4	27.7
Currency instruments							
Forwards	4 166.4	–	–	4 166.4	3 400.9	95.4	146.9
Total currency instruments	4 166.4	–	–	4 166.4	3 400.9	95.4	146.9
Derivatives from life policies	7.7	21.4	12.3	41.4	62.3	1.9	3.5
Derivatives for hedge accounting							
Forwards	470.8	–	–	470.8	340.5	28.6	20.7
Total derivatives for hedge accounting	470.8	–	–	470.8	340.5	28.6	20.7
Total derivative financial liabilities	**4 644.9**	**552.1**	**767.6**	**5 964.6**	**4 891.6**	**233.6**	**260.0**

7.7.3 Derivatives for hedge accounting

	Net investment hedge 2017	2016
in CHF million		
Amount recognised in other comprehensive income	–18.0	14.7
Gains and losses reclassified to the income statement	0.2	3.4
Ineffectiveness reclassified to income statement	–0.5	4.0

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.	2017	2016	2017	2016	2017	2016	2017	2016
in CHF million								
Mortgages	24.0	11.9	7.3	7.2	5.5	10.5	6.6	10.0
Total past due financial assets without impairment	**24.0**	**11.9**	**7.3**	**7.2**	**5.5**	**10.5**	**6.6**	**10.0**

Outstanding amounts are collected in the course of the normal debt collection procedures and impaired if necessary (see section 2.11.3, page 86). Information on the collateral held by Helvetia Group is provided in section 16.6 (from page 173).

7.8.2 Analysis of individual impaired financial assets at amortised cost

	Gross		Individual impairment		Net	
as of 31.12.	2017	2016	2017	2016	2017	2016
in CHF million						
Mortgages	3.0	6.6	2.6	3.4	0.4	3.2
Loans	0.0	0.0	0.0	0.0	–	–
Total individual impaired financial assets at amortised cost	**3.0**	**6.6**	**2.6**	**3.4**	**0.4**	**3.2**

7.8.3 Change in the impairment of financial assets at amortised cost

	Mortgages		Other loans		Total	
	2017	2016	2017	2016	2017	2016
in CHF million						
Balance as of 1 January	3.4	2.8	0.0	2.5	3.4	5.3
Change in the scope of consolidation	–	–	–	–	–	–
Impairment	3.0	2.9	–	–	3.0	2.9
Reversal of impairment losses	–3.8	–2.3	–	–1.7	–3.8	–4.0
Disposals impairment	–	0.0	–	–0.8	–	–0.8
Foreign currency translation differences	–	–	–	0.0	–	0.0
Balance as of 31 December	**2.6**	**3.4**	**0.0**	**0.0**	**2.6**	**3.4**

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 135).

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 16.5 (page 170) 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.	2017	2016	2017	2016	2017	2016
in CHF million						
Financial liabilities at amortised cost						
Bonds	1 324.4	747.2	1 324.4	747.2	1 425.7	798.5
Liabilites from finance lease	17.7	18.4	17.7	18.4	17.7	18.4
Total financial liabilities at amortised cost	1 342.1	765.6	1 342.1	765.6	1 443.4	816.9
Financial liabilities at fair value						
Minority interests in own funds	274.1	212.8	195.4	164.8	274.1	212.8
Total financial liabilities at fair value	274.1	212.8	195.4	164.8	274.1	212.8
Total financial liabilities from financing activities	**1 616.2**	**978.4**	**1 537.5**	**930.4**	**1 717.5**	**1 029.7**

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.

In 2017, Helvetia issued a subordinated hybrid bond totalling EUR 500 million in liabilities maturing in 2047 through its subsidiary Helvetia Schweizerische Versicherungsgesellschaft AG. The first optional repayment date is 2027. The bond has a fixed coupon of 3.375 % p.a.

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 29.7 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 0.0 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.

Financial liabilities from financing activities

	Bonds		Finance lease		Minority interests in own funds	
as of 31.12.	2017	2016	2017	2016	2017	2016
in CHF million						
Balance as of 1 January	747.2	746.8	18.4	20.9	212.8	167.5
Cash flows	527.2	–	–2.3	–2.3	21.0	30.6
Value changes / interest accruals	1.0	0.4	–	–	35.5	18.2
Foreign currency translation differences	49.0	–	1.6	–0.2	4.8	–3.5
Balance as of 31 December	**1 324.4**	**747.2**	**17.7**	**18.4**	**274.1**	**212.8**

Own bonds

Issuer	Nominal	Coupons	Year of issue	Maturity	Effective interest rate[1]	Book value	
as of 31.12.						2017	2016
in CHF million							
Bonds in liabilities							
Helvetia Holding AG	CHF 150 Mio.	1.125 %	2013	08.04.2019	1.17 %	149.9	149.9
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio.	0.75 %	2014	28.10.2020	0.85 %	224.4	224.2
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 150 Mio.	1.50 %	2014	28.04.2025	1.55 %	149.5	149.4
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio. Subordinate bond	4.00 % up to 2024, then variable	2014	17.10.2044[2]	4.02 %	223.8	223.7
Helvetia Schweizerische Versicherungsgesellschaft AG	EUR 500 Mio. Subordinate bond	3.375 % up to 2027, then variable	2017	29.09.2047[3]	3.52 %	576.8	-
Total bonds in liabilities						**1 324.4**	**747.2**
Bonds in equity							
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 400 Mio. Subordinate bond	3.50 % up to 2020, then variable	2014	perpetual[4]		400.0	400.0
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 300 Mio. Subordinate bond	3.00 % up to 2022, then variable	2015	perpetual[5]		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 17.10.2024
3 First call date for the issuer 29.9.2027
4 First call date for the issuer 17.4.2020
5 First call date for the issuer 23.11.2022

Liabilities from finance lease

as of 31.12.	< 1 year	1–5 years	> 5 years	Total 2017	2016
in CHF million					
Future lease payments	2.7	10.7	5.0	18.4	19.3
Discounting amounts	–0.2	–0.4	–0.1	–0.7	–0.9
Present value liabilities from finance lease	**2.5**	**10.3**	**4.9**	**17.7**	**18.4**

8.2 Other financial liabilities

as of 31.12.	Notes	Acquisition cost / amortised cost 2017	2016	Fair value 2017	2016
in CHF million					
Financial liabilities at amortised cost					
Other		55.8	34.3	55.8	34.3
Total financial liabilities at amortised cost		55.8	34.3	55.8	34.3
Financial liabilities at fair value					
Derivative financial liabilities	7.7.2	62.5	77.1	233.6	260.0
Other		60.4	57.2	60.4	57.2
Total financial liabilities at fair value		122.9	134.3	294.0	317.2
Total other financial liabilities		**178.7**	**168.6**	**349.8**	**351.5**

The carrying amounts equal the fair value.

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

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. In 2017, Helvetia granted the minority shareholders of INZMO the option of selling their shares at fair value to Helvetia in 2022.

The expected purchase price of these shares at CHF 45.3 million (previous year: CHF 43.6 million) is included under "Financial liabilities at fair value". The valuation method used for the calculation of the liabilities belongs to the "Level 3" category.

Other financial liabilities in the amount of CHF 133.4 million (previous year: CHF 125.0 million) were evaluated using "Level 2" valuation methods.

9. Insurance business

9.1 Reserves for insurance business

as of 31.12.	Notes	Gross 2017	2016	Reinsurance assets 2017	2016	Net 2017	2016
in CHF million							
Actuarial reserves		36 622.2	34 954.3	76.9	88.6	36 545.3	34 865.7
Provision for policyholder participation		1 951.0	1 908.2	–	–	1 951.0	1 908.2
Loss reserves		4 874.1	4 630.8	370.3	354.5	4 503.8	4 276.3
Unearned premium reserve		1 444.6	1 317.9	59.2	52.8	1 385.4	1 265.1
Deposits for investment contracts	9.8	1 181.9	1 052.9	–	–	1 181.9	1 052.9
Total reserves for insurance business		**46 073.8**	**43 864.1**	**506.4**	**495.9**	**45 567.4**	**43 368.2**

9.1.1 Reserves for insurance business by business area

as of 31.12.	Notes	Gross 2017	2016	Reinsurance assets 2017	2016	Net 2017	2016
in CHF million							
Life insurance contracts							
Actuarial reserves for insurance contracts life		33 897.1	32 564.6	76.9	88.6	33 820.2	32 476.0
Provision for policyholder participation – life contracts		1 745.6	1 692.3	–	–	1 745.6	1 692.3
Unearned premium reserve for insurance contracts life		202.5	207.3	5.0	4.8	197.5	202.5
Reserves for life insurance contracts		35 845.2	34 464.2	81.9	93.4	35 763.3	34 370.8
Non-life insurance contracts							
Loss reserves for insurance contracts non-life	9.3.1	4 874.1	4 630.8	370.3	354.5	4 503.8	4 276.3
Provision for policyholder participation – non-life contracts		58.6	58.9	–	–	58.6	58.9
Unearned premium reserve for insurance contracts non-life		1 242.1	1 110.6	54.2	48.0	1 187.9	1 062.6
Reserves for non-life insurance contracts		6 174.8	5 800.3	424.5	402.5	5 750.3	5 397.8
Total reserves for insurance contracts		42 020.0	40 264.5	506.4	495.9	41 513.6	39 768.6
Investment contracts							
Actuarial reserves for investment contracts with descretionary participation features		2 725.1	2 389.7	–	–	2 725.1	2 389.7
Provision for policyholder participation – investment contracts		146.8	157.0	–	–	146.8	157.0
Reserves for investment contracts with descretionary participation features		2 871.9	2 546.7	–	–	2 871.9	2 546.7
Deposits for investment contracts	9.8	1 181.9	1 052.9	–	–	1 181.9	1 052.9
Total reserves for investment contracts		4 053.8	3 599.6	–	–	4 053.8	3 599.6
Total reserves for insurance business		**46 073.8**	**43 864.1**	**506.4**	**495.9**	**45 567.4**	**43 368.2**

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 16.5 (page 170).

