

Letter to Shareholders^{1/03}



Ladies and Gentlemen!

The past 12 months will go down in history as a black year for the insurance industry. Despite the difficult economic environment the Helvetia Patria managed to hold a good operative position.

The non-life business as stabilizing element

From an economic point of view, the past year was characterized by many extraordinary developments: On one hand, premium income exceeded the CHF 5 billion mark for the first time, on the other hand, low interest rates and the bear market depressed the profitability. The flood disasters in Germany and Austria were mostly compensated by favourable claims trends in Switzerland and Italy thus leading the non-life business to become a important earnings pillar.

The high growth rate in the Swiss group insurance sector brought the premium ratio to shift in favour of the life business generating 61 per cent of the premium income. The domestic market contributed with its amount of CHF 3170.9 million in premiums 62 per cent to the aggregate Group premium income.

Key consolidated figures at 31.12.02

Helvetia Patria Group in CHF million

	31.12.01	31.12.02
Gross premiums written	4 606.3	5 144.9
Income from investments	736.2	-67.2
Profit before taxation	142.5	-350.6
Profit after taxation and minority interests	100.6	-362.0
Investments at market value	23 529.3	23 851.9
Net underwriting reserves	20 477.6	21 815.2
Consolidated shareholders' equity before appropriation of profit	1 519.7	1 046.5
Number of employees	4 789	4 825

Dividend payment despite loss

Although the operating insurance business proceeded well thanks to a prudent underwriting policy and a strict cost control, an annual loss of CHF 362.0 million has to be reported as a result of a significantly lower investment performance. Despite of this negative result, the Board of Directors intends to take a stand and will submit a proposal to the Shareholders' Meeting for a dividend payment of CHF 2 per share. With a consolidated shareholders' equity of CHF 1046.5 million Helvetia Patria continues to be sufficiently capitalized. There are, however, plans for an approved capital increase to ensure room for manoeuvre for future growth opportunities and acquisitions. According to the proposal, the Board of Directors would be authorized by the Shareholders' Meeting to increase the shareholders' equity by a maximum of 50 per cent over the period of two years.

Profitability before growth

The economic development and the geopolitical situation but also the interest-rate-related regulatory framework will all continue to determine the course of the current year. The financial markets will persist on heavily impacting the earnings situation of the insurers. The Helvetia Patria intends to focus on its strengths in the insurance business – trustworthiness, cost control and portfolio quality – and specifically use them to return to a sustainable profitability. Enhancing the risk capacity and the earning power are both given special emphasis. The first three months of the current year give us reason to be optimistic. We are convinced to be able to generate an adequate profit in the current year by following a clear strategy, by persistently focussing on the core business and by continuously optimizing our operations.

Sincerely

Hans-Rudolf Merz

Chairman of the Board of Directors

Erich Walser

Delegate of the Board

**HELVETIA
PATRIA**



The Group Result and the Investment Business

Despite the fact that the Helvetia Patria achieved pleasing efficiency gains and an accelerated premium growth of 11.7 per cent during the past year, it has, however, to report a negative overall result after taxation of CHF 362.0 million, for the first time in its history. While the life underwriting result was heavily affected by the investment performance and turned out to be lower compared to last year, the non-life sector improved on both fronts, claims and costs.

Bear market lowers shareholders' equity

The significant decline of the general interest rate level caused a strong increase of the valuation margin on the fixed-interest-rate securities. The accounting rules applied however prevented this from being reflected in the revaluation reserves of the shareholders' equity. On the other hand, the declining interest rate levels and the recovery of the real estate market had positive effects. We have continued to apply the accounting standard Swiss GAAP FER 14, as we did for the past years, and thus charged unrealized capital losses directly to the profit and loss statement and not to the shareholders' equity, as the IFRS – formerly IAS – would stipulate. For reasons of comparability and transparency, we have again decided for this year not to use the potential relief. The profit and loss account was charged with about CHF 119 million. The shareholders' equity decreased altogether from CHF 1519.7 million at the end of 2001 to CHF 1046.5 million (including the reduction of the shareholders' equity of CHF 114.8 million taking effect in 2002).

