

22 March 2018

## Vienna Insurance Group reaps successes of its CEE strategy

### Definite improvement in all preliminary figures for 2017

- **Premiums increased to around EUR 9.4 billion (+3.7 percent)**
- **Profit (before taxes) increased to around EUR 443 million (+8.8 percent)**
- **Combined ratio significantly improved to 96.7 percent (2016: 97.3 percent)**
- **Proposed dividend raised to EUR 0.90 per share (+12.5 percent)**
- **Effective sustainable measures in “Agenda 2020” successfully introduced**

Highly positive preliminary results, stated Elisabeth Stadler, General Manager of Vienna Insurance Group (VIG), when the preliminary figures for financial year 2017 were presented (a live broadcast of the press conference will become available at 10 a.m. on 22/3/2018 using this [link](#)):

*“Our success in 2017 was achieved by systematically pursuing our business strategy. We were the first Austrian company to expand eastwards after 1989 and take advantage of the potential in Central and Eastern Europe. Now, when everyone is talking about the major economic opportunities available in the CEE economies, we already reap successes of our long-term strategy. We entered these countries with the intention of staying, with a long-term view, regardless of economic ups and downs. We intentionally rely on local entrepreneurship and a multi-brand strategy. We live this diversity out of conviction and make use of it in our markets, which increasingly demand rapid decision-making. This especially applies to issues like the digital transformation. We began implementing important measures for this and other initiatives starting last year under our strategic ‘Agenda 2020’ work programme. They are making us fit for the future, while also achieving results that show we are a stable and reliable partner. Based on the good results achieved, the Managing Board will propose to the Annual General Meeting that the dividend for the financial year 2017 be increased by 12.5 percent from EUR 0.80 to EUR 0.90 per share.”*

### Dynamic premium growth

Premiums written reached EUR 9,386 million, representing a significant increase of 3.7 percent compared to the same period last year. Excluding single premium life products, VIG recorded an even more significant premium increase of 6.2 percent. With the exception of single premium life insurance, all lines of business recorded growth. Premium growth rates were particularly high in Slovakia (+10.6 percent), Hungary (+10 percent), Bulgaria (+9.8 percent), Poland (+8.2 percent) and the Czech Republic (+4.9 percent). In the Remaining CEE segment, premium increases were especially large in Bosnia-Herzegovina (+23.2 percent) and Serbia (+12.4 percent) in 2017. The CEE region was already generating 55.1 percent of Group premiums in 2017.

The largest share of premium volume was generated by property and casualty insurance (28.1 percent), followed by regular premium life insurance (27.4 percent), motor third party liability (14.9 percent), single premium life insurance (12 percent), motor own damage (11.7 percent) and health insurance (5.9 percent). VIG believes that health insurance has a great growth potential, particularly in the CEE region. Premiums in this line of business rose 9.3 percent in 2017 to around EUR 564 million. In the CEE region, health insurance premiums increased by a remarkable 43 percent.

#### **Significant increase in profit (before taxes)**

Group profit before taxes increased to EUR 442.5 million in 2017 (2016: EUR 406.7 million). This 8.8 percent increase in profits was primarily due to positive improvement in the combined ratio and an increase in the life insurance underwriting result in the Czech Republic and Slovakia. Poland recorded a particularly large increase in profit, due in part to a successful stabilisation of the motor insurance business. The companies in the CEE region are already contributing around 57 percent to the overall profit (before taxes).

#### **Combined ratio significantly improved**

VIG's combined ratio (after reinsurance, not including investment income) improved significantly to 96.7 percent in 2017 (2016: 97.3 percent). This means that VIG was once again able to hold the combined ratio significantly below the 100 percent mark, in spite of many adverse weather events and Storm Herwart. Increases in the underwriting result in Austria and Poland played a major role in this.

#### **Financial result slightly lower**

The financial result (incl. the result from at equity consolidated companies) was EUR 924.3 million in 2017. This was 3.6 percent below the value in 2016, in spite of full consolidation of the non-profit societies for the entire financial year 2017.

