Media release

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Helvetia increases profits strongly and records dynamic growth

In the first half of 2015 Helvetia recorded very satisfying business performance – reflecting the successful acquisitions of Nationale Suisse and Basler Austria last year. Underlying earnings rose by 12% to CHF 221 million. Business volume increased by 15% (in original currency) to CHF 5,294 million. Capitalisation remains strong with a Solvency I ratio of 200%. The SST ratio is also unchanged in the target range between 150 and 200%.

Key data for the first half of 2015 at a glance:

Underlying earnings[1] after taxes:	**CHF**	**220.9 million**	First half 2014: CHF 196.9 million; +12.2%
IFRS result after taxes (incl. acquisition effects):	**CHF**	**161.8 million**	First half 2014: CHF 196.9 million; -17.8%
Business volume:	**CHF**	**5,293.6 million**	2014: CHF 4,812.7 million; +15.1% in original currency
Solvency I ratio:		**200%**	2014: 216 %
Combined ratio (net):		**92.4%**	First half 2014: 94.0%
Equity (excluding preferred securities):	**CHF**	**4,391.4 million**	2014: CHF 4,963.1 million

Please see the Notes for other key data, including comments.

Additional remarks: Following the acquisitions, Helvetia's IFRS Group profit for the period is temporarily influenced considerably by special effects. Until the end of the 2017 financial year, Helvetia will emphasise "underlying earnings", which eliminates these temporary effects and thus reflects the operating performance of the new Helvetia Group. As part of the acquisitions, Helvetia has changed its organisational structure and now has the market areas "Switzerland", "Europe" and "Specialty Markets" as well as "Corporate" (for Group functions). In the first half of 2015 Helvetia is reporting for the first time on the basis of the adjusted IFRS segments, but is in its accounting also continuing to focus on the business activities "non-life", "life" and "other activities".

[1] Underlying earnings have been adjusted for integration costs, amortisation of intangible assets, additional planned amortisation due to revaluations of interest-bearing securities to market values and other non-recurring effects from the acquisitions. Underlying earnings is not an IFRS figure but has been derived from the IFRS figures.

Helvetia recorded a strong business performance for the first half of 2015, reflecting the successful acquisitions of Nationale Suisse and Basler Austria in the previous year. Stefan Loacker, CEO of Helvetia Group, is very pleased: "Overall, Helvetia can look back on an intense and successful first half of 2015. The integration of the new business units is progressing very well. With the results we have obtained we are right on track financially and strategically."

Strong increase in profits due to improved technical result and acquisitions
The insurance group generated underlying earnings[1] of CHF 220.9 million after taxes in the first half of 2015. This represents an increase of 12.2% over the previous year. The IFRS result, which was temporarily significantly influenced by accounting acquisition effects, was CHF 161.8 million (previous year: CHF 196.9 million).

The non-life business, with a 45.6% increase in profits, made a particularly significant contribution to this result. Thanks to an improved technical result and the higher business volume due to the acquisitions, the Group generated profits of CHF 158.2 million. The net combined ratio improved to 92.4% (previous year: 94.0%) due to a low claims ratio and a stable cost ratio. This was the best combined ratio within the last five years. In addition, all country markets achieved a combined ratio below 100%.

In the life business, underlying earnings also increased by 18% to CHF 84.9 million in a difficult investment environment. In addition to a stable risk result, the improvement was mainly due to lower expenses for interest-related additional reserves in year-on-year comparison.

Only the result of the business area Other activities was below the previous year's figure, at CHF -22.2 million. This performance is primarily due to the lower result in Group reinsurance and additional acquisition-related effects.

By segment, the biggest contribution to earnings once again came from the home market of Switzerland, where profits rose by 45.8% to CHF 169.1 million. But also the segments Europe (CHF 53.6 million, +4.8%) and Specialty Markets (CHF 20.1 million, +46.0%) were up significantly.

Dynamic growth driven by acquisitions
Due to the acquisitions, Helvetia increased business volume by 15.1% in original currency to CHF 5,293.6 million in the first half of 2015. A major boost to growth was provided by the lucrative non-life business, which increased by around 50% in original currency. Business volume in life insurance was 3.4% below the previous year due to the reduction in traditional business, although the trend in investment-linked insurance products was positive.