Diverging results in the country markets

It goes without saying that the bear market impacted the operating results of all country units. The Swiss business – especially the life sector – was the most affected by the declining financial markets due to its high equity base with a correspondingly higher share quota. Lower operating results were also recorded for Germany and for our Austrian subsidiary «Der ANKER» with both suffering additionally from the damages of the massive flood disasters. The other companies of the Group managed to improve their operating results thanks to the favourable underwriting trends and all reached positive profit reports. The same applies to the underwriting results of the Swiss non-life business as well as to the assumed reinsurance.

Group results in CHF million

	2001	2002
Underwriting profit from non-life activities	81.4	95.8
Underwriting profit from life activities	17.8	– 87.1
Non-underwriting profit	43.3	– 359.3
Profit before taxation	142.5	– 350.6
Taxation	– 42.1	– 11.3
Minority interests	0.2	– 0.1
Profit after taxation and minority interests	100.6	– 362.0

The Investment Business

The adverse developments at the international financial markets were taking their heavy toll on our investment business. The deteriorating stock markets caused high value adjustments for our investments and required a reduction of the share quota to maintain solidity. Extensive hedging measures were put in place with the objective to ensure a comprehensive accounts protection thus shielding the remaining share holdings.

Lower share quota

The growing insurance business led to a net investment demand for the whole year requiring us to handle this need while the difficult situation at the capital markets was still persisting. The new funds were mostly invested in fixed-interest-rate securities – despite the low interest rate level – and led to a shift in the asset allocation. Shareholdings substantially decreased while the portion of fixed-interest-rate securities and real estate increased due to additional purchases and appreciation.

Investment income remains at last year's level

The ordinary income remained at last year's level due to the declining interest rate levels and despite the fact that the portion of the interest-bearing investments had significantly risen. The balance of profits and losses realized on investment disposals massively remains below last year's amount. This has two reasons. The severe downward revision of the stock markets played an important role and the equity-securities' valuation margins, already notably lower in the past year, are limiting the potential for realization of profits.

The Insurance Business

Premium growth of the Helvetia Patria Group in local currency achieved a rate of 12.0 per cent compared to 7.2 per cent last year. The premium volume for existing business accelerated therefore notably compared to 2001 (6.3 per cent) and reached a rate of 11.7 per cent. The direct business with 13.1 per cent in local currency showed an even stronger rise.

High premium growth

The direct business in the life sector expanded by 17.6 per cent in local currency and thus significantly contributed to the premium growth. The domestic market played here with 21.2 percentage points a decisive role while the increase in the relatively small foreign market was limited to 0.2 per cent. Helvetia Patria expanded its market share in Switzerland. Premium increase abroad remained below the overall market level. The direct business in the non-life sector showed with a 6.9 percentage growth rate an improvement as well. The increase of 9.0 per cent abroad was far ahead of Switzerland with 1.3 per cent.

Market diversification provides profit balance

The low financial result and an adverse economy-related risk trend in the disability insurance segment made their mark on the underwriting result in the life sector

which showed with CHF -87.2 million a negative result. Switzerland was especially impacted since a high premium proportion is generated in the domestic market. The consequences of lower investment performances and continuously too high policyholders' dividends were reflected in the negative results in Germany and «Der ANKER». The subsidiaries, however, in Italy and Spain managed to improve the underwriting results and to post profits thanks to their varying product range. On the one hand, the share of the pure risk- and fund business is much higher in those countries, but on the other hand, the group insurance portion is considerably lower than in the core markets.

Good non-life result

The expense ratio was further reduced. This applies to all country units with the exception of «Der ANKER», which reports a significantly lower premium income due to the sale of the commercial business for medium-sized companies. Despite the given damages from storms and floods in Germany and Austria the underwriting result of the non-life sector considerably improved further with a higher claims trend though to be reported.

