

■ VIG – continuing the CEE story

---



## RCB Institutional Investors Conference

Zürs, 8 April 2011

## **Insurance development and exploitation by VIG**

Outline of VIG's markets

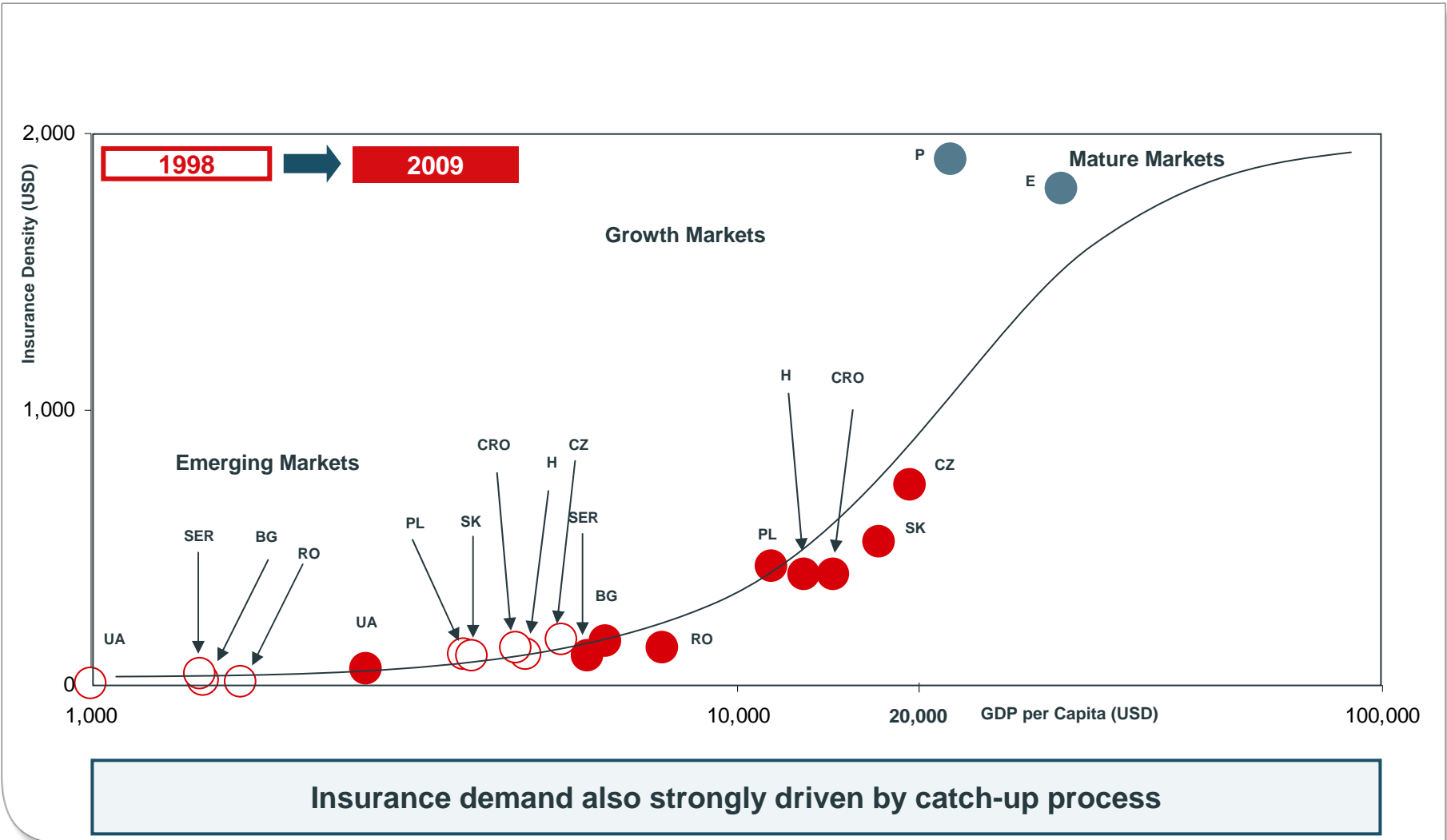
Management focus

Earnings potential

Financials and outlook

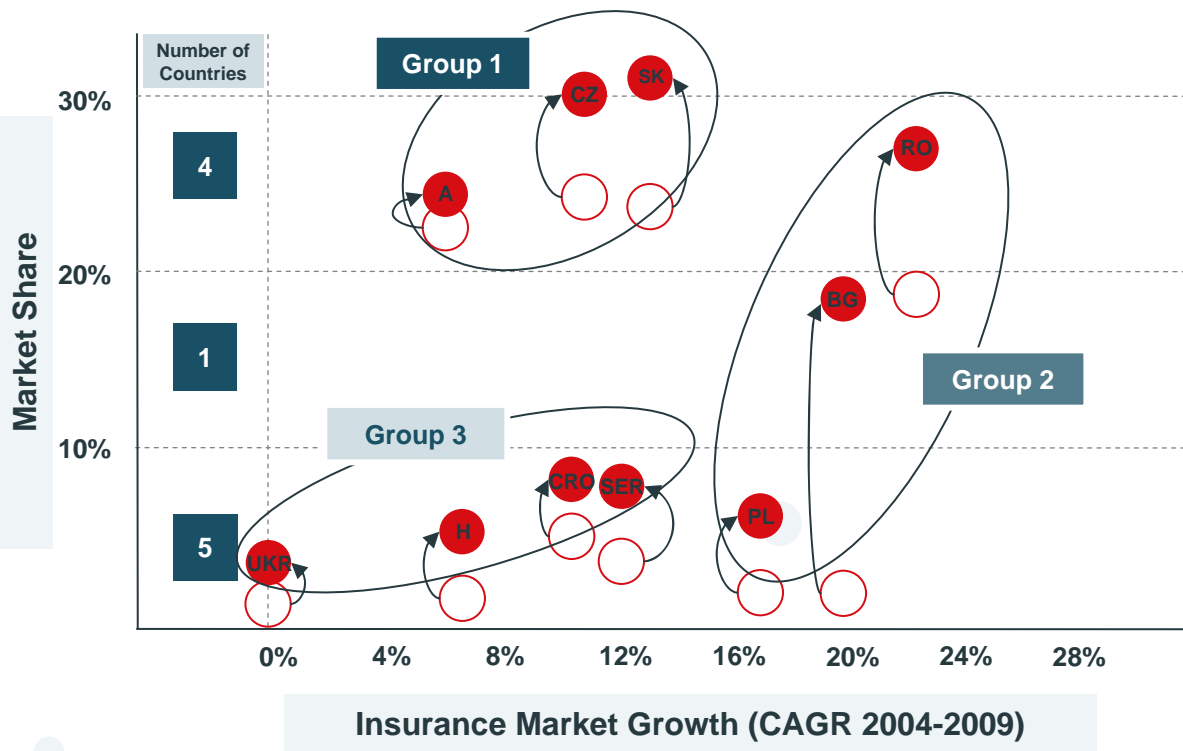
# Development of Insurance Demand in CEE

GDP growth and underpenetration are insurance drivers



# VIG Is Well Positioned in its Core Markets

## Steady increase of market share within short period



### Group 1

Pop: 23.9mn

GDP/Cap.: \$ 27,615<sup>1</sup>

Density: \$ 1,386<sup>2</sup>

### Group 2

Pop: 66.7mn

GDP/Cap.: \$ 9,595<sup>1</sup>

Density: \$ 306<sup>2</sup>

### Group 3

Pop: 67.4 mn

