Media release

St Gallen, 4 September 2018

Helvetia on course with strategy implementation – non-life business as growth driver

The most important details of the 2018 interim financial statements at a glance:

- Helvetia has reported a sound set of figures for the first half of 2018: growth, combined ratio in the non-life business and new business margin for the life business developed in line with the strategy.
- The IFRS result after tax was CHF 223.9 million. The result was negatively impacted by a significantly weaker investment performance as well as various weather-related losses.
- The portfolio quality in the non-life business, however, remains good, as demonstrated by a combined ratio of 92.7%.
- In the life business, new business is developing very positively, with an increase in the new business margin to 1.4%.
- Helvetia increased its business volume to CHF 5,832.8 million, representing a pleasing 2.9% rise in original currency.
- The non-life business, which posted growth of 5.5% in original currency, was a key driver of this development.
- Implementation of the *helvetia 20.20* strategy is moving ahead quickly. Helvetia is strengthening its core business, tapping into new sources of revenues and promoting innovation in a targeted way through this strategy.

"Helvetia has presented a good set of figures for the first half of 2018: we generated a sound result despite the headwind from the capital markets and various bad weather events. I am pleased about the growth driven by the non-life business as well as the continued good quality of our customer portfolio", commented Philipp Gmür, CEO of Helvetia Group, on the 2018 interim financial statements.

IFRS result after tax of CHF 223.9 million
The IFRS result after tax for the first half of 2018 was CHF 223.9 million. Although this exceeded the 2017 profit for the period of CHF 210.1 million, it fell short of

the underlying earnings of CHF 258.4 million generated in the prior year.[1] The interim result no longer includes any acquisition effects from 2014 acquisitions apart from the ongoing bond amortisations from the takeover of Nationale Suisse amounting to CHF 8.2 million.

Non-life: combined ratio remains good
In the non-life business, Helvetia generated an IFRS result after tax of CHF 146.8 million (underlying earnings after tax for the first half of 2017: CHF 176.6 million). The main reason for the decline was the considerably weaker performance of the capital markets (especially the equity markets) relative to the prior year, which was reflected in the lower income from investments. A higher number of weather-related events in Germany and Switzerland (Burglind and Friederike winter storms as well as various thunderstorms with heavy rain and hail) compared to the previous year further weighed on the result. The net combined ratio at Group level of 92.7% remains very strong. However, despite an improved cost ratio, net combined ratio increased compared to the previous year (91.3% for the first half of 2017) due to the higher claims burden described above. All segments contributed to the improved cost ratio, with the decline of 1.2 percentage points in the Europe segment being most pronounced. Apart from the weather-related losses, the basic claims experience remains good, which is reflected in the consistently good quality of the portfolio. All market units reported combined ratios of below 100% and operated profitably.

Life business with improved new business margin
In the life business, the IFRS result after tax was CHF 78.0 million (underlying earnings after tax for the first half of 2017: CHF 92.2 million). Almost half of the reduction can be attributed to the still ongoing bond amortisation. In addition to a lower risk result, reduced investment returns and lower gains and losses from investments – partially compensated by lower expenses for policy-holder participation and lower interest-related reserve strengthening – also weighed on the result. By contrast, new business developed very positively: the new business margin increased relative to the first half of 2017 and stands at 1.4% (first half of 2017: 1.2%). One driver was the higher volume of new business in capital-efficient, investment-linked insurance solutions. On the other hand, the changes made to traditional saving products and the consequent improvement of the new business mix in the individual life and in the Group life business also had a positive impact.

In the "other activities" business area, the IFRS result after tax in the first half of 2018 was CHF -0.9 million (underlying earnings after tax for the first half of 2017: CHF -10.4 million). The increased result can be attributed to positive consolidation effects from the funds allocated to this segment. Earnings also benefited from good and stable results in group-internal reinsurance.

