



Conference Transcription

Date of conference : **12 May 2009**
Conference title : **Vienna Insurance Group
Release of Q1 Results**

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CONFERENCE DETAILS

Conference Date: 12 May 2009

Conference Time: 15:00 CET

Conference Duration: Approximately 62 minutes

Chairperson: Thomas Schmee

ACT Operator

Welcome to the Release of Results Q1 Vienna Insurance Group conference call on 12 May 2009. Throughout today's presentation all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask questions. If any participant has difficulty hearing the presentation please press *0 on your telephone for operator assistance.

I will now hand the conference over to Mr Thomas Schmee. Please go ahead sir.

Thomas Schmee

Good morning and good afternoon ladies and gentlemen and welcome to the Vienna Insurance Group's telephone conference at the occasion of the release of our Q1 results today. Our team here in Vienna consists of Martin Simhandl, CFO.

Martin Simhandl

Hello, good afternoon.

Thomas Schmee

Peter Hagen, member of the Management Board.

Peter Hagen

Good afternoon.

Thomas Schmee

Peter Hoefinger, member of the Management Board.

Peter Hoefinger

Good afternoon.

Thomas Schmee

And Roland Groell, Head of the Group Accounting.

Roland Groell

Good afternoon.

Thomas Schmee

Martin Simhandl will guide you through a short presentation and the section will be followed by Q&A. Martin please go ahead.

Martin Simhandl

Thank you Thomas. Ladies and gentlemen it's a great pleasure for me to present to you the Q1 results of Vienna Insurance Group. What I can present to you is a stable development in a challenging period; a stable development based on a very good and solid capital position. Let's start with some recent developments, you find that on slide three of the presentation. Starting with the capital position we have launched hybrid

bonds programme in May 2008, out of that programme €500 million where we did a hybrid of €250 million last year. We have now finished in the meantime the issuance of the second €250 million hybrid.

Our excellent capital position has further improved. In the meantime we are on a level of more than 180% of the solvency requirement. What we also have announced is that this year we will have a certain concentration of developing health business in CEE countries. We have started that already and in the first quarter we have already some €6 million premium. Out of that we expect roughly €30 million for the whole year 2009.

Let's step into the financial highlights. Earning - profit before taxes €121 million. It's practically the same level than last year despite the challenging environment. The combined ratio (net) of 96%, that's on the level of the whole year 2008. Stable premium development despite we had some negative effects from currency developments in CEE. We have a sound financial result based on a capitalisation that is very strong and has further strengthened.

More details about the financial highlights starting on slide six. Gross written premium up by 1.5%, profit before tax a slight decrease, net profit after tax and minorities a plus of 3.7% and the combined ratio (net) 96.5% which is practically the same as for the whole year 2008. Earning per shares roughly €3 per share and ROE before taxes of roughly 12%.

Let's step into more details of the profit and loss account and the balance sheet. The income statement, the main figures are shown on slide nine. Gross written premiums roughly €2.35 billion, I will elaborate on that. Net earned premiums up to a level of roughly €1.8 billion, which is a plus of 3.5% which means a slightly increased retention rate. Net investment income as well as expenses for claims incurred and operating expenses - I will elaborate on that later. Profit before taxes €121 million - I have already said. The taxes development is quite favourable and this is the level we also expect for the coming future. Also the minority have a positive impact on the net result, so the net profit after minorities has increased by 3.7% to a level of roughly €95 million.

The main figures concerning the balance sheet are shown on the next slide. I only want to elaborate on intangibles. On the one hand, on the asset side the plus here comes mainly from the Romanian entities of the Erste Bank insurance business which is BCR insurance companies and on the other hand the full consolidation of the Bulgarian entities bought in December. The liability side, I only want to point out the development of the shareholders' equity - a plus to the level of €4.18 billion.

The next slides show more details concerning the profit and loss account, gross written premiums, more details about the single countries – the development in the single countries on slide 11. Austria, Slovakia and other CEE countries are plus on euro level, on euro basis. Czech Republic on euro basis more or less stable and Poland and Romania on euro level minus but we have to take into account some effects from the development of the currencies as you can see it on the right side of slide 11 which more than compensates, for example, the development in Poland and Romania.

