

Steady performance during and beyond crisis



Bank of America Merrill Lynch
Banking & Insurance CEO Conference

London, 28/29 September 2010

Insurance development over time

Current management focus

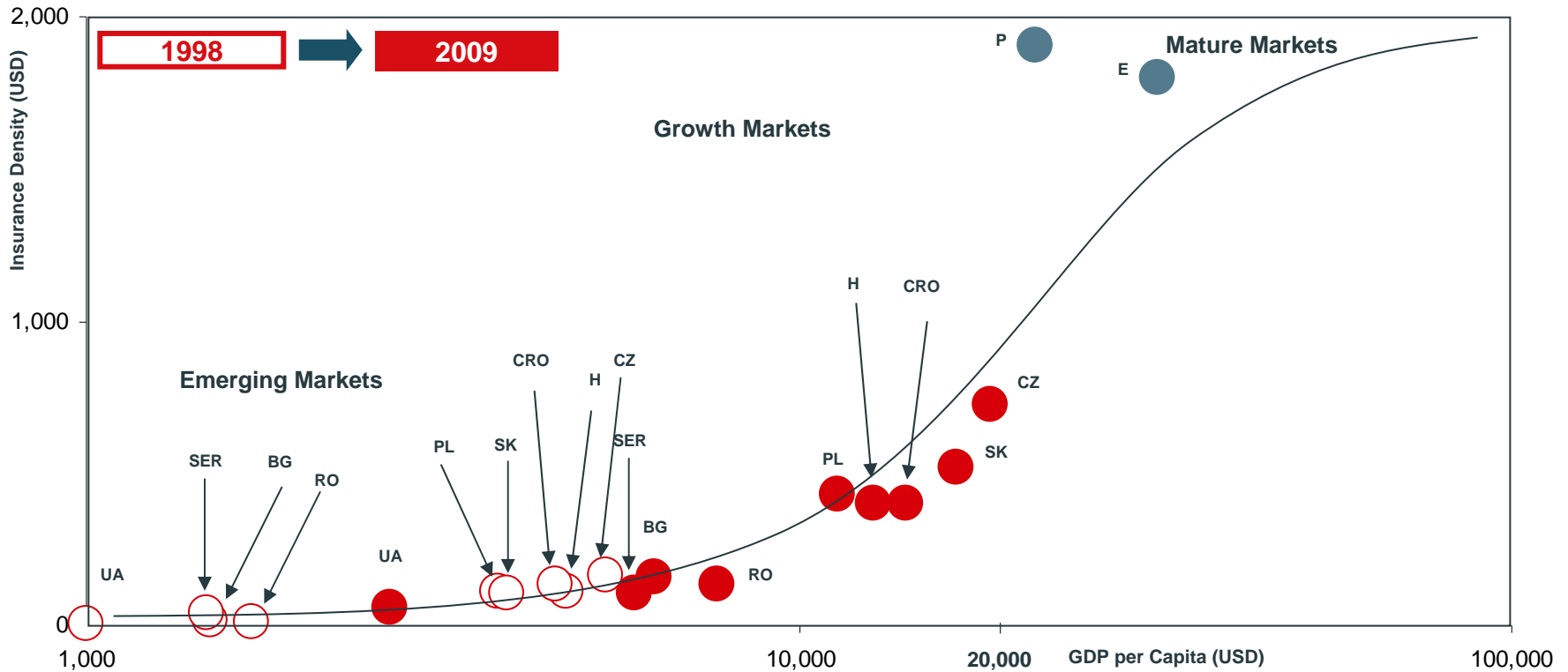
Preparing for future take-off

Sound financials

Development of Insurance Demand in CEE

GDP growth and underpenetration are insurance drivers

Insurance development over time



Insurance demand also strongly driven by catch-up process

New Challenge for VIG

From exponential to steady growth in CEE

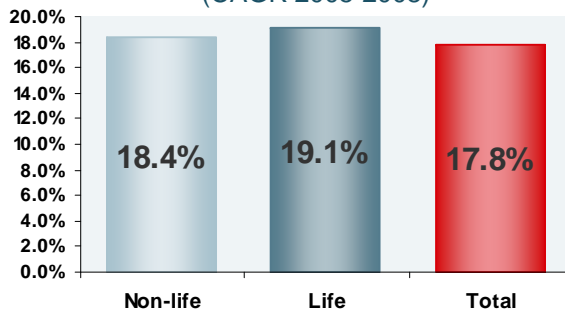
Insurance development over time

1990-2008

Unique expansion in CEE

- ▶ Early mover in CEE due to potential and geographic proximity of emerging markets
