



Helvetia Group

Letter to Shareholders 2016

Ladies and Gentlemen

We can look back on an intensive and very successful year. We are very satisfied with the underlying earnings. We are also pleased that the integration of Nationale Suisse has been pushed ahead rapidly and successfully and that we are very much on course with the implementation of our new strategy.

Below, we would like to provide more details about Helvetia's solid business performance: Underlying earnings increased by 12% against 2015 to CHF 491.8 million. The pleasing result was largely contributed by the non-life business, which increased its profit by 2.6% to CHF 340.5 million. This growth was driven by a strong technical performance, which is also reflected in the net combined ratio, which improved 0.5 percentage points relative to the previous year. Underlying earnings for the life insurance segment remained stable at CHF 173.5 million (previous year: CHF 175.7 million) despite the challenging environment. The contribution to underlying earnings made by the "Other activities" segment improved markedly from CHF -68.5 million in financial year 2015 to CHF -22.2 million. This increase is attributable to the significantly higher technical result for Group Reinsurance, which was burdened in the previous year in particular by a worse claims experience as well as losses from investments as a result of the SNB's decision to decouple the Swiss franc from the euro.



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

The IFRS result, which was temporarily influenced by significant acquisition accounting effects, was CHF 376.6 million and thus 21.7% up on the previous year.

In 2016, Helvetia generated a business volume at Group level of CHF 8,512.7 million, which corresponds to an increase of 2.6% in original currency. Helvetia reported currency-adjusted growth of 3.4% in the life business. The growth in the individual life business with capital-efficient, modern products, which generated an increase of 18.3%, is worthy of particular mention here. This pleasing growth is also reflected in the 0.4 percentage point increase in the new business margin. In the non-life business, premiums increased in original currency Group-wide by 1.5% despite the fact that Helvetia carried out deliberate portfolio optimisations in certain countries.

Helvetia's capital base remains strong. The SST ratio at the end of June 2016 was in the range of 140% to 180%, which corresponds to the new target range defined in the financial objectives a year ago. The return on equity calculated on the basis of underlying earnings increased from 8.9% in the 2015 financial year to 9.7% in the year under review.

It is also pleasing that the integration of Nationale Suisse and Basler Austria, which were acquired in 2014, has almost been completed. The successful integration is reflected in the achievement of the synergy goals. The underlying earnings include realised pre-tax synergies of CHF 118.3 million.

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

Once Nationale Suisse and Basler Austria have been successfully integrated, we will focus on implementing the *helvetia 20.20* strategy. In order to do this, Helvetia has established an integrated Group structure that has been operational since the beginning of 2017. With the new set-up, Helvetia is ramping up the collaboration between different areas within the organisation and optimising the basis for digitalisation and innovations – and is also increasing its proximity to the market and its customers. We have already been able to fill the positions in the newly created Non-Life Switzerland and IT Executive Management areas as well as in the Corporate Development support function with very strong new additions.

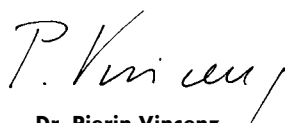
In order to push ahead with digitalisation Helvetia has – among other initiatives – acquired a majority stake in Switzerland's biggest technology-based mortgage intermediary MoneyPark in December 2016. With MoneyPark, we are adding a new, independent business model to our current portfolio and are laying a strong initial foundation for a “home” eco system. At the start of 2017, we also launched our own venture fund, which over the coming years will invest a total of CHF 55 million in around 25 insurance-related start-ups.

At the same time, Helvetia is also expanding its digital offerings for its growing number of online-savvy customers. With the Swiss direct insurance company smile.direct, the insurance group already has a successful online model. Among other initiatives, Helvetia also launched a new fully digital household insurance offering in Germany in 2016.

We want to push ahead quickly with the implementation of the *helvetia 20.20* strategy. Helvetia should increasingly make its own mark on the insurance market. Our size, our team of skilled and ambitious employees and our financial strength mean we have everything required to do just this.

Helvetia is undergoing a successful transformation. We would like to thank our customers, employees and in particular you, or valued shareholders, for supporting us in the process.

