



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

Results for the first half-year 2022

Q&A-Session Conference Call

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Transcript

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Operator The first question is from the line of Youdish Chicooree from Autonomous Research. Please go ahead.

Youdish Chicooree Good afternoon, everyone. Thank you for taking my questions. I've got three questions, please. The first one is on claims inflation in your P&C business. Could you tell us in which markets and lines of business are you seeing the greatest inflationary pressures? How confident are you you'll be able to take the necessary actions to maintain your combined ratio at the current 94, 95 level? That's my first question.

My second question is on the premium growth in P&C. You told us what's happened in Romania and why we're seeing very strong growth, but I was wondering if you could give us some colours, as well, on the growth we are seeing in the Austrian and the Czech Republic as well, please.

Finally, more a clarification on what you said on IFRS 17. Just to be clear, we will not see a pro forma financial statement before January 2023, is that correctly understood? Those are my three questions. Thank you.

Peter Höfing Thank you for the questions. Good afternoon from my side. I'll take the question for claims inflation. Again, it's a very mixed picture all over the place, how claims inflation is developing. But there are various factors. On one hand's side, we see overall in the group in the first half-year an increase specifically in motor business, of the average premium to counterbalance issues of an increased average claim. As mentioned in the introduction, in CEE we have one-year contracts so therefore we also have the possibility to have quick reaction time on the claims situation.

In Austria we have indexations, and we have very specific indexations. For example, for the Casco business in Austria there is a car repair cost index, which is not just a consumer price index, but specifically on the repair costs. In motor business, you also must be aware that the average age of the cars we are insuring in Central Eastern Europe is around 14 years. Quite different maybe to Western Europe or to markets like in Germany, where we talk about four or five years. Which also means that certain topics of spare parts and supply chain topics and microchip problems, we do not have here in Central Eastern Europe, as spare parts are not newest technology, and you can have them from aftermarket.

Another topic, even though it has been mentioned, that there's a certain increase of our frequency. Nevertheless, our frequency level in motor business is still below in most of the markets pre-COVID crisis. This is also driven, I assume, by one topic in Central Eastern Europe. There's a much stronger correlation between gas prices and mileage driven, as the disposable income of our customers in CEE is significantly lower than in

Western Europe. Gas prices are on a similar level. Therefore, if gas prices are close to doubling, automatically people have less mileage driven. I think this is to the topic of how we see certain instruments in tackling the issue of claims inflation.

If I also come to the premium growth in P&C, looking at Austria. On one hand's side, you see quite a stable growth in motor TPL. You see an increased growth in Casco, which is on one hand's side driven by higher prices of new cars, so the deduction of new cars is not anymore there than in the past. Which is the denominator for the premium level and the indexes, which I was mentioning. Other property, it's similar. On one hand's side, it is certain indexes and new clients in the retail business. On the corporate side, we have been able in the renewal last year for 1 January 2022, to push for rate increases, successfully, which can be seen in the premium growth. Quite similar, the topic in Czech Republic and additionally here, also a certain exchange rate effect, which is very much also pushing up the premium growth on a euro level.

Youdish Chicooree

Great. Thank you very much.

Liane Hirner

Thank you for your question regarding IFRS 17 and 9. Let me say that in general, the project is progressing according to plan and we are currently intensively working on the opening balance sheet as of January 2022. But we will not show a pro forma financial statement for 2022 before beginning of 2023.

Youdish Chicooree

Got it. Thank you very much for your very detailed answer, much appreciated.

Operator

The next question comes from the line of Thomas Unger from Erste Group.

Thomas Unger

Good afternoon. Thank you very much also for taking my questions. I have a few. I would start with the Aegon acquisition. I'm just wondering what is causing the delay right now to complete the overall transaction. Then relating to the acquisition, what was the impact of the Hungary and Türkiye purchases on the Q2 results and the solvency ratio.

Staying with the solvency ratio, next question would be, if you're excluding the transitionals, you're at 256% now. That's way above your 150 to 200% range that you would target. Do you consider this as excess capital already? Are you looking at some larger M&A transactions or anything on the horizon right now? Or any other use of capital if you would describe it as excess capital?

Another one on OMV's Schwechat refinery. Are you involved in this? Do the shutdowns have any impact on you? The shutdown in Q2 of the refinery, is that any impact on you or on your financials?

Lastly, on your outlook 2022, just wondering if you're ready to give any more specific targets for the end of the year? Maybe if you could talk about what you're targeting in terms of premium growth for the end of the year, I would really appreciate that. Thank you.

