



VIENNA INSURANCE GROUP (VIG)

6M 2024 Results

Q&A-Session Conference Call

28 August 2024

Transcript

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Operator Our first question today comes from August Marcan from UBS. Please, go ahead with your question.

August Marcan Hi, thanks for taking my questions. I have two. First one is on P&C. How do you see the year-to-date H2 developments, pricing, claims, in July and August? And my second question is, with the S&P review now done, how do you think about excess capital that you hold? Any usage for it? Any thoughts about it? Thank you.

Liane Hirner Thank you. Liane speaking. I would like to take your second question regarding Standard & Poor's review and our good capital position. We are growing. We have been growing in the past years, and we still aim to grow and use the excess capital mainly for growth, organic growth, but also for future M&A activities.

Peter Höfinger Thank you. I'm taking your question one. If I understood it right, it is mainly about the recent claims in July and August. Because there was also the topic of pricing, there hasn't been tremendous changes in July/August of pricing. So, it must be claims, the question. You saw that our regions, specifically Austria, were severely hit by weather-related claims.

Nevertheless, we cannot yet give you a serious estimation of the figure. I would not think that it will have a significant impact, looking on the whole development over the 12 months.

August Marcan Thank you.

Operator The next question comes from Rok Stibric from RBI. Please, go ahead.

Rok Stibric Good afternoon, everyone. This is Rok speaking. First of all, thank you very much for the presentation. I would like to learn more about two topics, and have the following questions. So, number one, last year, you announced an internal restructuring and streamlining of activities in Poland. Could you, perhaps, comment about the status of this project?

Have you already seen any improvements in overheads as a result of this project? And second, how do you see the Life and Health segment developing in the second half of the year? Thank you.

Peter Höfinger Thank you. I will take the first question for Poland. First of all, we got the official approvals for the merger of the non-life companies with 1st of July. We are expecting the official approvals in the next two months to come for the merger of

the life company. In the meanwhile, we have already started to streamline our organisations and very much also on topics of IT and back office.

One can see, also in the first half year results, that our results are quite well developed in the first half year, in relation to the last first half year. But this is not only due to first restructuring efforts, this also has to do with market environment. We also see, in Poland, rising rates in motor. From this, rising rates in motor, we are benefiting. So, we are quite well on track with the simplification of our structures in Poland.

Liane Hirner

So, regarding your second question: Life and Health development of the second half year, what we currently see is a stable production volume. Also, on the capital market side, we see, a little bit, increased volatility, which we expect to be continued. So, we're a little bit cautious on that, but overall, I would say we see, or we expect, a stable development in the Life and Health part. I hope this answered your questions.

Rok Stibric

Yes, thank you very much.

Operator

The next question comes from Bhavin Kumar Rathod from HSBC. Please, go ahead with your question.

Bhavin Kumar Rathod

Hello, good afternoon. Thank you for taking my questions. So, I have three on my side. The first one would be on the strong insurance revenue growth on the P&C business. It would be helpful if you could just provide further breakdown of the strong development between pricing and volume, and provide additional colour by different geographies.

The second one would be on the higher property and weather-related claims we are seeing in Austria and Czech Republic. So, particularly with respect to the property claim, could you provide some colour, as in what's driving that? Is it because of higher frequency or higher severity? And is it more a structural change that you are seeing in this market?

And the third one would be on the CO³ programme that you launched last year, the Collaboration, Communication, and Cooperation. Can you provide some colour on how are you seeing the development of this programme? Are we already seeing some synergies coming up from that programme? And any outlook on how we should be seeing that developing going forward, in terms of synergies? Thank you.

Peter Höfingger

Thank you for the questions. I'll answer all three questions, and I'll start with the first one, pricing and volume. Frankly speaking, it's a bit difficult to answer it, due to our various different countries and including various different business

lines. We are looking on two different aspects. One is pricing, but this, I also would include inflationary effects, meaning that automatically, some insurance, for example, in property business, are increasing due to inflation, which results in a premium growth, but it's not yet also having a rate increase.

So, we are taking rate increase and inflationary effects, in relation to increase of number of risks. A very, very rough estimate would be that our volume growth in P&C is driven 60% by the first effect, so pricing and inflation, and 40% by an increase of the number of risks.

