Business development

Business development

Market environment

Our market position in competitive markets

In over 150 years, Helvetia Group has grown from a number of Swiss and foreign insurance companies into a successful insurance group that conducts business across Europe. With the integration of Nationale Suisse, Helvetia has been able to strengthen its position as a leading all-lines insurer in the top 3 of the Swiss insurance market. With the market area "Specialty Markets", which includes engineering, transport and art, Helvetia is further developing its competence as a specialty insurer. Thanks to the acquisition of Basler Austria, Helvetia ranks among the top 10 insurance companies in Austria.

Germany, Italy and Spain are among the highest volume insurance markets in the world, with over 5 %, 3 % and 2 % of global market share respectively[1]. As Helvetia's market share in these markets is lower (see figure), we expect further growth in these markets. We utilise this growth potential by focusing on the needs of our customers and sales partners, for whom we are a good match due to our size, sales structures and geographical scope.

Market environment in the European insurance market

The current market conditions[2] in the European markets continued to present a number of challenges to insurers in 2014. In the past financial year, the recovering economy caused the global insurance market to grow more strongly again. The growth of the global economy was driven primarily by the USA, as recovery in the European markets in particular tended to be slow in comparison. The decline in growth in Germany in the second quarter had a particularly dampening effect on the European economy. The restructured supervisory regulations in Europe under Solvency II created additional momentum and a greater need for action.

Once again, a positive trend prevailed in the **non-life business**[3], particularly in Southern Europe. After the still evident effects of last year's recession, the Spanish economy showed signs of a recovery. Experts believe that the Spanish market has grown again by 0.8 % in financial year 2014[4]. Nevertheless, the strong pressure on prices and costs continued to prevail in the

Our market positions

Strong potential for growth based on room for growth in market positions abroad

The markets in which Helvetia is active generate a volume of EUR 625 billion, representing 18,7 % of the global market[1].

CH No. 3
CHF 4 451 million.
80 % life
20 % non-life

FR Niche position No. 2 (transport / marine)
CHF 252 million

DE No. 31
CHF 865 million
35 % life
65 % non-life

ES No. 29
CHF 436 million
32 % life
68 % non-life

AT No. 9
CHF 376 million
38 % life6
2 % non-life

IT No. 21
CHF 1,149 million
56 % life
44 % non-life

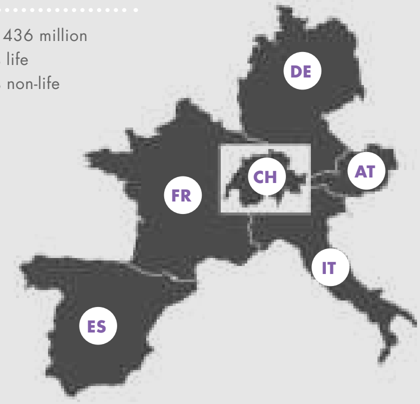
Ambition 2015+

Helvetia strives to sustainably boost its attractive business portfolio in its current active markets and to continuously develop market shares.

[1] Source: Sigma 3/2014 and Helvetia estimate

Market positions of country markets at the end of 2013

Premium volume of country markets in financial year 2014



Spanish non-life market. The Italian market continued to experience a very hard price war, particularly in the motor vehicle business. According to estimates from the supervisory authority IVASS, the non-life market again declined by 3.2 % in 2014, and the motor vehicle business saw a decrease of 6.1 %. The transport business in France also experienced an increase in competition intensity, primarily due to pricing measures. However, the Swiss non-life market remained robust in 2014, with an estimated growth of 1.0 %[5], and in Germany the non-life business was supported by the economic recovery. Europe was mainly untouched by major storms and natural catastrophes in 2014. The 2014 Whitsun weekend storms and heavy rains in Germany led to considerable weather-related claims, which will be reflected in the combined ratios of European insurers. In addition, the low interest rate environment in the non-life business also had an unfavourable impact on the profitability of insurers, although to a lesser extent than in the life business.

The **life insurance business** in the past financial year was dominated by conditions in the capital markets. The biggest problem for life insurers in 2014 was once again the low interest rate environment, as low-risk investments yielded very low returns. With regard to business volume, all country markets in which Helvetia operates continued to show signs of growth. The foreseeable further cuts in statutory pension schemes will boost demand for private pension solutions. The turmoil in the financial markets has increased the demand for products with financial guarantees and yield-oriented financial investments.

The global **reinsurance market** came under pressure due to the further increased traditional and alternative capacities. The low interest rate environment meant that more alternative capital was added to the reinsurance sector. 2014 was therefore characterised by overcapacity. This enabled primary insurers to cover their requirements in a more tailored manner, thanks to innovative solutions in specific areas. Natural catastrophes in 2014 presented fewer claims worldwide due to extreme weather and earthquakes. Despite the floods, storms and hailstorms in central and northern Europe, the impact was lower than in previous years. These factors caused pressure on prices and conditions to further increase in virtually all areas. However, this development was contrary to the trend that, although especially primary insurers in the developed markets are demanding price reductions, they increasingly favour sustainable conditions and partnerships with their reinsurers, whilst giving short shrift to pure opportunistic transactions. It is also expected that the consolidation phase in the reinsurance market which was initiated at the turn of the year and had been expected for a long time will continue in the coming months and years.

Market environment in the European capital markets

In contrast to most of the projections, interest rates in Switzerland and in Europe sank to new lows during the course of the year. Interest spreads also decreased further. This development is partly due to the sustained aggressive monetary policy of the European Central Bank and partly due to the only hesitant tightening of the monetary reins by the Fed. Added to this was the lagging economic recovery in Europe, in contrast to the robust economic upturn in the USA.

Commensurate with the fall in interest rates, bonds achieved significant increase in value, which reached double-digit percentages in bonds with longer maturities. The uncomfortable downside of this performance strength is that the new inflow of funds had to be invested at increasingly low rates of return, putting pressure on the current income.

The equity markets performed inconsistently and remained vulnerable throughout the entire year, regularly alternating between periods of recovery and setbacks. Geopolitical risks in the wake of the Ukrainian crisis, economic concerns in Europe or the fear of a renewed flare-up of the debt crisis caused stock prices to fall time after time. While the American and Swiss equity markets concluded the year with attractive gains of 12.6 % and 9.5 %, respectively, the majority of the European markets were lethargic and scarcely made any headway.