More details on slide 12. Gross written premium in total up by 1.5%, Austria a plus of 2.4%, Czech Republic a plus of 12.5%, Slovakia 15.5%, Poland a decrease of 15.5% and Romania a decrease of 16.4%. And the other CEE markets up by more than 26% and that's different from country to country but overall very good development.

The expenses for claims incurred - and you can see that on slide 13 - the Group net loss ratio has slightly increased. We have positive effects in Austria, in the Czech Republic mainly coming from the more favourable weather conditions in this winter, no storms. Negative developments in Slovakia, Poland and Romania. And Slovakia we have seen

some inflation coming from the introduction of the euro. In Poland we have an increase in the claims ratio which is partly out from legal changes, legal requirements.

And from Romania the increase in the claims ratio partly comes out from the fact that there is business which is materially done in euro and the hedge on the currency side is done that way that the Romanian entities invest in a certain amount in euros but the positive effect out of that you do not see in the claims ratio, you see it in the financial result, in the investment result. The negative effect you see in Romania in the claims ratio - so the real claims ratio would be significantly lower. In other CEE we have seen a slight decrease of the claims ratio of 1.3% and we have a very mixed picture between the different countries. A decrease we have seen especially in Croatia, Hungary and Turkey.

Slide 14 deals with the development of the operating expenses. The Group cost ratio has improved by more than one percent points to reach 30.5%. Negative developments we have in Austria and Czech Republic. In Austria due to salary increases, in the Czech Republic it is IT rollout expenses and some effect from the reinsurance programme. We have seen decrease slightly in Slovakia, significant decreases in Poland and in Romania. In other CEE we have a quite stable development.

Slide 15 shows you net investment income and where it comes from. The current investment income significantly has increased. We have to take into account that the assets - the asset bases in comparison to the first quarter 2008 has significantly increased out from the acquisition of s Versicherung Group. On the other hand we have negative effects, depreciations, impairments of investments, losses from the disposal of investments which have been more or less but not completely offset by income from write-offs and income from the disposal of investments. The total negative effect out of that is some €20 million. Out of that comes a net investment income of totally roughly €275 million.

Slide 16 shows you a split of the investment portfolio. The main position is bonds 56% out of which more than one-third governments, 15% Pfandbriefe covered bonds. On the other hand the rating of the bonds roughly 20% AAA, roughly 20% AA and around 50% A sale. Less than A less than 10% only - which means a quite conservative portfolio.

Ladies and gentlemen slide 17 shows you the development of the earnings of our Group and I am proud that the result of the first quarter this year is on the level of the first quarter of last year. But frankly spoken the capital markets are still in a shaky situation and so it is not possible to give trends for this year or mid-term targets. But we still expect premium growth and what we expect, what we target and what is more than that what is philosophy for us to be well below 100% in combined ratio throughout the business cycle.

Ladies and gentlemen thank you for your attention and we will poll your questions now. Thank you.

Thomas Schmee

Thank you Martin. Operator, please go ahead with the Q&A section.

ACT Operator

The first question comes from Vinit Malhotra. Please state your company name followed by your question.

Vinit Malhotra – JPMorgan

Hi. This is Vinit from JPMorgan in London. Basically the main question is what is your strategy around the Romanian businesses where we are seeing the main ratios have not been improving because of motor claims inflation? So that's one question.

Second question is around the investment portfolio bond have gone up from 52% yearend to 56%. Is this mostly mark-to-market or have you been trying to buy more corporate bonds or some other asset mix here?

And the third question is on the impairments - €70 million. Could you shed some more light on this number? How much is equities, how much is if any impairments on tier I debt for example? Thank you.

Martin Simhandl

Thank you for your questions. Question number one will be answered by Peter Hoefinger. Second question I would like to answer and the third question I will hand over to Roland Groell. Let's start with the second question, the investment portfolio. The increase of the bonds comes mainly from two effects. The one is we have seen a decrease in the loan portfolio which comes practically from the ageing of the loan portfolio and the reinvestment has gone into bonds. That's on the one hand.

