



## **VIENNA INSURANCE GROUP (VIG)**

6M 2025 Results

Q&A-Session Conference Call

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Transcript

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Youdish Chicooree

Good afternoon, everyone. Can you hear me?

Liane Hirner

Yes, we can hear you. Thank you.

Youdish Chicooree

Yes. Thank you. Hi. I've got a few questions on the contractual service margin and one question on the dividend policy. So on the contractual service margin, there was a material benefit from the changes in variable fee, which I understand is due to longer-term interest rate.

So I was wondering if you could specify what kind of duration you're talking about here. Because at the ten-year end of the curve, I see rates only moving by 30 basis points, so not very much. So maybe if you could clarify something, the duration you were referring to. That's my first question.

Then, secondly, on the CSM itself, I think the new business margin dropped to around 8-9% in H1. And again, I think you mentioned a change in the term structure of interest rates. So again, if you could clarify the technicalities around that, that'd be very helpful.

And then finally, on the CSM again, I think since you transitioned to IFRS 17, the balance between new business and CSM release has been improving, such that I think last year, your new business was basically covering the entirety of the CSM release. But this seems to have gone in reverse in H1. So if you could talk a bit around that, that'd be very helpful.

And then on the dividend policy, it's more a clarification actually. I guess, your policy talks about paying a dividend which is at least the same as last year, if not an increase with the development of operating earnings. And if I look at operating earnings in H1, it's up 25%. So obviously, that's excluding the impairment.

So I'm wondering whether, when we think about the dividend trajectory, is the growth, the rise in operating earnings the right way to think about it? Or should we actually be thinking more in terms of at a more modest pace of dividend growth? Thank you very much.

Liane Hirner

Thank you very much. I'm happy to take your questions. I would propose to start with the dividend policy, because I think it's very important for you. I can confirm that we did not change our dividend policy for the moment. So, at least, the dividend of last year will be the dividend of the current year.

And as we always said also, a positive business development will have an impact on the dividend. So if we expect rising profits, then usually also the dividend should follow this path. So for the time being, this is all for the

dividend policy, so no changes here.

Regarding CSM development, your first question was related to the duration. So the release factor which you can use for the CSM release in life and health is approximately 10%. So this will be a valid proxy to model the CSM release. And the year's is also approximately 10%, yes.

And the last question or the third question was regarding CSM new business. The new business CSM is slightly below year end new business CSM. This has mainly to do with the interest rate curve structure. So in the shorter period, the interest rates decreased. In the long term, interest rates increased. And yes, the balance is improving. There is also less impact from the Turkish company in the second quarter 2025. So this has also an impact. I hope this answered your question.

Youdish Chicooree

Thank you very much. Yes, this answered most of my questions. But if I could come back on the dividend, the operating earnings growth is very high. So I was wondering whether the relationship between your business operating results and the dividend trajectory is a one-to-one relationship or not, basically?

Liane Hirner

Dear Youdish, I kindly ask for your patience. We did not change anything to the dividend policy for the time being. So let's wait and see.

Youdish Chicooree

All right, all right. Okay, thank you very much.

Operator

The next question comes from the line of August Marčan from UBS. Please go ahead.

August Marčan

Hi, Liane. Hi, Peter. Thanks for taking my questions. I have three. First one on the updated targets. I appreciate the slight upgrade. But if I take the 1H performance and I normalise the second half of the year for Boris, it feels like the target is not too difficult to achieve. Is this just conservatism, or is there anything else going on here?

Then my second question is on Hungary. Could you give more details on the impairment? And should we expect anything more going forward here? And does this full impairment mean you're looking to exit Hungary as a market?

And then finally, on the P&C, could you give a bit colour on how the pricing versus inflation is developing across your key non-life markets? And how have the weather-related claims been in 3Q so far? Thank you.

Liane Hirner

Thank you very much for your questions also. I will take the questions on the updated targets and on Hungary and start

with these two questions. Regarding the targets, so we increased our outlook in the way that we, for the moment, are confident that we reach the upper end of our range.

As you know, the macroeconomic environment is ongoing volatile, and also other geopolitical uncertainties are happening. This I would like to mention, but also with favourable weather-related and nat cat claims development in the first half of 2025, which we did not experience in the last year, but also not in the second half of the last year. So we will see what will happen in this area.

And in general, we always would again like to emphasise that we have a conservative approach. And as insurers, we want to stay also on the safe side, also when it comes to target setting. And yes, it's better to overdeliver what we promised. It's what we also said in previous periods.

With regard to the goodwill impairments, when you look in our balance sheet, you will see that there is an amount of €1.2 billion goodwill left, but the list of countries decreased significantly over the past years.

Regarding Hungary, the impairment which has been booked in the first half year 2025 is the entire goodwill impairment. So there is nothing left in Hungary. We are satisfied with the business in Hungary and also with the results. I told you before, it's a positive result when we exclude the goodwill impairment. So there's absolutely no idea to exit the Hungarian market.

So with all of this, we stay conservative, and we will see what we will present to you in the next quarters regarding outlook. Yes, so these were the two questions. And I would like to hand over to Peter for the P&C questions.

Peter Höfinger

Thank you for your questions. Maybe let's start with some of our main markets, Poland, Czech and Austria. Specifically here, in property, and here in retail property business, you see a positive impact on pricing due to the large flood events of last year. So there is an increased pricing momentum.

