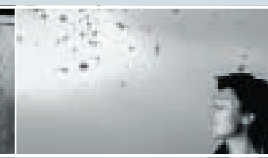
Annual Report 2005





HELVETIA
PATRIA

Contents

Important dates

12 May 2006
Ordinary Shareholders' Meeting in St.Gallen
7 September 2006
Publication of half-year financial results for 2006
29 March 2007
Financial results for 2006: Analysts' and media conference
4 May 2007
Ordinary Shareholders' Meeting in St.Gallen
7 September 2007
Publication of half-year financial results for 2007

Imprint

Publication data
The 2005 Annual Report of the Helvetia Patria Holding is available in English, German and French.

Published by
Helvetia Patria Holding, St.Gallen

Design, layout and typesetting
Die Gestalter, St.Gallen

Picture credits
The members of the Board of Directors and Executive Board were photographed by Marc Wetli, Zurich.

All other photos were produced in conjunction with a photography competition held by Helvetia Patria in 2005.

Production (offset printing)
Schwabe Ltd., Basel

The German version of the Annual Report is legally binding.

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

About the pictures

In spring 2005 Helvetia Patria sought out the photos that best illustrated the theme “happy moments”. A special panel was set up to select its favourites from among the more than 1500 highly individual photos that we received from all over the country.

We have included some of the top picks in this Annual Report for your enjoyment.

At a glance

Key share data Helvetia Patria Holding

	2005	2004	Change
Group profit for the period per share undiluted in CHF	36.2	35.9	0.7%
Group profit for the period per share diluted in CHF	36.2	34.4	5.1%
Consolidated equity per share in CHF	290.0	247.3	17.3%
Year-end price of Helvetia Patria registered shares in CHF	278.0	169.4	64.1%
Market capitalisation at year-end price in CHF million	2405.5	1465.8	64.1%
Price/earnings ratio	8	5	
Dividend per share[1] in CHF	9.00	5.50	63.6%
Number of shares issued	8652875	8652875	

[1] Based on the proposal made at the Shareholders' Meeting

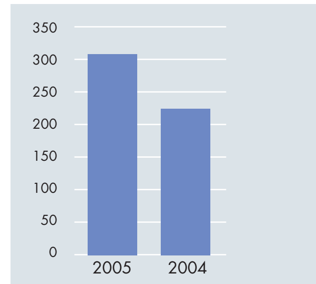
Key data

	2005	2004	Change
Income statement in CHF million			
Gross premiums written	5176.8	4862.9	6.5%
– of which non-life	2386.6	2371.6	0.6%
– of which life	2790.2	2491.3	12.0%
Investment income	1301.5	971.1	34.0%
Pre-tax profit	420.2	300.0	40.1%
– of which life	139.9	147.4	–5.1%
– of which non-life	262.5	145.7	80.2%
– of which other	17.8	6.9	158.0%
Group profit for the period after tax	301.9	222.6	35.6%
Balance sheet in CHF million			
Investments	27783.2	26065.6	6.6%
Provisions for insurance and investment contracts (net)	23969.9	22707.9	5.6%
Consolidated equity	2480.8	2040.7	21.6%
Equity ratio in per cent	13.4%	12.7%	

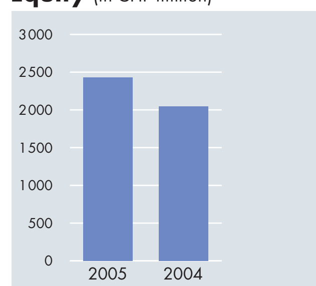
Key figures

	2005	2004
Non-life in per cent		
Funding ratio	149.1%	146.0%
Claims ratio (net)	62.0%	64.2%
Cost ratio (net)	32.0%	33.6%
Combined ratio (net)	94.0%	97.8%
Life in per cent		
Cost ratio net	9.7%	10.4%
Investments in per cent		
Direct yield	3.2%	3.3%
Investment performance	5.5%	4.8%

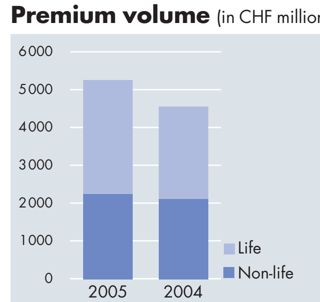
Profit (in CHF million)



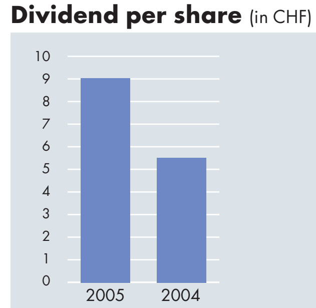
Equity (in CHF million)



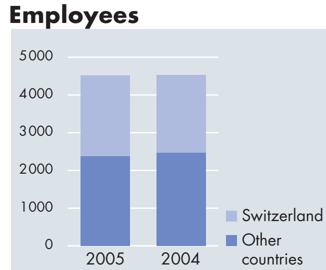
Premium volume (in CHF million)



Dividend per share (in CHF)



Employees



The financial year 2005

Ladies and Gentlemen

2005 was an extremely good year for the Helvetia Patria Group, with strong profit growth, a strategic increase in business volume and appreciable share price gains. The auspicious market environment and favourable financial markets have certainly worked to our advantage, but we have also made significant progress in insurance and investment business. On the operational front, we have seen improvements in both life and non-life business – not just in Switzerland, but internationally, too.

We are proud to have been able to demonstrate our outstanding performance capability on behalf of our clients: in the wake of the devastating floods that hit Switzerland last August, we managed to process around 4 700 claims amounting to CHF 160 million within a very short space of time.

New accounting arrangements

For the first time ever, the Helvetia Patria Group is adopting International Financial Reporting Standards (IFRS) in place of Swiss Generally Accepted Accounting Principles (GAAP ARR). This will mean numerous changes to the way in which we publish our business results. Under IFRS, the judiciously created fluctuation reserves for non-life business in certain countries have to be eliminated, which makes the results more volatile. Any changes in the value of investments will also have a much more direct impact on shareholders' equity and on the income statement under IFRS. In order to ensure comparability with last year's results, all figures relating to the financial year 2004 have been adjusted accordingly in line with IFRS. For further details, see chapter 3 of the Financial statements.

The best results ever in the history of the Group

Last year saw us post a net profit of CHF 301.9 million – an all-time record for the Helvetia Patria Group. Compared with what was already a very good performance in 2004, profits were up CHF 79.3 million or 35.6 per cent year-on-year. This excellent result was a joint effort, with every business unit and area playing its part. For the first time ever, in the framework of IFRS, we shall be publishing full results for each of our key national markets. Thus, we can announce that Switzerland contributed CHF 220.4 million or 52.5 per cent to pre-tax profits, followed by Spain with CHF 62.6 million (14.9 per cent) and Germany with CHF 31.7 million (7.5 per cent).

Once again, the largest contribution to profits came from non-life business, which accounted for CHF 262.5 million (+80.2 per cent) of the overall pre-tax total. Life saw its segment profit slide CHF 7.5 million (–5.1 per cent) to CHF 139.9 million. Thanks to robust international financial markets, the investment performance was once again very solid at 5.5 per cent.

Strong premium growth

Income from premiums in both life and non-life business turned in a particularly pleasing performance at CHF 5.2 billion, an increase of 6.5 per cent year-on-year. Life business (+12.0 per cent) benefited from the extremely positive performance of the Swiss market, whilst premium volume in non-life business rose by 0.6 per cent to CHF 2 386.6 million.

The composition of the portfolio has changed only slightly in the last year: 53.9 per cent of premium income came from life business (2004: 51.2 per cent), whilst non-life business accounted for 46.1 per cent. There has only been a slight shift in the geographical balance, with 53.3 per cent of premiums originating in Switzerland (2004: 52.9 per cent) and 46.7 per cent from international business (2004: 47.1 per cent).

A significant dividend increase

During the period under review, shareholders' equity rose by CHF 0.44 billion to CHF 2.48 billion (+21.6 per cent). Meanwhile, return on equity (ROE) climbed 12.7 per cent to an impressive 13.4 per cent, bringing us in above our strategic long-term target of 10 per cent for the second year in succession. Based on these pleasing results, the Shareholders' Meeting will be asked to approve a dividend increase of CHF 3.50, taking the dividend to CHF 9.00 per share. This is equivalent to an increase of 63.6 per cent.

The success of Helvetia Patria would not be possible without the hard work and dedication of our employees, to whom we owe a huge debt of gratitude. I should also like to thank our loyal clients and business partners, along with our faithful shareholders, for the trust they have placed in us.

Sincerely

Erich Walser
Chairman of the Board of Directors
& Chief Executive Officer

Group strategy

Further development of the Group in line with existing strategic guidelines.

In an environment which was generally positive for the Helvetia Patria Group, the focus in the previous year remained on the consistent further development of the Group in line with the strategic guidelines. Our strategic focus still includes the following core elements:

- Strengthening our position as an independent insurance group with relatively autonomous insurance operations in the national markets,
- Focus on business with private individuals and small and medium-sized companies,
- Consistent financial management targeted to our strategic goals,
- Continuation of our balanced investment and risk policy which is geared towards the needs of the insurance business and our Group's future performance,
- Targeted management of financial risks and further reduction of capital tied up in insurance business, and
- Maintenance of good corporate governance and an excellent reputation as a sound and reliable insurance partner.

Overall, the continued development of the Group during the next strategic period will be characterised by targeted expansion of the current positive situation and correct positioning. By consistently focusing on our core competencies and promising market segments and by managing risks in a professional manner, we aim to continue along the path we need to follow in order to ensure that the Group's earnings power is sustained while achieving a healthy rate of growth.

High level of market proximity

High level of market proximity thanks to autonomous business units.

In order to strengthen local market proximity, relatively autonomous business units will remain part of our core business strategy in the future. A high level of local proximity to our markets is one of our key success factors, as the business units are able to tailor their business perfectly to changing client needs and market requirements.

Focused and differentiated market profile

Further earnings growth by means of focus and differentiation.

Among Helvetia Patria's foreign business units – which are relatively small by international standards – the focus is clearly on profitable business and client segments. The business units market themselves to private and commercial clients by offering insurance and pension services, and by aligning themselves clearly with quality and service.

In Switzerland we intend to strengthen our good position still further in high-yield segments, focusing on consistent improvement of our market position among private and commercial clients. A clear strategy of differentiation is also of prime importance, characterised by innovative products and high-quality services.

Sustained returns are a priority

A return to controlled growth is needed.

Much more so than in the last two years, when improved earnings were a primary objective, in 2005 the attempt was made to return to controlled growth. This approach will be pursued in the future, as stronger growth orientation is essential if we are to sustain our positive development.

Increasing the Group's earnings power continues to be a priority.

That said, growth targets remain subordinate to earnings targets. Growth will come primarily from the company's own strength. Selective investments in growth areas will be made if earnings power is proven and provided that such investments are in line with our strategic goals.

Strictly imposed targets on the capital utilised by the business units and professional control instruments will ensure the clear focus of all units on a sustained increase in earnings power and the achievement of our investment income targets.

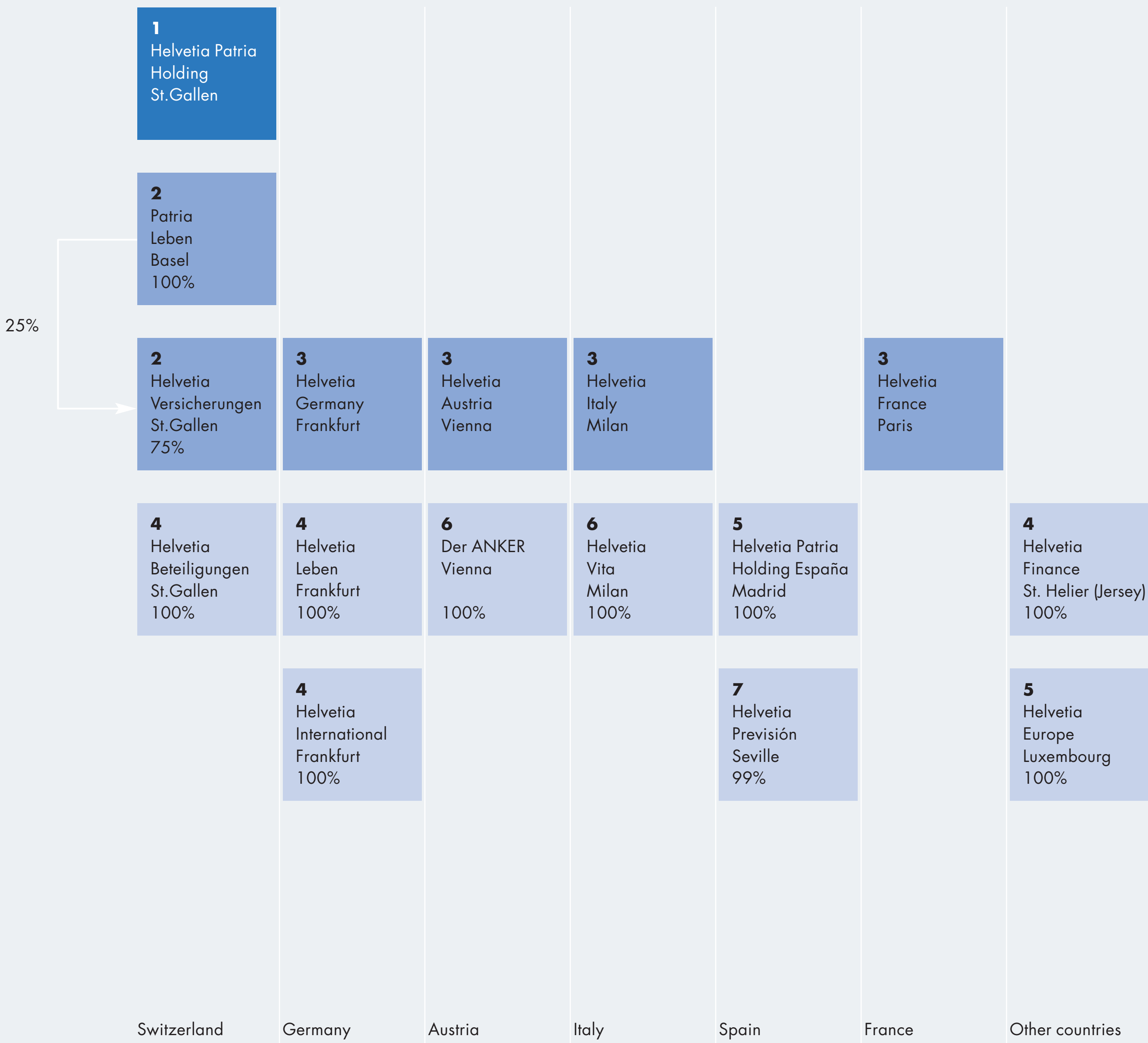
Importance of a first-class reputation

The highly successful overall management of the Group will be pursued further in accordance with the strategic focus outlined above. By means of targeted measures in the areas of corporate governance and communication, we intend to continue fostering the existing confidence of our most important partners – investors, clients and employees – and to position Helvetia Patria as a solid and reliable insurance company.

The trust of our partners is important to us.

Group structure

The structure of the Helvetia Patria Group



- **1** Helvetia Patria Holding
- **2** Subsidiaries of Helvetia Patria Holding
- **3** National offices of Helvetia Versicherungen outside Switzerland
- **4** Subsidiaries of Helvetia Versicherungen
- **5** Subsidiaries of Helvetia Beteiligungen
- **6** Subsidiaries of Helvetia Europe
- **7** Subsidiary of Helvetia Patria Holding España

For minority holdings see page 161 (notes to the consolidated financial statements of the Helvetia Patria Group).

"Full speed ahead for Helvetia Patria!"

Interview with Erich Walser, Chairman of the Board of Directors and CEO

Mr Walser, what are your views on the business results achieved in 2005?

Last year we achieved the best results in our company's history. We saw improvements in both life and non-life business, and increases in the individual sector results. All the national markets made a positive contribution to profits. Our strategic focus on achieving an appropriate level of profitability has really paid off.

What was the defining moment for you last year?

I was deeply affected by last August's dreadful floods in Switzerland, both as a person and CEO of an insurance company. I am proud that we were able to give so many of those affected a new perspective in such a short space of time thanks to our efficient claims organisation.

How would you assess Helvetia Patria's current situation?

I am extremely happy with the company's situation. The 35.6 per cent leap in profits is better than expected, growth is in line with our plans, and our equity basis has been strengthened further. This is reflected overall in the healthy rise in our share price which is much higher than our key comparative index.

Helvetia Patria has boosted profits considerably. What is the secret of your success?

We have implemented our corporate strategy in a targeted fashion and concentrated on our core competencies of insurance and pensions. We have deliberately avoided unprofitable acquisitions, continually working instead on optimising the quality of our portfolio and business processes. It has also been a great advantage to focus on private clients and the industry in a clearly defined market.

We will also restrict ourselves in future to the current business sectors which, with the help of skilful asset management, will help us deliver added value to our shareholders.

How do you view the opportunities for growth in the current year?

We have defined a number of measures to ensure that we achieve a profitable level of growth. In life business we aim to benefit from the increasingly ageing population in our society and will be using the "50plus" initiative to tap into an interesting and fast-growing market segment. We want to be the first point of contact for older people with financial needs. As the continuing low interest rates are making sales of traditional insurance policies difficult at this time, we are increasingly offering attractive unit-linked products. In Swiss non-life business we will continue to work more closely with the Raiffeisen Group and will be one of the first insurance companies in Switzerland to distribute non-life products over the bank counter. We are well prepared to face the challenges of the future.

To what extent will shareholders benefit from these excellent earnings?

Despite the transition to new accounting principles under IFRS which also resulted in a much higher level of equity, we improved profitability and generated return on capital of 13.4 per cent. In line with our income-oriented, continual distribution policy, the Board of Directors is proposing to the Shareholders' Meeting that the dividend be increased by 63.6 per cent to CHF 9.00 per share.

What are your views on the outlook for Helvetia Patria?

We are looking to keep on improving the quality of our insurance portfolio and hope to see controlled growth in our life and non-life business. In addition to organic growth, targeted acquisitions in existing markets are also possible. We see our earnings power improving in all sectors, and will continue to optimise our successful business model at all levels.

You have signalled your intention for the company to be known in future as just "helvetia". What is the benefit of this type of single brand strategy?

Because insurance products are so easy to copy, a strong brand plays an important role in the insurance sector. Currently, we have a non-standard image in our national markets with a variety of brands which are almost but not quite identical, so there is room for improvement here. The current situation has come about as a result of the history of our Group; however, clients are less interested in the history and more concerned about what they can expect from us. For this reason we plan to standardise our image and use the name "helvetia" in all our markets. By means of consistent implementation of our single brand strategy, we will primarily be strengthening the "helvetia" brand, ensuring that both existing and new customers have a simpler and clearer point of reference and can immediately recognise the core values and services offered by "helvetia".

What changes will there be for customers?

The fundamental values of "helvetia" are security, trust and quality, but also positive energy in a fast-changing market. The single brand strategy will help us to develop these values further, and will form a solid foundation for our positioning for both customers and employees. We will be able to communicate these values clearly and consistently across the whole Group by employing a uniform image. Customers will then be better informed about the cornerstone values of our brand. And the new strategy will enable us to present our services more clearly and precisely on the market.

What advantages will the single brand strategy bring for the company?

The standard image of the Helvetia Group demonstrates our cohesion to all customer groups as well as the capital and insurance markets, and expands our radius. Our foreign subsidiaries gain improved access to the brand management tools which we have jointly developed, and they receive better and more targeted support in their marketing efforts. In addition, the international effect – which is becoming ever more important in Europe – can be exploited more effectively with a single brand. The key points here are the Internet, sponsorship of events with an international audience and international media. I anticipate that we will experience improved communication at a lower cost.

What is the concept behind the new logo?

Because we are so well known on the market, we saw no reason to change our image completely. Thus, with the exception of our Austrian company, Der ANKER, the new logo is simply the next evolutionary stage of our current image. Helvetia represents energy, security, reliability, quality – and therefore continuity. Valuable elements of our existing image will be continued, and have been supplemented with other elements which are necessary for a single brand created in accordance with the latest developments in brand management.

Are you saying that "Patria" will no longer exist in Switzerland, "Previsión" will disappear from Spain and "ANKER" will cease being used in Austria?

Yes, although these changes will not all be implemented at the same time as we will be taking the appropriate steps to benefit from existing recognition of these brands and to transfer this image to the updated "helvetia" brand. So the changeover will take place at different times in different countries. The old brands will be discontinued, but the companies will be strengthened.

This interview was conducted by Daniel Schläpfer
Head of Corporate Communications
Helvetia Patria Group

The Board of Directors Helvetia Patria Holding

The Board of Directors of Helvetia Patria is the company's supreme supervisory body.

The Board of Directors of Helvetia Patria Holding serves as the company's supreme supervisory body. It is responsible for the overall management and strategic direction of the Group, and appoints and oversees the Executive Management. The Board of Directors currently comprises eight members. In order to ensure that the specific expertise of the individual Board members is brought into the decision-making process, various committees have been set up. In the Strategy and Governance Committee, the Nomination and Compensation Committee, the Audit Committee and the Investment and Risk Committee, Helvetia Patria has at its disposal four Board committees designed to ensure effective corporate control and supervision.

Election

Each year roughly a third of the directorships are due for renewal.

The term of office of the individual Board members is coordinated in such a way as to ensure that approximately one-third of the seats are up for election or re-election each year. The period of office for each member is determined on election and may not exceed three years, though re-election is permitted.

The directorships of Marguerite Florio, John Martin Manser and Pierin Vincenz are due to come to an end at the Shareholders' Meeting 2006. Messrs Manser and Vincenz will be seeking re-election, whilst Ms Florio has announced her intention to step down, as Patria Mutual has decided to reduce the number of its members sitting on our Board of Directors from three to two. On behalf of the Board, we should like to thank Marguerite Florio for her expert contribution and, in particular, her valuable legal opinion. We wish her all the very best for the future, in both her personal and professional life.

Hans-Jürg Bernet and Christoph Lechner are being nominated.

Messrs Hans-Jürg Bernet (from 1.9.2006) and Christoph Lechner will be proposed as new members of the Board of Directors at the Shareholders' Meeting. Hans-Jürg Bernet, born in 1949, has a PhD in Economics and brings with him a wealth of experience, accumulated in the course of a successful career in the insurance industry spanning almost 30 years. Christoph Lechner, born in 1967, is a Professor of Strategic Management at the University of St.Gallen, with extensive business experience in the financial services sector.

	Office	Joined[1]	Current term expires	Committee memberships SGC	NCC	IRC	AC
Erich Walser	Chairman and CEO	2001	2007	••	+	•	+
Ueli Forster	Deputy Chairman and Lead Director	1984	2008	•	•	*	•
Silvio Borner	Deputy Chairman	1983	2008	•	••	•	
Marguerite Florio	Member	2001	2006				•
John Martin Manser	Member	1993	2006		•	••	
Pierin Vincenz	Member	2000	2006	•		•	
Olivier Vodoz	Member	2001	2008		•		••
Urs Widmer	Member	2005	2007				•

• SGC = Strategy and Governance Committee
• NCC = Nomination and Compensation Committee
• IRC = Investment and Risk Committee
• AC = Audit Committee

○○ Chair
* May join meetings at own request and with decision-making power
\+ May join meetings at own request and in advisory capacity
[1] Before 1996: Date of joining the Board of former companies Helvetia or Patria

The Board of Directors of Helvetia Patria Holding

Erich Walser (1947)
a Rehetobel, Swiss
b lic. oec. HSG, lic. iur.
c Chairman of the Board of Directors and Chief Executive Officer of Helvetia Patria Group; head of the national markets of Italy and Spain, and also Austria after 1.4.2005; 1979 joined Helvetia: various management functions; 1991 Chief Executive Officer of Helvetia Versicherungen; 1994 Chief Executive Officer of Helvetia Patria Group; 2001 Delegate of the Board of Directors; in current function since 12.12.2003;
d in particular Deputy Chairman of the Swiss Insurance Association, Zurich; Chairman of the Sponsoring Institution of the Institute of Insurance Economics at the University of St.Gallen; Deputy Board Chairman of Allreal Holding, Baar; Deputy Board Chairman of Huber + Suhner, Herisau.

Ueli Forster (1939)
a St.Gallen, Swiss
b lic. oec. HSG
c Board Chairman of Forster Rohner AG, St.Gallen;
d in particular Chairman of economiesuisse, Zurich; Member of the Bank Council, Swiss National Bank, Berne; MoB of the Chamber of Industry and Commerce for St.Gallen-Appenzell; MoB of the Swiss Textile Federation, Zurich.

Silvio Borner (1941)
a Basel, Swiss
b Prof. Dr. oec.
c Professor of Macroeconomics at the University of Basel (since 1978), head of the Economics and Politics Department at the Centre of Economics & Business (Wirtschaftswissenschaftliches Zentrum, WWZ), Basel;
d in particular Board Chairman of Patria Mutual, Basel; Member of the Executive Committee of AVENIR-SUISSE, Zurich.

Until the Shareholders' Meeting 2006
Marguerite Florio (1944)
a Lausanne, Swiss
b Dr. iur., lawyer
c Lawyer;
d in particular Board Deputy Chairwoman of Patria Mutual, Basel.

John Martin Manser (1947)
a Riehen, Swiss
b MBA
c Treasurer at Novartis International AG, Basel;
d in particular Board Chairman of Ciba-Vision AG, Embrach; Member of the Foundation Board of CS-Anlagestiftung (Investment Foundation), Zurich.

Pierin Vincenz (1956)
a St.Gallen, Swiss
b Dr. oec. HSG
c Chief Executive Officer of Raiffeisen Group Switzerland, St.Gallen;
d in particular Member of the Board Committee of the Swiss Bankers Association, Basel; Board Chairman of VISECA Card Services SA, Glattbrugg; MoB of Vontobel Holding AG, Zurich; MoB of the Mortgage Bond Bank of the Swiss Mortgage Institutions, Zurich; MoB of Telekurs Holding AG, Zurich; MoB of Plozza SA, Brusio.

Olivier Vodoz (1943)
a Geneva, Swiss
b lic. iur., lawyer
c Member of the Governing Council of Canton Geneva (1989–1997, 1994/95 as its President);
d in particular President of the Delegate Conference of Patria Mutual, Basel; Vice-President of the International Committee of the Red Cross, Geneva; MoB of Union Bancaire Privée UBP, Geneva; MoB of Heritage Finance & Trust Company, Geneva; MoB of Coopérative Médecine & Hygiène, Geneva; MoB of Holding Parkgest SA, Geneva; MoB of Société immobilière Mandarin Oriental Hôtel du Rhône, Geneva.

Until the Shareholders' Meeting 2005
Peter Wagner (1946)
For details see 2004 Annual Report.

Until the Shareholders' Meeting 2005
Urs Widmer (1941)
a Küsnacht, Swiss
b Dr. iur., lawyer (with own firm)
c management functions at ATAG Ernst & Young AG; ATAG debis Informatik AG; ATAG Wirtschaftsinformation Holding AG; Ernst & Young Europe; Ernst & Young International and ATAG Ernst & Young Holding AG, where he was most recently Board Chairman until 2002;
d in particular Board Chairman (since 2005) of Vontobel Holding AG and Bank Vontobel AG; MoB of Barry Callebaut AG; Member of the Foundation Board of the Zurich Zoo Foundation.

Secretary of the Board of Directors: **Thomas Oesch**, Dr. iur., lawyer

a Place of residence, nationality
b Education, title
c Professional background, executive responsibilities
d Significant business relationships, mandates, official functions, political functions

Back row from left to right:
Pierin Vincenz,
John Martin Manser,
Ueli Forster,
Silvio Borner;
front row from left to right:
Olivier Vodoz,
Urs Widmer,
Erich Walser,
Marguerite Florio

Executive Management Helvetia Patria Group

The Executive Management is the highest managerial body of the Helvetia Patria Group and is responsible for implementing the strategy set by the Board of Directors. The organisational structure of the Executive Management is geared to the value chain and the management of the operating business units. Key functions such as the control of financial operations, investment business, Group reinsurance and elements of risk management are centralised, making it easier to pool knowledge and resources. This management structure – with international, functional responsibilities – is extremely effective, enabling rapid decision-making, enhancing transparency and avoiding duplication.

Central functions facilitate the shared use of resources.

Changes in the Executive Management

After ten years with the Helvetia Patria Group, Tjarko Ullings stepped down from the Group Executive Management and retired as CEO Austria as of the end of April 2005. Following his retirement, the Executive Management was reduced from seven members to six. Tjarko Ullings was succeeded as CEO Austria by Stefan Loacker, previously CFO at Der ANKER. Markus Bänziger has taken over as head of the newly created Life Insurance/Finance division and has duly been appointed to the Executive Management Austria.

Executive Management reduced from seven to six members.

In Spain, José García Perez was appointed to the Executive Management with effect from 1.1.2006, where he will be responsible for Sales. In France, Ms Jeanne Castaing was also appointed to the Executive Management as of 1.1.2006, in which capacity she will continue to be responsible for Human Resources and Services.

We would like to take this opportunity to congratulate all the new members of the Executive Management on their appointment and wish them continued success for the future.

The Management of the Helvetia Patria Group

CEO
Erich Walser*

Secretariat-General
Thomas Oesch

Internal Audit
Willi Staubli

Switzerland
Philipp Gmür*

Donald Desax
Group Life

Markus Gemperle
Operations & Partner

Hans Peter Haller
Special Services/ Projects

René Stocker
Sales Management

Hermann Sutter
Indemnity Insurance

Angela Winkelmann
Individual Life

Uwe Bartsch
Quality & Processes

Brigitte Guggisberg
Controlling/ Project Control

Beat Müller
Actuarial Department Life

Germany
Wolfram Wrabetz*

Dietger Classen
Corporate Business

Jürgen Horstmann
Life

Werner Kraft
Services

Jürgen Kutzora
Organisation/Sales

Ingo Reiss
Information Technology

Harald Warning
Investments

Bernd Wegerich
Private Clients and Commercial/ Trade Business

Austria
Stefan Loacker

Markus Bänziger
Life/Finance

Gerhard Jeidler
Sales

Rolf Kuhn
Non-life

Management Board Austria
Georg Krenkel

Italy
Fabio De Puppi

Franco Armeni
Actuarial Department Life

Paolo Beccaria
Information Technology

Rita Gesuele
Sales

Antonio Minichiello
Finance/Services

Claudio Rampin
Actuarial Department Non-life

Spain
Jozef Marie Paagman

Susana Blanco
Finance

Javier García García
Marketing/ Communication

José García Perez
Sales

Javier Gómez
Customer Service

Victor Lizarraga
Information Technology

Iñigo Soto
Actuarial Department

Finance
Roland Geissmann*

Andreas Bolzern
Accounting

Andreas Iselin
Reinsurance

Daniel Schläpfer
Corporate Communications

Peter Bamert
Corporate Finance and Risk Management

Gaudenz Prader
Group Controlling

France
Alain Tintelin

Abdelghani Benazzouz
Information Technology

Jeanne Castaing
Human Resources & Services

Jacques Fenêtre
Transportation Courbevoie

Bernard Fournier
Finance

Investments
Ralph-Thomas Honegger*

Andreas Gronbach
Portfolio Controlling and Administration

Peter Hirt
Real Estate Management

Hans Hofstetter
Securities Management

John Noorlander
Portfolio Strategy

Dominic Speiser
Real Estate Portfolio Management

Hans-Ulrich Tschirren
Mortgages Switzerland

Human Resources and Services
Markus Isenrich*

Martin Beck-Wörner
Management Development

Daniel Brunner
Personnel Development and Training

Marc Ducommun
Special Legal Issues

Fernando Ferrari
Personnel Management

Roger Gander
HR Systems and Benefits

Martin Müller
Legal Services

Urs Schaffhauser
Logistics

Corporate Center
Christophe Niquille

* Member of Group Executive Management as of May 2006

The Members of the Executive Management of the Helvetia Patria Group

Erich Walser (1947)

- a Rehetobel, Swiss
- b lic. oec. HSG, lic. iur.
- c Chairman of the Board of Directors and Chief Executive Officer of the Helvetia Patria Group; head of the national markets of Italy and Spain, and also Austria after 1.4.2005;
- d various activities for Swiss Bank Corporation and Schweizerische Volksbank;
  1979 Joined Helvetia: various management functions;
  1991 Chief Executive Officer of Helvetia Versicherungen;
  1994 Chief Executive Officer of the Helvetia Patria Group;
  2001 Member and Delegate of the Board of Directors;
  in current function since 12.12.2003;
- e in particular Deputy Chairman of the Swiss Insurance Association, Zurich;
  Chairman of the Sponsoring Institution of the Institute of Insurance Economics at the University of St.Gallen;
  Deputy Board Chairman of Allreal Holding, Baar;
  Deputy Board Chairman of Huber + Suhner, Herisau;
  other mandates for subsidiaries of the Helvetia Patria Group abroad.

Roland Geissmann (1948)

- a Binningen, Swiss
- b Postgraduate Professional Diploma in Business Economics, Swiss Certified Accountant
- c Deputy CEO of the Helvetia Patria Group, Head of Finance (CFO), responsible for the national market of France and for Reinsurance;
- d various management functions at KPMG (formerly Fides) as an accountant and consultant,
  1983 joined Patria: various management functions, including: Head of Staff Divisions of General Management, Member of the Management Committee, Head of Finance and Investments, Member of the Executive Management and later Deputy Chief Executive Officer of Patria Leben;
  1994 Member of Management and Deputy Chief Executive Officer of the Helvetia Patria Group: Head of Finance and Investments;
  2002 Spin-off and set-up of an independent investment division, restructuring of the CFO function as per section c;
- e in particular Member of the Foundation Board of the Pension Fund of Helvetia Patria Versicherungen;
  Member of the Foundation Board of the Swisscanto Vested Benefits Foundation and the Swisscanto Supra Joint Foundation of the Cantonal Banks; MoB of Swisscanto Verwaltungs AG, Basel;
  Member of the Economy and Finance Committee of the Swiss Insurance Association, Zurich;
  other mandates for subsidiaries of the Helvetia Patria Group abroad.

Philipp Gmür (1963)

- a Lucerne, Swiss
- b Dr. iur., lawyer, LL.M.
- c Chief Executive Officer of Helvetia Patria Switzerland;
- d High Court of Canton Lucerne;
  1993 joined Helvetia: general agent in Lucerne;
  2000 Member of Executive Management Switzerland: Head of Sales;
  2003 Member of Group Executive Management in current function;
- e in particular Member of the Foundation Board of the Pension Fund of Helvetia Patria Versicherungen;
  Deputy Chairman of the Swisscanto Vested Benefits Foundation and the Swisscanto Supra Joint Foundation of the Cantonal Banks; MoB of Swisscanto Verwaltungs-AG, Basel;
  MoB of Coop Rechtsschutz.

a Place of residence, nationality
b Education, title
c Function
d Professional background: date of employment and former functions at Helvetia Patria Versicherungen
e Other significant activities and interests, including mandates, official functions, political functions

Ralph-Thomas Honegger (1959)

a Aesch, Swiss
b Dr. rer. pol.
c Head of Investments (CIO);
d 1987 joined Patria: various management functions, including:
Head of the Portfolio Strategy and Portfolio Management Department,
1997 Member of Executive Management Switzerland: initially Head of Investment Clients, then Head of Individual Life;
2002 Member of Group Executive Management in current function;
e in particular Chairman of the Foundation Board of Patria Investment Foundation;
Honorary Consul General of Austria in Basel; MoB of Tertianum AG, Berlingen;
other mandates for subsidiaries of the Helvetia Patria Group abroad.

Markus Isenrich (1953)

a St.Gallen, Swiss
b lic. oec. HSG, lic. iur.
c Head of Human Resources and Services;
d Canton St.Gallen Planning Department;
1985 joined Helvetia: various management functions, including: Head of Real Estate, Head of Staff, Secretary General;
2000 Member of Group Executive Management in current function;
e in particular Chairman of various pension foundations of Helvetia Patria Versicherungen;
Board Chairman of swissregiobank, Wil;
Other mandates for subsidiaries of the Helvetia Patria Group abroad.

Wolfram Wrabetz (1950)

a D-Bad Soden, German
b Prof. Dr. iur., Certified Business Administrator
c Chief Executive Officer Germany;
d various positions within the Gerling Group;
1981 joined Helvetia Germany: various management functions;
1995 General Manager for Germany and Chairman of Helvetia Leben and Helvetia International, Frankfurt/Main;
1998 joined the Helvetia Patria Group in current function;
e in particular Member of the Chairman's and Professional Committee for Property Insurance, and Chairman of the Legal Committee of the German Insurance Association, Berlin;
Honorary Consul in Germany of the Republic of Ecuador in Frankfurt/Main;
Representative of the Hessen State Government for the insurance industry.

Until his retirement on 30.4.2005

Tjarko Ullings (1944)

For details see 2004 Annual Report.

Corporate governance

Transparency in reporting promotes trust.

Helvetia Patria wants to meet the high legal and ethical expectations of all stakeholders by providing comprehensive and transparent reporting, and responsible and value-oriented corporate governance, to the best of its knowledge and in good faith. The main aims here are to further strengthen confidence in the economy, and in particular in the Helvetia Patria Group, safeguard the interests of our shareholders and sustainably enhance the value of the Group. We set out to ensure that the principles of good corporate governance are consistently implemented and continually optimised throughout the Group.

For the Board of Directors, Executive Management and all employees of Helvetia Patria, corporate governance is an ongoing process that is periodically reviewed and adapted in line with new developments, findings and requirements. Good corporate governance can only be truly effective if it is constantly oriented to the Group's strategy and positioning. For further information, please refer to page 9.

Our corporate governance meets the standards in effect.

With this strategic focus, Helvetia Patria Holding wants to meet the applicable standards of the "Swiss Code of Best Practice for Corporate Governance" and the SWX Swiss Exchange "Guidelines Concerning Information on Corporate Governance" dated 1.7.2002. The comments concerning our corporate governance principles therefore follow the order of content of the above Guidelines. If information is provided elsewhere in the Annual Report or in other documents, reference is made to the location or document concerned. Important documents such as the Articles of Incorporation and Organisational Regulations, including all appendices, may be viewed on our web site (www.helvetiapatria.com/en/gruppe/governance.htm), which also contains plenty of additional interesting and up-to-date information.

1. Group structure and shareholder base

1.1 Group structure

Helvetia Patria is an internationally active all-lines insurance group that focuses primarily on central and southern Europe. The parent company, Helvetia Patria Holding, is organised in accordance with Swiss law. The management structure is shown on page 21. The organisation of the Group is intended to create the best possible legal, financial, taxation and regulatory framework and ensure smooth, efficient and flexible business activity.

Helvetia Patria is governed by Swiss law.

The legal structure of the Helvetia Patria Group (including participations) is shown on page 10.

Helvetia Patria Holding has its head office in St.Gallen and is listed on the SWX Swiss Exchange in Zurich: security no./ticker 1 227 168/HEPN. Key data for investors are presented on page 70 under "Investor information".

The Holding is listed on the Swiss Stock Exchange.

Helvetia Patria Holding is the only listed company within the Group.

The Group's subsidiaries are listed on pages 161 and 162. Detailed reports on the main subsidiaries (Helvetia Schweizerische Versicherungsgesellschaft, St.Gallen, and Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel) can be found on pages 53 to 55, and in the Appendix on page 166.

