



VIG – A Top Insurance Player in CEE

**Merrill Lynch Banking & Insurance Conference – London,
7 October 2008**

A Investment proposition

B Growth potential in CEE and Austria

C Exploiting the potential

D Progressing on the path of growth

Investment Proposition at a Glance

VIG set two strategic milestones

Milestone 1

§ VIG is pioneer in CEE; start of expansion in 1990

- “Big fish in a small pond”
- Going east immediately after the fall of the iron curtain due to potential of emerging markets and proximity

Story

§ VIG - Progressing on the path of growth

- Successful track record in exploiting growth potentials
- Continuous expansion of its business areas and geographic regions

Milestone 2

§ VIG – Right time for life

- Acquisition of Erste Bank insurance operations / long term distribution agreement
- VIG strengthens the No. 1 position in Central and Eastern Europe (CEE)¹

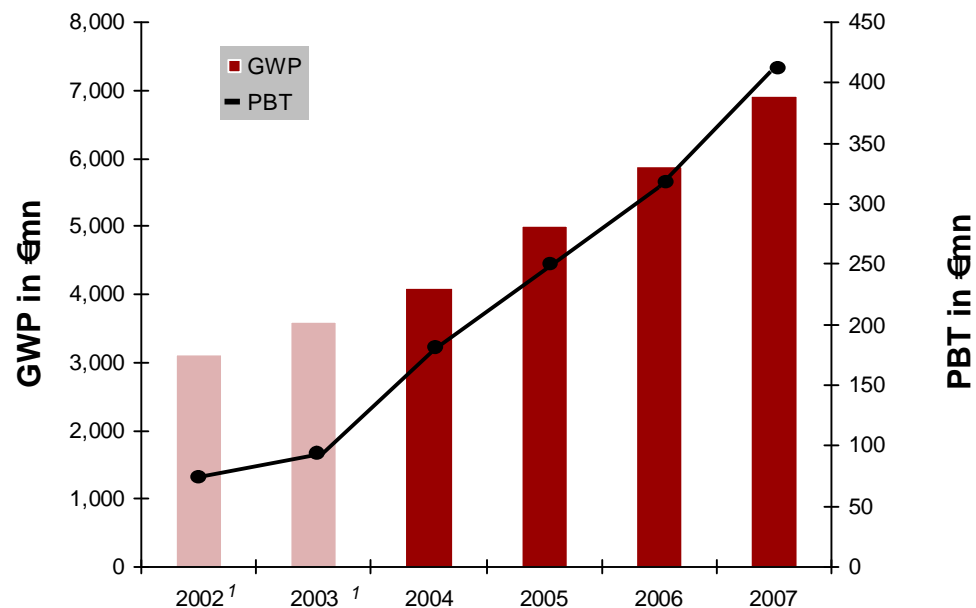
¹ CEE is defined as: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia; interim data for Serbia n.a.

VIG Growth Strategy Delivers

Growth materialises in strong increase in profitability

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VIG's Path of Profitability



Profit before Tax YE 2007: €437mn

1: Figures for 2002 and 2003 according to Austrian Commercial Code, thereafter IFRS

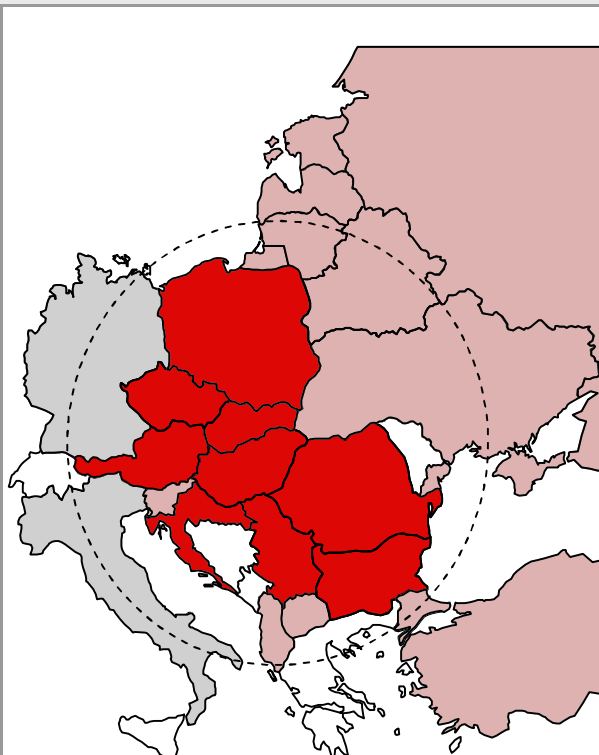
Extensive Track Record

- § VIG is early mover into CEE
- § Entry into new markets at the right point of time when relevant insurance business lines are to take off
- § Clear focus on retail clients
- § Business focus tracking customer demand – now life insurance starting through
- § Steady expansion - 19 acquisitions in 14 countries executed since 2004
- § VIG preparing for take off in life business