If we come to the second question, which is about the property claims, Austria, Czech Republic, what we see, and I think it was also a little bit explained in the presentation of Liane, is that we do have a quite conservative reinsurance programme, which is protecting us for severity. So, you saw, last year, when we had, for example, the earthquake in Turkey, most of it was covered by reinsurance.

Yes, this year, and specifically in the summer months, we do have a different characteristic of the nut cuts event, which is a higher frequency, but lower severity, which means this stays more in our sales retention. And you can see it, the difference between gross and net in the first half. So, there we have the effect of frequency, not of severity.

Coming to the third topic, we have been intensively working on CO³. We have developed cooperation synergy plans, country by country, on one hand. And specifically, I can also mention here, Romania, where we have identified additional areas where we can realise synergies, or in Bulgaria. On the other hand, we have also implemented a group-wide technical tool, which allows a knowhow exchange between all group companies.

And on this platform, we also see first successes, country by country, benefiting from experiences of the various countries in these areas. So, CO³, we are quite happy how it is progressing and looking forward, in the next years to come, then also to see the effects in our P&L. I hope this answered your questions.

Bhavin Kumar Rathod

Perfect. Thank you so much.

Operator

The next question comes from Youdish Chicooree. Please, go ahead.

Youdish Chicooree

Good afternoon, everyone. Thank you for taking my question. I've got three questions, please. The first two questions are actually on the P&C combined ratio. The first one is on the Special Markets improvement of six points to

93% in the first half. Is that a level, which you think is sustainable going forward?

And then, secondly, on the combined ratio, if I look at the increases in Austria and Czech Republic, how much of the increase is down to just bad weather-related claims, and how much of that is possibly more structural?

And then my final question is on the life side. If I look at your CSM, I think earlier, you mentioned you expect a stable development on production. Would it be fair to assume that the CSM release should be a fairly stable figure, I guess, in the second half, if there is no major financial market moves going forward? Thank you.

Peter Höfinger

Thank you for your questions. I will answer your first two questions. Within special markets, we also have included Türkiye. You know that in Türkiye, we are facing challenges with significant high inflation. Our colleagues there are quite experienced in tackling this inflation. We are constantly adopting our premiums according to these inflation topics. Due to the volatility of the Turkish market, I cannot confess here that this level now of the claims ratio will be as sustainable going forward.

But I'm quite optimistic that we should be in this area looking forward. But, again, there is the volatility and certain uncertainty in the Turkish market, which does not allow to give a very clear guidance to count on this for the years to come.

Now I'm going to come to your second question, Austria and Czech Republic, and you see, in both, that there has been a jump in the claims ratio in the first half. There is maybe, if you say structural, one could say maybe two or three percentage points, more or less, in both areas, where we see a certain rise in claims ratios, also in motor business.

Well, I think we had exceptional claims ratios in motor business the years before, also still as a consequence out of the COVID years and the lower frequency in claims. So, I think now, we are back in the normal world. This is maybe the part, which one could call structural or normalised.

The rest is clearly, on one hand, in Austria, with an unusual accumulation in the first half of small to medium-sized fire claims and the weather-related claims, and in Czech Republic, the weather-related claims. I hope I have answered your first questions.

Youdish Chicooree

Yes, just to be clear, because when I look at the half-year and half-year movements, there's quite a big change in the loss ratios. And even the claim/cost ratios have come down

quite a bit. So, you're saying ...

Peter Höfinger ... No, this has also to do with a certain structural change in the reinsurance in Austria.

Youdish Chicooree Okay, got it. All right, thank you.

Peter Höfinger Thank you.

Liane Hirner So I'm happy to take your last third question regarding the CSM release of the Life and Health business. Here, I would like to comment that we expect a stable development for the second half. The only thing is, what I would like to remind you, is that there is no big change in the changes in variable fee, for example, big interest rate changes. But we do not expect that, so we expect rather a stable development.

And I would also like to inform you that, on page 32 of the Half Year Report, you can see the run of pattern of the CSM. We do have more details there.

Youdish Chicooree All right, great. Thank you very much.

Operator The next question comes from Thomas Unger from Erste Group. Please, go ahead with your question.