1.2 Main shareholders

A controlled opening of the Helvetia Patria Holding shareholder base was initiated in 2000. In 2002 the holdings of the shareholder pool were reduced in a regrouping process from 50.9 per cent to 45 per cent, and in 2004 were reduced again to 40 per cent within the scope of a capital increase. The aim behind this and certain additional measures was (and remains) to underscore our policy of increasing the volume of tradable shares so that other investors with a long-term orientation can hold suitable stakes in Helvetia Patria Holding. As of the reporting date, the following major or otherwise notable holdings were entered in the share ledger of Helvetia Patria Holding:

The free float was increased.

a) Shareholder pool (40 per cent), comprising
- Patria Mutual, Basel (33.3 per cent),
- Vontobel Beteiligungen AG, Zurich (4 per cent),
- Swiss Union of Raiffeisen Banks, St.Gallen (2.7 per cent).

The pool agreement strengthens and promotes the strategically important focus of Helvetia Patria on co-operation in areas outside its core business (insurance), and supports the activities of the Group in crucial areas such as sales. It unites the co-operation partners of the Helvetia Patria Group in their capacity as long-term investors with a strategic focus, and who simultaneously share a common interest in ensuring that Helvetia Patria remains independent and self-sufficient in its relationships with third parties as well as pool members, and is able to continue to develop in accordance with its declared strategy and without undesirable negative influences. Pool members may only sell their holdings of Helvetia Patria shares with the consent of the other members, who also enjoy right of first refusal at market conditions. Beyond the scope of normal co-operation activities relating to consulting and sale of financial services, insurance and asset management – in each case at market conditions – no significant business relationships exist between pool members and the Helvetia Patria Group.

b) In view of the sound and close business relationship we have maintained for many years (and wish to continue to maintain) with Münchner Rückversicherungs-Gesellschaft (Munich Re), Munich, a holding of 8.2 per cent has been agreed with this company. If Munich Re should decide to sell any of these shares, Helvetia Patria may, under certain conditions, acquire them itself at market conditions or nominate a third-party buyer.

c) The pension fund of Helvetia Patria Versicherungen, St.Gallen, holds 2.6 per cent of the shares of Helvetia Patria Holding.

d) Helvetia Beteiligungen, St.Gallen, holds 1.2 per cent of Helvetia Patria shares that are classified as "treasury shares".

1.3 Cross-holdings
No cross-holdings exist that exceed 5 per cent of the capital or voting rights.

2. Capital structure

2.1 Share capital
The share capital of Helvetia Patria Holding amounts to CHF 86 528 750.

2.2 Approved capital
No approved capital exists.

2.3 Changes in capital
In 2001, Group capital was reduced by CHF 16 492 980 to CHF 65 971 920 as the result of a reduction in nominal share value from CHF 50 to CHF 40 and a share split in the ratio of 1:4 to CHF 10 per share.

In 2002, the share capital was reduced by 4.61 per cent to CHF 62 930 000 as the result of a buyback and cancellation of shares amounting to CHF 3 041 920.

In December 2004, an approved capital increase of CHF 23 598 750 was effected in the form of 2 359 875 registered shares with a nominal value of CHF 10 each, as a result of which the share capital rose from CHF 62 930 000 to 86 528 750.

The Board of Directors has carried out a capital increase.

Changes in the overall equity capital are presented on pages 82 and 83, those for the 2003 financial year are presented on page 89 of the 2003 Annual Report, and those for 2004 are presented on page 90 of the 2004 Annual Report.

2.4/2.5 Shares, participation certificates and dividend-right certificates
The share capital comprises 8 652 875 fully paid-in registered shares with a nominal value of CHF 10 each, and with voting and dividend rights. No preferential rights, participation certificates and dividend-right certificates exist. For further

The share capital consists of 8 652 875 registered shares.

details concerning Helvetia Patria shares, please refer to pages 70 and 71.

2.6 Restriction of transferability, nominee registration

The Board of Directors may refuse to approve registration with voting rights if an individual should possess more than five per cent of the voting rights of the entire share capital recorded in the commercial register. Here the term "individual" refers to buyers of shares who are connected to each other in the form of capital or votes, or by united management, or in any other form. This restriction also applies if, for example, shares have been subscribed or acquired by means of convertible rights that are associated with value rights issued by the company or third parties.

In the year under review, no new exceptions were declared relating to the restriction of transferability (regarding 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 account (= nominees) may only be entered in the share ledger for a maximum of three per cent of the total share capital. The registration regulations are described in detail in Article 7 of the Articles of Incorporation (www.helvetiapatria.com/en/statuten_e_7-05.pdf).

Any amendment by the Shareholders' Meeting to the statutory restriction of transferability referred to above requires a two-thirds majority of represented votes.

2.7 Convertible bonds and options

a) Convertible bond:
The Helvetia Patria Group issued a convertible bond via Helvetia Finance Ltd., Jersey, which was redeemed as of 6.6.2005 (conditions, see 2004 Annual Report). Since then, no more convertible bonds are outstanding.

b) Options:
The Helvetia Patria Group has not issued any options.

c) Employee options:
The employee options programme was concluded as of the end of 2002, and expired at the end of October 2005.

3. Board of Directors

Cf. page 18.

3.1 Members of the Board of Directors

The Board of Directors of Helvetia Patria Holding comprises eight members: it is identical to the boards of directors of the two subsidiaries, Patria Leben and Helvetia Versicherungen. Members of the Board of Directors are required to possess experience and know-how from a variety of sectors. They should hold the necessary qualifications for ensuring the formulation of a clear business strategy in consultation with the Executive Management. Since the Helvetia Patria 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 personality-related skills (including integrity), specialised knowledge about business and insurance, experience in strategic and executive management, the ability to think in a visionary manner, social skills and have the necessary amount of time at their disposal for the efficient and proper performance of a director's mandate. Each 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 Board Members have international experience.

The composition of the Board of Directors is depicted on pages 18 and 19.

Apart from Erich Walser, Chairman of the Board of Directors and Chief Executive Office of the Helvetia Patria Group, all other members are non-executive, and in the financial years prior to the year under review did not belong to the executive management of Helvetia Patria or any of its consolidated companies. No members of the Board of Directors have any significant business

With the exception of Erich Walser all Board Members are in non-executive capacity.

relationships with Helvetia Patria other than as policyholders at normal conditions.

3.2 Other activities and interests

Business relationships exist with companies represented by members of the Board of Directors as follows:

- In the shareholder pool, Silvio Borner, Marguerite Florio and Olivier Vodoz represent Patria Mutual, Pierin Vincenz represents the Raiffeisen group, and with effect from the 2005 Shareholders' Meeting, Urs Widmer represents the Vontobel group, in which he is Chairman of the Board of Directors of Vontobel Holding AG.
- Silvio Borner and Marguerite Florio are also members of the Board of Directors, and Olivier Vodoz is President of the Delegate Conference, of Patria Mutual, Basel, the statutory objectives of which are to promote the conclusion and execution of life insurance contracts with Helvetia Patria in the interests of its members, and to secure and promote its independence and development through financial participation in Helvetia Patria.
- Helvetia Patria Versicherungen, the Vontobel group and the Raiffeisen group are co-operation partners in the areas of consulting and sale of financial services. Both groups are therefore members of the shareholder pool together with Patria Mutual.

3.3 Cross directorships

Urs Widmer and Pierin Vincenz are members of the boards of directors of Vontobel Holding AG and Helvetia Patria Holding. The company is unaware of any other cross ties with the boards of directors of listed companies.

3.4 Election and term of office

The term of office for Members of the Board is three years.

The normal term of office for members of the Board of Directors is three years. Members of the Board of Directors are required to step down for age reasons at the Shareholders' Meeting that is held in the year in which they turn seventy. New members complete the term of office of the retiring member. Terms of office should be co-ordinated in such a way as to ensure that, each year, one-third of the members of the Board of Directors are available for election or re-election. Re-election is possible. Each member of the Board of Directors has to be elected by the shareholders.

For information concerning first-time election and remaining term of office per member of the Board of Directors, please refer to the table on page 17.

3.5 Internal organisation

Good governance at Helvetia Patria is based on the relevant legal provisions (in particular, company law and the Stock Market Act) and on internal directives and regulations. The various functions defined by the Board of Directors, and the allocation of duties, are presented on page 17. The Board of Directors appoints the presidents and vice presidents, lead directors, chairpersons and members of the various committees, as well as the Secretary of the Board of Directors.

Committees appointed by the Board of Directors

The Board of Directors has formed four committees.

In order to use the broad business experience of its individual members in its decision-making processes, or to meet its supervisory obligations by preparing reports, the Board of Directors has formed special committees from its own midst to assist it with its management and control activities in collaboration with the Executive Management: Strategy and Governance Committee, Nomination and Compensation Committee, Investment and Risk Committee, and Audit Committee. The duties and competencies of these committees are described in detail in the Organisational Regulations, and the composition of each committee is presented on page 17.

The Strategy and Governance Committee prepares strategic changes.

a) The **Strategy and Governance Committee** prepares the resolutions to be made by the Board of Directors in the event of a change or redefinition of strategy, and deals with mergers, takeovers and disposals of companies or major portfolios, including the preparation of the associated resolutions for the Board of Directors. It also secures good corporate governance within the Helvetia Patria Group, assumes duties and competencies that have been assigned to the Committee by the Board of Directors, deals with issues entrusted to it by the Chairman and CEO that are not reserved for the Board of Directors in accordance with the law, the Articles of Incorporation or the Group regulations, and discusses important and urgent issues. It convenes as often as necessary for conducting business. In order to deal with specific issues it may call on specialists to attend its meetings. In 2005 the Strategy and Governance Committee held six meetings, all of which were attended by all its members. Two of these meetings took the form of telephone conferences, and most of these meetings lasted approximately half a day.

The Nomination and Compensation Committee deals with personnel decisions.

b) The **Nomination and Compensation Committee** prepares the resolutions to be dealt with by the Shareholders' Meeting regarding the appointment and dismissal of members of the Board of Directors. It puts forward proposals regarding personnel decisions to be taken by the Board of Directors, e.g. human resources planning, appointment, dismissal and method of remuneration of members of the Board of Directors, as well as salaries and remuneration of members of the Executive Management, nomination and dismissal of the heads and other members of the management boards of all national markets. It also specifies the level of fixed and variable salaries and remuneration of management personnel, periodically reviews the planning and measures aimed at supporting top management personnel, and approves the concept and strategy of staff benefit schemes in Switzerland (which are required to submit their annual accounts to the Committee) on the employer side. The Chairman and CEO cannot be a member, but may attend meetings in an advisory capacity at his own request. The Nomination and Compensation Committee convenes as often as necessary for conducting business. In 2005 it held four meetings, all of which were attended by all its members, and most of these meetings lasted approximately half a day.

The Investment and Risk Committee supervises the investment activities.

c) The **Investment and Risk Committee** formulates the investment concept, basic guidelines and investment strategy, proposes the strategic bandwidths of the asset allocation, approves the investment strategy and supervises the investment activity of the Helvetia Patria Group. It also makes investment decisions insofar as the Board of Directors has entrusted it with the corresponding powers, and supervises operational aspects of risk management from the point of view of financial risks, including reporting. It convenes as often as necessary for conducting business. The heads of the Finance and Investment divisions attend its meetings in an advisory capacity. In order to deal with specific issues it may also call on specialists to attend its meetings. In 2005 the Investment and Risk Committee held three meetings, all of which were attended by all members (except for one reported absence). Most of these meetings lasted approximately half a day.

The Audit Committee supports the Board of Directors with respect to oversight and financial control.

d) The **Audit Committee** assists the Board of Directors in its duties within the scope of its overall supervision and financial control. It examines the accounts from the points of view of completeness, integrity and transparency, verifies their compliance with applicable accounting standards and external reporting requirements (including the Group's environmental report), and monitors the functional capacity and effectiveness of external and internal control systems, including risk management and compliance, insofar as tasks and competencies have not been assigned to another executive body of the company. It also verifies the independence and quality of the activities of internal and external auditors. It ensures optimal cooperation between internal and external control instruments, the Audit Committee, the Chairman and CEO, Lead Director and Executive Management. The Audit Committee approves the internal audit plan and assists with the compilation 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 mandates. It also prepares the election of company and Group 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. The Chairman and CEO, CFO, a representative of the external auditors and the head of Internal Auditing attend its meetings in an advisory capacity. In order to deal with specific issues it may also call on specialists to attend its meetings. In 2005 the Audit Committee held three meetings, and one member was absent from one of them. The meeting at which the annual accounts are discussed usually lasts a full day, while other meetings normally last half a day.

Chairman of the Board and CEO

Erich Walser carries out both functions: Chairman of the Board and CEO.

On 12.12.2003, the CEO of the Helvetia Patria Group at that time – Erich Walser – was elected Chairman of the Board of Directors, and he is to continue exercising the joint function of Chairman of the Board and CEO of the Helvetia Patria Group until a new CEO has been appointed. Since the executive management of both the Helvetia Patria Group and Helvetia Patria Switzerland had only recently been restructured and partially re-staffed, this temporary measure was regarded as the best solution in view of the special constellation of available senior management personnel. In keeping with the principles of good corporate governance and the provisions of the Swiss Code of Best Practice for Corporate Governance, the Board of Directors introduced a variety of adequate control mechanisms, including the function of Lead Director (see below).

Lead Director

(new function created on 20.2.2004)

The Lead Director ensures a balanced leadership of the top management.

The main duty of the Lead Director in relation to good governance is to secure balanced leadership and control at the highest level of management. If required due to circumstances relating to balanced leadership and control, he may convene a meeting of the Board of Directors, specify the agenda and chair the meeting, and decide on the attendance of the Chairman and CEO and other persons at the meeting. If required due to specific interests, control or supervisory duties, he may in his own right add specific items to the agenda of meetings of the Board of Directors, monitor communication, information flow and the co-ordination of activities within the Board of Directors and between the latter and the Executive Management, and may at any time inspect any company records and accounts and request members of the Executive Management to provide him with any information he may deem necessary. He may at his own request attend, and participate in decisions of, meetings of Board Committees of which he himself is not a member.

Full Board of Directors

The Board of Directors meets at least six times per year.

The Board of Directors convenes as often as necessary to conduct business, though as a rule at least six times a year. Most of its half-day meetings are held at Group head office in St.Gallen, one is held at the head office of Helvetia Patria Switzerland in Basel, while the executive seminar, which usually lasts two days, is held externally either somewhere in Switzerland or on the premises of a subsidiary abroad. A quorum is constituted if the majority of the members of the Board of Directors are present. Its resolutions are carried with a majority of votes of members in attendance. Resolutions may also be made by circular mail. As a rule, all members of the Board of Directors and (in an advisory capacity) all members of the Executive Management attend its meetings. In the year under review, six meetings were held, all of which were attended by all members of the Board of Directors, while the attendance rate for members of the Executive Management was ninety per cent. In order to deal with specific issues, it may also call on specialists to attend its meetings. 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 associates (natural persons or legal entities).

3.6 Division of competencies

The Board of Directors possesses the following main competencies based on the inalienable and non-transferable duties stipulated in the provisions of Swiss company law, the Articles of Incorporation and internal Organisational Regulations of the Helvetia Patria Group:

- Supreme governance 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 Group Executive Management,
- Overall supervision of the management of the Group's business activities,
- Preparation of Annual Reports and Shareholders' Meetings, and implementation of its resolutions,
- Approval of major legal business.

Appendix I of the Organisational Regulations contains a detailed description of the division of competencies between the Board of Directors, the Board Committees and the Executive Management.

3.7 Information and control tools

The Board of Directors is regularly informed about the activities.

The Board of Directors is kept up to date in a variety of ways concerning the activities of Helvetia Patria, its course of business and trends on 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, market trends and main projects, to be provided by individual national managers and division heads as necessary,
- Status of compliance with budget and other annual objectives,
- Results and findings of internal and external auditors,
- Compliance with legal and regulatory provisions and internal regulations,
- Significant developments and events that could influence the interests of stakeholders.

Each week the members of the Board of Directors receive a collection of the most important newspaper articles relating to corporate governance and insurance. Each month they receive key data concerning the course of business, and every three months they receive selected analyses and situation reports concerning market trends, market players and noteworthy occurrences. The various reports to be submitted to the Board of Directors and its committees are listed in Appendix II of the Organisational Regulations.

At each meeting, each 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, each 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.

The internal audit serves as inspection and control instrument.

The Board of Directors also has Internal Auditing at its disposal as an examining and supervisory body that monitors compliance with legal and regulatory provisions, internal guidelines and directives.

It also receives reports concerning the general development and specific activities of Helvetia Patria in the areas of corporate governance, risk management, compliance and the environment.

4. Executive Management
See also pages 22 and 23.

4.1 Members of the Executive Management
Executive Management is responsible for the operational management of the Group.

The composition of the Executive Management is presented on pages 22 and 23. The Executive Management of the Helvetia Patria Group has been presided over by Erich Walser (CEO and simultaneously Chairman of the Board of Directors) since the establishment of Helvetia Patria Holding. Together with division heads at Group level and the management boards of national markets, he is responsible for the Executive Management of the Group.

For further details, please refer to pages 22 and 23.

4.2 Other activities and interests
Please refer to pages 22 and 23.

4.3 Management contracts
No management contracts currently exist.

5. Remuneration, employee share ownership plans, loans

5.1 Calculation procedures and content of remuneration and employee share ownership plans
Remuneration of members of the Board of Directors is specified by the overall Board on the basis of proposals by the Nomination and Compensation Committee. The latter directly specifies remuneration of members of the Executive Management. In the year under review, an employee share ownership plan was introduced in Switzerland to allow employees to participate in the development of Helvetia Patria and thus to strengthen their personal ties to the company. Employees can now purchase registered shares of Helvetia Patria at reduced prices. The number of available shares is specified by the Board of Directors, taking account of the financial result and the functions of the employees concerned. The purchase price is calculated on the basis of an average stock market price during five trading days following the publication of the financial result. Participation in this scheme is voluntary. Purchased shares are blocked for a period of three years. The Board of Directors does not participate in this scheme.

- For the Board of Directors (i.e. for the Chairman, vice presidents, members of the Board, the Lead Director and the chair persons of the Board Committees), annual fixed amounts are specified in the remuneration regulations, together with the procedure for calculating variable remuneration, fees for attending meetings, and remuneration of expenses. The variable remuneration that depends on the financial result and progress of the share price and is specified by the Nomination and Compensation Committee for the Board of Directors, the Executive Management and other employees in Switzerland, takes the form of shares (without voting rights) at market value. These shares are blocked for a period of three years. The remuneration regulations also stipulate that the remuneration of the Chairman and CEO is to be calculated as follows: for his activities as Chairman of the Board of Directors, on the basis of the cited regulations; for his activities as CEO, on the basis of his employment contract. He is not entitled to receive variable Board of Director remuneration, payments for attending meetings, or remuneration for his chairmanship of the Strategy and Governance Committee.

  In the event of departure from the Board of Directors, remuneration is made on a pro rata basis up to the end of the month in which the person concerned leaves the Board of Directors. Departing members of the Board of Directors are not entitled to severance payments.

  The members of the Board do not receive severance pay.

- Members of the Executive Management receive a fixed salary as determined by the Nomination and Compensation Committee, plus a variable component. The amount of the variable component, which (depending on the financial result) is limited to 50 per cent of the fixed component, is based on the financial result (30 per cent) and the degree of achievement of the personal objectives agreed with the employee's immedi-

  The members of the Executive Management receive fixed and variable remunerations.

ate superior (20 per cent). Both amounts are specified by the Nomination and Compensation Committee: the first as a general figure, and the second for each individual employee. Departing members of the Executive Management are not entitled to severance payments. The Nomination and Compensation Committee, on which Erich Walser (Chairman and CEO) is not permitted to serve, also specifies his salary and remuneration. Members of the Executive Management may voluntarily take part in the share participation scheme referred to above to a specified maximum extent.

5.2 Remuneration of members of executive bodies

In 2005, the total amount of remuneration paid to members of the Group Executive Management (including Chairman and CEO as well as Tjarko Ullings until 30.4.2005) was as follows:

- Fixed component (including agreed expenses, child/education allowance and jubilee bonus) CHF 3 064 990
- Variable component for 2005 CHF 1 494 488
- and a special bonus amounting to 734 shares at the market price of CHF 297 on 30.3.2006, which are blocked for three years. This bonus was granted in view of the good performance in 2005.
- In addition, the company contributed a total amount of CHF 538 757 as contributions towards pension plans.

In the year under review, the seven serving (non-executive) members of the Board of Directors (excluding the Chairman and CEO) received remuneration amounting to CHF 1 064 233 (gross), including payments for attending meetings, consisting of fixed remuneration of CHF 895 834 and variable remuneration totalling CHF 168 399 for the year in the form of 567 shares at the relevant market price of CHF 297 on 30.3.2006. These shares are blocked for a period of three years.

Members of executive bodies are not entitled to severance pay upon termination of their term of office. In the year under review, Peter Wagner (member of the Board of Directors) and Tjarko Ullings (member of the Executive Management), stepped down from their respective functions and – in accordance with the policy referred to above – did not receive any form of severance compensation.

5.3 Remuneration of former members of executive bodies

No remuneration was paid to former members of executive bodies.

5.4 Allocation of shares

Within the scope of the share participation scheme (cf. section 5.1), members of the Group Executive Management (including Chairman and CEO) received a total of 750 shares in the year under review. For details of the share allocations in 2006 for the 2005 financial year see section 5.2.

No shares were allocated to associates.

5.5 Shareholdings

As of the reporting date

- members of the Executive Management (including Chairman and CEO) and their associates held a total of 3 114 shares
- while non-executive members of the Board of Directors and their associates held a total of 2 297 shares.

5.6 Options

The options programme was discontinued at the end of 2002. No further options are outstanding. Within the scope of the final tranche that expired in 2005, members of the Executive Management converted 309 (out of a total of 1 810) options into shares.

5.7 Additional fees and remuneration

In the year under review, no members of an executive body or their associates billed the company for fees or remuneration relating to the provision of additional services.

5.8 Loans to executive personnel

As of the reporting date, mortgages granted to six members of the Executive Management (including the Chairman and CEO) and secured by real estate liens amounted to CHF 7 225 406. In the year under review, interest rates for loans granted in the form of fixed or variable mortgages at normal conditions ranged from 2.05 to 4.65 per cent.

No loans were granted to non-executive members of the Board of Directors or to associates of members of the Board of Directors or Executive Management.

5.9 Highest overall remuneration

In the year under review, the Chairman and CEO received remuneration amounting to CHF 250 000 for his function as Chairman of the Board of Directors. As CEO, he is entitled to the salary specified in his employment contract. In the year under review, he received a fixed and a variable component amounting to a total of CHF 902 280 as well as a special bonus as a result of the company's good performance in 2005. This bonus amounted to 200 shares at the market rate of CHF 297 on 30.3.2006, which are blocked for three years. In addition, the company contributed a total amount of CHF 112 262 as contributions towards pension plans.

6. Co-determination rights of shareholders

All shareholders are treated equally.

Helvetia Patria observes the principle of equal treatment of shareholders.

6.1 Voting right restrictions, proxy voting

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

The Board of Directors specifies the necessary regulations governing participation at 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 per cent of the share capital.

At the 2005 Shareholders' Meeting, no shareholder with voting rights represented more than 10 per cent of the voting rights, other than Patria Mutual and the corporate proxy. No specific exceptions with respect to voting right restrictions or proxy voting were granted in the year under review.

A shareholder may delegate his votes to a third party.

Shareholders who possess voting rights but who do not attend the Shareholders' Meeting may assign their voting rights to a third party (who do not necessarily have to be a shareholder) by means of 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 per cent of the total share capital. Here, too, shareholders who are connected to each other in the form of capital or votes, or by united management, or in any other form, count as one shareholder.

6.2 Statutory quorum

A quorum is constituted at the Shareholders' Meeting regardless of the number of shareholders in attendance and votes represented by proxy. Unless stipulated to the contrary by legal provisions or the Articles of Incorporation, the Shareholders' Meeting passes resolutions by an absolute majority of submitted votes. In addition to the resolutions cited in Article 704, paragraph 1, of the Swiss Code of Obligations, a two-thirds majority of represented votes is also required for amendments to the Articles of Incorporation, the premature termination of office of more than one member of the Board of Directors, and the liquidation of the company.

6.3 Convening the Shareholders' Meeting

The Shareholders' Meeting is convened by the Board of Directors, or if necessary by the auditors. This right also applies to liquidators and representatives of creditors.

The Shareholders' Meeting usually takes place in May.

As a rule, the Ordinary Shareholders' Meeting is held in May, though at latest within six months after closure of the financial year. An Extraordinary Shareholders' Meeting may be convened according to necessity.

Shareholders with voting rights, and who together represent at least 10 per cent of the share capital, may request a Shareholders' Meeting in writing, stating the items on the agenda and motions to be put forward. Each shareholder receives a personal invitation by not later than twenty days prior to the date of the meeting, including a detailed agenda, a brief explanation of motions to be put forward, plus other explanations concerning significant occurrences in the year under review. The items on the agenda also have to be published in various Swiss newspapers.

6.4 Addition of items to the agenda
Shareholders with voting rights, and who together represent shares to the nominal value of at least CHF 800 000, may request the addition of items to the agenda, in writing, by not later than 45 days prior to the date of the Shareholders' Meeting, and stating the motions to be put forward.

6.5 Registration of shares
The right to attend the Shareholders' Meeting (12.5.2006) and exercise voting rights is reserved for persons who were registered in the share ledger as shareholders with voting rights as of the cut-off date (21.4.2006) specified by the Board of Directors and announced in the *Swiss Commercial Gazette* and various other newspapers. In the period between the above cut-off date and a few days (10.5.2006) prior to the Shareholders' Meeting, shares will still be registered in the ledger but no additional invitations to the Shareholders' Meeting will be issued. The share ledger is only blocked for a few days (10 to 18.5.2006). In exceptional cases, guest tickets may be issued, but holders do not have any voting rights. Each share registered in the ledger entitles the holder to cast one vote.

All shareholders entered in the share register have a voting right.

7. Change in control, protection measures

7.1 Obligation to announce takeover bids
Article 30 of the Articles of Incorporation states that an obligation to announce a takeover bid in accordance with Article 32 of the Stock Market Act only applies if the acquisition of shares results in the possession of more than 40 per cent of the voting rights.

7.2 Clauses regulating a change of control
Employment contracts of Helvetia Patria do not contain any clauses regulating a change of control. The practice of "golden handshakes" does not apply at Helvetia Patria. Normal periods of notice apply, during which contractual salary and bonus arrangements remain applicable.

Generally accepted terms of notice apply to employment contracts for members of the management.

8. Auditors

8.1 Duration of mandate, term of office of chief auditor
Since 2005, the accounts of Helvetia Patria Holding and its consolidated subsidiaries have been examined by independent auditors KPMG Fides Peat, Zurich, whose mandate has to be renewed each year by the Shareholders' Meeting.

For the 2005 financial year, the composition of the audit team was as follows:

- Hieronymus T. Dormann, Swiss Certified Accountant, Partner, Lead Auditor;
- Bill Schiller, Chartered Accountant, Partner.

8.2 Audit fees
In the year under review, the fees charged by the auditors amounted to

- CHF 2 415 822.

8.3 Fees for additional services

- CHF 203 881.

These fees primarily concern services in association with the implementation of new software and tax consulting.

8.4 Supervision and control of audit

Helvetia Patria Group has an external and an internal auditing.

The Audit Committee prepares the election of company and Group auditors, and supervises and assesses their activities. In addition to an external auditor, the Helvetia Patria Group has an internal auditing section that reports directly to the Audit Committee, the Chairman of the Board of Directors and the Chief Executive Officer. The content of the employment contract for the head of Internal Audit (e.g. appointment, dismissal, salary, bonus) has to be approved by the chairman of the Audit Committee, and this enhances the degree of independence of Internal Audit. Representatives of the external auditors and the head of Internal Audit attend meetings of the Audit Committee in an advisory capacity. The minutes of the Audit Committee are submitted to all members of the Board of Directors, and in the same way as other Board Committees, during meetings of the Board of Directors it also reports periodically on its activities.

9. Information policy

The shareholders receive a detailed shareholders' letter twice a year.

As a rule, Helvetia Patria provides its shareholders with information twice a year in the form of a detailed Letter to Shareholders included in the annual and interim reports. In its address to shareholders, it deals with a variety of current issues, including vision, strategy, market positioning and business policy. Copies of our sustainability report and the brief portrait of Helvetia Patria Switzerland are available to anyone who may be interested. Furthermore, our web site (www.helvetiapatria.com) contains a great deal of information about the Group and its activities. On 17.1.2006, we organised an Investors' Day during which the focus of discussion was on the restatement of the 2004 accounts to comply with the new requirements of the IFRS. Helvetia Patria periodically meets with institutional investors and also presents the published financial results at special road shows. These presentations may also be called up on our web site.

Our Corporate Communication division will be pleased to assist with any personal enquiries (contact details are indicated at the end of this report as well as on our homepage). Helvetia Patria – Just ask us!

Spotlight: Helvetia Patria sponsors Swiss-Ski

On 25.10.2005, Helvetia Patria signed a three-year sponsorship agreement with Swiss-Ski. This makes us the fourth sponsor of Switzerland's winter sportsmen and women and a key supporter of the competitors of tomorrow.

Common values were the main reason for our commitment to Swiss-Ski.

Swiss-Ski was a natural choice of partner for Helvetia Patria because the two organisations share many of the same values: both have a long and venerable history, together with a strong international presence. What's more, Swiss-Ski embodies Swiss tradition and quality combined with cutting-edge performance and a dynamic ethos.

Raising our profile with a view to growth
With a fan base of 3.7 million and events attracting around 600 000 people, skiing is a phenomenally popular sport in Switzerland and one that receives a huge amount of media coverage.

As the national association for all forms of skiing and snowboarding at grass roots, junior and elite level in Switzerland, Swiss-Ski is dedicated to promoting this, the country's biggest sport.

- Swiss-Ski was founded in 1904 and covers the eight main snowsports: downhill skiing – cross-country skiing – ski jumping – Nordic combined – snowboarding – biathlon – freestyle – Telemark skiing.
- As Switzerland's most successful sporting association, Swiss-Ski has more than 110 000 members.
- The sponsorship partnership with Helvetia Patria will enable Swiss-Ski to help 270 professional athletes and 120 medical, support and other staff.

Through its association with skiing, Helvetia Patria aims to benefit from the sport's dynamic image. This is a commitment whose impact will be felt the length and breadth of the traditional ski-loving nation of Switzerland, which we hope will enhance our image, facilitate growth by raising our public profile and – last but not least – send out a positive message, thus providing new impetus within the company, too.

Increased growth by raising our profile among the general public.

Meshing perfectly with our geographical target markets
The partnership with Swiss-Ski will open up synergies with our other national markets, in all of which skiing is a major sport. The various international events in the Alps will offer valuable marketing and corporate hospitality opportunities, which will enable us to raise awareness of our products and services in these countries.

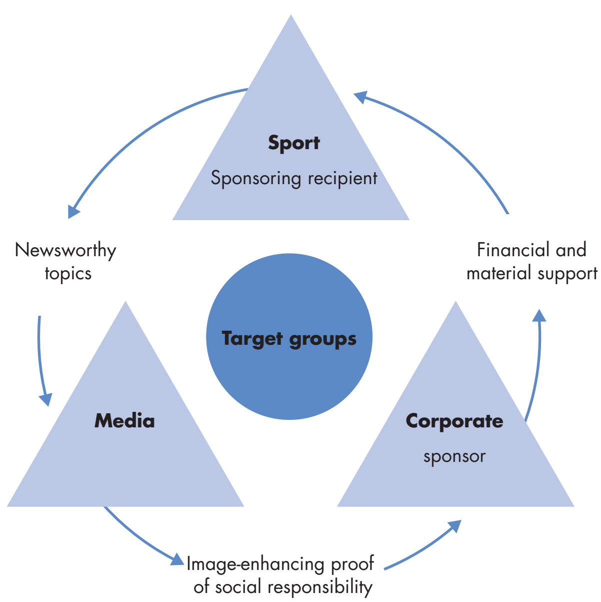
New synergies in our country markets through sponsorship of ski sports.

The sponsorship deal with Swiss-Ski also ties in perfectly with the Group's new single brand strategy, enabling us to fix the new name firmly in the public mind.

Sport sponsorship as part of corporate communications

Sport provokes emotions.

For competitors and spectators alike, sport is something that produces a whole range of emotions. Companies seek to utilise this emotional landscape to accomplish their communications policy objectives through sponsorship. In order to get the most out of sponsorship, it is important to analyse the interests of all concerned and the complex web of relationships that connect them. One way of doing this is by using the "magic triangle" of sponsorship.



Sponsorship measures are designed to achieve a combination of external, market-oriented and internal communications objectives. Internally, corporate communications objectives relate mainly to issues such as staff motivation and identification with the company. From an external point of view, sponsorship commitments are all about medium to long-term objectives over and above pure economics.

Raising a company's profile not just in the short term but for a long time to come requires a longer-term sponsorship commitment. This is particularly true when it comes to image transfer. In addition to short-term objectives such as brand recognition or updating the corporate image, every sponsor needs to think about which medium and long-term economic objectives – such as boosting turnover or market share, maximising competitive advantage or adding value for the client – can best be achieved by means of sponsorship.

Sponsorship in mass-participation and recreational sport

In order for Helvetia Patria to really make the most of its association with skiing, it needs to look beyond its contractual commitments in respect of the elite sport and take the opportunity to support up-and-coming young talent and the grass roots in particular. In response to the increasing emphasis on the sport experience and the growing awareness of the importance of health and fitness, we have stepped up our sponsorship activities at this level.

Human resources management

"We consider well-trained, committed and well-informed employees to be the most important factor in our success." That is the guiding principle that underpins our strategic and operational HR activities at Helvetia Patria. At the strategic level, our forward-looking HR policy serves to support the management of the Group and the individual business units in addressing the relevant social and market trends. Some of the key issues of the day from a human resources point of view include the increasing individualisation of the employment relationship, new working arrangements and communications opportunities, work–life balance, the trend towards later retirement, and growing competitive pressure as a result of new markets and products and changes in the competitive environment. On this basis, Helvetia Patria has drawn up a seven-point HR strategy for the future success of the business as follows: to enhance managerial competency; to improve the planning and use of resources; to strengthen the client and service culture; to recruit highly qualified, well-trained staff; to create an environment conducive to learning and innovation; to equip key personnel to tackle complex situations; and to encourage an entrepreneurial ethos, in thought and deed. By meticulously co-ordinating and exploiting synergies in the framework of Group-wide collaboration in accordance with HR policy, backed up by systematic management development, this seven-point strategy should be actively adopted in each and every business unit.

Seven fields of action in Human Resources help support the Group's future success.

In terms of our operational activities, Human resources management plays an important role in ensuring the best possible use of the human resources and skills at our disposal. Our HR specialists treat both managers and employees as people in a position of trust. They support both groups – acting as advisor, partner or service provider, as circumstances demand – and help them to achieve their goals in the interests of the business. This is achieved with the aid of special support processes for the country-specific recruitment, care and development of management and staff at the business units. By continually refining their own procedures as part of the quality management process, and by advising on and assisting with change, the HR management team are making a valuable contribution to the ongoing development and growth of the business.

Ongoing improvement through quality management.

A uniform approach to strategic management development

One of the main responsibilities of HR management within the Group is consistent, systematic management development in line with the seven-point plan, based on the strategic challenges that we face in the European insurance markets. Alongside the careful recruitment of highly qualified staff, the main thing here is to ensure a uniform approach to strategic management, the sharing of knowledge and experience, greater personal performance and the consolidation of the in-house network. With the aid of a systematic PEP process for the assessment and cultivation of potential, staff performance and management skills can be individually evaluated each year and any necessary development measures put in place. Management trainees are also included in this process. To round things off, strategic HR planning has been added to the agenda. As a result, over the last few years we have been able to fill some two-thirds of vacancies within the first two levels of management with our own management trainees.

Promoting uniform strategic management by qualified managers.

Management development is of particular strategic importance for the Group as a whole. With this in mind, the Management Development team has joined forces with two of the relevant faculties at the University of St.Gallen to run our own International Executive Program (IEP). Following a two-week basic introduction, spread over the course of a year, students go on to the IEP follow-up program, comprising a revolving two-year modular program covering the key strategic issues of the day in more depth and looking at examples of best practice. All the modules are based on the methods used in the General Management Navigator (GMN) and are accompanied by e-learning units. So far, more than 130 members of the Executive Management, Senior Executives and selected High Potentials from various Group functions and country markets have completed the International

Executive Program. Most of those who have attended the IEP say that they have benefited enormously from the extensive knowledge transfer, the concrete, practical content, the relevant strategic focus and the contacts that they made with other managers from all parts of the Group. In fact, almost one in three say that the Program far exceeded their expectations.

In the framework of another initiative, members of the Executive Management from the entire Group meet once a year for the annual Management Forum, where they tackle a specific strategic issue of particular relevance to the business. The theme of the autumn 2005 Management Forum, featuring several internal and external speakers and a series of workshops, was: "Our new strategy – in search of growth and new business opportunities".

Country-specific training and development opportunities

Particular emphasis is placed on developing management staff on a country-specific basis.

The ongoing training and development of staff and management is the responsibility of the individual business units. This is reflected in the wide range of training opportunities on offer. Alongside the numerous in-house and external specialist courses, particular emphasis is placed on country-specific management development. Last year, for example, the Executive Management of Der ANKER worked closely with Group Management Development to devise a comprehensive management training program for all members of management. The resultant training program is made up of three modules, covering not only market strategy and change management, but also the key management principles and the corresponding tools, such as management by objectives, situational management, teambuilding, how to manage meetings and personal organisational skills. Thus, the Group Management Development team plays an active and valuable support role at the local level.

Little change in the total headcount

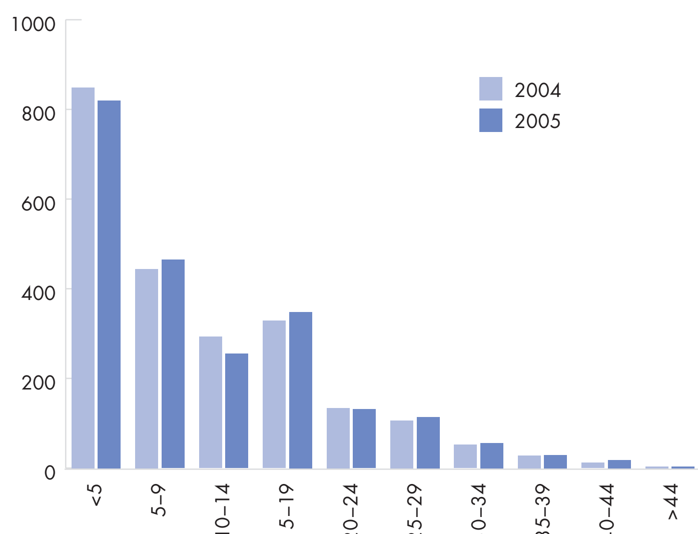
The total workforce employed by the Group in the respective country markets is more or less unchanged on last year. Only at our Austrian subsidiary Der ANKER did the workforce decline by around ten per cent in the context of the streamlining of its structures and business processes and the strategic market realignment. All our other business units kept their staffing levels more or less the same, despite significant premium growth in some cases. In the German-speaking countries, there are a total of 224 training places on offer.

As a result of the expansion of HR Controlling in the wake of the switch to International Financial Reporting Standards (IFRS), the HR management team now have access to additional data and information on headcount trends.

Personnel numbers

	2005	2004
Switzerland	2236	2248
Germany	812	814
Austria	636	704
Italy	284	278
Spain	565	558
France	86	84
Total	4619	4686

Structure of years of service in Switzerland



Human resources management in Switzerland

We have a broad base of well-qualified and highly committed junior staff.

