First semester

Letter to Shareholders
2016

Your Swiss insurer.

helvetia

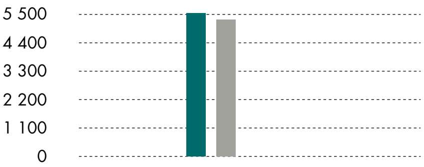
	30.6.2016	31.12.2015	30.6.2015
Key share data Helvetia Holding AG			
Group underlying earnings per share in CHF	22.9	42.1	20.5
Group profit for the period (IFRS) per share in CHF	17.6	29.0	14.6
Consolidated equity per share in CHF	489.4	470.4	443.7
Price of Helvetia registered shares at the reporting date in CHF	506.5	566.0	534.5
Market capitalisation at the reporting date in CHF million	5,037.2	5,628.9	5,315.7
Number of shares issued	9,945,137	9,945,137	9,945,137

in CHF million			
Business volume			
Gross written premiums life	3,041.5	4,311.1	2,837.9
Deposits received life	54.1	148.0	82.7
Gross written premiums non-life	2,289.6	3,532.7	2,247.5
Active reinsurance	159.1	243.5	125.5
Business volume	5,544.3	8,235.3	5,293.6
Key performance figures			
Underlying earnings life business	88.4	175.7	84.9
Underlying earnings non-life business	151.1	331.8	158.2
Underlying earnings other activities	–1.2	–68.5	–22.2
Underlying earnings of the Group after tax	238.3	439.0	220.9
IFRS earnings of the Group after tax	186.1	309.5	161.8
Investment result	461.4	1,185.4	609.9
of which investment result from Group financial assets and investment property	465.7	1,105.6	521.7
Key balance sheet figures			
Consolidated equity (without preferred securities)	4,842.7	4,655.3	4,391.4
Provisions for insurance and investment contracts (net)	43,088.5	41,143.0	41,054.8
Investments	49,532.0	47,939.0	46,195.2
of which Group financial assets and investment property	46,606.4	45,036.3	43,264.1
Ratios			
Return on equity annualised[1]	9.4 %	8.9 %	8.6 %
Combined ratio (gross)	88.2 %	91.7 %	92.4 %
Combined ratio (net)	91.9 %	92.1 %	92.4 %
Direct yield annualised	2.3 %	2.2 %	2.3 %
Investment performance	3.3 %	1.6 %	0.0 %

[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



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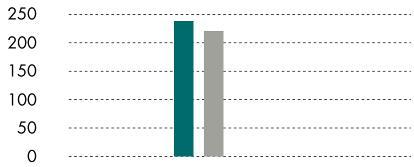
Profit*

in CHF million



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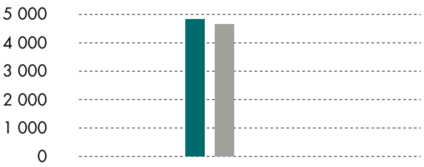
* underlying earnings

Equity

in CHF million



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FIRST SEMESTER

2016

PROFIT GROWTH

+7.9 %

The Helvetia Group impressed with underlying earnings of CHF 238 million after taxes, an increase of 7.9 % on the previous year. This profit growth was supported by an improved operating result for both the life and the other activities business, with the year-on-year improvement posted by the latter driven by a better technical result for Group reinsurance. In spite of a considerably improved technical result, the non-life business contracted because of weaker investment performance in the current market environment.

TOTAL BUSINESS VOLUME

+3.4 %

In the first half of 2016, Helvetia generated business volumes at Group level of CHF 5,544.3 million, which corresponds to year-on-year growth of 3.4 % in original currency. The success of the modern, capital-efficient life products, which improved by 8.4 %, deserves particular mention. In the non-life business, premiums rose by a total of 1 % in original currency despite portfolio optimisations in some countries.

COMBINED RATIO

91.9 %

The net combined ratio improved from 92.4 % to 91.9 % thanks to a marked improvement in the cost ratio supported by the realisation of synergies. All market units reported net combined ratios of less than 100 %.

INTEGRATION "ON TRACK": REALISED SYNERGIES:

CHF 51 million

The operational integration of Nationale Suisse and Basler Austria has largely been finalised. As well as a small number of database migrations, the mergers of the life companies in Italy are still pending and will take place by the start of 2017. The successful integration is also reflected in the achievement of the synergy goals: the half-year underlying earnings include synergies before tax of CHF 51 million. Helvetia is therefore well on the way to reaching its synergy objectives.

Contents

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

Ladies and Gentlemen

The insurance industry once again faced major challenges in the first six months of 2016: low interest rates and volatile stock markets and consequently low investment yields. In this difficult market environment, the Helvetia Group posted convincing underlying earnings after tax of CHF 238 million, an increase of 8% on the previous year. This earnings growth was shaped in particular by the progress made in the insurance technical result and the turbulence on the capital markets. The IFRS result, which was temporarily influenced by significant acquisition accounting effects, was CHF 186 million, up 15% on the previous year. The life business contributed to this profit growth with underlying earnings of CHF 88 million (up 4% on the previous year), while the underlying earnings for Other activities improved from CHF –22 million to CHF –1 million, thanks to an improved technical result for Group reinsurance and lower foreign currency losses. In spite of a considerably better technical result, non-life earnings dropped by 5% to CHF 151 million because of the market-driven lower investment result. Thanks to synergies already achieved from the acquisitions of Nationale Suisse and Basler Austria, the combined ratio improved to 91.9%.

In the first half of 2016, the Helvetia Group generated business volume of CHF 5,544 million, an increase of over 3 % in original currency. The business volume for Helvetia's life business grew by 5 % in currency-adjusted terms. Unit-linked life insurance products were one of the drivers of this growth. In the non-life business, premiums rose by a total of 1.0 % in original currency despite portfolio optimisations in some countries.

Helvetia still has a strong capital base with an SST ratio that is within the target range of 150 % to 200 % (end of 2015). The annualised return on equity calculated on the basis of underlying earnings is 9.4 %.

With regard to the integration of Nationale Suisse and Basler Austria we are approaching the targets we set for the end of 2017. The work is almost finished in Switzerland. In Germany, the supervisory authorities have approved the merger of the operating units. The new organisation has been implemented in Spain, and in Italy, the non-life units and agency networks have been merged. Helvetia is already operating with an integrated product range under a single brand in all country markets. The half-year result also includes realised pre-tax synergies of CHF 51 million.

Stefan Loacker resigned as CEO of the Helvetia Group at the end of August 2016. After nine successful years in this position and 20 years with Helvetia, he is looking for a career change. Under his leadership, Helvetia has considerably expanded its market position in Switzerland and abroad, increased its profitability and raised its premium volume by some CHF 3 billion. We would like to thank him for his great commitment and wish him all the best for the future.

The Board of Directors appointed Philipp Gmür as the new CEO from 1 September 2016. He has been making a major contribution to the company's success since 2003 as Chief Executive Officer of Helvetia Switzerland and as a Member of the Executive Management of Helvetia Group. As such, he has formed Helvetia Switzerland into a very profitable unitand vigorously pursued its further development through organic growth and acquisitions. Philipp Gmür is the ideal person to push ahead with the successful course Helvetia Group is pursuing.

In order to realise our ambition of becoming more agile and customer-focused, we are adjusting our corporate structure with effect from 1 January 2017. The merger of the current Group and Switzerland Executive Management teams under the central management of the Group CEO will allow us to eliminate duplication in Switzerland and consistently implement the strategy adopted in spring 2016 across all Group functions and country markets.

With the support of our managers and committed employees at all levels, we push ahead with the successful course for our insurance group. We are doing everything in our power to make Helvetia more valuable for you, our shareholders, as well as for our customers and employees. Thank you very much for the trust you have placed in us.

Yours sincerely

P. Vincenz

Dr. Pierin Vincenz
Chairman of the Board of Directors

Ph. Gmür

Dr. Philipp Gmür
Chief Executive Officer

Business development

Helvetia Group's business performance

Overview

The insurance industry faced persistently serious challenges in the first six months of 2016: low interest rates, extremely volatile stock markets and consequently low yields dominated the market.

In this difficult environment Helvetia can still present good figures for the first half of the year. Underlying earnings amounted to CHF 238.3 million, up 7.9 % on the prior-year period. The combined ratio improved once again to 91.9 % and the cost ratio dropped to 28.2 %. Business volume increased by 3.4 % in original currency[1] to CHF 5,544.3 million. This sound performance was also supported by the very smooth integration of Nationale Suisse, which was acquired in 2014. Helvetia also reached other important objectives in the first half of 2016.

In Switzerland, the biggest country market, the operational integration is almost completed. Following the successful migration of all non-life policies, the life policies are now being transferred to Helvetia's system.

The integration is also on course in the European country markets.

In Italy, both the two non-life units and the two agency networks were merged in the first half. Helvetia has started with the organisational restructuring in Germany and has also obtained the approval of the supervisory authorities for the merger of the operating units.

On the products side, Helvetia is already operating with an integrated product range in almost all country markets.

The successful integration is reflected in the achievement of the synergy goals: compared to the first half of 2015, the underlying earnings include realised pre-tax synergies of CHF 51.4 million.

Group business volume: Currency-adjusted increase in business volume of 3.4 % to CHF 5,544.3 million – portfolio optimisation in non-life business, satisfying development of modern life products

In the first half of 2016, the Helvetia Group generated a business volume of CHF 5,544.3. million. This is CHF 250.7 million or 3.4 % (in OC) more than in the first half of 2015 (CHF 5,293.6 million). In Swiss franc terms, business volume grew by 4.7 %. The increase is higher in Swiss francs because of the negative exchange rate effects in the previous year triggered by the Swiss National Bank's (SNB) decision to abandon the euro peg.

By **business area,** non-life premiums increased Group-wide by 1.0 % in original currency despite portfolio optimisations in some countries. Helvetia reported currency-adjusted growth of 5.3 % in life business. Capital-efficient modern products (investment-linked and investment deposits), one of the drivers of this growth, improved by 8.4 % in total (in OC) on the prior-year period. In line with the strategy, the premiums generated by traditional insurance solutions declined.

The performance of the premium volume in the life and non-life businesses is described in detail on pages 9 and 10.

By **segment,** the Switzerland market area generated the greatest growth with an increase of CHF 163.5 million or 4.7 %. Because of targeted portfolio optimisation programmes, Europe generated a slightly smaller currency-adjusted business volume (–1.1 %). In the Specialty Markets segment, the premiums generated by Helvetia were up CHF 37.3 million or 7.1 % (in OC) on the previous year, with active reinsurance being the primary growth driver.

Underlying earnings for the Group: Increased by 7.9 % to CHF 238.3 million.

The improvement in earnings is also pleasing: at CHF 238.3 million, the underlying earnings[2] after tax were up CHF 17.4 million or 7.9 % on the prior-year period (first half of 2015: CHF 220.9 million).

Viewed by **business area**, the non-life result of CHF 151.1 million was CHF 7.1 million or 4.5 % below the previous year. As the technical performance was positive, this decline is solely due to lower investment result for this business area. This was substantially weaker than in the prior-year period because of lower profits and losses on investments. Helvetia's result for the life business improved by CHF 3.5 million or 4.2 %, While the result for "Other activities" improved substantially from –CHF 22.2 million in the first half of 2015 to –CHF 1.2 million.

Viewed by **segment**, underlying earnings in Switzerland rose to CHF 172.7 million (first half of 2015: CHF 169.1 million). Underlying earnings for Europe were almost on a par with the previous year (first half of 2016: CHF 52.9 million; first half of 2015: CHF 53.6 million). In the Speciality Markets segment, underlying earnings came to CHF 14.1 million (first half of 2015: CHF 20.1 million). In the Corporate segment, the result improved over the previous year to –CHF 1.4 million (first half of 2015: –CHF 21.9 million).

