



**V.I.G. – Getting in shape for economic recovery in CEE**

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RCB Institutional Investors Conference, Zürs - 15 April 2010

**A** V.I.G. – a model expansion

**B** Adopting to a changing environment

**C** Distribution is key in insurance

**D** Exploiting potential going forward

## V.I.G. in 1990 – The Big Bang

Leading Austrian position as basis for international growth story

### 1990 – Pioneer in CEE

§ Early mover advantage due to exploiting opportunities offered by underdeveloped insurance markets in CEE

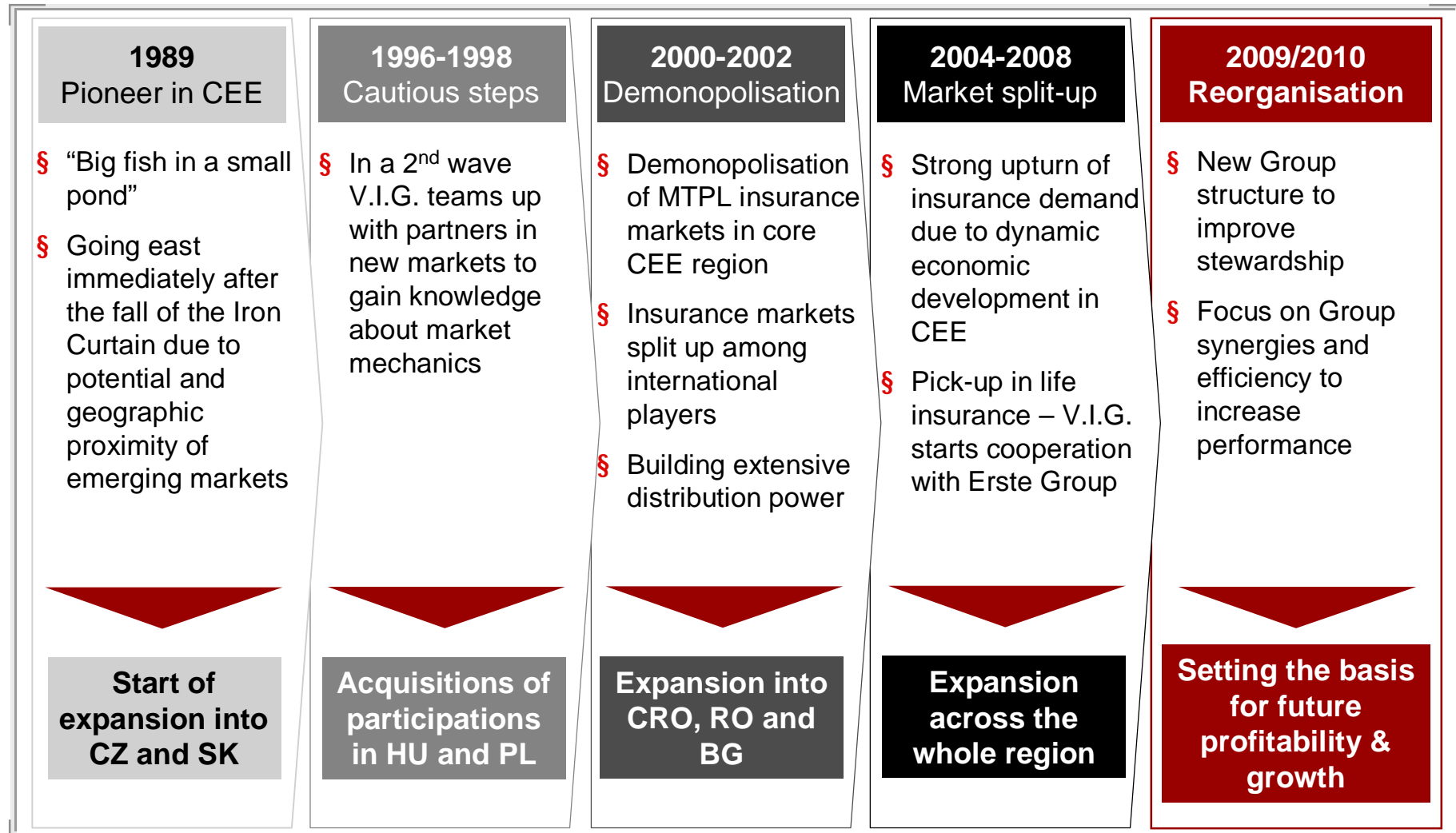
- Gross written premiums: €1.2bn
- Profit before tax: €86mn
- Employees: ~ 5,800
- Presence in Austria
- Market share in Austria: ~18%

