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Media release

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Helvetia with solid business performance and new corporate structure

The Helvetia Group increased its underlying earnings in the first half of 2016 by 8% to CHF 238 million. The net combined ratio improved by 0.5 percentage points to 91.9%. The business volume of the insurance group grew by 3% (in original currency) to CHF 5,544 million. The sound performance is attributable among other things to the very smooth integration of Nationale Suisse and Basler Austria. Philipp Gmür, CEO of the Helvetia Group since 1 September 2016, will continue to move ahead with the helvetia 20.20 strategy. To ensure the efficient operational implementation of the strategy, he is setting up a new corporate structure.

The most important key figures for the first half of 2016 at a glance:

Underlying earnings[1] after tax:	**CHF**	**238.3 million**	First half 2015: CHF 220.9 million; +7.9%
IFRS result after tax (incl. acquisition effects):	**CHF**	**186.1 million**	First half 2015: CHF 161.8 million; +15.0%
Business volume:	**CHF**	**5 544.3 million**	First half 2015: CHF 5 293.6 million; +3.4% in original currency
SST ratio (range):		**150 to 200%**	2015: 150 to 200%
Combined ratio (net):		**91.9%**	First half 2015: 92.4%
Equity (excluding preferred stock):	**CHF**	**4 842.7 million**	2015: CHF 4 655.3 million

More key figures with comments are provided in the appendix.

Additional preliminary remarks: Helvetia's IFRS profit for the period is temporarily distorted by special effects following the acquisitions of Nationale Suisse and Basler Austria. Up to the end of the 2017 financial year, Helvetia is therefore putting emphasis on the so-called "underlying earnings" which eliminate these temporary effects and therefore reflect the operating performance of the new Helvetia Group.

[1] Underlying earnings are adjusted for integration costs as well as amortisation of intangible assets, amortisation due to revaluation of interest-bearing securities at market value and other one-off effects of the acquisitions. Although underlying earnings is not an IFRS indicator, it is derived from the IFRS figures.

Helvetia Holding Ltd
Helvetia Swiss Life Insurance Company Ltd
Helvetia Swiss Insurance Company Ltd

"Helvetia has succeeded in a challenging market environment in presenting a good set of key figures for the first half of the year," reports a delighted Philipp Gmür, CEO of the Helvetia Group since 1 September 2016.

Pleasing earnings increase and net combined ratio improvement
Helvetia Group reported convincing underlying earnings after tax of CHF 238.3 million in the first half of 2016, an increase of 7.9% on the previous year. The IFRS result of CHF 186.1 million, which is temporarily distorted by the accounting effects of the acquisitions, was 15.0% up on the prior-year period.

The life result contributed to the profit increase with underlying earnings up 4.2% on the first half of 2015 at CHF 88.4 million. The improvement came from a better savings result, which mainly benefited from the decrease of the minimum interest guarantee rate in the group life business in Switzerland, partly offset by additional reserving related to the low interest rate environment, as well as a positive tax effect.

The non-life business technical results developed positively, while the investment result declined. The non-life result accordingly fell by 4.5% to CHF 151.1 million in the first half of 2016. Thanks to synergies already achieved through the integration of Nationale Suisse and Basler Austria, the cost ratio was reduced significantly. The net combined ratio decreased from 92.4% in the previous year to 91.9%. All market units reported combined ratios below 100% and operated profitably.

In addition, the other activities result improved by 94.5% from CHF -22.2 million to CHF -1.2 million. This increase is primarily attributable to a better technical result in Group reinsurance that was particularly negatively impacted by a worse claims experience in the previous year.

Viewed by segment, underlying earnings in the Swiss home market rose by 2.2% to CHF 172.7 million. In Europe, the result was stable year-on-year (first half of 2016: CHF 52.9 million; first half of 2015: CHF 53.6 million), while in the Specialty Markets segment underlying earnings decreased from CHF 20.1 million in the first half of 2015 to CHF 14.1 million in the reporting period.

