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Vienna Insurance Group with solid preliminary results for 2020 Aegon acquisition strengthens market leadership in the CEE region

- Premium volume increased to EUR 10.43 billion
- Profit before taxes of EUR 346 million at the upper end of the announced range
- Combined ratio improved to 95%
- Group solvency ratio of 235%
- Proposed dividend of 75 cents per share
- “Agenda 2020” successfully implemented
- Focus on sustainability strengthened
- Outlook 2021: Profit before taxes in the range of EUR 450 million to 500 million

A live broadcast of the virtual press conference will be available starting at 10:00 AM on 9 March 2021 at this [link](#).

“With its preliminary results for 2020, VIG Group more than lives up to its claim of being a stable and reliable partner, even in a time of great challenges. Although the COVID-19 situation affected our business development almost throughout the financial year 2020, VIG Group nevertheless achieved an overall very stable operative performance and continued to consistently implement the measures planned for the final year of ‘Agenda 2020’. During the pandemic, we particularly focused on expanding the range of digital products and services. With the acquisition of Aegon’s Eastern European business, we took an important step in expanding our market leadership in the CEE region, even during this exceptional global situation,” explains CEO Elisabeth Stadler.

“Premiums increased to EUR 10.43 billion. With profit before taxes of EUR 346 million, we managed to reach the upper end of the announced profit range of EUR 300 to 350 million for 2020. This figure also includes goodwill impairments of around EUR 120 million. The combined ratio was further improved to 95%, which means our goal of moving the combined ratio towards 95% has been achieved. We will continue to focus on optimising our cost structure. Despite the turbulent times, we achieved very solid results and a stable operative performance. The ongoing pandemic makes it difficult to forecast the future development,” Stadler comments on the key figures.

“Based on current developments, we expect premium volume in 2021 to remain stable at the level of 2020. We aim for a profit before taxes for 2021 in the range of EUR 450 million to 500 million, which means a return to the pre-crisis level. We are proposing a dividend of 75 cents per share. This corresponds to a dividend payout ratio of 41.5%, which is in line with our dividend policy,” states Stadler.

Premium volume increases despite the pandemic

VIG Group’s business development was affected by the pandemic, various lockdowns and exceptional regulations. The growth achieved in the first two months of 2020 compensated for the decrease in new business during the initial strict lockdown periods. The situation almost normalised in the following periods when restrictions were eased and had returned to pre-COVID-19 levels in many VIG countries by the middle of the year. The development got worse again during autumn, especially in the CEE markets, due to a strong increase in the number of infections. In the motor business, however,

premium volume remained at the previous year level for motor third party liability insurance, at EUR 1,507 million, and even increased slightly to EUR 1,289 million for motor own damage insurance. Good performance was achieved in the property and casualty business, where premiums increased almost 5% to EUR 4,879 million. This was partly due to the excellent performance achieved in the corporate business, as VIG is more active in large-scale industry than in the trade, tourism and gastronomy sectors, which were particularly affected.

There was less interest in the life insurance business. People's priorities shifted due to the pandemic and fewer new policies were sold. Regular premium life insurance decreased slightly by 1.5% to EUR 2,609 million, while, in accordance with Group strategy, single premium life insurance fell by around 12% to EUR 884 million.

Premiums in health insurance were further increased by 1.4% to EUR 703 million. COVID-19 generally led to increased health awareness, to which VIG Group responded quickly with an increased range of services. Wiener Städtische Versicherung expanded the services offered through its healthcare app during this time, initiated its #stayhealthy platform with free services and relaunched the app "losleben" at the beginning of this year. The Baltic company BTA Baltics launched a new and successful app for taking out health insurance and health services. The Bulgarian company Bulstrad Life added more online services to its extremely well-received B-Assist app due to increased demand during the pandemic. These included second medical opinions for documented diagnoses and psychologist consultations, to mention just a few examples in the area of healthcare.

Less expenses for claims and insurance benefits

Claims were also affected by the COVID-19 situation. During the initial lockdown periods, decreases were recorded particularly for motor insurance, while the number of household accidents increased. Claims normalised at the pre-COVID-19 level after opening measures were implemented. The Group recorded an overall decrease of 3.2% in expenses for claims and insurance benefits to slightly more than EUR 7 billion.

