

No. 01/2017  
23 March 2017

## 2016 preliminary results for Vienna Insurance Group Profit more than doubled

- Premiums increased to around EUR 9.1 billion
- Profit (before taxes) more than doubled to around EUR 407 million
- Combined ratio at a good level of 97.3 percent
- Proposed dividend increased to EUR 0.80 per share
- Fit for the future with Agenda 2020

Vienna Insurance Group (VIG) expects all-around positive results based on the preliminary figures for 2016. A comprehensive new management agenda ensures the future viability of the Group. ***“You can count on us!”*** is the message from Elisabeth Stadler, CEO of Vienna Insurance Group. ***“We have achieved all our major targets for 2016. This sends a clear signal of the stability we feel is important to be a reliable partner in times of dynamic change,”*** emphasised Elisabeth Stadler at a press conference in the Vienna Ringturm building on 23 March. (Live streaming in German and English starting at 9:30 a.m. local time at [www.vig.com](http://www.vig.com))

### 2016 targets clearly achieved\*

Preliminary premium volume of EUR 9,051 million showed a stable development (+EUR 31 million compared to the previous year). Premiums increased significantly in all lines of business, with the exception of single-premium life insurance (- 19.2 percent). As in the previous year, a restrictive underwriting policy was followed in most markets in this area due to the low interest rate situation. Without single-premium products, premiums increased + 4.4 percent across all lines of business. ***“Due to the since years existing low interest rate environment, our focus in the life insurance area is on unit-linked and index-linked life insurance and coverage for biometric risks. Unit-linked and index-linked life insurance increased from 25.5 percent to almost 35 percent of total life insurance over the last five years, and represented 41 percent of new business in 2016,”*** explained Elisabeth Stadler.

Premiums grew particularly strongly in the Remaining CEE segment (+ 7.9 percent), including contributions from Serbia (+ 18.5 percent) and Croatia (+ 9.4 percent), and in the segments Turkey/Georgia (+ 14.5 percent) and Hungary (+ 9.8 percent). Growth in Romania was exceptional, reaching the highest recorded level of 24.4 percent, in part due to market adjustments.

With respect to profit (before taxes), the target set in the previous year was to at least double the profit achieved in 2015 to up to EUR 400 million. ***“At EUR 406.7 million, we achieved the top end of our target range, thereby far more than doubling our profit (before taxes),”*** stated Elisabeth Stadler.

Compared to the combined ratio of 97.9 percent at the 3rd quarter 2016 a significant improvement of the combined ratio for the full year 2016 was achieved. With 97.3 percent VIG's combined ratio remains at the level of the previous year and is once again clearly below the 100 percent mark. The cost ratio improved to 30.4 percent compared to 30.6 percent in 2015. In the same dimension the claims ratio increased from 66.7 percent to 66.9 percent.

Vienna Insurance Group generated a financial result of EUR 959 million in 2016. This represented a 7.8 percent year-on-year decrease that was mainly due to lower realised gains on the disposal of investments in bonds, loans and equities.

Due to the good results, the Managing Board will propose to the statutory bodies that the dividend for the financial year 2016 be increased from EUR 0.60 in the previous year to EUR 0.80 per share. This corresponds to an increase of 33 percent and maintains the dividend policy VIG has followed since 2005, which provides for a minimum distribution of 30 percent of net Group profits (after minority interests).

### **Market shares extended, new market leader in the Baltics**

VIG announced in the previous year that it aims to achieve a market share of at least 10 percent in its markets in Serbia, Croatia, Hungary and Poland over the medium term. *"The target has already been achieved in Serbia. Acquisition of the AXA companies in Serbia increases our market share to 12 percent. In Croatia and Hungary, organic business growth significantly improved our market share to 8.5 percent and 7.3 percent, respectively, after the 3rd quarter of 2016. We also increased our market share slightly in Poland,"* summarised Elisabeth Stadler with satisfaction. Conclusion of the BTA Baltic acquisition in the previous year made VIG the leading insurance group in the Baltics.

### **New "Agenda 2020" work programme**

In the previous year, Elisabeth Stadler announced that VIG's 25 markets would be examined for new potential. *"This has been done and has led to the creation of a strategic work programme with the name 'Agenda 2020'. In addition to taking advantage of profitable market potential, we are also focusing on areas that will ensure our future viability and optimise our business model to increase cost efficiency. We are working with our local management to develop measures for each country that will be implemented in coming years with concrete results until the year 2020. I consider strict adherence to the topics in 'Agenda 2020' to be important for the stability and continuous further development of Vienna Insurance Group,"* stated Elisabeth Stadler.

