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Vienna Insurance Group increases premiums in the first half of 2020 Solid results despite the effects of COVID-19

- **Premium volume increased by 2.4% to EUR 5.6 billion**
- **Profit before taxes of EUR 201.2 million achieved**
- **Combined ratio improved to 95.5%**
- **Solvency ratio 183.1% as of 30 June 2020**

Vienna Insurance Group (Wiener Versicherung Gruppe) achieved satisfying results in the first half of 2020, despite the ongoing COVID-19 pandemic. *“In spite of the exceptional situation in which the world finds itself because of COVID-19, we achieved an increase in premiums, an improved combined ratio due to a reduction in claims expenses and lower weather-related claims, and a solvency ratio of 183%. Despite the goodwill impairments, we reported a solid result before taxes of slightly more than EUR 200 million. I consider our strong capital resources and our impressive 2019 balance sheet as well as the consequent continuation of Agenda 2020 to be a very good foundation for us to master the challenges facing us. The extensive investments we made in the digital transformation have particularly paid off in this respect. We see ourselves well-positioned to successfully continue our business operations. Nevertheless, due to the existing pandemic, we have to expect dampening effects on our business development in the remainder of this year. Because of the continued uncertainty worldwide it is currently not possible to provide a business outlook for the end of the year,”* explained General Manager Elisabeth Stadler.

Premiums increased especially in the non-life business

Premium volume was greatly affected by the different lockdown regulations in VIG markets, causing significant decreases in new business, particularly in the second quarter. At the same time, it could be observed that in the subsequent loosening phase, premiums returned to levels similar to before the beginning of the COVID-19 pandemic in some markets. The broad diversity of the Group and the strong start into 2020 is the reason for a premium volume of EUR 5,577.4 million in the first half of 2020, representing a year-on-year increase of 2.4%. Other property and casualty insurance recorded a particularly significant premium increase of 7%, with contributions from many segments, such as Poland, Romania, Slovakia and Austria. Health insurance also achieved a premium increase of 2.6%. Motor insurance, which was particularly affected by the COVID-19 lockdown and travel restrictions, remained stable with premium volume at the same level as in the previous year. Single premium life insurance recorded a premium increase of 0.7%, while regular premium life insurance decreased by the same amount.

Results influenced by the effects of COVID-19

The financial result (incl. the result from at equity consolidated companies) amounted to EUR 388 million in the first half of 2020, 8.3% below the previous year. The result before taxes of EUR 201.2 million was 21.8% lower than in the previous year. This takes into account the goodwill impairments of around EUR 120 million in the Bulgarian, Croatian and Georgian markets, resulting from the event-related goodwill review in connection with COVID-19. The reason for the positive development of profit before taxes without impairment is, among others, the lower combined ratio. VIG's biggest markets in Austria, the Czech Republic, Poland and Slovakia made positive contributions to the result. The result after taxes and non-controlling interests was EUR 126.3 million (-16.3%) in the first half of 2020.

Combined ratio improved due to lower claims expenses and weather-related claims

The Group's combined ratio of 95.5% was 0.9 percentage points lower than in the previous year. The significant improvement was, among other things, due to a reduction in claims expenses during lockdown periods and lower weather-related claims. Based on the increase in claims expenses since the summer, claims developments are expected to normalise again in the second half of 2020.

Consequent implementation of Agenda 2020 since 2017

In addition to utilizing profitable market potential, the four-year Agenda 2020 management programme focuses on those topics that will ensure the future viability of the Group and optimise the business model in terms of cost efficiency. The implementation of the many measures chosen is continuing during the COVID-19 pandemic, concentrating on new digitisation initiatives. *"Online and digital services have shown new dynamic growth, since the beginning of the COVID-19 pandemic,"* explained Elisabeth Stadler. In Poland, online sales were the fastest growing distribution channel in the first half of 2020, increasing by 94% year-on-year. New services using apps for enhanced digital claims assessment were implemented, for example, in Romania and Bulgaria.