Purest CEE Insurance Play

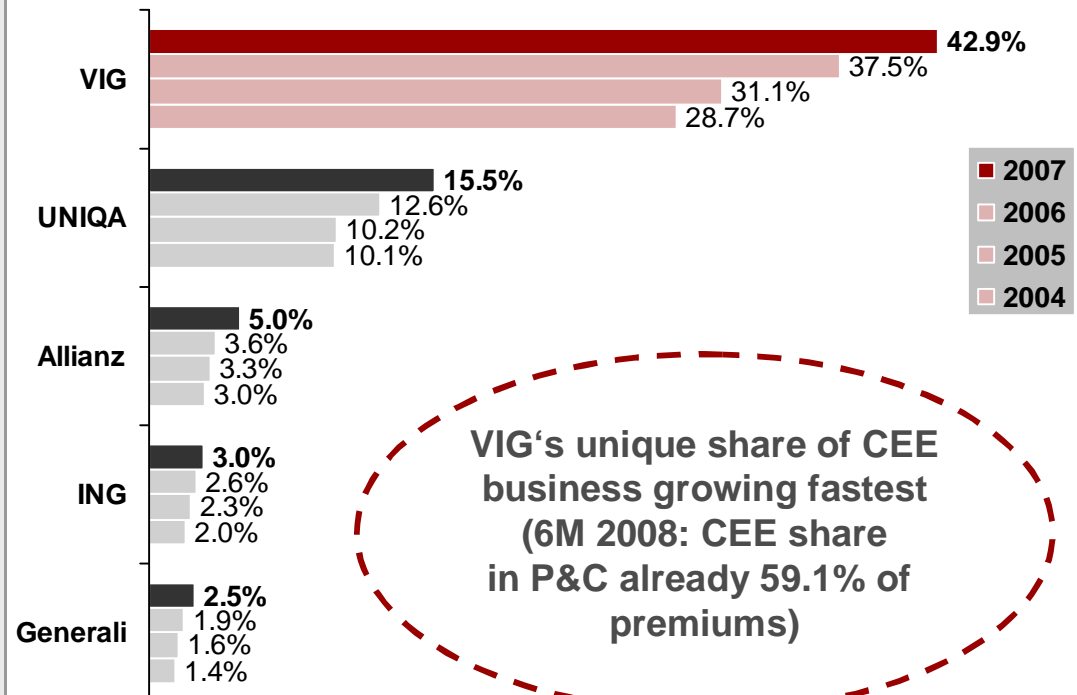
VIG is the only international insurer with 43% of business from CEE

Footprint



● Core Markets

CEE Premiums as % of Total Group Premiums



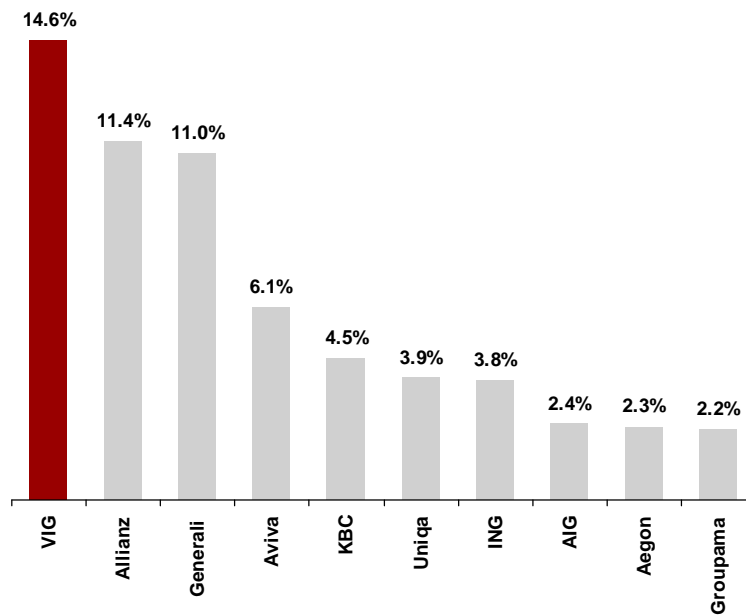
VIG's unique share of CEE business growing fastest (6M 2008: CEE share in P&C already 59.1% of premiums)

Source: publicly available information; excluding Erste Bank insurance operations

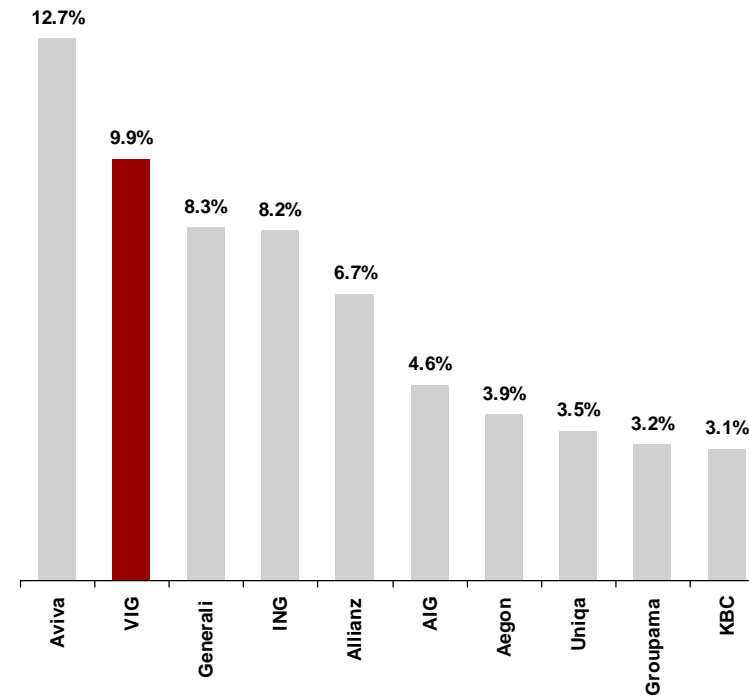
Strengthening No.1 Position in CEE

Taking on leadership in life insurance

Total Market Share in CEE¹



Market Share in CEE¹ Life



Source: National insurance associations of the respective countries as of 3M 2008

¹ CEE is defined as: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia; interim data for Serbia n.a.