Geographically, Helvetia generated most growth in the Switzerland segment, which recorded a 15.3% increase. The Europe segment rose by 9.7% in original currency; in CHF terms, on the other hand, the business volume fell by 5.9% as a result of the unpegging of the minimum EUR exchange rate. In the Specialty Markets segment, Helvetia generated a significantly higher volume with an increase of 36.7% in original currency in year-on-year comparison. This was largely driven by the first-time consolidation of the business portfolio of Nationale Suisse.

Investment result influenced by interest rate environment and currency effects
The profit from Group financial assets and investment property was CHF 521.7 million, which was below the previous year (CHF 582.1 million) due to negative exchange rate development. Direct income declined slightly from CHF 510.1 million to CHF 503.2 million. The direct yield declined by around 40 basis points to an annualised 2.3%. This development is primarily due to the extremely low yields on new investments and reinvestments in fixed-income securities.

Continued solid capitalisation
Helvetia continues to have a strong capital position, with a Solvency I ratio of 200% on 30 June 2015 and an SST ratio in the target range between 150 and 200% at year-end 2014. However, equity declined from CHF 4,963.1 million at the end of 2014 to CHF 4,391.4 million. The main reasons for this were lower unrealised gains/losses than in the previous year, currency effects in the translation of the equity of the European market units and the change in pension liabilities in Switzerland. The annualised return on equity based on the half-year underlying earnings was 8.6%.

Integration fully on track
Helvetia can look back on major success in the integration of Nationale Suisse and Basler Austria in the first half of 2015. The consolidated organisational management has been established in all market units. In the second quarter Helvetia completed the legal and financial takeover of Nationale Suisse, and the operating legal entities in Switzerland have been merged. In Austria the merger of Helvetia and Basler took place in August. The integrated product range with attractive insurance and pension solutions was launched in Switzerland on 1 May 2015 under the Helvetia brand. The market launch under a single brand has also already been implemented in Germany and Austria. Italy and Spain will follow in stages from the second half of the year. The legal mergers in these two market units and in Germany should be completed by the end of 2016. Initial synergies of CHF 15 million have already been achieved through savings in personnel and other costs; this means that more than half of the synergy target for 2015 has been achieved. Overall, the integration is thus fully on track.

Notes

- A conference call in German for the media will be held today at 9.00 a.m. CEST and a conference call in English for analysts will be held today at 11.00 a.m CEST. The dial-in numbers are: +41 (0) 58 310 50 00 (Europe), +44 (0) 203 059 58 62 (UK), +1 (1) 866 291 41 66 (USA – toll-free)
- The English conference call can be followed online at www.helvetia.com (audio). A replay will be available at www.helvetia.com from about 4.30 p.m.
- The letter to shareholders, including the interim report, and the slide show for the media and analysts' conference calls are available online now at www.helvetia.com/en/ir-infokit.
- The most important key figures can be found in the factsheet in the annex.

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About the Helvetia Group
Over the past 150 years, the Helvetia Group has developed out of various Swiss and foreign insurance companies into a successful insurance group with a presence throughout Europe. Helvetia now has operations in Switzerland, Germany, Austria, Spain, Italy, France and Liechtenstein. It also conducts some of its investment and financing operations via subsidiary and fund companies in Luxembourg and Jersey. The former Nationale Suisse became part of Helvetia Group in October 2014, and its business activities are being continued by Helvetia Group as of 1 May 2015. The Group's head office is located in the Swiss town of St.Gallen. Helvetia offers life policies, insurance against loss and reinsurance. With around 7,000 employees, it provides services for more than 4.7 million customers. In the 2014 financial year, Helvetia generated underlying earnings of CHF 421.7 million on a business volume of CHF 7.76 billion. The registered shares of Helvetia Holding are traded on the SIX Swiss Exchange under the code HELN.

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Key data at a glance

1. Business volume

In CHF million	HY 2015	HY 2014	Delta in CHF in %	Delta in OC[1] in %
Group[2]	**5,293.6**	4,821.7	+9.8	+15.1

Significant drivers (in CHF million)

- Significant **growth effects can be seen from the acquisitions**, driven by profitable non-life business (+48.2% in OC)
- Life business, with growth in investment-linked products – in line with the strategy to focus on modern products, and a decline in traditional insurance solutions – overall moderate reduction in volume (-3.4% in OC)
- All three segments (Switzerland, Europe, Specialty Markets) show good business volume development in OC, growth rate in CHF influenced by currency effects of foreign units

Business areas

In CHF million	HY 2015	HY 2014	Delta in CHF in %	Delta in OC in %
Business volume life	**2,920.6**	3,096.5	-5.7	-3.4

Significant drivers

Segments:

- Segment Switzerland with stable volume despite difficult interest rate environment
- Decline in business in the segment Europe as a result of reduction in traditional business (especially in Italy and Germany) which was not offset by the increasing volume in modern products

Insurance lines:

Group life 2,089.4 (-3.1% in OC)

- Swiss home market (98% of premiums in group life) with continued strong demand for full insurance solutions and satisfying growth in important regular premium business (+2.5% in OC), single premiums subject to usual fluctuations (for details see the segment Switzerland below)

Individual life: 832 (-4.2% in OC)

- Good volume growth in investment-linked insurance solutions and deposits (+4.5% in OC)
- Decline in traditional insurance products in the segment Europe (especially Italy and Germany)

In CHF million	HY 2015	HY 2014	Delta in CHF in %	Delta in OC in %
Gross premiums non-life	2,373.0	1,725.6	+37.5	+48.2

Significant drivers

Segments:

- Strongest growth in Switzerland (+88.2%) due to acquisitions
- Acquisition driven increase in premium volume in Europe (+27.3% in OC) – all market units with positive contributions
- Increase in premium volume in the segment Specialty Markets (+36.7%) as a result of the first-time consolidation of the Nationale Suisse portfolio – market unit Switzerland / International with largest contribution to growth

Insurance lines:

- Growth driven by largest insurance lines:
    - Property (+50.9% in OC) and motor (+46.4% in OC)
- Growth in accident / health (+155.8% in OC) due to the accident / health insurance portfolio transferred from Nationale Suisse

[1] Original currency

[2] Including deposits

Segments

In CHF million	HY 2015	HY 2014	Delta in CHF in %	Delta in OC in %
Switzerland	3,513.4	3,046.3	+15.3	+15.3

Business areas:
Non-life: 1,019.0 (+88.2%)

- Expected positive volume effects from the acquisition of Nationale Suisse
- Growth driven by largest insurance lines:
  - Motor (+77.8%), property (+56.2%)
- New: Accident / health business as a result of the first-time consolidation of the Nationale Suisse portfolio
- Satisfying performance from all sales channels – good growth also recorded in the online sales channel smile.direct

Life: 2,494.4 (–0.4%)

- Overall stable business volume in difficult capital market environment
- Swiss group life business shows continued strong demand for full insurance solutions and satisfying growth in the important regular premium business (+2.5%)
- However, overall cautious underwriting policy due to interest rate environment, single premium business thus naturally subject to fluctuations and hence lower compared to last year (-10.4%)
- Swiss individual life business with increased business volume (+15.2%) due to the first time consolidation of the Nationale Suisse portfolio

In CHF million	HY 2015	HY 2014	Delta in CHF in %	Delta in OC in %
Europe	1,369.1	1,455.0	-5.9	+9.7

Business areas:
Non-life: 942.9 (+27.3% in OC)

- Non-life: growth driven by the acquisitions; significant double-digit growth rates in OC in all market units, growth in CHF negatively influenced by exchange rate effects
  - Austria (+70.2% in OC)
  - Germany (+23.0% in OC)
  - Italy (+21.3% in OC)
  - Spain (+18.4% in OC)
- Growth driven by largest insurance lines:
  - Motor (+27.1% in OC) – very good performance in Austria and increases in existing rates in Germany
  - Property (+26.8% in OC)
- Very good performance also in accident / health (+21.7% in OC; growth originates mainly from the accident / health insurance portfolio transferred from Basler Austria) as well as marine (+55.2% in OC)

Life: 426.2 (-16.0% in OC)

- Volume growth in the market units Austria and Spain did not offset decline in business volume in Italy and Germany – consequently, decline in life business volume year-on-year (-16% in OC)
- Reduction in traditional business in Italy and Germany
- Satisfying growth of investment-linked products and deposits (+28.8% in OC) – good performance in unit-linked life insurance in Germany, Austria and Spain; successful marketing of burial insurance in Spain

In CHF million	HY 2015	HY 2014	Delta in CHF in %	Delta in OC in %
Specialty Markets	411.1	320.4	+28.3	+36.7

- Growth driven mainly by Switzerland / International (+281.9% in OC) due to first-time consolidation of the Nationale Suisse portfolio
- Stable premium volume in France in OC, converted to CHF, negative premium volume due to exchange rate effects
- Active reinsurance with higher premiums than in the previous year (+21.0%) as a result of targeted diversification by region and business line, as well as selective reduction in existing business relationships