Start-ups focusing on health care services

"Health care also became more important for people. We therefore turned our attention to new digital health care services in the first half of 2020," added Stadler. Wiener Städtische, for example, expanded its services with a health care app and initiated the #stayhealthy platform, providing free services, and the Baltic VIG insurance company BTA Baltic launched an app for health insurance. Further services are being planned in the area of health care, with cooperations and potential applications currently being examined. Our partnership with the Silicon Valley innovation platform Plug and Play Tech Center is being used for this purpose, among other things. Vienna Insurance Group has been a founding partner with Wiener Städtische since autumn 2019. *"Within just six months, personal conversations were held with 40 out of around 300 pre-selected start-ups. Ten start-ups show potential for a cooperation with our insurance companies and are now being analysed in more detail,"* according to Stadler.

Proposed dividend remains unchanged

The Annual General Meeting of Vienna Insurance Group (Wiener Versicherung Gruppe) that was postponed due to COVID-19 will take place in virtual form on 25 September 2020. The dividend for financial year 2019 will also be subject to approval for the Annual General Meeting. The proposed dividend of EUR 1.15 per share announced on 17 March 2020 remains unchanged, subject to significant unpredictable health and economic developments. *"We believe that our business operations are well-positioned. We had an outstanding financial year in 2019 and want to share this success with our shareholders. VIG's free float includes a large share of pension funds providing retirement benefits. These pension funds also count on our dividends to fulfil their obligations to depositors,"* explained Elisabeth Stadler.

Outlook

The whole economic development of 2020 is massively impacted worldwide by the effects of the COVID-19 pandemic. In this phase, it remains impossible to estimate how long economies will be confronted with this exceptional situation and what effects the capital markets, interest rate developments and political and regulatory measures will have on the financial services industry. We are therefore currently refraining from giving a business outlook for 2020.

Consolidated Income Statement (IFRS)

(in EUR mn)	6M 2020	6M 2019	+/- %
Gross premiums written	5,577.4	5,446.7	2.4
Net earned premiums	4,738.6	4,621.8	2.5
Financial result incl. at equity consolidated companies	388.0	423.2	-8.3
Other income	99.6	76.2	30.8
Expenses for claims and insurance benefits	-3,600.0	-3,539.2	1.7
Acquisition and administrative expenses	-1,136.9	-1,132.5	0.4
Other expenses	-288.2	-192.4	49.8
Result before taxes	201.2	257.1	-21.8
Taxes	-68.5	-69.1	-0.8
Result of the period	132.6	188.0	-29.5
Non-controlling interests	-6.3	-37.0	-83.0
Net result after non-controlling interests	126.3	151.0	-16.3
Earnings per share in EUR (annualized)	1.97	2.36	-16.3
Combined Ratio (net in %)	95.5	96.4	-0.9pp

Consolidated Income Statement (IFRS) - Quarterly Data

(in EUR mn)	Q2 2020	Q2 2019	+/- %
Gross premiums written	2,459.1	2,538.5	-3.1
Net earned premiums	2,250.4	2,318.7	-2.9
Financial result incl. at equity consolidated companies	247.2	236.6	4.5
Other income	13.5	11.0	22.3
Expenses for claims and insurance benefits	-1,716.4	-1,782.6	-3.7
Acquisition and administrative expenses	-527.9	-557.0	-5.2
Other expenses	-187.5	-97.2	92.8
Result before taxes	79.2	129.6	-38.9
Taxes	-35.4	-42.9	-17.5
Result of the period	43.8	86.7	-49.4
Non-controlling interests	-3.4	-19.2	-82.5
Net result after non-controlling interests	40.5	67.5	-40.0
Combined Ratio (net in %)	95.9	96.0	-0.1pp

Consolidated Balance Sheet (IFRS)

