

# Media release

St.Gallen, 15 September 2020

## **Implementation of strategy on track and continued solid capitalisation**

- The first half of 2020 was shaped by the consequences of COVID-19. In a difficult environment, the stability of the business model and Helvetia's solid capitalisation were confirmed.
- The implementation of the *helvetia 20.20* strategy is on schedule despite the impact of COVID-19, and Helvetia is well on track to achieve its strategic goals: at the end of June 2020, Helvetia successfully concluded the transaction for the takeover of the Spanish insurance company Caser and the financing of the deal. Caser has developed positively.
- With the launch of the first real estate fund by Helvetia Asset Management, Helvetia has been able to tap into a new source of income.
- Despite the pandemic, an increase of 9.0% in original currency was recorded for the business volume in the non-life business, with pleasingly strong premium growth being observed. This was primarily driven by the Specialty Markets segment and property insurance in Switzerland and Europe.
- In the life business, investment-linked insurance products in Europe performed very positively, achieving currency-adjusted growth of 26.8%. As expected, however, the overall business volume declined to CHF 5,657.0 million due to the introduction of the new tariff in the Swiss group life business, equating to a reduction of -3.2% in original currency.
- In the non-life business, the net combined ratio stood at 95.9%. This good level despite the burden from COVID-19 demonstrates the resilience and good quality of the portfolio.
- The life business also proved to be robust – at 2.8%, the new business margin was clearly above the strategic target.
- Earnings were hit by a significantly weaker investment performance due to the equity market slump and the claims due to COVID-19. In addition, a negative special effect following the refocusing of a project to renew the IT system landscape in the Swiss country market was also recorded. The IFRS result after tax stood at CHF -16.9 million in the first half of 2020.
- Helvetia successfully mastered the operational changes required due to the measures aimed at containing COVID-19 and was able to ensure the performance of its business activities and the provision of customer support at all times.

"The operating business has proven robust and resilient despite the consequences of COVID-19. Our geographic diversification also contributed here. Despite the one-off special effects, which weighed on the result, we are confident that we will achieve the goals set as part of *helvetia 20.20*", says Philipp Gmür, CEO of Helvetia Group.

**Successful takeover of Caser as a milestone for Helvetia**

The majority holding in the Spanish insurance company Caser, which was announced in January, marked a milestone. With the acquisition, Helvetia strengthened its core business – a key objective of its strategy. The takeover was successfully completed at the end of June 2020. With Caser, the Europe business will be further expanded as a second pillar for the Group and the importance of the attractive non-life business increased. Helvetia is also opening up valuable new sales channels for itself in the area of bank distribution. In the first half of 2020, Caser posted further growth in the non-life business and in its risk premiums in the life business, recording a growth rate that exceeds the market. The technical results in the life and the non-life business also developed pleasingly, and the combined ratio improved. The acquisition does not yet impact the income statement in the interim financial statements, but only the balance sheet. It is pleasing to note that only minimal goodwill of around CHF 2 million arose from the consolidation.

**New business models to diversify revenue streams: Helvetia Asset Management generates stable fee income**

A further strategic priority of the current strategy period is the opening up of new business models. Helvetia has an important step here by launching its own offers in the Asset Management Group division. For example, Helvetia Asset Management launched a first real estate fund in June. The initial issue met with broad interest and generated proceeds of CHF 450 million. With the launch of the real estate fund, Helvetia is widening its product offering and tapping new income sources in the form of stable fee income.

**Capital base and solvency consistently solid**

Helvetia continues to have a strong capital position. The SST ratio as at 1 January 2020 was 235%. According to forecasts, the SST ratio at the end of June and thus after the acquisition of Caser and its financing continued to be within the strategic range of 180% to 240%. Equity increased compared to the end of 2019 (CHF 5,834.1 million) to CHF 6,237.2 million due to the acquisition of Caser. The annualised return on equity was -1.0% (first half of 2019: 10.3%).