Profit before taxes of EUR 346 million

Profit before taxes of EUR 346 million was at the upper end of the announced range of EUR 300 to 350 million and around one third lower than the excellent result achieved in the previous year. The result also includes goodwill impairments of around EUR 120 million for the Bulgarian, Croatian and Georgian markets at the end of the first half of 2020, resulting from the event-driven goodwill impairment test performed on 30 June 2020 in connection with COVID-19. The net result amounted to EUR 231.5 million, 30% lower than in the previous year. The drop was due to a decline in the financial result, which mainly decreased due to COVID-19 and the resulting impairments, as well as an associated reduction in current income from investments.

Combined ratio improved

The combined ratio was further improved to 95% in 2020. This was primarily due to the many measures implemented under "Agenda 2020". Before the management program was introduced, the combined ratio was at 97.3%. It got successively decreased to 95% in 2020. The reduction in claims expenses during the lockdown periods also contributed to the improvement.

Other key figures

The financial result was EUR 596 million, or 41% lower than the previous year.

The Group had a preliminary regulatory solvency ratio of 235% at the end of 2020.

Total investments (including cash and cash equivalents) amounted to EUR 36.6 billion as of 31 December 2020, representing a 2% year-on-year increase.

The embedded value of life and health insurance, which consists of the net assets and present value of future income from the current insurance portfolio, was EUR 3.23 billion as of 31 December 2020.

Although the embedded value decreased in the challenging interest rate environment, the diversification of the portfolio paid off. The portfolio in CEE counteracted the particularly interest-rate

sensitive traditional life insurance business in Austria with an increase in embedded value of EUR 197 million. Value creation was also supported by profitable new business with a margin of 2.2%. VIG Group once again achieved an excellent margin of 4.4% in the CEE region.

Proposed dividend of 75 cents per share

The Managing Board of Vienna Insurance Group will propose a dividend of 75 cents for 2020. This is consistent with our prudent and sustainable capital planning and our stable dividend policy of distributing 30 to 50% of Group profits after taxes and non-controlling interests. Our shareholders are to participate in the result achieved in the financial year 2020, even in times of COVID-19. The dividend payout ratio is 41.5%.

Current performance in 2021

Given that there is still no foreseeable end to the pandemic, estimates of the business development in the current financial year are still highly uncertain. Although VIG Group has been able to navigate this exceptional phase very well so far and still sees itself in the position to manage its operating business well, adverse effects due to economic developments have to be expected based on the current situation. Taking this and current parameters into account, VIG Group expects premium volume to remain stable at the level of 2020 and profit before taxes to be in the range of EUR 450 to 500 million (the Aegon companies are not included in the outlook for 2021). The combined ratio is expected to remain at a sustainable level of around 95%.

Aegon acquisition strengthens market leadership in CEE

At the end of November 2020, Vienna Insurance Group signed the share purchase agreement to acquire the Eastern European business of the Dutch insurer Aegon, thereby taking an important step towards expanding its market leadership in the CEE region.

“We are the clear market leader in the CEE region with a market share of almost 19%. This is the confirmation of our ambition to be the leading insurance group in Central and Eastern Europe. We are very pleased having reached an agreement with Aegon and are convinced that we are the right partner for acquiring the around 15 companies in Hungary, Poland, Romania and Turkey. The package includes insurance companies, pension funds, an asset management company and service companies that complement and strengthen our existing portfolio in these markets very well. We will be working intensively on this transaction in the coming months. We expect the closing to take place in the second half of 2021,” stresses Elisabeth Stadler.

The transaction is subject to the necessary regulatory and competition approvals. The acquisition of the Aegon companies is the second largest in the Vienna Insurance Group expansion history after the acquisition of Erste Group’s insurance companies 13 years ago. Based on the data for 2019, VIG can expect an additional EUR 600 million in insurance premiums, around EUR 5 billion in pension fund assets under management and around 4.5 million new customers.

“Agenda 2020” successfully implemented

The four-year management programme “Agenda 2020” concluded at the end of the year. The measures implemented to optimise the business model helped to create cost advantages, increased cost efficiency and improved the combined ratio. To this end, 13 mergers were performed in 11 countries under Agenda 2020 and service units focusing on the use of shared IT systems were created in Austria, Romania and the Ukraine. Optimisation of the claims payment process was rolled out in 15 VIG companies, leading to an annual savings potential of 5.6% in claims payments, or around EUR 45 million. A method of reducing unjustified claims was also developed and applied in 22 companies, generating savings of around EUR 28 million.

The second focus of “Agenda 2020” was ensuring future viability. The cooperation agreement with our bancassurance partner Erste Group was extended to the end of 2033 and new priorities were set in the area of digital services using the Erste Group customer platform “George”. Around 39,000 insurance policies were already sold online in the Czech Republic, Slovakia and Romania through this digital platform in 2020.