9.2 Changes in reserves for insurance business

	Actuarial reserves		Policyholder participation	
	2017	2016	2017	2016
in CHF million				
Reserves for insurance contracts life (gross)				
Balance as of 1 January	32 564.6	31 497.4	1 692.3	1 688.4
Allocation / Release	4 401.8	4 476.1	163.6	141.2
Used amounts	–3 469.9	–3 334.7	–131.9	–134.8
Foreign currency translation differences	398.6	–60.5	21.6	–3.7
Other changes	2.0	–13.7	–	1.2
Balance as of 31 December	**33 897.1**	**32 564.6**	**1 745.6**	**1 692.3**
Reserves for insurance contracts non-life (gross)				
Balance as of 1 January			58.9	60.9
Allocation / Release			10.5	6.5
Used amounts			–11.3	–8.4
Foreign currency translation differences			0.5	–0.1
Other changes			–	–
Balance as of 31 December			**58.6**	**58.9**
Reserves for investment contracts with discretionary participation features				
Balance as of 1 January	2 389.7	2 305.2	157.0	176.4
Allocation / Release	276.2	304.4	–23.0	–16.7
Used amounts	–161.5	–197.0	–0.2	–0.2
Foreign currency translation differences	223.1	–34.3	13.0	–2.2
Other changes	–2.4	11.4	–	–0.3
Balance as of 31 December	**2 725.1**	**2 389.7**	**146.8**	**157.0**
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	88.6	61.4		
Allocation / Release	19.2	72.8		
Used amounts	–37.8	–44.3		
Foreign currency translation differences	6.9	–1.3		
Other changes	–	0.0		
Balance as of 31 December	**76.9**	**88.6**		
Total reserves from insurance business				

Loss reserves 2017	2016	Unearned premium reserve 2017	2016	Total 2017	2016
		207.3	211.2	34 464.2	33 397.0
		–7.0	–3.0	4 558.4	4 614.3
		–	–	–3 601.8	–3 469.5
		2.2	–0.3	422.4	–64.5
		–	–0.6	2.0	–13.1
		202.5	**207.3**	**35 845.2**	**34 464.2**
4 630.8	4 616.0	1 110.6	1 093.4	5 800.3	5 770.3
1 188.2	1 194.0	76.6	27.3	1 275.3	1 227.8
–1 120.0	–1 150.8	–	–	–1 131.3	–1 159.2
175.1	–28.5	54.9	–10.1	230.5	–38.7
0.0	0.1	–	0.0	0.0	0.1
4 874.1	**4 630.8**	**1 242.1**	**1 110.6**	**6 174.8**	**5 800.3**
		–	–	2 546.7	2 481.6
		–	–	253.2	287.7
		–	–	–161.7	–197.2
		–	–	236.1	–36.5
		–	–	–2.4	11.1
		–	**–**	**2 871.9**	**2 546.7**
				1 052.9	1 063.1
				7.5	–23.2
				34.2	23.7
				87.0	–13.5
				0.3	2.8
				1 181.9	**1 052.9**
				46 073.8	**43 864.1**
354.5	389.7	52.8	54.8	495.9	505.9
70.9	36.0	4.5	1.3	94.6	110.1
–67.9	–81.1	–	–	–105.7	–125.4
12.8	–1.7	1.9	–0.5	21.6	–3.5
–	11.6	–	–2.8	–	8.8
370.3	**354.5**	**59.2**	**52.8**	**506.4**	**495.9**
				45 567.4	**43 368.2**

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 45.0 million as of 31 December 2017 (previous year: CHF 48.1 million).

Insurance conditions and risks in the non-life business are described in section 16.2 (from page 157). 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 2008	2008	2009
in CHF million			
Run-off year 1		1 416.5	1 501.2
Run-off year 2[4]		1 469.1	1 629.5[3]
Run-off year 3		1 495.7[3]	1 593.7
Run-off year 4		1 481.0	1 685.8[2]
Run-off year 5		1 609.0[2]	1 655.6
Run-off year 6		1 588.6	2 198.6[1]
Run-off year 7		2 081.9[1]	2 187.8
Run-off year 8		2 068.1	2 178.9
Run-off year 9		2 068.7	2 170.6
Run-off year 10		2 058.4	
Estimated claims after year of loss occurence		2 058.4	2 170.6
Accumulated claims paid as of 31 December		–1 962.0	–2 044.8
Estimated loss reserves as of 31 December	813.7	96.4	125.8
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 contracts on an underwriting year basis (Active Reinsurance, parts of the transport business), the claims cost 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.

2010	2011	2012	2013	2014	2015	2016	2017	Total
1 594.3[3]	1 755.7	1 891.0[2]	1 925.1	2 826.9[1]	2 780.6	2 569.7	2 692.4	
1 595.8	1 925.9[2]	1 908.0	2 812.8[1]	2 745.5	2 880.2	2 584.3		
1 684.3[2]	1 840.2	2 769.4[1]	2 722.9	2 590.5	2 732.0			
1 654.0	2 604.8[1]	2 687.7	2 656.9	2 435.5				
2 256.9[1]	2 541.5	2 654.7	2 642.0					
2 214.9	2 528.6	2 630.7						
2 213.2	2 524.2							
2 209.6								
2 209.6	2 524.2	2 630.7	2 642.0	2 435.5	2 732.0	2 584.3	2 692.4	
–2 092.2	–2 325.2	–2 444.7	–2 409.0	–2 045.0	–2 185.5	–1 831.1	–1 213.0	
117.4	199.0	186.0	233.0	390.5	546.5	753.2	1 479.4	4 940.9
								45.0
								241.6
								52.6
								5 280.1
								–406.0
								4 874.1

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 19.9 million as of 31 December 2017 (previous year: CHF 19.6 million).

In the Swiss life business, the actuarial reserves increased by CHF 172.9 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 159). Sensitivities of actuarial reserves are outlined in section 16.3.3 (from page 160).

9.4.1 Assets and liabilities with market risk for the policyholder

as of 31.12.	2017	2016
in CHF million		
Assets with market risk for the policyholder		
Investments with market risk for the policyholder	3 651.1	3 089.7
Other assets	37.9	25.9
Total assets with market risk for the policyholder	**3 689.0**	**3 115.6**
Liabilities with market risk for the policyholder		
Actuarial reserves (gross)	2 446.1	2 023.9
Unearned premium reserve (gross)	10.6	11.1
Financial liabilities including derivatives	1 232.3	1 080.6
Total liabilities with market risk for the policyholder	**3 689.0**	**3 115.6**

9.5 Reinsurance assets

as of 31.12.	Notes	2017	2016
in CHF million			
Reinsurers' share in reserves for insurance contracts	9.1.1	506.4	495.9
Reinsurance deposit receivables		56.0	49.1
Reinsurance assets		**562.4**	**545.0**

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	
	2017	2016	2017	2016	2017	2016
in CHF million						
Balance as of 1 January	284.5	289.3	173.7	178.3	458.2	467.6
Capitalised in the period	56.9	50.0	64.6	84.3	121.5	134.3
Amortised in the period	–55.8	–54.3	–57.5	–87.0	–113.3	–141.3
Foreign currency translation differences	2.4	–0.4	12.3	–1.9	14.7	–2.3
Other changes	–	–0.1	1.3	–	1.3	–0.1
Balance as of 31 December	**288.0**	**284.5**	**194.4**	**173.7**	**482.4**	**458.2**

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 169.7 million (previous year: CHF 154.3 million).

9.7 Receivables and liabilities from insurance business

	Receivables (LAR)		Liabilities at amortised cost	
as of 31.12.	2017	2016	2017	2016
in CHF million				
Due from / due to policyholders	547.3	603.2	1 415.1	1 547.4
Due from / due to agents and brokers	150.2	128.3	159.5	149.2
Due from / due to insurance companies	501.1	482.8	208.0	140.3
Total receivables / liabilities	**1 198.6**	**1 214.3**	**1 782.6**	**1 836.9**

The receivables and liabilities from insurance business are primarily short-term. A maturity schedule of the liabilities is provided in the table in section 16.5 (page 170). 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.	2017	2016	2017	2016	2017	2016	2017	2016
in CHF million								
Due from policyholders	124.9	148.5	29.2	27.5	13.4	10.8	24.2	26.8
Due from agents and brokers	5.3	3.8	5.4	4.1	3.9	2.8	14.7	6.2
Due from insurance companies	1.3	7.7	16.9	0.6	6.7	0.9	10.3	9.9
Total past due receivables from insurance business without individual impairment	**131.5**	**160.0**	**51.5**	**32.2**	**24.0**	**14.5**	**49.2**	**42.9**

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 provisions against receivables

	Individual impairment		Collective impairment		Total	
	2017	2016	2017	2016	2017	2016
in CHF million						
Balance as of 1 January	12.8	18.1	23.6	23.6	36.4	41.7
Impairment	7.6	–1.1	3.2	19.9	10.8	18.8
Reversal of iompairment loss	–9.3	–5.1	–3.0	–17.9	–12.3	–23.0
Disposals	0.0	–	–	–	0.0	–
Foreign currency translation differences	0.9	–0.2	1.4	–0.2	2.3	–0.4
Other changes	–	1.1	–	–1.8	–	–0.7
Balance as of 31 December	**12.0**	**12.8**	**25.2**	**23.6**	**37.2**	**36.4**

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

9.7.3 Analysis of individually impaired receivables

	Gross		Individual Impairment		Net	
as of 31.12.	2017	2016	2017	2016	2017	2016
in CHF million						
Due from policyholders	13.9	2.8	3.5	2.8	10.4	–
Due from agents and brokers	7.8	9.6	7.3	8.9	0.5	0.7
Due from insurance companies	1.2	1.1	1.2	1.1	–	0.0
Total	**22.9**	**13.5**	**12.0**	**12.8**	**10.9**	**0.7**

9.8 Total financial liabilities from insurance business

as of 31.12.	Book value 2017	2016	Acquisition cost / amortised cost 2017	2016	Fair value 2017	2016
in CHF million						
Financial liabilities at amortised cost						
Deposit liabilities for credited policyholder profit participation	528.3	571.8	528.3	571.8	528.3	571.8
Deposit liabilities from reinsurance contracts	69.4	68.4	69.4	68.4	69.4	68.4
Total financial liabilities at amortised cost	597.7	640.2	597.7	640.2	597.7	640.2
Financial liabilities at fair value						
Deposits for investment contracts	1181.9	1052.9	1181.9	1052.9	1181.9	1052.9
Total financial liabilities at fair value	1181.9	1052.9	1181.9	1052.9	1181.9	1052.9
Total financial liabilities from insurance business	**1779.6**	**1693.1**	**1779.6**	**1693.1**	**1779.6**	**1693.1**

Deposit liabilities for credited policyholder profit participation

Deposit liabilities for credited policyholder profit participation include interest-bearing credit balances already contractually allocated to the holders of individual life insurance policies and policyholder dividends from 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 cash collaterals 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 155).