[1] Following the successful integration of the acquisitions from 2014, Helvetia is not reporting any underlying earnings in its 2018 interim financial statements, but rather only the IFRS result. The 2018 interim financial statements therefore no longer include any acquisition effects with the exception of the amortisation of the bonds acquired as part of the acquisition of Nationale Suisse to par, which is continuing beyond the integration period and thus still included in the 2018 IFRS interim result. To allow for a better assessment of the operating performance, Helvetia compares the 2018 IFRS interim result with the underlying earnings after tax generated in the first half of 2017 adjusted for all acquisition effects.

Pleasing growth in business volume
In the first half of 2018, Helvetia generated a Group-wide business volume of CHF 5,832.8 million (first half of 2017: CHF 5,532.1 million). In original currency, this equates to growth of 2.9%. Expressed in Swiss francs, the business volume increased by 5.4% thanks to positive exchange rate effects. The main growth driver was the non-life business, which achieved premium growth of 5.5% relative to the prior year. The European units (+7.5% in original currency), which are once again on a growth track after the portfolio optimisation measures of prior years, and Active Reinsurance made a significant contribution to the pleasing growth. In the life business, the business volume increased by 0.8% in original currency. The main driver here was the growth in the investment-linked products in Switzerland and Germany. In the Group life business, Helvetia again posted moderate growth.

Equities and interest-bearing securities weigh on investment performance
Current investment income of CHF 505.8 million did not quite reach the prior-year level of CHF 520.6 million. This was due to the persistently low interest rate environment as well as aperiodic dividend effects that will balance out during the second half of the year. As expected, the direct yield decreased slightly to an annualised figure of 2.1%. Gains and losses on investments balanced each other out. The investment result reported in the income statement thus amounted to CHF 506.0 million and was therefore significantly lower than in the previous year (CHF 598.9 million). During the first half of the year, Helvetia generated an investment performance of -0.1%. Investment property (1.7%) and mortgages (0.8%) were unable to offset the negative performance from equities (-0.5%) and interest-bearing securities (-0.4%).

Capital base and solvency remain solid
Helvetia continues to have a solid capital base. As at 1 January 2018, the SST ratio was 212%. Equity fell from CHF 5,229.4 million at the end of 2017 to CHF 4,994.4 million. In addition to the payment of the dividend to shareholders, this decline can primarily be attributed to the decrease in unrealised gains and losses recognised in equity due to slightly higher interest rates. The annualised return on equity was 8.3%.

Successful strategy implementation strengthening the core business, opening up access to new income sources and promoting innovation in a targeted way
Implementation of the *helvetia 20.20* strategy is progressing successfully. The strategy follows a structured implementation plan for the further development of the insurance group. Helvetia is strengthening its core business, gaining access to new sources of revenues and promoting innovation in a targeted way through this strategy. An example of the successful strengthening of the core business is a new software solution for the Specialty Lines that is currently being implemented. Supported by artificial intelligence, this solution enables employees to prepare all information on a contracting partner from internal and external sources in a structured manner. This not only saves considerable time, but also allows for a better premium calculation for the risk to be insured.

Helvetia is also strengthening its core business through the expansion of its distribution channels. In Spain, for example, Helvetia has entered into a distribution partnership with a broker that specializes in motorbikes and covers around 10% of the Spanish market for motorbike insurance. Helvetia has also expanded its B2B2C business and initiated a partnership with an important retailer for consumer electronics in Switzerland as well as with a broker active in the automobile sector across Europe. In the case of both partnerships, customers can take out a Helvetia warranty extension at the retailer's premises.

Development of "home" ecosystem
Helvetia is tapping into new sources of revenues with the "home" ecosystem. Further progress was made with its development during the first half of the year. Via its own venture fund, for instance, Helvetia has invested in the Zurich based start-up flatfox, which allows private individuals and professional agencies to make use of a digital rental process for residential property via its platform. The offer from flatfox is integrated in the "home" ecosystem. MoneyPark, Switzerland's largest mortgage broker, is a strong anchor within this ecosystem. To supplement its mortgage comparison service, MoneyPark also launched MEx, the first mortgage exchange in Switzerland for owner-occupied properties, during the first half of the year. MoneyPark is thus creating completely new services for both mortgage holders and institutional investors. MEx allows investors such as family offices and pension funds to invest in the asset class of mortgages, something which until now had in many cases been unattractive due to the costs for risk management, reporting, processing and the management of the portfolios. The technological base used for MEx originates from finovo, a start-up that MoneyPark acquired at the beginning of the year.