◀ Investment income by asset type (without value adjustments and readjustments as recorded in the books) in CHF million

	Ordinary income 2001	Ordinary income 2002	Change in ordinary income	Realized profits/losses on investments 2001	Realized profits/losses on investments 2002	Change in ordinary income
Real estate	186.1	193.1	3.8%	23.6	10.8	-54.2%
Investments in affiliates and associated companies	3.5	0.4	-88.6%	36.0	0.3	-99.2%
Shares, other non-fixed-interest-rate securities and investment funds	77.9	59.0	-24.3%	518.3	-127.2	-124.5%
Fixed-interest-rate securities	428.8	477.6	11.4%	29.2	69.8	139.0%
Promissory loans	34.5	34.6	0.3%	0.0	0.0	-
Mortgages	125.9	120.9	-4.0%	-1.1	-0.7	-36.4%
Policy loans	9.2	7.9	-14.1%	0.0	0.5	-
Fixed-term deposits and similar	47.4	20.7	-56.3%	0.0	0.0	-
Total	913.3	914.2	0.1%	606.0	-46.5	-107.7%

Results by country

Switzerland

The Helvetia Patria managed to stand its ground despite having to cope with a difficult market environment during the last year with the stock markets being in negative territory and the interest rate at a low level: premium income set a new record with the amount of CHF 3170.9 million, an increase by 17.2 per cent. The life business saw its premiums rise by 21.2 per cent with the group life insurance segment attaining an above-average growth rate of 27.1 percentage points. The risk results in the whole-life insurance continued to provide high profit contributions while the development in the disability insurance took an unsatisfactory path. The excessive minimum interest rate for the mandatory occupational benefit plans persists in causing problems and so do the low interest rates thus making the investment of new funds not attractive.

Growth in the non-life sectors reached 1.3 per cent and showed with the amount of CHF 540.8 million also a good level. The excellent portfolio quality and a tenacious cost management led the combined ratio (sum of claims ratio and expense ratio) to attain a value which is substantially below 100 per cent.

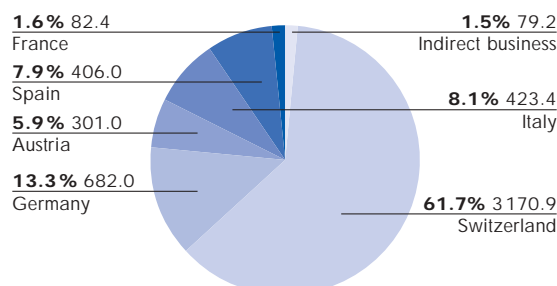
The current year will see the focus on improving the profitability with special emphasis being put on the profitable individual life insurance policies and on the non-life business with its good earnings strength. Unsatisfactory conditions in the occupational benefits plans necessitate to adhere to a very selective underwriting policy.

Germany

The operating results of the German subsidiaries were marked last year by numerous storm –, hail and flood damages which were unique in both, their frequency and the severity of the loss events. The extremely high amount of claims paid and the adverse capital market development were both the causes that, for the first time in many years, Helvetia Germany reported an unsatisfactory annual result for the entire non-life segment before the release of the equalisation reserves.

Thanks to persistently adhering to its effective distribution- and business strategy, Helvetia Germany managed to increase the premium volume in the non-life segment significantly above the market average with the expense ratio holding stable at the same time. In the motor-vehicle sector, in particular, new and combined products geared to automobile-related businesses have enjoyed high demand. The restructuring

Gross premiums earned in 2002 in CHF million



efforts resulted in an increased premium income while the portfolio's quality remained high.

A positive premium trend of 3.5 per cent is again being reported from the life insurance business as a result of the number of new policies also significantly beating the industry-average, and of fewer policy cancellations. This positive development occurred although the expectations put in the new law promoting wealth formation («Riester-Rente»), which took effect at the beginning of 2002, have not yet materialized.