**Half-year result weighed down by three significant, and in this form, extraordinary effects**

COVID-19's impact had a considerable effect on the IFRS result after tax, which stood at CHF -16.9 million in the first half of 2020 (first half of 2019: CHF 289.7 million). As communicated at the end of August, COVID-19 led to major distortions on the capital markets, which significantly weakened the investment results in the life and non-life business. At the same time, the pandemic had an effect on the technical result in the non-life business. Moreover, a one-off write-down of CHF 40.2 million (before tax) following the refocusing of a project to renew the IT system landscape in the Swiss non-life business was also recorded. Unlike in the previous year, there was also no one-off positive tax effect in Switzerland.

The consequences of COVID-19, especially the investment result, impacted the non-life and life result: the IFRS result after tax in the non-life business stood at CHF -0.5 million during the first half of the year (first half of 2019: CHF 198.6 million) and the IFRS result in the life business at CHF 22.9 million (first half of 2019: CHF 108.9 million).

**Non-life: portfolio proves resilient**

In the non-life business, the net combined ratio at Group level was good at 95.9% despite the high level of COVID-19 claims (first half of 2019: 92.5%). The net claims burden from

COVID-19 due to regular claims by policyholders as well as from insurance solutions offered by Helvetia – especially in Swiss epidemic insurance – totalled CHF 89.4 million (before tax) and primarily affected the Swiss business. Claims owing to the pandemic influenced the combined ratio by 4.4 percentage points. Without these burdens, the ratio clearly fulfils the strategic target, which demonstrates the good quality of the portfolio. The combined ratio in the Europe segment was improved once more. It decreased in the first half of 2020 to 91.2% (first half of 2019: 94.5%) thanks to a low level of exposure to COVID-19 claims and a lower claims frequency during the lockdown period.

### **New business margin clearly above the strategic goal**

In the life business, the new business margin stood at 2.8% (first half of 2019: 3.1%) and thus clearly above the objectives laid down in the *helvetia 20.20* strategy, meaning the improved product mix and tariff measures are paying off. Lower interest rates were the main negative factor.

### **Pleasing growth in the non-life business and in investment-linked products in Europe**

The development of the business volume also showed that the diversification targeted by Helvetia with the Europe segment as a second strong pillar and a balanced mix of life and non-life business is paying off. With growth of 9.0% in original currency, the non-life business was – despite the difficult market environment due to the pandemic – a pleasingly strong driver of growth. Here, Helvetia was able to generate significant growth in the Specialty Markets segment (+33.0% in original currency), in particular, which can be attributed to positive price and volume effects. The non-life business in Switzerland (+1.3% in original currency) and in Europe (+1.8% in original currency) also recorded stable growth rates despite COVID-19, primarily in the area of property insurance.

In the life business, the development of the business volume with capital-efficient investment-linked insurance products in individual life in all country markets of the Europe segment (+26.8% in original currency) stands out. Due to the introduction of a new tariff in the Swiss group life business at the start of 2020, the overall volume in the life business fell as expected by 14.5% in original currency. With this strategic decision, Helvetia is strengthening the future profitability of the group life business line. Due to this effect, the total business volume during the first half of 2020 came to CHF 5,657.0 million (first half of 2019: CHF 5,965.7 million). In currency-adjusted terms, this equates to a decline of 3.2% (5.2% in Swiss francs).

### **Investment result shaped by volatile environment on the financial markets**

Current investment income in the amount of CHF 457.3 million fell below the prior-year level of CHF 511.4 million due to lower dividend and interest income. On an annualised basis, the direct return fell from 2.1% in the prior-year period to 1.9%. The investment result amounted to CHF 92.4 million. Helvetia achieved a profitable return of 0.2% on a total performance of 0.2% (neither figure annualised).

### **Comprehensive support of customers during the pandemic**

Helvetia not only supported its customers in Switzerland during the pandemic with claims payments, but rather also by dispensing with reminders and dunning letters during the shutdown, waiving rental payments for small businesses and self-employed individuals and providing sup-

port in the event of blocked goods transport. In order to counter the looming shortage of apprenticeships in Switzerland, Helvetia created an additional ten apprenticeship places this summer.