The second is that in comparison to the end of the year we have slightly decreased cash positions which has also gone into bonds taking into account that we are in an environment where the interest rates have gone down. It seemed for us reasonable to have less cash and be more in bonds. That's not an effect that has gone into corporates. We have done some small parts in corporates and high quality corporates but the main part has gone into governments.

Roland Groell will continue concerning your question about impairments.

Roland Groell

The split of our impairments of roughly €70 million is about €20 million equity, €20 million bonds and €30 million investment funds. That's the split of our impairments in the first quarter.

Martin Simhandl

Peter Hoefinger will answer your first question concerning Romania.

Peter Hoefinger

What concerns Romania, and if you look on the loss ratio, as shortly explained by Martin you have to consider one effect specifically, the depreciation of the RON. We see the problem that spare parts are mainly charged on euro basis therefore you have an increase in your average claims costs. We have therefore started in the last years to have investments in euro matching our liabilities. What we are losing in the claims costs is mainly set off in the investment income which we are gaining through the exchange rate gains then of our euro investments. This adjusts for the deterioration of the claims ratio.

Furthermore what you can see in our KPIs is the significant decrease of our cost ratio. We have successfully started last year the consolidation effect within our companies in Romania. We are running there a quite significant cost cutting programme on one hand

side of centralisation within the companies, on the other hand side to find the synergies between our companies.

Since we have now the two BCR insurance companies we see already quite positive effects. You see in the Life business we have BCR Life which has an excellent performance in the first quarter. We are having there a grow rate of over 50% in the first quarter compared to the first quarter last year. The cooperation with the Bank in the area of Life is working out very well and this performance in Life is quite unusual in the current circumstances in Romania.

What we do furthermore, we are combining for all our companies the claims assessment. We are making one claims assessment company for bundling our market power and for ensuring to get good pricing from the repair stations. We have introduced last year's deductible in the CASCO business and we have increased tariffs where we should see during the year more significant impact the more the portfolio has already the deductibles within these policies and we will on one hand side lower the frequency of claims but also should have an impact on the average claim side.

Vinit Malhotra – JPMorgan

Thank you. Would you be able to say of this 15% or so increase in the claims ratio in Romania roughly how much should we assume to be FX impact? Is it 5% or is it 15% or 10% or 1% or - anything you could give would be helpful. Thank you.

Martin Simhandl

The effects is partly 50/50.

Vinit Malhotra – JPMorgan

50/50. Thank you very much. Very good, thanks.

ACT Operator

The next question comes from Frank Stoffel. Please go ahead. State your company name followed by your question.

Frank Stoffel – Merrill Lynch

Good afternoon, it's Frank Stoffel from Merrill Lynch. A few questions please. The income from disposals of investment was quite material in the first quarter. Could you please elaborate on which assets did you sell with a profit in Q1? Then on the previous answers you said that you experienced €30 million of impairments on investment funds. Could you please elaborate a bit on the nature of the funds on which you have experienced impairments?

Then coming to the operating side one of your competitors the other day reported that some of its motor policies in particular in the Baltics had to be shifted towards a two-three months policies. Is this something you have experienced as well? And lastly you continue to refrain from giving a short or even intermediate outlook. Is this because you feel unsure about the intermediate growth or operating outlook? Or do you feel more unsure about your intermediate investment performance? Thank you.

Martin Simhandl

Four questions I have noted. The first, second and the fourth I would like to answer. The third will be answered by Peter Hagen. I'll start because that is the easiest way.

The first question - the disposals. First to mention the volume here is somehow in line what it was over the last years. Secondly it comes from different sources, it comes from disposal of bonds, it comes from disposal of shares. When you have a decrease in value on a level up to 30 at the end of December and you have an increase you sell then you have gains out of that.

Third - we have some effect also from the derivative side from hedging and that's mainly it - we also have some other disposals, you have heard Ringturm KAG but we also have had some other from the share's side where we have further decreased a bit our equity position in the Group. That's the main effect. Concerning investment funds the write-off of investment funds mainly comes from mixed funds, from the development of the value as we are accounting these under fair value.

Frank Stoffel – Merrill Lynch

So it will be equity, bonds and corporate bond funds basically?