GDP/Cap.: \$ 5,252<sup>1</sup>

Density: \$ 136<sup>2</sup>

Source: Swiss RE 04/2005; 02/2010, company data YE 2004; 9M 2010, VVO

1: Weighted average GDP/Cap. of respective group

2: Weighted average density of respective group

Insurance development and exploitation by VIG

**Outline of VIG's markets**

Management focus

Earnings potential

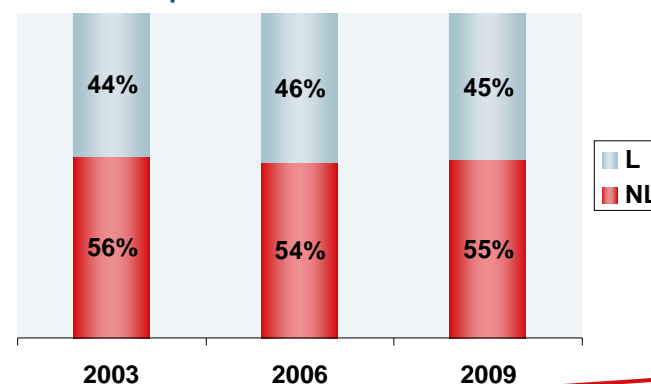
Financials and outlook

## Austria

### Market Statistics

	2006	2009	9M 2010
<b>Austrian Insurance Market</b>			
Market Volume (€mn) <sup>1</sup>	15,589	16,420	12,922
Insurance Density (\$) <sup>2</sup>	2,397	2,743	na
<b>VIG Austria (%)<sup>1</sup></b>			
Growth	8.1	-2.5	6.9
Market Share Non-Life	20.8	21.0	21.2
Market Share Life	28.1	26.7	29.4