1 Source: sigma 3/2014, Swiss Re
2 Source: Swiss Re, Economic Research & Consulting, Global Insurance Review 2014 and Outlook 2015/2016, November 2014
3 Insurance Journal, 16 October 2014; www.insurancejournal.com/news/international/2014/10/16/343751.htm
Insurance Journal, 14 October 2014; www.insurancejournal.com/news/international/2014/10/14/343406.htm
Aon, Reinsurance Outlook, September 2014; http://thoughtleadership.aonbenfield.com/Documents/20140912_analytics_reinsurance_market_outlook_september2014.pdf
4 Source: ICEA Market figures Q4 2014 closing
5 Source: Swiss Insurance Association SVV

There were no great surprises with exchange rates. The economic recovery in the USA and the impending end of the QE programme strengthened the US dollar. The Swiss franc remained closely tied to the euro due to the minimum exchange rate established by the National Bank.

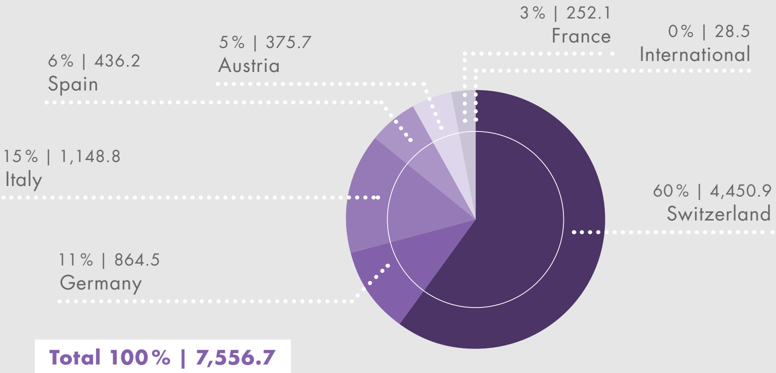
Helvetia Group key figures

	2014*	2013	Growth in % (CHF)	Organic growth in % (OC)
in CHF million				
Group business volume	**7766.6**	**7476.8**	**3.9**	**0.3**
Gross premiums life	4614.5	4547.5	1.5	– 0.5
Deposits life	153.0	183.6	– 16.7	– 16.0
Gross premiums non-life	2789.2	2550.9	9.3	1.4
Business volume for direct insurance	**7556.7**	**7282.0**	**3.8**	**– 0.2**
Active reinsurance	209.9	194.8	7.8	7.8

* including Nationale Suisse and Basler Austria on a pro rata basis

Direct business volume by country

Share in % | in CHF million



Total 100 % | 7,556.7

Helvetia Group's performance

Helvetia was able to impress once again in the financial year 2014 with a very good business performance. The acquisitions of Nationale Suisse and Basler Austria saw Helvetia take significant steps in the Swiss and Austrian markets. With a strong top 3 positioning, Helvetia is a leading all-lines insurer in Switzerland. In Austria, Helvetia is ranked among the top 10 Austrian insurance companies. Thanks to the acquisition of Nationale Suisse, Helvetia was also able to develop further its position in Europe. The good business performance was also reflected in the business figures.

The business volume of the new Helvetia Group was CHF 7,766.6 million, representing an increase compared to the previous year – especially thanks to the acquisitions – of 4.4 % in original currency. The two companies acquired in 2014, Nationale Suisse and Basler Austria, made their first contribution to growth with CHF 328.1 million. Both of the acquired companies were consolidated pro rata in the consolidated financial statements 2014 and will show the full impact of their contributions in 2015. The organic growth recorded amounted to 0.3 % (in OC). Underlying earnings[1] of the new Helvetia Group increased by 15.9 % from CHF 363.8 million in financial year 2013 to CHF 421.7 million[2].

The net combined ratio of 93.1 % was once again very good, and above the target of 94 to 96 %. Capitalisation remained strong as well: Solvency I came to 216 % (2013: 218 %). Our SST ratio as of 30 June 2014 was within the 150 – 200 % range.

[1] Underlying earnings are adjusted for integration expenses, as well as amortisation of intangible assets, additional planned amortisation due to 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.

[2] As in the previous year no significant special effects from acquisitions were reported, thus the previous year's earnings have not been adjusted.

Business volume: increased 4.4 % (in OC) thanks to acquisitions, stable development without acquisitions

In the financial year 2014, the new Helvetia Group achieved a business volume of CHF 7,766.6 million. Compared with the previous year (CHF 7,476.8 million), this represents an increase of 4.4 % (in OC). At a volume of CHF 328.1 million recorded on a pro rata basis, the two companies acquired in financial year 2014, Nationale Suisse and Basler Austria, made a significant contribution to growth. The business volume recorded organic growth of 0.3 % (in OC). Both the life and the non-life business profited from the two acquisitions. The development of the business volume in the life and non-life segments is described in detail on pages 92 to 94.

Earnings: a significant improvement of the underlying earnings thanks to the non-life business; stable earnings in life insurance in the difficult capital market environment

Preliminary remark: Helvetia acquired the Nationale Suisse Group in financial year 2014, and it was fully consolidated on 20 October 2014. Therefore, Nationale Suisse is taken into account as of that date in the 2014 Group financial statements. Basler Austria was also acquired and is included in the Helvetia Group financial statements as from 28 August 2014.

The IFRS profit for the period for Helvetia after the acquisitions will be temporarily significantly shaped by special effects. These special effects include integration costs, planned amortisation of intangible assets and additional planned write-downs due to the revaluation of interest-bearing securities to fair value, resulting from the specific IFRS accounting requirements for acquisitions.

Up until the end of financial year 2017, Helvetia is therefore putting emphasis on so-called "underlying earnings", which eliminates these temporary effects and therefore reflects the operating performance of the new Helvetia Group.

Helvetia Group impressed with underlying earnings of CHF 421.7 million, an increase of 15.9 % compared with the previous year (CHF 363.8 million[3]). The two acquisitions in financial year 2014, Basler Austria and Nationale Suisse, contributed CHF 22.1 million to these earnings (since the first consolidation in the financial statements). The improvement at Group level stems from the non-life business, while the result of the life business remained largely stable despite a difficult capital market environment, and the result for "Other activities" decreased due to the capital market. The results of the individual segments are described in detail on the following pages.

Bridge to the IFRS profit for the period

Helvetia Group's profit for the period reported in accordance with IFRS for financial year 2014 is CHF 393.3 million – an increase of 8.1 % compared to the previous year. The IFRS profit for the period was significantly influenced by acquisition effects: including integration costs of CHF 84.9 million, amortisation of intangible assets, further planned write-downs of CHF 83.1

[3] As the previous year reported no significant special effects from acquisitions, the previous year's earnings have not been adjusted.

