



## **Vienna Insurance Group - Extending the CEE insurance play**

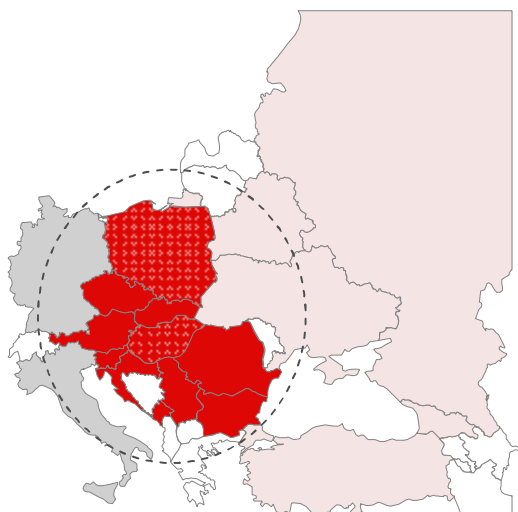
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KBW European Financials Conference - London, 18 September 2007

# Purest CEE Insurance Play

Only Vienna Insurance Group widely captures CEE potential

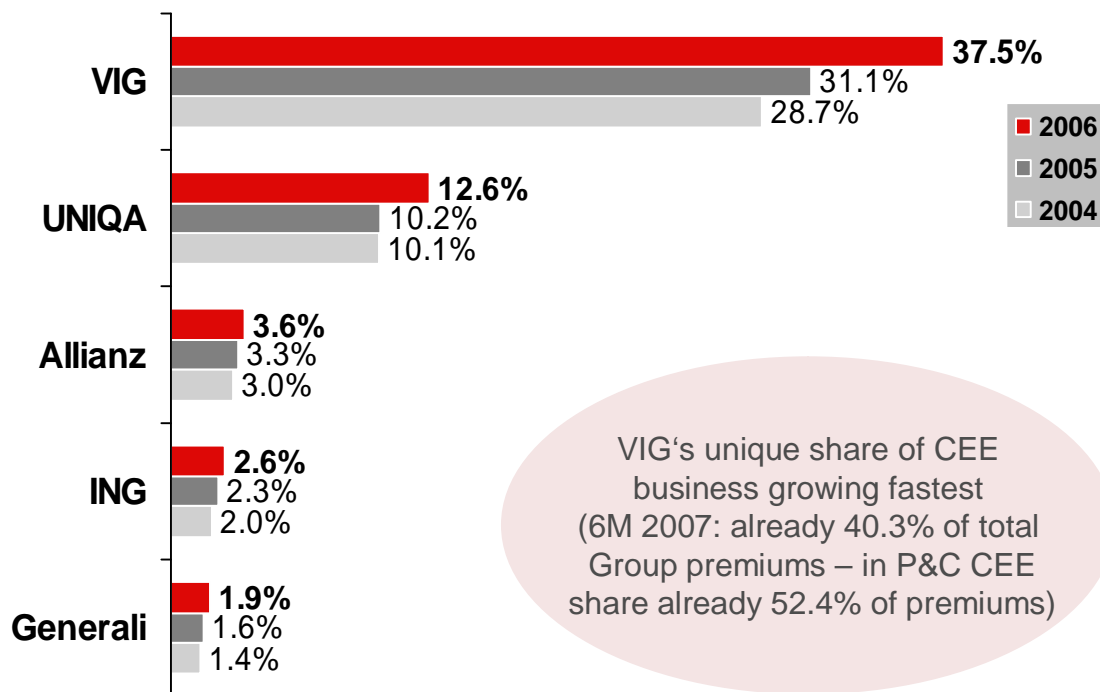
## Footprint



§ **VIG is the leading Austrian insurance group operating in 20\* countries**

\* subject to due diligence and approval by the authorities

## CEE Premiums as % of Total Group Premiums



VIG's unique share of CEE business growing fastest (6M 2007: already 40.3% of total Group premiums – in P&C CEE share already 52.4% of premiums)