Within Switzerland, the number of people employed in Group functions and in the "Swiss Market" business unit fell slightly to 2 236. The average age, however, remained virtually unchanged, as did the make-up of the various age groups. We continue to have the benefit of a broadly based, well-qualified and highly committed pool of young employees waiting to work their way up the corporate ladder. The average time with the company remains just over ten years. The right blend of youth and experience is vital to a successful insurance company, and the vast majority of young people who completed their training with us last year were offered a permanent contract. Around 340 people or 15 per cent of the workforce took advantage of the opportunity to work part-time last year.

Staff satisfaction remains high

Employees often regard the "opportunities for development" as one of Helvetia's key strengths.

Of the 76 companies surveyed by the Swiss business journal *CASH* for its fifth annual awards for the best Swiss employers, Helvetia Patria came 20th. The rankings were based on the results of a total of 546 voluntary, anonymous questionnaires completed by our employees. Amongst the positives mentioned were our strategy and objectives, pay and development opportunities. This ties in with the findings of our own objective-setting process, which is used throughout the company and forms the basis for the calculation of variable compensation at Helvetia Patria.

The staff turnover figures for last year were slightly below the industry average. Far and away the main reason for staff absence is ill health, with an average of 6.7 working days per employee per year – much lower than in other industries – followed by in-house and external training and development with 4.5 working days.

CLIX – the new platform for blended learning

CLIX enables individual and focused training.

The effect and benefits of the wide range of training and development opportunities that we offer are recorded and analysed in the framework of a comprehensive learning controlling process. All the training programs for the different market sectors can be found in one place on the electronic learning platform known as CLIX. Users can now search the training offering by topic, target group or qualifications, to suit their needs. CLIX has been specially designed to allow individually tailored, targeted learning, at home or at work, from initial preparation and admissions testing right through to the final certificate. As such, CLIX combines the traditional classroom with the very latest in e-learning, bringing together various learning tools in a flexible and effective package to create the ultimate in blended learning.

The "Fit & Well" health initiative has been extended and now offers a wide range of activities and information for all ages.

Effective recruitment of sales staff

The electronic questionnaire is a valuable instrument to help select client advisors.

The "AC online" electronic questionnaire has proved a tremendous asset, helping to make the selection process for client advisors as effective and successful as possible. It covers not only the specific criteria for a successful client advisor within our company, but also the latest knowledge on what it takes to succeed in a sales environment generally. The results serve as a useful indication of a candidate's potential suitability as a client advisor. This invaluable tool is currently being modified in preparation for use in the recruitment of specialist sales staff at Der ANKER.

A successful share participation scheme

Employee share participation scheme launched successfully.

Last year saw the successful launch of a new share participation scheme for our employees in Switzerland. Once a year, all eligible employees now have the opportunity to purchase shares in Helvetia Patria Holding at a special, preferential price – without diluting existing shareholders' equity. This new scheme allows employees to share in the success of the business and serves to underline their affinity with the company. One in five employees have taken advantage of the scheme. In all, our employees now own CHF 2 million worth of shares in the company.

Group results

Group profit showed a further improvement in 2005.

The Helvetia Patria Group can look back on an excellent year. Net profit for the year (after taxes) was CHF 301.9 million, which represents an increase of CHF 79.3 million or 35.6 per cent over the previous year. This result is partly due to the unusually sharp rise in investment income. It is also due to continued improvement in both the non-life and life insurance business. The after-tax return on equity reached 13.4 per cent (up from 12.7 per cent the previous year), which not only exceeds 2005 targets but also the ten per cent long-term strategic target, which is based very realistically on much more modest investment income.

Group profit in CHF million

	2005	2004
Earnings Life	139.9	147.4
Earnings Non-life	262.5	145.7
Earnings Other	17.8	6.9
Pre-tax profit	420.2	300.0
Taxes	–118.3	–77.4
Group profit for the period	301.9	222.6

Healthy growth in the insurance business

Total premiums registered an increase.

In contrast to 2004, when the volume of premiums declined due to the development of the Swiss life insurance business, total premiums saw another gain of 6.5 per cent (6.3 per cent in original currency). This was due primarily to accelerated growth in the life insurance business, which posted a volume increase of 12.0 per cent – in line with expectations. Non-life business, on the other hand, grew by a modest 0.6 per cent (0.5 per cent in original currency).

The direct life business outside Switzerland as a percentage of total life premiums climbed to 22.0 per cent – up from 19.5 per cent the previous year. The percentage of non-life business outside Switzerland remained virtually unchanged at 66.1 per cent (2004: 66.9 per cent).

The countries that were chiefly responsible for growth in the life sector were Switzerland, Germany, Italy and Spain. The driving elements overall were the group life business line in Switzerland and fund products.

The decline in direct business in the non-life sector was primarily attributable to developments in Germany and France. With the exception of Switzerland, the motor vehicle business was down in all countries that handle this line of insurance as a result of softer markets, indicating a cyclic change in this business line. The decrease in the transport business is due to trends in Germany and in France. Fortunately, the stable property and casualty and liability insurance lines posted positive growth rates in all country units (with the exception of Switzerland for P&C business) and compensated for the drop in the motor vehicle line. The motor vehicle business fell to 33.0 per cent of total non-life direct business (from 34.0 per cent), while property and casualty insurance edged up one percentage point to 39.9 per cent.

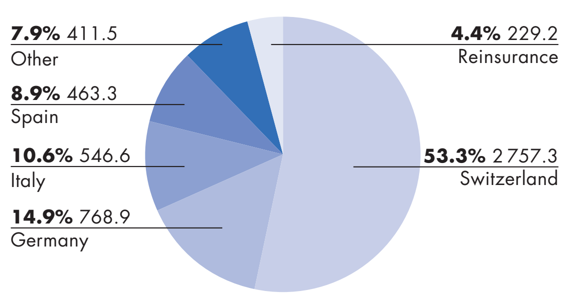
Much better technical results

In addition to the IFRS segment information by areas that is given in the financial report (pages 108 and 109), the life and non-life results are shown in the statistical statement of results on page 48 based on conventional underwriting analysis.

Underwriting delivered a good performance despite large-scale weather-related claims.

The non-life business posted very good technical results, both gross and net. The gross claims ratio rose from the previous year by only 0.7 percentage points to 64.3 per cent, in spite of the major storm damage in Switzerland in August 2005. This can be attributed to the relatively low claims ratio in most of the other countries and to the good technical results in Switzerland in the other

Gross premiums written 2005 in CHF million



months of the year. The net claims ratio improved to 62.0 per cent (down from 64.2 per cent) since the major part of the storm losses in August were absorbed primarily by reinsurers as the result of our multi-tier reinsurance option. Because of the declining expense ratio, the net combined claims/expense ratio (combined ratio) dropped to 94.0 per cent from 97.8 per cent. Due to the improved result of the non-underwriting account, the non-life profit before taxes amounted to CHF 262.5 million, up from CHF 145.7 million.

The life business reported a slightly weaker pre-tax result. Various factors account for this decrease. The non-underwriting result jumped to CHF 1 086.3 million from CHF 814.0 million, thanks to success in the investment area. This gain, which was also due to favourable external conditions combined with an improved risk situation and a shrinking expense ratio, was utilised to substantially increase the reserves for future participation features on the local level. Appropriations to reserves for future policyholders' dividends totalling CHF 361.4 million far exceeded the budgeted amount of CHF 97.5 million. This was done in order to develop a sustainable, future-oriented profit-sharing system for policyholders that would operate even in times when equity markets are less euphoric.

Gross premiums non-life 2005

in CHF million

	2005	2004	Change in %	Change in % (FX-adjusted)
Property	860.6	839.8	2.5%	2.3%
Transport	225.7	234.5	–3.8%	–4.0%
Motor vehicle	713.3	734.3	–2.9%	–3.0%
Liability	225.2	217.8	3.4%	3.2%
Accident/illness	134.7	135.1	–0.3%	–0.5%
Reinsurance	227.1	210.1	8.1%	8.1%
Total	2 386.6	2 371.6	0.6%	0.5%

Key figures non-life Group

	2005	2004
Non-life claims ratio net	62.0%	64.2%
Non-life cost ratio net	32.0%	33.6%
Non-life combined ratio net	94.0%	97.8%

Key figures non-life by business segment

in per cent

	Switzerland		Germany		Italy		Spain	
	2005	2004	2005	2004	2005	2004	2005	2004
Claims ratio gross	77.4	76.3	56.4	55.7	65.4	69.0	55.1	58.0
Cost ratio gross	28.3	29.7	33.7	32.8	29.2	27.9	32.1	37.9
Combined ratio gross	105.7	106.0	90.1	88.5	94.6	96.9	87.2	95.9

Gross premiums life 2005

in CHF million

	2005	2004	Change in CHF	Change original currency
Individual	1 040.6	975.2	6.7%	6.6%
Group	1 587.8	1 398.3	13.5%	13.5%
Unit-linked	159.7	112.5	42.0%	41.7%
Reinsurance	2.1	5.3	–59.7%	–59.7%
Total	2 790.2	2 491.3	12.0%	11.9%

Excellent investment results

While interest and dividend income registered only a slight volume-related increase against a backdrop of declining returns, the Helvetia Patria Group took full advantage of favourable conditions in the capital markets. The net result from profits and losses on financial investments was three times as high as in the previous year. Stock, investment funds and alternative investments accounted for over 80 per cent of this amount. Financial investments at market valuation accounted for 66 per cent of the profit or loss on

Technical account

Gross in CHF million

	Non-life		Life	
	2005	2004	2005	2004
Gross premiums written	2 386.7	2 371.7	2 790.2	2 491.3
Change in unearned premiums	1.8	–33.5	3.3	–2.8
Earned premiums	2 388.5	2 338.2	2 793.5	2 488.6
Insurance benefits paid	–1 380.6	–1 322.2	–2 224.1	–2 501.0
Change in loss reserves/actuarial reserves	–156.0	–164.5	–876.1	–127.2
Insurance benefits/cost of investment contracts	–1 536.6	–1 486.6	–3 100.2	–2 628.2
Cost of policyholders' dividend	–3.0	–0.1	–288.9	–197.0
Technical costs	–734.3	–746.0	–274.5	–261.0
Total actuarial profit/loss (gross)	114.6	105.5	–870.1	–597.6

Ceded to reinsurers in CHF million

	Non-life		Life	
	2005	2004	2005	2004
Earned premiums	–269.9	–272.2	–36.4	–35.5
Insurance benefits	223.8	160.7	20.7	33.1
Technical costs	57.8	50.9	7.8	5.4
Total actuarial profit/loss of ceded business	11.7	–60.6	–8.0	3.1

Net in CHF million

	Non-life		Life	
	2005	2004	2005	2004
Earned premiums	2 118.6	2 066.0	2 757.1	2 453.3
Insurance benefits/cost of investment contracts	–1 312.8	–1 325.9	–3 079.5	–2 595.1
Cost of policyholders' dividend	–3.0	–0.1	–288.9	–197.0
Technical costs	–676.5	–695.1	–266.7	–255.6
Total net actuarial profit	126.3	44.9	–878.0	–594.5
Current income on investments	136.3	124.0	689.4	691.2
Gains and losses on investments	53.6	14.0	410.8	127.8
Other income and expenses	–53.7	–37.2	–82.3	–77.1
Profit of non-technical account	136.2	100.8	1 017.9	741.9
Pre-tax profit	262.5	145.7	139.9	147.4

financial investments. This shows how investment performance is a function of the development of the capital markets and how it is also more volatile under the International Financial Reporting Standards (IFRS).

The growth in investment volume is due partially to the good performance in the equity markets.

Investment volume was up CHF 1 717.6 million in fiscal year 2005, a 6.6 per cent increase partly due to the extraordinarily good performance of the equity markets, which under IFRS is directly reflected in market valuations of portfolio positions. In addition, there were new funds from the insurance business, which were invested primarily in long-term fixed-income securities in accordance with the company's investment strategy and tactics. The maturity mismatch between life insurance liabilities and the investment portfolio was reduced, as planned. In order to avoid additional currency risks, new investments were made largely in the same currencies as the insurance business.

The investment structure was changed only slightly from the previous year. The fixed-income securities weighting was bolstered to 51.0 per cent. Likewise, the percentage of equities was also raised for the first time in a long while. This was offset by a slight decrease in mortgages and real estate investments.

Outstanding performance

Driven by the robust global economic recovery, attractive corporate earnings performance and sustained low interest rates, 2005 was an outstanding year for equities. Led by Japan and Switzerland, all established markets with the exception of the US posted double-digit performance figures. For Swiss franc investors, the significant rise in the value of the dollar compensated for the weaker performance of the US stock market.

Switzerland posted double-digit performance.

In this positive environment, portfolio investment performance was 5.5 per cent, up from 4.8 per cent the previous year. In spite of higher investment volume, direct earnings were at about the same level as in the previous year. The persistent low-interest phase resulted in a slight drop in direct earnings from 3.3 per cent to 3.2 per cent. Given these conditions, the long-term stable rental income from the real estate portfolio as well as mortgage interest, which showed attractive increases compared with bonds, proved to be valuable and safe sources of support for current investment income.

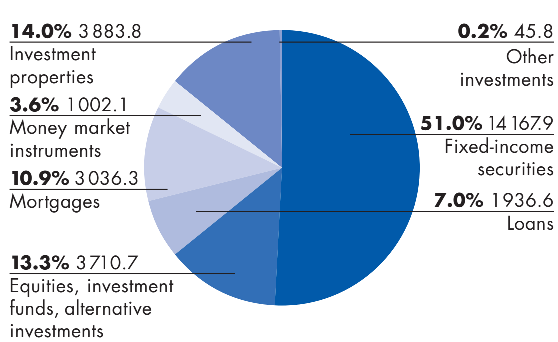
Consistent risk management – also for investments

Cautious risk management still required.

Careful risk management was still required in order to achieve income targets. As in the previous year, these measures focused on currency and equity commitments. The euro positions, in particular, were almost fully hedged through foreign exchange forward contracts. Hedges on equities, on the other hand, were reduced step by step with the rise in prices. Net exposure ranged between 6.0 per cent and 7.5 per cent (delta-adjusted figures).

Hedging costs totalled CHF 101.5 million. Currencies accounted for CHF 91.1 of this amount and equities accounted for CHF 10.4 million. These costs were offset by price gains on the order of CHF 95.2 million, which were either shown directly in the income statement or increased the share capital in the form of unrealised profits. This level of performance would not have been possible without risk-reducing measures.

Investments 2005 in CHF million



Worldwide growth remains solid.

Stable economic situation to continue

Global economic growth continues to be robust. Increasingly, the Asian economies are becoming the engines of economic growth whereas the US economy is expected to cool off slightly. It appears that in the past year the equity markets anticipated the economic recovery, especially in Europe. For this reason, 2006 is expected to bring rather moderate price gains. However, the mood will remain positive, even though further increases in interest rates are likely. These increases will primarily involve short- and medium-term maturities, while long-term rates will likely remain low throughout the world due to the growing matching requirements of institutional investors.

In accordance with our investment policy, asset-liability management will receive our undivided attention. The maturity mismatch between assets and liabilities will be continually reduced by appropriate investment of new cash flow and reinvestment. Another goal is to protect the buying power and attractiveness of long-term insurance contracts by means of targeted investments in tangible assets.

Shareholders' equity increased for various reasons.

Much stronger capital base

Shareholders' equity increased by 21.6 per cent to CHF 2 480.8 million, up from CHF 2 040.7 million. The main driver of this growth was the extremely high net profit for the year as well as unrealised gains on securities recognised directly in equity.

Profit contributions from all regions

All business units (see financial report, pages 106 and 107) generated profits and exceeded the profitability targets that had been set for 2005. With the exception of Germany, whose gross combined ratio deteriorated, all segments posted significant increases in net after-tax profits compared with the year before – especially Spain, where the elimination of merger costs and the effects of synergies resulted in a dramatic increase in profits. Switzerland contributed 52.5 per cent of total pre-tax profits, the largest contribution by far. It contributed about the same percentage of net premiums written (54.4 per cent).

Interest and dividend income in CHF million

	2005	2004
Interest on fixed-income securities	430.3	428.3
Dividends from shares, unit certificates and alternative investments	52.9	47.8
Loans	177.1	176.5
Money market instruments	15.4	7.6
Other	0.0	0.0
Interest and dividend income	675.7	660.2

Gains and losses on investments (net) in CHF million

	2005	2004
Fixed-income securities	113.9	51.4
Shares	164.0	71.7
Investment funds	139.4	37.6
Alternative investments	107.1	4.3
Loans	3.1	6.7
Mortgages	0.2	–0.3
Derivative financial instruments	–22.0	2.0
Other investments	0.8	–2.1
Impairment of financial assets of the period	–3.3	–7.2
Reversal of impairment losses on financial assets	3.7	3.6
Total gains and losses on investments (net)	506.9	167.7

Switzerland

Work completed on revision of Insurance Supervision Law and Law on Insurance contracts; both have been in force since the beginning of the year.

The recovery of the Swiss economy during 2004 continued in the following year and picked up steam in the second half of 2005. This trend was due primarily to exports, investment in construction projects, and consumer spending. The unemployment rate of 3.6 per cent was still significant but did not substantially impact consumer confidence. Given this environment, the Swiss private insurance business was in relatively good shape, but it also benefited from a favourable loss record in the first six months and the unexpectedly strong performance of the equity markets. On the legislative level in fiscal 2005, work was completed on revising the Federal law regulating the insurance industry (VAG) and the Federal law on insurance contracts (VVG). These two revised acts were adopted by the Federal Council and came into force on 1.1.2006. In the area of occupational pensions, which continues to account for over 70 per cent of the total personal life insurance business, the Federal Council decided that the conversion rate should be lowered more rapidly and more substantially than was provided for under the first revision of the Swiss Occupational Pensions Act (BVG). The gradual reduction to 6.4 per cent by 2011, which has now been proposed, is a step in the right direction, but is still not sufficient for stabilising this central Swiss pension system on a sustainable basis.

Given this economic and political background, the national market in Switzerland focused on the strategy already established for 2004–2006, a strategy designed to achieve profitable growth in the core areas of insurance and pension planning services. Now that two of the three strategy years have been completed, it is clear that the targets that were set have already been achieved in large part. The Group life business, for example, is again on profitable and sustainable footing. The positive results of an industry-wide client satisfaction survey conducted by an external market research institute show that the quality and service campaign that our company has been strongly committed to over the past few years has had a noticeable effect, both on our end clients and on the various sales and distribution channels. Client evaluations have improved continuously since 2000. In 2005, clients considered Helvetia Patria Switzerland to be one of the best companies in the Swiss insurance market.

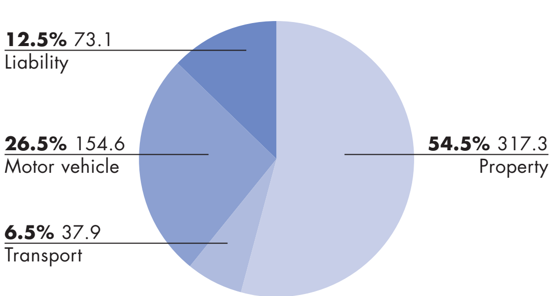
Goals set for the 2004–2005 strategy period largely achieved.

Greater profitability in the life business

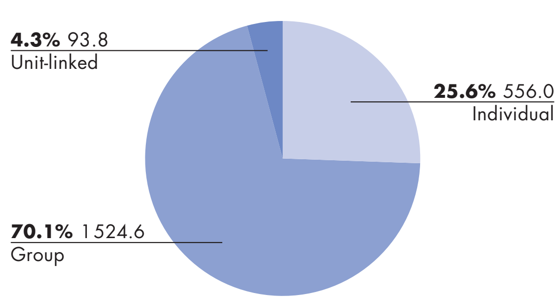
Further significant growth in group insurance.

Premium development in life insurance is shaped by opposing trends in the individual and group life insurance sectors. The national market for group insurance in Switzerland continued to grow significantly – in contrast to the declining market share for personal insurance – and posted a 14 per cent increase, particularly in the area of periodic premiums. The situation was different in the individual insurance business, where the continuing low interest rates had an adverse effect on premiums (down by 2.2 per cent). However, funds sales were very strong, boosted systematically in 2005 by the

Gross premiums in 2005 from direct non-life business in Switzerland in CHF million



Gross premiums in 2005 from direct life business in Switzerland in CHF million



Helvetia Patria perceived as a reliable partner for life insurance.

integration of an innovative hedge fund in Swiss francs. The low surrender rate in the individual life business, which was lower than the competition, plus the strong cash flow from contracts expiring in 2005, cash that was kept in the company and reinvested, are the factors that contribute to Helvetia Patria's excellent reputation as a reliable life insurance partner. Overall profitability was further strengthened in the past year, and this was due in particular to substantial improvements in the disability insurance line. Other contributing factors were the stronger economic environment and the fact that the selective underwriting policy in the group life sector began to bear fruit. Tight cost management, moreover, resulted in further cost savings. However, continuing efforts will be required in order to improve profitability in the individual life business, where persistently low interest rates have a moderating effect.

Gross premiums from direct business in Switzerland in CHF million

	2005	2004	Change
Non-life			
Property	317.3	317.8	–0.2%
Transport	37.9	36.7	3.3%
Motor vehicle	154.6	149.8	3.2%
Liability	73.1	71.4	2.4%
Total	582.9	575.7	1.3%
Life			
Individual	556.0	591.5	–6.0%
Group	1 524.6	1 334.6	14.2%
Unit-linked	93.8	72.9	28.8%
Total	2 174.4	1 999.0	8.8%

Excellent development in the non-life business despite storm damage

Despite major weather-related claims, non-life business reported a positive development.

The non-life business continued to grow during the past year, even though the claims and loss situation was very challenging. Premium revenues in the non-life insurance sector rose by a respectable 1.3 per cent. With regard to insured losses, the past year was the most expensive year for personal insurance that had ever been recorded by the Swiss insurance industry, and this is an industry with a very long tradition. The storms last August presented a big challenge, but we were able to meet this challenge thanks to excellent anticipatory arrangements at all levels and to the efforts of our hardworking employees. Within a very short time, 4 700 claims relating to movable property, buildings, business interruptions and motor vehicles and representing a gross loss amount of about CHF 160 million were reported to our dedicated claims team. Thanks to effective reinsurance programmes and relief from the natural hazards damage pool, we were largely able to handle this huge amount of damage, and this is reflected once again in the excellent net combined ratio of 95.4 per cent.

Healthy profitability

Our high earnings power can be attributed to various factors.

Pre-tax income increased significantly to CHF 220.4 million, up from CHF 166.6 million, based on development in both business areas. It was the result of substantially higher contributions from the technical result of the life business and from gratifying profit in the non-life business line again. An additional factor was the great improvement in investment performance, especially in the life area. As a result, a generous allocation was made to reserves for policyholders' dividends in the life business. Our group life clients in Switzerland also benefit as we allocate 94 per cent of earnings to them in compliance with legal quota legislation.

Securing and developing new business

Helvetia Patria works successfully with a large number of sales partners, in addition to its own sales force. The Helvetia Patria sales force, which is an important element in its sales strategy, is linked with a large network of general agencies that are in close proximity to clients. The company places great value on personal contact and on comprehensive advisory services covering a wide

New distribution and advisory platform enhances client advisor effectiveness and efficiency.

product range. In order to provide client advisors with effective support in their challenging day-to-day activities, a new sales and advisory platform has been implemented that makes it possible to increase the effectiveness and efficiency of the sales organisation. We have also made significant inroads in the broker business, a sales channel that is becoming increasingly more important. We have done this through our attractive product range and processes oriented to high quality and services standards. The co-operative arrangement with the Swiss Union of Raiffeisen Banks has been very positive, resulting in 10 per cent growth in periodic individual life premiums and a significant percentage of new business involving single premiums. In the area of occupational pensions, we continued to post attractive growth rates in the Swisscanto collective foundations in cooperation with the Association of Swiss Cantonal Banks.

Need-oriented innovative products

New generation of insurance rates improves our competitive position in individual life business.

Important new products were successfully launched in all product categories. A new generation of annuity insurance rates has been introduced in the individual life area, for example. It has significantly improved our competitive position in this important segment. In non-life business, we launched a new range of homeowners' products in the autumn in order to secure and expand our market position in this strategically important area. In the corporate client business, we made progress with an important project that will ensure a uniform image and a risk-oriented underwriting policy.

Ready for future challenges

Good prospects for another successful year in 2006.

From the current perspective, the prospects for another successful business year in 2006 are encouraging, given the good start in life and non-life business in Switzerland. The current fiscal year will focus on our efforts to complete the 2004–2006 strategy period successfully and achieve the ambitious earnings and premium targets as well as an important milestone in our quality and service campaign. In the area of occupational pensions, the migration of old contract business will play an important role, now that the development of a new business management system has been successfully completed, and this will lead to further gains in quality and efficiency. We also launched a product called "BVG Invest", which allows BVG clients to take advantage of greater opportunities (and assume greater risks) in the area of investments and minimum interest rates. In the individual life and non-life areas, development of modern quote solutions for the most important sales channels will be the next task. We expect growth to be stimulated by the introduction of new life insurance products. Furthermore, we will be launching a construction and buildings insurance product in the first half of the year in co-operation with our partner Raiffeisen. It will be directly integrated into the mortgage advisory process of Raiffeisen client advisors. This will intensify and strengthen this important collaborative effort.

The introduction of new life products provides impetus to growth.

Key indicators Switzerland

	2005	2004
Gross domestic product (GDP)	2.3%	1.9%
Interest rate	2.0%	2.3%
Inflation	1.0%	1.3%
Unemployment rate	3.6%	3.8%

Germany

Our hopes for better basic economic conditions were not met in the past year. As a result of the continuing tense economic situation in Germany, the insurance business did not pick up significantly. Real economic growth declined to 0.8 per cent after a slight increase in 2004. Together with the new government's ongoing reform efforts, this had an adverse effect on the demand for insurance cover.

Uneven growth in the non-life business

Given this market environment, which was also shaped by intense competition in the insurance industry regarding prices and conditions, systematic implementation of our strategic plan in the non-life sector had a negative impact on premium volume, as expected, which declined by 3.4 per cent. This was partly due to the transport business, in which we focused our business policy on specific client segments and a restrictive underwriting policy. In this business line, we were able to further improve our contribution to profits. We also accepted a significant drop in premiums in motor vehicle insurance since earnings considerations required us to deliberately refuse to participate in competition directed only at increasing market share in this segment. In other non-life areas, we reported strong performance and above-average growth rates. Despite frequent periods of severe weather throughout the year resulting in storm and flood damage, we did not experience any negative impact on our business results. On the whole, we were not able to completely avoid the effects of the market environment. The declining premium volume resulted in a slight rise in the expense ratio. In addition, the claims record was somewhat worse than in the previous year, which had been excellent.

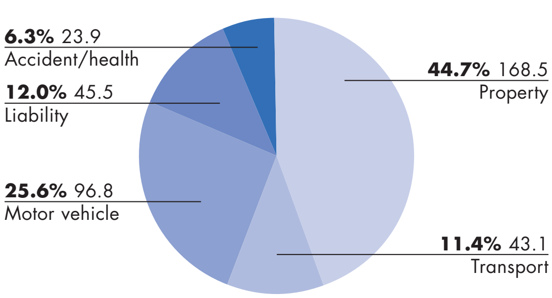
Transport business further improved its positive contribution to results.

Improved market position in life business

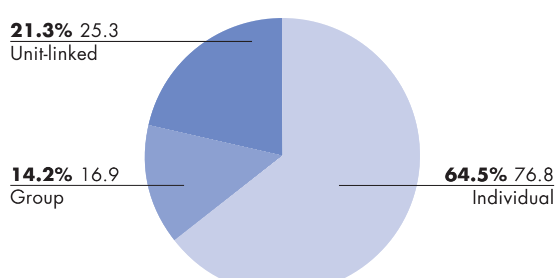
After the boom in life business that was triggered last year by statutory cutbacks in government support, new business in this area declined significantly for us as well. Although our growth in 2004 was far above average for the market, we saw a decline in new business in 2005 like many other companies. Nonetheless, we are still doing better than in 2003, the year that is used as the standard for comparison. As a result, we were able to report a substantial 22.1 per cent rise in premium revenues to EUR 119.0 million, which far exceeded average growth in the industry. Our market share also improved markedly, compared with the previous year. This was due primarily to our unit-linked insurance policies. In this area, we were among the best performers with our innovative product family "Helvetia CleVesto". The good risk record and the strong investment performance allowed us to appropriate more funds to reserves for participation features than current distribution needs require. Pre-tax profits were therefore somewhat lower.

Market positioning in life business well above the 2003 norm.

Gross premiums in 2005 from direct non-life business in Germany in EUR million



Gross premiums in 2005 from direct life business in Germany in EUR million



Growth in life operations thanks to good unit-linked business.

Products redesigned following new tax legislation.

Quality and service improvement for distribution partners and end customers.

Declining result

The drop in net income to CHF 31.7 million (from CHF 50.0 million in 2004) was primarily caused by the loss- and expense-related rise in the gross combined ratio to 90.1 per cent (up from 88.5 per cent) due to falling premiums brought about by trends in the motor vehicle business. Higher reinsurance costs in the non-life division were also a contributory factor. In life business, where growth was due primarily to the fund business, the excellent risk record and the strong investment performance made it possible to appropriate more to reserves for participation features than was needed to meet current distribution requirements. Pre-tax income was therefore slightly lower.

Attractive products

We have responded to changes in tax legislation and have revised our products accordingly. To stimulate new business in the future, we have also launched new term and disability insurance products that differ significantly from what is otherwise available on the market. The new disability insurance product "CleVesto Job" has received the top rating of "Excellent" from Franke & Bornberg, an analysis firm that is a leader in the independent testing of unit-linked life insurance. An exclusive individual wealth management product for affluent private clients called "PrimeInvest" has also been introduced in co-operation with our partner Vontobel, opening up a new business segment for us.

Gross premiums from direct business in Germany in EUR million

	2005	2004	Change
Non-life			
Property	168.5	167.6	0.5%
Transport	43.1	48.0	–10.2%
Motor vehicle	96.8	105.7	–8.4%
Liability	45.5	45.3	0.4%
Accident/health	23.9	24.5	–2.4%
Total	377.8	391.1	–3.4%
Life			
Individual	76.8	73.9	3.9%
Group	16.9	15.1	11.9%
Unit-linked	25.3	8.5	197.6%
Total	119.0	97.5	22.1%

Focus on quality and service

An essential component of our strategy is continuous improvement of our services to sales partners and end clients in the areas of quality and customer service. And we have been successful, as confirmed by client surveys conducted by an independent institute and survey results obtained by a renowned market research company. The results indicate that our services in the areas of claims adjustment and broker support have been judged tops in the market. In order to expand and solidify this position, we have continued to invest in automation of claims processes. A new information system was introduced in order to further improve what is already good support given to our independent agents and brokers. It allows our sales force to align their support and communication efforts specifically to the needs of these individuals. By introducing a quality management system, we have become the first German insurance company to receive the "Committed to Excellence" award from Deutsche Gesellschaft für Qualität e.V., the leading German organisation for quality management. This award confirms that we have met the requirements for a European quality model and are oriented towards sustainability.

Outlook

New products in personal insurance business should support growth effort.

We are not expecting an extensive economic recovery in the new business year to support our growth targets. However, we have already responded accordingly and have developed new and innovative products for our private insurance business as part of a product and sales campaign. In the life segment, we are expecting production to exceed the market average. This growth will be supported both by the increasing need for individual retirement planning and by our new products. In the area of independent agents and brokers, in particular, we see outstanding opportunities for growth due to our excellent competitive position. We will continue to pursue our quality and service campaign at the same high level. The introduction of a new flexible IT system for product development and portfolio management in the private sector will also improve our competitiveness. On the whole, we are optimistic about continuing to achieve success in the market. This assessment is also shared by our employees, who expressed an extremely high level of trust in our business policies in an employee survey conducted in 2005.

Key indicators Germany

	2005	2004
Gross domestic product (GDP)	1.5%	1.2%
Interest rate	3.3%	3.7%
Inflation	2.1%	2.1%
Unemployment rate	11.2%	10.8%

Italy

In the third quarter of 2005, the gross domestic product (GDP) rose by 0.1 per cent compared with the same period in 2004. Although this growth appears very weak (there was no change at all from the previous year in the first three quarters), it is still a positive signal, especially where the domestic economy is concerned: Consumer spending grew by 1.4 per cent on an annual basis, and investments reversed a negative trend and posted a 0.2 per cent gain. The economic picture was uneven during 2005. Signs of a recovery in some sectors – primarily the service sector – were accompanied by persistent crises in other industries that up until a few years ago were considered the drivers of the economy. It is assumed that GDP will grow by 0.2 per cent if the inflation rate remains stable at 2 per cent. The inflation rate was unchanged in 2005, despite the pressure from raw material prices.

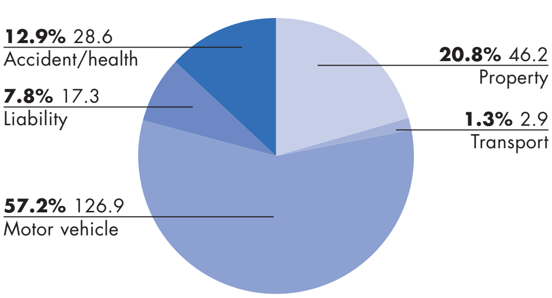
Private consumption and business investment broke the negative trend.

Dynamic insurance market

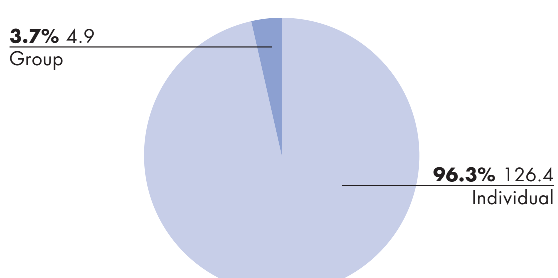
In this stagnant economy, the insurance industry developed more dynamically than expected. This is especially true for life insurance, which rebounded with growth of around 17 per cent. The non-life insurance sector was more restrained in its development, growing only 2 per cent. This was due primarily to the motor vehicle business, which saw premiums fall and exhibited a negative growth trend. The insurance industry is currently experiencing a cycle of positive technical results combined with good financial results. The negative side of this welcome development is again heightened competition. This has accelerated the process of concentration. This development is reinforced by the introduction of new accounting standards and by more stringent share capital requirements. In addition to these very significant changes, the agency that regulates the insurance industry in Italy (ISVAP) has issued further regulations for the insurance sector. They involve good governance, transparency in the area of quotations, and transposition of the EU Insurance Mediation Directive (2002/92/EC) into Italian law. The new insurance law that governs the entire industry also came into force on 1.1.2006. Among other things, it stipulates direct compensation in motor vehicle insurance. This means that injured parties can request compensation from their insurance company, which then demands compensation from the third-

Developments in the insurance market more dynamic than expected.

Gross premiums in 2005 from direct non-life business in Italy in EUR million



Gross premiums in 2005 from direct life business in Italy in EUR million



party insurer through the recourse mechanism. Previously, this applied only to property damage up to a specific limit and was based on voluntary agreements among insurance companies. This change is intended not only to speed up loss settlement but also to make it cheaper since fewer compensation processes will be involved. And finally, Parliament has also approved a reform of the pension benefits system. However, this reform will not take effect until 2008. Studies have shown that both consumers and investors have a higher level of confidence in the insurance industry. They show an increasing appreciation not only for the value for money offered but also for the quality of service.

Parliament approved pension reform.

Successful Helvetia

Growth in non-life business on a par with market average.

In fiscal year 2005, Helvetia Italy continued to achieve gains in profitability. Growth in the non-life business (2.1 per cent) was about equal to the market average, but in the life segment it far outstripped the market, reaching 67.5 per cent. Motor vehicle insurance accounted for about 6.3 per cent of the total non-life volume, which is below the market average but has a positive impact on earnings. There was strong growth in the life insurance sector, especially in the area of interest-bearing savings instruments with single premiums. However, traditional products also showed good growth, and term life insurance in particular. At the end of the year, the company had mandates with 359 agents, which represents a slight increase over the previous year. There were also agreements with 131 brokers. Relationships with the distribution channels of banks and financial institutions were consolidated. The company now has connections with Banca Woolwich (Barclays Group), Anteprima (Credito Emiliano Group) and ING. The strategic goals set in 2004 were also pursued systematically in 2005. This particularly involved focusing on the specific client segment that includes affluent private clients, small businesses and freelance professionals. Helvetia Italy also intends to distinguish itself from the competition through service quality, personal advisory services, and custom-tailored solutions. The integration of Helvetia Life into Helvetia Vita was successfully concluded during the past year. The company also acquired Sofid Vita's insurance portfolio. This company is part of the ENI Group (petroleum products). Sofid Vita's primary job was to handle supplementary insurance for their executives. The acquisition of Sofid Vita has given Helvetia access to a particular client segment that is also a preferred group for other insurance products.

The integration of Helvetia Life into Helvetia Vita was successfully concluded.

Gross premiums from direct business in Italy in EUR million

	2005	2004	Change
Non-life			
Property	46.2	41.6	11.1%
Transport	2.9	2.7	7.4%
Motor vehicle	126.9	129.8	–2.2%
Liability	17.3	16.0	8.1%
Accident/health	28.6	27.3	4.8%
Total	221.9	217.4	2.1%
Life			
Individual	126.4	69.1	82.9%
Group	4.9	9.3	–47.3%
Total	131.3	78.4	67.5%

In connection with the introduction of new claims software, the claims service was restructured and organised on a territorial basis with the goal of ensuring that each agent would have only one contact person for all claims issues. Non-life underwriting was also structured in a similar manner. Helvetia Italy relies on its highly qualified employees to provide outstanding customer service. To guarantee that employees are properly qualified, Helvetia Italy has set up a permanent training and continuing education system for company employees and for brokers, agents and other intermediaries. A training department was formed, and a full-time trainer hired. A staff position for fraud control was also created in order to increase quality in a different area.

Excellent results

Excellent pre-tax earnings.

There was a substantial increase in profit before taxes, which reached CHF 28.1 million – up from CHF 15.7 million the year before. This gain was due primarily to the non-life business, in which the gross combined ratio was reduced to 94.6 per cent from 96.9 per cent thanks to a lower claims amount. In addition to this trend, there was also a decrease in reinsurance costs. The expense ratio, however, rose slightly. In life business, where strong volume growth was due mainly to single-premium insurance, profit before taxes also improved. An unremarkable risk trend was accompanied by very strong investment performance.

Optimistic about the future

Strategy confirmed as effective and on target.

Fiscal year 2005 closed with a good result that exceeded expectations. It confirmed the effectiveness and correctness of the strategy that the company had decided on. We are convinced that we can be successful, even in an increasingly tough competitive environment. Our clear-cut strategy, motivated and qualified employees, and agents who are sold on our services will guarantee continued strong growth of Helvetia in Italy.

Key indicators Italy

	2005	2004
Gross domestic product (GDP)	0.2%	1.4%
Interest rate	3.5%	3.8%
Inflation	2.0%	2.0%
Unemployment rate	7.5%	7.9%

Spain

Growth slightly above that of previous year.

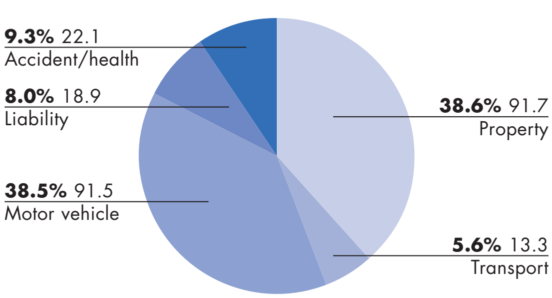
The Spanish economy was also very strong in the past year. The previous year's growth (3.1 per cent) was even slightly exceeded by the 3.4 per cent increase in the gross domestic product. This trend was due to the domestic economy, which grew by 4.4 per cent. The main driver in this upswing continues to be the construction industry, which grew by 6 per cent in the past year. The unemployment rate in 2005 has fallen to 8.5 per cent from over 10.0 per cent the previous year, a very encouraging sign. For the first time, Spain is now on a par with the EU countries in general. The dark side of this booming economy is the inflation rate. Although inflation has also risen in the other countries as the result of higher energy prices, it has reached 3.7 per cent in Spain, which is significantly above the average for other eurozone countries. And it continues to trend upwards. This has negative consequences for the Spanish export industry.

