



## **VIG – The CEE Insurance Play**

---

Sal. Oppenheim European Financials Conference – Zurich,  
19 November 2008

**A** Investment proposition

**B** Growth potential in CEE and Austria

**C** Value creation

**D** Progressing on the path of growth

# Investment Proposition at a Glance

VIG set two strategic milestones

A 3

Milestone 1

## § VIG - 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

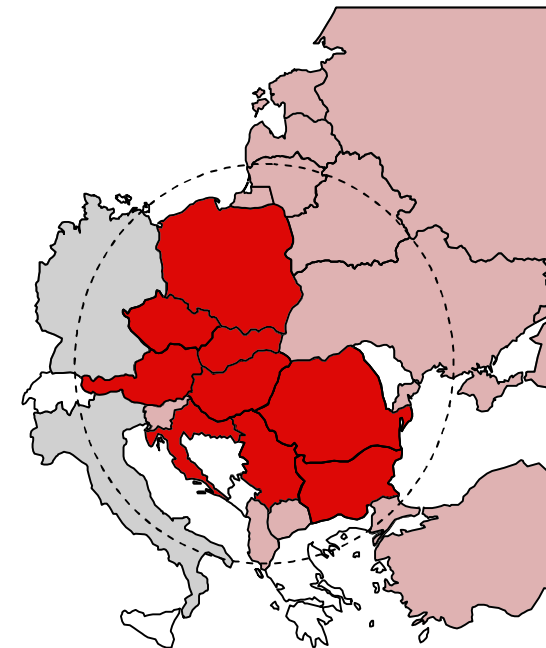
- Successful track record in exploiting growth potentials
- Continuous expansion of its business areas and geographic regions
- 13.3% market share in CEE<sup>1</sup> – clear no. 1

Milestone 2

## § VIG - Accelerating in life

- Long-term distribution agreement / acquisition of Erste Bank insurance operations
- VIG is already among top life insurers
- Taking on leadership in life insurance

## Footprint



● Core Markets

§ YE 2007: CEE share already 43% of premiums

1: CEE is defined as: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia

**A** Investment proposition

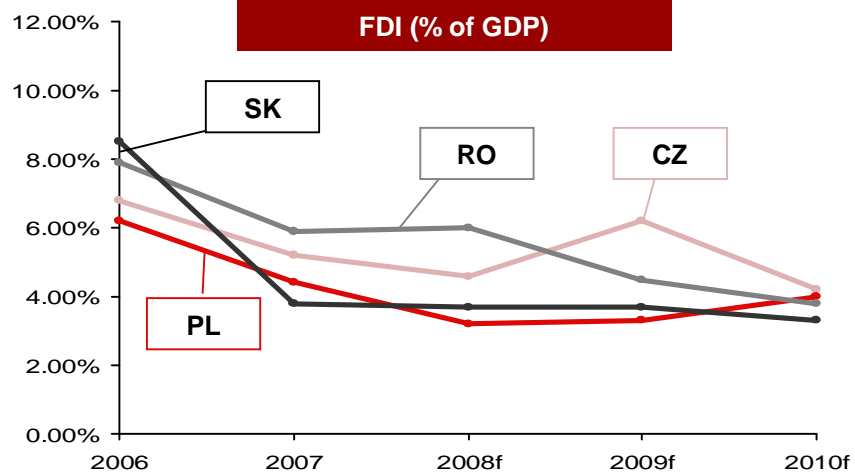
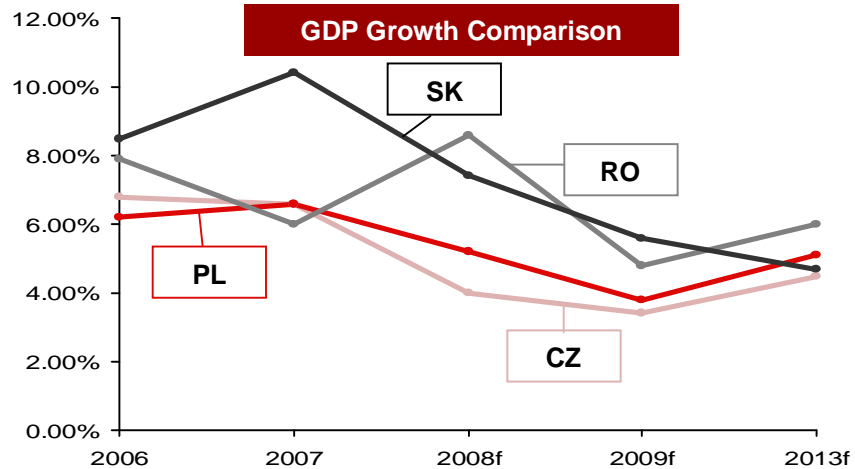
**B** Growth potential in CEE and Austria

**C** Value creation

**D** Progressing on the path of growth

# Macro Environment in CEE Countries

Recent forecasts confirm: CEE growth to outperform EU-15 levels



Source: Real GDP growth: IMF World Economic Outlook; FDI: Unicredit Group CEE Quarterly Q4 2008