The income earned from the management of deposits for investment contracts is included in "Other income" and amounted to CHF 2.7 million in the reporting year (previous year: CHF 1.6 million).

10. Income taxes

10.1 Current and deferred income taxes

in CHF million	2017	2016
Current tax	91.4	83.8
Deferred tax	19.1	–32.6
Total income taxes	**110.5**	**51.2**

10.2 Change in deferred tax assets and liabilities (net)

in CHF million	2017	2016
Balance as of 1 January	740.7	760.2
Change in the scope of consolidation	4.4	–0.7
Deferred taxes recognised in other comprehensive income	16.1	13.2
Deferred taxes recognised in the income statement	19.1	–32.6
Foreign currency translation differences	8.3	–1.4
Reclassification	0.0	2.0
Balance as of 31 December	**788.6**	**740.7**

10.3 Expected and actual income taxes

in CHF million	2017	2016
Profit or loss before tax	513.4	427.2
Expected income taxes	115.6	95.5
Increase / reduction in taxes resulting from:		
tax-exempt income or income taxed at a reduced rate	–7.2	–17.0
non-deductible expenses	8.4	4.5
Change in tax rates	3.3	–12.0
Tax elements related to other periods	–3.5	–13.6
Effect of losses	–4.2	–4.7
Other	–1.9	–1.5
Actual income taxes	**110.5**	**51.2**

The expected tax rate applicable to the Helvetia Group was 22.5% for 2017 (previous year: 22.3%). This rate is derived from the weighted average of expected tax rates in the individual countries where the Group operates.

The reason for the 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 in other comprehensive income

	before tax		deferred taxes		after tax	
	2017	2016	2017	2016	2017	2016
in CHF million						
May be reclassified to income						
Change in unrealised gains and losses on investments	−39.0	4.4	31.2	−9.5	−7.8	−5.1
Share of associates' net profit recognised in other comprehensive income	–	−0.5	–	0.1	–	−0.4
Change from net investment hedge	−17.8	18.1	–	–	−17.8	18.1
Foreign currency translation differences	163.1	−45.5	–	–	163.1	−45.5
Change in liabilities for contracts with participation features	65.3	41.7	−32.8	3.3	32.5	45.0
Total that may be reclassified to income	171.6	18.2	−1.6	−6.1	170.0	12.1
Will not be reclassified to income						
Revaluation from reclassification of property and equipment	1.1	−0.2	0.1	0.0	1.2	−0.2
Revaluation of benefit obligations	105.1	35.5	−22.2	−7.2	82.9	28.3
Change in liabilities for contracts with participation features	−12.0	−4.3	2.5	0.9	−9.5	−3.4
Total that will not be reclassified to income	94.2	31.0	−19.6	−6.3	74.6	24.7
Total other comprehensive income	**265.8**	**49.2**	**−21.2**	**−12.4**	**244.6**	**36.8**

10.5 Deferred tax assets and liabilities

		Tax assets		Tax liabilities	
as of 31.12.	Notes	2017	2016	2017	2016
in CHF million					
Unearned premium reserve		44.7	38.4	1.3	3.3
Loss reserves		35.8	27.3	218.6	212.7
Actuarial reserves		6.0	4.6	98.3	89.6
Provision for future policyholder participation		298.7	285.5	8.8	10.0
Investments		60.6	41.6	990.3	940.4
Deferred acquisition costs		5.6	4.6	49.5	44.5
Property, equipment and intangible assets		3.6	4.1	62.3	72.4
Financial liabilities		48.5	39.8	1.3	0.6
Non-technical provisions		4.5	2.6	10.0	11.4
Employee benefits		105.5	130.5	29.3	3.0
Tax assets from losses carried forward	10.6.1	23.2	20.9	–	–
Other		79.6	76.6	35.2	29.3
Deferred taxes (gross)		**716.3**	**676.5**	**1 504.9**	**1 417.2**
Offset		−686.8	−645.3	−686.8	−645.3
Deferred taxes (net)		**29.5**	**31.2**	**818.1**	**771.9**

Valuation differences on shares in subsidiaries of CHF 3 405.3 million (previous year: 3 816.7 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.	2017	2016
in CHF million		
Expire within 1 year	–	–
Expire between 2 and 3 years	8.2	3.4
Expire between 4 and 7 years	17.4	22.5
Without expiration	73.9	59.0
Total recognised losses carried forward	99.5	84.9
Resulting tax assets	23.2	20.9
Net tax assets from losses carried forward	**23.2**	**20.9**

10.6.2 Losses carried forward without tax assets recognised

As at 31 December 2017, no tax assets were recognised for losses carried forward of CHF 93.9 million (previous year: CHF 104.9 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 losses carried forward for which no tax assets were recognised range between 24.0% and 27.8% (previous year: 24.0% to 30.0%).

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 1703 shares in the reporting year. Therefore the number of treasury shares is now 51341. 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 1.4 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 40.0 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 1.1.2016	9945137	1.0
As of 31.12.2016	9945137	1.0
As of 31.12.2017	**9945137**	**1.0**
Treasury shares		
As of 1.1.2016	47951	0.0
As of 31.12.2016	49638	0.0
As of 31.12.2017	**51341**	**0.0**
Shares outstanding		
As of 1.1.2016	9897186	1.0
As of 31.12.2016	9895499	1.0
As of 31.12.2017	**9893796**	**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 −65.3 million (previous year: CHF −41.7 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 142).

During the reporting year, a transfer of CHF −0.3 million was made (previous year: CHF −0.2 million) to retained earnings as a consequence of disposals of owner-occupied properties transferred to investment property.

Change in unrealised gains and losses in equity

	Notes	
in CHF million		
Balance as of 1 January		
Fair value revaluation incl. foreign currency translation differences		
Revaluation from reclassification of property and equipment		
Gains reclassified to the retained earnings due to disposals		
Gains reclassified to the income statement due to disposals		
Losses reclassified to the income statement due to disposals		
Impairment losses reclassified to the income statement		
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	
Non-controlling interests		
Deferred taxes on remaining portion		
Unrealised gains and losses (net) as of 31 December		

Change in retained earnings

in CHF million	2017	2016
Balance as of 1 January	3 091.6	2 994.7
Profit or loss for the period	365.2	330.5
Revaluation of benefit obligations	85.5	25.6
Change in liabilities for contracts with participation features	–12.0	–4.3
Deferred taxes	–15.7	–4.0
Comprehensive income	423.0	347.8
Transfer from / to retained earnings	–15.1	–21.1
Acquisition of subsidiaries	–2.0	–43.6
Change in minority interests	0.2	2.4
Share capital increase	–10.4	–
Dividends	–208.9	–188.6
Total retained earnings as of 31 December	**3 278.4**	**3 091.6**

Available-for-sale investments		Associates		Transfer of owner-occupied property		Total unrealised gains and losses	
2017	2016	2017	2016	2017	2016	2017	2016
2 109.7	2 105.3	–	0.5	21.8	22.2	2 131.5	2 128.0
109.0	174.3	–	–0.5	1.1	–0.2	110.1	173.6
–	–	–	–	–	0.0	–	0.0
–	–	–	–	–0.3	–0.2	–0.3	–0.2
–152.7	–175.5	–	–	–	–	–152.7	–175.5
4.6	8.3	–	–	–	–	4.6	8.3
0.0	–2.7	–	–	–	–	0.0	–2.7
2 070.6	2 109.7	–	–	22.6	21.8	2 093.2	2 131.5
						–1 075.9	–1 141.2
						–652.6	–645.8
						–0.9	–0.9
						–79.9	–79.2
						283.9	**264.4**

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 88).

Change in valuation reserve for contracts with participation features

in CHF million	2017	2016
Unrealised gains and losses on contracts with participation features		
Balance as of 1 January	645.8	639.9
Change in unrealised gains and losses	–1.7	7.3
Foreign currency translation differences	8.5	–1.4
Balance as of 31 December	652.6	645.8
less:		
Deferred taxes	–144.5	–143.7
Unrealised gains and losses as of 31 December	508.1	502.1
Retained earnings on contracts with participation features		
Balance as of 1 January	776.6	721.2
Share of profit for the year	40.1	46.1
Revaluation of benefit obligations	19.7	9.9
Deferred taxes on revaluation of benefit obligations	–4.1	–2.3
Foreign currency translation differences	–0.1	0.0
Reclassifications	–2.8	1.7
Retained earnings as of 31 December	829.4	776.6
Valuation reserves for contracts with participation features as of 31 December	**1 337.5**	**1 278.7**

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, Helvetia Schweizerische Versicherungsgesellschaft AG issued a subordinated perpetual bond of CHF 300 million. 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 November 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 322.1 basis points.