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

[1] Original currency, abbreviated to OC

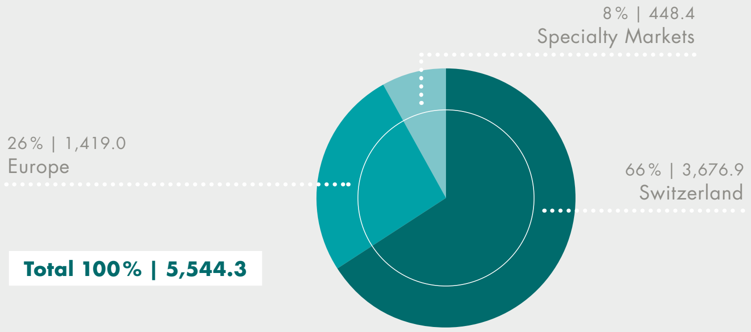
[2] Underlying earnings are adjusted for integration costs as well as amortisation of intangible assets, additional planned depreciation due to the revaluation of interest-bearing securities at market value, and other one-off effects of the acquisitions. "Underlying earnings" is not an IFRS key figure, and therefore was not audited by the Helvetia Group's statutory auditor. Nonetheless, it is derived from the audited IFRS figures.

Helvetia Group key figures

in CHF million	First HY 2016	First HY 2015	Growth in % (CHF)	Growth in % (OC)
Business volume	**5,544.3**	**5,293.6**	**4.7**	**3.4**
Gross premiums life	3,041.5	2,837.9	7.2	6.5
Investment deposits, life	54.1	82.7	–34.5	–37.2
Total life	**3,095.6**	**2,920.6**	**6.0**	**5.3**
Gross premiums non-life	**2,448.7**	**2,373.0**	**3.2**	**1.0**

Business volume by segment

Share in % | in CHF million



Total 100 % | 5,544.3

Thanks to the successful implementation of the integrations, the underlying earnings for the first half include realised pre-tax synergies of CHF 51.4 million. CHF 39.7 million of this can be attributed to savings on personnel expenses and CHF 11.7 million to other cost reductions. Around 450 employees left the company as at 30 June 2016. The headcount reduction was primarily achieved through natural attrition.

Helvetia Group's profit for the period reported under IFRS was CHF 186.1 million for the first half of 2016, compared to CHF 161.8 million in the previous year. The Group profit under IFRS was significantly influenced by the effects of the acquisitions. These include in particular:

- Integration costs of CHF 24.7 million,
- Planned amortisation on intangible assets, and
- Planned additional depreciation of CHF 48.7 million in total owing to the revaluation of interest-bearing securities.

Capital base and solvency remain solid

Helvetia still maintains a strong capital base. The SST ratio was in the target range of 150–200% as of the end of 2015. Equity[3] increased from CHF 4,655.3 million at the end of 2015 to CHF 4,842.7 million. largely because of the increase in the unrealised gains and losses recognised in equity on account of the low interest rate environment.The change in benefit obligations in Switzerland following the reduction of the discount rate had the opposite effect.

The annualised return on equity based on the underlying earnings is 9.4%.

Reconciliation to the IFRS Group profit for the period

in CHF million	First HY 2016	First HY 2015	Growth in % (CHF)
Group underlying earnings after taxes*	**238.3**	**220.9**	**7.9**
of which: life	88.4	84.9	4.2
of which: non-life	151.1	158.2	–4.5
of which: other activities	–1.2	–22.2	94.5
Integration costs	–24.7	–26.7	
Amortisation of intangible assets	–30.1	–29.8	
Additional depreciation due to revaluation at market values	–18.6	–21.2	
Additional tax effects and other	21.2	18.6	
IFRS Group profit for the period	**186.1**	**161.8**	–15.0
*Underlying earnings include:			
Pre-tax synergies, CHF million	51.4	14.7	
Pre-tax financing costs, CHF million	–6.6	–6.6	

[3] Equity (without preferred securities)

Development of business areas
Non-life

Non-life business volume: Currency-adjusted increase of 1 % in spite of portfolio optimisations

In the first half of 2016, premium volume for the **non-life business** rose to CHF 2,448.7 million (first half of 2015: CHF 2,373.0 million.). This is CHF 75.7 million or 1.0 % (in OC) more than in the previous year. Because of negative exchange rate effects in the previous year, growth in Swiss franc terms was stronger at 3.2 %.

By **segment**, the Specialty Markets segment generated the greatest premium growth with an increase of CHF 37.3 million or 7.1 % (in OC). In line with the strategy, active reinsurance made the biggest contribution to this growth. In Switzerland, premiums increased year-on-year by CHF 18.8 million or 1.8 % to CHF 1,037.8 million. Currency-adjusted premiums for Europe were down on the first half of 2015 by 2.6 %, largely because of the declining motor vehicle business in Italy across the market and portfolio optimisations in Germany and Spain.

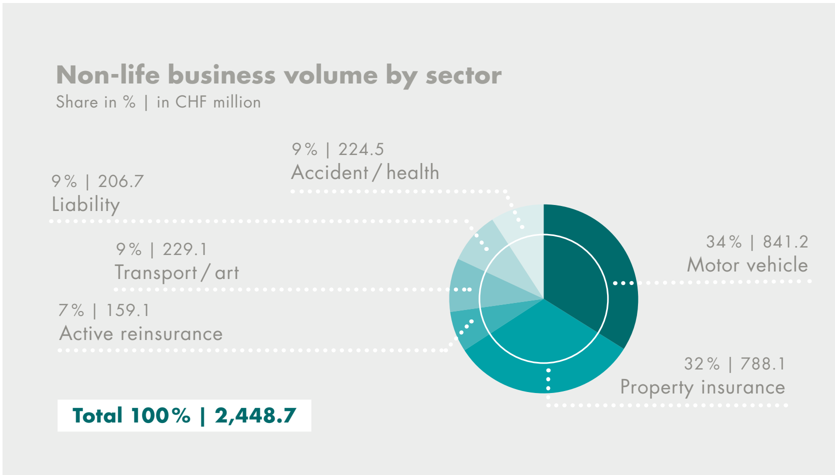
By **line of business**, the Group's premium growth was supported by motor vehicle insurance (+CHF 32.2 million or 1.8 % (in OC)). This growth was contributed by Switzerland (more details are provided on page 13). Because of the aforementioned portfolio optimisations, the other lines of business (excluding active reinsurance) posted stable or declining rates of growth.

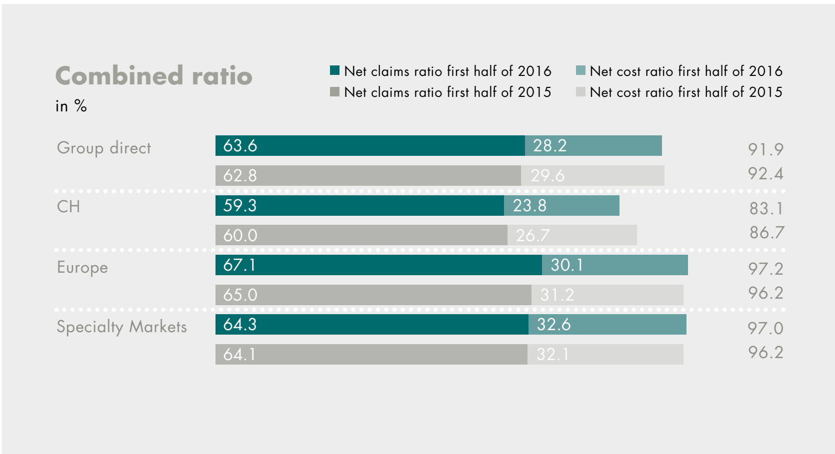
Underlying earnings for non-life business: Good technical performance could not fully compensate for decline in capital yields

Underlying earnings in the non-life business were CHF 151.1 million (first half of 2015: CHF 158.2 million). While realised synergies and higher volumes improved the technical result by CHF 12.5 million or 10.2 %, the weak performance of the stock markets meant a decline in the investment result because of smaller gains and losses on investments.

Non-life business volume by segment

in CHF million	First HY 2016	First HY 2015	Growth in % (CHF)	Growth in % (OC)
Group business volume	**2,448.7**	**2,373.0**	**3.2**	**1.0**
Switzerland	**1,037.8**	**1,019.0**	**1.8**	**1.8**
Europe	**962.5**	**942.9**	**2.1**	**–2.6**
Germany	377.8	371.6	1.7	–3.0
Italy	264.1	264.6	–0.2	–4.8
Spain	159.4	155.3	2.6	–2.0
Austria	161.2	151.4	6.5	1.7
Specialty Markets	**448.4**	**411.1**	**9.1**	**7.1**
Switzerland / International	127.9	130.4	–1.9	–2.7
France	161.4	155.2	4.0	–0.7
Active reinsurance	159.1	125.5	26.8	26.8





Net combined ratio: Very good net combined ratio of 91.9 % thanks to noticeable improvement of claims ratio to 28.2 %

The **net combined ratio** improved from 92.4 % in the first half of 2015 to 91.9 % in the first half of 2016. The claims ratio rose from 62.8 % in the first half of 2015 to 63.6 % in the reporting year, largely because of higher claims ratios in Germany and Spain. The net claims ratio for Germany increased in spite of the fact that the claims experience (gross) was better than in the prior-year period. This is because Germany was able to cede many claims to Group reinsurance in the previous year. In Spain, an above-average number of large motor liability claims led to a higher claims ratio than in the previous year. The cost ratio on the other hand improved to 28.2 % (previous year: 29.6 %). Realised synergies also contributed to the reduction, helping Helvetia to exceed the target announced in the "helvetia 20.20" strategy of a combined ratio of less than 93 %.

The profit for the period under IFRS was CHF 109.5 million (first half of 2015: CHF 116.5 million). The difference from underlying earnings is due to the planned amortisation of intangible assets and depreciation of interest-bearing securities required under IFRS acquisition accounting as well as integration costs.

Life

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

At Group level, life business volume increased by CHF 175.0 million or 5.3 % (in OC) to CHF 3,095.6 million (first half of 2015: CHF 2,920.6 million.).

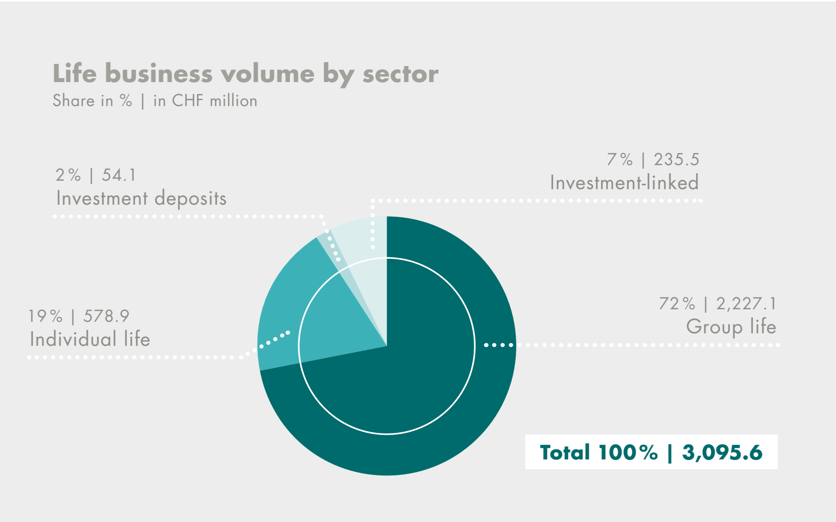
Viewed by **segments**, business volume in Switzerland rose by 5.8 % to CHF 2,639.1 million (first half of 2015: CHF 2,494.4 million). Helvetia's business volume for Europe increased by CHF 30.3 million or 2.2 % (in OC). Further details on the segments start on page 13.

By **line of business**, the group life business improved by 6.5 % (in OC) on the previous year. This growth was contributed almost exclusively by Switzerland (more details are provided on page 14).

