



Conference Transcription

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Preliminary Unconsolidated
Premiums 2009

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CONFERENCE DETAILS

Conference Date: 26 January 2010

Conference Time: 15:00 Central European Time

Conference Duration: Approximately 48 minutes

Chairperson: Thomas Schmee

ACT Operator

Ladies and gentlemen, thank you for standing by and welcome to the Preliminary Unconsolidated Premiums 2009 Conference Call on 26 January 2010. During today's presentation all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask question. 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 Thomas Schmee. Please go ahead, sir.

Thomas Schmee

Thank you, operator. Ladies and gentlemen, good morning and good afternoon. I would like to welcome you to this telephone conference for the year-end 2009 preliminary results of Vienna Insurance Group. Our team here in Vienna is headed by Martin Simhandl, CFO.

Martin Simhandl

Hello, good afternoon.

Thomas Schmee

And our table around consists, in addition, of 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

Roland Groell, Head of Group Finance and Accounting.

Roland Groell

Good afternoon.

Thomas Schmee

And Kurt Ebner, Member of the Management Board of Kooperativa in Slovakia and Group Actuary in Chief.

Kurt Ebner

Good afternoon.

Thomas Schmee

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

Martin Simhandl

Thank you, Thomas. Ladies and gentlemen, it's a pleasure for me to present to you the preliminary premium figures of the year 2009 of Vienna Insurance Group. 2009 has been a challenging year, an extraordinary year, a year where we have seen across the world many countries having negative development of GDP especially also in Europe, also in CEE, except Poland. And we had rather gloomy market expectations about CEE in the beginning of the year 2009. But despite of that I can tell you that we have a largely stable business development in CEE, stable development on euro basis despite of some decrease of local currencies there, I will come back to that later.

On the other hand we had rather challenging insurance market 2009, especially also in Austria. And so what we did, we have put our focus on profitability. We have set up an efficiency programme with a volume of €100 million which will be reached in total in the end of 2010 and I can tell you that we have reached more than half of that till the end of 2009, €60 million. What we have done: As I said, we have focussed on profitability, we have speeded up our efforts to bring together the back offices in CEE, we had the merger of two companies in Slovakia, we have disposed - that's a rather new effect - one of our companies in Romania, a small company, and we have also further developed our organisational structure.

Slide four of the presentation shows the existing Group architecture of Vienna Insurance Group. And as you know the mother company of the Vienna Insurance Group Wiener Staedtische Versicherung AG for the time being is as well a holding company having some 50 insurance and the health by her on the one hand and on the other hand it is also an operative insurance company in Austria. What we have already done, we have set up two committees of the Management Board of Vienna Insurance Group and Wiener Staedtische Versicherung AG. One responsible for the VIG complex which means steering of the insurance companies as well in Austria as in CEE. On the other hand the Wiener Staedtische Committee being responsible for the management of the operative insurance part of Wiener Staedtische in Austria.

We had a quite dynamic development of our Group over the last years. As I said more than 50 insurance entities in more than 20 countries in the meantime. What we think is appropriate to further develop our Group architecture and slide five shows you what we intend to do. What we want to do is to spin-off the insurance business, the operative insurance business, the Austrian ones off the mother company to an own entity Wiener Staedtische in Austria. The Vienna Insurance Group remaining on the one hand as the holding, steering the Austrian and CEE insurance business and also fulfilling Group functions including some re-insurance, including some insurance for international clients, including the steering of asset management, risk management and so on.

What we think is that with that new structure we will have a clear corporate governance in our Group, we will have more transparency as well inside as outside and we think we are following our track that we want to combine local entrepreneurship with the supporting and steering functions of the Group. By the way, Standard & Poor's has released an information today concerning that new structure and has confirmed the rating of Vienna Insurance Group with A+, I think that's worth to be mentioned.