Thomas Unger Yes, hello. Thank you very much. Thank you for taking my questions, and thank you for the presentation as well. I mostly have follow-up questions. First, I'd like to hear about the Czech Republic in general. You've spoken about the weather-related claims, which have been higher, but the revenue growth also was a bit sluggish with plus 3% in the first half, combined ratio higher, earnings before tax down.

But also, if you could talk about the life side and how, in general, you see the insurance business in the Czech Republic developing?

The second question would be on your outlook on revenues for the coming months, in the second half and going into 2025. You had double-digit revenue increases in casco, almost in MTPL, the other property, health and life without profit participation.

Now, with the inflation pressure easing, what do you expect for the coming quarters? Do you see these dynamics slowing down, going into 2025? That would be my second question.

Thirdly, you mentioned the use of excess capital, but do you have a feeling of where the dividend proposal could be for 2024 earnings? You make very good progress towards your guidance for the full year 2024. If you hit that mark on the upper end of the guidance, where do you expect to be with

dividends? Do you expect a higher increase this year than last year?

And lastly, just on the weather-related claims, you mentioned the figures for this year and last year, first half, 2023. I missed the last-year figure. If you could repeat that, please? Thank you.

Peter Höfing

Okay, thank you. I will take your first two questions, and I will start from the back to the beginning. The figures of last year for weather-related claims were 256 million gross and 97 million net. This year, 123 million gross and 111 million net.

If I come to your question to growth dynamic going forward, you are fully right. We also have very much benefited, the last years, in adopting our premium levels according to the inflation. As inflation goes down, certain mechanism, also certain indexes, but also certain annual renewals, will slow down. So from this, in our book, there will be a bit less dynamic and premium growth.

On the other hand, if you look on the economic development in Central & Eastern Europe, we had some kind of overview in the first quarter and in the last analyst call. But even in the meanwhile, all the forecasts have been confirmed and even increased for Central & Eastern Europe. So we see, more or less, a growth across the place, a GDP growth of 3% and 3% plus.

And, very differently than to Western Europe, the salary inflation, which we see in Central & Eastern Europe, combined with a significant lower income tax than we have in Western Europe, meaning that the disposable income of the populations in our markets, much more grown up, means that this is a push for the internal demand.

So, there is a very fair chance that we can compensate the inflation adaptation momentum by the momentum of a strong internal demand within our markets. So, I would expect us to grow, also next year in a similar dimension as we are here today.

When it comes to Czech Republic, which was your question, we do have a unique, extraordinary position in Czech Republic, with a market share above 30%. We do see, in the Czech Republic, already for our CEE markets, it's the most mature market by insurance penetration, but also by what we call risk literacy. We do have this unique, also, brand name with Kooperativa, which is an institution in Czech Republic.

Yes, there has been, this first half year, a certain reduction

in our profitability in life business. But I think, in the years to come, this will then normalise. There are also certain effects for the last two years, when introducing IFRS 17. So, I think this will then balance out. In the non-life segment, I would also see, here, a positive development. Yes, it will be more moderate than, maybe, in comparison to some more emerging markets in our portfolio, but this is due to the maturity.

And I would not expect, seeing this high frequency of NatCat event events each and every year to come. This first half year we were hit in this relation. Overall, I'm very positive and very optimistic about our position and our development in Czech Republic.

Liane Hirner

I'm happy to take your third question, regarding the dividend proposal. Here, I would like to remind you that, in Q4 2023, we changed our dividend policy, meaning that the last year's dividend is the minimum dividend for the next year. So, this is minimum €1.40 for this year. And also, I pointed out that we expect profit before taxes on the upper end of the announced target range this year.

And as we always said, we want to be a stable and reliable partner, also to our shareholders. So, our earnings development should also be the basis for the dividend proposal. But at the end of the day, we decide when the 2024 results are finalised. So, this is what I can say for the moment.

Thomas Unger

Okay, thank you very much.

Operator

Ladies and Gentlemen, that was the last question for today, and I would like to hand back to Nina for closing comments.

Nina Higatzberger-Schwarz

Thanks, and thank you for your interest. We look forward to presenting the first to third quarter highlights on 26th of November. If you have any further questions in the meantime, please, do contact the Investor Relations team. We are happy to help. Have a good afternoon, and goodbye.