Business volume for the individual life business also grew year-on-year by 2.2 % (in OC). With currency-adjusted growth of 8.4 % in total, the modern insurance solutions performed very well. This growth was driven by the investment-linked insurance products, while investment deposits were down on the previous year. Sales of classic insurance solutions shrank in line with the strategy. This decline could be compensated in full by the good performance of the modern insurance solutions.

Life business volume by segment

in CHF million	First HY 2016	First HY 2015	Growth in % (CHF)	Growth in % (OC)
Group business volume	**3,095.6**	**2,920.6**	**6.0**	**5.3**
Switzerland	**2,639.1**	**2,494.4**	**5.8**	**5.8**
Europe	**456.5**	**426.2**	**7.1**	**2.2**
Germany	117.9	121.0	–2.6	–7.1
Italy	205.1	176.1	16.6	11.2
Spain	54.0	53.2	1.6	–3.0
Austria	79.5	75.9	4.7	–0.1



Underlying earnings for life business: Good earnings growth in difficult investment environment

Underlying earnings for the life business were CHF 88.4 million – a year-on-year increase of CHF 3.5 million or 4.2 %. This growth was largely supported by the savings result, which was considerably better than in the previous year, mainly because of the reduction in the statutory minimum interest rate for the group life business. Although still within the usual range of fluctuation, the claims experience was weaker and resulted in a lower risk result than for the previous year. Under pressure mainly from negative equity market trends, the net investment result also declined. Weak capital market performance resulted in smaller policyholder surpluses. The expenses for the interest-related strengthening of the reserves increased year-on-year, in particular in Switzerland, Germany and Spain.

The profit for the period under IFRS was CHF 77.1 million (first half of 2015: CHF 72.9 million). The IFRS result in particular includes integration costs as well as planned depreciation due to the revaluation of interest-bearing securities under IFRS acquisition accounting.

Embedded value

On 30 June 2016, the traditional embedded value of the Helvetia Group amounted to CHF 2,862.9 million, which is CHF 38.5 million or 1.3 % less than in the middle of the previous year. Compared to the beginning of the year, the embedded value of the Helvetia Group decreased by CHF 332.8 million or 10.4 %. This is mainly due to negative economic differences caused by a further drop in interest rates. Dividend payments in the first half of the year also reduced the shareholder value of the life insurance portfolio. This was compensated by the operating profit on the insurance portfolio and adjusted equity as well as a positive contribution by new business.

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.

At –CHF 1.2 million, the contribution to underlying earnings of “Other activities” was much better than the previous year’s contribution of –CHF 22.2 million. This is primarily attributable to a better technical result for Group reinsurance, which was burdened in the previous year by a worse claims experience and the reinsurance structure of the foreign units of the former Nationale Suisse portfolio. As announced in the 2015 annual report, almost all the reinsurance contracts with the foreign units of the former Nationale Suisse have by now been migrated to the Helvetia programme. The Corporate Centre also posted a substantially better result after the previous year was burdened by high currency losses following the SNB’s decision to remove the CHF peg to the EURO. There was also a positive tax effect in the reporting year. The net loss for the period under IFRS was –CHF 0.5 million (first half of 2015: –CHF 27.6 million).

Investments

The first half of 2016 was dominated by the continued aggressive monetary policies of the central banks and still falling interest rates. As a result, bonds performed well and contributed to an increase in the unrealised gains recognised in equity of more than CHF 1 billion. The investment of new funds, however, continued to present a challenge. Of the almost CHF 3 billion in new funds, 80 % was invested in US dollar, Swiss franc and euro bonds. The remaining 20 % was invested in mortgages, real estate and a small equity component.

Most of the bond investments were in US dollar bonds, mostly corporates and long-term treasuries, account for the lion's share of the bond exposure. Mortgage bonds were preferred for Swiss francs, and the euro investments focused on corporate bonds. Investments with negative interest rates were largely avoided, except for a few exceptions in Swiss francs that had to be accepted for duration management purposes as part of the asset-liability management.

As in the first half of 2015, the direct yield on new investments was 1.7 % across all asset classes. Mortgages returned 1.3 %, bonds 1.4 %, equities 2.6 % and real estate 5.5 %.

The asset allocation was more or less the same as in the prior-year period. The bond weighting increased by one percentage point to 61 % at the cost of loans. The real estate and mortgage components remained stable at 13 % and 9 %, as did equities at 4 %. This provided the stability required in such a challenging investment environment.

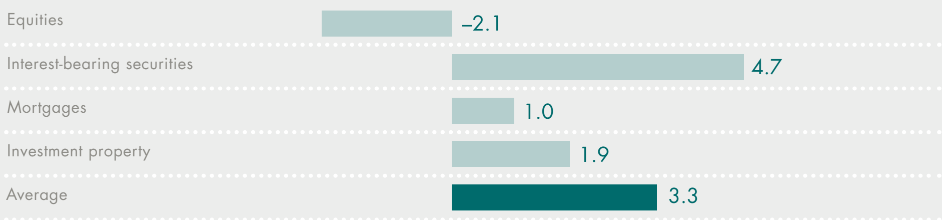
Current income from Group investments came to CHF 523.3 million, which represents a slight, volume-driven increase of CHF 20.1 million on the first half of 2015. The direct yield was the same at an annualised 2.3 %. Losses on investments amounted to almost CHF 57.6 million and were derived almost exclusively from equities. The indifferent economic situation, persistent debt problems and the outcome of the Brexit referendum resulted in volatile and flagging markets, as a result of which the hedging level on equities remained high.

With an investment result recognised in the income statement of CHF 465.7 million, a respectable result was generated. However, due to the lower extraordinary income, it was not quite possible to achieve the previous year's figure. In contrast, investment performance was substantially better at a non-annualised 3.3 %. Supported by falling interest rates, bonds served to boost performance.

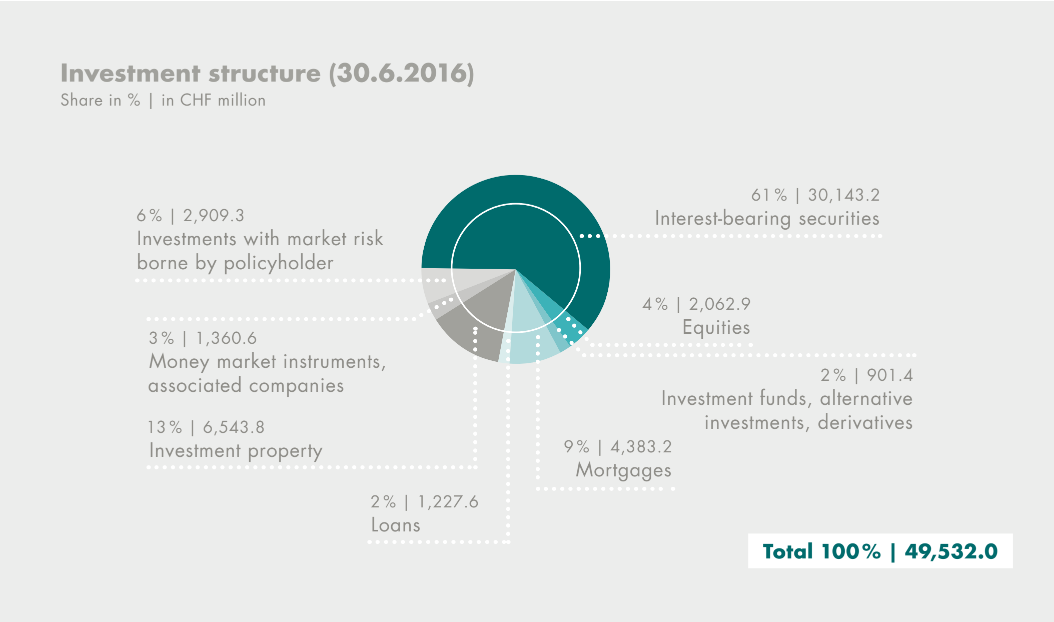
The investment environment is likely to remain challenging in the second half of the year. Interest rate increases still seem a long way off; even in the US, the interest rate hikes once considered certain now seem doubtful. In this climate we will invest new funds ad hoc in corporate bonds, mortgages and real estate, and selectively in equities.

Investment performance*

in %



* not annualised



Performance of Group investments

in CHF million	30.6.2016	30.6.2015
Current income on Group financial assets	404.9	384.0
Rental income on Group investment property	118.4	119.2
Current income on Group investments (net)	523.3	503.2
Gains and losses on Group financial assets	–60.4	14.2
Gains and losses on Group investment property	2.8	4.3
Gains and losses on Group investments (net)	–57.6	18.5
Investment result from Group financial assets and investment property (net)	465.7	521.7
Change in unrealised gains and losses recognised in equity	1,038.4	–539.2
Total profit from Group financial assets and investment property	**1504.1**	**–17.5**
Average Group investment portfolio	45,702.5	43,946.3
Direct annualised return	2.3 %	2.3 %
Investment performance	3.3 %	0.0 %

Business performance of segments
Switzerland

Overview

As the supporting pillar of the Helvetia Group, the Swiss home market posted a solid performance in the first half of 2016.

Business volume grew to CHF 3,676.9 million, which corresponds to an increase of 4.7%. Premiums in the non-life business increased by CHF 18.8 million or 1.8% to CHF 1,037.8 million. Supported by the growth of the group life business, total business volume for the life business rose by 5.8% year-on-year to CHF 2,639.1 million.

Underlying earnings were CHF 172.7 million, up CHF 3.6 million or 2.2% on the prior-year period. Underlying earnings improved for both the non-life and the life business. The improved result for the non-life business was primarily driven by the improved technical performance and realised synergies. The lower investment result had the opposite effect.

Due to the positive impact on the savings result of the reduction in the minimum interest rate for both the mandatory and non-mandatory group life business from 1 January 2016, the result for the life business was better than in the previous year. The risk result was lower, mainly because of a weaker – but still within the usual range of fluctuation – claims experience. Given the market-driven reduction in the investment result and the higher amount needed for the interest-related strengthening of the reserves, lower amounts were allocated to policyholder bonus reserves in the first half-year.

Because of lower integration costs, the IFRS result reported for the Swiss market for the period increased – despite the negative effects of the acquisitions (amortisation of intangible assets, additional planned depreciation due to the revaluation of interest-bearing securities at market values) and other one-off effects – by CHF 14.1 million or 11.4% to CHF 138.2 million (first half of 2015: CHF 124.1 million).

Non-life: Excellent combined ratio of 83.1%, noticeable improvement in cost ratio thanks to realised synergies; premium growth affected by portfolio optimisations

Non-life premiums increased in the first half of 2016 by CHF 18.8 million or 1.8%. This growth was driven by the motor vehicle insurance (+CHF 24.7 million or 5.7%), which profited from changing the billing period of some motor vehicle policies of the former Nationale Suisse to Helvetia's billing period. This effect will taper off in the second half. For the other lines of business, volumes declined compared to the previous year due to the intentional termination or non-renewal of some major contracts and the reduction of coverage for property and liability policies.

The country market Switzerland posted an excellent **net combined ratio** for the first half-year of 83.1% (first half of 2015: 86.7%), which was considerably lower than in the previous year. The claims ratio dropped year-on-year to 59.3% (first half of 2015: 60.0%). The cost ratio benefited substantially from the realised synergies and decreased from 26.7% in the previous year to 23.8%.

Key figures Switzerland

	First HY 2016	First HY 2015	Growth in %
in CHF million			
Business volume	**3,676.9**	**3,513.4**	**4.7**
Life	2,639.1	2,494.4	5.8
Non-life	1,037.8	1,019.0	1.8
Combined ratio	**83.1%**	**86.7%**	**–3.6% points.**
Underlying earnings	**172.7**	**169.1**	**2.2**
IFRS result	138.2	124.1	11.4

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

The life business was still dominated by persistently low interest rates, volatile stock markets and an investment crisis in the first half of 2016.

In this difficult environment, Helvetia experienced a good demand for life insurance products and not only increased its business volume, but also further improved its earnings.

