Helvetia Group analysts' conference call

Half-year results 2017

Monday, 4 September 2017

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(the spoken words take precedence)

Philipp Gmür, CEO Helvetia Group

(Slide 1) Half-year results 2017

Ladies and gentlemen, I would like to welcome you to our conference call on the results of the first half of 2017. We can look back on busy and successful first six months 2017. Within the next 45 minutes we would like to give you detailed information on our business development and the key financials of the reporting period.

(Slide 3) Agenda

Following my introduction, our CFO Paul Norton will go through the financial figures. I will then provide you with an update of the implementation of the *helvetia 20.20* strategy. Following the presentation, Paul Norton and I, as well as our Chief Investment Officer Ralph-Thomas Honegger, will be pleased to answer your questions, as always.

(Slide 4) Half-year 2017 figures

On slide 4 I would like to share with you a brief overview of the main performance indicators. Paul will give you detailed information on the developments of these figures later on.
Let us begin with the underlying earnings, which showed an excellence performance resulting in an increase of 8.4% to CHF 258 million in the first half-year 2017.

The improvement was driven by the non-life and the life business. In addition to good technical results in both business areas the main driver was a higher investment result following the pleasing development of the capital markets from January to the end of June 2017.
The business area "Other Activities" benefitted from a better technical result from Group Reinsurance. However, due to the absence of one-off tax effects which were included in the prior year and slightly higher costs resulting from budgeted investments in strategic initiatives underlying earnings decreased compared to the first half-year of 2016.
The solid technical performance in the non-life business is also reflected in the net combined ratio that improved by 0.6 percentage points to 91.3%. Worth mentioning is the pleasing

development of the net combined ratio in Europe which decreased by 2.8 %-points thanks to the successful portfolio restructuring and a benign claims environment.

Due to the very good progress of the integrations of Nationale Suisse and Basler Austria, underlying earnings included synergies of CHF 62 million pre-tax on a half-year cost basis. In the prior half-year, CHF 51 million synergies pre-tax were included in underlying earnings.

The integrations of Nationale Suisse and Basler Austria are almost completed.

Group business volume slightly increased by 0.3% in original currency to CHF 5’532 million. Non-life business volume grew by currency-adjusted 3.0%. In the life business the modern, capital-efficient life products showed very pleasing growth resulting in an increase of 37% in original currency compared to last year. Nevertheless due to the decline of volumes in the group life business – because of a one-off effect last year – and the planned reduction in traditional individual life business the total business volume in life was 1.9% lower on a year-on-year comparison.

I also want to highlight that the new business margin in the life business rose from 0.5% in the previous year to 1.2% in the current year. This improvement shows that we are well on the way to successfully turning our new business towards modern, capital-efficient products.

Finally annualised return on equity based on underlying earnings increased from 9.4% in the previous year to 10.2% in the first half-year 2017.

Let’s have a closer look on synergies on slide 5.

(Slide 5) Synergies pre-tax of CHF 62 million realised

As of end of June 2017, Helvetia had 579 full-time employee equivalents fewer than it had as of 30 June 2014 when we started synergy tracking. Of these employees, a net 498 left the company due to the two acquisitions and can therefore be counted as net staff synergies. Gross synergies would have been even higher, but we have increased personnel to support our strategy and to expand functions that Nationale Suisse had outsourced, which acted as a counter-effect. Finally changes in the group structure i.e. the sale of the Belgian entity of Nationale Suisse and the acquisition of MoneyPark resulted in a further net decline of 81 FTEs.

The staff reduction corresponds to around CHF 46 million in personnel cost savings on a half-year cost basis.

We also had non-personnel cost savings of CHF 16 million in the first half of 2017. In particular, synergies were achieved here through a reduction in redundancies in the areas of IT, Logistics, Marketing and Corporate.
Overall, I am happy to confirm once again that we are making great progress in achieving our synergy target. Originally we were setting forth a range of between CHF 105-130 million. In the meantime we are confident to end up slightly above the higher end of that range.

With that, I would like to turn over the presentation to our CFO, Paul Norton, who will now provide you with the most important information about the key financial figures. >>>>