Ladies and gentlemen, let's come to the figures, the financial highlights. And I have to point out, on the one hand, these are unconsolidated figures, it is unaudited, it is preliminary figures. Slide seven gives you some main information. We have seen a

stable premium development on euro basis in the Group for 2009, I will come back to that, on the one hand. On the other hand we expect a profit before taxes of roughly €440 million for 2009 which means this is a level exceeding the pre-crisis record performance of 2007. This result is based on a stable development of the combined ratio which is supported by the cost reduction programme, I already mentioned, on the one hand. On the other hand supported by our prudent asset allocation and conservative investment policy. What has also influenced the result of 2009 is a goodwill write-down in Ukraine of roughly €20 million.

Ladies and gentlemen, let's go into more details of the premium figures, that's on slide eight of the presentation. The total unconsolidated premium on a level of €8.2 billion which is a plus of 1.2% in comparison to last year. Out of that some €4.8 billion non-life premium and €3.5 billion life premium. Concerning the regional side of the premium income, we see that some €3.8 billion premium is coming from Austria and some €4.2 billion from CEE. The CEE premium itself consists of roughly €2.8 billion non-life premium which is the bigger part, and some €1.4 billion life premium which is the faster growing part.

Last but not least the combined ratio, as I said a stable development. We expect the combined ratio on a level of roughly 96% which is in line with last year's 96.4%. The next two slides, slide nine and ten show you the premium development by country.

The first slide, slide nine, shows the development on a euro basis. The second, slide ten, shows it on a local currency basis. We have to take into account that especially in the end of 2008, beginning of 2009, we had a quite significant decrease in the value of the currencies of some countries, I want to mention Poland, Romania, Turkey and especially also the Ukraine. Given that let's have a look to the figures on euro basis. Austria shows a premium increase of roughly 3%, Czech Republic on the euro basis more than 9%, Slovakia roughly 4%, Slovakia is already in euro currency.

Poland, we have to take into account two things, the one is the currency development, the other is a quite significant decrease in the single life premium. In Romania on a euro basis we see a flat development and in others CEE an increase of roughly 9%. I want to point out the most significant changes, very attractive growth rates in Hungary, Croatia, in Albania. On the other hand in Bulgaria – on the other hand negative growth rates in Serbia, in Turkey and especially also in Ukraine.

Let's flip now to slide ten which shows the development on a local currency basis. And here we clearly can see Czech Republic a plus of more than 15%. In Poland in non-life a plus also of more than 15%, Romania a total plus of more than 15% especially life growing tremendously, more than doubled. Other CEE, a mixed picture, attractive growth rates, as I said Hungary, Bulgaria, Albania. On the other hand, Serbia on a local currency basis flat, and Turkey and especially Ukraine also on a local currency a negative development.

The next slide, slide 11, gives you an overview about our investment portfolio. We are following a consistent investment approach. You see the backbone of our investment portfolio is the bond portfolio increasing to a level of roughly 61%. The equity ratio remains fairly low level which is 3% roughly, real estate 12%, loans 14% and the rest is cash, alternatives and affiliated companies.

What I also wanted to point out and that is in more detail shown on slide 12 is that we have further improved the quality of our bond portfolio, increasing the part of governments and government guaranteed bonds to a level of 44%, some 13% Pfandbriefe and other covered bonds, some 36% is the financial portfolio and the bond portfolio and some 7% other corporates. The rating structure of the bond portfolio has

stayed fairly stable, some roughly 20% as well AA as AAA, nearly 50% A and the rest around 10% BBB and the others.

Ladies and gentlemen, slide 13 gives you an information about the development of our profit over the last five years, taking into account the level of 2009 which we expect roughly €440 PBT. We see a Combined Annual Growth Rate over these five years of more than 16%. Coming to the year 2010, what we expect on the premium side is a rather flat development in Austria and a more dynamic in CEE. In total we expect a single digit premium growth in 2010 and we expect profit before tax which will be increased by at least 10% in comparison to 2009.

Last but not least the dividend development and the dividend policy, as you know our policy is to go for a dividend of at least 30% of the Group net profit in the years 2005 till 2007, the payout ratio was between 33% and 37%. In 2008 we had a one-off bonus dividend as a reward for shareholder support during the capital increase in 2008. And for 2009 what I can say is that we are keeping to our dividend policy of minimum payout ratio of 30% of our Group net profit.

