



VIENNA INSURANCE GROUP (VIG)

Preliminary results for the financial year 2021

Q&A-Session Conference Call

March 8th, 2022 | 15:00 CET

Transcript

Disclaimer:

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG Group) retains all rights to this transcript and provides it solely for your personal, non-commercial use. VIG Group, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities.

Operator

The first question is from the line of Mr Fossard from HSBC. Please go ahead.

Thomas Fossard

Good afternoon, everyone. I have got a couple of questions. The first one is related to your acquisition of the Aegon CEE operation. It does not seem to be the case, but could you specify if you're trying to renegotiate the price, given the evolution of the situation in the regions? I'm probably not talking of willing to walk away, given the strategic interest you might have in the operation, but anything on the price would be interesting to us.

The second question would be related to your reinsurance structure. Very strong protection, as you highlighted, in 2021. I just wanted to better understand if the kind of €90 million cap on the losses you highlighted for 2021 are also a good assumption for 2022? And the third question is related to your combined ratio in Poland, which was pretty strong in 2021. I wanted to understand what the current dynamic is in the market, especially in the Polish motor market, if you were seeing, I would say, more competitive pressure or competition starting to ease. Thank you.

Hartwig Löger

Thank you for your question. I will start with answering your first question regarding our deal with Aegon and the purchase of Aegon Central Eastern Europe. I would start also with the background. I think it's important to understand that in our strategy, we clearly defined Hungary as one of the top five markets where we are concentrated, also, to strengthen our position. We have since 26 years Union and out of this, we are, at the moment, number six on the Hungarian market.

And it was clear for us that Hungary is a target market, also in expansion, and it was clear that we are ready to invest. And the negotiations with Aegon at the end of 2020 gave us the chance that we can, with one step, also get a number one position on the Hungarian market. Out of this, at that time, the price of 830 million, including also the activities in Poland, where we are also in the focus of increase of our market share, and also, including Romania and Turkey, it was totally fitting to our regional structure that we have over the central eastern European market.

Concerning the pricing. It was clear from the beginning that we are ready to follow the market prices, which have been shown in acquisitions in CEE markets before. And out of that, it's important to say that the minority share, which is now given to the Hungarian state by Corvinus, which is also on the level of this purchase price of 830 million, which shows that it was done in the right form.

Liane Hirner I now take your second question regarding our reinsurance structure. As you know, we still follow our conservative reinsurance approach, and the net effect of the nat cat events amounted to €90 million, as you mentioned. This is a worst case scenario. It's nothing we expect to come up in the future.

Your third question regarding combined ratio development in Poland. The combined ratio decreased to 93.2%. This is mainly due to a lower claims frequency in 2021.

Operator Mr Fossard, have you finished your question?

Thomas Fossard Yes, thank you.

Operator The next question is from the line of Thomas Unger from Erste Group, please go ahead.

Thomas Unger Good afternoon. Thank you very much for taking my questions. Firstly, on Ukraine. If you could describe us the current status of your operations. What do you hear from your companies there locally? And in general, what is business like and insurance markets? What is happening to policies in a situation like that in a war? Is there any relief for your customers also?

Secondly, on your outlook, you've mentioned an expectation of a solid operating performance. What exactly do you mean by that? Are you comparing it to 2021 and you expect an improvement? If you could describe what exactly you mean with that operating performance and what you expect, and what could the impact be for your region on the premium development? Spill over effects from Russia and Ukraine? What kind of development is expected for the top line in 2022?

And then you introduced the operating ROE as a new key figure. Where do you see it mid-term? What level would you like to reach for that indicator?

Then lastly, if I could also ask if you're looking to reduce the share of your bond portfolio that is exposed to Russia. Thank you.

Hartwig Löger Thank you for your question. I will take the first question regarding the Ukraine situation and the overall situation from our companies. I start with the information that we are now active with three insurance companies in Ukraine, two non-life companies and one life company. So, the situation out of 2021 was quite stable and very successful. I also mentioned today in the press conference that we had a growth of 18%. The average of the last years, we've had results of about ten million. But I think it's all the background

today when we look to the 1,400 employees. The situation now is that of course all offices are closed, so there is no activity. It is important for all our companies that since the last years, we stopped the activities in the eastern part of Ukraine already. So, we are strongly concentrated on the western part of Ukraine.

However, of course, now the situation is that we are trying to keep on the necessary activities as long as possible, but it is tremendous what is happening on the employee side. We have a lot of families coming to Poland, Slovakia, Hungary, and sometimes Austria. We are well prepared to support them on a humanitarian basis. But the background for the business is that I think it's important to know that claims out of war actions are excluded in all activities. This is not only in P&C, but also in life. So, there will be no dramatic situation out of that to what will happen on a claims basis.

On the other side, we have some exposures coming out from investments, but this is altogether also in a volume, which is, all over, in that form, I think not so dramatic in relation to our investment portfolio in total. So, from today, we are also well prepared for the IT security. This is also a main focus we have in the business activities, and we are ready to fulfil the needs which has to be done for the clients. But of course, it's an unusual and anomaly situation that we will handle as good as possible.

Liane Hirner

I'm happy to take your second question regarding the outlook. As you might understand, it is not possible to give any outlook for 2022. The capital markets volatilities, we can see that the capital markets are not predictable. And we see already some second order effects, very much depending on how long this crisis in Ukraine will last. So, it's not possible to give any outlook or any impact on premium development or any other KPI of our Group for the moment.

What I would like to point out is our strong solvency ratio of 250% at year end 2021. So, we have a solid capital position, which allows us to manage this situation, hopefully, in a good way, as we have also proved in the past two years. Coming out of two years of the COVID-19 situation with this good and high Group solvency ratio proved that we were, up until now, really able to handle this challenging situation very well.

We have introduced, coming to you third question, the operating ROE in our profit and loss statement. Beginning with this year, this operating ROE excludes non-cash impairments, like goodwill impairments, which we had in the

past. We started to show this operating ROE. This KPI, we will also use in the future. It will be impacted by the new reporting standards IFRS17 and IFRS9, which we will introduce, or have to introduce, in 2023. So, no concrete guidance for the time being, but this will, for sure, become a more important KPI going forward.

Regarding your question if we intend to reduce our bond portfolio exposed to Russia. Currently, this is simply not possible and no decisions have been taken for the moment in this direction.

Thomas Unger

Thank you very much. You mentioned the solvency ratio when you talked about the outlook. The solvency ratio, I understand that it was around 267% in the second quarter. There was no specific number given for Q3, but I believe that you said that it was stable in Q3 and now it's 250%. How did the solvency ratio decline in Q4 and what was responsible for that development?

Liane Hirner

Coming to that, last year, our Group solvency ratio amounted to 238% with transitionals and 195% without transitionals. So, this is a good increase until year end 2021. In the second half of 2021, the equities performed very well, so the volume and the symmetric matching adjustment in the equity shock increased. And we also had an increased interest rate curve, especially in the Czech Republic, but also in Poland, Romania, and Hungary. So, the exchange currency risk increased and also, due to the good asset performance, our exposure towards the US dollar increased. So, these are the effects why the Group solvency ratio is now expected to be around 250%. I still don't have the final calculations. They will be published at the latest in the first quarter 2022, so then you will have all the details on that.

Thomas Unger

Very good. Thank you very much.