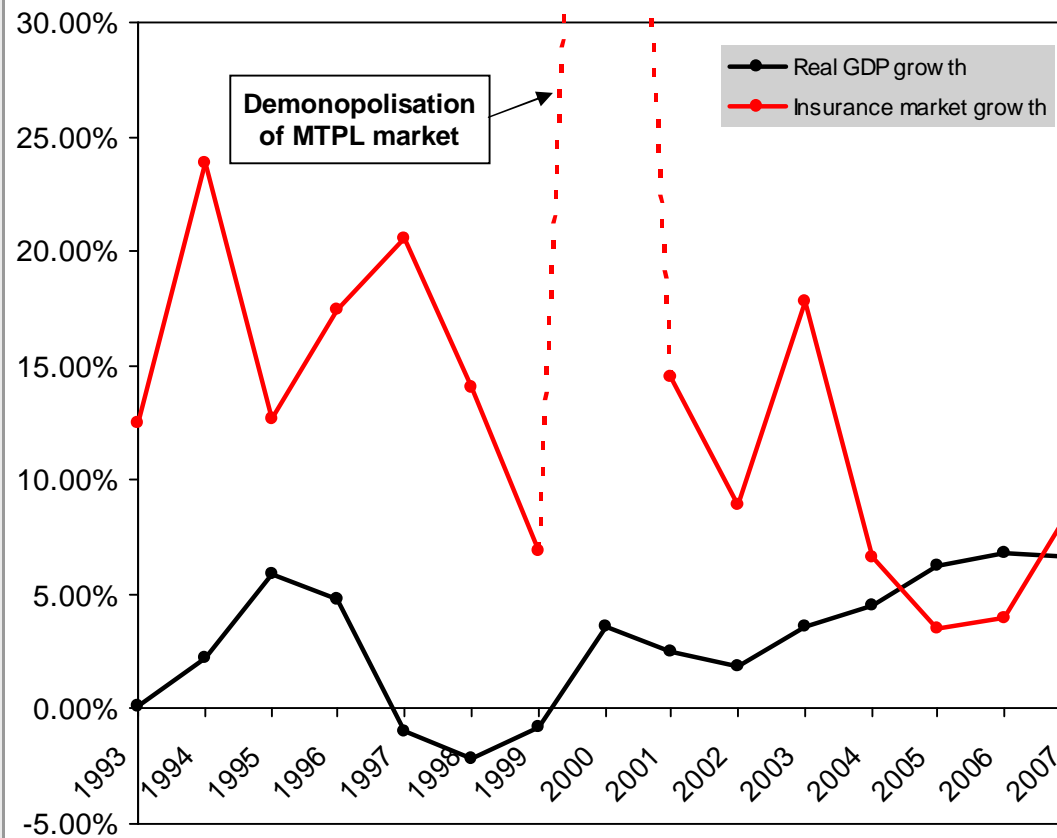
## Comments

- § Latest revised GDP growth projections by European commission for VIG CEE core markets (except Hungary) still at 3.5 – 5.0%
- § FDI into CEE to be maintained as largely influenced by dedicated EU funds for infrastructure and defined economic sectors
- § Local insurance premiums are invested in local assets – natural hedge

# Czech Insurance Demand History

Strong demand for insurance also when economy was weak

## Real GDP Growth vs. Insurance Market Growth<sup>1</sup>



## Comments

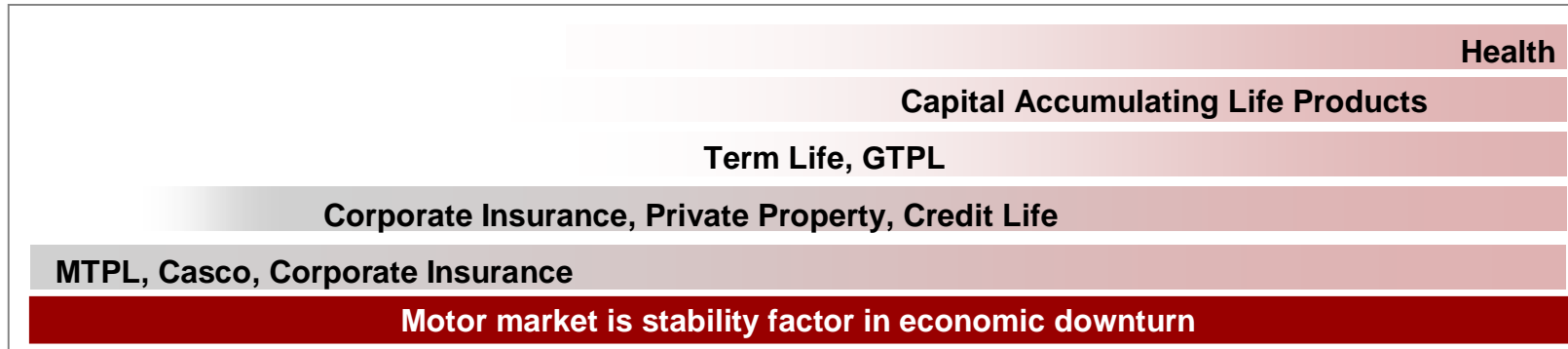
- § Czech Republic showed sound insurance demand even in times of economic recession in the late 90ies
- § Corporate business was stable – e.g. fire policies not cancelled
- § Upcoming SME sector with need for new insurance packages
- § Motor TPL is major stability factor
- § 2005/06: after EU entry of CZ, fronting business lost to international programmes
- § Most CEE markets still largely dominated by motor business which is stable factor in economic downturn

<sup>1</sup> Source: GDP growth: IMF World Economic Outlook; Insurance market growth: Axco

# Insurance Demand Cycle

Historic experience of insurance development

Product Demand



## Austrian Insurance Market

Year	Market Volume (EUR bn)	Penetration (%)	Density (EUR)	GDP/Capita (EUR)
1967	0.59	2.8%	79	2,813
1978	2.41	3.8%	318	8,329
1982	3.44	4.1%	454	11,140
2000	11.68	5.7%	1,440	25,486

