Financial report 2018

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Key figures.

in CHF million	2018	2017	Change in original currency
Business volume			
Gross premiums life	**4480.1**	4384.3	**1.5%**
Deposits received life	**197.1**	163.2	**18.3%**
Gross premiums non-life	**3874.5**	3678.5	**3.5%**
Active Reinsurance	**521.6**	415.3	**25.6%**
Business volume	**9073.3**	8641.3	**3.9%**
Key performance figures[1]	IFRS	Underlying earnings	
Earnings life business	**147.9**	193.1	**–23.4%**
Earnings non-life business	**332.0**	363.5	**–8.7%**
Earnings Other activities	**–48.9**	–54.2	**9.8%**
Earnings of the Group after tax	**431.0**	502.4	**–14.2%**
Investment result	**580.1**	1513.4	**–61.7%**
of which investment result from Group financial assets and investment property	**794.4**	1348.7	**–41.1%**
Return on equity[2]	**8.1%**	9.8%	
Key balance sheet figures			
Consolidated equity (without preferred securities)	**5097.1**	5229.4	**–2.5%**
Provisions for insurance and investment contracts (net)	**44418.5**	44385.5	**0.1%**
Investments	**51997.5**	52306.1	**–0.6%**
of which Group financial assets and investment property	**48583.5**	48629.2	**–0.1%**
Ratios			
Reserve to premium ratio non-life	**145.0%**	156.3%	
Combined ratio (gross)	**88.7%**	88.8%	
Combined ratio (net)	**91.0%**	91.8%	
New business margin	**1.7%**	1.8%	
Direct yield	**2.0%**	2.1%	
Investment performance	**0.3%**	2.8%	
Key share data Helvetia Holding AG			
Group underlying earnings per share in CHF	**41.9**	49.2	**–14.8%**
Group profit for the period per share according to IFRS in CHF	**41.9**	39.1	**7.0%**
Consolidated equity per share in CHF	**515.4**	528.5	**–2.5%**
Price of Helvetia registered shares at the reporting date in CHF	**574.5**	548.5	**4.7%**
Market capitalisation at the reporting date in CHF million	**5713.5**	5454.9	**4.7%**
Number of shares issued	**9945137**	9945137	
Employees			
Helvetia Group	**6624**	6592	**0.5%**
of which segments Switzerland and Corporate	**3542**	3499	**1.2%**

1 From the 2018 financial year, Helvetia will only report in accordance with IFRS and no longer report underlying earnings. With the exception of the ongoing amortisation of bonds in the amount of CHF 16.4 million (after tax and policyholder participation), the interim financial statements no longer include any acquisition effects. To allow for a better assessment of the operating performance, however, underlying earnings adjusted for all acquisition effects are used for the prior year.

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

Financial report

Risk, capital and investment management

Risk management

In the current challenging economic environment, comprehensive risk management is a top priority and integral to the way the Helvetia Group manages its business.

A primary objective of risk management is the sustained, proactive safeguarding of the capital base as well as the reputation of the Helvetia Group and its Group companies.

Risk management organisation

The organisational structure of the Helvetia Group ensures a standardised application of the Group-wide risk management standard. In doing so, roles and responsibilities in the business units comply with the risk management organisation of the Group. This is based on a governance model that differentiates between the three basic functions of risk owner, risk observer and risk taker.

Risk management organisation

Risk owner

Board of Directors
(Investment and Risk, Audit, Strategy & Governance Committees)

Executive Management

Risk observer

Risk Committee

Risk management

Specialised risk controlling functions
(e.g. Group Actuarial Departments Life / Non-Life, Asset Management)

Risk taker

Risk management in the company units and processes

Internal Audit

The supreme risk owner is the Board of Directors of Helvetia Holding AG (particularly the Investment and Risk Committee, Audit Committee and Strategy and Governance Committee) as well as the Executive Management. As the central bodies responsible for this function, they bear the ultimate responsibility for risk and define the risk strategy and risk appetite for the Group, both of which are aligned to the business strategy.

Various risk observers assess the risks assumed by the Helvetia Group, independently of any operational responsibility. The Risk Committee coordinates the collaboration between the risk observers and the risk takers and advises the Board of Directors and Executive Management in their decisions. The central risk controlling role "Group Risk Management" is responsible for the improvement and development of the risk management system as well as for monitoring risks and controlling measures, and serves as a competence centre for the Group's risk management. The Risk Committee is supported by specialised risk-controlling functions, such as the Group actuarial office and risk controlling in asset management. The internal auditor independently monitors the efficiency of the risk management system.

The risk takers control and manage risks in an operational context. They are responsible for complying with / observing the guidelines and policies for risk management within the scope of their operating activities in the respective business areas and processes.

Risk management process and risk environment

The key components of our risk management process at Group level include the identification, analysis and management of risks, the monitoring of the success, effectiveness and appropriateness of the risk management measures, and reporting and communication. The risk management process ensures that sufficient risk-bearing capital is available at any time to cover the risks assumed in accordance with the chosen risk tolerance.

In our business activities, Helvetia is exposed to numerous risks that are included in the Group's risk management process. Market risks arise, in particular, from interest rate changes, fluctuations in share prices, real estate prices, or exchange rates which influence the value of the Group's investments and technical liabilities. Liquidity risk generally refers to the risk of being unable to provide an unexpected cash outflow in a timely manner. Counterparty or credit risk is the risk of a contractual counterparty being unable to pay or of a change in the counterparty's creditworthiness. The technical risks of life and non-life belong to the traditional risks of an insurance company. They are consciously accepted as part of the chosen business strategy. Operational risk represents the risk of losses due to errors or the failure of internal processes, employees or systems, or as a result of external events whereby operational risks are also taken into consideration. Reputational risks can also arise in connection with strategic and emerging risks. Strategic risks include the risk of not achieving business targets due to the inadequate alignment of a company's business activities to the market and in the market environment. Emerging risks are risks that have not yet manifested as actual risks, but are already in existence and have a high potential for large claims. Concentration risks (also known as cluster risks) can arise from risk exposure to a single counterparty or from parallel risk positions that are vulnerable to a mutual risk factor.

A detailed portrayal of the risks resulting from financial instruments and insurance contracts is provided in section 16 (from page 150) of the Financial Report.

Methods for risk analysis and control

The diverse risk environment requires the use of various methods of risk analysis. Among other things, the Helvetia Group uses internal stochastic risk models as an instrument for analysing and quantifying market, counterparty and technical risks. The company applies models, among others for the areas of market risk and technical risk. Risks are controlled and limited by means of hedging instruments, specific product design, reinsurance cover, limit systems (including exposure control and loss limits), diversification strategies, process optimisation and other risk reduction measures.

Risk environment

Market risks	Liquidity risks	Counterparty risks	Technical risks	Operational risks	Strategic risks	Emerging risks
Share price risk	Medium-term	Reinsurance	Life (mortality, longevity, surrender rates, disability, costs, exercising of options)	Financial reporting	Business model	New and qualitatively different risks
Interest rate risk	Short-term	Investments	Non-life (natural hazards, major claims, base volatility, reserve risk)	Business operations (e.g. with regard to outsourcing, BCM)	Fundamental business policy decisions	Phantom risks
Spread risk		Other receivables		Compliance		
Exchange rate risk						
Real estate investment risk						
Long-term liquidity risks						
Other				Reputational risks		
Concentration risks						

Capital management

Our capital management is an essential pillar for achieving the Helvetia Group's long-term growth targets aimed at profitability. The optimisation of capital allocation and income flows has the following objectives:

- to ensure compliance with supervisory capital requirements at all times;
- securing the capital required to underwrite new business;
- optimising the earning power of its equity and the associated dividend potential;
- to support strategic growth;
- to optimise financial flexibility.

These objectives are kept in balance by taking account of risk capacity and cost / benefit arguments. Furthermore, as part of our capital management, we pursue the goal of an interactive rating of financial strength of at least "A–" at Group level.

Methods for measuring capital

The measurement of capitalisation is carried out both at Group and local level, i.e. at the level of the individual legal entities. At the local level, the country-specific regulatory and commercial law requirements are key. At Group level, capital is measured on the basis of the consolidated balance sheet. In doing so, the capital requirements are measured against the capital models that are relevant to the Helvetia Group: Swiss Solvency Test and Standard & Poor's. When measuring the capitalisation of the Group's legal entities, the applicable solvency rules are applied (Swiss Solvency Test in Switzerland and Solvency II in the EU).

In these capital models, the IFRS equity forms the basis for establishing the available capital. Depending on the model, additional capital is added and other components, such as planned dividend payments and intangible assets, are deducted. As is the case for Solvency II, albeit not in an identical manner, the Swiss Solvency Test involves measuring all assets and liabilities at market prices in order to calculate the available capital.

Under Standard & Poor's, the Swiss Solvency Test and Solvency II, the required capital is calculated using a risk-based method. In the Swiss Solvency Test, the effects of risks on the available capital are determined by means of scenario simulations and statistical methods, and quantified taking into consideration dependencies and diversification effects in the form of a risk-based capital requirement.

Capital management process

Helvetia applies an integrated approach to capital management. At the strategic level, we manage the capitalisation and risk profile of business units in terms of profitability and growth potential and therefore the strategic Group targets. Capital is managed integrally in accordance with a defined capitalisation target under the relevant capital models, and is aligned with the corporate strategy using multi-year capital planning. At an operational level, the capital management process incorporates the financing of the Group as a whole as well as the safeguarding of the adequate and efficient capitalisation of the individual legal entities of the Group. In this process, capitalisation is closely monitored and optimised according to internally defined thresholds. This management also takes account of liquidity requirements.

Outlook

The supervisory requirements for risk and capital management remain subject to changes. The Swiss insurance supervisory authorities aim to largely standardise and streamline the Swiss Solvency Test models of insurance companies. Helvetia is involved in this process and continually ensures proper implementation of the new requirements. Furthermore, Helvetia is well prepared to integrate potential new developments into its capital management.

The European Insurance and Occupational Pensions Authority (EIOPA) has implemented a review process to determine the capitalisation under Solvency II. Helvetia is following these developments as well and is in a position to adapt changes in the calculation logic and reflect them in its capital management in a timely (appropriate) manner.

Investment management

The Helvetia Group pursues a sustainable investment policy tailored to the liabilities arising from the insurance business. The objective is to generate attractive medium- and long-term returns for our customers and shareholders and to make a reliable contribution to the Group result.

Proven asset liability management – tried-and-tested investment strategy

Helvetia's investment strategy is based on a time-tested asset liability concept. First, we derive a strategic asset allocation for each business unit from a careful analysis of the liabilities. This satisfies the high security requirements of the insurance business while at the same time meeting the yield requirements of each of the individual stakeholder groups. Moreover, our asset liability management ensures that there is always enough capital available for the ongoing strategic development of the Group and that the increasing regulatory requirements are taken into consideration. In doing so, the supervisory solvency requirements must be fulfilled at all times. In the life business, the terms of fixed-income securities and liabilities are aligned with one another. Due to the long maturities of the assets, the current phase of very low interest rates is only gradually affecting direct yields. At the same time, the reduction in the guaranteed interest rates included in life insurance policies also helps balance out this effect.

Broadly diversified investment portfolio

Helvetia's investment portfolio is broadly diversified. The balanced distribution of the portfolio applies both between and within the individual asset classes. Moreover, we place high demands on the quality of the counterparties. Our internal investment guidelines dictate that new investments may only be made with borrowers whose credit rating is investment grade. However, the exposure to the BBB segment is limited. At the end of the year, around 65% of the bond portfolio had at least an AA rating. In addition, the proportion of government securities and collateralised bonds is above average at around 65%.

Attractive, stable investment income

We generate attractive investment income for our customers and shareholders through the careful combination of low-risk assets, such as high-quality bonds and mortgages and instruments with higher returns such as real estate, equities, foreign currency bonds and corporate bonds, combined with controlled investment risk. The income gained from bonds, mortgages and real estate ensures sustained and stable investment income, while gains in value from the equities create interesting medium-term return potential. Helvetia's high-quality property portfolio is an excellent fit with the liabilities from the insurance business, not only because of the long-term stable and attractive rental income, but also due to the stable values of the assets.

Prudent investment strategy and timely risk management

The investment strategy is defined in detail and implemented as part of the annual review of the investment policy. We make adjustments to take advantage of new opportunities arising from short-term market developments, while remaining within the tactical ranges established by the management. The investment strategy is always supported by timely risk management. The objective of the risk-controlling measures is to protect the balance sheet and income statement from excessive losses in value. This applies both to exposures in foreign currency which are constantly and to a large degree hedged by futures, and to equities. In addition, we subject counterparty risks to ongoing analysis and control using various criteria such as ratings, credit quality and the development of interest spreads. In order to avoid cluster risks, absolute exposure limits apply to the individual counterparties, depending on their quality.

Investment strategy and risk management are designed to ensure the Group's long-term solvency and optimise the impact of volatile markets on the annual result.

Share and bonds

2018 was a poor year for equities. Following an excellent start during the first weeks of trading, the flourishing economy soon gave rise to fears of inflation and rate hikes, leading the markets to tumble. While strong company accounts temporarily led to calm, the escalating trade conflict between the US and China, Italy's budget dispute with the EU and emerging economic fears resulted in significant price slumps worldwide. Measured by the Mid Cap Index, the Swiss equity market lost 18.1 %. Swiss insurance stocks were able to escape this negative trend and posted a total return of 4.9%. At 8.8 %, the Helvetia share generated a pleasing outperformance.

No changes to the core shareholder base

At the end of 2018, Helvetia's core shareholder Patria Genossenschaft still held 34.1 % of the share capital. Compared to the end of 2017, there were no changes in the core shareholder base. At 65.9 %, the free float was the same as in the previous year. As at 31 December 2018, the following important shareholders were entered in the share register of Helvetia Holding:

– Patria Genossenschaft 34.1 %

The majority of registered shareholders are based in Switzerland. Measured by the free float, 61.3 % of the shares are held by investors who have their registered office in Switzerland (previous year: 62.5 %). 38.7 % (previous year: 37.5 %) are held by foreign investors. Compared to the previous year, the structure of the types of investors has shifted slightly from private individuals (28.9 %) and financial institutions (24.6 %) to other institutional investors (46.5 %, excluding the above core shareholder). Shares pending registration increased slightly year-on-year, ending the year at 23.4 % (previous year: 23.0 %). The average volume of Helvetia shares traded each day in 2018 was CHF 10.4 million, representing a slight year-on-year increase of around 1 %. The higher trading volume can be attributed to the good development of the Helvetia share price. The average number of Helvetia shares traded meanwhile fell by around 5 % during the reporting year to 17,860 shares per day.

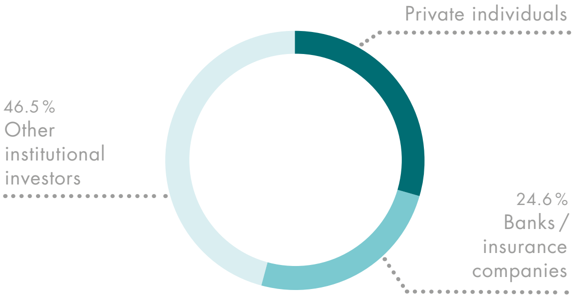
Successful Shareholders' Meeting in 2018

The Helvetia Group once again presented a very good annual result to the 1,917 shareholders with voting rights attending the ordinary Shareholders'

Helvetia share

Ticker symbol	HELN
Nominal value	CHF 0.10
Security number	1 227 168
Listed on	SIX

Investor groups
(excluding core shareholder base)
In %



Bonds in circulation

	Issue volume	Interest	Term	Year of issue
Subordinated bond	CHF 300 million	3.00 % p.a.	Perpetual	2015
Bond	CHF 225 million	0.75 % p.a.	6 years	2014
Bond	CHF 150 million	1.50 % p.a.	10.5 years	2014
Subordinated bond	CHF 400 million	3.50 % p.a.	Perpetual	2014
Subordinated bond	CHF 225 million	4.00 % p.a.	30 years	2014
Bond	CHF 150 million	1.125 % p.a.	6 years	2013
Subordinated bond	EUR 500 million	3.375 % until 2027, subsequently variable	30 years	2017

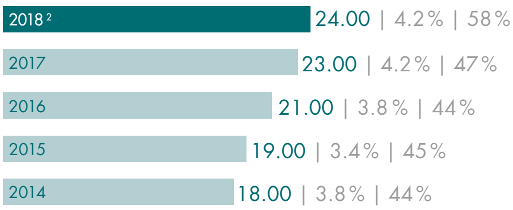
Meeting. The Shareholders' Meeting took note of the strong operating performance in challenging market conditions and approved the annual report, financial statements and consolidated financial statements for 2017. Furthermore, in accordance with the Articles of Association and in line with the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV), all members of the Board of Directors were proposed for re-election and reappointed individually for a further one-year term in office. Beat Fellmann, Dr Thomas Schmuckli and Regula Wallimann were elected as new members of the Board of Directors.

Bonds in circulation

In 2018, the Helvetia Group did not place any new bonds on the capital market. Of the interest-bearing securities in circulation, none fell due for repayment in the reporting year.

Dividend history

Dividend per share (in CHF) | dividend yield at year-end price | payout ratio[1]



[1] Based on IFRS / previous years based on underlying earnings
[2] Proposal to the Shareholders' Meeting

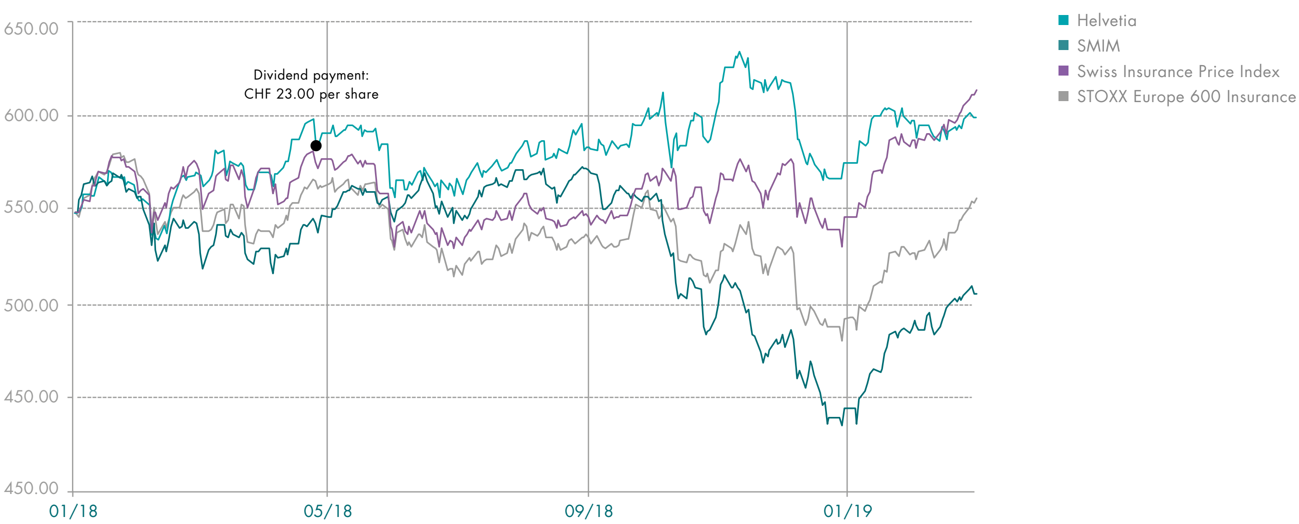
Key share data Helvetia Holding AG

	2018	2017
Number of shares issued		
Treasury shares	56 134	51 341
Shares outstanding	9 889 003	9 893 796
Number of shares issued	9 945 137	9 945 137
Price of Helvetia registered shares in CHF		
Year-end	574.5	548.5
High for the year	633.5	573.0
Low for the year	534.5	514.0
Market capitalisation in CHF million	5 713.5	5 454.9
Consolidated equity per share in CHF	515.4	528.5
Price- / book ratio (P / B)[1]	1.1	1.0
Group underlying earnings per share in CHF	41.9	49.2
IFRS earnings for the period per share in CHF	41.9	39.1
Price / earnings ratio (P / E)[1]	13.7	14.0
Dividend per share[2]	24.00	23.00
Payout ratio on the basis of underlying earnings	n.a.	47 %
Payout ratio on the basis of IFRS	58 %	59 %
Dividend yield[1/2]	4.2 %	4.2 %

[1] Based on year-end price
[2] Proposal to the Shareholder's Meeting

Share price development 1.1.2018 – 28.2.2019

in CHF



Corporate governance

Helvetia is committed to meeting the high legal and ethical expectations of its shareholders and all other stakeholder groups to the best of its knowledge and in good faith. This applies, in particular, with respect to responsible and value-oriented corporate governance as well as comprehensive and transparent reporting. The main objectives are to further strengthen confidence in the Helvetia Group, to safeguard the interests of our customers, and thus ultimately to ensure and sustainably enhance the value of the Group, while also taking account of the best interests of the public. We successfully ensure that the principles of good corporate governance are consistently implemented and continually optimised throughout the Group. For the Board of Directors, the Executive Management and all employees of Helvetia, corporate governance is an ongoing process that is regularly reviewed. During this process, new developments, findings and needs are immediately integrated into daily tasks and responsibilities. Good corporate governance can only be truly effective if it is constantly aligned to the Group's strategy and positioning. For more information, please refer to pages 18 ff in the company brochure.

This strategic focus expresses Helvetia's commitment to comply as fully as possible with the applicable standards of the "Swiss Code of Best Practice for Corporate Governance", which was issued in 2002 by economiesuisse and updated in 2016, the Corporate Governance Guidelines (RLCG) of SIX Swiss Exchange AG in the version of 20 March 2018, the Circular "Corporate Governance – Insurers" of the Swiss Financial Market Supervisory Authority (FINMA) of 7 December 2016, the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) of 20 November 2013 (as at 1 January 2014) and the FINMA Circular 2010 / 1 "Compensation Systems" in the version of 22 September 2016. The compensation report included in the Annual Report (from page 35 ff.) provides details of our compensation system and the compensation paid to the Board of Directors and the Executive Management. If relevant information is provided elsewhere in the Financial report or in other documents, reference is made to the location or document concerned. Important documents such as the Articles of Association (https://www.helvetia.com/content/dam/os/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmenspublikationen/statuten_2017.pdf) and the organisational rules with appendices (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf) are also available on our website at https://www.helvetia.com/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmenspublikationen.html. This website also contains plenty of additional interesting and up-to-date information.

1. Corporate structure and shareholders

1.1 Corporate structure

Helvetia is an international Swiss all-lines insurance group. The parent company, Helvetia Holding AG, is organised in accordance with Swiss law.

1.1.1 Operational Group structure

The management structure is shown on pages 13 of the company brochure. This structure is intended to create the best possible legal, financial, fiscal and regulatory framework and to ensure smooth, efficient and flexible business operations.

1.1.2 Listed companies

Helvetia Holding AG has its head office in St. Gallen and is listed on SIX Swiss Exchange AG in Zurich: security number 1227168, ISIN CH0012271687, ticker HELN and had a market capitalisation of CHF 5,713.5 million as at 31 December 2018. Key data for investors is given on pages 8 and 9 under "Share and bonds". Helvetia Holding AG is the only listed company in our Group structure.

1.1.3 Non-listed companies

The Group's subsidiaries included in the scope of consolidation are listed on pages 177 and 178. Reports on the main subsidiaries – Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen (Helvetia Versicherungen), and Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel (Helvetia Leben) – can be found in the Notes from page 184.

The complete list of Group companies, including investments, is shown from page 177.

1.2 Major shareholders

We maintain an open and shareholder-friendly strategy in an effort to build up a widely diversified and informed shareholder base. We have a long-term and, in view of the positive development of the Group, very successful relationship with our most important shareholder Patria Genossenschaft, Basel (founding partner). On the reporting date, 16,104 (previous year: 16,297) shareholders were registered in the share register of Helvetia Holding.

Patria Genossenschaft, Basel, remains the largest shareholder with 34.1 %.

At the end of 2018, no shareholder exceeded the reporting threshold of 3 %. All Helvetia's notices on share transactions exceeding the reporting threshold can be viewed at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html (Issuer: Helvetia Holding AG). Further information on the shareholder structure is given on page 8 under "Share and bonds".

1.3 Cross-holdings

There are no cross-holdings that exceed 5 % of the capital or voting rights.

2. Capital structure

2.1 Capital

Helvetia Holding AG has share capital of CHF 994,513.70, consisting of 9,945,137 registered shares with a nominal value of CHF 0.10 each. At the year-end price of CHF 574.50 per share, this equals a market capitalisation of CHF 5,713.5 million.

2.2 Authorised and conditional capital

Authorised capital: Helvetia currently has no authorised capital.

Conditional capital: The share capital can be increased by a maximum of CHF 129,793.20, which equates to 13 % of the existing share capital, by issuing a maximum of 1,297,932 fully paid-up registered shares with a par value of CHF 0.10 each. The conditions for this are set out in Art. 4 of the Articles of Association (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.pdf).

2.3 Changes in capital

– At the Extraordinary Shareholders' Meeting in September 2014, for the partial financing of the takeover of Nationale Suisse, authorised capital of a maximum of CHF 130,000 was created by issuing a maximum of 1,300,000 registered shares with a nominal value of CHF 0.10 each, which must be fully paid up. Of this authorised capital, 1,236,656 fully paid up registered shares were issued in October 2014 and 55,606 in March 2015 with a par value of CHF 0.10 each or CHF 129,226.20 in total. The share capital of Helvetia Holding AG thereby increased to CHF 994,513.70, consisting of 9,945,137 registered shares with a nominal value of CHF 0.10 each. The remaining authorised capital of a maximum of CHF 773.80 that could be created by issuing 7,738 fully paid-up registered shares with a par value of CHF 0.10 each expired on 17 September 2016.

2.4 Shares and participation certificates

The share capital comprises 9,945,137 fully paid-up registered shares with voting and dividend rights with a nominal value of CHF 0.10 each. There are no preferential rights or participation certificates. For more details concerning Helvetia shares, please refer to pages 8 to 9. On 31 December 2018, Helvetia held 56,134 treasury shares (0.56%).

2.5 Dividend right certificates

There are no dividend right certificates.

2.6 Restriction on transferability and nominee registrations

The Board of Directors may refuse to approve registration with voting rights if an individual would then own more than 5% of the voting rights of the entire share capital recorded with the Commercial Register. Here the term "individual" also includes buyers of shares who are connected to each other either by way of capital or votes, or by united management, or in any other form. This restriction also applies if, for example, shares were subscribed or acquired by means of convertible rights associated with instruments issued by the company or third parties. In the reporting year, no new exceptions were declared regarding the restriction of transferability (for major shareholders: see section 1.2).

Private individuals who do not declare in the application for registration that they have acquired the shares on their own behalf (= nominees) will only be entered in the share register for a maximum of 3% of the total share capital. The registration regulations are described in detail in Art. 7 and 8 of the Articles of Association https://www.helvetia.com/content/dam/os/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmenspublikationen/statuten_2017.pdf). Any amendment by the Shareholders' Meeting to the statutory restriction of transferability referred to above requires a two-thirds majority of votes represented.

2.7 Convertible bonds and options

a) Convertible bonds
   No convertible bonds have been issued since 2004.
b) Options
   The Helvetia Group has not issued any options.
c) Employee options
   The Helvetia Group has not issued any employee options.

3. Board of Directors

The Board of Directors of the Helvetia Group is the highest management body of the company. It is responsible for the overall management and the strategic direction of the Group and it also appoints and monitors the Executive Management. The Board of Directors currently has eleven members. Doris Russi Schurter was elected Chairwoman at the 2018 Shareholders' Meeting. Beat Fellmann, Dr Thomas Schmuckli and Regula Wallimann were elected as new members of the Board of Directors. Dr Patrik Gisel did not stand for re-election at the 2018 Shareholder's Meeting. Dr. Hans-Jürg Bernet will not stand for re-election at the 2019 Shareholders' Meeting due to reaching the statutory age limit.

The members of the Board of Directors of Helvetia Holding AG are identical to the Boards of Directors of the two subsidiaries, Helvetia Schweizerische Versicherungsgesellschaft AG and Helvetia Schweizerische Lebensversicherungsgesellschaft AG. All the members of the Board of Directors have experience and knowledge of a wide variety of fields. They have the requisite expertise to represent their personal opinion in discussions with the Executive Management. Since the Helvetia Group conducts a significant proportion of its business abroad, the Board of Directors also includes members who have extensive international experience. Members of the Board of Directors should possess strong personal values (including integrity), specialised financial, business and insurance knowledge, experience in strategic and executive management, the ability to think in a visionary manner, social skills and a belief in sustainability. They must also have the necessary amount of time at their disposal for the efficient and proper performance of a director's term of office. As far as the independence of Board members is concerned, we follow the requirements of the Swiss Code of Best Practice for Corporate Governance and also Circular 2017/2 Corporate Governance – Insurers issued by FINMA on 7 December 2016. For example, the Board consists of members whose personal and business skills enable them to form an independent opinion and take decisions that are in the best interests of the company. All Board members are non-executive members and no Board member belonged to the Executive Management of the Helvetia Group or any of its Group companies in the three financial years preceding the reporting period. No member of the Board of Directors has any significant business relationships with Helvetia other than as a policyholder. Anti-conflict of interest rules are consistently applied by all committees. Every year, the Board of Directors assesses the level of compliance with these requirements and the quality of the services it has performed, both in its entirety and within each committee, and – where necessary – identifies any improvements that may be required.

The following table contains information on the composition of the Board of Directors, the Board committees and the first time each Board member was elected.

The Board of Directors of Helvetia Holding AG As at: 31.12.2018

	Function	Joined	SGC	NCC	IRC	AC
Doris Russi Schurter	Chairwoman	2008	o o			
Dr Hans C. Künzle	Vice-Chairman	2015	o		o o	
Dr Thomas Schmuckli	Vice-Chairman	2018			o	
Dr Hans-Jürg Bernet	Member	2006		o o		o o
Beat Fellmann	Member	2018			o	
Jean-René Fournier	Member	2011				
Dr Ivo Furrer	Member	2017	o			o
Prof. Christoph Lechner	Member	2006	o	o		
Dr Gabriela Maria Payer	Member	2014		o	o	
Dr Andreas von Planta	Member	2014		o		o
Regula Wallimann	Member	2018				o

SGC Strategy and Governance Committee
NCC Nomination and Compensation Committee
IRC Investment and Risk Committee
AC Audit Committee
o o Chairperson
o Member

3.1 Members of the Board of Directors

Doris Russi Schurter

Law degree (University of Fribourg), lawyer
Swiss, Lucerne, b. 1956
Chairwoman, non-executive and independent

Committee membership
Strategy and Governance Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
1980–1982 Swiss Bank Corporation, Basel; 1983–1991 various management positions at Fides Treuhandgesellschaft, Basel and Lucerne; 1992–2005 various management positions as a partner at KPMG Switzerland, including 1994–2005 Managing Partner at KPMG Lucerne

Appointments at listed companies
Chairwoman of the Board of Directors of Luzerner Kantonalbank

Appointments at other companies
Member of the Board of Directors of Swiss International Airlines, Basel

Pro bono appointments
Three appointments, in particular President of the Association of Swiss Companies in Germany, VSUD, Basel

Hans C. Künzle

Doctorate in law (University of Zurich)
Swiss, Zurich, b. 1961
Vice-Chairman, non-executive and independent

Committee membership
Strategy and Governance Committee
Investment and Risk Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
Until 1989 at Bülach District Court; 1989–2004 various managing roles at Winterthur Versicherungen, including CEO of Winterthur operations in the Czech Republic and Head of Mergers & Acquisitions at group level; 2004–2014 CEO of the Schweizerische National-Versicherungs-Gesellschaft AG, Basel; since 1 January 2015 Vice-President of the Board of Directors of Helvetia Insurance

No appointments at listed companies

Appointments at other companies
Three appointments: Member of the Board of Directors of CSS Versicherung, Lucerne, Canopius Holding, Zurich, and Canopius Re, Zurich

Pro bono appointments
Three appointments, in particular President of the National Committee of UNICEF Switzerland and Liechtenstein and on the Board of Pro Infirmis

Thomas Schmuckli

Doctorate in law (University of Fribourg), lawyer
Swiss, Hünenberg See, b. 1963
Vice-Chairman, non-executive

Committee membership
Investment and Risk Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
Credit Suisse: 1993–1998 Various management roles in the Legal department of the Leu Group, 1998–2000 Member of a credit recovery task force, 2005–2007 Head of Legal & Compliance Corporate & Institutional Clients, 2007–2013 Head of Legal & Compliance Asset Management Switzerland; Zuger Kantonalbank: 2000–2005 Member of the Extended Executive Management (product, project and process management); independent member of the Board of Directors since 2014

Appointments at listed companies
Chairman of the Board of Directors of Bossard Holding AG, Zug

Appointments at other companies
Four appointments: Chairman of the Board of Directors of Credit Suisse Funds AG, Zurich; Member of the Board of Directors of MultiConcept Funds Management S.A., Luxembourg; Member of Board of Directors of Hans Oetiker Holding AG, Horgen; Delegate and Chairman of the Board of Directors of Patria Genossenschaft, Basel

Pro bono appointments
Three appointments at charitable organisations and institutions

Hans-Jürg Bernet

Doctorate in economics (University of St. Gallen)
Swiss, St. Gallen, b. 1949
Member, non-executive and independent

Committee membership
Nomination and Compensation Committee
Audit Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
Joined Zurich Insurance in 1977, various managerial positions, including: 1993 Member of the Executive Management of Zurich Switzerland, 2001–2005 CEO Zurich Switzerland, 2001–2004 Member of the Extended Group Executive Board of the ZFS Group; 2002–2005 Vice-President of the Swiss Insurance Association (SIA); 2001–2005 Member of the Management Board and Vice-President of the Fördergesellschaft I. VW.

Appointments at listed companies
Member of the Board of Directors of St. Galler Kantonalbank, St. Gallen

Appointments at other companies
Six appointments at non-listed companies, in particular President of the Board of Directors of Hälg Holding AG, St. Gallen, and MediDataAG, Root; Member of the Board of Directors of SWICA healthcare organisation, Winterthur, and Adcubum AG, St. Gallen

Pro bono appointments
Two appointments at charitable organisations and institutions

Beat Fellmann

Degree in economics (University of St. Gallen) and
Swiss Certified Public Accountant
Swiss, Seuzach, b. 1964
Member, non-executive and independent

Committee membership
Investment and Risk Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
Bühler AG: 1991 – 1994 Internal Group Auditor, 1994 – 1996 Assistant CEO and Chairman of the Board of Directors, 1996 – 1998 International Change Management project team; Holcim AG (now: LafargeHolcim Ltd.): 1998 – 2004 Head of Financial Holdings in Zurich, Amsterdam and Hamburg, 2005 – 2008 Deputy Group CFO and member of the Extended Executive Management; CFO and Head of Corporate Center at Implenia Ltd from 2008*

No appointments at listed companies

Appointments at other companies
Two appointments: Member of the Board of Directors of Vitra Holding AG and member of the Swiss Takeover Board (TOB)

No pro bono appointments

***until 26 February 2019**

Jean-René Fournier

Degree in economics (University of Fribourg)
Swiss, Sion, b. 1957
Member, non-executive

Committee membership
None due to his political office as President of the Council of States

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
Management positions at UBS; 1997 – 2009 State Council of the canton of Valais; since 2007 Senate of the canton of Valais; 2011 – 2013 President of the Finance Commission of the Council of States, Vice-Chairman of the Council of States 2017 / 2018; Chairman of the Council of States 2018 / 2019; President of the Finance Delegation of the Federal Assembly

No appointments at listed companies

Appointments at other companies
Five appointments at non-listed companies / institutions: Vice-Chairman of the Board of Directors of Patria Genossenschaft, Basel; Member of the Board of Directors of Forces motrices de la Gougra SA, Sierre, and Grande Dixence SA, Sion; Chairman of the Board of Directors of Immobilien Gletsch AG, Obergesteln; Chairman of the Board of Directors of Loterie Romande

Pro bono appointments
President of the Board of Trustees of the Disability Foundation Valais de Cœur

Ivo Furrer

Doctorate in law (University of Zurich)
Swiss, Winterthur, b. 1957
Member, non-executive and independent

Committee membership
Strategy and Governance Committee
Audit Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
1982–1999 Winterthur Versicherungen, various management positions in Canada, the US and London as well as Chief Underwriting Officer Global Corporate; 1999–2002 Credit Suisse Group, including as a member of the Executive Committee e-Investment Services Europe; 2002–2008 Zurich Financial Services, Head of international key account business in Germany, member of the Global Corporate Executive Committee, CEO Life Switzerland; 2008–2017 Swiss Life Group, CEO Switzerland and member of the Corporate Executive Board

Appointments at listed companies
Member of the Board of Directors of Julius Baer Group Ltd.

Appointments at other companies
Four appointments, in particular member of the Liechtenstein Financial Market Authority (FMA), Vaduz, member of the Board of Directors of inventx AG, Chur

Pro bono appointments
Member of the Board of Trustees of the Foundation for Children in Switzerland; Chairman of digitalswitzerland, Zurich

Christoph Lechner

Professor and doctor of economics (University of St. Gallen), Swiss and German citizenship, Hettlingen, b. 1967
Member, non-executive and independent

Committee membership
Strategy and Governance Committee
Nomination and Compensation Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background, exercising operational executive functions
1987–1995 various positions at Deutsche Bank, including: Corporate Banking and Assistant to the Management (Germany); Corporate Finance (Singapore); 1995–2004 University of St. Gallen, promotion and habilitation, guest professor in the US (Wharton and Connecticut) as well as South America (IAE Argentina); since 2004 Professor of Strategic Management at the University of St. Gallen; Director at the Institute of Management (IfB)

No further appointments

Gabriela Maria Payer

Doctorate in philosophy (University of Zurich)
Swiss, St. Moritz, b. 1962
Member, non-executive and independent

Committee membership
Nomination and Compensation Committee
Investment and Risk Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungs-gesellschaft AG

Professional background, exercising operational executive functions
Until 1993 responsible for marketing at IBM and American Express; 1993–2012 numerous management roles with UBS AG; including: 1999 set-up and management of UBS e-banking; 2005 worldwide management of Human Resources Wealth Management & Business Banking; 2009 founding and management of the UBS Business University for the entire Group; from 2012–2017 Head of Training and member of the Executive Management of the Swiss Finance Institute; since 2012 also owner of the consulting company, PAYERPARTNER, for strategic business

Appointments at listed companies
Member of the Board of Directors of VP Bank AG, Liechtenstein

Appointments at other companies
Two appointments: Vice-Chairwoman of the Board of Directors of the Upper Engadine Healthcare Foundation (SGO), Samedan, and Vice-Chairwoman of Sygnum Ltd, Zurich and Singapore

Pro bono appointments
Three advisory board appointments: Universities of Bern and Lucerne as well as the Swiss Leadership Forum, Zurich

Andreas von Planta

Doctorate in law (University of Basel), LL.M. (Columbia University), lawyer,
Swiss, Cologny / GE, b. 1955
Member, non-executive and independent

Committee membership
Nomination and Compensation Committee
Audit Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungs-gesellschaft AG
Helvetia Schweizerische Lebensversicherungs-gesellschaft AG

Professional background, exercising operational executive functions
Since 1983 law firm Lenz & Staehelin, Geneva; partner from 1988–2017; senior counsel since 2018

Appointments at listed companies
Member of the Board of Directors of Novartis AG, Basel

Appointments at other companies
Seven appointments, in particular Chairman of the Board of Directors of HSBC Private Bank (Swiss) SA, Geneva; and President of the Regulatory Board of SIX Swiss Exchange (previously registration office of SWX Swiss Exchange)

No pro bono appointments

Regula Wallimann

Degree in economics (University of St. Gallen), Swiss and US Certified Public Accountant
Swiss, Meilen, b. 1967
Member, non-executive and independent

Committee membership
Audit Committee

Other appointments within the Group
Helvetia Schweizerische Versicherungs-gesellschaft AG
Helvetia Schweizerische Lebensversicherungs-gesellschaft AG

Professional background, exercising operational executive functions
1993–2017 Accountant at KPMG, including assumption of responsibility for the auditing of large, listed, internationally active industrial firms as Global Lead Partner from 2003–2017; independent member of the Board of Directors since 2017

Appointments at listed companies
Member of the Board of Directors of Straumann Holding AG, Basel; Member of the Board of Directors of Adecco Group AG, Zurich

Appointments at other companies
Member of the Board of Directors of Swissgrid Ltd, Laufenburg; Member of the Supervisory Board of the Institute for Accounting, Controlling and Auditing (ACA) of the University of St. Gallen (HSG)

No pro bono appointments

Corporate Secretary of the Board of Directors: Christophe Niquille, doctorate in economics (University of St. Gallen)

3.2 Other activities and interests
Information on the activities and interests of the members of the Board of Directors is provided on pages 14 to 18.

In addition, there are the following business relationships with companies represented by members of the Board of Directors:
– Jean-René Fournier and Thomas Schmuckli represent Patria Genossenschaft.
– Thomas Schmuckli is Chairman and Jean-René Fournier the Vice-Chairman of the Board of Directors of the Patria Genossenschaft, Basel, the statutory objectives of which are to promote the conclusion and execution of life insurance contracts with Helvetia in the interests of its members, and to secure and promote its independence and development by means of financial participation in Helvetia.
– State Councillor Jean-René Fournier is the only member of the Board of Directors who holds public political office.

3.3 Statutory rules regarding the number of activities allowed pursuant to Art. 12 para. 1 (1) VegüV
According to Art. 32 (mandates outside the Group) of the Articles of Association (https://www.helvetia.com/content/dam/os/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmenspublikationen/statuten_2017.pdf), members of the Board of Directors may not hold more than five additional mandates with listed companies and ten additional mandates with non-listed companies.

This restriction does not apply to:
a) Mandates with companies that are controlled by the company directly or indirectly or in joint agreement with third parties or which control the company directly or indirectly or in joint agreement with third parties;
b) Mandates accepted by a member of the Board of Directors on instructions of the company or companies directly or indirectly controlled by the company. Members of the Board of Directors may not hold more than ten such mandates; and
c) Mandates with associations, charitable organisations, foundations and staff pension funds. Members of the Board of Directors may not hold more than ten such mandates.

Mandates include mandates in the most senior governing or managing body of a legal entity that is obliged to register with the Commercial Register or a similar foreign register. Mandates with different legal entities controlled by the same company or beneficial owner count as a single mandate.

A list of such mandates of the individual Board members is provided on pages 14 to 18.

3.4 Election and term of office

All Board members, the Chairwoman and the members of the Nomination and Compensation Committee are individually elected at the Shareholders' Meeting each year in accordance with the provisions of the VegüV. Re-election of existing Board members is possible. The option of re-election ends at the latest with the Ordinary Shareholders' Meeting in the year in which a Board member turns 70. Prior to the 2019 Shareholders' Meeting, Hans-Jürg Bernet will reach the statutory age limit of 70 and will therefore not stand for re-election. In his place, Regula Wallimann will be proposed for election to the Nomination and Compensation Committee at the next Shareholders' Meeting. The other Board members and the members of the Nomination and Compensation Committee will stand for re-election.

3.5 Internal organisation

Corporate governance at Helvetia is based on the relevant legal provisions (in particular company law and stock market legislation) and on internal directives and regulations.

3.5.1 Division of duties in the Board of Directors

The diagram on page 13 shows the tasks that were delegated to the committees by the Board of Directors. The figure shows the constitution of the Board of Directors as at 31 December 2018. The Board of Directors appoints the Vice-Chairmen, the Chairwoman and members of the various committees (exception: the members of the Nomination and Compensation Committee) as well as the secretary of the Board of Directors. The Chairwoman heads the Board of Directors. She convenes the meetings of the Board, prepares the agenda for the Board meetings and chairs these meetings. She prepares the Shareholders' Meeting and the invitation to the Shareholders' Meeting, and also chairs this meeting. She draws up the strategic objectives that are discussed by the Board of Directors and represents the shareholders in important strategic projects in consultation with the CEO. She ensures that shareholders receive timely and correct information on the Group's business operations and nurtures relationships with major investors. Together with the other executive bodies of the Group, the Chairwoman ensures good corporate governance and an effective internal control system. She serves as line manager to the CEO and acts in consultation with the CEO whenever possible. She and the CEO prepare the CEO's annual agreement on objectives, and she assesses the CEO's performance every year. The Chairwoman may take part in important meetings of the Executive Management as a guest; to this end she receives the agenda and accompanying documents for all meetings. She manages the Group's internal audit team as well as the head of the General Council, assesses requests for information, meetings or inspection of documents from members of the Board of Directors as well as their acceptance of new board or similar mandates (the SGC decides on such mandates of the Chairman), signs Commercial Register applications and handles other tasks delegated to her by the Board of Directors. She may inspect any and all documents at all times. If the office of Chairwoman is vacant, the Board of Directors appoints a Chairperson from among its own members until the conclusion of the next Ordinary Shareholders' Meeting.

3.5.2 Composition of the Board committees

In order to employ the broad business experience of its individual members in its decision-making processes and to meet its supervisory reporting obligations, the Board of Directors has formed the following special committees from among its own members to assist the Board in close cooperation with the Executive Management in its management and control activities: the Strategy and Governance Committee, the Nomination and Compensation Committee, the Investment and Risk Committee, and the Audit Committee. The duties and powers of these committees are described in detail in the organisational regulations (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf) and the composition of each committee is presented on page 13.

a) The Strategy and Governance Committee (SGC) prepares the resolutions to be passed by the Board of Directors in the event of a change or redefinition of strategy, controls in particular the implementation of the strategy, deals with mergers, acquisitions and disposals of companies or major portfolios, and prepares the required resolutions by the full Board of Directors. It also ensures good corporate governance within the Helvetia Group. The SGC assumes duties and powers that have been assigned to it by the Board of Directors, deals with issues entrusted to it by the Chairwoman that are not reserved for the full Board of Directors in accordance with the law, the Articles of Association or Group regulations, and discusses important and urgent issues.
b) The Nomination and Compensation Committee (NCC) puts forward proposals regarding the structure of the compensation system that applies to the members of the Board of Directors and the compensation of the members of the Executive Management, and submits proposals on the fixed and variable salaries and remuneration of the members of the Executive Management to the Shareholders' Meeting. The NCC approves the concept and strategy of the employee pension funds in Switzerland on behalf of the employer and takes note of their annual financial statements. It prepares the resolutions by the Shareholders' Meeting regarding the appointment and dismissal of members of the Board of Directors. The NCC also puts forward proposals regarding personnel decisions and appointments and dismissals of members of the Executive Management, handles the appointment and dismissal of the Chief Executive Officers of all market units, and periodically reviews plans and measures to retain and promote senior managers.
c) The Investment and Risk Committee (IRC) formulates the investment concept, basic guidelines and investment strategy. It proposes the strategic ranges of asset allocation, approves the investment strategy, supervises the investment activities of the Helvetia Group and decides on investments to the extent that the Board of Directors has delegated this task to it. The IRC determines the applicable risk limits, and monitors all risks (including the strategic risks and operational risks relevant to the whole company) as well as the related risk management measures and compliance with limits.
d) The Audit Committee (AC) assists the Board of Directors in its duties with regard to overall supervision and financial control. It examines the accounts from the perspective of completeness, integrity and transparency, and verifies their compliance with applicable accounting standards and external reporting requirements. It assesses risk governance and risk organisation, and monitors the functional capacity and effectiveness of the internal control systems (ICS). The AC monitors the operational risks and related risk management measures and verifies the independence and quality of the audits by the internal and external auditors. It ensures optimum cooperation between internal and external control units, the AC, the Chairwoman of the Board of Directors and the Executive Management. The AC approves the internal audit plan and assists with the development of external audit plans, examines the results of audits, comments on them for the attention of the Board of Directors, and may, if necessary, award special audit assignments. The AC prepares the election of the statutory auditors, and submits the necessary proposals to the Board of Directors. It verifies the consistency of auditing activities with any existing consulting mandates and examines the overall fee structure.

3.5.3 Modus operandi of the Board of Directors and its committees

The Board of Directors convenes as often as business requires, as a rule five to six times a year. Most of its meetings, which usually last half a day, are held at the Group head office in St. Gallen, and the executive seminar, which usually lasts two days, is generally held at external premises. The Board of Directors is quorate if the majority of its members are present. Its resolutions are carried with a majority of the votes of the members in attendance. Resolutions may also be passed by circular letter, which was the case twice in 2018.

As a general rule, meetings are attended by all Board members and, in an advisory capacity, also some of the members of the Executive Management. Meetings are organised as follows: the meeting starts as a closed meeting of the Board of Directors for discussing internal topics. The meeting is then continued in the presence of the CEO and, depending on the topic, some or all of the members of the Executive Management.

In the reporting year, five half-day meetings were held as well as a two-day seminar, two in the absence of one member of the Board of Directors. In order to deal with specific issues, it may call on specialists to attend its meetings, which is regularly the case. Members of the Board of Directors and all executive bodies are obliged to abstain if business is being dealt with that involves their own interests or the interests of related parties (natural persons or legal entities).

The SGC convenes as often as business requires. In order to deal with specific issues, it may call on internal or external specialists to attend its meetings, which is regularly the case. The CEO participates in an advisory capacity. In 2018, the SGC had five meetings, all of which were attended by all its members. Most of the meetings lasted half a day.

The NCC convenes as often as business requires. In order to deal with specific issues, the Committee may call on internal or external specialists to attend its meetings, which is regularly the case. The CEO takes part in an advisory capacity where topics that affect the Executive Management are concerned. The NCC met seven times in 2018. One of the Board members was absent from one of the meetings. Most of the meetings lasted half a day.

The IRC convenes as often as business requires. The CEO, CFO, CIO and the Head of Risk Management attend its meetings in an advisory capacity. In 2018, they attended all meetings. In order to deal with specific issues, the Committee may call on internal or external specialists to attend its meetings, which is regularly the case. The IRC met five times in 2018. One of the Board members was absent from two of the meetings. Most of the meetings lasted half a day.