### Footprint in 1990



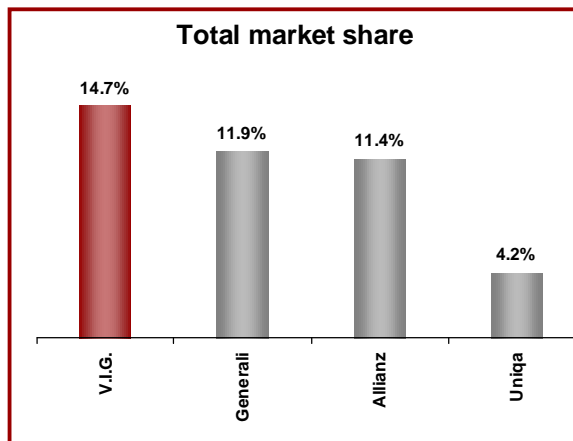
# Building a Strong Franchise

Dynamic yet risk-aware expansion into CEE

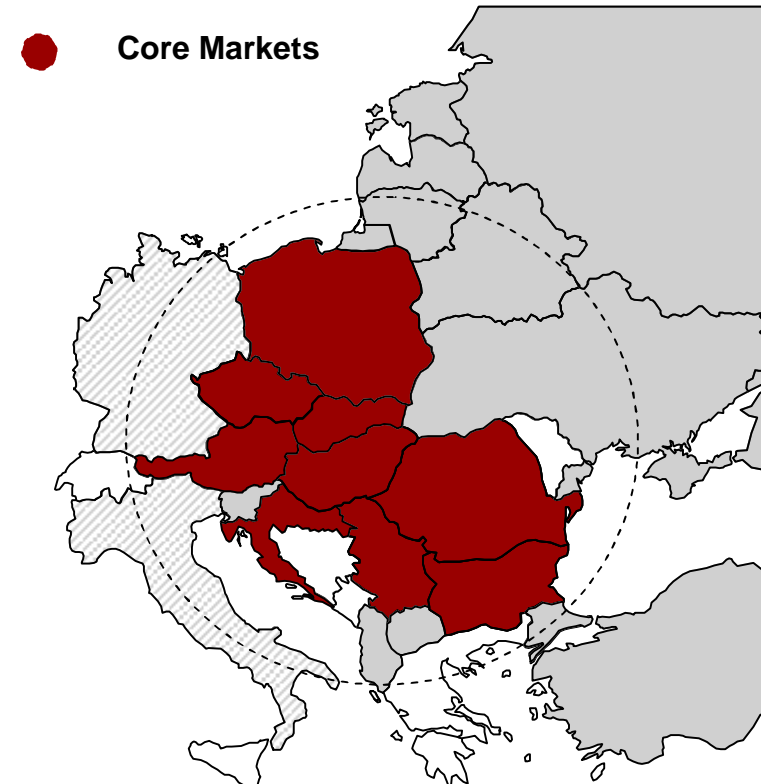


### 2009 – No. 1 in its Core Markets

- Gross written premiums: €8.0bn
- Profit before tax: €441mn
- Employees: ~ 24,000
- Presence in 23 countries
- Clear No. 1 position in CEE<sup>1</sup>: ~15%



### Footprint in 2009



CEE share ~50% of premiums

<sup>1</sup>: CEE is defined as: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia, <sup>3</sup>: National insurance associations of the respective countries as of 9M 2009