Assets (in EUR mn)	30.06.2020	31.12.2019	+/- %
A. Intangible assets (incl. Right-of-Use Assets)	1,973	2,137	-7.7
B. Investments	34,253	34,456	-0.6
C. Investments of unit- and index-linked life insurance	7,715	8,620	-10.5
D. Reinsurers' share in underwriting provisions	1,323	1,283	3.1
E. Receivables	1,747	1,717	1.7
F. Tax receivables and advance payments out of income tax	214	227	-5.5
G. Deferred tax assets	153	69	>100
H. Other assets	383	392	-2.3
I. Cash and cash equivalents	1,558	1,443	8.0
Total Assets	49,319	50,345	-2.0

Liabilities and Shareholders' Equity (in EUR mn)	30.06.2020	31.12.2019	+/- %
A. Shareholders' equity	5,091	5,191	-1.9
B. Subordinated liabilities	1,464	1,465	-0.1
C. Underwriting provisions	31,902	31,886	0.1
D. Unit- and index-linked underwriting provisions	7,296	8,116	-10.1
E. Non-underwriting provisions	861	932	-7.5
F. Liabilities	2,021	2,095	-3.5
G. Tax liabilities out of income tax	310	251	23.6
H. Deferred tax liabilities	230	262	-12.1
I. Other liabilities	143	148	-3.4
Total Liabilities and Shareholders' Equity	49,319	50,345	-2.0

Segment Reporting (IFRS)

in EUR mn	Austria			Czech Republic			Slovakia		
	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %
Gross premiums written Total	2,316.2	2,216.2	4.5	879.5	893.1	-1.5	383.2	407.3	-5.9
Result before taxes	104.0	87.9	18.3	108.0	77.5	39.4	28.8	21.2	36.1
Combined Ratio (net in %)	94.4	95.3	-0.9pp	94.1	94.9	-0.9pp	89.2	99.6	-10.3pp

in EUR mn	Poland			Romania			The Baltic		
	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %
Gross premiums written Total	590.5	544.1	8.5	229.1	234.9	-2.5	251.0	257.1	-2.4
Result before taxes	35.5	23.1	53.8	9.5	2.4	>100	8.4	4.0	>100
Combined Ratio (net in %)	94.1	95.2	-1.1pp	96.4	102.6	-6.2pp	94.8	97.0	-2.2pp

in EUR mn	Hungary			Bulgaria			Turkey/Georgia		
	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %
Gross premiums written Total	153.7	143.2	7.3	111.7	124.8	-10.5	127.4	111.5	14.2
Result before taxes	4.8	4.4	9.9	-48.4	9.3	n.a.	-3.5	4.2	n.a.
Combined Ratio (net in %)	94.4	98.2	-3.9pp	90.9	93.6	-2.7pp	84.5	100.6	-16.2pp

in EUR mn	Remaining CEE			Other Markets			Central Functions		
	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %
Gross premiums written Total	231.3	218.8	5.7	142.0	164.1	-13.5	930.6	850.1	9.5
Result before taxes	-24.9	13.9	n.a.	15.3	13.7	11.9	-36.9	-3.3	>100
Combined Ratio (net in %)	90.4	94.3	-3.9pp	77.5	80.4	-3pp	-	-	-

in EUR mn	Consolidation			Total		
	6M 2020	6M 2019	+/- %	6M 2020	6M 2019	+/- %
Gross premiums written Total	-768.7	-718.5	7.0	5,577.4	5,446.7	2.4
Result before taxes	0.5	-1.1	n.a.	201.2	257.1	-21.8
Combined Ratio (net in %)	-	-	-	95.5	96.4	-0.9pp
Net result after non-controlling interests	-	-	-	126.3	151.0	-16.3

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

Vienna Insurance Group (Wiener Versicherung Gruppe) 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 the Vienna Insurance Group (Wiener Versicherung Gruppe) 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 and were awarded 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. Vienna Insurance Group (Wiener Versicherung Gruppe) 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 (Wiener Versicherung Gruppe). These statements are based on current assumptions and forecasts made by the management of Vienna Insurance Group (Wiener Versicherung Gruppe). 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. The Vienna Insurance Group AG Wiener Versicherung Gruppe assumes no obligation to update these forward-looking statements or modify them based on future events or developments.

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