Further growth in business volume
In the first half of 2016, Helvetia generated a business volume at Group level of CHF 5,544.3 million, which corresponds to year-on-year growth of 3.4% in original currency. In the life business Helvetia generated a business volume up 5.3% on a currency-adjusted basis. One of the drivers was the sale of unit-linked life insurance products that increased by 8.4%. In the non-life business, premiums rose by a total of 1.0% in original currency despite portfolio optimisations in individual countries.

Viewed by segment, the Switzerland market area as a solid foundation for the Group achieved the greatest growth in volumes (CHF 163.5 million or +4.7%), although this was partially impacted by one-off effects. Europe reported a somewhat lower business volume (-1.1%) on a currency-adjusted basis due to income-oriented portfolio optimisations. In the Specialty Markets segment, Helvetia generated premiums up CHF 37.3 million or 7.1% in original currency on the previous year; the primary growth driver was active reinsurance.

Investments with significantly higher overall performance
Current income from Group investments came to CHF 523.3 million, which represents an increase of CHF 20.1 million on the first half of 2015. The direct yield remained unchanged at an annualised 2.3%. Losses on investments recognised in profit amounted to a net CHF 57.6 million and were derived almost exclusively from equities. Owing to the volatile and weakening markets, the hedging level on equities remained high.

With an investment result recognised in the income statement of CHF 465.7 million, a respectable result was generated. However, due to the lower extraordinary income, it was not quite possible to achieve the previous year's figure of CHF 521.7 million. On the other hand, at a non-annualised 3.3%, investment performance (including unrealised gains and losses) was significantly higher (first half of 2015: 0.0%). Supported by falling interest rates, bonds served to boost performance.

Continued strong capital base
Helvetia still maintains a strong capital base. The SST ratio at the end of 2015 was in the range of 150% to 200%. Equity rose from CHF 4,655.3 million to CHF 4,842.7 million in the first half of 2016 compared to the end of 2015. The annualised return on equity calculated on the basis of underlying earnings is 9.4%.

Successful progress with integration, synergies achieved
The operational integration of Nationale Suisse and Basler Austria has largely been implemented. As well as a small number of database migrations, the mergers of the life companies in Italy are still pending and will take place by the start of 2017. The approval of the supervisory authorities for the merger of the operating units has been obtained in Germany. The successful integration is also reflected in the achievement of the synergy goals: The half-year underlying earnings include synergies before tax amounting to CHF 51.4 million. CHF 39.7 million of this can be attributed to personnel cost savings, largely due to natural fluctuation, and CHF 11.7 million to other cost reductions.

New corporate structure to strengthen strategy implementation
The insurance group launched the helvetia 20.20 strategy in March 2016. As Philipp Gmür underlines, "We will continue to pursue the helvetia 20.20 strategy as we set out. We wish to become more agile, customer-focused and innovative over the next five years and to seize the opportunities offered by digitisation." In order to implement the strategy efficiently in this regard, Helvetia will be taking a fundamental step by establishing a new corporate structure as of 1 January 2017. "Helvetia will set up an integrated corporate structure with clearly focused segment tasks. Following the successful integration of Nationale Suisse and Basler Austria, we can now further step up collaboration within the company and at the same time focus more intensively on the market and our customers," explains Philipp Gmür.

Alongside the existing Europe and Specialty Markets market areas, Executive Management will be supplemented by the Non-life Switzerland, Individual Life

Switzerland, Group Life Switzerland and Sales Switzerland market areas. This will ensure that all the major business areas focusing on growth and income are represented in the Executive Management and that the latter is brought closer to market developments.

In addition, a new Actuarial function is being established. Also, IT is to be strengthened and its growing importance for digitisation reflected in the establishment of a separate Group division. Finally, the newly created "Corporate Development" organisational unit is to support Executive Management in further developing the company.

These organisational changes also entail personnel changes with regard to Executive Management Switzerland. Hermann Sutter (Non-life) and Angela Winkelmann (Human Resources and Services) will be retiring in the course of the next year. Uwe Bartsch (Business Development) and Andreas Bolzern (Finance) will assume new functions within Helvetia.

Philipp Gmür: "I would like to thank these colleagues today for their long-standing and successful commitment. They have all decisively helped to shape Helvetia and made a major contribution to enabling Helvetia to be so well positioned today in its home market. I wish Hermann Sutter and Angela Winkelmann all the best for this new stage in their lives and am delighted that Helvetia will continue to benefit in the future from the extensive experience and enormous drive of Uwe Bartsch and Andreas Bolzern." He continues: "Helvetia is doing well. With helvetia 20.20 and the new corporate structure, the course is set for continued success."