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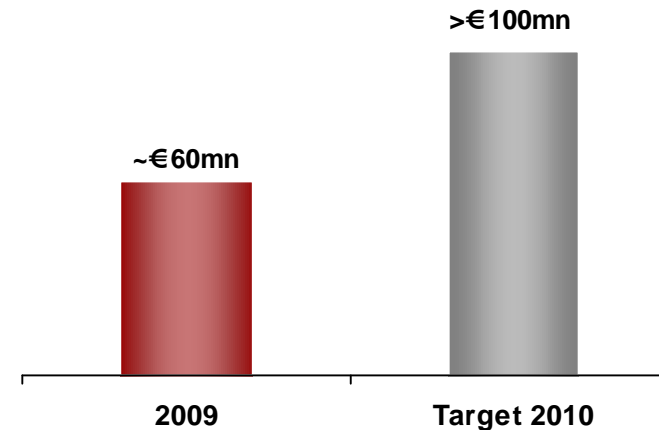
# Focus on Efficiency

Setting the basis for future sustainable profitability

## Efficiency Programme

- 1 Streamlining of regional head offices in A**  
Focus on reduction of administrative tasks
- 2 Accelerated implementation of shared services concept in line with multi-brand approach in CEE**
- 3 Strengthening of central administration**  
Higher service commitment
- 4 Reduction of overall non-personnel costs**  
In particular in IT and office space

## Savings of €100mn by 2010

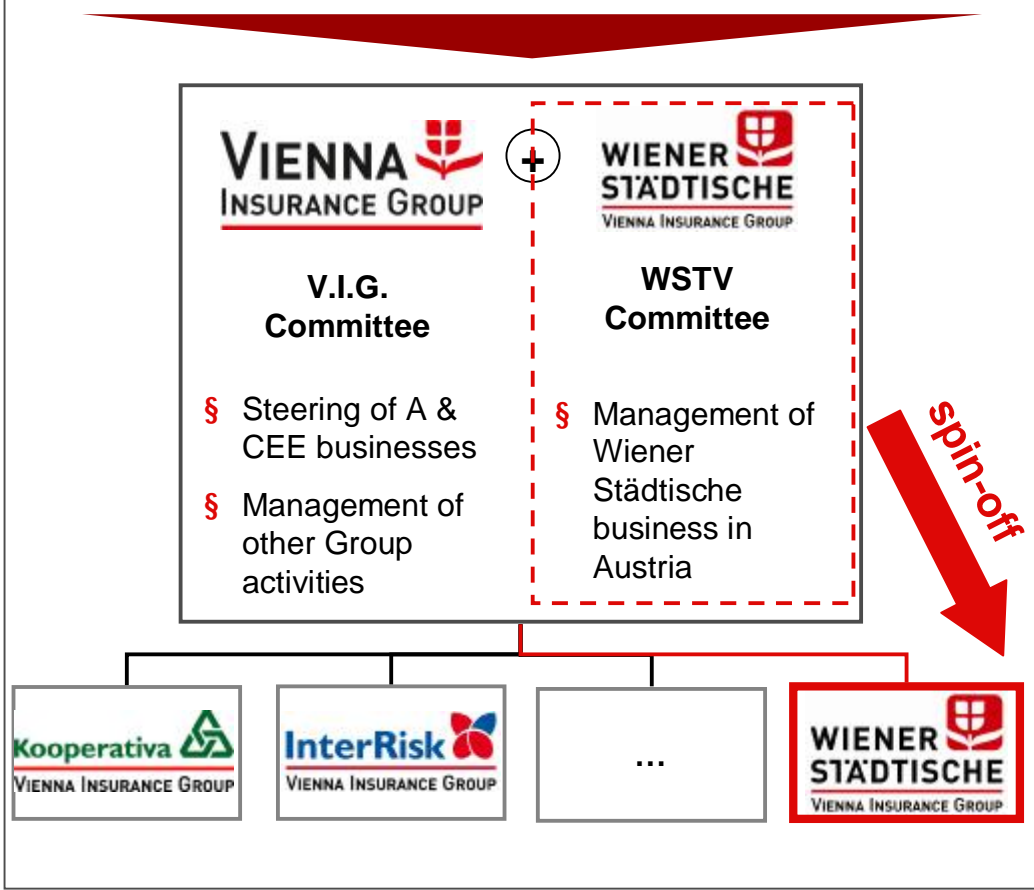


- § Cost savings target of at least €100mn, to be reached by end of 2010
- § Includes companies in CEE and Austria
- § Accelerated efficiency programme in CEE