In health insurance, premium volume increased by 122% to EUR 74 million in the five key countries Poland, Hungary, Romania, Bulgaria and Turkey during “Agenda 2020”. Another focus is the expansion of digital healthcare services, such as telemedicine and cooperations with start-ups in the healthcare sector and biomedicine.

For the Group’s reinsurance company, VIG Re, the plan was to expand business into Germany, Austria, Switzerland, France and the Benelux countries. Therefore, one branch office was opened in Frankfurt in 2017 and one in Paris a year later. VIG Re’s premium volume rose by around 50% to EUR 634 million between 2016 and 2020.

Most of the activities performed under “Agenda 2020” were related to the digital transformation and innovative projects for the future. On average, VIG Group has 180 digitisation projects underway. VIG Holding initiated many supporting measures for the Group at the same time. These included the internal digitisation competition VIG Xelerate, the implementation of a digitisation hub in Poland, the foundation of Group own start-ups (viesure and beesafe) and investments such as ViveLaCar and IST Cube. VIG is using cooperations with Digital Impact Labs in Leipzig and Plug and Play, one of the world’s largest innovation platforms located in Silicon Valley, to develop digital innovation projects with and for Group companies. Vienna Insurance Group relies heavily on its own assistance companies to offer additional digital services to its customers that add value to its main service of insuring risks. Its own companies already handled more than 1.3 million assistance cases in ten countries under “Agenda 2020”.

VIG also focused intensively on sustainability under “Agenda 2020” and approved a sustainability strategy in 2017. The measures include a climate change strategy that was announced in May 2019 and provides for a gradual withdrawal from the coal sector. The Group thereby contributes to the transition to a low-CO2 future. Environmentally friendly investments in rail, wind and hydroelectric power, and green bonds are also being increased. In 2019, the portfolio of green bonds was doubled and in 2020 the total exposure to green bonds was EUR 238 million. Vienna Insurance Group is planning to issue a sustainability bond, with a focus on environmentally friendly and social investments.

Preliminary results

The information in this press release for the financial year 2020 is based on preliminary data. The final data for the financial year 2020 will be published in the Group Annual Report on 15 April 2021 on the website www.vig.com.

Consolidated Income Statement (IFRS)

(in EUR mn)	2020	2019	+/- %
Gross premiums written	10 428.5	10 399.4	0.3
Net earned premiums	9 336.6	9 317.9	0.2
Financial result incl. at equity consolidated companies	596.3	1 010.8	-41.0
Other income	145.7	193.2	-24.6
Expenses for claims and insurance benefits	-7 030.6	-7 262.7	-3.2
Acquisition and administrative expenses	-2 328.5	-2 293.2	1.5
Other expenses	-373.6	-444.4	-15.9
Result before taxes	345.9	521.6	-33.7
Taxes	-103.2	-108.5	-4.9
Result of the period	242.7	413.1	-41.3
Non-controlling interests	-11.2	-81.8	-86.4
Net result after non-controlling interests	231.5	331.3	-30.1
Earnings per share in EUR (annualized)	1.81	2.59	-30.1
Combined Ratio (net in %)	95.0	95.4	-0.3pp

Consolidated Income Statement (IFRS) - Quarterly Data

(in EUR mn)	2020	2019	+/- %
Gross premiums written	2 442.1	2 548.2	-4.2
Net earned premiums	2 312.1	2 392.0	-3.3
Financial result incl. at equity consolidated companies	83.5	383.8	-78.3
Other income	7.9	59.1	-86.6
Expenses for claims and insurance benefits	-1 675.4	-1 894.4	-11.6
Acquisition and administrative expenses	-612.5	-603.8	1.4
Other expenses	-36.0	-191.3	-81.2
Result before taxes	79.6	145.4	-45.3
Taxes	-20.2	-27.7	-27.1
Result of the period	59.4	117.7	-49.6
Non-controlling interests	-2.8	-12.9	-78.0
Net result after non-controlling interests	56.5	104.8	-46.1
Combined Ratio (net in %)	91.7	92.3	-0.6pp

Consolidated Balance Sheet (IFRS)

Assets (in EUR mn)	31.12.2020	31.12.2019	+/- %
A. Intangible assets (incl. Right-of-Use Assets)	1 918	2 137	-10.2
B. Investments	34 901	34 456	1.3
C. Investments of unit- and index-linked life insurance	7 968	8 620	-7.6
D. Reinsurers' share in underwriting provisions	1 396	1 283	8.8
E. Receivables	1 699	1 717	-1.1
F. Tax receivables and advance payments out of income tax	275	227	21.2
G. Deferred tax assets	137	69	99.0
H. Other assets	388	392	-1.0
I. Cash and cash equivalents	1 745	1 443	20.9
Total Assets	50 428	50 345	0.2