Source: Publicly available information; CEE share of Aviva unavailable

# VIG has excellent CEE market position

VIG is early mover in CEE

## Overview of Core Markets

Czech Rep. 1990	Slovakia 1990	Hungary 1996	Poland 1998
Pop.: 10.2 mn	Pop.: 5.4 mn	Pop.: 10.1 mn	Pop.: 38.5 mn
GDP/Cap.: \$ 14 k	GDP/Cap.: \$ 10 k	GDP/Cap.: \$ 11 k	GDP/Cap.: \$ 9 k
Density NL: \$ 316	Density NL: \$ 207	Density NL: \$ 184	Density NL: \$ 160
Density L: \$ 204	Density L: \$ 130	Density L: \$ 192	Density L: \$ 151
<b>Market Share: 27.7%</b>	<b>Market Share: 29.8%</b>	<b>Market Share: 2.5%</b>	<b>Market Share: 4.3%</b>
Croatia 2001	Romania 2001	Serbia 2002	Bulgaria 2002
Pop.: 4.6 mn	Pop.: 21.6 mn	Pop.: 8.2 mn	Pop.: 8.2 mn
GDP/Cap.: \$ 9 k	GDP/Cap.: \$ 5 k	GDP/Cap.: \$ 4 k	GDP/Cap.: \$ 4 k
Density NL: \$ 286	Density NL: \$ 76	Density NL: \$ 69	Density NL: \$ 88
Density L: \$ 82	Density L: \$ 19	Density L: \$ 8	Density L: \$ 13
<b>Market Share: 7.4%</b>	<b>Market Share: 17.7%</b>	<b>Market Share: 6.4%</b>	<b>Market Share: 20.8%</b>

## Details

- § leading market position in nearly all core markets
- § strong market positions also in Turkey, Ukraine, Belarus, Georgia and Albania<sup>1</sup>

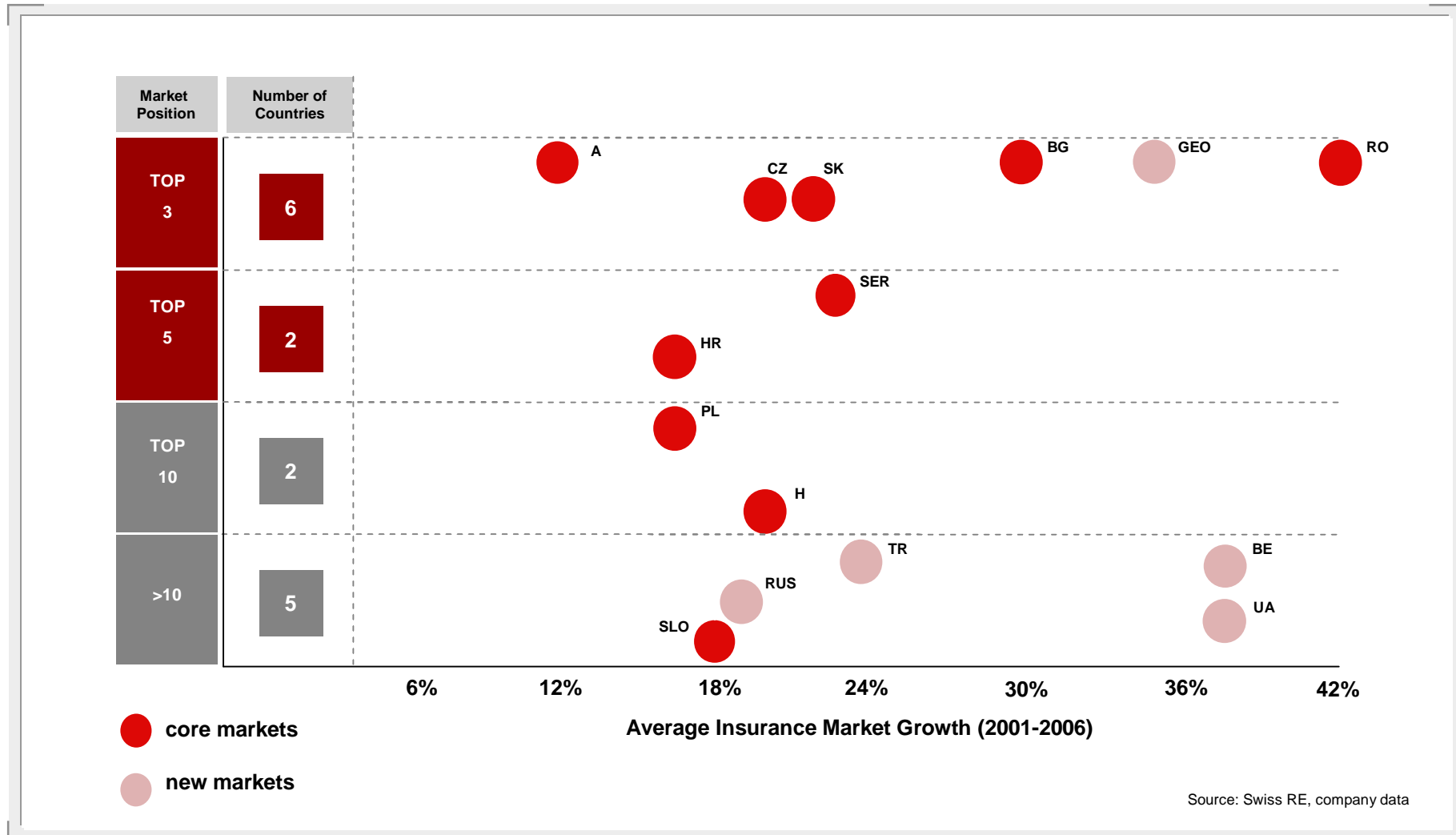
- § focus on retail business
- § step-by-step market entry
- § tight operational management