#### **Investments increased**

Total investments of Vienna Insurance Group (including cash and cash equivalents) rose to EUR 37.4 billion as of 31 December 2017. Compared to 2016, this represents an increase of EUR 1.2 billion or 3.3 percent.

#### **Proposed dividend increase**

Earnings per share increased slightly year-on-year to EUR 2.23 in 2017 (2016: EUR 2.16). Based on the good results achieved, the Managing Board will propose to the Annual General Meeting that the dividend for the financial year 2017 be increased from EUR 0.80 in the previous year to EUR 0.90 per share. This corresponds to an increase of 12.5 percent and a dividend payout ratio of 38.7 percent (2016: 35.6 percent). The dividend policy pursued by VIG since 2005 remains unchanged, which provides for a minimum distribution of 30 percent of net Group profits after minority interests.

The information in this press release for the financial year 2017 is based on preliminary and unaudited data. The final information for the financial year 2017 will be published in the Group Annual Report on 18 April 2018 on the website [www.vig.com](http://www.vig.com).

## **Outlook for 2020**

The International Monetary Fund (IMF) is forecasting average annual GDP growth of 3 percent for the CEE region over the period from 2017 to 2020, and 1.7 percent for the EU-15 countries. Based on this economic data, Vienna Insurance Group expects to be able to make use of the opportunities presented by this growth and its positive effects on the demand for protection and retirement solutions. Using a sustainable and profit-oriented growth policy, VIG aims to steadily increase its premium volume to more than EUR 10 billion by 2020. Profit (before taxes) is expected to be in the range of EUR 500 to 520 million by 2020. The combined ratio has a target of around 95 percent by 2020. Dividends will track the profit development. Due to the positive business development and measures introduced under “Agenda 2020”, the targets originally set for 2019 are being moved forward to 2018. Specifically, VIG expects a premium volume of EUR 9.5 billion in 2018, and a profit before taxes in the range of EUR 450 to 470 million.

## **Strategic “Agenda 2020” work programme**

“Agenda 2020” started in 2017 with the aim of optimising VIG’s business model, and simultaneously taking advantage of new business opportunities. *“The tasks involved are considerable, and cannot be completed overnight. That makes it even more pleasing to see that we have already achieved initial results”*, stated Elisabeth Stadler, referring to the following examples. VIG’s measures to optimise the profitability of motor insurance are focusing, in a first step, on reducing high-cost foreign claims. A VIG foreign claims team was set up and has already identified potential savings of around EUR 10 million per annum for foreign claims. The project for optimising claims management was implemented for motor and household insurance in the Polish and Lithuanian Group companies in 2017. Initial results show a potential reduction in claims expenses in the middle single-digit percentage range. At the same time, the project also helps efforts to reduce unjustified claims. *“These measures are helping us further reduce our combined ratio to 95 percent”*, emphasised Elisabeth Stadler.

## **Growth initiatives**

Health insurance and the bank insurance business are the business areas that VIG wants to expand to ensure its future viability. Health insurance is already being offered by 38 of the around 50 companies in the Group. Premiums increased by around EUR 11 million or 32 percent in 2017 in the five countries where VIG specifically aims to expand health insurance (Bulgaria, Poland, Romania, Turkey and Hungary). To promote bank distribution, VIG decided in 2017 to merge its local composite insurers with VIG bank insurance companies. This is currently being implemented. *“We already began to reduce the number of product types with our distribution partner Erste Group in 2017, and offer simple, clearly designed property and casualty as well as health insurance products for bank customers. Another important goal is to further integrate our products into bank online sales”*, stated Elisabeth Stadler.

## **Clear digital vision and new “VIG Xelerate” initiative**

VIG developed its digital vision for the Group in 2017. Group companies have the freedom and independence to start digitalisation projects on the ground and turn their ideas into reality. VIG Holding plays a coordinating role for the Group companies in this regard. Priorities and measures can vary from company to company. *“We see two stages of digitalisation. We are currently in the first stage, which is concerned with digitalising today’s business models. To achieve this, we apply technologies intelligently to improve the products and services offered at customer contact points. The second stage concerns the use of new business models, including those with new products and services that are not typical for the insurance industry, such as assistance services. We have already performed some activities very successfully in this area for several years. Our companies handled more than 200,000 assistance cases in 2017 alone. In 2017, our Bulgarian company also began offering assistance services in Macedonia and a separate assistance company was formed in Romania that is now starting operations”*, explained Elisabeth Stadler.

