



VIENNA INSURANCE GROUP (VIG)

Preliminary Results 2022

Q&A-Session Conference Call

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Transcript

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Bhavin Rathod

Good afternoon. Thank you for taking my questions, I have three. The first one would be on the cost ratio in Poland, which was remarkably high in the fourth quarter of 2022. Could you provide any additional colour on what was the driver of this higher cost ratio in Poland? I appreciate there's some competition on, but an indication what drove this higher ratio. Was it higher acquisition cost or claims handling? Any colour would be really helpful.

The second one would be on Türkiye, if you could provide any early indication on your exposure to the Turkish earthquake, any early figures, that would be really helpful.

Lastly, on the claims inflation outlook for 2023, I appreciate the fact that you're providing inflation is expected to decrease, but this service, how do you see the P&C prices to evolve in 2023? Also, I appreciate that you have short-term nature of book in the CEE market and you're able to reprice it quite quickly, but are you seeing any pushback from the customers in terms of churn or moving around or doing some bargain hunting? Or are they able to take on the higher prices that you are putting through? Any colours around the pricing part in the CEE market will be really helpful. Thank you so much.

Peter Höfinger

Good afternoon. Peter Höfinger, thank you for your questions, they're all on me. I start maybe with the last topic, pricing on P&C. If you look on our claims ratio which we have presented for last year, you see that our claims ratio stayed stable, so we could prove our ability to deal with rising inflations and keeping claims ratio at the same level, even though the environment is challenging out of inflation on the one hand's side. This is driven by certain rate increases, it's also very much driven in talking with our clients to recheck their sum insured and increasing sums insured, and respectively having higher premiums.

Thirdly, also on the topic of claims handling, being in an environment in Central Eastern Europe, where inflation has been there also in the past, some years ago. We have management resources, which are quite experienced in dealing with this issue, maybe different to some countries in the Western world. Where management resources never had in their professional career the challenge of inflation, as we have seen it last year.

Looking to this year, I'm talking on one hand's side, as you also mentioned, we do have the opportunity for a fast repricing in Central Eastern Europe, as in all business lines, it's basically one-year contracts. In Austria, where this is a bit different, we do have various indices, also in our retail products. Indices which are very much reflected on the business line. Also in the private property you have a construction price index and not just a consumer price index. You have in the casco insurance a car

repair index and not just the consumer price index, so really reflecting the underlying inflation for our claims, which is balancing the increased average claims.

Seeing what happened in the renewal of reinsurance, and I'm sure you're well aware of the overall significant hardening of reinsurance which was experienced by the primary insurance, we also see here in our markets, and this specifically with some of the more local competitors, that they are pushed by these higher prices. Therefore, I do not have the feeling that prices go down in the current environment. With one exception, this is the question you are posing to me. I hope I could give you some indication on how we see this.

Bhavin Rathod

That's super helpful.

Peter Höfinger

Cost ratio in Poland, it's a little bit vaguely described in our material, with increased competition. Yes, this means that in the end, distribution and marketing costs have increased in relation to premiums generated. We still feel this pricing competition, but I do have an indication that hopefully we are on the bottom line, as there is certain increased pricing on the fleet business. Fleet business is normally the first indication that maybe the market is more going back to a risk adequate pricing.

Coming to Türkiye, there are various estimations by modelling companies, looking at the models of what will be the modelled insured loss in the region where the earthquake has happened in Türkiye. This is somewhere between €3.5 to €5 billion as an estimate. Taking around our market share in non-life, which is approximately 2.5%, looking at the first claims notification which we have received, and extrapolating it, it seems that we will be around €100 million gross.

Bhavin Rathod

Thank you so much.

Operator

The next question is coming from Thomas Unger from Erste Group. Please go ahead.

Thomas Unger

Good afternoon. Thank you very much. I'd like to follow up on...

Peter Höfinger

Please talk louder.

Thomas Unger

Can you hear me now, is it better now?

Peter Höfinger

Now we can hear you.

Thomas Unger

Sorry about that. If I could follow up on one of the questions that you had on premiums, especially in Austria, the last 2.5 months now into 2023, how did clients react to your premium increases? Probably quite sizeable premium increases now are coming through. Have you seen any changes in patterns from your customers? That's the first question.

Secondly, I'd like to talk about Aegon. When do you expect to close the remaining part of the Aegon acquisition? If you could repeat the profit contribution that you had in 2022 from the new Aegon CEE assets.

Lastly, I would like to ask on the dividend, what made you decide for the dividend at €1.3 per share and why did you not opt for a higher pay-out in light of your strong balance sheet, strong capital ratios and, also, quite strong results in 2022? Thank you.

Peter Höfing

Thank you for your questions. Looking specifically to Austria and customer behaviour due to inflation: There is no significant increases of cancellations in the life business. Which could be one of the effects, but this is nothing that seems to be here of any significance or any correlation to it. The same is true for retail non-life. We didn't see anything that there is something like mass cancellations in private property household insurance due to limited budgets of people. If we come to corporate clients, this is different. What we see is also we are much more asked in the area of risk management and risk advice, and also the advice that the intermediaries are much more asked on this topic.

Corporate clients are evaluating more detailed, what is the risk. They are willing to think about increasing self-retentions, limiting certain coverages for ensuring that premium rises are not so significant. On the corporate side, there is an intensive discussion how to protect and risk sensitivity and risk awareness, not only because of inflation, but also due to geopolitical situation and also due to the COVID topics in the last years, have in our interactions with clients very much increased. Which is, on one hand's side also a very positive thing, talking very intensively about how to protect the risks and not just to discuss purely premium levels.

Liane Hirner

I'm happy to take the second question regarding Aegon transaction. We closed Türkiye and Hungary and explained the effects on the income statement in 2022. What is still open is Poland and Romania, the closing has not taken place so far. But from the impact, Hungary and Türkiye are by far the biggest parts, from the Polish and Romanian entities we expect around 100 million additional premium volume with regards to Aegon.

The last question on the dividend, as I also explained, we are a little bit cautious when it comes to the outlook due to the macroeconomic environment, which is still challenging. You see a small US bank is going bankrupt and the capital markets are in an international way quite heavily affected, so there's still a lot of uncertainty and disruptive elements that could take place. Taking all this into account, we do not give a concrete outlook for our 2023. When it comes to the dividends, our divided yield is very attractive with 5.8%, also the dividend is higher than last

year. Taking all these aspects into account, our proposed dividend we think is very attractive.

Thomas Unger

Thank you. Can I ask you again for the pre-tax profit contribution by the Aegon assets in 2022? I missed that one in the presentation.

Liane Hirner

From Aegon Hungary and Türkiye we have impact in the extended CEE segment with a premium increase of more than €300 million, €310 million. The profit contribution for Hungary is minus 29 million. This is taking into account the additional tax on the insurance premium and also the depreciation and the impairment of the insurance portfolios and customer base already mentioned. In special markets we have additional premiums of €130 million. The profit contribution of Aegon Türkiye insurance company is around €6.3 million. These are the main effects last year.

Thomas Unger

Thank you very much.

Operator

Ladies and gentlemen, if you would like to ask a question, please press star followed by one on your telephone. There are no further questions at this time. I now hand back to Nina for closing comments.

Nina Higatzberger-Schwarz

Thank you for listening in and for your questions. Our next scheduled events are the AGM on 26th of May, followed by the first quarter update on 31st of May 2023. In case of further questions, the investor relations team is there for you, please reach out. And, once again, thank you, have a nice day and goodbye.

Liane Hirner

Bye-bye.

Peter Höfing

Bye.