Remarks

- A media conference will be held today in German at 9 a.m. An analysts' conference with a conference call in English will follow at 11 a.m.
- The conference call (English) can be heard live on the Internet at www.helvetia.com (audio). A replay will be available at www.helvetia.com from around 4.30 p.m.
- The Letter to Shareholders including the interim report as well as the set of slides for the media and analysts' conference are available immediately for download at www.helvetia.com/infokit-en.
- The most important key figures can be found in the attached fact sheet together with the organisational chart for the corporate structure as of 1 January 2017 and the CVs of the new members of Executive Management.

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About the Helvetia Group

In over 150 years, the Helvetia Group has grown from a number of Swiss and foreign insurance companies into a successful international insurance group. Today, Helvetia has subsidiaries in its home market Switzerland as well as in the countries that make up the Europe market area: Germany, Italy, Austria and Spain. With its Specialty Markets market area, Helvetia is also present in France and in selected regions worldwide. Some of its investment and financing activities are managed through subsidiaries and fund companies in Luxembourg and Jersey. The Group is headquartered in St.Gallen, Switzerland.
Helvetia is active in the life and non-life business, and also offers customised specialty lines and reinsurance cover. Its business activities focus on retail customers as well as small and medium-sized companies and larger corporates. With some 6,700 employees, the company provides services to more than 4.7 million customers. With a business volume of CHF 8.24 billion, Helvetia generated underlying earnings of CHF 439 million in the 2015 financial year. The registered shares of Helvetia Holding are traded on the SIX Swiss Exchange under the symbol HELN.

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(6) risks associated with implementing our business strategies; (7) the frequency, magnitude and general development of insured events; (8) mortality and morbidity rates; (9) policy renewal and lapse rates as well as (10), the realisation of economies of scale as well as synergies. We caution you that the foregoing list of important factors is not exhaustive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties. All forward-looking statements are based on information available to Helvetia Group on the date of its publication and Helvetia Group assumes no obligation to update such statements unless otherwise required by applicable law.

Overview of key figures

1. Total business volume

in CHF million	HY 2016	HY 2015	Delta in CHF in %	Delta in OC[1] in %
Group[2]	**5,544.3**	5,293.6	4.7	3.4

Key growth drivers (in CHF million)

- Life business with growth of 5.3% (in OC); the pleasing trend in growth in modern, capital-efficient products should be noted as these increased by 8.4% compared to the previous year
- Non-life business with growth of 1% (in OC) despite portfolio optimisations to improve profitability in some countries
- All three segments (Switzerland, Europe, Specialty Markets) with good or stable development of the business volume in OC

Business areas

in CHF million	HY 2016	HY 2015	Delta in CHF in %	Delta in OC in %
Life business volume	3,095.6	2,920.6	6.0	5.3

Key growth drivers
Segments:

- Switzerland segment with growth of 5.8%; largely driven by the group life business, but the modern products in individual life also delivered a pleasing performance (for details see Segments – Switzerland)
- Europe segment with growth of 2.2% (in OC); mainly driven by Italy; targeted overall shift to modern products (for details see Segments – Europe/Italy)

Lines of business:
Group life: 2,227.1 (+6.5% in OC)

- Swiss home market (98% of premiums in group life business) with growth in key regular premiums (+0.9%), single premiums significantly higher than previous year due to a one-off effect despite the continuation of a cautious underwriting policy in new business (for details see Segments – Switzerland)

Individual life: 868.5 (2.2% in OC)

- Good volume development group-wide among modern insurance solutions (+8.4% in OC), growth drivers were investment-linked insurance solutions while investment deposits were down for market-related reasons
- Decline in traditional insurance in line with the strategy

in CHF million	HY 2016	HY 2015	Delta in CHF in %	Delta in OC in %
Gross premiums Non-life	2,448.7	2,373.0	3.2	1.0

Key growth drivers
Segments:

- Specialty Markets with growth of +7.1% (in OC); driven by growth in active reinsurance in line with the strategy
- Switzerland with growth of 1.8%, driven by a special effect in the motor vehicle business
- Europe with a slightly declining volume of -2.6% (in OC) due to intentional portfolio optimisations and a market-wide decline in the motor vehicle business in Italy

Lines of business:

- Motor vehicle insurance as a growth driver (+1.8% in OC) supported by a special effect in Switzerland
- Other lines (excluding active reinsurance) stable or declining due to portfolio optimisation measures

[1] Original currency
[2] Including investment deposits

Segments				
in CHF million	**HY 2016**	**HY 2015**	**Delta in CHF in %**	**Delta in OC in %**
Switzerland	3,676.9	3,513.4	4.7	4.7

Business areas:
Non-life: 1,037.8 (+1.8)

- Motor vehicle insurance as a growth driver (+5.7%) due to a special effect (conversion of some motor vehicle policies of the former Nationale Suisse to Helvetia's billing period) which will taper off in the second half
- Other business lines declining due to the termination or non-renewal of major contracts and reductions in coverage

Life: 2,639.1 (+5.8%)

- Group life: growth (+6.5%)
    - Consistent demand for full insurance solutions; growth in regular premiums (+0.9%)
    - Selective underwriting of new business overall due to the low interest rate environment, growth in single premiums (+14.6%) owing to due to a **single** transfer of policyholder bonuses into retirement assets, booked as premiums, which should be regarded as a one-off effect
- Individual life: growth (+2.6%) driven by the positive development among modern insurance solutions (+29%), decline in traditional insurance in line with the strategy

in CHF million	**HY 2016**	**HY 2015**	**Delta in CHF in %**	**Delta in OC in %**
Europe	1,419.0	1,369.1	3.6	-1.1

Business areas:
Non-life: 962.5 (-2.6% in OC)

- Premium volume down overall, largely due to portfolio optimisations to improve profitability
- Development by countries:
    - Austria with growth of 1.7% (in OC) driven by the property insurance business
    - Germany with declining premium volumes due to optimisation of the industrial and motor-vehicle insurance business, which were not compensated for by growth in the liability and transport insurance
    - Italy with a declining premium volume due to the market-wide decline in the motor-vehicle business and optimisation of the portfolios of the former Nationale Suisse
    - Spain with a declining premium volume due to optimisation of the portfolios of the former Nationale Suisse
- Development by lines of business:
    - Growth driver in liability insurance (+4.0% in OC)
    - Other lines declined due to optimisations

Life: 456.5 (+2.2% in OC)

- 2.2% (in OC) increase in business volume
- Development by countries:
    - Growth driven by Italy due to high (market-related) demand for modernised traditional insurance solutions (very low guarantees, change to guarantees upon maturity)
    - Other countries with declining overall business volumes, as the positive development among modern insurance solutions was not able to compensate for the planned decline in traditional insurance solutions
- Development by lines of business:
    - Investment-linked insurance was a growth driver, while deposits declined for market-related reasons
    - Increase in traditional insurance (+5.2% in OC) driven by Italy, all other countries with a planned decline in volume

in CHF million	**HY 2016**	**HY 2015**	**Delta in CHF in %**	**Delta in OC in %**
Specialty Markets	448.4	411.1	9.1	7.1

- Growth driver in active reinsurance (+26.8%) owing to targeted diversification by region and business lines pursuant to the strategy, and due to the selective development of existing business relationships
- Specialty Lines CH/Int. with a declining premium volume due to selective underwriting in a soft market
- France with a stable premium volume

2. Key performance figures

in CHF million	HY 2016	HY 2015	Delta in CHF in %
Underlying earnings for the Group[3]	238.3	220.9	7.9
– Solid increase in underlying earnings of 7.9%, driven by improvements in the business areas of life and other activities, non-life result fell short of the previous year's figure despite the improved technical result			
Business areas			
Non-life	151.1	158.2	-4.5
– Significantly better technical result owing to further synergies and increased volume – Lower investment result due to lower gains and losses on investments, mainly owing to the poor performance of the equity markets			
Life	88.4	84.9	4.2
– Improved savings result due to a reduction in the minimum interest rate in the Swiss group life business (in the mandatory and non-mandatory part) – Lower risk result due to a weaker claims experience that was within the usual range of fluctuation – Lower investment result largely owing to a weaker equity market performance, – Increased expenses for additional interest-related reserves – Decrease in the allocation of surpluses due to the impact of lower investment results and higher reserves – Positive tax effect			
Other activities	-1.2	-22.2	94.5
– Significantly better result due to the improved technical result for internal group reinsurance, which was impacted in the previous year by a poor claims experience from cessions by the European entities to group reinsurance – Decreased currency losses (impacted in the previous year by the SNB decision)			