11.4 Deferred taxes recognised in other comprehensive income

Deferred taxes recognised directly in other comprehensive income arise from valuation differences that primarily result from the fair value valuation of AFS financial assets and the revaluation of benefit obligations. On the reporting date, they amounted to a total of CHF 169.8 million (previous year: CHF 148.6 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	2017	2016
Profit or loss for the period	402 900 245	376 591 156
Interest on preferred securities	–18 275 469	–19 595 522
Earnings for shareholders and non-controlling interests	384 624 776	356 995 634
Non-controlling interests	2 398 913	9 934
Earnings for shareholders without non-controlling interests	387 023 689	357 005 568
Weighted average number of shares outstanding	9 894 493	9 896 447
Earnings per share	**39.12**	**36.07**

11.6 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 20 April 2018 to pay a dividend of 23.00 per share (previous year: CHF 21.00) with the total payout amounting to CHF 228.7 million (previous year: CHF 208.8 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 2017.

12. Provisions and other commitments

12.1 Non-technical provisions

in CHF million	2017	2016
Balance as of 1 January	140.6	152.8
Change in the scope of consolidation	–	0.0
Allocation	84.4	91.4
Release	–43.3	–27.6
Used amounts	–43.2	–75.3
Foreign currency translation differences	5.0	–0.7
Balance as of 31 December	**143.5**	**140.6**

"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 137.8 million (previous year: CHF 136.9 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 333.7 million (previous year: CHF 85.6 million).

Assets pledged or assigned

The Helvetia Group has pledged assets of CHF 197.4 million as security for liabilities (previous year: CHF 169.0 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, it has future lease liabilities amounting to CHF 12.3 million (previous year: CHF 5.2 million) due in less than one year, CHF 38.4 million (previous year: CHF 25.7 million) due between one and five years and CHF 6.4 million (previous year: CHF 0.6 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, there was CHF 25.0 million (previous year: CHF 21.7 million) in other contingent liabilities.

13. Employee benefits

Helvetia Group had 6592 full-time equivalent employees as at 31 December 2017 (previous year: 6481). Total personnel costs are shown in the table below.

13.1 Personnel costs

in CHF million	Note	2017	2016
Commissions		148.1	157.6
Salaries		529.9	508.4
Social security costs		98.3	96.6
Pension costs – defined contribution plans		5.6	5.3
Pension costs – defined benefit plans	13.3.4	41.0	80.2
Other long-term employee benefit expenses		1.4	2.7
Termination benefits		4.3	2.8
Share-based payment transaction costs		4.7	3.3
Other personnel costs		34.9	38.0
Total personnel costs		**868.2**	**894.9**

13.2 Employee benefit receivables and obligations

		Receivables		Liabilities	
as of 31.12.	Notes	2017	2016	2017	2016
in CHF million					
Kind of benefit					
Defined benefit plans	13.3.1	–	–	564.5	708.2
Other long-term employee benefits		–	–	31.9	28.3
Short-term employee benefits		1.1	0.9	95.7	94.3
Total employee benefit receivables and obligations		**1.1**	**0.9**	**692.1**	**830.8**

"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 150). 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 regulations of the pension fund and supplementary funds in Switzerland were amended with effect from 1 January 2018. This results in a negative past service cost of CHF 36.6 million.

13.3.1 Reconciliation of balance sheet

as of 31.12.	2017	2016
in CHF million		
Present value of funded obligations (+)	3 273.5	3 218.6
Fair value of plan assets (–)	–2 885.7	–2 679.9
Surplus (–) / deficit (+)	387.8	538.7
Present value of unfunded obligations (+)	168.4	161.2
Unrecognised assets (asset ceiling)	8.3	8.3
Net liability[1] for defined benefit plans	**564.5**	**708.2**

[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	2017	2016
Defined benefit obligation as of 1 January	3 379.8	3 303.3
Change in the scope of consolidation	5.7	3.2
Service cost	105.0	105.5
Interest cost	24.4	28.1
Actuarial gains (–) / losses (+)		
– demographic assumptions	–7.1	10.6
– financial assumptions	–3.9	68.6
– experience adjustments	56.8	–2.8
Benefits (net)	–113.2	–131.7
Past service cost	–36.6	–
	–	–
Foreign currency translation differences	31.0	–5.0
Defined benefit obligation as of 31 December	**3 441.9**	**3 379.8**

As at 31 December 2017, 89.5 % (previous year: 89.8 %) of the pension obligations resulted from pension plans in Switzerland.

13.3.3 Changes in the fair value of plan assets

in CHF million	2017	2016
Fair value of plan assets as of 1 January	2 679.9	2 573.8
Change in the scope of consolidation	3.7	2.3
Employer contributions	90.2	59.6
Employee contributions	35.7	35.3
Interest income	16.1	18.1
Benefits (net)[1]	–100.6	–119.3
Settlements	–	–
Return on plan assets excluding interest income	159.0	110.4
Foreign currency translation differences	1.7	–0.3
Fair value of plan assets as of 31 December	**2 885.7**	**2 679.9**

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

Employer contributions contain a financial contribution by Helvetia to compensate the plan changes introduced in 2018.

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

13.3.4 Net pension costs

in CHF million	2017	2016
Current service cost	105.0	105.5
Past service cost	–36.6	–
Net interest expense	8.3	10.0
Employee contributions	–35.7	–35.3
Net pension costs for defined beneit plans	**41.0**	**80.2**

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 63.4 million.

13.3.5 Revaluation of benefit obligations

in CHF million	2017	2016
Actuarial gains (+) / losses (–)	45.8	76.4
Return on plan assets excluding interest income	–159.0	–110.4
Limit on assets (asset ceiling)	–	–
Revaluation of benefit obligations	**–113.2**	**–34.0**

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

13.3.6 Actuarial assumptions

	Switzerland		Abroad	
Weighted averages	2017	2016	2017	2016
in %				
Discount rate	0.6	0.6	1.9	1.8
Expected salary increases	1.0	1.0	2.8	2.7
Expected pension increases	0.0	0.0	1.8	1.9
Duration of the defined benefit liability (in years)	15.1	15.4	16.1	16.8

Helvetia based its life expectancy assumption on the BVG 2015 generation tables.

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	2017	2016	2017	2016
in CHF million					
Discount rate	+50bp	–245.1	–245.9	–6.6	–6.7
Discount rate	–50bp	280.8	281.5	7.8	8.0
Salary increases	+50bp	33.2	32.4	0.2	0.3
Salary increases	–50bp	–32.6	–32.1	–0.3	–0.4
Pensions	+50bp	203.3	203.0	0.2	0.2
Pensions	–50bp	–183.8	–183.6	–0.2	–0.2

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:

	2017	2016
in CHF million		
Interest-bearing securities		
– listed	1 081.6	1 096.7
– unlisted	9.4	9.6
Listed shares	381.7	363.3
Listed investment funds	642.7	483.3
Listed alternative investments	72.3	78.7
Listed derivative financial assets	1.7	3.2
Money market instruments	33.5	5.7
Investment property	607.5	598.1
Cash and cash equivalents	27.5	12.8
Other plan assets	27.8	28.5
Total plan assets	**2 885.7**	**2 679.9**

As at 31 December 2017, plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 28.0 million (previous year: CHF 94.0 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 2017 were recognised in the income statement at CHF 1.4 million (previous year: CHF 1.4 million).

14.2 Members of the Board of Directors

On 1 January 2018, the Board of Directors amended the compensation regulations so that the Board of Directors would no longer receive any variable compensation. The Board of Directors will now receive 30% of fixed compensation – converted at the closing price on the evening of the meeting of the Nomination and Compensation Committee before the Group media conference – in shares blocked for a minimum of three years. This procedure already applies mutatis mutandis to the compensation for the Board of Directors in 2017. Instead of variable compensation, they receive a fixed sum in the form of blocked shares. For the 2017 financial year, the Board of Directors – subject to the approval of the General Meeting – will receive an amount of CHF 0.5 million in blocked shares. This corresponds to 826 shares at a price of CHF 569.00 as of reference date 28 February 2018. The Board of Directors received variable compensation in the form of deferred shares in the amount of CHF 0.5 million in the previous year. The compensation entered proportionally into the income statement in 2016 came to CHF 0.1 million.

14.3 Members of the Executive Management

The members of the Executive Management 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 percentage of LTC target achieved LTC for all Executive Management members is based on four criteria: profit, growth, shareholder value and risk-adjusted return. 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 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. For the 2017 financial year, LTC shares to the value of CHF 1.5 million were allocated (previous year: CHF 1.6 million). For the Executive Management of the Group this is subject to approval by the Shareholders' Meeting. This corresponds to 2678 shares at a price of CHF 569.00 as of reference date 28 February 2018 (previous year 2730 shares at CHF 573.00). 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 2017 (previous year: CHF 1.0 million).

14.4 Members of the Executive Management teams of the foreign subsidiaries

The members of the Executive Management teams of the foreign subsidiaries receive a variable salary component from the Group in addition to the local compensation 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 1 141 shares (previous year: 1 127). The conversion price per share is calculated as described in section 14.3. 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 2017 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 partner represented on the Board of Directors of Helvetia Group, i.e. Patria Genossenschaft and the pension funds and all associates of Helvetia Group. The latter two are discussed in section 13.3 "Defined benefit plans" (page 147) and section 7.4 "Investments in associates" (page 116).

The pool agreement between Patria Genossenschaft and Raiffeisen was terminated with effect from 15 September 2017. Patria Genossenschaft, Basel, now directly holds 34.1% of the capital of Helvetia Holding AG.

Helvetia Schweizerische Lebensversicherungsgesellschaft AG and Patria Genossenschaft have concluded agreements for capital support. Each of these agreements refer to a specific financial year. Two such agreements entered into force on the reporting date 31 December 2017. Under one agreement, Patria Genossenschaft undertakes to contribute regulatory capital of up to CHF 100 million to Helvetia Schweizerische Lebensversicherungsgesellschaft AG until 30 June 2019 should certain adverse scenarios arise in the 2018 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, if needed, be executed at normal market conditions.