The AC met four times in 2018. One member was absent from two of the meetings. The CEO, CFO, representatives of the external auditors and the head of Internal Audit attend its meetings in an advisory capacity. The attendance rate was 100% at meetings held to discuss the financial statements. In order to deal with specific issues, the Committee may call on internal or external specialists to attend its meetings, which is regularly the case. Most of the meetings lasted half a day.

The Chairwoman may, at her own request, take part in the meetings of the NCC, IRC and AC in an advisory capacity.

3.6 Delineation of powers

The Board of Directors possesses the following powers based on its inalienable and non-transferable duties stipulated in the provisions of Swiss company law, the Articles of Association and the internal organisational regulations of the Helvetia Group:

- overall management of the Group;
- definition of the organisational principles;
- definition of the structure and principles of accounting, financial control and financial planning;
- appointment and dismissal of members of the Executive Management;
- overall supervision of the management of the Group's business activities;
- preparation of the business and compensation report;
- preparation of the Shareholders' Meeting;
- implementation of its resolutions; and
- approval of major legal transactions.

Appendix I of the organisational regulations contains a detailed description of the division of powers between the Board of Directors, the Board committees and the Executive Management: (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf).

3.7 Information tools and control instruments regarding the Executive Management

The Board of Directors is kept up-to-date in a variety of ways concerning Helvetia's activities, its course of business and trends in the market. At its meetings, it requests information concerning:

- content and outcome of matters dealt with by the various Board committees, including all resolutions and proposals – all committees are required to submit copies of their minutes without delay;
- course of business and market trends, to be provided by the CEO and the individual coun-

try managers and division heads, as well as the main projects, to be provided by the persons responsible, as necessary;
- status of compliance with budget and other annual objectives as well as strategic plan values for several years;
- results and findings of the audits conducted by the external and internal auditors which are in particular discussed by the AC and recorded in its minutes;
- the most important strategic, financial and operational risks, any changes to them and risk management measures that have been taken or are planned;
- compliance with legal and regulatory provisions and internal regulations;
- significant developments and events that could influence the interests of stakeholders, spontaneously on the occurrence of special events, otherwise in a detailed annual report and a condensed interim report.

Every month, the members of the Board of Directors receive key data concerning the course of business. They also periodically receive reports on current issues relating to governance as well as selected analyses and situation reports concerning market trends, market players and noteworthy occurrences. The regular reports submitted to the Board of Directors and its committees are listed in Appendix II of the organisational regulations (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf).

At the meetings, every member of the Board of Directors may ask other members and members of the Executive Management for information concerning all matters pertaining to the Group. Outside of meetings, every member of the Board of Directors may ask the Executive Management to provide information about the general course of business or the course of specific business cases, and / or may inspect any business documents as required.

In 2018, the Chairwoman of the Board of Directors met regularly with the CEO in order to exchange information as well as with other members of the Executive Management outside of the regular meetings.

Helvetia has introduced and implemented a coordinated and formalised concept for risk management and risk control. Further information on risk management and risk control can be found on pages 4 ff.

The Board of Directors also has the Internal Audit unit at its disposal as an auditing and supervisory body that monitors compliance with legal and regulatory provisions, internal guidelines and directives systematically, purposefully and in a risk-oriented manner. It also receives reports concerning Helvetia's general development and specific activities in the areas of corporate governance, compliance and risk management.

4. Executive Management

The Executive Management is the highest executive body of the Helvetia Group and is responsible for implementing the strategy adopted by the Board of Directors.

The Executive Management has been headed by Dr Philipp Gmür since 1 September 2016. Together with the division heads of the Executive Management and the Executive Management boards of the market units outside of Switzerland, he is responsible for the operational management of the Group.

André Keller will become a new member of the Executive Management on 1 April 2019. He will take over from Ralph-Thomas Honegger as Chief Investment Officer. Ralph-Thomas Honegger is to retire.

A detailed organisational chart as at 31 December 2018 can be found in our company brochure on page 13.

4.1 Members of the Executive Management

Philipp Gmür

Doctorate in law (University of Fribourg), lawyer, LL.M. (Duke Law School), Swiss, Lucerne, b. 1963
Chief Executive Officer / Group CEO

Other appointments within the Group
Helvetia Schweizerische Versicherungs-gesellschaft AG
Helvetia Schweizerische Lebensversicherungs-gesellschaft AG

Professional background
1988 – 1990 worked in various courts, administration and law firms; 1991 – 1993 Court Clerk at the High Court of Lucerne; 1993 joined Helvetia: Head of regional office in Lucerne; 2000 Member of the Executive Management of Helvetia Switzerland: Head of Sales; 2003 Member of the Group Executive Management and CEO Switzerland; in his current position since 1 September 2016

No appointments at listed companies

Appointments at other companies
Member of the Board Committee of the Swiss Insurance Association (SIA); Member of the Board of Directors of economiesuisse; Member of the Board of Trustees of Avenir Suisse; Member of the Board of Directors at two other non-listed companies.

Pro bono appointments
Chairman of the Funding Association and member of the Executive Committee of the I. VW Institute of Insurance Economics, St. Gallen and two Board of Trustees appointments

Achim Baumstark

Diploma in computer science (University of Karlsruhe)
German, Basel, b. 1964
Head of IT / Group CTO

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
1992 – 1995 Consultant and Project Manager at Andersen Consulting; 1995 – 2000 Programme Manager at debis Systemhaus, Stuttgart; 2000 – 2005 Managing Director, Chief Operating Officer at Daimler Chrysler Services Information Technology Ltd., UK; 2005 – 2006 Chief Information Officer for Europe / Africa / Asia Pacific at Daimler Chrysler Financial Services AG, Berlin; Director ITF / F at Daimler Chrysler AG, Stuttgart; 2009 – 2012 Head of Group Solutions at Zurich Financial Services; 2012 – 2013 Chief Information Officer at Zurich Switzerland; 2013 – 2017 Chief Information Officer, Member of the Executive Board of the Helsana Group; in his current position since 1 April 2017

No further appointments

Donald Desax

Law degree (University of Bern)
Swiss, Wallbach, b. 1959
Head of Occupational Pensions Switzerland

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
1986 – 1989 Corporate Advisor in relation to the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans at Patria Insurance; 1990 – 1995 Department Head and Managing Director at Servisa; 1996 – 2001 Head of Companies client area at Helvetia Insurance; 1997 Member of the Executive Management of Helvetia Switzerland; 2001 – 2016 Head of Business Benefit division; Member of the Executive Management in his current role since 1 January 2017

No appointments at listed companies

Appointments at other companies
Member of the Federal Occupational Benefit Plan Commission; Member of the Life Committee of the Swiss Insurance Association (SIA); Vice-President of the Swisscanto Vested Benefits Foundation of the Cantonal Banks; Member of the Strategy and Governance Committee of the Swisscanto Collective Foundation of the Cantonal Banks; Member of the Board of Prevo AG, Basel, and Chairman of the Helvetia Investment Foundation.

No pro bono appointments

Markus Gemperle

Doctorate in law (University of St. Gallen)
Swiss, Niederteufen, b. 1961
CEO Europe

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
1988–1990 Academic Assistant, Institute of Insurance Economics, University of St. Gallen; 1990 joined Helvetia Insurance;
Head of various departments in the non-life business in Switzerland; 2002 Head of Corporate Centre Helvetia Group; 2004 Member of the Executive Management of Helvetia Switzerland: Head of IT; 2006 Member of the Executive Management of Helvetia Switzerland: Head of Operations & Partners; 2008 Member of the Group Executive Management: Head of Strategy & Operations; 2015 Member of the Executive Management in his current position

No appointments at listed companies

Appointments at other companies
Chairman and Member of the Board of Directors at unlisted companies

No pro bono appointments

Ralph-Thomas Honegger

Doctorate from the University of Basel (Dr rer. pol.)
Swiss, Arlesheim, b. 1959
Chief Investment Officer (CIO)

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
Joined Patria in 1987, various managerial positions, including: Head of Portfolio Strategy and Portfolio Management; 1997 Member of the Executive Management of Helvetia Switzerland: initially Head of Investment Clients, then Head of Individual Life; 2002 Member of the Executive Management in his current position with various appointments at foreign subsidiaries of the Helvetia Group

Appointments at listed companies
Vice-Chairman of the Board of Directors of Allreal Group, Zurich

Appointments at other companies
Head of the Investment Commission of the Raiffeisen Pension Fund;
Chairman of the Investment Committee of the Swiss Insurance Association (SIA); Honorary Consul General for Austria in Basel

No pro bono appointments

Ralph Jeitziner

Swiss Federal Diploma in Insurance and Social Security Specialist
Swiss, Liestal, b. 1965
Head of Sales Switzerland

Other appointments within the Group
Helvetia Schweizerische Versicherungs-gesellschaft AG
Helvetia Schweizerische Lebensversicherungs-gesellschaft AG

Professional background
1985–1995 Basler Versicherungen: various functions at the head office and agencies; Coop Life/Coop Versicherungen AG, Basel: 1995–1999 Head of Sales Switzerland; 1999–2001 Member of the Executive Management, Head of Marketing & Sales; Nationale Suisse: 2001–2005 Member of the Extended Executive Management Switzerland, Head of Market Region Mittelland; 2005 Member of the Executive Management; 2005–2010 Head of Customer Service Non-Life & Sales; 2010–2014 Head of Multi-Channel Sales Switzerland; 2015 joined Helvetia Insurance: Member of the Executive Management of Helvetia Switzerland; 2015–2016 Head of Sales Switzerland; Member of the Executive Management in his current role since 1 January 2017

No appointments at listed companies

Appointments at other companies
Chairman of the BoD of Coop Rechtsschutz AG, Aarau; Chairman of the BoD of Medicall AG, Brüttisellen; Member of the Board of Trustees of Sanitas Health Insurance, Zurich, Member of the BoD of Helsana Rechtsschutz AG; Chairman of the Employers' Association of Basel-Stadt

No pro bono appointments

Reto Keller

Licentiate in Business Administration and Business Information Technology,
(University of Zurich)
Swiss, Ecublens, b. 1963
Head of Private Pensions Switzerland

Other appointments within the Group
Helvetia Schweizerische Versicherungs-gesellschaft AG
Helvetia Schweizerische Lebensversicherungs-gesellschaft AG

Professional background
1987–1992 Andersen Consulting (Accenture): Senior Consultant; 1992–1997 Texas Instruments Software (James Martin Associates): Senior Consultant; 1997–1998 Information Builders: Head of Services for French-speaking Switzerland; Providentia (Mobiliar Group): 1998–2000 Management of project portfolio, application architecture and Web group; 2001–2003 Head of Customer Service and Member of Senior Management; Phenix Versicherung (Allianz Group): 2004–2007 Head of Life Insurance and Member of the Executive Management; 2008–2011 CEO and Delegate to the Board of Directors; joined Helvetia Insurance: 2011 Member of the Executive Management of Helvetia Switzerland and Head of Private Pensions; Member of the Executive Management in his current role since 1 January 2017

No further appointments

Adrian Kollegger

lic. oec. (University of St. Gallen)
Swiss, Zurich, b. 1974
Head of Non-Life Switzerland

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
2001–2003 Strategic Assistant to the CEO of Continental Europe at Zurich Financial Services; 2003–2009 Various management functions at Zurich Global Corporate Spain, Barcelona; 2010–2017 Member of the Executive Management in various roles (2010–2012 Head Commercial Business & Brokers, 2012–2016 Head Agents & Personal Lines Distribution, 2016–2017 Head Commercial Customers) Zurich Switzerland; Member of the Executive Management in his current role since 1 April 2017

No appointments at listed companies

Appointments at other companies
Chairman of the Board of Directors of Europäische Reiseversicherungs AG, Basel; Member of the Board of Directors of Coop Rechtsschutz AG, Aarau; Member of the Claims Committee of the Swiss Insurance Association (SIA)

No pro bono appointments

Beat Müller

Degree in actuarial science (University of Basel), Actuary SAA, Certified Swiss pension insurance expert
Swiss, Breitenbach, b. 1964
Head of Actuarial Services

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
1985–1989 various positions at a pension fund advisory office and at IBM; 1990 joined Helvetia Insurance: 1990–2007 Actuary and Chief Actuary Life Insurance, from 2003 also Head of Actuarial Services Life Helvetia Group; 2007 Head of Actuarial Services/ALM and Member of the Executive Management of Helvetia Switzerland; Member of the Executive Management in his current role since 1 January 2017

No appointments at listed companies

Appointments at other companies
Vice-President of the Swiss Association of Actuaries; Member of the Strategy and Governance Committee of the Swisscanto Collective Foundation of the Cantonal Banks

No pro bono appointments

Paul Norton

B.A. in history (University of Reading/UK);
Chartered Accountant, British and
Swiss national, Zurich, b. 1961
Chief Financial Officer (CFO) of the Helvetia Group

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
1983 – 1992 Price Waterhouse, London; 1992 – 1994 Revisuisse Price Waterhouse, Zurich; 1994 – 1996 Price Waterhouse, London; 1996 – 1999 Zurich Financial Services (ZFS), Centre Solutions, Head of Transaction Tax and Accounting Europe; 1999 – 2002 ZFS: Head of External Reporting; 2002 – 2007 Winterthur Insurance: Head of Corporate Development and Capital Management; 2007: since 1 July 2007 in his current position; Member of the Executive Management with various appointments at the subsidiaries of the Helvetia Group in Switzerland and abroad

No appointments at listed companies

Appointments at other companies
Member of the Finance and Regulation Committee of the Swiss Insurance Association (SIA)

No pro bono appointments

David Ribeaud

Diploma in natural sciences (ETH Zurich),
Actuary SAA
Swiss, Zurich, b. 1970
CEO Specialty Markets

Other appointments within the Group
Helvetia Schweizerische Versicherungsgesellschaft AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG

Professional background
Joined Swiss Re in 1995, last working as Senior Underwriter Property & Casualty; 2001 moved to Zurich Global Corporate Switzerland as Actuary Head; 2005 Chief Pricing Actuary Europe General Insurance; 2009 – 2011 Chief Underwriting Officer at Zurich Italy; 2012 joined Executive Management at Nationale Suisse as Head of Customer Service & Non-Life Switzerland and from 2013 as Head of Specialty Lines & Foreign Countries; since 1 January 2015 Member of the Group Executive Management in his current position

No further appointments

Note: The CVs of the members of the Executive Management are available on the Internet at https://www.helvetia.com/corporate/web/en/home/about-us/overview/executive-management.html.

4.2 Other activities and interests

See pages 24 to 29.

4.3 Statutory rules regarding the number of activities allowed pursuant to Art. 12 para. 1 (1) VegüV

According to Art. 32 (mandates outside the Group) of the Articles of Association (https://www.helvetia.com/content/dam/os/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmenspublikationen/statuten_2017.pdf) , members of the Executive Management may not hold more than five additional mandates with listed companies and ten additional mandates with non-listed companies. In practice, this rule is interpreted considerably more restrictively for members of the Executive Management as it is assumed that full-time members of the Executive Management have to invest their time at work primarily in the interests of the company and that external mandates should only be approved by way of exception (e.g. family companies or in order to gain additional experience by being a member of the board of another company).

This restriction does not apply to:

a) Mandates with companies that are controlled by the company directly or indirectly or in joint agreement with third parties or which control the company directly or indirectly or in joint agreement with third parties;
b) Mandates accepted by a member of the Executive Management on instructions of the company or companies directly or indirectly controlled by the company. Members of the Executive Management may not hold more than ten such mandates; and
c) Mandates with associations, charitable organisations, foundations and staff pension funds. Members of the Executive Management may not hold more than ten such mandates.

Mandates include mandates in the most senior governing or managing body of a legal entity that is obliged to register with the Commercial Register or a similar foreign register. Mandates with different legal entities controlled by the same company or beneficial owner count as a single mandate.

A list of such mandates of the individual Executive Management members is provided on pages 24 to 29.

4.4 Management contracts

There are no management contracts with external parties that have to be disclosed.

5. Compensation, shares and loans

5.1 Contents and method for determining compensation and participation programmes

According to the VegüV, the Board of Directors is also in charge of general compensation issues and compensation models. It is supported in its work by the NCC, which provides advice to the Board of Directors at least once a year in the decision-making process in accordance with the internal organisational regulations and has final decision-making power in some areas. The fixed compensation of the members of the Executive Management is determined individually using a system applied by Kienbaum AG, a consulting firm specialising in compensation issues for insurers and financial services providers, and takes account of the function and responsibility assumed by each Executive Management member as well as the compensation paid by the Group's competitors. Kienbaum AG was not entrusted with any further mandates by Helvetia. Members of the Executive Management do not participate in meetings of the Board of Directors in which discussions are held on issues relating to compensation and corresponding decisions are made.

Since 2017, the Board of Directors has only been granted fixed compensation, in which components of previously paid variable long-term compensation have been integrated.

The delineation of powers for compensation matters is defined in Appendix I of the organisational regulations: (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf). For details on compensation, please refer to the compensation report on pages 41 to 45.

5.2 Details on issuers subject to the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV)

5.2.1 Statutory rules regarding principles of performance-related compensation and additional amount for new Executive Management members

In addition to their fixed compensation, the members of the Executive Management can also be paid variable compensation that is based on the achievement of specific performance objectives. The variable compensation should be geared toward the business performance. The performance objectives can include personal objectives, Group objectives and division-specific objectives. Objectives that are related to the market, other companies or similar benchmarks are also possible. The function and level of responsibility of the recipient of the variable compensation should be taken into account when formulating the performance objectives. The Board of Directors or, if the matter has been delegated to it, the Compensation Committee determines the weighting of the performance objectives and the target values and reports on these in the compensation report. In 2017, the Board of Directors decided to in future only pay itself fixed compensation. A member of the Board of Directors must obtain at least 30% of this fixed compensation in the form of blocked shares. Compensation is paid in the form of cash, shares, options, similar instruments or units, benefits in kind or services. The Board of Directors or, if the matter has been delegated to it, the Compensation Committee determines the conditions and deadlines for allocation, exercise and transfer as well as the vesting periods and conditions of expiry, if any. The Board may decide that conditions and deadlines for exercise and transfer as well as vesting periods are shortened or cancelled, payments are made under the assumption that the target values are reached or payments are cancelled if specific events defined in advance should occur, such as a change in control or the termination of an employment or mandate relationship. In doing so, the Board of Directors takes account of the company's ability to recruit suitable employees on the labour market and to retain these employees (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf).

Compensation can be paid by the company or by a company controlled by it (Art. 30 of the Articles of Association, https://www.helvetia.com/content/dam/os/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmens-publikationen/statuten_2017.pdf). If there are any changes to the Executive Management during the course of a year, the company or the companies controlled by it are authorised to pay an additional amount for this period to each member of the Executive Management who joins the Executive Management or is promoted on the Executive Management after the date on which the Shareholders' Meeting approved the compensation if the amount that was already approved is not sufficient to cover their compensation. The additional amount per compensation period may not exceed 40% for the Chief Executive Officer and 25% for the other positions on the Executive Management of the total maximum amount of compensation that was most recently approved for the Executive Management (Art. 29 of the Articles of Association, https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.pdf).

5.2.2 Statutory rules for loans, credits and pension benefits to members of the Board of Directors and the Executive Management

Loans may only be granted to the members of the Board of Directors at market conditions and to the members of the Executive Management at the usual employee conditions. Loans may only be granted for as long as the total amount of all outstanding loans to members of the Board of Directors and the Executive Management, including the new loans, is not more than twice the total amount of compensation that was most recently approved by the Shareholders' Meeting (Art. 33 of the Articles of Association, https://www.helvetia.com/content/dam/os/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmens-publikationen/statuten_2017.pdf).

5.2.3 Statutory rules regarding voting on compensation by the Shareholders' Meeting

Pursuant to the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV), the Board of Directors compiles a yearly compensation report submitting the total amounts of fixed compensation of the Board of Directors and fixed and variable compensation of the Executive Management to the Shareholders' Meeting for approval. No payment / share allocations may take place before the final approval of the compensation for the Board of Directors and the Executive Management by the Shareholders' Meeting.

From the 2019 Shareholders' Meeting, it will only be necessary to vote prospectively on the total amount of fixed compensation for the Board of Directors. The 2019 Shareholders' Meeting therefore has the following powers in matters concerning compensation:

– As regards the general report on business performance: review of the compensation report and thus the principles and conditions under which the compensation for the members of the Board of Directors and the Executive Management are determined.
– Approval of the following total amounts by way of individual voting:

a) fixed compensation of the Board of Directors for the period from the current Shareholders' Meeting to the next Shareholders' Meeting (prospective);
b) fixed compensation of the Executive Management for the period from 1 July following the current Shareholders' Meeting to 30 June of the next year (prospective);
c) variable compensation of the Executive Management for the past financial year (retrospective).

(Art. 28 of the Articles of Association, https://www.helvetia.com/content/dam/os/corporate/web/de/home/investor-relations/auf-einen-blick/publikationen/unternehmenspublikationen/statuten_2017.pdf)

6. Co-determination rights of shareholders

Helvetia observes the principle of equal treatment of shareholders.

6.1 Voting rights restrictions and proxy voting

Certain restrictions on voting rights that are identical to the restrictions relating to the transferability of registered shares of Helvetia Holding AG are described in section 2 above.

The Board of Directors specifies the rules that govern participation in the Shareholders' Meeting and the determination of voting rights. For representatives of executive bodies, independent voting rights and custody proxies (who do not necessarily have to be shareholders themselves), it may stipulate regulations that deviate from the restriction of proxy voting to 10% of the share capital. At the 2018 Shareholders' Meeting, no individual shareholder with voting rights represented more than 10% of the voting rights, with the exception of Patria Genossenschaft as individual shareholder and founding member of Helvetia in its current form. No specific exceptions with respect to voting rights restrictions or proxy voting were granted in the reporting year.

Shareholders who possess voting rights but who do not attend the Shareholders' Meeting may assign their voting rights to a third party (who does not necessarily have to be a shareholder) by means of a written power of attorney. However, he or she may only represent the voting rights of third parties if, together with his or her own shares, they do not exceed 10% of the total share capital. Here, too, shareholders who are connected to each other by way of capital or votes or by united management or in any other form count as one shareholder.

6.2 Statutory quorum

The Shareholders' Meeting is quorate regardless of the number of shareholders in attendance and votes represented by proxy. Unless stipulated otherwise by legal provisions or the Articles of Association, the Shareholders' Meeting passes resolutions by an absolute majority of the votes cast. In addition to the resolutions cited in Art. 704, para. 1 of the Swiss Code of Obligations, a two-thirds majority of represented votes is required for amendments to the Articles of Association, the premature termination of office of more than one member of the Board of Directors, and the liquidation of the company. The exceptions for Patria Genossenschaft as an individual shareholder mentioned in section 6.1 also apply here.

6.3 Convening the Shareholders' Meeting

The Shareholders' Meeting is convened by the Board of Directors, or, if necessary, by the statutory auditors. Liquidators and representatives of creditors also have the right to call a meeting.

As a rule, the Ordinary Shareholders' Meeting is held in April/May, but at the latest within six months after the end of the financial year. Extraordinary Shareholders' Meetings take place if the Board of Directors or the statutory auditors consider them necessary, if this is passed by a Shareholders' Meeting or if shareholders who represent at least 10% of the share capital jointly request in writing an Extraordinary Shareholders' Meeting, whilst stating the items on the agenda and the motions to be put forward and choosing the names of the proposed candidates.

Each shareholder receives a personal invitation no later than 20 days before the meeting, including a detailed agenda, a brief explanation of the motions to be put forward, plus other explanations concerning significant occurrences in the reporting year. The invitation and agenda are also published in the Swiss Official Gazette of Commerce.

6.4 Addition of items to the agenda

Shareholders with voting rights who together represent shares with a par value of at least CHF 2,000 may request the addition of items to the agenda in writing, stating the motions to be put forward, no later than 45 days before the Shareholders' Meeting.

6.5 Registration of shares

The right to attend the Shareholders' Meeting (3 May 2019) and exercise voting rights is reserved for persons who were registered in the share register as shareholders with voting rights as of the cut-off date (23 April 2019) specified by the Board of Directors and announced in the Swiss Official Gazette of Commerce. In exceptional cases, guest tickets for the Shareholders' Meeting may be issued, but holders of such tickets do not have any voting rights. Every share registered in the register entitles the holder to cast one vote.

7. Change in control and protection measures

7.1 Obligation to announce takeover bids

Art. 37 of the Articles of Association (https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/articles-of-association_2017.pdf) states that the obligation to announce a takeover bid in accordance with Art. 135 of the Financial Market Infrastructure Act (FinMIA) of 19 June 2015 only applies if a shareholder acquires 40% or more of the voting rights.

7.2 Clauses regulating a change in control

Employment contracts of Helvetia do not contain any agreements regarding a change in control. The practice of "golden parachutes" does not apply at Helvetia. Normal periods of notice apply (maximum twelve months for members of the Executive Management, six months for other managerial staff), during which the rules for contractual and variable compensation components remain applicable.

8. Statutory auditors

8.1 Term of office and tenure of office of the lead auditor

The independent auditors KPMG AG, Zurich, have served as the auditors of Helvetia Holding AG and its consolidated subsidiaries since 2005. The statutory auditors' term of office must be renewed by the Shareholders' Meeting every year. The KPMG AG audit team for the 2018 financial year consisted of:

– Bill Schiller (since 2014), ACA, Partner Financial Services; lead auditor.
– Andrea Bischof (since 2015), Swiss Certified Accountant, Director Financial Services.

8.2 Audit fees

In the reporting year, the fees charged by the auditors amounted to: CHF 3,484,885.00.

8.3 Fees for additional consultancy services

CHF 101,713.00. These fees covered legal and tax advisory services.

8.4 Information tools of the external auditors

The Audit Committee prepares the election of the statutory auditors. It monitors and assesses their activities. This supervision is predominantly carried out by means of the external auditors' reports on audit results, the reporting process, decisions, for example on IFRS issues, and statements in the local audits. Important findings are summarised in a management letter.

Representatives of the external auditors attend meetings of the AC in an advisory capacity. Copies of the minutes are sent to all members of the Board of Directors. Reports on the activities of the AC are provided at the meetings of the full Board of Directors. In the reporting year, four meetings were held and the external auditors attended all four meetings. Discussions between the external auditors, the Chairwoman of the Board of Directors, the Chairman of the AC, the CEO and the CFO take place annually. Meetings or an exchange of experience with specialists from the areas of finance, risk management, legal and compliance, General Council and corporate governance are held periodically. The external and internal audit teams also liaise frequently regarding issues such as audit planning, audits and results as well as current problems.

9. Information policy

Helvetia communicates with shareholders, potential investors, retail investors and the general public comprehensively and on a regular basis. Shareholders receive a short letter to shareholders about the previous business year and most important key figures along with the invitation to the Shareholders' Meeting. The annual report and the letter to shareholders in spring as well as the interim report and letter to shareholders in autumn are made available to the general public. Both documents are available on the website https://www.helvetia.com/corporate/web/de/home/investoren/uebersicht/publikationen/jahresabschluss.html beziehungsweise https://www.helvetia.com/corporate/web/de/home/investoren/uebersicht/publikationen/halbjahresabschluss.html. Upon request the documents can also be sent to investors or interested parties free of charge. Other current and archived information on the Helvetia Group is available on our website https://www.helvetia.com/corporate/web/en/home.html. Topics include corporate governance, strategy, employees, charitable activities, branding, history and corporate responsibility as well as investor interests such as the key figures, corporate story, equity story, bonds, rating, annual and interim results and information about the stock including the current share price performance. In addition, further publications, media releases and important dates can be found here. Interested parties may also register online to receive the latest information on the company directly and to request particular publications. The following link can be used for this: https://www.helvetia.com/corporate/web/en/home/media-and-stories/overview/news-subscription.html.

Helvetia periodically meets with institutional investors and presents the published financial results at special roadshows. Our Investor Relations team will be pleased to assist with any personal enquiries; contact details are provided on page 199 of this Financial report as well as on our website.

Prior to the Shareholders' Meeting, shareholders have the option of paperless communication with the share register of Helvetia. Services such as ordering admission cards, notices to Helvetia, valid issuance of proxies, voting instructions to independent proxies and corrections of data can be processed online. Access is gained via the QR code that is provided to shareholders together with the instructions for first-time registration as part of the invitation to the Shareholders' Meeting.

Compensation report

The first section of the compensation report of the Helvetia Group sets out the general principles, main components and criteria regarding the compensation concept and participation rights as well as the loan and credit terms and conditions for members of the Board of Directors (BoD) and the Executive Management (EM) on Group level and the teams in the respective market units. It provides an overview of the philosophy, guiding principles and processes pertaining to the compensation paid by Helvetia that apply to all operational and executive levels. The application of the general principles in the financial year and the specific payments as well as the relevant information for the vote on compensation are then – unless explicitly mentioned – only presented in a second and third part for the BoD and the EM, which must be reported pursuant to the "Ordinance Against Excessive Compensation in Swiss Listed Companies" (VegüV) of 20 November 2013 (as at: 1 January 2014). All sections comply with the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse in 2002 and updated in 2016, the Corporate Governance Guidelines (RLCG) of SIX Swiss Exchange of 20 March 2018, Circular 2010/1 "Compensation Systems" by the Swiss Financial Market Supervisory Authority FINMA of 22 September 2016, the Swiss Code of Obligations and the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV) of 20 November 2013, which entered into force on 1 January 2014.

I. General compensation principles

The Helvetia Group applies a multi-level and yet simple and transparent compensation system for all employees in Switzerland as well as for its governing and executive bodies with a reporting duty (BoD and EM). As shown below, this system is composed of fixed and variable compensation components. At Helvetia, compensation is deliberately fixed so that:

– it is transparent, fair and appropriate for the members of the BoD and EM and for all managers and employees. Those who do good work should also be paid well;
– it takes account of the responsibility carried by the function holder, the quality of his or her work and the effort and time involved in carrying out the work;
– there is an appropriate relationship between the fixed and variable compensation components to ensure that the variable compensation is not so high that it has a negative impact on employees' risk tolerance and motivates them to focus on short-term criteria only;
– it is function-appropriate and shaped to a considerable extent by individual targets and the overall result of the company, it is reasonable and competitive compared to the salaries paid by other companies in the same labour market and business sector; and
– it is reasonable when the lowest and highest salaries within Helvetia are compared.

Helvetia remuneration model

Board of Directors

Executive Management/CEO

All employees in Switzerland

Fixed component	Variable component		
Base salary/basic remuneration	Individual target achievement as % of base salary	Results-based compensation component as % of base salary	Long-term compensation component (LTC) as % of base salary/basic remuneration
Board of Directors: uniform basic remuneration (exception: Chairman of the Board of Directors) with allowances for committees and committee chairpersons (cash) **EM and employees:** fixed salary based on individual function (position, skills, responsibility, etc.) incl. fringe benefits (cash)	Variable compensation component based on personal target achievement (cash)	Compensation paid depending on the general business performance (cash)	Long-term investment instrument (EM: basis of calculation: shares; transfer of ownership in shares or in cash

The BoD is in charge of general compensation issues and compensation models. It is supported in its work by the Nomination and Compensation Committee, which provides assistance to the BoD in the decision-making process in accordance with the internal organisational regulations and has final decision-making power in some areas. Pursuant to the Ordinance Against Excessive Compensation in Swiss Listed Companies (VegüV), the BoD compiles a yearly compensation report submitting the total amounts of fixed compensation of the BoD and fixed and variable compensation of the EM to the Shareholders' Meeting for approval. No payment/share allocations may take place before the final approval of the compensation for the BoD and the EM by the Shareholders' Meeting.

The Shareholders' Meeting (SM) therefore has the following powers in matters concerning compensation:

a) As regards the general report on business performance: review of the compensation report and thus the principles and conditions under which the compensation for the members of the BoD and the EM are determined.
b) Approval of the following total amounts by way of individual voting:
– fixed compensation of the BoD for the period from the current SM to the next SM (prospective);
– fixed compensation of the EM for the period from 1 July following the current SM to 30 June of the next year (prospective);
– total variable compensation of the EM for the past financial year (retrospective).

The delineation of powers for compensation matters is defined in Appendix I of the organisational regulations: https://www.helvetia.com/content/dam/os/corporate/web/en/home/investor-relations/overview/publications/business-publications/organisational-regulation.pdf.

Fixed compensation components

The Nomination and Compensation Committee defines the principles on which compensation decisions are based. With regard to the SM that takes place in May and the compensation periods beginning subsequently (BoD: SM to SM, EM: 1 July to 30 June of the following year), the compensation concepts are reviewed by the Nomination and Compensation Committee to ensure that they are still appropriate and in line with the market; a proposal for appropriate adjustments to the total sum is then submitted to the BoD and then to the SM at which final approval will be granted.

Various documents are used as the basis for ensuring that the fixed compensation components are appropriate and in line with the market. For example, renowned, independent institutes are commissioned from time to time to prepare comparative studies that can serve as a benchmark. The compensation reports of comparable competitors are also analysed. Publications by different interest groups such as "Ethos", information obtained from advisors specialising in personnel issues, and articles that appear in the media also provide an important basis for comparison.

Variable compensation components

To adjust the compensation system to those that are usual in the market, the BoD will no longer be paid any variable compensation from 2017 financial year.

The variable compensation components for members of the EM – and all Helvetia employees in Switzerland – are determined by the Nomination and Compensation Committee during the first quarter of every year once the key figures for the past financial year and the individual target achievement results are available to the BoD for final approval by the SM (EM total amounts). The Nomination and Compensation Committee uses a criteria matrix to assess the results-based target achievement; this matrix is discussed in detail below in conjunction with the long-term compensation component (LTC).

Other compensation components

Helvetia also offers employee benefits packages, which are attractive in a market comparison, to all its employees and managerial staff. The employee benefits insurance provides employees and their dependants with the assurance that they will be financially secure on retirement or in the event of illness, the incapacity to work or death, in a way befitting employees who work for a leading insurance company. Helvetia's compensation systems as well as the employee benefits programmes, some of which can be optimised at an individual level, have proven their value; they are correct and fair, balanced and competitive, and the amounts that are paid can be justified at all times.

1. Compensation for the Board of Directors

The compensation principles relevant for the BoD and individual components of the compensation concept as well as the procedure used for determining performance-related payments are set out in the compensation regulations approved by the full BoD. Since the 2018 SM, the compensation for the members of the BoD has consisted of fixed components only.

a) Fixed compensation
   Every BoD member receives a fixed basic fee determined in advance, which is generally the same for all members of the BoD. Differences arise from the allowances that are paid to the Vice-Chairmen and the members and chairpersons of the committees. These payments take account of the responsibility and specific functions of each of the individual BoD members. The higher total compensation paid to the Chairwoman takes into account her greater involvement in the company's management and operational activities.
   Details of the committee chairpersons and the committee memberships of the individual BoD members can be found in the table on page 13.
   30% of the total compensation calculated on the basis of the basic fee as well as the allowances for committee chairpersons and committee members will be paid out in the form of shares that are blocked for at least three years (standard solution). The members of the BoD can apply for an extension to the vesting period for each generation of shares. There is a claw-back option, i.e. the return of the blocked shares if the business performance is bad during the vesting period, the reasons for which lie in gross mistakes made by the BoD during the reference year (analogous to the LTC rule in the compensation regulations for the EM).
   The remaining 70% of the total compensation is paid out in cash. When a Director leaves the BoD, the fixed compensation is paid on a pro rata basis up to the end of the month in which he or she leaves the Board of Directors.

b) Variable compensation
   The BoD has not received any variable compensation components since the 2018 SM.

c) Meeting attendance fees
   No attendance fee is paid.

d) Expenses
   The members of the BoD receive lump-sum expense allowances of CHF 10,000 per Director as part of their total fixed compensation for each term of office. This lump-sum expense allowance covers minor expenditures and travel expenses for the members of the BoD within Switzerland. Other expenses can – provided they are not covered directly by the company – be billed. The Chairwoman of the Board of Directors is also compensated for the use of external infrastructure.

e) Shares and options
   Members of the BoD receive part of their fixed remuneration in the form of shares (see a). They do not participate in any employee share purchase plans. They also did not participate in any previous share option programmes.
   The members of the Board of Directors still have claims to deferred shares arising from variable

compensation in previous years. The claims for the 2015 and 2016 financial years are currently still outstanding for which the definitive share transfer will take place in 2019 and 2020. All deferred claims to shares of the members of the Board of Directors will expire with the transfer of ownership in 2020.

f) Severance pay, loans and discounts
No provision is made for severance payments, and no such payments were made or promised in the past or in the reporting year. Loans are granted at usual market conditions. In principle, BoD members also do not benefit from any discounts (premium discounts, etc.) that are offered to the EM and the Helvetia employees.

2. Compensation for the Executive Management

The compensation of the members of the EM comprises the components described below:

a) Fixed compensation
The members of the EM are paid a fixed compensation in cash which is determined every year by the Nomination and Compensation Committee for the period from 1 July to 30 June of the following year and the total amount of which is approved by the SM. This is determined individually using a system applied by Kienbaum AG, a consulting firm specialising in compensation issues for insurers and financial services providers, and takes account of the function and responsibility assumed by each EM member as well as the compensation paid by the Group's competitors. It also includes all child or education allowances and long-service bonuses.

b) Variable compensation
The final amount of the variable compensation, the total amount of which must also be approved by the SM before it is paid out, is dependent on the following three factors:

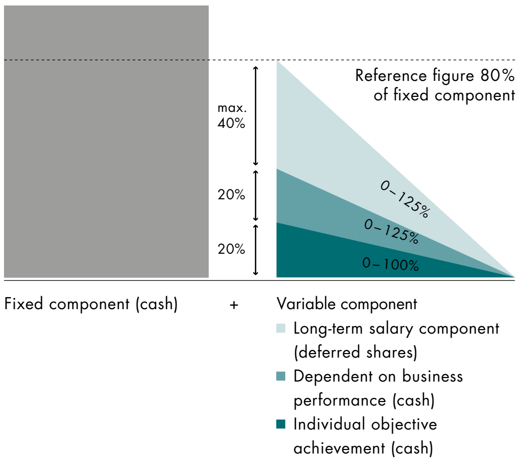
Individual target achievement (20% of fixed compensation): This reference value is multiplied by the degree of achievement of the personal targets agreed with the line manager in advance. The result of this multiplication is paid out to the EM member in cash. The individual targets of an EM member can include quantitative and/or qualitative components and depend on his or her operational responsibility. Compensation for individual target achievement is due to the EM member regardless of the general business result.

Results-based compensation component (reference value 20% of fixed compensation): This compensation component based on the annual result is multiplied by the percentage of target achievement, which also applies for establishing the results-based variable compensation for all employees in Switzerland. The resulting amount is paid out to the EM member in cash. The amount of the results-based compensation is based on the operating result and the achievement of the budget goals for the relevant financial year with a special consideration of developments in Switzerland.

Long-term results-based compensation component (LTC up to no more than 40% of fixed compensation): This compensation component with a longer-term orientation is multiplied by the percentage of the strategic target achieved. In contrast to the annual results-based compensation component, the amount calculated in this way is granted to the EM member in the form of a deferred claim to a certain number of shares. The relevant share price is calculated on the basis of the closing price on the date of the meeting of the Nomination and Compensation Committee at which the extent of target achievement is determined. The relevant number of shares is transferred to the ownership of the EM member after three years either in the form of shares or as a cash payment based on the share price at that time, provided that there were no negative developments in this period that were triggered in the reporting year and can be attributed to the conduct of the EM member in question. If the person in question leaves the EM, his or her deferred claim lapses as follows: cancellation of all claims for the year in which notice of termination was given, cancellation of one-half of the claims in the first preceding year, and no cancellation of any claims from the second preceding year. This concept establishes a direct link between the members of the EM and the long-term development of the company in two ways: positive or negative share price trends over the three-year period, and the possibility that the number of allocated shares can be reduced retroactively.

On the date of allocation, the company and the SM approving these payments are fully aware of the cost of these LTC. Helvetia buys the corresponding number of shares on the allocation date and transfers these shares to a vested custody account. After three years the exact same number of shares deposited in this vested custody account is transferred to the ownership of the EM members. Helvetia does not incur any additional costs at this time. The price may change in the period between the allocation of deferred shares and the transfer of the shares to the ownership of the EM member. The EM members, and not the company, have exposure to price change risk (both positive and negative developments). In contrast with other systems, the number of shares allocated per financial year does not change over time if business is good. However, if business is bad, the EM member can lose out after three years (claw-back).

Compensation for Executive Management



The extent to which strategic objectives have been achieved (ranging from 0% to 125%) is fixed annually during the first quarter following the end of a financial year by the Nomination and Compensation Committee of the BoD on the basis of the criteria below. The Committee has additional room for discretion, allowing it to take additional criteria and an overall assessment into account, while remaining within the established upper limit of 125%:

– Profit: The reference figure is the annually reported Group profit for the period relative to the previous year.
– Growth: The reference figure is the growth in business volume in the active business sectors relative to the relevant market segment achieved in the financial year.
– Risk-adjusted return: The calculation is based on the return on equity (ROE) in the reporting year relative to the important sector-relevant solvency figures.
– Shareholder value: The reference figure is the overall performance (total return; share performance incl. dividends) of the Helvetia registered share compared with the performance of the Stoxx Europe 600 Insurance index (index of comparable European insurance stocks).

For the LTC (EM), there is an additional restriction in that no deferred shares are allocated if the Group as a whole reports a loss, and/or the solvency figures are insufficient. The percentage of target achieved (LTC, results-based component), as calculated by the Nomination and Compensation Committee of the BoD, is multiplied by the respective target figure (percentage of the fixed compensation). The results-based component calculated in this way and the result of the individual target achievement together comprise the total variable compensation of the employees and the EM. These variable compensation components (individual, results-based and LTC for the EM) are an important feature of Helvetia's performance culture, under which every individual employee is compensated according to the quality and quantity of his or her work as well as his or her responsibility and workload and also the result achieved by the company as a whole. The variable compensation components are paid out in cash and only the LTC is paid in the form of deferred shares after three years or in the equivalent amount in cash, if desired.

c) Expenses and benefits in kind
The reimbursement of expenses is governed by written regulations. The EM members are entitled to a company car which they may also use for private purposes for a fixed fee. The employer does not grant any other benefits in kind.

d) Shares and options
The EM members can, on a voluntary basis, acquire the maximum number of shares available to them under the employee share purchase plan. The same conditions apply as for all other employees of Helvetia in Switzerland (see section 3). They therefore also benefit from the discount of 16.038% that is granted because these shares are blocked for three years.

There have not been any share option programmes since 2003.

e) Severance pay and loans
No provision is made for severance payments, and no such payments were made or promised in the past or in the reporting year. Loans are granted at usual employee conditions.

f) Pension benefits
The benefits to which EM members are entitled under occupational pension plans are in line with the model for internal pension regulations applicable to all employees. The employer pays the standard contribution. The employer also finances the option for EM members to retire from the age of 60. These additional contributions are presented as part of the overall pension contributions made to EM members. No extraordinary benefits are paid.

Executive Management boards of the market units

The Executive Management abroad is compensated according to the local market conditions governing the compensation systems. The local compensation systems can include fixed and variable salary components. At Group level, members of the local Executive Management abroad are also paid a results-based Group bonus in the form of shares, based on a reference figure of 10% of the local basic compensation. The reference figure is also multiplied by the LTC percentage of target achieved. This Group bonus has been designed to promote a sense of belonging to the Group of the Executive Management teams abroad.

3. Helvetia employees in Switzerland: share purchase plan

In 2005, an employee share purchase plan was introduced in Switzerland to allow employees to participate in the performance of Helvetia and thus to strengthen their personal ties to the company. Employees can purchase registered shares of Helvetia Holding AG at reduced prices. The number of available shares is specified by the BoD, taking account of the financial results and the functions of the employees concerned. The purchase price is calculated on the basis of the average stock market price during the five trading days following the publication of the financial results. Participation in this scheme is voluntary. As these shares are subject to a mandatory vesting period of three years, they can be sold by the company at a tax-exempt discount of 16.038%. The EM members can also take part in this programme, but the BoD members may not. The employee share purchase plan is also not available abroad. The costs associated with the share purchase plan in 2018 were recognised in the income statement at CHF 1.5 million (previous year: CHF 1.4 million).

II. Compensation paid to the Board of Directors and the Executive Management in 2018

This section provides information on the compensation, shares and loans granted to the BoD members and EM members with a reporting duty of the Helvetia Group in the 2018 financial year.

1. Compensation paid to the Board of Directors

In the reporting year, the BoD members received fixed compensation totalling CHF 2,685,734. The fixed compensation includes all allowances and expenses set out in the compensation regulations as well as the contributions to social insurance schemes (AHV / IV / EO employer contributions). In the previous year, the members of the BoD received fixed remuneration of CHF 3,117,085.

At the reporting date, a mortgage loan had been granted to Jean-René Fournier for CHF 765,000 (previous year: CHF 765,000). In the reporting year, the loan, a fixed mortgage at normal customer conditions, had the same interest rate as in the previous year of 1.57 %. There are no other employee discounts on insurance contracts, loans or guarantees.

All compensation and fees paid to the BoD members are shown in the table below. No payments were or are made to BoD members who have left.

Compensation for the Board of Directors

	Fixed compensation[1]		Additional fixed compensation[2]		Total compensation	
	2018	2017	2018	2017	2018	2017
in CHF, incl. AHV / IV / EO						
Doris Russi Schurter (Chairwoman) (since 1.1.2018)	724 754	267 556	0	31 703	724 754	299 259
Hans C. Künzle (Vice-Chairman)	270 407	260 548	0	31 703	270 407	292 251
Thomas Schmuckli (Vice-Chairman/member since Shareholders' Meeting 2018)	158 675	0	0	0	158 675	0
Hans-Jürg Bernet (member)	233 198	220 250	0	31 703	233 198	251 953
Beat Fellmann (member since Shareholders' Meeting 2018)	127 599	0	0	0	127 599	0
Jean-René Fournier (member)	144 117	157 175	0	31 703	144 117	188 878
Ivo Furrer (member)	209 375	104 783	0	21 534	209 375	126 317
Christoph Lechner (member)	209 375	199 225	0	31 703	209 375	230 928
Gabriela Maria Payer (member)	223 387	185 208	0	31 703	223 387	216 911
Andreas von Planta (member)	209 375	199 225	0	31 703	209 375	230 928
Regula Wallimann (member since Shareholders' Meeting 2018)	127 599	0	0	0	127 599	0
Pierin Vincenz (Chairman) (until 18.12.2017)	0	798 438	0	208 160	0	1 006 598
Patrik Gisel (member) (until Shareholders' Meeting 2018)	47 873	157 175	0	31 703	47 873	188 878
Herbert J. Scheidt (member) (until Shareholders' Meeting 28.4.2017)	0	73 417	0	10 767	0	84 184
Total compensation of the Board of Directors	**2 685 734**	**2 623 000**	**0**	**494 085**	**2 685 734**	**3 117 085**

[1] Since 1 January 2018, 30 % of the fixed remuneration will be paid in shares blocked for a minimum of three years.
[2] 2017, shares blocked for a minimum of three years

2. Compensation paid to the Executive Management

In the reporting year, the EM members received fixed compensation totalling CHF 8,168,521. The fixed compensation includes all scheduled allowances, meeting attendance fees and expenses. Variable compensation of CHF 4,532,669 was granted to the EM. This is subject to approval by the SM. In the previous year, the members of the EM received fixed remuneration of CHF 8,031,894 and variable remuneration of CHF 4,668,248.

As part of this variable compensation, the EM was allocated LTC shares of CHF 1,693,800 (previous year: CHF 1.52 million). This corresponds to 2,823 shares at a price of CHF 600.00 as of reference date 4.3.2019 (previous year: 2,678 shares at CHF 569.00).

EM members may conclude insurance contracts, loans and other services under the terms and conditions currently in effect for employees. At the reporting date, mortgage loans had been granted to Philipp Gmür (CHF 1,000,000 [previous year: CHF 1,000,000]), Reto Keller (CHF 914,000 [previous year: CHF 620,000]), Beat Müller (CHF 1,170,000 [previous year: CHF 1,170,000]), Paul Norton (CHF 500,000 [previous year: CHF 500,000]) and David Ribeaud (CHF 1,015,000 [previous year: CHF 1,015,000]). In the reporting year the loan to Philipp Gmür, which is a fixed mortgage at normal employee conditions, had an interest rate of 0.95% (previous year: 0.95%). The loan to Reto Keller of CHF 500,000 earned interest at 1.38% in 2018 (previous year: 1.38%), the extra mortgages of CHF 120,000 at 2.39% (previous year: 2.39%), of CHF 40,000 since 2018 at 0.65% and CHF 254,000 since 2018 at 1.11%. The loan to Beat Müller of CHF 986,000 earned interest at 1.40% (previous year: 1.40%) in 2018, the extra mortgage of CHF 184,000 earned interest at 1.34% (previous year: 1.34%). The loan to Paul Norton of CHF 500,000 earned interest at 0.98%

Compensation for Executive Management

as at 31.12., in CHF million	2018	2017
Salaries and other short-term benefits:		
– Fixed compensation (incl. expense allowances, child / education allowances, long-service awards, company car)	6070799	6405563
– Employer contributions to pension funds with respect to the fixed compensation	2097722	1626331
Total fixed compensation paid out	**8168521**	**8031894**
– Variable compensation[1]	2178277	2595640
– Share-based compensation in the form of deferred shares acquired during the financial year (LTC)[2]	1693800	1523782
– Employer contributions to pension funds with respect to the variable compensation	660592	548826
Total variable compensation	**4532669**	**4668248**
Total compensation of Executive Management	**12701190**	**12700142**

[1] Total bonus amount based on personal and results-based target achievement

[2] Comprises the value of the deferred shares allocated as part of the LTC

in 2018 as in the previous year. The loan to David Ribeaud of CHF 595,000 earned interest at 0.89 % in 2018 (previous year: 0.89 %), the extra mortgage of CHF 420,000 earned interest at 0.95 % (previous year: 0.95 %). There are no other loans or guarantees.

