



VIENNA INSURANCE GROUP (VIG)

9M 2025 Key figures & Update

Q&A-Session Conference Call

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Transcript

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August Marcan

Hi. Thanks for taking my questions. I have too many, but let's start with three. First one on the combined ratio. This year, the nine-month combined ratio benefited a lot from benign weather, and last year we had Boris, so in the last two years we kind of had the opposite extremes. So I was wondering if you could tell us what you see as a normalised combined ratio level for the group going forward.

Then, the second question, a rather simple one, apologies for that. On your new strategic plan, I'm not sure I fully understood the timeline. You said that next week you're going to have the approval from the board. Are you then immediately going to have an event or publish this? Or what exactly is the timeline? And again on the CMD, you said that the financial targets are going to be published, then. Could you just tell us now what the KPIs are, not the numbers but what the metrics are that we're going to be looking at? Because I think your last strategic plan didn't have a lot of financial KPIs, so I'm not sure what this one will include. Thanks

Peter Höfinger

Thank you for the questions. For the combined ratio, yes, you are quite right that the comparison of last year to this year is quite difficult, as having Boris, which was a gross claim of euro 620 million. But you, and we, have presented this, that we do have a quite conservative reinsurance policy. We are still able, also over the last few years in the hardening of the reinsurance market, keeping low self-retention. So the last year, for the first nine months, we had a combined ratio of 94.3. This year, it is considerably better, with 92.1. But you also see that the difference, if you compare the amount of the nat cat events, is not so significant as we have, as a mitigation element, reinsurance which we are willing to buy in quite in a bigger amount.

What was beneficial this year to our result, and this is outstanding, is the phenomenon of having less frequency of small to medium-sized events. So this has had quite an impact on our improvement of our loss ratio, the mild climate and the absence of this frequency of small to medium events. We are not impacted in a year by the big events, due to our reinsurance. So, therefore, I think you see the limited volatility of our combined ratio from last year to this year, having a very big event, and having, this year, an outstanding event. So I think between 92 and 94 is what is our combined ratio to be expected going forward.

Hartwig Löger

Thank you, August, for your question. I will take question two and three from my side. First, yes, there will be also an information immediately next week, when we have the approval from the Supervisory Board to the targets 2026 to 2028 next week. And what you can expect, there will be a very transparent

basis also in the information about these targets. It will be a target about the growth, the target about profits. It will also include combined ratio, which you asked before, to Peter Höfing. And there will be also a target on a return on equity, as an operative return on equity, and there will be also target on the solvency ratio. So these are the targets which will be discussed in the supervisory board, and then we will clearly make it transparent to the capital market about the targets we have for the next three years out of our programme.

Operator The next question comes from the line of Rok Stibric from Oddo BHF. Please, go ahead.

Rok Stibric Hi, good afternoon. And thank you for the presentation. I would have just one question, and forgive me if I'm being a bit impatient. Usually, you disclose these things with half-year and full-year results, but I would still like to hear your view on future investment income expectations. So the question is do you expect future investment income to be roughly at the same level as this year, or do you expect this line of your P&L to improve in the future? Or maybe, given the change in interest rate environment, to even decrease? I'm just wondering what your thought is on developments in the future. Thank you.

Liane Hirner Liane, I'm happy to take your question regarding the investment income. What I can say is that we have a very positive development in the investment income in the first three quarters this year, no impairments, no one-offs. Also, we have a positive development of the interest rates, especially in CEE, also, for example, including Türkiye. And due to the increased business volume, also interest income or financial income is increasing. So I would expect a positive development also on this side in the upcoming quarters. I hope this answers your question.

Rok Stibric Yes. Thank you very much.

Operator We now have a question from the line of Youdish Chicooree from Autonomous Research. Please, go ahead.

Youdish Chicooree Good afternoon, everyone. Thank you for taking my question. I've got two questions. The first one is on the top line development. I was wondering whether you could provide a split between life and the main lines in non-life, like motor TPL, other property, etc. And then secondly, on Nürnberger, could you tell us how long will the turnaround of this business take? And are you able to share what your view is of the sustainable earnings power of that company, please? Thank you.