The insurance industry is a growth market

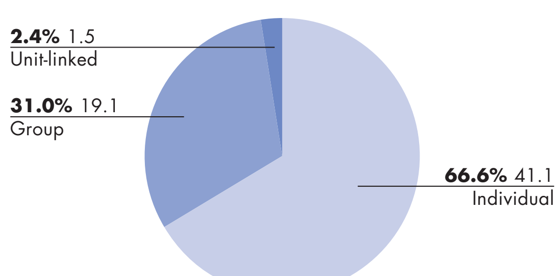
Spanish insurance industry performed well by international comparison.

Initial estimates show that the Spanish insurance industry has again experienced healthy growth compared with other countries, although the 2005 growth rate slipped to 7.7 per cent from the previous year's rate of 8.2 per cent. The premium volume for life insurance was 8.2 per cent, much higher than in the previous year (6.8 per cent). In non-life insurance, however, the growth curve flattened to 7.3 per cent from the 2004 rate of 9.3 per cent. The main reason for this decline is the price war in motor vehicle insurance, which has flared up again. The much better results in this sector in recent years encouraged many insurers to lower their premiums in order to gain market share in this highly competitive market. Although some sectors – primarily agricultural insurance – suffered under the extreme weather conditions, the total claims amount in this market rose only slightly. The improvement in overall results was due primarily to stronger financial results and also to a slightly weaker cost burden. It will be some time still before the EU Insurance Mediation Directive becomes part of Spanish law – not until after the summer of 2006, at any rate. According to a recent development, the Insurance Mediation Directive will also cover bank sales and will require minimum training and qualification standards for bank intermediaries, as is already the case for agents and brokers handling conventional sales. The goal is to ensure that clients receive better advisory services.

Gross premiums in 2005 from direct non-life business in Spain in EUR million



Gross premiums in 2005 from direct life business in Spain in EUR million



Helvetia Previsión – first full year after the merger

Expected synergies from the merger confirmed.

Helvetia Previsión has now completed its first fiscal year after the merger of Helvetia CVN with Previsión Española. The expected synergy effects have been confirmed and have had a very positive impact. The administrative expense ratio was sharply reduced. This considerably enhanced the company's competitiveness and opportunities on the up-and-coming Spanish market as well as its profitability. The reduction in the cost burden is even more noteworthy when one considers that there were still some follow-up costs in 2005 from the merger. In the life insurance sector, Helvetia Previsión achieved strong growth rates that were even slightly over the market average. This is particularly impressive since the Spanish subsidiary did not yet have a sales partner in the banking sector. In Spain, well over half of the life insurance premium volume is generated by the banking sector. In contrast, the non-life business grew at a rate that was definitely below average. This is due almost entirely to motor vehicle insurance. The price war in this sector mentioned above caused the premium level to drop in general. In addition, Helvetia Previsión places greater value on portfolio quality than on growth at any price. Premium allowances are only given when they are justified from an underwriting standpoint, and in some cases this can lead to policy losses. For these reasons, the premium volume in this sector declined. In the other non-life segments, the growth rates ranged from satisfactory to good but were not able to compensate for the decrease in the motor vehicle sector, which accounts for about 40 per cent of the total non-life volume. The total gross claim amount was lower. This was due to another definite improvement in the motor vehicle business. As the result of several major claims, however, the claims amount in the fire insurance line increased somewhat. Helvetia Previsión is one of the market leaders in Andalusia and Navarra. The goal is to remain among the top five companies in these regions in the future and to improve market position in the rest of the country. A skillful product policy and high-quality services will help to achieve these goals. The three claims centres in Seville, Madrid and Pamplona were certified under ISO 9001:2000 after extensive audits.

Growth in non-life business clearly below average.

Helvetia Previsión is one of the market leaders in Andalusia and Navarra.

Gross premiums from direct business in Spain in EUR million

	2005	2004	Change
Non-life			
Property	91.7	85.7	7.0%
Transport	13.3	11.7	13.7%
Motor vehicle	91.5	96.8	–5.5%
Liability	18.9	16.7	13.2%
Accident/health	22.1	23.4	–5.6%
Total	237.5	234.3	1.4%
Life			
Individual	41.1	38.9	5.7%
Group	19.1	17.0	12.4%
Unit-linked	1.5	0.4	275.0%
Total	61.7	56.3	9.6%

Pre-tax earnings increased fivefold.

Significant improvement in financial results
Profit before taxes grew fivefold – to CHF 62.6 million from CHF 12.1 million the previous year. This huge gain is due principally to the non-life business, in which the gross combined ratio dropped to 87.2 per cent from 95.9 per cent, as a result of the very good loss record and the cost trend, which also benefited from the elimination of the previous year's high merger expenses. The pre-tax operating result in life business also improved due to the significantly reduced expense ratio and the strong investment performance.

Positive outlook
Although the basic government-established conditions for the life insurance business are worsening, the industry is looking forward to further growth. Beginning in 2007, savings and pension insurance will no longer be tax-free in certain cases. The resulting uncertainty will already have an impact in the current year. However, updated products and a motivated sales force will help ensure that the life insurance business at Helvetia Previsión will continue to post positive growth.

A new policy covering household contents was introduced on 1.1.2006. The new product offers insured parties many different advantages and is transparently structured. With its innovations, it is clearly better than competing products, and it is consequently expected to provide further impetus for growth. The synergy effects of the merger will continue to have a positive impact. These factors, together with a skilled and capable management team and qualified, motivated and quality-conscious employees, make us quite optimistic about the future.

New product stands out from competitors.

Key indicators Spain

	2005	2004
Gross domestic product (GDP)	2.6%	2.6%
Interest rate	3.3%	3.7%
Inflation	3.7%	3.2%
Unemployment rate	8.4%	10.5%

Austria

All business lines reported growth.

The year 2005 proved to be a very good year for the Austrian insurance industry. Initial calculations indicate that it is in sound financial condition: All business lines reported growth, and the Austrian insurance industry as a whole saw premium revenues increase in 2005 by 9.6 per cent to EUR 15.32 billion. The strong performance of the capital markets and the boom in the demand for retirement products contributed significantly to this result. As far as benefits are concerned, they increased again after the drop in 2004 and were up 1.1 per cent, totalling EUR 8.64 billion.

Der ANKER restructuring successfully completed

Measures to increase efficiency were rigorously implemented.

The internal corporate restructuring phase was successfully completed in the year under review. A great variety of measures for increasing operational efficiency were systematically implemented. Consolidation of much leaner decentralised structures and the successful establishment of the newly created central Claims Service Center are especially worth mentioning. In connection with the innovative concept of selective local claims adjustment, the new claims structure proved to be very effective. We were very pleased to see a customer survey confirm that the reorganised claims process largely meets or even exceeds client expectations.

In addition, the conditions necessary for totally revising the underwriting applications in the IT area were put into place in fiscal year 2005. The last phase of this project – transfer of all life insurance contracts to the new system – was successfully completed in the first weeks of 2006.

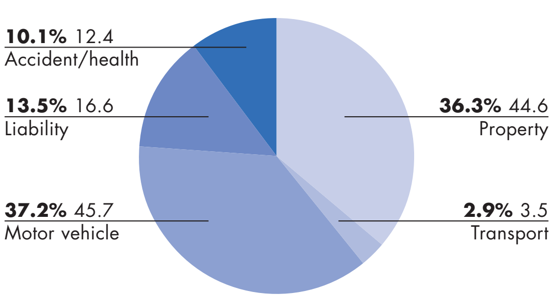
Reopening of renovated headquarters marks end of successful restructuring.

In October 2005, we celebrated the reopening of our renovated headquarters in downtown Vienna after a two-year construction period. For us, the building is the symbolic capstone and confirmation of successful corporate restructuring. Through its unique combination of tradition and modernity, this structure effectively projects Der ANKER's corporate philosophy both internally and externally.

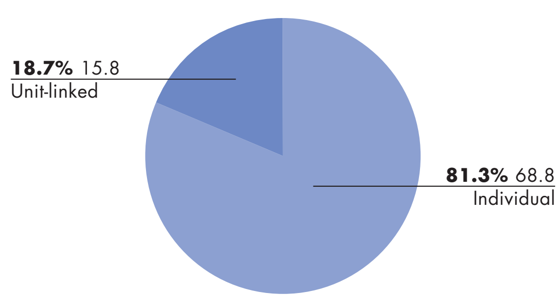
Good business development

In the underwriting area, earnings power was systematically strengthened over the last two years. By implementing a variety of measures in the areas of acceptance policy, premium policy and claims management, Der ANKER was able to achieve positive results in all the important business lines in the year under review. The loss experience was very positive with respect to frequency and average amount of loss – both in 2005 and in connection with claims from prior years.

Gross premiums in 2005 from direct non-life business in Austria in EUR million



Gross premiums in 2005 from direct life business in Austria in EUR million



As for the flood damage in August that resulted in total insured losses of over EUR 110 million, Der ANKER was largely spared due to the regional distribution of its business. The total damage costs were only EUR 500 000. In general, there were fewer major loss events than in the past. The major claims amounts in the fire and motor vehicle liability lines were the lowest they had been in several years.

In spite of its strict profit orientation, Der ANKER was able to increase premium volume slightly (+0.6 per cent) in non-life business. The profitable property insurance business posted a strong 3.2 per cent gain in the year under review. In motor vehicle business, on the other hand, sales slipped 1.3 per cent overall, but there was a definite trend towards positive growth in the last few months of the year.

Pleasing increase of 3.2 per cent in high-revenue property business.

The picture was also mixed in the life insurance segment: Growth was restrained in the periodic premium business (up 0.9 per cent over the previous year), but the single premium business took off after several years of decline and posted growth of 8.8 per cent. On the whole, premium growth in the life insurance sector was 1.4 per cent.

Helvetia transport insurance very successful

Helvetia Austria achieved very good results in the year under review. Dynamic growth of over 7 per cent and an excellent combined ratio confirmed once again the high quality of this niche business.

Helvetia transport insurance posts dynamic growth.

Gross premiums from direct business in Austria in EUR million

	2005	2004	Change
Non-life			
Property	44.6	43.2	3.2%
Transport	3.5	3.3	6.1%
Motor vehicle	45.7	46.3	–1.3%
Liability	16.6	16.8	–1.2%
Accident/health	12.4	12.3	0.8%
Total	122.8	121.9	0.7%
Life			
Individual	68.8	66.6	3.3%
Unit-linked	15.8	16.8	–6.0%
Total	84.6	83.4	1.4%

The goal is profitable growth

From the current perspective, the prospects for a good business year in Austria in 2006 are very promising. Building on the solid earnings power of both companies, we are focusing on a number of measures designed to guarantee profitable growth. Another goal is for the Austrian subsidiaries of the Helvetia Patria Group to improve their brand presence significantly in the current year and to position themselves consistently as quality Austrian insurers.

Prospects of a good year in 2006 are intact.

Key indicators Austria

	2005	2004
Gross domestic product (GDP)	2.6%	1.9%
Interest rate	3.3%	3.7%
Inflation	1.6%	2.9%
Unemployment rate	4.6%	4.5%

France

Although the French economy had a slow start at the beginning of the year, growth accelerated in the second half and reached a rate of about 1.6 per cent. The decline in the unemployment rate to under 10 per cent had a positive impact on consumer spending. Investment activity also increased. Because of the sharp rise in imports, however, the contribution of foreign trade was negative.

Decline in unemployment had a positive effect.

Transport of goods accounts for 80 per cent of total domestic transport and is the most important type of transport in France. The profitability of goods transport in connection with our business in France was threatened by high fuel prices and competition from other European countries. The business area specialising in logistics services for companies continues its strong growth trend.

Consolidation strategy

After the acquisition of two transport insurance portfolios and strong growth in the previous year, we went through a consolidation phase in 2005 in which our first priority was strict risk selection. The decline in business for several major clients and our reluctance to participate in the price war that was being systematically fought by some of our competitors resulted in a slight decrease in business volume. Premium income totalled EUR 58.5 million in fiscal year 2005, which represents a drop of 6.3 per cent. The cautious underwriting policy paid off, however. The underwriting result was again outstanding, based partly on a low gross combined ratio. Accordingly, net income not only exceeded that of the previous year but also Group expectations.

Cautious underwriting policy paid off.

Gross premiums from direct business in France in EUR million

	2005	2004	Change
Transport	58.5	62.4	–6.3%
Total	58.5	62.4	–6.3%

Measures taken on all levels

Because of greater segmentation, we were able to make it possible for our agents and brokers to provide more individualised support services.

We improved our product range, which was further perfected in the course of preparations for the upcoming 2007–2010 strategy. Furthermore, we are striving to develop new sales channels.

Enhanced product offering envisaged for future strategy period.

Our efforts in personnel recruiting, promotion of internal mobility and expanded training programme have helped to maintain a high level of qualified employees. The IT system was adapted to new developments, particularly by improving data exchange with key agents and brokers. The healthy business growth and strong profitability will be a good basis for Helvetia's future strategy in France.

Key indicators France

	2005	2004
Gross domestic product (GDP)	1.7%	2.0%
Interest rate	3.3%	3.7%
Inflation	1.5%	2.1%
Unemployment rate	9.5%	9.9%

Assumed reinsurance

Hard but attractive market environment in reinsurance.

The background for the 2005 renewal season was heavily influenced by a series of hurricane claims in the US and Japan which, at the time, made 2004 the most expensive year ever in the history of insurers, with insured losses totalling some USD 50 billion. After it initially seemed as if the market may be softening as the year progressed, these losses subsequently created tough market conditions that were attractive for us by the time of the 2005 renewal season.

As a result, the portfolio was further diversified in line with strategy and expanded slightly in terms of premiums. During the 2005 renewal season, conditions still remained at a respectable level technically, and none of the markets showed any signs of softening significantly in respect of conditions and rates.

Solid premium growth

Premium growth was very satisfactory last year.

We were very happy with last year's renewal season. Premium income totalled CHF 229.2 million (2004: CHF 215.4 million), and as conditions were technically attractive – subject to a normal claim year – we expected a combined ratio of well under 100 per cent.

Profit in the 2005 catastrophe year

Thanks to a diversified underwriting policy, the reinsurance portfolio produced pleasing results for the year.

2005 will go down as the worst year for catastrophes that the reinsurance industry has ever seen. A study by Swiss Re shows that the largest insured losses totalled USD 83 billion. This means that the past year turned out to be the most expensive claims year ever for property insurers since records began. We were not completely immune from this claim activity either, but thanks to our prudent and broadly diversified underwriting policy as well as a future-oriented retro-policy, we were able to keep net claim levels under control. As a result, the overall reinsurance portfolio still reported a healthy annual profit.

Attractive outlook

Current findings show that we have been able to maintain premium income for 2006 at comparable rates and conditions. Provided that claim levels remain within an average range in the financial year, we can expect an equally solid contribution to operating income.

Investor information

2005 goes down as a good year for the stock markets.

Investors will remember 2005 as a good year for stock markets. Europe and the Far East saw prices rise by the year-end. These gains were buoyed by a robust upswing in the world economy, with the MSCI World Equity Index ending the year up 9.5 per cent on the previous year. Swiss equities also benefited from this favourable environment and ended the year 33.9 per cent higher.

Buoyant share price

Helvetia Patria registered shares beat both the Insurance Index and the Swiss Performance Index by a wide margin.

Helvetia Patria Holding registered shares went up by 64.1 per cent last year, making them one of the top performing shares in Switzerland and far outstripping the index of insurance stocks (+33.5 per cent) as well as the Swiss Performance Index. This impressive rise was principally due to the careful implementation of our strategy and excellent related business earnings. The capital increase of December 2004 also boosted investor interest in our company, as the number of freely traded shares rose significantly. The changeover to IFRS accounting presentation increases transparency and comparability with other insurance companies which will help sustain interest in our shares as an attractive investment opportunity.

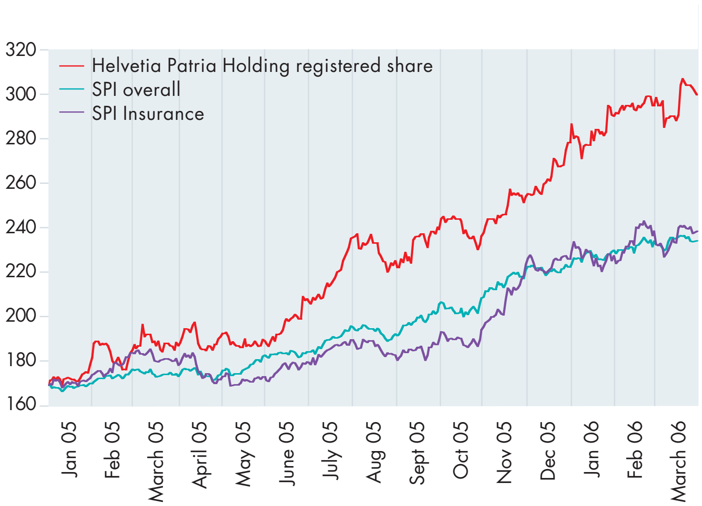
Significant increase in the number of free float shares.

Key figures for investors

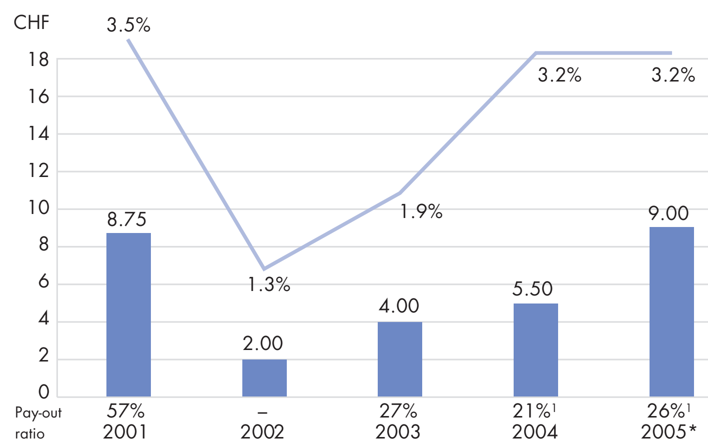
	2005	2004
Helvetia Patria Group		
Consolidated equity before appropriation of retained earnings (in CHF million)	2480.8	2040.7
Consolidated equity per share (in CHF)	290.0	247.3
Group profit for the period per share (in CHF)	36.2	35.9
Return on equity (ROE)	13.4%	12.7%
Helvetia Patria Holding (Helvetia Patria registered shares)		
Stock exchange price		
■ Year-end (in CHF)	278.0	169.4
■ High for the year (in CHF)	278.0	213.2
■ Low for the year (in CHF)	169.0	152.2
Market capitalisation (in CHF million) at year-end price	2405.5	1465.8
Ratio market capitalisation/consolidated equity	97%	72%
Ratio market capitalisation/gross premiums	46%	30%
Number of shareholders as of reporting date	4129	4056
Annual dividend per share (in CHF)	9.00[1]	5.50
Dividend yield[2]	3.2%	3.2%
P/E ratio[2]	8	5
Payout ratio	26%	21%
Securities number/ticker	1 227 168 / HEPN	
Trading exchange	SWX Swiss Exchange	

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

Share price trends 1.1.2005 to 31.3.2006 indexed in CHF



Sustainable dividend policy



Dividend per share
Dividend yield at year-end price
* Proposal to the Shareholders' Meeting
1 Based on IFRS calculations, previous years calculated based on Swiss GAAP ARR

Convertible bond matures

On 16.6.2005, a CHF 150 million convertible bond became due for repayment. As none of the bonds were converted into shares throughout the term of the bond, the entire issue amount was repaid, and most of the shares that were thus released were sold on the market.

Stable shareholder structure

No major changes in shareholders.

There were no significant changes in the composition of our shareholder structure which means that our ownership basis remains stable. As of 31.12.2005, a total of 4 129 registered shareholders were recorded in the share register. The current composition of investor groups is as follows:

Private individuals	13.95%
Banks and insurance companies	24.75%
Other institutional investors	61.21%
Public sector	0.09%

92.98 per cent of investors are based in Switzerland, while 7.02 per cent of shareholders live abroad. The free float currently stands at 51.8 per cent, and the acquisition of registered shares is not subject to any restrictions.

Sustained dividend policy

Helvetia Patria has for years been following a policy of income-oriented, continuous dividend payments. Its excellent operating performance last year and high earning power have enabled the Board of Directors to propose to the General Meeting that the cash dividend be increased by CHF 3.50 to CHF 9.00 (+64 per cent) per share.

Substantial increase in cash dividend proposed.

Our environmental credentials

Sustainability of corporate policy is an important investment in Helvetia Patria's future.

At Helvetia Patria, we look on a sustainable approach to business as a vital investment in the future. As such, sustainability is part of the very fabric of our business, underpinning all that we do. Improving the quality of the data that feeds into our environmental performance indicators is a matter of top priority and something that we shall continue to work towards. Compared with last year, the indicators show that we have been able to reduce the environmental impact of our activities slightly in all but a very few cases. In Switzerland, for example, the more accurate reporting of the number of miles that our staff travelled by car on business has inevitably led to an increase in the total mileage clocked up over the year. It is important to bear this in mind when comparing this year's figures with those for 2004. The number of business flights, by contrast, is down considerably on last year.

Developments in the business units
In this section, we shall outline the main environmental measures implemented in both our key national markets of Switzerland and Germany over the past financial year.

Environmental measures in Switzerland
Helvetia Patria is proud to have sponsored the "Green Branch" environmental award for the past three years, in partnership with the WWF in eastern Switzerland. This award is presented to families, school classes, groups or individuals in recognition of their outstanding contribution to environmental protection.

As of autumn 2004, Helvetia Patria also became one of the first companies to team up with the Swiss Federal Railway (SBB) to enable staff to book their business trips online. Under this new system, business trips can be arranged quickly, easily and directly, thus saving time and cutting costs – a tremendous benefit for all concerned. And business trips made by train can now also be more accurately logged and analysed. As a result, the use of public transport has increased. These tried-and-tested initiatives will, of course, remain on the agenda as we continue to make every effort to promote sustainable forms of transport.

Use of public transport enhanced through reservation system.

Last but not least, we have worked extremely hard on the staff training front, raising awareness of environmental issues. New software developed specifically for this purpose has been successfully piloted and will be rolled out across the respective national business units in the course of 2006.

Environmental measures in Germany
Helvetia Germany is breaking new ground, designing pioneering new insurance products with an environmental dimension.

The use of solar cell technology as a means of generating power is becoming increasingly common and is now a major factor in the planning and building of new homes. Photovoltaic energy generating technology is not only environmentally friendly but also extremely durable, which is reflected in the price, making it expensive to buy. Thanks to Helvetia's photovoltaic insurance, it is now possible to take out comprehensive cover on this type of equipment. This new insurance is a glowing testament to the fact that business and the environment can go hand-in-hand.

Helvetia Germany has started to insure photovoltaic plants.

Special rates for low-mileage drivers
At Helvetia, we believe in rewarding low-mileage drivers. As such, we offer special rates for drivers who clock up a maximum of 6 000 kilometres a year. By using less energy, drivers who only use their cars occasionally are helping to reduce environmentally harmful emissions. They also have fewer accidents, which means fewer repairs, which in turn uses fewer resources and so benefits the environment.

Premium reductions for low-mileage drivers.

Environmental criteria in the claims process
Environmental factors are taken into consideration in the claims settlement process in Germany, too. In the event of damage to the glass on a vehicle – such as a chip in the windscreen, for example – every effort is made to repair the damage rather than replace the entire windscreen.

Health and safety and the working environment

Health and safety and environmental protection are inextricably linked. Environmental issues are high on the agenda in terms of the training that our health and safety officers receive at all our premises in Germany. All building-related activities are also subject to rigorous environmental standards and green construction specifications, from planning through to construction, use and even the demolition of premises.

Online booking system for business travel

The new online booking system, introduced in 2005, is widely used by our employees in Germany – more and more of whom are now switching to public transport – to reserve their train tickets when travelling on business. The number of business flights, meanwhile, is down considerably on last year.

Staff awareness

In addition to the general rules and regulations governing sustainability, staff of Helvetia Versicherungen are obliged to adhere to special guidelines designed to conserve resources. In particular, they are expected to use paper sparingly, save energy, avoid and reduce waste, and ensure that any waste that is produced is disposed of in an appropriate manner. Other requirements include keeping careful control of the temperature in the workplace, ensuring that offices are appropriately ventilated and using the most environmentally friendly form of transport possible for all business trips. Further information on the subject of sustainability can be found on our web site at www.helvetiapatria.com.

Various measures implemented to achieve sustainable use of resources.

Key consumption by the locations St.Gallen (SG) and Basel (BS)

	Unit	Total amount 2005	Total amount 2004	Change 2004 to 2005	Amount per employee 2005	Amount per employee 2004	Change 2004 to 2005
Energy							
Electricity consumption	MWh	4 890	4 887	0.1%	4.2	4.3	–1.1%
Heating energy consumption	MWh	4 768	4 682	2%	4.14	4.11	1%
Materials							
Paper total	kg	168 600	175 900	–4%	146	154	–5%
Water	m^3	21 966	26 187	–16%	19	23	–17%
Waste disposal							
Sewage	m^3	21 966	26 187	–16%	19	23	–17%
Waste total	kg	217 430	220 159	–1%	189	193	–2%
Refuse	kg	75 480	70 155	8%	66	62	6%
Paper/cardboard in recycling	kg	141 950	150 004	–5%	123	132	–7%
Business travel							
Business travel total	km	5 152 294	1 453 084	255%	4 472	1 276	251%
Public transport	km	1 091 758	770 000	42%	948	676	40%
Aeroplane	km	379 013	475 084	–20%	329	417	–21%
Car with expanded system[1]	km	3 681 523	208 000	1 670%	3 196	183	1 646%
Emissions							
Carbon dioxide	t	3 522	2 715	30%	3.1	2.4	29%
Environmental impact							
Total balance	KEIP[2]	3 687 758	3 160 148	17%	3 201	2 774	15%
Reference amount (full-time employees)	Employees	1 152	1 139	1.1%			

[1] This now includes kilometres of office-based/field based employees and regular mileage of office-based employees.
[2] Kilo environmental impact points

Social responsibility

In keeping with its social responsibility, Helvetia Patria supports numerous good causes, providing grants for charitable and social organisations in particular. Projects aimed at helping young people and promoting the arts are also especially close to our hearts. What's more, Helvetia Patria is an important source of revenue for society as a whole, contributing more than CHF 55.6 million to the public coffers by way of direct taxes last year.

A special foundation dedicated to helping young people in Switzerland

Helvetia Patria Jeunesse supports young people throughout Switzerland.

The Helvetia Patria Jeunesse Foundation is dedicated to supporting youth groups, associations and projects in Switzerland. During the year under review, the Foundation helped 34 different institutions, providing grants to the value of more than CHF 180 000. The Swiss-wide annual grant, worth CHF 25 000, was awarded to the Scout movement to help pay for their Whitsun camp in Altdorf – part of the Scouts' "Swiss, No Matter What" initiative, designed to open up the movement to people with disabilities – attended by more than 500 children and young people, over 200 of them with varying disabilities. (For further details, go to www.helvetiapatria.ch/jeunesse.)

In the framework of its programme of support for young people in the eastern part of Switzerland, each year Helvetia Patria awards the Helvetia Patria Prize for outstanding individual or group achievements in the field of education, music or charitable activities. A further CHF 30 000 was awarded to the Youth Theatre 2000 project, courtesy of the Helvetia Patria-Paul Bürgi Foundation, whose aim is to get young people between the ages of 16 and 20 interested in the cultural programme on offer at the St.Gallen City Theatre.

Promoting the arts

Helvetia Patria takes its cultural obligations towards the public very seriously indeed, as illustrated by its commitment to promoting the arts. Against this backdrop, the company purchased six new works of art by young, up-and-coming artists last year.

Broad range of sponsoring activities.

Sponsorship

2005 saw Helvetia Patria enter into a long-term partnership with Swiss-Ski. At Helvetia Patria, we firmly believe in Switzerland as a leading skiing nation and we see this sponsorship commitment, in particular, as an investment in the future of the sport. We expect this partnership to raise our visibility and improve our position in the market.

In Spain, Helvetia agreed to sponsor the Spanish Basketball Association in 2005, signing over a considerable sum of money to the sport.

Meanwhile, in the autumn of 2005, the first ever Viva 50plus World Ageing & Generations Congress was held at the University of St.Gallen. Here, business leaders from around the globe came together to discuss the big demographic issue of our day: the ageing population. As the main sponsor, Helvetia Patria was closely involved in funding and organising this illustrious forum.

For the last four years, we have also supported a wide range of events organised by the students at the University of St.Gallen – including "Jazz at the University", various lectures and exhibitions – by providing free logistical services along with an annual five-figure donation.

As well as supporting numerous top-class cultural events, Helvetia Patria is involved in a variety of sporting activities through its sponsorship programme, assisting professional and amateur clubs alike. Helvetia Patria is also proud to be associated with the Menuhin Festival in Gstaad, providing substantial funding as one of the co-sponsors of this prestigious event.

For the seventh year, Helvetia Patria also supported the Blue Balls Festival 2005 in Lucerne. Against this world-renowned backdrop, nestling on the shores of Lake Lucerne, festivalgoers were treated to a series of musical performances for every taste. For us, the Blue Balls Festival is an ideal platform for communicating with our clients.

In the capacity of main sponsor, we also make a significant financial contribution to the Esprix Swiss Quality Award for Business Excellence. This annual award is presented each spring to a company that has excelled in the field of quality management.

Helvetia Patria also continues to support the Robinson Children's Circus. In 2005, around 5 000 children and adults had the opportunity to attend one of the summer performances by the 50 or so young circus stars aged between 6 and 16.

Group-wide social responsibility

Help for tsunami victims donated to SOS Children's Village in India.

The spontaneous fundraising campaign by staff in Switzerland and Austria to help the victims of the devastating tsunami in Indonesia was a phenomenal success, and Helvetia Patria was only too pleased to add a further CHF 100 000 to the money donated. Thanks to the money raised, we were able to help thousands of traumatised children in the region, providing them with temporary shelter in an SOS Children's Village, along with much-needed support and medical care.

During the year under review, our Austrian subsidiary Der ANKER commissioned an installation for the vast space in its newly renovated, light-flooded inner courtyard. "Lumen", by the artist Eva Afuhs, symbolises the key concepts of "tradition", "relative security" and "uncertainty" on which our business is based.

Foreign business units take their social responsibilities seriously.

In the financial year 2005, Helvetia Italy again provided valuable support for the Jonas Onlus research centre for the psychoanalysis of new symptoms. The centre is dedicated to researching the links between the rigours of modern life, their symptoms and the social environment. Another project to receive support is the Foundation for the Promotion of Classical Music through concerts by the United Europe Chamber Orchestra and the *Associazione Betania Onlus*, which was set up to care for young people with family problems or from deprived backgrounds.

Financial statements

Consolidated income statement

Income in CHF million

	Notes	2005	2004
Gross premiums written	4	5 176.8	4 862.9
Reinsurance premiums ceded		–303.1	–306.9
Net premiums written		4 873.7	4 556.0
Net change in unearned premium reserve		2.0	–36.7
Net earned premiums		4 875.7	4 519.3
Interest and dividend income	6.1.1	675.7	660.2
Gains and losses on investments (net)	6.1.2	506.9	167.7
Income on investment property	6.1.3	189.1	208.8
Other income		98.8	93.1
Total operating income		6 346.2	5 649.1

Expenses in CHF million

	Notes	2005	2004
Claims incurred including claims handling costs (non-life)		–1 536.6	–1 486.6
Claims and benefits paid (life)		–2 234.6	–2 509.2
Change in actuarial reserve		–849.8	–102.0
Policyholder dividends and bonuses		–291.9	–197.1
Reinsurers' share of benefits and claims		244.5	193.8
Net insurance benefits and claims		–4 668.4	–4 101.1
Acquisition costs		–625.2	–598.2
Operating and administrative expenses		–475.3	–486.9
Interest payable		–51.1	–59.5
Other expenses		–89.6	–92.8
Total operating expenses		–5 909.6	–5 338.5
Profit or loss from operating activities		436.6	310.6
Finance costs	7.1.1	–9.3	–10.8
Share of profit or loss of associates		–7.1	0.2
Profit or loss before tax		420.2	300.0
Income taxes	14	–118.3	–77.4
Profit or loss for the period		301.9	222.6
Attributable to:			
Shareholders of Helvetia Patria Holding[1]		301.4	222.4
Minority interests		0.5	0.2
Earnings per share:			
Basic earnings per share (in CHF)	15.3	36.18	35.94
Diluted earnings per share (in CHF)	15.3	36.18	34.43

[1] Details on this item can be found under 'Consolidated statement of equity'

Consolidated balance sheet

Assets in CHF million

as of 31.12.	Notes	2005	2004
Financial assets designated as at fair value through profit or loss	6.2	2 608.7	2 127.5
Available-for-sale investments (AFS)	6.3	11 832.2	10 902.5
Held-to-maturity investments (HTM)	6.4	2 781.0	2 448.3
Loans (LAR)	6.5	5 376.9	5 084.3
Investment property	6.6	3 883.8	3 869.6
Investments in associates	6.7	45.2	3.1
Total investments I	2	26 527.8	24 435.3
Reinsurance assets	8.1	902.6	554.5
Deferred acquisition costs (life)	8.5.1	221.6	234.2
Goodwill and other intangible assets	9	62.4	65.7
Property and equipment	10	426.1	422.0
Deferred tax assets	14.4	326.8	319.4
Sub-total		28 467.3	26 031.1
Money market instruments		1 002.1	1 314.6
Financial assets held for trading		253.3	315.7
Total investments II	2/6.8	1 255.4	1 630.3
Cash and cash equivalents		172.4	168.5
Receivables from insurance business	8.6	605.0	821.3
Accrued investment income		305.9	294.8
Other assets		128.6	149.1
Sub-total		2 467.3	3 064.0
Total assets		30 934.6	29 095.1

Liabilities and Equity in CHF million

as of 31.12.	Notes	2005	2004
Equity:			
Share capital	15.1	86.5	86.5
Capital reserves		628.1	613.7
Treasury shares		–24.4	–79.5
Unrealised gains and losses (net)	15.2.4	182.3	137.7
Foreign currency translation differences		0.1	–1.9
Retained earnings		1 016.5	830.5
Valuation reserves for contracts with participation features	15.2.5	588.6	450.7
Equity of Helvetia Patria Holding shareholders		2 477.7	2 037.7
Minority interests		3.1	3.0
Total equity		2 480.8	2 040.7
Liabilities:			
Unearned premium reserve (gross)	8	844.7	842.4
Loss reserves (gross)	8	2 792.0	2 609.2
Actuarial reserve (gross)	8	20 146.3	19 259.8
Provision for future policyholder participation	8	688.3	446.0
Employee benefit obligations	11.2.1	201.0	192.4
Financial liabilities from financing activities	7.1	198.8	346.6
Financial liabilities from insurance business	7.2	1 722.7	1 532.7
Deferred tax liabilities	14.4	745.5	675.3
Total liabilities I	2	27 339.3	25 904.4
Other financial liabilities	7.3	28.3	102.0
Financial provisions	13	61.2	59.4
Liabilities from insurance business	8.6	755.1	759.5
Other liabilities and accruals		269.9	229.1
Total liabilities II	2	1 114.5	1 150.0
Total liabilities		28 453.8	27 054.4
Total liabilities and equity		30 934.6	29 095.1

Consolidated statement of equity

in CHF million	Notes	Equity attributable to shareholders of Helvetia Patria Holding: Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
	Notes	15.1			15.2.4
Balance as of 1 January 2004		62.9	353.2	–65.9	92.3
Fair value revaluation of investments		–	–	–	112.5
Change in liabilities for contracts with a discretionary participation feature		–	–	–	–52.9
Foreign currency translation differences		–	–	–	–0.7
Deferred taxes		–	–	–	–13.5
Gains/losses recognised directly in equity (net)		–	–	–	45.4
Profit for the year		–	–	–	–
Total recognised income		–	–	–	45.4
Transfer to retained earnings		–	–	–	0.0
Change in minority interests		–	–	–	0.0
Treasury share transactions		–	–	–13.6	–
Dividends		–	–	–	–
Share capital increase		23.6	271.4	–	–
Share capital increase costs		–	–10.9	–	–
Balance as of 31 December 2004		86.5	613.7	–79.5	137.7
Balance as of 1 January 2005		86.5	613.7	–79.5	137.7
Fair value revaluation of investments		–	–	–	111.1
Change in liabilities for contracts with a discretionary participation feature		–	–	–	–46.9
Foreign currency translation differences		–	–	–	0.9
Deferred taxes		–	–	–	–20.6
Gains/losses recognised directly in equity (net)		–	–	–	44.5
Profit for the year		–	–	–	–
Total recognised income		–	–	–	44.5
Transfer to retained earnings		–	–	–	0.0
Change in minority interests		–	–	–	0.1
Treasury share transactions		–	14.3	55.1	–
Employee share purchase plan		–	0.1	–	–
Dividends		–	–	–	–
Balance as of 31 December 2005		86.5	628.1	–24.4	182.3

Foreign currency translation differences	Retained earnings	Valuation reserves for contracts with participation features	Total before minority interests	Minority interests	Total equity
		15.2.5			
0.0	724.2	308.2	1 474.9	2.8	1 477.7
–	–	66.7	179.2	0.2	179.4
–	–	–	–52.9	–	–52.9
–1.9	0.0	–0.1	–2.7	0.0	–2.7
–	–	–16.2	–29.7	–0.1	–29.8
–1.9	0.0	50.4	93.9	0.1	94.0
–	126.6	95.8	222.4	0.2	222.6
–1.9	126.6	146.2	316.3	0.3	316.6
–	3.7	–3.7	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0
–	–	–	–13.6	–	–13.6
–	–24.0	–	–24.0	–0.1	–24.1
0.0	0.0	–	295.0	–	295.0
–	–	–	–10.9	–	–10.9
–1.9	830.5	450.7	2 037.7	3.0	2 040.7
–1.9	830.5	450.7	2 037.7	3.0	2 040.7
–	–	88.5	199.6	0.0	199.6
–	–	–	–46.9	–	–46.9
2.0	0.0	0.1	3.0	0.0	3.0
–	–	–20.5	–41.1	0.0	–41.1
2.0	0.0	68.1	114.6	0.0	114.6
–	231.1	70.3	301.4	0.5	301.9
2.0	231.1	138.4	416.0	0.5	416.5
–	0.5	–0.5	0.0	–	0.0
0.0	–0.2	–	–0.1	–0.3	–0.4
–	–	–	69.4	–	69.4
–	–	–	0.1	–	0.1
–	–45.4	–	–45.4	–0.1	–45.5
0.1	1 016.5	588.6	2 477.7	3.1	2 480.8

Consolidated cash flow statement

Cash flow from operating activities in CHF million

	2005	2004
Profit before tax	420.2	300.0
Reclassifications to investing and financing activities (affecting cash):		
Realised gains and losses on sale of associates	–0.2	0.1
Realised gains and losses on property, equipment and intangible assets	–1.2	0.2
Dividends from associates	–0.6	–0.6
Adjustment of expenses and income not affecting cash:		
Unrealised gains and losses on financial instruments	–244.3	13.7
Unrealised gains and losses on investment property	29.9	14.6
Unrealised gains and losses on investments in associates	7.9	–0.1
Depreciation/amortisation of property, equipment and intangible assets	45.4	46.1
Share-based payments for employees	0.1	–
Foreign currency gains and losses	–24.6	45.9
Other income and expenses not affecting cash	–100.8	–56.5
Change in operating assets and liabilities:		
Reinsurance assets	–347.1	–51.4
Deferred acquisition costs (life)	12.7	–13.0
Unearned premium reserve	–0.5	34.3
Actuarial reserve	867.1	90.7
Loss reserves	173.2	155.7
Provisions for future policyholder dividends	194.6	113.1
Financial liabilities from insurance business	213.4	–26.9
Changes in other operating assets and liabilities	307.9	–48.9
Realised gains and losses on financial instruments and investment property	–192.5	–160.3
Purchase of financial assets at fair value through profit or loss	–656.6	–651.2
Sale of financial assets at fair value through profit or loss	518.1	856.0
Purchase of available-for-sale investments (AFS)	–5 155.9	–5 535.1
Sale of available-for-sale investments (AFS)	4 549.5	6 205.1
Purchase of held-to-maturity investments (HTM)	–680.1	–818.3
Repayment of held-to-maturity investments (HTM)	345.7	164.9
Origination of loans (LAR) and money market instruments	–58 061.0	–43 772.6
Repayment of loans (LAR) and money market instruments	58 096.8	42 900.5
Purchase of investment property	–70.1	–90.7
Sale of investment property	60.5	18.4
Cash flow from operating activities (gross)	307.5	–266.3
Income taxes paid	–52.8	–62.8
Cash flow from operating activities (net)	254.7	–329.1

Cash flow from investing activities in CHF million

	2005	2004
Purchase of investments in asscociates	–51.0	–
Sale of investments in associates	0.6	0.2
Purchase of investments in subsidiaries, net of cash and cash equivalents	–0.3	0.0
Sale of investments in subsidiaries, net of cash and cash equivalents	–	0.0
Purchase of intangible assets	–16.4	–35.1
Sale of intangible assets	0.3	–
Purchase of property and equipment	–62.8	–78.8
Sale of property and equipment	3.8	1.1
Dividends from associates	0.6	0.6
Cash flow from investing activities (net)	–125.2	–112.0

Cash flow from financing activities in CHF million

Increase of share capital	–	284.1
Decrease of share capital	–	0.0
Sale of treasury shares	69.7	–
Purchase of treasury shares	–0.3	–13.6
Issuance of debt instruments	–	198.3
Repayment of debt	–150.0	–1.6
Dividends paid	–45.5	–24.1
Lease payments under finance lease	0.0	0.0
Cash flow from financing activities (net)	–126.1	443.1
Effect of exchange rate differences on cash and cash equivalents	0.5	–0.9
Total change in cash and cash equivalents	3.9	1.1

Cash and cash equivalents in CHF million

	2005	2004
Cash and cash equivalents as of 1 January	168.5	167.4
Change in cash and cash equivalents	3.9	1.1
Cash and cash equivalents as of 31 December	172.4	168.5

Other disclosures on cash flow from operating activities:		
Interest received	667.1	650.3
Dividends received	51.9	46.5
Interest paid	11.5	12.3

Notes to the consolidated financial statements 2005

1. General information

The Helvetia Patria Group is an all-lines insurance group which operates in many life and non-life business lines as well as reinsurance. The holding company, Helvetia Patria Holding with headquarters in St.Gallen, is a Swiss public company listed on the Swiss Stock Exchange (SWX). The Group operates through its branch offices and subsidiaries in the insurance markets of Switzerland, Germany, Austria, Spain, Italy and France and worldwide in assumed reinsurance business.

