

## Helvetia Group analysts' conference

### Full-year results

Monday, 14 March 2016

#### Financial statements 2015

(the spoken words takes precedence)

#### Stefan Loacker, CEO of Helvetia Group

Ladies and gentlemen, I am now pleased to present you an overview of the new strategy of Helvetia Group.

#### **(Slide 22) Strategy helvetia 20.20**

Financial year 2015 saw the successful conclusion of the Helvetia 2015+ strategy. Let us begin by assessing our current situation on slide 23.

#### **(Slide 23) The Helvetia 2015+ strategy was successful...**

Helvetia Group has been able to significantly expand its market position over the last five years. This is in particular the case in its home market Switzerland and the European country markets. We have also made targeted improvements in the niche markets of the Specialty Markets area. Overall, we have generated currency-adjusted growth of more than 30% over the last five years. In the process, the share of the non-life business increased significantly to just under 50%.

This growth was profitable. We were able to improve the result during this period by around 30%. The Board of Directors will therefore propose to the Shareholders' Meeting an increase of the dividend compared to 2010 of CHF 5.50 or 31%. High customer satisfaction and numerous new customer relationships prove that we were also able to improve customer benefits. We are proud of what we have achieved and are now ready to approach the next strategy period from a position of strength and self-confidence.

In addition to these successes, there are also a number of challenges we will have to deal with. For example, we have discovered that customers behave differently and have different expectations today than they did just a few years ago. Furthermore, the low interest rate environment is affecting Helvetia along with the rest of the life-insurance industry. As an international company, we must also deal with various solvency regimes in Switzerland and Europe. In the European markets, we must ultimately continue on our chosen path in order to further improve our position.

**(Slide 24) ...and Helvetia is well positioned**

Our portfolio shown on slide 24 reveals that Helvetia is well positioned in its three market areas of Switzerland, Europe and Specialty Markets. As a result of the acquisition of Nationale Suisse, we have achieved a strong top-three position in Switzerland. This represents a key milestone for the perception of Helvetia Group and for our own self-image. The stable and profitable home market Switzerland provides a solid foundation for the Group's further development.

Because the Swiss market is highly saturated, the two market areas of Europe and Specialty Markets remain essential for our future growth. We want to develop these further in the coming years: We have not yet fully exploited synergies and there is still room to expand our market positions in Europe. The Specialty Markets area pursues a niche strategy, which gives it a strong market position and allows for a corresponding profit contribution. It also contributes to the Group's diversification.

**(Slide 25) We have ambitious target positionings...**

On slide 25 we have presented a schematic presentation on the left of the target positioning of Helvetia 20.20 for each of the three market areas. We expect earnings growth to exceed premium growth in Switzerland due to the high level of market saturation and our already strong current position. The focus in Europe and the Specialty Markets is on profitable premium growth. This combination makes Helvetia extremely attractive.

Helvetia aims to be the best Swiss insurer in the home market. We can considerably increase the profit contribution by fully realising the synergies from the integration of Nationale Suisse, and as a result of the improved business mix which provides for an increased share of the profitable non-life insurance business. As one of the leading all-line insurers, Helvetia aims to continue its growth by offering innovative products, increasing personalisation and a quality-based service. Here, the focus will be on efficiency in the non-life business and increasingly capital-efficient solutions in the life business.

We will accelerate our chosen path of growth in order to further improve the positioning of our market units in the Europe market area. To this end, we will continue to pursue the proven approach of a sound organic growth strategy, which we want to supplement with selective acquisitions, in particular in the profitable non-life business. Furthermore, synergies from past acquisitions, technical discipline and synergies within the Europe market area will lead to an increase in the profit contribution.

We will continue to position ourselves as a selective niche player in the Specialty Markets market area and will do so to an even greater extent than before. We see considerable potential in the

existing niche markets of transport, engineering and art. The targeted international expansion of this technical expertise will facilitate increased growth. A selective underwriting strategy will further improve profitability.

I will continue with slide 26.

**(Slide 26) ...and make us fit for the future**

The new helvetia 20.20 strategy will enable us to achieve our ambitious targets and it will make us fit for the future. Fit means that our product offers and channels will become more digital and modern. Fit also means that we will become more agile and efficient as an organisation. To achieve this, we will combine our traditional strengths with new opportunities that arise.

One thing is very important to me in this context. Despite this change, Helvetia will remain personal and reliable – even though there is a great deal of turmoil in the insurance market right now.

With our strategy we want to create added value for our three key stakeholder groups: Added value for our customers through customised insurance and pension solutions that are easy to understand and personalised. Added value for our employees, who have an attractive, forward-looking employer. And added value for our shareholders, who should benefit from continuously increasing profit and dividend potential.

I will continue on slide 27.