During the reporting year, EM members received non-monetary benefits as part of the company car programme valued at CHF 32,634 (previous year: CHF 34,867). All other benefits that the EM members have received as employees (e.g. discounts on insurance products) are included in the fixed remuneration listed above. They did not receive additional benefits in kind or bill the company for any additional services.

Payments to former EM members

No payments were made to former EM members in 2018.

3. Highest individual compensation

The highest individual amount paid out in the reporting year was paid to CEO Philipp Gmür. Subject to approval by the SM, this amounted to CHF 2,192,749 in total (2017: CHF 1,860,221), comprising the following: cash remuneration of CHF 1,485,405 incl. long-service award (fixed component CHF 1,110,045, variable component CHF 375,360), share-based payments of CHF 367,200 in the form of deferred shares, and employer contributions to pension funds of CHF 340,144.

III. Compensation for the Board of Directors and the Executive Management to be approved by the 2019 Shareholders' Meeting

Under the VegüV and the Articles of Association, the SM must approve the following compensation for the BoD and the EM:

- Total amount of the fixed compensation for the BoD for the period from the 2019 SM to the 2020 SM
- Total amount of the fixed compensation for the EM for the period from 1 July 2019 to 30 June 2020
- Total amount of variable compensation for the EM for the past financial year 2018

As regards fixed compensation, these total amounts refer to different time periods in comparison to the figures given in section II and in reference to financial year 2018: SM to SM or 1 July to 30 June, respectively, of the year following the SM. These figures are therefore not directly comparable. To provide the reader with a comparison, however, the amounts to be approved are compared to the figures from the same period of the previous year (the amounts approved by the SM and actually paid out).

1. Approval of the total amount of fixed compensation for the Board of Directors for the period from the 2019 Shareholders' Meeting to the 2020 Shareholders' Meeting

The Board of Directors reviewed its fixed compensation and decided not to adjust the rates for the basic and various additional payments for the 2019/2020 period.

The changes to the fixed total compensation proposed to the SM thus relate exclusively to the personnel changes in the BoD (resignation of Dr Hans-Jürg Bernet as of the 2019 SM) and the changes in the composition of the committees.

The Board of Directors requests approval from the Shareholders' Meeting for fixed remuneration for the Board of Directors in the total maximum amount of CHF 3,000,000 for the period from the Shareholders' Meeting 2019 to the Shareholders' Meeting 2020.

2. Approval of the total amount of fixed compensation for the Executive Management for the period from 1 July 2019 to 30 June 2020

The fixed compensation for the EM up to 1 July 2019 has been reviewed and no function-related adjustments are to be made. Changes to the proposed total amount therefore arise solely from individual adjustments as well as the change in the role of Chief Investment Officer (CIO) due to the retirement of Ralph-Thomas Honegger as at 31 March 2019 and the appointment of André Keller to this role as of 1 April 2019.

In accordance with Art. 29 of the Articles of Association, should there be changes within the EM during the course of the year, each member who joins the EM or is promoted within the EM following the granting of approval by the SM for the proposed compensation can be paid an additional amount for this period if the compensation already approved by the SM is not sufficient to cover his or her compensation. The additional amount for each new member of the EM may not exceed 25% and for a new CEO (promoted or new employee) 40% of the most recently approved total amount for the maximum compensation to be

Total fixed compensation amount for the Board of Directors (prospective) SM to SM

	Prospective 2019/2020	Actual 2018/2019	Approved for 2018/2019	Change
Total fixed compensation incl. employer contributions (AHV/IV/EO)	3 000 000	2 990 425	3 100 000	
Total variable compensation Board of Directors	**3 000 000**	**2 990 425**	**3 100 000**	**–3.5%**

Total fixed compensation Executive Management for the period 1.7.–30.6.

	Prospective 2019/2020	Actual 2018/2019	Approved for 2018/2019	Change
Salaries and other short-term benefits:				
– Fixed remuneration (incl. expenses allowances child/education allowances, long-service awards, company car)	6 100 000	5 925 020[1]	6 000 000	
– Employer contributions to pension funds with respect to the fixed compensation	2 200 000	2 185 212[1]	2 200 000	
Total fixed compensation Executive Management	**8 300 000**	**8 110 232**	**8 200 000**	**–1.1%**

[1] Details of the earnings of the new CIO from 1 April 2019 to 30 June 2019 will be reported in the 2019 Annual Report.

paid to the EM (see also the explanations to Art. 5.2 from page 31 in the chapter on "Corporate governance").

For the 2019 / 2020 period, the following total amount for fixed compensation for the EM will be proposed assuming no other changes in the fixed payments:

The Board of Directors requests approval from the Shareholders' Meeting for the fixed compensation for the Executive Management in the total maximum amount of CHF 8,300,000 for the period from 1 July 2019 to 30 June 2020.

3. Approval of the total amount of variable compensation for the Executive Management for the past financial year 2018

The variable compensation components of the EM and their calculation were described in para. 2 and the amounts were disclosed in section II. Due to the retrospective definition and approval of the variable compensation, these amounts here also correspond to the amounts already stated in the report for the financial year 2018. The resulting differences between 2017 and 2018 arose solely from changes in the extent of target achievement. The method of calculation and the reference figures did not change.

The Board of Directors requests approval from the Shareholders' Meeting for total variable compensation for the Executive Management in the amount of CHF 4,550,000 for the past financial year 2018.

Total variable compensation Executive Management (retrospective) for financial year

	Retrospective 2018	Paid out 2018 for 2017	Approved for 2017	Change
Variable compensation[1]	3 880 000	4 119 422	4 800 000	
Employer contributions to pension funds with respect to the variable compensation (incl. AHV / IV / EO)	670 000	548 827	700 000	
Total variable compensation Executive Management	**4 550 000**	**4 668 249**	**5 500 000**	**–15.1 %**

[1]Comprises the value of the deferred shares allocated as part of the LTC

Report of the Statutory Auditor

To the General Meeting of Helvetia Holding AG, St. Gallen

We have audited the remuneration report dated 5 March 2019 of Helvetia Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (the Ordinance) contained in section II on pages 41 to 43 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Helvetia Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Bill Schiller
Licensed Audit Expert
Auditor in Charge

Andrea Bischof
Licensed Audit Expert

Zürich, 5 March 2019

Business performance

Business performance

Market environment

Our market position in competitive markets

Over 160 years, the Helvetia Group has grown from individual Swiss and foreign insurance companies into a successful insurance group that operates throughout Europe. Helvetia is the number three all-line insurer in the Swiss insurance market. Helvetia is also well positioned in other key European markets. The Group is one of the top-eight insurance companies in Austria and is ranked 15th in the Italian non-life business. Because of the smaller market shares in Germany and Spain (see chart), Helvetia sees growth opportunities in these countries. The countries in which Helvetia operates are among the biggest insurance markets by volume worldwide: Switzerland, Germany, Italy and Spain have global market shares of 1.2%, 4.6%, 3.2% and 1.4%, respectively.[1]

With the Specialty Markets segment, which comprises engineering insurance, transport, art and active reinsurance, Helvetia is further expanding its expertise as a specialty insurer. For example, the Group operates in France as a specialist transport insurer and occupies the position of number two on the market in this segment.

Our market positions

Strong potential for growth based on room to expand market positions abroad

The markets in which Helvetia is active generate a volume of USD 768 billion, representing almost 16% of the global market[1].

CH **No. 3***
CHF 5,075 million
71% Life
29% Non-life

DE **No. 29**
CHF 954 million
31% Life
69% Non-life

AT **No. 8**
CHF 567 million
37% Life
63% Non-life

IT **No. 25**
CHF 974 million
44% Life
56% Non-life

FR **Niche positions No. 2 (transport / marine)**
CHF 235 million

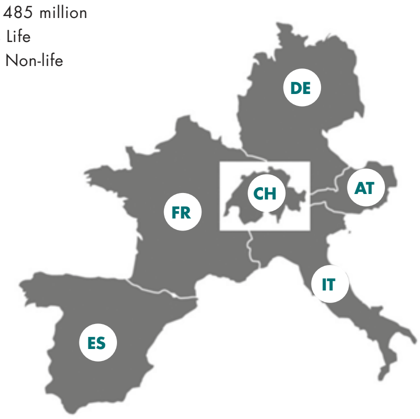
ES **No. 25***
CHF 485 million
29% Life
71% Non-life

[1] Sources: Sigma 3 / 2017, Swiss Re and Helvetia estimates

Market positions of country markets as at 2017

Premium volumes of country markets for financial year 2018

*Preliminary figures as of 2018



Market environment in the European insurance market[2/6]

Global market conditions exhibited opposing trends in the past financial year. While higher GDP growth relative to the previous year of almost 3% is expected in the US and Switzerland, economic growth in the eurozone is slowing and is estimated to be at just below 2%.[3] The persistently low interest rates also continued to pose challenges to insurers last year. The global insurance market recorded a moderate increase in premium income, which was primarily driven by North American markets and emerging markets. In keeping with economic growth, the global non-life business increased its premium volume by around 3%. In the European industrialised countries, premium income increased by an estimated 1.4% despite an average decline in prices of around 1.5%. A positive development was observed for the premium volume in the Spanish non-life business, which benefited from robust economic growth that outstripped the European average and grew by around 3.9%.[4] Cornerstones of this development are increasing consumption, declining unemployment and the booming real estate market. Premium income in Switzerland in the non-life insurance business also increased during 2017 by 2.2%

more than in the previous year according to projections of the Swiss Insurance Association (SIA).[5] The key contributors to this growth were the fire, natural hazard and property insurance segments (+1.2%) as well as personal insurance cover such as accident and health insurance products (+3.4%). Premium growth of 0.3% was generated in the motor vehicle insurance business.

The technical profitability of the global non-life insurance sectors was slightly better in 2018 compared to the previous year. This can be attributed, in particular, to a slightly lower impact from natural catastrophes than was the case in 2017. In the previous year, the insured claims from natural catastrophes were, however, at a record level. During the first half of 2018, catastrophe claims in Germany increased the combined ratios of the insurance companies. In contrast, Italy and Spain benefited from improved results in the motor vehicle insurance business. According to the SIA, the loss burden in Switzerland is likely to be lower than in the previous year due to fewer storms in 2018 on the whole.[5]

In the past financial year, the **life insurance business** was also dominated by conditions on the capital markets. Although some central banks are starting to tighten their monetary policy somewhat, interest rates remained at a very low level. This once again held back premium growth in the life insurance business in 2018, especially in the developed markets. Worldwide, the life insurance premium volume increased by an estimated 1.6%. In the European industrialised countries, slight premium growth of around 0.8% was recorded. Following a decline in the two previous years, the SIA expects premium growth of 0.6% for the life insurance business in 2018.[5] On the one hand, this growth can be attributed to the group life business line (+0.7%) for which there is unbroken demand from companies for securities of life insurers. On the other, the individual life business line also grew by 0.4% thanks to increased sales of risk insurance policies and unit-linked products.

The global **reinsurance market** has been characterised by a low price level and an inflow of alternative reinsurance capital in recent years. Despite higher claims from natural catastrophes in the previous year, prices only recovered slightly in the contract renewal rounds in 2018 and this recovery was limited to individual business lines and regions. The expectation that investors would withdraw owing to the losses from the alternative reinsurance market did not happen. In the past financial year, however, natural catastrophes such as Hurricanes Florence and Michael, Typhoons Jebi and Trami and the forest fires in California also weighed on performance. From 1 January 2019, prices in some areas also increased, especially in the global specialty business as well as, in some cases, in the US. On the other hand, there was no clear sign of this positive trend in Europe, meaning that a reduced level of price quality remains expected for the European business.

Market environment in the European capital markets

The investment markets were predominantly subject to major fluctuations and tended to be weak viewed over the year as a whole. The flourishing global economy initially provided a friendly market environment and a favourable tailwind for equities. However, the strong economy soon gave rise to fears of inflation and rate hikes, which led to initial setbacks. Monetary stimuli were largely absent. The Federal Reserve hiked key interest rates in several steps by 100 basis points and took further measures aimed at normalising its monetary policy. In contrast, the European Central Bank and the Swiss National Bank persisted with their zero and negative interest rate policies, meaning capital market interest rates remained at a low level. There was almost no change in yields on 10-year government bonds in Europe, while an increase of 30 basis points was recorded in the US.

There was a considerable increase in political risks during the course of the year, a development that weighed on the markets. First and foremost, the escalating trade conflict between the US and China gave rise to increasing uncertainty. Italy's budget dispute with the European Union also brought about additional fears and the unresolved Brexit process heightened the pressure on the European markets.

In this environment, the equity markets plummeted after a mixed year and closed 2018 with significant losses. Despite a decline of almost 10%, the US market held up relatively well, while the European and Asian markets suffered double-digit percentage losses.

1 Swiss Re, sigma 3 / 2018
2 Swiss Re, sigma 5 / 2018
3 UBS, Global Economic Perspectives: Global Economic Outlook 2019–2020, 7.11.2018
4 Versicherungswirtschaft heute (Insurance Studies Today), https://be.invalue.de/d/publikationen/vwheute/2019/01/24/spanischer-markt-erzielt-moderates-wachstum.html
5 Swiss Insurance Association (SIA), https://www.svv.ch/de/newsroom/die-schweizer-versicherungswirtschaft-ist-solide-unterwegs-und-ueberzeugt-mit-wachstum
6 S&P, Global Reinsurance Highlights 2018, https://www.spratings.com/documents/20184/1581657/Global+Reinsurance+Highlights+2018/98dc8810-eead-8ff0-3f07-9889caaab0b0

The increased level of risk was also reflected in the interest spreads, which widened considerably during autumn, in particular. This development weighed on fixed-income securities. The meagre direct returns owing to the prevailing interest rates were eaten up by corresponding price losses, meaning that performance values of close to zero were achieved.

As was also the case in previous years, the Swiss real estate market proved to be a reliable source of income. Despite slightly rising vacancy rates, it once again delivered attractive total returns that were generated both from direct income and valuations.

Many commentators anticipate that the economic cycle is coming to its end. Even if there are different opinions with respect to the exact timing, most forecasts expect a weakening of global economic growth. New stimuli should not be expected from either fiscal or monetary policy. Instead, it is to be expected that the central banks will attempt to normalise their monetary policy in small steps. Inflation is thus likely to remain moderate, with the potential for increases in capital market interest rates staying modest.

Helvetia Group's business performance

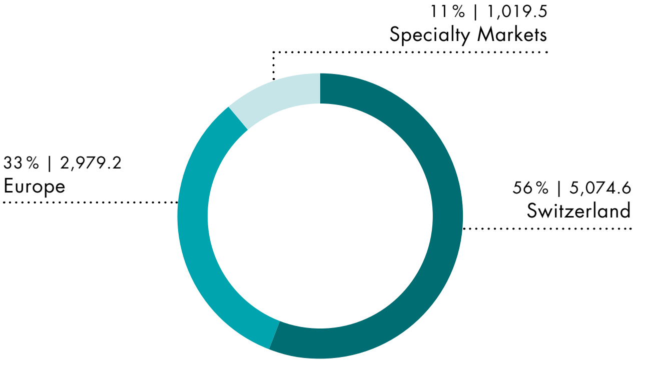
The most important details about the 2018 annual financial statements at a glance:

- Helvetia reported a profit of CHF 431.0 million for financial year 2018. The excellent growth in its business volume as well as the once again improved technical results in the non-life business underscore the company's solid profitability
- Helvetia increased its business volume to CHF 9,073.3 million, representing a pleasing 3.9% rise in original currency, mostly driven by the non-life business, which generated currency-adjusted growth of 5.8%.
- The portfolio quality in the non-life business remains very good. This is reflected in the form of a net combined ratio of 91.0%. In the Swiss country market, this figure improved to 82.7%; better net combined ratios were also recorded in the Europe and Specialty Markets segments, which recorded figures of 95.1% and 96.2%, respectively.
- In the life business, new business developed solidly: the new business margin was 1.7%
- In 2018, Helvetia generated operating cash production of CHF 289.8 million. Both the non-life and life insurance businesses contributed to the increase of 7.0%.
- The Board of Directors will propose to the Shareholders' Meeting that the dividend per share be increased by CHF 1.00 to CHF 24.00.

The details of business performance at Group level are as follows:
The **business volume** amounted to **CHF 9,073.3 million** (financial year 2017: CHF 8,641.3 million). In original currency, this was an increase of 3.9%. Expressed in Swiss francs, the business volume also increased by 5.0% thanks to positive ex-

Business volume by segment in financial year 2018

Share in % | in CHF million



Total 100% | 9,073.3

Please note:
Sums in this section are based on unrounded figures and may not add up due to rounding differences. Likewise, year-on-year changes are calculated on the basis of unrounded figures.

change rate effects. With growth of 5.8% in OC[1], the non-life business was the main growth driver, with Active Reinsurance and the Europe segment, in particular, supporting this growth. Helvetia also posted growth in the life business of 2.1% on a original currency basis. Of particular positive note were the good performance of investment-linked, modern individual insurance solutions in Switzerland and Germany as well as the growth in the Swiss group life business (occupational pension plans, BVG). In the area of occupational pension plans, the new business with capital-efficient products (Swisscanto and BVG Invest) also performed very positively.

The **IFRS result after tax for the 2018 financial year** was **CHF 431.0 million.** Although this exceeded the 2017 IFRS profit for the period of CHF 402.9 million, it fell below the underlying earnings of CHF 502.4 million generated in the prior year. The net profits no longer include any acquisition effects from the takeovers completed in 2014 apart from the ongoing bond amortisations from the acquisition of Nationale Suisse of CHF 16.4 million (after tax and policyholder participation). To allow for a better assessment of the operating performance, Helvetia compares the 2018 IFRS net profits with the underlying earnings[2] generated in financial year 2017, which has been adjusted for all acquisition effects.

Viewed by **business area**, the non-life business posted very good technical results, underlining the quality of the portfolio. Nevertheless, both the non-life and life results fell short of the figures posted in the prior year. The main reason for this development was the weaker performance of the equity markets. In the life business, a substantial percentage of the reduction in earnings (CHF 12 million after tax and policyholder participation) was also due to the ongoing amortisation of bonds mentioned above, which was not included in the underlying earnings adjusted for acquisition effects for the previous year. The result for the other activities business area improved slightly relative to the previous year.

By **reporting segments,** Helvetia significantly improved its result in the Specialty Markets segment and recorded a slight increase in the Corporate segment. In the Europe segment, the result remained at a similar level to that posted in the previous year with a decline of CHF 2.2 million. In contrast, the already mentioned lower investment income led to a lower result in the Switzerland segment compared to the previous year.

Detailed comments on the results of the respective business areas and segments can be found on the following pages.

[1] OC = original currency

[2] Underlying earnings are adjusted for integration costs as well as amortisation of intangible assets, additional depreciation due to the revaluation of interest-bearing securities at market value, and other one-off effects of the acquisitions.

The low **net combined ratio** at Group level of **91.0%** (previous year: 91.8%) reflects the good portfolio quality. At 91.0%, it once again meets the financial targets communicated for the *helvetia 20.20* strategy.

A positive trend was also recorded for new life business. The **new business margin** remained essentially stable compared to the previous year at 1.7% (previous year: 1.8%). It is thus also above the target for the *helvetia 20.20* financial objectives.

Helvetia still continues to have a **strong capital base**. The definitive SST ratio will be published with the Financial Condition Report at the end of April 2019. As at 1 January 2019, the SST ratio was in excess of 200%. Equity[3] went down from CHF 5,229.4 million at the end of 2017 to CHF 5,097.1 million. This decline can primarily be attributed to the decrease in unrealised gains and losses recognised in equity as well as negative currency effects from the translation of the equity of the European units into the Group's currency of Swiss francs. The **return on equity** was 8.1%.

Net combined ratio of
91.0%

IFRS result after tax of
431.0 million

Business volume
9,073.3 million

[3]Equity (without preferred securities)

Performance of business areas: Non-life

Overview

Helvetia posted an encouraging increase in premium volume for the non-life business. Despite much improved technical results and a very good combined ratio, the annual result for 2018 lagged behind the 2017 figure. The reason for this was a lower investment result due to the very weak performance of the equity markets.

Non-life business volume

In the reporting period, Helvetia generated non-life premiums **CHF 4,396.1 million** (financial year 2017: CHF 4,093.8 million).

In currency-adjusted terms, this is 5.8 % more than in the previous year. Due to positive exchange rate effects, the growth rate in Swiss francs was considerably higher at 7.4 %.
Viewed by segment and line of business, our premiums developed as follows:

Development by segment

Switzerland

CHF 1,471.8 million, +0.5 %
(operational growth: +2.4 %)

- Main growth drivers: Liability, health / accident and motor vehicle businesses. Property business contracted following an adjustment to premium recognition in the reporting period; growth of 3.5 % without this effect

Europe

CHF 1,904.8 million, +6.8 % in OC

- All country markets reported substantial growth for almost all lines of business

Specialty Markets

CHF 1,019.5 million, + 12.3 % in OC

Growth driver:
- Active reinsurance (+25.6 %)
- France (7.8 % in OC)
- Specialty Lines CH / International (–4.4 % in OC due to a positive one-time special effect in the recognition of premiums in the previous year)

By line of business

Property insurance
CHF 1,436.6 million, + 1.7 % in OC

Motor vehicle
CHF 1,374.5 million, +5.1 % in OC

Active Reinsurance
CHF 521.6 million, +25.6 %

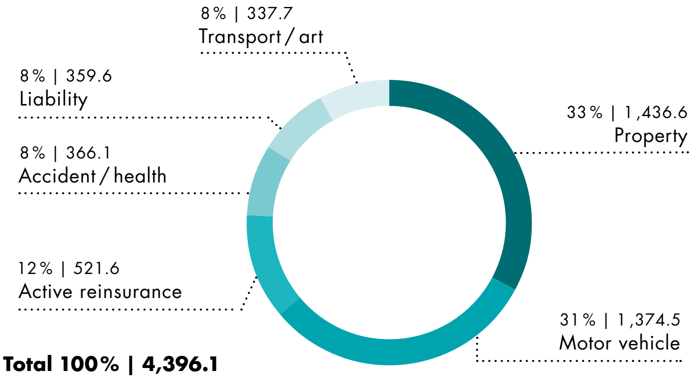
Health / accident
CHF 366.1 million, +3.5 % in OC

Liability
CHF 359.6 million, +5.7 % in OC

Transport
CHF 337.7 million, +2.9 % in OC

Non-life business volume by business line in financial year 2018

Share in % | in CHF million



IFRS result after tax for non-life

The IFRS result after tax was CHF 332.0 million (underlying earnings after tax for financial year 2017: CHF 363.5 million).

The details of the business performance are as follows:

- Significantly improved technical results thanks to considerably better claims environment in the second half of the year and a higher volume
- Considerably lower investment results due to weaker performance of the equity markets
- Ongoing amortisation of bonds to par (CHF 4.4 million after tax)

Net combined ratio

The net combined ratio was 91.0% (previous year: 91.8%) and is thus once again at a very good level. The following factors impacted the net combined ratio:

- Improvement in the claims ratio (1.0 percentage points) to 61.1%
  - Lower burden from natural catastrophes and a good attritional claims development

- Increase in the expense ratio (0.3 percentage points) to 30.0%
  - Higher distribution cost ratio due to new cooperations
  - Lower administration cost ratio

Performance of business areas: Life

Overview

Helvetia also reported pleasing volume growth for the life business. This development was primarily driven by the investment-linked insurance solutions in the individual life business as well as the regular premiums in the group life business in Switzerland. Due to the ongoing bond amortisation at par, lower technical results as well as considerably lower gains and losses on investments, the result nevertheless lagged behind the figure of the previous year. This was compensated by lower expenses for the interest-related strengthening of reserves in Switzerland and Europe as well as lower policyholder participation.

Life business volume

The life business volume was **CHF 4,677.2 million,** up 2.1 % (in OC) on the prior-year period (financial year 2017: CHF 4,547.5 million). Expressed in Swiss francs, the increase was 2.9%, owing to the positive currency effects mentioned above.

Viewed by segment and line of business, business developed as follows in 2018:

Development by segment

Switzerland

CHF 3,602.8 million, +2.6%

- Pleasing growth for investment-linked individual insurance solutions (+26.1%)
- Planned decline in traditional individual life business (–7.7%)
- Growth in group life business (+2.4%)

Europe

CHF 1,074.4 million, +0.7% in OC

- Germany (+3.4% in OC) thanks to good performance of investment-linked insurance products
- Italy also with growth (+4.4% in OC)
- Contraction in Austria (–9.0% in OC) because of planned decline in traditional products and lower volumes for large contracts with single premiums as expected

Further details on the segments start on page 60.

By line of business

Investment-linked insurance solutions

CHF 887.4 million, +7.6% in OC

- Switzerland with continued good growth (+26.1%)
- Europe (–2.8% in OC), growth in Germany (+8.8%), but decline overall mainly because of lower volumes for large contracts with single premiums in Austria as expected

Traditional insurance solutions

CHF 1,045.1 million, –3.2% in OC

- Due to planned reduction in sales

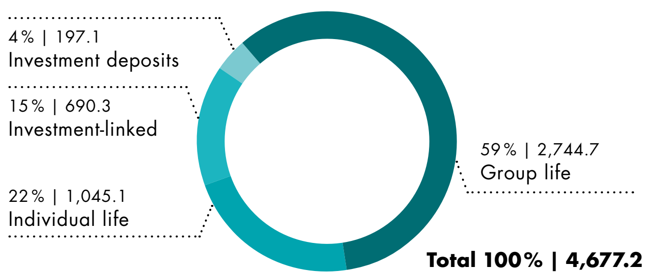
Group life business

CHF 2,744.7 million, +2.6% in OC

- Growth drivers for Swiss group life business: growth in regular premiums due to positive changes within full-insurance portfolio. Successful new business with capital-efficient insurance products (Swisscanto foundations, BVG Invest)

Life business volume by business line in financial year 2018

Share in % | in CHF million



IFRS result after tax for life

Helvetia's IFRS result after tax for the life business in the past financial year amounted **to CHF 147.9 million** (underlying earnings after tax for financial year 2017: CHF 193.1 million). The following factors made a contribution:

- Lower savings result driven by Swiss group life business because interest credited on retirement savings was the same as in 2017 while asset yields declined
- Slightly lower risk result mainly driven by Swiss group life business due to a lower mortality result in the first half of the year; positive special effect in Swiss individual life in the previous year
- Fluctuations as part of the valuation of options for index-linked products
- Significantly lower investment result because of weaker equity market performance
- Ongoing bond amortisation at par (CHF 12.0 million after tax and policyholder participation)

Compensating effects:

- Lower expenses for interest-related strengthening of reserves in Switzerland and Europe
- Lower expenses for policyholder participation

New business margin and embedded value

The new business margin remained stable at 1.7% (financial year 2017: 1.8%). Due to increased shareholder expectations, the discount rates had to be increased, which reduced the new business margin. Due to product measures and thanks to improved assumptions with respect to the future development of new business, the impact of the adjustment to the discount rates could, however, be offset to a large extent. Further progress was also made here with the switch from traditional savings products with interest guarantees toward modern capital-efficient products.

Helvetia Group's embedded value was CHF 3,647.2 million on 31 December 2018, down CHF 142.9 million on the beginning of the year. The decline of 3.8% was mainly due to economic factors in light of the higher discount rates and the lower-than-expected capital market performance. The analysis of change also shows that movement of capital from dividend payments and currency translation differences further reduced shareholder value during the financial year. In contrast, positive contributions were made by operating profit and new business, although these effects were unable to fully compensate this decline.

Other activities

In addition to the Corporate segment (financing companies, Corporate Centre, centrally managed investments (funds) and Group reinsurance), other activities also include the intermediary and advisory business as well as various smaller foreign service companies that cannot be allocated to the life or non-life business.

The **IFRS result** after tax for other activities stood at **CHF –48.9 million** in financial year 2018 (underlying earnings in financial year 2017: CHF –54.2 million). The following factors made a contribution:

- Positive consolidation effects from the funds allocated to this segment
- Higher costs primarily due to investments in the new brand presence

Investments

The investment volume fell slightly compared to the previous year by CHF 300 million and stood at CHF 52 billion at the end of 2018. The struggling equity markets, higher US interest rates and increasing interest spreads saw unrealised gains in equity decline by CHF 640 million. There were also book and realised losses of CHF 193 million. The new funds from the insurance business flowing into investments were unable to compensate for the decline in the investment volume.

In keeping with our investment strategy, the new investments were primarily made in fixed-income securities denominated in euros and Swiss francs, real estate, mortgages and private debt instruments. Due to the interest rate-related increase in currency hedging costs, US Treasuries were also shifted into corresponding euro-denominated securities.

The investment structure only underwent marginal changes. Interest-bearing securities remain the dominant asset class, followed by real estate and mortgages. The allocations of the other categories are each considerably under 10%. Investments with market risk borne by the policyholder remained stable at 7% despite adverse market conditions.

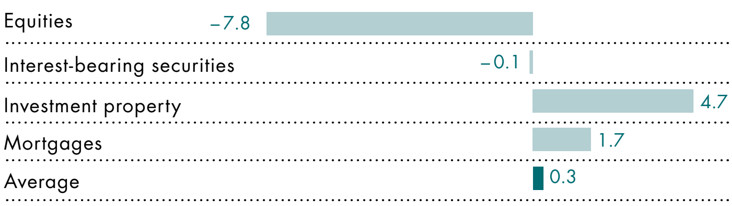
Stable current investment income

With current income from financial investments and investment property of almost CHF 990 million, the prior-year level was almost maintained despite the persistently low interest rate environment. Current income thus once again proved to be a stable cornerstone of the overall result. With CHF 329 million, real estate and mortgages made a disproportionately high contribution to the result. Compared to the previous year, the direct yield fell slightly from 2.1% to 2.0%.

The investment performance, which in addition to current income also includes value changes in the portfolio, closed in positive territory with 0.3%. This performance was supported, in particular, by the investment property, which generated a total return of 4.7% with moderate revaluation gains, and mortgages with 1.7%. Equities weighed on the result with a market-related negative performance of 7.8%, while interest-bearing securities made neither a positive nor a negative contribution with a result of close to zero.

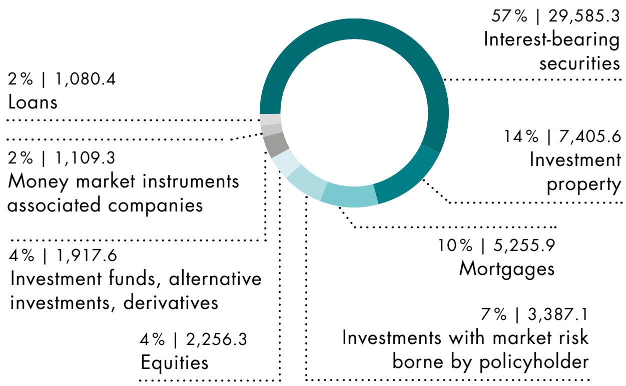
Investment performance by asset class

in %



Investment structure in the 2018 financial year

Share in % | in CHF million



Total 100% | 51,997.5

Effective risk management

Throughout the entire year, challenging market developments necessitated the full attention of risk management. The equities and currencies were hedged to a large degree at all times with put options and futures. It was thus possible to effectively cushion the unfavourable market developments at the end of the year and limit the losses.

We will continue our cautious investment policy during the current year. In light of the wide-ranging political and economic risks, timely and systematic risk management is essential. The objective remains to ensure sustainably attractive returns for both our insurance customers and our shareholders with a moderate level of risk.

Performance of Group investments

	2018	2017
in CHF million		
Current income on Group financial assets	744.6	759.8
Rental income on Group investment property	242.7	241.6
Current income on Group investments (net)	**987.3**	**1,001.4**
Gains and losses on Group financial assets	–281.3	314.3
Gains and losses on Group investment property	88.4	33.0
Gains and losses on Group investments (net)	**–192.9**	**347.3**
Investment result from Group financial assets and investment property (net)	**794.4**	**1,348.7**
Change in unrealised gains and losses recognised in equity	–639.3	–37.9
Total profit from Group financial assets and investment property	**155.1**	**1,310.8**
Average Group investment portfolio	48,473.4	47,342.6
Direct yield	2.0%	2.1%
Investment performance	0.3%	2.8%

Business performance of segments: Switzerland

Overview

In Switzerland, Helvetia can once again look back on a positive business performance. Business **volume** improved by 1.9% to CHF **5,074.6** million. The **IFRS result** after tax was **CHF 320.9 million** (underlying earnings after tax for financial year 2017: CHF 409.7 million). This includes the aforementioned CHF 14.4 million (after tax and policyholder participation) for the ongoing bond amortisation at par which was not included in the after-tax underlying earnings adjusted for acquisition effects for the previous year. The technical results in the non-life business developed very positively. The weak performance of the equity markets weighed on the investment result in the non-life and life businesses, however.

Business volume

In financial year 2018, Helvetia generated **non-life premiums** in Switzerland of **CHF 1,471.8 million** (financial year 2017: CHF 1,464.9 million).

Operating growth was 2.4% compared with reported growth of 0.5%, which was distorted by a one-off adjustment to premium recognition in 2018. The adjustment did not affect profitability.

Life business volume amounted to **CHF 3,602.8 million** (financial year 2017: CHF 3,512.7 million). This is 2.6% more than in the previous year. Premiums by line of business for non-life and life developed as follows:

Non-life business volume by line of business

Motor vehicle
CHF 607.2 million, +0.6%

Property insurance
CHF 526.7 million, –2.0%

- Mainly because of adjustment to premium recognition (without this effect: +3.5%)

Health / accident
CHF 173.9 million, +3.5%

Liability
CHF 160.3 million, +5.2%

Transport
CHF 3.7 million, +4.1%

Life business volume by line of business

Investment-linked insurance solutions
CHF 367.0 million, +26.1%

- Successful placement of the "Helvetia Value Trend" tranche product
- Good performance by "Helvetia Guarantee Plan" and "Helvetia Payment Plan" products

Traditional insurance solutions
CHF 582.1 million, –7.7%

- Targeted curtailment of sales of traditional guarantee products

Group life business
CHF 2,653.7 million, +2.4%

- Increase in regular premiums of 4.0%, growth driver: positive changes within full-insurance portfolio
- Growth in single premiums (+0.9%)
- Successful new business for capital-efficient Swisscanto solutions and BVG Invest

IFRS result after tax

At **CHF 209.7 million**, the **IFRS result after tax for non-life** was down on the previous year (underlying earnings after tax for financial year 2017: CHF 263.4 million).

Helvetia's **IFRS result after tax for the life business** in the past financial year amounted to **CHF 118.9 million** (underlying earnings after tax for financial year 2017: CHF 157.9 million).

The following factors influenced the earnings development in the non-life and life businesses:

Non-life earnings trend

- Better technical result thanks to considerably better claims environment in the second half of the year and a higher volume
- Considerably lower investment result due to poorer performance of the equity markets
- Ongoing amortisation of bonds to par (CHF 2.8 million after tax)

Life earnings trend

- Lower savings result driven by Swiss group life business because interest on retirement savings was the same as in 2017 while market yields declined
- Lower risk result, also mainly driven by Swiss group life business due to a lower mortality result in the first half of the year; positive one-off effects in individual life in the previous year
- Fluctuations as part of the valuation of options for index-linked products
- Significantly lower investment result because of weaker equity market performance
- Ongoing amortisation of bonds to par (CHF 11.6 million after tax and policyholder participation)

Compensating effects:
- Lower expenses for interest-related strengthening of reserves
- Lower expenses for policyholder participation

Net combined ratio

At **82.7%,** Switzerland still boasts a very good **net combined ratio** (financial year 2017: 83.1%). The following factors impacted the net combined ratio:

▶ Improved claims ratio (1.1 percentage points)
– Good attritional claims development
▶ Increase in the cost ratio (0.7 percentage points)
– Higher pension fund contributions
– Higher distribution costs due to opening up of new distribution channels

Business performance of segments: Europe

Overview

The Europe segment also performed well during the past financial year: the **business volume** rose to **CHF 2,979.2 million** and was up 4.5% on the previous year in currency-adjusted terms. In Swiss francs, the Group currency, the volume of business rose by 7.8%, owing to positive exchange rate effects. The **IFRS result after tax** in financial year 2018 was **CHF 117.3 million** (underlying earnings after tax for financial year 2017: CHF 119.5 million) and was thus above the level of the previous year. This includes the aforementioned CHF 2.0 million (after tax and policyholder participation) for the ongoing bond amortisation at par which was not included in the after-tax underlying earnings adjusted for acquisition effects for the previous year.

Business volume

In 2018, Helvetia generated **non-life premiums** of **CHF 1,904.8 million** (financial year 2017: CHF 1,729.1 million). This represents a 6.8% increase (in OC) over the previous year.

The **life business volume** was **CHF 1,074.4 million** and thus grew by 0.7% compared to the previous year (in OC).

Details of the performance generated by the non-life and life businesses according to country and line of business can be found below:

Development of non-life business volume: By country

Germany

CHF 658.3 million, +8.3% in OC
- All sectors were stable with some posting pronounced year-on-year growth; the main growth drivers were motor vehicle (owing to the higher online share and the selective expansion of the fleet and dealer business) and property insurance

Italy

CHF 548.2 million, +6.7% in OC
- Growth in all sectors, greatest increase in property, liability and motor vehicle
- Growth impetus from new products, adjusted fees and the successful expansion of the distribution network

Austria

CHF 354.4 million, +5.9% in OC
- All lines of business with pleasing growth across all distribution channels, main drivers: motor vehicle and property insurance

Spain

CHF 343.9 million, +5.1% in OC
- All lines of business posted pleasing growth, motor vehicle business benefited from cooperation with specialist brokers for motorbike insurance

Development of life business volume: By country

Germany

CHF 295.3 million, +3.4% in OC
- Main growth drivers: investment-linked insurance solutions (+8.8% in OC); traditional insurance contracted as planned

Italy

CHF 426.0 million, +4.4% in OC
- Growth for traditional products owing to turbulence on financial markets; however Helvetia focuses on products with low guarantees and hybrid products
- Growth for group contracts offering pure risk solutions

Austria

CHF 212.3 million, −9.0% in OC
- Planned decline in traditional products, lower volumes for large contracts with single premiums as expected

Spain

CHF 140.8 million, +0.5% in OC
- Growth driver: burial insurance policies
- Investment-linked insurance solutions contracted due to market-related lower volume for the tranche product relative to the previous year

Non-life: by line of business

Motor vehicle
CHF 733.2 million, +9.7% in OC

Property insurance
CHF 689.9 million, +6.0% in OC

Liability
CHF 198.1 million, +6.3% in OC

Health / accident
CHF 192.2 million, +3.5% in OC

Transport
CHF 91.4 million, +0.2% in OC

Life: by line of business

Investment-linked insurance solutions
CHF 520.4 million, –2.8% in OC

- Good development in Germany cannot fully compensate for the contraction in Austria (expected lower volume for large contracts with single premiums), Italy and Spain (market-related lower volume for the tranche product relative to the previous year)

Traditional insurance solutions
CHF 463.0 million, +3.3% in OC

- Targeted curtailment of sales of traditional guarantee products in all country markets except Italy

IFRS result after tax

The **IFRS result after tax** for **non-life** was **CHF 87.6 million** (underlying earnings after tax for financial year 2017: CHF 83.5 million).

Helvetia's **IFRS result after tax** for the **life business** in the past financial year amounted to **CHF 29.0 million** (underlying earnings after tax for financial year 2017: CHF 35.2 million).

The earnings development in the non-life and life businesses can be attributed to the following factors:

Non-life earnings trend

- Better technical result due to higher volume and, to a lesser extent, thanks to an improved technical performance
- Lower investment result

Life earnings trend

- Lower technical result (margin after costs)
- Significantly lower investment result

Compensating effects:
- Lower expenses for interest-related strengthening of reserves in Germany and Austria (greatest effect from Germany due to the new calculation method for the additional interest reserve)
- Lower expenses for policyholder participation mainly due to lower gains on investments

Result

	Financial year 2018 (IFRS)	Financial year 2017 Underlying earnings after tax
Europe	**117.3**	**119.5**
Germany	29.4	25.8
Italy	24.6	32.4
Spain	34.0	31.8
Austria	29.3	29.5

Net combined ratio

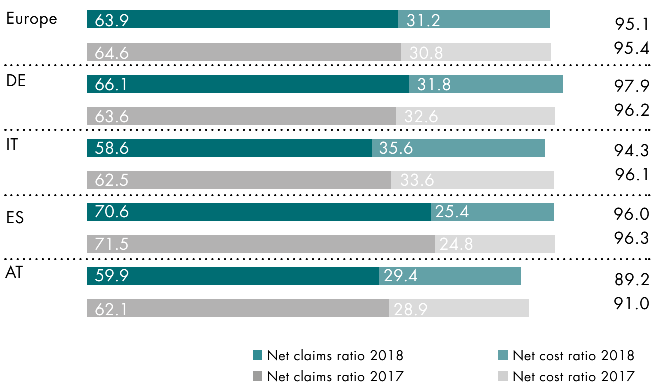
The net combined ratio improved in financial year 2018 to 95.1% (financial year 2017: 95.4%). The following factors contributed to the development of the net combined ratio:

- ▶ Improved claims ratio (0.6 percentage points)
- – Better attritional claims development
- ▶ Increase in the cost ratio
- – Successful expansion of the banking partner network leads to higher distribution costs in Italy
- – Change in distribution mix in Spain

Almost all country markets achieved, in some cases, significant improvements relative to the previous year. All units reported a net combined ratio of below 100%.

Combined ratio

In %



Business performance of segments: Specialty Markets

Overview

The Specialty Markets segment also developed well during the past financial year. In addition to the premium growth, the positive earnings growth is also worthy of special mention.

Business volume

In financial year 2018, the Specialty Markets segment earned **premiums** of **CHF 1,019.5 million** (financial year 2017: CHF 899.8 million), which is 12.3% (in OC) more than in the previous year.

The units and lines of business assigned to this segment performed as follows:
- Active Reinsurance CHF 521.6 million, +25.6% due to planned diversification of business and premium increases in UK motor vehicle business following the adjustment of the Ogden discount rates
- Specialty Lines Switzerland / International: CHF 263.3 million, −4.4% in OC; strong growth in previous year primarily driven by a one-time special effect in the recognition of premiums
- France: CHF 234.6 million, +7.8% in OC

IFRS result after tax

The **IFRS result after tax** was **CHF 34.8 million** (underlying earnings after tax for financial year 2017: CHF 16.6 million).

The following factors influenced the earnings trend:

- Significantly better technical result in all units (Active Reinsurance and Specialty Lines CH / International with negative impacts from natural catastrophes [hurricanes] in the previous year)
- Lower investment result

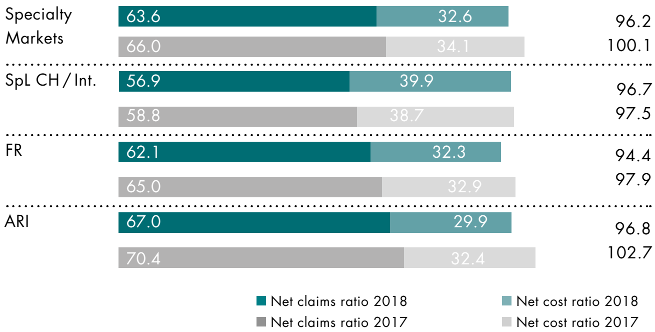
Net combined ratio

The **net combined ratio** was **96.2%** (financial year 2017: 100.1%). The following factors made a contribution:

- Improvement of the claims ratio from 66.0% to 63.6% due to a higher Nat Cat burden last year at Active Reinsurance and Specialty Lines CH/International (hurricanes)
- Improvement in the cost ratio from 34.1% to 32.6% due to the positive volume effect and positive change in the business mix for Active Reinsurance

Combined ratio

In %



Corporate

In addition to the financing companies and the holding company, the corporate segment comprises the Corporate Centre and Group reinsurance. At **CHF –42.0 million,** the **IFRS result after tax** for this segment is slightly above the underlying earnings after tax of CHF –43.4 million recorded in the previous year. The improvement resulted from positive consolidation effects from the funds assigned to this segment.