Parts of its investment and financing activities are managed through subsidiaries and fund companies in Luxembourg and Jersey (UK).

The Board of Directors approved the consolidated financial statements and authorised them for issue on 30.3.2006. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 12.5.2006.

2. Summary of significant accounting policies

The consolidated financial statements of the Helvetia Patria Group were prepared for the first time for the 2005 reporting year in accordance with International Financial Reporting Standards (IFRS). The financial statements were drawn up in accordance with all regulations applicable as of 31.12.2005. The previous year's results (2004 financial year) have been restated to reflect the new accounting policies. The effects of adopting the new accounting policies are described in Note 3 (beginning on page 100).

The consolidated financial statements have been prepared under the historical cost convention with consideration given to adjustments resulting from the IFRS requirement to record investments at fair value.

For reasons of consistency the balance sheet is broken down according to term, although long-term positions have not been reclassified if they become due within the next twelve months. As a result, 'Investments I' contains investments which will become due during the next reporting year in addition to long-term investments. Accordingly 'Liabilities I' includes both long-term positions and reserves and liabilities that will become due within twelve months. 'Investments II' and 'Liabilities II' are comprised of short-term positions. The terms 'short-term' and 'long-term' used in the financial report are to be understood in this context.

2.1 Consolidation principles

Subsidiaries
The consolidated financial statements include the financial statements of Helvetia Patria Holding and its subsidiaries as well as of special purpose entities. Consolidation occurs when Helvetia Patria Holding 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 the Helvetia Patria Group took effective control. Acquisitions of companies are recorded using the purchase method. Intercompany transactions and balance sheet items are eliminated.

Associates and joint ventures
Associates of the Helvetia Patria Group are accounted for using the equity method if significant control is exercised by the Helvetia Patria Group. Significant control is assumed when Helvetia Patria exercises 20 to 50 per cent of the voting rights. The goodwill resulting from equity valuation is recorded within 'Investments in associates'. The carrying value of all investments is tested for impairment if objective and substantial evidence for permanent impairment occurs at the balance sheet date.

Associates of the Helvetia Patria Group are listed together with the fully consolidated subsidiaries in Note 19 (beginning on page 161).

Joint ventures are also recorded using the equity method if the entity is jointly controlled. Joint control is the contractually agreed sharing of control over an economic activity. The Helvetia Patria Group is not currently involved in any joint ventures.

All of the main financial statements included in the scope of consolidation have the same reporting periods. Smaller Group companies with different financial years prepare interim financial statements as of the reporting date of 31.12.

2.2 Foreign currency translation

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

Foreign currency translation
Items included in the financial statements of those entities which do not have the Swiss franc as their reporting currency were translated using the respective closing rate. Items in the income statement are translated at the average exchange rates of the reporting period. The resulting translation differences are recorded in 'Foreign currency translation differences' in equity, not affecting profit or loss. Upon disposal of a subsidiary, these differences, attributable to the subsidiary in question and accumulated in equity, are

released through income. The rates applied in these financial statements are listed in Note 5.1 (page 112).

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

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

For non-monetary items classified as available-for-sale investments, such as shares and shares in investment funds, the unrealised foreign exchange difference is recorded in equity until the financial instrument is sold. However, for monetary items such as fixed-income securities and loans, the unrealised foreign exchange difference is immediately recorded in the income statement. For financial assets recorded at fair value through profit or loss, the foreign exchange difference is not recorded separately from the foreign exchange difference.

2.3 Investments

2.3.1 Financial investments
The Helvetia Patria Group recognises the following classes of financial investments: 'At fair value through profit or loss', 'Available-for-sale' (AFS), 'Held-to-maturity' (HTM) and 'Loans' (Loans and Receivables, LAR).

Financial investments are initially recognised at fair value (see Note 2.20, page 99). Directly attributable transaction costs are recognised as assets, with the exception of those for financial assets at fair value through profit or loss. The Helvetia Patria Group records all acquisitions and disposals of financial instruments at trade date. Derecognising a financial investment occurs at the expiration 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. Through its securities lending activities, the Group lends out certain securities to other companies for a certain period of time and against pay. The securities lent to third parties remain under the control and in the portfolio of the Helvetia Patria Group. Revenues from securities lending are recorded in the income statement in 'Interest and dividend income'.

Financial investments are classified upon initial recognition – depending on how long the holding period should be – and are recorded under 'Investments I' or 'Investments II'.

Financial assets classified as 'At fair value through profit or loss' primarily serve to compensate for fluctuations in the fair value of liabilities owed to policyholders and are recognised under 'Investments I'. Moreover investments that are aimed at making short-term gains from market price fluctuations and dealer margins are also held. They are recorded as 'Financial assets held for trading' under 'Investments II'. Value fluctuations deriving from a fair value valuation are recorded in the income statement.

Financial assets held for an undetermined period and classified as available-for-sale (AFS) are carried at fair value and are recorded under 'Investments I'. Unrealised gains and losses are recognised directly in equity with no impact on profit or loss.

Financial assets which the Group has the ability and intention of holding to maturity (HTM) and loans (LAR) are carried at amortised cost (AC) using the effective interest method. Securities in the LAR class are not traded on an active market.

The Helvetia Patria Group usually generates them by directly providing funds to a debtor. Loans of the Helvetia Patria Group are generally issued with maturities of over 12 months and are recorded under 'Investments I'.

Money market instruments comprise short-term assets which mature in less than 12 months. They are reported at fair value under 'Investments II'.

Financial assets, which are not classified as 'At fair value through profit or loss' (AFS, HTM, LAR), 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. Equity instruments are considered impaired if their value falls below cost for longer than nine months or remains 20 per cent or more below cost irrespective of the period of time. Debt instruments are considered impaired if it is probable that not all amounts due under the contractual terms will be collectible.

For LAR and HTM financial investments, the recoverable amount at the reporting date is equivalent to the present value of estimated future cash flows discounted at the instruments' original effective interest rate. The impairment is reversed through profit or loss if an event occurring in a subsequent period causes the impairment loss to decrease.

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 through profit or loss even if the circumstances causing the impairment cease to exist. Valuation gains are recognised in equity until disposal.

For monetary AFS financial assets, such as fixed-income securities, the impairment is reversed through profit or loss if the circumstances causing the impairment cease to exist.

Interest income is recognised on an accruals basis and subject to the asset's effective rate of interest. Dividends are recorded at the time of their legal claim. Depreciation and appreciation resulting from the amortised cost method are offset against interest income in the income statement.

2.3.2 Investment property

The aim of the investment property portfolio is to earn rentals or achieve long-term capital appreciation. Property held for investment purposes includes both land and buildings and is carried at fair value. Changes in the fair value are recognised in the income statement. Companies in Switzerland calculate fair value using a model-supported valuation method, whereas all other countries use independent experts to determine market estimates, which are updated between valuation dates.

The model-supported valuation method considers various factors: building type, extent of renovations, loss in value due to age, expected rentals as well as location, desirability, rents for comparable objects, maintenance needs, operating costs and future expectations with regard to the environment. The valuation method is regularly verified by independent experts in appraisal reports.

The Helvetia Patria Group does not capitalise properties where it is a tenant in an operating lease relationship. Rental income is recognised on a straight-line basis over the lease term.

2.4 Financial derivatives

Derivative financial instruments are classified as 'Financial assets held for trading'. The Helvetia Patria Group currently does not use hedge accounting as defined by IAS 39. The hedging strategies of the Helvetia Patria Group used for risk management are described in Note 17 (beginning on page 147).

Derivatives may also be embedded in financial instruments, insurance contracts or other contracts. They are valued either together with their host contract or separately at fair value. The underlying security and derivative are valued 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.

2.5 Financial liabilities

Financial liabilities are initially recognised at fair value, with directly attributable transaction costs offset, except those for financial liabilities at fair value through profit or loss. After initial recognition, financial liabilities are carried at fair value or amortised cost. The financial liability is derecognised when the obligation has been discharged.

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

The Helvetia Patria Group primarily records policyholder contract deposits under 'Financial liabilities from insurance business'. Deposits for investment contracts without a discretionary participation feature (see Note 2.6) are carried at fair value. Only those withdrawals and allocations that are part of the operating result are recorded in the income statement. The risk and cost portions of premiums from policyholders are recognised in the income statement; the policyholder's deposit is directly credited or debited with the investment portion of the premium. Deposit liabilities from ceded reinsurance contracts and deposit liabilities for credited policyholder profit participation are carried at amortised cost.

2.6 Insurance operations

Direct business includes assumed primary business and business ceded to reinsurers. Indirect business consists of assumed reinsurance business and business retroceded to reinsurers. The actuarial 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 insurance risk. The significance is assessed at product level.

Contracts which are considered insurance products in the formal sense of the law and have mainly financial risk transferred to them rather than any significant insurance risk are treated as financial instruments unless they carry a discretionary participation feature (DPF). In this case, they are classified as insurance contracts. Under IFRS, discretionary participation features are contractual benefits for which, in addition to the guaranteed benefit, the policyholder has a claim to the realised or unrealised investment returns of certain assets or to 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.

2.6.1 Non-life business

The actuarial items in non-life business are established Group-wide on the same principles. All non-life insurance products of the Helvetia Patria Group contain significant insurance risk and are reported in the balance sheet 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 are applied to determine the amount of reserves and reflect uncertainties. These are included in the reserves calculation on the basis of assumptions that have to be made using available statistics and the overall expected extent of the claims (including claim handling and processing costs).

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 business line (property, motor vehicle, liability, marine and accident/health insurance) at all Group companies are sufficiently covered up to the reporting date in order to ensure a loss-free valuation.

The expected future premium income is compared to the expected claims expense, the expected administration and acquisition costs and the expected policyholder dividends. If the expected costs exceed the expected premium income, the loss reserves are increased.

Changes to reserve estimates are taken to profit or loss at the time of the change. Reserves are not discounted, except for those provisions for claims for which there are payment modalities.

Premiums are booked at the beginning of the contract period. Earned premiums are calculated pro rata 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.

The Helvetia Patria Group does not defer acquisition costs in non-life business.

2.6.2 Life business

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

The valuation and accounting principles applied locally by the life companies determine the actuarial items in life business.

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 capital investments and market situation, as well as for example possible yields from re-investments, and secondly local actuarial calculation bases (e.g. interest rates, mortality). The assumptions vary according to country, product and year of acceptance.

Unearned premium reserves and actuarial reserves are calculated using local methods. Zillmering is not applied to actuarial reserves in any country market apart from Germany and Austria.

All Business Units 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 to be necessary as a result of the LAT, which determines the suitability of reserves, 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.

Policyholders with contracts containing discretionary participation features may have the right to participate in local investment returns on capital or local company results under statutory or contractual regulations. Provisions set up for that purpose and based on local accounting principles are unchanged under IFRS rules and are included under 'Provision for future policyholder participation' in the balance sheet.

Portions of valuation differences, arising in relation to local GAAP, which affect either the result or unrealised gains in equity, are also reserved under the aforementioned balance sheet item. 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 balance sheet item is credited or debited through profit or loss with the participation affecting results. 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 exist) are recorded under 'Valuation reserves for contracts with a discretionary participation feature' within equity.

Already assigned bonuses, which accrue interest, are allocated to the deposits of policyholders and are contained in the balance sheet as '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 assessed. In this case the deposit component is subject to separate valuation.

Derivatives embedded in insurance contracts with economic characteristics 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 in financial liabilities, separate from the actuarial reserve under 'Other financial liabilities'.

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

2.6.3 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 an investment contract.

The direct business conveyed to reinsurance companies is called ceded reinsurance and contains cessions from direct life and non-life business. 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 also apply to ceded business, with the exception of impairment.

Assets from ceded reinsurance business are regularly reviewed for potential impairment and uncollectibility. If objective and substantial evidence of permanent impairment exists 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 by another insurance company is called assumed reinsurance and is recognised in the same period as primary insurance business. As in primary insurance business, technical reserves are included in the respective actuarial items on the liabilities side, and are similarly estimated 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 commissions are carried directly to the income statement.

Indirect business ceded to insurance companies outside the Group is called retrocession. The principles of ceded business apply in this instance.

2.7 Goodwill and other intangible assets

Acquired intangible assets are recognised at cost and amortised over their useful life, normally between three and ten years. Other intangible assets also include intangible assets developed by the company, principally internally developed software that is recorded at cost and amortised when it enters service. Intangible assets with an indefinite useful life are not amortised but reviewed annually for impairment (see Note 2.9).

Goodwill is the difference between the costs of a business combination and the fair value at the acquisition date of the acquired entity's identifiable assets, liabilities and contingent liabilities. A positive balance is accounted for as goodwill. If the value of the acquired entity's net assets exceeds the costs of the acquisition at the purchase date, this surplus is immediately recognised in the income statement.

Goodwill acquired in a business combination has an indefinite useful life, is recognised as an intangible asset, net of accumulated impairment loss, and is tested annually for impairment.

Goodwill is carried as an asset in the acquired entity in its local currency and translated at the closing rate at each balance sheet date.

The carrying amount of goodwill as of 1.1.2004 was transferred from the audited 2003 consolidated financial statements. This goodwill was translated at 1.1.2004 at historical rates.

The present value of future profits (PVFP) from acquired insurance portfolios is amortised over the expected term of the acquired contracts. A finite useful life is normally assumed for customer relations acquired with the portfolio. They are recognised separately from the PVFP and amortised using the straight-line method.

2.8 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
– Motor vehicles	4 – 6 years
– Computer hardware	2 – 5 years

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

– Supporting structure	1.5 – 3.5 %
– Interior completion	2.0 – 8.0 %

Land is not depreciated.

Useful life is adjusted if the pattern of consumption of the economic benefit has changed. Investments are offset against the current carrying value in the period and are depreciated over the term if an increase in the economic benefit is expected from the investment and reliable estimates exist for the cost. Repairs and maintenance are charged to the income statement as incurred. Tangible assets are individually and regularly tested for impairment (see Note 2.9).

2.9 Impairment of tangible assets, goodwill and other intangible assets

The carrying value of tangible assets or an intangible asset, which is amortised using the straight-line method, is tested for impairment if evidence for impairment exists. Intangible assets with an indefinite useful life are reviewed for impairment annually in the second half of the year.

An asset is impaired if its carrying value permanently 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 discounted 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 carrying value exceeds the recoverable amount, the difference is recognised in the income statement as impairment loss and recorded in '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 amount 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 business combination. They are in general identical to the legal entities of the Helvetia Patria Group. If there is no intention to sell, the value in use of the CGU is determined and compared to the carrying value for the purpose of calculating any impairment loss. The value in use is calculated applying the discounted cash flow method (DCF) with future operating cash flows less necessary operating investments (free cash flows) being included. If there is an intention to sell, the value in use and fair value less cost to sell are both used for impairment testing. If an impairment loss arises, the goodwill is adjusted accordingly. An impairment loss for goodwill cannot be reversed.

2.10 Leasing

If the lease agreements transfer all risks and rewards incidental to the ownership to Helvetia Patria Group, the leases are classified and treated as finance leases. The finance lease agreements of the Helvetia Patria 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 fair value of the lease object. A finance lease obligation of the same amount is recorded as a liability. Lease payments are apportioned between the finance charge and reduction of the outstanding liability 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.

2.11 Cash and cash equivalents

Cash amounts consist of cash on hand, demand deposits and short-term liquid investments with a maturity of 90 days or less from the date of acquisition.

2.12 Receivables

Receivables from insurance business and other receivables are carried at amortised cost which is in general the nominal value of the receivables. Permanent impairment is recognised in the income statement.

2.13 Accrued investment income

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

2.14 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 12 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, which can be accumulated, such as accrued holiday and overtime entitlements, are recognised as short-term liabilities at the balance sheet date.

Post-employment benefits are based on 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 expenses 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 or differences between the expected and actual return from the plan's assets are actuarial gains and losses. Actuarial gains and losses to be depreciated in the income statement are recorded for each individual plan using the 'corridor method'. Under it, recognition is only required if the balance of the accumulated, unrecognised actuarial gains and losses exceeds the greater of ten per cent of the present value of the defined benefit obligations and ten per cent of the fair value of plan assets at the end of the previous reporting period. The portion of actuarial gains and losses outside the ten per cent corridor is recognised in the income statement over the expected average remaining working lives of the employees participating in the plans.

For funded benefit plans, a surplus in the plan 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. Additional examination should prevent newly arising actuarial gains or losses from further increasing or decreasing the assets on record.

Other long-term employee benefits are benefits that fall due 12 months or more after the balance sheet date. At the Helvetia Patria 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.

2.15 Share-based payments

Share-based payment transactions include all compensation agreements by 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.

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 compensation expenses is based on the fair value of the granted equity instruments at the grant date and is expensed over the period between allocation and expiration.

2.16 Financial provisions and contingent liabilities

Financial 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 on are difficult to determine. Provisions are created if, on the balance sheet date and on the basis of a past event, a current obligation exists, the probability of an outflow of assets is high and the extent of the outflow can be reliably estimated.

Any current liabilities with a low probability of an outflow of assets or the extent of which cannot be reliably estimated are reported under contingent liabilities.

2.17 Other liabilities

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

2.18 Income taxes

Deferred tax assets and liabilities are calculated using the tax rate changes enacted or substantively enacted as of the balance sheet date. Deferred taxes are recognised for all temporary differences between the carrying amounts 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 by the relevant losses.

2.19 Treasury shares

Treasury shares are recorded at cost, including transaction costs, and reported as a deduction item in equity. 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 Patria Holding, St.Gallen.

2.20 Fair value of financial assets and liabilities

The fair value of financial instruments is the quoted market price for which an asset could be exchanged in an active market between knowledgeable, willing parties in an arm's length transaction.

Quoted in an 'active market' means that the prices are made regularly available, either by a stock exchange, a broker, a pricing service or a supervisory authority, and that those prices represent current and regular market transactions.

For financial assets, the fair value is the quoted bid price, for financial liabilities it is the quoted ask price.

If no market value in an active market is available, fair value is estimated using valuation methods, such as the discounted cash flow method, comparison with current transactions in the market or with reference to similar instruments and option pricing models.

If the range of possible fair values is very broad and no reliable estimates may be made, the financial instrument is measured at cost less any accumulated impairment loss.

2.21 Offsetting of assets and liabilities

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

2.22 Estimates

Preparing the financial statements in accordance with IFRS requires Group Management to make assumptions and estimates which have an impact on the value of items in the balance sheet and income statement for the ongoing business year. This is the case in particular with relevant assumptions and fair value estimates of investments in the calculation of provisions for insurance contracts. Actual figures and estimates may differ as a result. The assumptions relevant to preparing the financial statements are explained in the corresponding Note.

3. Transition to IFRS

3.1 Reconciliation of profit for the period in CHF million

	2004
Profit for the period under Swiss GAAP ARR	158.7
adjustments:	
Income from financial assets	–37.3
Income from investment property/owner-occupied property	13.4
Net earned premiums	–15.4
Claims incurred including claims handling costs (non-life)	57.4
Claims and benefits paid and change in actuarial reserve	285.8
Policyholder dividends and bonuses	–107.0
Change in financial provisions	–82.0
Change of accounting method assumed reinsurance	–11.3
Increase in scope of consolidation	7.0
Finance costs	–3.9
Income taxes	–35.7
Other effects	–7.1
Profit for the period under IFRS	222.6

3.2 Reconciliation of equity in CHF million

	1.1.2004	31.12.2004
Total equity under Swiss GAAP ARR	1 155.3	1 417.1
adjustments:		
Financial assets	111.8	300.4
Investment property/owner-occupied property	–169.0	–176.5
Receivables and liabilities from insurance business	210.8	43.2
Property, equipment and intangible assets	–31.5	42.2
Unearned premium reserve	–132.4	–85.3
Loss reserves	523.5	658.3
Actuarial reserve	–157.3	120.6
Provision for future policyholder dividends	–124.0	–103.9
Financial provisions	153.5	32.1
Employee benefit obligations	–88.8	–65.0
Deferred taxes	38.3	–126.9
Increase in scope of consolidation	10.2	14.0
Other effects	–22.7	–29.6
Total equity under IFRS	1 477.7	2 040.7

3.3 The impact on profit and equity as a result of the transition to IFRS

The previous accounting policies of the Helvetia Patria Group were based on Swiss GAAP ARR which mainly apply locally stipulated accounting policies, supplemented by various additional requirements for the consolidated financial statements.

The adoption of the new accounting standards was a two-stage process. The first stage involved making structural adjustments. In the reconciliation of the Group's equity and profit for the period, reclassifications were carried out which had no overall effect on equity or profit. Those reclassifications largely concern the following positions:

- Owner-occupied property is carried under IFRS as property and equipment, whereas under Swiss GAAP ARR, all real estate was recognised as investment property.
- Under IFRS, liabilities from investment contracts without profit participation are not recognised in 'Actuarial reserve' but in 'Financial liabilities from insurance business'.
- Reserves for outstanding claims in life insurance business are not included under IFRS in 'Loss reserves' but in 'Actuarial reserve'.
- Derivatives that are embedded in index or unit-linked life insurance contracts and whose host contract is not yet measured at fair value are reported under IFRS as 'Other financial liabilities'.
- The reserves for regular profit participation and final bonuses in individual life insurance business are reported under IFRS in 'Actuarial reserve', while they were components of the reserves for policyholder profit participation under Swiss GAAP ARR.
- Under IFRS, the 'Income from investment property' is recorded gross and not offset against property expenses as under Swiss GAAP ARR.
- Under IFRS, technical reserves are shown gross, while under Swiss GAAP ARR, the reinsurers' share in the technical reserves was carried as a deduction within liabilities.

The second stage involved making valuation adjustments. The impact of applying different accounting and valuation policies on equity and profit for the period largely stems from the following components:

Financial assets:
Under Swiss GAAP ARR, all fixed-income securities were valued at amortised cost. A valuation variance in equity of CHF 300.4 million as of 31.12.2004 arose from the valuation under IFRS at fair value of fixed-income securities classified as 'Financial assets at fair value through profit or loss' and as 'Available-for-sale investments (AFS)'. The variance as of 1.1.2004 of CHF 111.8 million was also reduced by treasury shares that were then reported under Swiss GAAP ARR as financial investments. This reclassification from asset to liability, as a negative position in equity, was carried out under Swiss GAAP ARR in 2004. Under IFRS, treasury shares were already recognised in equity as of 1.1.2004.

For fixed-income securities measured at fair value through profit or loss, the above described valuation differences also have a direct impact on profit shown as 'Income from financial assets' in the reconciliation in terms of the size of the change. Significant effects on income from financial assets, reduced by CHF 37.3 million under IFRS, result from the gains realised on the sale of financial assets, since book gains and losses from fair value fluctuations of financial assets at fair value through profit or loss are recognised in the income statement. Under Swiss GAAP ARR, however, book gains – reflecting the fair value development – were recognised in the revaluation reserve until they were sold. Thus at the time of sale, the total valuation gain that had accumulated over the years was realised.

Investment property/owner-occupied property:
As of 31.12.2004, the value of real estate was CHF 176.5 million lower under IFRS than under Swiss GAAP ARR (as of 1.1.2004: CHF 169.0 million). This effect was largely due to owner-occu-

pied property that was previously carried at fair value under Swiss GAAP ARR, but was reclassified under IFRS as property and equipment. Owner-occupied property is now valued at amortised cost.

The increase in 'Income from investment property/ owner-occupied property' under IFRS is due to the following reasons. Swiss GAAP ARR allowed the recognition of rental income from owner-occupied property which is eliminated under IFRS. IFRS-based impairment is however lower than under Swiss GAAP ARR, and realised gains under Swiss GAAP ARR were higher than under IFRS, since Swiss GAAP ARR required all valuation differences to be realised on the sale of properties which had accumulated in equity over time. This led to a higher overall result of CHF 13.4 million.

Receivables and liabilities from insurance business:
In non-life business and assumed reinsurance, IFRS requires the deferral of premiums that are earned but not yet invoiced. This was newly adopted in those Group entities where such a deferral was not already stipulated by local accounting policies. The recognition of the underwriting business of assumed reinsurance with one year in arrears resulted under Swiss GAAP ARR as of 1.1.2004 also in the accrual and deferral of income portions, recognised during 2003, which did not need to be considered under IFRS.

Swiss GAAP ARR did not require the deferral of earned but not yet invoiced premiums ('pipeline premiums') from assumed reinsurance. They were recognised with one year in arrears which corresponds to the accounting method applied in assumed reinsurance. In the 2004 reporting period, an actuarially determined asset was created for the first time, similar to IFRS, for earned but not yet invoiced premiums under Swiss GAAP ARR. The valuation variance for 'Receivables and Liabilities from insurance business' between Swiss GAAP ARR and IFRS was therefore significantly smaller as of 31.12.2004 than it was in the reconciliation of equity as of 1.1.2004.

The valuation difference in equity as a result of those effects totalled CHF 43.2 million as of 31.12.2004 (as of 1.1.2004: CHF 210.8 million).

Unearned premium reserve/net earned premiums:
The unearned premium reserve increased under IFRS by CHF 85.3 million as of 31.12.2004 (as of 1.1.2004: CHF 132.4 million) because under Swiss GAAP ARR, some units recognised a deduction of proportionate acquisition costs from the unearned premium reserve, whereas IFRS requires all units to carry the unearned premium reserve gross.

In the reconciliation of equity as of 1.1.2004, there are differences with regard to the unearned premium reserve for assumed reinsurance which was recognised with one year in arrears under Swiss GAAP ARR in the reporting year 2003. The resulting effects on profit or loss in the period 2004 are included in the reconciliation of income statement in the position 'Change of accounting method assumed reinsurance'.

In addition to the calculation of unearned premium reserves that changed under IFRS, the position 'Net earned premiums' was CHF 15.4 million lower under IFRS. This is because the savings portion of premium income from investment contracts without discretionary participation features and derivatives embedded in index and unit-linked contracts that have to be separated from the host contract, are no longer taken to the income statement but posted directly to the balance sheet.

Loss reserves:
Under IFRS, unlike under Swiss GAAP ARR, this balance sheet item contains only loss reserves of non-life business. The equalisation and disaster reserves, allowed under Swiss GAAP ARR, were released under IFRS. The loss reserves of non-life business were revalued using actuarial calculation methods, leading to a lower valuation than under Swiss GAAP ARR. As a result, loss reserves were CHF 658.3 million lower as of 31.12.2004 (as of 1.1.2004: CHF 523.5 million).

The change in equalisation and disaster event reserves under Swiss GAAP ARR is therefore not included in profit for the year under IFRS. The actuarial calculation of loss reserves under IFRS results in different in- and outflows of reserves in 2004, compared with Swiss GAAP ARR. The resulting valuation differences through profit or loss are included in the reconciliation of profit for the period in the position 'Claims incurred including claims handling costs (non-life)'. Both effects increase profit for the period by CHF 57.4 million under IFRS.

Actuarial reserve:
Under IFRS, the actuarial reserve as of 1.1.2004 is CHF 157.3 million higher and CHF 120.6 million lower as of 31.12.2004 than it was under Swiss GAAP ARR for the following reasons:

In the reporting year 2004, the Liability Adequacy Test (LAT) was adopted under Swiss GAAP ARR to examine whether existing reserves are adequate to cover the future claims of policyholders. Under IFRS however, the analysis of reserves applying the LAT was already executed as of 1.1.2004 which resulted in a one-time valuation variance. As a consequence of the reserve reinforcement according to the LAT under Swiss GAAP ARR in 2004, this reversal effect is no longer included in the reconciliation as of 31.12.2004.

Equalisation reserves and reserve strengthening in life business were released under IFRS.

Under Swiss GAAP ARR, the zillmer in the actuarial reserve was eliminated. Under IFRS the actuarial reserve is subject to a zillmer if local accounting policies stipulate it.

The changes in the above described equalisation reserves and reserve strengthening were eliminated in the income statement under IFRS. The change in the zillmer in the foreign Business Units, however, only impacts on profit for the period under IFRS. The change in reserves following the Liability Adequacy Test also creates a difference in profit for the period due to the adoption of the LAT in 2004 under Swiss GAAP ARR. These valuation variances are included in the reconciliation in the position 'Claims and benefits paid and change in actuarial reserve'.

Furthermore, the change in actuarial reserve of investment contracts without participation feature was eliminated from profit for the period under IFRS, since neither the investment portion of premiums nor withdrawals from the deposit are recognised in the income statement under IFRS, but rather directly in the liabilities accounts which are reported accordingly in the IFRS balance sheet under 'Financial liabilities from insurance business'. The change in derivatives embedded in index and unit-linked contracts, that have to be separated from the host contract, are no longer taken to the income statement under IFRS, but posted directly to 'Other financial liabilities'.

The above effects increase profit for the period under IFRS by CHF 285.8 million.

Provision for future policyholder dividends:
Under IFRS, portions of the valuation variances between IFRS and local GAAP assigned to contracts with a discretionary participation feature are provided for under liabilities. Under Swiss GAAP ARR as of 31.12.2004, a proportionate reclassification of the revaluation reserves from equity to 'Provision for future policyholder dividends' was carried out for the first time in those Business Units whose life business is subject to a 'legal quota'. As of 31.12.2004, the different accounting methods resulted in a CHF 103.9 million increase in the provision (as of 1.1.2004: CHF 124.0 million) under IFRS which was charged to equity accordingly.

Under IFRS, the in- and outflow of portions of the valuation differences through profit or loss – between IFRS and local GAAP – assigned to contracts with participation feature are also included under 'Policyholder dividends and bonuses', thus charging IFRS-based profit for the period with

CHF 107.0 million as of 31.12.2004 compared with Swiss GAAP ARR.

Financial provisions:
Under IFRS, the criteria for the formation of financial provisions are stricter than under Swiss GAAP ARR. As of 31.12.2004, significant financial provisions were also released under Swiss GAAP ARR due to the change in the relevant accounting standard.

As a consequence of this release of non-technical reserves in the reporting year 2004 under Swiss GAAP ARR, the item 'Other income' is correspondingly lower under IFRS. This valuation variance of CHF 82.0 million is shown separately in the reconciliation of profit for the period in the position 'Change in financial provisions'.

Employee benefit obligations:
Under IFRS, Helvetia Patria Group applies a uniform actuarial valuation to employee benefits resulting in a CHF 65.0 million increase in liabilities as of 31.12.2004 (as of 1.1.2004: CHF 88.8 million) compared to Swiss GAAP ARR.

Assumed reinsurance:
Due to the change in accounting method of assumed reinsurance, i.e. reporting with one year in arrears, the 2004 financial statements under Swiss GAAP ARR included both underwriting years (2003 and 2004) together. The resulting effect is shown as a total in the reconciliation of profit for the period under 'Change of accounting method assumed reinsurance' and excluded accordingly from 'Net earned premiums', 'Claims incurred including claims handling costs (non-life)' and 'Other effects'. As a result, profit for the period under IFRS was reduced by CHF 11.3 million.

Increase of scope of consolidation:
The new entities in the scope of consolidation increased profit for the period under IFRS by CHF 7.0 million and equity as of 31.12.2004 by CHF 14.0 million (as of 1.1.2004: CHF 10.2 million).

Finance costs:
Under IFRS, the convertible bond issued through Helvetia Finance Ltd., Jersey, and the bond issued through Helvetia Patria Holding, St.Gallen, were valued at amortised cost rather than at nominal value, as under Swiss GAAP ARR. The additions to amortised cost under IFRS increased finance costs by CHF 3.9 million.

Compared to Swiss GAAP ARR, the consolidated cash flow statement changed in respect of the previous year’s figures due to the expansion of the scope of consolidation.

4. Segment information

The management of Helvetia Patria Group is primarily based on country markets. Each country has its own management which is in charge of running the operative management of all local Business Units. This has created the following reporting segments:

The primary segmentation of Helvetia Patria Group is focussed on geographical areas consisting of the following segments: Switzerland, Germany, Italy, Spain and Others. The segment 'Others' covers the country markets of Austria and France, the financing companies in Great Britain and Luxembourg as well as assumed and ceded reinsurance business. Special purpose entities are assigned to the individual countries in proportion to their ownership structure. The geographical segmentation is based on the respective location of the legal entity where all service-rendering activities occur. With the exception of reinsurance business, this segmentation also reflects the locations where customers of Helvetia Patria Group reside.

The secondary segmentation is based on business segments of Helvetia Patria Group: life and non-life business and other activities. Helvetia Patria Group offers in the life segment various product lines, such as life insurance, pension plans and annuities. The non-life segment provides property, motor vehicle, liability and transport insurance policies as well as health and accident insurance coverage. Other activities refer to the reporting of the non-underwriting activities of the Group's service, distribution and real estate companies. Special purpose entities are proportionally assigned to the life and non-life segment, respectively. Reinsurance contracts are reported in the life or non-life segment depending on the type of contract.

The accounting policies for the segment reporting are the same as those described in the summary of significant accounting policies. Inter-segmental services and transfers of assets and liabilities are made on an arm's length basis. Investments and investment and interest income from subsidiaries between the segments are eliminated within the respective segment. All other inter-segmental relations and revenues within the Group are eliminated in full.

The assignment of individual Group entities to the business and geographical segments is shown in Note 19 (beginning on page 161).