Note: All market shares in this presentation are based on industry statistics and define the markets from a production perspective. Please note that this perspective does not necessarily coincide with market definitions used for marketing research purposes, e.g. studies on customer demand, or merger control purposes.

A Investment proposition

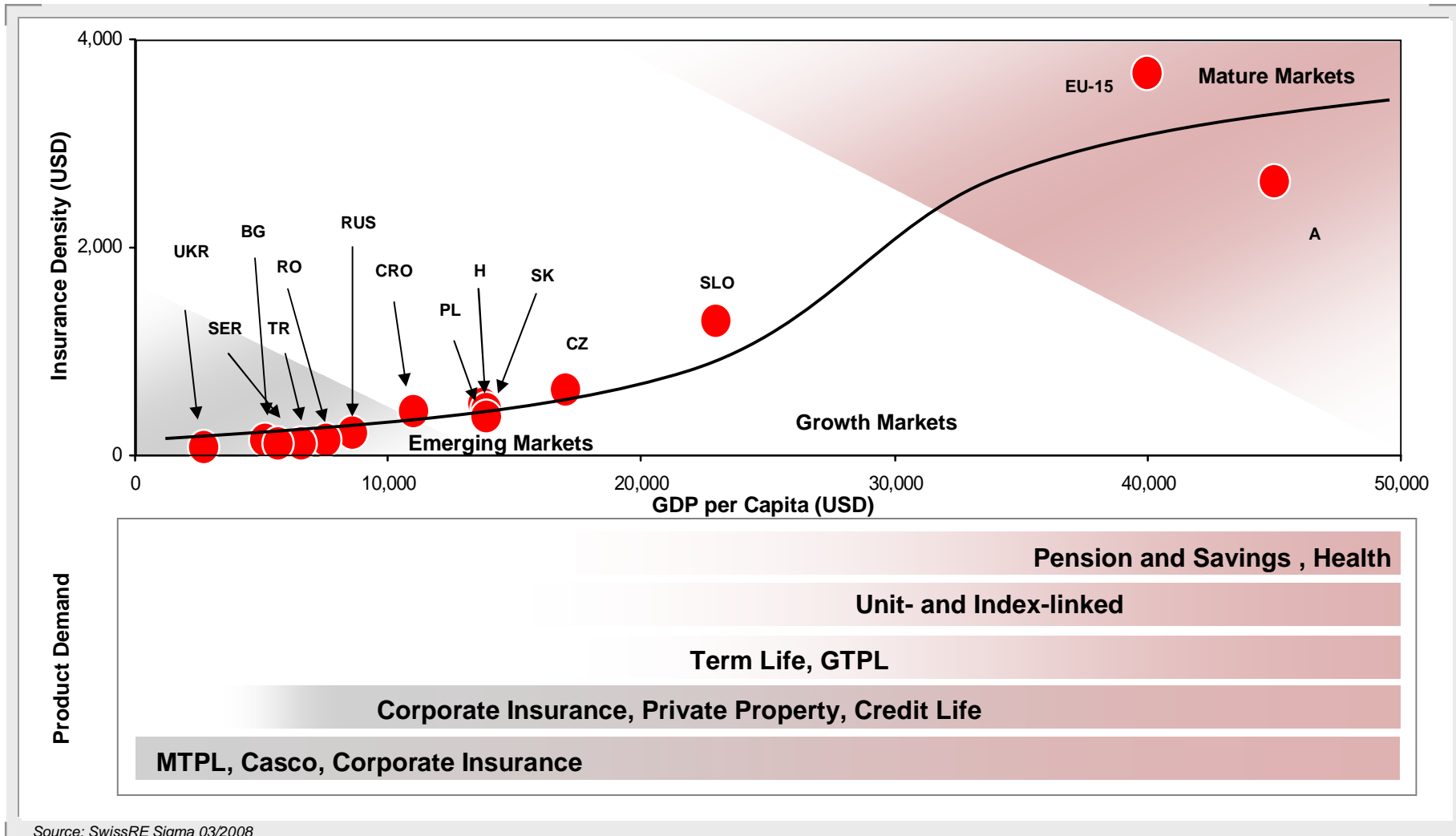
B Growth potential in CEE and Austria

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CEE Region Offers Multiple Growth