Financial report

Consolidated financial statements of Helvetia Group

Notes to the consolidated financial statements

Financial statements of Helvetia Holding AG

Consolidated income statement

in CHF million	Notes	2018	2017
Income			
Gross premiums written	3	8 876.2	8 478.1
Reinsurance premiums ceded		–380.5	–375.5
Net premiums written		8 495.7	8 102.6
Net change in unearned premium reserve		–42.2	–59.4
Net earned premiums		8 453.5	8 043.2
Current income from Group investments (net)	7.1.1	987.3	1 001.4
Gains and losses on Group investments (net)	7.1.3	–192.9	347.3
Income investments with market risk for the policyholder	7.1.5	–215.7	159.5
Share of profit or loss of associates		1.4	5.2
Other income		116.2	137.7
Total operating income		9 149.8	9 694.3
Expenses			
Claims incurred including claims handling costs (non-life)		–2 562.4	–2 389.5
Claims and benefits paid (life)		–3 629.5	–3 631.4
Change in actuarial reserves		–568.3	–1 046.6
Reinsurers´ share of benefits and claims		144.8	135.3
Policyholder dividends and bonuses		–145.8	–188.6
Income attributable to deposits for investment contracts		26.5	–34.2
Net benefits to policyholders and claims		–6 734.7	–7 155.0
Acquisition costs		–1 166.8	–1 074.9
Reinsurers´ share of acquisition costs		76.7	77.4
Operating and administrative expenses		–687.5	–644.8
Interest payable		–11.1	–13.6
Other expenses		–68.4	–304.8
Total operating expenses		–8 591.8	–9 115.7
Profit or loss from operating activities		558.0	578.6
Financing costs		–10.1	–65.2
Profit or loss before tax		547.9	513.4
Income taxes	10.1	–116.9	–110.5
Profit or loss for the period		**431.0**	**402.9**
Attributable to:			
Shareholders of Helvetia Holding AG		432.6	405.3
Non-controlling interests		–1.6	–2.4
Earnings per share:			
Basic earnings per share (in CHF)	11.5	41.87	39.12
Diluted earnings per share (in CHF)	11.5	41.87	39.12

Consolidated statement of comprehensive income

in CHF million	2018	2017
Profit or loss for the period	**431.0**	**402.9**
Other comprehensive income		
May be reclassified to income		
Change in unrealised gains and losses on investments	–646.3	–39.0
Change from net investment hedge	7.6	–17.8
Foreign currency translation differences	–66.6	163.1
Change in liabilities for contracts with participation features	313.5	65.3
Deferred taxes	75.7	–1.6
Total that may be reclassified to income	–316.1	170.0
Will not be reclassified to income		
Revaluation from reclassification of property and equipment	6.9	1.1
Revaluation of benefit obligations	0.8	105.1
Change in liabilities for contracts with participation features	0.4	–12.0
Deferred taxes	–3.4	–19.6
Total that will not be reclassified to income	4.7	74.6
Total other comprehensive income	–311.4	244.6
Comprehensive income	**119.6**	**647.5**
Attributable to:		
Shareholders of Helvetia Holding AG	121.5	649.7
Non-controlling interests	–1.9	–2.2

Consolidated balance sheet

in CHF million	Notes	2018	2017
Assets			
Property and equipment	5	490.1	524.4
Goodwill and other intangible assets	6	1 263.8	1 225.3
Investments in associates	7.4.1	26.9	25.8
Investment property	7.5	7 405.6	7 073.6
Group financial assets	7.2	41 177.9	41 555.6
Investments with market risk for the policyholder	7.2	3 387.1	3 651.1
Receivables from insurance business	9.7	1 416.0	1 198.6
Deferred acquisition costs	9.6	488.8	482.4
Reinsurance assets	9.5	526.9	562.4
Deferred tax assets	10.5	22.2	29.5
Current income tax assets		20.0	23.3
Other assets		429.3	352.6
Accrued investment income		288.0	311.0
Cash and cash equivalents		1 238.4	1 260.3
Total assets		**58 181.0**	**58 275.9**

in CHF million	Notes	2018	2017
Liabilities and equity			
Share capital	11.1	1.0	1.0
Capital reserves		659.9	660.6
Treasury shares		–12.3	–9.4
Unrealised gains and losses (net)	11.2.4	170.5	283.9
Foreign currency translation differences		–400.6	–341.6
Retained earnings		3 441.8	3 278.4
Valuation reserves for contracts with participation features	11.2.5	1 220.0	1 337.5
Equity of Helvetia Holding AG shareholders		5 080.3	5 210.4
Non-controlling interests		16.8	19.0
Equity (without preferred securities)		5 097.1	5 229.4
Preferred securities	11.3	700.0	700.0
Total equity		5 797.1	5 929.4
Actuarial reserves (gross)	9.1	36 906.2	36 622.2
Provision for future policyholder participation	9.1	1 670.9	1 951.0
Loss reserves (gross)	9.1	4 846.7	4 874.1
Unearned premium reserve (gross)	9.1	1 453.5	1 444.6
Financial liabilities from financing activities	8.1	1 577.2	1 616.2
Financial liabilities from insurance business	9.8	1 710.4	1 779.6
Other financial liabilities	8.2	327.6	349.8
Liabilities from insurance business	9.7	2 028.6	1 782.6
Non-technical provisions	12.1	125.6	143.5
Employee benefit obligations	13.2	677.1	692.1
Deferred tax liabilities	10.5	773.3	818.1
Current income tax liabilities		34.0	51.2
Other liabilities and accruals		252.8	221.5
Total liabilities		52 383.9	52 346.5
Total liabilities and equity		**58 181.0**	**58 275.9**

Consolidated statement of equity

	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
Notes	11.1			11.2.4
in CHF million				
Balance as of 1 January 2017	1.0	661.0	−8.0	264.4
Profit or loss for the period	–	–	–	–
Income and expense that may be reclassified to income	–	–	–	18.7
Income and expense that will not be reclassified to income	–	–	–	1.2
Total other comprehensive income	–	–	–	19.9
Comprehensive income	–	–	–	19.9
Transfer from/to retained earnings	–	–	–	−0.4
Acquisition of subsidiaries	–	–	–	–
Change in minority interests	–	–	–	–
Purchase of treasury shares	–	–	−11.6	–
Sale of treasury shares	–	−2.3	10.2	–
Share-based payment	–	1.9	–	–
Dividends	–	–	–	–
Share capital increase	–	–	–	–
Shareholders´ contributions	–	40.0	–	–
Allocation of shareholders´ contributions	–	−40.0	–	–
Balance as of 31 December 2017	**1.0**	**660.6**	**−9.4**	**283.9**
Balance as of 1 January 2018	1.0	660.6	−9.4	283.9
Profit or loss for the period	–	–	–	–
Income and expense that may be reclassified to income	–	–	–	−118.5
Income and expense that will not be reclassified to income	–	–	–	5.2
Total other comprehensive income	–	–	–	−113.3
Comprehensive income	–	–	–	−113.3
Transfer from/to retained earnings	–	–	–	−0.1
Acquisition of subsidiaries	–	–	–	–
Change in minority interests	–	–	–	–
Purchase of treasury shares	–	–	−14.9	–
Sale of treasury shares	–	−1.9	12.0	–
Share-based payment	–	1.2	–	–
Dividends	–	–	–	–
Shareholders´ contributions	–	45.0	–	–
Allocation of shareholders´ contributions	–	−45.0	–	–
Balance as of 31 December 2018	**1.0**	**659.9**	**−12.3**	**170.5**

Foreign currency translation differences	Retained earnings	Valuation reserves for contracts with participation features	Equity of Helvetia Holding AG shareholders	Non-controlling interests	Equity (without preferred securities)	Preferred securities	Total equity
	11.2.2	11.2.5					
–486.8	3 091.6	1 278.7	4 801.9	10.7	4 812.6	700.0	5 512.6
–	365.2	40.1	405.3	–2.4	402.9	–	402.9
145.2	–	6.0	169.9	0.1	170.0	–	170.0
–	57.8	15.5	74.5	0.1	74.6	–	74.6
145.2	57.8	21.5	244.4	0.2	244.6	–	244.6
145.2	423.0	61.6	649.7	–2.2	647.5	–	647.5
–	–15.1	–2.8	–18.3	0.0	–18.3	18.3	0.0
–	–2.0	–	–2.0	2.0	–	–	–
–	0.2	–	0.2	–2.0	–1.8	–	–1.8
–	–	–	–11.6	–	–11.6	–	–11.6
–	–	–	7.9	–	7.9	–	7.9
–	–	–	1.9	–	1.9	–	1.9
–	–208.9	–	–208.9	–0.3	–209.2	–18.3	–227.5
–	–10.4	–	–10.4	10.8	0.4	–	0.4
–	–	–	40.0	–	40.0	–	40.0
–	–	–	–40.0	–	–40.0	–	–40.0
–341.6	**3 278.4**	**1 337.5**	**5 210.4**	**19.0**	**5 229.4**	**700.0**	**5 929.4**
–341.6	3 278.4	1 337.5	5 210.4	19.0	5 229.4	700.0	5 929.4
–	407.1	25.5	432.6	–1.6	431.0	–	431.0
–59.0	–	–138.4	–315.9	–0.2	–316.1	–	–316.1
–	1.5	–1.9	4.8	–0.1	4.7	–	4.7
–59.0	1.5	–140.3	–311.1	–0.3	–311.4	–	–311.4
–59.0	408.6	–114.8	121.5	–1.9	119.6	–	119.6
–	–15.5	–2.7	–18.3	0.0	–18.3	18.3	0.0
–	–0.1	–	–0.1	0.1	–	–	–
–	–2.8	–	–2.8	–	–2.8	–	–2.8
–	–	–	–14.9	–	–14.9	–	–14.9
–	–	–	10.1	–	10.1	–	10.1
–	–	–	1.2	–	1.2	–	1.2
–	–226.8	–	–226.8	–0.4	–227.2	–18.3	–245.5
–	–	–	45.0	–	45.0	–	45.0
–	–	–	–45.0	–	–45.0	–	–45.0
–400.6	**3 441.8**	**1 220.0**	**5 080.3**	**16.8**	**5 097.1**	**700.0**	**5 797.1**

Consolidated cash flow statement

in CHF million	2018	2017
Cash flow from operating activities		
Profit before tax	547.9	513.4
Reclassifications to investing and financing activities (affecting cash)		
Realised gains and losses on property, equipment and intangible assets	1.0	–0.8
Realised gains and losses on sale of subsidiaries and associated companies	0.0	–0.2
Dividends from associates	–1.2	–1.1
Adjustments		
Depreciation / amortisation of property, equipment and intangible assets	55.8	118.3
Realised gains and losses on financial instruments and investment property	47.5	–17.6
Unrealised gains and losses on investments in associates	–0.2	–4.0
Unrealised gains and losses on investment property	–87.8	–25.5
Unrealised gains and losses on financial instruments	459.6	–120.4
Share-based payments for employees	1.2	1.9
Foreign currency gains and losses	91.3	9.0
Other income and expenses not affecting cash[1]	–70.2	–14.7
Change in operating assets and liabilities		
Deferred acquisition costs	–13.1	–8.2
Reinsurance assets	15.3	6.6
Actuarial reserves	568.3	1 046.6
Provisions for future policyholder participation	–6.6	45.2
Loss reserves	49.0	68.2
Unearned premium reserve	48.0	69.6
Financial liabilities from insurance business	44.8	4.9
Changes in other operating assets and liabilities	–44.7	–123.3
Cash flow from investments and investment property		
Purchase of investment property	–285.1	–317.8
Sale of investment property	50.7	46.2
Purchase of interest-bearing securities	–4 757.4	–3 675.1
Repayment / sale of interest-bearing securities	4 679.4	3 527.2
Purchase of shares, investment funds and alternative investments	–1 966.9	–1 417.1
Sale of shares, investment funds and alternative investments	1 498.8	918.0
Purchase / Sale of derivatives	–198.3	–236.5
Origination of mortgages and loans	–385.1	–932.8
Repayment of mortages and loans	338.3	401.5
Purchase of money market instruments	–2 825.5	–3 156.3
Repayment of money market instruments	2 523.4	3 449.4
Cash flow from operating activities (gross)	378.2	174.6
Income taxes paid	–81.1	–121.7
Cash flow from operating activities (net)	297.1	52.9

in CHF million	2018	2017
Cash flow from investing activities		
Purchase of property and equipment	–26.2	–45.3
Sale of property and equipment	1.3	4.3
Purchase of intangible assets	–73.6	–36.4
Sale of intangible assets	0.6	9.7
Purchase of investments in asscociates	–1.0	–4.0
Sale of investments in associates	–	0.2
Purchase of investments in subsidiaries, net of cash and cash equivalents	–3.7	–60.0
Dividends from associates	1.2	1.1
Cash flow from investing activities (net)	–101.4	–130.4
Cash flow from financing activities		
Increase of share capital	–	0.4
Sale of treasury shares	10.1	7.9
Purchase of treasury shares	–14.9	–11.6
Shareholders´ contributions	45.0	40.0
Purchase of investments in subsidiaries	–	–0.2
Issuance of debt instruments	18.0	555.1
Repayment of debt	–5.5	–7.0
Dividends paid	–250.2	–232.2
Lease payments under finance lease	–2.4	–2.3
Cash flow from financing activities (net)	–199.9	350.1
Effect of exchange rate differences on cash and cash equivalents	–17.7	45.0
Total change in cash and cash equivalents	**–21.9**	**317.6**

	2018	2017
Cash and cash equivalents		
Cash and cash equivalents as of 1 January	1 260.3	942.7
Change in cash and cash equivalents	–21.9	317.6
Cash and cash equivalents as of 31 December	**1 238.4**	**1 260.3**

	2018	2017
Composition of cash and cash equivalents		
Cash	0.2	0.2
Due from banks	1 073.1	1 148.2
Other cash equivalents with a maturity of less than three months	165.1	111.9
Balance as of 31 December	**1 238.4**	**1 260.3**

	2018	2017
Other disclosures on cash flow from operating activities:		
Interest received	746.2	776.5
Dividends received	117.0	93.6
Interest paid	38.7	34.4

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.

1. General information

Helvetia Group is an all-lines insurance group which operates in many sectors of the life and non-life insurance business as well as in reinsurance. The holding company, Helvetia Holding AG, with headquarters in St. Gallen, is a Swiss public limited company listed on the SIX Swiss Exchange.

Through branch offices and subsidiaries, the Group operates in the insurance markets of Switzerland, Germany, Austria, Spain, Italy and France, and worldwide in the active reinsurance business. Helvetia also has branches in Singapore and Malaysia and representative offices in Liechtenstein and the USA. Some of Helvetia's investment and financing activities are managed through subsidiaries and fund companies in Luxembourg.

The Board of Directors approved the consolidated financial statements and released them for publication at its meeting on 5 March 2019. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 3 May 2019.

2. Summary of accounting policies

The consolidated financial statements of Helvetia Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and under the historical cost convention with the exception of adjustments resulting from the IFRS requirement to recognise investments at fair value. Fair value measurement methods are explained in section 2.5 (page 79).

2.1 Standards applied for the first time in the reporting year

The following published sector-relevant standards (IAS / IFRS), interpretations (IFRIC) and amendments to the standards were applied by the Group for the first time in the reporting year:

- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 4 – Application of IFRS 9 together with IFRS 4
- Amendments to IAS 40 – Transfers of Investment Property
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Annual improvements to IFRS (cycle 2014 – 2016)

IFRS 15 governs the recognition of revenue from contracts with customers. The Standard includes exceptions for insurance contracts, financial instruments and leases. The Helvetia Group generates income from contracts with customers within the scope of IFRS 15. This primarily comprises income originating from the intermediary and advisory business. The adoption of IFRS 15 has no material impact on the consolidated financial statements.

The amendment to IFRS 4, which was published in September 2016, provides companies that are primarily active in the insurance business with the option to postpone the introduction of IFRS 9 until 1 January 2021[1] at the latest. Helvetia will exercise this option. It qualifies for this postponement option, as the liabilities arising from the insurance business on the relevant reporting date, 31 December 2015, accounted for over 90% of the Helvetia Group's total balance sheet liabilities. Helvetia is thus primarily active in the insurance business.

The adoption of these other amendments did not have any material impact on Helvetia Group's asset, financial and income situation.

2.2 Standards not yet applied in the reporting year

Due to their effective dates, the following published sector-relevant standards, interpretations and amendments to standards were not applied to the 2018 consolidated financial statements:

Changes in accounting policies	to be applied for annual periods beginning on / after:
IFRS 16 – Leasing	1 January 2019
IFRIC 23 – Uncertainty regarding Treatment for Income Tax Purposes	1 January 2019
Amendments to IAS 28 – Long-term Investments in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	1 January 2019
Annual improvements to IFRS (cycle 2015 – 2017)	1 January 2019
IFRS 9 – Financial Instruments	1 January 2021[1]
IFRS 17 – Insurance Contracts	1 January 2021[1]

[1] In November 2018, the IASB provisionally decided to defer the coming into force of IFRS 17 from 1 January 2021 to 1 January 2022 and to extend the option for deferring the introduction of IFRS 9 also to 1 January 2022.

At present, it is not yet possible to definitively assess the impact of IFRS 9 and IFRS 17 on the financial statements of the Helvetia Group.

The Helvetia Group is affected by IFRS 16 primarily as a lessee of business premises. The implementation of the standard will primarily lead to a grossing up ot the balance sheet. Overall, however, the provisions of IFRS 16 will not have any material impact on the consolidated financial statements.

The other amendments are not expected to have any material impact on the financial statements.

2.3 Consolidation principles

All the material companies included in the consolidation have the same reporting periods. Smaller Group companies with different financial years prepare interim financial statements as of the reporting date of 31 December.

2.3.1 Subsidiaries

The consolidated financial statements include the financial statements of Helvetia Holding AG, its subsidiaries and its own investment funds. Consolidation applies when Helvetia Holding AG exercises indirect or direct control over the company's operations. Subsidiaries acquired during the course of the financial year are included in the consolidated financial statements from the date on which Helvetia Group took effective control. Acquisitions of companies are recorded using the purchase method. Intergroup transactions and balance sheet items are eliminated.

Non-controlling interests (minority interests) are valued at the time of acquisition with their proportionate share of the identifiable net assets of the company.

Any changes in Helvetia Group's percentage of shares held in a subsidiary, without losing control, are treated as transactions among shareholders. The adjustments of minority interests are based on the proportional net assets of the subsidiary. Goodwill is not adjusted and no gains or losses are recognised in the income statement.

2.3.2 Associates

Associates of Helvetia Group are accounted for using the equity method if significant influence is exercised by Helvetia Group. The book value of all investments is tested for impairment if there is objective and substantial evidence for impairment at the balance sheet date. Associates of Helvetia Group are listed together with the fully consolidated subsidiaries from the table in section 18.3 (from page 179).

2.4 Foreign currency translation

The reporting currency of Helvetia Group is the Swiss franc (CHF).

2.4.1 Translation of financial statements prepared in foreign currency

Items included in the financial statements of such entities that do not have the Swiss franc as their functional currency were translated using the applicable closing rate. Items in the income statement are translated at the average exchange rates for the reporting period. The resulting translation differences are recorded in "Reserve for foreign currency translation differences" in equity, not affecting profit or loss. Upon (partial) disposal of a subsidiary, these currency differences, attributable to the subsidiary in question and accumulated in equity, are released through income. The rates applied in these financial statements are given in section 4.1 (page 103).

2.4.2 Translation of foreign currency transactions

Foreign currency transactions in the individual entities are accounted for using the exchange rate on the date of the transaction.

The individual entities translate balance sheet items denominated in foreign currencies at the balance sheet date as follows: monetary and non-monetary balance sheet items recorded at fair value, at closing rates, and non-monetary balance sheet items recorded at cost, at historical rates. "Monetary items" include cash and cash equivalents, assets and liabilities for which Helvetia Group either receives or pays a fixed or determinable amount of money.

Foreign currency translation differences are generally recognised in the income statement. For non-monetary financial assets classified as available-for-sale investments, such as shares and shares in investment funds, the unrealised foreign currency result is recognised in equity without affecting the income statement until the financial instrument is sold.

2.5 Estimate uncertainties and key assumptions

Preparing the financial statements in accordance with IFRS requires Group management to make assumptions and estimates that affect the reported amounts of assets and liabilities for the ongoing financial year. All estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual figures and estimates may differ as a result. The following information conveys which of the assumptions needed for the preparation of the financial statements require particular management judgement.

2.5.1 Fair value of financial assets and financial liabilities

The fair value of financial assets is equal to the price at which an asset could be sold on the valuation date in a normal business transaction between market participants.

If the range of possible fair values is very large and reliable estimates cannot be made, the financial instrument is measured at cost, less any value adjustments (impairment).

Financial instruments measured at the prices quoted on an active market belong to the "Level 1" category of valuation methods. Quoted in an "active market" means that the prices are made available regularly, either by a stock exchange, a broker or a pricing service, and that these prices represent regular market transactions.

If a market value in an active market is not available, the fair value is determined using valuation methods. Such methods are considerably influenced by assumptions, which can lead to varying 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 includes comparisons with current market transactions, references to transactions with similar instruments, and option price models. This concerns the following items, in particular:

– Mortgages and loans: The fair value of mortgages and borrower's note loans is determined on the basis of discounted cash flows. This is done using the current Swiss franc swap curve for valuing mortgages. Risk-adjusted yield curves are used for valuing borrower's note loans.
– Interest-bearing securities without an active market, including own bonds: The fair value is based on rates set by brokers or banks, which are validated through comparison with current market transactions and in consideration of transactions with similar instruments, or determined by means of the discounted cash flow (DCF) method.
– Money market instruments: The fair value is not based directly on the market but on rates set by brokers or banks or determined by means of the discounted cash flow method.
– Derivative financial instruments: The fair value of equity and currency options is determined using option price models (Black-Scholes option pricing), while the fair 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.
– Financial liabilities: There is no active market for financial liabilities. The fair value is derived from the fair values of the underlying assets or determined by means of the discounted cash flow method.
– Minority interests in own funds and deposits for investment contracts: The fair value is derived from the fair values of the underlying assets.

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

Helvetia regards the funds as transparent vehicles for the purpose of evaluating the funds for consolidation. The market value of the underlying investments is determined by the fund management.

The market value of private equity investments is calculated via the discounted cash flow (DCF) method. This is done by applying the internal rate of return (IRR).

The "Level" categories relate to the observability of prices and valuation factors and are not an indication of the quality of a financial instrument.

2.5.2 Impairment of available-for-sale investments

The judgement as to whether an equity instrument classified as available-for-sale is subject to impairment depends on the existence of objective indications. One decisive criterion is a constant or considerable decrease in the value of an instrument: at Helvetia Group, instruments are considered impaired if their fair value remains below cost for longer than nine months or falls 20% or more below cost irrespective of the period of time. In addition, ratings and analyst reports can serve as an indication that a company's circumstances have changed with respect to technology, the market, economy or law, to such an extent that the cost can probably no longer be recovered. In these cases, the need for impairment is examined and – if justified – recorded.

2.5.3 Fair value of investment property

In Switzerland, Germany and Austria, investment properties are valued in accordance with the discounted cash flow (DCF) method. The method is described in section 2.11.1 (page 82).

The choice of the discount rate plays an important role in the DCF valuation method. The discount rates are based on a long-term, risk-free average rate plus a premium for market risk plus regional and property-related surcharges and discounts based on the current condition, use and location of the property in question. The discount rates applied in the reporting period are set out in section 7.5 (page 115).

2.5.4 Insurance-specific estimate uncertainties

The uncertainties regarding estimates in the area of technical results are explained in section 2.15 (from page 84). Any material change to the parameters used for the calculation of the provisions is commented on in sections 9.3 from page 128 (non-life business) and 9.4 on page 130 (life business).

2.5.5 Impairment of goodwill

Capitalised goodwill is tested annually for impairment. The method is described in section 2.10 (page 82). The calculation of the recoverable amount is based on a number of assumptions, which are detailed in section 6 (from page 104).

2.6 Current and non-current distinction

Assets and liabilities are classified as current if they are expected to be realised or settled within twelve months after the reporting date. All other assets and liabilities are considered to be non-current.

The following items are basically classified as non-current: "Property and equipment", "Goodwill and other intangible assets", "Investments in associates", "Investment property" and "Deferred tax assets and liabilities".

The following items are fundamentally classified as current: "Current income tax assets and liabilities", "Accrued financial assets" and "Cash and cash equivalents".

All other items are of a mixed nature. The differentiation between the current and non-current balances of relevant items is explained in the Notes. The maturity schedule of financial assets, financial liabilities and provisions for insurance and investment contracts is described in section 16.5 (from page 165) as part of the risk assessment process.

2.7 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accrued impairment. Depreciation is normally calculated using the straight-line method over the estimated useful life as follows:

Furniture	4–15 years
Technical equipment	4–10 years
Vehicles	4–6 years
Computer hardware	2–5 years

The following rates of depreciation apply to owner-occupied property:

Supporting structure	1.0 – 3.5 %
Interior completion	1.33 – 8.0 %

Land is not depreciated. Useful life is adjusted if the pattern of consumption of the economic benefit has changed. Value-adding investments are added to the current book value in the period and are depreciated over the entire term if an increase in the economic benefit is expected from the investment and reliable estimates exist for the cost. Depreciation is recognised in the income statement under "Operating and administrative expenses". Repairs and maintenance are charged to the income statement as incurred. Tangible assets are regularly tested for impairment (see section 2.10, page 82).

2.8 Leasing

If a lease agreement transfers all risks and rewards incidental to the ownership to Helvetia Group, the lease is classified and treated as a finance lease. The finance lease agreements of Helvetia Group are limited to lessee agreements. At inception of the lease agreement, recognition occurs at the lower of the present value of the minimum lease payments and the fair value of the lease object. The leasing liability is recognised in the same amount. The leasing instalment is broken down into an amortisation component and a financing component. Financing costs are apportioned over the term so as to achieve a constant rate of interest on the remaining balance of the liability. The depreciation of the asset follows the rules for depreciating tangible assets. All other lease agreements are classified as operating leases. Payments – less any reductions – made under operating lease agreements are charged to the income statement on a straight-line basis over the term of the lease.

2.9 Goodwill and other intangible assets

Acquired intangible assets are recognised at cost and amortised over their useful life. If a portfolio of insurance contracts or investment contracts is acquired, an intangible asset is recognised for an amount that equals the present value of all expected future gains minus the solvency costs included in the acquired contracts. This item includes the present value for the income across the whole contract period, even if the premiums have not yet been billed. The so-called "present value of future profit" (PVFP) is amortised in proportion to the gross gains or gross margins over the actual term of the acquired contracts. This term is usually between one and ten years. Helvetia has capitalised PVFP in respect of both the life business and non-life business. This is tested for impairment every year.
Included in the other intangible assets are brands acquired through acquisitions. These are amortised in accordance with their useful life.

The other intangible assets also include intangible assets developed by the company, principally proprietary software that is recorded at cost and amortised on a straight-line basis from the time of commissioning. Depreciation is recognised in the income statement under "Operating and administrative expenses". The useful life is usually between three and ten years.
Intangible assets with an indefinite useful life are not amortised, but are reviewed annually for impairment (see section 2.10, page 82). Goodwill is recognised as of the acquisition date and comprises the fair value purchase price plus the amount of any non-controlling interest in the acquired company and, in a business combination achieved in stages, the acquisition date fair value of the acquisitor's previously held equity interest in the acquired company, minus the net of the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company.

A positive balance is accounted for as goodwill. If the value of the acquired entity's net assets exceeds the acquisition costs at the purchase date, this surplus is immediately recognised in the income statement. Goodwill acquired in a business combination is recognised at cost, net of accumulated impairment loss, and is tested annually for impairment. It is carried as an asset in the local currency of the acquired entity and translated at the applicable closing rate on each balance sheet date.

2.10 Impairment of tangible assets, goodwill and other intangible assets

The carrying value of tangible assets or an intangible asset amortised using the straight-line method is tested for impairment if there is evidence for impairment. Goodwill and intangible assets with an indefinite useful life are reviewed for impairment annually in the second half of the year. They are also tested for impairment again if there is evidence of impairment.

An intangible asset is impaired if its book value exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset at current market conditions after deducting any direct disposal costs. Value in use is the present value of estimated future cash flows expected to be generated from the continuing use of an asset and from its disposal at the end of its useful life. For the purpose of impairment testing, the value in use is measured under realistic conditions, with consideration given to planned activities and their resulting cash in and outflows. If the recoverable amount is less than the carrying value, the difference is charged to the income statement as an impairment loss. This is reported in the position "Other expenses".

A reversal of the impairment loss is recognised if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was accounted for. If the new circumstances result in a decreased impairment loss, the reversal impairment is reported up to the maximum of the historical cost and recorded in the income statement in "Other expenses".

For the purpose of impairment testing, goodwill is allocated at the time of acquisition to those cash-generating units (CGU) that are expected to benefit from the synergies generated by the company merger. To calculate any impairment loss, the value in use of the CGU is determined and compared to the carrying value. The value in use is determined using the discounted cash flow method, with future operating cash flows less necessary operating investments (free cash flows) being included. Alternatively, the fair value less cost to sell is used for impairment testing. If an impairment loss arises, the goodwill is adjusted accordingly. An impairment loss for goodwill cannot be reversed.

2.11 Investments

At Helvetia Group, investments comprise investments in associates, investment property and financial assets (securities, derivative financial assets, loans and money market instruments). The treatment of investments in associates is described in section 2.3.2 (page 78) as part of "Consolidation principles".

2.11.1 Investment property

The aim of the investment property portfolio is to earn rental income or achieve long-term capital appreciation. Property held for investment purposes includes both land and buildings and is carried at fair value.

Changes in fair value are recognised in the income statement. The fair value of companies in Switzerland, Germany and Austria is measured using a generally accepted discounted cash flow (DCF) valuation method. The portfolio is regularly reviewed on the basis of appraisal reports prepared by independent experts. All other countries use independent experts to determine market estimates, at the most, every three years. These estimates are updated between valuation dates.

The DCF valuation method is a two-tier gross rental method based on the principle that the value of a property equals the total of future earnings on the property. The income from the properties is determined on the basis of the current rental index and adjusted to the assessment horizon on the basis of the current rental potential.

In the first phase, the individual annual cash flows for a property over the next ten years are calculated and discounted as of the valuation date. In the second phase, the unlimited capitalised income value for the time following the first ten years is calculated and also discounted as of the valuation date. The risk-adjusted discounted rates used for the DCF valuation are based on the current condition, use and location of the property in question. The cash flows used for the forecast are based on the rental income that can be earned in the long term. Rental income is recognised on a straight-line basis over the lease term.

Helvetia Group does not capitalise properties where it acts as tenant in an operating lease relationship.

2.11.2 Financial assets

The recognition and measurement of financial assets follow the IFRS categories: "loans" (loans and receivables, LAR), "held-to-maturity" (HTM), "at fair value through profit or loss", "available-for-sale" (AFS) and "derivatives for hedge accounting".

Financial assets are initially recognised at fair value including directly attributable transaction costs. Helvetia Group records all acquisitions and disposals of financial instruments at the trade date. Derecognition of a financial investment occurs on expiry of the contract or at disposal if all risks and control have been transferred and if no rights to cash flows from the investment are retained.

Loans (LAR) and financial assets that the Group has the intention and ability to hold to maturity (HTM) are carried at amortised cost (AC). LAR are not traded on an active market. Helvetia Group usually generates them by directly providing funds to a debtor.

"Financial assets at fair value through profit or loss" comprise "financial assets held for trading" and "financial assets designated as at fair value through profit or loss". An instrument is classified as "held for trading" if it is held with the aim of making short-term gains from market price fluctuations and dealer margins. Upon initial recognition, financial investments are irrevocably classified as "designated as at fair value" only if they are a component of a particular group of financial assets that, according to a documented investment strategy, are managed on a fair value basis, or their recognition as at fair value serves to compensate for market value fluctuations of liabilities due to policyholders. The value fluctuations that result from the fair value valuation are directly recognised in the income statement and for Group investments are reported separately from current income in the item "Gains and losses on Group investments (net)".

Financial assets held for an indefinite period and which cannot be classified to any other category are classified as "available-for-sale" (AFS). AFS investments are carried in the balance sheet at fair value. Unrealised gains and losses are recognised directly in equity with no impact on profit or loss. Upon disposal or impairment, the gains and losses accumulated in equity are released through income.

Interest income is recognised on an accruals basis subject to the asset's effective rate of interest (including "Financial assets at fair value through profit or loss"). Dividends are recognised with effect from the dividend payment date. Depreciation and appreciation resulting from the amortised cost method are included in interest income in the income statement. Interest and dividend income from Group financial assets that are designated as "at fair value through profit or loss" are included in the item "Current income on Group investments (net)".

2.11.3 Impairment of financial assets

The carrying values of financial assets that are not classified as "at fair value through profit or loss" (LAR, HTM, AFS) are regularly reviewed for impairment. If objective and substantial evidence indicates permanent impairment at the reporting date, the difference between cost and the recoverable amount is recognised as an impairment through profit or loss. An equity instrument is impaired if its fair value is considerably or constantly below cost (see also section 2.5, page 79). Debt instruments are impaired or sold if it is probable that not all amounts due under the contractual terms will be collectible. This usually happens when contractually agreed interest or redemption payments are stopped or are in arrears, if the debtor suffers from serious financial difficulties and / or if the rating falls below a specific threshold value. If, in order to avoid impairment, new conditions are negotiated for mortgages or loans, the mortgages or loans in question continue to be recognised in the balance sheet at amortised cost.

For LAR and HTM financial assets, the recoverable amount at the reporting date is equivalent to the present value of estimated future cash flows discounted at the original interest rate. Impairments are booked using an allowance account. The impairment is reversed through profit or loss if a subsequent event causes a decrease in the impairment requirement.

For AFS financial assets, the recoverable amount at the reporting date equals the fair value. For non-monetary AFS financial assets, such as shares and investment fund units, any additional impairment loss after the initial impairment is immediately recognised in the income statement. The impairment is not reversed, even if the circumstances causing the impairment cease to apply. Valuation gains are recognised in equity until disposal. For monetary AFS financial assets, such as interest-bearing securities, the impairment is reversed through profit or loss if the circumstances causing the impairment cease to apply.

Financial assets are derecognised no later than when the bankruptcy proceedings end or, in the case of ongoing bankruptcy proceedings, when the outstanding debt plus interest is received. If a settlement is agreed, derecognition takes place at the end of the agreed period after receipt of the payment.

2.12 Financial derivatives

Derivative financial instruments are classified as "Financial assets held for trading" and are shown in the item "Financial assets at fair value through profit or loss" or are carried as "Derivatives for hedge accounting". The hedging strategies used by Helvetia Group for risk management purposes are described in section 16 (from page 150).

Derivatives may also be embedded in financial instruments, insurance contracts or other contracts. They are measured either together with their host contract or separately at fair value. The underlying security and derivative are measured and recognised separately if the risk characteristics of the embedded derivative are not closely related to those of the host contract. Changes in the fair value of derivatives are recognised in the income statement.

2.13 Net investment hedge

For hedges of currency gains and losses on investments in subsidiaries with a foreign reporting currency, the hedge-effective portion of the gain or loss on the valuation of the hedging instrument is recognised in equity, while the ineffective portion is recognised directly in the income statement.

When a net investment hedge ends, the hedge instrument continues to be recognised in the balance sheet at fair value. All gains and losses reported in equity remain a component of equity until the company is (partially) sold. Upon the (partial) sale of the company, the unrealised gains and losses recognised in equity are transferred to the income statement.

2.14 Financial liabilities

Financial liabilities are initially recognised at fair value. Directly attributable transaction costs are offset, except in the case of financial liabilities at fair value through profit or loss. After initial recognition, financial liabilities are carried at fair value or amortised cost (AC). The financial liability is derecognised when the obligation has been discharged.

Those financial liabilities that are held for trading or are irrevocably classified upon initial recognition as "designated as at fair value through profit or loss" are recognised at fair value. The latter classification is given to deposits if they are associated with investment funds or products for which the policyholder benefit is almost identical with the investment return. For these deposits for investment contracts without a discretionary participation feature (see section 2.15, page 84) only the withdrawals and allocations that are part of the operating result are recorded in the income statement. The risk and cost portions of premiums are recognised in the income statement and recorded in the item "Other income". The policyholder's deposit is directly credited or debited with the investment portion of the premium.

Written put options on shares in subsidiaries are reported under IFRS as financial liabilities in the amount of the present value of the overall purchase price. These options are recognised in equity with no impact on profit or loss. Helvetia also offsets value changes against equity with no effect on the income statement.

Those financial liabilities not held for trading and also not designated as at fair value through profit or loss are recognised at amortised cost. Interest expenses for financial liabilities that are used for financing purposes are recognised in the income statement as "Financing costs". Depreciation and appreciation resulting from the amortised cost method are offset against interest expenses in the income statement.

2.15 Insurance business

Direct business comprises assumed primary business and business ceded to reinsurers. Indirect business consists of active reinsurance business and business retroceded to reinsurers. The technical items are described as "gross" before deduction of ceded business and as "net" after the deduction.

Insurance contracts as defined by IFRS comprise all products containing a significant technical risk. The significance is assessed at product level.

Contracts that are considered insurance products in the formal sense of the law and mainly carry financial risk rather than any significant technical risk are not insurance contracts but are treated as financial instruments, unless they carry a discretionary participation feature (DPF), in which case they are classified as insurance contracts. Under IFRS, discretionary participation features are contractual benefits where, in addition to the guaranteed benefit, the policyholder has a claim to the realised or unrealised investment returns on certain assets or to a share of the insurance company's profit or loss. This additional benefit must form a significant proportion of the overall contractual benefit, and its amount or timing must be at the insurance company's discretion.

2.15.1 Non-life business

The technical items in non-life business are established Group-wide on the same principles. All non-life insurance products of Helvetia Group contain significant technical risks and are recognised as insurance contracts.

Loss reserves are set aside for all claims incurred by the end of the accounting period. The reserves also include provisions for claims incurred but not yet reported. Actuarial methods that take account of uncertainties are applied to determine the amount of reserves. Reserves are not discounted, except for those provisions for claims for which there are payment arrangements.

Reserve estimates and the assumptions on which they are based are reviewed continuously. Valuation changes are entered as profit or loss on the income statement at the time of the change.

A Liability Adequacy Test (LAT) is carried out on every reporting date to determine whether, taking into consideration expected future cash flows, the existing liabilities of each sector (property, motor vehicle, liability, transport and accident / health insurance) at all Group companies are adequately covered up to the reporting date in order to ensure a loss-free valuation. Expected future premium income is compared to expected claims expenses, expected administration and acquisition costs and expected policyholder dividends. If the expected costs exceed the expected premium income, the loss reserves are increased – without prior amortisation of the deferred acquisition costs.

Helvetia Group defers acquisition costs. These are calculated from the commission that was paid and are depreciated over the term of the contracts or, if shorter, the premium payment period.

Premiums are booked at the beginning of the contract period. Earned premiums are calculated pro rata temporis per individual contract and recorded as income for the relevant risk periods. Premium proportions relating to future business periods are accounted for as unearned premium reserves. The cost of claims is assigned to the relevant period.

2.15.2 Life business

Helvetia Group classifies all life products containing significant technical risk as insurance contracts.

The technical items in life business are determined in accordance with the local valuation and accounting principles for the respective companies. The assumptions made in setting the reserves are based on best estimate principles that, firstly, take account of the business-specific situation, such as existing investments and the market situation, as well as, for example, possible yields from reinvestments, and secondly, local actuarial bases of calculation (e.g. interest rates, mortality). The assumptions vary according to country, product and year of acceptance, and take account of country-specific experiences.

Unearned premium reserves and actuarial reserves are calculated using local methods. Zillmerisation is not applied to actuarial reserves in any country market apart from Germany and Austria.
All Group companies defer acquisition costs under local accounting rules. Depending on the country, either the effectively incurred acquisition costs or acquisition cost surcharges included in the premium are deferred in part.

A Liability Adequacy Test (LAT) is applied at each reporting date to examine whether existing reserves are sufficient to cover expected future needs. The reserve increases that are shown by the LAT to be necessary are calculated Group-wide according to standard principles. The LAT is based on actuarial principles using best estimate assumptions. The estimate of expected needs is calculated by using the difference between the present value of the benefits (including expected administration costs and expected policyholder dividends) and the present value of expected gross premiums. If expected needs exceed existing reserves (less deferred acquisition costs not included in the actuarial reserve), the actuarial reserve is increased to the required level through profit or loss – without prior amortisation of the deferred acquisition costs. If existing reserves exceed expected needs, the strengthened reserves are reduced again through profit or loss.

Policyholders with contracts containing discretionary participation features may have the right to participate in local investment returns on capital or local company results under local statutory or contractual regulations. Provisions set up for that purpose in accordance with local accounting principles are not changed under IFRS rules and are included under "Provisions for future policyholder participation" or under "Actuarial reserve" in the balance sheet.

Portions of the valuation differences in relation to local accounting principles allocated to contracts containing discretionary participation features which affect either the net income or unrealised gains in equity are also reserved under "Provisions for future policyholder participation". The portion is equal to the percentage rate which sets the minimum participation level of policyholders in the respective revenues under local statutory or contractual regulations. This participation in income is credited or debited to the item "Provision for future policyholder participation" through profit or loss. Similarly, the portion of unrealised gains or losses is recognised in the provisions without affecting profit or loss.

The remaining gains – either through profit or loss or with no impact on the results – that relate to contracts with a discretionary participation feature (i.e. every share for which no legal or contractual obligations exists) are recorded under "Valuation reserves for contracts with participation features" within equity.

Bonuses already assigned which accrued interest are allocated to the deposits of policyholders and are contained in the balance sheet item "Financial liabilities from insurance business".

If insurance contracts contain both an insurance and a deposit component, unbundling is carried out if the rights and obligations resulting from the deposit component cannot be fully reflected without a separate valuation of the deposit component.
Financial derivatives embedded in insurance contracts that are not closely related to the host contract are recognised at fair value. Option pricing techniques are used to assess embedded derivatives. Such embedded derivatives are accounted for under "Other financial liabilities", separate from the actuarial reserve.

Premiums, insurance benefits and costs arising from life insurance contracts are booked as they fall due. These income and expenses are accrued or deferred so that profit from the contracts is recognised in the appropriate period.

2.15.3 Reinsurance

Reinsurance contracts are contracts between insurance companies. As in primary insurance business, there must be sufficient risk transfer for a transaction to be booked as a reinsurance contract, otherwise the contract is considered a financial instrument.

The direct business transferred to reinsurance companies is called ceded reinsurance and includes cessions from the direct life and non-life businesses. Premiums, unearned premium reserves and premium adjustments for ceded business are recognised and shown separately from primary business in the financial statements. The accounting rules used for primary insurance business apply to ceded business.

Assets from ceded reinsurance business are regularly reviewed for potential impairment and uncollectability. If there is objective and substantial evidence of permanent impairment at the balance sheet date, the difference between the carrying value and estimated recoverable amount is recognised in the income statement as an impairment loss.

Indirect business accepted from another insurance company is called active reinsurance. As in primary insurance business, technical provisions are included in the respective technical items on the liabilities side, and are similarly estimated as realistically as possible using mathematical-statistical models and the most up-to-date information available. They also reflect uncertainties. Non-traditional insurance contracts are treated as financial instruments and are reported under "Reinsurance assets" or "Financial liabilities from insurance business" if no significant insurance risks have been transferred. Net commission is reported directly in the income statement.
Indirect business ceded to insurance companies outside the Group is reported as a retrocession. The principles of ceded business apply in this instance.

2.16 Revenue from contracts with customers

Revenue from contracts with customers that do not qualify as insurance contracts or leasing contracts under IFRS is recorded in "Other income". This primarily comprises revenue from investment contracts without participation features and income from the intermediary and advisory business.

This income is measured on the basis of the contractual agreements concluded with customers. Amounts received on behalf of third parties (as agent) are not recognised as income. The income is recorded in the income statement according to the services provided.

2.17 Income taxes

Actual income tax assets and liabilities are calculated using the currently applicable tax rates. Income tax assets and liabilities are only recognised if a reimbursement or payment is expected.

Reserves for deferred income tax assets and liabilities are calculated using the tax rate changes enacted or announced as of the balance sheet date. Deferred income taxes are recognised for all temporary differences between the IFRS carrying values of assets and liabilities and the tax bases of these assets and liabilities, using the liability method. Deferred tax assets from losses carried forward are recorded only to the extent that it is probable that future taxable profit can be offset against the relevant losses. Deferred tax assets and liabilities are offset when an enforceable legal right was granted by the tax authorities in question to set off actual tax assets against actual tax liabilities.

2.18 Receivables

Receivables from the insurance business and other receivables are carried at amortised cost. In general, this corresponds to the nominal value of the receivables. Permanent impairment is recognised through profit or loss. The impairment loss is reported under "Other expenses" in the income statement.

Impairment for receivables from insurance business is booked as individual impairment or collective impairment. If the counterparty does not meet its payment obligations during the normal reminder procedure, the claims are impaired on the basis of the historic delinquency ratio for specific risk groups. Individual impairment is also carried out to take account of current default risks, in the event the counterparty is overindebted or threatened by bankruptcy, or in the event of foreclosure.

2.19 Accrued financial assets

Interest income on interest-bearing financial investments and loans that must be allocated to the reporting year are accrued or deferred under financial assets.

2.20 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term liquid investments with a maturity of not more than three months from the date of acquisition.

2.21 Treasury shares

Treasury shares are recorded at cost, including transaction costs, and reported as a deduction from equity. In case of a sale, the difference between cost and sale price is recorded as a change in capital reserves, with no impact on profit or loss. Treasury shares are exclusively shares of Helvetia Holding AG, St. Gallen.

2.22 Non-technical provisions and contingent liabilities

Non-technical provisions contain current obligations that will probably require an outflow of assets, but the extent of such obligations and the time they will be called have not yet been determined exactly. Provisions are created if, on the balance sheet date and on the basis of a past event, a current obligation exists, an outflow of assets is likely and the extent of the outflow can be reliably estimated.

Any current obligations for which an outflow of assets is unlikely or the extent of which cannot be reliably estimated are reported under contingent liabilities.

2.23 Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

Short-term employee benefits are due in full within twelve months after the end of the reporting period. They include salaries, social security contributions, holiday and sickness pay, bonuses and non-monetary benefits for active employees. Expected expenses for entitlements that can be accumulated, such as accrued holiday and overtime entitlements, are recognised as short-term liabilities at the balance sheet date.

Post-employment benefits pertain to defined contribution plans and defined benefit plans. The amount of the employers' contributions for defined contribution plans depends on the employee services rendered during the reporting period and is charged directly to the income statement. For defined benefit plans, pension obligations and related past service cost are calculated at each balance sheet date by a qualified actuary, using the projected unit credit method. The actuarial assumptions applied to the calculations consider the regulations of the respective countries and Group companies. Changes in the assumptions, experience adjustments and differences between the expected and actual return from the plan's assets are actuarial gains and losses. These are recognised as revaluations in comprehensive income with no effect on the income statement. Net interest income from plan assets to be recognised in the income statement is calculated using the same interest rate applied to the calculation of interest on defined benefit obligations.

For funded benefit plans, a surplus in the plan which is recognised in comprehensive income with no effect on the income statement may arise if the fair value of the plan assets exceeds the present value of the defined benefit obligations. Portions of this surplus are only recognised and recorded as an asset if an economic benefit in the form of future reductions in contributions or refunds to the employer arises ("asset ceiling"). There is a contribution reduction as defined by IFRS if the employer must pay lower contributions than service cost.

Other long-term employee benefits are benefits that fall due twelve months or more after the balance sheet date. At Helvetia Group, these consist mainly of long-service awards and are calculated using actuarial principles. The amount recognised in the balance sheet is equal to the present value of the defined benefit obligation less any plan assets.

Termination benefits consist, for example, of severance pay and benefits from social schemes for redundancies. Such benefits are immediately recognised as expenses in the income statement at the time the employment relationship is terminated.

2.24 Share-based payments

Share-based payment transactions include all compensation agreements under which employees receive shares, options or similar equity instruments or the granting Group company assumes obligations that depend on the price of its shares. All share-based payment transactions with employees are recognised at fair value.

A long-term compensation component (LTC) for the Board of Directors and the Executive Management was introduced as part of the variable salary. This consists of Helvetia Holding AG shares allocated prospectively over three years. The objective is to promote a longer-term business perspective. This payment is recognised proportionally in the income statement every year until ownership to the shares is transferred.

Equity instruments granted to employees through employee share purchase plans represent compensation for services already rendered for which compensation expenses arise in the granting company. The amount of the compensation expenses is based on the fair value of the equity instruments at the grant date and is expensed over the vesting period.

2.25 Other liabilities

Other liabilities are carried at amortised cost, which is generally equal to the nominal value.

2.26 Offsetting of assets and liabilities

Assets and liabilities are netted in the balance sheet when there is a legal right to offset the recognised amounts and only the net position has actually been reported.

3. Segment information

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

The segment "Switzerland" comprises the Swiss country market and the financial intermediaries MoneyPark, Defferrard & Lanz and Finovo. The "Europe" segment comprises the country markets of Germany, Italy, Spain and Austria. The "Specialty Markets" segment includes transport, 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 Group's own fund companies, Group reinsurance and Helvetia Holding AG.

For additional information, the Helvetia Group classifies its activities as life business, non-life business and other activities.

In life business, the Helvetia Group offers various product lines, such as life insurance, pension plans and annuity insurance.

The non-life business provides property, motor vehicle, liability, transport, health and accident insurance. The non-life business also includes active reinsurance.

Units without any technical business which can be directly classed in the "life" or "non-life" business are presented in the respective segment. All other units are classed as "Other activities".

The accounting principles used for segment reporting correspond to the significant accounting policies for the financial statements. The Helvetia Group treats services and the transfer of assets and liabilities between segments like transactions with third parties. Investments in other companies and dividend income from associated companies between segments are eliminated in the respective segment. All other cross-segment relationships and revenues within the Group are eliminated entirely.

The allocation of the individual Group companies to the regions and segments is set out in section 18.3 (from page 177).