Annotations: Market Volume 1967 to 1982: x 1.5; Market Volume 1982 to 2000: x 3.2; Penetration 1967 to 1982: x 1.5; Penetration 1982 to 2000: x 3.2

## CEE Insurance Markets in 2007

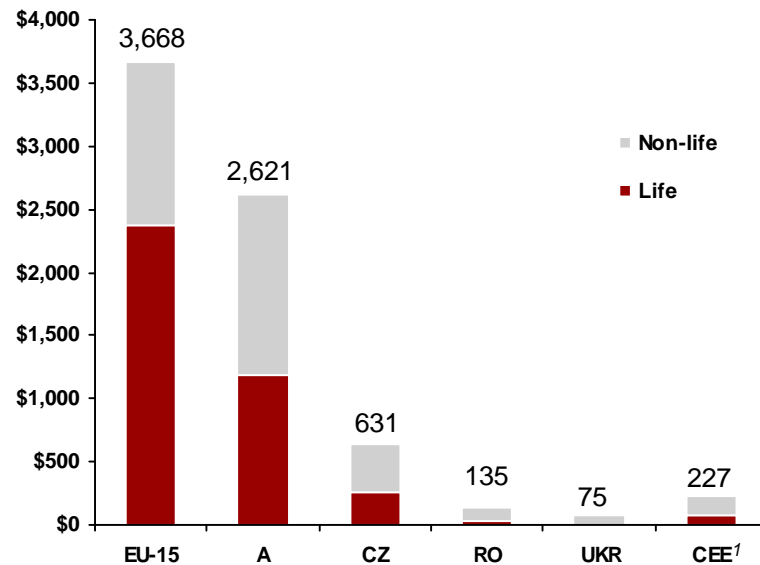
	Penetration (%)	Density (EUR)	GDP/Capita (EUR)
Ukraine	2.7%	55	1,990
Serbia	1.8%	76	4,141
Turkey	1.7%	81	6,391
Romania	1.8%	99	5,674
Bulgaria	2.7%	102	3,802
Croatia	3.3%	268	8,150
Poland	3.7%	301	8,088
Slovakia	3.1%	317	10,153
Hungary	3.5%	358	10,008
Czech Rep.	3.7%	461	12,562

Source: VVO, Erste Bank, SwissRe Sigma 03/2008

# Catch-Up Potential in CEE

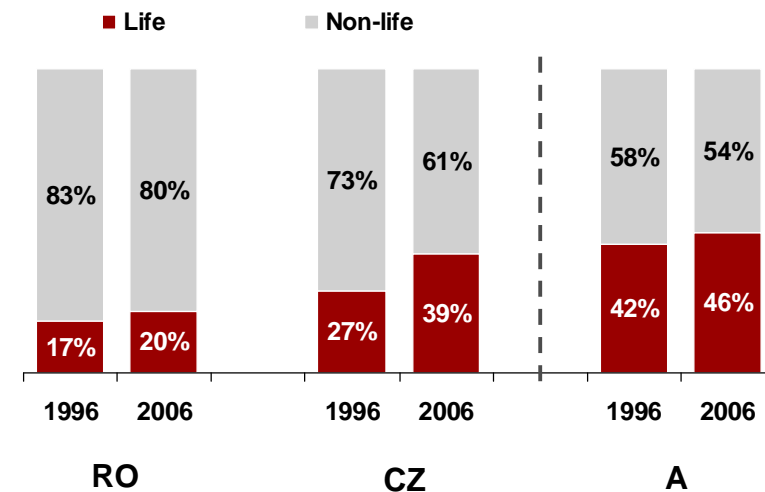
Potential both in Non-life and Life

## Insurance Density 2007



- § VIG core markets still underpenetrated in insurance
- § Genuine demand driven by catch-up process in CEE
- § Still strong growth potential also in Austria mainly in life

## Proportion of NL & L in CEE Markets



- § Life gaining importance in mature markets
- § Strong growth rates in life in immature markets
- § In EU-15 about 2/3 of insurance market is life business
- § In advanced markets major part of life insurance distributed via bancassurance

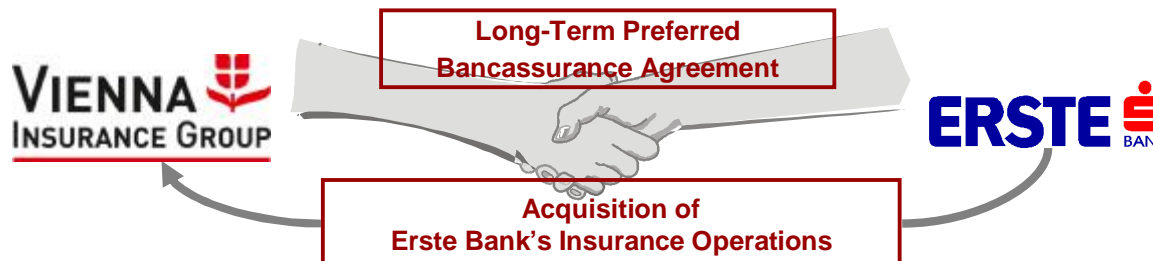
<sup>1</sup>: Weighted average; CEE is defined as Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey and Ukraine