- ▶ VIG grabbed lion share of market during demonopolisation of MTPL insurance and strong upturn of insurance demand in CEE
- ▶ Successful M&A policy when insurance markets were split up among international players
- ▶ Banking cooperation started when life picked up at last

VIG reported growth **pre crisis**
(CAGR 2005-2008)



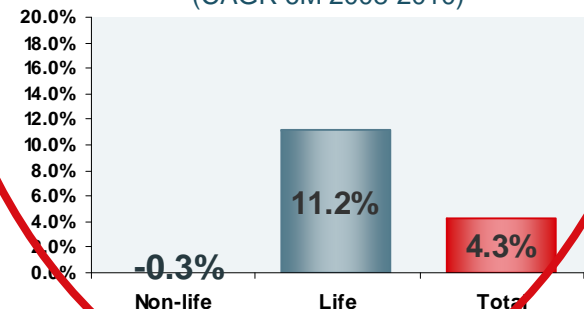
New environment

2009- ...

Reengineering

- ▶ New Group structure to improve stewardship
- ▶ Focus on Group synergies and efficiency to increase performance
- ▶ Building a strong platform for the future

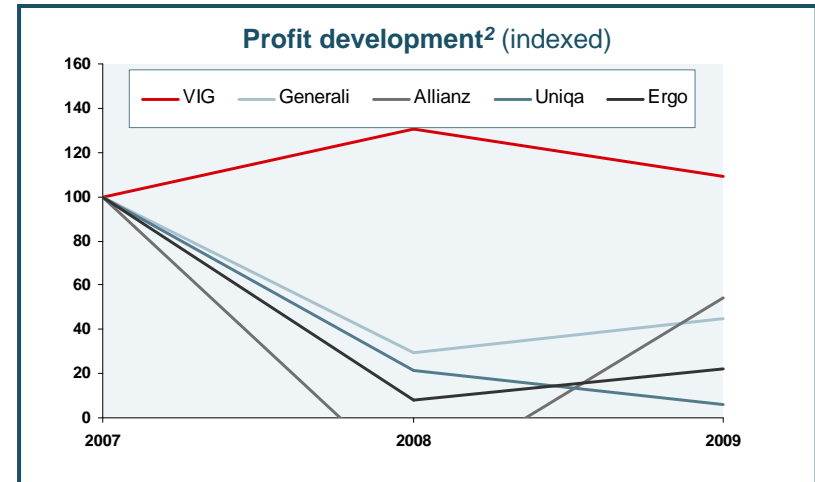
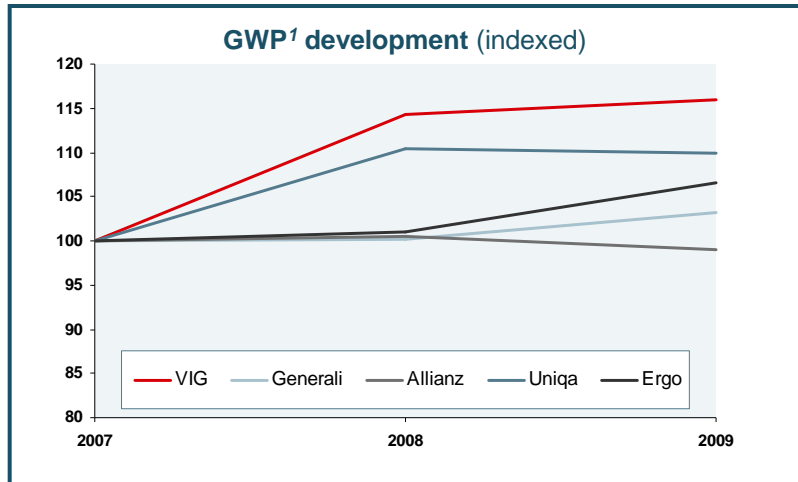
VIG reported growth **during crisis**
(CAGR 6M 2008-2010)