# New Governance Structure

Improving Group transparency by spinning-off WSTV

## Shareholders



## Details

- § Continuous expansion of V.I.G. resulted in greater group-wide management requirements
- § Existing governance framework does not reflect increasing scope of management tasks
- § Evolving Group architecture reflects increasing importance of CEE business

- § **Clear corporate governance**
  - Local companies manage operating retail and SME business
  - Holding will be insurance company with direct and reinsurance business
- § **Transparency, internally and externally**
  - Improved benchmarking
- § **Clear-cut responsibilities between operational Austrian business and Group matters**



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## Distribution Model (I)

Multi-brand strategy is paramount for distribution

C 10

### Multi-Brand

### Features

**VIENNA**   
**INSURANCE GROUP**

**WIENER**   
**STÄDTISCHE**  
VIENNA INSURANCE GROUP

  
**onau**  
VIENNA INSURANCE GROUP

**ЮПИТЕР**   
VIENNA INSURANCE GROUP

**Kooperativa**   
VIENNA INSURANCE GROUP

**Kooperativa**   
VIENNA INSURANCE GROUP

**ERSTE BIZTOSÍTO**  
VIENNA INSURANCE GROUP

**KVARNER**   
VIENNA INSURANCE GROUP

**OMNIASIG**  
VIENNA INSURANCE GROUP

in total about 40 brands

- § Strong brand awareness in local markets
- § Entrepreneurship of management builds up well established local brands thus retaining loyalty of employees and management, customers and distribution networks
- § Multi-brand allows for internal benchmarking
- § Regular appraisal of brand efficiency – otherwise merger of companies (e.g. in SK)
- § Multi-brand also strongly supports multi-channel distribution

Multi-brand and multi-channel differentiate V.I.G. from most of its competitors

# Distribution Model (II)

Diversified distribution supports future growth

Comment	Multi-Channel				
<p>§ V.I.G. has one of the broadest distribution networks</p> <p>§ Distribution differs from country to country according to local market practice and legal regulations</p> <p>§ Backbone of distribution are tied agents (employed or freelancers)</p> <p>§ In advanced growth markets, bank-channel gaining importance in life business</p> <p>§ Benchmarking of distribution channels within Group raises motivation to be first at client</p>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div><span style="display: inline-block; width: 15px; height: 10px; background-color: white; border: 1px solid black;"></span> &lt;10%</div> <div><span style="display: inline-block; width: 15px; height: 10px; background-color: gray; border: 1px solid black;"></span> 11% - 20%</div> <div><span style="display: inline-block; width: 15px; height: 10px; background-color: black; border: 1px solid black;"></span> 21% - 30%</div> <div><span style="display: inline-block; width: 15px; height: 10px; background-color: red; border: 1px solid black;"></span> 31% - 40%</div> <div><span style="display: inline-block; width: 15px; height: 10px; background-color: darkred; border: 1px solid black;"></span> &gt; 41%</div> </div>	Tied agents	Banks	Brokers	Other
	Austria	●	●	●	○
	Czech Rep.	●	●	●	○
	Slovakia	●	●	●	○
	Romania	●	○	●	○
	Poland	●	●	●	○
	Hungary	○	●	●	○
	Croatia	●	●	●	○
	Others	●	○	●	○