**(Slide 27) helvetia 20.20 focuses on the most important trends**

In designing the helvetia 20.20 strategy, we closely examined all relevant developments. For Helvetia, there are three trends in particular that shape our strategy:

The insurance market is currently in a state of major flux. The overall economic situation, increasing regulation, market consolidation and the entry of new competitors are sustainably altering the environment. Nevertheless, we are identifying good opportunities for growth in the non-life business. In the life business insurance companies must reposition themselves due to low interest rates.

Furthermore, technological changes are increasingly influencing our customers and their needs. On the one hand, digitisation is facilitating the advancement of the online and mobile business. On the other hand, the significance of smart data has been increasing markedly for some time now: The intelligent, targeted use of diverse and large data volumes is making it possible to define existing risks more precisely, which in turn allows products to be developed and priced more

accurately. Moreover, digitisation enables processes to be automated to a greater extent and designed more efficiently.

Helvetia has always succeeded in responding to customers' needs and creating attractive solutions. Customer behaviour has been fundamentally changing for some years: Our customers are better informed, more networked and more mobile. Their behaviour is complex and nowadays they decide for themselves how to interact with an insurance company and the extent to which they want to be integrated into the process through self-services. As a result, customers have more individualised needs, which we are addressing with our new helvetia 20.20 strategy.

**(Slide 28) We exploit the changes in the insurance market**

Allow us to begin with our core business on slide 28.

The stability of the general economy is creating an intact environment for healthy growth in the non-life business. At the same time, digitisation is creating new opportunities: Helvetia is focussing on organic growth among retail customers, small and medium-sized companies and large industry and is actively exploiting the opportunities created by digitisation to stimulate business. Organic growth is also being supplemented by selected acquisitions.

In life insurance, low interest rates and increased regulation require a systematic reaction. Our strategy in this segment is to continue developing our asset liability management. However, we also want to promote capital-efficient life products and modern guarantee concepts. The sale of traditional life insurance has been intentionally curtailed in the current low interest rate environment. We are cautiously optimistic for pillar II in Switzerland, where the "Retirement provision 2020" reform package stipulates the necessary changes. If the framework conditions remain sustainable enough, we want to continue to offer all product types as a full-range provider. Our proven cooperation concepts – in particular with Swissscanto, where we do not hold any interest rate guarantees – help us to keep our overall portfolio sustainable and stable, even in a low interest rate environment.

The insurance market is in a structural consolidation phase. Increasing regulation and the associated rising capital adequacy requirements favour consolidation in the insurance markets. The markets are also changing as a result of technological change and the entrance of new competitors. Thanks to our strong capital base, we are very well positioned to take decisions quickly. This enables us to continue to pursue our active M&A approach, which we can also supplement with innovation management and corporate ventures. We can ensure that our existing business models are systematically renewed as a result. In this context, we are investing in promising start-ups as a venture partner and are in the process of establishing an innovation lab with the University of St. Gallen for new business models for the insurance of the future.

I will now move to slide 29.

**(Slide 29) We build the opportunities offered by digitisation...**

There is no doubt that digitisation is a mega trend and a key catalyst for the further development of our business model. The helvetia 20.20 strategy differentiates between three dimensions.

Online business models will enable us to have modern interactions with our customers and partners. Open structures will allow us to optimally integrate the latter into our systems for service design and provision, thus strengthening our collaborations. Our customers, on the other hand, are concerned with issues such as ease of access, flexible channels and a high level of convenience when it comes to dealing with insurance transactions. Incidentally, this is not a new field for us: With smile.direct Helvetia has already an online insurance provider and we process claims in Germany using apps, for example. In Spain we already cover the entire customer journey for individual products online, i.e. the customer can obtain everything from product information and the price calculator through to online policies through self-service.

We are using smart data and analytics to offer extensive personalisation of our market services: Our customers and sales partners receive customised services, products and pricing. In addition, intelligent data evaluation provides for an even sounder portfolio and exposure management.

We will also be faced with the increased automation of processes, which will enable us to achieve a high level of efficiency in service provision. This favours customers as our processes will become faster. It benefits our employees as they will have fewer administrative tasks, and it serves our shareholders because it will make our processes leaner and more cost-efficient.

So you can see that we take digitisation seriously and it will be a top issue for Helvetia in the coming years.

I will now come to slide 30.

**(Slide 30) ...in order to continue providing our customers with first-class advice and insurance**

We will continue to develop our business model within the scope of the helvetia 20.20 strategy. Focusing on our customers is nothing new for Helvetia, but the technology of today and tomorrow provides new opportunities for doing so.

