Helvetia Group

Letter to Shareholders 2015

Ladies and Gentlemen

For the Helvetia Group, the 2015 financial year was dominated by the integration of Nationale Suisse and Basler Austria. We are proud of what the company has achieved in the past few months, as by now we have passed all important milestones and are already operating almost fully as the strengthened “new” Helvetia. We are actually ahead of schedule with the achievement of our synergy objectives: we have already realised synergies of CHF 45 million on both acquisitions through savings on personnel and non-personnel costs. We therefore clearly outstripped the target for the first year of our new, integrated Group.

In operational terms too, Helvetia posted a convincing business performance in 2015, supported by the successful acquisitions of the previous year.

Underlying earnings improved by 4 percent on 2014 to CHF 439 million. Earnings were driven by the technically strong non-life business which posted a profit increase of 22 percent to CHF 332 million. This increase results from an improved technical result as well as the volumes contributed by the acquisitions. The net combined ratio improved to 92.1 percent, once again clearly exceeding the target of 94 to 96 percent. The life insurance result also increased by 16 percent to CHF 176 million. At CHF –69 million, the result for other activities, however, was down on the previous year. This is largely due to the lower technical result in the Group reinsurance caused by the unfavourable claims experience of the foreign portfolios of the former Nationale Suisse. We are currently adjusting our reinsurance structure and are consistently cleaning up these portfolios.

Stefan Loacker Chief Executive Officer
Pierin Vincenz Chairman of the Board of Directors

The IFRS result, which is temporarily distorted by the accounting effects of the acquisitions, was CHF 309.5 million (2014: CHF 393.3 million).

In 2015, Helvetia generated business volume of CHF 8,235 million, which equals an increase of 11 percent in original currency. The profitable non-life business showed the impact of the acquisitions: premium volume rose by around 35 percent to CHF 3,776 million, and in Switzerland by as much as 73 percent. Because of the curtailment of sales of traditional products, the sales volume of CHF 4,459 million was around 4 percent in original currency less than in the previous year. Helvetia posted growth for the modern products.

Helvetia still has a strong capital base: on 31 December 2015, the Solvency I ratio was 205 percent, while the SST ratio for the first half of 2015 was within the target range of 150 to 200 percent. The return on equity calculated on the basis of underlying earnings is 8.9 percent.

Thanks to this good performance, Helvetia can continue its attractive dividend policy. The Board of Directors is proposing that the Shareholders' Meeting increase the dividend to CHF 19,00 per share, almost 6 percent more than in the previous year.

The strategy period for "Helvetia 2015+", which we implemented successfully over the past five years, ended with the 2015 financial year. We noticeably expanded our market position and generated currency-adjusted growth of more than 30 percent. The bigger non-life component contributes to an optimised business mix. We also grew our earnings by almost 30 percent and the dividend by 31 percent, and further improved value for our customers.

Helvetia is in a position of strength. With the new helvetia 20.20 strategy we are addressing the challenges of our time and making use of our opportunities. Helvetia is becoming more modern, more digital and more agile. We will systematically continue to develop the Group and create added value for our customers, employees and shareholders. Fit for the future, while remaining reliable and predictable – this is the position we are targeting with the new strategy.

The employees are the key to the successful implementation of helvetia 20.20. We would like to thank them, not only for their great dedication in the past, but also for the enthusiasm and drive with which they are tackling the upcoming tasks. We thank our customers for their loyalty and you, dear shareholders, for your consistent trust in Helvetia.

Yours sincerely

Pierin Vincenz
Chairman of the Board of Directors

Stefan Loacker
Chief Executive Officer

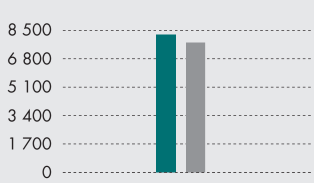
	2015	2014	Change
Key share data Helvetia Holding AG			
Group underlying earnings per share in CHF	42.1	46.2	–8.9%
Group profit for the period per share according to IFRS in CHF	29.0	43.0	–32.6%
Consolidated equity per share in CHF	470.4	503.2	–6.5%
Price of Helvetia registered shares at the reporting date in CHF	566.0	474.0	19.4%
Market capitalisation at the reporting date in CHF million	5 628.9	4 687.6	20.1%
Number of shares issued	9 945 137	9 889 531	

in CHF million			in Group currency
Business volume			
Gross premiums life	4 311.1	4 614.5	–6.6%
Deposits received life	148.0	153.0	–3.3%
Gross premiums non-life	3 532.7	2 789.2	26.7%
Assumed reinsurance	243.5	209.9	16.0%
Business volume	8 235.3	7 766.6	6.0%
Key performance figures			
Underlying earnings life business	175.7	151.2	16.1%
Underlying earnings non-life business	331.8	272.5	21.8%
Underlying earnings other activities	–68.5	–2.0	n. a.
Underlying earnings of the Group after tax	439.0	421.7	4.1%
IFRS earnings of the Group after tax	309.5	393.3	–21.3%
Investment result	1 185.4	1 476.9	–19.7%
of which investment result from Group financial assets and investment property	1 105.6	1 275.4	–13.3%
Key balance sheet figures			
Consolidated equity (without preferred securities)	4 655.3	4 963.1	–6.2%
Provisions for insurance and investment contracts (net)	41 143.0	41 275.0	–0.3%
Investments	47 939.0	48 018.0	–0.2%
of which Group financial assets and investment property	45 036.3	44 843.4	0.4%
Ratios			
Return on equity[1]	8.9%	9.6%	
Reserve to premium ratio non-life	154.4%	193.2%	
Combined ratio (gross)	91.7%	91.1%	
Combined ratio (net)	92.1%	93.5%	
Direct yield	2.2%	2.5%	
Investment performance	1.6%	7.7%	
Solvency I	205%	216%	
Employees			
Helvetia Group	6 675	7 012	–4.8%
of which Switzerland	3 478	3 752	–7.3%