Martin Simhandl

The last question concerning the outlook - and I have to answer it as I am the CFO. If I would be sure that there would be a stable development in the capital markets it would be much easier, but frankly spoken nobody knows and we will see what happens. Of course we will hope that development will be a positive one but what we see? We see that the crisis itself, that the recession is deep. If it becomes better, well fine, but for the time being I would not be able to really predict that. In fact it's coming out from the uncertainty of the capital markets and the development of the investment result.

Concerning the Baltics I would like to hand over to Peter Hagen.

Peter Hagen

Frank, basically first answer is we do not offer motor insurance in the Baltic states, so we do not do non-Life there. The background I would say in general we are following very closely what is going on in the motor markets in each and every market. Peter Hoefinger has mentioned before Romania where clearly we have seen certain deterioration on the motor markets at the end of the last year already, let's say the last quarter and a half. We have reacted by increasing rates, by introducing deductibles, some of it will obviously only be seen in the coming quarters. Partially it is caused, as has been mentioned, by the specific euro issue.

That is an issue which is not the case for example in Slovakia where we also see an increase in claims. Also there it has to do with the euro but more with the euro conversion so that Slovakia joining the euro - it had simply an impact on prices. In Poland it is a reflection of our very conservative reserving practice because there is a discussion in Poland of introducing a specific system of compensation for pains and suffering and we want to provide for this in order not to jeopardise our reserve policy in the future. Where we have a more stable development like in Austria and the Czech Republic for example you can see that loss ratios are improving further on. Particularly also on the motor side as motor in most of these countries is the dominating line of business.

No, we are not thinking about - in the countries we are operating - of introducing on a strategic basis short-term policies. We always see specific purposes like boarder policies or specific short-term policies for motor on damage but not as a general rule.

Frank Stoffel – Merrill Lynch

Great, thank you very much.

ACT Operator

The next question comes from Peter Szopo. Please state your company name followed by your question.

Peter Szopo - Oppenheim

Hello gentlemen. Peter Szopo from Oppenheim. Three questions - first on disposals again. There were news that you are going or have sold Wüstenrot. Is anything of this disposal included in Q1? What is the status generally on the sale?

Second question is can you quantify roughly how much of the premium income in Central Eastern Europe was due to consolidation effects? Was it more than €100 million - in the range between €100 million and €150 million? Would that be correct?

And the third question is where exactly do you place your hybrid bond? Was it mainly acquired by Erste? Who were the other buyers?

Martin Simhandl

Three questions. I would like to answer the first and the third and the second.

Peter Hagen

I will volunteer for the second. I would just like to ask you if you could repeat the question?

Peter Szopo - Oppenheim

The external growth - how much premium income did you get from acquisitions last year?

Peter Hagen

OK, good.

Martin Simhandl

First - disposal Wüstenrot - the agreements concerning Wüstenrot have been concluded after the end of the first quarter.

Peter Szopo - Oppenheim

We will see this in Q2?

Martin Simhandl

You will see that but do not expect too much. What is maybe a bit more important is that you have a certain equity effect as this is an insurance company where you have regulatory needs on equity which fall away.

Third question - hybrid. The hybrid has been taken by Erste - also is sold. Everybody who wants can buy such hybrids with Erste Bank and Sparkassen. For the time being I do not know how much they have already sold. What we know from last year on the retail side there has been very huge demand.

Second question - I would like to pass to Peter Hagen.

Peter Hagen

If you allow me I will just give you an indication about the main countries and how that would look like in local currency because obviously that gives you the real impact in the countries. We have for example in the Czech Republic where obviously s Versicherung is one of the larger acquisitions. We showed growth of about 12.5%. If we were to discount the acquisition of PCS we would have been at about 6.5%.

In Slovakia the increase is about 15%. Discounted for the acquisition of Sportelne we would be at around 11%. And in Romania basically there the impact is in the first quarter only very, very little due to the fact that in the first quarter last year there was still Unita as well. These would be the major markets in the CEE where we have done acquisitions.

There is one change also in Bulgaria which is not due to the acquisition of Erste Bank's operations and that would mean that organic growth in Bulgaria would be in original currency about 3%, 4%.

Peter Szopo - Oppenheim

Thanks a lot.

Peter Hagen

You're welcome.