Proportion of Non-Life & Life<sup>2</sup>



### Remarks

- ▶ Low unemployment rate throughout cycle ensures continuous growth of private consumption => positive for non-motor non-life
- ▶ Mature market in non-life: still potential in motor comprehensive insurance
- ▶ Still underpenetrated in life due to generous social security system in the past
- ▶ Market dominated by Top 4 players (~70% market share)

### Current trends:

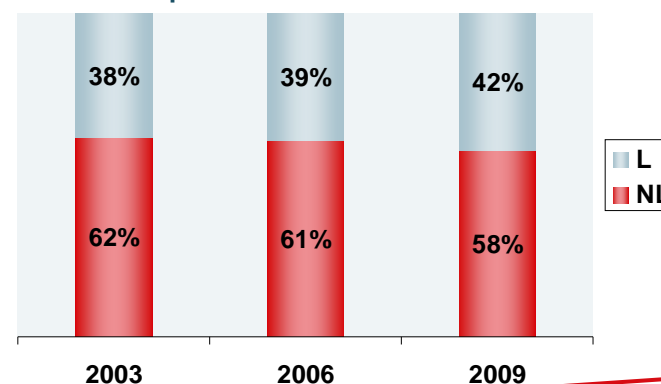
- ▶ **MTPL market with attractive claims ratio (~67%), currently at bottom of pricing cycle**
- ▶ **Still trend to smaller cars**
- ▶ **Increasing demand for multi-year contracts from corporate clients => hardening of tariffs expected**
- ▶ **Recent mixed legal changes (tax advantage of life insurance vs. fund business, increase of minimum contract period for single premium business to 15 ys; lowering of statutory rates to 2%) => opaque business environment for life**

## Czech Republic

### Market Statistics

	2006	2009	9M 2010
<b>Czech Insurance Market</b>			
Market Volume (€mn) <sup>1</sup>	4,309	5,293	4,382
Insurance Density (\$) <sup>2</sup>	520	723	na
<b>VIG Czech Republic (%)<sup>1</sup></b>			
Growth	2.9	3.0	7.0
Market Share Non-Life	32.6	34.6	34.5
Market Share Life	14.9	27.4	26.6

Proportion of Non-Life & Life<sup>2</sup>



### Remarks

- ▶ Sound fiscal situation with low debt levels supports economic recovery
- ▶ Most developed CEE core market, nevertheless still clearly underpenetrated in Non-life and Life
- ▶ High level of market concentration, top 5 players dominate market with a market share of more than 80%

### Current trends:

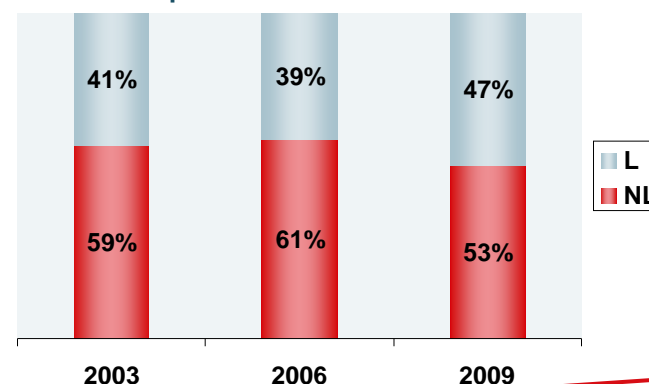
- ▶ Increasing competition for market share, decline in new car sales and trend to smaller cars leads to weaker motor business
- ▶ Non-motor non-life showing solid growth rates
- ▶ Excellent banking cooperation is growth driver for life business; rising demand for unit-/index-linked life contracts

## Slovakia

### Market Statistics

	2006	2009	9M 2010
<b>Slovak Insurance Market</b>			
Market Volume (€mn) <sup>1</sup>	1,444	2,018	1,551
Insurance Density (\$) <sup>2</sup>	337	517	na
<b>VIG Slovakia (%)<sup>1</sup></b>			
Growth	10.8	0.9	2.1
Market Share Non-Life	31.0	33.8	31.5
Market Share Life	22.9	29.6	31.4

Proportion of Non-Life & Life<sup>2</sup>



### Remarks

- ▶ Change in private consumption due to economic crises
- ▶ Strong economic recovery under way
- ▶ High level of market concentration, Top 5 players dominate market with market share of about 75%

