

Helvetia Group

Letter to Shareholders 2014

Ladies and Gentlemen

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

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

Your Swiss insurer.

helvetia 



Doris Russi Schurter Vice-Chairwoman of the Board of Directors

Stefan Loacker Chief Executive Officer

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

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

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

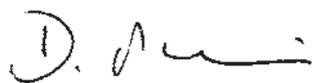
The integration of the two companies is going according to plan. The management, target organisations and a harmonised range of products have been defined in all the country markets for the “new Helvetia”. The company acquired in Austria is now also using the brand name “Helvetia”. The new business organisation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

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

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

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

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



Doris Russi Schurter
Vice-Chairwoman of the Board of Directors



Stefan Loacker
Chief Executive Officer

¹ Direct yield and investment performance measured as a result of interim acquisitions.

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

in CHF million

in Group currency

Business volume

Gross premiums life	4 614.5	4 547.5	1.5%
Deposits received life	153.0	183.6	-16.7%
Gross premiums non-life	2 789.2	2 550.9	9.3%
Assumed reinsurance	209.9	194.8	7.8%
Business volume	7 766.6	7 476.8	3.9%

Key performance figures

Underlying earnings life business ¹	151.2	152.9	-1.1%
Underlying earnings non-life business ¹	255.4	191.7	33.3%
Underlying earnings other activities ¹	15.1	19.2	-21.3%
Underlying earnings of the Group after tax ¹	421.7	363.8	15.9%
IFRS earnings of the Group after tax	393.3	363.8	8.1%
Investment result	1 476.9	1 332.2	10.9%
of which investment result from Group financial assets and investment property	1 275.4	1 156.8	10.3%

Key balance sheet figures

Consolidated equity (without preferred securities)	4 963.1	3 831.2	29.5%
Provisions for insurance and investment contracts (net)	41 275.0	34 518.7	19.6%
Investments	48 018.0	39 576.1	21.3%
of which Group financial assets and investment property	44 843.4	36 736.7	22.1%

Ratios

Return on equity ²	9.6%	9.5%	
Reserve to premium ratio non-life	187.2%	142.3%	
Combined ratio (gross)	90.6%	91.6%	
Combined ratio (net)	93.1%	93.6%	
Direct yield	2.5%	2.7%	
Investment performance	7.7%	1.7%	
Solvency I	216%	218%	

Employees

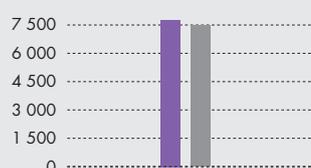
Helvetia Group	7 012	5 037	39.2%
of which Switzerland	3 766	2 369	59.0%

¹ For detailed information about calculating the result from the business activities, refer to pages 90/91 in the annual report.

² Based on the earnings per share (including interest on preferred securities through profit and loss) divided by the average shareholder capital (equity before preferred securities).

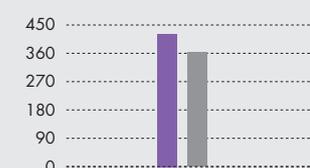
Business volume

in CHF million



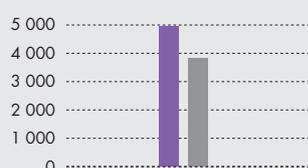
Profit*

in CHF million



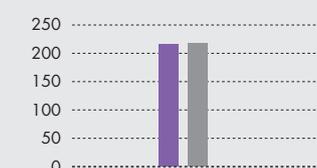
Equity

in CHF million



Solvency I

in %



■ 31.12.2014 ■ 31.12.2013

*underlying earnings

FINANCIAL YEAR 2014

STRONG
RISE
IN PROFIT

+15.9%



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

INTEGRATION

“ON TRACK”



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

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

INCREASED DIVIDENDS

CHF 18.00



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

DYNAMIC GROWTH
IN NON-LIFE

+10.3%



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

CAPITAL POSITION

216%



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

COMBINED RATIO

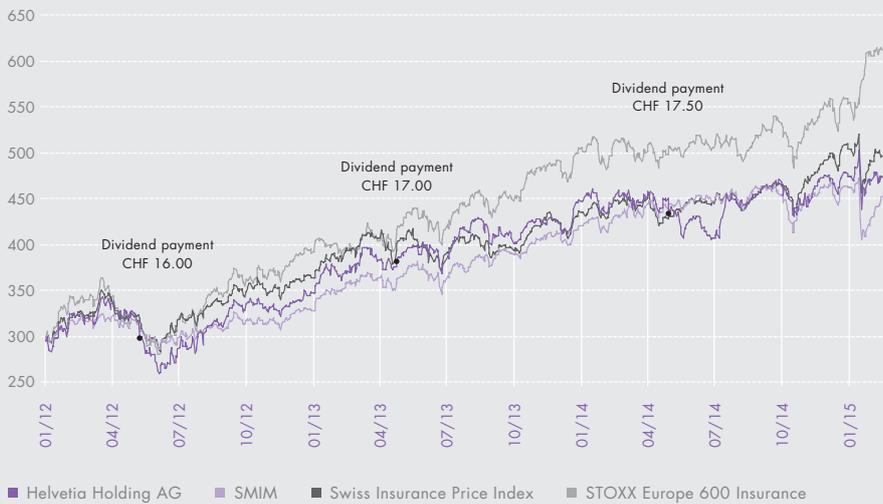
93.1%



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

MARKET TREND 1.1.2012 – 27.2.2015

in CHF



Important dates

24 April 2015: Ordinary Shareholders' Meeting in StGall

31 August 2015: Publication of half-year financial results for 2015

14 March 2016: Publication of financial results 2015

Cautionary note regarding forward-looking information

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This document is also available in German and French. The German version is legally binding.

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