ACT Operator

The next question comes from William Elderkin. Please state your company name followed by your question.

William Elderkin - Citi

Good afternoon everybody. It is William Elderkin from Citi. A couple of questions. First of all, what is the underlying year-on-year growth in Austrian life premiums? Secondly, in terms of your solvency ratio I think you termed it as – it's now above 180% in Austrian GAAP terms. From what I remember at the year end stage you talked about it being above 150%. Is that a change in language or has the ratio actually increased on an underlying basis? And if so, why?

Also you mentioned at the full year stage a war chest of around €800 million. Could you update us on that number? I think you reclassified a number of fixed income instruments to loans and receivables. Again at the year end last year I wonder how that - if you had not done that how your shareholders' equity would have changed compared to what you actually reported?

And then finally can you give us a sense of what the earnings would have been for the first quarter at the PBT level had you not bought the Erste Bank businesses?

Martin Simhandl

Sorry. Before answering, two question concerning your questions which I have not understood clearly. Within your second question, altogether it's four questions, you spoke about the war chest of about?

William Elderkin - Citi

If my memory serves me correctly I think you had a war chest of around €800 million.
(Inaudible - several talking at once)

Martin Simhandl

And the fourth question I completely did not understand it.

William Elderkin - Citi

If you had not bought s Versicherung what would your PBT be for the first quarter?

Martin Simhandl

Let's start with the second and third question. The war chest of €800 million would be more than €1 billion in the meantime. 180% - as I said on the one hand for example we had that hybrid I was speaking about - I was speaking about the disposal of Wüstenrot which has decreased the necessities of equities. And thirdly we have spoken about a ratio of above 150%. We did not say how much above but clearly it has increased and we are above 180% now.

The question concerning the reclassification and the impact on the equity will be answered by Roland Gröll.

Roland Groell

As we published in our Financial Report 2008 the effect at the end of 2008 on the equity position was about €30 million and the effect at the end of the first quarter is nearly at the same level, so stable €30 million is the reclassification impact on our equity.

Martin Simhandl

The fourth question - profit before taxes – without s Versicherung would have been above €100 million. What is not easy to clearly find out how much is the impact we have in a lot of different companies also from the non-Life business which is coming from the s Versicherung's groups but above €100 million would be with that.

Your first question if I understood that right is the organic growth in Austria?

William Elderkin - Citi

Yes, on the life insurance side.

Martin Simhandl

What we here clearly can say is that we have a huge decrease in single premium and the total life increase organically is roughly 1.5%.

William Elderkin - Citi

Sorry, I didn't quite follow that last one. It this on an AP basis or just reported IFRS?

Martin Simhandl

This is on reported IFRS. AP basis, frankly spoken, I do not have at the moment. We could calculate.

Thomas Schmee

I'll provide them to you afterwards.

William Elderkin - Citi

OK, thank you.

ACT Operator

The next question comes from Ralph Hebgen. Please state your company name followed by your question.

Ralph Hebgen - KBW

Yes, hi. It's Ralph Hebgen from KBW. Just two questions. One is, would you be able to elaborate on the transfer to the profit sharing reserves effected in the first quarter 2009? And second just a more general point - would you be able to elaborate on the mindset of the customers in Central and Eastern Europe? In particular, what I am referring to is at a time of low interest rates do you actually see that life insurance policies are more competitive versus bank savings product in these countries and that savers actually do prefer life insurance policies over bank savings contract in these countries?

Martin Simhandl

Frankly spoken your first question I did not clearly understand. Could you repeat it? Something with profit sharing but I haven't got it.

Ralph Hebgen - KBW

Yes, indeed. It's the transfer to the profit sharing reserve or the bonus reserve. Every year a proportion of investment gains and investment incomes generated by assets is transferred to the reserve for profit sharing for life insurance and I was wondering whether you could share with me how much that was in the first quarter 2009?

Martin Simhandl

We will start with question number two. That will be answered by Peter Hagen.

Peter Hagen

First of all, there is no CEE so there is no mindset in CEE. You have a mindset in different countries. What you can see actually - I would not say that currently you would see a run towards life insurance from banking products. That is something which I would not see at this point of time. Also because people in CEE obviously perceive the stability of the banks there much more positive than do external analysts from other countries and Nobel Prize winners.