VIG with Sustainable Performance

Steady development during and beyond economic crises

Insurance development
over time



1: Respective group premium development; 2: Respective group net income; Source: Group annual reports

Insurance development over time

Current management focus

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New Governance Structure

Improved Group transparency following demerger of WSTV

Current management focus

Structure



Details

Evolving Group architecture reflects increasing importance of CEE business:

- ▶ **Change in corporate structure**
 - ▶ Local companies manage operating retail and SME business
 - ▶ Holding will also write direct and reinsurance business
- ▶ Transparency in order to improve steering in particular of risk and asset management
- ▶ Better benchmarking
- ▶ Clear-cut responsibilities between operational Austrian business and Group matters

Adapted Management Focus (I)

Remain committed to proven fundamentals

Current management focus

Steering Approach	Multi-Brand	Multi-Channel																																																	
<ul style="list-style-type: none"> Multi-brand supports entrepreneurship of management and distribution partners and allows for internal benchmarking Backbone of distribution are tied agents (employed or freelancers) Bankchannel gaining importance in life business Regular appraisal of brands and channels for efficiency – otherwise streamlining 	 <p>in total about 40 brands</p>	<table border="1"> <thead> <tr> <th></th> <th>Tied agents</th> <th>Banks</th> <th>Brokers</th> <th>Other¹</th> </tr> </thead> <tbody> <tr> <td>Austria</td> <td><input type="radio"/></td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>Czech Rep.</td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>Slovakia</td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>Romania</td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>Poland</td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>Hungary</td> <td><input type="radio"/></td> <td><input checked="" type="radio"/></td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>Croatia</td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> <tr> <td>Others</td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> </tr> </tbody> </table>						Tied agents	Banks	Brokers	Other ¹	Austria	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Czech Rep.	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Slovakia	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Romania	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Poland	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Hungary	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Croatia	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Others	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Multi-brand and multi-channel remain success factors for VIIG

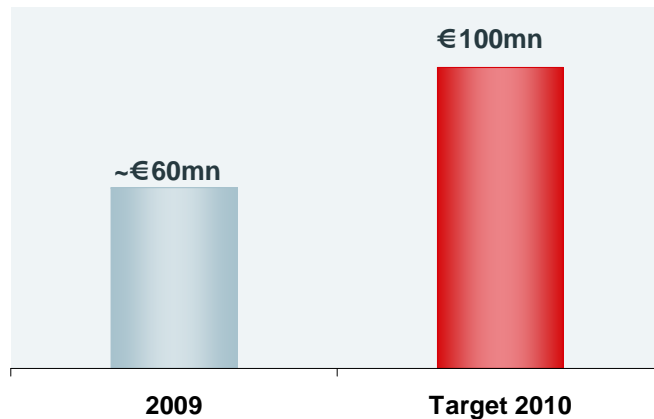
¹: direct insurance, leasing, car dealers, affinity groups,...