Peter Höfing I'm happy to take the question about the development of the business lines. If you look on our non-life portfolio, we are growing all over the group in the health business. And what is very positive to see, we are growing by 12% in health. What is

very positive to see is that we have a very good dynamic in health business in central Eastern Europe. We see a growing demand by our clients and by our markets getting health insurance, and we are having quite innovative concepts in also offering this market to market, depending also on the framework of the Social Security laws there.

We do have a growth in property and casualty of around 5.6% all over the group. Also here, you will see a stronger growth dynamic in Central Eastern Europe, as this is also linked to the overall GDP growth and the economic dynamic. And as you know, there is a quite positive GDP growth in Central Eastern Europe, where we are benefiting with our property business.

When we come to the motor business, we have to differentiate between motor TPL and motor own damage. In motor TPL, it is around 11%, and in motor own damage, it's more than 6%. The background here is, over the last years, we have seen in Central Eastern Europe quite an over proportional salary inflation. Differently to maybe Western Europe, increased salaries more or less go immediately into consumption, and not just on the saving book. Part of this consumption also goes in cars and buying new cars. This is the growth driver for motor own damage, but also in motor TPL.

If you look on the life business, I think you asked, overall, the life business is growing by more than 8%. Here, it is the classical life business which is growing, but also in unit-linked we are close to 6% of the performance. So also here we have, I think, a quite attractive dynamic. The same is true what I said for the other business lines, the driver of this growth is Central Eastern Europe, where the demand for old age savings is growing. And we also see this as one of our further future potentials of growth in the years to come. I hope I have answered your question.

Youdish Chicooree

Thank you very much.

Gerhard Lahner

Let me take, then, the second one on Nürnberger. In my first part of the answer, I will refer to publicly available information. Nürnberger itself has announced that the turnaround for the non-life part will last until 2027. We have seen quite a strong development this year, supported, of course, also by favourable claims development, as well as a positive market cycle on the German insurance market when it comes to non-life profitability.

So we trust the management to be well on track with the turnaround of the non-life part. The IT part will take probably a little longer. Nevertheless, given the status in which we are as of today, I think that we will have the chance to have a more deep dive with Nürnberger management on that issue when the closing has been done. Nevertheless, we're aware of that this will, of course, also long term decrease the cost base. So I think,

from our point of view, Nürnberger management is well aware of that we are expecting them, when you ask me, to return to historical profitability levels. As you know, not only you are impatient, but we as well, I guess this is also well known to the Nürnberger management.

Youdish Chicooree And can I ask a follow-up question, please?

Gerhard Lahner Yes.

Youdish Chicooree So, you're expecting the closing in the second half of next year, so do we have to wait till then to get, let's say, IFRS 17 numbers for Nürnberger, basically?

Gerhard Lahner I would like to give you a different answer, but the answer is clearly yes.

Youdish Chicooree All right. Okay, thank you.

Gerhard Lahner You're welcome.

Operator As a reminder, if you wish to register for a question, please press star and one on your telephone. The next question comes from the line of Thomas Unger from ERSTE Group. Please, go ahead.

Thomas Unger Good afternoon. Thank you very much, also, for taking my questions. I'll connect to the last question's answer on Nürnberger. What can VIG do here to advance and accelerate the transformation process for Nürnberger? And you already said that the timeline remains about the same as what Nürnberger guided, but when do you expect the first dividends from Nürnberger to VIG? That would be my first set of questions. And upon closing, do you expect any significant one-offs to be incurred or immediate major investments that you anticipate for the second half of 2026?

And then also, I'd like to ask you, now that you're in the process of this takeover, how does that affect your growth strategy in Central Eastern Europe? Are you able to take advantage of any M&A opportunities or other growth opportunities that may arise in the next one to two years? You haven't said anything or any details, haven't given any details on the capital hit that you'll be taking as you integrate the asset, but from the capital perspective, and also management capacities, do you think you will be able to take advantage of any attractive opportunities in Central Eastern Europe in the next one or two years?

And if you allow me to also ask you on the dividend, the upcoming dividend from 2025 earnings, will be the Nürnberger acquisition in any way affect the management board's decision process leading up to the dividend proposal from 2025 earnings? Thank you.