High acceptance of chatbots
One example from the innovation portfolio is the chatbot used for the handling of bicycle thefts which Helvetia is testing as part of a prototyping project. This allows for bicycle thefts to be reported via Facebook Messenger and payments to be made in just 90 seconds. Due to the high acceptance of such chatbots, Helvetia is now planning to make the chatbot permanent.

Advancing automation
Helvetia is also pushing forward with automation using targeted innovations in the European country markets. For example, a digital signature has been introduced in Italy and Spain, which allows for insurance cover to be taken out without the need for paper. In Germany, a focus has been placed on the automation of the claims process. For instance, the procedure for handling claims for glass damage has been fully automated. Furthermore, claims are checked digitally for insurance fraud. And for online claims reports, the opening of the claims dossier also includes an automated coverage check.

Philipp Gmür is satisfied with the implementation of the strategy during the first half of the year: "We have made great progress with the strategy implementation. This will make Helvetia more agile, innovative and customer-focused. We will systematically continue on our chosen path without neglecting our core business in the process."

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 dial-in numbers for the analysts' conference are: +41 (0) 58 310 50 00 (Europe), +44 (0) 207 107 06 13 (UK), +1 (1) 631 570 56 13 (USA).
- 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 slides for the media and analysts' conference are available immediately for download at www.helvetia.com/half-year-results.
- Watch the video interview with CEO Philipp Gmür at www.helvetia.com/ceo-video-financial-results.

Key figures

	30.6.2018	30.6.2017
Key share data Helvetia Holding AG		
Group profit for the period (IFRS) per share in CHF	21.6	20.1
Consolidated equity per share in CHF	504.8	485.8
Price of Helvetia registered shares at the reporting date in CHF	566.5	548.5
Market capitalisation at the reporting date in CHF million	5 633.9	5 454.9
Number of shares issued	9 945 137	9 945 137

in CHF million		
Business volume		
Gross written premiums life	3 006.7	2 958.2
Deposits received life	85.9	68.8
Gross written premiums non-life	2 485.0	2 278.8
Active Reinsurance	255.2	226.3
Business volume	5 832.8	5 532.1

Key performance figures[1]	Half-year 2018 IFRS	Half-year 2017 Underlying earnings
Earnings life business	78.0	92.2
Earnings non-life business	146.8	176.6
Earnings other activities	−0.9	−10.4
Earnings of the Group after tax	223.9	258.4
Investment result	464.9	668.8
of which investment result from Group financial assets and investment property	506.0	598.9
Return on equity annualised[2]	8.3 %	10.2 %
Key balance sheet figures		
Consolidated equity (without preferred securities)	4 994.4	4 806.1
Provisions for insurance and investment contracts (net)	45 371.2	43 762.0
Investments	52 234.5	50 727.5
of which Group financial assets and investment property	48 509.4	47 360.9
Ratios		
Combined ratio (gross)	90.2 %	86.8 %
Combined ratio (net)	92.7 %	91.3 %
Direct yield annualised	2.1 %	2.2 %
Investment performance	−0.1 %	1.0 %

[1] From the 2018 financial year, Helvetia will only report in accordance with IFRS and no longer report underlying earnings. With the exception of the ongoing amortisation of bonds in the amount of CHF 8.2 million, the interim financial statements no longer include any acquisition effects. To allow for a better assessment of the operating performance, however, underlying earnings adjusted for all acquisition effects are used for the prior year.

[2] Based on the underlying earnings per share (including interest on preferred securities through profit and loss) divided by the average shareholder capital (equity before preferred securities).

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About the Helvetia Group
In 160 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. 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 6,600 employees, the company provides services to more than 5 million customers. With a business volume of CHF 8.64 billion, Helvetia generated underlying earnings of CHF 502.4 million in the 2017 financial year. The registered shares of Helvetia Holding are traded on the SIX Swiss Exchange under the symbol HELN.

(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.