Source: Swiss RE Sigma 04/1998, 04/2007, 3/2008



# Acquisition of s Versicherung

A deal to reap CEE growth potential



- § Long-term agreement: 15 years plus renewal for 10 years
- § VIG successfully diversifies its distribution channels in core markets
- § Erste Bank's distribution system is a perfect fit for VIG
- § Erste Bank targets strong increase in its penetration of retail clients with insurance products

## Erste Bank Strengths

- § Largest retail bank in the CEE region
- § More than 16mn customers and 2,900 branches in home market of 120mn people
- § s Versicherung already integrated in Erste Bank IT systems – easy data handling

- § Local mutual distribution agreements concluded, supporting original business plans for s Versicherung at time of acquisition
- § GWP of s Versicherung Group amounted to € 1.0bn (+33.4%) in 9M 2008; contribution to VIG premium volume in Q3 2008 € 172.9mn
- § Continuous coordination between VIG and Erste Bank management focusing on marketing, sales support, product development and asset management

**Mutuality is the key success factor for the cooperation**

**A** Investment proposition

**B** Growth potential in CEE and Austria

**C** Value creation

**D** Progressing on the path of growth

# VIG Management Approach

Success in CEE is based on three cornerstones

## Steering Approach

- § Each board member of VIG parent has direct responsibility for CEE countries
- § VIG board members closely involved in management of subsidiaries to build up know how and for quick decisions
- § Local incumbent management is responsible for sales and profitability - usually one board member delegated from Austria
- § Capital
  - available capital concentrated at parent level
  - allocation to Group companies according to their needs to fund organic growth

## Multi-Brand



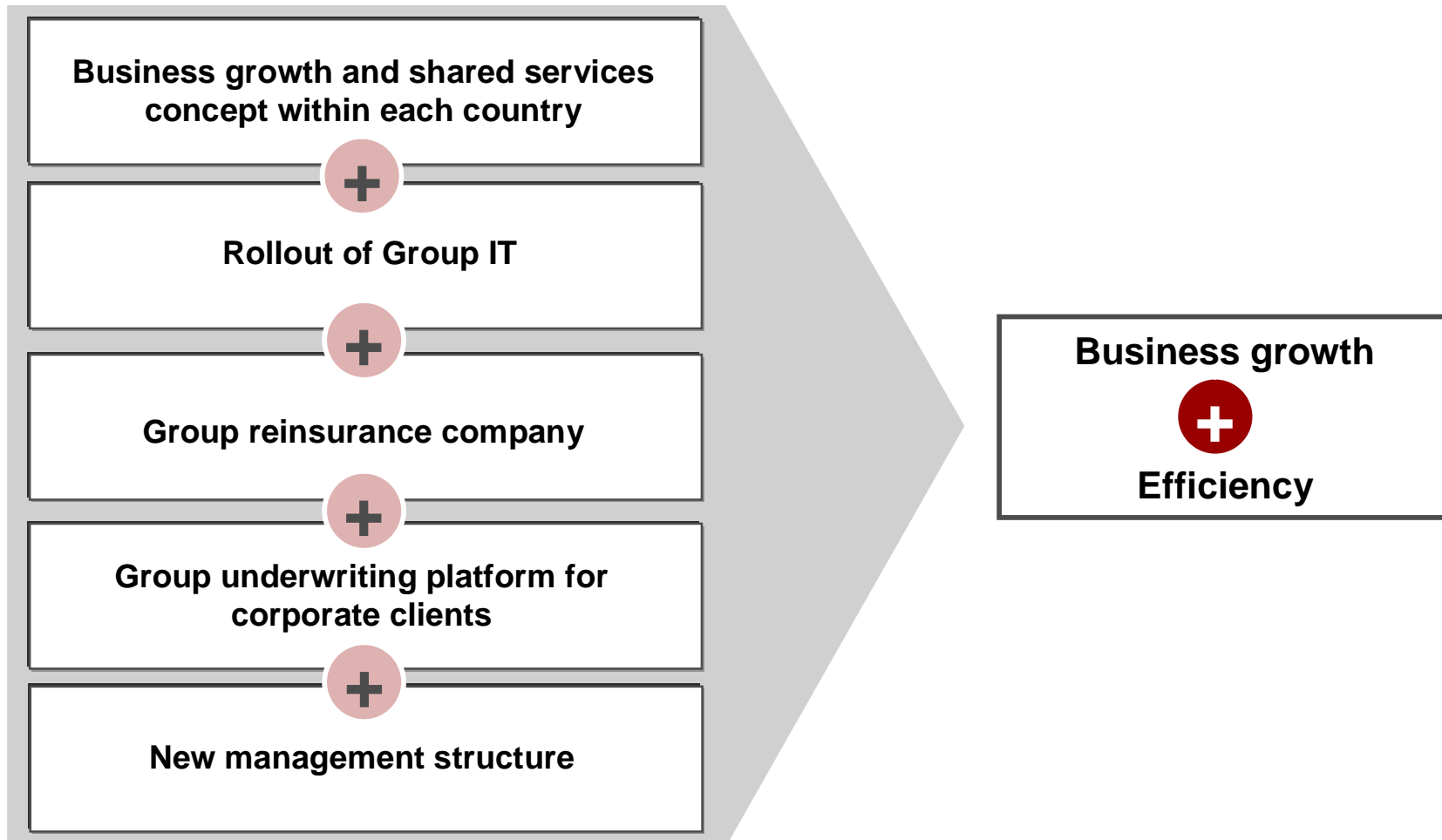
## Multi-Channel

	Tied agents	Banks	Brokers	Other
A	ü	ü	ü	ü
CZ	ü	ü	ü	ü
SK	ü	ü	ü	ü
RO	ü	ü	ü	ü
CRO	ü	ü	ü	ü
H	ü	ü	ü	ü
SER	ü	ü	ü	ü
UKR	ü	ü	ü	ü

