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Vienna Insurance Group right on track in the first half of 2018

Clear improvement in all key figures

- **Premiums rise by +3.6 percent to around EUR 5.2 billion**
- **Result (before taxes) up by +5.5 percent to around EUR 233 million, in spite of impairment in Romania**
- **Combined ratio further improved by -0.6 percentage points to 96.3 percent**

Vienna Insurance Group's (VIG) half-year results for 2018 show further improvement in key figures. *"Stable, reliable and fit for the future is a brief summary of our goals. We have achieved a very stable upward development for two and a half years. The steady improvement in key figures shows we are reliable and the targets originally planned for 2019 have already been brought forward to this year. We are systematically using our "Agenda 2020" management programme to remain fit for the future. In addition to this year's focus on expanding bank distribution, the "Agenda 2020" programme is also currently looking at increasing data by processing using artificial intelligence. In this respect, new project in Poland has just been started"*, summarised Elisabeth Stadler, CEO of Vienna Insurance Group, at the end of the first half of 2018.

Significant increase in premiums

VIG generated EUR 5,150.3 million in Group premiums, representing an increase of +3.6 percent compared to the previous year. Excluding a further decrease in the single-premium life business, the increase was a solid +5.7 percent. All of VIG's business segments contributed to the significant increase in premiums. Similarly, except for single-premium life insurance, premiums increased in all lines of business, especially in non-life and health insurance. Poland, in particular, achieved very satisfying double-digit growth in the non-life business. The Baltic States recorded a +18.8 percent increase in total premium volume. This was the result of generally very positive performance in all lines of business, especially motor insurance. Croatia (+18.3 percent) and Serbia (Wiener Städtische Osiguranje +11.6 percent), which belong to the Remaining CEE segment, also recorded double-digit growth rates. Premium volume increased to EUR 2,170.0 million in Austria, in spite of a continued restrictive underwriting policy in the single-premium business. When adjusted for single premium business, premiums increased by +1.3 percent.

Result (before taxes) +5.5 percent higher

The Group result (before taxes) increased by +5.5 percent compared to the previous year to EUR 232.7 million. The increase was primarily due to improvements in the combined ratio and financial result. Contributions from the Czech Republic, Hungary and Serbia largely accounted for the significant increase in the result in the first half of 2018. In Romania, the current market trend and tense political situation prompted the management to review planning data for future developments. Based on VIG's well-known conservative valuation practices, a goodwill impairment of about EUR 50 million was recognised for the Romanian companies. Without the impairment, the result would have increased by +20.7 percent in Romania. Overall the operating earnings capacity of the Group remains at an excellent level.

Combined ratio and other key figures improved

The Group combined ratio after reinsurance (excluding investment income) recorded another significant improvement to 96.3 percent. Positive developments came from Austria (95.3 percent), the Czech Republic (94.6 percent), Poland (94.1 percent), Romania (98.6 percent) and Bulgaria (97.2 percent).

The financial result reached a value of EUR 511.3 million for the first half of 2018, a +4.7 percent increase over the previous year. This increase was impacted by the sale of the stake in S IMMO AG and larger realised gains from investment funds in the Czech Republic.

Group investments including cash and cash equivalents equalled EUR 37.4 billion as of 30 June 2018, unchanged from the end of 2017.

The solvency ratio of the VIG Group was at an excellent 222 percent at the end of the first half of 2018 (end of 2017: 220 percent).

“The results for the first half of 2018 make us very confident about the further course of business for the remainder of the year. Our confidence is underpinned by the continuation of significantly higher economic growth in the CEE region as compared to the EU15 countries, as a higher standard of living is accompanied by an increase in the need for insurance. We, therefore, expect a premium volume of EUR 9.5 billion and a result (before taxes) in the range of EUR 450 to 470 million in total for 2018,” stated Stadler, maintaining the previously announced targets.

Expansion of bank distribution on course

The focus of the “Agenda 2020” programme in 2018 is primarily on expanding bank distribution, and many measures have already been initiated.