### Current trends:

- ▶ Currently competitive motor market results in subdued non-life premiums
- ▶ Overall premium growth driven by life insurance with rising demand for single premium policies

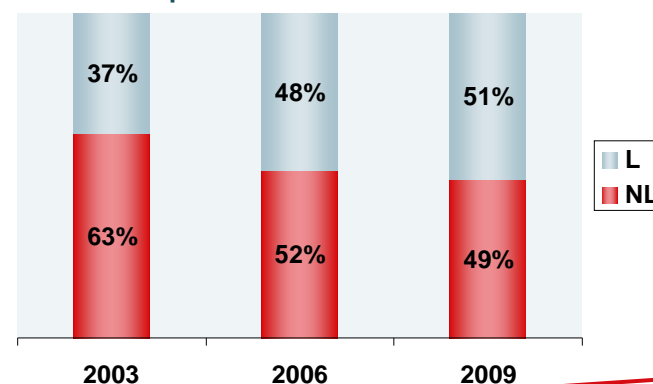


## Poland

### Market Statistics

	2006	2009	9M 2010
<b>Poland Insurance Market</b>			
Market Volume (€mn) <sup>1</sup>	9,634	11,503	10,038
Insurance Density (\$) <sup>2</sup>	310	430	na
<b>VIG Poland (%)<sup>1</sup></b>			
Growth	47.7	-12.7	9.8
Market Share Non-Life	5.9	9.0	9.8
Market Share Life	2.4	2.4	2.0

Proportion of Non-Life & Life<sup>2</sup>



### Remarks

- ▶ Only European economy which showed sustainable GDP growth rates throughout the crisis
- ▶ Non-life and life business nearly evenly split, life share of business so prominent due to tax driven products
- ▶ Competition: despite shrinking market share (29.4% 6M 2010 vs. 32.8% 9M 2009) former monopoly insurer still dominates market; recent SPO of market leader should support profitability of this market

### Current trends:

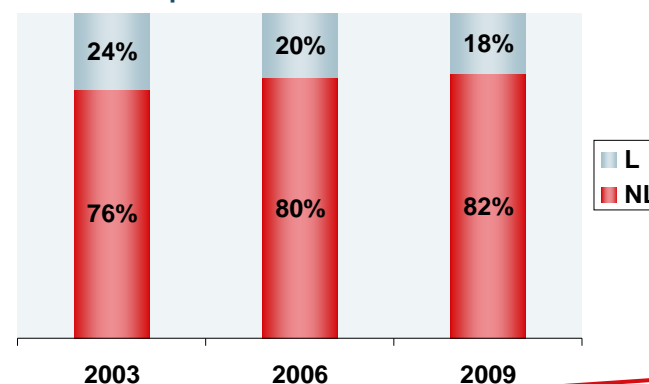
- ▶ Motor business facing strong growth rates due to extension of distribution and new corporate customers
- ▶ Distribution cooperation with local banks results in recovery of life business (single premium)

## Romania

### Market Statistics

	2006	2009	9M 2010
<b>Romanian Insurance Market</b>			
Market Volume (€mn) <sup>1</sup>	1,625	2,114	1,506
Insurance Density (\$) <sup>2</sup>	94	136	na
<b>VIG Romania (%)<sup>1</sup></b>			
Growth	1.5	-1.0	-11.7
Market Share Non-Life	17.8	30.9	27.5
Market Share Life	4.2	21.3	24.3

Proportion of Non-Life & Life<sup>2</sup>



### Remarks

- ▶ Difficult economic situation also affecting insurance market
  - Cut in salary of civil servants by 25%
  - Increase of VAT from 19% to 24%
- ▶ Non-life business still accounts for about 82% of total market

### Current trends:

- ▶ Decreasing motor business leads to weaker overall market; due to increase of tariffs (slowly also expected for competitors) stabilisation already seen
- ▶ Successful banking cooperation with BCR bank especially in life