Adapted Management Focus (II)

Increasing efficiency and business diversification

Current management focus

Efficiency



- ▶ Streamlining of regional head offices
- ▶ Bundling of operating and service departments
- ▶ Strengthening of central administration
- ▶ Reduction of overall non-personnel costs
- ▶ Cost savings measures to be continued in 2011
- ▶ Accelerated implementation of shared services concept to back up multi-brand approach in CEE
- ▶ Bundling of IT systems and procurement activities in CEE

+

Diversification

- 1 New focus on Life in CEE**
 - ▶ Cooperation with Erste Group
- 2 Geographic**
 - ▶ VIG present in markets with different dynamics
 - ▶ Ukraine recently declared new core market
- 3 Completion of product portfolio**
 - ▶ Pleasing start of VIGRe
 - ▶ Preparation for health insurance business in CEE
 - ▶ Launch of motor legal expenses insurance business in CZ, SK and PL

Insurance development over time

Current management focus

Preparing for future take-off

Sound financials

VIG – Building its Market Position (I)

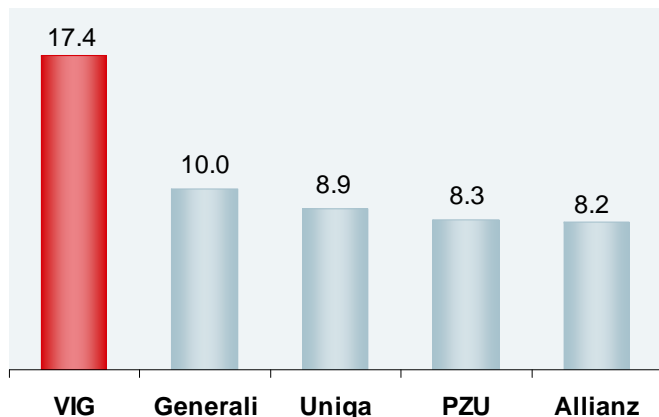
Perfect timing for banking cooperation in CEE

Preparing for future take-off

Cooperation s Versicherung

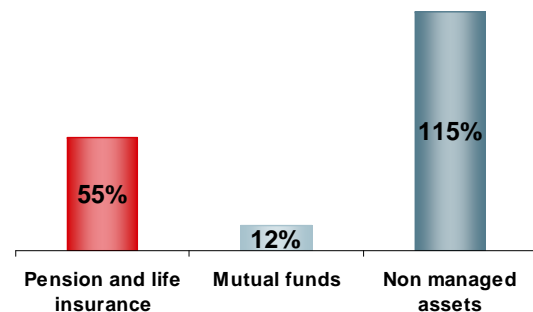
- ▶ S Versicherung shows strongest growth dynamic in CEE (=> more than 60% in 6M 2010), in CZ premium increase of 66.8%, in RO even more (~80%)
- ▶ Profitability of s Versicherung operations well ahead of schedule
- ▶ Banking distribution was paramount to become new no. 1 in Life core¹ markets

Market Share Life¹

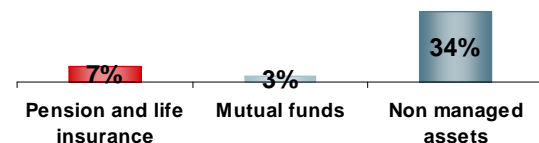


Households' Wealth Composition²

Euro area (% of GDP, 2009)



CEE (% of GDP, 2009)



1: Austria, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Ukraine; National insurance associations of the respective countries as of 3M 2010 2: Source: Unicredit Group

VIG – Building its Market Position (II)

New core market & expansion into the Balkans

Preparing for future take-off

Ukraine – on the path of economic recovery

- ▶ VIG is among leading insurers in the Ukraine
- ▶ Focus on retail business
- ▶ Current market share: 2.9%
- ▶ No. 4 market position

%	2009	2010f	2011f
Real GDP growth	-15,1	4,3	4,5
Unemployment rate	8,8	8,6	8,3
C/A (% of GDP)	-1,7	0,5	0,0
CPI	13,0	9,0	8,0
Budget balance (% GDP)	-6,3	-5,0	-4,0

Details of market¹:

- ▶ Population: ~45.7mn
- ▶ GDP/Capita: ~\$ 2,700
- ▶ Density/Capita: \$ 57
- ▶ Penetration: 2.1%
- ▶ Market volume: ~ \$ 2.6bn