In 2017, Polish Group company Compensa tested the use of robot technology and artificial intelligence for automating workflows in project “Genesis”, the Group’s largest digitalisation project, and has automated four routine processes since the beginning of 2018. The use of telematics in the motor line of business and bots to autonomously answer customer questions are currently being tested. Agents and customers in Poland can now use an app to purchase motor insurance easily. In Austria, Wiener Städtische is now offering its “Smart & Easy” digital advisory programme, and Donau Versicherung is offering its “Klara” programme. Both of these digital advisory programmes are already in compliance with the Insurance Distribution Directive (IDD). Donau will begin using its “Klara” programme Austria-wide to provide customer advice starting on April 1. The Compensa companies in the Baltic states will also apply the programme in future.

The “VIG Xelerate” initiative started by VIG Holding is the most recent activity related to digital transformation. Group companies can submit digital transformation projects. VIG assesses the benefits of the projects to the submitting company and the Group as a whole, and subsequently provides financial support.

#### **Disclaimer**

This press release contains forward-looking statements that concern future developments in Vienna Insurance Group. These statements are based on current assumptions and forecasts by the management of Vienna Insurance Group. Changes in general economic developments, future market conditions, capital markets and other circumstances could result in actual events or results differing significantly from these forward-looking statements. Vienna Insurance Group assumes no obligation to update these forward-looking statements or modify them based on future events or developments.

**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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## Consolidated Income Statement (IFRS)

(in EUR mn)	12M 2017	12M 2016	+/- %
<b>Gross premiums written</b>	9,386.0	9,051.0	3.7
Net earned premiums	8,509.6	8,191.3	3.9
Financial result incl. at equity consolidated companies	924.3	958.8	-3.6
Other income	223.1	150.4	48.3
Expenses for claims and insurance benefits	-6,872.6	-6,753.4	1.8
Acquisition and administrative expenses	-2,040.3	-1,907.8	6.9
Other expenses	-301.6	-232.5	29.7
<b>Profit before taxes</b>	<b>442.5</b>	<b>406.7</b>	<b>8.8</b>
Taxes	-70.0	-85.7	-18.4
<b>Profit for the period</b>	<b>372.6</b>	<b>321.0</b>	<b>16.1</b>
Non-controlling interests	-75.0	-33.2	>100
<b>Net profit after non-controlling</b>	<b>297.6</b>	<b>287.8</b>	<b>3.4</b>
<b>Earnings per share in EUR</b>	<b>2.23</b>	<b>2.16</b>	<b>3.2</b>
<b>Combined Ratio (net in %)</b>	<b>96.7</b>	<b>97.3</b>	<b>-0.6pp</b>

## Consolidated Income Statement (IFRS) - Quarterly Data

(in EUR mn)	Q4 2017	Q4 2016	+/- %
<b>Gross premiums written</b>	2,233.4	2,089.2	6.9
Net earned premiums	2,183.8	2,032.4	7.5
Financial result incl. at equity consolidated companies	192.2	255.6	-24.8
Other income	91.4	27.7	>100
Expenses for claims and insurance benefits	-1,704.8	-1,662.0	2.6
Acquisition and administrative expenses	-526.8	-485.5	8.5
Other expenses	-124.5	-62.8	98.3
<b>Profit before taxes</b>	<b>111.3</b>	<b>105.4</b>	<b>5.6</b>
Taxes	-4.9	-15.4	-68.0
<b>Profit for the period</b>	<b>106.4</b>	<b>90.0</b>	<b>18.2</b>
Non-controlling interests	-23.7	-22.0	8.1
<b>Net profit after non-controlling interests</b>	<b>82.6</b>	<b>68.0</b>	<b>21.5</b>
<b>Combined Ratio (net in %)</b>	<b>94.9</b>	<b>95.4</b>	<b>-0.5pp</b>