These three cornerstones differentiate VIG from most of its competitors

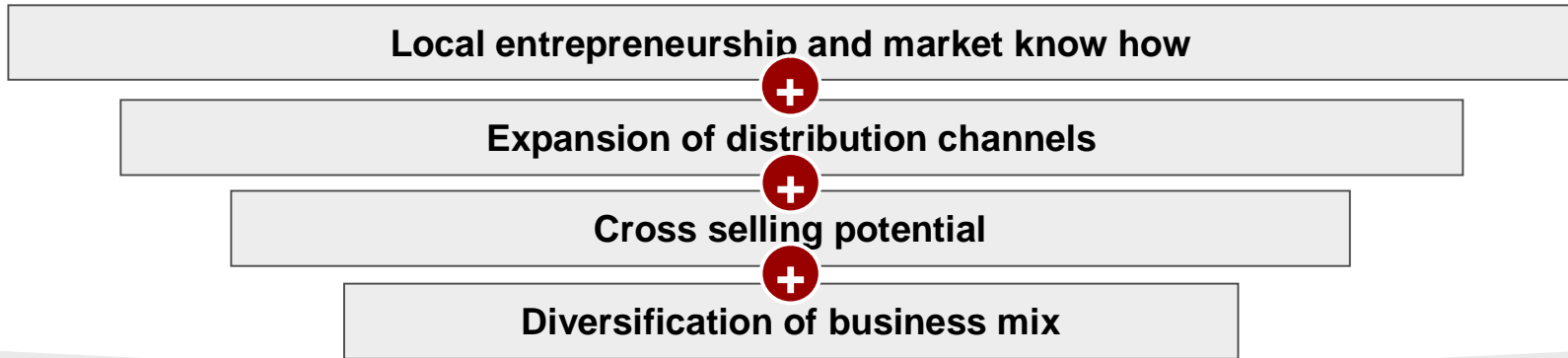
# Group Wide Initiatives

Measures to enhance future performance

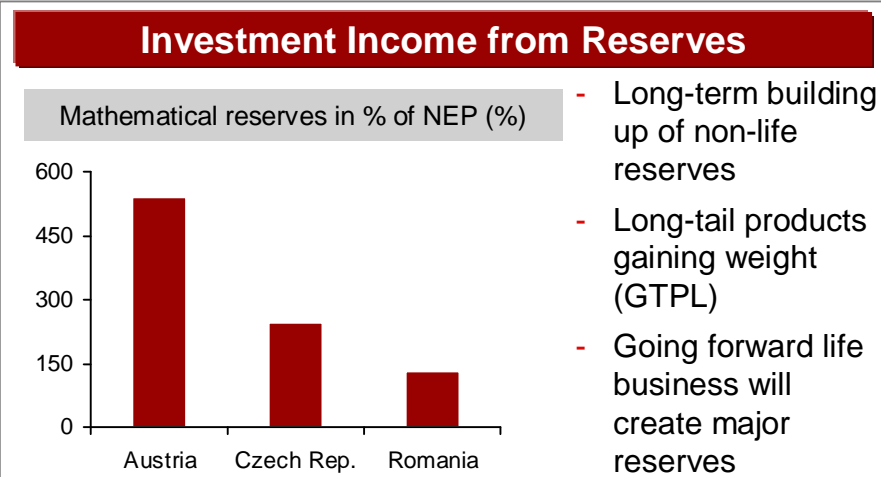
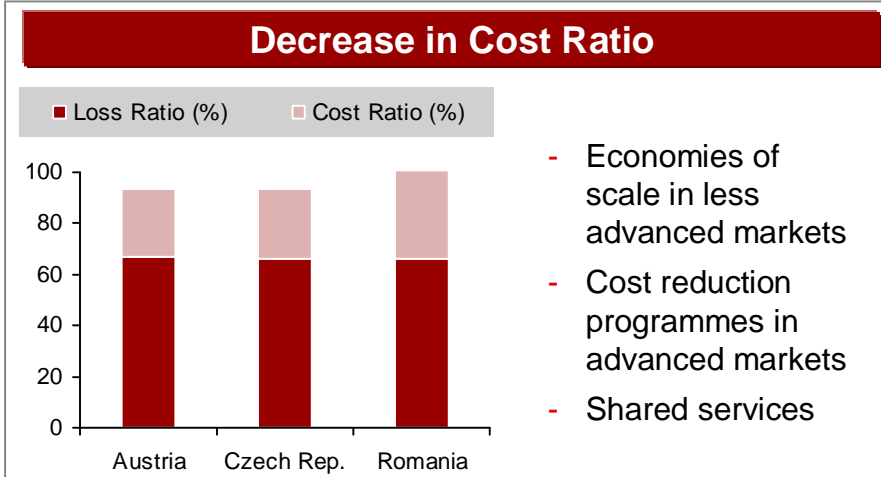