4.1 Segment information by geographical segment in CHF million

Income	Switzerland 2005	Switzerland 2004	Germany 2005	Germany 2004
Gross premiums written	2 757.3	2 574.7	768.9	754.3
Reinsurance premiums ceded	–104.3	–81.6	–97.1	–108.9
Net premiums written	2 653.0	2 493.1	671.8	645.4
Net change in unearned premium reserve	0.9	–3.3	10.2	–5.4
Net earned premiums	2 653.9	2 489.8	682.0	640.0
Interest and dividend income	447.6	443.1	93.0	92.5
Gains and losses on investments (net)	438.3	124.5	10.3	2.3
Income on investment property	170.4	181.8	–1.4	9.6
Other income	32.9	32.7	25.1	27.3
Total operating income	3 743.1	3 271.9	809.0	771.7
of which transactions between geographical segments	48.5	40.2	56.0	59.4
Expenses				
Claims incurred including claims handling costs (non-life)	–452.7	–442.5	–337.0	–334.7
Claims and benefits paid (life)	–1 925.7	–2 206.0	–109.9	–120.2
Change in actuarial reserve	–495.9	132.4	–71.4	–37.1
Policyholder dividends and bonuses	–251.0	–173.8	–21.1	–12.6
Reinsurers' share of benefits and claims	138.2	100.2	40.3	54.8
Net insurance benefits and claims	–2 987.1	–2 589.7	–499.1	–449.8
Acquisition costs	–183.3	–188.2	–172.9	–156.5
Operating and administrative expenses	–254.9	–234.4	–83.1	–89.7
Interest payable	–40.6	–50.0	–6.4	–5.6
Other expenses	–42.8	–39.1	–16.0	–19.7
Total operating expenses	–3 508.7	–3 101.4	–777.5	–721.3
Profit or loss from operating activities	234.4	170.5	31.5	50.4
Finance costs	–5.9	–3.9	–	–
Share of profit or loss of associates	–8.1	–	0.2	–0.4
Profit or loss before tax	220.4	166.6	31.7	50.0
Income taxes				
Profit or loss for the period				
Other disclosures:				
Assets by geographical segment as of 31.12.	22 870.8	21 661.7	2 620.8	2 517.9
of which investments	21 365.8	20 243.7	2 208.6	2 067.4
of which investments in associates	43.0	–	–	1.0
Liabilities by geographical segment as of 31.12.	21 015.6	20 046.5	2 317.1	2 242.2
of which technical provisions (gross)	18 224.8	17 446.6	1 833.4	1 760.4
Cash flow from operating activities (net)	82.1	–344.9	3.1	32.0
Cash flow from investing activities (net)	–96.1	–82.3	–2.4	–33.1
Cash flow from financing activities (net)	23.9	444.8	–0.7	1.9
Acquisition of owner-occupied property, equipment and intangible assets	47.1	71.6	3.8	16.7
Depreciation and amortisation of tangible and intangible assets	–16.0	–13.3	–4.1	–5.3
Impairment of tangible and intangible assets affecting income	–1.3	–1.9	–2.6	–7.4
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	–	–

	Italy		Spain		Other		Elimination and non-allocated items		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	546.6	456.5	463.3	448.8	871.3	859.1	−230.6	−230.5	5 176.8	4 862.9
	−65.8	−68.2	−64.9	−65.4	−201.6	−213.0	230.6	230.2	−303.1	−306.9
	480.8	388.3	398.4	383.4	669.7	646.1	0.0	−0.3	4 873.7	4 556.0
	−5.0	−4.7	−5.2	−2.6	1.1	−21.0	0.0	0.3	2.0	−36.7
	475.8	383.6	393.2	380.8	670.8	625.1	0.0	0.0	4 875.7	4 519.3
	44.5	42.6	25.8	24.0	64.8	58.0	–	–	675.7	660.2
	18.8	15.1	21.9	12.1	17.6	13.7	–	–	506.9	167.7
	3.6	1.5	5.2	7.0	11.3	8.9	–	–	189.1	208.8
	18.2	14.7	18.5	22.4	55.0	47.4	−50.9	−51.4	98.8	93.1
	560.9	457.5	464.6	446.3	819.5	753.1	−50.9	−51.4	6 346.2	5 649.1
	37.1	39.2	40.6	35.0	−233.1	−225.2	50.9	51.4		
	−220.1	−226.3	−202.3	−208.8	−495.3	−396.9	170.8	122.6	−1 536.6	−1 486.6
	−52.6	−41.2	−57.5	−51.1	−94.6	−97.9	5.7	7.2	−2 234.6	−2 509.2
	−160.5	−86.5	−50.8	−51.2	−74.8	−61.7	3.6	2.1	−849.8	−102.0
	−4.2	−0.9	–	–	−15.6	−9.8	–	–	−291.9	−197.1
	40.5	38.4	43.4	36.9	162.2	95.4	−180.1	−131.9	244.5	193.8
	−396.9	−316.5	−267.2	−274.2	−518.1	−470.9	–	–	−4 668.4	−4 101.1
	−77.1	−73.0	−72.1	−71.2	−168.7	−158.4	48.9	49.1	−625.2	−598.2
	−43.9	−37.8	−58.7	−83.5	−34.7	−41.4	0.0	−0.1	−475.3	−486.9
	−3.1	−3.3	−0.1	−0.1	−0.9	−0.5	–	–	−51.1	−59.5
	−11.8	−11.2	−4.7	−5.7	−16.3	−19.5	2.0	2.4	−89.6	−92.8
	−532.8	−441.8	−402.8	−434.7	−738.7	−690.7	50.9	51.4	−5 909.6	−5 338.5
	28.1	15.7	61.8	11.6	80.8	62.4	0.0	0.0	436.6	310.6
	–	–	–	0.0	−3.4	−6.9	–	–	−9.3	−10.8
	–	–	0.8	0.5	0.0	0.1	–	–	−7.1	0.2
	28.1	15.7	62.6	12.1	77.4	55.6	0.0	0.0	420.2	300.0
							−118.3	−77.4	−118.3	−77.4
									301.9	222.6
	1 760.8	1 531.6	1 389.6	1 261.7	2 252.8	2 098.6	39.8	23.6	30 934.6	29 095.1
	1 398.4	1 191.1	1 099.3	978.1	1 711.1	1 585.3	–	0.0	27 783.2	26 065.6
	–	–	2.2	2.1	0.0	0.0	–	–	45.2	3.1
	1 751.5	1 523.4	1 300.7	1 213.4	1 965.0	1 853.0	103.9	175.9	28 453.8	27 054.4
	1 356.6	1 142.0	1 036.3	976.5	2 269.5	2 056.3	−249.3	−224.4	24 471.3	23 157.4
	142.4	81.0	7.5	−10.3	26.5	−82.7	−6.9	−4.2	254.7	−329.1
	−139.0	−89.7	−2.4	−0.1	−3.7	−21.5	118.4	114.7	−125.2	−112.0
	−10.6	–	−0.1	−1.6	−25.3	108.6	−113.3	−110.6	−126.1	443.1
	7.8	2.7	2.7	1.3	17.8	21.6			79.2	113.9
	−2.3	−1.5	−2.1	−2.3	−16.9	−13.9			−41.4	−36.3
	–	–	–	–	−0.1	0.0			−4.0	−9.3
	–	–	–	–	–	–			–	–

4.2 Segment information by business segment in CHF million

Income	Life 2005	Life 2004	Non-life 2005	Non-life 2004
Gross premiums written	2 790.2	2 491.3	2 386.7	2 371.7
Reinsurance premiums ceded	–37.5	–35.6	–265.7	–271.4
Net premiums written	2 752.7	2 455.7	2 121.0	2 100.3
Net change in unearned premium reserve	4.4	–2.4	–2.4	–34.3
Net earned premiums	2 757.1	2 453.3	2 118.6	2 066.0
Interest and dividend income	541.3	538.3	120.3	110.9
Gains and losses on investments (net)	440.5	153.3	53.0	5.9
Income on investment property	166.8	177.8	22.1	29.2
Other income	29.8	26.4	69.1	67.0
Total operating income	3 935.5	3 349.1	2 383.1	2 279.0
of which transactions between business segments	0.0	0.0	–0.2	–0.2
Expenses				
Claims incurred including claims handling costs (non-life)	–	–	–1 536.6	–1 486.6
Claims and benefits paid (life)	–2 234.6	–2 509.2	–	–
Change in actuarial reserve	–849.8	–102.0	–	–
Policyholder dividends and bonuses	–288.9	–197.0	–3.0	–0.1
Reinsurers' share of benefits and claims	20.7	33.1	223.8	160.7
Net insurance benefits and claims	–3 352.6	–2 775.1	–1 315.8	–1 326.0
Acquisition costs	–158.3	–142.9	–466.9	–455.3
Operating and administrative expenses	–195.6	–189.6	–279.0	–294.9
Interest payable	–50.6	–58.8	–0.2	–0.5
Other expenses	–30.5	–35.3	–59.6	–56.8
Total operating expenses	–3 787.6	–3 201.7	–2 121.5	–2 133.5
Profit or loss from operating activities	147.9	147.4	261.6	145.5
Finance costs	–	0.0	–	–
Share of profit or loss of associates	–8.0	–	0.9	0.2
Profit or loss before tax	139.9	147.4	262.5	145.7
Income taxes				
Profit or loss for the period				
Other disclosures:				
Assets by business segment as of 31.12.	24 244.7	22 827.0	5 728.3	5 288.9
Liabilities by business segment as of 31.12.	23 139.7	21 936.1	4 669.9	4 354.1
Acquisition of owner-occupied property, equipment and intangible assets	50.7	74.9	24.9	36.9
Depreciation and amortisation on tangible and intangible assets	–14.5	–10.1	–24.9	–24.8
Impairment of tangible and intangible assets affecting income	–1.3	–	–2.7	–9.3
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	–	–

Other		Elimination and non-allocated items		Total	
2005	2004	2005	2004	2005	2004
–	–	–0.1	–0.1	5 176.8	4 862.9
–	–	0.1	0.1	–303.1	–306.9
–	–	–	–	4 873.7	4 556.0
–	–	–	–	2.0	–36.7
–	–	–	–	4 875.7	4 519.3
14.1	11.0	–	–	675.7	660.2
13.4	8.5	–	–	506.9	167.7
0.2	1.8	–	–	189.1	208.8
0.1	1.5	–0.2	–1.8	98.8	93.1
27.8	22.8	–0.2	–1.8	6 346.2	5 649.1
0.0	–1.6	0.2	1.8	–	–
–	–	0.0	0.0	–1 536.6	–1 486.6
–	–	–	–	–2 234.6	–2 509.2
–	–	–	–	–849.8	–102.0
–	–	–	–	–291.9	–197.1
–	–	0.0	0.0	244.5	193.8
–	–	–	–	–4 668.4	–4 101.1
–	–	0.0	0.0	–625.2	–598.2
–0.7	–2.4	0.0	0.0	–475.3	–486.9
–0.3	–0.2	–	–	–51.1	–59.5
0.3	–2.5	0.2	1.8	–89.6	–92.8
–0.7	–5.1	0.2	1.8	–5 909.6	–5 338.5
27.1	17.7	0.0	0.0	436.6	310.6
–9.3	–10.8	–	–	–9.3	–10.8
–	–	–	–	–7.1	0.2
17.8	6.9	0.0	0.0	420.2	300.0
		–118.3	–77.4	–118.3	–77.4
				301.9	222.6
674.7	700.5	286.9	278.7	30 934.6	29 095.1
29.5	320.2	614.7	444.0	28 453.8	27 054.4
3.6	2.1			79.2	113.9
–2.0	–1.4			–41.4	–36.3
–	–			–4.0	–9.3
–	–			–	–

4.3 Gross premiums by geographical and business segment in CHF million

	Gross premiums		Elimination		Total consolidated		Change in %	Change in % (FX-adjusted)
	2005	2004	2005	2004	2005	2004		
Switzerland non-life	582.9	575.7	–	–	582.9	575.7	1.3	1.3
Switzerland life	2 174.4	1 999.0	–	–	2 174.4	1 999.0	8.8	8.8
Total Switzerland	2 757.3	2 574.7	–	–	2 757.3	2 574.7	7.1	7.1
Germany non-life	584.8	603.9	–	–	584.8	603.9	–3.2	–3.4
Germany life	184.1	150.4	–	–	184.1	150.4	22.4	22.1
Total Germany	768.9	754.3	–	–	768.9	754.3	1.9	1.7
Italy non-life	343.4	335.4	–	–	343.4	335.4	2.4	2.1
Italy life	203.2	121.1	–	–	203.2	121.1	67.8	67.5
Total Italy	546.6	456.5	–	–	546.6	456.5	19.7	19.4
Spain non-life	367.7	361.8	–	–	367.7	361.8	1.6	1.4
Spain life	95.6	87.0	–	–	95.6	87.0	9.9	9.6
Total Spain	463.3	448.8	–	–	463.3	448.8	3.2	3.0
Other non-life:								
Other countries	280.7	284.7	–	–	280.7	284.7	–1.4	–1.6
Reinsurance	444.8	428.0	–217.7	–217.9	227.1	210.1	8.1	8.1
Other life:								
Other countries	130.8	128.5	–	–	130.8	128.5	1.8	1.5
Reinsurance	15.0	17.9	–12.9	–12.6	2.1	5.3	–59.7	–59.7
Total other	871.3	859.1	–230.6	–230.5	640.7	628.6	1.9	1.8
Total gross premiums	5 407.4	5 093.4	–230.6	–230.5	5 176.8	4 862.9	6.5	6.3

4.4 Gross premiums by business line in CHF million

	Gross premiums 2005	2004	Change in %	Change in % (FX-adjusted)
Individual insurance	1 040.6	975.2	6.7	6.6
Group insurance	1 587.8	1 398.3	13.5	13.5
Unit-linked life insurance	159.7	112.5	42.0	41.7
Reinsurance life	2.1	5.3	–59.7	–59.7
Gross premiums life	2 790.2	2 491.3	12.0	11.9
Property	860.6	839.8	2.5	2.3
Transport	225.7	234.5	–3.8	–4.0
Motor vehicle	713.3	734.3	–2.9	–3.0
Liability	225.2	217.8	3.4	3.2
Accident/health	134.7	135.1	–0.3	–0.5
Reinsurance non-life	227.1	210.1	8.1	8.1
Gross premiums non-life	2 386.6	2 371.6	0.6	0.5
Total gross premiums	5 176.8	4 862.9	6.5	6.3

5. Foreign currency translation

5.1 Exchange rates

The euro and Swiss franc are the key currencies in the individual Business Units of Helvetia Patria Group. The following exchange rates apply to the translation of these financial statements and foreign currency transactions:

Exchange rate at reporting date	31.12.2005	31.12.2004
1 EUR	1.5546	1.5459
1 USD	1.3180	1.1405
1 GBP	2.2626	2.1851

Annual average exchange rate	2005 Jan–Dec	2004 Jan–Dec
1 EUR	1.5479	1.5441

5.2 Foreign exchange gains and losses

The foreign exchange results in the consolidated income statement show a profit of CHF 5.2 million (previous year: CHF –21.7 million) in the reporting period 2005. The foreign exchange gains and losses from financial investments are included in 'Gains and losses on investments' in the consolidated income statement and amount to CHF 19.9 million (previous year: CHF –37.4 million) excluding foreign currency translation differences from investments at fair value through profit or loss. Other foreign exchange results are reported under 'Other income' and 'Other expenses'.

6. Investments

6.1 Investment income

6.1.1 Interest and dividend income in CHF million

	2005	2004
Interest on fixed-income securities	430.3	428.3
Dividends from shares, investment funds and alternative investments	52.9	47.8
Loans	177.1	176.5
Money market instruments	15.4	7.6
Other	0.0	0.0
Interest and dividend income	675.7	660.2

Investment management expenses in the reporting period amount to CHF 8.5 million (previous year: CHF 7.0 million) and are reported in the position 'Operating and administrative expenses' in the income statement. Interest and dividend income from investments at fair value through profit or loss stands at CHF 36.2 million (previous year: CHF 20.8 million).

6.1.2 Gains and losses on financial investments (net) in CHF million

	2005	2004
Realised and book gains and losses on financial assets designated as at fair value through profit or loss including foreign currency gains and losses:		
Fixed-income securities	21.9	7.7
Shares	89.5	11.7
Investment funds[1]	119.3	22.5
Alternative investments	107.1	– 6.4
Realised and book gains and losses on financial assets designated as at fair value through profit or loss	337.8	35.5
Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses:		
Fixed-income securities	89.3	49.3
Shares	72.4	59.1
Investment funds	3.2	3.0
Alternative investments	–	10.7
Loans	–	–
Realised gains and losses on AFS investments	164.9	122.1
Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses:		
Fixed-income securities	2.7	– 5.6
Loans	–	–
Realised gains and losses on HTM investments	2.7	– 5.6
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses:		
Fixed-income securities	–	0.0
Mortgages	0.2	– 0.3
Loans	3.1	6.7
Realised gains and losses on loans (LAR)	3.3	6.4
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses:		
Fixed-income securities	–	–
Shares	2.1	0.9
Investment funds	16.9	12.1
Alternative investments	–	–
Derivative financial instruments	– 22.0	2.0
Gains and losses on financial assets held for trading	– 3.0	15.0
Other	0.8	– 2.1
Impairment of financial assets of the period	– 3.3	– 7.2
Reversal of impairment losses on financial assets of the period	3.7	3.6
Total gains and losses on investments (net)	506.9	167.7

[1] These include CHF 81.2 million (previous year: CHF 20.3 million) of gains and losses relating to financial assets for the account and risk of life policyholders.

Reported gains and losses on investments classified as held-to-maturity are book gains and losses resulting from foreign currency translation.

6.1.3 Income from investment property in CHF million

	2005	2004
Rental income	220.2	226.7
Realised and book gains and losses	–31.1	–17.9
Total income from investment property	189.1	208.8

Real estate held as investment properties created CHF 54.8 million (previous year: CHF 58.7 million) in investment management expenses for the reporting period. This amount includes all maintenance and repair costs and is reported in the income statement line item 'Operating and administrative expenses'. Operating expenses arising from investment property that did not generate rental income during the period stood at CHF 1.1 million. Based on the length of notice, the tenancies have generated operating lease receivables for Helvetia Patria Group of CHF 77.4 million with a maturity of less than one year, CHF 127.5 million with a maturity ranging from one to five years, and CHF 82.0 million with a maturity of more than five years.

6.2 Financial assets designated as at fair value through profit or loss in CHF million

	Acquisition cost/ amortised cost		Fair value	
as of 31.12.	2005	2004	2005	2004
Financial assets on own account:				
Fixed-income securities	398.7	397.1	411.7	401.7
Shares	522.8	433.5	556.1	380.6
Investment funds – fixed-income securities	6.9	5.4	7.9	6.3
Investment funds – equities	81.3	60.5	110.7	62.8
Investment funds – mixed	223.9	188.8	220.2	189.1
Alternative investments	416.3	401.6	426.1	387.3
Total assets for own account	1 649.9	1 486.9	1 732.7	1 427.8
Financial assets for account and risk of life policyholders:				
Investment funds	795.0	690.9	876.0	699.7
Total financial assets for account and risk of life policyholders	795.0	690.9	876.0	699.7
Total financial assets designated as at fair value through profit or loss	2 444.9	2 177.8	2 608.7	2 127.5

The position 'Total financial assets on account and risk of life policyholders' includes the value of units held by owners of unit-linked products.

6.3 Available-for-sale investments (AFS) in CHF million

	Acquisition cost after impairment/ amortised cost		Unrealised gains/ losses (net)		Fair value	
as of 31.12.	2005	2004	2005	2004	2005	2004
Fixed-income securities	10 173.5	9 564.8	323.1	300.6	10 496.6	9 865.4
Shares	814.6	694.4	389.7	212.1	1 204.3	906.5
Investment funds – fixed-income securities	3.4	4.5	0.1	0.2	3.5	4.7
Investment funds – equities	14.4	25.1	4.6	4.9	19.0	30.0
Investment funds – mixed	0.8	0.8	0.0	0.0	0.8	0.8
Alternative investments	32.9	3.9	0.5	0.2	33.4	4.1
Loans	71.1	86.4	3.5	4.6	74.6	91.0
Total AFS investments after impairment	11 110.7	10 379.9	721.5	522.6	11 832.2	10 902.5

	2005	2004
Impairment losses:		
Impairment of the reporting period	1.2	5.7
Reversal of impairment losses of the reporting period	–	–
Total impairment losses as of 31 December	1.2	5.7

6.4 Held-to-maturity investments (HTM) in CHF million

	Amortised cost		Fair value	
as of 31.12.	2005	2004	2005	2004
Fixed-income securities	2 781.0	2 448.3	2 909.1	2 548.5
Total held-to-maturity investments (HTM)	2 781.0	2 448.3	2 909.1	2 548.5

There was no impairment of fixed-income securities up to the balance sheet date.

6.5 Loans (LAR) in CHF million

	Amortised cost		Fair value	
as of 31.12.	2005	2004	2005	2004
Fixed-income securities	478.6	503.3	498.1	529.2
Mortgages	3 036.3	2 953.1	3 067.3	3 000.0
Policy loans	144.5	149.4	144.6	149.4
Other loans	1 717.5	1 478.5	1 785.1	1 554.9
Total loans (LAR)	5 376.9	5 084.3	5 495.1	5 233.5

Impairments of CHF 5.0 million were recognised for loans and mortgages up to the balance sheet date, whereas no impairment of fixed-income securities was recorded.

6.6 Investment property in CHF million

	2005	2004
Balance as of 1 January	3 869.6	3 736.6
Change in the scope of consolidation	–	–
Additions	22.2	28.7
Capitalised subsequent expenditure	48.0	62.0
Disposals	–60.5	–18.4
Realised and book gains and losses	–31.1	–17.9
Transfer from/to property and equipment	33.4	81.9
Foreign currency translation differences	2.2	–3.3
Balance as of 31 December	3 883.8	3 869.6

6.7 Investments in associates

In the reporting year, Helvetia Patria Group acquired 23.2 per cent of Tertianum AG, Berlingen. As part of the transaction, Helvetia Patria Group brought in non-cash contributions of CHF 32.0 million and also acquired registered shares of CHF 19.0 million. A loan contract also exists between Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel, and Tertianum AG (debtor) of CHF 7.8 million which attracts interest at usual market conditions. The holding in Swiss Life Partner AG, Munich, was reduced to 5 per cent, as a result of which it was reported under shares in financial assets in the reporting year. The disposal created a realised profit of CHF 0.2 million.

The share of Helvetia Patria Group in the liabilities of associates stood at CHF 26.8 million.

Associates have overall contingent liabilities of CHF 12.7 million for which Helvetia Patria Group would have to assume liability if necessary.

Dividend income from associates totalled CHF 0.6 million (previous year: CHF 0.7 million). Income and expenses in respect of associates are stated in the income statement under 'Share of profit or loss of associates'. Provisions of CHF 7.7 million had to be set aside for the holding in Tertianum AG, as the purchase price exceeded the recoverable amount (value in use) on 31 December.

Investments in associates accounted for under the equity method are listed in the table in Note 19 (beginning on page 161).

6.7.1 Development of investments in associates in CHF million

	2005	2004
Balance as of 1 January	3.1	3.8
Change in the scope of consolidation	–	–
Additions	51.0	–
Disposals	–0.6	–0.3
Unrealised gains and losses in equity	0.0	0.0
Share of profits for the year	0.4	0.8
Dividends paid	–0.6	–0.7
Impairment (net)	–7.7	–0.5
Foreign currency translation differences	0.0	0.0
Other changes	–0.4	–
Book value as of 31 December	45.2	3.1
Impairment losses:		
Accumulated impairment losses as of 1 January	0.5	–
Impairment losses of the period	7.7	0.5
Reversal of impairment losses of the period	–	–
Disposals	–	–
Foreign currency translation differences	0.0	0.0
Other changes	–0.5	–
Accumulated impairment losses as of 31 December	7.7	0.5

6.7.2 Aggregated financial data on associates
The table below shows an aggregated balance sheet and income statement of the investments that are accounted for under the equity method. All associates of Helvetia Patria Group have the same reporting period as the entity holding the investment.

Assets in CHF million

as of 31.12.	2005	2004
Non-current assets	286.1	7.2
Current assets	21.2	4.5
Total assets	307.3	11.7

Liabilities and equity in CHF million

as of 31.12.	2005	2004
Equity	192.4	9.8
Long-term liabilities	96.6	0.1
Short-term liabilities	18.3	1.8
Total liabilities	114.9	1.9
Total liabilities and equity	307.3	11.7

Profit for the year in CHF million

	2005	2004
Income	78.1	9.3
Expenses	–77.7	–7.2
Profit for the year	0.4	2.1

6.8 Portfolio of investments II in CHF million

		Acquisition cost/ amortised cost		Fair value	
as of 31.12.	Notes	2005	2004	2005	2004
Financial assets at fair value through profit and loss					
Fixed-income securities		–	–	–	–
Shares		11.9	14.8	13.3	15.6
Investment funds – fixed-income securities		–	–	–	–
Investment funds – equity securities		–	–	–	–
Investment funds – mixed		210.5	202.7	239.4	221.4
Alternative investments		–	–	–	–
Derivative financial instruments	6.8.1	5.3	20.7	0.6	78.7
Total financial assets held for trading		227.7	238.2	253.3	315.7
Money market instruments		1 002.1	1 314.5	1 002.1	1 314.6
Total investments II		1 229.8	1 552.7	1 255.4	1 630.3

6.8.1 Derivative financial assets in CHF million

as of 31.12.	Maturity profile of contract values <1 year	1–5 years	>5 years	Contract value 2005	2004	Fair value 2005	2004
Interest rate instruments:							
Forward rate agreements	–	–	–	–	–	–	–
Swaps	–	–	–	–	–	–	–
Options (over-the-counter)	0.1	0.3	–	0.4	0.4	0.0	0.0
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total interest instruments	0.1	0.3	–	0.4	0.4	0.0	0.0
Equity and equity-index instruments:							
Forwards	–	–	–	–	–	–	–
Options (over-the-counter)	843.2	79.5	–	922.7	686.1	0.4	76.4
Options (exchange-traded)	–	–	–	–	12.9	–	0.0
Futures (exchange-traded)	–	–	–	–	–	–	–
Total equity and equity-index instruments	843.2	79.5	–	922.7	699.0	0.4	76.4
Currency instruments:							
Forwards	–	–	–	–	184.5	–	2.3
Swaps	–	–	–	–	–	–	–
Options (over-the-counter)	221.4	–	–	221.4	–	0.2	–
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total currency instruments	221.4	–	–	221.4	184.5	0.2	2.3
Total derivative financial assets	1 064.7	79.8	–	1 144.5	883.9	0.6	78.7

6.9 Maturity schedule of fixed-income securities in CHF million

as of 31.12.	Financial assets at fair value through profit or loss 2005	2004	Available-for-sale investments 2005	2004	Held-to-maturity investments 2005	2004	Loans 2005	2004
<1 year	48.4	36.2	510.4	613.5	300.4	349.2	100.5	93.9
1 to 5 years	237.7	236.1	4 378.8	4 118.0	997.9	1 084.9	216.4	305.8
6 to 10 years	84.1	99.8	3 556.6	3 685.3	772.0	503.5	96.4	57.2
>10 years	41.5	29.6	2 050.8	1 448.6	710.7	510.7	65.3	46.4
Total fixed-income securities	411.7	401.7	10 496.6	9 865.4	2 781.0	2 448.3	478.6	503.3

6.10 Investments by business segment in CHF million

	Life		Non-life		Other		Total	
as of 31.12.	2005	2004	2005	2004	2005	2004	2005	2004
Fixed-income securities	11 308.6	10 552.5	2 471.0	2 165.9	388.3	500.3	14 167.9	13 218.7
Shares	1 382.4	998.5	226.9	169.9	164.4	134.3	1 773.7	1 302.7
Investment funds	1 459.0	1 192.0	17.4	21.7	1.1	1.1	1 477.5	1 214.8
Alternative investments	408.6	347.4	50.9	44.0	–	–	459.5	391.4
Loans	1 585.3	1 441.9	351.3	277.0	–	–	1 936.6	1 718.9
Mortgages	2 894.4	2 803.7	141.9	149.4	–	–	3 036.3	2 953.1
Derivative financial instruments	0.6	78.7	–	–	–	–	0.6	78.7
Money market instruments	683.8	690.2	267.5	622.6	50.8	1.8	1 002.1	1 314.6
Investments in associates	43.0	–	2.2	3.1	–	–	45.2	3.1
Investment property	3 419.6	3 404.2	422.7	424.9	41.5	40.5	3 883.8	3 869.6
Total investments	23 185.3	21 509.1	3 951.8	3 878.5	646.1	678.0	27 783.2	26 065.6

6.11 Assets in securities lending

At the reporting date, securities with a fair value of CHF 2 053.5 million (previous year: CHF 694.2 million) were committed to securities lending by the Group.

7. Financial liabilities

7.1 Financial liabilities from financing activities in CHF million

	Acquisition cost/ amortised cost		Fair value	
as of 31.12.	2005	2004	2005	2004
Bonds	198.8	346.6	206.0	352.7
Liabilites from finance leases	0.0	0.0	0.0	0.0
Total financial liabilities from financing activities	198.8	346.6	206.0	352.7

7.1.1 Bonds

Helvetia Patria Holding, St.Gallen, issued the 3 per cent bond 2004–2010 in the 2004 financial year. It has a nominal value of CHF 200 million and pays an interest rate of 3 per cent over the bond's length of maturity of six years. Its repayment at nominal value is scheduled for 5.5.2010. The bond is assessed at amortised cost. At the reporting date, the bond's book value stood at CHF 198.8 million. Interest expenses of CHF 6.0 million for the bond are recognised in the income statement under 'Finance costs'.

The 2 per cent convertible bond of CHF 150 million of Helvetia Finance Ltd., Jersey, convertible into registered shares of Helvetia Patria Holding, was repaid on 16.6.2005. As the conversion right was not asserted over the life of the bond, it was repaid at the full nominal amount. Some of the shares blocked for this bond were disposed of in the reporting year, and the remaining ones are freely available again (see Note 15.1, page 140). The current interest expenses of CHF 3.3 million for the convertible bond are recognised in the income statement line item 'Finance costs'.

7.2 Financial liabilities from insurance business in CHF million

	Book value		Acquisition cost/ amortised cost		Fair value	
as of 31.12.	2005	2004	2005	2004	2005	2004
Financial liabilities at amortised cost:						
Deposit liabilities for credited policyholder profit participation	944.3	988.8	944.3	988.8	944.3	988.8
Deposit liabilities from reinsurance contracts	483.9	182.9	483.9	182.9	483.9	182.9
Other liabilities at amortised cost	2.9	3.1	2.9	3.1	2.9	3.1
Total financial liabilities at amortised cost	1 431.1	1 174.8	1 431.1	1 174.8	1 431.1	1 174.8
Financial liabilities at fair value:						
Deposits for investment contracts	291.6	357.9	287.2	358.9	291.6	357.9
Total financial liabilities at fair value	291.6	357.9	287.2	358.9	291.6	357.9
Total financial liabilities from insurance business	1 722.7	1 532.7	1 718.3	1 533.7	1 722.7	1 532.7

The values of financial liabilities at fair value are equal to the amount repayable at the due date.

Deposit liabilities for credited policyholder profit participation include interest-bearing credit balances already contractually allocated to the respective policyholder of individual life insurance. They also include policyholder dividends of group life insurance business which are either available early or only once the insurance benefits become due, depending on the applicable insurance terms and conditions.

Deposit liabilities from reinsurance contracts consist of reserves for unearned premiums, future loss payments and actuarial reserves for direct (ceded) and indirect (retroceded) business as well as deposits of future payment streams in non-traditional reinsurance business.

Deposits for investment contracts contain deposits of policyholders owning investment contracts without discretionary participation features, predominantly from unit and index-linked products, allowing the policyholder to directly participate in the development of an external fund or external index. Premiums paid into or from the deposits do not affect revenues and are not entered in the income statement, but offset against the deposit. The features of these products are very similar to those of insurance contracts, apart from the fact that insurance risk is largely missing. Insurance conditions and risks are described in Note 17 (beginning on page 147).

7.3 Other financial liabilities in CHF million

as of 31.12.	Notes	Acquisition cost/ amortised cost 2005	2004	Fair value 2005	2004
Other financial liabilities at fair value:					
Derivative financial instruments	7.3.1	1.4	79.8	21.1	97.7
Other short-term financial liabilities		7.2	4.3	7.2	4.3
Total other financial liabilities		8.6	84.1	28.3	102.0

7.3.1 Derivative financial liabilities in CHF million

as of 31.12.	Maturity profile of contract values <1 year	1–5 years	>5 years	Contract value 2005	2004	Fair value 2005	2004
Interest rate instruments:							
Forward rate agreements	–	–	–	–	–	–	–
Swaps	–	–	–	–	–	–	–
Options (over-the-counter)	–	–	–	–	–	–	–
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total interest rate instruments	–	–	–	–	–	–	–
Equity and equity-index instruments:							
Forwards	–	–	–	–	–	–	–
Options (over-the-counter)	0.8	79.5	–	80.3	164.4	1.5	79.7
Options (exchange-traded)	–	–	–	–	15.7	–	0.0
Futures (exchange-traded)	–	–	–	–	–	–	–
Total equity and equity-index instruments	0.8	79.5	–	80.3	180.1	1.5	79.7
Currency instruments:							
Forwards	1 977.7	–	–	1 977.7	1 989.9	19.6	18.0
Swaps	–	–	–	–	–	–	–
Options (over-the-counter)	–	–	–	–	–	–	–
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total currency instruments	1 977.7	–	–	1 977.7	1 989.9	19.6	18.0
Total derivative financial liabilities	1 978.5	79.5	–	2 058.0	2 170.0	21.1	97.7

8. Insurance business

8.1 Reserves for insurance contracts and investment contracts with discretionary participation features in CHF million

		Gross		Reinsurance assets		Net	
as of 31.12.	Notes	2005	2004	2005	2004	2005	2004
Unearned premium reserve for insurance contracts non-life		682.5	677.1	16.0	18.9	666.5	658.1
Unearned premium reserve for insurance contracts life		162.2	165.3	9.9	8.8	152.3	156.5
Unearned premium reserve for investment contracts		–	–	–	–	–	–
Total unearned premium reserve		844.7	842.4	25.9	27.7	818.8	814.6
Loss reserves for insurance contracts non-life		2 792.0	2 609.2	326.2	273.2	2 465.8	2 336.0
Total loss reserves		2 792.0	2 609.2	326.2	273.2	2 465.8	2 336.0
Actuarial reserve for insurance contracts life		19 615.1	18 881.1	149.3	148.5	19 465.8	18 732.6
Actuarial reserve for investment contracts		531.2	378.7	–	–	531.2	378.7
Total actuarial reserve		20 146.3	19 259.8	149.3	148.5	19 997.0	19 111.3
Provision for policyholder dividends – non-life contracts		25.6	23.3	–	–	25.6	23.3
Provision for policyholder dividends – life contracts		646.0	411.1	–	–	646.0	411.1
Provision for policyholder dividends – investment contracts		16.7	11.6	–	–	16.7	11.6
Total provision for future policyholder dividends		688.3	446.0	–	–	688.3	446.0
Total reserves for insurance and investment contracts		24 471.3	23 157.4	501.4	449.4	23 969.9	22 707.9
Reinsurance deposit receivables				401.2	105.1		
Reinsurance assets	8.2			902.6	554.5		

Reinsurance deposit receivables include deposits with the ceding direct insurer for unearned premiums, future loss payments and actuarial reserves for assumed indirect business. This item also contains receivables from non-traditional reinsurance for which a corresponding liability exists on the liabilities side of the balance sheet.

8.2 Reinsurance assets by rating of contractual partner in CHF million

as of 31.12.	Reinsurance assets	Share in %
AAA	12.4	1.4
AA	532.8	59.0
A	243.8	27.0
BBB	82.4	9.1
BB	1.9	0.2
Not rated	29.3	3.3
Total reinsurance assets	902.6	100.0

Further details on technical reserves in life and non-life business can be found in the following tables.

8.3 Change in the reserves for insurance contracts and investment contracts with discretionary participation

Reserves for insurance contracts non-life (gross)	Unearned premium reserve		Loss reserves	
	2005	2004	2005	2004
Balance as of 1 January	677.1	649.6	2 609.2	2 464.7
Change in the scope of consolidation	–	–	–	–
Allocation	680.5	676.6	1 067.7	1 026.8
Release	–677.7	–645.1	–300.5	–281.7
Used amounts	–	–	–594.1	–589.4
Foreign currency translation differences	2.6	–4.0	9.7	–11.2
Balance as of 31 December	682.5	677.1	2 792.0	2 609.2

Reserves for insurance contracts life (gross)	2005	2004	2005	2004
Balance as of 1 January	165.3	162.8		
Change in the scope of consolidation	–	–		
Allocation	162.9	165.2		
Release	–166.2	–162.4		
Used amounts	–	–		
Foreign currency translation differences	0.2	–0.3		
Balance as of 31 December	162.2	165.3		

Reserves for investment contracts (gross)	2005	2004	2005	2004
Balance as of 1 January	–	–		
Change in the scope of consolidation	–	–		
Allocation	–	–		
Release	–	–		
Used amounts	–	–		
Foreign currency translation differences	–	–		
Balance as of 31 December	–	–		

Reinsurers' share in reserves for insurance contracts	2005	2004	2005	2004
Balance as of 1 January	27.7	24.3	273.2	249.6
Change in the scope of consolidation	–	–	–	–
Allocation	27.2	28.0	116.3	83.2
Release	–29.1	–24.5	–13.7	–
Used amounts	–	–	–49.8	–58.8
Impairment	–	–	–	–
Foreign currency translation differences	0.1	–0.1	0.2	–0.8
Balance as of 31 December	25.9	27.7	326.2	273.2

features in CHF million

Actuarial reserve 2005	Actuarial reserve 2004	Provision for future policyholder dividends 2005	Provision for future policyholder dividends 2004	Total 2005	Total 2004
		23.3	24.3	3 309.6	3 138.6
		–	–	–	–
		25.5	23.2	1 773.7	1 726.6
		–22.4	–23.0	–1 000.6	–949.8
		–0.8	–1.2	–594.9	–590.6
		0.0	0.0	12.3	–15.2
		25.6	23.3	3 500.1	3 309.6

2005	2004	2005	2004	2005	2004
18 881.1	18 884.6	411.1	248.1	19 457.5	19 295.5
–	–	–	–	–	–
2 963.2	2 489.0	327.0	236.2	3 453.1	2 890.4
–35.6	–186.4	–	–	–201.8	–348.8
–2 210.6	–2 281.1	–92.8	–72.6	–2 303.4	–2 353.7
17.0	–25.0	0.7	–0.6	17.9	–25.9
19 615.1	18 881.1	646.0	411.1	20 423.3	19 457.5

2005	2004	2005	2004	2005	2004
378.7	311.5	11.6	8.1	390.3	319.6
–	–	–	–	–	–
186.7	104.5	8.9	5.9	195.6	110.4
–6.4	–5.2	–	–	–6.4	–5.2
–30.2	–30.1	–3.9	–2.4	–34.1	–32.5
2.4	–2.0	0.1	0.0	2.5	–2.0
531.2	378.7	16.7	11.6	547.9	390.3

2005	2004	2005	2004	2005	2004
148.5	158.3			449.4	432.2
–	–			–	–
25.0	18.7			168.5	129.9
–0.7	–2.8			–43.5	–27.3
–24.2	–24.3			–74.0	–83.1
–	–			–	–
0.7	–1.4			1.0	–2.3
149.3	148.5			501.4	449.4

8.4 Non-life business

Actuarial methods are applied to determine the amount of loss reserves and reflect uncertainties in respect of claims estimates. No acquisition costs are deferred in non-life business.

The Liability Adequacy Test (LAT) in non-life business resulted in an additional increase of CHF 17.2 million (previous year: CHF 16.5 million) in loss reserves as of 31.12.2005.

The insurance conditions and risks in non-life business are described in Note 17.2 (beginning on page 150). The following table details the development of loss reserves for the previous four years.

8.4.1 Claims development in CHF million

Year of loss occurrence	before 2002	2002	2003	2004	2005	Total
Run-off year 1		1 768.0	1 645.1	1 705.6	1 834.8	
Run-off year 2		1 676.6	1 561.4	1 667.5		
Run-off year 3		1 646.2	1 504.3			
Run-off year 4		1 624.1				
Estimated claims after year of loss occurence		1 624.1	1 504.3	1 667.5	1 834.8	
Accumulated claims paid as of 31 December		–1 385.1	–1 193.2	–1 069.7	–831.6	
Estimated loss reserves as of 31 December	689.4	239.0	311.1	597.8	1 003.2	2 840.5
Increase of loss reserves based on LAT						17.2
Claims handling costs						119.1
Other technical reserves non-life						4.3
Loss reserves as of 31 December						2 981.1
Group reinsurance share						–189.1
Loss reserves as of 31 December						2 792.0

8.5 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 those reserves prove to be insufficient, they have to be increased in most countries in a second step in their local financial statements. A reserve increase recognised as necessary may be spread over several years depending on local accounting principles and circumstances.

In a third step, the liability adequacy test finally checks under Group-wide uniform standards whether the actuarial reserves set in local financial statements (including additional reserve increases but excluding deferred acquisition costs) are sufficient. The Liability Adequacy Test required the allocation of additional actuarial reserves at Group level of CHF 28.1 million as of 31.12.2005 (previous year: CHF 18.6 million).

The insurance terms and risks in life business are described in Note 17.3 (beginning on page 153). Sensitivities of actuarial reserves are outlined in Note 17.3.3 (beginning on page 154).

8.5.1 Deferred acquisition costs (life) in CHF million

	2005	2004
Balance as of 1 January	234.2	221.3
Change in the scope of consolidation	–	–
Capitalised in the period	5.8	19.0
Amortised in the period	–18.5	–6.0
Impairment in the period	–	–
Foreign currency translation differences	0.1	–0.1
Balance as of 31 December	221.6	234.2

Helvetia Patria Group defers acquisition costs only in life business and such deferrals follow local accounting regulations. Impairment of deferred acquisition costs is checked as part of the Liability Adequacy Test.