Insurance development and exploitation by VIG

Outline of VIG's markets

**Management focus**

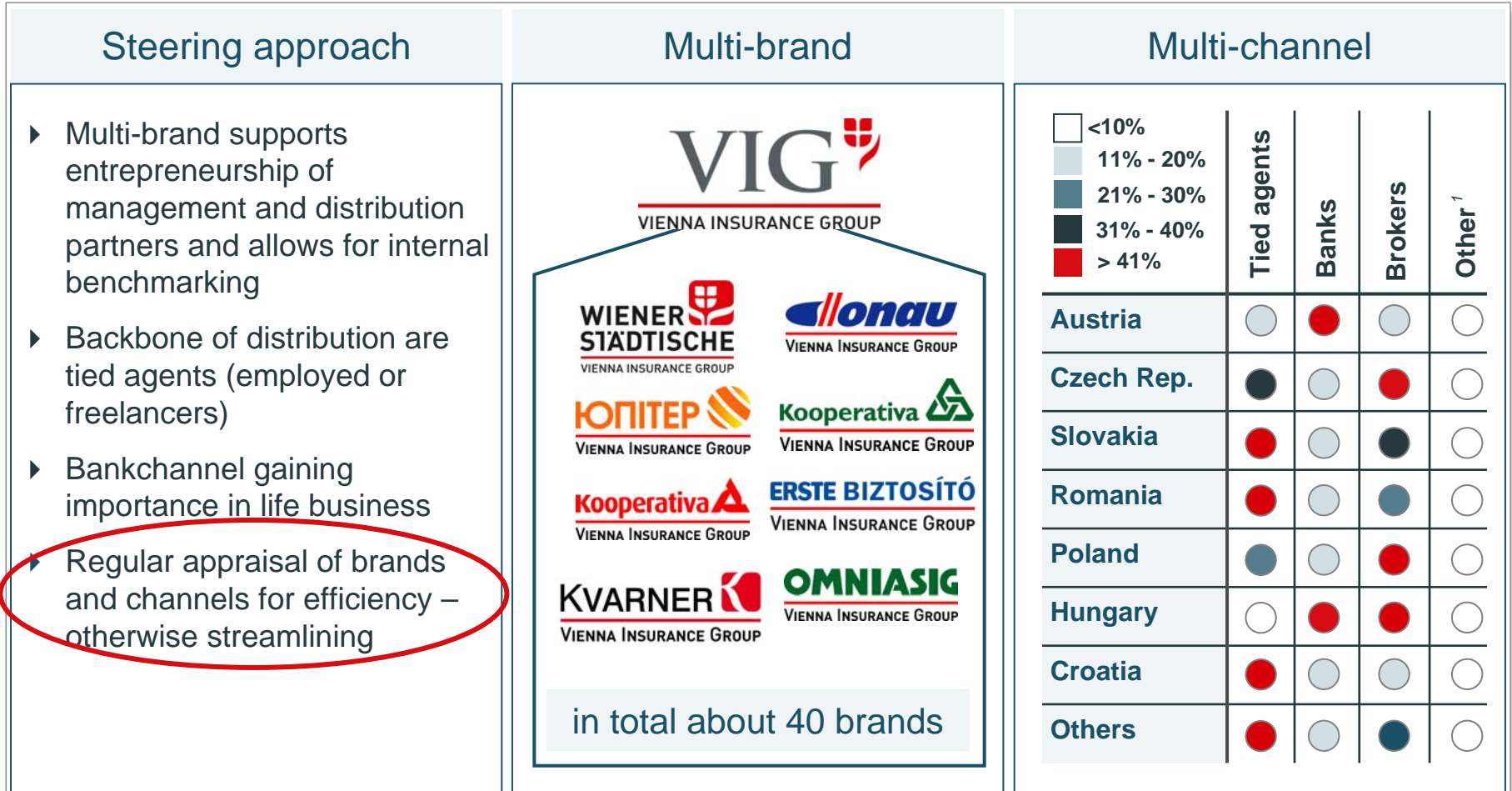
Earnings potential

Financials and outlook

# Management Focus (I)

## Remain committed to proven fundamentals

Management focus



Multi-brand and multi-channel remain core success factors for VIG

<sup>1</sup>: direct insurance, leasing, car dealers, affinity groups,...

### Diversification

#### Life in CEE

- ▶ Cooperation with Erste Group, focus on UL, extension into 10 countries

#### Geographic

- ▶ VIG present in markets with different dynamics
- ▶ Ukraine recently declared new core market, further expansion in Albania

#### Completion

- ▶ Excellent implementation of VIGRe
- ▶ Preparation for health insurance business in CEE
- ▶ Launch of motor legal expenses insurance business in CZ, SK and PL