Hartwig Löger

Thank you for your question. I will start on the answer for the Aegon transaction. As I also in my introduction mentioned, we could close in Hungary and Türkiye and we are still working in Poland and Romania. The special topic there is that the Romanian company is a branch of the Polish company. We are here working in combination with the institutions in Poland and Romania in parallel. There are some communication links we have to fulfil, and this is why there is a little delay in the way of closing that. There is no situation that we cannot expect in closing over the autumn of the next months. Out of that, we are in line to fulfil all demands which are given there. So, out of that, we are really looking forward that end of this year we will have the final closing overall. Maybe I hand over to Liane for your question about the financial impacts.

Liane Hirner

Thank you. Regarding the financial impact, the first-time consolidation of Aegon Hungary and Aegon Türkiye has not taken place, so far. We are including the two companies in our systems currently, so the first-time consolidation is planned in the third quarter retrospectively 1 April 2022 for Aegon Hungary and 1 May 2022 for Türkiye. So, no effect on premiums or results in the half-year financial statements, we only have booked the investments. Regarding solvency, same situation, only the investments are included in the assets. If Aegon will be closed, up to the closing the group solvency ratio will be impacted negatively by approximately 15 percentage points less group solvency ratio.

Peter Höfing

Regarding OMV, Mr Unger, I can understand your interest to this topic. Please, let us respect the Data Protection Act, that I can even say if OMV's a client from us. But I would like to ensure you that we do have a conservative reinsurance policy, so even single, large man-made losses should not have any significant impact on our balance sheet.

Liane Hirner

Regarding your second question, which related to our high group solvency ratio as of half-year. Here I would like to remind you again that the Aegon deal has not been included so far, so there should be a reduction, around 15 percentage points. According to our VIG 25 strategy, we have a clear focus on organic growth, but also M&A, as Hartwig already mentioned. In our core countries we are aiming to be amongst the leading companies in the various countries, so there's a clear focus on that. Last, but not least, times are quite uncertain, also the economic and political environment, so we feel quite safe with this high ratio at

half-year. I hope this answers your questions.

Thomas Unger Yes, it does. I really appreciate it, thank you very much. Maybe if there's anything you can say about the outlook 2022 and on premium growth?

Hartwig Löger I will try, but I hope you're not angry about when I will repeat what I did in my introduction. We really expect a strong operative result, not only on technical basis, also on growth basis, but we do not see the chance at the moment to give a detailed definition about this growth ratio.

Thomas Unger Thank you very much.

Operator The next question is from the line of Bhavin Rathod from HSBC. Please go ahead.

Bhavin Rathod Good afternoon. A couple of questions from my side. The first one would be on the Russia/Ukraine investment exposure. You have given an amount of €165 million nominal exposure to corporate and government bonds. During first quarter presentation you spoke about close to 190 million of total investment exposure. I just wanted to understand, would you say that the remaining part is less susceptible to impairment for precautionary charges? That would be my first question.

The second one would be on Romania. You have grown quite significantly in the MTPL line, obviously because of City's exit from the market. But at the same time, your combined ratio has improved 1H 21 versus 1H 22. I presume that MTPL line is quite competitive at significantly higher combined ratio. I just wanted to understand what it is that you are doing very differently into Romania which is allowing you to post a strong combined ratio over there? Those are my two questions. Thank you so much.

Liane Hirner I'm happy to take your first question regarding the Russian sovereign and corporate bonds exposure, which amounts to €165 million, and which has been impaired. The difference to the €190 million, which we gave you in the first quarter, is a supranational bond in the amount of approximately €30 million, which is now excluded from the exposure. (Note: Supranational bond not included in Russian sovereign and corporate bond exposure of €165 million.)

Peter Höfingler Thank you for your question to Romania. The bankruptcy of Romania, which had a market share of 45% in motor TPL. Maybe one could also assume or think the bankruptcy was caused by insufficient technical premiums. The market has changed since then, so there is a different premium level in the market, even though there are certain limitations by the authorities of the premium level, which we are having. One must be aware that there is an obligation to contract in Romania for motor TPL. If you are having the motor TPL license, you have to

sell to the client to your tariffs which have been approved by the authorities. We're also benefiting currently from economies of scale, having the higher volume, and having, at the same time, stricter cost management. Premium level is now technically on a better level than it was three years before.

Bhavin Rathod

Thank you so much.