3.1 Segment information

	Switzerland		Europe	
	2018	2017	2018	2017
in CHF million				
Income				
Gross premiums written	5 010.6	4 952.0	2 846.1	2 626.3
Reinsurance premiums ceded	–144.2	–158.2	–273.7	–250.6
Net premiums written	4 866.4	4 793.8	2 572.4	2 375.7
Net change in unearned premium reserve	7.1	6.9	–20.7	–9.6
Net earned premiums	4 873.5	4 800.7	2 551.7	2 366.1
Current income on Group investments (net)	755.1	769.6	209.2	206.3
Gains and losses on Group investments (net)	–167.6	177.1	31.6	87.1
Income investments with market risk for the policyholder	–50.1	38.2	–170.5	121.3
Share of profit or loss of associates	0.4	4.5	0.6	0.7
Other income	61.9	80.0	38.5	34.0
Total operating income	5 473.2	5 870.1	2 661.1	2 815.5
of which transactions between geographical segments	85.5	84.2	188.8	175.0
Total revenues from external customers	5 558.7	5 954.3	2 849.9	2 990.5
Expenses				
Claims incurred including claims handling costs (non-life)	–791.0	–755.8	–1 176.4	–1 072.3
Claims and benefits paid (life)	–3 004.8	–3 057.8	–624.7	–573.6
Change in actuarial reserves	–404.8	–613.9	–163.9	–432.5
Reinsurers´ share of benefits and claims	48.9	5.1	134.9	114.9
Policyholder dividends and bonuses	–142.6	–161.7	4.6	–18.7
Income attributable to deposits for investment contracts	–4.5	–1.9	31.0	–32.3
Net benefits to policyholders and claims	–4 298.8	–4 586.0	–1 794.5	–2 014.5
Acquisition costs	–379.9	–384.0	–542.6	–485.5
Reinsurers´ share of acquisition costs	25.8	35.5	76.8	72.9
Operating and administrative expenses	–360.6	–338.7	–201.2	–185.0
Interest payable	–7.5	–8.9	–5.5	–6.6
Other expenses	–37.9	–152.5	–40.4	–63.8
Total operating expenses	–5 058.9	–5 434.6	–2 507.4	–2 682.5
Profit or loss from operating activities	414.3	435.5	153.7	133.0
Financing costs	–12.6	–9.5	–4.4	–3.0
Profit or loss before tax	401.7	426.0	149.3	130.0
Income taxes	–80.8	–83.7	–32.0	–31.2
Profit or loss for the period	**320.9**	**342.3**	**117.3**	**98.8**

Specialty Markets		Corporate		Elimination		Total	
2018	2017	2018	2017	2018	2017	2018	2017
1 019.8	899.8	328.5	313.3	−328.8	−313.3	8 876.2	8 478.1
−95.5	−90.8	−195.6	−189.1	328.5	313.2	−380.5	−375.5
924.3	809.0	132.9	124.2	−0.3	−0.1	8 495.7	8 102.6
−28.4	−58.7	−0.5	1.9	0.3	0.1	−42.2	−59.4
895.9	750.3	132.4	126.1	0.0	0.0	8 453.5	8 043.2
20.7	22.2	22.6	19.0	−20.3	−15.7	987.3	1 001.4
−5.8	7.4	−51.1	75.7	–	–	−192.9	347.3
–	–	4.9	–	–	–	−215.7	159.5
–	–	0.4	–	–	–	1.4	5.2
12.3	15.9	4.2	8.6	−0.7	−0.8	116.2	137.7
923.1	795.8	113.4	229.4	−21.0	−16.5	9 149.8	9 694.3
51.6	48.5	−346.4	−323.9	20.5	16.2	–	–
974.7	844.3	−233.0	−94.5	−0.5	−0.3	9 149.8	9 694.3
−599.7	−560.8	−133.8	−146.8	138.5	146.2	−2 562.4	−2 389.5
–	–	−10.5	−9.7	10.5	9.7	−3 629.5	−3 631.4
–	–	2.9	3.8	−2.5	−4.0	−568.3	−1 046.6
37.8	73.6	72.6	96.5	−149.4	−154.8	144.8	135.3
−7.8	−8.2	–	–	–	–	−145.8	−188.6
–	–	–	–	–	–	26.5	−34.2
−569.7	−495.4	−68.8	−56.2	−2.9	−2.9	−6 734.7	−7 155.0
−244.5	−204.4	−95.6	−97.9	95.8	96.9	−1 166.8	−1 074.9
16.2	12.8	50.9	48.7	−93.0	−92.5	76.7	77.4
−71.1	−70.7	−54.8	−48.8	0.2	−1.6	−687.5	−644.8
0.3	0.3	−2.2	−2.2	3.8	3.8	−11.1	−13.6
−10.5	−25.0	20.3	−63.8	0.1	0.3	−68.4	−304.8
−879.3	−782.4	−150.2	−220.2	4.0	4.0	−8 591.8	−9 115.7
43.8	13.4	−36.8	9.2	−17.0	−12.5	558.0	578.6
–	–	−10.1	−65.2	17.0	12.5	−10.1	−65.2
43.8	13.4	−46.9	−56.0	0.0	0.0	547.9	513.4
−9.0	−1.9	4.9	6.3	0.0	0.0	−116.9	−110.5
34.8	**11.5**	**−42.0**	**−49.7**	**0.0**	**0.0**	**431.0**	**402.9**

Details on Europe segment

in CHF million	Germany 2018	Germany 2017	Italy 2018	Italy 2017
Income				
Gross premiums written	953.6	866.3	841.1	756.1
Reinsurance premiums ceded	–64.9	–60.8	–91.7	–81.3
Net premiums written	888.7	805.5	749.4	674.8
Net change in unearned premium reserve	–1.1	–0.2	–14.3	1.9
Net earned premiums	887.6	805.3	735.1	676.7
Current income on Group investments (net)	63.3	63.5	88.7	85.1
Gains and losses on Group investments (net)	22.8	38.5	1.9	25.7
Income investments with market risk for the policyholder	–78.6	48.2	–31.0	32.4
Share of profit or loss of associates	–	–	–	–
Other income	7.4	6.1	17.8	19.0
Total operating income	902.5	961.6	812.5	838.9
of which transactions between geographical segments	2.0	1.5	–	–
Total revenues from external customers	904.5	963.1	812.5	838.9
Expenses				
Claims incurred including claims handling costs (non-life)	–417.1	–356.7	–316.2	–299.2
Claims and benefits paid (life)	–149.5	–154.5	–228.4	–202.2
Change in actuarial reserves	–69.9	–183.4	–92.7	–94.2
Reinsurers´ share of benefits and claims	21.3	16.3	48.9	32.4
Policyholder dividends and bonuses	–5.4	–13.9	4.3	–5.6
Income attributable to deposits for investment contracts	–	–	31.0	–32.3
Net benefits to policyholders and claims	–620.6	–692.2	–553.1	–601.1
Acquisition costs	–192.1	–174.5	–137.9	–122.2
Reinsurers´ share of acquisition costs	19.7	14.6	16.0	21.5
Operating and administrative expenses	–70.9	–60.5	–67.9	–66.1
Interest payable	–3.6	–4.4	–1.0	–1.2
Other expenses	–6.4	–8.1	–27.6	–42.2
Total operating expenses	–873.9	–925.1	–771.5	–811.3
Profit or loss from operating activities	28.6	36.5	41.0	27.6
Financing costs	–0.7	–0.4	–3.7	–2.6
Profit or loss before tax	27.9	36.1	37.3	25.0
Income taxes	1.5	–11.1	–12.7	–4.6
Profit or loss for the period	**29.4**	**25.0**	**24.6**	**20.4**

Spain		Austria		Elimination		Total Europe	
2018	2017	2018	2017	2018	2017	2018	2017
484.7	453.1	568.7	552.3	−2.0	−1.5	2 846.1	2 626.3
−21.7	−20.0	−97.4	−90.0	2.0	1.5	−273.7	−250.6
463.0	433.1	471.3	462.3	0.0	0.0	2 572.4	2 375.7
−3.9	−10.6	−1.4	−0.7	0.0	0.0	−20.7	−9.6
459.1	422.5	469.9	461.6	0.0	0.0	2 551.7	2 366.1
19.7	19.3	37.5	38.4	–	–	209.2	206.3
2.4	3.1	4.5	19.8	–	–	31.6	87.1
−6.4	4.7	−54.5	36.0	–	–	−170.5	121.3
0.6	0.6	0.0	0.1	–	–	0.6	0.7
4.9	4.3	8.4	4.6	–	–	38.5	34.0
480.3	454.5	465.8	560.5	0.0	0.0	2 661.1	2 815.5
–	–	−2.0	−1.5	188.8	175.0	188.8	175.0
480.3	454.5	463.8	559.0	188.8	175.0	2 849.9	2 990.5
−244.1	−218.9	−200.5	−198.8	1.5	1.3	−1 176.4	−1 072.3
−87.5	−81.0	−159.3	−135.9	–	–	−624.7	−573.6
3.1	−19.3	−4.4	−135.6	–	–	−163.9	−432.5
18.5	13.4	47.7	54.1	−1.5	−1.3	134.9	114.9
–	–	5.7	0.8	–	–	4.6	−18.7
–	–	–	–	–	–	31.0	−32.3
−310.0	−305.8	−310.8	−415.4	–	–	−1 794.5	−2 014.5
−99.2	−87.3	−113.5	−101.6	0.1	0.1	−542.6	−485.5
4.4	5.1	36.8	31.8	−0.1	−0.1	76.8	72.9
−28.0	−26.3	−34.4	−32.1	0.0	0.0	−201.2	−185.0
−0.1	−0.1	−0.8	−0.9	–	–	−5.5	−6.6
−2.7	2.1	−3.7	−15.6	–	–	−40.4	−63.8
−435.6	−412.3	−426.4	−533.8	–	–	−2 507.4	−2 682.5
44.7	42.2	39.4	26.7	–	–	153.7	133.0
–	–	–	–	–	–	−4.4	−3.0
44.7	42.2	39.4	26.7	–	–	149.3	130.0
−10.7	−9.5	−10.1	−6.0	–	–	−32.0	−31.2
34.0	**32.7**	**29.3**	**20.7**	**–**	**–**	**117.3**	**98.8**

3.2 Information by business activities

in CHF million	Life 2018	Life 2017	Non-life 2018	Non-life 2017
Income				
Gross premiums written	4480.1	4384.3	4398.5	4095.3
Reinsurance premiums ceded	–63.3	–62.6	–452.2	–438.6
Net premiums written	4416.8	4321.7	3946.3	3656.7
Net change in unearned premium reserve	6.6	6.7	–48.6	–68.1
Net earned premiums	4423.4	4328.4	3897.7	3588.6
Current income on Group investments (net)	851.0	864.7	138.2	138.4
Gains and losses on Group investments (net)	–104.8	216.7	–37.1	54.5
Income investments with market risk for the policyholder	–220.6	159.5	–	–
Share of profit or loss of associates	0.0	0.0	1.0	5.2
Other income	32.5	48.0	57.1	67.6
Total operating income	4981.5	5617.3	4056.9	3854.3
Expenses				
Claims incurred including claims handling costs (non-life)	–	–	–2568.6	–2390.1
Claims and benefits paid (life)	–3629.5	–3631.4	–	–
Change in actuarial reserves	–568.7	–1046.4	–	–
Reinsurers´ share of benefits and claims	20.2	21.5	202.9	173.4
Policyholder dividends and bonuses	–131.6	–178.1	–14.2	–10.5
Income attributable to deposits for investment contracts	26.5	–34.2	–	–
Net benefits to policyholders and claims	–4283.1	–4868.6	–2379.9	–2227.2
Acquisition costs	–236.3	–227.4	–930.6	–846.6
Reinsurers´ share of acquisition costs	19.6	17.5	99.2	103.7
Operating and administrative expenses	–225.3	–211.6	–382.9	–365.5
Interest payable	–13.2	–14.5	–3.3	–4.6
Other expenses	–45.5	–92.7	–38.9	–139.1
Total operating expenses	–4783.8	–5397.3	–3636.4	–3479.3
Profit or loss from operating activities	197.7	220.0	420.5	375.0
Financing costs	–13.9	–10.3	–3.1	–2.2
Profit or loss before tax	183.8	209.7	417.4	372.8
Income taxes	–35.9	–36.3	–85.4	–82.8
Profit or loss for the period	**147.9**	**173.4**	**332.0**	**290.0**

Other activities		Elimination		Total	
2018	2017	2018	2017	2018	2017
328.5	313.3	–330.9	–314.8	8876.2	8478.1
–195.6	–189.0	330.6	314.7	–380.5	–375.5
132.9	124.3	–0.3	–0.1	8495.7	8102.6
–0.5	1.9	0.3	0.1	–42.2	–59.4
132.4	126.2	–	–	8453.5	8043.2
23.3	19.6	–25.2	–21.3	987.3	1001.4
–51.0	76.1	–	–	–192.9	347.3
4.9	–	–	–	–215.7	159.5
0.4	–	–	–	1.4	5.2
30.3	25.6	–3.7	–3.5	116.2	137.7
140.3	247.5	–28.9	–24.8	9149.8	9694.3
–133.8	–146.9	140.0	147.5	–2562.4	–2389.5
–10.5	–9.7	10.5	9.7	–3629.5	–3631.4
2.9	3.8	–2.5	–4.0	–568.3	–1046.6
72.6	96.5	–150.9	–156.1	144.8	135.3
–	–	–	–	–145.8	–188.6
–	–	–	–	26.5	–34.2
–68.8	–56.3	–2.9	–2.9	–6734.7	–7155.0
–95.7	–97.9	95.8	97.0	–1166.8	–1074.9
50.9	48.7	–93.0	–92.5	76.7	77.4
–79.5	–66.1	0.2	–1.6	–687.5	–644.8
–3.3	–3.8	8.7	9.3	–11.1	–13.6
12.9	–76.0	3.1	3.0	–68.4	–304.8
–183.5	–251.4	11.9	12.3	–8591.8	–9115.7
–43.2	–3.9	–17.0	–12.5	558.0	578.6
–10.1	–65.2	17.0	12.5	–10.1	–65.2
–53.3	–69.1	0.0	0.0	547.9	513.4
4.4	8.6	0.0	0.0	–116.9	–110.5
–48.9	**–60.5**	**0.0**	**0.0**	**431.0**	**402.9**

3.3 Additional information

by segment:

as of 31.12. in CHF million	Switzerland 2018	Switzerland 2017	Europe 2018	Europe 2017
Assets by geographical segment	44355.0	44012.4	13784.2	14338.8
of which investments	38374.7	38496.0	11826.6	12200.1
- investments in associates	21.2	21.4	1.8	1.9
- investment property	6779.8	6508.9	572.6	549.7
- Group financial assets	30493.1	30845.4	8813.4	9117.7
- financial assets with market risk for the policyholder	1080.6	1120.3	2438.8	2530.8
Liabilities by geographical segment	39508.2	39129.2	12201.6	12693.8
of which technical provisions (gross)	33082.0	32889.6	10028.1	10377.4
- life	30950.4	30693.3	7762.9	8023.3
- non-life	2131.6	2196.3	2265.2	2354.1
Cash flow from operating activities (net)	725.0	379.1	–80.2	75.7
Cash flow from investing activities (net)	–533.5	–260.8	22.1	–126.2
Cash flow from financing activities (net)	99.0	302.7	–48.6	55.0
Acquisition of owner-occupied property, equipment and intangible assets	54.0	95.7	34.4	25.2
Depreciation and amortisation on tangible and intangible assets	–19.0	–75.0	–27.0	–34.4
Impairment of tangible and intangible assets affecting income	–	–	–3.3	–
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	0.2	0.8
Share-based payment transaction costs	–1.1	–2.1	–	–

by business activity:

as of 31.12. in CHF million	Life 2018	Life 2017	Non-life 2018	Non-life 2017
Assets by business activity	46384.9	46467.4	14154.7	13943.0
Liabilities by business activity	43255.5	43242.2	10432.1	10241.8
Acquisition of owner-occupied property, equipment and intangible assets	12.1	16.8	67.2	55.7
Depreciation and amortisation on tangible and intangible assets	–6.9	–6.8	–26.8	–83.9
Impairment of tangible and intangible assets affecting income	–	–	–1.2	–0.3
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	0.2	0.8
Share-based payment transaction costs	–0.4	–0.9	–0.7	–1.2

Specialty Markets 2018	Specialty Markets 2017	Corporate 2018	Corporate 2017	Elimination 2018	Elimination 2017	Total 2018	Total 2017
2 546.5	2 223.0	−1 410.9	−1 135.1	−1 093.8	−1 163.2	58 181.0	58 275.9
1 411.1	1 213.8	856.3	884.2	−471.2	−488.0	51 997.5	52 306.1
1.0	–	2.9	2.5	–	–	26.9	25.8
53.2	15.0	–	–	–	–	7 405.6	7 073.6
1 356.9	1 198.8	985.7	881.7	−471.2	−488.0	41 177.9	41 555.6
–	–	−132.3	–	–	–	3 387.1	3 651.1
1 975.8	1 668.7	−207.9	18.0	−1 093.8	−1 163.2	52 383.9	52 346.5
1 768.1	1 621.2	401.5	449.3	−402.4	−445.6	44 877.3	44 891.9
–	–	27.5	30.8	−27.0	−30.3	38 713.8	38 717.1
1 768.1	1 621.2	374.0	418.5	−375.4	−415.3	6 163.5	6 174.8
165.7	92.0	−506.8	−499.6	−6.6	5.7	297.1	52.9
−15.9	−11.8	419.3	269.4	6.6	−1.0	−101.4	−130.4
−116.9	−47.3	−133.4	44.4	0.0	−4.7	−199.9	350.1
2.0	2.6	13.7	2.2	–	–	104.1	125.7
−1.8	−2.5	−4.5	−6.9	–	–	−52.3	−118.8
−0.4	−0.3	–	–	–	–	−3.7	−0.3
–	–	–	–	–	–	0.2	0.8
–	–	−0.6	−2.6	–	–	−1.7	−4.7

Other activities 2018	Other activities 2017	Elimination 2018	Elimination 2017	Total 2018	Total 2017
−1 205.3	−913.4	−1 153.3	−1 221.1	58 181.0	58 275.9
−150.4	83.6	−1 153.3	−1 221.1	52 383.9	52 346.5
24.8	53.2	–	–	104.1	125.7
−18.6	−28.1	–	–	−52.3	−118.8
−2.5	–	–	–	−3.7	−0.3
–	–	–	–	0.2	0.8
−0.6	−2.6	–	–	−1.7	−4.7

3.4 Gross premiums by segment and business area

		Gross premiums before elimination		Elimination		Gross premiums		Change in %	Change in % (FX-adjusted)
		2018	2017	2018	2017	2018	2017		
in CHF million									
Switzerland	non-life	1 471.8	1 464.9	–	–	1 471.8	1 464.9	0.5	0.5
Switzerland	life	3 538.8	3 487.1	–	–	3 538.8	3 487.1	1.5	1.5
Total Switzerland		5 010.6	4 952.0	–	–	5 010.6	4 952.0	1.2	1.2
Europe	non-life	1 904.7	1 729.1	–	0.0	1 904.7	1 729.1	10.2	6.8
Europe	life	941.4	897.2	–	–	941.4	897.2	4.9	1.8
Total Europe		2 846.1	2 626.3	–	0.0	2 846.1	2 626.3	8.4	5.1
Specialty Markets	non-life	1 019.8	899.8	–0.3	0.0	1 019.5	899.8	13.3	12.3
Corporate		328.5	313.3	–328.5	–313.3	–	–	–	–
Total gross premiums		**9 205.0**	**8 791.4**	**–328.8**	**–313.3**	**8 876.2**	**8 478.1**	**4.7**	**3.6**

3.5 Gross premiums by business line

	Gross premiums		Change in %	Change in % (FX-adjusted)
	2018	2017		
in CHF million				
Traditional individual life insurance	1 045.1	1 065.3	–1.9	–3.2
Investment-linked life insurance	690.3	646.7	6.7	4.9
Individual insurance	1 735.4	1 712.0	1.4	–0.1
Group insurance	2 744.7	2 672.3	2.7	2.6
Gross premiums life	4 480.1	4 384.3	2.2	1.5
Property	1 436.6	1 389.6	3.4	1.7
Transport	337.7	319.9	5.6	2.9
Motor vehicle	1 374.5	1 286.3	6.9	5.1
Liability	359.6	334.5	7.5	5.7
Accident / health	366.1	348.2	5.1	3.5
Gross premiums non-life	3 874.5	3 678.5	5.3	3.5
Gross premiums reinsurance	521.6	415.3	25.6	25.6
Total gross premiums	**8 876.2**	**8 478.1**	**4.7**	**3.6**

3.6 Gross premiums and deposits received

in CHF million	Business volume 2018	2017	Change in %	Change in % (FX-adjusted)
Gross premiums life	4480.1	4384.3	2.2	1.5
Deposits received from investment contracts life[1]	197.1	163.2	20.8	18.3
Gross premiums and deposits received life	4677.2	4547.5	2.9	2.1
Gross premiums non-life	3874.5	3678.5	5.3	3.5
Gross premiums reinsurance	521.6	415.3	25.6	25.6
Gross premiums and deposits received	**9073.3**	**8641.3**	**5.0**	**3.9**

1 Currently, all deposits from investment contracts life relate to the country markets Italy and Switzerland.

In accordance with the accounting policies used, deposits from investment contracts are not recognised in the income statement.

4. Foreign currency translation

4.1 Exchange rates

The Swiss franc, euro, US dollar and British pound are the functional currencies in the individual business units of Helvetia Group. The following exchange rates apply to the translation of these financial statements and foreign currency transactions:

Exchange rate at reporting date	31.12.2018	31.12.2017
1 EUR	1.1269	1.1702
1 USD	0.9858	0.9745
1 GBP	1.2555	1.3183

Annual average exchange rate	2018	2017
	Jan–Dec	Jan–Dec
1 EUR	1.1506	1.1159
1 USD	0.9769	0.9797
1 GBP	1.2996	1.2750

4.2 Foreign exchange gains and losses

The foreign exchange results in the consolidated income statement in the reporting year show a loss of CHF 99.9 million (previous year: loss of CHF 0.4 million).

The foreign exchange loss from financial investments is included in "Gains and losses on Group investments" in the income statement and amounts to CHF 129.5 million (previous year: profit of CHF 85.0 million), excluding foreign currency translation differences from investments at fair value through profit and loss and non-monetary positions.

Other foreign currency translation gains and losses are reported under the items "Other expenses" and "Other income".

5. Property and equipment

in CHF million	Undeveloped land 2018	2017	Owner-occupied property 2018	2017	Equipment 2018	2017
Acquisition costs						
Balance as of 1 January	9.7	12.3	676.5	610.2	179.6	163.0
Change in scope of consolidation	–	–	–	–	0.0	0.2
Additions	–	–	6.1	5.1	16.0	12.5
Disposals	–	–2.6	–2.1	–0.1	–8.5	–3.7
Revaluation gains on transfers to investment property	–	–	7.6	–	–	–
Transfer	–	–	–46.8	38.8	–	–
Foreign currency translation differences	–	–	–9.6	22.0	–3.3	7.6
Other changes	–	–	0.3	0.5	0.0	0.0
Balance as of 31 December	**9.7**	**9.7**	**632.0**	**676.5**	**183.8**	**179.6**
Accumulated depreciation / impairment						
Balance as of 1 January	0.0	0.0	230.3	204.8	128.1	112.8
Depreciation	–	–	15.6	17.9	13.0	12.2
Impairment	–	–	0.0	–	–	–
Reversal of impairment losses	–	–	–0.2	–0.8	–	–
Disposals depreciation / impairment	–	–	–1.4	–0.1	–6.9	–3.0
Transfer	–	–	–15.4	–1.2	–	–
Foreign currency translation differences	–	–	–4.4	9.7	–2.6	6.1
Other changes	–	–	–	–	0.0	0.0
Balance as of 31 December	**0.0**	**0.0**	**224.5**	**230.3**	**131.6**	**128.1**
Book value as of 31 December	**9.7**	**9.7**	**407.5**	**446.2**	**52.2**	**51.5**
of which assets under finance lease	–	–	30.3	32.7	–	–
Book value as of 1 January	9.7	12.3	446.2	405.4	51.5	50.2

	Property under construction		Total	
	2018	2017	2018	2017
	17.8	19.2	883.6	804.7
	–	–	0.0	0.2
	4.1	27.7	26.2	45.3
	0.0	–	–10.6	–6.4
	–	–	7.6	–
	–	–28.7	–46.8	10.1
	–0.1	0.1	–13.0	29.7
	–0.3	–0.5	0.0	0.0
	21.5	**17.8**	**847.0**	**883.6**
	0.8	0.0	359.2	317.6
	–	–	28.6	30.1
	–	–	0.0	–
	–	–	–0.2	–0.8
	–	–	–8.3	–3.1
	–	0.7	–15.4	–0.5
	0.0	0.1	–7.0	15.9
	–	–	0.0	0.0
	0.8	**0.8**	**356.9**	**359.2**
	20.7	**17.0**	**490.1**	**524.4**
	–	–	30.3	32.7
	17.0	19.2	524.4	487.1

6. Goodwill and other intangible assets

	Goodwill		Other intangible assets		Total	
	2018	2017	2018	2017	2018	2017
in CHF million						
Acquisition costs						
Balance as of 1 January	1 161.2	1 101.2	629.8	571.6	1 791.0	1 672.8
Change in the scope of consolidation	3.4	36.9	0.9	6.9	4.3	43.8
Additions	–	–	73.6	36.4	73.6	36.4
Disposals	–	–	–0.7	–11.7	–0.7	–11.7
Foreign currency translation differences	–10.2	23.1	–12.5	26.6	–22.7	49.7
Balance as of 31 December	**1 154.4**	**1 161.2**	**691.1**	**629.8**	**1 845.5**	**1 791.0**
Accumulated amortisation / impairment						
Balance as of 1 January	26.3	24.1	539.4	430.7	565.7	454.8
Amortisation	–	–	23.7	88.7	23.7	88.7
Impairment	–	–	3.7	0.3	3.7	0.3
Disposals amortisation / impairment	–	–	–0.1	–1.8	–0.1	–1.8
Foreign currency translation differences	–1.0	2.2	–10.3	21.5	–11.3	23.7
Balance as of 31 December	**25.3**	**26.3**	**556.4**	**539.4**	**581.7**	**565.7**
Book value as of 31 December	**1 129.1**	**1 134.9**	**134.7**	**90.4**	**1 263.8**	**1 225.3**
Book value as of 1 January	1 134.9	1 077.1	90.4	140.9	1 225.3	1 218.0

Helvetia Group's "Other intangible assets" mainly comprise the value of purchased and internally developed software.

Goodwill of CHF 3.4 million was recognised in 2018 through the acquisition of Finovo AG and allocated to the cash generating unit "Intermediary and advisory business". Goodwill of CHF 36.9 million was recorded in 2017 in connection with the acquisition of the mortgage broker Defferrard & Lanz SA (see section 18, page 175).

Goodwill impairment test

Goodwill is tested annually for impairment (see section 2.10, from page 82).

In 2018 the cash generating units MoneyPark AG and Defferrard & Lanz SA were merged in the "Intermediary and advisory business" unit. The measures already implemented for the operational consolidation of the two companies with regard to the planned merger in 2019 facilitated the process.

The goodwill impairment test was based on the following growth and discount rates, assuming a perpetuity:

as of 31.12.2018	Goodwill	Growth rate	Applied discounting interest rate
in CHF million		in %	in %
Switzerland life	4.4	1.0%	7.69%
Switzerland non-life	740.1	1.0%	7.59%
Specialty Lines Switzerland / International	15.0	1.5%	7.53%
France non-life	68.7	1.5%	8.99%
Spain	40.0	1.0%	9.98%
Italy non-life	38.4	1.5%	12.77%
Austria	64.9	1.0%	8.80%
Germany non-life	28.2	1.0%	8.88%
Intermediary and advisory business	129.4	1.5%	6.41%

as of 31.12.2017	Goodwill	Growth rate	Applied discounting interest rate
in CHF million		in %	in %
Switzerland life	4.4	1.0%	8.20%
Switzerland non-life	740.1	1.0%	8.32%
Specialty Lines Switzerland / International	15.0	1.5%	8.16%
France non-life	71.3	1.5%	9.65%
Spain	41.5	1.0%	10.39%
Italy non-life	39.9	1.5%	11.16%
Austria	67.5	1.0%	9.18%
Germany non-life	29.2	1.0%	9.14%
MoneyPark AG	89.1	1.5%	7.61%
Defferrard & Lanz SA	36.9	1.5%	7.65%

The impairment test carried out in 2018 did not result in any impairment requirement.

The impairment test compares the recoverable amount to the carrying value. The recoverable amount is determined by calculating the value in use. This calculation requires management to make estimates of expected cash flows to be derived from the asset. These free cash flows are considered for a period of three to five years and are based on the budget and the strategic plans approved by management. The growth rate is set by management and is based on past experience and future expectations. The applied discount rates are pre-tax rates and take account of the risks attached to the business units in question.

Stress tests show that reasonable change in key assumptions used to determine the recoverable amount of the individual cash generating units could result in the carrying value exceeding the recoverable amount of the units "Italy non-life" and "Intermediary and advisory business". With other assumptions unchanged,

– the applied discount rates for the "Italy non-life" unit would have to increase by 0.4% or free cash flows fall by 4%,
– the applied discount rates for the "Intermediary and advisory business" unit would have to increase by 1.0% or free cash flows fall by 20%,

for the estimated recoverable amount to equal the carrying value.

7. Investments

7.1 Investment result

in CHF million	Notes	2018	2017
Current income from Group investments (net)	7.1.1	987.3	1 001.4
Gains and losses on Group investments (net)	7.1.3	–192.9	347.3
Investment result from Group financial assets and investment property		794.4	1 348.7
Income investments with market risk for the policyholder	7.1.5	–215.7	159.5
Investment result from financial assets and investment property		578.7	1 508.2
Share of profit or loss of associates		1.4	5.2
Investment income (net)		**580.1**	**1 513.4**

7.1.1 Current income from investments by class

in CHF million	Group investments 2018	2017	Investments with market risk for the policyholder 2018	2017	Total 2018	2017
Interest-bearing securities	536.7	569.1	5.8	7.8	542.5	576.9
Shares	74.6	68.1	1.2	1.4	75.8	69.5
Investment funds	34.3	18.5	7.0	5.7	41.3	24.2
Derivative financial instruments[1]	–0.9	–1.0	–	–	–0.9	–1.0
Mortgages	85.9	87.7	–	–	85.9	87.7
Loans	27.5	29.1	–	–	27.5	29.1
Money market instruments	–0.1	–0.5	–	–	–0.1	–0.5
Other	0.0	0.1	–	–	0.0	0.1
Current income on financial assets (gross)	758.0	771.1	14.0	14.9	772.0	786.0
Investment management expenses on financial assets	–13.4	–11.3	–	–	–13.4	–11.3
Current income on financial assets (net)	744.6	759.8	14.0	14.9	758.6	774.7
Rental income	331.6	326.5	–	–	331.6	326.5
Investment management expenses on property	–88.9	–84.9	–	–	–88.9	–84.9
Current income from investment property (net)	242.7	241.6	–	–	242.7	241.6
Current income from investments (net)	**987.3**	**1 001.4**	**14.0**	**14.9**	**1 001.3**	**1 016.3**

[1] Derivatives' comprise current income on derivative financial assets and derivative financial liabilities.

Investment management expenses on property include all maintenance and repair costs as well as the operating expenses for property that did not generate rental income during the reporting year. The latter amounted to CHF 4.1 million in the reporting year (previous year: CHF 3.9 million).

Based on notice periods, tenancies generated operating lease receivables for the Helvetia Group of CHF 63.6 million (previous year: CHF 70.0 million) due in less than one year, CHF 121.3 million (previous year: CHF 153.1 million) due between one and five years and CHF 36.5 million (previous year: CHF 39.7 million) due in more than five years.

Interest income from investments at fair value through profit or loss stood at CHF 15.1 million (previous year: CHF 18.1 million).

7.1.2 Direct yield from interest-rate sensitive financial assets

	2018	2017
in %		
Interest-bearing securities	1.8	1.9
Mortgages, loans and money market instruments	1.6	1.7
Total direct yield of interest-rate sensitive financial assets	**1.7**	**1.8**

7.1.3 Gains and losses on investments

	Group investments		Investments with market risk for the policyholder		Total	
	2018	2017	2018	2017	2018	2017
in CHF million						
Interest-bearing securities	−95.2	161.9	−12.3	−2.8	−107.5	159.1
Shares	−149.5	201.0	−3.9	1.9	−153.4	202.9
Investment funds	−2.8	75.8	−200.6	142.9	−203.4	218.7
Alternative investments	13.5	2.6	−0.3	0.9	13.2	3.5
Derivative financial instruments	−22.3	−181.0	−12.6	1.7	−34.9	−179.3
Mortgages	0.9	−1.4	–	–	0.9	−1.4
Loans	3.5	7.9	–	–	3.5	7.9
Money market instruments	−0.1	7.1	0.0	0.0	−0.1	7.1
FX effects from loans to subsidiaries	−29.3	40.4	–	–	−29.3	40.4
Gains and losses on financial assets (net)	**−281.3**	**314.3**	**−229.7**	**144.6**	**−511.0**	**458.9**
Investment property	88.4	33.0	–	–	88.4	33.0
Gains and losses on investments (net)	**−192.9**	**347.3**	**−229.7**	**144.6**	**−422.6**	**491.9**

The item "derivative financial instruments" comprises gains and losses on derivative financial assets and derivative financial liabilities, of which CHF 4.4 million (previous year: loss of CHF 0.5 million) represents a gain on the ineffective portion of the currency hedges to protect net investment in the Group's own fund companies (net investment hedge).

7.1.4 Gains and losses on financial assets by category

in CHF million	2018	2017
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses		
Interest-bearing securities	34.6	13.8
Mortgages	0.9	–1.4
Loans	3.5	7.9
Money market instruments	–0.1	7.1
Realised gains and losses on loans (LAR) incl. money market instruments	38.9	27.4
Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses		
Interest-bearing securities	–2.0	4.4
Realised gains and losses on HTM investments	–2.0	4.4
Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses		
Interest-bearing securities	–58.3	111.2
Shares	2.3	52.6
Investment funds	10.3	7.7
Alternative investments	–	0.0
Realised gains and losses on AFS investments	–45.7	171.5
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses		
Interest-bearing securities	–0.8	–0.5
Investment funds	–1.2	1.0
Derivative financial instruments	–34.9	–179.3
Realised and book gains and losses on financial assets held for trading	–36.9	–178.8
Realised and book gains and losses on financial assets designated as at fair value through profit or loss including foreign currency gains and losses		
Interest-bearing securities	–81.0	30.2
Shares	–155.7	150.3
Investment funds	–212.5	210.0
Alternative investments	13.2	3.5
Realised and book gains and losses on financial assets designated as at fair value through profit or loss	–436.0	394.0
FX effects in connection with subsidiaries	–29.3	40.4
Total gains and losses on investments (net)	**–511.0**	**458.9**

The gains and losses reported for the HTM category also contain book gains and losses from foreign currency translations.

The table above includes increases in impairment losses on financial assets of CHF 15.8 million (previous year: CHF 3.2 million) as well as impairment loss reversals on financial assets of CHF 2.6 million (previous year: CHF 3.8 million).

7.1.5 Result from investments with market risk for the policyholder

	2018	2017
in CHF million		
Current income	14.0	14.9
Gains and losses	–229.7	144.6
Result from investments with market risk for the policyholder	**–215.7**	**159.5**

7.2 Investments by class

as of 31.12.2018	Notes	Group investments	Investments with market risk for the policyholder	Total
in CHF million				
Investments in associates	7.4.1	26.9	–	26.9
Investment property	7.5	7 405.6	–	7 405.6
Financial assets by class	7.6			
Interest-bearing securities		29 585.3	907.8	30 493.1
Shares		2 256.3	31.2	2 287.5
Investment funds		1 198.3	2 364.1	3 562.4
Alternative investments		536.9	20.4	557.3
Derivative financial assets		182.4	54.9	237.3
Mortgages		5 255.9	–	5 255.9
Loans		1 080.4	–	1 080.4
Money market instruments		1 082.4	8.7	1 091.1
Total financial assets		41 177.9	3 387.1	44 565.0
Total Investments		**48 610.4**	**3 387.1**	**51 997.5**

as of 31.12.2017	Notes	Group investments	Investments with market risk for the policyholder	Total
in CHF million				
Investments in associates	7.4.1	25.8	–	25.8
Investment property	7.5	7 073.6	–	7 073.6
Financial assets by class	7.6			
Interest-bearing securities		30 445.1	915.5	31 360.6
Shares		2 615.7	38.9	2 654.6
Investment funds		1 148.6	2 596.7	3 745.3
Alternative investments		144.7	23.1	167.8
Derivative financial assets		102.8	71.8	174.6
Mortgages		5 159.2	–	5 159.2
Loans		1 151.0	–	1 151.0
Money market instruments		788.5	5.1	793.6
Total financial assets		41 555.6	3 651.1	45 206.7
Total Investments		**48 655.0**	**3 651.1**	**52 306.1**

7.3 Investments by business area

as of 31.12.2018	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	0.1	23.9	2.9	26.9
Investment property	7.5	6507.4	881.0	17.2	7405.6
Financial assets by class	7.6				
Interest-bearing securities		25286.9	4691.0	515.2	30493.1
Shares		801.0	295.6	1190.9	2287.5
Investment funds		4671.4	747.0	–1856.0	3562.4
Alternative investments		21.3	2.9	533.1	557.3
Derivative financial assets		218.5	18.2	0.6	237.3
Mortgages		4956.9	299.0	–	5255.9
Loans		976.5	136.4	–32.5	1080.4
Money market instruments		768.1	323.0	–	1091.1
Total financial assets		37700.6	6513.1	351.3	44565.0
Total Investments		**44208.1**	**7418.0**	**371.4**	**51997.5**

as of 31.12.2017	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.4.1	0.1	23.1	2.6	25.8
Investment property	7.5	6190.7	865.2	17.7	7073.6
Financial assets by class	7.6				
Interest-bearing securities		25832.4	5047.7	480.5	31360.6
Shares		957.0	334.9	1362.7	2654.6
Investment funds		4675.6	659.0	–1589.3	3745.3
Alternative investments		23.9	2.0	141.9	167.8
Derivative financial assets		166.5	6.7	1.4	174.6
Mortgages		4948.9	210.3	–	5159.2
Loans		1026.4	162.4	–37.8	1151.0
Money market instruments		542.0	251.6	–	793.6
Total financial assets		38172.7	6674.6	359.4	45206.7
Total Investments		**44363.5**	**7562.9**	**379.7**	**52306.1**

7.4 Investments in associates

Dividend income from associates totalled CHF 1.2 million (previous year: CHF 1.1 million). The gain from the disposal of the investment in the associated company fvv-Vorarlberger Versicherungsmakler GmbH, Götzis, was CHF 0.1 million in the previous year.

Investments in associates accounted for under the equity method are listed in the table in section 18.3 (from page 177).

7.4.1 Development of investments in associates

	2018	2017
in CHF million		
Balance as of 1 January	25.8	17.6
Additions[1]	1.0	4.0
Disposals[1]	–	0.0
Share of profits for the year	1.4	5.0
Dividends paid	–1.2	–1.1
Foreign currency translation differences	–0.1	0.3
Book value as of 31 December	**26.9**	**25.8**

[1] Details on additions and disposals for associates are provided in Note 18, "Scope of consolidation".

7.4.2 Aggregated financial data on associates

The table below shows an aggregated balance sheet and income statement for the investments that are accounted for under the equity method.

as of 31.12.	2018	2017
in CHF million		
Assets		
Non-current assets	134.8	123.8
Current assets	24.5	20.7
Total assets	**159.3**	**144.5**
Liabilities and equity		
Equity	59.7	56.7
Long-term liabilities	83.9	73.7
Short-term liabilities	15.7	14.1
Total liabilities and equity	**159.3**	**144.5**

in CHF million	2018	2017
Profit for the year		
Income	60.7	61.0
Expenses	–57.5	–49.7
Profit for the year	**3.2**	**11.3**

Helvetia Group's share in the liabilities of associates amounted to CHF 42.2 million (previous year: CHF 37.4 million). Helvetia did not have any share in the contingent liabilities of associates (previous year: none).

7.5 Investment property

in CHF million	Switzerland	Abroad	2018	2017
Balance as of 1 January	6508.9	564.7	7073.6	6702.2
Change in scope of consolidation	–	–	–	30.6
Additions	39.2	33.0	72.2	148.8
Capitalised subsequent expenditure	212.9	–	212.9	169.0
Disposals	–50.4	–0.3	–50.7	–46.2
Realised gains and losses[1]	0.7	–0.1	0.6	7.4
Book gains and losses[1]	68.4	19.4	87.8	25.5
Transfer from / to property and equipment	18.3	13.1	31.4	–10.5
Foreign currency translation differences	–	–22.2	–22.2	46.8
Balance as of 31 December	**6798.0**	**607.6**	**7405.6**	**7073.6**

1 Recognised in the income statement as "Gains and losses on Group investments (net)".

The fair value of "Investment property" in the portfolio of the Swiss, Austrian and German Group companies is calculated using a generally accepted discounted cash flow method. The method is described in section 2.11.1 (page 82).

In the reporting year, the discounted cash flow method was based on discount rates ranging from 3.2% to 6.5% (previous year: 3.0% to 6.0%). If the discount rates were increased by 10 basis points, the value would be reduced by CHF 187.6 million. If the rental income that can be earned in the long term were reduced by 5%, there would be a negative effect of CHF 474.4 million.

For all other portfolios, measurement is based on valuation reports by independent experts. Both valuation methods are allocated to the "Level 3" category.

7.6 Financial assets by category and class

as of 31.12.	Book value 2018	2017	Acquisition cost/ amortised cost 2018	2017
in CHF million				
Financial assets at amortised cost:				
Loans and receivables (LAR)				
Interest-bearing securities	1 762.5	2 060.7	1 762.5	2 060.7
Mortgages	5 255.9	5 159.2	5 255.9	5 159.2
Loans	1 080.4	1 151.0	1 080.4	1 151.0
Money market instruments	1 082.4	788.5	1 082.4	788.5
Total "loans and receivables" (LAR)[1]	9 181.2	9 159.4	9 181.2	9 159.4
Held-to-maturity investments (HTM)				
Interest-bearing securities	2 308.5	2 436.7	2 308.5	2 436.7
Total financial assets at amortised cost	**11 489.7**	**11 596.1**	**11 489.7**	**11 596.1**
Financial assets at fair value:				
At fair value through profit and loss (held for trading)				
Interest-bearing securities	15.6	16.9	15.1	15.6
Investment funds – mixed	23.2	31.5	15.7	20.3
Derivative financial assets	168.6	101.1	119.3	82.3
Investments with market risk for the policyholder	54.9	71.8	63.8	52.8
Total "held for trading"	262.3	221.3	213.9	171.0
Designated as at fair value through profit or loss				
Interest-bearing securities	1 175.5	1 168.5	1 199.9	1 098.0
Shares	1 190.9	1 431.9	964.8	998.1
Investment funds – interest-bearing securities	80.2	60.4	93.5	40.9
Investment funds – equities	136.4	139.0	145.9	134.7
Investment funds – mixed	692.4	627.1	642.7	587.9
Investments with market risk for the policyholder	3 332.2	3 579.3	3 188.8	3 217.0
Alternative investments	533.9	142.7	527.3	145.7
Total "designated"	7 141.5	7 148.9	6 762.9	6 222.3
Total "at fair value through profit and loss"	7 403.8	7 370.2	6 976.8	6 393.3
Available-for-sale (AFS)				
Interest-bearing securities	24 323.2	24 762.3	23 188.9	23 144.4
Shares	1 065.4	1 183.8	779.4	771.5
Investment funds – interest-bearing securities	33.4	36.1	34.5	34.8
Investment funds – equities	189.6	234.9	188.0	196.5
Investment funds – mixed	43.1	19.6	39.7	19.0
Alternative investments	3.0	2.0	2.8	1.9
Total "available-for-sale" (AFS)	25 657.7	26 238.7	24 233.3	24 168.1
Derivative financial assets for hedge accounting	13.8	1.7	–	–
Total financial assets at fair value	**33 075.3**	**33 610.6**	**31 210.1**	**30 561.4**
Total financial assets	**44 565.0**	**45 206.7**		

[1] Excl. assets receivables from insurance business and reinsurance.

Unrealised gains/ losses net 2018	2017	Fair value 2018	2017	By valuation method: Quoted market prices 2018 Level 1	2017	Based on market data 2018 Level 2	2017	Not based on market data 2018 Level 3	2017
		2 008.1	2 379.1	53.4	52.6	1 954.7	2 326.5	–	–
		5 388.7	5 293.1	–	–	5 388.7	5 293.1	–	–
		1 218.7	1 309.5	–	–	1 216.7	1 309.5	2.0	–
		1 082.4	788.5	–	–	1 082.4	788.5	–	–
		9 697.9	9 770.2	53.4	52.6	9 642.5	9 717.6	2.0	–
		2 789.3	2 975.5	128.6	231.4	2 660.7	2 744.1	–	–
		12 487.2	**12 745.7**	**182.0**	**284.0**	**12 303.2**	**12 461.7**	**2.0**	**–**
		15.6	16.9	15.6	16.9	–	–	–	–
		23.2	31.5	23.2	31.5	–	–	–	–
		168.6	101.1	5.6	2.5	163.0	98.6	–	–
		54.9	71.8	16.7	13.2	38.2	58.6	–	–
		262.3	221.3	61.1	64.1	201.2	157.2	–	–
		1 175.5	1 168.5	534.8	221.2	640.7	944.9	–	2.4
		1 190.9	1 431.9	1 183.2	1 424.3	–	0.1	7.7	7.5
		80.2	60.4	80.2	60.4	–	–	–	–
		136.4	139.0	136.4	139.0	–	–	–	–
		692.4	627.1	137.0	111.0	555.4	516.1	–	–
		3 332.2	3 579.3	2 814.6	3 044.0	517.6	535.2	–	0.1
		533.9	142.7	13.5	–	–	–	520.4	142.7
		7 141.5	7 148.9	4 899.7	4 999.9	1 713.7	1 996.3	528.1	152.7
		7 403.8	7 370.2	4 960.8	5 064.0	1 914.9	2 153.5	528.1	152.7
1 134.3	1 617.9	24 323.2	24 762.3	11 340.0	9 410.0	12 983.2	15 352.3	–	–
286.0	412.3	1 065.4	1 183.8	1 053.8	1 176.6	7.3	6.9	4.4	0.3
–1.1	1.3	33.4	36.1	33.4	36.1	–	–	–	–
1.6	38.4	189.6	234.9	189.6	234.9	–	–	–	–
3.4	0.6	43.1	19.6	7.1	0.7	29.9	2.7	6.1	16.2
0.2	0.1	3.0	2.0	–	–	–	–	3.0	2.0
1 424.4	2 070.6	25 657.7	26 238.7	12 623.9	10 858.3	13 020.4	15 361.9	13.4	18.5
		13.8	1.7	–	–	13.8	1.7	–	–
1 424.4	**2 070.6**	**33 075.3**	**33 610.6**	**17 584.8**	**15 922.3**	**14 949.0**	**17 517.1**	**541.5**	**171.2**

Helvetia recognises transfers between the valuation category levels at the end of the reporting period in which the changes occurred. Financial investments of CHF 11.1 million were transferred from "Level 3" to "Level 2" (previous year: CHF 2.4 million from "Level 2" to "Level 3" and CHF 2.9 million from "Level 3" to "Level 1").

Other changes in the "Level 3" total result from sales in the amount of CHF 16.9 million (previous year: CHF 2.0 million) and acquisitions in the amount of CHF 372.3 million (previous year: CHF 156.6 million).

A gain of CHF 21.6 million (previous year: loss of CHF 3.9 million) was reported under "Gains and losses on financial instruments" in the income statement and a gain of CHF 6.4 million (previous year: CHF 1.4 million) was recorded under "Change in unrealised gains and losses on financial instruments" in the statement of comprehensive income. Overall, this resulted in a gain of CHF 28.0 million for the "Level 3" investments (previous year: loss of CHF 2.5 million).

The valuation gain on the "Level 3" investments held on the reporting date was CHF 29.0 million (previous year: loss of CHF 1.8 million).

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

7.7 Derivatives

7.7.1 Derivative financial assets

	Maturity profile of contract values			Contract value		Fair value	
as of 31.12.	< 1 year	1–5 years	> 5 years	2018	2017	2018	2017
in CHF million							
Interest rate instruments							
Forward rate agreements	–	61.0	–	61.0	60.9	58.6	59.8
Total interest rate instruments	–	61.0	–	61.0	60.9	58.6	59.8
Equity- and equity-index instruments							
Options (over-the-counter)	1 239.5	667.1	613.7	2 520.3	2 697.2	86.3	72.6
Options (exchange-traded)	135.6	–	–	135.6	166.0	5.6	2.4
Other	–	–	6.6	6.6	4.1	16.5	12.8
Total equity- and equity-index instruments	1 375.1	667.1	620.3	2 662.5	2 867.3	108.4	87.8
Currency instruments							
Forwards	4 463.8	–	–	4 463.8	1 826.9	56.5	25.3
Total currency instruments	4 463.8	–	–	4 463.8	1 826.9	56.5	25.3
Derivatives for hedge accounting							
Forwards	383.4	–	–	383.4	480.0	13.8	1.7
Total derivatives for hedge accounting	383.4	–	–	383.4	480.0	13.8	1.7
Total derivative financial assets	**6 222.3**	**728.1**	**620.3**	**7 570.7**	**5 235.1**	**237.3**	**174.6**

7.7.2 Derivative financial liabilities

as of 31.12.	Maturity profile of contract values < 1 year	1–5 years	> 5 years	Contract value 2018	2017	Fair value 2018	2017
in CHF million							
Interest rate instruments							
Forward rate agreements	–	53.4	–	53.4	52.8	56.4	57.3
Total interest rate instruments	–	53.4	–	53.4	52.8	56.4	57.3
Equity- and equity-index instruments							
Options (over-the-counter)	69.0	644.9	613.8	1327.7	1233.2	37.8	50.4
Total equity- and equity-index instruments	69.0	644.9	613.8	1327.7	1233.2	37.8	50.4
Currency instruments							
Forwards	1788.5	–	–	1788.5	4166.4	14.3	95.4
Total currency instruments	1788.5	–	–	1788.5	4166.4	14.3	95.4
Derivatives from life policies	8.1	15.1	9.7	32.9	41.4	2.1	1.9
Derivatives for hedge accounting							
Forwards	648.2	–	–	648.2	470.8	10.0	28.6
Total derivatives for hedge accounting	648.2	–	–	648.2	470.8	10.0	28.6
Total derivative financial liabilities	**2513.8**	**713.4**	**623.5**	**3850.7**	**5964.6**	**120.6**	**233.6**

7.7.3 Derivatives for hedge accounting

	Net investment hedge 2018	2017
in CHF million		
Amount recognised in other comprehensive income	7.4	–18.0
Gains and losses reclassified to the income statement	0.1	0.2
Ineffectiveness reclassified to income statement	4.4	–0.5

The amounts transferred to the income statement are reported in “Gains and losses on Group investments”.

7.8 Maturity profile and impairment of financial assets

7.8.1 Analysis of past due financial assets without impairment

as of 31.12.	< 1 month 2018	2017	2–3 months 2018	2017	4–6 months 2018	2017	> 6 months 2018	2017
in CHF million								
Mortgages	5.8	24.0	4.1	7.3	8.3	5.5	4.8	6.6
Total past due financial assets without impairment	**5.8**	**24.0**	**4.1**	**7.3**	**8.3**	**5.5**	**4.8**	**6.6**

Outstanding amounts are collected in the course of the normal debt collection procedures and impaired if necessary (see section 2.11.3, page 83). Information on the collateral held by Helvetia Group is provided in section 16.6 (from page 168).

7.8.2 Analysis of individually impaired financial assets at amortised cost

	Gross		Individual impairment		Net	
as of 31.12.	2018	2017	2018	2017	2018	2017
in CHF million						
Mortgages	7.2	3.0	0.9	2.6	6.3	0.4
Loans	1.7	0.0	1.7	0.0	–	–
Total individually impaired financial assets at amortised cost	**8.9**	**3.0**	**2.6**	**2.6**	**6.3**	**0.4**

7.8.3 Change in the impairment of financial assets at amortised cost

	Mortgages		Other loans		Total	
	2018	2017	2018	2017	2018	2017
in CHF million						
Balance as of 1 January	2.6	3.4	0.0	0.0	2.6	3.4
Change in the scope of consolidation	–	–	–	–	–	–
Impairment	0.8	3.0	1.7	–	2.5	3.0
Reversal of impairment losses	–2.6	–3.8	–	–	–2.6	–3.8
Foreign currency translation differences	0.1	–	–	–	0.1	–
Balance as of 31 December	**0.9**	**2.6**	**1.7**	**0.0**	**2.6**	**2.6**

7.9 Fair value of SPPI financial instruments

Helvetia exercised the option[1] to postpone the introduction of IFRS 9.

Below, we have reported the fair value of the financial instruments within the scope of IFRS 9 and held by Helvetia on the reporting date. Further information on SPPI financial instruments is provided in section 16.6.2 (from page 170).

	Fair Value		Change in fair value	
	2018	2017	2018	2017
in CHF million				
Financial assets that give rise to cash flows that are solely payments of pricipal and interest (SPPI)	39 232.0	39 891.0	–871.6	290.7
Remaining financial assets	7 568.9	7 725.6	–569.9	716.9
Total financial assets	**46 800.9**	**47 616.6**	**–1 441.5**	**1 007.6**

[1] In November 2018, the IASB provisionally decided to defer the coming into force of IFRS 17 from 1 January 2021 to 1 January 2022 and to extend the option for deferring the introduction of IFRS 9 also to 1 January 2022.

8. Financial liabilities

The Helvetia Group classifies financial liabilities according to their origin as financial liabilities from financing activities, financial liabilities from insurance business and other financial liabilities. Financial liabilities from insurance business are reported as a component of the insurance business in section 9.8 (page 131).

The Helvetia Group applies the usual financial covenants to its financial liabilities but these are not expected to have any material impact on the contractual conditions (e.g. due date, interest rate, collateral, currency).

Section 16.5 (page 165) contains a maturity profile of loans and financial liabilities.

8.1 Financial liabilities from financing activities

	Book value		Acquisition cost/ amortised cost		Fair value	
as of 31.12.	2018	2017	2018	2017	2018	2017
in CHF million						
Financial liabilities at amortised cost						
Bonds	1 304.3	1 324.4	1 304.3	1 324.4	1 340.3	1 425.7
Liabilites from finance lease	14.6	17.7	14.6	17.7	14.6	17.7
Total financial liabilities at amortised cost	1 318.9	1 342.1	1 318.9	1 342.1	1 354.9	1 443.4
Financial liabilities at fair value						
Minority interests in own funds	258.3	274.1	209.7	195.4	258.3	274.1
Total financial liabilities at fair value	258.3	274.1	209.7	195.4	258.3	274.1
Total financial liabilities from financing activities	**1 577.2**	**1 616.2**	**1 528.6**	**1 537.5**	**1 613.2**	**1 717.5**

Helvetia has bonds in liabilities and in equity. The classification depends on the characteristics of the respective bond.

The bonds in liabilities are measured at amortised cost. The interest expense from bonds treated as liabilities is reported in the income statement at CHF 34.6 million (previous year: CHF 29.7 million) under "Financing costs". The interest expense from bonds in equity is recognised as a dividend distribution in equity.

Liabilities from finance leases include a debt that arose under a financing agreement regarding the acquisition of a property for own use. The interest expense under this agreement amounts to CHF 0.0 million (previous year: CHF 0.0 million) and is recognised in the income statement under "Financing costs".

Minority interests in own funds include the investments of the Helvetia pension and supplementary funds in Helvetia I Funds.