Liabilities and Shareholders' Equity (in EUR mn)	31.12.2020	31.12.2019	+/- %
A. Shareholders' equity	5 286	5 191	1.8
B. Subordinated liabilities	1 464	1 465	0.0
C. Underwriting provisions	32 230	31 886	1.1
D. Unit- and index-linked underwriting provisions	7 617	8 116	-6.1
E. Non-underwriting provisions	877	932	-5.9
F. Liabilities	2 254	2 095	7.6
G. Tax liabilities out of income tax	291	251	16.0
H. Deferred tax liabilities	268	262	2.2
I. Other liabilities	141	148	-4.9
Total Liabilities and Shareholders' Equity	50 428	50 345	0.2

Segment Reporting (IFRS)

in EUR mn	Austria			Czech Republic			Slovakia		
	2020	2019	+/- %	2020	2019	+/- %	2020	2019	+/- %
Gross premiums written Total	4 030.7	3 943.3	2.2	1 732.4	1 745.8	-0.8	729.5	798.9	-8.7
Result before taxes	178.7	207.3	-13.8	192.1	172.4	11.4	51.4	48.9	5.1
Combined Ratio (net in %)	92.7	93.5	-0.7pp	90.7	92.0	-1.2pp	89.0	97.1	-8.2pp

in EUR mn	Poland			Romania			The Baltic		
	2020	2019	+/- %	2020	2019	+/- %	2020	2019	+/- %
Gross premiums written Total	1196.2	1 132.0	5.7	493.8	468.2	5.5	492.9	500.3	-1.5
Result before taxes	22.6	69.2	-67.4	14.2	-101.8	n.a.	9.5	7.7	24.1
Combined Ratio (net in %)	96.7	94.8	1.9pp	99.0	100.9	-1.9pp	97.2	97.7	-0.4pp

in EUR mn	Hungary			Bulgaria			Turkey/Georgia		
	2020	2019	+/- %	2020	2019	+/- %	2020	2019	+/- %
Gross premiums written Total	287.7	289.5	-0.6	199.6	223.9	-10.8	251.7	234.9	7.1
Result before taxes	8.4	8.7	-2.6	-36.7	15.8	n.a.	-0.9	6.7	n.a.
Combined Ratio (net in %)	97.0	97.6	-0.6pp	91.2	95.8	-4.6pp	95.4	96.5	-1.2pp

in EUR mn	Remaining CEE			Other Markets			Central Functions		
	2020	2019	+/- %	2020	2019	+/- %	2020	2019	+/- %
Gross premiums written Total	439.6	446.9	-1.6	280.0	380.4	-26.4	1 736.5	1 623.5	7.0
Result before taxes	-15.7	27.1	n.a.	26.7	22.6	18.5	-107.6	36.5	n.a.
Combined Ratio (net in %)	92.6	93.9	-1.2pp	81.1	82.4	-1.2pp	-	-	-

in EUR mn	Consolidation			Total		
	2020	2019	+/- %	2020	2019	+/- %
Gross premiums written Total	-1 442.3	-1 388.2	3.9	10 428.5	10 399.4	0.3
Result before taxes	3.0	0.7	>100	345.9	521.6	-33.7
Combined Ratio (net in %)	-	-	-	95.0	95.4	-0.3pp
Net result after non-controlling interests	-	-	-	231.5	331.3	-30.1

Calculation differences may arise when rounded amounts and percentages are summed automatically.

Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) is the leading insurance group in Austria and Central and Eastern Europe (CEE). Around 50 insurance companies in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The more than 25,000 employees in VIG take care of the day-to-day needs of more than 22 million customers. VIG shares have been listed on the Vienna Stock Exchange since 1994. The company has an A+ rating with stable outlook by the internationally recognised rating agency Standard & Poor's. That is the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange. VIG cooperates closely with the Erste Group, the largest retail bank in Central and Eastern Europe.

Disclaimer

This release contains forward-looking statements that concern future developments in Vienna Insurance Group. These statements are based on current assumptions and forecasts by the management of Vienna Insurance Group. Changes in general economic developments, future market conditions, capital markets and other circumstances could result in actual events or results differing significantly from these forward-looking statements. Vienna Insurance Group assumes no obligation to update these forward-looking statements or modify them based on future events or developments.

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