Insurance density and product demand correlate with GDP growth

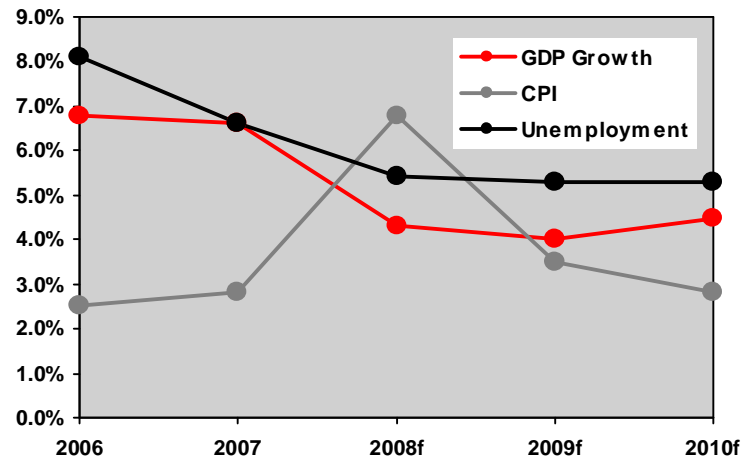


Source: SwissRE Sigma 03/2008

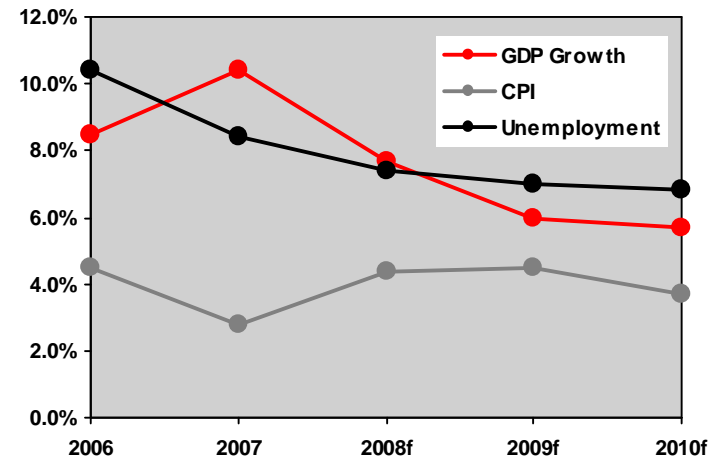
Macro Environment in CEE Countries

CEE growth to outperform EU levels

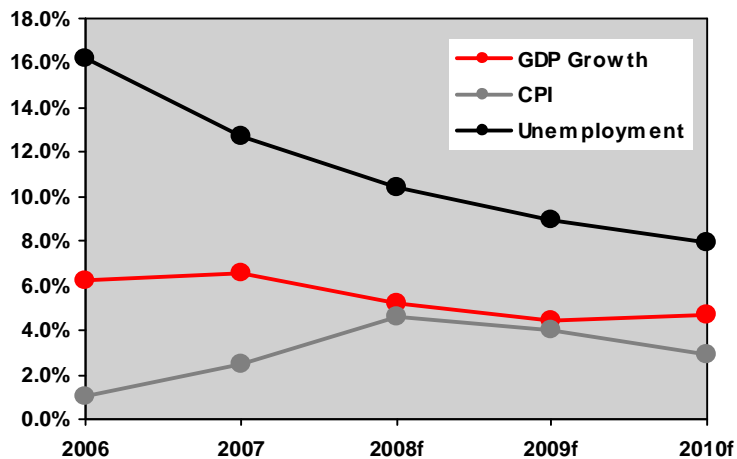
Czech Republic



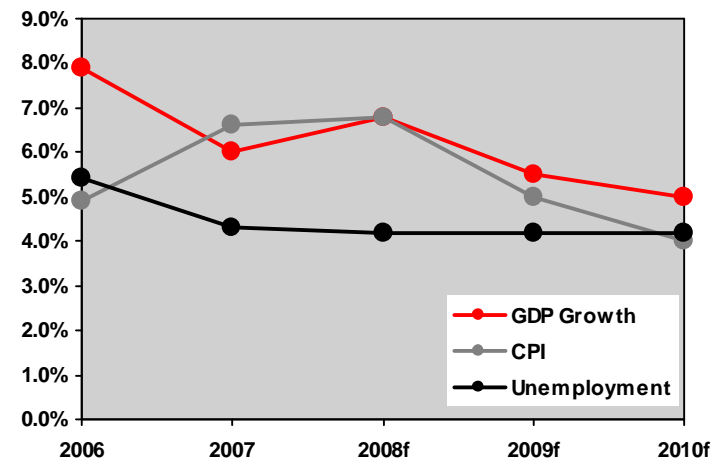
Slovakia



Poland



Romania

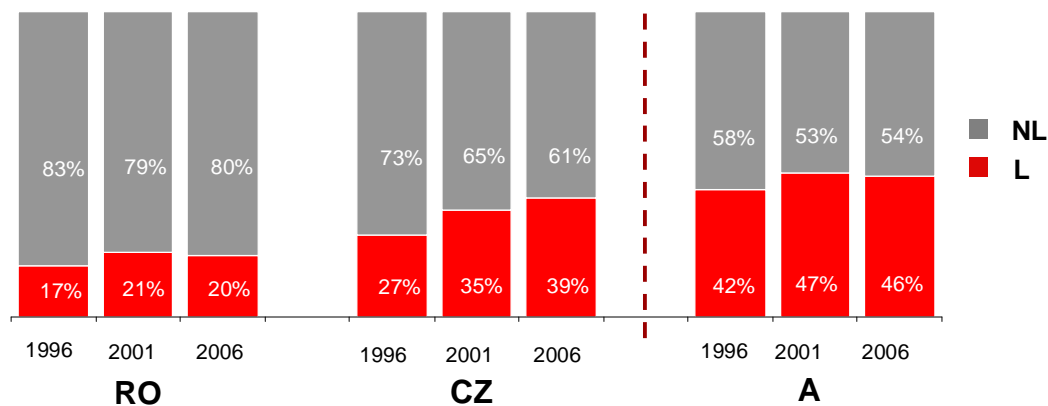


1: Source: Unicredit Group: CEE Quarterly Q3 2008

Now is the Time for Life Business

Banking distribution is key for harvesting CEE life potential

CEE Insurance Markets¹

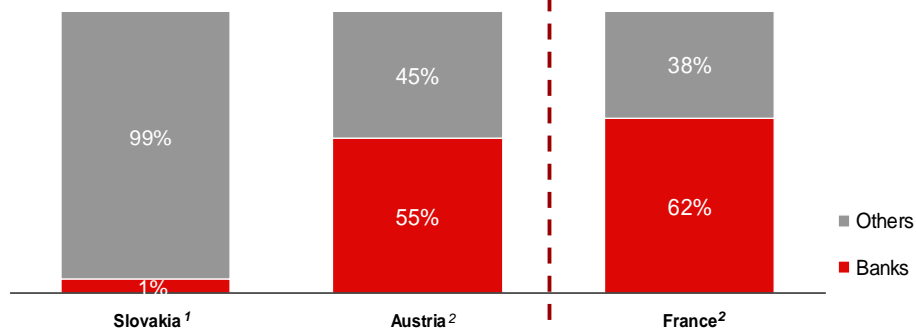


Comments

- § Life gaining importance in mature markets
- § In EU-15 about 2/3 of insurance market is life business

¹ Source: Swiss RE Sigma 04/1998; 06/2002; 04/2007

Distribution of Life Products



Comments