Group life premiums increased by CHF 133.2 million or 6.5 %. Helvetia continued to pursue its full-range strategy in the reporting period. Demand for full insurance solutions remained consistent in the first half of 2016, but Helvetia maintained its selective underwriting policy for new business in the current low interest rate environment. Nevertheless full insurance policies financed by single premiums increased by 14.6 % year-on-year. This was due to a single transfer of policyholder bonuses into retirement assets, booked as premiums and should therefore be regarded as a one-off effect. The regular premiums – which are key to assessing business performance – also increased by CHF 10.6 million or 0.9 %. Demand for the modern, capital-efficient products sold through Swisscanto where Helvetia only acts as the reinsurer for death and disability also grew.

Helvetia Switzerland generated growth of CHF 11.5 million or 2.6 % in the **individual life business**. This growth was driven by the modern insurance solutions, which improved by 29 % in total year-on-year. The guarantee plan in particular demonstrated a positive trend in the sale of modern insurance solutions. The tranche product issued in spring also did well in a very challenging environment and could thus be marketed successfully. The negative capital market environment, however, depressed demand for investment deposits. As expected, business with traditional insurance solutions declined.

Europe

Overview

The market environment for the Europe segment was also challenging in the first half of 2016. In addition, Helvetia carried out deliberate non-life portfolio optimisations in some countries, which partially had a negative effect on premium growth. Consequently, business volume for the Europe segment lagged behind the previous year with CHF 1,419 million or 1.1 % in OC (first half of 2015: CHF 1,369.1 million). Expressed in the Group currency CHF, business volume rose by 3.6 %, which is explained by the aforementioned negative exchange rate effects in the previous year.

At CHF 52.9 million, underlying earnings were on a par with the previous year (first half of 2015: CHF 53.6 million).

Viewed by **business area**, the non-life result amounted to CHF 35.8 million (first half of 2015: CHF 38.3 million). In addition to a slightly weaker technical result, the reduction is mostly due to a declining investment result. The life result was CHF 17.1 million, up CHF 2.0 million or 13.5 % on

Key figures Europe

in CHF million	First HY 2016	First HY 2015	Growth in % (CHF)	Growth in % (OC)
Group business volume	**1,419.0**	**1,369.1**	**3.6**	**–1.1**
Life	**456.5**	**426.2**	**7.1**	**2.2**
Germany	117.9	121.0	–2.6	–7.1
Italy	205.1	176.1	16.6	11.2
Spain	54.0	53.2	1.6	–3.0
Austria	79.5	75.9	4.7	–0.1
Non-life	**962.5**	**942.9**	**2.1**	**–2.6**
Germany	377.8	371.6	1.7	–3.0
Italy	264.1	264.6	–0.2	–4.8
Spain	159.4	155.3	2.6	–2.0
Austria	161.2	151.4	6.5	1.7
Underlying earnings	**52.9**	**53.6**	**–1.4**	**–5.9**
Germany	8.1	14.0	–42.2	–44.8
Italy	19.1	13.9	37.6	31.4
Spain	13.2	12.0	10.7	5.7
Austria	12.5	13.7	–9.8	–13.9
IFRS result	35.0	44.9	–22.1	–25.7

the prior-year period (first half of 2015: CHF 15.1 million). The increase was mostly driven by an improved operating result. Higher expenses for the interest-related strengthening of the reserves in Germany and Spain had the opposite effect. The investment result was also lower, as were the surpluses assigned to policyholders.

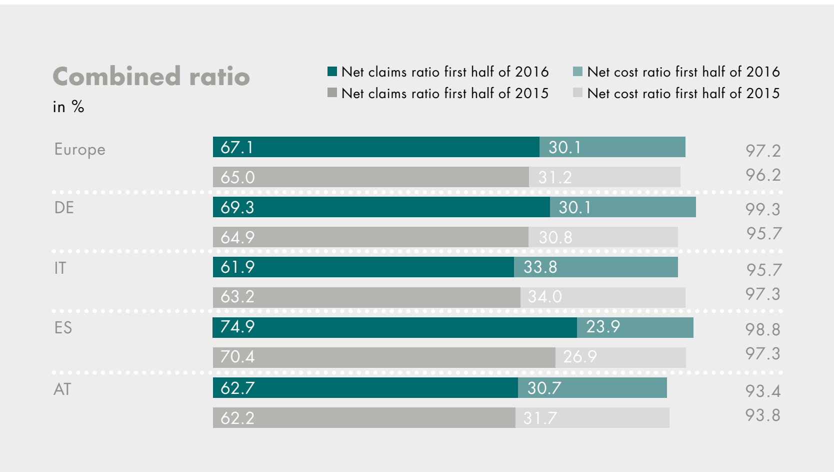
Viewed by **market units**, Italy and Spain improved their results on the prior-year period while Germany and Austria lagged behind the first half of 2015. In Germany this was due to a weaker investment result plus, to a large extent, the fact that the German unit could cede many non-life claims to Group reinsurance in the previous year. The investment result was also weaker in Austria.

The IFRS result reported for Europe was CHF 35.0 million, 22.1 % below the previous half-year result of CHF 44.9 million).

Non-life: Lower premium volume due to portfolio optimisations to improve profitability, slightly improved combined ratio but considerable improvement in cost ratio

The premium income generated by the non-life business in the Europe segment was CHF 962.5 million (first half of 2015: CHF 942.9 million). The currency-adjusted decline of 2.6 % is largely attributable to the intentional portfolio optimisations.

Viewed by **market unit**, the Austrian country market increased its non-life premiums by 1.7 %. The decrease in premium volumes in Germany, Italy and Spain was mostly caused by earnings-focused portfolio optimisation measures.



In Germany, these measures primarily affected the property (industrial) and motor vehicle business. Transport and liability business posted year-on-year growth, but could not fully compensate for the decline. In line with the market, average premiums in the motor vehicle business in Italy contracted in a very price-aggressive market environment. Italy also restructured the former Nationale Suisse portfolios. As planned, restructuring measures also eroded premiums in Spain, which were not fully compensated for by the rise in average premiums caused by the Baremo effect.

By **line of business**, only liability posted growth of CHF 7.7 million or a currency-adjusted 4 %. In all other lines, restructuring measures meant that premiums were down on the previous year.

The **net combined ratio** for the Europe segment increased year-on-year from 96.2 % to 97.2 %. The claims ratio increased from 65.0 % to 67.1 %, while the cost ratio improved from 31.2 % to 30.1 %. The increase in the claims ratio – in spite of the improved claims experience (gross) – is due not only to the fact that the German company ceded many claims to Group reinsurance in the first half of 2015, but also to the increase in the claims ratio in Spain following an above-average number of large motor liability claims. The improvement in the cost ratio is primarily supported by realised synergies. All market units had net combined ratios below 100 %.

Life: Targeted shift to capital-efficient products thanks to good performance of investment-linked insurance solutions in Germany and Austria and new "modernised" traditional insurance solutions in Italy

Life business volume increased in the first half of 2016 by CHF 30.3 million or 2.2 % (in OC) from CHF 426.2 million in the prior-year period to CHF 456.5 million.

By **market unit**, Italy posted strong growth. The Italian market saw high demand for insurance solutions with fixed interest rate guarantees in the first half of the year. In order to meet this demand without damaging the profitability of the life business, Helvetia Italy modernised its classic products and in particular reduced the guarantees again or changed the annual guarantees to a guarantee upon maturity. The growth generated for these products in the first half-year therefore did not have a negative impact on profitability.

In the Germany and Spain country markets, premiums declined following a decision to refrain from underwriting traditional new business.

Following the planned reduction in traditional insurance premiums, Helvetia Austria's premium income remained stable thanks to the good performance of investment-linked insurance products.

Viewed by **lines of business**, capital-efficient investment-linked insurance products generated satisfying growth of 10.5 % (in OC). This growth was supported by higher premiums for unit-linked life insurance products in Germany and Austria. Investment deposits declined in a weak capital market environment. The traditional individual life business grew by 5.2 % because of the aforementioned increase in Italy; business with traditional insurance solutions contracted in the other countries.

Specialty Markets

The premium volume generated in the segment Specialty Markets rose from CHF 411.1 million in the first half of 2015 to CHF 448.4 million in the reporting period, up CHF 37.3 million or 7.1 % (in OC). This growth was driven by active reinsurance, which reported a premium volume of CHF 159.1 million (first half of 2015: CHF 125.5 million), CHF 33.6 million or 26.8 % more than in the previous year. In line with the strategy, this growth is the result of targeted diversification by region and business line as well as the selective expansion of existing business relationships. The Specialty Lines Switzerland / International market unit, which includes the Specialty Lines business in Switzerland and the international markets, earned lower premiums in a difficult and intensively competitive market environment (soft market) than in the prior-year period. In France, Helvetia posted stable premium volumes in currency-adjusted terms.

Underlying earnings amounted to CHF 14.1 million, compared to CHF 20.1 million in the first half of 2015. In addition to a slightly weaker technical result, the decline is due to a lower investment result and currency effects.

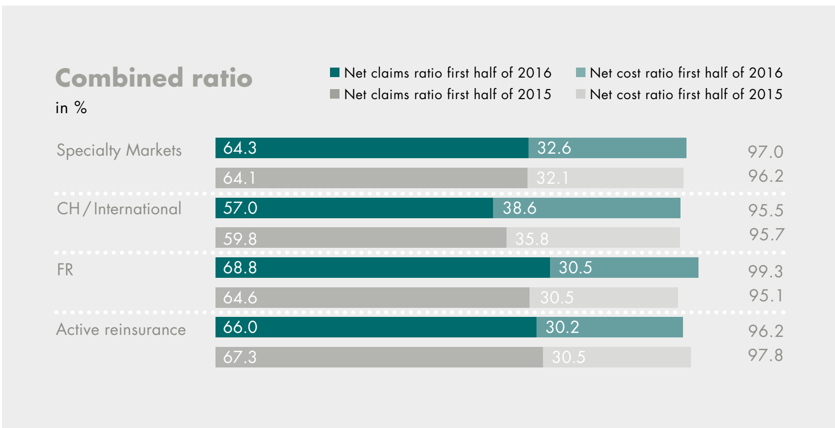
The **net combined ratio** was 97.0 % (first half of 2015: 96.2 %). Specialty Lines Switzerland / International and active reinsurance posted a stable combined ratio that was better by 1.6 percentage points. The increase in the combined ratio in France stems from a higher loss ratio due to a higher run-off result in the prior year. At 30.5 %, the cost ratio was the same as in the previous year.

Corporate

The Corporate segment comprises the Corporate Centre and Group reinsurance, in addition to the financing companies and the holding company. At –CHF 1.4 million, the contribution to underlying earnings of this segment is considerably better than the previous year's contribution of –CHF 21.9 million. This came from the substantially improved result for Group reinsurance. The previous year was also burdened by higher exchange rate losses following the scrapping of the euro peg in January 2015.

Key figures for Specialty Markets

in CHF million	First HY 2016	First HY 2015	Growth in % (CHF)	Growth in % (OC)
Business volume	**448.4**	**411.1**	**9.1**	**7.1**
Non-life				
Switzerland / International	127.9	130.4	–1.9	–2.7
France	161.4	155.2	4.0	–0.7
Active reinsurance	159.1	125.5	26.8	26.8
Underlying earnings	**14.1**	**20.1**	**–30.1**	**n.a.**
IFRS result	13.6	20.1	–32.4	–33.4



Investor information

Helvetia share

Symbol	HELN
Par value	CHF 0.10
Security number	1 227 168
Listed	SIX

Equity markets were volatile in the first quarter of 2016. Economic uncertainty, continued high debt levels, aggressive monetary policies as well as individual events such as the unexpected outcome of the Brexit referendum affected the markets. Measured against the SMIM mid-cap index, the Swiss equity index moved sideways. At −5.8 %, Swiss insurance stocks performed slightly worse than the overall market but did much better than the European benchmark, which lost more than 19 %. At −7.3 %, the Helvetia share performed in line with its domestic peers.