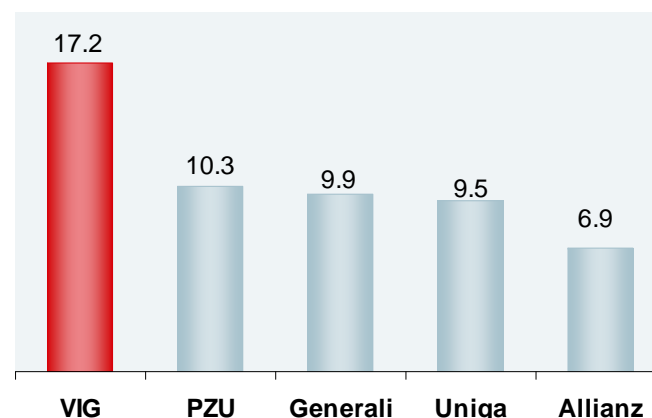
#### Efficiency

- ▶ Accelerated implementation of shared services concept to back up multi-brand approach in CEE to be continued in 2011
- ▶ Bundling of IT systems and procurement activities in CEE

### Cooperation of s Versicherung

- ▶ S Versicherung shows strongest growth dynamic in CEE (=> about 30% in YE 2010), in CZ premium increase of 38.2%, also strong in RO (21.3%)
- ▶ Profitability of s Versicherung operations well ahead of schedule
- ▶ Banking distribution was paramount to become new no. 1 in Life in core<sup>1</sup> markets

Market Share Life<sup>1</sup>



1: Austria, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Ukraine; National insurance associations of the respective countries as of 9M 2010

Insurance development and exploitation by VIG

Outline of VIG's markets

Management focus

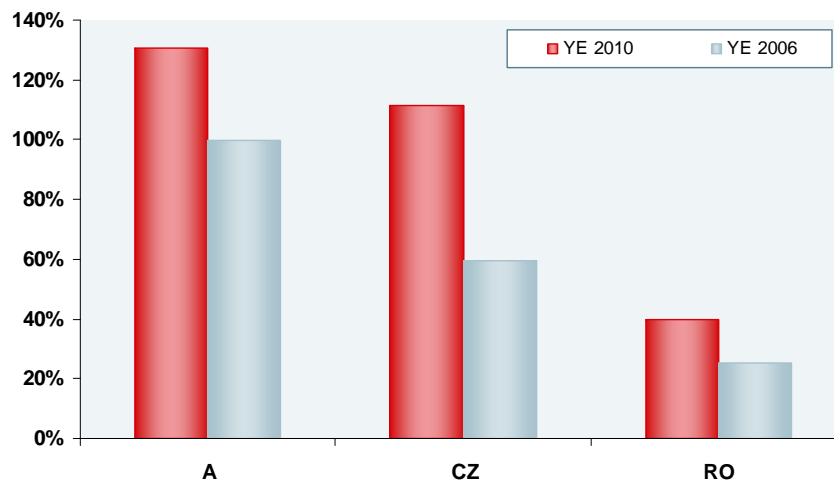
**Earnings potential**

Financials and outlook

### Earnings Potential

#### Reserving Level Comparison

(Claims reserve in % of NEP)



#### ▶ 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 allowed for pooling within VIGRe
- ▶ Creation of Group wide reinsurance cover packages (e.g. NatCat)
- ▶ Services also offered to external local insurers in the region

