VIENNA INSURANCE GROUP (VIG)

Preliminary Results 2023

Q&A-Session Conference Call

12 March 2024

Transcript

Operator	And the first question comes from Bhavin Rathod from HSBC. Please, go ahead.
Bhavin Rathod	Hello, good afternoon, thank you for taking my questions. Congratulations on the excellent results. I have three from my side. The first one would be on your PBT guidance for 2024. It would be very helpful if you could provide more granularity as to which regions or geographies you expect to provide this incremental growth in 2024. The second one would be on the combined ratio of 92.6% that you reported in 2023, just trying to better understand how should we now think about the normalised level of combined ratio for VIG, given the fact that we have seen this 92.5% level of combined ratio for the last two years. Should we expect an improvement going forward from here on? And the last one would be on Poland. Poland appeared to be one of the challenging markets in terms of the MTPL rates. It would be helpful if you could provide more colour, as in what kind of dynamics you are seeing hereon. Are you seeing any improvement in the MTPL rating cycle? Yes, those are the three questions that I have, thank you.
Hartwig Löger	Thank you for your question, I will take question number one and three from my side, and I will ask, then, Peter Höfinger to answer the question on the combined ratio. Maybe to go a little bit deeper in the expectation of the aim and ambition for 2024. I think, on the one side, I would split it up into targeted growth this year, 2024, which is based, as I mentioned, on the expectation also of GDP growth on a higher level in our core markets. But especially I would also touch on the topic of our strategic partnership with Erste. Overall, the Erste Group itself decided to give a clear target of increase, over the next two, three years, income out of insurance commission up to a level of plus 50%. And this is a common agreement we also have on the basis that there, especially in non-life, will be a strong potential also in growth besides the important and successful life activities. Going on, we see that in most of our countries we have a clear target also to take the potential of non-life also in the new form of digital insurance and platform activities. So there is a growth path we clearly defined over the next time, and also in 2024. And it was also mentioned before, by Peter Höfinger in the results of 2023, there is still potential, especially in the health business, where we also see the chance, over the markets, including Austria, also to strengthen our position there. Also important, on the side of efficiency and costs, there is a clear target, for example I mentioned, from my side also, under the topic of cooperation. We, for example, are now in Poland merging non-life companies, and we will merge Wiener and

Compensa non-life, and out of that there is also the situation that out of three life companies we will merge to one. So there will remain two non-life companies, InterRisk and Compensa non-life, and also one life company.

And here, we see that there are also effects we will take in the results of our group. And I also mentioned in the strategic initiatives of VIG 25, there are clear activities also to strengthen the efficiency and increase efficiency in automatisation, for example in claims handling there are a lot of activities in the group companies also to work on that.

I'll take now the question number three regarding Poland. Yes, you are right, there in Poland we have the situation that there is a soft market. It is not easy at the moment, especially in motor TPL, to increase at a high level the premium. Besides that, we are clear that there will be also the need of more a technical approach in segmenting on the market side to the premium, their activities now including and also guiding the merger activities, but there are also initiatives which will work up a positive impact. We see in 2023, a strong growth in non-life beside motor TPL.

And so this is also showing us that there is potential also in a positive form for Poland. All over, as you see, the merger which I think, on a technical basis, is fixed in 2024, in the second half, this will bring up our basis results coming from Poland, and we are fostering our activities there. As I marked it before on the map, we can see that there's a clear target also to take the potential we have on the Polish markets for the next years. And I will hand over to Peter to answer the question on the combined ratio.

Peter Höfinger

Thank you for your question on the combined ratio. I think we have to look at various aspects in answering this question. One topic, and I mentioned it in the presentation, you can see, even though we had significantly higher weather-related claims in the year 2023, we were able to keep a stable combined ratio. This could imply that there is potential for further improvement in our claims ratio in the years to come. On the other hand, I think we will also have to learn that weather-related claims become more and more out of our ordinary business, due to certain climate-change effects.

The other topic is the cost ratio, and having more than 50 insurance companies in our portfolio, and we also have medium-sized and smaller insurance companies, they should benefit in the years to come by economies of scale effects, so therefore our cost ratio over the time should go further down, which is a clear improvement which we will see in the years to come in our combined ratio.

	The third effect is the higher volatility which we experience out of IFRS 17, and therefore the correlation of interest rates to discounting, and therefore impacts on the combined ratio. So, I hope that I somehow could give you a flavour of an answer.
Bhavin Rathod	Very clear, thank you so much for the elaborate answers.
Operator	And the next question comes from Thomas Unger from Erste Group. Please, go ahead.
Thomas Unger	Good afternoon, thank you very much also for taking my question, and thank you for the presentation. I would like to come back to your PBT guidance for 2024, and I would ask for another angle. You're guiding 825 to 875 million for 2024, and if I take out the adjustments, the one-offs, that you had in 2023, you basically were, in 2023, at the top end of the 2024 guidance. So essentially I'm trying to ask, is there a degree of conservatism built into your forecast, or do you anticipate a worsening of any of the main P&L lines in 2024? So that would be my first question. Then, secondly, on your solvency ratio, that declined quite significantly in Q4, I believe in Q3 you reported a ratio of above 300%, can you explain the factors that affected the ratio in Q4? And maybe also the M&A activities have an impact here? And then lastly, I'd like to ask, on the CSM, how you feel about the ratio between the releases and the new business, and how you see that, going forward? And then also on the new business margin life-health, that increased, as you mentioned in the presentation, from 5.8% to 8.9%, very substantially, and what were the drivers here? And where do you expect that to settle in 2024 and beyond? Thank you.
Liane Hirner	Thank you, Thomas. Excellent question regarding the PBT guidance. As you know, and as we have always told in the past, we have a generally more conservative approach, and we had, in the past years, always adjustments, so there is, I would say, an over-conservatism included in this number. But there is no specific reason that some lines of business would not perform or not increase as expected. So this would be my answer for the first question. Second question, Solvency II ratio in Q4, the decrease is only related to the interest rate curve which decreased in Q4. And for the CSM, I'll hand over to our chief actuary, Werner Matula
Werner Matula	Thank you very much, good afternoon as well. Let me first comment on the new business margin. Well noted the profitability went up significantly to close to 9%. In terms of drivers, this was indeed a business driver. We had significant improvement in both pricing of business sold in the last year, as well as volumes sold in the profitable lines of business, in

particular coming very much from the Czech Republic. A little bit of effect as well from other valuation parameters, but I would consider them minor. Whether this is a lever that will be sustainable looking forward, hard to say because it always depends on the business being sold in the particular year.

In terms of the sustainability of the CSM, we already see in 2023 an improvement here on the life and health CSM. Net CSM is slightly above 60% now, and it was even below 50% previously. Of course, we know the issue, the release of the transition CSM is stronger than the new business that we build, but as well there are other factors, being the changes in variable fee, being the other changes in the CSM development which are factoring in.

And as we see the more profitable new business we are building, the better we are working against losing CSM, and the CSM has been stable also in an environment where interest rates went down in 2023. We are very confident on maintaining the profitability also for the future.

Thomas Unger	Super, thank you very much.
Operator	As a reminder, anyone who wishes to ask a question may press star followed by one at this time. It seems like there are no further questions, so I will hand back to Nina for any closing remarks.
Nina Higatzberger-Schwarz	Thank you for listening in and for your questions. We will release the annual and sustainability report on 24th April. If there are any specific questions or data that you require, please feel free to get in touch with investor relations who will try to help. And the next scheduled event is going to be the annual general meeting to be held on 24th of May. Thank you and have a good afternoon.