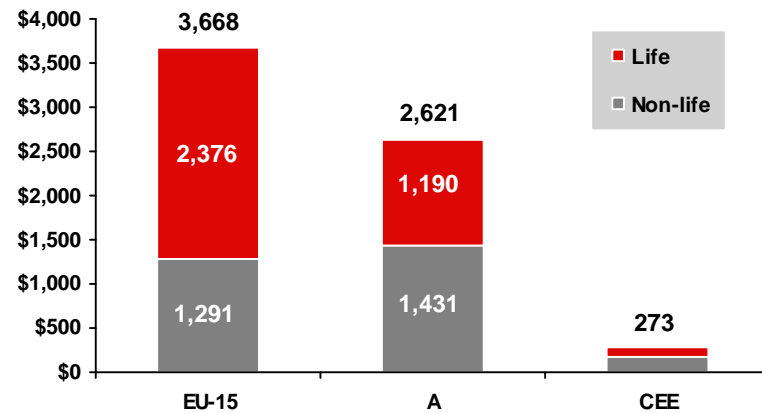
- § In Western Europe the major part of life products is distributed via bancassurance

¹: CEA Statistics N 29, ²: Oliver Wyman 03/2008

The Austrian Case

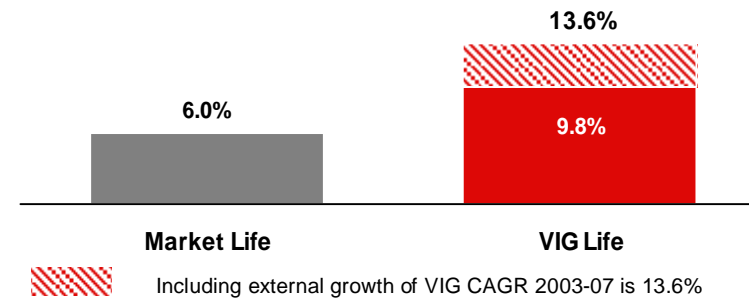
VIG capitalises on catch-up potential in life insurance

Life Insurance Density is low in Austria



- § Austria is a largely mature market
- § Still strong growth potential in life: Austria lags behind EU-15 in premium per capita

VIG capitalises on Life Insurance Growth



- § Ongoing reforms of social security system to generate strong demand for life savings and pension products
- § VIG has been growing faster than the market

Life insurance business in Austria is expected to deliver sustainable growth going forward

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Acquisition of s Versicherung