Key share data Helvetia Holding AG

in CHF million	30.6.2016	31.12.2015
Consolidated equity (without preferred securities)	4,842.7	4,655.3
Consolidated equity per share in CHF	489.4	470.4
Group underlying earnings per share in CHF (as per 30.6.)	22.9	20.5
Group profit for the period per share in CHF (as per 30.6.)	17.6	14.6
Price of Helvetia registered shares in CHF	506.5	566.0
Market capitalisation	5,037.2	5,628.9

Stable core shareholder base

Compared to the end of 2015, there were no changes in the composition of the core shareholder base. As of 30 June 2016, the following important shareholders were entered in the share register of Helvetia Holding:

– Patria Genossenschaft	30.1 %
– Vontobel	4.0 %
– Raiffeisen Switzerland	4.0 %

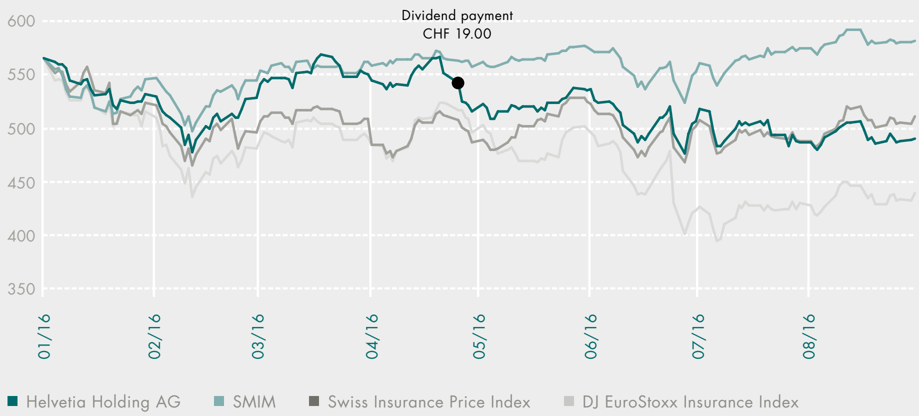
The free float is thus the same at 61.9 %.

There were 14,122 shareholders on 30 June 2016. Confirming the trend of the last few years, this is around 9 % more than at the end of 2015. The majority of registered shareholders are based in Switzerland. Excluding the above core shareholders, 64.1 % are domiciled in Switzerland while 35.9 % are based abroad. By investor type, private investors accounted for 28.1 % and banks and insurance companies for 15.8 % of the shareholder base, with other institutional investors making up the remaining 56.1 %.

Both the numbers of traded shares and the trading volume declined in the first half of the year. On average, 13,826 Helvetia shares were traded every day, which is 34 % less than in the same period last year. The daily trading volume also declined from the prior-year period by 31 % to CHF 7,268,444.

Market trend 1.1.2016 – 30.8.2016

in CHF



Consolidated interim financial statements

Consolidated income statement (unaudited)

Six months ending on	30.6.2016	30.6.2015
in CHF million		
Income		
Gross premiums written	5,490.2	5,210.9
Reinsurance premiums ceded	–189.3	–218.0
Net premiums written	5,300.9	4,992.9
Net change in unearned premium reserve	–1,094.9	–1,039.7
Net earned premiums	4,206.0	3,953.2
Current income from Group investments (net)	523.3	503.2
Gains and losses on Group investments (net)	–57.6	18.5
Income investments with market risk for the policyholder	–4.5	87.1
Share of profit or loss of associates	0.2	1.1
Other income	49.7	87.6
Total operating income	4,717.1	4,650.7
Expenses		
Claims incurred including claims handling costs (non-life)	–1,147.1	–1,174.4
Claims and benefits paid (life)	–2,099.9	–1,897.8
Change in actuarial reserves	–452.5	–462.5
Reinsurers' share of benefits and claims	24.5	63.1
Policyholder dividends and bonuses	10.3	–36.2
Income attributable to deposits for investment contracts	0.8	–35.4
Net benefits to policyholders and claims	–3,663.9	–3,543.2
Acquisition costs	–505.8	–497.4
Reinsurers' share of acquisition costs	34.1	32.2
Operating and administrative expenses	–282.7	–286.7
Interest payable	–8.5	–9.5
Other expenses	–79.8	–123.7
Total operating expenses	–4,506.6	–4,428.3
Profit or loss from operating activities	210.5	222.4
Financing costs	–6.3	–13.4
Profit or loss before tax	204.2	209.0
Income taxes	–18.1	–47.2
Profit or loss for the period	**186.1**	**161.8**
Attributable to:		
Shareholders of Helvetia Holding AG	185.6	160.6
Minority interests	0.5	1.2
Earnings per share:		
Basic earnings per share (in CHF)	17.6	14.6
Diluted earnings per share (in CHF)	17.6	14.6

Consolidated statement of comprehensive income (unaudited)

Six months ending on in CHF million	30.6.2016	30.6.2015
Profit or loss for the period	**186.1**	**161.8**
Other comprehensive income		
May be reclassified to income		
Change in unrealised gains and losses on investments	1,038.4	–537.4
Share of associates' net profit recognised directly in equity	–	0.7
Change from net investment hedge	25.1	60.6
Foreign currency translation differences	–39.5	–269.2
Change in liabilities for contracts with participation features	–570.9	245.7
Deferred taxes	–103.6	74.0
Total that may be reclassified to income	349.5	–425.6
Will not be reclassified to income		
Revaluation from reclassification of property and equipment	–0.1	–1.9
Revaluation of benefit obligations	–207.2	–140.7
Change in liabilities for contracts with participation features	23.7	18.0
Deferred taxes	37.3	25.2
Total that will not be reclassified to income	–146.3	–99.4
Total other comprehensive income	203.2	–525.0
Comprehensive income	**389.3**	**–363.2**
Attributable to:		
Shareholders of Helvetia Holding AG	388.6	–361.9
Minority interests	0.7	–1.3

Consolidated balance sheet (unaudited)

in CHF million	30.6.2016	31.12.2015
Assets		
Property and equipment	481.4	495.9
Goodwill and other intangible assets	1,143.0	1,176.9
Investments in associates	16.3	17.1
Investment property	6,543.8	6,429.1
Group financial assets	40,062.6	38,607.2
Investments with market risk for the policyholder	2,909.3	2,885.6
Receivables from insurance business	1,497.1	1,316.0
Deferred acquisition costs	512.3	467.6
Reinsurance assets	671.1	553.4
Deferred tax assets	26.0	28.0
Current income tax assets	34.4	25.1
Other assets	406.5	297.9
Accrued investment income	277.5	342.0
Cash and cash equivalents	1,246.4	1,503.0
Total assets	**55,827.7**	**54,144.8**
Liabilities and equity		
Share capital	1.0	1.0
Capital reserves	660.5	660.9
Treasury shares	–8.0	–6.5
Unrealised gains and losses (net)	331.5	232.0
Foreign currency translation differences	–472.3	–457.9
Retained earnings	2,840.8	2,994.7
Valuation reserves for contracts with participation features	1,474.1	1,215.8
Equity of Helvetia Holding AG shareholders	4,827.6	4,640.0
Minority interests	15.1	15.3
Equity (without preferred securities)	4,842.7	4,655.3
Preferred securities	700.0	700.0
Total equity	5,542.7	5,355.3
Actuarial reserves (gross)	34,222.5	33,802.6
Provision for future policyholder participation	2,433.9	1,925.7
Loss reserves (gross)	4,616.6	4,616.0
Unearned premium reserve (gross)	2,436.2	1,304.6
Financial liabilities from financing activities	930.8	935.2
Financial liabilities from insurance business	1,729.0	1,909.0
Other financial liabilities	206.3	231.7
Liabilities from insurance business	1,409.0	1,975.2
Non-technical provisions	116.1	152.8
Employee benefit obligations	1,035.2	866.3
Deferred tax liabilities	832.0	788.2
Current income tax liabilities	38.4	32.4
Other liabilities and accruals	279.0	249.8
Total liabilities	50,285.0	48,789.5
Total liabilities and equity	**55,827.7**	**54,144.8**

Consolidated statement of equity (unaudited)

in CHF million	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
Balance as of 1 January 2015	1.0	657.8	–8.2	321.7
Profit or loss for the period	–	–	–	–
Income and expense that may be reclassified to income	–	–	–	–99.1
Income and expense that will not be reclassified to income	–	–	–	–1.4
Total other comprehensive income	–	–	–	–100.5
Comprehensive income	–	–	–	–100.5
Transfer from / to retained earnings	–	–	–	–
Change in minority interests	–	–	–	0.2
Purchase of treasury shares	–	–	–9.2	–
Sale of treasury shares	–	3.1	10.9	–
Share-based payment	–	1.3	–	–
Dividends	–	–	–	–
Share capital increase	0.0	–	–	–
Shareholders' contributions	–	45.0	–	–
Allocation of shareholders' contributions	–	–45.0	–	–
Balance as of 30 June 2015	**1.0**	**662.2**	**–6.5**	**221.4**
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	–	–	–	99.6
Income and expense that will not be reclassified to income	–	–	–	0.0
Total other comprehensive income	–	–	–	99.6
Comprehensive income	–	–	–	99.6
Transfer from / to retained earnings	–	–	–	–0.1
Change in minority interests	–	–	–	–
Purchase of treasury shares	–	–	–11.0	–
Sale of treasury shares	–	–1.9	9.5	–
Share-based payment	–	1.5	–	–
Dividends	–	–	–	–
Share capital increase	–	–	–	–
Shareholders' contributions	–	45.0	–	–
Allocation of shareholders' contributions	–	–45.0	–	–
Balance as of 30 June 2016	**1.0**	**660.5**	**–8.0**	**331.5**

	Foreign currency translation differences	Retained earnings	Valuation reserves for contracts with participation features	Equity of Helvetia Holding AG shareholders	Minority interests	Equity (without preferred securities)	Preferred securities	Total equity
	–322.2	2,997.6	1,261.1	4,908.8	54.3	4,963.1	700.0	5,663.1
	–	144.2	16.4	160.6	1.2	161.8	–	161.8
	–205.9	–	–118.1	–423.1	–2.5	–425.6	–	–425.6
	–	–69.0	–29.0	–99.4	0.0	–99.4	–	–99.4
	–205.9	–69.0	–147.1	–522.5	–2.5	–525.0	–	–525.0
	–205.9	75.2	–130.7	–361.9	–1.3	–363.2	–	–363.2
	–	–16.7	–0.1	–16.8	–	–16.8	16.8	0.0
	0.1	5.1	13.4	18.8	–37.5	–18.7	–	–18.7
	–	–	–	–9.2	–	–9.2	–	–9.2
	–	–	–	14.0	–	14.0	–	14.0
	–	–	–	1.3	–	1.3	–	1.3
	–	–177.8	–	–177.8	–1.3	–179.1	–16.8	–195.9
	–	–	–	0.0	–	0.0	–	0.0
	–	–	–	45.0	–	45.0	–	45.0
	–	–	–	–45.0	–	–45.0	–	–45.0
	–528.0	**2,883.4**	**1,143.7**	**4,377.2**	**14.2**	**4,391.4**	**700.0**	**5,091.4**
	–457.9	2,994.7	1,215.8	4,640.0	15.3	4,655.3	700.0	5,355.3
	–	160.3	25.3	185.6	0.5	186.1	–	186.1
	–14.4	–	264.1	349.3	0.2	349.5	–	349.5
	–	–113.4	–32.9	–146.3	0.0	–146.3	–	–146.3
	–14.4	–113.4	231.2	203.0	0.2	203.2	–	203.2
	–14.4	46.9	256.5	388.6	0.7	389.3	–	389.3
	–	–12.9	1.8	–11.2	0.0	–11.2	11.2	0.0
	–	–	–	–	–	–	–	–
	–	–	–	–11.0	–	–11.0	–	–11.0
	–	–	–	7.6	–	7.6	–	7.6
	–	–	–	1.5	–	1.5	–	1.5
	–	–187.9	–	–187.9	–0.9	–188.8	–11.2	–200.0
	–	–	–	–	–	–	–	–
	–	–	–	45.0	–	45.0	–	45.0
	–	–	–	–45.0	–	–45.0	–	–45.0
	–472.3	**2,840.8**	**1,474.1**	**4,827.6**	**15.1**	**4,842.7**	**700.0**	**5,542.7**