2. Key performance figures

In CHF million	HY 2015	HY 2014	Delta in CHF in %
Group underlying earnings[3]	220.9	196.9	+12.2
– Improved result clearly driven by non-life (+45.6%) – Earnings growth supported by acquisitions, positive contributions from all market segments – Results also rose in life business in a difficult capital market environment (+18.0%) – Realised synergies in the first half-year: CHF 14.7 million – of which savings of CHF 8.4 million in personnel costs and CHF 6.3 million in non-personnel costs – Earnings from Other activities declining			
Business activities			
Non-life	158.2	108.6	+45.6
– Better technical result – Additional support through volume contribution from the acquisitions – Exchange rate effects in the foreign market segments reduces growth in the Group currency			
Life	84.9	71.9	+18.0
– Lower expense for interest-rate-related additional reserves – Stable risk result – Capital-market-related decline in savings and investment result for the account of shareholders			
Other activities	-22.2	16.4	n.a.
– Main reasons for the decline in earnings: lower earnings from Group reinsurance, lower gains and losses on investments (net), higher costs due to acquisitions, higher financing costs and a lower investment result			
Segments			
Switzerland	169.1	116.0	+45.8
– Growth in results driven by life and, particularly, non-life – Non-life business: improved result mainly due to higher volume as a result of the acquisitions – Lower expenses for additional reserves in the life business; effect of lower interest rates on savings result partly offset by lower policyholder participation			
Europe	53.6	51.2	+4.8
– Non-life business drives improved result due to better technical result and contributions to earnings from Basler Austria and Nationale Suisse – Positive contribution to segment earnings from all market units, very good performance of non-life business in Germany and Austria – Life result down year-on-year due to low interest environment and the resulting strengthening of reserves in the market units Germany and Austria, and to an impairment write-down			
Specialty Markets	20.1	13.8	+46.0
– Additional earnings contribution of the acquired companies			

[3] Underlying earnings have been adjusted for integration costs and amortisation of intangible assets, additional planned amortisation due to revaluations of interest-bearing securities at fair value and other non-recurring effects from the acquisitions. Underlying earnings is not an IFRS figure, but has been derived from the IFRS figures.

Corporate	-21.9	16.0	n.a.
– Earnings decline due to a weaker result from intra-Group reinsurance, higher costs due to acquisitions, financing costs as well as a lower investment result			
Current income from Group investments	503.2	510.1	-1.4
– Slight decline, due to low interest environment and currency effects			
Profit from Group financial assets and investment property (net)	521.7	582.1	-10.4
– Lower gains and losses on Group investments (net) due to negative impact of currency effects – Consistent management of currency risks, but they were generally not fully hedged			

3. Profitability indicators

New business margin	HY 2015	HY 2014	Delta
Group	**0.3%**	1.0%	–0.7 pts.
– Decline in new business margin due to variances in economic assumptions, lower new business volume and lower interest on new investments			
Combined ratio	**92.4%**	**94.0%**	**–1.6 pts.**
– Target range for combined ratio of 94% to 96% exceeded again – Stable cost ratio – unchanged from previous year at 29.6% – Lower claims ratio (half-year 2015: 62.8%, half-year 2014: 64.4%) due to improved claims experience			

4. Key balance sheet figures

In CHF million	30 June 2015	31 December 2014
Equity (excluding preferred securities)	**4,391.4**	4,963.1
– Decline compared to year-end 2014 due to o lower unrealised gains/losses recognised in equity o currency effects in the translation of the equity of the European market units o change in pension liabilities in Switzerland due to the lowering of the discount rate		
Solvency I	**200%**	216%
– Strong capital position with good solvency ratio even after acquisitions		

5. Ratios

	HY 2015	HY 2014
Return on equity	**8.6%**[4]	9.3%
Direct yield[5]	**2.3%**	2.7%
– Extremely low yields on new investments and reinvestments in fixed-interest securities – Additionally emphasised by accounting effect resulting from the revaluation of investments of the acquired companies Nationale Suisse and Basler Austria as required under IFRS		
Investment performance	**0.0%**	3.7%
– All investment categories support investment performance, shares and investment properties have the highest yields – Bond performance benefited from the broad decline in CHF interest rates, but slight increase in interest rates abroad – Decline in unrealised gains and losses due to the increase in interest rates abroad and to reallocations out of what are now very low-yielding EUR fixed-income investments into currently more attractive USD securities		

[4] As a percentage of underlying earnings

[5] The impact of the revaluation of interest-bearing securities on the yield was –0.1 pts. (annualised)