**A** V.I.G. – a model expansion

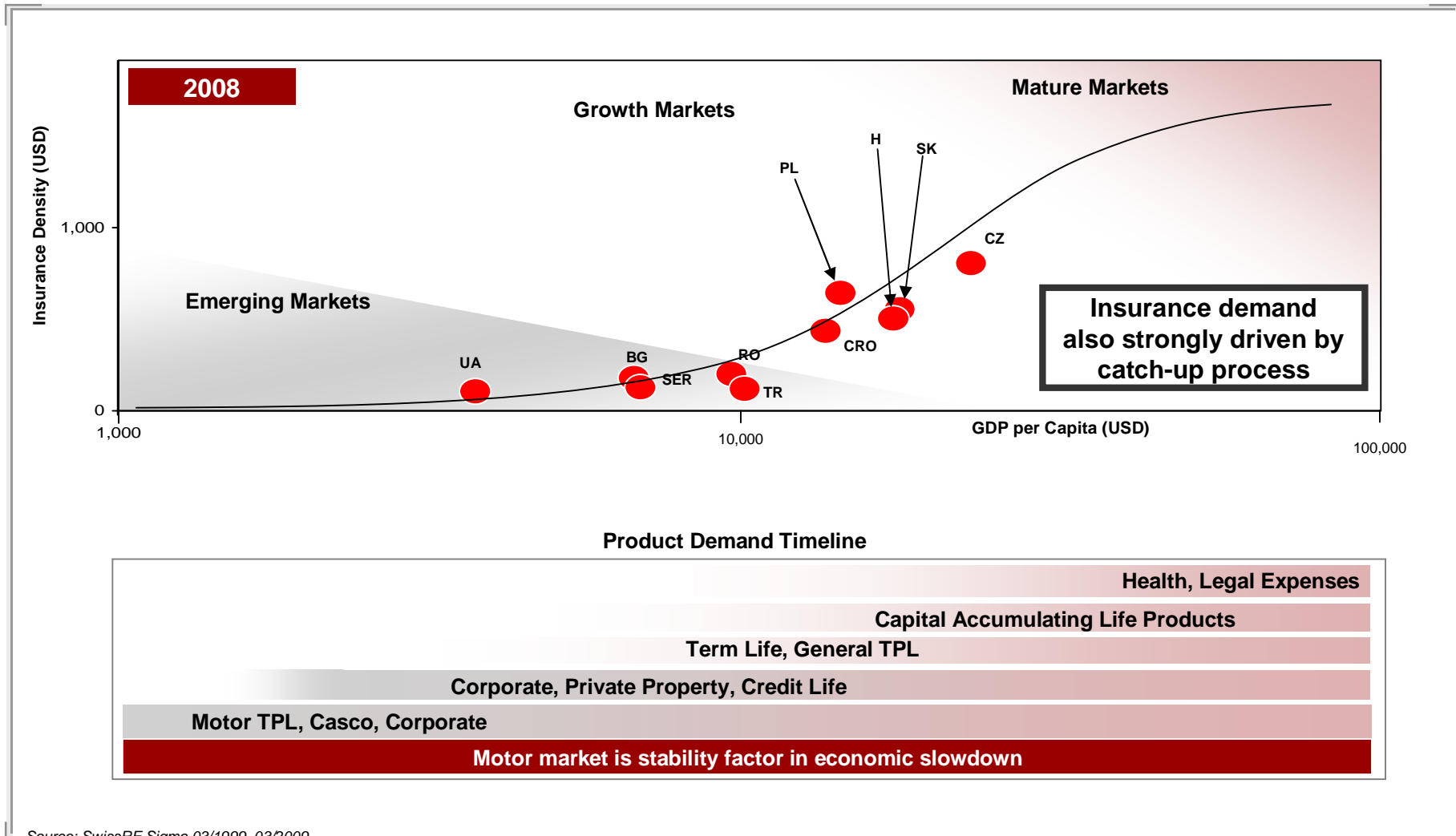
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# Development of Insurance Demand