Key figures for Helvetia Group

in CHF million	2014*	2013	Growth in % (CHF)
Group underlying earnings after tax**	**421.7**	**363.8**	**15.9**
Of which life	151.2	152.9	– 1.1
Of which non-life	255.4	191.7	33.3
Of which other activities	15.1	19.2	– 21.3
Integration costs	– 84.9	–	n.a.
Amortisation of intangible assets	– 70.1	–	n.a.
Additional write-downs due to revaluation at fair value	– 13.0	–	n.a.
Valuation gains on Nationale Suisse shares	108.9	–	n.a.
Taxes and other	30.7	–	n.a.
IFRS profit for the period	**393.3**	**363.8**	**8.1**

* Including Nationale Suisse and Basler Austria on a pro rata basis
** Underlying earnings does not yet include any synergies in financial year 2014, but does include financing costs of CHF 2.6 million.

million due to the revaluation of interest-bearing securities as well as valuation gains of CHF 108.9 million on Nationale Suisse shares which were already owned by Helvetia before the acquisition.

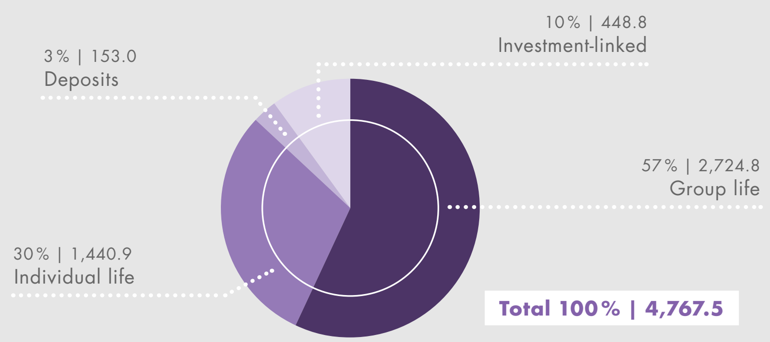
Life business volume by country

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**4 767.5**	**4 731.1**	**0.8**	**1.1**	**– 1.1**
Switzerland	3 538.7	3 574.4	– 1.0	– 1.0	– 2.9
Germany	300.4	301.1	– 0.2	1.1	1.1
Italy	641.5	595.6	7.7	9.1	6.0
Spain	141.1	130.2	8.3	9.7	9.7
Austria	142.5	129.8	9.8	11.2	1.4
Belgium	3.3	n.a.	n.a.	n.a.	n.a.

* Including Nationale Suisse and Basler Austria on a pro rata basis

Life business volume by sector

Share in % | in CHF million



Capitalisation / Solvency: solvency remains sound

Even after the two acquisitions, Helvetia still has a very good capital position. This is also reflected in the excellent Solvency I ratio of 216 %. Despite paying an attractive dividend, equity[4] rose compared to the financial year 2013 from CHF 3,831.2 million to CHF 4,963.1 million. The higher profit contributed to the increase. In addition, CHF 535 million was attributable to the capital increase during the course of the Nationale Suisse acquisition. The unrealised gains and losses recognised in equity also saw a further increase due to the declining interest rate environment. The return on equity increased from 9.5 % in 2013 to 9.6 %[5].

Development of business activities

Life

Business volume: stable business development at Group level, very good performance in Spain, initial growth effects from the acquisition in Austria, sustained demand for Swiss group insurance

The business volume in the life business of the new Helvetia Group grew to CHF 4,767.5 million and therefore by 1.1 % (in OC) compared to the previous year. The two acquired companies, Basler Austria and Nationale Suisse, contributed to the business volume with premiums of CHF 103.0 million. The organic growth recorded amounted to – 1.1 % (in OC).

By country, the foreign subsidiaries experienced a further growth in business activities. The performance of the Spanish subsidiary with an increase of 9.7 % (in OC), which was particularly due to a considerable demand for profitable investment-linked products, was pleasing. Austria was also able to significantly increase its premiums on account of the acquisition. As the Italian insurance market remained dominated by a

[4] Equity excluding preferred stock
[5] In percent of underlying earnings

strong demand for traditional insurance solutions, the growth of the business volume (+9.1 % [in OC]) generated by Helvetia Italy was attributable to traditional business with single premiums. Germany also reported a slight increase of 1.1 % (in OC). However, the home market of Switzerland recorded a decline, as the growing group life business was not able to fully compensate for the decline in the individual life business.

By **line of business,** the premium volume in the **group life business** increased slightly compared to the previous year (+0.8 % in OC). The growth came from Switzerland; the demand for full insurance solutions there remains high.

In the **individual life business**, the business volume increased by 3.3 % (in OC) on account of the acquisitions. By contrast, the organic growth recorded was negative. As a result of the difficult capital market environment, the single-premium business declined significantly. Particularly in the largest market of Switzerland, the exceptionally strong growth of the previous year in investment-linked products did not continue on account of the low interest environment.

Profit for the period: stable earnings in a difficult capital market environment

Underlying earnings for the life insurance segment amounted to CHF 151.2 million, representing a slight decline of 1.1 % compared with the previous year. As a result of the difficult capital market environment, lower investment returns were recorded in financial year 2014. In addition to this, the interest result dropped in the Swiss group life business as a result of the Swiss Federal Council increasing the minimum interest rate for 2014 from 1.5 % to 1.75 % within the scope of the annual adjustment. Both effects could not be fully compensated for by the lower policyholder participation compared with the previous year. In comparison with the previous year, the risk result remained stable. The sustained low interest rate environment required a further increase to reserves in the country markets of Switzerland, Germany and Spain.

The profit for the period reported in accordance with IFRS was CHF 115 million (2013: CHF 152.9 million). The decline is mainly attributable to the write off of goodwill for Chiara Vita in Italy. For more details, refer to the country contribution of Italy on page 103.

Embedded value

At the end of 2014, the embedded value of Helvetia Group was CHF 2,979.3 million. This corresponded to growth of CHF 56.7 million or 1.9 % compared with December 2013 or a decline of CHF 225.4 million or 7.7 % without taking the new acquisitions into consideration.

The analysis of changes shows that, without the new acquisitions, the embedded value records a decline essentially due to the considerably poorer than planned economic result on account of the falling interest rates. This is by contrast to a significantly better operating profit due to more favourable mortality and cost assumptions as well as the positive contribution of the new business in all countries. The newly added adjusted equity of the acquisitions included in the capital movements ultimately led to an increase in the embedded value of the life insurance portfolio.