# Value Drivers in CEE

Business growth, cost ratio and investment income



## Value Creation



# VIG – Exploiting the Potential

Building on market shares – tremendous expansion

## Development of Market Shares

Poland	YE 05	YE 07	6M 08 <sup>1</sup>
Total Market	3.2%	5.1%	5.0%

## Development of Premium Volume (€mn)

Poland	YE 05	YE 07	9M 08
Total	74,1	543.1	609.1
TU PZM	1.4	7.4	35.0

Romania	YE 05	YE 07	6M 08 <sup>1</sup>
Total Market	19.5%	27.8%	30.8%

Romania	YE 05	YE 07	9M 08
Total	136.2	413.5	494.8

Ukraine	YE 05	YE 07	3M 08 <sup>2</sup>
Total Market	0.4%	2.6%	3.1%
Motor Market	n.a.	12.5%	12.3%

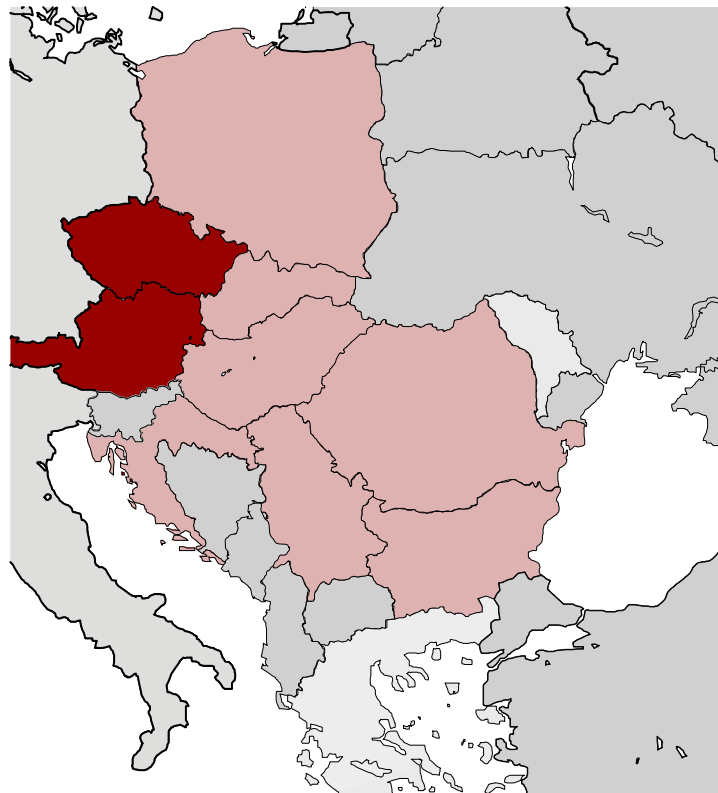
Ukraine	YE 05	YE 07	9M 08
Total	7.0	26.0	33.0

1: 9M 2008 market data not yet available; 2: no later market data available yet

# Measures to Enhance Performance (I)

Long-term process to enhance operational efficiency

## IT Restructuring in VIG



● 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 rollout 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

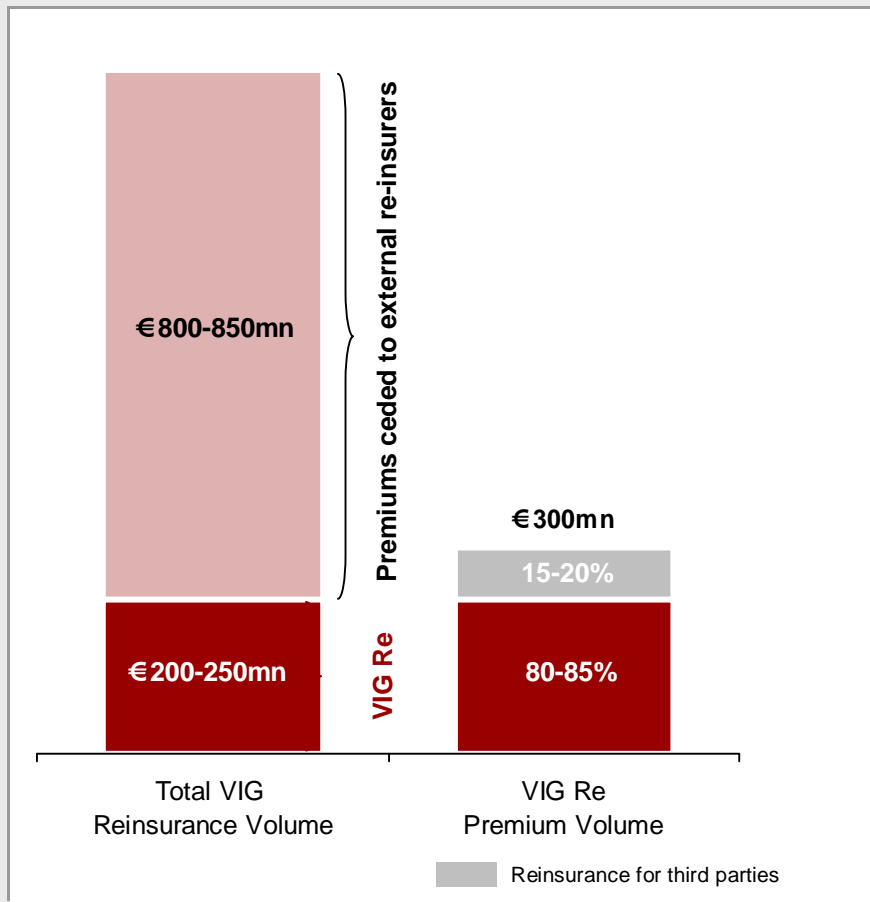
**Set the basis for long-term cost containment and product development**