GDP growth and underpenetration are insurance drivers

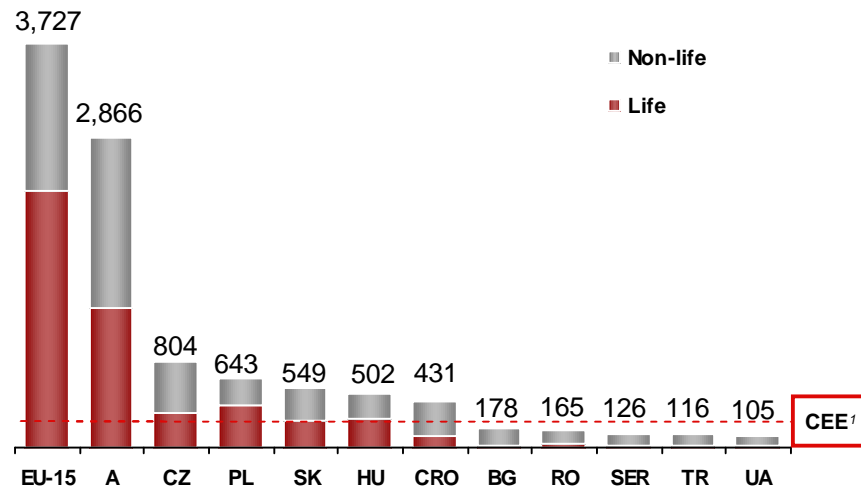


Source: SwissRE Sigma 03/1999, 03/2009

# Low Penetration of Insurance Markets

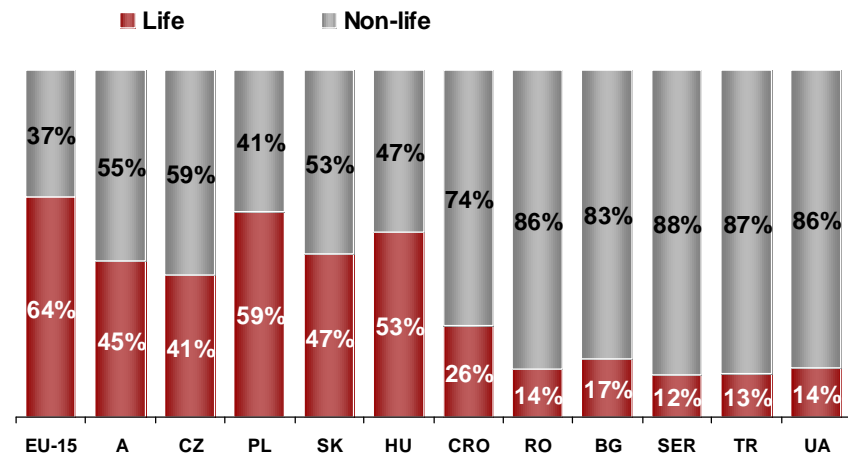
## Catch-up potential in CEE in Non-life and Life

### Insurance Density 2008 (USD)



1: weighted average of CZ, SK, H, PL, CRO, BG, RO, SER, UA, TR; Source: Swiss RE Sigma 03/2009

### Proportion of NL & L in CEE Markets



#### Austrian Insurance Market

Year	Premium Income (€bn)	Insurance penetration (%)	Density (€)	GDP/Capita (€)
1970	0.81	3.0%	109	3,659
1980	2.85	3.9%	378	9,782
1985	4.36	4.4%	575	13,130
2008	16.21	5.7%	1,942	33,807

x1.5 (from 1980 to 2008 for penetration)  
x3.5 (from 1980 to 2008 for density)

Source: Swiss RE Sigma 03/2009; VVO

#### CEE Insurance Markets in 2008

Country	Insurance Penetration (%)	Density (€)	GDP/Capita (€)
Serbia	1.9%	86	4,594
Romania	1.8%	112	6,384
Bulgaria	2.7%	121	6,579
Croatia	3.2%	293	9,016
Hungary	3.1%	341	10,878
Slovakia	3.1%	373	11,835
Poland	4.6%	437	9,500
Czech Republic	3.5%	547	15,330

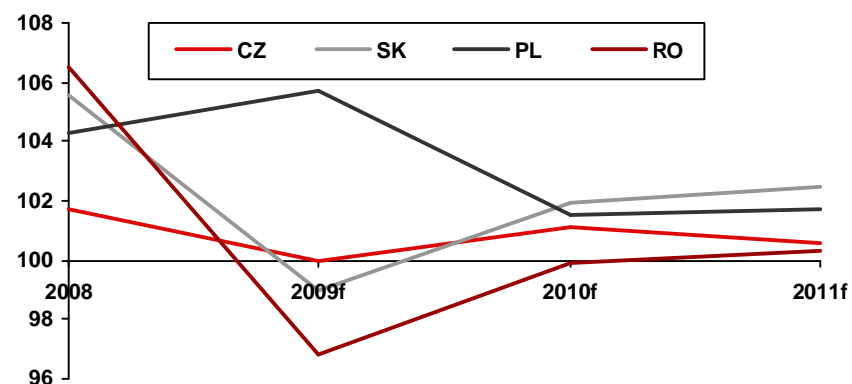
# Macro Environment in CEE Countries

Recovery in CEE region exceeds development of Euro area

**GDP Development** (real, % change vs. previous year)

	2008	2009f	2010f	2011f
Euro area	0.6%	-4.0%	0.7%	1.5%
Czech Rep.	2.3%	-4.0%	1.8%	2.1%
Slovakia	6.2%	-5.0%	2.6%	4.0%
Poland	4.9%	1.7%	2.2%	3.2%
Romania	7.1%	-7.2%	0.6%	1.8%