The volume of new business fell compared to the previous year because, for capital market reasons, it was not possible to launch investment-linked tranche products in the individual life business in Switzerland to the desired extent and it was therefore no longer possible to build on the exceptionally successful previous year. In occupational pension plans in Switzerland, the record premiums of the previous year were not reached again. The main reason was the outsourcing of the Swisscanto pension business. Since 1 January 2014 Swisscanto has taken over the liabilities for these pensions from Helvetia. After foreign markets had suffered in 2013 due to the difficult economic environment, the volume of new business rose again in this area.

As a result of the lower interest rate environment, new business profitability in all countries was below the previous year's level.

Non-life

Business volume: pleasing growth thanks to acquisitions (+10.3 % in OC); solid organic performance driven by the large insurance lines of motor vehicle and property insurance

In the **non-life business segment** Helvetia generated a premium volume of CHF 2,789.2 million (2013: 2,550.9 million) in the financial year 2014, representing an increase compared to the previous year of 10.3 % (in OC). The two acquisitions, Nationale Suisse and Basler Austria, contributed significantly to this growth with CHF 225.1 million. The organic growth also amounted to a satisfying 1.4 % (in OC).

In terms of **lines of business**, the increase was primarily driven by the large insurance lines of property insurance (+12.7 % [in OC]), motor vehicle insurance (+9.3 % [in OC]) and liability (+6.8 % [in OC]). In all three lines, Nationale Suisse and Basler Austria contributed significantly to the premium increase. But also in the accident and health business, Helvetia generated 22.7 % higher premiums (in OC) in 2014 than in the previous year. This growth originates largely from the health and accident insurance portfolio taken over from Nationale Suisse. In contrast, the organic growth was particularly emphasised in the large business lines of motor vehicle (+3.3 % [in OC]) and property (+0.8 % [in OC]) but also in the health and accident business (+5.5 % [in OC]).

In terms of **country markets**, the acquisition-related increase was most pronounced in Switzerland and Austria. Spain also recorded a pleasing performance: the continuing economic recovery had a positive effect on the Spanish non-life business. In conjunction with Nationale Suisse's contribution to growth, this led to a volume increase of 8.8 % (in OC).

Thanks to Nationale Suisse, the Italian subsidiary also recorded 6.2 % (in OC) higher premiums. The motor vehicle and property businesses of Nationale Suisse in particular supported this growth. Only France remained behind the previous year's result. Alongside the lagging economic recovery, the portfolio adjustments in the transport business also had a negative effect on the premium volume.

The underlying earnings in the non-life business was CHF 255.4 million (2013: CHF 191.7 million). The 33.3 % increase in these earnings was attributable to an organically improved technical result with additional support from the two acquisitions.

Non-life business volume by country

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**2789.2**	**2550.9**	**9.3**	**10.3**	**1.4**
Switzerland	912.2	797.0	14.5	14.5	2.5
Germany	564.1	542.1	4.0	5.4	2.5
Italy	507.3	484.3	4.8	6.2	– 0.1
Spain	295.1	275.0	7.3	8.8	2.1
Austria	233.2	191.4	21.8	23.5	1.8
France	252.1	261.1	– 3.4	– 2.2	– 2.2
International**	25.2	n.a.	n.a.	n.a.	n.a.

* Including Nationale Suisse and Basler Austria on a pro rata basis
** Includes the country market of Belgium, the representative office in Liechtenstein and the specialty business of Nationale Suisse in Latin America, Turkey and Asia

Non-life business volume by sector
Share in % | in CHF million

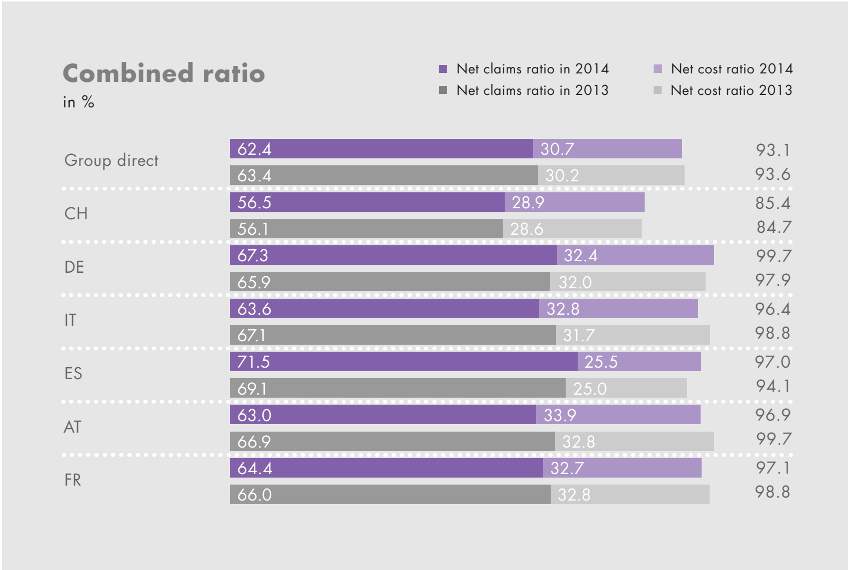
Combined ratio: the net combined ratio again beats the Group target range of 94 – 96 %

The **net combined ratio** improved from 93.6 % in the previous year to 93.1 %. Helvetia was therefore able once again to surpass the target range of a combined ratio of between 94 and 96 %.

The profit for the period reported in accordance with IFRS was CHF 176 million (2013: CHF 191.7 million). The decline is mainly attributable to the restructuring provisions as a result of the acquisitions of Nationale Suisse and Basler Austria. The planned amortisation of intangible assets and further planned write-downs due to the revaluation of interest-bearing securities, which were to be carried out in within the scope of the acquisition accounting according to IFRS, also had a major effect on earnings.

Other activities

Alongside the financing companies and the holding company, “Other activities” includes the Corporate Centre and reinsurance. The active Reinsurance, which pursues an income-oriented policy, recorded an increase in business volume of 7.8 %. At CHF 15.1 million, the contribution to underlying earnings of “Other activities” was below that of the previous year of CHF 19.2 million despite an improved reinsurance performance. The decline was mainly due to a lower investment result from the Group’s internal funds as well as increased costs. The profit for the period reported in accordance with IFRS was CHF 102.3 million (2013: CHF 19.2 million). During the course of the acquisition of Nationale Suisse, the Nationale Suisse shares which were already owned by Helvetia at the date of the acquisition were revalued at the offer price of CHF 81.44. This resulted in a profit of CHF 108.9 million.