The second issue is that particularly in this situation people seem to prefer to be highly liquid as well. Yes, we have adjusted in also offering, and this is in line with the markets, certain product also on the life side which could compensate for this increased demand of people of investing into instruments which are at least potentially more liquid. Which also means that we are offering to people the possibility also to take long-term policies insofar as there is a positive reserve already available. We have to design special products where they can switch from more long-term investments into more short-term if they want to. Obviously this has an impact also on the return on these, this is also clearly communicated to the client.

We have seen from some competitors and some of them are of Western European origin obviously and are very often also bank related offering certain products on the Life side with very high guaranteed interest rates for very, very liquid life insurance instruments. We do not in general not follow this because frankly speaking we don't see the possibility to really earn what sometimes they are offering. This has a particular impact on the single premium life and this is one of the reason also why on the single premium life some of our companies in some of the countries are obviously underperforming the market.

But the general mindset if you look into regular premium payment, and to look into the products we have double digit growth for some of our companies for example in the Czech Republic. As Peter has mentioned before we have double-digit growth. High double-digit growth for example with BCR Life in Romania, quite satisfying development in Slovakia. Overall we have in this kind of plain vanilla business is developing quite well. Where you see differences now is particularly in the more sophisticated financial products like insurance products.

Was that the answer to your question?

Ralph Hebgen - KBW

Yes, thank you. That was very helpful. Thank you very much.

Martin Simhandl

The first question will be answered by Roland Groell.

Roland Groell

Our provision for deferred profit participation in the first quarter 2009 was about €50 million below the year end 2008, mainly driven by the development on the equity markets and partly also driven by lower prices on the bond market.

Ralph Hebgen - KBW

If we just recap. 15 or 50 - five zero or one five?

Roland Groell

50. Five zero.

Ralph Hebgen - KBW

Five zero. And you said it was lower than in 2008. What was it in 2008?

Roland Groell

The absolute amount in 2008 was about €100 million.

Ralph Hebgen - KBW

So in other words the €50 million were transferred in the first quarter.

Roland Groell

That's right.

Ralph Hebgen - KBW

OK, fantastic. Thank you very much.

ACT Operator

The next question comes from Paulo Tamagnini. Please state your company name followed by the question.

Paulo Tamagnini - Deutsche Bank

Good afternoon. This is Paulo Tamagnini from Deutsche Bank. Couple of very general questions if I can. First of all: any evolution of the business in particular in the CEE area over the last two months basically in April and May so far if there is some trend that we can analyse together? And if you think that this trend will be a good indication for the full year?

The second question is on something that we touched here and there. Basically the deterioration of combined ratio in a few countries. And in specific I would like to ask you if you expect any substantial improvement in Slovakia, Poland, we touched a bit on Romania and the other CEE countries from now to the end of the year with the following also the actions that you are discussing and you seem to have put together? Thank you.

Martin Simhandl

First questions will be answered by Peter Hagen.

Peter Hagen

Again business evolution - CEE. I guess we have to go through main countries, country by country. Maybe again, much to the surprise for people living outside of the region particularly when it comes to non-life insurance and they are particularly on motor things are not developing so badly in fact. We see quite nice growth still also on the properties and not only on the motor side in Poland. We have good growth or let's say acceptable growth in the Czech Republic given already how the market has developed already compared to others.

We see in Slovakia not so much on the risk side actually also due to certain incentives given by the government. There is an increase in purchases of new cars, a substantial increase in Slovakia. We see an increase in the risks. What we see is as I mentioned before mainly due to also the introduction of the euro and a certain inflation coming from that some impact on the loss ratio which we have to compensate. Having said this however we should not forget we are talking after this inflation in Slovakia on a loss ratio overall non-life of 61% which is still a very favourable loss ratio.

Certainly in Slovakia we see as concerns the combined ratio the impact of a very successful first quarter also in sales. In fact we have to say that VIG Slovakia has taken over number one position in Slovakia from the combined operation of the former monopoly insurer and Allianz. This growth obviously had an impact on also distribution costs and only part of this distribution cost which is the commissions are actually distributed over time whereas the rest is directly going into income. Therefore the combined ratio is to a certain degree distorted in Slovakia. So yes - the answer in Slovakia: we obviously expect an improvement.