At the reporting date there was a loan from Helvetia Schweizerische Versicherungsgesellschaft AG to Patria Genossenschaft of CHF 16.0 million that will be fully amortised in 2021 at the latest. The interest rate is 0.75%.

Helvetia Group does not have interlocking directorates or cross-involvement 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 to Patria Genossenschaft in the amount of CHF 71.2 million (previous year: CHF 56.9 million) and the contribution of CHF 40.0 million (previous year: CHF 45.0 million) from 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.	2017	2016
in CHF		
Salaries and other short-term employee benefits	12 118 288	8 414 651
Prospective share-based payment (LTC)[1]	1 523 782	2 081 709
Employer contributions to pension funds	2 175 157	1 645 369
Total compensation	**15 817 227**	**12 141 729**

[1] Subject to approval by the Shareholders' Meeting.

15.2.2 Loans and guarantees

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 a mortgage loan had been granted to the following members of the Executive Management:

- to Philipp Gmür for CHF 1 000 000 (previous year: CHF 1 000 000). In the reporting year the loan earned interest at 0.95 % (previous year: 0.95 %).
- to Reto Keller at a total sum of CHF 620 000 (previous year: –). The loan of CHF 500 000 earned interest at 1.38 % in 2017, the extra mortgage of CHF 120 000 earned interest at 2.39 %.
- to Beat Müller at a total sum of CHF 1 170 000 (previous year: –). The loan to Beat Müller of CHF 986 000 earned interest at 1.40 % in 2017, the extra mortgage of CHF 184 000 earned interest at 1.34 %.
- to Paul Norton at a sum of CHF 500 000 (previous year: –). The loan to Paul Norton of CHF 500 000 earned interest at 0.98 % in 2017.
- to David Ribeaud at a total sum of CHF 1 015 000 (previous year: CHF 1 015 000). In the reporting year, the loans earned interest as follows: CHF 595 000 at 0.89 % (previous year: 0.89 %) and CHF 420 000 at 0.95 % (previous year: 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, earned interest at 1.57 % (previous year: 2 %).

There are no other loans or guarantees.

15.2.3 Shares of Executive Management

The shares held by the members of the 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.	2017	2016
Number of shares		
Philipp Gmür	3 160	2 593
Achim Baumstark[2]	–	–
Donald Desax[1]	2 453	–
Markus Gemperle	1 633	1 433
Ralph-Thomas Honegger	1 250	1 250
Ralph A. Jeitziner[1]	228	–
Reto Keller[1]	30	–
Adrian Kollegger[2]	–	–
Beat Müller[1]	590	–
Paul Norton	1 480	1 111
David Ribeaud	350	150
Total	**11 174**	**6 537**

1 Joined the Helvetia Executive Management as of 1 January 2017.
2 Joined the Helvetia Executive Management as of 1 April 2017.

In addition to the ownership of shares as reported, the active members of the Group Executive Management have deferred claims to a total of 7 540 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.	2017	2016
Number of shares		
Pierin Vincenz (Chairman)[1]	–	2 362
Doris Russi Schurter (Chairwoman)	1 293	1 238
Hans Künzle (Vice-Chairman)	500	800
Hans-Jürg Bernet (member)	1 320	1 265
Jean-René Fournier (member)	154	99
Ivo Furrer (member)[2]	45	–
Patrick Gisel (member)	50	50
Christoph Lechner (member)	580	525
Gabriela Maria Payer (member)	140	140
Andreas von Planta (member)	660	660
Total	**4 742**	**7 139**

1 Stood down from the Board of Directors of Helvetia with effect from 18 December 2017.
2 Joined the Helvetia Board of Directors as of 28 April 2017.

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 ,714 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 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 the Executive Management;
- ensure appropriate monitoring of the effectiveness of internal control systems by the Executive Management.

Within the stipulated parameters, the Board of Directors delegates operational aspects of risk management. For example, the monitoring of the Group's risk profile and in particular the monitoring of the market, liquidity, counterparty and 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.

The 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 the Executive Management meetings under the direction of the Chief Risk Officer (CRO). The Risk Committee is also managed by the CRO and advises the Executive Management. It 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 Legal and Compliance. Other specialists can be invited to attend Risk Committee meetings 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 the 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. 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 segments "Switzerland" and "Europe" are defined geographically. The share of the gross premiums per country market is as follows: Switzerland 35.8% (previous year: 37.2%), Germany 14.4% (previous year: 14.7%), Italy 12.2% (previous year: 12.7%), Spain 7.7% (previous year: 7.6%), Austria 7.9% (previous year: 7.9%). The share of the "Specialty Markets" segment is 22.0% (previous year: 19.9%), of which 5.2% (previous year: 5.5%) attributable to the French country market and 10.1% (previous year: 8.8%) to Active Reinsurance.

Gross premiums by sector and country in the non-life business

as of 31.12.2017	Switzerland	Europe				Specialty Markets	Total
in CHF million		Germany	Italy	Spain	Austria		
Property	537.4	270.6	108.1	135.6	117.2	220.7	1 389.6
Transport / Art	3.5	57.5	8.8	16.3	5.9	227.9	319.9
Motor vehicle	603.6	161.7	235.9	129.1	121.6	34.4	1 286.3
Liability	152.3	66.4	55.5	18.4	40.4	1.5	334.5
Accident / health	168.1	33.2	89.7	17.8	39.4	–	348.2
Active Reinsurance						415.3	415.3
Gross premiums non-life	**1 464.9**	**589.4**	**498.0**	**317.2**	**324.5**	**899.8**	**4 093.8**

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**

This table was created using principles on which the segment reporting in section 3 (from page 93) 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 179.4 million (previous year: CHF 170.9 million) on the income statement (without taking account of tax effects).

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 usually 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). 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 16.6 "Counterparty risks" (from page 173) and 9 "Insurance business" (from page 126). In the current year 10.7% (previous year: 11.0%) of the premiums written in the non-life business were ceded to reinsurers. Of these 67.6% (previous year: 70.4%) were ceded to Group reinsurance and the rest to external reinsurance companies. 59.9% (previous year: 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 79.5% (previous year: 80.6%) 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: 1.4%) of the premiums written in the life business in 2017 were ceded to reinsurers. Of these 26.8% were ceded to Group reinsurance and the rest to external reinsurance companies. 67.3% (previous year 66.0%) of the premiums written by Group Reinsurance were retroceded.

Gross premiums by business activities and region in the life business

as of 31.12.2017	Switzerland	Europe				Total
in CHF million		Germany	Italy	Spain	Austria	
Traditional individual life insurance	630.6	105.6	237.4	32.4	59.3	1 065.3
Group insurance	2 591.2	–	20.2	60.9	–	2 672.3
Investment-linked life insurance	265.3	171.3	0.5	42.6	167.0	646.7
Gross premiums life	**3 487.1**	**276.9**	**258.1**	**135.9**	**226.3**	**4 384.3**

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**

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 24.3% (previous year: 26.0%) of the gross premium volume of the life business of Helvetia Group, with 59.2% of the premiums (previous year: 61.1%) coming from Switzerland. Investment-linked life insurance (index and unit-linked products) contributes 14.8% to the life business of the Helvetia Group (previous year: 13.0%). 41.0% of the premiums (previous year: 41.6%) 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 60.9% (previous year: 61.0%) of the gross premium volume of the life business of Helvetia Group, with 97.0% of the premiums (previous year: 97.3%) 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 2016 was 1.25%. This rate was reduced to 1.00% for 2017 and will remain at that level for the coming year. The interest rate set by Helvetia Group for the non-mandatory component was 0.5% in 2016. This rate was reduced to 0.25% for 2017 and will remain at that level 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 57.4 million (previous year: CHF 63.2 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. However, a 10% increase in disability would lead to a reserve increase with a negative impact 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 1.9 million (previous year: CHF 2.1 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 35.3 million (previous year: CHF 25.0 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 5.6 million (previous year: CHF 4.7 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 2017, 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 16.4.1 (from page 163) 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 2017, Helvetia Group managed investments totalling CHF 52.3 billion (previous year: CHF 49.6 billion).

The main market risks to which the Group is exposed are interest rate risk, exchange rate risk and equity price risk. The Group is also exposed to the real estate market through a significant portion of real estate in its investment portfolio. Market risks affect the income statement and both the asset and the liability side of the balance sheet. The Group largely manages its real estate, mortgages and securities itself. External providers mainly manage assets invested in convertible bonds and private debt. 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 120) and 7.7.2 "Derivative financial liabilities" (page 121).

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 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 110).

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 31.12.2017	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	1 079.0	2 571.6	3 496.4	1 798.3	214.1	9 159.4
Held-to-maturity investments (HTM)	119.4	442.0	515.7	1 359.6	–	2 436.7
Available-for-sale investments (AFS)	709.8	5 416.3	9 073.8	9 528.9	1 509.9	26 238.7
Financial assets at fair value through profit or loss	263.3	1 343.5	475.0	190.7	5 097.7	7 370.2
Derivative financial assets for hedge accounting	1.7	–	–	–	–	1.7
Total financial assets	**2 173.2**	**9 773.4**	**13 560.9**	**12 877.5**	**6 821.7**	**45 206.7**

as of 31.12.2016	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
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**

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 0.05% to 6%. Only 0.3% (previous year: 0.3%) of the actuarial reserve of Helvetia Group has an interest rate above 4%.

Interest rate guarantees in the life business

as of 31.12.2017	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	925.7	–	1 532.0	–
– with 0 % interest guarantee	1 089.6	0.0	392.9	2.8
– with positive interest guarantee	26 880.0	112.8	5 686.4	–
Average interest guarantee in per cent	**1.16**	**2.56**	**2.03**	**0.00**

as of 31.12.2016	Direct business Switzerland CHF	Direct business Switzerland Other currencies	Direct business EU[1] EUR	Reinsurance
in CHF million				
Actuarial reserves for insurance and investment contracts:				
– excluding interest guarantee	891.8	–	1 142.6	–
– with 0 % interest guarantee	931.9	0.0	212.8	2.6
– with positive interest guarantee	26 461.0	109.4	5 202.2	–
Average interest guarantee in per cent	**1.23**	**2.53**	**2.20**	**0.00**

[1]Prior-year figures adjusted

Interest rate sensitivities

as of 31.12.	Interest rate level 2017 +10 bp	Interest rate level 2017 –10 bp	Interest rate level 2016 +10 bp	Interest rate level 2016 –10 bp
in CHF million				
Income statement	1.7	–2.9	0.9	–2.4
Equity	–82.7	83.9	–74.9	76.0
Gross, not taking into account the latency calculation and derivatives	–205.7	203.8	–199.0	199.8

The above table analyses the impact of a change in interest rate on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis also 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.