Consolidated cash flow statement (unaudited)

Six months ending on	30.6.2016	30.6.2015
in CHF million		
Cash flow from operating activities		
Profit before tax	204.2	209.0
Reclassifications to investing and financing activities (affecting cash)		
Realised gains and losses on property, equipment and intangible assets	–8.9	–2.4
Realised gains and losses on sale of affiliated and associated companies	–1.1	–
Dividends from associates	–1.1	–0.4
Adjustments		
Depreciation / amortisation of property, equipment and intangible assets	53.8	63.3
Realised gains and losses on financial instruments and investment property	–46.9	–287.3
Unrealised gains and losses on investments in associates	0.9	–0.8
Unrealised gains and losses on investment property	0.1	–4.2
Unrealised gains and losses on financial instruments	134.5	–126.1
Share-based payments for employees	1.5	1.3
Foreign currency gains and losses	65.3	370.6
Other income and expenses not affecting cash[1]	–181.9	33.4
Change in operating assets and liabilities		
Deferred acquisition costs	–46.0	–44.5
Reinsurance assets	–120.0	–119.9
Actuarial reserves	452.5	462.5
Provisions for future policyholder participation	–83.6	–69.9
Loss reserves	24.5	16.8
Unearned premium reserve	1,141.8	1,093.1
Financial liabilities from insurance business	–2.2	–63.6
Changes in other operating assets and liabilities	–892.3	–909.4
Cash flow from investments and investment property		
Purchase of investment property	–131.5	–92.3
Sale of investment property	11.0	38.7
Purchase of interest-bearing securities	–2,468.2	–2,973.4
Repayment / sale of interest-bearing securities	1,999.0	3,009.9
Purchase of shares, investment funds and alternative investments	–677.6	–600.0
Sale of shares, investment funds and alternative investments	530.4	746.1
Purchase of structured products	–5.6	–7.2
Sale of structured products	0.4	0.4
Purchase of derivatives	–10,120.9	–8,319.4
Sale of derivatives	10,070.4	8,433.6
Origination of mortgages and loans	–318.4	–283.7
Repayment of mortages and loans	209.2	222.0
Purchase of money market instruments	–1,862.7	–2,170.6
Repayment of money market instruments	2,007.9	1,759.8
Cash flow from operating activities (gross)	–61.5	385.4
Income taxes paid	–41.4	–68.9
Cash flow from operating activities (net)	–102.9	316.5

Six months ending on	30.6.2016	30.6.2015
in CHF million		
Cash flow from investing activities		
Purchase of property and equipment	–8.7	–11.1
Sale of property and equipment	14.6	2.4
Purchase of intangible assets	–9.7	–11.3
Sale of intangible assets	0.2	1.7
Purchase of investments in asscociates	–	0.0
Sale of investments to former subsidiaries, net of cash and cash equivalents	12.4	–
Dividends from associates	1.1	0.4
Cash flow from investing activities (net)	9.9	–17.9
Cash flow from financing activities		
Increase of share capital	–	0.0
Sale of treasury shares	7.6	14.0
Purchase of treasury shares	–11.0	–9.2
Shareholders' contributions	45.0	45.0
Purchase of investments in subsidiaries	–	–18.7
Issuance of debt instruments	7.7	9.5
Repayment of debt	–3.8	–2.7
Dividends paid	–202.9	–200.4
Lease payments under finance lease	–1.1	–1.1
Cash flow from financing activities (net)	–158.5	–163.6
Effect of exchange rate differences on cash and cash equivalents	–5.1	–87.7
Total change in cash and cash equivalents	**–256.6**	**47.3**

Cash and cash equivalents		
Cash and cash equivalents as of 1 January	1,503.0	2,090.4
Change in cash and cash equivalents	–256.6	47.3
Cash and cash equivalents as of 30 June	**1,246.4**	**2,137.7**

[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.

Condensed notes

1. General information

The Board of Directors approved the condensed consolidated interim financial statements and released them for publication at its meeting on 31 August 2016.

2. Summary of significant accounting policies

The consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34, Interim financial reporting. With the exception of the following changes, the accounting policies used in preparing the interim financial statements correspond to the policies applied to the 2015 consolidated financial statements. The interim financial statements must therefore be read in conjunction with the 2015 financial statements.

3. Changes in accounting policies

The following published sector-relevant standards (IAS / IFRS), interpretations (IFRIC) and amendments to the standards were applied by the Helvetia Group for the first time on 1 January 2016:

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

The adoption of these amendments did not have any material impact on Helvetia Group's consolidated financial statements.

New and amended sector-relevant standards and interpretations that have been published but not yet applied in preparing the consolidated interim financial statements due to their effective date are listed in the table below.

In connection with the planned amendment to IFRS 4: Insurance contracts, IFRS 9 is not expected to become binding for insurance companies until 1 January 2021. Helvetia is looking at a coordinated introduction of IFRS 9 and IFRS 4.

The effects of IFRS 9 cannot yet be predicted. The other amendments are not expected to have any material impact on the financial statements.

Changes in accounting policies	to be applied for annual periods beginning on / after:
IAS 12: Recognition of deferred tax assets for unrealised losses	1 January 2017
Disclosure initiative – Amendments to IAS 7	1 January 2017
IFRS 15: Revenue from contracts with customers	1 January 2018
IFRS 9: Financial instruments	1 January 2018
IFRS 16: Leasing	1 January 2019

4. Scope of consolidation

In the interim reporting period, the following events led to changes in the scope of consolidation for Helvetia Group:

The Belgian subsidiary Société Immobilière Joseph II SA, Brussels, was sold on 1 March 2016. The profit from the sale of CHF 1.1 million was recognised in other income.

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.

5. Equity

For the 2015 financial year, a dividend of CHF 19.00 per share, in total CHF 189.0 million, was approved at the Shareholders' Meeting of 22 April 2016.

In the period under review, Patria Genossenschaft paid CHF 45.0 million into the bonus reserves of Helvetia Schweizerische Lebensversicherungsgesellschaft AG. This was credited to equity without affecting the profit or loss and allocated in total to "Provisions for future policyholder participation" in line with its purpose.

6. Segment information

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

The segment "Switzerland" comprises the Swiss country market.

The country markets of Germany, Italy and Spain, together with Austria, have been consolidated into the new segment "Europe".

The "Specialty Markets" segment includes marine, art and engineering insurance policies in the Switzerland / International and France market units, as well as the global active reinsurance business.

The segment "Corporate" includes all Group activities, the financing companies, Group reinsurance and Helvetia Holding AG.

In the additional information by business activity, non-life includes active reinsurance.

6.1 Segment information

	Switzerland		Europe		
Six months ending on	30.06.16	30.06.15	30.06.16	30.06.15	
in CHF million					
Income					
Gross premiums written	3,671.5	3,493.9	1,370.3	1,306.5	
Reinsurance premiums ceded	–96.2	–107.2	–168.2	–199.1	
Net premiums written	3,575.3	3,386.7	1,202.1	1,107.4	
Net change in unearned premium reserve	–911.0	–862.2	–94.4	–99.7	
Net earned premiums	2,664.3	2,524.5	1,107.7	1,007.7	
Current income on Group investments (net)	400.6	386.2	105.0	101.3	
Gains and losses on Group investments (net)	–55.6	23.0	19.1	36.9	
Income investments with market risk for the policyholder	24.5	–5.9	–29.0	93.0	
Share of profit or loss of associates	0.0	0.9	0.2	0.2	
Other income	10.3	17.1	19.5	17.2	
Total operating income	3,044.1	2,945.8	1,222.5	1,256.3	
of which transactions between geographical segments	48.3	52.8	116.1	139.3	
Total revenues from external customers	3,092.4	2,998.6	1,338.6	1,395.6	
Expenses					
Claims incurred including claims handling costs (non-life)	–367.1	–396.2	–550.2	–570.9	
Claims and benefits paid (life)	–1,775.2	–1,539.9	–324.7	–357.9	
Change in actuarial reserves	–382.3	–403.4	–70.3	–68.8	
Reinsurers' share of benefits and claims	–0.8	–3.9	74.5	150.1	
Policyholder dividends and bonuses	3.3	–37.6	8.6	3.3	
Income attributable to deposits for investment contracts	–6.3	–1.3	7.1	–34.1	
Net benefits to policyholders and claims	–2,528.4	–2,382.3	–855.0	–878.3	
Acquisition costs	–180.1	–184.6	–241.6	–237.0	
Reinsurers' share of acquisition costs	19.7	16.8	39.9	43.3	
Operating and administrative expenses	–142.8	–156.1	–92.1	–86.9	
Interest payable	–6.5	–8.3	–2.6	–4.4	
Other expenses	–38.3	–77.7	–29.0	–25.0	
Total operating expenses	–2,876.4	–2,792.2	–1,180.4	–1,188.3	
Profit or loss from operating activities	167.7	153.6	42.1	68.0	
Financing costs	–	–	0.0	0.0	
Profit or loss before tax	167.7	153.6	42.1	68.0	
Income taxes	–29.5	–29.5	–7.1	–23.1	
Profit or loss for the period	**138.2**	**124.1**	**35.0**	**44.9**	

Specialty Markets		Corporate		Elimination		Total	
30.06.16	30.06.15	30.06.16	30.06.15	30.06.16	30.06.15	30.06.16	30.06.15
448.4	411.1	190.3	227.3	−190.3	−227.9	5,490.2	5,210.9
−28.3	−35.9	−87.4	−102.9	190.8	227.1	−189.3	−218.0
420.1	375.2	102.9	124.4	0.5	−0.8	5,300.9	4,992.9
−85.5	−68.2	−3.5	−10.4	−0.5	0.8	−1,094.9	−1,039.7
334.6	307.0	99.4	114.0	0.0	0.0	4,206.0	3,953.2
11.3	10.6	9.4	9.6	−3.0	−4.5	523.3	503.2
−15.4	−40.9	−5.7	−0.5	–	–	−57.6	18.5
–	–	–	–	–	–	−4.5	87.1
–	–	–	–	–	–	0.2	1.1
17.0	46.1	3.4	9.3	−0.5	−2.1	49.7	87.6
347.5	322.8	106.5	132.4	−3.5	−6.6	4,717.1	4,650.7
11.1	15.1	−179.0	−216.8	3.5	9.6	–	–
358.6	337.9	−72.5	−84.4	0.0	3.0	4,717.1	4,650.7
−219.6	−225.6	−73.7	−131.1	63.5	149.4	−1,147.1	−1,174.4
–	0.0	−5.4	−5.9	5.4	5.9	−2,099.9	−1,897.8
–	7.2	3.7	6.9	−3.6	−4.4	−452.5	−462.5
5.9	23.5	12.5	46.3	−67.6	−152.9	24.5	63.1
−1.6	−1.8	–	−0.1	–	–	10.3	−36.2
–	–	–	–	–	–	0.8	−35.4
−215.3	−196.7	−62.9	−83.9	−2.3	−2.0	−3,663.9	−3,543.2
−84.1	−75.8	−56.7	−56.6	56.7	56.6	−505.8	−497.4
5.6	5.7	22.9	21.5	−54.0	−55.1	34.1	32.2
−32.9	−31.4	−14.5	−12.7	−0.4	0.4	−282.7	−286.7
−0.4	−0.4	−2.4	−3.0	3.4	6.6	−8.5	−9.5
−8.8	−0.2	−3.8	−20.9	0.1	0.1	−79.8	−123.7
−335.9	−298.8	−117.4	−155.6	3.5	6.6	−4,506.6	−4,428.3
11.6	24.0	−10.9	−23.2	0.0	0.0	210.5	222.4
–	–	−6.3	−13.4	–	–	−6.3	−13.4
11.6	24.0	−17.2	−36.6	0.0	0.0	204.2	209.0
2.0	−3.9	16.5	9.3	0.0	0.0	−18.1	−47.2
13.6	**20.1**	**−0.7**	**−27.3**	**0.0**	**0.0**	**186.1**	**161.8**