A deal to reap CEE life growth potential

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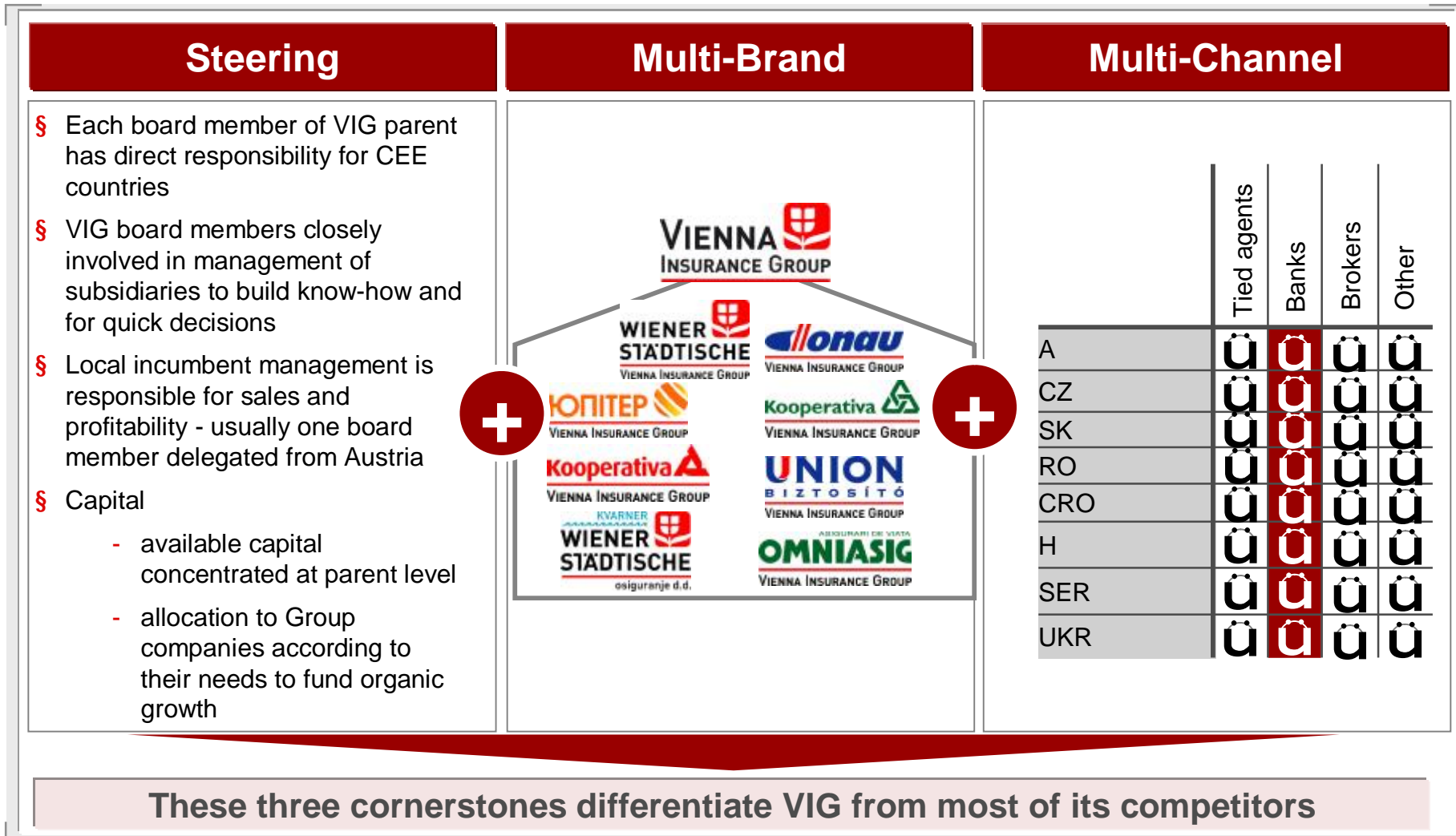
Erste Bank Strengths

- § Largest retail bank in the CEE region
- § More than 16mn customers and 2,900 branches
- § Present in nearly all existing core markets, home market of 120mn people
- § s Versicherung already integrated in Erste Bank IT systems – easy data handling
- § Existing P&C cooperation

- § VIG successfully diversifies its distribution channels in core markets
- § Erste Bank's distribution system is a perfect fit for VIG
- § Acquisition of insurance operations leads to a better diversification in the business mix
- § Preferred partnership for sale of life, non-life and health products Erste Bank targets strong increase in its penetration of retail clients with insurance products
- § Long-term agreement: 15 years plus renewal for 10 years

VIG Management Approach

Success in CEE is based on three cornerstones



Group Wide Performance Initiatives

Measures to enhance future performance

Shared services concept within
each country



Rollout of Group IT



Group reinsurance company



Group underwriting platform for
corporate clients

Efficiency



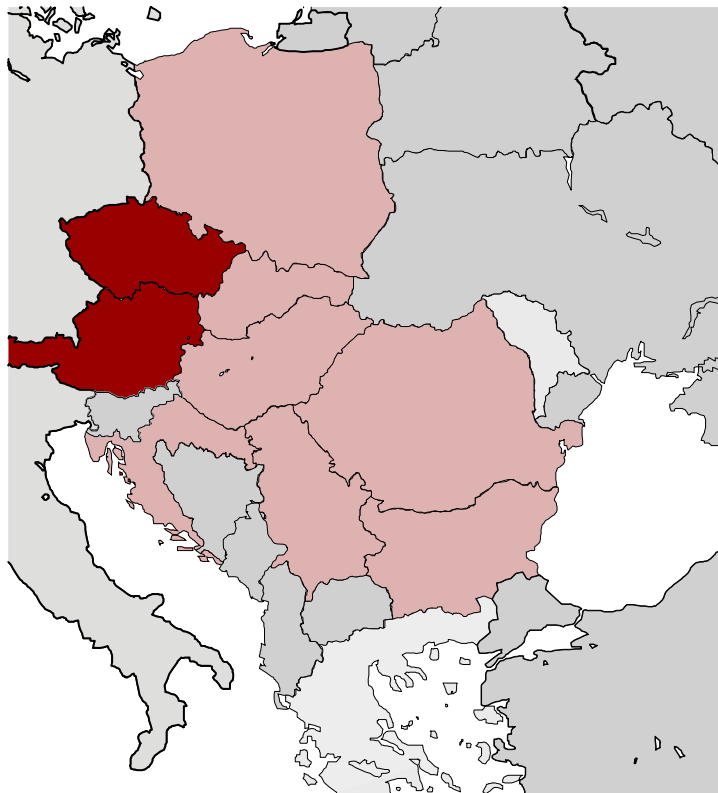
Business Growth

Measures to Enhance Performance (I)

Long-term process to enhance operational efficiency

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IT Restructuring in VIG



● New rollout plan for 2008-2010

VIG IT Strategy

2008

§ Fast expansion of VIG resulted in higher Group IT complexity:

- 23 countries, 20 currencies, 21 languages
- 45 companies with individual organisation

§ One integrated Group insurance IT system

§ Modular roll-out plan for 2008-2010 to 21 companies in 7 countries to assure appropriate IT standard within Group