The insurance business stems from the concept of a risk-bearing community in which similar risks become controllable due to the law of large numbers. As a successful insurance group, nowadays we employ state-of-the-art risk management with a well-managed risk portfolio and balanced

capital management. Modern technology will make it increasingly possible for us to serve each individual customer as personally as possible instead of serving the "large number of risks". This starts with the initial contact: The customer can choose to communicate with Helvetia in person or digitally, and the process is easy and convenient. It will also be exciting once we complement our market services with new components. Thanks to digital technologies, user-based insurance concepts relating to health and provision create new opportunities for innovative customer concepts. Our vision is to approach every customer even more individually and respond to his or her needs and risk profile in an even more targeted manner. Our digitisation strategy ensures that we are doing everything possible in our interactions, products and processes to provide our customers with first-class insurance.

But not all things will change: Our brand promise will remain the same. Helvetia will in future continue to stand for Swiss quality in all insurance matters - personal, collaborative, trustworthy.

On slide 31 I will continue with the implementation of the strategy.

**(Slide 31) Implementation to be guided by "integrate, innovate, increase"**

The implementation of the strategy is based on the three key concepts of "integrate", "innovate", "increase". By pushing ahead with integration and innovation, we will be creating growth.

It is crucial that we continue to act sustainably in the process. We will achieve this by manifesting growth – respectively so called "increase" part of the implementation – in improved customer networks, enhanced product value and greater process efficiency.

I will continue on slide 32.

**(Slide 32) Employees and culture provide strong foundation**

The management and employees of Helvetia Group are extremely dedicated and highly capable, which was once again demonstrated during the most recent integration work. We can also use the new strategy to build on our strong employee base and culture. Trust, dynamism and enthusiasm remain key values for us. helvetia 20.20 is a participatory strategy, as customer focus, innovation and digitisation truly concern everyone.

I will now come to our financial targets on slide 33.

**(Slide 33) Ambitious financial targets as benchmark**

The implementation of helvetia 20.20 is based on clear objectives. We will be measured by ambitious financial targets. I would like to discuss some of them in greater detail.

We would like to reach the magic level of CHF 10 billion in premium volume by 2020 through organic growth and targeted acquisitions. As roughly one third of our business volume is currently generated by our foreign units, this objective naturally also depends on changes in exchange rates, a lesson we learned rather painfully last year.

We want to maintain the very high level of profitability in the non-life business. A disciplined underwriting strategy, the improved use of data through smart data and strict cost controls should secure the first-class combined ratio in the non-life business, which should in future be under 93%. The non-life business should continue to account for around two thirds of the total profit. As the non-life business is less sensitive to interest rates, Helvetia thus has a very stable profit mix which supports its growth ambitions.

In the life business, the share of risk gains is growing due to the focus on technical core expertise and modern, capital-efficient products. The level of dependency on interest rate gains and capital market volatility is thus being fundamentally reduced. We hedge interest rate gains with a strict asset liability matching concept that has a very low duration gap. And the group life insurance business in Switzerland, which accounts with 73% for the greatest share of the overall life business, has a flexible feature: The interest rate guaranteed to customers in the mandatory segment is adjusted by the Swiss Federal Council every year and thus reflects the current interest rate environment. Moreover, this interest rate adjustment not only affects new business, it also applies to existing business.

We are targeting a new business margin of more than 1%.

When it comes to the synergies from the two major acquisitions of Basler Austria and Nationale Suisse, we currently expect that we will exceed our original goal of achieving sustainable cost reductions of CHF 105 to 130 million.

Our aim is to ensure that Helvetia continues to have a strong capital base in future. We are adjusting our target range for the SST ratio to 140 to 180% (from 150 to 200% originally). This minor decrease is due to the fact that capital adequacy requirements could be raised again slightly in the coming years, in particular in Switzerland (among other things, regulators seem to be placing renewed emphasis on standard models and adjusting further parameters). However, from today's perspective, we are confident that these changes will not have any impact on Helvetia's ability to pay dividends.

We would like to increase the return on equity slightly to 8 to 11% based on underlying earnings.

The dividend is to be raised further through an increase in profits and a stable or slightly higher pay-out ratio. Over the next five years, we want to distribute a cumulative amount of CHF 1 billion to our shareholders.

**(Slide 34) Conclusion: Added value through systematic renewal**

Slide 34 brings us to the end of the presentation and I would like to summarise the key points: Helvetia is in a strong position – our business performance is good and we are making excellent progress with the integration. With the helvetia 20.20 strategy we are addressing the challenges of our time and making use of our opportunities. Our three key concepts in this respect are: "integrate", "innovate" and "increase". We will systematically develop our Group under this motto, thus creating added value for our customers, employees and shareholders.

"Fit for the future, while remaining personal and reliable" - this is the position we are targeting with the new strategy.

Thank you for your attention. My colleagues and I would now be pleased to answer your questions.