Details on the Europe segment

Six months ending on	Germany 30.06.16	Germany 30.06.15	Italy 30.06.16	Italy 30.06.15
in CHF million				
Income				
Gross premiums written	495.7	492.6	420.5	378.1
Reinsurance premiums ceded	–58.3	–71.1	–55.3	–69.8
Net premiums written	437.4	421.5	365.2	308.3
Net change in unearned premium reserve	–71.4	–75.6	–3.5	–0.9
Net earned premiums	366.0	345.9	361.7	307.4
Current income on Group investments (net)	32.9	31.1	42.2	41.0
Gains and losses on Group investments (net)	3.8	12.5	10.7	15.6
Income investments with market risk for the policyholder	–17.9	48.8	–7.1	34.4
Share of profit or loss of associates	–	–	–	–
Other income	2.0	2.2	13.4	10.4
Total operating income	386.8	440.5	420.9	408.8
of which transactions between geographical segments	0.4	0.3	–	–
Total revenues from external customers	387.2	440.8	420.9	408.8
Expenses				
Claims incurred including claims handling costs (non-life)	–191.7	–219.4	–156.8	–160.7
Claims and benefits paid (life)	–63.5	–60.0	–144.4	–196.8
Change in actuarial reserves	–43.7	–112.6	–28.5	64.5
Reinsurers' share of benefits and claims	19.1	72.4	26.1	38.7
Policyholder dividends and bonuses	4.0	–2.2	–2.1	–0.9
Income attributable to deposits for investment contracts	–	–	7.1	–34.1
Net benefits to policyholders and claims	–275.8	–321.8	–298.6	–289.3
Acquisition costs	–83.1	–83.0	–65.4	–65.7
Reinsurers' share of acquisition costs	11.3	13.9	11.2	13.0
Operating and administrative expenses	–27.9	–25.9	–34.0	–31.4
Interest payable	–1.4	–1.6	–0.8	–2.2
Other expenses	–11.1	–3.4	–14.3	–13.8
Total operating expenses	–388.0	–421.8	–401.9	–389.4
Profit or loss from operating activities	–1.2	18.7	19.0	19.4
Financing costs	–	–	0.0	0.0
Profit or loss before tax	–1.2	18.7	19.0	19.4
Income taxes	1.9	–5.8	–3.6	–8.4
Profit or loss for the period	**0.7**	**12.9**	**15.4**	**11.0**

Spain		Austria		Elimination		Total Europe	
30.06.16	30.06.15	30.06.16	30.06.15	30.06.16	30.06.15	30.06.16	30.06.15
213.4	208.5	241.1	227.6	–0.4	–0.3	1,370.3	1,306.5
–12.5	–20.7	–42.5	–37.8	0.4	0.3	–168.2	–199.1
200.9	187.8	198.6	189.8	0.0	0.0	1,202.1	1,107.4
–12.5	–14.6	–7.0	–8.6	0.0	0.0	–94.4	–99.7
188.4	173.2	191.6	181.2	–	–	1,107.7	1,007.7
10.5	10.4	19.4	18.8	–	–	105.0	101.3
1.7	3.4	2.9	5.4	–	–	19.1	36.9
–0.7	0.8	–3.3	9.0	–	–	–29.0	93.0
0.2	0.2	–	–	–	–	0.2	0.2
2.2	2.2	1.9	2.4	–	–	19.5	17.2
202.3	190.2	212.5	216.8	–	–	1,222.5	1,256.3
–	–	–0.4	–0.3	116.1	139.3	116.1	139.3
202.3	190.2	212.1	216.5	116.1	139.3	1,338.6	1,395.6
–112.2	–102.1	–89.6	–88.8	0.1	0.1	–550.2	–570.9
–40.0	–37.2	–76.8	–63.9	–	–	–324.7	–357.9
4.3	5.0	–2.4	–25.7	–	–	–70.3	–68.8
10.0	16.3	19.4	22.8	–0.1	–0.1	74.5	150.1
–	–0.3	6.7	6.7	–	–	8.6	3.3
–	–	–	–	–	–	7.1	–34.1
–137.9	–118.3	–142.7	–148.9	–	–	–855.0	–878.3
–41.3	–44.8	–51.8	–43.5	0.0	0.0	–241.6	–237.0
3.1	5.8	14.3	10.6	0.0	0.0	39.9	43.3
–13.9	–13.6	–16.3	–16.0	0.0	0.0	–92.1	–86.9
0.0	–0.2	–0.4	–0.4	–	–	–2.6	–4.4
3.3	–1.1	–6.9	–6.7	0.0	0.0	–29.0	–25.0
–186.7	–172.2	–203.8	–204.9	0.0	0.0	–1,180.4	–1,188.3
15.6	18.0	8.7	11.9	0.0	0.0	42.1	68.0
–	–	–	–	–	–	0.0	0.0
15.6	18.0	8.7	11.9	0.0	0.0	42.1	68.0
–4.4	–6.5	–1.0	–2.4	0.0	0.0	–7.1	–23.1
11.2	**11.5**	**7.7**	**9.5**	**0.0**	**0.0**	**35.0**	**44.9**

6.2. Additional information by business activities

Six months ending on	Life 30.6.2016	Life 30.6.2015	Non-life 30.6.2016	Non-life 30.6.2015
in CHF million				
Income				
Gross premiums written	3,041.5	2,838.0	2,449.1	2,373.8
Reinsurance premiums ceded	–26.3	–45.8	–266.8	–296.7
Net premiums written	3,015.2	2,792.2	2,182.3	2,077.1
Net change in unearned premium reserve	–582.6	–570.2	–508.3	–459.9
Net earned premiums	2,432.6	2,222.0	1,674.0	1,617.2
Current income on Group investments (net)	454.5	439.6	70.0	65.9
Gains and losses on Group investments (net)	–30.6	30.8	–21.3	–11.2
Income investments with market risk for the policyholder	–4.5	87.1	–	–
Share of profit or loss of associates	0.0	–0.1	0.2	1.2
Other income	16.6	12.2	29.0	67.5
Total operating income	2,868.6	2,791.6	1,751.9	1,740.6
Expenses				
Claims incurred including claims handling costs (non-life)	–	–	–1,137.1	–1,192.8
Claims and benefits paid (life)	–2,099.9	–1,897.8	–	0.0
Change in actuarial reserves	–452.6	–472.3	–	7.3
Reinsurers' share of benefits and claims	1.7	0.9	78.0	168.9
Policyholder dividends and bonuses	16.6	–37.1	–6.3	1.0
Income attributable to deposits for investment contracts	0.8	–35.4	–	–
Net benefits to policyholders and claims	–2,533.4	–2,441.7	–1,065.4	–1,015.6
Acquisition costs	–120.5	–120.7	–385.3	–376.6
Reinsurers' share of acquisition costs	3.0	4.1	62.2	61.7
Operating and administrative expenses	–97.1	–94.2	–169.5	–179.6
Interest payable	–12.2	–13.8	–4.8	–6.3
Other expenses	–18.1	–30.1	–58.3	–73.7
Total operating expenses	–2,778.3	–2,696.4	–1,621.1	–1,590.1
Profit or loss from operating activities	90.3	95.2	130.8	150.5
Financing costs	–	–	0.0	0.0
Profit or loss before tax	90.3	95.2	130.8	150.5
Income taxes	–13.2	–22.3	–21.3	–34.0
Profit or loss for the period	**77.1**	**72.9**	**109.5**	**116.5**

Other activities		Elimination		Total	
30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015
190.3	227.3	–190.7	–228.2	5,490.2	5,210.9
–87.4	–102.9	191.2	227.4	–189.3	–218.0
102.9	124.4	0.5	–0.8	5,300.9	4,992.9
–3.5	–10.4	–0.5	0.8	–1,094.9	–1,039.7
99.4	114.0	–	–	4,206.0	3,953.2
9.8	9.7	–11.0	–12.0	523.3	503.2
–5.7	–1.1	–	–	–57.6	18.5
–	–	–	–	–4.5	87.1
–	–	–	–	0.2	1.1
5.3	10.8	–1.2	–2.9	49.7	87.6
108.8	133.4	–12.2	–14.9	4,717.1	4,650.7
–73.6	–131.1	63.6	149.5	–1,147.1	–1,174.4
–5.4	–5.9	5.4	5.9	–2,099.9	–1,897.8
3.7	6.9	–3.6	–4.4	–452.5	–462.5
12.5	46.3	–67.7	–153.0	24.5	63.1
–	–0.1	–	–	10.3	–36.2
–	–	–	–	0.8	–35.4
–62.8	–83.9	–2.3	–2.0	–3,663.9	–3,543.2
–56.7	–56.6	56.7	56.5	–505.8	–497.4
22.9	21.4	–54.0	–55.0	34.1	32.2
–15.7	–13.3	–0.4	0.4	–282.7	–286.7
–2.9	–3.5	11.4	14.1	–8.5	–9.5
–4.2	–20.8	0.8	0.9	–79.8	–123.7
–119.4	–156.7	12.2	14.9	–4,506.6	–4,428.3
–10.6	–23.3	0.0	0.0	210.5	222.4
–6.3	–13.4	–	–	–6.3	–13.4
–16.9	–36.7	0.0	0.0	204.2	209.0
16.4	9.1	0.0	0.0	–18.1	–47.2
–0.5	**–27.6**	**0.0**	**0.0**	**186.1**	**161.8**

7. Financial instruments at fair value

Fair value is the price at which an asset could be exchanged in an active market between knowledgeable, willing parties in an arm's length transaction.

If a market value on an active market is available, the asset is allocated to the "Level 1" valuation category. Otherwise the fair value is determined using valuation methods. Such methods are considerably influenced by assumptions, which can lead to differing 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 of valuation methods includes comparisons with current market transactions, references to transactions with similar instruments, and option pricing models. In particular, interest-bearing securities without an active market, derivatives and financial liabilities belong in the "Level 2" category.

The fair value of interest-bearing securities in the "Level 2" category is based on rates set by brokers or banks, which are validated through comparison with current market transactions and with reference to transactions with similar instruments, or determined by means of the discounted cash flow method.

The fair value of equity, interest-rate and currency options is determined using option pricing models (Black-Scholes option pricing), while the market 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. The fair value of minority interests in own funds and deposits for investment contracts is derived from the fair value of the underlying assets.

If the valuation assumptions are not based on observable market data, the asset falls into the "Level 3" valuation category. This applies in particular to alternative investments.

Alternative investments are valued based on their underlying investments. This is usually the total of all current valuations of the underlying portfolio companies, any existing cash positions and other outstanding balances less liabilities.

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

Due to a systematic reallocation of the main trading sites, investments totalling CHF 202.1 million were transferred from "Level 2" to "Level 1" and CHF 248.6 million (previous year: CHF 5.1 million) from "Level 1" to "Level 2" during the reporting period.

Of the previous year's CHF 71.1 million total "Level 3" investments, investments of CHF 17.1 million were reclassified as "Level 1" as there was an active market on the reporting date. Other changes in the "Level 3" total are the result of sales in the amount of CHF 5.5 million and acquisitions in the amount of CHF 4.3 million.