§ Interim systems harmonized to 2 legacy systems

2012

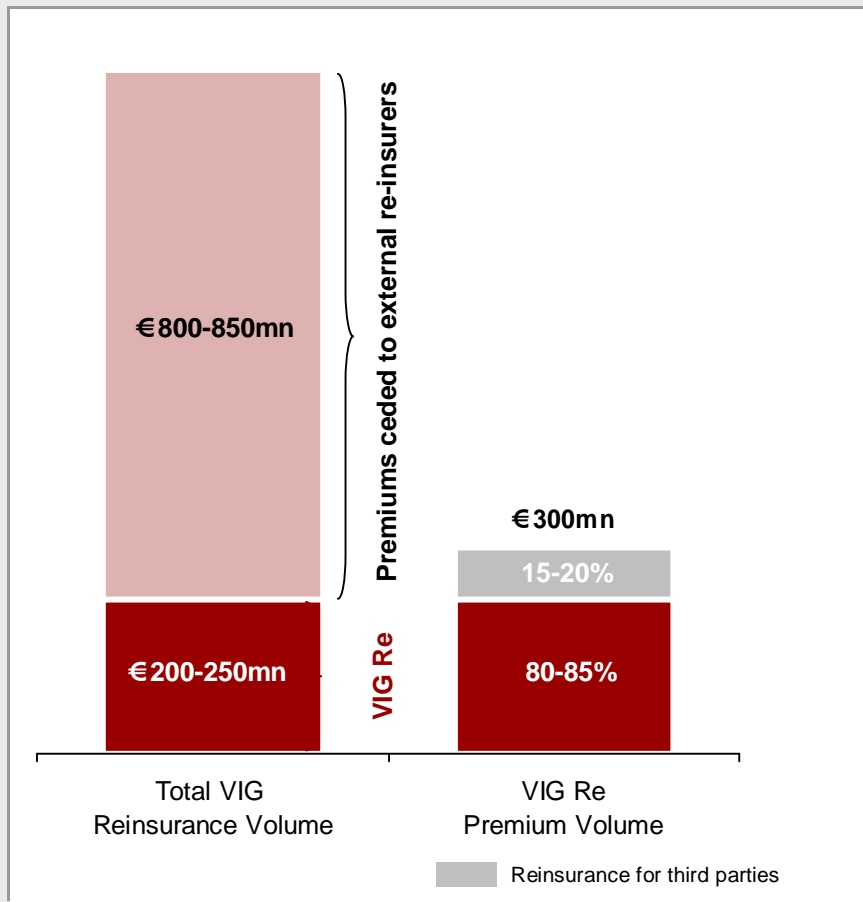
Set the basis for long-term cost containment and product development

Measures to Enhance Performance (II)

Set-up of a CEE reinsurance company

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VIG Re – 3 Year Business Plan



Key Considerations

- § Levering longstanding market knowledge and strong CEE footprint – incorporated in Czech Republic
- § Pooling of VIG reinsurance volume in order to avoid inefficiencies
- § VIG Re to cover only moderate insurance risks, e.g. no exposure to natural disasters
- § Premium volume of about € 300mn expected by 2011
- § Equity of € 100mn – RoE of ~20% after 3 years

Measures to Enhance Performance (III)

VIU – Group platform for multinational corporates

Vienna International Underwriters



**One
global brand
for corporate
clients**

**Cost efficient
Group
network to
increase local
business**

**Tailor-made
transnational
solutions for
corporate
clients**

**Efficient use
of VIG's re-
insurance
capacity**

Building of a global brand for better recognition and to ensure best-practice approach and know-how transfer among Group members

Features

- § Increasing demand for insurance solutions for large corporate clients in CEE
- § Target group are Top 250 corporate clients in CEE countries
- § Focus on property insurance
- § Underwriting guidelines include:
 - Measurement and evaluation
 - Risk exposure monitoring
- § Distribution of services in close cooperation with qualified insurance brokers
- § Own underwriting academy planned

A **VIG on a steady path of growth**

B **Growth potential in CEE and Austria**

C **Exploiting the potential**

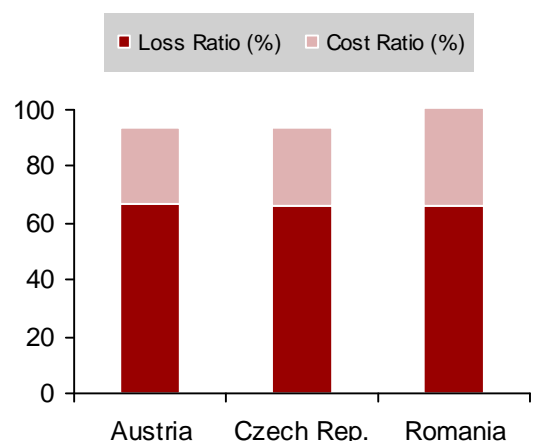
D **Progressing on the path of growth**

Profit Drivers in CEE

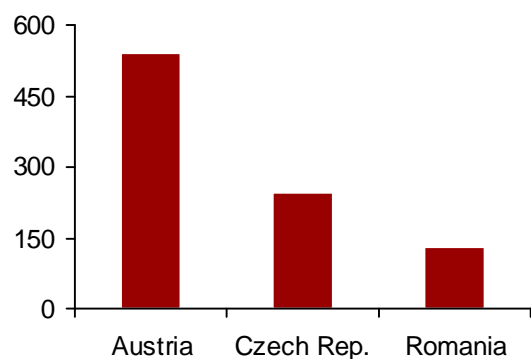
Creating value from cost ratio, investment income and reinsurance