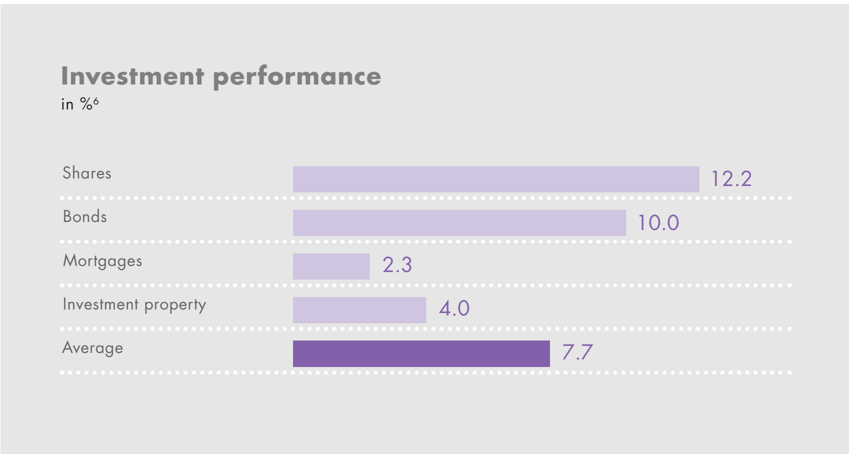
Investments

Thanks to the acquisition of Nationale Suisse, the investment volumes of Helvetia Group increased to CHF 48.0 billion. The fixed-income securities and investment property in particular recorded a marked increase.

Fixed-income securities amounted to CHF 29.3 billion or 61 % of total investments and remained the most important asset class. Together with mortgages amounting to CHF 4.0 billion or a share of 8 %, loans amounting to CHF 1.4 billion or 3 % and money market instruments amounting to CHF 877 million or 2 %, interest bearing investments represented nearly three quarters of the total investment volume. Real estate investments of CHF 6.3 billion as well as exposures of almost CHF 3 billion in shares, investment funds and alternative investment volumes amounted to 19 %. The remaining 7 % was attributable to financial assets where the market risk lies with the policyholder.

Current income of CHF 993 million was recorded in the reporting year. This corresponds to a direct yield of 2.5 %[6]. The decline of 0.2 percentage points compared with the previous year was within expectations. It is mainly due to the drop in interest rates, which led to constantly falling yields for new investments. As a result, the performance of fixed-income securities reached a peak of 10.0 %. Equities generated returns of 12.2 %. Including the ongoing contribution of real estate, the investment performance amounted to an attractive 7.7 %[6] and generated a contribution of CHF 2.95 billion. Of this, CHF 1.28 billion was reported in the income statement, while CHF 1.68 billion remains in equity as unrealised gains. The previous year's decline of CHF 0.53 billion was more than compensated for with this.

The shares were hedged to a high degree throughout the whole year. Put options that were 10 % out of the money at the purchase date were usually employed. These had the desired effect against the regularly occurring market setbacks during 2014 and protected the portfolio from excessive losses. On average 66 % of the net foreign currency exposures of the Swiss investment portfolio in euros, US dollars and British pounds were hedged. Nevertheless, the insurance protection did not take effect as the Swiss National Bank retained the minimum exchange rate to the euro, and both the dollar and the pound appreciated.



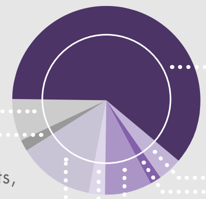
Outlook

With the integration of Nationale Suisse in 2015, the investment policy will be subjected to an intensive review based on the proven asset liability approach, and adjusted taking into consideration the current market circumstances. We will adhere to our security and earnings-oriented approach, even if, in view of the record-low interest rates for government bonds, we may have to assume gradually greater risks.

[6] Direct yield and investment performance weighted due to acquisitions in the course of the year.

Investment structure 2014

Share in % | in CHF million



Performance of the Group investments

in CHF million	2014	2013
Current income on Group financial assets	783.9	762.4
Rental income on Group investment property	209.0	204.6
Current income on Group investments (net)	992.9	967.0
Gains and losses on Group financial assets	279.7	206.6
Gains and losses on Group investment property	2.8	– 16.8
Gains and losses on Group investments (net)	282.5	189.8
Result from financial assets and Group investment property (net)	1 275.4	1 156.8
Change in the unrealised gains / losses recognised in equity	1 677.0	– 527.9
Total result from financial assets and investment property of the Group	**2 952.4**	**628.9**
Average Group investment portfolio	39 286.0	35 806.4
Direct yield*	2.5 %	2.7 %
Investment performance*	7.7 %	1.7 %

* Weighted due to acquisitions in the course of the year

Silvio Hefti
Head of Corporate IT

was convinced by the concept of the "new Helvetia" right from the start: "We are all working hard to ensure that the two companies can make use of the opportunities that the merger provides and that the new Helvetia becomes a reality – for shareholders, for customers and for employees."

Detlev Ruprecht
Head of Group IT

is now looking positively to the future, after an initial phase of uncertainty and disappointment: “To be no. 3 in Switzerland is a great thing. We have a very good starting position and are therefore best equipped for the future.”

Business units

Switzerland

Helvetia Switzerland can look back on a successful fiscal year 2014. With the acquisition of Nationale Suisse, Helvetia is now the leading Swiss all-lines insurance company in Switzerland, with a solid place among the top 3. The business volume of the new Helvetia rose from CHF 4,371.4 million to CHF 4,450.9 million, thereby adding on 1.8 %. The strength of the Swiss home market is also reflected in a good set of key figures: both Helvetia and Nationale Suisse showed organic growth and gained market share in the non-life business and further expanded their positions in the life market. However, the growth in the non-life business was not able to compensate fully for the decline in the life business.

The underlying earnings increased from CHF 250.8 million to CHF 293.5 million. The increase in the non-life business was essentially attributable to a once again better technical result and also to the contribution to earnings by Nationale Suisse. The solid result in life business enabled reserves to be strengthened so as to take the low interest rate environment into account.