A total loss of CHF 4.6 million was recorded for the "Level 3" investments (loss in previous year: CHF 2.2 million). The result comprises a loss of CHF 9.3 million, which was reported in the income statement under "Gains and losses on financial instruments" and a profit of CHF 4.7 million, which was reported in the statement of comprehensive income under "Change in unrealised gains and losses on financial instruments". The valuation loss on the "Level 3" investments held on the reporting date was CHF 5.1 million (loss in the previous year: CHF 1.3 million). The portfolio of "Level 3" investments in the interim financial statements amounted to CHF 48.2 million.

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

Financial instruments at fair value by valuation method

in CHF million	Quoted market prices 30.6.2016 Level 1	31.12.2015	Based on market data 30.6.2016 Level 2	31.12.2015	Not based on market data 30.6.2016 Level 3	31.12.2015	Total fair value 30.6.2016	31.12.2015
At fair value through profit and loss (held for trading)								
Interest-bearing securities	16.4	18.7	–	–	–	–	16.4	18.7
Investment funds	34.7	52.0	–	–	–	–	34.7	52.0
Derivative financial assets	3.5	2.6	127.1	86.1	–	–	130.6	88.7
Investments with market risk for the policyholder	8.0	7.6	42.5	48.8	–	–	50.5	56.4
Total “held for trading”	62.6	80.9	169.6	134.9	–	–	232.2	215.8
Designated as at fair value through profit or loss								
Interest-bearing securities	1,003.0	1,046.9	20.3	18.6	–	–	1,023.3	1,065.5
Shares	1,069.3	1,136.0	0.3	0.3	–	–	1,069.6	1,136.3
Investment funds	188.8	402.6	289.8	21.5	–	3.8	478.6	427.9
Investments with market risk for the policyholder	2,644.2	2,646.8	214.5	182.3	0.1	0.1	2,858.8	2,829.2
Alternative investments	–	–	0.3	2.2	1.3	1.4	1.6	3.6
Total “designated”	4,905.3	5,232.3	525.2	224.9	1.4	5.3	5,431.9	5,462.5
Total “at fair value through profit and loss”	4,967.9	5,313.2	694.8	359.8	1.4	5.3	5,664.1	5,678.3
Available-for-sale								
Interest-bearing securities	24,184.8	22,204.4	94.3	287.9	–	–	24,279.1	22,492.3
Shares	982.0	1,023.7	3.9	4.0	7.4	5.5	993.3	1,033.2
Investment funds	206.8	142.1	–	–	11.5	27.8	218.3	169.9
Alternative investments	–	–	2.4	10.5	27.9	32.5	30.3	43.0
Total “available-for-sale” (AFS)	25,373.6	23,370.2	100.6	302.4	46.8	65.8	25,521.0	23,738.4
Derivatives for hedge accounting	–	–	7.1	3.7	–	–	7.1	3.7
Total financial assets at fair value	**30,341.5**	**28,683.4**	**802.5**	**665.9**	**48.2**	**71.1**	**31,192.2**	**29,420.4**
Financial liabilities at fair value								
Minority interests in own funds	–	–	164.1	167.5	–	–	164.1	167.5
Deposits for investment contracts	–	–	1,059.4	1,063.1	–	–	1,059.4	1,063.1
Derivative financial liabilities	–	–	123.5	166.6	–	–	123.5	166.6
Other financial liabilities	–	–	23.3	26.0	–	–	23.3	26.0
Total financial liabilities at fair value	**–**	**–**	**1,370.3**	**1,423.2**	**–**	**–**	**1,370.3**	**1,423.2**

Financial Instruments

in CHF million	Book value 30.6.2016	Book value 31.12.2015	Fair value 30.6.2016	Fair value 31.12.2015
Total "loans and receivables" (LAR)[1]	9,215.8	9,281.9	10,283.2	10,076.9
Total "held-to-maturity investments" (HTM)	2,563.9	2,790.5	3,346.1	3,365.5
Total financial assets at fair value	31,192.2	29,420.4	31,192.2	29,420.4
Total financial assets	**42,971.9**	**41,492.8**	**44,821.5**	**42,862.8**
Financial liabilities at amortised cost				
Financial liabilities from financing activities	766.7	767.7	771.8	817.6
Financial liabilities from insurance business	669.6	845.9	669.6	845.9
Other financial liabilities	59.5	39.1	59.5	39.1
Total financial liablities at amortised cost	1,495.8	1,652.7	1,500.9	1,702.6
Finacial liabilities at fair value				
Financial liabilities from financing activities	164.1	167.5	164.1	167.5
Financial liabilities from insurance business	1,059.4	1,063.1	1,059.4	1,063.1
Other financial liabilities	146.8	192.6	146.8	192.6
Total financial liabiliies at fair value	1,370.3	1,423.2	1,370.3	1,423.2
Total financial assets	**2,866.1**	**3,075.9**	**2,871.2**	**3,125.8**

1 Excl. assets receivables from insurance business and reinsurance.

8. Employee benefit obligations

Pension liabilities increased by CHF 207.2 million in the first half of 2016 owing to a lower discount rate. The change was recorded in the statement of comprehensive income without affecting the profit or loss.

9. Contingent liabilities, contingent receivables and capital commitments

Since the last reporting date, Group management has not become aware of any facts that could lead to any significant changes to the contingent liabilities, contingent receivables and capital commitments of Helvetia Group, or that could have a material impact on the Group's asset, financial and income situation.

10. Seasonal influences

In principle, income and expenses are recognised immediately when they are incurred. In the consolidated interim financial statements, income and expenses are then accrued or deferred only if this would also be appropriate at the end of the financial year.

11. Events after the reporting date

No important events occurred before or on 31 August 2016, the date on which these consolidated interim financial statements were completed, that are likely to have a material impact on the interim financial statements as a whole.

Embedded value

Embedded value measures the shareholder value of the life insurance portfolio and consists of

- the adjusted equity
- plus the value of the insurance portfolio
- less the solvency costs.

The adjusted equity comprises the statutory equity and the shareholders' interest in the valuation and fluctuation reserves as well as their share in the available portion of the bonus reserve. The value of the insurance portfolio corresponds to the present value of all expected future statutory earnings after taxes from the life insurance portfolio as of the reporting date. Solvency costs are the costs of the solvency capital provided by the shareholder and are deducted from the embedded value.

In order to calculate embedded value, various best estimate assumptions are made, notably concerning return on investments, costs, claims development and policyholder profit participation. The key assumptions are listed in the following table. These also include the risk discount rates that are established separately for each country market. Given the considerable volatility, these rates are partly based on average yields, while future bond yields are still calculated as of the reference date. Compared to the previous year, the risk discount rates were raised slightly in Germany and Austria, thus reflecting the improved yield expectations for these two country markets at the time the budget was drawn up. The embedded value published here by Helvetia was calculated in accordance with the traditional method, which delivers values and sensitivities that differ from the market consistent embedded value according to the CFO Forum, and also reacts differently to economic changes.

The life units of Nationale Suisse in Switzerland and Italy acquired in the second half of 2014 and the life business of the former Basler Austria were only reported at their respective adjusted equity for the first half of 2015, without the value of the insurance portfolio or the solvency costs. From the end of 2015, the portfolios of the former Nationale Suisse and Basler Austria were modelled and included with all components in the embedded value. In addition, since the end of 2015 all funeral expenses policies in Spain have been allocated to the life business, which is consistent with the practice of the IFRS and the various solvency metrics.

On 30 June 2016, the embedded value of the Helvetia Group amounted to CHF 2,862.9 million, which is CHF 38.5 million or 1.3 % less than in the middle of the previous year. Compared to the beginning of the year, the embedded value of the Helvetia Group decreased by CHF 332.8 million or 10.4 %. This is mainly due to negative economic differences caused by a further drop in interest rates. Dividend payments in the first half of the year also reduced the shareholder value of the life insurance portfolio. This was compensated by the operating profit on the insurance portfolio and adjusted equity as well as a positive contribution by new business.

The volume of new business at Group level declined compared to the first half of 2015. This was largely due to the new business in Switzerland where fewer full-value policies were written for the occupational pension business, while new business with Swisscanto grew considerably. In Switzerland, new business growth for the individual customer business was substantially higher for capital-efficient products than for traditional savings products. New business volume also rose in the EU. In all country markets, traditional savings products are now only offered selectively or in modernised form while guarantees have been noticeably reduced or only granted upon maturity.

The value of new business written in 2016 increased from CHF 4.9 million in the first half of 2015 to CHF 7.0 million. New business written in Switzerland decreased because of the BVG business, while the new and profitable funeral expenses policies in Spain contributed substantially to the increase of new business in the foreign country markets. The effect of the measures implemented to modernise traditional products and improve the new business mix was largely cancelled by the negative interest rate trend. As a consequence, the profitability of the Helvetia Group's new business based on the development of the volume and value of new business improved only slightly from 0.3 % in the first half of 2015 year to 0.5 % in the reporting year.

in CHF million	30.06.2016	30.6.2015
Embedded Value after tax		
Switzerland	**2,433.5**	**2,520.4**
of which value of insurance portfolio	1,565.3	1,634.2
of which adjusted equity	2,001.0	1,867.4
of which solvency costs	–1,132.8	–981.2
EU	**429.4**	**381.0**
of which value of insurance portfolio	214.9	191.7
of which adjusted equity	345.2	294.4
of which solvency costs	–130.7	–105.1
Total[1]	**2,862.9**	**2,901.4**
of which value of insurance portfolio	1,780.2	1,825.9
of which adjusted equity	2,346.2	2,161.8
of which solvency costs	–1,263.5	–1,086.3

[1] of which minority interests CHF 1.6 Mio. as of 30.06.2016

Assumptions in %		
Switzerland		
Risk Discount Rate	6.0 %	6.0 %
Yield on bonds	–0.4 %–0.8 %	0.5 %–1.6 %
Yield on equities	6.0 %	6.0 %
Yield on real estate	4.5 %	4.5 %
EU		
Risk Discount Rate	7.0 %–8.0 %	6.5 %–8.0 %
Yield on bonds	1.1 %–2.6 %	2.0 %–3.4 %
Yield on equities	6.5 %	6.5 %
Yield on real estate	4.8 %	4.7 %

in CHF million	30.6.2016	30.6.2015
Development of embedded value after tax		
Embedded value as of 1 January[1]	3,195.7	2,979.3
Operationg profit from insurance portfolio and adjusted equity	49.0	86.0
Value of new business	7.0	4.9
Economic changes, including changes to unrealisied gains and losses on investments (equity and real estate)	–346.6	–71.8
Dividends, movement of capital and aqcquired business	–40.2	–38.2
Foreign currency translation differences	–2.0	–58.8
Embedded value as of 31 December	**2,862.9**	**2,901.4**

[1] Includes all components from acquisitions and burial insurances Spain as at 1.1.2016

in CHF million		
New Business		
Switzerland		
Value of new business	3.2	3.6
Annual Premium Equivalent (APE)	105.6	115.7
Value of new business in % APE	3.0 %	3.1 %
Present value of new business premiums (PVNBP)	1,139.6	1,253.4
Value of new business in % PVNBP	0.3 %	0.3 %
EU		
Value of new business	3.8	1.3
Annual Premium Equivalent (APE)	46.7	37.2
Value of new business in % APE	8.1 %	3.5 %
Present value of new business premiums (PVNBP)	370.7	298.5
Value of new business in % PVNBP	1.0 %	0.4 %
Total		
Value of new business	7.0	4.9
Annual Premium Equivalent (APE)	152.3	152.9
Value of new business in % APE	4.6 %	3.2 %
Present value of new business premiums (PVNBP)	1,510.3	1,551.9
Value of new business in % PVNBP	0.5 %	0.3 %

Annual Premium Equivalent (APE): 100% des primes annuelles des nouvelles affaires +10% des primes uniques des nouvelles affaires
PVNBP: Present Value of New Business Premium

Important dates

13 March 2017	Publication of financial results 2016
28 April 2017	Ordinary Shareholders' Meeting in St Gall
4 September 2017	Publication of half-year financial results for 2017

St Gall, 5 September 2016

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