There are three areas where Vienna Insurance Group aims to expand its business activities: health insurance, bank insurance and reinsurance.

### **Growth plans for health insurance**

VIG recorded a 6.6 percent increase in health insurance premiums in the previous year. *"In the CEE region, premiums rose around 20 percent. This strengthens our commitment to further expand this segment,"* stressed Elisabeth Stadler. Based on market size, VIG presence, the structure of the government healthcare system and parameters for the private health insurance market, five markets were identified where efforts will be made to expand health insurance: Poland, Romania, Bulgaria, Hungary and Turkey. *"Two thirds of our 50 Group companies currently offer different forms of health insurance. This will remain unchanged. In these five target countries, we develop concrete business plans with local management to expand the portfolio in this segment,"* stated Elisabeth Stadler.

## **Expanding bank insurance business**

VIG sees that the bank insurance business also offers great potential for health and property insurance. *“Life insurance traditionally dominates the range of insurance products sold through banks. We feel a great deal of potential still exists to offer further insurance solutions to bank customers and plan to design attractive health and property products to expand sales,”* explained Elisabeth Stadler. A project group is being formed with our bank insurance partner Erste Group. The goal of the project is to optimise products, distribution and profits for the bank and insurance companies in all countries where Erste Group and VIG cooperate. The focus is on customer needs and desires, easily understandable products and the integration into the bank’s digitisation initiative. This also includes organisational and structural considerations on the insurance side that will improve communications and service for customers and banking partners.

## **Expansion of reinsurance business**

There are also plans to increase reinsurance business. Our Group company VIG Re, which is headquartered in Prague, has established itself as one of the leading reinsurers in the CEE region in previous years. It operates in 31 countries and recorded a preliminary premium volume of around EUR 370 million in 2016. VIG Re is now planning its next international initiatives, namely a gradual expansion of its business in Germany and controlled entry into the market in Western Europe, with a focus on France, Belgium, Luxembourg and Switzerland. *“VIG Re has acquired an excellent market reputation of being practical and operating quickly. We will position ourselves in the expanded markets as a niche player for special customer and market segments. These are primarily local and regionally-oriented direct insurers,”* according to Elisabeth Stadler.

## **Insurance of the future and digitisation**

A new area has been created in the holding company to deal with future-oriented topics related to insurance and digitisation, among other things. The aim is to explore future changes in the lifestyle and habits of people and the effects of demographic and economic change on the insurance industry. *“We have entered into a partnership with Insurance Innovation Lab in Leipzig. For us, this area includes insurtechs, motor and life insurance of the future as well as artificial intelligence, among other things. We feel that expanding assistance services also offers great opportunities for the company. In general, we need to supplement our primary service of risk coverage with additional value added. I see this as a necessity for us as an insurance company in the future if we want customers to perceive us as something ‘relevant’ and important in their lives,”* stressed Elisabeth Stadler.

Vienna Insurance Group is working intensively on digitisation. *“In the holding company, we have set ourselves a goal of creating a digital hub this year to support and coordinate activities in this area within our Group,”* said Elisabeth Stadler. Around half of the annual IT investment budget of EUR 100 million is currently being invested in digitisation development and measures.

## **Business model optimisation**

In addition to issues concerned with ensuring future viability, we are also implementing cost efficiency measures at the same time. This includes creating cost benefits by merging back-office functions and companies in the Group when the long-term benefits outweigh the benefits of a diversified market presence. A project for reducing insurance fraud that was started in Austria, the Czech Republic and Poland has been very successful. The model tested in these three countries will be transferred to other companies. A project for identifying and avoiding excessive claims payments is also showing initial success. VIG feels that claims expenses can be reduced by up to 3 percent in the next three years. These optimisation measures play a major role in the planned reduction of the combined ratio.

## **Outlook for the period to 2019**

Economic forecasts continue to be favourable for VIG's area of operations. The International Monetary Fund (IMF) is forecasting real GDP growth of 1.2 percent per year in Austria for the period from 2016 to 2019. The figure for the CEE region is at least twice as high for the same period. This growth will continue to have a beneficial effect on insurance density in the CEE region. VIG plans to steadily increase its premium volume to EUR 9.5 billion by 2019. In spite of the low interest rate environment and the continued negative effect this is expected to have on the financial result, VIG aims to increase its profit (before taxes) to EUR 450 to 470 million by 2019. The medium-term target of 95 percent continues to apply for the combined ratio. Dividend per share development to follow results increase.