Austria

Growth of the periodic premium life insurance policies rose above the market average at our Austrian subsidiary «Der ANKER». Single premium policies experienced a heavy setback due to the turbulent stock market situation and the necessary reduction of the policyholders' dividends in the last year. Steady growth, however, was still recorded for the non-life sectors.

The restructuring efforts implemented have already shown positive effects on the operating result of «Der ANKER» and stabilized the growth rate despite the currently weaker economic cycle. Implementing the new strategy with the focus on private clients and small businesses required ANKER's portfolio to be streamlined thus causing the premium income in the non-life sector to decrease.

The underwriting result was impacted in the second half of the year by the flood disasters in August as well as by damages from several storms and hail which all caused – together with the adverse capital market situation – an unsatisfactory business result. The management has taken steps to improve the performance. The successful strategy of focussing on selective and profitable customer segments will be continued at the same time.

Italy

The non-life premium income of Helvetia Italia managed again to exceed the market average with its 10.6 per cent growth rate. This advance goes hand in hand with an improving portfolio quality. The difficult motor-vehicle business remained below the level of the other non-life segments despite renewed rate adjustments. Due to the adverse trend of some customer segments the premiums of the general third party liability insurance were increased thus contributing to the high growth rate. Operating result in Italy significantly exceeded last year's result thanks to excellent cost control and a good claims year.

Spain

Our two Spanish subsidiaries, Helvetia CVN and Previsión Española, were able to take advantage of those attractive market conditions and have further improved their underwriting results thanks to their uncompromising underwriting policy and strict cost control. Rigorous risk selection did not hamper the premium volume in its advance while the portfolio's quality further increased.

We have decided to merge our two subsidiaries for the purpose of further improving the marketing opportunities, putting synergies to good use and ensuring a continuous progress in the profitability.

France

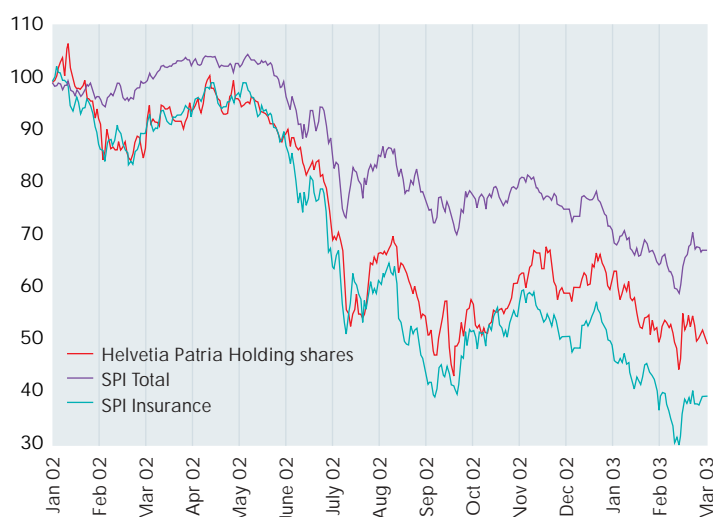
The Helvetia Assurances managed last year to strengthen its market position by 2 per cent to reach 5.5 per cent as a result of its extremely high organic growth as well as the acquisition of an insurance portfolio. The premium volume gained 71.6 per cent and amounted to EUR 56.3 million (2001: EUR 32.8 million). The underwriting result improved on the last year thanks to premium rate increases and cost reductions despite slightly increased claims paid.