Source: Erste Group, 1: Sigma.02/2010,

VIG in the Ukraine

- ▶ Ukrainian business will benefit from the take-over of the TBIH shares due to inclusion of UIG
- ▶ Pro-forma premium volume as of 6M 2010 increases from € 10mn to € 28mn due to inclusion of UIG

Macedonia/Montenegro

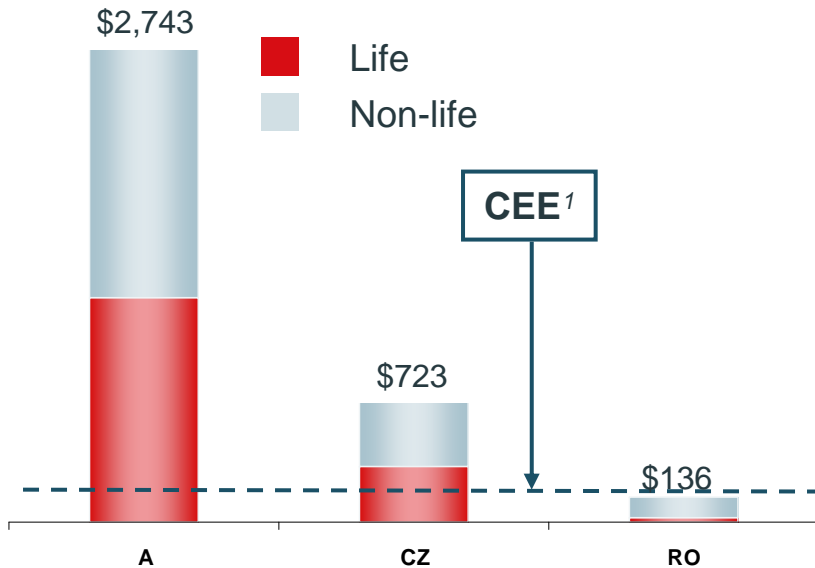
- ▶ Planning to set up a life insurance company in Macedonia in 2010
- ▶ Distribution of products via Erste Group subsidiary
- ▶ Further extension of partnership with Erste Group to 10 countries

Potential to be Unleashed after the Crisis

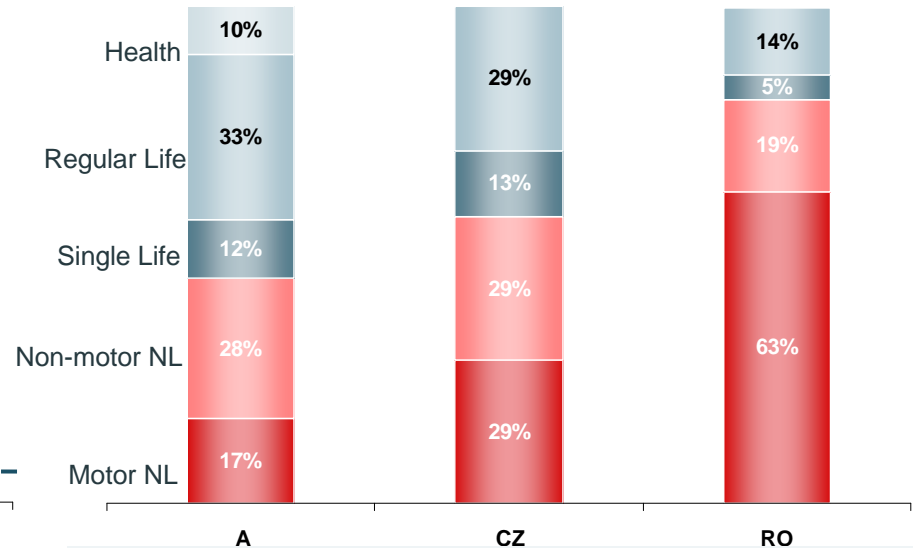
Catch-up potential in CEE in non-life and life

Preparing for future take-off

Insurance Density 2009 (USD/per capita)



Break Down of Business Lines² (%)



Completion of product portfolio:

- ▶ VIGRe
- ▶ Health insurance business
- ▶ Legal expenses

Health insurance potential in CEE

- ▶ Austria 2006: Private health spending of \$ 1,000 - thereof 25% for private health insurance
- ▶ In CZ assumption to reach 30% of Austrian level (2006) by 2018

VIG potential of private health insurance of about € 500mn in CZ, PL, SK and RO

1: weighted average of CZ, SK, H, PL, CRO, BG, RO, SER, UA, TR; Source: Swiss RE Sigma 02/2010

2: Source: local insurance authorities

Insurance development over time

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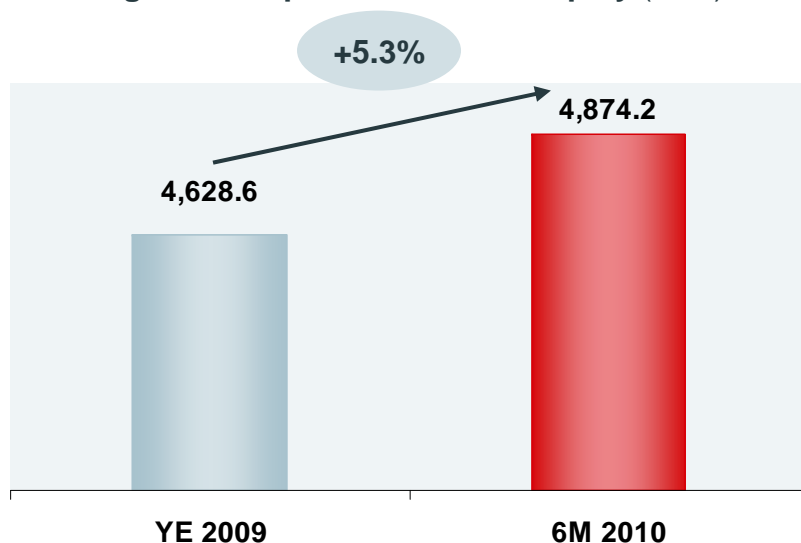
Sound Financial Basis is Focal Point

Capitalisation & investment strategy

Sound financials

Capitalisation

Change in Group Shareholders' Equity (€mn)



- ▶ Comfortable solvency I ratio of above 200% on IFRS basis

- ▶ **Management clearly wants to maintain capitalisation which supports S&P rating level of at least A+**

Investment Strategy

- ▶ Average guaranteed interest rate of total life book of 3.24% at YE 2009; newly issued policies offer lower guaranteed interest rates
- ▶ Real estate portfolio of VIG offering attractive running yield of about 6% (more than € 400mn unrealised gains)

- ▶ Intention to further increase real estate investments
- ▶ Further investments into high quality CEE sovereign bonds
- ▶ Acquisition of good quality corporate bonds (defensive sectors)
- ▶ Moderate increase of equity ratio

Trends by Business Line

Non-life trends

- ▶ Motor business influenced by lower volumes (trend to smaller cars, sharply reduced leasing) and competitive environment
- ▶ Fairly stable corporate business and non-motor non-life products



- ▶ Increased tendency to save
- ▶ Pick-up of single premium business
- ▶ Banking channel becomes more important distribution channel

Life trends

2011

- ▶ Insurance is characterised by time lag between economic cycle and the industry's cycle
- ▶ **Non-life:** current subdued volume expected to continue
- ▶ **Life:** Propensity to save under uncertain environment

Positive results drive 2011 to be sustained:

- PBT to increase again by about 10%

- Single-digit premium growth expected (in %)

- ▶ Subject to overall economic and legal environment and benign Nat Cat trend

VIG Share & Contact Details

Investor Relations

Sound financials

VIG Share

- ▶ Number of common shares
128mn
- ▶ ISIN
AT0000908504
- ▶ Listing
Vienna – since 17 Oct. 1994
Prague – since 5 Feb. 2008
- ▶ Ticker symbol
VIG
- ▶ Bloomberg
VIG AV / VIG CP
- ▶ Reuters
VIGR.VI / VIGR.PR

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