# Measures to Enhance Performance (II)

## Set-up of a CEE reinsurance company

C 16

### 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

C 17

## Vienna International Underwriters



**One  
global brand for  
corporate clients**

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

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

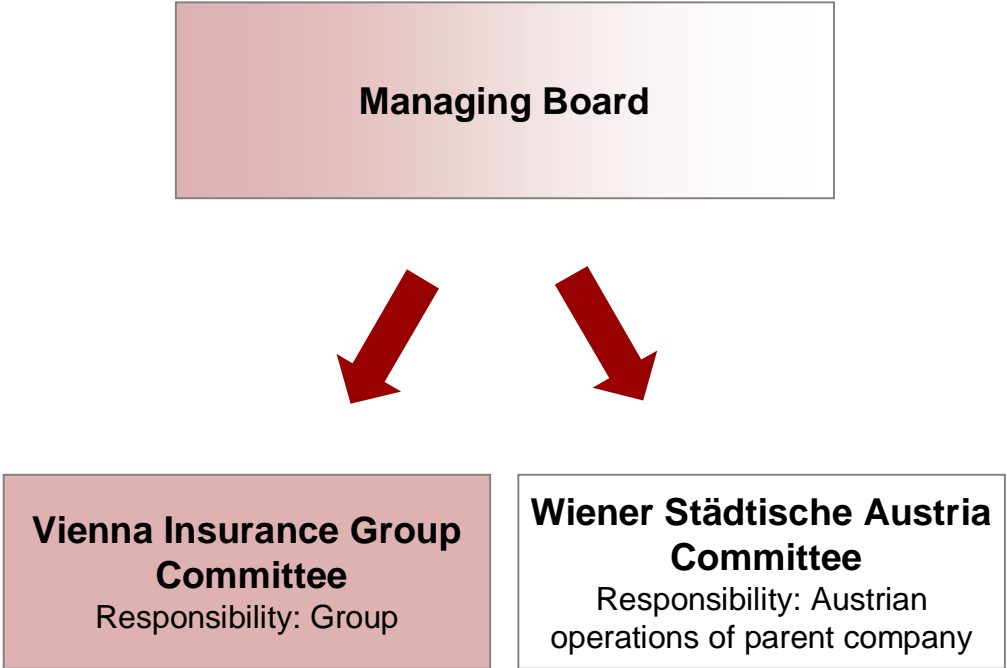
**Building of a global brand for better recognition and to ensure best-practice approach and know how transfer among Group members**

## 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
- § VIU underwriting academy to train staff already launched

# Measures to Enhance Performance (IV)

## New management structure

Management Structure of VIG	Comments
 <p><b>Managing Board</b></p> <p><b>Vienna Insurance Group Committee</b> Responsibility: Group</p> <p><b>Wiener Städtische Austria Committee</b> Responsibility: Austrian operations of parent company</p>	<ul style="list-style-type: none"><li>§ Today VIG is operating in 23 countries with more than 50 companies and about 21,000 employees</li><li>§ Vigorous growth over the past few years requires an amended, future-oriented form of management of the Group</li><li>§ Increase of the managing board by 4 to reach 10 members</li><li>§ Approved by the supervisory board, subject to the approval of the next AGM</li></ul>