The same is that all our countries do have to run quite substantial cost cutting programmes which will have impact partially in 2009, partially in 2010 on the cost ratios.

Peter Hoefinger was mentioning the efforts in Romania which I do believe are substantial which were now partially offset by what he has mentioned is concerns claims inflation and the specific issue of the euro-denominated spare parts which add about 6% to 6.5% to the combined ratio percentage points.

Overall in the major countries we see in the commercial business when it comes to the large commercial business relatively stable development. On the motor business relatively stable and slightly positive in Slovakia, in Poland and in Czech Republic. Certain problems certainly in Romania also in this respect, not just on the claims side, also on the risk side. Certainly Romania probably would be one of the countries where the crisis is currently felt the most as much as it is perceived, whether it is real or not. On the other hand side we believe that particularly those funds earmarked for infrastructure development in these countries particularly also Romania will have a positive impact not only on the general economy but also particularly on the property business, in insurance.

The developments in Hungary, traditionally one of our rather small markets, is very promising. We have achieved to gain some bigger accounts also with the help of an initiative which we have launched a year-and-a-half ago from head office side which is called Vienna International Underwriters in order to coordinate efforts also on the commercial business side within the Group. This proved to be particularly helpful in the Hungarian market which obviously helped also our local company. Also there we could prove that even in an economy which is generally perceived as being rather shaky at this point of time we did pretty well.

In general I would say other than many people from the outside would say the crisis - yes, a lot of talk about the crisis. In some countries you can clearly see it also in capital cities. On the other hand side we have to be very clear that most of the people living in CEE are very used to crisis and are adept to the situation. If you ask somebody - my favourite example in Constanta in Romania - that he has a crisis now he will ask you what he had the last 20 years and so they are very much up to this. We have no reason to believe that they will not overcome this relatively quickly; also with the help of funds pledged be it for the European union, be it from IMF. Overall on the non-life side we believe that there will be a stable development. Certainly Ukraine is an issue but there obviously the insurance market is very small in any case and has not a particular impact also on our book of business.

All this obviously also has an impact on the combined ratios. The cost-cutting programmes that we are running throughout the Group as has been mentioned before will show. Obviously they will not show immediately but they will show already also in 2009 and to a high degree also in 2010. The difference being that in CEE you will see these cost cuttings or reduction mainly coming from the non-personnel costs whereas on the Austrian side you will see it probably more on the personnel cost side.

On the claims side I think we have commented on this, so overall we believe that combined ratio as has been mentioned by Martin will continue to be clearly below the 100% and we have no reason to believe why the development of the combined ratio from first quarter to the last quarter should be different in this year than in many of the years before.

On the life side I have commented before. The life side - regular premiums are doing relatively well. In some countries very well, in some countries some companies particularly ours do very well, single premium is very much dependent. And as I have said before you see in some countries that some, particularly companies which are owned by banks, are offering products which we do not even consider to copy.

Would that be general enough?

Paulo Tamagnini - Deutsche Bank

That's perfect. Thank you.

ACT Operator

The next question comes from Ms Marion Swoboda-Brachvogel. Please state your company name followed by your question.

Marion Swoboda-Brachvogel - Cheuvreux

Hi, good afternoon. This is Marion Swoboda-Brachvogel from Cheuvreux speaking. Actually most of the questions have already been answered so there is basically only two remaining ones. Just to confirm the solvency ratio. As far as I understand, over 180% and do not include the bonus dividend that you will pay later in the year.

And second: the share of minorities has decreased quite substantially year-over-year so as I understand it is basically mainly coming from the sale of Bank Austria Versicherung. It should be to some extent sustainable in terms of the lower share of profits. Is that correct or can you please comment on that?

Martin Simhandl

Peter Hagen will answer the first question.

Peter Hagen

Yes. You are absolutely correct. The 180% is already after consideration of the bonus dividend which will be paid in autumn. This is already considered.

Martin Simhandl

Second question - minorities - you are completely right. That is an effect coming from the sale of Bank Austria Creditanstalt Versicherung and should be sustainable therefore.