Yours sincerely



Dr. Pierin Vincenz

Chairman of the Board of Directors



Dr. Philipp Gmür

Chief Executive Officer

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

in CHF million

in original currency

Business volume

Gross written premiums life	4 525.0	4 311.1	5.0%
Deposits received life	110.0	148.0	-25.7%
Gross written premiums non-life	3 536.6	3 532.7	0.1%
Active reinsurance	341.1	243.5	40.1%
Business volume	8 512.7	8 235.3	3.4%

Key performance figures

Underlying earnings life business	173.5	175.7	-1.2%
Underlying earnings non-life business	340.5	331.8	2.6%
Underlying earnings other activities	-22.2	-68.5	-67.6%
Underlying earnings of the Group after tax	491.8	439.0	12.0%
IFRS earnings of the Group after tax	376.6	309.5	21.7%
Investment result	1 212.8	1 185.4	2.3%
of which investment result from Group financial assets and investment property	1 144.4	1 105.6	3.5%

Key balance sheet figures

Consolidated equity (without preferred securities)	4 812.6	4 655.3	3.4%
Provisions for insurance and investment contracts (net)	42 315.3	41 143.0	2.8%
Investments	49 578.9	47 939.0	3.4%
of which Group financial assets and investment property	46 471.6	45 036.3	3.2%

Ratios

Return on equity ¹	9.7%	8.9%
Reserve to premium ratio non-life	152.2%	154.4%
Combined ratio (gross)	88.5%	91.7%
Combined ratio (net)	91.6%	92.1%
Direct yield	2.2%	2.2%
Investment performance	2.5%	1.6%

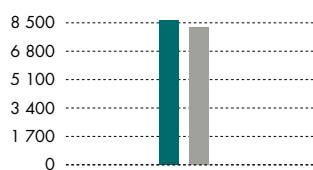
Employees

Helvetia Group	6 481	6 675	-2.9%
of which segments Switzerland and Corporate	3 376	3 478	-2.9%

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).

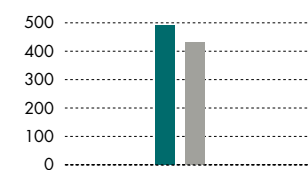
Business volume

in CHF million



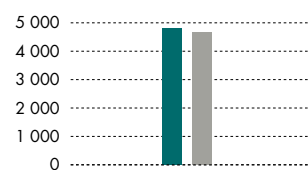
Profit*

in CHF million



Equity

in CHF million



■ 31.12.2016 ■ 31.12.2015

* underlying earnings

DIVIDEND

CHF 21.00
+ 10%

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

BUSINESS VOLUME

+ 2.6 %
CHF 8 512.7 million

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

SUCCESSFUL INTEGRATION/ REALISED SYNERGIES

CHF 118 million

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

NET COMBINED RATIO

91.6 %
- 0.5 % points

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

FINANCIAL YEAR
2016

PROFIT

+ 12 %
CHF 492 million

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

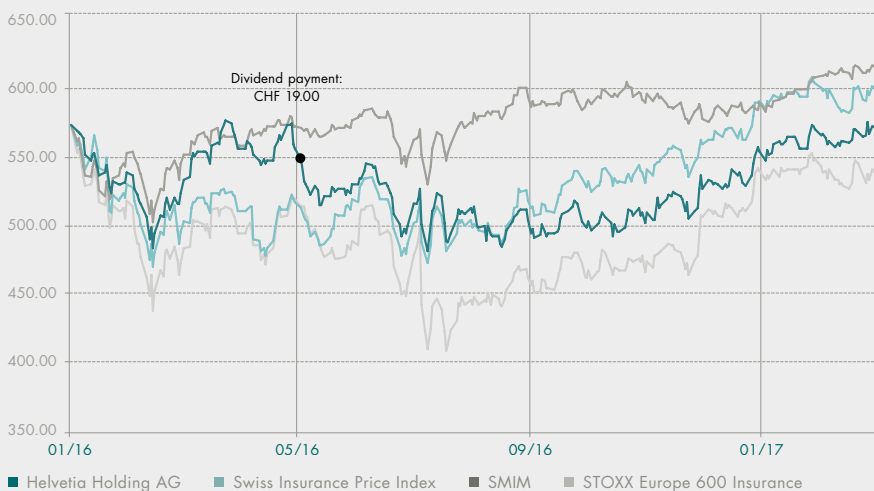
NEW BUSINESS MARGIN (LIFE)

1.3 %
+ 0.4 % points

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

Market trend 1.1.2016–28.2.2017

in CHF



Important dates

28 April 2017: Ordinary Shareholders' Meeting in St Gall

4 September 2017: Publication of half-year financial results for 2017

5 March 2018: Publication of financial results 2017

The complete Annual Report 2016 of Helvetia can be ordered at <https://www.helvetia.com/corporate/content/en/publications/order-form.html>

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

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