## Consolidated Balance Sheet (IFRS)

Assets (in EUR mn)	31.12.2017	31.12.2016	+/- %
A. Intangible assets	1,971	2,055	-4.1
B. Investments	35,933	34,646	3.7
C. Investments of unit- and index-linked life insurance	9,061	8,550	6.0
D. Reinsurers' share in underwriting provisions	1,066	985	8.2
E. Receivables	1,476	1,460	1.1
F. Tax receivables and advance payments out of income tax	239	237	1.1
G. Deferred tax assets	81	138	-41.5
H. Other assets	389	348	11.9
I. Cash and cash equivalents	1,498	1,590	-5.8
<b>Total Assets</b>	<b>51,714</b>	<b>50,008</b>	<b>3.4</b>
Liabilities and Shareholders' Equity (in EUR mn)	31.12.2017	31.12.2016	+/- %
A. Shareholders' equity	6,044	5,711	5.8
B. Subordinated liabilities	1,459	1,265	15.3
C. Underwriting provisions	30,168	29,220	3.2
D. Unit- and index-linked underwriting provisions	8,613	8,130	5.9
E. Non-underwriting provisions	794	815	-2.6
F. Liabilities	4,032	4,203	-4.1
G. Tax liabilities out of income tax	202	181	11.4
H. Deferred tax liabilities	255	325	-21.6
I. Other liabilities	147	158	-6.6
<b>Total Liabilities and Shareholders' Equity</b>	<b>51,714</b>	<b>50,008</b>	<b>3.4</b>

## Segment Reporting (IFRS)

in EUR mn	Austria			Czech Republic			Slovakia		
	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %
Gross premiums written Total	3,848.5	3,941.3	-2.4	1,603.2	1,529.1	4.9	810.0	732.3	10.6
Profit before Taxes	175.3	196.1	-10.6	149.3	152.8	-2.2	55.7	48.9	14.0
Combined Ratio (net in %)	95.5	97.6	-2.1pp	97.5	90.5	7pp	95.4	94.9	0.5pp

in EUR mn	Poland			Romania			The Baltic		
	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %
Gross premiums written Total	886.6	819.2	8.2	506.5	533.4	-5.0	327.6	140.2	>100
Profit before Taxes	35.5	1.9	>100	6.2	3.5	75.9	1.4	-11.2	n.a.
Combined Ratio (net in %)	93.9	99.4	-5.5pp	98.6	100.1	-1.5pp	99.0	135.4	-36.4pp

in EUR mn	Hungary			Bulgaria			Turkey/Georgia		
	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %
Gross premiums written Total	246.7	224.2	10.0	150.1	136.7	9.8	207.8	208.7	-0.4
Profit before Taxes	2.1	3.8	-44.6	6.9	5.4	28.5	9.4	9.0	3.9
Combined Ratio (net in %)	98.9	103.6	-4.7pp	97.1	98.2	-1.1pp	96.1	95.7	0.4pp

in EUR mn	Remaining CEE			Other Markets			Central Functions		
	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %
Gross premiums written Total	352.0	331.4	6.2	292.6	353.0	-17.1	1,411.5	1,324.8	6.5
Profit before Taxes	-6.0	7.4	n.a.	23.7	22.1	7.0	-16.7	-33.3	-50.0
Combined Ratio (net in %)	100.1	101.4	-1.3pp	81.3	81.8	-0.5pp			

in EUR mn	Consolidation			Total		
	12M 2017	12M 2016	+/- %	12M 2017	12M 2016	+/- %
Gross premiums written Total	-1,257.3	-1,223.3	2.8	9,386.0	9,051.0	3.7
Profit before Taxes	-0.4	0.4	n.a.	442.5	406.7	8.8
Combined Ratio (net in %)				96.7	97.3	-0.6pp
Net profit after non-controlling interests				297.6	287.8	3.4

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