16.4.2 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" (10.1% 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 6.3% (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 2017		Share price risk sensitivities 2016	
as of 31.12.	+10%	−10%	+10%	−10%
in CHF million				
Income statement	102.5	−93.4	82.4	−78.9
Equity	36.3	−35.3	32.6	−27.0
Gross, not taking into account the latency calculation and derivatives	304.3	−296.3	260.0	−251.4

The above table analyses the impact of a change in the share price on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis covers direct equity investments (with the exception of the real estate investment company "Allreal"), derivatives, equity funds and part of the mixed funds. The "look through" principle was used for significant holdings in 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.

16.4.3 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 31.12.2017	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	−4.8	4.9	3.5	−3.5	−1.9	1.9

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

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 2017

as of 31.12.2017	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	357.6	166.5	0.3	–	524.4
Goodwill and other intangible assets	919.9	305.4	0.0	–	1 225.3
Investments in associates	21.4	4.4	–	–	25.8
Investment property	6 508.9	564.7	–	–	7 073.6
Group financial assets	22 623.2	12 813.9	5 569.0	549.5	41 555.6
Investments with market risk for the policyholder	1 130.5	2 202.8	267.5	50.3	3 651.1
Receivables from insurance business	306.3	572.9	263.3	56.1	1 198.6
Deferred acquisition costs	291.6	176.7	13.0	1.1	482.4
Reinsurance assets	130.1	308.4	106.5	17.4	562.4
Deferred tax assets	2.7	26.8	–	–	29.5
Current income tax assets	6.4	16.4	0.5	–	23.3
Other assets	145.1	195.0	1.5	11.0	352.6
Accrued investment income	149.5	126.0	35.3	0.2	311.0
Cash and cash equivalents	607.4	573.0	63.9	16.0	1 260.3
Total assets	**33 200.6**	**18 052.9**	**6 320.8**	**701.6**	**58 275.9**

as of 31.12.2017	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	28 898.0	7 718.2	6.0	–	36 622.2
Provision for future policyholder participation	1 562.3	388.7	–	–	1 951.0
Loss reserves (gross)	2 012.5	2 194.0	532.0	135.6	4 874.1
Unearned premium reserve (gross)	447.6	748.6	196.6	51.8	1 444.6
Financial liabilities from financing activities	747.6	704.0	131.5	33.1	1 616.2
Financial liabilities from insurance business	615.6	1 162.6	1.3	0.1	1 779.6
Other financial liabilities	291.6	0.9	57.3	–	349.8
Liabilities from insurance business	1 417.9	270.3	81.8	12.6	1 782.6
Non-technical provisions	83.5	60.0	–	–	143.5
Employee benefit obligations	302.4	389.4	0.3	–	692.1
Deferred tax liabilities	700.0	118.0	0.1	–	818.1
Current income tax liabilities	30.6	20.6	0.0	–	51.2
Other liabilities and accruals	97.9	123.5	1.7	–1.6	221.5
Total liabilities	**37 207.5**	**13 898.8**	**1 008.6**	**231.6**	**52 346.5**

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	–	1218.0
Investments in associates	16.1	1.5	–	–	17.6
Investment property	6199.7	502.5	–	–	6702.2
Group financial assets	23135.8	11302.7	4852.3	478.6	39769.4
Investments with market risk for the policyholder	1060.7	1792.8	210.3	25.9	3089.7
Receivables from insurance business	466.4	532.0	170.7	45.2	1214.3
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	**33378.8**	**15868.2**	**5398.0**	**581.5**	**55226.5**

as of 31.12.2016	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	28287.4	6660.0	6.9	–	34954.3
Provision for future policyholder participation	1491.8	416.4	–	–	1908.2
Loss reserves (gross)	2063.3	2066.3	401.3	99.9	4630.8
Unearned premium reserve (gross)	456.5	671.8	151.8	37.8	1317.9
Financial liabilities from financing activities	747.2	90.2	111.4	29.6	978.4
Financial liabilities from insurance business	641.3	1050.5	1.2	0.1	1693.1
Other financial liabilities	284.4	2.5	64.6	–	351.5
Liabilities from insurance business	1475.0	325.3	33.8	2.8	1836.9
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	**36762.0**	**11999.3**	**779.8**	**172.8**	**49713.9**

16.5 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 31.12.2017	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	3231.7	10666.6	7993.5	14715.6	14.8	36622.2
Provision for future policyholder participation	169.9	81.3	30.5	48.4	1620.9	1951.0
Loss reserves (gross)	2060.7	1699.6	380.2	723.5	10.1	4874.1
Unearned premium reserve (gross)	1444.6	–	–	–	–	1444.6
Total reserves for insurance and investment contracts (gross)	6906.9	12447.5	8404.2	15487.5	1645.8	44891.9
Reinsurers' share	276.0	128.9	40.6	29.7	31.2	506.4
Total reserves for insurance and investment contracts (net)	**6630.9**	**12318.6**	**8363.6**	**15457.8**	**1614.6**	**44385.5**

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**

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 31.12.2017	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	1 710.2	22.0	12.3	10.8	6.4	17.9	1 779.6
Financial liabilities from financing activities	–	36.0	510.8	1 056.9	–	274.2	1 877.9
Liabilities from insurance business	456.1	1 324.4	0.0	–	–	2.1	1 782.6
Other financial and other liabilities	0.9	131.6	45.3	–	–	0.1	177.9
Total financial and other liabilities	**2 167.2**	**1 514.0**	**568.4**	**1 067.7**	**6.4**	**294.3**	**5 618.0**

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**

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

as of 31.12.2017	Fair Value	Maturity of non-discounted flows of funds			
		< 3 months	3–6 months	6–12 months	> 1 year
in CHF million					
Derivative financial assets:					
Forward exchange transactions	25.3				
Inflow		563.3	448.0	831.6	–
Outflow		–554.8	–446.3	–836.1	–
Other (excercise not planned)	147.6				
Derivatives for hedge accounting	1.7				
Inflow		328.5	–	–	–
Outflow		–329.7	–	–	–
Total derivative financial assets	**174.6**	**7.3**	**1.7**	**–4.5**	**–**
Derivative financial liabilities:					
Forward exchange transactions	95.4				
Inflow		–711.1	–1991.4	–1291.6	–
Outflow		749.1	2055.2	1309.3	–
Other (excercise not planned)	109.6				
Derivatives for hedge accounting	28.6				
Inflow		–445.5	–50.4	–1.2	–
Outflow		471.6	50.7	1.2	–
Total derivative financial liabilities	**233.6**	**64.1**	**64.1**	**17.7**	**–**

as of 31.12.2016	Fair Value	Maturity of non-discounted flows of funds			
		< 3 months	3–6 months	6–12 months	> 1 year
in CHF million					
Derivative financial assets:					
Forward exchange transactions	23.9				
Inflow		591.3	1145.6	568.1	–
Outflow		–581.5	–1136.2	–567.9	–
Other (excercise not planned)	128.2				
Derivatives for hedge accounting	7.2				
Inflow		299.4	31.1		–
Outflow		–293.2	–30.8		–
Total derivative financial assets	**159.3**	**16.0**	**9.7**	**0.2**	**–**
Derivative financial liabilities:					
Forward exchange transactions	146.9				
Inflow		–1208.9	–1217.5	–817.6	–
Outflow		1283.7	1279.6	848.6	–
Other (excercise not planned)	92.4				
Derivatives for hedge accounting	20.7				
Inflow		–305.3			–
Outflow		326.4			–
Total derivative financial liabilities	**260.0**	**95.9**	**62.1**	**31.0**	**–**

16.6 Counterparty risks

Counterparty risks include default risks and risks of changes in value. The default risk refers to the possibility of the insolvency of a counterparty, while the risk of changes in value represents the possibility of a financial loss due to a change in the creditworthiness of a counterparty or a change in credit spreads in general. The risk of counterparties failing to meet their obligations is continuously monitored. To minimise counterparty risk, Helvetia defines lower limits with regard to the creditworthiness of the counterparty and limits the exposure per counterparty.

16.6.1 Risk exposure

Helvetia Group is mainly exposed to counterparty risk in the following areas:

- Counterparty risks arising from interest-bearing securities and money market instruments.
- Counterparty risks associated with loans and mortgages: The largest items in the asset class of loan form the promissory note loans (92.6%), as well as policy loans (5.6%). The policy loans are secured through life insurance policies. Since only a certain percentage of accumulated capital (<100%) is invested, this asset class can be classified "fully secured". Gross exposure (without taking account of collateral) is of relatively little significance when assessing the counterparty risks from the mortgage business: mortgages are secured by an encumbrance, and a part of the mortgage is often additionally secured by a pledged life insurance policy, resulting in a correspondingly low loss ratio. Against this background, the counterparty risk from mortgages can be assumed to be low.
- Counterparty risk from transactions with derivative financial instruments: refer to section 16.6.2 (page 175) 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 54.0 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 133) "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 145).