<sup>1</sup> subject to approval by the authorities

Source: Swiss RE 04/2007, company data

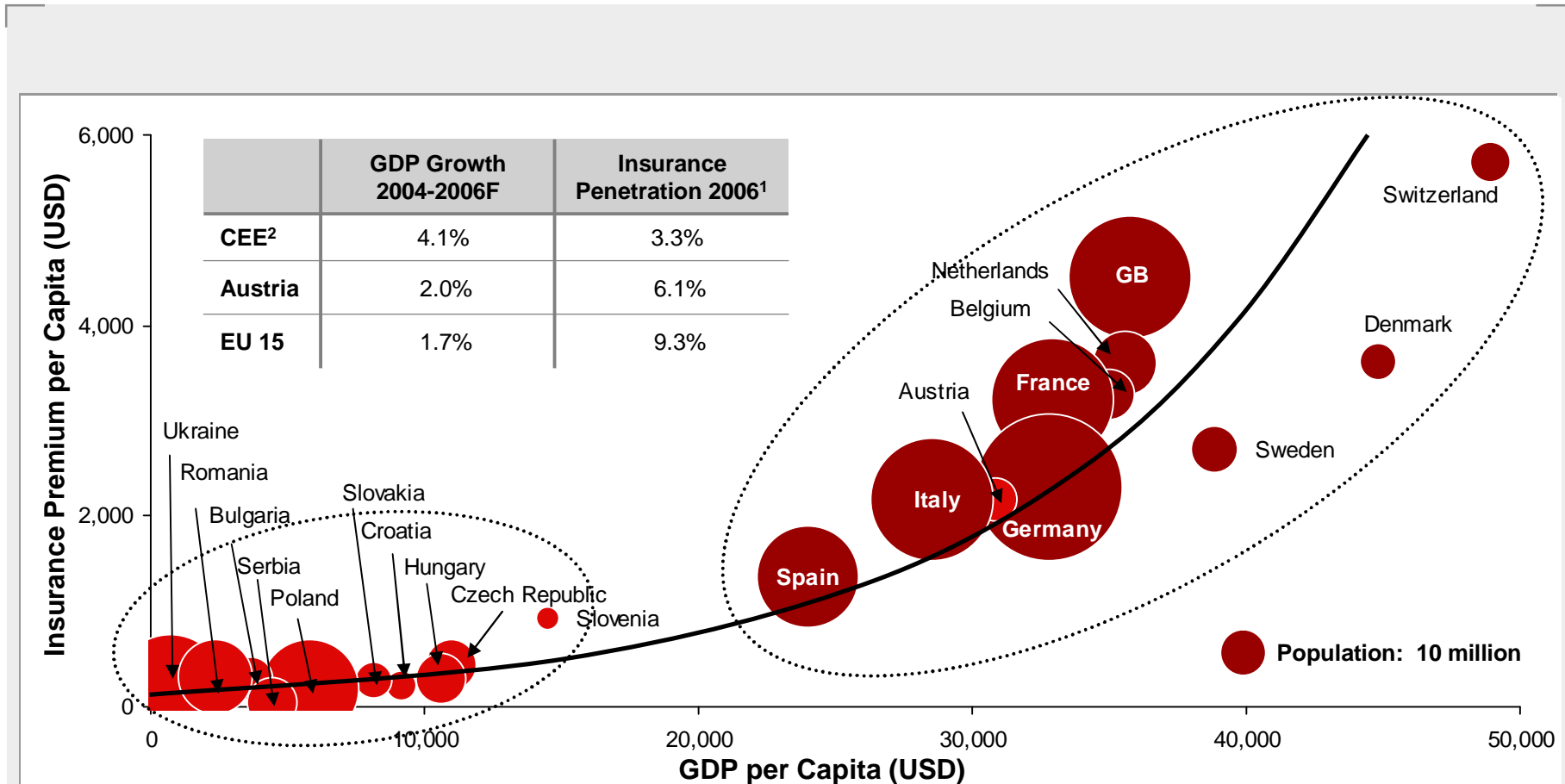
# VIG is well diversified

Broad portfolio of insurance markets with different dynamics



# CEE Region Offers Double Leverage

Sustainable growth through GDP and insurance penetration



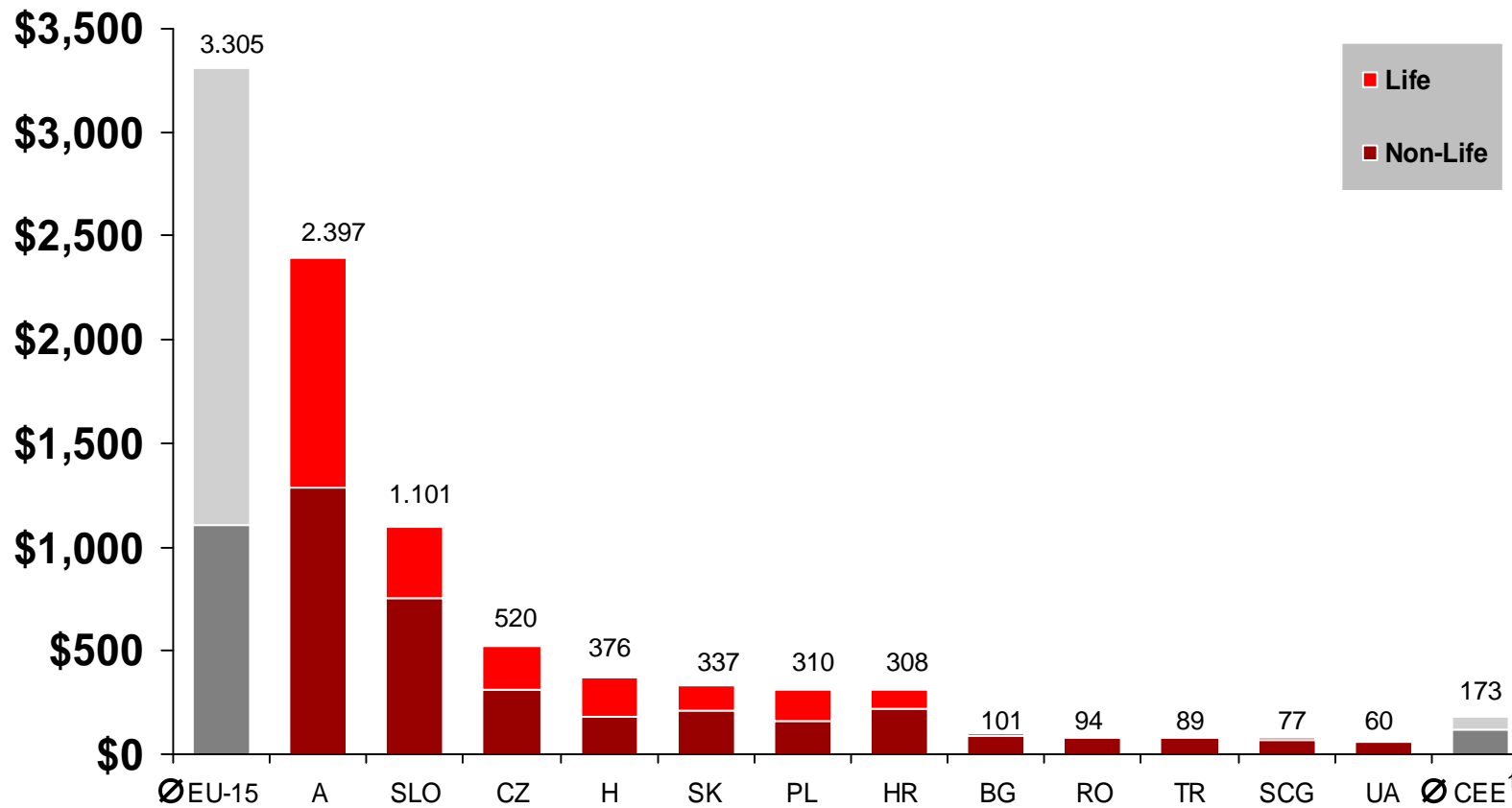
<sup>1</sup> Premiums in % of GDP.

<sup>2</sup> Weighted Averages for CEE. CEE defined as Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia & Montenegro, Slovakia, Slovenia, Turkey and Ukraine.

Source: For GDP Growth IMF(World Economic Outlook as of Sep 2005). For all other data Swiss Re Sigma Nr. 4/2007 (July 2007)

# CEE – Underpenetrated in Insurance

Insurance Density, 2006 (Premiums per Capita)



Source: Swiss Re, Sigma Nr. 4/2007

<sup>1</sup> Weighted Average, CEE is defined as Czech Republic, Slovakia, Poland, Hungary, Romania, Bulgaria, Serbia, Croatia, Slovenia, Turkey, Ukraine

# CEE – a Long-term Growth Perspective

Markets need at least 20 years to catch up with the Austrian level of 2000

Austrian Insurance market				
Year	Premium Income (EUR bn)	Insurance penetration (%)	Density (EUR)	GDP/Capita (EUR)
1965	0.46	2.56%	63	2,463
1966	0.52	2.66%	71	2,665
1967	0.59	2.81%	79	2,813
1974	1.49	3.31%	196	5,915
1975	1.71	3.58%	225	6,291
1977	2.19	3.67%	289	7,883
1978	2.41	3.82%	318	8,329
1981	3.13	3.99%	415	10,405
<b>2000</b>	<b>11.68</b>	<b>5.65%</b>	<b>1,440</b>	<b>25,486</b>