Key figures Switzerland

in CHF million	2014*	2013	Growth in %	Organic growth in %
Group business volume	**4450.9**	**4371.4**	**1.8**	**– 1.9**
Life	3538.7	3574.4	– 1.0	– 2.9
Non-life	912.2	797.0	14.5	2.5
Combined ratio	**85.4 %**	**84.7 %**	**n.a.**	**–**
Underlying earnings	**293.5**	**250.8**	**17.0**	**–**
IFRS result	221.1	250.8	– 11.8	

* Including Nationale Suisse on a pro rata basis

The recorded profit for the period according to IFRS for the country market of Switzerland was CHF 221.1 million and therefore 11.8 % lower than in the previous year. The decline is fully attributable to the restructuring provisions and integration costs recognised during the acquisition of Nationale Suisse.

Life: sustained group life business, individual life decreased because of interest rate environment, as the good growth in the deposits only partially compensated for the decrease in the investment-linked insurance

The business volume in the life business decreased slightly from CHF 3,574.4 million in the previous year to CHF 3,538.7 million. In doing so, the growth achieved in the group life business was balanced out by the declining individual life business. Nationale Suisse contributed to the individual life business with premiums amounting to CHF 68.5 million.

In the **group life business** (occupational pensions business), a sustained demand for full insurance solutions still prevails in the Swiss market. Helvetia has also profited from this and, in the financial year 2014, was again able to slightly increase volumes (+0.8 %). With the important regular premiums, Helvetia even achieved growth of 6.1 %, which was significantly above the market, which grew 3.5 % according to the estimates of the Swiss Insurance Association (SVV). In addition to our own sales force, selected brokers and direct sales in particular contributed to the business expansion. By contrast, the single premiums in the group life business reported a decline. This was due to the fact that since 1 January 2014 the major customer Swisscanto Collective Foundation has assumed responsibility for pensions, which had previously been covered by Helvetia. Helvetia therefore no longer receives the single premiums previously paid to cover these pensions. Without this one-off special effect, we would have recorded growth for single premiums in the group life business.

However, the **individual life business** recorded a decline compared with the previous year. While the volume of traditional life insurance reduced as planned, as a result of the difficult capital market environment Helvetia was unable to continue the successful growth of the previous year in investment-linked insurance. The single premium deposits did increase significantly thanks to the sustained high demand for the "payment plan" product compared with the previous year; however, they were not able to offset the decline in investment-linked insurance.
The share of modern capital-efficient pension products of the total premium volume of the individual life business was 37.2 %. In line with the strategy, Helvetia focussed particularly on the growth in these product categories.

Non-life: acquisition of Nationale Suisse as a key growth driver (+14.5 %), organic business performance in all lines across the market

The premium income in the non-life business increased to CHF 912.2 million (2013: CHF 797 million). The very pleasing growth of 14.5 % is mainly attributable to the acquisition of Nationale Suisse, which contributed CHF 95.3 million to premiums on a pro-rata basis. The property and motor vehicle business of Nationale Suisse supported the growth. The property business increased 17.1 % and the motor vehicle business increased 8.6 % as a result of the acquisition. The transport business experienced a significant increase (+25.6 %) for the first time again, to which Nationale Suisse also contributed significantly. However, the business operated by Helvetia independently performed very positively. All lines grew well organically, growing 2.5 % in total, and therefore also above the forecast market growth of 1.0 %. This was essentially aided by the large insurance lines of property insurance and motor vehicle insurance. This strong organic growth is even more encouraging, considering we have observed increased competition across all lines of business and sales channels (particularly among the brokers).

The **net combined ratio** at 85.4 % remains at a very good level. Both the cost ratio and also the claims ratio increased slightly compared with the previous year on account of the acquisition of Nationale Suisse. As a result of the integration, Helvetia also sees additional opportunities to improve efficiency by the use of appropriate cost reduction potential. Without the acquisition, both the claims ratio and the cost ratio would have improved further.

Germany

With premiums of CHF 864.5 million, Helvetia Germany achieved premium growth of 3.9 % (in original currency) compared with the financial year 2013. The main growth driver was the non-life business (+5.4 % in OC), which particularly profited from the acquisition of Nationale Suisse, which contributed to the business volume with premiums amounting to CHF 15.5 million. Helvetia Germany grew organically by 2.0 % (in OC). At CHF 14.5 million, the underlying earnings of the German subsidiary were below those of the previous year, which was due to a weaker investment result in the life business together with fewer claims ceded to reinsurance in the non-life business and more claims in the industrial business.

The IFRS profit for the period was CHF 14.1 million compared to CHF 24.2 million in the previous year. The decline is attributable to the effects described. Integration costs reported due to the acquisition of Nationale Suisse had only a marginal influence on the profit for the period in 2014.

Key figures Germany

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**864.5**	**843.2**	**2.5**	**3.9**	**2.0**
Life	300.4	301.1	– 0.2	1.1	1.1
Non-life	564.1	542.1	4.0	5.4	2.5
Combined ratio	**99.7 %**	**97.9 %**	**n.a.**	**–**	**–**
Underlying earnings	**14.5**	**24.2**	**– 40.1**	**–**	**–**
IFRS result	14.1	24.2	– 42.0		

* Including Nationale Suisse on a pro rata basis

Life: stable business development, pleasing growth of capital-efficient investment-linked insurance

At CHF 300.4 million, the premium volumes of Helvetia Germany in the life business increased by 1.1 % (in OC) compared to the previous year (2013: CHF 301.1 million). While the sale of traditional insurance solutions with single premiums was intentionally curtailed, the volume of investment-linked insurance solutions increased by 10.8 % (in OC). In line with strategy, Helvetia pushed the growth of modern and investment-linked insurance. The growth was exclusively achieved organically, as Nationale Suisse did not have a life insurance portfolio in Germany.

Non-life: growth in all insurance lines, positive effect of the portfolio restructuring in the previous year

In the non-life business, premiums rose to CHF 564.1 million, up 5.4 % (in OC) from the prior year (2013: CHF 542.1 million). Nationale Suisse contributed CHF 15.5 million in premiums towards this growth. All insurance lines added their part to achieve the higher volume. The major lines of motor vehicle insurance (+15.2 % [in OC]), property insurance (+2.4 % [in OC]) and liability insurance (+4.5 % [in OC]) grew in particular, thanks to Nationale Suisse. The non-life business in Germany likewise achieved an organic increase in premiums of the prion year 2.5 % (in OC). The portfolio restructuring of the prior year and the resulting adjustments to premiums had positive impacts in the form of premium growth, mainly in the motor vehicle and residential building lines.

At 99.7 %, the **net combined ratio** increased compared with financial year 2013 (previous year: 97.9 %). The increase was due to a higher claims ratio resulting from large and late claims.