[3] Underlying earnings have been adjusted for integration costs and for amortisation of intangible assets, additional scheduled depreciation due to the revaluation of interest-bearing securities at market value, and other one-off effects from the acquisitions. Although underlying earnings is not an IFRS indicator, it is derived from the IFRS figures.

Segments			
in CHF million	**HY 2016**	**HY 2015**	**Delta in CHF in %**
Switzerland	172.7	169.1	2.2
– Earnings growth supported by the life and, in particular, the non-life business – Non-life business: Earnings growth thanks to improved technical performance and realised synergies – Life business generated a positive development in the savings result owing to the reduction of the minimum interest rate in the group life business; reduced risk result (usual fluctuations in the claims experience). Lower allocation of surpluses as a result of a reduced result from investments and increased expenses for additional reserves			
Europe	52.9	53.6	-1.4
– Europe segment with stable earnings growth – Non-life result below the previous year's level due to a weaker technical result (as the previous year benefitted significantly from the reinsurance structure) and a considerably worse investment result – Life result outperformed the previous year due to an improved operating result. Increased expenses for additional interest-related reserves and market-related weaker investment result were compensated by lower surpluses – Positive contribution to the segment result by Italy and Spain; Germany and Austria with a declining result due to a lower investment result, in Germany also as a result of the reinsurance effect in the previous year			
Specialty Markets	14.1	20.1	-30.1
– Specialty Markets with a declining result owing to a reduced investment result and currency fluctuations			
Corporate	-1.4	-21.9	93.8
– Improved result due to a better technical result in Group reinsurance and lower currency losses (previous year impacted by the SNB decision)			
Current income from Group investments	523.3	503.2	4.0
– Slight volume-related increase			
Investment result from Group financial assets and investment property (net)	465.7	521.7	-10.7
– Lower gains and losses on investments (net) largely as a result of the weaker equity performance			

3. Key profitability figures

New business margin	HY 2016	HY 2015	Delta
Group	**0.5%**	0.3%	0.2% pts

- Increase in the new business margin at Group level of 0.2% pts
    - Increase in the new business margin driven by the Europe segment owing to the new inclusion of the profitable funeral expenses policies in the embedded value, stable new business margin in Switzerland

Combined ratio	91.9%	92.4%	-0.5% pts

- Significant improvement in the cost ratio (first half of 2015: 29.6% ; first half of 2016: 28.2%) due to realised synergies, among other things
- Increased net claims ratio (first half of 2015: 62.8%, first half of 2016: 63.6%) despite improved gross claims experience due to higher claims ratios in Germany and Spain (In the previous year, Germany benefitted significantly from reinsurance, above-average number of large motor liability claims in Spain)

4. Key balance sheet figures

in CHF million	30 June 2016	31 December 2015
Equity (without preferred securities)	**4,842.7**	4,655.3

- Increase compared to year-end 2015 due to
    - higher unrealised gains and losses on investments recognised in equity as a result of lower interest rates
    - change in benefit obligations in Switzerland following the reduction of the discount rate, which had the opposite effect

5. Ratios

	HY 2016	HY 2015
Return on equity[4]	**9.4%**	8.6%
Direct yield[5]	**2.3%**	2.3%
Investment performance[6]	**3.3%**	0.0%

- Investment performance mainly driven by bond performance (due to decrease in interest rates) and investment properties
- Increase in unrealised gains and losses on investments following decreasing interest rates

[4] In percent based on underlying earnings
[5] Annualised, the impact of the revaluation of interest-bearing securities on the returns was -8 basis points
[6] Not annualised