CEE insurance market in 2006			
	Penetration	Density (EUR)	GDP/Capita (EUR)
Serbia	1.8%	61	3,267
Romania	1.7%	75	4,504
Bulgaria	2.6%	80	3,260
Poland	3.3%	245	7,780
Croatia	3.5%	247	7,123
Slovakia	3.4%	268	8,156
Hungary	3.4%	299	8,847
Czech Republic	3.8%	414	10,977

Group 1  
Group 2  
Group 3

	average Density (EUR)	% of Austrian 2000 level
BG, RO, SER	73	5%
HR, PL, H, SK	258	18%
CZ	414	29%



This group needs about **34 years** to catch up with Austrian 2000 levels, implicating a **CAGR of >9%**

This group needs about **25 years** to catch up with Austrian 2000 levels, implicating a **CAGR of >7%**

This group needs about **20 years** to catch up with Austrian 2000 levels, implicating a **CAGR of >6%**

Source: Erste Bank Research, VVO, Sigma

# Acquisition Approach: A Success Story

Excellent track record in integrating CEE subsidiaries into the VIG

## Acquisition Process

### Basics

- § Disclosure level of target company
- § What does the company add to help us grow?
- § Potential to grab lion's share of future market growth

### Principles

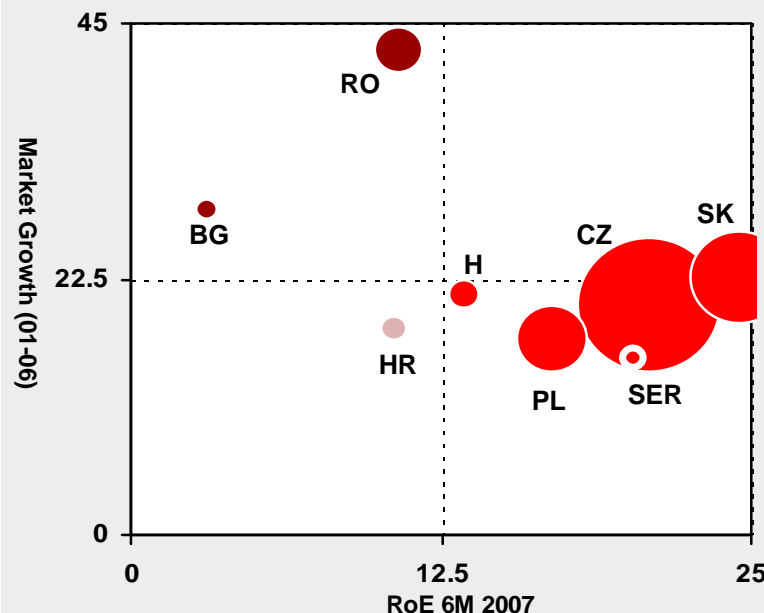
- § Leveraging of local brand names and brand recognition in the context of multi-brand approach
- § Strong local management with in-depth market experience and full discretionary power
- § backed by Group and supervision (re-insurance, actuarial, asset management)

### Criteria

- § Further sustainable distribution access
- § Management skills

## Track Record

- § 2-4 years to reach break-even, accelerated growth of profitability thereafter
- § CEE already contributes 40 percent of premium income and more than 30 percent of Group profits





# Acquisition of Asiom

Strengthening VIIG's no.1 position in dynamic Romanian market

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## Acquisition of Asiom<sup>1</sup>



30 %

### Asiom

- § listed Non-life and Life insurance company with €190mn premium volume in 2006
- § 160 branches, 2,200 employees and nation-wide non-bank distribution system
- § well positioned also in Life
- § Best insurance brand in Romania

## Romanian Insurance Market

Population (mn)	21.6
GDP/Capita	5,463 USD
Penetration	1.7%
Density	94.5 USD
Market Growth (01-06, CAGR)	42.8%

- § market growth in Non-life was 40.7% yoy vs. Life growth by 15.4% YoY in 2006
- § Top-five insurance groups have a total market share of nearly 60% in Q1 2007
- § VIIG had a market share of 17.7% in Q1 2007

Source: SwissRe 04/2007

\* subject to approval of authorities

# VIG Enters two New Promising Markets

Turkey and Albania offer high growth potential

	GDP Growth 2004-2006F <sup>2</sup>	Penetration 2006	Density 2006 (USD)
EU 15	1.7%	9.3%	3,305
Austria	2.0%	6.1%	2,397
CEE <sup>1</sup>	4.2%	3.3%	173
Turkey	7.5%	1.6%	89
Albania	5.5%	0.5%	14