Italy

Helvetia Italy recorded a business volume of CHF 1,148.8 million in financial year 2014, an increase of 7.8 % (in OC) (2013: CHF 1,079.9 million). With a pro rata volume of CHF 48.7 million, Nationale Suisse made a considerable contribution. Both the life and the non-life business supported this growth. However, Helvetia Italy also recorded very pleasing organic results and increased the volume by 3.2 % (in OC). The underlying earnings improved to CHF 32.4 million, an increase of 57.5 % compared with the previous year (2013: CHF 20.6 million). In the non-life business, the improved technical results in particular contributed towards the result increase, which is reflected in the lower net combined ratio. Higher investment income was achieved in the life business.

The IFRS profit for the period at CHF 3.0 million was, however, below that of the previous year (2013: CHF 20.6 million).

As a result of the annual impairment test, the goodwill from the acquisition of Chiara Vita S.p.A of CHF 27.1 million was completely written off. The difficult general economic situation in Italy and the current very low interest rate environment had a negative impact on the life business. In addition, market-wide shifts in the product mix have been seen in the past few years – from modern products to the traditional, less profitable insurance solutions. This was the main reason for the assumption of lower cash flows over the planning horizon, which was chosen in the impairment test and this is why management has decided to carry out an appropriate impairment.

Life: robust growth, but market-wide increasing demand for traditional products

In the life business, the business volume of the Italian subsidiary increased by 9.1 % (in OC) to CHF 641.5 million (2013: CHF 595.6 million). Nationale Suisse contributed to the growth with premiums amounting to CHF 18.5 million. Helvetia's life business in Italy grew organically by around 6.0 % (in OC). The increase originated from the traditional business. As a result of the difficult capital market environment, during the past financial year only three tranche products with very small volumes were launched. The investment-linked insurance solutions therefore reported a slight decline.

Non-life: business volume increases 6.2 % (in OC) on account of the acquisitions, organically stable business, development better than the market

At CHF 507.3 million, the non-life business premium volumes were 6.2 % (in OC) above those of the previous year (financial year 2013: CHF 484.3 million). Including the pro rata contribution from Nationale Suisse, the largest insurance line, motor vehicle insurance, recorded growth of 1.9 % (in OC). The property (+5.7 % [in OC]), liability (+10.5 % [in OC]) and health / accident (+13.7 % [in OC]) insurance also developed positively, although here the Nationale Suisse portfolio played a significant role. Overall, Nationale Suisse contributed to the non-life business with premiums amounting to CHF 30.2 million.

Helvetia's organic growth was – 0.1 % (in OC) and was thus better than the market, which declined 3.1 %[7] according to estimates of the supervisory authority IVASS. The decline at Helvetia was attributable to the motor vehicle business, which is still receding (– 2.9 % [in OC]) – albeit at a slower pace than the market[8] – and which the other lines were not able to make up for.

[7] Data as of end of Q3/2014

[8] According to the figures issued by the supervisory authority IVASS, the decline in premiums in the motor vehicle business was 6.2 % as of the end of Q3/2014

Key figures Italy

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**1 148.8**	**1 079.9**	**6.4**	**7.8**	**3.2**
Life	641.5	595.6	7.7	9.1	6.0
Non-life	507.3	484.3	4.8	6.2	– 0.1
Combined ratio	**96.4 %**	**98.8 %**	**n.a.**	**–**	**–**
Underlying earnings	**32.4**	**20.6**	**57.5**	**–**	**–**
IFRS result	3.0	20.6	– 85.6		

* Including Nationale Suisse on a pro rata basis

The **net combined ratio** improved from 98.8 % in the previous year to 96.4 % in the reporting year. The claims ratio fell from 67.1 % to 63.6 %, primarily thanks to portfolio restructuring. On the other hand, the cost ratio increased slightly. This is mainly due to Chiara Assicurazioni, which was taken into account for a full reporting year for the first time. Although Chiara Assicurazioni's portfolio did increase the cost ratio due to sales via bank channels, it produced lower claims ratios.

Spain

The Spanish unit achieved a premium volume of CHF 436.2 million in the financial year 2014 – representing a 9.1 % (in OC) increase on the previous year (2013: CHF 405.2 million).

Both the life (+9.7 % [in OC]) and as the non-life business (+8.8 % [in OC]) contributed to this positive performance. Nationale Suisse again provided a significant contribution to the growth in the non-life business.

In total, Nationale Suisse contributed CHF 18.1 million in premiums to the business volume on a prorated basis. But Helvetia Spain was also able to increase volume organically by a very positive 4.5 % (in OC), which was significantly better than market growth at 0.8 %[9].

At CHF 28.3 million, underlying earnings were above those of the previous year (CHF 27.1 million). At CHF 27.7 million, the IFRS profit for the period was virtually at the same level as the underlying earnings.

[9] Source: ICEA Market figures, Q4 2014 closing

Key figures Spain

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**436.2**	**405.2**	**7.6**	**9.1**	**4.5**
Life	141.1	130.2	8.3	9.7	9.7
Non-life	295.1	275.0	7.3	8.8	2.1
Combined ratio	**97.0 %**	**94.1 %**	**n.a.**	**–**	**–**
Underlying earnings	**28.3**	**27.1**	**4.4**	**–**	**–**
IFRS result	27.7	27.1	2.1		

* Including Nationale Suisse on a pro rata basis

Life: in line with strategy, good development of investment-linked life insurance

In the life business, the premium volumes increased 9.7 % (in OC) to CHF 141.1 million (2013: CHF 130.2 million). Growth drivers here were investment-linked insurance products as well as burial insurance. In the past financial year, Spain was able to place a relatively small tranche product. Growth was exclusively organic, as Nationale Suisse had no life business in Spain.

Non-life: acquisition-related increase in the business volume of 8.8 % (in OC) but also a pleasing organic growth of 2.1 % (in OC) for the first time again

In the non-life business, the positive performance already seen in the first half of the year continued. At CHF 295.1 million, compared with the previous year, Helvetia Spain generated 8.8 % (in OC) more premium income (2013: CHF 275.0). Nationale Suisse contributed towards this with CHF 18.1 million. Helvetia also once again recorded a significant positive growth: premiums increased by 2.1 % (in OC) compared with the previous year. In terms of insurance lines, particularly the motor vehicle business (+11.6 % [in OC]) and the property business (+8.8 % [in OC]) reported substantial increases; Nationale Suisse also contributed towards what was, in any case, pleasing growth here. Thanks to the newly established distribution partnership with Helvetia France and the premium contribution of Nationale Suisse, the transport sector also reported significant growth (+32.3 % [in OC]).

