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Vienna Insurance Group in the 1st quarter of 2018: Sustainable growth path continues

- **Premiums grew to EUR 2.83 billion (+3.9 percent)**
- **Profit (before taxes) increased to EUR 117.3 million (+7.0 percent)**
- **Combined ratio improved to 96.2 percent (Q1 2017: 96.9 percent)**

Vienna Insurance Group (VIG) reports further improvement in all key figures for the 1st quarter of 2018 compared to the same period in the previous year. *“We have succeeded in our goal of achieving sustainable growth. This is particularly important to us during the current economic upswing in Central and Eastern Europe. Our long-term business strategy is based on leveraging synergies in our markets to systematically strengthen our market position, increase diversification and improve efficiency,”* stated Elisabeth Stadler, General Manager of Vienna Insurance Group, who feels justified in the pursued business strategy and results.

Significant growth in premiums

Total premium volume reached EUR 2.83 billion in the first three months of 2018. This corresponds to an increase of +3.9 percent compared to the 1st quarter of 2017. Without the ongoing decline in the single premium life insurance business, premiums rose by +7.1 percent compared to the previous year. *“It is particularly noteworthy that our large CEE markets in the Czech Republic, Poland and Romania were the driving engine for growth in premiums and our profit (before taxes) in the first quarter of 2018. These are also the markets where we started the pilot project to optimise our business model as part of the ‘Agenda 2020’ and where initial positive effects on profits and the combined ratio have already been achieved,”* explained Elisabeth Stadler.

Clear increase in profit (before taxes)

Profit (before taxes) was EUR 117.3 million. This corresponds to an increase of +7.0 percent compared to the 1st quarter of 2017. In addition to the markets in the Czech Republic, Poland and Romania mentioned above, Hungary and Bulgaria have also recorded significant increases in the result (before taxes).

Combined ratio further improved

The pursuit of a sustainable growth path is also being reflected in a steady improvement in the combined ratio, which improved significantly again by 0.7 percentage points to 96.2 percent, from 96.9 percent in 2017. *“This represents another step towards achieving our target of 95 percent in 2020,”* stated Elisabeth Stadler.

The financial result was EUR 238.4 million in the first quarter of 2018. This year-on-year decrease by 3.8 percent was primarily due to seasonal fluctuations in property maintenance costs.

Group investments including cash and cash equivalents were EUR 37.5 billion as of 31 March 2018.

“Agenda 2020” – successful expansion of the reinsurance business

“We can grow on a sustainable basis only if we modernise Group structures and operational processes over the long term. For this purpose, we have defined measures as part of our ‘Agenda 2020’ management programme which we keep implementing according to schedule since the last year,” explained Elisabeth Stadler. The reinsurance business is one area that VIG aims to expand under “Agenda 2020” through its Group company VIG Re, which is located in Prague.

VIG Re (including the affiliated Serbian reinsurance company Wiener Re) generated a consolidated premium volume of around EUR 460 million in 2017 (+10.2 percent). Premiums from reinsurance contracts not concluded with VIG companies (third party business) increased very significantly to around EUR 125 million in 2017 (+31.2 percent). The number of external customers increased further from 304 to 331 in the first quarter of 2018.

First steps for the planned controlled market entry into Western Europe have been successfully taken. A VIG Re branch focusing on customers in Austria, Germany and Switzerland was opened in Frankfurt in autumn of 2017. The new branch currently serves 48 reinsurance customers with a premium volume of EUR 40 million. Another branch is planned to be opened in Paris in autumn of 2018 to serve customers in France, Belgium and Luxembourg.

In these markets, VIG will focus primarily on regional direct insurers relying on long-term cooperation. In terms of business segments, the focus will be on those lines of business that are in line with VIG Re’s risk strategy and where VIG Re has a high level of underwriting expertise.

The interim report for the 1st quarter of 2018 will be available on the website <http://www.vig.com> on 29 May 2018.