**A** Investment proposition

**B** Growth potential in CEE and Austria

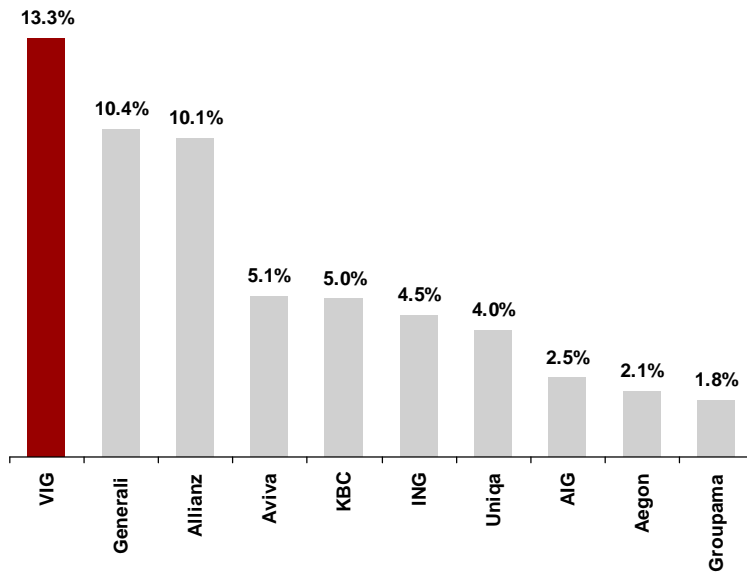
**C** Value creation

**D** Progressing on the path of growth

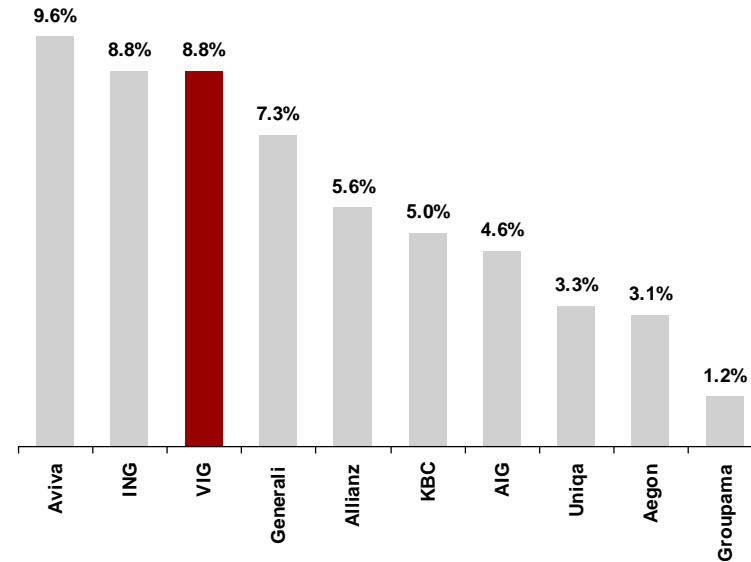
# Strengthening No.1 Position in CEE

Taking on leadership in life insurance

## Total Market Share in CEE<sup>1</sup>



## Market Share in CEE<sup>1</sup> Life



Source: National insurance associations of the respective countries as of 6M 2008

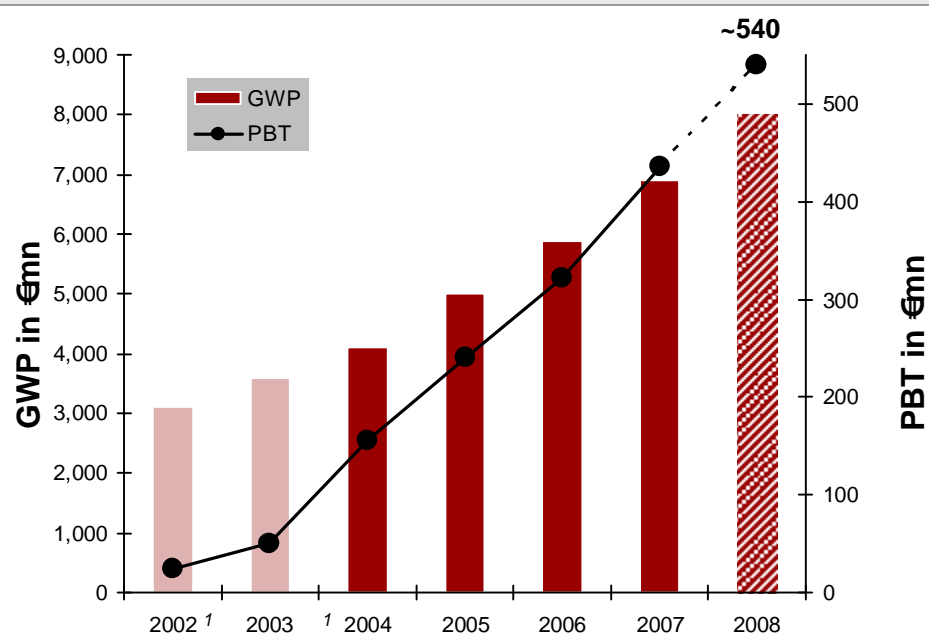
<sup>1</sup> CEE is defined as: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia; interim data for Serbia n.a.

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.

# VIG Growth Strategy Delivers

Growth materialises in strong increase in profitability/outlook

## VIG's Path of Profitability/Outlook



**Profit before tax YE 2007: €437mn**

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

## Comments

- § PBT target of EUR ~ 540mn for year 2008 maintained, subject to further development of capital markets in Q4
- § Management aims to achieve PBT in 2009 at least on the level of 2008 or better provided that capital markets show upturn
- § Shaky situation of capital markets does not allow for firm establishment of medium term targets
- § Unchanged dividend payout of EUR 1.1 per share despite 22% SPO in May 2008

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

# VIG - Progressing on the Path of Growth

## VIG outperformed own commitments

D 22

### Undertakings

- § 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

### Proof

- § 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

# Contact Details



## Investor Relations

F 23

### Vienna Insurance Group

Schottenring 30, 1010 Vienna, Austria

[www.viennainsurancegroup.com](http://www.viennainsurancegroup.com)

Stock exchange listing:	VIENNA / PRAGUE
Ticker symbol:	VIG / VIG
Reuters:	VIGR.VI / VIGR.PR
Bloomberg:	VIG AV / VIG CP

§ **Thomas Schmee**

Tel. +43 (0)50 350 – 21900

[thomas.schmee@vig.com](mailto:thomas.schmee@vig.com)

§ **Nina Higatzberger**

Tel. +43 (0)50 350 - 21920

[nina.higatzberger@vig.com](mailto:nina.higatzberger@vig.com)

§ **Nicolas Mucherl**

Tel. +43 (0)50 350 – 21930

[nicolas.mucherl@vig.com](mailto:nicolas.mucherl@vig.com)

§ **Sabine Pulz (Assistant)**

Tel. +43 (0)50 350 – 21919

[sabine.pulz@vig.com](mailto:sabine.pulz@vig.com)

Fax +43 (0)50 350 99 – 23303 [investor.relations@vig.com](mailto:investor.relations@vig.com)

## IMPORTANT NOTICE

These materials do not constitute or form part, or all, of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities in any jurisdiction in which such solicitation, offer or sale would be unlawful, nor shall part, or all, of these materials form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities.

These materials contain forward-looking statements based on the currently held beliefs and assumptions of the management of WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group (“VIG”), which are expressed in good faith and, in their opinion, reasonable. These statements may be identified by words such as “expectation” or “target” and similar expressions, or by their context. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of VIG, or results of the insurance industry generally, to differ materially from the results, financial condition, performance or achievements express or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements. VIG disclaims any obligation to update these forward-looking statements to reflect future events or developments.