ACT Operator

The next question comes from Radena Georgieva. Please state your company name followed by your question.

Radena Georgieva - UniCredit

Good afternoon. This is Radena Georgieva from UniCredit. I have three questions, two of which are follow-up questions. And the first one is regarding the solvency. If you can just confirm whether the solvency coverage ratio that you report is on a Group level or a standalone level? And also whether you include any hidden reserves in the available funds which are used as a basis for the calculation of the solvency coverage ratio?

The second question refers to the non-life. You already mentioned about developments in the commercial business in the CEE countries. What I am interested in if you can indicate what is the split between Group and individual business and specifically with regards to the motor business in Austria and the main CEE countries and whether there have been any marked decline in either Group or individual business in the first quarter?

And the third question refers to the capital raising by Erste Bank. You indicated earlier that you may participate and I am just interested to know whether you still consider participating and also if you can indicate any figure? Thank you.

Martin Simhandl

To answer your first question. The solvency ratio is calculated on a Group level and it's calculated according to the Austrian regulations as it should be. Because the seat of the Group is in Austria you have to calculate it according to Austrian regulations. It's rather complicated. You have some equity positions which are completely identical with IFRS and some others which are different but that it is. For example what is not taking into account there is some hidden reserves, in redundancies, in claims reserves as it is in some other countries. But it is according to Austrian regulation.

Second question will be answered by Peter Hagen.

Peter Hagen

I am not sure what you understand as group business in motor insurance but I assume you mean fleets and individuals whereby one has to clearly understand that fleets in Austria or in some of the countries might mean something different than in other countries. You have in some of the countries certain traditionally offered instruments as they are called open fleet like where you would accept individuals under fleet terms if these individuals share certain characteristics. For example the police officers. This you would not see in Austria, you will see it in some of the CEE countries. Therefore in CEE there is no clear border line in traditional commercial fleet business and individual business.

But to talk about a trend traditionally fleet business is always rather a marginal business compared to individual and this has not changed. And this is the same for the typical commercial fleet be it in Austria or be it in CEE. We have not seen any sort of particular difference in the pattern in the last months nor have we any indication that that is to come. What we have actually seen and this is a trend which has started maybe two years ago that some commercial fleets particularly owned by forwarders have been actually registered in CEE countries rather than in their original country like Germany or Austria. And by doing so obviously they have also increased the business for the motor TPL insurer in these countries. That's a trend I think which is more or less by now finished. Who wanted to do it did it with the joining of these countries to the European Union. What you see now is more exotical cases.

So overall on the individual side as I have mentioned before we have seen for example a clear hold in individual purchases in the Czech Republic for three, three and a half - by the way also commercials for the first three, three and a half months. This being the case because of the Czech government considering to skip the value added tax on cars which are used commercially by at the same time offering a lot of possibilities also for individuals to declare their cars to be commercially used. Everybody waited for this change in the tax law with 1 April and you can see now a lot of purchases actually effectuated now.

I have mentioned Slovakia with these government incentives on buying new cars. Similar in Austria. Obviously this has worked out. Nobody knows by now what that means in terms of the whole year. What kind of impact it will have on the whole year as most of these actions are limited in terms either of the volume of the incentive or of the time in which you can actually claim for that government bonus. Overall in terms of motor insurance we don't see any major changes of the general pattern neither in Austria nor in these countries of CEE.

Radina Gerogieva - UniCredit

OK, thank you.

Martin Simhandl

Your third question - I did not get that clearly or is it already answered?

Radena Gerogieva - UniCredit

Hello?

ACT Operator

Yes, your line is open.

Radena Georgieva - UniCredit

The third question was regarding the capital raising by Erste Bank, participation capital. And I think you indicated earlier that you might subscribe, so I just wondering whether you would participate in the capital raising and by how much?

Martin Simhandl

We have given it already into the press that we have done some €250 million but you have to take into account this is a very good product. You also can use for insurance product, for index links and so on.

Radina Gerogieva - UniCredit

Thank you.

Thomas Schmee

Operator?

ACT Operator

Yes, sir?

Thomas Schmee

No more questions. We could close the conference.

END OF CONFERENCE