## Turkish market data

Population (mn)	74.2
GDP/Capita	5,431 USD
Market Growth (01-06)	26.7%

- § market growth is driven by non-life business (+17.4% yoy)
- § 84% of insurance business is produced by agents or placed directly with insurers
- § in 2005 EU entry negotiations started with Turkey

## Albanian market data<sup>3</sup>

Population (mn)	3.6
GDP/Capita	2,993 USD
Market Growth (01-06)	8.8%

- § last European insurance market that was de-monopolised
- § market volume of €~36.6mn
- § booming number of contracts, market growth (~+12.0% yoy) is driven by non-life business

# Turkey/Albania Acquisition Details

Ray Sigorta and Sigma

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## Acquisition of Ray Sigorta

TBIH  
(60% owned by VIG)

~75%

### Ray Sigorta

- § listed non-life insurance company with € 136mn premium volume (+30% YoY), market share of roughly 3.3%
- § 530 insurance agents, 220 employees and nationwide distribution system

#### Details of transaction:

- § Price: € 62mn for 58.2% stake
- § after mandatory offer for 22 percent free float TBIH holds ~ 75% stake
- § capital increase for a maximum total amount of € 23mn in 2007 agreed

## Acquisition of Sigma<sup>1</sup>

TBIH  
(60% owned by VIG)

≥ 60%

### Sigma Sh.a

- § founded in 1998, non-life insurance company with € 15mn premium volume in 2006, market share of roughly 18 percent
- § present in Macedonia and Kosovo, overall 25 branch offices as well as agents

#### Details of transaction:

- § Price: € 13mn
- § Purchase agreement signed

<sup>1</sup> The transaction was concluded subject to the approval by the authorities.

# VIG – Distribution Is Key (I)

Multi-brand policy to retain loyalty

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## Multi-brand



## Features

- § VIG is umbrella brand
- § Local companies retain individual brands
- § Strong brand awareness in local markets
- § Retain loyalty of employees and management, customers and local agents with well established brands
- § Sales are local responsibility
- § Basis for multi-channel

Multi-brand & multi-channel differentiate VIG from most of its competitors

# VIG – Distribution is Key (II)

Multi-channel strategy to get access to customers

## Distribution Split

### § Austria

Roughly 30/30/30% split between tied agents/ bank distribution/ brokers etc. in new business

### § CEE

Different from country to country according to market practice and legal regulations

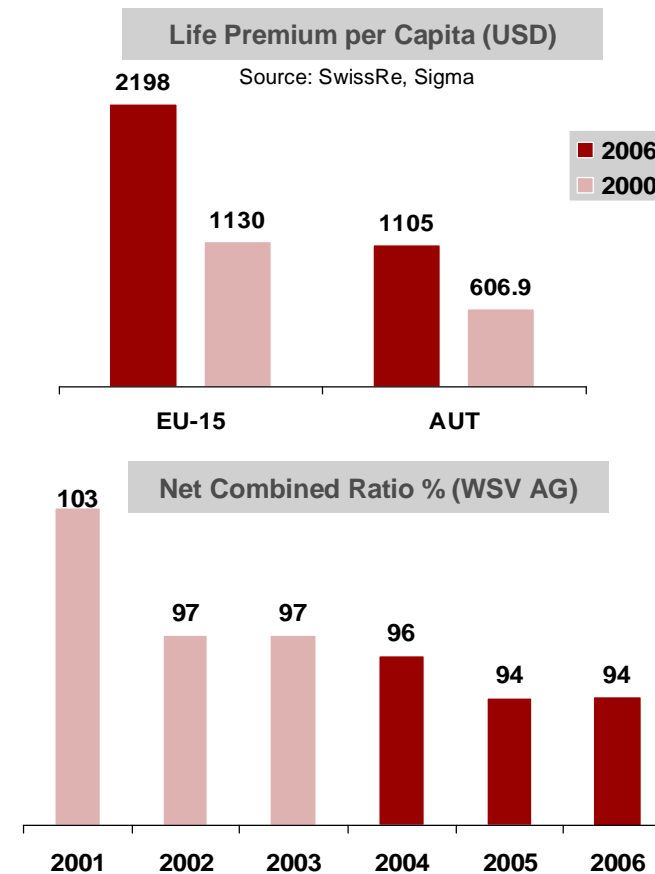
## Strong Multi-Channel Distribution



## Situation in Austria

- § Leading market position in all business lines
  - #1 in property & casualty with 21% market share
  - #1 in life with 23% market share
  - #2 in health with 21% market share
- § Overall market share gains through organic growth
- § Austrian P&C highly profitable with declining C/R
- § Strong growth potential in life insurance: Austria lags behind EU-15 in premium per capita
- § Ongoing reforms of social security system to generate strong demand for life savings and pension products