Insurance development and exploitation by VIG

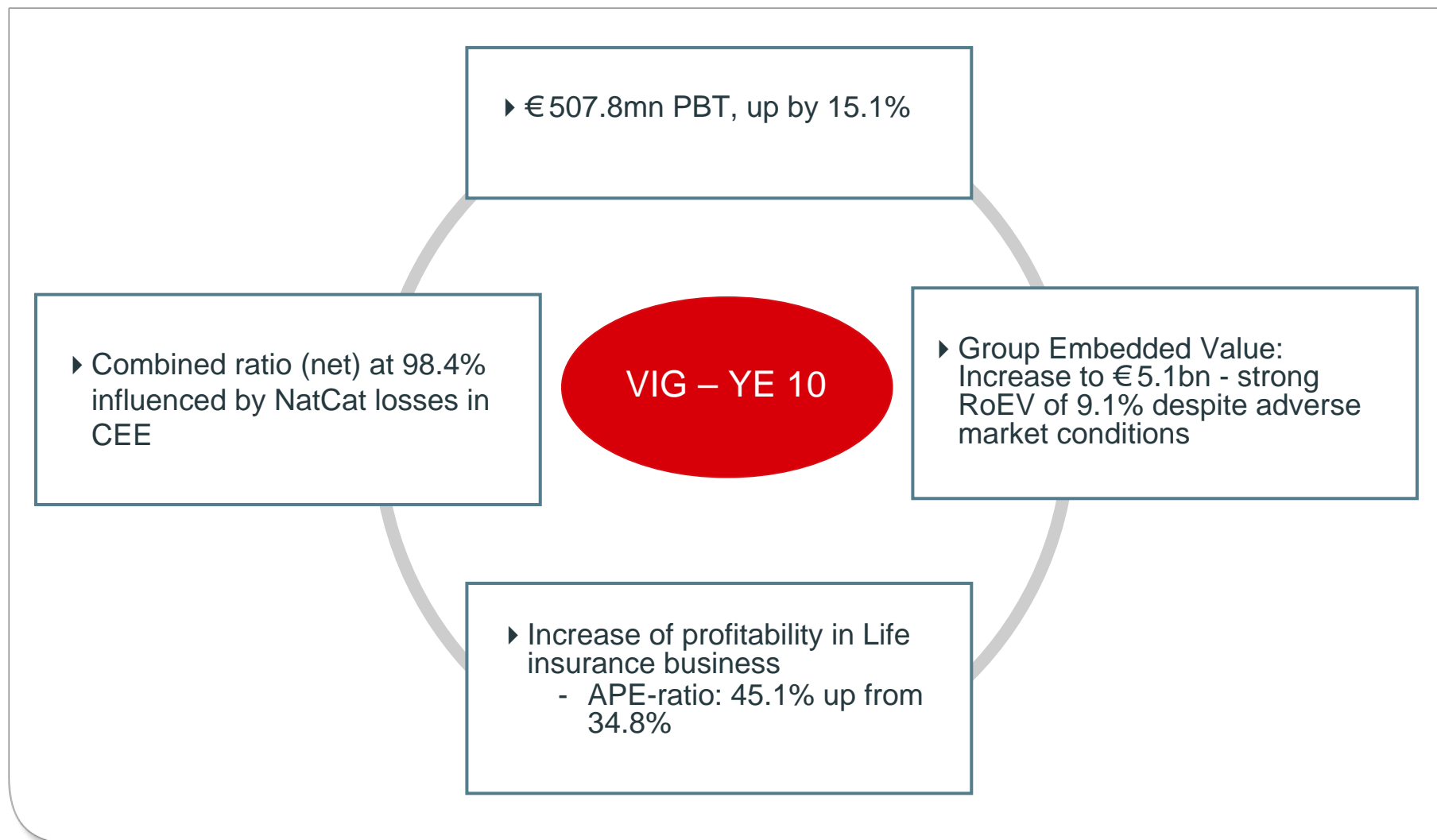
Outline of VIG's markets

Management focus

CEE business and earnings potential

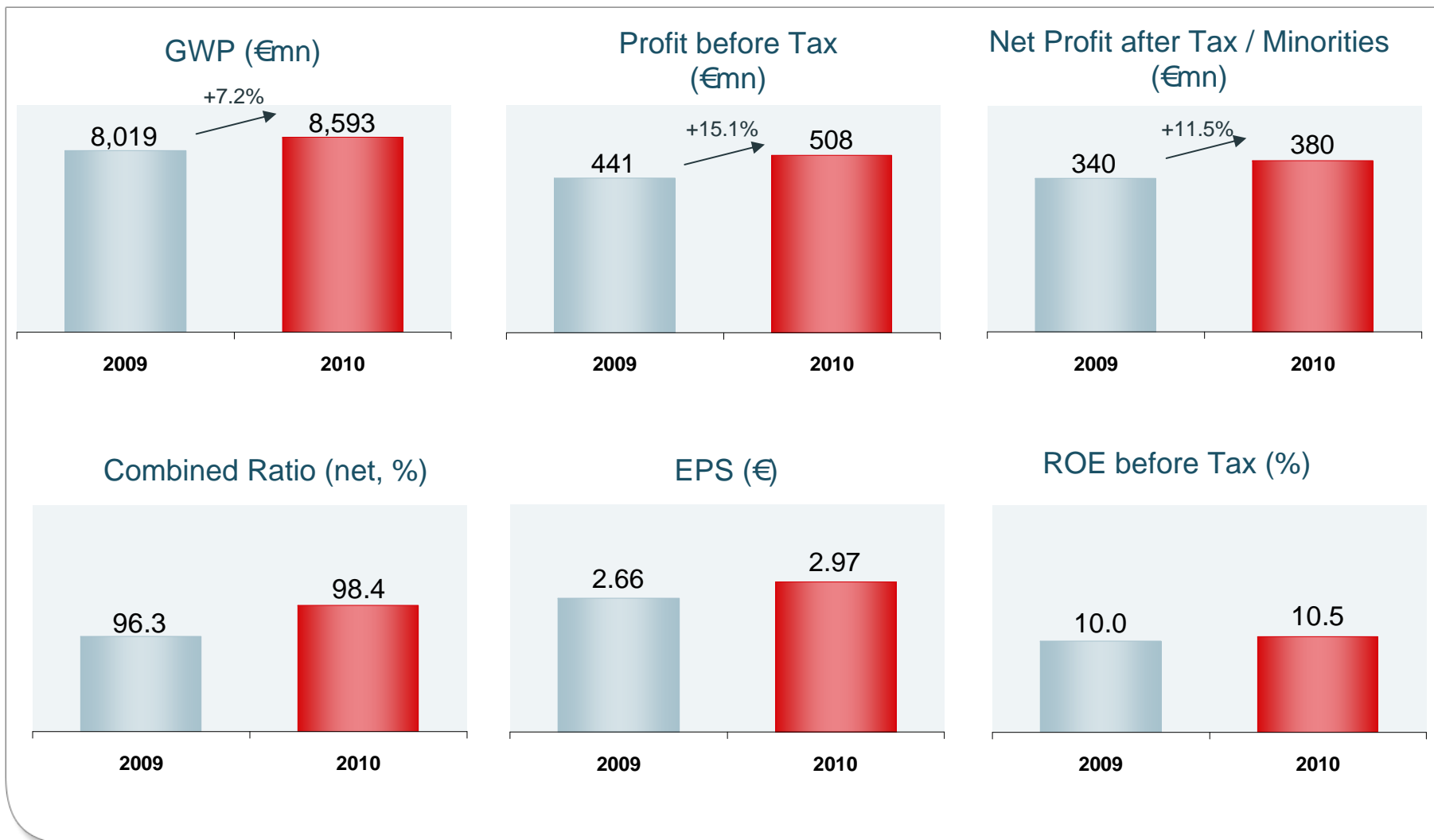
**Financials and outlook**





# YE 2010 Financial Highlights

## PBT increase driven by CEE performance



VIG's Path of Profitability (€mn)

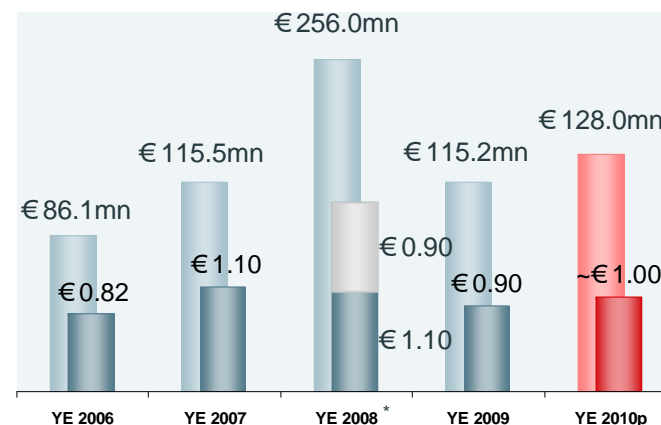


## 2011

### Positive results drive to be sustained in 2011:

- PBT to increase again by about 10%
  - Low percentage premium growth expected
  - Combined ratio of about 97%
- ▶ Subject to overall economic and legal environment and benign Nat Cat trend

Development of Dividend



\*: One-off bonus dividend paid out in 2009

- Payout volume
- Dividend/share
- Bonus dividend/share

- ▶ VIG keeping to its dividend policy which is defined as a payout ratio of minimum 30% of Group net profit

### 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

### Investor Relations

Vienna Insurance Group  
Schottenring 30, 1010 Vienna  
E-Mail: [investor.relations@vig.com](mailto:investor.relations@vig.com)  
[www.vig.com/ir](http://www.vig.com/ir)

- ▶ Thomas Schmee (Head of IR)  
Tel. +43 (0)50 350 - 21900  
E-Mail: [thomas.schmee@vig.com](mailto:thomas.schmee@vig.com)
- ▶ Nina Higatzberger  
Tel. +43 (0)50 350 - 21920  
E-Mail: [nina.higatzberger@vig.com](mailto:nina.higatzberger@vig.com)
- ▶ Nicolas Mucherl  
Tel. +43 (0)50 350 - 21930  
E-Mail: [nicolas.mucherl@vig.com](mailto:nicolas.mucherl@vig.com)
- ▶ Daniela Lemmel-Seedorf  
Tel. +43 (0)50 350 - 21919  
E-Mail: [daniela.lemmel-seedorf@vig.com](mailto:daniela.lemmel-seedorf@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 VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (“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.