**GDP Development vs. Euro Area** (indexed, Euro area = 100)



**Current Account** (% of GDP)

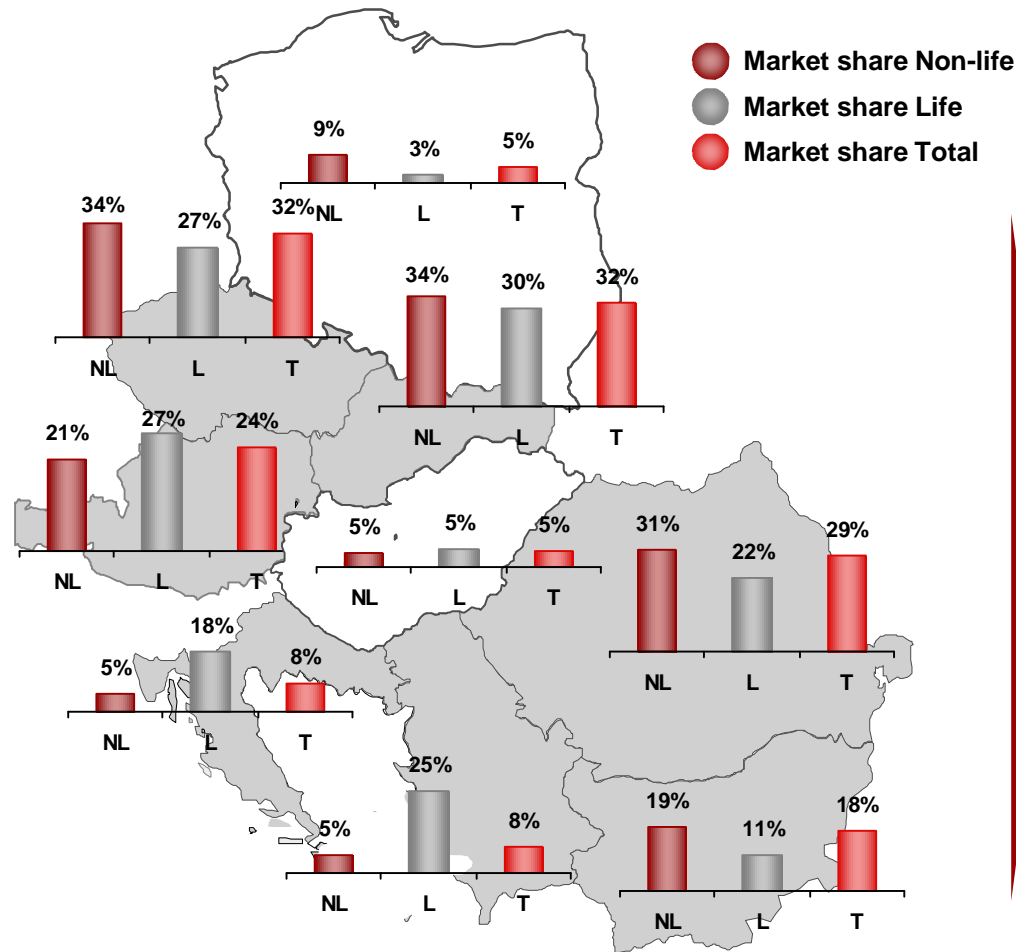
	2008	2009f	2010f	2011f
Euro area	-0.8%	-0.7%	-0.5%	-0.5%
Czech Rep.	-3.1%	-1.4%	-1.6%	-1.7%
Slovakia	-6.5%	-3.3%	-2.6%	-3.3%
Poland	-5.0%	-2.0%	-3.1%	-4.8%
Romania	-12.3%	-4.6%	-4.8%	-5.0%