The **net combined ratio** increased from 94.1 % in the previous year to 97.0 % in the reporting year. As a result of the economic recovery in Spain, the frequency of claims particularly in the motor vehicle business increased again. For this reason the claims ratio increased from 69.1 % in the financial year 2013 to 71.5 % in the reporting year. The cost ratio, however, remained virtually stable at 25.5 % (2013: 25.0 %).

"Other insurance units"

The segment "Other insurance units" consists of the countries of Austria and France and also Reinsurance. The business volume achieved in this segment was CHF 866.2 million. The country market of Belgium, the representative office in Liechtenstein and the specialty business of Nationale Suisse in Latin America, Turkey and Asia that is written via representative offices in Istanbul and Miami and via branches in Singapore and Kuala Lumpur are also allocated to this segment. The underlying earnings amounted to CHF 63.6 million and the IFRS result was CHF 50.8 million.

Austria

Due to the acquisition of Basler Austria, Helvetia now ranks among the top 10 Austrian insurance companies. Thanks to the acquisition, premium volumes increased by 18.5 % (in OC) from CHF 321.2 million to CHF 375.7 million. Basler Austria contributed CHF 53.6 million to this on a pro rata basis over 4 months. However, the Helvetia portfolio also performed well organically and increased by 1.6 % (in OC) compared with the previous year.

Life: robust growth of the capital-efficient investment-linked insurance

At CHF 142.5 million, the premium volumes reported in the life business were 11.2 % (in OC) higher than those of the previous year (2013: CHF 129.8 million). At CHF 12.6 million, Basler Austria contributed significantly to this growth; however, Helvetia Austria also recorded organic growth of 1.4 % (in OC). In terms of product categories, investment-linked insurance solutions in particular enjoyed continued strong demand, reporting growth of 23.8 % (in OC).

Non-life: increase in the non-life volume by 23.5 % (in OC), thanks to the acquisition of Basler Austria

In the non-life business, the acquisition of Basler Austria was even more conspicuous: compared to the previous year, premiums increased by 23.5 % (in OC) to CHF 233.8 million (2013: CHF 191.4 million). Basler Austria's share of this growth was CHF 41 million. Helvetia also grew organically: the growth achieved was 1.8 % (in OC). All insurance lines improved their premium volumes compared with the previous year. The greatest contribution to growth came from the large business line, motor vehicle insurance, (+22.7 % [in OC]) and property insurance (+20.2 % [in OC]). Premiums also increased significantly in the accident and health area (+47.1 % [in OC]) and the liability business (+24.1 % [in OC]).

The **net combined ratio** also improved from 99.7 % in financial year 2013 to 96.9 % in the reporting year. As significantly fewer weather-related claims were reported in the past financial year, the claims ratio was a very good 63 %.

Key figures other insurance units

in CHF million	2014*	2013	Growth in % (CHF)	Growth in % (OC)	Organic growth in % (OC)
Group business volume	**866.2**	**777.1**	**11.5**	**12.6**	**2.7**
Austria	375.7	321.2	17.0	18.5	1.6
Life	142.5	129.8	9.8	11.2	1.4
Non-life	233.2	191.4	21.8	23.5	1.8
France	252.1	261.1	– 3.4	– 2.2	– 2.2
Non-life	252.1	261.1	– 3.4	– 2.2	– 2.2
Active reinsurance	209.9	194.8	7.8	n.a.	7.8
International**	28.5	n.a.	n.a.	n.a.	n.a.
Combined ratio					
Austria	96.9 %	99.7 %	n.a.	–	–
France	97.1 %	98.8 %	n.a.	–	–

* Including Nationale Suisse and Basler Austria on a pro rata basis

** Includes the country market of Belgium, the representative office in Liechtenstein and the specialty business of Nationale Suisse in Latin America, Turkey and Asia

France

Volume development influenced by portfolio adjustments, improvement in the combined ratio to 97.1 %

In France, Helvetia achieved a premium volume of CHF 252.1 million in the financial year 2014, compared with CHF 261.1 million in the previous year. The reason for the decline was partly portfolio restructuring and partly the general economic environment only improving slowly, which had a negative effect on the transport sector.

The net combined ratio improved from 98.8 % in the previous year to 97.1 % in the reporting year. The portfolio restructuring was particularly noticeable in the claims ratio, which fell from 66.0 % in 2013 to 64.4 % in the reporting year.

Active reinsurance

Business development: encouraging volume increase of 7.8 %, further diversification of the portfolio

The active reinsurance is still oriented primarily towards the profitability of the portfolio. Therefore the focus is on underwriting in contract business based on longer-term relationships in the non-life business (property, casualty and specialty). In financial year 2014, active reinsurance increased its premium volume by 7.8 % from CHF 194.8 million to CHF 209.9 million. The growth is attributable to both new business and increases in shares from existing business relationships. The portfolio is well diversified with appropriate new business from the USA, France, Britain and China.

Net combined ratio at 98.2 %

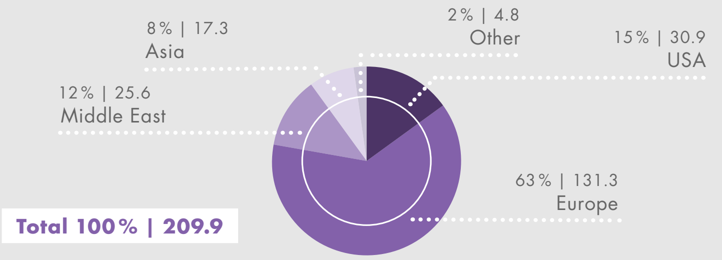
The net combined ratio increased slightly from 97.7 % in the previous year to 98.2 % in financial year 2014. The increase is attributable to the slightly increased cost ratio, while the claims ratio was 1.5 % below that of the previous year on account of fewer major claims.

The international area includes the country markets of Liechtenstein and Belgium as well as the specialty business of Nationale Suisse in Latin America, Turkey and Asia that is written via representative offices in Istanbul and Miami and via branches in Singapore and Kuala Lumpur.

The pro rata business volumes recorded in this area for 2014 are CHF 28.5 million

Portfolio structure of active reinsurance by region 2014

Share in % | in CHF million



Portfolio structure of active reinsurance by insurance line 2014

Share in % | in CHF million