Helvetia Group Conference Call
Monday, 1 September 2014

Half-year financial statements 2014

(The spoken word takes precedence)

Paul Norton, CFO of the Helvetia Group

(Slide 5) Financial figures

Ladies and Gentlemen, I would also like to welcome you to this conference call. I would like to begin by providing some additional information on our very successful 2014 first half year. As usual, I will begin with a look at the business areas on slide 6.

(Slide 6) Result by business area

Helvetia Group achieved impressive interim earnings of CHF 197 million, an increase of nearly 10% over the previous year. I would particularly like to note the especially strong 37.5% increase in earnings in the **non-life business**. Earnings in the **life business** were CHF 72 million, up slightly over the previous year. I will come back to the details on the development of results in the life and non-life business on slides 9 and 11.

At CHF 22 million, earnings in **"Other activities"** were below the previous period. This is due mainly to lower capital gains.

I would now like to take a look at the results by geography on slide 7.

(Slide 7) Result by geography

With a contribution to the results of CHF 120 million in the first half of 2014, an 8% increase over the previous year, the **Swiss** home market again proved itself to be a solid pillar of the Helvetia Group. Philipp Gmür will inform you in detail later about this country market result, which is once again very good. In addition, nearly all our foreign markets increased their contribution to earnings over the previous year, in some cases significantly.

The country result for **Germany** was CHF 8 million, which is below the previous year. The reasons for this include higher allocations to the provision for interest rates in the life business and a timing effect in expenses for pensions, most of which were not posted until the second half of the year in 2013.

In **Italy**, earnings for the period improved significantly to CHF 19 million. This impressive 52% increase over the prior year is due to improved technical earnings in the non-life business and a higher investment result. The measures to improve portfolio quality in non-life are having an effect. The acquisition of Chiara Assicurazioni on 1 May 2013 also contributed to the very good country result.

The interim result of our **Spanish** subsidiary was CHF 13 million, also ahead of the first half of 2013. The increase in earnings is mainly due to an improved investment result, as well as a one-time tax effect, which was, however, offset by the lower technical result.

The result for the period for the country segment **"Other insurance units"**, which includes Austria, France and reinsurance, rose by CHF 16 million to CHF 30 million. This improvement is due to the significantly higher earnings in Austria and France as well as an increased group reinsurance result, which was impacted in the previous year by above-average claims from natural catastrophes.

The drop in earnings in the **"Corporate"** segment is due to lower capital gains.

I will continue with the development of our business volumes on slide 8.

(Slide 8) Business volume in original currency: +1.3%
The **Group's** currency adjusted **business volume** increased by 1.3% in the first half of 2014. With an increase of CHF 36 million, or 2.8%, the profitable **non-life business** was the clear growth driver. In contrast, the business volume in the **life business** remained stable at the previous year's level. I will provide details on the life and non-life business on slides 9 and 11.

Assumed reinsurance increased premium income by CHF 11 million or 12% in the first half of 2014. The growth is attributable to both new and existing business. Assumed reinsurance further improved its diversification both geographically and by sector while maintaining our cautious underwriting policy.

This brings me to the performance of our **country markets:** Philipp Gmür will provide you with information about Switzerland later on.

In **Germany** we achieved premium growth of CHF 24 million or 6%. The main growth driver was the **life business**, where we recorded encouraging growth in modern investment-linked insurance products. Our premium volume rose once again in the **non-life business**. The optimisation measures in the motor and residential buildings lines had a positive impact in the form of rate increases on the existing portfolio. In addition, the expansion of profitable relationships with brokers and distribution partnerships provided a further boost to growth.

In **Italy**, we were able to increase our premium volume by CHF 36 million or 7%. This growth was mainly generated from the **life business**. For Helvetia, and for the Italian life insurance market as a whole, traditional insurance solutions remain the growth drivers. We also recorded another increase in **non-life business**, thanks to the positive performance of the portfolio of Chiara Assicurazioni, which was recently acquired.

The premium volume of our **Spanish business** remained stable in a still challenging economic environment. On a positive note, we recorded another slight gain in the **non-life business**, despite the continued decline in the market. In the life business, our premiums declined, in line with the market trend.