**Gross Government Debts** (% of GDP)

	2008	2009f	2010f	2011f
Euro area	69.3%	78.2%	84.0%	88.2%
Czech Rep.	30.0%	36.5%	40.6%	44.0%
Slovakia	27.7%	34.6%	39.2%	42.7%
Poland	47.2%	51.7%	57.0%	61.3%
Romania	13.6%	21.8%	27.4%	31.3%

# V.I.G. – Building its Market Position (I)

Expansion focus mainly on Poland and Hungary



## Diversified CEE-Portfolio

- § About 50% of V.I.G.-premium volume is generated in CEE, thus purest CEE insurance play
- § Leading position allows V.I.G. to shape markets
- § Currently V.I.G. concentrates business development on core markets
- § Focus on strengthening positions in core markets either organically or through M&A
- § Cooperation with largest retail bank in CEE region is new platform for growth in life



# V.I.G. – Building its Market Position (II)

## Recent steps

D 17

### Montenegro

- § Planning to set up a life insurance company in Montenegro in 2010
- § Distribution of products via Erste Group subsidiary
- § Further extension of partnership with Erste Group to by now 9 countries

#### Details of market<sup>1</sup>:

- § Population: ~630,000
- § GDP/Capita: ~€ 11,100
- § Density/Capita: € 95
- § Penetration: 1.8%
- § Market volume: ~ € 60mn

### Lithuania

- § Opening of branch office of Compensa Non-life (Poland)
- § Launch of Non-life insurance business as of April 2010
- § Distribution via brokers
- § V.I.G. has been selling life insurance in Lithuania since 2007

#### Details of market<sup>2</sup>:

- § Population: ~3,300,000
- § GDP/Capita: ~\$ 11,850
- § Density/Capita: € 173
- § Penetration: 1.8%
- § Market volume: ~ € 570mn

1: Source: VVO

2: Source: [www.insurer.net](http://www.insurer.net), worldbank

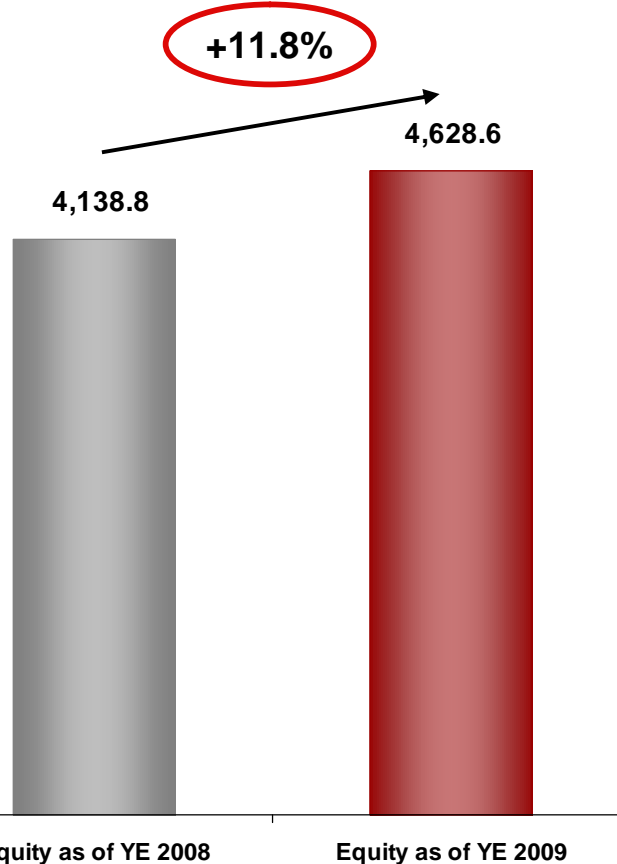
# Capitalisation

Strong capitalisation is excellent basis for future expansion

## Shareholders' Equity

## Capitalisation

Change in Group Shareholders' Equity (€mn)



§ Group shareholders' equity increased by 11.8% to about €4.6bn in YE 2009

§ S&P-Rating of A+ (stable outlook)

§ Comfortable solvency ratio of above 200% on IFRS basis

§ V.I.G. develops new risk based internal capital model according to Solvency II

# Summary

V.I.G. to benefit from its strong position