### **Shutdown mastered well and successful start to the new normal**

The first half of 2020 was dominated by the measures aimed at containing the coronavirus pandemic – and it was no different for the cooperation within Helvetia. Helvetia successfully mastered the transition to the new situation across the entire Group. For example, it was possible to ensure the provision of customer support and the maintenance of its business activities at all times. Up to 90% of employees worked from home over several months. As a result of the positive experiences with "FlexOffice" in recent months, the setup is to be anchored within the company culture for employees in Switzerland. "FlexOffice" covers location and time-independent working from mobile and home offices. "We also want to provide our employees with the greatest possible flexibility in the new normal. The past few months have shown that top performance is still possible thanks to motivated and self-reliant employees", explains Philipp Gmür.

### **Roland Bentele to become a member of the Executive Management**

On 1 October 2020, Roland Bentele, Head of Corporate Center, is to become a new member of the Helvetia Group's Executive Management. Roland Bentele joined Helvetia in 2014 as Head of HR International, has headed up the Corporate Center since mid-2019 and in this role has until now served as a member of the Extended Executive Management.

### **Remarks**

- A media conference will be held today in German at 9 a.m. (CET). An analysts' conference with a conference call in English will follow at 11 a.m. (CET). 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](http://www.helvetia.com) (audio). A replay will be available at [www.helvetia.com](http://www.helvetia.com) from around 4.30 p.m. (CET).
- 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](http://www.helvetia.com/half-year-results).
- Watch the video interview with CEO Philipp Gmür at [www.helvetia.com/ceo-video-financial-results](http://www.helvetia.com/ceo-video-financial-results).

## Key figures

	30.6.2020	30.6.2019
in CHF million		
<b>Business volume</b>		
Gross premiums life	2 519.3	3 002.7
Deposits received life	96.5	93.3
Gross premiums non-life	3 041.2	2 869.7
Business volume	5 657.0	5 965.7

### Key performance figures

Result life	22.9	108.9
Result non-life	-0.5	198.6
Result other activities	-39.3	-17.8
Group profit for the period after tax	-16.9	289.7
Investment result	-28.8	969.3
of which investment result from Group financial assets and investment property	92.4	655.8

### Key balance sheet figures

Consolidated equity (without preferred securities)	6 237.2	5 565.6
Provisions for insurance and investment contracts (net)	51 519.8	46 552.0
Investments	58 322.8	53 936.2
of which Group financial assets and investment property	54 020.1	49 964.6

### Ratios

Return on equity annualised <sup>1</sup>	-1.0%	10.3%
Combined ratio (gross)	96.7%	90.0%
Combined ratio (net)	95.9%	92.5%
New business margin	2.8%	3.1%
Direct yield annualised	1.9%	2.1%
Investment performance	0.2%	4.2%

### Key share data Helvetia Holding AG

Group profit for the period per share in CHF	-0.6	5.6
Consolidated equity per share in CHF	118.2	112.5
Price of Helvetia registered shares at the reporting date in CHF	88.4	122.5
Market capitalisation at the reporting date in CHF million	4 684.8	6 091.4
Number of shares issued	53 025 685	49 725 685

<sup>1</sup> Based on the 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 over 160 years, the Helvetia Group has grown from a number of Swiss and foreign insurance companies into a successful international insurance group. Helvetia is one of the leading all-line insurers in its home market of Switzerland. With the countries Germany, Italy, Austria and Spain, which have been combined to form the Market Area Europe, the company has a second strong pillar. 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 11,500 employees, the company provides services to more than 7 million customers. With a business volume of CHF 9.45 billion, Helvetia generated an IFRS result after tax of CHF 538.1 million in financial year 2019. The registered shares of Helvetia Holding are traded on the SIX Swiss Exchange under the symbol HELN.

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