8.6 Receivables and liabilities from insurance business in CHF million

	Receivables		Liabilities	
as of 31.12.	2005	2004	2005	2004
Due from/due to policyholders	231.5	431.4	666.2	648.5
Due from/due to agents and brokers	80.2	85.9	39.8	44.5
Due from/due to insurance companies	293.3	304.0	49.1	66.5
Total receivables/liabilities	605.0	821.3	755.1	759.5

9. Goodwill and other intangible assets

in CHF million	Goodwill 2005	2004	Other intangible assets 2005	2004	Total 2005	2004
Acquisition costs:						
Balance as of 1 January	22.3	22.5	118.1	84.1	140.4	106.6
Change in the scope of consolidation	–	–	–	–	–	–
Additions	1.0	0.0	15.4	35.2	16.4	35.2
Disposals	–	–	–6.7	–0.6	–6.7	–0.6
Foreign currency translation differences	0.1	–0.2	0.4	–0.6	0.5	–0.8
Balance as of 31 December	23.4	22.3	127.2	118.1	150.6	140.4
Accumulated amortisation/impairment:						
Balance as of 1 January	0.0	–	74.7	58.4	74.7	58.4
Change in the scope of consolidation	–	–	–	–	–	–
Amortisation	–	–	19.8	17.3	19.8	17.3
Impairment	0.1	0.0	–	–	0.1	0.0
Reversal of impairment losses	–	–	–	–	–	–
Disposals amortisation/impairment	–	–	–6.7	–0.6	–6.7	–0.6
Foreign currency translation differences	0.0	0.0	0.3	–0.4	0.3	–0.4
Balance as of 31 December	0.1	0.0	88.1	74.7	88.2	74.7
Book value as of 31 December	23.3	22.3	39.1	43.4	62.4	65.7
Book value as of 1 January	22.3	22.5	43.4	25.7	65.7	48.2

'Other intangible assets' of Helvetia Patria Group largely consist of purchased and self developed software. Apart from goodwill, Helvetia Patria Group has currently not deferred any intangible assets with an indefinite useful life.

'Goodwill' comprises the goodwill resulting from the acquisition of Helvetia Previsión S.A. (formerly: Previsión Española S.A.), Seville, in 2000. The CHF 0.9 million goodwill arising in the reporting year from a successive acquisition of Helvetia Previsión S.A., Seville, was added to the entity’s

existing goodwill. The book value of the resulting goodwill stood at CHF 23.3 million on the balance sheet date (previous year: CHF 22.3 million).
For the purpose of impairment testing, goodwill is fully assigned to the cash generating unit (CGU) Helvetia Previsión which is part of the geographical segment of Spain. Goodwill is tested annually for impairment in accordance with Note 2.9 (page 96).

The impairment test carried out in 2005 did not result in an impairment loss for the cash generating unit. The recoverable amount was determined by calculating the value in use. This calculation required the management to make estimates on expected return. These free cash flows are usually considered for a period of two to five years and are based on the budget decided on by management and on strategic planning. The calculations are based on the following growth and discount rates:

Assumptions:	
Growth rate	1 %
Risk-adjusted interest rate	8.51 %

The growth rate was set by management and is based on past experience and future expectations. The risk-free capital market interest rate plus a risk premium were considered for determining the discount rate.

10. Property and equipment

in CHF million	Undeveloped land 2005	2004	Owner-occupied property 2005	2004	Equipment 2005	2004	Property under construction 2005	2004	Total 2005	2004
Acquisition costs:										
Balance as of 1 January	5.4	19.9	490.3	435.1	118.9	117.1	23.7	77.2	638.3	649.3
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–	–
Additions	–	–	17.3	25.8	11.1	7.3	34.4	45.7	62.8	78.8
Disposals	–	–	–2.0	–1.0	–34.5	–5.2	–	–	–36.5	–6.2
Revaluation gains on transfers to investment property	–	–	1.9	6.6	–	–	–	–	1.9	6.6
Transfer	–	–	1.8	11.5	–	–	–35.2	–98.8	–33.4	–87.3
Foreign currency translation differences	–	–0.1	1.3	–1.5	0.5	–0.9	0.0	–0.4	1.8	–2.9
Other changes	–	–14.4	–	13.8	0.0	0.6	–	–	0.0	0.0
Balance as of 31 December	5.4	5.4	510.6	490.3	96.0	118.9	22.9	23.7	634.9	638.3
Accumulated depreciation/impairment:										
Balance as of 1 January	–	–	117.6	100.4	98.7	94.1	–	5.0	216.3	199.5
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–	–
Depreciation	–	–	12.0	9.7	9.6	9.3	–	–	21.6	19.0
Impairment	–	–	3.9	1.9	–	–	–	7.4	3.9	9.3
Reversal of impairment losses	–	–	–	–	–	–	–	–	–	–
Disposals amortisation/impairment	–	–	0.0	–0.5	–33.8	–4.4	–	–	–33.8	–4.9
Transfer	–	–	0.0	6.9	–	–	–	–12.3	0.0	–5.4
Foreign currency translation differences	–	–	0.4	–0.5	0.4	–0.7	0.0	–0.1	0.8	–1.3
Other changes	–	–	–	–0.3	–	0.4	–	–	–	0.1
Balance as of 31 December	–	–	133.9	117.6	74.9	98.7	0.0	0.0	208.8	216.3
Book value as of 31 December	5.4	5.4	376.7	372.7	21.1	20.2	22.9	23.7	426.1	422.0
of which assets under finance lease			–	–	–	0.1			–	0.1
Book value as of 1 January	5.4	19.9	372.7	334.7	20.2	23.0	23.7	72.2	422.0	449.8

11. Employee benefits

Helvetia Patria Group had 4 619 employees as of 31.12.2005 (previous year: 4 686). Total personnel costs are shown in the table below:

11.1 Personnel costs in CHF million

	Notes	2005	2004
Commissions		256.5	259.6
Salaries		310.3	307.2
Social security costs		61.7	62.0
Pension costs – defined contribution plans		1.9	9.1
Pension costs – defined benefit plans	11.3.2	40.3	32.7
Other long-term employee benefit expenses		1.0	1.5
Termination benefits		6.1	24.7
Other personnel costs		25.4	23.8
Total personnel costs		703.2	720.6

11.2 Receivables due from and liabilities due to employees

Short-term receivables due from employees, which are included in the balance sheet under 'Other assets', amounted to CHF 1.3 million as of 31.12.2005 (previous year: CHF 2.1 million).

Short-term liabilities due to employees, reported under 'Other liabilities and accruals', stood at CHF 44.6 million as of 31.12.2005 (previous year: CHF 40.7 million).

11.2.1 Long-term receivables due from and liabilities due to employees in CHF million

		Long-term receivables due from employees		Long-term liabilities due to employees	
as of 31.12.	Notes	2005	2004	2005	2004
Kind of benefit:					
Defined benefit plans	11.3.1	1.4	0.0	187.7	179.1
Other long-term employee benefits		–	–	13.3	13.3
Total long-term receivables due from and liabilities due to employees		1.4	0.0	201.0	192.4

'Other long-term employee benefits' principally contain liabilities for service awards. There were no contingent liabilities due to or contingent receivables due from employee benefits.

11.3 Defined benefit plans

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

In Switzerland employees are covered by the 'Pensionskasse der Helvetia Patria Versicherungen' foundation (Pension fund of Helvetia Patria Versicherungen) with registered office in St.Gallen. It was founded with the purpose of providing occupational benefits to employees on retirement and disability as well as after their death to their surviving dependents in accordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plan (BVG). The benefits of the pension fund meet at least the statutory minimum required by BVG. Contributions to the pension fund are set as a percentage of the employee's insured annual salary, are deducted from the salary by the employer and transferred every month to the pension fund, together with the employer's contributions.

The board of Helvetia Patria Versicherungen's pension fund approved a restructured pension scheme from 1 January 2005. From that date, retirement saving will be effected in the defined contribution plan, and the risk benefits in the defined benefit plan.

As a result of these changes, the company's pension liabilities as calculated under IAS 19 were reduced. Past service cost was calculated as a change to the liability. These past claims became effective as soon as the new schemes came into force. As a result, the effect of changing the plan, amounting to CHF 51.6 million, was accounted for in the reporting period as an income component in net pension costs for defined benefit plans.

The new rules for the supplementary fund also came into effect on 1.1.2005. This pension scheme was classified and calculated as a defined benefit plan.

Unfunded plans are in place in Germany, Austria, Italy and Spain. The accumulated pension obligations are recorded as pension liabilities in the balance sheet of the employer. Those pension plans cover benefits for retirement, in the event of death, for disability or for termination of the employment contract with consideration given to local labour laws and social legislation in the individual country. The benefits are fully financed by the employer.

11.3.1 Liability for defined benefit plans in CHF million

as of 31.12.	2005	2004
Present value of funded obligations	1 255.1	1 186.0
Fair value of plan assets	–1 274.0	–1 154.2
Surplus/deficit	–18.9	31.8
Present value of unfunded obligations	123.8	104.2
Unrecognised actuarial gains (+) or losses (–)	–35.9	–6.0
Unrecognised past service cost	–	–
Amounts not recognised as assets	117.3	49.1
Net liability for defined benefit plans	186.3	179.1
The net liability consists of:		
Gross defined benefit liabilities	187.7	179.1
Gross defined benefit assets	1.4	0.0

The 'Net liabilities' position does not contain any reimbursement rights.

Plan assets include shares issued by Helvetia Patria Holding with a fair value of CHF 61.4 million as of 31.12. 2005 (previous year: CHF 66.9 million). Plan assets do not include any of the Group's owner-occupied properties.

Within the scope of investment management, a 'Deposit Administration Contract' is in place between the Swiss companies and pension fund of Helvetia Patria Versicherungen, St.Gallen. Transactions resulting from this contract were eliminated in the consolidated financial statements of Helvetia Patria Group. In the reporting year, CHF 156.0 million of the contract were discharged, leaving assets of CHF 196.2 million at the balance sheet date. Interest of CHF 6.9 million was paid on transferred capital in 2005.

11.3.2 Net pension costs for defined benefit plans in CHF million

	2005	2004
Current service cost	43.0	32.7
Interest cost	42.0	44.7
Expected return on plan assets	–41.0	–35.0
Actuarial gains and losses	–0.6	–5.4
Employee contributions	–12.2	–8.9
Change in amounts not recognised as assets	60.7	4.6
Past service cost	–51.6	–
Net pension costs for defined benefit plans	40.3	32.7
Actual return on plan assets	58.5	112.8

The net pension costs for defined benefit plans are recognised in the income statement in the line item 'Operating and administrative expenses'.

11.3.3 Change in net liabilities in CHF million

	2005	2004
Balance as of 1 January	179.1	173.5
Total expenses recognised in the income statement	40.3	32.7
Employer contributions	–34.0	–25.5
Foreign currency translation differences	0.9	–1.6
Balance as of 31 December	186.3	179.1

11.3.4 Principal actuarial assumptions (weighted averages) in per cent

	Switzerland		Abroad	
	2005	2004	2005	2004
Discount rate	3.0	3.0	4.0	4.5
Expected rate of return on plan assets	3.4	3.5	4.4	4.5
Expected salary increases	2.2	2.3	2.8	2.7
Expected pension increases	0.8	0.8	1.8	1.8

12. Share-based payments

Share purchase plan

The Helvetia Patria employee share ownership plan enables the privileged acquisition of registered Helvetia Patria Holding shares. The plan allows employees to directly participate in the Group's success at favourable terms. All employees of Helvetia Patria Group in Switzerland are eligible if they are in regular employment (not on notice) and entitled to variable compensation. The Board of Directors sets the number of shares offered to eligible employees which is dependent on the individual's respective function. All shares acquired are subject to a minimum holding period. The personnel costs for share-based payment transactions are recognised in the income statement and amounted to CHF 0.1 million in the reporting year.

13. Provisions, contingent liabilities and other commitments

13.1 Financial provisions in CHF million

	2005	2004
Balance as of 1 January	59.4	56.5
Change in the scope of consolidation	–	–
Allocation	29.2	27.5
Release	–5.0	–2.8
Used amounts	–22.9	–21.7
Foreign currency translation differences	0.1	–0.1
Other changes	0.4	0.0
Balance as of 31 December	61.2	59.4

No significant new provisions were set up in the reporting period. At the balance sheet date, there were no provisions for restructuring expenses. The 'Financial provisions' position primarily consists of provisions for liabilities towards tax authorities and agents and pending legal proceedings.

13.2 Contingent liabilities and other commitments

13.2.1 Capital commitments
At the balance sheet date, capital commitments for financial assets amounted to CHF 63.4 million (previous year: CHF 96.3 million) for the future acquisition of investments.

13.2.2 Assets pledged or assigned
Helvetia Patria Group has pledged assets of CHF 30.2 million (previous year: CHF 31.3 million) as security for liabilities. They all relate to financial assets pledged for the benefit of liabilities from underwriting business.

13.2.3 Operating lease liabilities
Helvetia Patria Group is a lessee in a number of different operating leases. As a result, future leasing liabilities expiring in less than one year amount to CHF 2.4 million, in one to five years CHF 8.6 million, and in more than five years CHF 0.2 million.

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

13.2.5 Other contingent liabilities
Helvetia Patria Group has issued letters of credit for CHF 59.3 million to third-party insurance companies as security for reinsurance business. Under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plan (BVG), Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel, has given a guarantee agreement towards collective foundations for CHF 0.5 million. On the balance sheet date, there were CHF 14.6 million in contingent liabilities and CHF 0.3 million in other guarantees given to third parties.

14. Income taxes

14.1 Current and deferred income taxes in CHF million

	2005	2004
Current tax	96.7	44.4
Deferred tax	21.6	33.0
Total income taxes	118.3	77.4

Current income tax liabilities are contained under 'Other liabilities and accruals' and amount to CHF 94.1 million (previous year: CHF 49.9 million).

14.2 Change in deferred tax assets and liabilities (net) in CHF million

	2005	2004
Balance as of 1 January	355.9	293.1
Change in the scope of consolidation	–	–
Deferred taxes recognised in equity	40.8	30.1
Deferred taxes recognised in the income statement	21.6	33.0
Foreign currency translation differences	0.4	–0.3
Balance as of 31 December	418.7	355.9

14.3 Expected and actual income taxes in CHF million

	2005	2004
Expected income taxes	115.2	81.0
Increase/reduction in taxes resulting from:		
– tax-exempt interest and dividends	–1.2	–4.6
– tax-exempt gains from shares and investments	–8.5	–1.0
– non-deductible expenses	30.9	2.3
Back taxes	–3.3	–7.7
Change in tax rates	–13.4	1.4
Tax elements related to other periods	0.4	0.4
Disposal of subsidiaries	–	–
Use of previously unrecognised losses carried forward	–2.2	–
Other	0.4	5.6
Actual income taxes	118.3	77.4

The expected tax rate applicable to Helvetia Patria Group was 27 per cent for 2005 (previous year: 27 per cent). These rates were derived from the weighted average of expected tax rates in the individual countries where the Group operates.

14.4 Deferred tax assets and liabilities in CHF million

as of 31.12.	Tax assets 2005	Tax assets 2004	Tax liabilities 2005	Tax liabilities 2004
Composition of deferred taxes in the balance sheet:				
Unearned premium reserve	18.1	18.7	0.0	6.2
Loss reserves	25.9	34.7	149.7	136.0
Actuarial reserve	10.6	7.9	53.0	88.8
Investments	83.4	92.3	428.4	311.7
Deferred acquisition costs (life)	2.6	–	–	–
Property and equipment	12.0	10.3	4.9	4.0
Intangible assets	0.2	0.5	5.4	5.1
Financial provisions	0.1	0.1	30.0	43.0
Employee benefits	18.9	20.1	1.1	0.1
Tax assets from losses carried forward	1.7	12.2	–	–
Other	153.3	122.6	73.0	80.4
Deferred taxes (gross)	326.8	319.4	745.5	675.3

No deferred tax liabilities were recognised for withholding tax and other taxes that would be payable on the unremitted income from certain subsidiaries, as these amounts are retained.

14.5 Losses carried forward

14.5.1 Net tax assets from losses carried forward in CHF million

as of 31.12.	2005	2004
Expire within 1 year	2.6	–
Expire between 2 and 3 years	–	2.1
Expire between 4 and 7 years	3.3	51.9
Without expiration	1.3	1.1
Total recognised losses carried forward	7.2	55.1
Resulting tax assets	1.7	12.2
Net tax assets from losses carried forward	1.7	12.2

As of 31.12.2005, no tax assets were recognised for losses carried forward of CHF 22.8 million (previous year: CHF 13.2 million). Of this amount, CHF 9.9 million will expire after four years or more and CHF 12.9 million are without expiration.

15. Equity

15.1 Share capital and treasury shares

The fully-paid registered shares of Helvetia Patria Holding have a nominal value of CHF 10 (previous year: CHF 10). The purchase of registered shares of Helvetia Patria Holding is not subject to any restrictions. Shareholders who purchase the shares in their own name and in their own interest will be entered in the share register with up to a maximum of 5 per cent of the issued registered shares with voting rights. Individuals who do not explicitly certify in the registration application that they acquired the shares in their own interest will be entered in the share register with up to a maximum of 3 per cent.

In the reporting year, a portion of the shares of Helvetia Patria Holding set aside for the convertible bond of Helvetia Finance Ltd., Jersey, repayable on 16.6.2005 were sold. The number of treasury shares thus fell by 300 000 to 100 312 shares. The CHF 3.3 million loss arising from the sale was charged to capital reserves without affecting the income statement. The embedded derivative from the convertible bond amounting to CHF 17.9 million was transferred from treasury shares to capital reserves.

in CHF million	Number of shares	Share capital
Share capital:		
As of 1.1.2004	6 293 000	62.9
Share capital increase	2 359 875	23.6
As of 31.12.2004	8 652 875	86.5
As of 31.12.2005	8 652 875	86.5
Treasury shares:		
As of 1.1.2004	291 136	2.9
Purchase of treasury shares (from share capital increase)	109 176	1.1
As of 31.12.2004	400 312	4.0
Purchase/sale of treasury shares	–300 000	–3.0
As of 31.12.2005	100 312	1.0
Shares outstanding:		
As of 1.1.2004	6 001 864	60.0
As of 31.12.2004	8 252 563	82.5
As of 31.12.2005	8 552 563	85.5

15.2 Reserves

15.2.1 Capital reserves

Capital reserves consist of assets paid in by third parties. Capital reserves primarily contain the share premium of shares issued of Helvetia Patria Holding.

15.2.2 Retained earnings

Accumulated non-distributed earnings of the Helvetia Patria Group are recognised in the balance sheet item 'Retained earnings'. Besides freely disposable funds, they also comprise statutory reserves and reserves bound by the articles of association which are sustained by the net profit for the year and subject to restrictions on distributions.

15.2.3 Reserve for 'Foreign currency translation differences'
The reserve for 'Foreign currency translation differences' results from the translation of financial statements prepared by foreign Business Units in euros into the Group's reporting currency (Swiss franc).

15.2.4 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. Those gains are only recognised in the income statement when the asset is sold. The position is adjusted at the balance sheet date by the portion relating to contracts with discretionary participation features. The specific portion, reserved for the owner of contracts with participation features, is transferred into 'Liabilities', while the remaining portion regarding contracts with participation features is allocated to the 'Valuation reserves for contracts with discretionary participation features in equity' (see Note 15.2.5).

Unrealised gains and losses in equity in CHF million

	Available-for-sale investments		Associates		Transfer of owner-occupied property		Total unrealised gains and losses	
	2005	2004	2005	2004	2005	2004	2005	2004
Balance as of 1 January	522.6	350.8	0.1	0.1	6.6	–	529.3	350.9
Fair value revaluation	291.2	200.3	0.0	0.0	–	–	291.2	200.3
Revaluation gains on transfer of owner-occupied property	–	–	–	–	1.9	6.6	1.9	6.6
Gains reclassified to the income statement due to disposals	–96.2	–46.7	–	–	–	–	–96.2	–46.7
Losses reclassified to the income statement due to disposals	2.6	17.1	–	–	–	–	2.6	17.1
Impairment losses reclassified to the income statement	0.1	2.0	–	–	–	–	0.1	2.0
Foreign currency translation differences	1.2	–0.9	0.0	0.0	0.1	0.0	1.3	–0.9
Balance as of 31 December	721.5	522.6	0.1	0.1	8.6	6.6	730.2	529.3
less:	Notes							
Obligations for contracts with discretionary participation features in 'Liabilities'							–200.3	–153.1
Valuation reserves for contracts with discretionary participation features in 'Equity' (gross)	15.2.5						–278.0	–189.4
Minority interests							–0.6	–0.7
Deferred taxes on remaining portion							–69.0	–48.4
Unrealised gains and losses (net) as of 31 December							182.3	137.7

15.2.5 Valuation reserves for contracts with discretionary participation features

The valuation reserves for contracts with discretionary participation features are created for bonuses from insurance and investment contracts that arise from IFRS-related adjustments, impact either on the result or unrealised gains and are not considered a liability for policyholders under country-defined 'legal quotas'. The reserves comprise portions from unrealised gains and losses on investments relating to contracts with profit participation, recognised directly in equity, and portions from retained earnings arising from valuation differences relating to the same contracts. The use of the reserves is at the insurer’s discretion (see Note 2.6.2, page 94).

Valuation reserves for contracts with discretionary participation features in CHF million

	2005	2004
Unrealised gains and losses on contracts with discretionary participation features:		
Balance as of 1 January	189.4	122.8
Change in unrealised gains and losses	88.5	66.7
Foreign currency translation differences	0.1	–0.1
Reclassifications	–	0.0
Balance as of 31 December	278.0	189.4
less:		
Deferred taxes	–68.4	–47.9
Unrealised gains and losses as of 31 December	209.6	141.5
Retained earnings on contracts with discretionary participation features:		
Balance as of 1 January	309.2	217.1
Change in the scope of consolidation	–	–
Share of profit for the year	70.3	95.8
Reclassifications	–0.5	–3.7
Retained earnings as of 31 December	379.0	309.2
Valuation reserves for contracts with discretionary participation features as of 31 December	588.6	450.7

15.3 Earnings per share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding of Helvetia Patria Holding and on the portion of the Group's net profit for the year attributable to shareholders. Diluted earnings per share in 2004 include the dilutive effect of the convertible bond that was repaid in the reporting year (see Note 7.1, page 121). It was assumed that all bonds would be fully converted into shares. The profit for the year was adjusted accordingly by the interest expenses for the debt component in the relevant period.

Earnings per share in CHF

	2005	2004
Profit for the year less minority interests	301 364 150	222 437 926
Weighted average number of shares outstanding	8 330 341	6 189 422
Basic earnings per share	36.18	35.94
Profit for the year less minority interests	301 364 150	222 437 926
Elimination of interest expenses on convertible bonds, net	0	6 821 335
Adjusted profit for the year	301 364 150	229 259 261
Weighted average number of shares outstanding	8 330 341	6 189 422
Assumed conversion of convertible bonds	0	468 897
Adjusted weighted average number of shares	8 330 341	6 658 319
Diluted earnings per share	36.18	34.43

15.4 Dividends

The Board of Directors is to submit a proposal to the Shareholders' Meeting of 12.5.2006 to pay a dividend per share of CHF 9.00 (previous year: CHF 5.50) with the total payout amount reaching CHF 77.9 million (previous year: CHF 47.6 million). The proposed dividends will not be distributed before approval by the ordinary Shareholders' Meeting. The dividend distribution is only recognised when approved by the Shareholders' Meeting.

Dividend restrictions and solvency requirements
The Swiss subsidiaries are subject to restrictions by the Swiss Code of Obligations with regard to the amount of dividends permitted for distribution to the parent company. The Code requires five per cent of profit to be allocated to the statutory reserve fund until its amount equals 20 per cent of paid-in share capital. In other countries in which subsidiaries of Helvetia Patria Group operate, some similar rules under company law restrict the dividend payment to the parent company.

In addition to the aforementioned regulations, the payment of dividends by subsidiaries of the Helvetia Patria Group may be restricted by minimum capital or solvency requirements imposed by supervisory authorities.

All insurance units of the Helvetia Patria Group must meet the EU guideline on minimum solvency margins (so-called Solvency I). For non-life insurers, this margin stands at 18 per cent (or 16 per cent of the portion exceeding CHF 80 million) of premiums written in the current business year or 26 per cent (or 23 per cent of the portion exceeding CHF 56 million) of the average claims paid over a three-year period, whichever is higher. Life insurers are subject to a minimum solvency margin for classic endowment insurance of 4 per cent of underwriting reserves. Supplementary life insurance business must comply with regulations identical to those applicable to non-life insurers. Unit-linked insurance products must be underpinned up with reserves of 1 per cent.

Helvetia Patria Group is required to report to the Federal Office of Private Insurance (FOPI) in Switzerland and the Rome-based 'Istituto per la Vigilanza delle Assicurazioni Private' (ISVAP) in its function as the European Supervisory Office.

16. Related party transactions

In the course of its ordinary business, the Helvetia Patria Group effects various transactions with related parties. With the exception of Patria Mutual, those transactions are not material for Helvetia Patria Group either as a single transaction or overall.

Apart from Patria Genossenschaft, related parties of Helvetia Patria Group are other members of the shareholder pool, pension funds and all associates of the Group. The latter two are described in Note 11.3 'Defined benefit plans' (page 134) and Note 6.7 'Investments in associates' (page 117).

Patria Mutual is the largest shareholder and owns 33.3 per cent of Helvetia Patria Holding. Its purpose is to strengthen the Helvetia Patria Group's development and economic independence as well as safeguard the interests of its members who conclude life insurance policies with Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel. On the balance sheet date, Patria Mutual owned 2 884 294 shares of Helvetia Patria Holding. The dividend payment of CHF 15.9 million (previous year: CHF 10.0 million) to the mutual association was the only significant transaction in the reporting period. The other members of the shareholder pool, Vontobel Beteiligungen AG, Zurich, and the Swiss Union of Raiffeisenbanks, St.Gallen, are entered in the share register of Helvetia Patria Holding with 4.0 per cent and 2.7 per cent holdings, respectively. The shareholder pool thus owns a total of 40 per cent of Helvetia Patria Holding.

Members of the Board of Directors and Executive Management of the Helvetia Patria Group as well as their close family members (long-time partners and financially dependent children) are also regarded as related parties. No member of the Board of Directors and the Group Executive Management or their close family members personally have significant business relations with the Helvetia Patria Group. There are, however, business relations with companies represented by them, such as the Vontobel and Raiffeisen Groups as well as Patria Mutual. Outside the ordinary cooperation activities in respect of advice on and sale of financial and insurance as well as asset management services, no substantial business relations exist between them and the Helvetia Patria Group. All transactions that take place as part of this cooperation are carried out on an arm's length basis. With the exception of two common Board members with Vontobel Holding AG, there are no other cross-directorships with listed companies. Other functions and mandates in third-party companies held by members of the Board and Executive Management are listed in the Corporate Governance section on pages 27 and 33 of the Annual Report.

Members of Executive Management may take out insurance contracts, loans and services on the terms and conditions currently in effect for employees. At the reporting date, mortgage loans to six members of Executive Management amounted to CHF 7 225 406 (previous year: CHF 8 245 442 million). Aside from the resignation of members of Executive Management, the change compared to the prior year arose from repayments of CHF 80 036. During the reporting period, loans granted as fixed or variable mortgages at regular interest rates bore interest at rates between 2.05 and 4.65 per cent. No loans were granted to non-executive members of the Board or to close family members.

Members of Executive Management, but not the Board of Directors, participated in the staff option plan which expired on 15.6.2005. A total of 1 810 outstanding options were converted into 309 shares in the reporting period. The remaining options were paid out in cash. At the reporting date, members of the Group's Executive Management (including the Chairman and CEO) and their close family members held a total of 3 114 shares (previous year: 2 109). In the reporting period, they acquired 1 074 shares, of which 309 were part of the staff option plan and 750 part of the employee share ownership plan (see Note 12, page 136). Non-executive members of the Board of Directors and their close family members owned a total of 2 297 shares (previous year: 1 085). Of these, the incumbent directors received 666 shares as variable compensation for the 2004 financial year.

The total compensation for the reporting period for members of Group Executive Management (including Chairman and CEO as well as Tjarko Ullings until 30 April 2005) is summarised in the table below:

in CHF	2005	2004
Salaries and other short-term employee benefits	4 559 478	4 851 293
Post-employment benefits	538 757	525 070
Other long-term benefits	0	50 000
Termination benefits	0	0
Share-based payments	241 473	0
Total benefits	5 339 708	5 426 363

Persons whose corporate function ceases do not normally receive severance pay. The share-based payment for members of Executive Management is equivalent to a discount of 16.038 per cent, which was granted to all employees who obtained shares as part of the employee share ownership plan during the year under review (amounting to CHF 23 475), as well as to a special bonus totalling 734 shares at the market price of CHF 297 on 30.3.2006 (amounting to CHF 217 998) granted as a result of the good results in 2005.

The seven serving non-executive members of the Board of Directors (without the Chairman and CEO) received fixed compensation for the reporting year and variable remuneration, dependent on the operating results of the business year, of CHF 1 064 233 (previous year: CHF 937 700), of which CHF 168 399 was paid in the form of shares at market value with a minimum holding period of three years.

17. Risk management

17.1 Objective of risk management

The immediate objective of Helvetia Patria Group's risk management is to systematically identify, quantify and monitor all significant risks as well as manage them efficiently through risk management organisation and hedging policy. The risk transparency required for this is created by integrating risk reporting into management processes.

Risk management indirectly supports the maintenance of current capitalisation that is appropriate for the planned activities of Helvetia Patria Group and its subsidiaries.

Furthermore, the risk transparency created through risk management enables capital to be allocated according to risk, thus supporting financial management.

17.1.1 Risk management organisation
(a) At management level
The Board of Directors is responsible for establishing and maintaining appropriate internal controls and risk management. It is the Board's responsibility in particular to:
- Approve and regularly review strategically important decisions (the Board of Directors is responsible for strategic risks);
- Ensure appropriate control of the effectiveness of the internal control systems by the Executive Management;
- Ensure the implementation of comprehensive risk management which allows for efficient allocation of risk capital and systematic control of risks by the Executive Management;
- Supervise the Group's risk profile by setting risk limits for selected, defined risk categories, with the Board of Directors determining risk capacity and risk tolerance.

The Board of Directors delegates – within the stipulated framework – the operating aspects of the risk management to the 'Investment and Risk Committee' (IRC). Responsibilities and obligations are assigned as follows:

Risk Map	Board	IRC	AC	Chairman/CEO	EM
Total risk, setting upper risk limits	D	Ad.	Coll.		P
Structural aspects of risk management	I	Coll.	D	P	Coll.
Financial risks*	I	D	I		P
Other risks	D	Coll.	Coll.		P

Board: Board of Directors, IRC: Investment and Risk Committee, AC: Audit Committee, Chairman/CEO: Chairman of the Board/CEO, EM: Executive Management
D: Decision, Ad.: Advisory, Coll.: Collaboration, P: Proposal, I: Information
* Within limits approved by the Board of Directors

(b) At operating level

The Executive Management takes responsibility for implementing and complying with the strategies, business principles and risk limits determined by the Board of Directors. The Risk Committee supports the Executive Management in an advisory capacity. It coordinates, supervises and assesses risk decisions, financing and hedging measures. The Committee meets at least twice a year and is headed by the Group's Chief Financial Officer (CFO). Additional members are the Chief Investment Officer (CIO), the Heads of 'Corporate Finance & Risk Management' and 'Group Reinsurance' as well as the Group actuaries for life and non-life businesses and selected specialists who are invited to attend the meeting to deal with specific topics. The 'Corporate Finance & Risk Management' department which reports to the CFO, ensures the necessary risk transparency:

- The Risk Map advises the Board of Directors of the most important risks, any changes to them and strategies to manage risk issues.
- The Risk Report supports the 'Investment and Risk Committee' (IRC) and the Risk Committee in their work by providing them with detailed information.

17.1.2 Risk management process

(a) Financial risks

Financial risk (Group, business units)

Financial market risk	Counterparty risk	Non-life risk	Life risk
Stock market Interest rates Real estate Currencies Liquidity	Reinsurance Investments Other	Natural hazards Major damages Base volatility Reserve risk	Mortality Disability Biometrics Customer behaviour Costs

Financial risks demand risk capital in the operational context and can be influenced through hedging instruments, product design or other risk measures. Helvetia Patria Group categorises financial risks according to the above graph. These risks affect risk-bearing capital and thus reflect the entire balance sheet. Risk is considered to be the uncertain financial downside deviation from what is expected. Life and non-life risks are the traditional insurance risks of a direct insurer, with reinsurance protection playing a significant role in managing non-life risk in particular (see Notes 17.2 and 17.3). Financial market risk also includes the interest rate and foreign exchange risks of liabilities.

The Asset & Liability Management (ALM) concept manages the various influences of financial market risks in an integrated way and defines both investment strategy and hedging policy. The ALM process also has two purposes.

- Firstly, it ensures compliance with statutory solvency requirements and loss limits at any time. To this end, the investment strategy is basically determined at Business Unit level and then aggregated by applying 'bottom-up' planning (tactical ALM).
- Secondly, it aims to comply with the risk budget which is economically determined and allocated 'top-down' to the investment function and to opti-

mally utilise it. This approach controls and manages the level of asset and liability mismatch (strategic ALM; see Note 17.4). The related procedures are under development and are constantly being checked against the requirements of the Swiss Solvency Test (Solvency II), which will come into effect on 1.1.2008.

Counterparty risks are treated separately from financial market risks (see Note 17.5). Operational risks are a separate element of the risk management process.

(b) Operational risks
Operational risks from Helvetia Patria Group's perspective comprise mainly infrastructure risks (such as IT), process risk (such as distribution) and people risk. Management of operational risks is carried out primarily on a decentralised basis, but is becoming increasingly centralised where necessary. The Compliance Department, for example, has recently been expanded into a central Group function, which directly reports to the Board of Directors and its committees. Managing risk on a decentralised and centralised basis ensures efficient corporate governance.

Gross premiums by business line and region in the non-life business in CHF million

2004	Switzerland	Germany	Italy	Spain	Other	Total
Property	317.8	258.8	64.1	132.2	66.9	839.8
Transport	36.7	74.2	4.1	18.1	101.4	234.5
Motor vehicle	149.8	163.2	200.4	149.5	71.4	734.3
Liability	71.4	69.9	24.7	25.8	26.0	217.8
Accident/health	0.0	37.8	42.1	36.2	19.0	135.1
Reinsurance non-life	–	–	–	–	210.1	210.1
Gross premiums non-life	575.7	603.9	335.4	361.8	494.8	2 371.6

2005	Switzerland	Germany	Italy	Spain	Other	Total
Property	317.3	260.9	71.4	142.0	69.1	860.7
Transport	37.9	66.7	4.4	20.6	96.1	225.7
Motor vehicle	154.6	149.8	196.5	141.6	70.8	713.3
Liability	73.1	70.4	26.8	29.3	25.6	225.2
Accident/health	0.0	37.0	44.3	34.2	19.2	134.7
Reinsurance non-life	–	–	–	–	227.0	227.0
Gross premiums non-life	582.9	584.8	343.4	367.7	507.8	2 386.6

These tables were created based on the principles of segment reporting in Note 4.

An information platform known as 'ITC' (IT coordination) was set up to increase efficiency and quality for information technology, which is largely managed on a decentralised basis in each Business Unit. Its purpose is to coordinate IT activities between business units. The Group's ability to conduct its business depends on the efficient operation of its data management and information systems. They could be affected by fire, flood, power failure, hardware or software breakdown or similar events. The Helvetia Patria Group has therefore taken precautions in process management and infrastructure, such as maintaining geographically separated dual systems or developing disaster plans.

17.2 Insurance risks in non-life business

The random occurrence of an insured event (policyholder event) and uncertainty about the amount of the resulting liability create insurance risk in non-life business. The most important non-life segments of the Helvetia Patria Group are property, transport and casualty insurance (liability, accident, collision). The latter consists to a large extent of motor insurance and, to a lesser extent, liability, health and accident insurance policies. In 2005, 73.4 per cent of the Helvetia Patria Group's direct non-life business was generated outside of Switzerland. The business segments accounted for the following percentages of gross premiums written: Switzerland 24.4 per cent, Germany 24.5 per cent, Italy 14.4 per cent, Spain 15.4 per cent, Austria 8 per cent, France 3.8 per cent and assumed reinsurance 9.5 per cent (see also Note 8 "Insurance business").

The Helvetia Patria Group's careful focus on a geographically diversified portfolio of mainly small risks (private customers and SMEs) supports risk equalisation and reduces the overall risk of prospective risks, i.e. risks from insurance events that are covered by existing contracts but have not yet occurred. Insured events that have already occurred give rise to the risk of the amount or number of claims exceeding expectations and of the reserves set aside being insufficient to cover future claim payments (retrospective risks). The Group responds to those risks through actuarial control, adequate reserves and diversification. Risk balancing through diversification, however, does not totally eliminate the occurrence of isolated risk concentrations (for example in the form of individual large risks) and cumulative risks (such as those resulting from multi portfolio exposure to natural catastrophes). Such risk potentials are assessed Group-wide and hedged through reinsurance in a coordinated way. The 'Group reinsurance' central unit protects each business unit from such risks through a customised reinsurance programme and purchases necessary Group-wide protection on the reinsurance market while taking Group-wide diversification effects into account. This kind of hedging policy provides a high level of protection at moderate cost.

17.2.1 Casualty insurance

The Helvetia Patria Group underwrites liability coverage for individual customers, motor vehicles and companies. Liability claims result from action or neglect leading to bodily injuries and/or property damages to third parties. Collision coverage is also sold within the motor insurance sector. Less important at Group level is accident insurance. Transport insurance is considered separately, as it is a niche business run mainly by the French branch.

(a) Terms of the contract, guarantees and underwriting practices

The Helvetia Patria Group controls risks through its underwriting practices, adequate reinsurance coverage and pro-active claims settlement. The underwriting process ensures that the assumed risks in terms of type, claim amount, customer segment and location meet the necessary quality criteria. One example is the decrease in claims for employers' liability insurance as a result of the Group's stricter underwriting policy since 1999.

(b) Risks arising from concentrations, accumulations and trend changes
The portfolio is well-diversified over Europe with a higher weighting in Switzerland and Germany. Large risks are usually hedged through non-proportional treaty reinsurance.

(c) Uncertainties in estimating future claims payments
Claims settlement usually spans a longer period in liability insurance in particular. Helvetia Patria Group is liable for all events insured and occurring during the term of the contract, even if the claim was reported after the end of the contract. There are two uncertainties: the future number of claims incurred but not yet reported and their claim amount. The Group has established IBNR reserves (incurred but not reported) for that purpose which are carried as part of loss reserves. Such reserves are determined by employing actuarial methods that allow for reserve risk to be estimated and managed.

(d) Transport insurance
Helvetia Patria Group operates transport insurance business as a niche market, especially in France, but also in Switzerland, Germany and Austria to a lesser extent. Helvetia Patria Group mainly focuses on the comparably lower risk area of cargo/hull insurance. The risk exposure is managed, through the application of local underwriting guidelines and through the close relationship – made possible by the small volume – with the insurance broker and the customer, respectively.

17.2.2 Property insurance
Property insurance contracts cover damage to or loss of property of the insured by insured events or damage to or loss of third-party property as a result of negligent actions or neglect by policyholders. From a risk perspective, Helvetia Patria Group differentiates between frequency and amount of claims.

(a) Terms of the contract, guarantees and underwriting practices
The property insurance portfolios are largely reinsured by Group reinsurance. The reinsurance contracts set the general conditions applying to the newly underwritten risks covered by the specific reinsurance contract. Individual large risks which are not covered by the corresponding treaty reinsurance are reinsured on a facultative basis. Large risks are not generally underwritten unless appropriate reinsurance coverage can be purchased. This procedure allows for comprehensive risk control. Risk-oriented underwriting of large risks provides additional risk control.