## Details





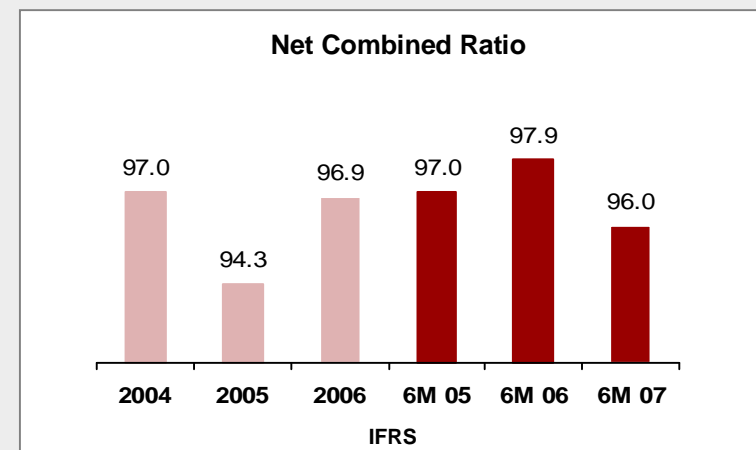
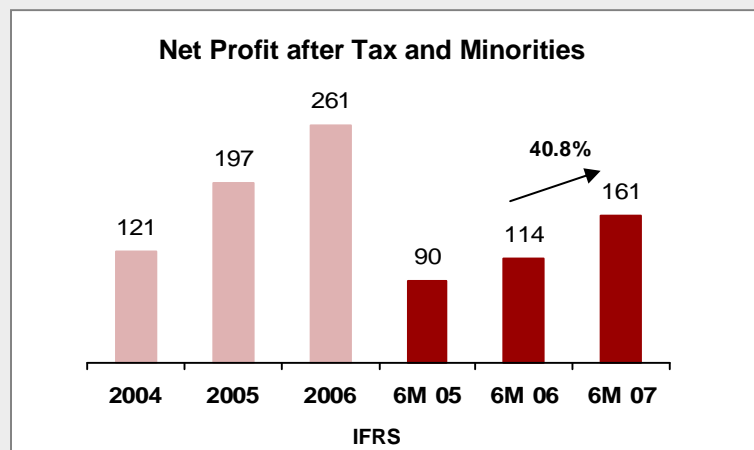
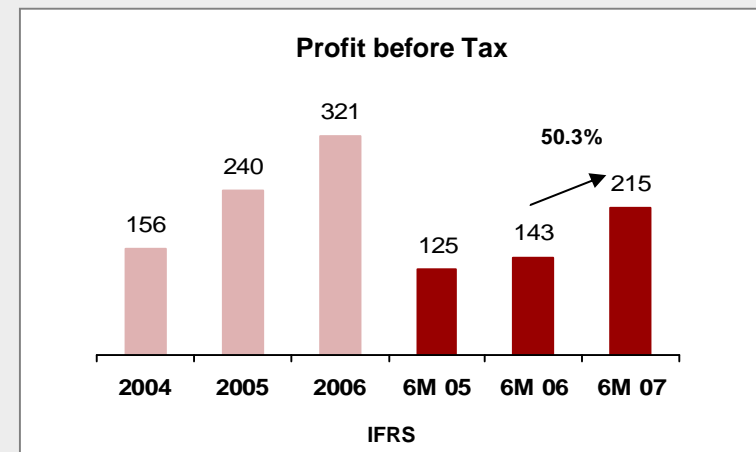
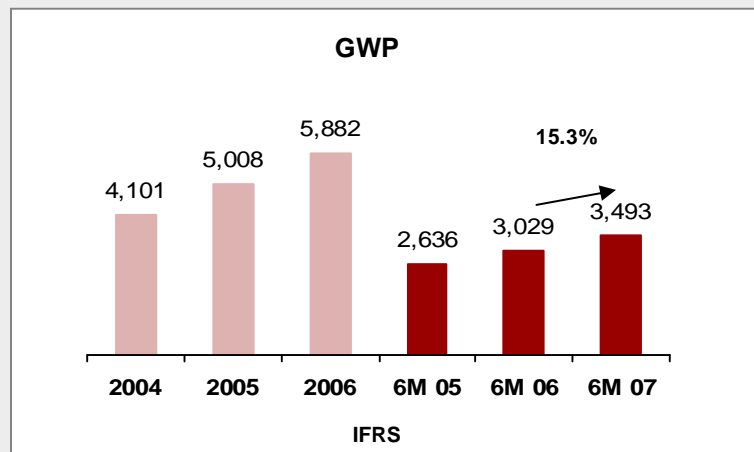
## **Vienna Insurance Group- 6M 2007 results**