The valuation methods used to calculate the fair value of financial liabilities from financing activities belong to the "Level 2" category.

Financial liabilities from financing activities

	Bonds		Finance lease		Minority interests in own funds	
as of 31.12.	2018	2017	2018	2017	2018	2017
in CHF million						
Balance as of 1 January	1 324.4	747.2	17.7	18.4	274.1	212.8
Cash flows	–	527.2	–2.4	–2.3	12.5	21.0
Value changes / interest accruals	1.2	1.0	–	–	–24.5	35.5
Foreign currency translation differences	–21.3	49.0	–0.7	1.6	–3.8	4.8
Balance as of 31 December	**1 304.3**	**1 324.4**	**14.6**	**17.7**	**258.3**	**274.1**

Own bonds

Issuer	Nominal	Coupons	Year of issue	Maturity	Effective interest rate[1]	Book value	
as of 31.12.						2018	2017
in CHF million							
Bonds in liabilities							
Helvetia Holding AG	CHF 150 Mio.	1.125%	2013	08.04.2019	1.17%	150.0	149.9
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio.	0.75%	2014	28.10.2020	0.85%	224.6	224.4
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 150 Mio.	1.50%	2014	28.04.2025	1.55%	149.6	149.5
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 225 Mio. Subordinate bond	4.00% up to 2024, then variable	2014	17.10.2044[2]	4.02%	223.8	223.8
Helvetia Schweizerische Versicherungsgesellschaft AG	EUR 500 Mio. Subordinate bond	3.375% up to 2027, then variable	2017	29.09.2047[3]	3.52%	556.3	576.8
Total bonds in liabilities						**1 304.3**	**1 324.4**
Bonds in equity							
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 400 Mio. Subordinate bond	3.50% up to 2020, then variable	2014	perpetual[4]		400.0	400.0
Helvetia Schweizerische Versicherungsgesellschaft AG	CHF 300 Mio. Subordinate bond	3.00% up to 2022, then variable	2015	perpetual[5]		300.0	300.0
Total bonds in equity						**700.0**	**700.0**

1 The effective interest rate quantifies the actual cost of loans (taking account of the transaction rate, premium/discount, transaction costs, payment dates, repayment etc.)
2 First call date for the issuer 17.10.2024
3 First call date for the issuer 29.9.2027
4 First call date for the issuer 17.4.2020
5 First call date for the issuer 23.11.2022

Liabilities from finance lease

as of 31.12.	< 1 year	1–5 years	> 5 years	Total 2018	2017
in CHF million					
Future lease payments	2.6	10.2	2.3	15.1	18.4
Discounting amounts	−0.2	−0.3	–	−0.5	−0.7
Present value liabilities from finance lease	**2.4**	**9.9**	**2.3**	**14.6**	**17.7**

8.2 Other financial liabilities

as of 31.12.	Notes	Acquisition cost/ amortised cost 2018	2017	Fair value 2018	2017
in CHF million					
Financial liabilities at amortised cost					
Other		140.4	55.8	140.4	55.8
Total financial liabilities at amortised cost		140.4	55.8	140.4	55.8
Financial liabilities at fair value					
Derivative financial liabilities	7.7.2	55.4	62.5	120.6	233.6
Other		66.6	60.4	66.6	60.4
Total financial liabilities at fair value		122.0	122.9	187.2	294.0
Total other financial liabilities		**262.4**	**178.7**	**327.6**	**349.8**

The carrying amounts equal the fair value.

The line item “Other” at amortised cost also contains the collateral received for ongoing derivatives transactions.

Upon the acquisition of MoneyPark in 2016, the minority shareholders were granted the option of selling their shares to Helvetia at 95% of the fair value. The options can be exercised in 2020 (minor shareholders only), 2022 and 2027. In 2017, Helvetia granted the minority shareholders of INZMO the option of selling their shares at fair value to Helvetia in 2022.

The expected purchase price of these shares at CHF 48.0 million (previous year: CHF 45.3 million) is included under “Financial liabilities at fair value”. The valuation method used for the calculation of the liabilities belongs to the “Level 3” category. Otherwise the “other financial liabilities” were valued using “Level 2” measurement methods.

9. Insurance business

9.1 Reserves for insurance business

as of 31.12.	Notes	Gross 2018	Gross 2017	Reinsurance assets 2018	Reinsurance assets 2017	Net 2018	Net 2017
in CHF million							
Actuarial reserves		36906.2	36622.2	59.6	76.9	36846.6	36545.3
Provision for policyholder participation		1670.9	1951.0	–	–	1670.9	1951.0
Loss reserves		4846.7	4874.1	349.0	370.3	4497.7	4503.8
Unearned premium reserve		1453.5	1444.6	50.2	59.2	1403.3	1385.4
Deposits for investment contracts	9.8	1155.9	1181.9	–	–	1155.9	1181.9
Total reserves for insurance business		**46033.2**	**46073.8**	**458.8**	**506.4**	**45574.4**	**45567.4**

9.1.1 Reserves for insurance business by business area

as of 31.12.	Notes	Gross 2018	2017	Reinsurance assets 2018	2017	Net 2018	2017
in CHF million							
Life insurance contracts							
Actuarial reserves for insurance contracts life		34 187.7	33 897.1	59.6	76.9	34 128.1	33 820.2
Provision for policyholder participation – life contracts		1 542.1	1 745.6	–	–	1 542.1	1 745.6
Unearned premium reserve for insurance contracts life		194.4	202.5	4.3	5.0	190.1	197.5
Reserves for life insurance contracts		35 924.2	35 845.2	63.9	81.9	35 860.3	35 763.3
Non-life insurance contracts							
Loss reserves for insurance contracts non-life	9.3.1	4 846.7	4 874.1	349.0	370.3	4 497.7	4 503.8
Provision for policyholder participation – non-life contracts		57.7	58.6	–	–	57.7	58.6
Unearned premium reserve for insurance contracts non-life		1 259.1	1 242.1	45.9	54.2	1 213.2	1 187.9
Reserves for non-life insurance contracts		6 163.5	6 174.8	394.9	424.5	5 768.6	5 750.3
Total reserves for insurance contracts		42 087.7	42 020.0	458.8	506.4	41 628.9	41 513.6
Investment contracts							
Actuarial reserves for investment contracts with descretionary participation features		2 718.5	2 725.1	–	–	2 718.5	2 725.1
Provision for policyholder participation – investment contracts		71.1	146.8	–	–	71.1	146.8
Reserves for investment contracts with descretionary participation features		2 789.6	2 871.9	–	–	2 789.6	2 871.9
Deposits for investment contracts	9.8	1 155.9	1 181.9	–	–	1 155.9	1 181.9
Total reserves for investment contracts		3 945.5	4 053.8	–	–	3 945.5	4 053.8
Total reserves for insurance business		**46 033.2**	**46 073.8**	**458.8**	**506.4**	**45 574.4**	**45 567.4**

Further details on technical reserves for the life and non-life business can be found in the following tables. A maturity profile of the reserves for insurance contracts and investment contracts is provided in section 16.5 (page 165).

9.2 Changes in reserves for insurance business

	Actuarial reserves		Policyholder participation	
	2018	2017	2018	2017
in CHF million				
Reserves for insurance contracts life (gross)				
Balance as of 1 January	33 897.1	32 564.6	1 745.6	1 692.3
Allocation / Release	3 899.6	4 401.8	–60.4	163.6
Used amounts	–3 431.7	–3 469.9	–135.5	–131.9
Foreign currency translation differences	–182.4	398.6	–7.6	21.6
Other changes	5.1	2.0	0.0	–
Balance as of 31 December	**34 187.7**	**33 897.1**	**1 542.1**	**1 745.6**
Reserves for insurance contracts non-life (gross)				
Balance as of 1 January			58.6	58.9
Allocation / Release			14.2	10.5
Used amounts			–14.8	–11.3
Foreign currency translation differences			–0.3	0.5
Other changes			–	–
Balance as of 31 December			**57.7**	**58.6**
Reserves for investment contracts with discretionary participation features				
Balance as of 1 January	2 725.1	2 389.7	146.8	157.0
Allocation / Release	298.2	276.2	–71.7	–23.0
Used amounts	–197.8	–161.5	–0.1	–0.2
Foreign currency translation differences	–102.7	223.1	–3.9	13.0
Other changes	–4.3	–2.4	–	–
Balance as of 31 December	**2 718.5**	**2 725.1**	**71.1**	**146.8**
Deposits for investment contracts				
Balance as of 1 January				
Deposits received / withdrawals				
Value changes				
Foreign currency translation differences				
Other changes				
Balance as of 31 December				
Total reserves from insurance business (gross)				
Reinsurers' share in reserves for insurance contracts				
Balance as of 1 January	76.9	88.6		
Allocation / Release	17.5	19.2		
Used amounts	–32.3	–37.8		
Foreign currency translation differences	–2.4	6.9		
Other changes	–0.1	–		
Balance as of 31 December	**59.6**	**76.9**		
Total reserves from insurance business				

Loss reserves 2018	2017	Unearned premium reserve 2018	2017	Total 2018	2017
		202.5	207.3	35 845.2	34 464.2
		–7.1	–7.0	3 832.1	4 558.4
		–	–	–3 567.2	–3 601.8
		–1.0	2.2	–191.0	422.4
		–	–	5.1	2.0
		194.4	**202.5**	**35 924.2**	**35 845.2**
4 874.1	4 630.8	1 242.1	1 110.6	6 174.8	5 800.3
1 285.0	1 188.2	55.1	76.6	1 354.3	1 275.3
–1 236.0	–1 120.0	–	–	–1 250.8	–1 131.3
–80.8	175.1	–25.0	54.9	–106.1	230.5
4.4	0.0	–13.1	–	–8.7	0.0
4 846.7	**4 874.1**	**1 259.1**	**1 242.1**	**6 163.5**	**6 174.8**
		–	–	2 871.9	2 546.7
		–	–	226.5	253.2
		–	–	–197.9	–161.7
		–	–	–106.6	236.1
		–	–	–4.3	–2.4
		–	**–**	**2 789.6**	**2 871.9**
				1 181.9	1 052.9
				39.1	7.5
				–26.5	34.2
				–37.9	87.0
				–0.7	0.3
				1 155.9	**1 181.9**
				46 033.2	**46 073.8**
370.3	354.5	59.2	52.8	506.4	495.9
69.1	70.9	4.0	4.5	90.6	94.6
–83.0	–67.9	–	–	–115.3	–105.7
–7.4	12.8	–1.9	1.9	–11.7	21.6
–	–	–11.1	–	–11.2	–
349.0	**370.3**	**50.2**	**59.2**	**458.8**	**506.4**
				45 574.4	**45 567.4**

9.3 Non-life business

Loss reserves are determined using actuarial methods based on many years of claims experience. The assumptions used in determining the loss reserves have not changed materially in this reporting year.

The Liability Adequacy Test (LAT) for non-life business resulted in an additional increase in loss reserves of CHF 46.6 million as of 31 December 2018 (previous year: CHF 45.0 million).

Insurance conditions and risks in the non-life business are described in section 16.2 (from page 152). The following table sets out the development of loss reserves for the previous ten years.

9.3.1 Claims settlement

Year of loss occurrence	before 2009	2009	2010
in CHF million			
Run-off year 1		1 468.3	1 560.2[3]
Run-off year 2[4]		1 596.8[3]	1 561.8
Run-off year 3		1 561.2	1 646.6[2]
Run-off year 4		1 649.2[2]	1 616.3
Run-off year 5		1 619.2	2 211.8[1]
Run-off year 6		2 154.9[1]	2 170.0
Run-off year 7		2 144.0	2 168.2
Run-off year 8		2 135.1	2 164.8
Run-off year 9		2 127.0	2 143.3
Run-off year 10		2 094.7	
Estimated claims after year of loss occurence		2 094.7	2 143.3
Accumulated claims paid as of 31 December		−2 010.9	−2 060.0
Estimated loss reserves as of 31 December	749.0	83.8	83.3
Increase of loss reserves based on LAT			
Claims handling costs			
Other technical reserves non-life			
Loss reserves as of 31 December			
Group reinsurance share			
Loss reserves as of 31 December			

1 Effects of the acquisition of Nationale Suisse and Basler Austria in 2014
2 Effects from the acquisition of the French transport insurance business of Gan Eurocourtage in 2012
3 Effects from the acquisition of Alba Allgemeine Versicherungsgesellschaft AG and Phenix Versicherungsgesellschaft AG in 2010
4 Due to the demarcation effect for contracts on an underwriting year basis (active reinsurance, parts of the transport business), the claims cost increased in the second insurance year.

The table above regarding the claims settlement in non-life business shows that, after taking into consideration the effects from earlier acquisitions:

- Claims settlement is very stable.
- Sufficient provisions are raised at an early stage to cover all existing technical liabilities.
- The fluctuation of the annual claims incurred is small overall for the well-diversified portfolio even before reinsurance.

2011	2012	2013	2014	2015	2016	2017	2018	Total
1 715.9	1 847.8[2]	1 883.2	2 777.1[1]	2 729.1	2 522.5	2 643.3	2 677.6	
1 882.1[2]	1 864.8	2 760.8[1]	2 696.1	2 827.5	2 536.6	2 803.6		
1 797.7	2 717.6[1]	2 672.2	2 542.4	2 681.5	2 437.7			
2 552.0[1]	2 636.0	2 607.4	2 387.9	2 752.4				
2 488.7	2 603.7	2 593.2	2 321.8					
2 475.9	2 580.0	2 546.4						
2 471.6	2 554.2							
2 437.7								
2 437.7	2 554.2	2 546.4	2 321.8	2 752.4	2 437.7	2 803.6	2 677.6	
−2 292.6	−2 430.7	−2 388.3	−2 058.0	−2 229.6	−1 980.2	−1 948.0	−1 252.6	
145.1	123.5	158.1	263.8	522.8	457.5	855.6	1 425.0	4 867.5
								46.6
								236.5
								85.3
								5 235.9
								−389.2
								4 846.7

9.4 Life business

The actuarial reserve is normally calculated in a three-step process. In a first step, the actuarial reserve is computed based on local standards. These include applicable local parameters such as interest rates, mortality, surrender rates, expenses and additional biometric parameters which are usually set at the time of contract conclusion and vary by country, year of issuance and product. If the reserves prove to be insufficient from a local point of view, they are increased in most countries in a second step. A required reserve increase may be spread over several years in the local financial statements, depending on local requirements and circumstances. In a third step, the Liability Adequacy Test (LAT) finally applies Group-wide uniform standards to test whether the actuarial reserves included in the local financial statements (including additional reserve increases less local deferred acquisition costs) are sufficient. Across the Group the LAT required an allocation of additional actuarial reserves of CHF 17.1 million as of 31 December 2018 (previous year: CHF 19.9 million).

In the Swiss life business, the actuarial reserves increased by CHF 49.4 million due to changes to local actuarial assumptions, in particular assumptions regarding mortality, expected claims for disability and the maximum interest rate for reserves, within the framework of the standard periodic review. Furthermore, the "Teuerungsfonds" (cost of living adjustment fund) set up by Swiss companies to finance adjustments in current disability and surviving dependants' pensions had to be dissolved in 2018 and replaced by proprietary reserves. This led to a one-off reduction in reserves held by Helvetia Leben of CHF 124.5 million, part of which was again used to strengthen the reserves and the remaining part added to the bonus reserves.

Insurance conditions and risks in the life business are described in section 16.3 (from page 154). Sensitivities of actuarial reserves are outlined in section 16.3.3 (from page 155).

9.4.1 Assets and liabilities with market risk for the policyholder

as of 31.12.	2018	2017
in CHF million		
Assets with market risk for the policyholder		
Investments with market risk for the policyholder	3 519.4	3 651.1
Other assets	51.2	37.9
Total assets with market risk for the policyholder	**3 570.6**	**3 689.0**
Liabilities with market risk for the policyholder		
Actuarial reserves (gross)	2 366.6	2 446.1
Unearned premium reserve (gross)	10.4	10.6
Financial liabilities including derivatives	1 193.6	1 232.3
Total liabilities with market risk for the policyholder	**3 570.6**	**3 689.0**

9.5 Reinsurance assets

as of 31.12.	Notes	2018	2017
in CHF million			
Reinsurers' share in reserves for insurance contracts	9.1.1	458.8	506.4
Reinsurance deposit receivables		68.1	56.0
Reinsurance assets		**526.9**	**562.4**

Reinsurance deposit receivables are classified as "Loans and receivables" (LAR). They include deposits held by the ceding direct insurer in respect of unearned premiums, future loss payments and actuarial reserves for assumed indirect business. The fair value at the reporting date equals the nominal value. The method used for determining the fair value of the deposit receivables is allocated to the "Level 2" category. There was no impairment of deposit receivables.

9.6 Deferred acquisition costs

	Life		Non-life		Total	
	2018	2017	2018	2017	2018	2017
in CHF million						
Balance as of 1 January	288.0	284.5	194.4	173.7	482.4	458.2
Capitalised in the period	41.0	56.9	82.7	64.6	123.7	121.5
Amortised in the period	–34.8	–55.8	–75.8	–57.5	–110.6	–113.3
Foreign currency translation differences	–1.0	2.4	–5.7	12.3	–6.7	14.7
Other changes	–	–	–	1.3	–	1.3
Balance as of 31 December	**293.2**	**288.0**	**195.6**	**194.4**	**488.8**	**482.4**

The Helvetia Group defers acquisition costs in non-life and individual life business. The deferred acquisition costs are tested for impairment as part of the Liability Adequacy Test on every reporting date. The share of "Deferred acquisition costs" classified as short term is CHF 174.1 million (previous year: CHF 169.7 million).

9.7 Receivables and liabilities from insurance business

	Receivables (LAR)		Liabilities at amortised cost	
as of 31.12.	2018	2017	2018	2017
in CHF million				
Due from / due to policyholders	640.3	547.3	1 598.5	1 415.1
Due from / due to agents and brokers	149.0	150.2	163.2	159.5
Due from / due to insurance companies	626.7	501.1	266.9	208.0
Total receivables / liabilities	**1 416.0**	**1 198.6**	**2 028.6**	**1 782.6**

The receivables and liabilities from insurance business are primarily short term. A maturity profile of the liabilities is provided in the table in section 16.5 (page 165). The amortised cost of the receivables usually equals the fair value. The method used for determining the fair value is allocated to the "Level 2" category.

9.7.1 Analysis of past due receivables without individual impairment

as of 31.12.	< 1 month 2018	2017	2–3 months 2018	2017	4–6 months 2018	2017	> 6 months 2018	2017
in CHF million								
Due from policyholders	160.6	124.9	29.6	29.2	9.5	13.4	28.5	24.2
Due from agents and brokers	5.1	5.3	6.6	5.4	4.2	3.9	–0.5	14.7
Due from insurance companies	6.9	1.3	12.6	16.9	19.3	6.7	31.0	10.3
Total past due receivables from insurance business without individual impairment	**172.6**	**131.5**	**48.8**	**51.5**	**33.0**	**24.0**	**59.0**	**49.2**

The analysis of past due receivables contains all past due receivables that were not impaired individually or on a portfolio basis.

9.7.2 Change in the allowance accounts for receivables

	Individual impairment 2018	2017	Collective impairment 2018	2017	Total 2018	2017
in CHF million						
Balance as of 1 January	12.0	12.8	25.2	23.6	37.2	36.4
Impairment	3.0	7.6	13.2	3.2	16.2	10.8
Reversal of iompairment loss	–2.9	–9.3	–14.9	–3.0	–17.8	–12.3
Disposals	–	0.0	–	–	–	0.0
Foreign currency translation differences	–0.4	0.9	–0.6	1.4	–1.0	2.3
Other changes	5.6	–	–5.6	–	–	–
Balance as of 31 December	**17.3**	**12.0**	**17.3**	**25.2**	**34.6**	**37.2**

Past due receivables from policyholders are usually impaired on a collective basis. Individual impairment is mostly applied to specific receivables from brokers and insurance companies.

9.7.3 Analysis of individually impaired receivables

as of 31.12.	Gross 2018	2017	Individual Impairment 2018	2017	Net 2018	2017
in CHF million						
Due from policyholders	9.3	13.9	9.3	3.5	0.0	10.4
Due from agents and brokers	7.2	7.8	6.9	7.3	0.3	0.5
Due from insurance companies	1.1	1.2	1.1	1.2	–	–
Total	**17.6**	**22.9**	**17.3**	**12.0**	**0.3**	**10.9**

9.8 Financial liabilities from insurance business

	Book value		Acquisition cost / amortised cost		Fair value	
as of 31.12.	2018	2017	2018	2017	2018	2017
in CHF million						
Financial liabilities at amortised cost						
Deposit liabilities for credited policyholder profit participation	486.1	528.3	486.1	528.3	486.1	528.3
Deposit liabilities from reinsurance contracts	68.4	69.4	68.4	69.4	68.4	69.4
Total financial liabilities at amortised cost	554.5	597.7	554.5	597.7	554.5	597.7
Financial liabilities at fair value						
Deposits for investment contracts	1 155.9	1 181.9	1 155.9	1 181.9	1 155.9	1 181.9
Total financial liabilities at fair value	1 155.9	1 181.9	1 155.9	1 181.9	1 155.9	1 181.9
Total financial liabilities from insurance business	**1 710.4**	**1 779.6**	**1 710.4**	**1 779.6**	**1 710.4**	**1 779.6**

Deposit liabilities for credited policyholder profit participation

Deposit liabilities for credited policyholder profit participation include interest-bearing credit balances already contractually allocated to the holders of individual life insurance policies and policyholder dividends from Group life insurance business that are either available early or only when the insurance benefits fall due, depending on the applicable insurance terms and conditions.

Deposit liabilities from reinsurance contracts

Deposit liabilities from reinsurance contracts consist of cash collaterals for unearned premiums, future loss payments and actuarial reserves for direct (ceded) and indirect (retroceded) business.

Deposits for investment contracts

Deposits for investment contracts come from insurance contracts without significant insurance technical risk and without discretionary participation features. With these contracts, the policyholder participates directly in the performance of an external fund or external index. The change in fair value is solely due to changes in the performance of the underlying investment fund or index.

Amounts paid into or from these deposits do not affect revenues and are not recorded in the income statement, but are offset against the deposit. The features of these products are very similar to those of insurance contracts, apart from the fact that there is hardly any insurance technical risk. Insurance conditions and risks are described in section 16 (from page 150).

The income earned from the management of deposits for investment contracts is included in "Other income" and amounted to CHF 5.3 million in the reporting year (previous year: CHF 2.7 million).

10. Income taxes

10.1 Current and deferred income taxes

in CHF million	2018	2017
Current tax	80.1	91.4
Deferred tax	36.8	19.1
Total income taxes	**116.9**	**110.5**

10.2 Change in deferred tax assets and liabilities (net)

in CHF million	2018	2017
Balance as of 1 January	788.6	740.7
Change in the scope of consolidation	–0.3	4.4
Deferred taxes recognised in other comprehensive income	–70.7	16.1
Deferred taxes recognised in the income statement	36.8	19.1
Foreign currency translation differences	–3.3	8.3
Balance as of 31 December	**751.1**	**788.6**

10.3 Expected and actual income taxes

in CHF million	2018	2017
Profit or loss before tax	547.9	513.4
Expected income taxes	121.0	115.6
Increase / reduction in taxes resulting from:		
tax-exempt income or income taxed at a reduced rate	–7.1	–7.2
non-deductible expenses	9.9	8.4
Change in tax rates	–3.2	3.3
Tax elements related to other periods	1.5	–3.5
Effect of losses	–4.2	–4.2
Other	–1.0	–1.9
Actual income taxes	**116.9**	**110.5**

The expected tax rate applicable to the Helvetia Group was 22.1% for 2018 (previous year: 22.5%). This rate is derived from the weighted average of expected tax rates in the individual countries where the Group operates.

The reason for the decrease in the weighted average tax rate lies in the geographical allocation of the gains on the one hand, and the different tax rates that apply in the individual territories on the other.

10.4 Taxes on expenses and income recognised in other comprehensive income

	before tax		deferred taxes		after tax	
	2018	2017	2018	2017	2018	2017
in CHF million						
May be reclassified to income						
Change in unrealised gains and losses on investments	−646.3	−39.0	155.0	31.2	−491.3	−7.8
Change from net investment hedge	7.6	−17.8	–	–	7.6	−17.8
Foreign currency translation differences	−66.6	163.1	–	–	−66.6	163.1
Change in liabilities for contracts with participation features	313.5	65.3	−79.3	−32.8	234.2	32.5
Total that may be reclassified to income	−391.8	171.6	75.7	−1.6	−316.1	170.0
Will not be reclassified to income						
Revaluation from reclassification of property and equipment	6.9	1.1	−1.7	0.1	5.2	1.2
Revaluation of benefit obligations	0.8	105.1	−1.7	−22.2	−0.9	82.9
Change in liabilities for contracts with participation features	0.4	−12.0	0.0	2.5	0.4	−9.5
Total that will not be reclassified to income	8.1	94.2	−3.4	−19.6	4.7	74.6
Total other comprehensive income	**−383.7**	**265.8**	**72.3**	**−21.2**	**−311.4**	**244.6**

10.5 Deferred tax assets and liabilities

		Tax assets		Tax liabilities	
as of 31.12.	Notes	2018	2017	2018	2017
in CHF million					
Unearned premium reserve		42.4	44.7	2.6	1.3
Loss reserves		34.4	35.8	221.8	218.6
Actuarial reserves		5.2	6.0	117.5	98.3
Provision for future policyholder participation		231.4	298.7	9.1	8.8
Investments		42.8	60.6	832.3	990.3
Deferred acquisition costs		5.8	5.6	48.9	49.5
Property, equipment and intangible assets		2.7	3.6	68.2	62.3
Financial liabilities		52.3	48.5	0.9	1.3
Non-technical provisions		5.5	4.5	10.4	10.0
Employee benefits		103.8	105.5	27.3	29.3
Tax assets from losses carried forward	10.6.1	22.3	23.2	–	–
Other		71.8	79.6	32.5	35.2
Deferred taxes (gross)		**620.4**	**716.3**	**1 371.5**	**1 504.9**
Offset		−598.2	−686.8	−598.2	−686.8
Deferred taxes (net)		**22.2**	**29.5**	**773.3**	**818.1**

Valuation differences on shares in subsidiaries of CHF 3,276.5 million (previous year: CHF 3,405.3 million) did not lead to the recognition of deferred tax liabilities, as either a reversal of the differences through realisation (dividend payment or sale of subsidiaries) is unlikely in the near future, or the gains are not subject to taxation.

10.6 Losses carried forward

10.6.1 Net tax assets from losses carried forward

as of 31.12.	2018	2017
in CHF million		
Expire between 2 and 3 years	9.3	8.2
Expire between 4 and 7 years	18.2	17.4
Without expiration	69.9	73.9
Total recognised losses carried forward	97.4	99.5
Resulting tax assets	22.3	23.2
Net tax assets from losses carried forward	**22.3**	**23.2**

10.6.2 Losses carried forward without tax assets recognised

As at 31 December 2018, no tax assets were recognised for losses carried forward of CHF 95.1 million (previous year: CHF 93.9 million), as the related tax benefits cannot be expected to be realised with the current earnings situation of the respective companies. These loss carryforwards do not have an expiry date. The tax rates applicable to material losses carried forward for which no tax assets were recognised range between 17.0% and 28.9% (previous year: 24.0% to 27.8%).

11. Equity

11.1 Share capital and treasury shares

The fully paid up registered shares of Helvetia Holding AG have a par value of CHF 0.10 (previous year: CHF 0.10).

The purchase of Helvetia Holding AG registered shares is not subject to any restrictions. Shareholders who purchase the shares in their own name and on their own behalf are entered in the share register with voting rights for a maximum of 5% of the issued registered shares. Individuals who do not explicitly certify in the registration application that they acquired the shares on their own behalf are entered in the share register for a maximum of 3%.

The treasury shares that were granted to Helvetia Group employees at favourable terms under the Helvetia employee share purchase plan did not come from the company's own stock but were acquired on the market. This resulted in a loss of CHF 1.5 million (previous year: CHF 1.4 million), which was charged to the capital reserve without affecting profit or loss. This amount represents the difference between the market purchase price and the reduced price for employees.

In the period under review, Patria Genossenschaft paid CHF 45.0 million into the bonus reserves of Helvetia Schweizerische Lebensversicherungsgesellschaft AG (previous year: CHF 40.0 million). This was credited to equity without affecting profit or loss and allocated in total to "Provision for future policyholder participation" under liabilities in accordance with its purpose.

	Number of shares	Share capital
		in CHF million
Share capital		
As of 1.1.2017	9945137	1.0
As of 31.12.2017	9945137	1.0
As of 31.12.2018	**9945137**	**1.0**
Treasury shares		
As of 1.1.2017	49638	0.0
As of 31.12.2017	51341	0.0
As of 31.12.2018	**56134**	**0.0**
Shares outstanding		
As of 1.1.2017	9895499	1.0
As of 31.12.2017	9893796	1.0
As of 31.12.2018	**9889003**	**1.0**

11.2 Reserves

11.2.1 Capital reserves

The capital reserve consists of assets paid in by third parties. The capital reserve primarily comprises the share premium of shares issued by Helvetia Holding AG and the preferred securities of Helvetia Group as well as the result from treasury share transactions.

11.2.2 Retained earnings

Accumulated non-distributed earnings of Helvetia Group are recognised in the balance sheet as "Retained earnings". Besides freely disposable funds, retained earnings also comprise the revaluation of benefit obligations and statutory reserves and reserves bound by the articles of incorporation which are sustained by the profit for the year and subject to restrictions on distributions.

11.2.3 Reserve for foreign currency translation differences

The reserve for "Foreign currency translation differences" results from the translation of financial statements prepared in foreign currency into the Group's reporting currency (Swiss franc) as well as the effective portion of the net investment hedge for foreign exchange gains and losses on investments in subsidiaries with a foreign reporting currency.

11.2.4 Reserve for unrealised gains and losses

The reserve for "Unrealised gains and losses" includes fair value changes of available-for-sale investments (AFS), the portion of unrealised gains and losses of associates, as well as value changes resulting from the transfer of owner-occupied property.

The reserve is adjusted at the reporting date by the portion relating to contracts with participation features and deferred taxes. The portion reserved for the owners of contracts with participation features is transferred to "Liabilities". This item plus foreign exchange influences amounts to CHF −313.5 million (previous year: CHF −65.3 million). The remaining portion regarding contracts is allocated to the "Valuation reserve for contracts with participation features in equity" (see section 11.2.5, page 138).

During the reporting year, a transfer of CHF −0.1 million was made (previous year: CHF −0.3 million) to retained earnings as a consequence of disposals of owner-occupied properties transferred to investment property.

Change in unrealised gains and losses in equity

	Notes
in CHF million	
Balance as of 1 January	
Fair value revaluation incl. foreign currency translation differences	
Revaluation from reclassification of property and equipment	
Gains reclassified to the retained earnings due to disposals	
Gains reclassified to the income statement due to disposals	
Losses reclassified to the income statement due to disposals	
Impairment losses reclassified to the income statement	
Balance as of 31 December	
less:	
Obligations for contracts with participation features in 'Liabilities'	
Valuation reserves for contracts with participation features in 'Equity' (gross)	11.2.5
Non-controlling interests	
Deferred taxes on remaining portion	
Unrealised gains and losses (net) as of 31 December	

Change in retained earnings

in CHF million	2018	2017
Balance as of 1 January	3 278.4	3 091.6
Profit or loss for the period	407.1	365.2
Revaluation of benefit obligations	3.4	85.5
Change in liabilities for contracts with participation features	0.4	–12.0
Deferred taxes	–2.3	–15.7
Comprehensive income	408.6	423.0
Transfer from / to retained earnings	–15.5	–15.1
Acquisition of subsidiaries	–0.1	–2.0
Change in minority interests	–2.8	0.2
Share capital increase	–	–10.4
Dividends	–226.8	–208.9
Total retained earnings as of 31 December	**3 441.8**	**3 278.4**

Available-for-sale investments		Associates		Transfer of owner-occupied property		Total unrealised gains and losses	
2018	2017	2018	2017	2018	2017	2018	2017
2 070.6	2 109.7	–	–	22.6	21.8	2 093.2	2 131.5
–440.6	109.0	–	–	–0.6	1.1	–441.2	110.1
–	–	–	–	7.6	–	7.6	–
–	–	–	–	–0.1	–0.3	–0.1	–0.3
–176.2	–152.7	–	–	–	–	–176.2	–152.7
7.2	4.6	–	–	–	–	7.2	4.6
–36.7	0.0	–	–	–	–	–36.7	0.0
1 424.3	2 070.6	–	–	29.5	22.6	1 453.8	2 093.2
						–762.4	–1 075.9
						–472.5	–652.6
						–0.8	–0.9
						–47.6	–79.9
						170.5	**283.9**

11.2.5 Valuation reserves for contracts with participation features

Surpluses from insurance and investment contracts beyond the country-defined "legal quotas" are recognised in the valuation reserve for contracts with participation features. These arise because the policyholder additionally participates in valuation differences that result from the differences between local and IFRS accounting.

The valuation reserve for contracts with participation features comprises the share of unrealised gains and losses on investments relating to contracts with profit participation recognised directly in equity, and the portion from retained earnings arising from valuation differences. The use of the reserves is at the insurer's discretion (see section 2.15.2, from page 85).

Change in valuation reserve for contracts with participation features

in CHF million	2018	2017
Unrealised gains and losses on contracts with participation features		
Balance as of 1 January	652.6	645.8
Change in unrealised gains and losses	–177.4	–1.7
Foreign currency translation differences	–2.7	8.5
Balance as of 31 December	472.5	652.6
less:		
Deferred taxes	–102.8	–144.5
Unrealised gains and losses as of 31 December	369.7	508.1
Retained earnings on contracts with participation features		
Balance as of 1 January	829.4	776.6
Share of profit for the year	25.5	40.1
Revaluation of benefit obligations	–2.4	19.7
Deferred taxes on revaluation of benefit obligations	0.5	–4.1
Foreign currency translation differences	0.0	–0.1
Reclassifications	–2.7	–2.8
Retained earnings as of 31 December	850.3	829.4
Valuation reserves for contracts with participation features as of 31 December	**1 220.0**	**1 337.5**

Reclassification of the retained earnings on contracts with discretionary participation features is required under local regulations for the appropriation of profit in Italy. The amounts are transferred to retained earnings.

11.3 Preferred securities

In 2015, Helvetia Schweizerische Versicherungsgesellschaft AG issued a subordinated perpetual bond for CHF 300 million. This bond meets all solvency requirements and is allocated to equity.

This bond will pay interest at 3.00% per year until 2022. The interest is charged directly to equity. Helvetia can suspend interest payments at its discretion only when Helvetia Holding does not pay any dividends and if certain other conditions are fulfilled. However, the suspended interest payments do not lapse.

The first call date on which Helvetia has the right, but not the obligation, to repay the bond is 23 November 2022. After this date, the interest rate will be set for five years at a time based on the five-year CHF swap rate and the initial margin of 302.5 basis points.

In 2014, Helvetia Schweizerische Versicherungsgesellschaft AG issued a subordinated perpetual bond for CHF 400 million. This bond meets all solvency requirements and is allocated to equity.

This bond will pay interest at 3.50% per year until 2020. The interest is charged directly to equity. Helvetia can suspend interest payments at its discretion only when Helvetia Holding does not pay any dividends and if certain other conditions are fulfilled. However, the suspended interest payments do not lapse.

The first call date on which Helvetia has the right, but not the obligation, to repay the bond is 17 April 2020. After this date, the interest rate will be set for five years at a time, based on the five-year CHF swap rate, plus 322.1 basis points.

11.4 Deferred taxes recognised in other comprehensive income

Deferred taxes recognised directly in other comprehensive income arise from valuation differences that primarily result from the fair value valuation of AFS financial assets and value changes related to the transfer of property and the revaluation of benefit obligations. On the reporting date, they amounted to a total of CHF 97.5 million (previous year: CHF 169.8 million).

11.5 Earnings per share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding of Helvetia Holding AG and the portion of the Group's profit for the year attributable to shareholders including the interest on the preferred securities recognised directly in equity. Diluted earnings for both reporting periods correspond to the basic earnings, as no convertible instruments or options that could have a dilutive effect are outstanding.

Earnings per share for the period

in CHF	2018	2017
Profit or loss for the period	431 011 515	402 900 245
Interest on preferred securities	– 18 332 969	– 18 275 469
Earnings for shareholders and non-controlling interests	412 678 546	384 624 776
Non-controlling interests	1 554 770	2 398 913
Earnings for shareholders without non-controlling interests	414 233 316	387 023 689
Weighted average number of shares outstanding	9 892 916	9 894 493
Earnings per share	**41.87**	**39.12**

11.6 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 3 May 2019 to pay a dividend of 24.00 per share (previous year: CHF 23.00) with the total payout amounting to CHF 238.7 million (previous year: CHF 228.7 million). The proposed dividend will not be distributed before it has been approved by the Ordinary Shareholders' Meeting. The dividend distribution is only recognised when approved by the Shareholders' Meeting.

Helvetia Holding AG and its subsidiaries are subject to a range of restrictions under company law and supervisory regulations with regard to the dividends that may be distributed to the parent company, i.e. the owner.

Helvetia Group is required to report to the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland. FINMA also acts as the European Group Supervisor of Helvetia Group. The Group is also subject to supervisory requirements in the form of minimum solvency margins, compliance with which can lead to restrictions with regard to the dividends of Helvetia Holding AG.

12. Provisions and other commitments

12.1 Non-technical provisions

in CHF million	2018	2017
Balance as of 1 January	143.5	140.6
Allocation	80.0	84.4
Release	−57.6	−43.3
Used amounts	−38.1	−43.2
Foreign currency translation differences	−2.2	5.0
Balance as of 31 December	**125.6**	**143.5**

"Non-technical provisions" primarily consists of provisions for liabilities resulting from official regulation, provisions arising from other tax obligations, provisions for restructuring expenses and liabilities due to agents. The share of provisions classified as current is CHF 119.9 million (previous year: CHF 137.8 million).

12.2 Contingent liabilities and other commitments

The following contingent liabilities are not recognised in the balance sheet:

Capital commitments

At the reporting date, there were financial commitments for the future acquisition of financial investments and fixed assets in the amount of CHF 239.7 million (previous year: CHF 333.7 million).

Assets pledged or assigned

The Helvetia Group has pledged assets of CHF 43.4 million as security for liabilities (previous year: CHF 197.4 million). These relate to financial investments and other assets pledged to cover liabilities arising from the insurance business.

Operating lease liabilities

The Helvetia Group is a lessee in a number of operating leases. As a result, it has future lease liabilities amounting to CHF 12.5 million (previous year: CHF 12.3 million) due in less than one year, CHF 25.9 million (previous year: CHF 38.4 million) due between one and five years and CHF 17.6 million (previous year: CHF 6.4 million) due in more than five years.

Legal proceedings

The Group is involved in various legal proceedings, claims and litigation that are mostly related to its insurance operations. However, Group management is not aware of any case that could materially impact the Group's financial position and financial performance.

Other contingent liabilities

At the reporting date, there was CHF 26.7 million (previous year: CHF 25.0 million) in other contingent liabilities.

13. Employee benefits

Helvetia Group had 6,624 full-time equivalent employees as at 31 December 2018 (previous year: 6,592). Total personnel costs are shown in the table below.

13.1 Personnel costs

in CHF million	Note	2018	2017
Commissions		155.1	148.1
Salaries		548.5	529.9
Social security costs		99.2	98.3
Pension costs - defined contribution plans		5.9	5.6
Pension costs - defined benefit plans	13.3.4	81.1	41.0
Other long-term employee benefit expenses		1.5	1.4
Termination benefits		5.9	4.3
Share-based payment transaction costs		1.7	4.7
Other personnel costs		34.5	34.9
Total personnel costs		**933.4**	**868.2**

13.2 Employee benefit receivables and obligations

		Receivables		Liabilities	
as of 31.12.	Notes	2018	2017	2018	2017
in CHF million					
Kind of benefit					
Defined benefit plans	13.3.1	–	–	551.6	564.5
Other long-term employee benefits		–	–	29.8	31.9
Short-term employee benefits		0.8	1.1	95.7	95.7
Total employee benefit receivables and obligations		**0.8**	**1.1**	**677.1**	**692.1**

"Other long-term employee benefits" principally contain liabilities for service awards. There are no employee contingent obligations or employee contingent receivables.

13.3 Defined benefit plans

The employees of the Helvetia Group are covered under several pension plans in Switzerland and abroad.

There are several foundations in Switzerland designed to provide benefits to employees upon retirement and in the event of disability as well as after their death to their surviving dependants in accordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The benefits provided by the pension fund meet at least the statutory minimum required by the BVG. Contributions to the pension fund are set as a percentage of the employee's pensionable annual salary, deducted from the salary by the employer and transferred every month to the pension fund, together with the employer's contributions. In the reporting year there were no significant transactions between the pension fund and the Helvetia Group that are not directly related to employee benefits.

The Group investments included in the plan assets are set out in section 13.3.8 (page 145). There are other funded defined benefit plans in place in Germany.

In addition, unfunded defined benefit plans are in place in Germany, Austria, Italy, Spain and France. The accumulated pension obligations are recorded as pension liabilities in the balance sheet of the employer. These pension plans cover benefits for retirement, death, disability or termination of the employment contract with consideration given to local labour laws and social legislation in the individual countries. The benefits are fully financed by the employer.

The defined benefit plans include actuarial risks, particularly investment risks, longevity and interest rate risks.

The management of the pension funds is under the supervision of the respective boards of trustees. Their responsibilities are set out in the respective pension fund regulations. The pension plans are answerable to the respective local supervisory authorities. In accordance with local regulations, some of these are defined contribution plans, so the benefits do not depend on the final salary. Nevertheless, these plans are also deemed to be defined benefit plans under IFRS, as in cases in which the plan assets no longer cover the pension obligations in accordance with local accounting standards – a so-called funding deficiency of an employee pension plan – restructuring contributions may be levied from the employer.

The regulations of the pension fund and supplementary funds in Switzerland were amended with effect from 1 January 2018. This resulted in a negative past service cost of CHF 36.6 million.

13.3.1 Reconciliation of balance sheet

as of 31.12.	2018	2017
in CHF million		
Present value of funded obligations (+)	3 217.6	3 273.5
Fair value of plan assets (–)	–2 837.3	–2 885.7
Surplus (–) / deficit (+)	380.3	387.8
Present value of unfunded obligations (+)	163.0	168.4
Unrecognised assets (asset ceiling)	8.3	8.3
Net liability[1] for defined benefit plans	**551.6**	**564.5**

[1] The "Net liabilities" position does not contain any reimbursement rights

13.3.2 Change in the present value of pension obligations

in CHF million	2018	2017
Defined benefit obligation as of 1 January	3 441.9	3 379.8
Change in the scope of consolidation	3.0	5.7
Service cost	115.1	105.0
Interest cost	25.0	24.4
Actuarial gains (–) / losses (+)		
– demographic assumptions	6.5	–7.1
– financial assumptions	–97.1	–3.9
– experience adjustments	–4.2	56.8
Benefits (net)	–96.4	–113.2
Past service cost	0.0	–36.6
Foreign currency translation differences	–13.2	31.0
Defined benefit obligation as of 31 December	**3 380.6**	**3 441.9**

As at 31 December 2018, 89.8 % (previous year: 89.5 %) of the pension obligations resulted from pension plans in Switzerland.

13.3.3 Changes in the fair value of plan assets

in CHF million	2018	2017
Fair value of plan assets as of 1 January	2 885.7	2 679.9
Change in the scope of consolidation	2.5	3.7
Employer contributions	70.5	90.2
Employee contributions	41.6	35.7
Interest income	17.4	16.1
Benefits (net)[1]	–82.5	–100.6
Return on plan assets excluding interest income	–97.2	159.0
Foreign currency translation differences	–0.7	1.7
Fair value of plan assets as of 31 December	**2 837.3**	**2 885.7**

[1] This item includes paid-in and withdrawn vested benefits as well as pensions and annuities.

Employer contributions in 2017 contain a financial contribution by Helvetia to compensate for the plan changes introduced in 2018.

As at 31 December 2018, 99.3 % (previous year: 99.3 %) of the plan assets related to pension plans in Switzerland.

13.3.4 Net pension costs

in CHF million	2018	2017
Current service cost	115.1	105.0
Past service cost	0.0	–36.6
Net interest expense	7.6	8.3
Employee contributions	–41.6	–35.7
Net pension costs for defined beneit plans	**81.1**	**41.0**

Expenses for defined benefit plans are recognised in the income statement under "Operating and administrative expenses". Expected employer contributions toward defined benefit plans for the next year amount to CHF 66.6 million.

13.3.5 Revaluation of benefit obligations

in CHF million	2018	2017
Actuarial gains (+) / losses (–)	–94.8	45.8
Return on plan assets excluding interest income	97.2	–159.0
Revaluation of benefit obligations	**2.4**	**–113.2**

Revaluations of benefit obligations are recognised in the consolidated statement of comprehensive income.

13.3.6 Actuarial assumptions

	Switzerland		Abroad	
Weighted averages	2018	2017	2018	2017
in %				
Discount rate	0.8	0.6	2.1	1.9
Expected salary increases	1.0	1.0	2.2	2.8
Expected pension increases	0.0	0.0	1.9	1.8
Duration of the defined benefit liability (in years)	14.7	15.1	15.9	16.1

Helvetia based its life expectancy assumption on the BVG 2015 generation tables. Net interest income from plan assets to be recognised in the income statement is calculated using the same interest rate applied to the calculation of interest on defined benefit obligations.

13.3.7 Sensitivity analysis

The sensitivity analysis takes into account the change to benefit obligations and the current service cost when there is a change of 50 basis points to the actuarial assumptions. Only one parameter is adjusted in each case; the other assumptions remain unchanged.

		Effect on benefit obligations		Effect on service cost	
as of 31.12.	Change	2018	2017	2018	2017
in CHF million					
Discount rate	+ 50bp	–235.4	–245.1	–6.3	–6.6
Discount rate	– 50bp	269.7	280.8	7.5	7.8
Salary increases	+ 50bp	29.4	33.2	0.4	0.2
Salary increases	– 50bp	–28.9	–32.6	–0.4	–0.3
Pensions	+ 50bp	195.4	203.3	0.1	0.2
Pensions	– 50bp	–176.7	–183.8	–0.2	–0.2

13.3.8 Plan asset allocation

As far as investment policy and strategy are concerned, employee benefit plans in Switzerland focus on total returns. The strategic goal is to optimise rates of return on plan assets, benefit costs and the funding ratio of benefit plans with a diversified mix of shares, bonds, real estate and other investments. Expected long-term rates of return on plan assets are based on long-term expected interest rates and risk premiums and on the target plan asset allocation. These estimates are based on historical rates of return for individual asset classes and are made by specialists in the field and pension actuaries.

Actual plan asset allocation depends on the current economic and market situation and fluctuates within pre-determined ranges. Alternative investments, such as hedge funds, are used to improve long-term rates of return and portfolio diversification.

The investment risk is monitored through the periodic review of assets and liabilities as well as quarterly reviews of the investment portfolio.

The plan assets largely consist of the following financial assets:

in CHF million	2018	2017
Interest-bearing securities		
– listed	1 071.4	1 081.6
– unlisted	9.0	9.4
Listed shares	377.0	381.7
Listed investment funds	577.2	642.7
Listed alternative investments	71.8	72.3
Listed derivative financial assets	8.8	1.7
Mortgages	18.1	–
Money market instruments	–	33.5
Investment property	615.6	607.5
Cash and cash equivalents	61.0	27.5
Other plan assets	27.4	27.8
Total plan assets	**2 837.3**	**2 885.7**

As at 31 December 2018, plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 23.0 million (previous year: CHF 28.0 million). Plan assets do not include any of the Group’s owner-occupied properties.

14. Share-based payments

14.1 Employees of the Helvetia Group in Switzerland

The Helvetia employee share purchase plan enables employees to acquire registered Helvetia Holding AG shares. With this plan, employees can directly and voluntarily participate in the added value created by the Group at preferential conditions. All employees of Helvetia in Switzerland are eligible if they are in regular employment (not on notice) and entitled to variable compensation. The number of available shares is specified by the Board of Directors, taking account of the functions of the employees concerned. All shares acquired in this manner are transferred to the ownership of the employee upon receipt and are subject to a mandatory vesting period of three years. The costs associated with the share purchase plan in 2018 were recognised in the income statement at CHF 1.5 million (previous year: CHF 1.4 million).

14.2 Members of the Board of Directors

On 1 January 2018, the Board of Directors amended the compensation regulations so that the Board of Directors would no longer receive any variable compensation. The Board of Directors will now receive 30% of fixed compensation – converted at the closing price on the evening of the meeting of the Nomination and Compensation Committee before the Group media conference – in sharesblocked for a minimum of three years. This procedure already applied mutatis mutandis to the compensation for the Board of Directors in 2017. Instead of variable compensation, they received a fixed sum in the form of blocked shares.

For the 2018 financial year, the Board of Directors received an amount of CHF 0.7 million in blocked shares (previous year: CHF 0.5 million). This corresponds to 1 166 shares at a price of CHF 600.00 as of reference date 4 March 2019 (previous year: 826 shares at CHF 569.00).

14.3 Members of the Executive Management

The members of the Executive Management receive as part of their variable compensation a long-term compensation component (LTC). The Board of Directors determines the extent of target achievement for the LTC. The percentage of LTC target achieved for all Executive Management members is based on four criteria: profit, growth, shareholder value and risk-adjusted return. The reference figure, which is multiplied by the extent of target achievement, is a percentage of up to 40% of the fixed salary component. The LTC is converted into a specific number of shares that are allocated to the Executive Management member as a deferred payment after three years. The conversion price per share is the closing stock exchange price for the Helvetia Holding share on the date the extent of target achievement is set by the Nomination and Compensation Committee. For the 2018 financial year, LTC shares to the value of CHF 1.7 million were allocated (previous year: CHF 1.5 million). This corresponds to 2,823 shares at a price of CHF 600.00 as of reference date 4 March 2019 (previous year: 2,678 shares at CHF 569.00). This payment is recognised proportionally in the income statement every year until ownership of the shares is transferred and amounted to CHF 1.0 million for 2018 (previous year: CHF 1.0 million).