Consolidated Income Statement (IFRS)

(in EUR mn)	3M 2018	3M 2017	+/- %
Gross premiums written	2,826.1	2,719.6	3.9
Net earned premiums	2,203.1	2,152.9	2.3
Financial result incl. at equity consolidated companies	238.4	247.7	-3.8
Other income	33.2	29.5	12.3
Expenses for claims and insurance benefits	-1,737.6	-1,741.4	-0.2
Acquisition and administrative expenses	-567.8	-518.2	9.6
Other expenses	-51.8	-60.8	-14.8
Result before taxes	117.3	109.6	7.0
Taxes	-26.3	-22.0	19.7
Result of the period	91.0	87.6	3.9
Non-controlling interests	-15.5	-18.6	-16.6
Net result for the period after non-controlling interests	75.5	69.1	9.4
Earnings per share in EUR (annualized)	2.27	2.07	9.7%
Combined Ratio (net in %)	96.2	96.9	-0.7pp

Consolidated Balance Sheet (IFRS)

Assets (in EUR mn)	31.03.2018	31.12.2017	+/- %
A. Intangible assets	1,958	1,971	-0.6
B. Investments	35,919	35,933	0.0
C. Investments of unit- and index-linked life insurance	8,949	9,061	-1.2
D. Reinsurers' share in underwriting provisions	1,180	1,066	10.6
E. Receivables	1,724	1,476	16.8
F. Tax receivables and advance payments out of income tax	253	239	5.8
G. Deferred tax assets	83	81	2.7
H. Other assets	395	389	1.4
I. Cash and cash equivalents	1,577	1,498	5.3
Total Assets	52,038	51,714	0.6

Liabilities and Shareholders' Equity (in EUR mn)	31.03.2018	31.12.2017	+/- %
A. Shareholders' equity	6,075	6,044	0.5
B. Subordinated liabilities	1,459	1,459	0.0
C. Underwriting provisions	30,470	30,168	1.0
D. Unit- and index-linked underwriting provisions	8,464	8,613	-1.7
E. Non-underwriting provisions	782	794	-1.5
F. Liabilities	4,182	4,032	3.7
G. Tax liabilities out of income tax	216	202	6.8
H. Deferred tax liabilities	248	255	-2.6
I. Other liabilities	141	147	-4.1
Total Liabilities and Shareholders' Equity	52,038	51,714	0.6

Segment Reporting (IFRS)

in EUR mn	Austria			Czech Republic			Slovakia		
	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %
Gross premiums written Total	1,272.9	1,290.7	-1.4	465.3	427.5	8.8	216.2	209.9	3.0
Result before taxes	37.5	37.9	-1.0	45.7	42.0	8.7	6.7	11.4	-40.9
Combined Ratio (net in %)	95.6	95.8	-0.2pp	93.9	94.9	-1pp	100.4	93.6	6.8pp

in EUR mn	Poland			Romania			The Baltic		
	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %
Gross premiums written Total	232.8	213.3	9.1	146.6	131.6	11.4	97.2	76.5	27.0
Result before taxes	10.2	5.9	74.1	4.1	3.2	27.3	-0.6	-2.4	n.a.
Combined Ratio (net in %)	94.6	96.2	-1.6pp	97.7	98.1	-0.4pp	100.8	107.7	-6.9pp

in EUR mn	Hungary			Bulgaria			Turkey/Georgia		
	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %
Gross premiums written Total	72.2	73.7	-2.0	45.1	43.5	3.7	65.7	67.7	-3.0
Result before taxes	1.6	1.1	47.8	3.1	2.4	27.8	1.8	1.9	-4.0
Combined Ratio (net in %)	98.1	99.8	-1.7pp	98.2	97.3	0.9pp	102.8	104.3	-1.5pp

in EUR mn	Remaining CEE			Other Markets			Central Functions		
	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %
Gross premiums written Total	92.5	89.3	3.6	77.3	68.0	13.7	431.6	393.7	9.6
Result before taxes	6.2	5.9	5.3	5.0	6.7	-25.2	-4.0	-6.1	n.a.
Combined Ratio (net in %)	95.5	96.7	-1.2pp	89.3	80.3	9pp			

in EUR mn	Consolidation			Total		
	3M 2018	3M 2017	+/- %	3M 2018	3M 2017	+/- %
Gross premiums written Total	-389.2	-365.8	6.4	2,826.1	2,719.6	3.9
Result before taxes	0.0	-0.3	n.a.	117.3	109.6	7.0
Combined Ratio (net in %)				96.2	96.9	-0.7pp
Net result for the period after non-controlling interests				75.5	69.1	9.4

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

Vienna Insurance Group (VIG) is the leading insurance specialist in Austria as well as in Central and Eastern Europe. About 50 companies in 25 countries form a Group with a long-standing tradition, strong brands and close customer relations. VIG has close to 200 years of experience in the insurance business. With more than 25,000 employees, Vienna Insurance Group is the clear market leader in its Austrian and CEE markets. It is therefore excellently positioned to take advantage of the long-term growth opportunities in a region with 180 million people. The listed Vienna Insurance Group is the best-rated company of ATX, the leading index of Vienna Stock Exchange; its share is also listed on the Prague Stock Exchange.

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