One of these was an extension of the existing cooperation agreement to 2033, which was signed with our distribution partner Erste Group in mid-May 2018. *“We continue to be on schedule with the implementation of the mergers between our bank insurance companies and our local all-line insurers. Hungary, Slovakia and Croatia have been completed. The merger agreement between Sparkassen Versicherung and Wiener Städtische was signed in mid-June 2018. Approval by the Austrian supervisory authority is still outstanding. We expect to be able to complete the merger in autumn 2018. The final merger in the Czech Republic should also have been initiated or completed by the end of 2018”*, explained Elisabeth Stadler.

Moving towards real time pricing through increased data use

At the end of July 2018, VIG began the second round of the internal Group “VIG Xelerate” programme aimed to promote the digital transformation. VIG Group companies can submit their projects for the programme until the end of October 2018. Award-winning projects will receive financial support if they can demonstrate, among other things, innovation in their local market and relevance in terms of applicability for other VIG companies. They must also be able to show an improvement in financial terms.

One of the winning projects from the first pitch by the Polish VIG Group company InterRisk has now been launched. It focuses on increased data usage and the use of artificial intelligence to develop a completely new kind of pricing structure. The goal is, in the next few years, to move away from the current standard pricing structure based on statistical data from the past and internal calculation modules. Instead, it will take into account individual behavioural characteristics of customers, as well as their specific personal requirements and current market developments. The final stage is aimed at providing personal pricing and product design in real time. Elisabeth Stadler: *“The aim is to optimally satisfy individual customer needs and improve profitability, which are becoming increasingly more important in a highly competitive market. In Poland we are starting with the motor line of business, which is very important for us. Following the initial evaluation, we will look into developing similar models for other lines of business. If successful, the project will be very beneficial for the Group and can be transferred to other VIG Group companies.”*

Consolidated Income Statement (IFRS)

(in EUR mn)	6M 2018	6M 2017	+/- %
Gross premiums written	5,150.3	4,972.4	3.6
Net earned premiums	4,354.9	4,219.0	3.2
Financial result incl. at equity consolidated companies	511.3	488.4	4.7
Other income	66.3	59.8	10.8
Expenses for claims and insurance benefits	-3,457.7	-3,394.7	1.9
Acquisition and administrative expenses	-1,090.5	-1,030.8	5.8
Other expenses	-151.5	-121.2	25.0
Profit before taxes	232.7	220.5	5.5
Taxes	-59.1	-48.3	22.3
Profit for the period	173.7	172.2	0.8
Non-controlling interests	-37.1	-25.7	44.4
Net profit after non-controlling interests	136.6	146.6	-6.8
Earnings per share in EUR (annualized)	2.04	2.20	-7.3
Combined Ratio (net in %)	96.3	96.9	-0.6pp

Consolidated Income Statement (IFRS) - Quarterly Data

(in EUR mn)	Q2 2018	Q2 2017	+/-%
Gross premiums written	2,324.2	2,252.9	3.2
Net earned premiums	2,151.8	2,066.2	4.1
Financial result incl. at equity consolidated companies	272.9	240.6	13.4
Other income	33.1	30.3	9.2
Expenses for claims and insurance benefits	-1,720.1	-1,653.3	4.0
Acquisition and administrative expenses	-522.7	-512.6	2.0
Other expenses	-99.7	-60.4	65.1
Profit before taxes	115.4	110.9	4.0
Taxes	-32.7	-26.3	24.4
Profit for the period	82.7	84.6	-2.3
Non-controlling interests	-21.6	-7.1	>100
Net profit after non-controlling interests	61.1	77.5	-21.2
Earnings per share in EUR (annualized)	1.82	2.33	-21.9
Combined Ratio (net in %)	96.4	97.0	-0.6pp

Consolidated Balance Sheet (IFRS)