Gerhard Lahner So, let me take the first one on what can VIG bring to the table.

I think that in different markets, and especially in challenging market circumstances, I guess that VIG has shown that we know what it means to turn around, especially non-life portfolios. So I think that what we see is that the Nürnberger management is very well in place and know what they do on the restructuring and turning around the non-life portfolio. Nevertheless, I guess that we can bring some know-how.

In addition, I'm not sure if everybody is aware of, but VIG has taken advantage of an IT transformation programme executed by Wiener Städtische and DONAU Insurance, in the last years, ended in 2023. And what VIG can bring to the table is that, given the fact that the IT landscape is very, very comparable between VIG in Austria and Nürnberger IT landscape, we are very confident that we know what needs to be done, first point.

The second point, when it comes to talent, we have the team that was successfully doing this transformation in the DACH region still on board. You just should probably know that we decommissioned a lot of old systems in Austria, which finally gives you also, going forward, quite some flexibility on the digital journey, that, of course, you need sooner or later.

Second of all, dividend expected. I think that, in general, our intention is that Nürnberger will keep on paying dividends in general. Nevertheless, of course, and this leads to, I guess, your third question, one-off investment, we will need to judge what is the best way to finance the long-term IT transformation programme of Nürnberger. Nevertheless, we don't expect this to be a big upfront amount, but probably be spent over several years. And then, we would probably judge on what is the most efficient way to deploy capital in Nürnberger or within the entire group.

I guess the fourth question is twofold. One is the financial part of the flexibility for further advantages of inorganic growth or M&A transactions in Central and Eastern Europe. And the second one is the managerial question. I will take the first part. So definitely, given the deleveraging that VIG has gone through the last periods, and the financial flexibility that we have from our balance sheet, I do not see any immediate restriction out of either the transaction nor anything upcoming. The managerial part of the answer, I would ask probably Hartwig Löger to give you the answer.

Hartwig Löger

Thank you, Gerhard. I will take also the question about our possibility also to invest and go on in the growth of Central Eastern Europe. This is clearly the target. And we also, including our investment in Nürnberger, we are ready. And also in part of the programme of “evolve²⁸”, we are still interested in possible profitable growth and also investment in the enlargement of our

activities in Central Eastern Europe. And as we expect, maybe coming up soon, also with some targets, we have already on our radar.

I think the most important things also for that question, our investment in Nürnberger will not have any impact to the dividend payment out of the outperformance of 2025, which is expected. So we have the clear definition of our policy to dividends. So there is the floor, and we are clear that with the performance on the operating side, there will be also the definition and the increase on the dividend payment for this year. Hope this gives security to you.

Thomas Unger

Yes, thank you very much.

Operator

We have a follow-up question from the line of August Marcan from UBS. Please, go ahead.

August Marcan

Thanks for taking my follow-up. Two quick questions on Nürnberger. One is, with this acquisition, you're getting some businesses that maybe are not core for Vienna, like the banking business, have you considered what you want to do? Do you want to keep the business, keep Nürnberger as a whole, or are you looking to dispose of the non-insurance assets that Nürnberger has?

And then the second question, you're also bringing from Nürnberger a sizeable investment portfolio, and their asset allocation is quite different from yours. They have much more equities and a bit more real estate than you do, and much less bonds. Have you considered what the plan is here? Are you going to move them to your strategic asset allocation, or are you going to leave it as is? Thanks.

Gerhard Lahner

Thank you very much for those questions. The first one, it's probably still too early. Definitely, the focus of the acquisition for us is the core business, which is the entire insurance business of Nürnberger. So this is the focus, the rest we will see further down the road when we are able to judge immediately after closing.

The second one is on the asset allocation. VIG will not move away from the conservative asset principles that we have in place. Of course, there is an interlink between the asset portfolio of Nürnberger, so we will first, very thoroughly, analyse what are impacts. But definitely we are supposing to continue VIG's conservative investment approach in the long run. Is that helping?

August Marcan

Yes, thank you.

Gerhard Lahner

You're welcome.