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Highlights & Targets

# 6M 2007 Highlights (I)

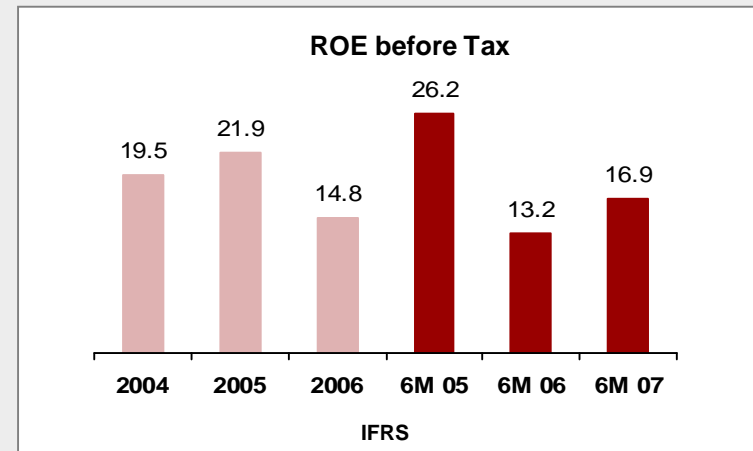
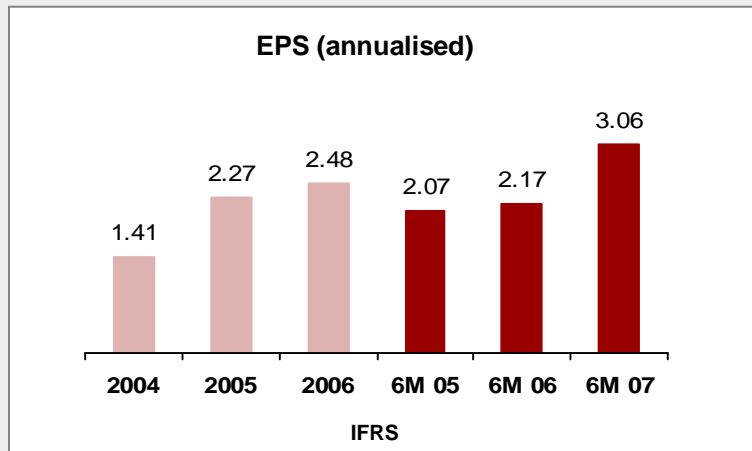
GWP up by 15.3%; profitability rising significantly





# 6M 2007 Highlights (II)

Sound increase in EPS

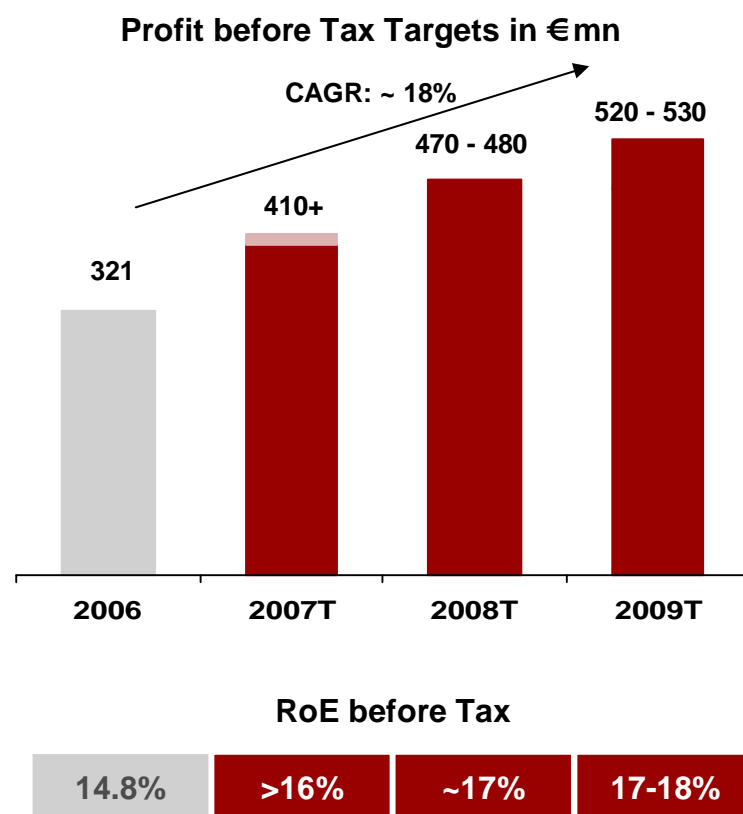


# Financial Targets

Target for 2007 to be exceeded; dividend increase of 25%

## VIG's financial targets

## Comments



- § Based on the 1st HY results the 2007 target of €410mn will be exceeded
- § For the business year 2007 management will propose a dividend of above €1.0 per share, i.e. an increase of 25% as compared to the previous year
- § It is company policy to keep the Combined Ratio well below 100% throughout the business cycles
- § VIG dividend policy is defined as a payout ratio of min. 30% of Group net profit