14.4 Members of the Executive Management teams of the foreign subsidiaries

The members of the Executive Management teams of the foreign subsidiaries receive a variable salary component from the Group in addition to the local compensation which is calculated by multiplying the extent of target achievement by a reference figure equalling 10% of the basic salary. This results-based component is paid out in the form of 1,030 shares (previous year: 1,141). The conversion price per share is calculated as described in section 14.3. All shares acquired in this manner are transferred to the ownership of the Executive Management members upon receipt and are subject to a mandatory vesting period of three years. The share-based payments for the 2018 financial year amounted to CHF 0.6 million (previous year: CHF 0.5 million).

15. Related party transactions

15.1 Transactions with related companies

"Related companies" are the cooperation partners represented on the Board of Directors of Helvetia Group, i.e. Patria Genossenschaft and the pension funds and all associates of Helvetia Group. The latter two are discussed in section 13.3 "Defined benefit plans" (page 142) and section 7.4 "Investments in associates" (page 112).

The pool agreement between Patria Genossenschaft and Raiffeisen was terminated with effect from 15 September 2017. Patria Genossenschaft, Basel, now directly holds 34.1 % of the capital of Helvetia Holding AG.

Helvetia Schweizerische Lebensversicherungsgesellschaft AG and Patria Genossenschaft have concluded agreements for capital support. Each of these agreements refer to a specific financial year. Two such agreements entered into force on the reporting date 31 December 2018. Under one agreement, Patria Genossenschaft undertakes to contribute regulatory capital of up to CHF 100 million to Helvetia Schweizerische Lebensversicherungsgesellschaft AG until 30 June 2020 should certain adverse scenarios arise in the 2019 financial year. Under the other agreement, Patria Genossenschaft undertakes to contribute regulatory capital of up to CHF 100 million to Helvetia Schweizerische Lebensversicherungsgesellschaft AG until 30 June 2019 should certain adverse scenarios arise in the 2018 financial year. The agreements will, if needed, be executed at normal market conditions.

At the reporting date there was a loan from Helvetia Schweizerische Versicherungsgesellschaft AG to Patria Genossenschaft of CHF 12.0 million (previous year: CHF 16 million) that will be fully amortised in 2021 at the latest. The interest rate is 0.75 %.

Helvetia Group does not have interlocking directorates or cross-involvement in the boards of directors of listed companies. With the exception of Patria Genossenschaft, transactions with cooperation partners are within the extent usual for Helvetia Group, either as a single transaction or overall. The dividend payment to Patria Genossenschaft in the amount of CHF 78.0 million (previous year: CHF 71.2 million) and the contribution of CHF 45 million (previous year: CHF 40 million) from Patria Genossenschaft to Helvetia Schweizerische Lebensversicherungsgesellschaft AG were the only significant transactions in the reporting period.

15.2 Transactions with related persons

"Related persons" include the members of the Board of Directors and Executive Management of Helvetia Group as well as their close family members (partners and financially dependent children).

15.2.1 Compensation

Members of the Board of Directors and the Group Executive Management or persons closely related to them do not have any significant personal business relationships with Helvetia Group and also did not bill the Group for any significant fees or remuneration relating to additional services. Where such additional services are compensated, they form an integral part of the total remuneration stated below.

The total compensation paid to the members of the Board of Directors and the Group Executive Management comprises:

as of 31.12.	2018	2017
in CHF		
Salaries and other short-term employee benefits	10934810	12118288
Prospective share-based payment (LTC)[1]	1693800	1523782
Employer contributions to pension funds	2758313	2175157
Total compensation	**15386923**	**15817227**

[1] Subject to approval by the Shareholders' Meeting.

15.2.2 Loans and guarantees

Members of the Executive Management may conclude insurance contracts, loans and other services under the terms and conditions currently in effect for employees.

At the reporting date a mortgage loan had been granted to the following members of the Executive Management:

- to Philipp Gmür for CHF 1,000,000 (previous year: CHF 1,000,000). In the reporting year the loan earned interest at 0.95% (previous year: 0.95%).
- to Reto Keller at a total sum of CHF 914,000 (previous year: CHF 620,000). The loan of CHF 500,000 earned interest at 1.38% (previous year: 1.38%), the extra mortgages of CHF 120,000 at 2.39% (previous year: 2.39%), CHF 40,000 at 0.65% and CHF 254,000 at 1.11%.
- to Beat Müller at a total sum of CHF 1,170,000 (previous year: 1,170,000). The loan to Beat Müller of CHF 986,000 earned interest at 1.40% (previous year: 1.40%), the extra mortgage of CHF 184,000 at 1.34% (previous year: 1.34%).
- to Paul Norton at a sum of CHF 500,000 (previous year: CHF 500,000). The loan earned interest at 0.98% (previous year: 0.98%).
- to David Ribeaud at a total sum of CHF 1,015,000 (previous year: CHF 1,015,000). In the reporting year, the loans earned interest as follows: CHF 595,000 at 0.89% (previous year: 0.89%) and CHF 420,000 at 0.95% (previous year: 0.95%).

Members of the Board of Directors have no claim to employee conditions. At the reporting date, a mortgage loan had been granted to Jean-René Fournier for CHF 765,000 (previous year: CHF 765,000). In the reporting year, the loan, a fixed mortgage at normal customer conditions, had an interest rate of 1.57% (previous year: 1.57%).

There are no other loans or guarantees.

15.2.3 Shares of Group Executive Management

The shares held by the members of the Executive Management and persons closely related to them as of the end of the year are listed in the following table:

as of 31.12.	2018	2017
Number of shares		
Philipp Gmür	3 638	3 160
Achim Baumstark	200	–
Donald Desax	2 659	2 453
Markus Gemperle	983	1 633
Ralph-Thomas Honegger	900	1 250
Ralph A. Jeitziner	328	228
Reto Keller	50	30
Adrian Kollegger	–	–
Beat Müller	665	590
Paul Norton	1 480	1 480
David Ribeaud	550	350
Total	**11 453**	**11 174**

In addition to the ownership of shares as reported, the active members of the Group Executive Management have deferred claims to a total of 7,255 shares acquired under the LTC programme.

15.2.4 Shares of Board of Directors

The shares held by the members of the Board of Directors and persons closely related to them as of the end of the year are listed in the following table.

as of 31.12.	2018	2017
Number of shares		
Doris Russi Schurter (Chairwoman)	1 392	1 293
Hans C. Künzle (Vice-Chairman)	321	500
Thomas Schmuckli (Vice-Chairman)[1]	20	-
Hans-Jürg Bernet (member)	1 437	1 320
Beat Fellmann (member)[1]	100	-
Jean-René Fournier (member)	271	154
Ivo Furrer (member)	144	45
Patrick Gisel (member)[2]	-	50
Christoph Lechner (member)	697	580
Gabriela Maria Payer (member)	223	140
Andreas von Planta (member)	743	660
Regula Wallimann (member)[1]	50	-
Total	**5 398**	**4 742**

1 Joined the Helvetia Board of Directors as of 20. April 2018

2 Stood down from the Board of Directors of Helvetia with effect from 20 April 2018

In addition to the ownership of shares as reported, the active members of the Board of Directors have deferred claims to a total of 721 shares acquired under the LTC programme.

16. Risk management

16.1 Principles of risk management

The integrated risk management of Helvetia Group ensures that all material risks are identified, collected, evaluated and controlled in good time and managed and monitored appropriately. The risks are managed in accordance with the requirements of the relevant stakeholders, upon which the concepts and methods of risk identification, management and analysis are also based.

16.1.1 Risk management organisation

The Board of Directors of Helvetia Holding AG and the Executive Management are the supreme risk owners of Helvetia Group. The Board of Directors of Helvetia Holding AG is responsible for establishing and maintaining appropriate internal controls and the risk management organisation of Helvetia Group. It is the Board's responsibility in particular to:

- set risk policy principles that support the development of risk awareness and a risk and control culture in the Group companies;
- define a risk strategy / partial risk strategies that cover the risk management objectives of all essential business activities and are aligned with the business strategy of Helvetia Group;
- set risk tolerance limits and monitor the risk profile of the Group and the individual business units;
- ensure the implementation and application of a comprehensive risk management approach, including an internal control system, that guarantees the efficient allocation of risk capital and systematic control of risks by the Executive Management;
- ensure appropriate monitoring of the effectiveness of internal control systems by the Executive Management.

Board of Directors

Within the stipulated parameters, the Board of Directors delegates operational aspects of risk management. For example, the monitoring of the Group's risk profile and in particular the monitoring of the market, liquidity, counterparty and technical risks are delegated to the Investment and Risk Committee (IRC). The structural aspects of risk management (structure of the risk management organisation and the internal control system) and the monitoring of operational risks are delegated to the Audit Committee. The strategic risks are monitored in particular by the Strategy and Governance Committee.

Executive Management

The Executive Management is responsible for implementing and complying with the strategies, business principles and risk limits defined by the Board of Directors, analysing the risk position of Helvetia Group, capital planning, defining the corresponding control measures and ensuring the necessary external transparency. The topics of risk and capital management are addressed directly in the Executive Management meetings under the direction of the Chief Risk Officer (CRO). The Risk Committee is also managed by the CRO and advises the Executive Management. It coordinates, monitors and assesses the risk decisions and financing and hedging measures of all business units. Other permanent members of the Risk Committee at Group level are the Chief Financial Officer (CFO), Head of Capital Management, Head of Risk and Capital Reporting, Head of Actuarial Life, Head of Portfolio Strategy and Risk Management and Head of Legal and Compliance. Other specialists can be invited to attend Risk Committee meetings when required and depending on the topic. The entire committee meets at least quarterly and it holds regular discussions at monthly meetings. The Risk and Capital Reporting department, which reports to the CRO, ensures that there is sufficient risk and capital transparency:

- The Own Risk and Solvency Assessment (ORSA) informs the Executive Management and the Board of Directors of the capitalisation and key risks that affect Helvetia Group (including the risk strategy and management).
- The risk and capital report published quarterly and the corresponding monthly analyses support the Risk Committee and risk owners with detailed information.

Internal Audit

The internal audit unit, an independent in-house team reporting directly to the Chairman of the Board of Directors, monitors the course of operations and business, the internal control system and the efficiency of the risk management system of the Group. While the risk controlling functions are responsible for the ongoing monitoring of the Group's risk management system, the internal audit unit monitors the effectiveness, appropriateness and efficiency of the risk management measures at irregular intervals and identifies weaknesses.

16.1.2 Risk management process

The risk management process includes all activities related to the systematic assessment of risks at Helvetia Group. The key components of this risk management process include the identification, analysis and management of risks, the monitoring of the success, effectiveness and appropriateness of the risk management measures, and reporting and communication. Helvetia Group distinguishes between the following types of risk that are included in the Group's risk management process: technical risks, market risks (including equity price risk, real estate price risk, interest rate risk, currency risk and long-term liquidity risk), medium- and short-term liquidity risks, counterparty risks, operational risks, strategic and emerging risks. Reputation risks are not recorded as a separate risk category; instead, their impact is accounted for under operational, strategic and emerging risks.

The market, counterparty and technical risks belong to the traditional risks of an insurance company and are consciously entered into as part of the chosen business strategy. They tie up risk capital in an operational context and can be influenced through the use of hedging instruments, product design, reinsurance cover and other risk management measures. Based on the overall risk profile it is ensured that these risks are constantly covered by the risk-bearing capital. In this regard, the amount of the capital required depends on the risk tolerance limits chosen.

16.2 Non-life technical risks

The most important non-life segments of Helvetia Group are property (including technical insurance), casualty (liability, accident, motor vehicle) and transport insurance. Motor vehicle insurance policies represent the largest proportion of casualty insurance policies. The “Specialty Markets” operating segment includes the globally active reinsurance business, the international and Swiss transport, art and technical insurance business and the France country market, which is also focused on the transport business. This segment is also responsible for the representative office in Miami, the branches in Singapore and Kuala Lumpur and Helvetia Liechtenstein. In contrast, the segments “Switzerland” and “Europe” are defined geographically. The share of the gross premiums per country market is as follows: Switzerland 33.5% (previous year: 35.8%), Germany 15.0% (previous year: 14.4%), Italy 12.5% (previous year: 12.2%), Spain 7.8% (previous year: 7.7%), Austria 8.1% (previous year: 7.9%). The share of the “Specialty Markets” segment is 23.1% (previous year: 22.0%), of which 5.3% (previous year: 5.2%) attributable to the French country market and 11.8% (previous year: 10.1%) to active reinsurance.

Gross premiums by sector and country in the non-life business

as of 31.12.2018	Switzerland	Europe				Specialty Markets	Total
in CHF million		Germany	Italy	Spain	Austria		
Property	526.7	293.7	122.7	145.5	128.0	220.0	1 436.6
Transport / Art	3.7	58.9	9.5	16.8	6.2	242.6	337.7
Motor vehicle	607.2	200.7	257.7	141.1	133.7	34.1	1 374.5
Liability	160.3	70.9	62.3	21.2	43.7	1.2	359.6
Accident/health	173.9	34.1	96.0	19.3	42.8	–	366.1
Active Reinsurance						521.6	521.6
Gross premiums non-life	**1 471.8**	**658.3**	**548.2**	**343.9**	**354.4**	**1 019.5**	**4 396.1**

as of 31.12.2017	Switzerland	Europe				Specialty Markets	Total
in CHF million		Germany	Italy	Spain	Austria		
Property	537.4	270.6	108.1	135.6	117.2	220.7	1 389.6
Transport / Art	3.5	57.5	8.8	16.3	5.9	227.9	319.9
Motor vehicle	603.6	161.7	235.9	129.1	121.6	34.4	1 286.3
Liability	152.3	66.4	55.5	18.4	40.4	1.5	334.5
Accident/health	168.1	33.2	89.7	17.8	39.4	–	348.2
Active Reinsurance						415.3	415.3
Gross premiums non-life	**1 464.9**	**589.4**	**498.0**	**317.2**	**324.5**	**899.8**	**4 093.8**

This table was created using principles on which the segment reporting in section 3 (from page 89) is based. Group reinsurance is included in the “Corporate” segment and in the “Other activities” business area. Information on gross premiums and cessions in these segments can be found in section 3. The role of Group Reinsurance is shown in the following sections. The description below of the risks is also relevant for the Group Reinsurance business as some of the risks of the non-life business are transferred in the form of reinsurance to the “Corporate” segment so that a centralised transfer can then be made to the reinsurance market.

Technical risks in non-life result from the random nature of occurrences of an insured event and the uncertainty regarding the amount of the resulting obligations. In particular, correctly pricing events with a low frequency and very high damages is subject to some uncertainty. These events include natural disasters (floods, earthquakes, storms and hail), which are particularly relevant for property insurance and motor vehicle portfolios. They also relate to major losses caused by people (liability, fire and terrorism).

In addition to the prospective risk of a risk premium being too low, there is also the retrospective risk of inadequate provision for known losses or lack of reserves for losses that have occurred but are not yet known. In terms of large risks, there is more uncertainty associated with estimating future claims payments as it can take a longer time to process such claims. In the case of sectors such as liability, a longer period of time can also pass between the occurrence of a loss and its becoming known. The change in such losses can have a major impact on the technical result. For example, a change in the net claims ratio of +/−5 percentage points would have a positive or negative effect of CHF 194.9 million (previous year: CHF 179.4 million) on the income statement (without taking account of tax effects).

Helvetia Group has designed its business processes in accordance with the principle of entrepreneurial caution. This assumes that the risks are adequately identified, assessed, monitored and controlled and can be duly taken into account for the assessment of the capital requirements. The Group addresses prospective and retrospective risks with actuarial controls, adequate reserves and diversification. Helvetia Group's consistent focus on a portfolio that is well diversified geographically and across sectors encourages risk-balancing and reduces the risks described above. Helvetia Group controls the technical risks through a risk-adjusted rate schedule, selective underwriting, proactive claims settlement and a prudent reinsurance policy. The underwriting ensures that the risks entered into meet the necessary quality criteria in terms of type, exposure, customer segment and location. In order to cover existing liabilities that are still to be claimed by policyholders, Helvetia establishes incurred but not reported reserves. These are calculated using actuarial methods on the basis of many years of claims experience, taking into account current developments and existing uncertainties.

Reinsurance

Despite the balancing of risks through diversification, individual risk clusters (e.g. in the form of individual large risks) or risk accumulations (e.g. via cross-portfolio exposure to natural disasters) may occur. These types of potential risks are monitored throughout the Group and hedged in a coordinated manner by means of treaty reinsurance contracts. Facultative reinsurance contracts are taken out for individual large risks not covered under the treaty reinsurance contract. Treaty reinsurance contracts are coordinated by the Group Reinsurance business unit as part of Helvetia Schweizerische Versicherungsgesellschaft AG and usually centrally placed in the reinsurance market. In its role as Group reinsurer, Group Reinsurance ensures that the individual primary insurance units have the appropriate treaty reinsurance protection and transfers the risks assumed, taking account of diversification, in the reinsurance market. This centralisation leads to the application of uniform Group-wide reinsurance standards, particularly in relation to the hedging level, as well as synergies in the reinsurance process. Based on the Group's risk appetite and the state of the reinsurance markets, Group reinsurance ensures efficient use of existing risk capacity at Group level and provides optimum management of the purchase of reinsurance protection.

Active reinsurance considers itself as a "follower" and usually holds smaller parts of reinsurance contracts. This policy of small holdings, combined with broad diversification (geographically and by insurance segment), leads to a balanced reinsurance portfolio free of major risk clusters.

Group-wide, the technical risks in the non-life business are dominated by natural hazards. Except in very rare cases, the reinsurance protection limits the claims remaining from a natural disaster or individual risk in the direct business at Group level to a maximum of CHF 35 million (previous year: CHF 35 million). The reinsurance is incremental per risk and event by means of a proportional and non-proportional reinsurance. For more information about the quality of reinsurance and claims settlement, please see sections 16.5 "Counterparty risks" (from page 165) and 9 "Insurance business" (from page 122). In the current year 10.3% (previous year: 10.7%) of the premiums written in the non-life business were ceded to reinsurers. Of these 68.7% (previous year: 67.6%) were ceded to Group reinsurance and the rest directly to external reinsurance companies. Of these 58.9% (previous year: 59.9%) of the premiums written by Group reinsurance were retroceded.

16.3 Life technical risks

Helvetia Group offers a comprehensive range of life insurance products. These include risk and pension solutions and are aimed at private persons (individual life) and companies (group life insurance). The technical risks associated with these products are presented in detail in subsequent sections. There is also a small portfolio from the active reinsurance business, which is currently in run-off and due to its size will not be discussed further in the following description. The life insurance business operates primarily in Switzerland, which accounts for 79.0% (previous year: 79.5%) of the gross premium volume in the life business of Helvetia Group. The following table shows the breakdown of gross premium income by sectors and countries. A total of 1.4% (previous year: 1.4%) of the premiums written in the life business in 2018 were ceded to reinsurers. Of these 27.5% (previous year: 26.8%) were ceded to Group reinsurance and the rest to external reinsurance companies. 70.7% (previous year 67.3%) of the premiums written by Group Reinsurance were retroceded.

Gross premiums by business activities and region in the life business

as of 31.12.2018	Switzerland	Europe				Total
in CHF million		Germany	Italy	Spain	Austria	
Traditional individual life insurance	582.1	103.1	269.1	33.1	57.7	1045.1
Group insurance	2653.7	–	23.4	67.6	–	2744.7
Investment-linked life insurance	303.0	192.2	0.4	40.1	154.6	690.3
Gross premiums life	**3538.8**	**295.3**	**292.9**	**140.8**	**212.3**	**4480.1**

as of 31.12.2017	Switzerland	Europe				Total
in CHF million		Germany	Italy	Spain	Austria	
Traditional individual life insurance	630.6	105.6	237.4	32.4	59.3	1065.3
Group insurance	2591.2	–	20.2	60.9	–	2672.3
Investment-linked life insurance	265.3	171.3	0.5	42.6	167.0	646.7
Gross premiums life	**3487.1**	**276.9**	**258.1**	**135.9**	**226.3**	**4384.3**

16.3.1 Traditional individual life insurance and investment-linked life insurance

For private persons, Helvetia Group offers pure risk insurance, savings insurance and endowment insurance, annuity insurance, as well as investment-linked products. Depending on the product, premiums are paid as single or regular premiums. Most of the products include a discretionary participation feature, although some countries regulate the minimum amount of profit participation to be credited to the customer. Traditional individual life insurance accounts for 23.3% (previous year: 24.3%) of the gross premium volume of the life business of Helvetia Group, with 55.7% of the premiums (previous year: 59.2%) coming from Switzerland. Investment-linked life insurance (index and unit-linked products) contributes 15.4% to the life business of the Helvetia Group (previous year: 14.8%). 43.9% of the premiums (previous year: 41.0%) from the investment-linked life business originate in Switzerland.

Most of the products include a premium guarantee, which means that the bases for mortality, disability, interest rates and costs used in the premium calculation are guaranteed. These bases are therefore carefully fixed at the time the insurance policy is concluded. If later developments are better than expected, profits accrue which are partially returned to the customer in the form of a participation feature. The following two important exceptions apply to the guaranteed bases: First, no interest guarantees exist for the unit-linked insurance policies. However, there may be some products that guarantee the payment of a minimum survival benefit. Secondly, in Switzerland, premiums for insurance policies for disability pensions are not guaranteed for policies underwritten since mid-1997, and may be adjusted.

16.3.2 Group life insurance

Group life insurance accounts for 61.3% (previous year: 60.9%) of the gross premium volume of the life business of Helvetia Group, with 96.7% of the premiums (previous year: 97.0%) coming from Switzerland. In future, group life insurance will only refer to occupational pension plans in Switzerland, as the characteristics of the other group life insurance products are very similar to individual insurance. In Switzerland, under the Occupational Pensions Act (BVG) companies are obliged to insure their employees against the following risks: death, disability and age. Helvetia Switzerland offers products that cover these risks. Most of these products include a discretionary participation feature whose minimum amount is statutorily or contractually prescribed.

For the majority of the products there is no guaranteed rate for the risk premiums for death and disability or for the cost of premiums. These premiums may therefore be adjusted annually by Helvetia Switzerland. Upon the occurrence of an insured event, the resulting benefits are guaranteed up to the agreed expiry date or for life. Interest is credited annually on the savings premiums; the interest rate for the mandatory savings component is established by the Federal Council, while Helvetia Group itself can set the rate for the non-mandatory savings component. The mandatory interest rate for 2017 and 2018 was 1.00% and it will remain at that level for the coming year. The interest rate set by Helvetia Group for the non-mandatory component was 0.25% in 2017 and 2018 and will remain at that level for the coming year.

When policyholders reach retirement age they may choose to have the retirement capital paid out as a lump sum or converted into a pension. The conversion of the mandatory savings component is carried out at the government-mandated BVG conversion rate, while the conversion rate on the extra-mandatory savings component is determined by Helvetia Group. After conversion, the pensions and any resulting survivors' benefits are guaranteed for life.

Statutory regulations stipulate for the majority of products that a minimum of 90% of revenue must be used for the benefit of the customer. For example, a portion of the capital gains above the guaranteed minimum interest rate must be returned to the customer in the form of policyholder dividends. For most products for which this statutory provision does not apply there are similar provisions in the contractual agreements with customers.

16.3.3 Risk management and sensitivity analysis

Helvetia Group has designed its business processes in accordance with the principle of entrepreneurial caution. This assumes that the risks can be adequately assessed, evaluated, monitored and controlled. Helvetia Group uses a variety of actuarial methods to monitor existing and new products with regard to underwriting policy, reservation, and risk-adjusted pricing. Retrospective methods compare initial expectations with actual developments. Prospective methods allow the impact of new trends to be recognised and analysed early on. Most of those calculations integrate the analysis of parameter sensitivities in order to monitor the effects of adverse developments in investment returns, mortality, cancellation rates and other parameters. Taken together, they therefore provide an effective set of instruments with which to address developments actively and in good time. If a certain risk takes a worse than expected course, the participation feature is usually the first to be reduced in most of the products. If it appears that a product no longer has a sufficient safety margin, the premiums are adjusted for new business or, if allowed, for the portfolio.

In individual life, an insurance policy which includes death or morbidity risk may under normal conditions be underwritten only on the condition of good health. The review of the application includes confirming that this condition has been met. The review uses a health questionnaire, and from a certain level of risk, is supplemented by a medical examination.

For the mandatory component of the insurance policy, it is forbidden to exclude someone from a company's insurance on account of ill health. However, certain benefits may be excluded in the non-mandatory part, or a premium for the increased risk may be required. However, there is no obligation to insure a company. On the basis of benefits previously claimed by the company and based on estimates of future claims potential, it is established during the underwriting process whether and under what conditions the company will be insured.

Peak risks at the level of individual policyholders are transferred to various reinsurers, with the retained amount varying by country. In addition, Helvetia Switzerland, Helvetia Spain and, for some specific risks, Helvetia Italy are reinsured against catastrophic events that may concurrently cause several casualties or claim several lives.

Helvetia Group establishes reserves for its life insurance business to cover expected payouts. The amount of life insurance reserves depends on the interest rates applied, actuarial parameters and other influencing factors. In addition, the Liability Adequacy Test (LAT) is used to review whether the provisions together with the expected premiums are sufficient to finance future benefits. If this is not the case, the IFRS reserves are increased accordingly.

If the assumptions are changed, the reserves are increased or decreased accordingly. A decrease in reserves flows largely back to the insured as a result of the discretionary participation feature. If it is necessary to increase reserves, the first step is to reduce the participation feature. If this is not sufficient, the rest of the increase is borne by the shareholders. In the local balance sheet, reserve reinforcements recognised as necessary may be spread over several years and, if possible, compensated by gradually decreasing the allocation of the provisions for future profit participation or by releasing hidden reserves on investments. In contrast, the necessary reserve reinforcements must be recognised immediately in profit or loss in the consolidated financial statements. However, for contracts with a participation feature, it is permitted to offset other valuation differences on the local balance sheet (in particular for investments) before deferred profit participation at Group level.

The following sensitivity analysis assesses the deflection effects of mortality, invalidity, reactivation rate, interest, costs and cancellation rate parameters on the reserves. If the deflection of a parameter necessitates a lower reserving requirement, then the reductions in reserves are assessed at the discretion of the responsible actuary, who, alongside the sensitivity analyses, also takes into consideration long-term developments in their decisions, and always acts with due care. If the deflection of a parameter necessitates a higher reserving requirement, but one of the fundamental parameters in the local reserves already has sufficient safety margins, then a change in this parameter will not require a further reinforcement of reserves. It should be noted, however, that sensitivities do not normally exhibit linear behaviour, so extrapolations are not possible. Various influencing factors and sensitivities are presented separately below.

Mortality and longevity risks

In order to analyse in more detail the effect of a change in mortality rates, the portfolio is divided into contracts which are exposed to greater mortality rates and those which are exposed to longevity. The first group includes, for example, risk or capital life insurance, while the second group includes annuity insurance.

If, in the portfolios exposed to greater mortality, more policyholders die than expected, shareholders may suffer losses once the buffer of profit participation has been exhausted. The analyses carried out show that this risk can be considered very low. However, an increase in mortality rate in these portfolios, which have to be increased due to high interest rate guarantees, has a small impact on the amount of the increase in reserves. If, in the portfolios exposed to longevity, policyholders live longer than expected, shareholders may have to bear losses. As life expectancy is continuously rising, when setting up reserves, the current mortality rate as well as expected trends of the increase in life expectancy are taken into account. These reserves of portfolios exposed to longevity are very sensitive to assumed life expectancies and assumed interest rates.

Pension options with guarantees, partially also mandatory conversion rates, included in the products represent an additional risk. In particular, the high mandatory BVG conversion rate in the group life insurance in Switzerland had brought about expected losses for which reserves were used at the expense of the profit participation of the policyholders. The proportion of policyholders who receive a pension at retirement and do not withdraw the capital as well as the conversion rates are monitored and the reserves kept at a sufficient level by means of possible reserve increases.

The table below shows how changed parameters have an effect on the income statement. Referring to the overall portfolio, an increase in mortality by 10% across all Helvetia Group companies would have no great effect. A 10% reduction in mortality would lead to a reserve increase with a corresponding impact on the income statement.

Invalidity risk

Losses for the shareholders may arise if more active members than expected become disabled or fewer disabled policyholders than expected are able to return to work and the participation feature is not sufficient to absorb such deviations. Here, the parameters of disability and reactivation rate are analysed in detail. A 10% increase in disability or a 10% reduction in the reactivation rate would lead to a reserve increase with a negative impact on the income statement.

Cost risk

If the costs included in the premiums and provisions are insufficient to cover rising costs, this could result in losses for shareholders. An increase in the cost ratio by 10% would cause an increase in reserves and a negative effect on the income statement.

Cancellation risk

Depending on the nature of the contract, higher or lower cancellation rates can cause losses for shareholders. Overall, the basis of calculation at all Helvetia Group life insurance units apply sufficient safety margins so that a change in the cancellation rate would not have a major impact on the amount of reserves. A 10% reduction in the cancellation rate would lead to a reserve increase with a corresponding impact on the income statement.

Technical sensitivities

as of 31.12.	Deflection	Sensitivity of income statement 2018	2017
in CHF million			
Mortality	–10%	–54.8	–57.4
Disability	+10%	–0.1	–0.1
Reactivation rate	–10%	–1.9	–1.9
Costs	+10%	–36.7	–35.3
Cancellation	–10%	–5.2	–5.6

Interest rate risk

Shareholders may have to bear losses if the guaranteed interest included in premiums and reserves cannot be generated. This could happen if, for example, interest rates remain very low in the long term. To counteract such developments, both the technical interest rate for new contracts in individual insurance and the BVG minimum interest rate for new and existing contracts are adjusted to the new interest rate. At the end of 2018, the highest guaranteed interest rate in individual insurance was in Spain, where older policies still include a guaranteed minimum interest rate of up to 6%. These guarantees are partially covered by corresponding assets and the residual risk is covered by supplementary reserves. In the other countries the maximum guaranteed return is 4.0% in EUR and 3.5% in CHF. Rising interest rates could cause a greater number of endowment contracts to be cancelled. However, as in most countries premature contract terminations are associated with significant tax consequences and products with high interest rate sensitivity are usually subject to a deduction to take account of lower fair values of the underlying investments when the contract is terminated, this risk can be considered low.

In group life insurance, there are long-term interest rate guarantees on provisions for current benefits. The BVG minimum interest rate on the mandatory savings of policyholders is set annually by the Swiss Federal Council. Rising interest rates may also lead to increased policy cancellations in group insurance and thus to losses. Since 2004, no deductions can be made from nominally defined surrender values to take into account the fact that the fair value of the corresponding fixed-income investments may be below the (local) carrying value for contracts that have been part of the insurance portfolio of Helvetia Group for more than five years.

Please see section 16.4.1 (from page 159) on the effect of a change in interest rates on equity and the income statement.

Risks from embedded derivatives

For index-linked life insurance, the policyholder's returns are linked to an external index. Furthermore, an investment-linked product may include a guaranteed survival benefit. These product components are to be separated as embedded derivatives and are accounted for at fair value. The majority of these guarantees and index-dependent payouts are assumed by external partners. In Switzerland, there are only a few products for which this is not the case and for which Helvetia Group thus assumes the risk, and adequate provisions exist for these cases. The amount of these provisions is primarily dependent on the volatility of the underlying investments and the level of risk-free interest rates. A change in the provision is recognised in profit and loss and cannot be offset with a profit participation.

Summary

In summary, it can be stated that although there is a variety of different product-specific risks in life insurance, these risks are controlled by Helvetia Group using a number of actuarial methods and, where necessary, with an appropriate increase in reserves. In addition, through its compliance with IFRS 4, Helvetia Group has a free, non-linked provision for future profit-sharing. This can be used to cover insurance risks.

16.4 Market risks

As at 31 December 2018, Helvetia Group managed investments totalling CHF 52.0 billion (previous year: CHF 52.3 billion).

The main market risks to which the Group is exposed are interest rate risk, exchange rate risk and equity price risk. The Group is also exposed to the real estate market through a significant portion of real estate in its investment portfolio. Market risks affect the income statement and both the asset and the liability side of the balance sheet. The Group largely manages its real estate, mortgages and securities itself. External providers mainly manage assets invested in convertible bonds and private debt. Savings accumulated in unit-linked policies are invested in a wide range of own and third-party funds, equities and bonds. The market risks associated with these funds lie with Helvetia Group's insurance customers.

Helvetia Group has established a process to ensure that all assets are invested in accordance with the principle of commercial prudence. This means that Helvetia Group only invests in assets and instruments whose risks can be properly assessed, evaluated, monitored and controlled. Market risks are controlled via the investment strategy and, if necessary, reduced by the use of derivative hedging instruments. Foreign currency risks are currently hedged in this way and the risk of losses on equity investments controlled. In Helvetia's own funds, the balance sheet currency exposure is hedged by a net investment hedge. The risk of loss on shares is kept under control by hedging with options. The foreign currency exposure is largely hedged by forward contracts. More information can be found in tables 7.7.1 "Derivative financial assets" (page 116) and 7.7.2 "Derivative financial liabilities" (page 117).

Risk-bearing capacity is determined through equity and loss limits. The Investment Committee monitors and controls the investment risks of Helvetia Group. The appropriate procedures, methods and indicators have been established for this purpose. Priority is given here to the concept of asset and liability management (ALM). The investment strategy is defined annually and reviewed quarterly at Board of Directors level. Ongoing monitoring is preformed via a reporting system.

16.4.1 Interest rate risk

Helvetia Group's earnings are influenced by changes in interest rates. A prolonged period of low interest rates reduces the return on fixed-income investments in securities and mortgages. Conversely, returns increase when interest rates rise. Information on current investment returns is provided in section 7.1 (from page 106).

Both the amount of the technical reserves and the value of most investments of Helvetia Group depend on interest rate levels. In general, the higher the interest rate, the lower the present value of assets and liabilities. The extent of this change in values depends, among other things, on the time pattern of cash flows. To manage the volatility of the net positions (difference between assets and liabilities, i.e. "AL mismatch"), the Group compares the maturities of cash flows arising from liabilities with those arising from assets, and analyses them to ensure that the maturities are matched. The risk derived from this is managed as part of the ALM process. To this end, the risk capacity on the one hand and the ability to fund the guaranteed benefits or to generate surpluses on the other hand are brought into balance.

Maturity profile of financial assets

as of 31.12.2018	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	1372.4	2437.3	3479.4	1685.2	206.9	9181.2
Held-to-maturity investments (HTM)	165.8	408.5	533.9	1200.3	–	2308.5
Available-for-sale investments (AFS)	881.8	5628.3	8675.0	9115.1	1357.5	25657.7
Financial assets at fair value through profit or loss	321.6	1274.0	425.9	233.8	5148.5	7403.8
Derivative financial assets for hedge accounting	13.8	–	–	–	–	13.8
Total financial assets	**2755.4**	**9748.1**	**13114.2**	**12234.4**	**6712.9**	**44565.0**

as of 31.12.2017	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	1079.0	2571.6	3496.4	1798.3	214.1	9159.4
Held-to-maturity investments (HTM)	119.4	442.0	515.7	1359.6	–	2436.7
Available-for-sale investments (AFS)	709.8	5416.3	9073.8	9528.9	1509.9	26238.7
Financial assets at fair value through profit or loss	263.3	1343.5	475.0	190.7	5097.7	7370.2
Derivative financial assets for hedge accounting	1.7	–	–	–	–	1.7
Total financial assets	**2173.2**	**9773.4**	**13560.9**	**12877.5**	**6821.7**	**45206.7**

A statement on the ALM situation of a portfolio can be made by comparing the technical interest rate for reserves with investment returns. The following illustration shows aggregate data on the average interest rates that Helvetia has to earn on its reserves in order to be able to provide the guaranteed benefits. The technical interest rate ranges from 0.05% to 4%.

Interest rate guarantees in the life business

as of 31.12.2018	Direct business Switzerland CHF	Direct business Switzerland Other currencies	Direct business EU EUR	Reinsurance
in CHF million				
Actuarial reserves for insurance and investment contracts:				
- excluding interest guarantee	851.4	–	1 527.3	–
- with 0 % interest guarantee	1 132.8	0.0	592.0	2.4
- with positive interest guarantee	27 356.6	72.0	5 371.7	–
Average technical interest rate in per cent	**1.13**	**2.46**	**1.86**	**0.00**

as of 31.12.2017	Direct business Switzerland CHF	Direct business Switzerland Other currencies	Direct business EU EUR	Reinsurance
in CHF million				
Actuarial reserves for insurance and investment contracts:				
– excluding interest guarantee	925.7	–	1 532.0	–
– with 0 % interest guarantee	1 089.6	0.0	392.9	2.8
– with positive interest guarantee	26 880.0	112.8	5 686.4	–
Average technical interest rate in per cent	**1.16**	**2.56**	**2.03**	**0.00**

Interest rate sensitivities

as of 31.12.	Interest rate level 2018 + 10 bp	Interest rate level 2018 – 10 bp	Interest rate level 2017 + 10 bp	Interest rate level 2017 – 10 bp
in CHF million				
Income statement	1.6	–4.0	1.7	–2.9
Equity	–79.6	80.8	–82.7	83.9
Gross, not taking into account the latency calculation and derivatives	–194.7	195.2	–205.7	203.8

The above table analyses the impact of a change in interest rate on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis also includes investments at fair value through profit and loss, fixed-income available-for-sale financial assets, derivatives, technical reserves in the life business (the actuarial reserve, deposits for investment contracts) and interest on floating-rate financial assets. The "look through" principle was used for significant holdings in mixed funds.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every symmetrical bracket that covers a range of possible interest rate changes where the probability of its occurring over a period of one year is between 10% and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

16.4.2 Share price risk

Investments in equities are used to generate long-term surpluses. Investments are made primarily in large-caps traded on the major stock exchanges. Helvetia Group holds a well-diversified portfolio (mainly stocks traded on the exchanges in Switzerland, Europe and the USA). The share of each item of the total portfolio (direct investment) is generally below 6%. An exception to this are holdings in the diversified real estate investment company "Allreal" (10.8% of total direct investment in equities). The market risk of the equity portfolio is constantly monitored and, if necessary, reduced by sales or the use of hedging instruments in order to meet the strict internal requirements for risk capacity.

Market risks are mitigated through hedging strategies. Out-of-the-money put options are largely used to comply with internal loss limits. Direct investments in equities represent 5.5% (before hedging) of the Group's financial assets (excluding investments from life insurance policies with the market risk borne by the customers). A substantial portion is hedged against the risk of significant losses.

Share price risk sensitivities

	Share price risk sensitivities 2018		Share price risk sensitivities 2017	
as of 31.12.	+ 10%	– 10%	+ 10%	– 10%
in CHF million				
Income statement	77.8	–65.6	102.5	–93.4
Equity	27.1	–19.8	36.3	–35.3
Gross, not taking into account the latency calculation and derivatives	241.2	–235.2	304.3	–296.3

The above table analyses the impact of a change in the share price on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis covers direct equity investments (with the exception of the real estate investment company "Allreal"), derivatives, equity funds and part of the mixed funds. The "look through" principle was used for significant holdings in mixed funds. The effects of share price changes on impairments was considered.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every symmetrical bracket that covers a range of possible share price changes where the probability of its occurring over a period of one year is between 10% and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

16.4.3 Exchange rate risk

Most of the Group's assets, including its investments, as well as most of its liabilities, are denominated in CHF and EUR. Except for the Swiss business, liabilities are largely hedged through investments in matching currencies. For return and liquidity reasons, investments in the Swiss business are made both in CHF-denominated and foreign-currency-denominated assets in order to cover the CHF liabilities. The resulting exchange rate risk is generally largely hedged within the internally defined limits. This is carried out via foreign exchange forward contracts for EUR, USD, GBP and CAD against the Swiss franc.

Exchange rate sensitivities

	Exchange rate EUR/CHF		Exchange rate USD/CHF		Exchange rate GBP/CHF	
as of 31.12.2018	+ 2%	– 2%	+ 2%	– 2%	+ 2%	– 2%
in CHF million						
Income statement	0.6	–0.6	–7.5	7.5	–1.7	1.7

	Exchange rate EUR/CHF		Exchange rate USD/CHF		Exchange rate GBP/CHF	
as of 31.12.2017	+ 2%	– 2%	+ 2%	– 2%	+ 2%	– 2%
in CHF million						
Income statement	–4.8	4.9	3.5	–3.5	–1.9	1.9

In the table above, the impact of changes in exchange rates on the income statement of Helvetia Group is analysed, taking into account deferred taxes and the legal quota. In accordance with IFRS requirements, only the monetary financial instruments and insurance liabilities in non-functional currencies and derivative financial instruments were included in the evaluation.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every symmetrical bracket that covers a range of possible exchange rate changes where the probability of its occurring over a period of one year is between 10% and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

Consolidated foreign currency balance sheet 2018

as of 31.12.2018	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	339.0	150.9	0.2	–	490.1
Goodwill and other intangible assets	962.5	301.3	0.0	–	1 263.8
Investments in associates	21.2	5.7	–	–	26.9
Investment property	6 798.0	607.6	–	–	7 405.6
Group financial assets	22 607.8	13 725.6	4 334.8	509.7	41 177.9
Investments with market risk for the policyholder	958.5	2 146.0	260.5	22.1	3 387.1
Receivables from insurance business	455.4	555.8	328.9	75.9	1 416.0
Deferred acquisition costs	298.9	174.6	12.9	2.4	488.8
Reinsurance assets	119.3	280.7	103.2	23.7	526.9
Deferred tax assets	3.8	18.4	–	–	22.2
Current income tax assets	4.8	15.2	–	–	20.0
Other assets	197.0	222.9	–1.6	11.0	429.3
Accrued investment income	134.1	128.3	25.1	0.5	288.0
Cash and cash equivalents	648.7	407.9	152.8	29.0	1 238.4
Total assets	**33 549.0**	**18 740.9**	**5 216.8**	**674.3**	**58 181.0**

as of 31.12.2018	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	29 343.2	7 557.5	5.5	–	36 906.2
Provision for future policyholder participation	1 421.3	249.6	–	–	1 670.9
Loss reserves (gross)	1 918.0	2 107.7	612.2	208.8	4 846.7
Unearned premium reserve (gross)	435.1	743.0	219.2	56.2	1 453.5
Financial liabilities from financing activities	751.0	667.4	130.1	28.7	1 577.2
Financial liabilities from insurance business	634.6	1 074.2	1.5	0.1	1 710.4
Other financial liabilities	268.3	0.9	58.4	–	327.6
Liabilities from insurance business	1 626.2	268.6	122.3	11.5	2 028.6
Non-technical provisions	66.6	59.0	–	–	125.6
Employee benefit obligations	306.4	370.2	–	0.5	677.1
Deferred tax liabilities	672.0	101.1	0.2	–	773.3
Current income tax liabilities	21.2	12.8	0.0	–	34.0
Other liabilities and accruals	114.3	128.2	8.3	2.0	252.8
Total liabilities	**37 578.2**	**13 340.2**	**1 157.7**	**307.8**	**52 383.9**

Consolidated foreign currency balance sheet 2017

as of 31.12.2017	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	357.6	166.5	0.3	–	524.4
Goodwill and other intangible assets	919.9	305.4	0.0	–	1 225.3
Investments in associates	21.4	4.4	–	–	25.8
Investment property	6 508.9	564.7	–	–	7 073.6
Group financial assets	22 623.2	12 813.9	5 569.0	549.5	41 555.6
Investments with market risk for the policyholder	1 130.5	2 202.8	267.5	50.3	3 651.1
Receivables from insurance business	306.3	572.9	263.3	56.1	1 198.6
Deferred acquisition costs	291.6	176.7	13.0	1.1	482.4
Reinsurance assets	130.1	308.4	106.5	17.4	562.4
Deferred tax assets	2.7	26.8	–	–	29.5
Current income tax assets	6.4	16.4	0.5	–	23.3
Other assets	145.1	195.0	1.5	11.0	352.6
Accrued investment income	149.5	126.0	35.3	0.2	311.0
Cash and cash equivalents	607.4	573.0	63.9	16.0	1 260.3
Total assets	**33 200.6**	**18 052.9**	**6 320.8**	**701.6**	**58 275.9**

as of 31.12.2017	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	28 898.0	7 718.2	6.0	–	36 622.2
Provision for future policyholder participation	1 562.3	388.7	–	–	1 951.0
Loss reserves (gross)	2 012.5	2 194.0	532.0	135.6	4 874.1
Unearned premium reserve (gross)	447.6	748.6	196.6	51.8	1 444.6
Financial liabilities from financing activities	747.6	704.0	131.5	33.1	1 616.2
Financial liabilities from insurance business	615.6	1 162.6	1.3	0.1	1 779.6
Other financial liabilities	291.6	0.9	57.3	–	349.8
Liabilities from insurance business	1 417.9	270.3	81.8	12.6	1 782.6
Non-technical provisions	83.5	60.0	–	–	143.5
Employee benefit obligations	302.4	389.4	0.3	–	692.1
Deferred tax liabilities	700.0	118.0	0.1	–	818.1
Current income tax liabilities	30.6	20.6	0.0	–	51.2
Other liabilities and accruals	97.9	123.5	1.7	–1.6	221.5
Total liabilities	**37 207.5**	**13 898.8**	**1 008.6**	**231.6**	**52 346.5**

16.5 Liquidity risk

Helvetia Group has sufficient liquid assets to meet unanticipated cash outflows at any time. Liquid assets (cash, premiums to be invested, liquid equities and interest-bearing securities) exceed the volume of annual net cash flows many times. In addition, the Group manages assets and liabilities in terms of their liquidity. On the liabilities side of the balance sheet, there are no significant individual positions with liquidity risk. A portion of the Group's investment portfolio is composed of investments with no liquid markets such as real estate and mortgages. These investments can only be realised over an extended period of time.

Maturity profile of recognised insurance liabilities

as of 31.12.2018	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	3384.6	10706.7	7358.7	15439.9	16.3	36906.2
Provision for future policyholder participation	204.6	81.9	29.7	50.0	1304.7	1670.9
Loss reserves (gross)	2001.3	1676.3	417.5	751.6	0.0	4846.7
Unearned premium reserve (gross)	1453.5	–	–	–	–	1453.5
Total reserves for insurance and investment contracts (gross)	7044.0	12464.9	7805.9	16241.5	1321.0	44877.3
Reinsurers' share	138.1	143.5	77.8	67.7	31.7	458.8
Total reserves for insurance and investment contracts (net)	**6905.9**	**12321.4**	**7728.1**	**16173.8**	**1289.3**	**44418.5**

as of 31.12.2017	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	3231.7	10666.6	7993.5	14715.6	14.8	36622.2
Provision for future policyholder participation	169.9	81.3	30.5	48.4	1620.9	1951.0
Loss reserves (gross)	2060.7	1699.6	380.2	723.5	10.1	4874.1
Unearned premium reserve (gross)	1444.6	–	–	–	–	1444.6
Total reserves for insurance and investment contracts (gross)	6906.9	12447.5	8404.2	15487.5	1645.8	44891.9
Reinsurers' share	276.0	128.9	40.6	29.7	31.2	506.4
Total reserves for insurance and investment contracts (net)	**6630.9**	**12318.6**	**8363.6**	**15457.8**	**1614.6**	**44385.5**

The above tables show the expected maturity of the amounts recognised in the balance sheet.

Maturity profile of financial liabilities and liabilities (excluding derivative instruments)

as of 31.12.2018	Callable at any time	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million							
Financial liabilities from insurance business	1 642.0	8.8	14.2	11.2	6.1	28.1	1 710.4
Financial liabilities from financing activities	–	186.1	357.9	1 030.3	–	258.3	1 832.6
Liabilities from insurance business	406.7	1 606.3	12.4	–	–	3.2	2 028.6
Other financial and other liabilities	0.9	225.2	48.0	–	–	–	274.1
Total financial and other liabilities	**2 049.6**	**2 026.4**	**432.5**	**1 041.5**	**6.1**	**289.6**	**5 845.7**

as of 31.12.2017	Callable at any time	< 1 year	1–5 years	5–10 years	> 10 years	Without maturity	Total
in CHF million							
Financial liabilities from insurance business	1 710.2	22.0	12.3	10.8	6.4	17.9	1 779.6
Financial liabilities from financing activities	–	36.0	510.8	1 056.9	–	274.2	1 877.9
Liabilities from insurance business	456.1	1 324.4	0.0	–	–	2.1	1 782.6
Other financial and other liabilities	0.9	131.6	45.3	–	–	0.1	177.9
Total financial and other liabilities	**2 167.2**	**1 514.0**	**568.4**	**1 067.7**	**6.4**	**294.3**	**5 618.0**

The above figures may differ from the amounts reported in the balance sheet, as these represent undiscounted cash flows. The allocation of financial liabilities and other liabilities to the category "callable at any time" is based on the counterparty's contractual cancellation right. The majority of these contracts can be terminated both in life and in non-life business within one year at the latest.