Assets (in EUR mn)	30.06.2018	31.12.2017	+/- %
A. Intangible assets	1,895	1,971	-3.8
B. Investments	36,193	35,933	0.7
C. Investments of unit- and index-linked life insurance	8,742	9,061	-3.5
D. Reinsurers' share in underwriting provisions	1,134	1,066	6.3
E. Receivables	1,666	1,476	12.9
F. Tax receivables and advance payments out of income tax	274	239	14.4
G. Deferred tax assets	81	81	0.4
H. Other assets	406	389	4.2
I. Cash and cash equivalents	1,204	1,498	-19.6
Total Assets	51,594	51,714	-0.2

Liabilities and Shareholders' Equity (in EUR mn)	30.06.2018	31.12.2017	+/- %
A. Shareholders' equity	5,923	6,044	-2.0
B. Subordinated liabilities	1,458	1,459	0.0
C. Underwriting provisions	30,471	30,168	1.0
D. Unit- and index-linked underwriting provisions	8,300	8,613	-3.6
E. Non-underwriting provisions	746	794	-6.0
F. Liabilities	4,093	4,032	1.5
G. Tax liabilities out of income tax	218	202	7.7
H. Deferred tax liabilities	250	255	-1.9
I. Other liabilities	135	147	-8.1
Total Liabilities and Shareholders' Equity	51,594	51,714	-0.2

Segment Reporting (IFRS)

in EUR mn	Austria			Czech Republic			Slovakia		
	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %
Gross premiums written Total	2,170.0	2,167.0	0.1	881.7	822.2	7.2	401.8	399.2	0.7
Profit before Taxes	76.7	77.5	-1.1	84.9	76.6	10.8	20.1	25.9	-22.3
Combined Ratio (net in %)	95.3	95.8	-0.5pp	94.6	96.5	-1.9pp	98.6	95.2	3.4pp

in EUR mn	Poland			Romania			The Baltic		
	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %
Gross premiums written Total	455.2	445.0	2.3	272.7	258.5	5.5	193.2	162.7	18.8
Profit before Taxes	21.6	22.0	-1.7	-43.1	5.8	n.a.	0.0	-4.6	n.a.
Combined Ratio (net in %)	94.1	94.8	-0.7pp	98.6	99.3	-0.7pp	100.8	104.2	-3.4pp

in EUR mn	Hungary			Bulgaria			Turkey/Georgia		
	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %
Gross premiums written Total	125.6	123.1	2.0	87.3	82.5	5.8	116.5	114.1	2.1
Profit before Taxes	3.1	2.4	31.2	4.1	4.3	-4.2	3.3	4.3	-23.6
Combined Ratio (net in %)	99.7	98.4	1.3pp	97.2	98.3	-1.1pp	102.8	99.1	3.7pp

in EUR mn	Remaining CEE			Other Markets			Central Functions		
	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %
Gross premiums written Total	185.1	181.0	2.3	149.7	137.9	8.6	819.7	738.2	11.0
Profit before Taxes	11.6	8.4	37.6	10.3	11.8	-12.7	39.6	-13.5	n.a.
Combined Ratio (net in %)	96.3	99.1	-2.8pp	87.2	83.5	3.7pp			

in EUR mn	Consolidation			Total		
	6M 2018	6M 2017	+/- %	6M 2018	6M 2017	+/- %
Gross premiums written Total	-708.4	-659.0	7.5	5,150.3	4,972.4	3.6
Profit before Taxes	0.5	-0.3	n.a.	232.7	220.5	5.5
Combined Ratio (net in %)				96.3	96.9	-0.6pp
Net profit after non-controlling interests				136.6	146.6	-6.8

Calculation differences may arise when rounded amounts and percentages are summed automatically.

Vienna Insurance Group (VIG) is the leading insurance specialist in Austria as well as in Central and Eastern Europe. About 50 companies in 25 countries form a Group with a long-standing tradition, strong brands and close customer relations. VIG has close to 200 years of experience in the insurance business. With more than 25,000 employees, Vienna Insurance Group is the clear market leader in its Austrian and CEE markets. It is therefore excellently positioned to take advantage of the long-term growth opportunities in a region with 180 million people. The listed Vienna Insurance Group is the best-rated company of ATX, the leading index of Vienna Stock Exchange; its share is also listed on the Prague Stock Exchange.

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