Gross premiums in CHF million

		2001	2002	change	change in local currency
Direct business					
Switzerland	non-life	533.7	540.8	1.3 %	1.3 %
	life	2 171.0	2 630.1	21.1 %	21.1 %
Germany	non-life	508.3	553.1	8.8 %	9.7 %
	life	125.4	128.9	2.8 %	3.6 %
Austria	non-life	181.8	172.8	-5.0 %	-4.2 %
	life	145.2	128.2	-11.7 %	-11.0 %
Italy	non-life	290.4	318.5	9.7 %	10.6 %
	life	99.4	104.9	5.5 %	6.4 %
Spain	non-life	315.4	327.2	3.7 %	4.6 %
	life	73.2	78.8	7.7 %	8.5 %
France	non-life	48.4	82.4	70.2 %	71.7 %
Indirect business					
	non-life	104.5	71.9	-31.2 %	-31.2 %
	life	9.6	7.3	-24.0 %	-24.2 %
Total	non-life	1 982.5	2 066.7	4.2 %	4.9 %
	life	2 623.8	3 078.2	17.3 %	17.5 %
Total		4 606.3	5 144.9	11.7 %	12.0 %

Our share

Share price trends index-linked



The international financial markets suffered from the sagging economy and the uncertain geopolitical situation during the last year. Corporate bankruptcies, forged balance sheets and unethical behaviour of some corporate bosses spawned additional mistrust by the investors. Given that environment, it is therefore not astonishing that the leading stock market indexes closed significantly below their previous year's levels. The Dow Jones Index, for example, lost 17 per cent of its value. Europe was especially hard hit. The French CAC 40 dropped 34 percentage points and the German DAX Index almost 44 per cent. The Swiss Performance Index, which includes all companies listed on the Swiss stock market, stood at 3250 points (-26 per cent) and thus fell back to the level of 1997.

Wide-spread lower share prices

Insurance stocks suffered a double blow from the adverse development at the financial markets. The three-year long bear market required high value adjustments of the capital investments and forced the insurers to reduce their equity allocation to comply with the capital base requirements stipulated by law. Significant investment losses and a substantially reduced shareholders' equity were the consequences. Moreover, the prevailing low interest rates were not attractive for the funds becoming now available to be reinvested. Aggravating the

situation for the Swiss insurers were the unfavourable legal framework for the group insurance business as well as a heavy-handed communication policy thus further eroding the investors' trust. Compared with the average of all insurance shares listed on the Swiss stock market – the SPI Insurance Index lost about 51 per cent of its value last year – the registered share of the Helvetia Patria maintained considerably better with its decline of 40 percentage points. The further price trend will be again determined, however, by the company-specific circumstances but much more significantly by the general economic development and by the geopolitical situation.

Strengthening of equity capital base planned

Although the Helvetia Patria is sufficiently capitalized – also after the capital reduction carried out last year – the Board of Directors plans to submit a resolution to the Shareholders' Meeting for an approved capital increase by a maximum of 50 per cent. This will ensure room for manoeuvre for future growth opportunities and acquisitions.

Helvetia Patria Holding

	31.12.01	31.12.02
Market value (in CHF)	253	153
Market capitalisation at end of year ¹ (in Mio. CHF)	1669.1	962.8
Profit after taxation per share ² (in CHF)	16.8	-36.3
Consolidated equity per share ¹ (in CHF)	230.3	170.3
Ratio of market capitalisation to consolidated shareholders' equity	110%	90%
Number of shareholders	3248	3761
Price/earnings ratio ³	15	-
Dividend per share (in CHF)	8.75	2.00
Pay-out-ratio	57%	-
Dividend yield ³	3.5%	1.3%
Securities number/Symbol	1 227 168/HEPN	

¹ Based on 6 293 000 (6 597 192 im Jahr 2001) Helvetia Patria Holding shares

² Based on 6 293 000 (6 597 192 im Jahr 2001) Helvetia Patria Holding shares minus own holdings

³ Based on year-end price

Important Dates

- The Annual Report will be available end of April 2003.
- The Helvetia Patria Shareholders' Meeting will take place on Friday, May 9, 2003 in St.Gallen.
- Results for the first half year 2003 of the Helvetia Patria Group will be reported on October 1, 2003.