Maturity profile of derivative financial instruments

as of 31.12.2018	Fair Value	Maturity of non-discounted flows of funds			
		< 3 months	3–6 months	6–12 months	> 1 year
in CHF million					
Derivative financial assets:					
Forward exchange transactions	56.5				
Inflow		2 126.8	2 355.6	–	–
Outflow		–2 090.7	–2 348.3	–	–
Other (excercise not planned)	167.0				
Derivatives for hedge accounting	13.8				
Inflow		320.4	–	–	–
Outflow		–310.3	–	–	–
Total derivative financial assets	**237.3**	**46.2**	**7.3**	**–**	**–**
Derivative financial liabilities:					
Forward exchange transactions	14.3				
Inflow		–1 067.3	–585.2	–	–
Outflow		1 085.6	590.4	–	–
Other (excercise not planned)	96.3				
Derivatives for hedge accounting	10.0				
Inflow		–616.5	–	–	–
Outflow		628.7	–	–	–
Total derivative financial liabilities	**120.6**	**30.5**	**5.2**	**–**	**–**

as of 31.12.2017	Fair Value	Maturity of non-discounted flows of funds			
		< 3 months	3–6 months	6–12 months	> 1 year
in CHF million					
Derivative financial assets:					
Forward exchange transactions	25.3				
Inflow		563.3	448.0	831.6	–
Outflow		–554.8	–446.3	–836.1	–
Other (excercise not planned)	147.6				
Derivatives for hedge accounting	1.7				
Inflow		328.5	–	–	–
Outflow		–329.7	–	–	–
Total derivative financial assets	**174.6**	**7.3**	**1.7**	**–4.5**	**–**
Derivative financial liabilities:					
Forward exchange transactions	95.4				
Inflow		–711.1	–1 991.4	–1 291.6	–
Outflow		749.1	2 055.2	1 309.3	–
Other (excercise not planned)	109.6				
Derivatives for hedge accounting	28.6				
Inflow		–445.5	–50.4	–1.2	–
Outflow		471.6	50.7	1.2	–
Total derivative financial liabilities	**233.6**	**64.1**	**64.1**	**17.7**	**–**

16.6 Counterparty risks

Counterparty risks include default risks and risks of changes in value. The default risk refers to the possibility of the insolvency of a counterparty, while the risk of changes in value represents the possibility of a financial loss due to a change in the creditworthiness of a counterparty or a change in credit spreads in general. The risk of counterparties failing to meet their obligations is continuously monitored. To minimise counterparty risk, Helvetia defines lower limits with regard to the creditworthiness of the counterparty and limits the exposure per counterparty.

16.6.1 Risk exposure

Helvetia Group is mainly exposed to counterparty risk in the following areas:

- Counterparty risks arising from interest-bearing securities and money market instruments.
- Counterparty risks associated with loans and mortgages: The largest items in the asset class of loan form the promissory note loans (92.9%), as well as policy loans (5.3%). The policy loans are secured through life insurance policies. Since only a certain percentage of accumulated capital (<100%) is invested, this asset class can be classified "fully secured". Gross exposure (without taking account of collateral) is of relatively little significance when assessing the counterparty risks from the mortgage business: mortgages are secured by an encumbrance, and a part of the mortgage is often additionally secured by a pledged life insurance policy, resulting in a correspondingly low loss ratio. Against this background, the counterparty risk from mortgages can be assumed to be low.
- Counterparty risk from transactions with derivative financial instruments: refer to section 16.6.2 (page 170) for the amount of gross counterparty risk exposure in connection with derivative financial instruments. A small part of the derivative instruments is traded on a stock exchange, so there are no counterparty risks. Most of the outstanding receivables from the OTC derivatives are covered by collateral. The scope of the hedging with cash collateral is CHF 138.9 million (previous year: CHF 54.0 million). Existing netting agreements are also relevant. Refer to the table for detailed information about derivative financial instruments.
- Counterparty risks from ceded reinsurance: Helvetia Group transfers part of its risk exposure to other companies via ceded reinsurance. If the reinsurer defaults, the Group remains liable for the reinsured receivables. Therefore, the Group periodically reviews the creditworthiness of its reinsurers. To reduce dependence on a single reinsurer, the Group places its reinsurance contracts with a number of first-class companies.
- Counterparty risks from the insurance business: the default of other counterparties (policyholders, insurance agents, insurance companies) may lead to a loss of receivables from the insurance business. On the balance sheet, the maximum gross exposure would correspond to the items shown in section 9.7 (from page 129) "Receivables from policyholders, insurance agents and insurance companies" (after deducting receivables from the reinsurance business recognised under "Credit risk exposure from ceded reinsurance"). However, these receivables are largely of a short-term nature. In addition, the receivables from policyholders represent the largest group in this class. Since the insurance cover is linked to the fulfilment of the contractual obligations on the part of the customer, the resulting risk is relatively low for the insurance company.
- Counterparty risks from financial guarantees and loan commitments: detailed information on contingent obligations can be found in section 12 (from page 140).

The information relevant for setting the level of the counterparty risk exposure includes information on balance-sheet netting and on existing netting agreements regarding financial assets and liabilities. The relevant information is summarised in the table below. As there are no financial instruments netted on the balance sheet at Helvetia Group, the table shows the extent to which netting agreements for financial instruments exist, even if no netting takes place on the balance sheet. The netting agreements are ISDA and Swiss Master Agreements for OTC derivatives transactions. In the event of insolvency or if one of the parties does not fulfil its contractual obligations, there is a mutual right to close the current derivatives contracts and to offset outstanding receivables with liabilities and collateral received within the netting agreement.

Offsetting of financial instruments

	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		
as of 31.12.2018		Financial instruments	Cash collaterals	Net amount
in CHF million				
Derivative financial assets	237.3	–72.0	–138.9	26.4
Derivative financial liabilities	120.6	–72.0	–31.5	17.1

	Gross and net amounts of financial instruments in the balance sheet	Offsettable, non-netted amounts		
as of 31.12.2017		Financial instruments	Cash collaterals	Net amount
in CHF million				
Derivative financial assets	174.6	–58.3	–54.0	62.3
Derivative financial liabilities	233.6	–58.3	–145.5	29.8

16.6.2 Credit quality of exposures and credit risk concentrations

The following analyses show the gross exposure to interest rate instruments, loans and derivative financial instruments, excluding collateral. They do not include investments where the credit risk is borne by the holders of life insurance policies. The securities and issuer ratings of recognised rating agencies were used to show credit quality.

Credit quality of debt instruments, loans and derivative financial instruments by asset class

as of 31.12.2018	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	15.0	99.7	259.6	39.5	0.5	668.1	1 082.4
Derivative financial assets	33.5	10.1	96.0	10.9	–	70.1	220.6
Bonds	11 829.4	7 467.2	5 353.5	4 711.3	9.0	264.0	29 634.4
Mortgages	–	–	–	–	–	5 255.9	5 255.9
Loans	235.3	652.6	90.3	–	–	102.2	1 080.4
Total	**12 113.2**	**8 229.6**	**5 799.4**	**4 761.7**	**9.5**	**6 360.3**	**37 273.7**
of which SPPI financial assets	12 079.6	8 214.9	5 243.8	4 355.4	9.5	6 115.7	36 019.0

as of 31.12.2017	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	89.7	140.6	128.6	47.1	–	382.5	788.5
Derivative financial assets	11.7	4.2	77.5	9.9	–	58.1	161.4
Bonds	12 787.3	7 211.2	5 144.2	4 874.0	–	522.6	30 539.3
Mortgages	–	–	–	–	–	5 159.2	5 159.2
Loans	262.6	696.2	80.6	5.9	–	105.7	1 151.0
Total	**13 151.3**	**8 052.2**	**5 430.9**	**4 936.9**	**–**	**6 228.1**	**37 799.4**
of which SPPI financial assets	13 139.6	8 031.1	4 940.1	4 484.4	–	5 952.0	36 547.2

Credit quality of debt instruments, loans and derivative financial instruments by sector

as of 31.12.2018	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Governments	5 708.5	3 806.4	1 180.7	1 739.9	–	16.9	12 452.5
Financial institutions	6 246.5	2 698.9	1 695.0	347.6	0.5	1 452.3	12 440.7
Corporates and others	158.1	1 724.3	2 923.6	2 674.2	9.1	4 891.2	12 380.5
Total	**12 113.2**	**8 229.6**	**5 799.4**	**4 761.6**	**9.5**	**6 360.4**	**37 273.7**

as of 31.12.2017	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Governments	6 936.1	3 406.0	939.5	1 989.8	–	–	13 271.4
Financial institutions	6 055.8	2 978.1	1 572.5	440.5	–	1 131.8	12 178.7
Corporates and others	159.4	1 668.1	2 918.9	2 506.6	–	5 096.3	12 349.3
Total	**13 151.3**	**8 052.2**	**5 430.9**	**4 936.9**	**–**	**6 228.1**	**37 799.4**

Credit quality of ceded reinsurance

as of 31.12.2018	Exposure	Share in %
in CHF million		
AAA	–	–
AA	354.7	55.4
A	270.1	42.2
BBB	1.6	0.3
BB and lower	1.8	0.3
Not rated	11.7	1.8
Total	**639.9**	**100.0**

as of 31.12.2017	Exposure	Share in %
in CHF million		
AAA	–	–
AA	388.3	55.1
A	278.0	39.5
BBB	1.4	0.2
Not rated	36.9	5.2
Total	**704.6**	**100.0**

SPPI financial investments with increased credit risk

	Book value		Fair Value	
as of 31.12.	2018	2017	2018	2017
in CHF million				
BB and lower	9.5	–	9.5	–
Not rated[1]	19.2	35.4	20.3	36.4
Total	**28.8**	**35.4**	**29.8**	**36.4**

1 For unrated financial assets (mainly mortgages), we assume an increased credit risk for positions with outstanding interest payments of more than 90 days.

The ten largest counterparties[1]

as of 31.12.2018	Issuer rating	Book value total	AAA
in CHF million			
Switzerland (Govt)	AAA	2665.1	2314.0
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	1675.6	1675.6
Italy (Govt)	BBB	1554.1	–
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	1521.6	1521.6
Germany (Govt)	AAA	766.2	687.3
France (Govt)	AA	730.3	–
European Investment Bank	AAA	689.0	689.0
Austria (Govt)	AA	525.5	–
United States of America (Govt)	AAA	511.4	511.4
European Union	AAA	474.3	474.3

as of 31.12.2017	Issuer rating	Book value total	AAA
in CHF million			
Switzerland (Govt)	AAA	2648.7	2467.0
Italy (Govt)	BBB	1733.2	–
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	1555.0	1555.0
United States of America (Govt)	AAA	1520.2	1520.2
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	1376.0	1376.0
France (Govt)	AA	814.4	–
Germany (Govt)	AAA	802.8	720.9
European Investment Bank	AAA	705.6	705.6
Cantonal Bank of Zurich	AAA	565.5	464.1
Austria (Govt)	AA	542.5	–

[1] Measured by the cretit risk exposure shown in the tables “Credit quality of debt instruments” and “Credit risk from ceded reinsurance”

Securities rating Bonds				Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB and lower	Not rated				
4.5	176.6	–	–	165.0	–	5.0	–
–	–	–	–	–	–	–	–
–	–	1 538.5	15.6	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	78.9	–
720.7	9.6	–	–	–	–	–	–
–	–	–	–	–	–	–	–
442.4	–	–	–	–	–	83.1	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–

Securities rating Bonds				Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
AA	A	BBB and lower	Not rated				
6.6	165.1	–	–	10.0	–	–	–
–	–	1 716.3	16.9	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
804.2	10.2	–	–	–	–	–	–
–	–	–	–	–	–	81.9	–
–	–	–	–	–	–	–	–
–	–	–	–	89.7	11.7	–	–
443.3	–	–	–	–	–	99.2	–

17. Events after the reporting date

The electorate of Basel-Stadt voted resoundingly in favour of cantonal tax proposal (TP) 17 on 10 February 2019. TP 17 includes a substantial reduction in the cantonal profit tax rate. The Basel government decided on 26 February 2019 to make the change retroactive with effect from 1 January 2019. The resulting reduction in the tax rate will have a positive effect in the double-digit millions on the Helvetia financial statements.

No additional important events occurred before or on 5 March 2019, the date on which these consolidated financial statements were completed, that are likely to have a material impact on the financial statements as a whole.

18. Scope of consolidation

18.1 Events in the reporting year

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

- Liquidation of Previsur Agencia de Seguros S.L., Seville, on 8 February 2018.
- On 14 February 2018, MoneyPark AG acquired 100% of Finovo AG, Opfikon. Finovo AG markets, grants and manages mortgage loans and also provides advisory services for the finance and real estate sector, primarily in Switzerland. The purchase price was CHF 3.9 million in cash paid on the purchase date. Goodwill of CHF 3.4 million was recognised in connection with this transaction. The goodwill represents future return potential from supplementing the existing MoneyPark portfolio. It is assigned to the "Switzerland" segment and is not expected to be deductible for tax purposes.
- On 23 March 2018, Helvetia Assurances SA acquired 36.46% of Seasecure Holding SAS, Marseille.
- On 9 May 2018, Helvetia Allegra Fonds, Nyon, was founded.
- On 28 August 2018, the equity capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH, Frankfurt a.M., was increased by EUR 17.0 million.
- On 26 November 2018, Helvetia Marine Services Ltd., London, was founded.
- In 2018, the holding in INZMO UG, Berlin, was reduced from 54.67% to 50.60%.
- In 2018, the holding in Helvetia Venture Fund S.A. was increased from 98.00% to 98.21%.

18.2 Events in the previous period

- On 1 January 2017, Helvetia Schweizerische Lebensversicherungsgesellschaft AG, fully acquired IFANG Park AG, Schwerzenbach. The company's purpose lies in the development, acquisition and management of real estate. The purchase price was CHF 21.3 million, of which CHF 19.2 million was paid in cash at the purchase date. A further CHF 2.1 million is subject to a purchase price retention arrangement. No goodwill was recognised in connection with this transaction.
- On 10 July 2017, MoneyPark AG acquired 100% of the mortgage broker Defferrard & Lanz SA based in Lausanne. The merger will allow MoneyPark to tap into the strategically important market in French-speaking Switzerland in a quick and comprehensive manner. The purchase price was CHF 45.5 million, consisting of CHF 43.5 million paid in cash and a purchase price retention arrangement of CHF 2.0 million, due within the next two years, connected to the retention of the key employees in the company.

The following overview shows the assets and liabilities at fair value acquired as part of the acquisition of IFANG and Defferrard & Lanz:

in CHF million	IFANG	Defferrard & Lanz
Assets		
Intangible assets		6.9
Investment property	30.6	
Other assets and accruals	0.3	5.5
Liabilites		
Financial liabilities	5.3	
Other liabilities and accruals	4.3	3.8
Acquired net assets		
Acquired identified assets (net)	21.3	8.6
Goodwill	–	36.9
Total acquisition costs (all paid in cash)	**21.3**	**45.5**

The other assets contain receivables from intermediary business amounting to CHF 0.4 million gross, which are all classified as potentially recoverable.

The goodwill represents future growth potential from intermediary business in the western Swiss market and is allocated to the "Switzerland" segment. There is expected to be nothing tax-deductible from the goodwill.

IFANG generated a profit of CHF 0.5 million in 2017.

In the 2017 reporting period, Defferrard & Lanz contributed a loss of CHF 5.2 million to the Group's results. This relates to writedowns on intangible assets capitalised as part of the acquisition.

If the acquisition of Defferrard & Lanz had been completed, the consolidated net profit would come to CHF 405.3 million in 2017. These pro forma values are based on unaudited financial statements in accordance with local accounting principles and assumptions regarding the impact of the special effects of the transaction. The acquisition would have had no impact on the Group's gross premiums.

The following events led to a change inthe scope of consolidation of Helvetia Group in the previous year:

- On 9 February 2017, Helvetia founded the Swiss Cap Private Debt Fund, Luxembourg.
- Helvetia Venture Fund S.A., SICAR, Luxembourg, was established on 31 March 2017.
- Helvetia Vita Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan, and Nationale Suisse Vita Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese, merged on 1 June 2017. The merged entity operates on the market as Helvetia Vita Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan.
- Helvetia Beteiligungen AG, St. Gallen, merged with Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen, on 16 June 2017. The merged entity operates as Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen.
- The own funds Swiss Cap PRO Red Fund, Dublin and Swiss Cap PRO Orange Fund, Dublin, were liquidated on 20 June 2017.
- Helvetia Finance Ltd., St Helier, was liquidated with effect from 7 July 2017.
- On 24 July 2017, the equity capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH, Frankfurt a.M., was increased by EUR 11.0 million.
- SmartLife Care AG, Brüttisellen, was founded as a joint venture with effect from 18 August 2017. Helvetia holds 52 % of the company. The joint venture is evaluated using the equity method.
- The 30 % share in fvv-Voralberger Versicherungsmakler GmbH, Götzis, was sold with effect from 27 October 2017.
- The holding in Medicall AG, Brüttisellen increased with effect from 15 November 2017 from 74.32 % to 79.78 %.
- Helvetia Venture Fund acquired 54.7 % in INZMO UG, Berlin with effect from 25 November 2017. The company will be managed as an equity holding.
- MoneyPark AG, Wollerau, completed a capital increase of CHF 47.5 million on 4 December 2017. As part of this capital increase, Helvetia's holding in MoneyPark increased to 77.27 %.
- Nationale Suisse Servizi Assicurativi S.R. L., San Donato Milanese, was liquidated at the end of 2017.
- During the period under review, the investment in the associated company Gesnorte S.A., Madrid, was increased from 26.0 % to 27.7 %.

18.3 Group companies

as of 31.12.2018	Business activities	Holding in %	Method of consolidation	Currency	Share capital in million
Switzerland					
Helvetia Holding AG, St. Gallen	Other	–	–	CHF	1.0
Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen	Non-life	100.00	full	CHF	77.5
Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel	Life	100.00	full	CHF	50.0
Europäische Reiseversicherungs AG, Basel	Non-life	100.00	full	CHF	3.0
Care Travel AG, Brüttisellen	Non-life	100.00	full	CHF	0.1
Medicall AG, Brüttisellen	Non-life	79.78	full	CHF	0.9
smile.direct Versicherungen, Wallisellen[1]	Non-life	100.00	full	CHF	–
Patria Schweizerische Lebensversicherungs-Gesellschaft AG, St. Gallen	Life	100.00	full	CHF	0.1
Helvetia Consulta AG, Basel	Other	100.00	full	CHF	0.1
Helvetia Service AG, St. Gallen	Other	100.00	full	CHF	0.5
Helvetia Consulting AG, St. Gallen	Other	100.00	full	CHF	0.1
IFANG Park AG, Schwerzenbach	Life	100.00	full	CHF	0.1
MoneyPark AG, Wollerau	Other	77.27	full	CHF	0.4
Defferrard & Lanz SA, Lausanne	Other	100.00	full	CHF	1.0
Finovo AG, Opfikon	Other	100.00	full	CHF	1.1
Helvetia I Funds North America	Other	72.70	full	USD	–
Helvetia I Funds Great Britain	Other	78.89	full	GBP	–
Helvetia I Funds Europe	Other	75.29	full	EUR	–
Helvetia Allegra 30	Other	98.91	full	CHF	–
Helvetia Allegra 50	Other	98.17	full	CHF	–
Coop Rechtsschutz AG, Aarau		42.50	equity	CHF	
Prevo-System AG, Basel		24.00	equity	CHF	
Pilatus Arena AG, Luzern		50.00	equity	CHF	
SmartLife Care AG, Brüttisellen		52.00	equity	CHF	
Germany					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Deutschland, Frankfurt a.M.[1]	Non-life	100.00	full	EUR	
HELVETIA Schweizerische Lebensversicherungs-AG, Frankfurt a.M.	Life	100.00	full	EUR	11.5
Helvetia Versicherungs-AG, Frankfurt a.M.	Non-life	100.00	full	EUR	5.0
Der ANKER Vermögensverwaltung GmbH, Frankfurt a.M.	Other	100.00	full	EUR	0.0
Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt a.M.	Life	100.00	full	EUR	69.2
Helvetia Grundstücksverwaltung GmbH, Frankfurt a.M.	Life	100.00	full	EUR	0.0
Hamburger Assekuranz GmbH, Frankfurt a.M.	Other	100.00	full	EUR	3.1
Helvetia Leben Maklerservice GmbH, Frankfurt a.M.	Life	100.00	full	EUR	0.0
Helvetia Versicherungs- u. Finanzdienstleistungsvermittlung GmbH, Frankfurt a.M.	Other	100.00	full	EUR	0.0
INZMO UG, Berlin		50.60	equity	EUR	
Italy					
Helvetia Compagnia Svizzera d'Assicurazioni S.A., Rappresentanza Generale e Direzione per l'Italia, Milan[1]	Non-life	100.00	full	EUR	
Helvetia Vita – Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan	Life	100.00	full	EUR	47.6
Chiara Assicurazioni S.p.A., Milan	Non-life	100.00	full	EUR	12.4
Helvetia Italia Assicurazioni S.p.A., Milan	Non-life	100.00	full	EUR	15.6
APSA s.r.L., Milan	Non-life	100.00	full	EUR	0.1
GE.SI.ASS Società Consortile a R.L., Milan	Other	100.00	full	EUR	0.0

from 31 December 2018	Business activities	Holding in %	Method of consolidation	Currency	Share capital in million
Spain					
Helvetia Holding Suizo, S.A., Madrid	Other	100.00	full	EUR	90.3
Helvetia Compañía Suiza, Sociedad Anónima de Seguros y Reaseguros, Seville	Life and non-life	98.99	full	EUR	21.4
Gesnorte S.A., S.G.I.I.C., Madrid		27.70	equity	EUR	
Austria					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Österreich, Vienna[1]	Non-life	100.00	full	EUR	
Helvetia Versicherungen AG, Vienna	Life and non-life	100.00	full	EUR	12.7
Smart Insurance & IT Solutions GmbH, Vienna[2]	Other	100.00	full	EUR	0.0
protecta.at Finanz- und Versicherungsservice GmbH, Vienna	Other	100.00	full	EUR	0.0
ZSG Kfz-Zulassungsservice GmbH, Vienna		33.33	equity	EUR	
Assistance Beteiligungs-GmbH, Vienna		24.00	equity	EUR	
France					
Helvetia Compagnie Suisse d'Assurances S.A., Direction pour la France, Le Havre[1]	Non-life	100.00	full	EUR	
Helvetia Assurances S.A., Le Havre	Non-life	100.00	full	EUR	94.4
Groupe Save, Le Havre	Non-life	100.00	full	EUR	0.1
Seasecure Holding SAS, Marseille		36.46	equity	EUR	
Belgium					
Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A., Bruxelles	Non-life	100.00	full	EUR	1.8
Liechtenstein					
Helvetia Swiss Insurance Company in Liechtenstein Ltd, Vaduz	Non-life	100.00	full	CHF	5.0
Luxembourg					
Helvetia Europe S.A., Luxembourg	Other	100.00	full	EUR	3.6
VP SICAV Helvetia Fund International Bonds	Other	100.00	full	EUR	–
VP SICAV Helvetia Fund European Equity	Other	100.00	full	EUR	–
VP SICAV Helvetia Fund International Equity	Other	100.00	full	EUR	–
Swiss Cap Private Debt Fund	Other	100.00	full	USD	–
Helvetia Venture Fund S.A., SICAR	Other	98.21	full	EUR	–
Malaysia					
Helvetia Swiss Insurance Company Ltd., Kuala Lumpur[1]	Non-life	100.00	full	USD	–
Singapore					
Helvetia Swiss Insurance Company Ltd., Singapore[1]	Non-life	100.00	full	USD	–
USA					
Helvetia Latin America LLC, Miami	Non-life	100.00	full	USD	0.1
UK					
Helvetia Marine Services Ltd., London	Non-life	100.00	full	GBP	0.0
Worldwide					
Helvetia Schweizerische Versicherungsgesellschaft AG, Rückversicherung, St. Gallen[1]	Non-life	100.00	full	CHF	

1 Branches
2 RZD Datenverarbeitungsgesellschaft GmbH was renamed Smart Insurance & IT Solutions GmbH with effect from 1 August 2018.

Statutory Auditor's Report

To the General Meeting of Helvetia Holding AG, St. Gallen

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Helvetia Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 68 to 178) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Valuation of life reserves

Valuation of loss reserves

Recoverability of goodwill

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of life reserves

Key Audit Matter

When valuing life reserves, management makes assumptions on future events (death, disability, longevity). In particular, this applies to the estimated value of benefits that will have to be paid out in the future as well as the settlement costs arising from these insurance contracts.

When calculating the amounts of such liabilities, assumptions on the reserving interest rate, mortality, cancellation rate, disability, expenses and the expected rate of return on capital investments are particularly relevant. These assumptions are based on realistic best estimates and take into account internal and external factors. Determining these assumptions involves significant judgement, whereby even small changes in the assumption may have a material impact on the value of the liabilities. Actual benefits paid out may deviate from the liabilities as recorded; this means the liabilities may be too low or too high.

Our response

In summary, we have audited the life reserves as follows:

- Inclusion of actuaries as part of the audit team.
- Testing of the operating effectiveness of selected key controls regarding the calculation of the life reserves and the integrity of the data used in the actuarial calculation.
- Critically assessing the methodology used by the Group to calculate the reserves.
- Examining the determination of the most important assumptions.
- Evaluating the reasonableness of the assumptions used, such as reserving interest rate, mortality, cancellation rate, disability, expenses and expected rate of return on capital investments.
- Independently recalculating the forward projection of the actuarial reserve for a sample of business lines.
- Reconciling the underlying data used to calculate the life reserves with the sub systems using random samples.

For further information on the valuation of the life reserves refer to the following:

- Chapter 9

Valuation of loss reserves

Key Audit Matter

Reserves have been established for claims incurred (both incurred and reported and incurred but not reported claims) up to the end of the business year. These include the costs of claims expected to be paid as well as the costs of handling claims. The reserves are calculated using actuarial methods and assumptions. Determining these assumptions involves significant judgment, and even small changes in the assumptions may have a material impact on the value of the reserves.

Our response

In summary, we have audited the claims reserves as follows:

- Inclusion of actuaries as part of the audit team.
- Testing of the operating effectiveness of selected key controls for the calculation of the loss reserves and the integrity of the data used in the actuarial calculation.
- Critically assessing the methodology used by the Group to calculate reserves.

In addition, the actual claims paid out may deviate from the estimates.

- Examining the determination of the most important assumptions.
- Independently recalculating the reserves of the most important business lines as well as reconciling and assessing the reasonableness of the reserves recorded by the Group.

For further information on the valuation of loss reserves refer to the following:

- Chapter 9

Recoverability of goodwill

Key Audit Matter

As at year-end, the group disclosed a carrying value for goodwill of CHF 1'129.1m. There is a risk that this carrying value may not be recoverable. The goodwill position is subject to an annual goodwill impairment test. The impairment test determines the recoverable amount by calculating the value in use, comparing it to the goodwill's carrying value. If the recoverable amount exceeds the carrying value, no impairment is required.

The value in use is calculated using the discounted cash flow (DCF) method, which is in particular influenced by expected future cash flows, the applied discount rates as well as the growth rates. Therefore, the calculation of the value in use involves elements of uncertainty and is subject to management's judgment.

Our response

For the goodwill position, we have principally performed the following audit procedures:

- Testing of the operating effectiveness of selected key controls concerning the budgeting approval process and the application of DCF models.
- Critically assessing the budgeting process, including back-testing the most important figures; this means comparing the budget values with the actual values of the last 5 years.
- Reconciling the budget and forecast values used in the goodwill impairment test with the figures approved by the Board of Directors.
- Recalculating the DCF model.
- Involving a valuation specialist to critically assess the parameters used, in particular the discount rates and the growth rates.
- Appraising the model used by management to calculate the discount rates.
- Independently calculating the discount rates, and comparing and reviewing the reasonableness of the differences to the rates used by management.
- Comparing the growth rates applied with the inflation rates expected in the long term.
- Assessing sensitivity analyses concerning budget achievement, discount rates as well as growth rates.

For further information on the valuation of loss reserves refer to the following:

- Chapter 9

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Bill Schiller	Andrea Bischof
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zürich, 5 March 2019

Financial statements of Helvetia Holding AG

Balance sheet

in CHF million	2018	2017	Change
Assets			
Cash and cash equivalents	0.0	0.4	
Other current receivables			
- from participants	29.2	256.7	
Deferred income	240.2	0.0	
Current assets	269.4	257.1	4.8%
Financial assets	218.0	218.0	
Participations	1 589.1	1 589.1	
Non-current assets	1 807.1	1 807.1	0.0%
Total assets	**2076.5**	**2064.2**	**0.6%**
Liabilities and equity			
Trade payables	3.9	3.7	
Current interest-bearing liabilities			
- from third parties	150.0	0.0	
Deferred income	1.2	1.2	
Current liabilities	155.1	4.9	
Non-current interest-bearing liabilities			
- from third parties	0.0	150.0	
Non-current liabilities	0.0	150.0	
Total liabilities	155.1	154.9	0.1%
Share capital	1.0	1.0	
Legal capital reserves			
- Reserve from capital contributions	0.9	0.9	
Legal retained earnings			
- General legal retained earnings	86.1	86.1	
- Reserve for treasury shares	11.8	8.9	
Voluntary retained earnings	688.2	690.4	
Retained profit			
- Profit carried forward	893.8	116.4	
- Annual profit / loss	240.1	1 006.1	
Treasury shares Helvetia Holding AG	–0.5	–0.5	
Total equity	1 921.4	1 909.3	0.6%
Total liabilities and equity	**2076.5**	**2064.2**	**0.6%**

Income statement

in CHF million	2018	2017	Change
Dividend income	240.2	229.3	
Realised gains on capital investments	0.0	798.4	
Interest income	1.8	0.6	
Total operating income	242.0	1 028.3	
Interest payable	–1.7	–22.2	
Total operating expenses	–1.7	–22.2	
Earnings before tax	240.3	1 006.1	–76.1 %
Income tax	–0.2	0.0	
Annual profit / loss	**240.1**	**1 006.1**	**–76.1 %**

Proposed appropriation of profit

in CHF million	2018	2017
Profit for the period	240.1	1 006.1
Profit carried forward	893.8	116.4
At the disposal of the Shareholders' Meeting	1 133.9	1 122.5
Proposed dividend[1]	238.7	228.7
Allocation to free reserves	0.0	0.0
Profit carried forward to new account	**895.2**	**893.8**

[1] 2018: CHF 24.00 per registered share
2017: CHF 23.00 per registered share

Notes to the financial statements Helvetia Holding AG

1. Principles

1.1 General
The 2018 financial statements of Helvetia Holding AG were prepared in accordance with the provisions of Swiss accounting law (chapter 32 of the Swiss Code of Obligations). The applied valuation principles comply with the law. The material valuation principles that are not prescribed by law are discussed below.

1.2 Valuation principles
Measurement is carried out in accordance with uniform criteria. Assets and liabilities are measured on an individual basis. Subsequent to initial recognition, assets are measured at amortised cost. Liabilities are stated at par value.

Investments in other companies are recognised at purchase cost less impairment.

Loans are reported at par value less impairment.

Treasury shares are charged to equity in the balance sheet at purchase cost as of the acquisition date. In case of a sale at a later date, the gain or loss is recognised without affecting profit or loss.

1.3 No need to include cash flow statement and management report
As the Helvetia Group prepares consolidated financial statements in accordance with a recognised accounting standard (IFRS), in accordance with the statutory provisions it therefore does not have to include a management report and statement of cash flow in these financial statements.

2. Notes on balance sheet and income statement items

2.1 Prepaid expenses and deferred charges
The dividend of the subsidiary Helvetia Schweizerische Versicherungsgesellschaft AG distributed from its net profits for 2018 is paid simultaneously to Helvetia Holding AG and thus recognised on a transitory basis under "Prepaid expenses and deferred charges". The item in the amount of CHF 240.2 million exists vis-à-vis Group companies. The reporting was changed in 2018 due to the FTA communication. In the previous year, the simultaneously realised dividends were reported under "Current receivables from shareholdings".

2.2 Shareholdings
On the reporting date, Helvetia Holding AG owned the following direct investment:

	Reported company capital	Holding as of	Reported company capital	Holding as of
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
in CHF million				
Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen	77.5	100.00%	77.5	100.00%

2.3 Bond

On 8 April 2013, Helvetia Holding AG issued a 1.125% bond 2013–2019 with a par value of CHF 150.0 million. The bond was subscribed and paid on 8 April 2013 and must be repaid at par value on 8 April 2019. The bond has a coupon rate of 1.125% p.a., which is paid annually on 8 April.

2.4 Maturity structure of interest-bearing liabilities

	31.12.2018	31.12.2017
in CHF million		
up to 1 year	150.0	0.0
1 to 5 years	0.0	150.0
More than 5 years	0.0	0.0

2.5 Share capital and authorised capital

The share capital of CHF 994,513.70 consists of 9,945,137 registered shares with a par value of CHF 0.10.

2.6 Treasury shares

	Low in CHF	High in CHF	Average price in CHF	Number
As at 1.1.2017				49,638
Purchases	549.00	552.50	551.90	5,974
Sales	547.00	547.75	547.70	–4,271
As at 31.12.2017				51,341
Purchases	569.00	606.60	593.40	7,205
Sales	566.50	582.00	581.90	–2,412
As at 31.12.2018				56,134

2.7 Dividend income

The dividend income of Helvetia Holding AG represents the simultaneously distributed dividend of Helvetia Schweizerische Versicherungsgesellschaft AG. In this regard, please also see the comment on "2.1 Prepaid expenses and deferred charges".

2.8 Auditors' fees

in CHF	31.12.2018	31.12.2017
Auditing services	16,000	16,000
Other services	0	0

The audit fees include the fees for mandates connected directly or indirectly to an existing or future audit mandate as well as the fees for audit-related activities (including questions concerning the accounts, support in regulatory matters and statutory special audits).

3. Other information

3.1 Full-time equivalents
Helvetia Holding AG does not have any employees.

3.2 Guarantee and contingent liabilities
Helvetia Holding AG belongs to the Helvetia VAT group and is therefore jointly and severally liable for VAT debts.

Helvetia Holding AG has issued subordinate and unsecured guarantees of CHF 1.9 billion vis-à-vis the bond creditors of Helvetia Schweizerische Versicherungsgesellschaft AG. This is associated with (i) the subordinated bond issued in September 2015 in the amount of CHF 300.0 million and (ii) a subordinated bond issued in October 2014 in the amount of CHF 1 billion (two unsecured senior bonds at CHF 225.0 million and CHF 150.0 million, and two unsecured junior bonds at CHF 400.0 million and CHF 225.0 million) as well as (iii) a subordinated hybrid bond issued in March 2017 with a volume of EUR 500.0 million (CHF 563.5 million).

3.3 Shareholders with interests of more than 3.00%
The following shareholders were entered in the share register on the reporting date of 31 December 2018:

– Patria Genossenschaft, Basel, with 34.09% (previous year: 34.09%).
– Chase Nominees Ltd., London, with 4.25% (previous year: 5.05%)
– BlackRock AG, Zurich, with 2.98%, of which 2.36% are held indirectly (previous year: 3.21%, of which 2.56% were held indirectly).

3.4 Additional information for companies listed on the stock exchange
The information on investments of the members of the Board of Directors and the Executive Management required under Art. 663c para. 3 of the Swiss Code of Obligations is provided in the Notes to the 2018 consolidated financial statements of the Helvetia Group under chapter 15.

3.5 Ownership interests of members of the Board of Directors and the Executive Management
Information on the allocation of ownership interests to the members of the Board of Directors and the Executive Management is provided in the Notes to the 2018 consolidated financial statements of the Helvetia Group under chapter 15.

3.6 Material events after the reporting date
There were no material events after the reporting date that would have an impact on the carrying values of the reported assets or liabilities or that would need to be disclosed here.

Statutory Auditor's Report

To the General Meeting of Helvetia Holding AG, St. Gallen

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Helvetia Holding AG, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 184 to 188) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Bill Schiller	Andrea Bischof
Licensed	*Licensed Audit Expert*
Auditor in Charge	

Zürich, 5 March 2019

Embedded Value

in CHF million	31.12.2018	31.12.2017
Embedded Value after tax		
Switzerland	**3 040.8**	**3 202.0**
of which value of insurance portfolio	1 877.4	1 946.6
of which adjusted equity	2 351.2	2 327.3
of which solvency costs	– 1 187.8	– 1 071.9
EU	**606.4**	**588.1**
of which value of insurance portfolio	407.8	360.9
of which adjusted equity	367.6	370.2
of which solvency costs	– 169.0	– 143.0
Total[1]	**3 647.2**	**3 790.1**
of which value of insurance portfolio	2 285.2	2 307.5
of which adjusted equity	2 718.8	2 697.5
of which solvency costs	– 1 356.8	– 1 214.9

[1] of which minority interests CHF 2.1 million as of 31.12.2018

Assumptions		
in %		
Switzerland		
Risk Discount Rate	6.5 %	6.0 %
Yield on bonds	0.4 % – 1.5 %	0.4 % – 1.4 %
Yield on equities	6.5 %	6.0 %
Yield on real estate	4.2 %	4.4 %
EU		
Risk Discount Rate	7.0 % – 8.5 %	6.5 % – 7.5 %
Yield on bonds	2.1 % – 3.2 %	1.8 % – 3.1 %
Yield on equities	7.0 %	6.5 %
Yield on real estate	4.3 %	4.7 %

in CHF million	31.12.2018	31.12.2017
Development of Embedded Value after tax		
Embedded value as of 1 January	3790.1	3264.1
Operating profit from insurance portfolio and adjusted equity	255.0	419.4
Value of new business	44.3	48.7
Economic changes, including changes to unrealised gains and losses on investments (equity and real estate)	–346.8	79.9
Dividends and movement of capital	–72.9	–69.6
Foreign currency translation differences	–22.5	47.6
Embedded Value as of 31 December	**3647.2**	**3790.1**

in %		
Sensitivities		
+1% change to risk discount rate	–8.0%	–8.1%
–1% change to risk discount rate	9.7%	9.9%
–10% change to fair value of equities	–3.4%	–3.5%
–10% change to fair value of real estate	–13.4%	–12.2%
+1% change to new money rate	9.6%	9.5%
–1% change to new money rate	–16.7%	–18.4%

in CHF million		
New Business		
Switzerland		
Value of new business	24.6	28.4
Annual Premium Equivalent (APE)	162.9	162.0
Value of new business in % APE	15.1%	17.5%
Present value of new business premiums (PVNBP)	1716.9	1688.6
Value of new business in % PVNBP	1.4%	1.7%
EU		
Value of new business	19.7	20.3
Annual Premium Equivalent (APE)	111.1	117.5
Value of new business in % APE	17.7%	17.3%
Present value of new business premiums (PVNBP)	917.1	949.8
Value of new business in % PVNBP	2.1%	2.1%
Total		
Value of new business	44.3	48.7
Annual Premium Equivalent (APE)	274.0	279.5
Value of new business in % APE	16.2%	17.4%
Present value of new business premiums (PVNBP)	2634.0	2638.4
Value of new business in % PVNBP	1.7%	1.8%

Annual Premium Equivalent (APE): 100% annual premium for new business +10% of single premium of new business

Service

Glossary

Actuarial reserve
Technical life insurance reserve calculated in compliance with official guidelines and which, in conjunction with future premiums, secures claim payments.

Amortised cost
The amortised cost value of an investment is the amount at which the asset is first valued, less any impairments and plus or minus the difference between the original cost price and the redemption amount on maturity (premium / discount), with the difference being amortised over the term.

Asset liability concept
A means of balancing assets and liabilities on our customers' behalf in such a way as to ensure that all the Group's insurance commitments can be met with maximum security at any time.

Business volume
Sum of the gross premiums written and deposits from investment contracts in the reporting year.

Cash-generating unit
The smallest identifiable group of a company's assets that generates cash inflows that are largely independent of cash flows from other assets.

Claims ratio
The ratio of claims incurred to net premiums earned.

Collateral
Assets (generally securities) which are deposited or pledged as a financial surety.

Combined ratio
The sum of the net expense ratio and the claims ratio is used to evaluate the profitability of non-life insurance business before underwriting interest income is taken into consideration.

Contingent liabilities
Liabilities with little probability of occurring or low probability of causing an outflow of funds. They are not included in the balance sheet, but are mentioned in the notes to the consolidated financial statements.

Cost ratio
Technical costs on own account in proportion to the net premiums earned on own account.

Deferred acquisition costs
Costs which arise in connection with the conclusion of new or the extension of existing insurance contracts. They are taken into account in the balance sheet as assets, distributed across the contract period and recorded in the income statement as expenditure.

Deferred taxes
Deferred taxes arise due to temporary taxable differences between the local tax balance and the IFRS balance. They are established for each balance sheet item and are, when considered from the reporting date, either future tax liabilities or tax credits.

Deposits
(See "Deposits from investment contracts").

Deposits from investment contracts
The amounts paid in during the reporting year from contracts without a significant insurance risk.

Direct business
All insurance policies concluded by Helvetia with customers who are not insurers themselves.

Effective interest method
Allocates the difference between the cost price and redemption amount (premium discount) over the expected life of the corresponding asset using the present value method, thus achieving a consistent interest rate.

Embedded value
Embedded value measures the shareholder value of the life insurance portfolio and is made up of
– the adjusted equity
– plus the value of the insurance portfolio
– less the solvency costs.

Emerging risks
Unexpected and newly emerging or qualitatively changing risks resulting from the combination of different factors.

Equity valuation
Balance sheet practice for measurement of holdings in associated companies. The valuation of the holding in the balance sheet corresponds to the shareholders' equity in this company held by the Group. In the context of ongoing evaluation, this valuation is projected forward to take account of changes in proportional shareholders' equity, while allocating the proportional annual earnings to the Group results.

Fair value asset valuation
Valuation of assets at fair market value. This is the value at which an asset may be exchanged between two specialist and independent business partners who are willing to enter into a contract. As a rule, this is the price that can be achieved on an active market.

Finance lease
Leasing contracts under which all the risks and opportunities associated with the property are essentially transferred to the leasing customer.

Fixed-income investments
Securities (such as bonds, medium-term notes) on which a fixed and constant interest is paid for their entire term.

FTE
"Full-Time Equivalent" is the common unit of measurement for the number of full-time employees when converting all the part-time positions into full-time positions. FTE therefore expresses the fair value of a full-time employee within a comparable period of time.

GRI (Global Reporting Initiative)
The Global Reporting Initiative is a not-for-profit organisation. It was founded in 1997 in connection with the United Nations Environment Programme (UNEP). The GRI's mandate is to develop globally applicable guidelines for sustainability reports.

Gross premiums
The premiums written in the financial year before deduction of premiums ceded to reinsurers.

Group insurance
Insurance contracts concluded for a company's employees.

Hedge accounting
A special IFRS balance sheet practice for hedging transactions, which aims to present hedging instruments and underlying transactions using the same valuation methods in order to reduce the potential volatility of results.

Impairment
Impairment is deemed to be the amount by which the net carrying value of an asset permanently exceeds its recover-able amount (the higher of its net selling price and the net present value of cash flows which are expected to be generated from the use of the asset).

Indirect business
Companies involved in direct business – primary insurers – often do not bear the entire risk alone but pass some of it on to a reinsurer. Like many companies active in direct insurance business, Helvetia also acts as a reinsurer and assumes part of the risk of other primary insurers. These reinsurance transactions are known as indirect business.

Individual insurance
Insurance contracts concluded for individuals.

Insurance benefits
Amounts paid by the insurer in the financial year for claims incurred in respect of insured events.

Legal quota
Legal or contractual obligation to credit the policyholder with a minimum amount of the income or profits from an insurance portfolio in the form of dividends.

Liability Adequacy Test (LAT)
Adequacy test that checks whether the carrying value of an insurance liability is sufficient to cover estimated future requirements.

Loss reserves
Since not all claims will be settled by the end of the financial year in which they arise, provisions must be made in the balance sheet for these outstanding claims or claims likely to be incurred but not yet notified. Such provisions are known as loss reserves or reserves for claims outstanding. Changes to the loss reserves are shown in the income statement.

Net insurance benefits and claims
Total of all benefits paid in the financial year and all changes to technical reserves, less benefits covered by reinsurers.

Net premiums earned on own account
They correspond to the premiums written in the reporting year for the entire business on own account, whilst taking into consideration the changes to the unearned premium reserves.

Net premiums written
If a risk is reinsured, the reinsurer will receive a part of the gross premium in proportion to the risk assumed. The other part is used to finance the risk that remains for the primary insurer. Net premiums thus correspond to gross premiums from total business less the premiums ceded proportionally to reinsurers.

Ogden discount rate
The Ogden discount rate is used by courts in the United Kingdom to determine the present values of future losses arising from personal injuries that are settled against a one-time payment. This primarily impacts motor vehicle and general liability insurance. After being set at 2.5% in 2001, the Ministry of Justice reduced the Ogden discount rate to -0.75% on 27 February 2017 – a much greater reduction than previously forecast by the insurance industry.

Operating lease
Lease agreements under which the risks and opportunities associated with the property remain with the lessor.

Plan assets
Assets that serve to cover employee benefits by means of a long-term fund.

Policyholders' dividend
The positive difference between actual and guaranteed interest income, and between a policy's calculated and actual benefits or costs, is credited to the policyholder as a dividend (particularly applies to life insurance business).

Preferred stock
Corporate bonds that are, in the case of liquidation, subordinate to first-ranking bonds and superordinate to the shareholders and explicitly subordinate bonds.

Premium
Amount to be paid by the policyholder to the insurer for the provision of insurance cover.

Premium reimbursements
Some insurance policies provide that part of the premium may be repaid to the client as a policyholder's dividend at times when few claims have been incurred.

Provisions
Amounts set aside in the balance sheet to meet likely future commitments.

Regular premiums
Amount paid for the provision of insurance cover, in the form of recurring payments.

Reinsurer
Insurance company that assumes part of the risks entered into by a primary insurer.

Reinsurance premiums
Amount paid by the insurer to the reinsurer in exchange for the latter's assumption of risks.

Return on equity (ROE)
Ratio of result to equity: based on the earnings per share (including interest on preferred securities through profit and loss) divided by the average shareholder capital (equity before preferred securities).

Run-off portfolio
An insurance portfolio that is being wound up, i.e. no new contracts are concluded for this portfolio and no existing contracts from this portfolio are extended.

Single premium
Amount paid for the provision of insurance cover, in the form of a one-time payment on commencement of the insurance.

Solvency, Solvency I, Swiss Solvency Test
The term "solvency" refers to the minimum supervisory capital adequacy requirements that must be met by an insurance company. To calculate this, the available capital is compared to the required capital, with the available capital being the equity that is available to cover the required capital.

The required capital is the minimum amount of capital funds which an insurance company needs to ensure that it can always meet its liabilities from insurance policies. Currently, insurance groups domiciled in Switzerland are subject to two different solvency systems. While the "Solvency I" system, which has been in force for many years, requires sufficient volume-based capital to cover the insurance obligations, the required capital is calculated on a risk basis for the "Swiss Solvency Test" (SST) which entered into force on 1 January 2011.

SPPI financial instruments
Financial instruments where the contractual payment flows fall due at specific times and solely comprise repayment of principal and interest on the amount outstanding.

Technical reserves
Total amount of reserves for unearned premiums, reserves for claims outstanding, actuarial reserves, reserves for future policyholder dividends and other technical reserves that appear under liabilities on the balance sheet.

Total benefits
Sum of all the benefits insured (particularly applies to life insurance business).

Total business
Direct and indirect business combined.

Unearned premium reserve
In many cases, the insurance period for which a premium is paid in advance and during which the insurance company bears the risk does not correspond with the financial year. The part of the premium relating to the insurance period falling in the next financial year has not been earned by the end of the current year, and must be transferred to reserves at the end of the financial year. This is the unearned premium reserve which appears in the balance sheet under technical reserves. Changes to the unearned premium reserve are shown in the income statement.

Unit-linked policies
Policies in which the insurer invests the policyholder's savings capital for the account of and at the risk of the latter.

Volume of new business
The volume of new business is the new business written in the reporting year. Helvetia calculates this based on the present value of new business premiums (PVNBP).

Zillmering
Balancing of an account with part of the unamortised acquisition costs taken into consideration.

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Important dates

3 May 2019	Ordinary Shareholders' Meeting in St. Gallen
29 August 2019	Publication of half-year financial results for 2019
4 March 2020	Publication of financial results 2019

Multi-year overview

	2014	2015	2016	2017	2018
in CHF million					
Business volume					
Gross premiums life	4614.5	4311.1	4525.0	4384.3	4480.1
Deposits received life	153.0	148.0	110.0	163.2	197.1
Gross premiums non-life	2789.2	3532.7	3536.6	3678.5	3874.5
Assumed reinsurance	209.9	243.5	341.1	415.3	521.6
Business volume	7766.6	8235.3	8512.7	8641.3	9073.3
Key performance figures					
Result life	115.0	149.8	150.6	173.4	147.9
Result non-life	193.0	240.3	251.2	290.0	332.0
Result Other activities	85.3	–80.6	–25.2	–60.5	–48.9
Group profit for the period after tax	393.3	309.5	376.6	402.9	431.0
Investment result	1476.9	1185.4	1212.8	1513.4	580.1
of which investment result from Group financial assets and investment property	1275.4	1105.6	1144.4	1348.7	794.4
Key balance sheet figures					
Consolidated equity (without preferred securities)	4963.1	4655.3	4812.6	5229.4	5097.1
Provisions for insurance and investment contracts (net)	41275.0	41143.0	42315.3	44385.5	44418.5
Investments	48018.0	47939.0	49578.9	52306.1	51997.5
of which Group financial assets and investment property	44843.4	45036.3	46471.6	48629.2	48583.5
Ratios					
Return on equity	9.0%	6.1%	7.4%	7.8%	8.1%
Reserve to premium ratio non-life	193.2%	154.4%	152.2%	156.3%	145.0%
Combined ratio (gross)	91.1%	91.7%	88.5%	88.8%	88.7%
Combined ratio (net)	93.5%	92.1%	91.6%	91.8%	91.0%
New business margin	0.8%	0.9%	1.3%	1.8%	1.7%
Direct yield	2.5%	2.2%	2.2%	2.1%	2.0%
Investment performance	7.7%	1.6%	2.5%	2.8%	0.3%
Key share data Helvetia Holding AG					
Group profit for the period per share in CHF	43.0	29.0	36.1	39.1	41.9
Consolidated equity per share in CHF	503.2	470.4	486.3	528.5	515.4
Price of Helvetia registered shares at the reporting date in CHF	474.0	566.0	548.5	548.5	574.5
Market capitalisation at the reporting date in CHF million	4687.6	5628.9	5454.9	5454.9	5713.5
Number of shares issued	9889531	9945137	9945137	9945137	9945137
Employees					
Helvetia Group	7012	6675	6481	6592	6624
of which segments Switzerland and Corporate	3752	3478	3376	3499	3542

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