### **\* Note**

The information in this press release for the financial year 2016 is based on preliminary unaudited data. The final audited information for the financial year 2016 will be published with the Group Annual Report 2016 on 19 April 2017.

## Consolidated Income Statement (IFRS)

(in EUR mn)	12M 2016	12M 2015	+/- %
<b>Gross premiums written</b>	<b>9,051.0</b>	<b>9,019.8</b>	<b>0.3</b>
Net earned premiums	8,191.3	8,180.5	0.1
Financial result incl. at equity consolidated companies	958.8	1,040.2	-7.8
Other income	150.4	150.2	0.2
Expenses for claims and insurance benefits	-6,753.4	-6,748.9	0.1
Acquisition and administrative expenses	-1,907.8	-1,847.6	3.3
Other expenses	-232.5	-636.8	-63.5
<b>Profit before taxes</b>	<b>406.7</b>	<b>137.7</b>	<b>&gt;100</b>
Taxes	-85.7	-61.8	38.7
<b>Profit for the period</b>	<b>321.0</b>	<b>75.8</b>	<b>&gt;100</b>
Non-controlling interests	-33.2	-5.8	>100
<b>Net profit after non-controlling interests</b>	<b>287.8</b>	<b>70.0</b>	<b>&gt;100</b>
<b>Earnings per share in EUR (annualized)</b>	<b>2.16</b>	<b>0.44</b>	<b>&gt;100</b>
<b>Combined Ratio (net in %)</b>	<b>97.3</b>	<b>97.3</b>	<b>0pp</b>

## Segment Reporting (IFRS)

in EUR mn	Austria			Czech Republic			Slovakia		
	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %
<b>Gross premiums written Total</b>	3,941.3	4,055.5	-2.8	1,529.1	1,554.8	-1.7	732.3	716.5	2.2
<b>Profit before Taxes</b>	196.1	213.0	-7.9	152.8	163.0	-6.3	48.9	51.9	-5.8
<b>Combined Ratio (net in %)</b>	97.6	97.5	0.1pp	90.5	90.7	-0.2pp	94.9	96.2	-1.3pp

in EUR mn	Poland			Romania			The Baltic		
	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %
<b>Gross premiums written Total</b>	819.2	838.9	-2.3	533.4	428.6	24.4	140.2	59.3	>100
<b>Profit before Taxes</b>	1.9	20.8	-91.0	3.5	-46.4	n.a.	-11.2	-2.6	>100
<b>Combined Ratio (net in %)</b>	99.4	99.3	0.1pp	100.1	102.4	-2.3pp	135.4	0.0	135.4pp

in EUR mn	Hungary			Bulgaria			Turkey/Georgia		
	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %
<b>Gross premiums written Total</b>	224.2	204.3	9.8	136.7	131.1	4.3	208.7	182.3	14.5
<b>Profit before Taxes</b>	3.8	-4.7	n.a.	5.4	-2.3	n.a.	9.0	3.2	>100
<b>Combined Ratio (net in %)</b>	103.6	105.3	-1.7pp	98.2	102.3	-4.1pp	95.7	102.5	-6.8pp

in EUR mn	Remaining CEE			Other Markets			Central Functions		
	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %
<b>Gross premiums written Total</b>	331.4	307.2	7.9	353.0	410.0	-13.9	1,324.8	1,248.9	6.1
<b>Profit before Taxes</b>	7.4	6.6	13.3	22.1	20.2	9.5	-33.3	-284.6	-88.3
<b>Combined Ratio (net in %)</b>	101.4	102.7	-1.3pp	81.8	83.0	-1.2pp			

in EUR mn	Consolidation			Total		
	12M 2016	12M 2015	+/- %	12M 2016	12M 2015	+/- %
<b>Gross premiums written Total</b>	-1,223.3	-1,117.7	9.5	9,051.0	9,019.8	0.3
<b>Profit before Taxes</b>	0.4	-0.3	n.a.	406.7	137.7	>100
<b>Combined Ratio (net in %)</b>				97.3	97.3	0pp
<b>Net profit after non-controlling interests</b>				287.8	70.0	>100

Calculation differences may arise when rounded amounts and percentages are summed automatically. Financial results for 2015 have been restated.

**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 looks back on 190 years of experience in the insurance business. With more than 24,000 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.

**Disclaimer**

This press 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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