(b) Risks arising from concentrations, accumulations and trend changes
Property insurance is limited to Europe apart from assumed reinsurance. The insurance risks of these contracts are not concentrated in one business area and the distribution between commercial and private property is well-balanced. The relative geographic concentration of risks has been stable since last year.

By definition the property insurance portfolio is exposed to natural catastrophes, such as flooding, wind storms and earthquakes. Major claims and man-made disasters, such as explosions, fire and oil spills, may result in large total losses. The number and extent of disasters in a certain period are by definition unforeseeable. Helvetia Patria Group effectively guards against catastrophe losses through a multi-level reinsurance programme and its selective underwriting policy. Claims from major loss events are individually analysed.

(c) Uncertainties in estimating future loss payments
Settlement for property insurance claims usually occurs in the year of the claim.

17.2.3 Assumed reinsurance

By tradition, Helvetia Patria Group owns a small assumed reinsurance portfolio which is limited in size in accordance with business strategy. Assumed reinsurance is run from Switzerland by Helvetia Schweizerische Versicherungsgesellschaft, St.Gallen. The portfolio was dominated by property insurance until the mid-1990s, but has diversified in recent years. The business philosophy positions assumed reinsurance as a 'follower' with typically only small shares in individual reinsurance contracts. This policy of small shares, combined with broad diversification by geographical and business segment, creates a well-diversified reinsurance portfolio without major risk concentrations.

(a) Terms of the contract, guarantees and underwriting practices

The small size of assumed reinsurance allows for detailed tracking of customer relations and strict control of risks and engagements of new business written. An actuarial department specialising in reinsurance handles price and reserve calculations.

(b) Risks arising from concentrations, accumulations and trend changes

The business is geographically dominated by companies located in the OECD area. A management information system has been set up for major claims. Besides managing risk exposure, cumulative risks arising from natural catastrophes are monitored and quantified, where possible, using actuarial methods.

17.2.4 Overlapping reinsurance

Helvetia Patria Group has Group-wide reinsurance coverage that provides it with effective protection against large claims and event losses. Note 8 'Insurance business' provides more information about the quality of reinsurance and claims management over the past 4 years.

Gross premiums by business line and region in the life business in CHF million

2004	Switzerland	Germany	Italy	Spain	Other	Total
Individual insurance	591.5	114.1	106.8	60.1	102.7	975.2
Group insurance	1334.6	23.2	14.3	26.2	–	1398.3
Unit-linked life insurance	72.9	13.1	–	0.7	25.8	112.5
Reinsurance life	–	–	–	–	5.3	5.3
Gross premiums life	1999.0	150.4	121.1	87.0	133.8	2491.3

2005	Switzerland	Germany	Italy	Spain	Other	Total
Individual insurance	556.0	118.9	195.6	63.7	106.4	1040.6
Group insurance	1524.6	26.1	7.6	29.5	–	1587.8
Unit-linked life insurance	93.8	39.1	–	2.4	24.4	159.7
Reinsurance life	–	–	–	–	2.1	2.1
Gross premiums life	2174.4	184.1	203.2	95.6	132.9	2790.2

These tables were created based on the principles of segment reporting in Note 4.

17.3 Insurance risks in life business

Helvetia Patria Group offers a comprehensive range of life insurance products. They include risk and pensions solutions and are aimed at private persons (individual life insurance) and companies (group life insurance). Life insurance is mostly operated from Switzerland where 77.9 per cent of the Group's gross premium volume in the life insurance sector is generated.

17.3.1 Individual life insurance

In individual life insurance Helvetia Patria Group offers term insurance, endowment and annuity insurance as well as index and unit-linked products. Depending on the product, premiums are paid as single or regular premiums. The majority of products include a discretionary participation feature for which regulations in certain countries stipulate the minimum amount of profit participation to be paid out to policyholders. Individual life insurance accounts for 37.3 per cent of the Group's gross premium volume in the life insurance sector, with more than 53.4 per cent of the premiums generated in Switzerland.

(a) Terms of the contract, guarantees and profit participation

Most of the products include a premium guarantee which means that the assumptions on mortality, disability, interest rate and expenses used to calculate the premiums are guaranteed. These fundamentals are therefore set prudently at the time the contract is underwritten. If the former develop as expected, profits accrue which are paid out in part to the policyholder in the form of policyholder dividends. There are two important exceptions to note with regard to the guaranteed assumptions. Firstly, there are no interest-rate guarantees for unit-linked insurance, but some products have the option of a minimum benefit payout in the event of survival. Secondly, premiums in Switzerland for disability benefit policies, concluded after mid-1997, are not guaranteed and may be adjusted.

(b) Underwriting und reinsurance

An insurance policy covering death or disability risk may only be taken out at regular terms with good health as a pre-condition. The application verification process analyses whether this prerequisite is met and also uses a health-related questionnaire. A medical examination may be required depending on the risk amount insured.

Large risks for insured individuals are ceded to various reinsurers through excess reinsurance with the deductible varying by country. Additionally, Helvetia Patria Group is reinsured against catastrophes which may concurrently cause several casualties and claim several lives.

17.3.2 Group life insurance

Group life insurance produces 56.9 per cent of the Group's gross premium volume in the life insurance sector, with more than 96 per cent being generated in Switzerland. Outside of Switzerland and in a small run-off portfolio within Switzerland, group life insurance products are very similar to individual insurance policies. For this reason we focus on business with occupational benefit plans in Switzerland when referring to group life insurance below.

In Switzerland, companies are bound by the Swiss Occupational Pensions Act (BVG) for insuring their employees against the risks of death, disability and longevity. Helvetia Patria Group offers products to provide coverage for those risks. The majority of those products include a discretionary participation feature with the minimum amount being stipulated by law or by contract.

(a) Terms of the contract, guarantees and profit participation

Rate guarantees do not apply to the risk premiums for death and disability and to the cost premiums of the majority of the products. Those premiums may be adjusted on an annual basis by Helvetia Patria Group. After a loss has occurred, the benefits provided as a result are either guaranteed until the agreed expiry date or for life.

Annual interest is credited on the investment portion of the premiums. The interest rate on the mandatory savings portion is set by the Swiss Federal Council, while the interest rate on the non-mandatory portion is determined by Helvetia Patria Group. The rate on the obligatory portion has been unchanged at 2.5 per cent since 1.1.2005, while Helvetia Patria Group has maintained the 2.25 per cent interest rate on the non-mandatory portion.

At retirement a policyholder may choose to have the capital paid out or converted into an annuity. The conversion of the mandatory savings portion follows the BVG-conversion rate set by the government, while Helvetia Patria Group determines the conversion rate for the non-mandatory portion. After conversion, annuities and (potentially) survivors' benefits are guaranteed for life.

Statutory regulations stipulate for the majority of products that a minimum of 90 per cent of revenue must be used for the benefit of the policyholder. The return on capital, for example, exceeding the guaranteed minimum interest rates, is returned to customers partly in the form of policyholder dividends. For most of the products which are not subject to this statutory regulation similar rules are stipulated by the insurance contract.

(b) Underwriting and reinsurance
With regard to the mandatory portion of the policy, it is prohibited to refuse coverage in the company's insurance on the grounds of a given person's bad health. For the non-mandatory portion, however, certain benefits may be excluded or a premium for the higher risk charged.
There is, however, no obligation to insure a specific company. The underwriting process determines whether and under which terms the company will be insured on the basis of past losses caused by that company and based on estimates of future loss potential.

Large risks for insured individuals are ceded to various reinsurers through excess-of-loss reinsurance as for individual insurance. The reinsurance for catastrophe events also covers group life insurance.

17.3.3 Risks arising from trend changes and sensitivity analysis
Helvetia Patria Group employs a wide range of actuarial methods to supervise existing and new products with regard to underwriting policy, setting necessary reserves and risk-appropriate rates. Retrospective methods compare original expectations with actual developments. Prospective methods allow early recognition and analysis of the impact of new trends. Most of those calculations use parameter sensitivities to monitor the impact of unfavourable developments in investment returns, mortality, lapse rates and other parameters. All tools combined provide an effective system to respond early and actively to adverse trends. If a certain risk takes a worse than expected course, the profit participation is usually the first to be reduced in most of the products. If a product shows evidence of an insufficient security margin, the premiums are adjusted, either for new business only or, if permissible, also for the existing portfolio.

Helvetia Patria Group established reserves for its life insurance business to cover its estimated guaranteed and discretionary payments. The amount of life insurance reserves depends on the interest rates applied as well as on actuarial and other parameters. Additionally, the liability adequacy test examines whether the reserves in combination with expected premiums are sufficient to finance future benefits. Should this not be the case, then local reserves are strengthened accordingly. The reserves included in the balance sheet are sufficient from the current point of view.

If assumptions are changed, the reserve reinforcements are either increased or decreased accordingly. A decrease in the reserve reinforcement flows largely back to the policyholder as a result of the discretionary participation feature. Reduced policyholder dividends are the first step to compensate for a necessary increase in reserve reinforcements, with shareholders bearing the remaining increase. In the local balance sheet, reserve reinforcements – recognised as necessary – may be spread over several years and, if possible, may be compensated by gradually lower allocations to the provisions for future profit participation or by the release of undisclosed reserves on investments. In the consolidated financial statements, however, necessary increases in reserve reinforcements must be immediately recognised in profit or loss. For contracts with discretionary profit participation, however, offsetting against differences in valuation to the local balance sheet (especially for investments) is allowed in the consolidated financial statement before the deferred profit participation is determined. Factors impacting reserving are described below.

(a) Mortality risk
If the death rate exceeds expectations, shareholders may suffer losses once the buffer of profit participation has been exhausted. Analysis shows this risk to be very low for both individual and group life sectors. Helvetia Patria Group sees no necessity for reserve reinforcements for this particular risk.

(b) Longevity risk
If the death rate in individual insurance remains below expectations and policyholders live longer than expected, shareholders may suffer losses. Given the fact that longevity is continuously rising, not only is the current mortality rate taken into account, but also the expected trends regarding increases in life expectancy in particular. These reserves show particular sensitivity to assumed life expectancies and assumed interest rates.

In addition to these considerations which also apply to group life insurance, the high statutory BVG-conversion rate results in losses in the group life sector that are built into reserves at the expense of policyholders' profit participation. Besides reacting to interest rates and life expectancy, those reserves are also particularly sensitive to the assumed number of policyholders choosing an annuity over a capital pay-out on retirement.

(c) Disability risk
Losses may occur for shareholders if the number of active policyholders becoming disabled exceeds expectations or if fewer disabled policyholders than expected recover and if the profit participation system is insufficient to cushion the impact of those variances. Disability benefit policies are almost exclusively taken out in Switzerland and the premiums in the group life sector and individual life business may be adjusted for those disability benefit contracts sold after mid-1997. The risk in Switzerland is therefore limited to disability benefit policies sold before mid-1997. For this insurance, portfolio losses are expected to occur but are covered in full by local reserve reinforcements. The latter show sensitivity to the assumed expected loss burden in particular.

(d) Interest rate risk
Shareholders may have to bear losses if the guaranteed interest, included in the premiums and reserves, cannot be generated. In the individual life segment at the end of 2005, the highest interest-rate guarantees were in Spain where older policies include guaranteed minimum interest rates of 5.0 or 6.0 per cent, respectively. Those guarantees are partly covered by corresponding assets and the residual risk is taken into account through supplementary reserves. In other countries, the maximum guaranteed interest rate stands at 4.0 per cent in euros and at 3.5 per cent in Swiss francs. It is expected that the structure of the underlying investments for these sub-portfolios will produce such returns. Additional reserves exist for products in Austria, as there is a high risk of their failing to generate the minimum yield due to the underlying investments. Rising interest rates may lead to higher lapse rates of endowment contracts. This risk, however, is considered to be low for two

reasons. Firstly, most countries enforce high tax consequences for premature contract terminations. Secondly, a deduction is usually made on highly interest-sensitive products at the time the contract is cancelled to reflect lower fair values of the underlying investments.

Long-term interest guarantees on reserves for current benefits are in place in group life business. The BVG minimum interest rate on the mandatory accrued savings capital of the insured is annually reviewed by the Swiss Federal Council. Since 1.1.2005, this minimum has been unchanged at 2.5 per cent. Rising rates may lead to higher lapse rates in the group life segment and thus cause losses. Since 2004 for contracts that have been in Helvetia Patria Group's portfolio for more than five years, no deductions can be made from nominally defined surrender values that reflect the fact that the fair value of the corresponding fixed-income securities may be below the (local) book value.

(e) Risk in embedded derivatives

The return for policyholders of index-linked insurance contracts depends on an external index. Unit-linked insurance products may include a guaranteed survival benefit. Those product components must be separated as embedded derivatives and recognised at fair value. The majority of those guarantees and index-dependent payouts are serviced by and at the risk of external partners. There are two products in Switzerland where this does not apply. The risk is therefore assumed by Helvetia Patria Group but covered by appropriate reserves. Their amount is determined especially by the volatility of the underlying assets as well as by the level of the risk-free interest-rate. A change in the reserve is charged to profit and loss and cannot be compensated with a profit participation component.

(f) Summary

To sum up, there are a wide range of various and product-specific risks in life insurance, which Helvetia Patria Group monitors using a number of actuarial methods and then offsets where necessary with an appropriate increase in reserves. In addition Helvetia Patria Group has unrestricted reserves freely available to it in compliance with IFRS 4 for future policyholder dividends. These reserves can also be used for insurance risks.

17.4 Financial market risks and ALM

As at 31.12.2005, Helvetia Patria Group manages assets of CHF 27.8 billion. Since 2001, the Group has shifted a significant portion of its equity investments into fixed-income securities to reduce the overall volatility of its portfolio.

The most important financial market risks to which the Group is exposed are interest rate risk, foreign exchange risk and equity price risk. Furthermore, the Group has exposure in the real estate market through a significant portfolio of real estate in its investment portfolio. Financial market risks influence the profit and loss account as well as the balance sheet. The Group manages its real estate, mortgages and securities in-house. More complex investments such as hedge funds, private equity or convertible bonds are run by external asset managers and are limited in size. Savings accumulated in unit-linked policies are invested in a wide range of funds and managed by third parties.

Asset & Liability Management (ALM; see also Note 17.1.2) at Helvetia Patria Group is geared towards accounting, especially protecting the income statement and balance sheet, as well as towards economic considerations on risk limitation. Besides matching the investment strategy to liabilities, derivatives are selectively used to hedge foreign exchange risks and control loss risks of equity investments. The instruments mostly employed are options and forwards on both equity investments and foreign exchange underlyings. As of 31.12.2005, the risk of loss on equities was controlled by hedging with put options, and foreign exposure was largely eliminated. More information is available in tables 6.8.1 'Derivative financial assets' and 7.3.1 'Derivative financial liabilities'.

17.4.1 Interest rate risk

Helvetia Patria Group's results are affected by changes in interest rates. A prolonged period of low interest rates reduces the return from fixed-income investments such as bonds and mortgages. On the other hand, the return increases with rising interest rates.

As with most investments, the value of Helvetia Patria Group's liabilities depends on interest rate levels. Generally speaking the higher the interest rate, the lower the present value of assets and liabilities. The amount of change in value is related to the duration of assets and liabilities. To manage the volatility of net positions (assets-net liabilities, i.e. AL mismatch) the Group compares the maturities of cash flows arising from liabilities with those resulting from assets and analyses them for maturity matching.

17.4.2 Equity price risk

Investments in shares are used to generate long-term surpluses. Investments are effected mostly in large capital corporations which are traded on the major stock exchanges. Helvetia Patria Group holds a well-diversified portfolio (mainly in CHF, euro and USD markets). Every position is less than 6 per cent of shareholdings in the portfolio (with the exception of 'Allreal', a real estate holding company with its own high level of diversification which accounts for a 10.4 per cent share of equity exposure). Nevertheless, the equity portfolio is subject to market fluctuations. The Group's equity portfolio has been gradually reduced to meet the strict internal requirements on risk capacity.

Market risks are decreased through hedging strategies. Out-of-the-money put options are largely used to comply with internal loss limits. Equities, including private equity, constitute about 8 per cent (before hedging) of the Group's investments. A substantial proportion is hedged against the risk of significant losses. Using out-of-the-money put options results in a relatively small delta-adjusted hedge ratio. The hedging protection, however, increases with large market fluctuations.

17.4.3 Foreign exchange risk

Most of the Group's assets, including its investments, and most of its liabilities are denominated in Swiss francs and euros. With the exception of Swiss business, most liabilities are hedged through investments in matching currencies. In Swiss business, investments to hedge liabilities in Swiss francs are held in both Swiss francs and euros for reasons of returns. The resulting currency risks are hedged as much as is possible.

17.4.4 Liquidity risk

Helvetia Patria Group has sufficient liquid assets at its disposition to meet unforeseen outflows of funds at any time. The proportion of liquid assets (cash, premiums to be invested, liquid equity and fixed-income securities) exceeds the scale of annual net flows of funds many times over. Additionally, the Group manages assets and liabilities in terms of their liquidity. The liabilities side of the balance sheet does not contain any significant individual positions. Part of the Group's investment portfolio consists of investments in assets which are not easily realisable, such as private equity, real estate or mortgages. Those investments may only be realised over a longer period of time.

17.4.5 Real estate investment risk

The real estate portfolio of Helvetia Patria Group is concentrated in Switzerland and primarily consists of residential real estate. The Group's ability to adjust its real estate holdings at short notice is limited. Fluctuations in the value of properties are balanced through the portfolio's geographical diversification. Additionally, expected long-term ownership offsets over time the short-term fluctuations in value (e.g. due to fluctuations in demand). The currently applied valuation method is a combination of net asset value and capitalised earnings value. According to Swiss law, rentals for residential properties are tied to mortgage rates to a certain extent. Rental incomes from residential properties and interest income from Swiss mortgages are thus both subject to changes in mortgages rates in Switzerland.

17.5 Counterparty risk

Counterparty risk includes risks of default and change in value. The risk of default relates to the possibility of the counterparty becoming insolvent, while the risk of change in value is related to the possibility of a financial loss due to a change in the counterparty's credit-rating or a change in credit spreads in general. The risk of counterparties failing to meet their obligations is continuously monitored. Helvetia Patria Group works with various counterparties with good credit ratings (see table 17.5.2).

Helvetia Patria Group transfers a portion of its risk to others through reinsurance. In the event of the reinsurer's default, the Group continues to be liable for the reinsured liabilities. The Group therefore periodically analyses the balance sheets and ratings of its reinsurers. The Group places its reinsurance contracts with several first-class companies to reduce dependency on one single reinsurance company. Additionally, the Group holds collaterals in the form of fund deposits and/or letters of credit under related reinsurance treaties.

17.5.1 Risk concentrations or accumulations

Counterparty risk is mainly present in fixed-income securities and mortgage portfolios. The Group is further exposed to counterparty risk from hedging instruments such as derivatives or reinsurance. The Group monitors counterparty risk on a regular basis, diversifies and avoids it as much as possible. Credit risk is well diversified and distributed among a wide range of commercial clients. The largest individual positions are government bonds with prime credit ratings (see table 17.5.3). More information is available in tables 6.9 'Maturities of fixed-income securities' and 8.1 'Reserves for insurance contracts and investment contracts with discretionary participation features'.

17.5.2 Fixed-income securities by issuer's rating in million CHF

as of 31.12.	Fixed-income securities	Share in %
AAA	7 937.8	56.0
AA	3 036.3	21.4
A	1 369.0	9.7
BBB	58.5	0.4
Not rated	1 766.3	12.5
Total fixed-income securities	14 167.9	100.0

The fixed-income securities without a rating are for the most part prime investments in cantonal banks, foreign national banks and central mortgage bond institutions of Swiss cantonal banks.

17.5.3 The largest counterparties in fixed-income securities with a fair value of >10% of consolidated shareholders' equity in million CHF

as of 31.12.	Issuer rating	Fair value
Switzerland	AAA	2 292.9
Germany	AAA	650.9
Austria	AAA	469.3
Mortgage Bond Bank of the Swiss Mortgage Institutions	AAA*	381.9
Spain	AAA	363.1
Italy	AA	340.3
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA*	310.7
Eurohypo AG	A	299.9
Swiss Union of Raiffeisen Banks	Not rated	291.4
HSH Nordbank AG	A	266.8
France	AAA	265.0

* These organisations are not rated. The rating refers to issued securities.

18. Events after the balance sheet date

By the completion of these consolidated financial statements on 5.4.2006, there had been no important events that would have a significant impact on the overall financial statements.

19. Scope of consolidation

The following events in the reporting period led to changes in the scope of consolidation of Helvetia Patria Group.

Helvetia Life S.p.A., Milan, was dissolved in the reporting period, and the remaining assets and liabilities fully integrated into Helvetia Vita S.p.A., Milan.

The holding in Helvetia Previsión, Seville, was increased from 98.67 to 98.87 per cent through successive share purchases during the reporting year.

In the same period, the share capital of Hamburger Assekuranz was increased by EUR 0.03 million and its head office transferred to Frankfurt.

The first-time application of IFRS required the expansion of the scope of consolidation to include all the Group's affiliated subsidiaries and special purpose entities with the corresponding ownership percentage held by the Group. Those companies which are included in the scope of consolidation for the first time because of IFRS are marked in the table.

The following includes the complete list of Group companies:

Affiliates and associates

as of 31.12.	Segment	Holding in per cent	Method of consolidation	Currency	Company's capital in millions	First-time inclusion under IFRS
Switzerland						
Helvetia Patria Holding, St.Gallen	other	–	full	CHF	86.5	
Helvetia Schweizerische Versicherungsgesellschaft, St.Gallen	non-life	100.00	full	CHF	77.5	
Helvetia Schweizerische Versicherungsgesellschaft, Rückversicherung, St.Gallen*	life and non-life	100.00	full	CHF	–	
Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel	life	100.00	full	CHF	50.0	
Helvetia Beteiligungen, St.Gallen	other	100.00	full	CHF	225.7	
Helvetia Schweizerische Lebensversicherungs-Gesellschaft, St.Gallen	life	100.00	full	CHF	0.1	x
Helvetia Patria Consulting AG, St.Gallen	other	100.00	full	CHF	0.1	x
Rhydorf AG, Widnau	other	75.00	full	CHF	0.4	x
Tertianum AG, Berlingen		23.20	equity	CHF		
Prevo-System AG, Basel		26.00	equity	CHF		x
Germany						
Helvetia Schweizerische Versicherungsgesellschaft, Direktion für Deutschland, Frankfurt a.M.*	non-life	100.00	full	EUR	–	
HELVETIA INTERNATIONAL Versicherungs-AG, Frankfurt a.M.	non-life	100.00	full	EUR	8.0	
HELVETIA Schweizerische Lebensversicherungs-AG, Frankfurt a.M.	life	100.00	full	EUR	6.5	
Der ANKER Vermögensverwaltung GmbH, Frankfurt a.M.	other	100.00	full	EUR	0.0	
Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt a.M.	other	100.00	full	EUR	8.3	
Helvetia Grundstücksverwaltung GmbH, Frankfurt a.M.	other	100.00	full	EUR	0.0	
Hamburger Assekuranz GmbH, Frankfurt a.M.	other	100.00	full	EUR	3.1	x
helvetia-e.com GmbH, Frankfurt a.M.	other	100.00	full	EUR	0.0	x
Helvetia Versicherungs- u. Finanzdienstleistungsvermittlung GmbH, Frankfurt a.M.	other	100.00	full	EUR	0.0	x
DeAM Fonds DFD 1 (Europa)	non-life	100.00	full	EUR	–	x
DeAM Fonds HL 1 (Aktienfonds Europa)	life	100.00	full	EUR	–	x

* Branches

as of 31.12.	Segment	Holding in per cent	Method of consolidation	Currency	Company's capital in millions	First-time inclusion under IFRS
Italy						
Helvetia Compagnia Svizzera d'Assicurazioni – Rappresentanza Generale e Direzione per l'Italia, Milan*	non-life	100.00	full	EUR	–	
Helvetia Vita – Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan	life	100.00	full	EUR	13.4	
GE.SI.ASS Società Consortile a R.L., Milan	other	55.00	full	EUR	0.0	x
Spain						
Helvetia Patria Holding España S.A., Madrid	other	100.00	full	EUR	90.3	
Helvetia Previsión, Sociedad Anónima de Seguros y Reaseguros, Seville	life and non-life	98.87	full	EUR	21.4	
V.N. Sociedad de Agencia de Seguros de la Vasco Navarra S.A., Pamplona	other	100.00	full	EUR	0.1	x
Previcia S.A., Sociedad de Inversion Mobiliaria, Seville	other	99.95	full	EUR	2.4	x
Previsur Agencia de Seguros S.L., Seville	other	100.00	full	EUR	0.0	x
Gesnorte S.A., S.G.I.I.C., Madrid		31.73	equity	EUR		x
Gesnorte de Pensiones, S.A., Entidad Gestora de Fondos de Pensiones, Madrid		24.00	equity	EUR		x
Gesnorte de Servicios, S.A., Madrid		28.00	equity	EUR		x
Other						
Austria						
Helvetia Schweizerische Versicherungsgesellschaft, Direktion für Österreich, Vienna*	non-life	100.00	full	EUR	–	
Der ANKER, Allgemeine Versicherungs-AG, Vienna	life and non-life	100.00	full	EUR	12.7	
Römertor Versicherungsmakler, Immobilien und Bau GmbH, Vienna	other	100.00	full	EUR	0.0	
Marc Aurel Liegenschaftsverwaltung GmbH, Vienna	other	100.00	full	EUR	0.0	
ANKER Financial Services AG, Vienna	other	100.00	full	EUR	0.6	x
ANKER Business Service GmbH, Vienna	other	100.00	full	EUR	0.0	x
Mathematica Versicherungsmathematische Beratungs-GmbH, Vienna	other	100.00	full	EUR	0.0	x
ZSG Kfz-Zulassungsservice GmbH, Vienna		33.33	equity	EUR		x
France						
Helvetia Compagnie Suisse d'Assurances, Direction pour la France, Paris*	non-life	100.00	full	EUR	–	
England						
Helvetia Finance Ltd., Jersey	other	100.00	full	CHF	0.1	
Luxembourg						
Helvetia Europe S.A., Luxembourg	other	100.00	full	EUR	11.5	
HP Fund SICAV Euro Bonds	life and non-life	100.00	full	EUR	–	x
HP Fund SICAV European Equity	life and non-life	100.00	full	EUR	–	x
HP Fund SICAV International Equity	life and non-life	100.00	full	EUR	–	x

* Branches

Report of the Group Auditors to the General Meeting

Report of the Group Auditors to the General Meeting of Helvetia Patria Holding, St.Gallen

As statutory auditors, we have audited the consolidated financial statements set out on pages 79 to 162 (consolidated income statement, balance sheet, equity, cash flow statement and notes to the consolidated financial statements 2005) of Helvetia Patria Holding for the financial year ending 31 December 2005.

The financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on the financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards and International Standards on Auditing (ISA) which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts the disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statutory auditors confirm that the consolidated annual financial statements present a true and fair view of the Group's financial position, result of operations and cash flows in compliance with International Financial Reporting Standards (IFRS) and with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Fides Peat

Hieronymus T. Dormann	Bill Schiller
Swiss Certified Accountant	Chartered Accountant
Auditor in Charge	

Zurich, 31 March 2006

Financial statements of Helvetia Patria Holding 2005

Financial statements Helvetia Patria Holding

Income statement in CHF million

	2005	2004	Change
Dividend income	74.3	56.7	
Services to/from related parties	0.1	0.4	
Loan interest paid	–6.6	–4.2	
Loan interest received	6.8	1.3	
Fees/expenses	0.0	–1.7	
Extraordinary income	0.1	–	
Profit before tax	74.7	52.5	42.3%
Taxes	–0.5	–0.1	
Profit after tax	74.2	52.4	41.6%

Balance sheet in CHF million

	31.12.2005	31.12.2004	
Assets:			
Investments	695.0	695.0	
Cash and cash equivalents	0.5	0.5	
Loans to Group companies	200.0	200.0	
Balances receivable from Group companies	90.1	63.9	
Total assets	985.6	959.4	2.7%
Liabilities and shareholders' equity:			
Equity before appropriation of profit:			
Share capital	86.5	86.5	
Reserve for treasury shares	24.4	97.4	
Other statutory reserves	589.4	516.3	
Profit carried forward	6.8	2.0	
Profit for the period	74.2	52.4	
Shareholders' equity before appropriation of profit	781.3	754.6	3.5%
Bond	200.0	200.0	
Provisions	0.4	0.7	
Accruals	3.9	4.1	
Total liabilities and shareholders' equity	985.6	959.4	2.7%

Proposed appropriation of profit in CHF million

	31.12.2005	31.12.2004
Profit after tax	74.2	52.4
Profit carried forward	6.8	2.0
Profit available for distribution	81.0	54.4
Dividend (2005: CHF 9.00; 2004: CHF 5.50) per registered share	77.9	47.6
Profit carried forward to new account	3.1	6.8

Notes to the annual financial statements Helvetia Patria Holding

1. Investments

On the balance sheet date, Helvetia Patria Holding owned the following direct investments:

Investments Helvetia Patria Holding

Company	Reported company capital in CHF million	Percentage holding as of 31.12.2005
Helvetia Schweizerische Versicherungsgesellschaft, St.Gallen	77.5	75.30%
Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel	50.0	100.00%

Under the Non-cash Contribution agreement of 3.6.1996 and public takeover offer of 10.6.1996, the investments in Helvetia Schweizerische Versicherungsgesellschaft, St.Gallen, and Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel, were transferred to Helvetia Patria Holding (see art. 26–29 of the Articles).

Patria Schweizerische Lebensversicherungs-Gesellschaft itself owns 24.7 per cent of Helvetia Schweizerische Versicherungsgesellschaft.

2. Dividend income

The reported income of Helvetia Patria Holding represents the dividend paid simultaneously to Helvetia Patria Holding by the subsidiaries Helvetia Schweizerische Versicherungsgesellschaft and Patria Schweizerische Lebensversicherungs-Gesellschaft from their respective 2005 net profit for the year.

3. Treasury shares

On the reporting date, the subsidiaries of Helvetia Patria Holding held 100 312 registered shares (previous year: 400 312) of Helvetia Patria Holding. The amount of treasury holdings decreased due to the sale of treasury shares that had been set aside for the 2 per cent convertible bond of Helvetia Finance Ltd., Jersey. This bond was repaid in 2005 and the corresponding reserve for treasury shares adjusted accordingly in equity.

4. Shareholders with interests of more than 5 per cent

On the balance sheet date, two shareholders owning more than 5 per cent of the share capital were recorded in the share register: Patria Mutual (33.33 per cent) and Munich Re (8.16 per cent).

On the balance sheet date, the shareholder pool comprised the following shareholders:
- Patria Mutual with 33.3 per cent,
- Vontobel Beteiligungen AG with 4.0 per cent,
- Swiss Union of Raiffeisen Banks with 2.7 per cent.

Report of the Statutory Auditors

Report of the Statutory Auditors to the General Meeting of Helvetia Patria Holding, St.Gallen

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Helvetia Patria Holding for the year ended 31 December 2005. The prior year corresponding figures were audited by other auditors.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

KPMG Fides Peat

Hieronymus T. Dormann	Bill Schiller
Swiss Certified Accountant	Chartered Accountant
Auditor in Charge	

Zurich, 31 March 2006

Glossary

Actuarial reserves
Underwriting reserves for life insurance which are calculated on the basis of official guidelines and, together with future premiums, serve to ensure that sufficient funds are available to pay all benefits to which an insured person may be entitled.

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 clients' behalf in such a way as to ensure that all the Group's insurance commitments can be met with maximum security at any time.

Available solvency
Capital funds available to cover the required level of solvency.

Benefits
Amounts paid by the insurer in the financial year for claims incurred in respect of insured events.

Benefits and claims expenditure (net)
Total of all benefits paid in the financial year and all changes to underwriting reserves, less benefits covered by reinsurers.

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.

CEO
Chief Executive Officer.

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.

Deferred acquisition costs
Costs arising in connection with the conclusion of new insurance contracts or the extension of existing insurance contracts. Such costs are reflected as an asset in the balance sheet and are allocated across the term of the contract as an expense in the income statement.

Deferred taxation
Deferred taxes arise due to temporary taxable differences in value between the local tax balance sheet and the IFRS balance sheet. They are determined for each balance sheet item and are either taxes owing or tax credits when viewed from the perspective of the balance sheet date.

Direct business
All insurance policies concluded by Helvetia Patria with clients who are not insurers themselves.

Effective interest rate
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.

Equity valuation
Balance sheet practice for valuation 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 achievable on an active market.

Finance leasing
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 duration.

Fund-linked (see "Unit-linked") **life insurance policies**

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 book value of an asset permanently exceeds its recoverable 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).

Index-linked products
Endowment life insurance policies which are linked to stock market indices (e.g. the Swiss Market Index) or to a securities portfolio. The insurance benefits are increased by a bonus, the amount of which is dependent on the performance of the index.

Indirect business
Companies involved in direct business – primary insurers – often do not bear the entire risk alone but pass on some of it to a reinsurer. Like most companies active in direct insurance business, Helvetia Patria 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.

Legal Quote
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
Adequacy test that checks whether the book value of an insurance liability is sufficient to cover estimated future requirements.

Net expense ratio
The ratio of net underwriting expenditure to net premiums written.

Net premiums earned
Net premiums written in the financial year, taking into account changes in the reserves for unearned premiums.

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.

Operating leasing
Leasing contracts under which the risks and opportunities associated with the property remain with the leasing company.

Periodic premium
Amount paid for the provision of insurance cover, in the form of recurring payments.

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).

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.

Reinsurance premiums
Amount paid by the insurer to the reinsurer in exchange for the latter's assumption of risks.

Reinsurer
Insurance company that assumes part of the risks entered into by a primary insurer.

Required solvency
The minimum amount of capital funds an insurance company is calculated to need to ensure that it can meet its liabilities from insurance policies.

Reserves
Amounts set aside on the balance sheet to meet likely future commitments.

Reserves for claims outstanding
Since not all claims will be settled by the end of the financial year in which they arise, provisions must be made on the balance sheet for these outstanding claims or claims likely to be incurred but not yet notified. Such provisions are known as reserves for claims outstanding. Changes to the reserves for claims outstanding are shown in the income statement.

Reserves for unearned premiums
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. These are the reserves for unearned premiums, and appear on the balance sheet under underwriting reserves. Changes to the reserves for unearned premiums are shown in the income statement.

Return on equity
Profit/loss after tax as a proportion of the average shareholders' equity as shown on the consolidated balance sheet.

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.

Securities lending
The lending of securities for a fixed or unlimited period in exchange for a commission and adequate sureties.

Single premium
Amount paid for the provision of insurance cover, in the form of a one-time payment on commencement of the insurance.

Total benefits
Sum of all the benefits insured (particularly applies to life insurance business).

Total business
Direct and indirect business combined.

Underwriting reserves
Total amount of reserves for unearned premiums, reserves for claims outstanding, actuarial reserves, reserves for future policyholders' dividends and other underwriting reserves which appear under liabilities on the balance sheet.

Unit-linked life insurance policies
Life insurance policies in which the insurer invests the policyholder's savings capital for the account of and at the risk of the latter. Most unit-linked life insurance policies are fund-linked products in which the policyholder can determine the type of investment by choosing a particular fund.

Unit-linked products (see "Unit-linked life insurance policies")

Zillmering
Balancing of an account with part of the unamortised acquisition costs taken into consideration.

Additional information

Important addresses

Group Head Office

Helvetia Patria Holding, Dufourstrasse 40, CH-9001 St.Gallen
Phone +41 71 493 51 11, Fax +41 71 493 51 00, www.helvetiapatria.com, info@helvetiapatria.com

Group Executive Management

Erich Walser	Chairman of the Board of Directors Chief Executive Officer Group
Roland Geissmann	Deputy CEO, Chief Financial Officer
Philipp Gmür	Chief Executive Officer Switzerland
Ralph-Thomas Honegger	Chief Investment Officer
Markus Isenrich	Head of Human Resources and Services
Wolfram Wrabetz	Chief Executive Officer Germany

National offices

Helvetia Patria Versicherungen Executive Management Switzerland	Philipp Gmür CEO	St. Alban-Anlage 26 CH-4002 Basel
Helvetia Versicherungen Management Board Germany	Wolfram Wrabetz General Manager	Weissadlergasse 2 DE-60311 Frankfurt a.M.
Helvetia Versicherungen Management Board Austria	Georg Krenkel General Manager	Jasomirgottstrasse 2 AT-1010 Wien
Helvetia Assicurazioni Management Board Italy	Fabio de Puppi General Manager	Via G. B. Cassinis 21 IT-20139 Milano
Helvetia Assurances Management Board France	Alain Tintelin General Manager	2, rue Sainte Marie FR-92415 Courbevoie/Paris

Subsidiaries

Helvetia schweizerische Lebensversicherungs-AG	Wolfram Wrabetz Chairman	Weissadlergasse 2 DE-60311 Frankfurt a.M.
Helvetia International Versicherungs-AG	Wolfram Wrabetz Chairman	Weissadlergasse 2 DE-60311 Frankfurt a.M.
Der ANKER Allgemeine Versicherungs-AG	Stefan Loacker Chairman	Hoher Markt 10–11 AT-1011 Wien
Helvetia Vita Compagnia Italo Svizzera di assicurazioni sulla Vita S.p.A.	Franco Armeni Director General	Via G. B. Cassinis 21 IT-20139 Milano
Helvetia Previsión Sociedad Anónima de Seguros y Reaseguros	Jozef M. Paagman Director General	Paseo Cristóbal Colón, 26 ES-41001 Sevilla
Helvetia Europe S.A.		22, parc d'Activité Syrdall LU-5365 Münsbach
Helvetia Finance Ltd.		Le Gallais Chambers 54, Bath Street, St. Helier Jersey

Head Office for Switzerland

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Markus Gemperle	Head of Operations & Partners
Hans Peter Haller	Head of Special Services & Projects
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Helvetia Patria Versicherungen regional offices in Switzerland

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4002 Basel	St. Alban-Anlage 26	061 280 23 52	Dominique Koch (until 30.4.2006)
		061 280 18 05	Peter Gubser (from 1.5.2006)

Historical overview

1858	Founding of Allgemeine Versicherungs-Gesellschaft Helvetia
1861	Founding of Helvetia Schweizerische Feuerversicherungs-Gesellschaft
1862	Establishment of branch offices in Germany
1878	Founding of "Patria, Schweizerische Lebensversicherungsgesellschaft" Mutual in Basel
1920 – 1962	Founding of branch offices and subsidiaries of Helvetia in France, Italy, Austria, Greece (sold 1997), the Netherlands (sold 1995) and Canada (sold 1999)
1974	Merger of Helvetia Feuer and Helvetia Allgemeine, St.Gallen
1986 – 1988	Further Helvetia subsidiaries established in Spain, Italy and Germany
1992	Start of partnership between Helvetia and Patria
1996	Founding of Helvetia Patria Holding
1998	Acquisition of La Vasco Navarra (Spain), acquisition of the portfolio of NCD (Italy)
1999	Merger of the two companies La Vasco Navarra and Cervantes Helvetia to form Helvetia CVN, Madrid/Pamplona
2000	Acquisition of the southern Spanish insurer Previsión Española, Seville
2001	Acquisition of Norwich Union Vita, Milan; renamed Helvetia Life
2002	Acquisition of British insurer Royal & Sun Alliance's transport portfolio in France
2003	Merger of the two Spanish companies Helvetia CVN and Previsión Española to form Helvetia Previsión with headquarters in Seville
2004	Acquisition of two transport insurance portfolios in France
2005	Merger of subsidiaries Helvetia Vita and Helvetia Life into Helvetia Vita in Italy with headquarters in Milan
	Acquisition of the insurance portfolio of the company Sofid Vita in Italy