We are satisfied with the volume development in **Austria**, where we were able to outperform the market by 5%. While our premiums are up by double digits in **life insurance**, premiums in the **non-life business** stabilised at the previous year's level. As in Germany, investment-linked insurance solutions rose strongly. With the acquisition of **Basler** Versicherungs-Aktiengesellschaft in Austria, which has now been successfully completed, our business volume in Austria will increase by more than 50%.
The growth in our **French business unit** is primarily due to a one-time recognition effect. This effect will therefore disappear as from the 2014 annual financial statements.
Now I would like to look at the life business on slide 9.

(Slide 9) Life business
The business volume in the life business remained stable at last year's level. In the **individual life business**, we recorded an increase of 4.9%. The higher investment-linked insurance premiums and higher deposits confirm our strategy of achieving growth mainly through modern capital-efficient products. The share of investment-linked premiums in the total business volume of individual life was 29%; in the previous year it was 28%. **Group life insurance**, in contrast, was down by 1.8% compared to the same period last year. While the important category of regular premiums grew by 6.4%, the naturally more volatile single premiums were down, due in part to the special effect connected with the assumption of pension liabilities by Swisscanto under the Group Life scheme we have with them. Philipp Gmür will have more details for you on that later.

The main reason for the **increase in earnings in the life business** was solid technical results. At the same time, reserves were increased, mainly in Switzerland and Germany, due to low interest rates.

Now I would like to look at the embedded value figures:

The **volume of new business** decreased compared to the first half of 2013 because the record-high single premiums of the previous year in occupational pension plans in Switzerland could not be matched in the first half of 2014. After the foreign markets suffered in the previous year due to the difficult market environment, the volume of new business in this area rose again in the first half of 2014. **New business profitability** – which reflects the ratio of new business value and new business volume – was within our strategic target range of 1.2 to 1.5% in the largest country unit, Switzerland. At Group level, the new business margin fell to 1.0% as a result of lower interest rates outside of Switzerland.

Now I would like to look at direct yields and guarantees in the life business on slide 10.

(Slide 10) Direct yield and guarantees in life business

In the EU countries, **direct yields** continued to decline due to lower interest rates. In Switzerland, in contrast, they have recovered slightly. The **average guaranteed interest rate** which Helvetia has to generate in order to meet its obligations declined in all countries. This is due to the fact that expiring contracts with high guaranteed interest rates are being replaced by contracts with lower guaranteed interest rates and to the further strengthening of reserves. **Gross margins for the benefit of the insured** and shareholders at Group level thus actually recorded a slight increase. We therefore remain clearly in a position to comfortably service the guarantees to our customers.

(Slide 11) Non-life business

Slide 11 shows that all of the major metrics in the non-life business are very positive.

The encouraging growth in business volume of a currency-adjusted 2.8% came from the **motor and property business** in the extremely profitable home market of Switzerland as well as from Germany.

The strong **increase in earnings in the non-life business** is due mainly to solid technical results and a good investment result.

The **net combined ratio** improved by 1.3 percentage points to 93.6%. Let´s take a look at the details of the combined ratio on slide 12.

(Slide 12) Combined ratio non-life

The improvement in the **net combined ratio** is mainly attributable to the **lower claims ratio**. At 64%, this was 1.7 percentage points below the previous year due to lower exposure to severe weather events. In addition, it is particularly pleasing that all country markets once again had combined ratios of below 100%.

The **slight increase in the cost ratio** is due to the recognition effect of pension provisions in Germany mentioned above and the higher cost ratio of Chiara Assicurazioni whose business this is fully consolidated this half-year, as opposed to two months of consolidation in the comparison period. Although Chiara Assicurazioni had a higher cost ratio because of its sales through banks the insurance solutions marketed through Chiara Assicurazioni have significantly lower claims ratios.

This brings me to changes in equity on slide 13.

(Slide 13) Changes in equity

By 30 June 2014, the Group‘s equity had increased by 6.1% compared with 31 December 2013 to CHF 4.4 billion. Alongside the very good interim result, growth was driven by the increase in unrealised gains of our AFS financial assets which are attributable to shareholders and policyholders. At over 13%, unrealised gains accounted for a significant proportion of equity. This, naturally, has an effect on our return on equity.

In concluding my presentation I would like to inform you that, given the integration of Nationale Suisse, the next financial press conference for the 2014 financial year, which is currently scheduled for 2 March 2015, will be postponed by approximately 2-3 weeks. Because of the complexity involved in the consolidation of the financial statements of the two companies, we want to make sure that the publications conform to our usual high quality standards. We will let you know the details in the next few weeks and would like to thank you in advance for your patience and understanding.

My colleague, Ralph-Thomas Honegger will now provide you with more information on the investment results. >>>