You see in motor business more a lowering of the pricing momentum, but this has also to do with the lowering of the inflation. We had been benefiting also over the last years of always catching up in pricing with inflation. As inflation is now going down, there is the consequent element also in pricing. But seeing this, I think you also saw our claims ratio, it's still quite a favourable environment.

What can be seen recently for the large corporate business, large industrial business, where there is also international

participants, monoline insurers participating in the accounts, we see a certain flattishness or even sometimes a reduction, which is obviously driven by certain pricing momentum from the London market. But this is only for the very top end accounts. For all the other larger corporate business, we see a stable environment in our region. So this is somehow giving you a bit of colour of the pricing environment.

August Marčan

Thank you.

Operator

As a reminder, if you wish to register for a question, please press star and one on your telephone. We now have a question from the line of Thomas Unger from Erste Group. Please go ahead.

Thomas Unger

Yes, hello. Good afternoon. Thank you for taking my questions as well. I would like to ask you about the potential acquisition of the controlling stake in Nürnberger, and what do you see in this company that is particularly appealing to you? The company evidently has its issues and is in a transformation process.

So is it mainly the German market that's appealing to you or the potential earnings contribution after a successful turnaround? And also, how would such a transaction support your strategy, which is focused in Central and Eastern Europe, and in which Germany currently is only a special market? That's my first question.

And then secondly, I would like to ask you, and congratulate you on the operating performance in the first half of 2025. Really, many of the countries have improved the top line as well as the profits contribution. And I'd like to ask you specifically about the Baltics after the strong revenue increase and also profit growth. What are the drivers there?

And then lastly, about Turkey, top line growth really strong, but this, at least in the first half of 2025, has not translated into profit growth. What are the challenges there? Thank you.

Liane Hirner

So thank you, Thomas, for your questions. I would like to start with your first question on the Nürnberger topic. And it's clear, we are market leader in CEE, and when you look at our history, we have always embraced opportunities throughout our whole history. In Germany, we have two companies. It's a special market for us, and Nürnberger could contribute to VIG, to the further diversification of our portfolio. This is a very important strategic topic for us.

And as you know, we are a little bit different. We have a multi-brand strategy. So this in combination also with local entrepreneurship, which is very anchored within our group,

we think that we could offer ideal conditions also for securing the location and preserving the identity of the strong Nürnberger brand. So this makes absolutely sense from this perspective.

And I'm sure you know that on August 8, we made a press release also that we started into an exclusive due diligence. And yes, we have to wait, and we have to look into the details. We have also external support in this exercise. And after the conclusion of the due diligence work, we will draw our conclusions, what could be the next steps. So this is for the moment all I can say for this topic.

Peter Höfinger

I'm happy to take the question for the Baltics. In the Baltics, we are clearly number one in all of the three countries. Three, four years ago, we made an exercise of merging also one company, and we are realising over the last years synergies. And we are now very well, strong forces there.

The main driver of the growth currently is the health business, where we have achieved also with quite digital solutions in having a strong market share in the health business. But also in property insurance, we are overproportionally growing and winning business there.

All this is supported by the motor market, which is a growing motor market by number of vehicles, but also by a technically sufficient premium which we are experiencing in motor. And also one has to say, we do have a quite exceptional management team currently in the Baltics in all of our companies, which are working excellently in exploring the opportunities of this market.

Thomas Unger

Thank you very much. Maybe lastly, on Türkiye, if you could also talk about that.

Peter Höfinger

Maybe then I should also take Türkiye. In Türkiye, we are in the life business and in the non-life business. Life business is very decently developing, and we do have attractive products for our customers there, specifically in this high inflationary environment. Also with the currency devaluation, we still do offer attractive products, and this is the growth driver in the health business.

On the non-life side, it is a balance which we have to run there, because the high inflation is a challenge in non-life business. If you sometimes look purely on your technical result, you maybe would see combined ratios above 100. But this has to be seen in the context of double-digit interest rates which are there in the market.

And there you have to find the match and the balance of your book. This is the main challenge which we see

currently in Turkey, balancing the opportunities, but at the same time, having a quite cautious risk management in this exceptional environment.

And we are also willing to have a conservative balance sheet there, strengthening our reserve and making sure that we are well prepared also for volatilities which are there today, but maybe also volatilities which could be ahead of us. I hope that this somehow answered your question.

Thomas Unger

Yes. Thank you very much.

Operator

Once again, to ask a question, please press star and one on your telephone. We have a follow-up question from the line of August Marčan from UBS. Please go ahead.

August Marčan

Hi, thanks for taking my follow-up. In the presentation, you gave indication that you will give details on the new strategy for 2026 to 2029 at the 3Q update. I was just wondering if you could give us a little preview of, is it going to be new KPIs? Is it going to be a bit more KPI-oriented than the current strategy? Just anything you can at least say at this point.

Peter Höfinger

Thank you. As we have stated that we will give an update next time, I think it's too early to give you now the update. As our VIG 25 strategy is coming to an end by the end of this year, we are happy to inform you in the last quarter about our new strategic exercise and the main value drivers which we will do to follow for the next strategy. Please, next time, okay?

August Marčan

Okay, thank you.

Operator

As a reminder, if you wish to register for a question, please press star and one on your telephone. Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Nina for any closing remarks.

Nina Higatzberger-Schwarz

Thank you for your interest and for your questions. We look forward to presenting the update for the first three quarters of 2025 on 25th November, together with first insights into our new strategy programme for 2026 to 2028. And if you have any questions in the meantime, please do not hesitate to contact us in Investor Relations. Thank you. Goodbye.