Consolidated profit and loss account for the Helvetia Patria Group

Non-Life underwriting in CHF thousand	31.12.01	31.12.02
Net premiums earned	1744 918	1 810 412
Net interest income assigned to non-life activities	127 888	122 613
Net claims paid	-1229 518	-1 291 584
Net change in other underwriting reserves	-2 534	54
Net expenditure on results-linked and non-results-linked policyholders' dividends	-1 082	-1 030
Net change in equalisation reserve	20 981	55 000
Net underwriting expenses	-561 254	-576 118
Other net underwriting expenditure	-17 952	-23 520
Result from non-life underwriting activities	81 447	95 827

Life underwriting in CHF thousand	31.12.01	31.12.02
Net premiums earned	2 588 859	3 044 625
Net interest income assigned to life activities	452 512	500 864
Funds transferred from policyholders' dividend reserve	31 270	27 162
Net benefits paid	-1 658 765	-1 814 784
Net change in actuarial reserves	-1 135 207	-1 529 234
Net change in other underwriting reserves	179 909	25 469
Net underwriting expenses	-290 110	-330 502
Other net underwriting expenditure	-4 869	-827
Result from life underwriting activities before policyholders' dividend distribution	163 599	-77 227
Net expenditure on results-linked and non-results-linked policyholders' dividends	-145 806	-9 941
Result from life underwriting activities	17 793	-87 168

Non-underwriting in CHF thousand	31.12.01	31.12.02
Income from real estate	186 083	193 117
Income from investments in affiliates and associated companies	3 483	439
Income from other investments	723 744	720 694
Interest on deposits	1 487	1 751
Profits realized on investment disposals	1 160 425	382 832
Appreciations on investments	122 984	100 116
Other interest income	8 776	6 806
Expenditure on investments and interest costs	-1 571 107	-1 552 297
Interest assigned to life and non-life underwriting activities	-580 400	-623 477
Other extraordinary income from other business operation	0	410 210
Other income from ordinary business operations	28 432	4 040
Other expenditure on ordinary business operations	-40 647	-3 524
Result from non-underwriting activities	43 260	-359 293

Combined in CHF thousand	31.12.01	31.12.02
Result from non-life underwriting activities	81 447	95 825
Result from life underwriting activities	17 793	-87 168
Result from non-underwriting activities	43 260	-359 293
Result before taxation	142 500	-350 634
Taxation	-42 057	-11 277
Minority interests	181	-91
Result after taxation and minority interests	100 624	-362 002

Consolidated balance sheet for the Helvetia Patria Group

Assets in CHF thousand	31.12.01	31.12.02
Intangible assets	132 288	116 961
Investments	23 529 312	23 851 880
Investments for unit-linked life insurance policies	469 190	514 163
Deposits from reinsurance assumed	77 828	70 132
Receivables from underwriting activities	510 382	509 348
Other receivables	127 601	164 566
Tangible fixed assets	49 249	48 390
Liquid assets	130 244	242 510
Other assets	1 827	2 988
Prepaid expenses	379 630	600 732
Total asset	25 407 551	26 121 670

Liabilities and shareholders' equity in CHF thousand	31.12.01	31.12.02
Shareholders' equity	1 519 662	1 046 489
Minority interests in shareholders' equity	2 035	1 865
Net premium reserve	605 914	628 386
Net actuarial reserves	16 374 670	17 858 935
Net outstanding claims reserve	2 130 904	2 276 694
Net reserve for results-linked and non-results-linked policyholders' dividends	459 529	249 153
Net equalisation reserve	381 603	242 681
Provisions for qualified life insurance policies	464 777	510 197
Other net underwriting reserves	60 196	49 115
Other reserves	892 639	741 412
Reinsurance deposit liabilities	178 834	173 600
Convertible bond	150 000	150 000
Other insurance liabilities	1 856 562	1 944 786
Other liabilities	242 393	151 270
Accrued liabilities	87 833	97 087
Total liabilities and shareholders' equity	25 407 551	26 121 670

St.Gallen, April 4, 2003

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