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

Business volume

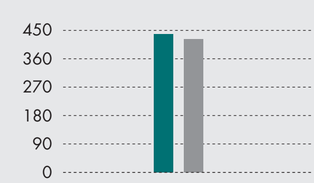
in CHF million



■ 31.12.2015 ■ 31.12.2014

Profit*

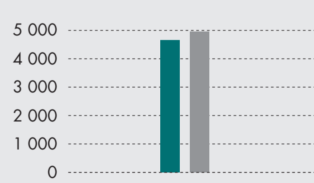
in CHF million



*underlying earnings

Equity

in CHF million



Solvency I

in %

FINANCIAL YEAR

2015

ANOTHER DIVIDEND INCREASE

CHF 19,00

Thanks to the solid business performance, the Board of Directors is proposing to the Shareholders' Meeting to increase the dividend to CHF 19,00, which is almost 6 % more than in the previous year. The payout ratio based on the underlying earnings is 45 %, or 66 % based on the IFRS earnings after taxes.

STRONG PROFIT GROWTH IN THE CORE BUSINESS AREAS OF NON-LIFE AND LIFE INSURANCE

+22 % / +16 %

Helvetia Group showed convincing underlying earnings of CHF 439 million after taxes, an increase of 4.1 % on the previous year. Earnings were driven by the technically strong non-life business which posted a profit increase of around 22 %. The life insurance business also improved its earnings by 16 % year-on-year. Although exchange rate effects burdened the result for Europe, all market areas contributed to this earnings growth, which was supported by the recent acquisitions.

COMBINED RATIO

92.1 %

The net combined ratio improved to 92.1 %, once again exceeding the Group's target of 94 to 96 %.

INTEGRATION "ON COURSE" / NEW STRATEGY ADOPTED

"ON COURSE"

Helvetia achieved important successes with its integration measures in the 2015 financial year. The integration of Nationale Suisse and Basler Austria has largely been finalised. All important milestones have been reached, including the full takeover, mergers of the legal units in Switzerland and Austria, the launch of joint sales with an integrated product range under a single brand. Regulatory approval has now also been granted in Spain. The legal mergers in the European market units should be completed by the end of 2016; the life units in Italy will be merged in 2017. Helvetia has already achieved synergies of CHF 45 million. Based on its strengths, Helvetia is setting new objectives for the next period: The helvetia 20.20 strategy places an even greater emphasis on customers. It makes the company more digital, more agile and thus more valuable.

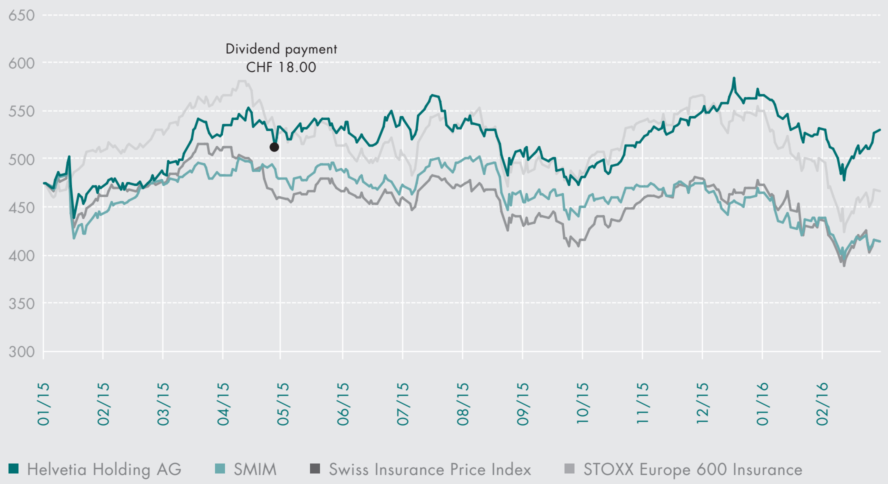
STRONG VOLUME INCREASE FOR PROFITABLE NON-LIFE BUSINESS

+35 %

In the reporting year 2015, Helvetia generated business volumes at Group level of CHF 8,235 million, which equals an increase of 11 % in original currency. The positive effects of the acquisitions left their mark on the profitable non-life business: premium volumes rose by around 35 %, and in Switzerland by as much as 73 %. The European units and Specialty Markets also boasted double-digit growth rates. In the life business, Helvetia improved its sales of modern products by around 5 %, but sales of traditional products were curtailed.

Market trend 1.1.2015 – 29.2.2016

in CHF



Important dates

22 April 2016: Ordinary Shareholders' Meeting in St Gall

5 September 2016: Publication of half-year financial results for 2016

13 March 2017: Publication of financial results 2016

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