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

as of 31.12.2017	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		
		Financial instruments	Cash collaterals	Net amount
in CHF million				
Derivative financial assets	174.6	–58.3	–54.0	62.3
Derivative financial liabilities	233.6	–58.3	–145.5	29.8

as of 31.12.2016	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		
		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

16.6.2 Credit quality of exposures and credit risk concentrations

The following analyses show the gross exposure to interest rate instruments, loans and derivative financial instruments, excluding collateral. They do not include investments where the credit risk is borne by the holders 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 31.12.2017	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	89.7	140.6	128.6	47.1	–	382.5	788.5
Derivative financial assets	11.7	4.2	77.5	9.9	–	58.1	161.4
Bonds	12787.3	7211.2	5144.2	4874.0	–	522.6	30539.3
Mortgages	–	–	–	–	–	5159.2	5159.2
Loans	262.6	696.2	80.6	5.9	–	105.7	1151.0
Total	**13151.3**	**8052.2**	**5430.9**	**4936.9**	**–**	**6228.1**	**37799.4**

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**

Credit quality of debt instruments, loans and derivative financial instruments by sector

as of 31.12.2017	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Governments	6936.1	3406.0	939.5	1989.8	–	–	13271.4
Financial institutions	6055.8	2978.1	1572.5	440.5	–	1131.8	12178.7
Corporates and others	159.4	1668.1	2918.9	2506.6	–	5096.3	12349.3
Total	**13151.3**	**8052.2**	**5430.9**	**4936.9**	**–**	**6228.1**	**37799.4**

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	–	–	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**

Credit risk from ceded reinsurance

as of 31.12.2017	Exposure	Share in %
in CHF million		
AAA	–	–
AA	388.3	55.1
A	278.0	39.5
BBB	1.4	0.2
Not rated	36.9	5.2
Total	**704.6**	**100.0**

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**

The ten largest counterparties[1]

as of 31.12.2017	Issuer rating	Book value total	AAA
in CHF million			
Switzerland	AAA	2 648.7	2 467.0
Italy	BBB	1 733.2	–
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	1 555.0	1 555.0
United States of America	AAA	1 520.2	1 520.2
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	1 376.0	1 376.0
France	AA	814.4	–
Germany	AAA	802.8	720.9
European Investment Bank	AAA	705.6	705.6
Cantonal Bank of Zurich	AAA	565.5	464.1
Austria	AA	542.5	–

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	–

[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				
6.6	165.1	–	–	10.0	–	–	–
–	–	1716.3	16.9	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
804.2	10.2	–	–	–	–	–	–
–	–	–	–	–	–	81.9	–
–	–	–	–	–	–	–	–
–	–	–	–	89.7	11.7	–	–
443.3	–	–	–	–	–	99.2	–

Securities rating Bonds				Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB	Not rated				
–	–	–	–	–	–	–	–
–	–	1628.5	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
934.7	9.6	–	–	–	–	–	–
5.4	–	–	–	–	–	80.4	–
–	–	–	–	–	–	–	–
–	–	–	–	47.9	21.0	–	–
418.6	–	–	–	–	–	91.8	–

17. Events after the reporting date

No important events occurred before or on 1 March 2018, 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

Company acquisitions:

- On 1 January 2017, Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel, fully acquired IFANG Park AG, Schwerzenbach. The company's purpose lies in the development, acquisition and management of real estate. The purchase price was CHF 21.3 million, of which CHF 19.2 million was paid in cash at the purchase date. A further CHF 2.1 million is subject to a purchase price retention arrangement. No goodwill was recognised in connection with this transaction.
- On 10 July 2017 MoneyPark AG, Wollerau acquired 100% of the mortgage broker Defferrard & Lanz SA based in Lausanne. The merger will allow MoneyPark to tap into the strategically important market in French-speaking Switzerland in a quick and comprehensive manner. The purchase price was CHF 45.5 million, consisting of CHF 43.5 million paid in cash and a purchase price retention arrangement of CHF 2.0 million, due within the next two years, connected to the retention of the key employees in the company.

The following overview shows the assets and liabilities at fair value acquired as part of the acquisition of IFANG and Defferrard & Lanz:

in CHF million	IFANG	Defferrard & Lanz
Assets		
Intangible assets		6.9
Investment property	30.6	
Other assets and accruals	0.2	2.9
Cash and cash equivalents	0.1	2.6
Liabilites		
Financial liabilities	5.3	
Other liabilities and accruals	4.3	3.8
Acquired net assets		
Acquired identified assets (net)	21.3	8.6
Goodwill	–	36.9
Total acquisition costs (all paid in cash)	**21.3**	**45.5**

The purchase price allocation in the above table is provisional.

The other assets contain receivables from intermediary business amounting to CHF 0.4 million gross, which are all classified as potentially recoverable.

The goodwill represents future growth potential from intermediary business in the western Swiss market and is allocated to the "Switzerland" segment. There is expected to be nothing tax-deductible from the goodwill.

IFANG generated a profit of CHF 0.5 million in the reporting period.

In the reporting period, Defferrard & Lanz contributed a loss of CHF 5.2 million to the Group's results. This relates to writedowns on intangible assets capitalised as part of the acquisition.

If the acquisition of Defferrard & Lanz had been completed on 1 January 2017, the consolidated net profit in the reporting period would have been CHF 405.3 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.

The following events in the reporting period led to a change in the scope of consolidation of Helvetia Group:

– On 9 February 2017, Helvetia founded the Swiss Cap Private Debt Fund, Luxembourg.
– Helvetia Venture Fund S.A., SICAR, Luxembourg, was established on 31 March 2017.
– Helvetia Vita Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan, and Nationale Suisse Vita Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese, merged on 1 June 2017. The merged entity operates on the market as Helvetia Vita Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan.
– Helvetia Beteiligungen AG, St Gall, merged with Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall, on 16 June 2017. The merged entity operates as Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall.
– The own funds Swiss Cap PRO Red Fund, Dublin and Swiss Cap PRO Orange Fund, Dublin, were liquidated on 20 June 2017.
– Helvetia Finance Ltd., St Helier, was liquidated with effect from 7 July 2017.
– On 24 July 2017, the equity capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH, Frankfurt a.M., was increased by EUR 11.0 million.
– SmartLife Care AG, Brüttisellen, was founded as a joint venture with effect from 18 August 2017. Helvetia holds 52% of the company. The joint venture is evaluated using the equity method.
– The 30% share in fvv-Voralberger Versicherungsmakler GmbH, Götzis, was sold with effect from 27 October 2017.
– The holding in Medicall AG, Brüttisellen increased with effect from 15 November 2017 from 74.32% to 79.78%.
– Helvetia Venture Fund acquired 54.7% in INZMO UG, Berlin with effect from 25 November 2017. The company will be managed as an equity holding.
– MoneyPark AG, Wollerau, completed a capital increase of CHF 47.5 million on 4 December 2017. As part of this capital increase, Helvetia's holding in MoneyPark increased to 77.27%.
– Nationale Suisse Servizi Assicurativi S.R. L., San Donato Milanese, was liquidated at the end of 2017.
– During the period under review, the investment in the associated company Gesnorte S.A., Madrid, was increased from 26% to 27.7%.

18.2 Events in the previous period

– 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	MoneyPark
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 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 previous 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 previous 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 previous 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 period2016, 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 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.

18.3 Complete list of Group companies

as of 31.12.2017	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	79.78	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 Consulting AG, St Gall	Other	100.00	full	CHF	0.1
IFANG Park AG, Schwerzenbach	Life	100.00	full	CHF	0.1
MoneyPark AG, Wollerau	Other	77.27	full	CHF	0.4
Defferrard & Lanz SA, Lausanne	Other	100.00	full	CHF	1.0
Helvetia I Funds North America	Other	75.52	full	USD	–
Helvetia I Funds Great Britain	Other	82.83	full	GBP	–
Helvetia I Funds Europe	Other	76.04	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	
SmartLife Care AG, Brüttisellen		52.00	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	52.2
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
INZMO UG, Berlin		54.67	equity	EUR	
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
APSA s.r.L., Milan	Non-life	100.00	full	EUR	0.1
GE.SI.ASS Società Consortile a R.L., Milan	Other	100.00	full	EUR	0.0

as at 31 December 2017	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		27.70	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	
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

Belgium					
Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A., Bruxelles	Non-life	100.00	full	EUR	1.8
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	–
Swiss Cap Private Debt Fund	Other	100.00	full	USD	–
Helvetia Venture Fund S.A., SICAR	Other	98.00	full	EUR	–
Malaysia					
Helvetia Swiss Insurance Company Ltd., Kuala Lumpur[1]	Non-life	100.00	full	USD	–
Singapore					
Helvetia Swiss Insurance Company Ltd., Singapore[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[2]	Non-life	100.00	full	CHF	

[1] Branches

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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 2017 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 70 to 184) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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.

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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.

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- 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 1'134.9m. 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 amount 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

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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.