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Earnings Potential



Mathematical reserves in % of NEP (%)



Comments

§ Decrease in cost ratio

- economies of scale in less advanced markets
- cost reduction programmes in advanced markets
- shared services

§ Investment income from reserves

- long-term building up of reserves
- long tail products gaining weight (GTPL)
- going forward life business will create major reserves

§ Reinsurance

- increasing risk bearing capacity of growing Group companies
- creation of Group wide reinsurance cover packages (e.g. NatCat)

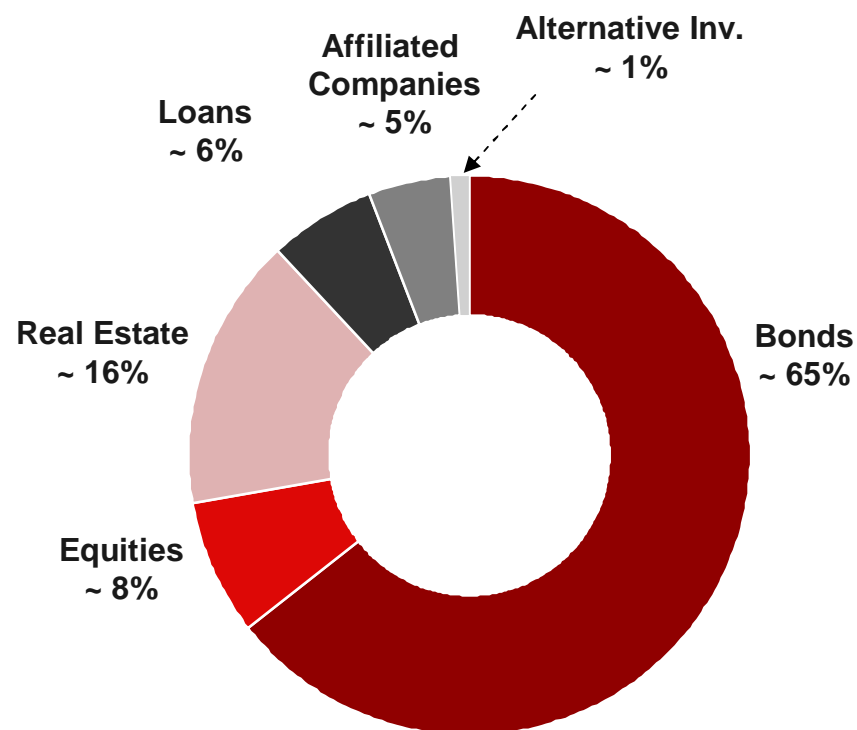
6M 2008 Investment Split

Prudent investment policy paying off

Investment Policy

- § VIG follows a conservative investment policy throughout market cycles
- § VIG has no US-subprime investments
- § VIG has no investments in monolines or CDOs
- § Total exposure to the structured credit market is less than 0.5% of total investments

Portfolio Overview



6M 2008 Total: EUR 18,625mn

Financial Outlook

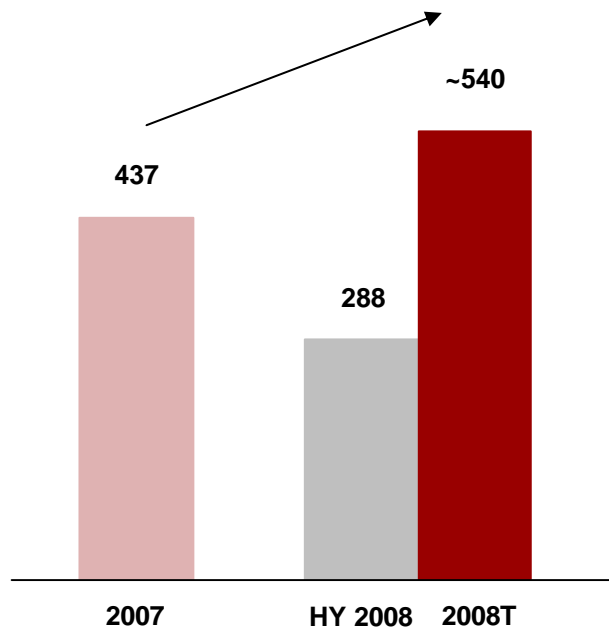
Year end 2008

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VIG's Financial Outlook

Comments

Profit before tax target in €mn



- It is company philosophy to keep the Combined Ratio well below 100% throughout the business cycle
- VIG dividend policy is defined as a payout ratio of min. 30% of Group net profit

VIG - Progressing on the Path of Growth

VIG outperformed own commitments

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Undertaking Three Years Ago

- § Expansion of its position in Austria
- § Expansion of CEE business through acquisitions and organic growth
- § Become top 5 insurer in core markets
 - Benefit from multiple growth drivers of GDP, insurance (penetration/density) and wealth composition
- § Improve geographical diversification
- § Increase of profitability

Position Today

- § Increased market share in Austria by more than 3% pts – VIG no. 1
- § CEE premium volume doubled
- § Ongoing expansion
- § Among top 5 insurers in nearly all core markets, top 3 position reached in 5 core markets
- § Share of Other CEE markets (incl. PL & RO) has overtaken Czech Republic and Slovakia, PL third largest market, RO third largest non-life market
- § EPS boosted despite SPO