- 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, 1 March 2018

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

Financial statements of Helvetia Holding AG

Balance sheet

in CHF million	2017	2016	Change
Assets			
Cash and cash equivalents	0.4	0.9	
Other current receivables			
– from third parties	0.0	0.2	
– from participants	256.7	164.2	
Current assets	257.1	165.3	55.5%
Financial assets	218.0	0.1	
Participations	1589.1	2089.3	
Non-current assets	1807.1	2089.4	–13.5%
Total assets	**2064.2**	**2254.7**	**–8.4%**
Liabilities and equity			
Trade payables	3.7	3.8	
Deferred income	1.2	1.2	
Current liabilities	4.9	5.0	
Non-current interest-bearing liabilities			
– from third parties	150.0	150.0	
– from participants	0.0	988.6	
Non-current liabilities	150.0	1138.6	
Total liabilities	154.9	1143.6	–86.5%
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	8.9	8.0	
Voluntary retained earnings	690.4	690.4	
Retained profit			
– Profit carried forward	116.4	144.3	
– Annual profit / loss	1006.1	180.9	
Treasury shares Helvetia Holding AG	–0.5	–0.5	
Total equity	1909.3	1111.1	71.8%
Total liabilities and equity	**2064.2**	**2254.7**	**–8.4%**

Income statement

in CHF million	2017	2016	Change
Dividend income	229.3	210.1	
Realised gains on capital investments	798.4	0.0	
Interest income	0.6	0.1	
Total operating income	1 028.3	210.2	
Other operating expenses	0.0	0.0	
Interest payable	–22.2	–29.3	
Total operating expenses	–22.2	–29.3	
Earnings before tax	1 006.1	180.9	456.2 %
Income tax	0.0	0.0	
Annual profit / loss	**1 006.1**	**180.9**	**456.2 %**

Proposed appropriation of profit

in CHF million	2017	2016
Profit for the period	1 006.1	180.9
Profit carried forward	116.4	144.3
At the disposal of the Shareholders' Meeting	1 122.5	325.2
Proposed dividend[1]	228.7	208.8
Allocation to free reserves	0.0	0.0
Profit carried forward to new account	**893.8**	**116.4**

[1] 2017: CHF 23.00 per registered share
2016: CHF 21.00 per registered share

Notes to the financial statements Helvetia Holding AG

1. Principles

1.1 General
The 2017 financial statements of Helvetia Holding AG were prepared in accordance with the provisions of Swiss accounting law (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 the 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 Shareholdings
On the reporting date, Helvetia Holding AG owned the following direct investment:

	Reported company capital	Holding as of	Reported company capital	Holding as of
	31.12.2017	31.12.2017	31.12.2016	31.12.2016
in CHF million				
Helvetia Schweizerische Versicherungsgesellschaft AG, St Gall	77.5	100.00%	77.5	100.00%
Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel	0.0	0.00%	50.0	100.00%
Helvetia Finance Limited, Jersey	0.0	0.00%	0.1	100.00%

The interest in Helvetia Schweizerische Lebensversicherungsgesellschafts AG was sold to Helvetia Schweizerische Versicherungsgesellschaft AG on 15 September 2017. Helvetia Finance Ltd. was liquidated on 25 July 2017.

2.2 Bond
On 8 April 2013, Helvetia Holding AG issued a 1.125% bond 2013 – 2019 with a par 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

	31.12.2017	31.12.2016
in CHF million		
up to 1 year	0.0	0.4
1 to 5 years	150.0	150.0
More than 5 years	0.0	988.2

The sales price for the shares of Helvetia Schweizerische Lebensversicherungsgesellschaft AG was set off against loans. The residual balance is now reported as a loan granted to Helvetia Schweizerische Versicherungsgesellschaft AG.

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.

2.5 Treasury shares

On 31 December 2017, Helvetia Holding AG and its subsidiaries held 51,341 shares (CHF 9.4 million) of Helvetia Holding AG (previous year: 49,638 shares, CHF 8.0 million).

	Low in CHF	High in CHF	Average price in CHF	Number
As at 1.1.2016				47 951
Purchases	514.50	550.00	538.50	9 167
Sales	484.65	544.00	527.80	– 7 480
As at 31.12.2016				49 638
Purchases	549.00	552.50	551.90	5 974
Sales	547.00	547.75	547.70	– 4 271
As at 31.12.2017				51 341

2.6 Dividend income

The reported dividend income of Helvetia Holding AG represents the dividend paid simultaneously to Helvetia Holding AG by the subsidiary Helvetia Schweizerische Versicherungsgesellschaft AG from its net profits for 2017.

2.7 Auditors' fees

in CHF	31.12.2017	31.12.2016
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 Helvetia VAT group 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).

On 30 March 2017, Helvetia Schweizerische Versicherungsgesellschaft AG floated a subordinated hybrid bond totalling EUR 500.0 million maturing in 2047 on the euro capital market. The first optional repayment date is September 2027. The bond is guaranteed by Helvetia Holding AG.

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 2017:

- Patria Genossenschaft, Basel, with 34.09% (previous year: 34.09%)
- Chase Nominees Ltd., London, with 5.05% (previous year: 2.91%)
- Raiffeisen Schweiz Genossenschaft, St Gall, with 0.00% (previous year: 4.00%)
- BlackRock AG, Zurich, with 3.21%, of which 2.56% are held indirectly (previous year: 2.91%, of which 2.32% 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 2017 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 2017 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.

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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 2017, 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 190 to 194) for the year ended 31 December 2017 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.

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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, 1 March 2018

Embedded Value

in CHF million	2017	2016
Embedded Value after tax		
Switzerland	**3 202.0**	**2 788.1**
of which value of insurance portfolio	1 946.6	1 758.4
of which adjusted equity	2 327.3	2 082.1
of which solvency costs	–1 071.9	–1 052.4
EU	**588.1**	**476.0**
of which value of insurance portfolio	360.9	261.9
of which adjusted equity	370.2	341.5
of which solvency costs	–143.0	–127.4
Total[1]	**3 790.1**	**3 264.1**
of which value of insurance portfolio	2 307.5	2 020.3
of which adjusted equity	2 697.5	2 423.6
of which solvency costs	–1 214.9	–1 179.8

[1] of which minority interests CHF 2.0 million as of 31.12.2017

Assumptions in %	2017	2016
Switzerland		
Risk Discount Rate	6.0 %	6.0 %
Yield on bonds	0.4 %–1.4 %	0.2 %–1.4 %
Yield on equities	6.0 %	6.0 %
Yield on real estate	4.4 %	4.4 %
EU		
Risk Discount Rate	6.5 %–7.5 %	6.5 %–7.5 %
Yield on bonds	1.8 %–3.1 %	1.6 %–3.0 %
Yield on equities	6.5 %	6.5 %
Yield on real estate	4.7 %	4.8 %

in CHF million	2017	2016
Development of Embedded Value after tax		
Embedded value as of 1 January	3264.1	3195.7
Operating profit from insurance portfolio and adjusted equity	419.4	147.9
Value of new business	48.7	32.6
Economic changes, including changes to unrealised gains and losses on investments (equity and real estate)	79.9	–45.9
Dividends and movement of capital	–69.6	–59.5
Foreign currency translation differences	47.6	–6.7
Embedded Value as of 31 December	**3790.1**	**3264.1**

in %		
Sensitivities		
+1% change to risk discount rate	–8.1%	–9.7%
–1% change to risk discount rate	9.9%	11.9%
–10% change to fair value of equities	–3.5%	–2.9%
–10% change to fair value of real estate	–12.2%	–12.0%
+1% change to new money rate	9.5%	11.2%
–1% change to new money rate	–18.4%	–17.5%

in CHF million		
New Business		
Switzerland		
Value of new business	28.4	23.0
Annual Premium Equivalent (APE)	162.0	171.9
Value of new business in % APE	17.5%	13.4%
Present value of new business premiums (PVNBP)	1688.6	1729.0
Value of new business in % PVNBP	1.7%	1.3%
EU		
Value of new business	20.3	9.6
Annual Premium Equivalent (APE)	117.5	98.7
Value of new business in % APE	17.3%	9.7%
Present value of new business premiums (PVNBP)	949.8	802.8
Value of new business in % PVNBP	2.1%	1.2%
Total		
Value of new business	48.7	32.6
Annual Premium Equivalent (APE)	279.5	270.6
Value of new business in % APE	17.4%	12.0%
Present value of new business premiums (PVNBP)	2638.4	2531.8
Value of new business in % PVNBP	1.8%	1.3%

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

20 April 2018	Ordinary Shareholders' Meeting in St Gall
4 September 2018	Publication of half-year financial results for 2018
6 March 2019	Publication of financial results 2018

Multi-year overview

	2013	2014	2015	2016	2017
Key share data Helvetia Holding AG					
Group profit for the period per share in CHF	40.9	43.0	29.0	36.1	39.1
Consolidated equity per share in CHF	445.0	503.2	470.4	486.3	528.5
Price of Helvetia registered shares at the reporting date in CHF	447.5	474.0	566.0	548.5	548.5
Market capitalisation at the reporting date in CHF million	3 872.2	4 687.6	5 628.9	5 454.9	5 454.9
Number of shares issued	8 652 875	9 889 531	9 945 137	9 945 137	9 945 137

in CHF million					
Business volume					
Gross premiums life	4 547.5	4 614.5	4 311.1	4 525.0	4 384.3
Deposits received life	183.6	153.0	148.0	110.0	163.2
Gross premiums non-life	2 550.9	2 789.2	3 532.7	3 536.6	3 678.5
Assumed reinsurance	194.8	209.9	243.5	341.1	415.3
Business volume	7 476.8	7 766.6	8 235.3	8 512.7	8 641.3
Key performance figures					
Result life	152.9	115.0	149.8	150.6	173.4
Result non-life[1]	204.4	193.0	240.3	251.2	290.0
Result Other activities[1]	6.5	85.3	–80.6	–25.2	–60.5
Group profit for the period after tax	363.8	393.3	309.5	376.6	402.9
Investment result	1 332.2	1 476.9	1 185.4	1 212.8	1 513.4
of which investment result from Group financial assets and investment property	1 156.8	1 275.4	1 105.6	1 144.4	1 348.7
Key balance sheet figures					
Consolidated equity (without preferred securities)	3 831.2	4 963.1	4 655.3	4 812.6	5 229.4
Provisions for insurance and investment contracts (net)	34 518.7	41 275.0	41 143.0	42 315.3	44 385.5
Investments	39 576.1	48 018.0	47 939.0	49 578.9	52 306.1
of which Group financial assets and investment property	36 736.7	44 843.4	45 036.3	46 471.6	48 629.2
Ratios					
Return on equity	9.5%	9.0%	6.1%	7.4%	7.8%
Reserve to premium ratio non-life	153.1%	193.2%	154.4%	152.2%	156.3%
Combined ratio (gross)	92.2%	91.1%	91.7%	88.5%	88.8%
Combined ratio (net)	93.9%	93.5%	92.1%	91.6%	91.8%
Direct yield	2.7%	2.5%	2.2%	2.2%	2.1%
Investment performance	1.7%	7.7%	1.6%	2.5%	2.8%
Employees[2]					
Helvetia Group	5 037	7 012	6 675	6 481	6 592
of which segments Switzerland and Corporate	2 369	3 752	3 478	3 376	3 499

[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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