Ladies and gentlemen, thank you very much for your attention and we are open for your questions now. Thank you.

Thomas Schmee

Thank you, Martin. Operator, we are ready to go for the Q&A section.

ACT Operator

Thank you very much, sir. And if any participant would like to ask a question, please press *1 on your telephone. If you wish to cancel this request, please press *2. Your questions will be polled in the order they are received. There will be a short pause while you register.

Thank you. The first question is from Vinit Malhotra. Please go ahead with your question.

Vinit Malhotra – JPMorgan

Yes, thank you. Just two questions, please. The first question is on the Romanian business, now I understand that you would expect a flattish or slightly increasing premium outlook in 2010 but what about – any comments on the combined ratio, we saw 103% at the nine month stage. Are you looking for a breakeven combined in some period of time? That's the first question.

The second question is on this at least 10% guidance, would you think that it is conservative given that consensus is 17% odd roughly or should you think consensus should go down? Thank you very much.

Martin Simhandl

To answer your question, first Romania. Before I answer it I want to tell you what we are presenting here today are unaudited, unconsolidated preliminary figures. And frankly spoken in the situation just before the end of January we will not be able to give you detailed figures which we will do when we present the year-end result. In general, I would say that we could expect in Romania, where we have seen over the year a slightly improving combined ratio, that this could go on. But I only want to tell you, this for the time being is what I can say to you. But we are in a time where we have unaudited preliminary figures.

Second, the guidance, I think in a situation when we have given you a guidance just now, I do not think it would be good to already talk about how to interpret this guidance. I think we are the first to give a guidance, isn't it?

Vinit Malhotra – JPMorgan

I totally appreciate, you are the first to report as well as to any help. But otherwise thanks a lot anyways, thanks.

ACT Operator

Thank you. The next question is from Robert Doucha. Please go ahead with your question.

I do apologise, the next question is from Marion Swoboda-Brachvogel. Please go ahead with your question.

Marion Swoboda-Brachvogel – CA Cheuvreux

Hi. Good afternoon. Basically two areas of questions. First one would be regarding the premium growth. Obviously last year was not only impacted by the currency effects but also by the consolidation of S Versicherung. And basically given both together it is quite a difficult in 2009 to really determine the organic growth rate and I was wondering if you could provide us, at least on a Group basis, with organic growth on a stable FX basis. I mean obviously that would also be very helpful on a country by country basis but for the Group obviously it is most important.

For Poland I was wondering, I mean I understand that first of all of course there was a negative FX impact on a local currency basis, also that the single premium business in life was pretty weak. And if I remember correctly the year before in 2008 there was some introduction I think of tax incentives for life business and I was just wondering whether because the business was very strong in 2008 the decline in 2009 is something that is and may be to some extent might rebound in 2010 or may be thereafter. And because 2008 I think if I remember correctly was extraordinarily strong for the market. Also of course given the Poland actually was the only country I mean not being in recession and should also grow this year.

The second main question would be for the new governance structure – first of all may be I missed it, when is that to be implemented, over which time horizon? And second also is there – I mean I would expect because obviously there is an overlap or redundancy in some of the Group or management activities that also in the mid-term it goes along with some cost savings. Is there anything you can basically give us anymore details on if there might be in the short-term may be cost associated with it but in the longer-term any kind of savings or something also stemming from that?

Martin Simhandl

OK. As I understood there about three questions. The first I want to answer or more precisely I don't will answer. Frankly spoken for the time being on that basis well I cannot give you exact numbers. I would not find it appropriate to give you the organic growth numbers. You will have to wait some weeks and then we will be very happy to give it to you.

The second question concerning Poland that will be answered by Peter Hagen.

Peter Hagen

Yes. On Poland you are absolutely right obviously the highest impact was on single premium which were particularly in 2008 driven by what is called the Anti Belca Tax product which more and more showed only very marginal profits, so therefore we stopped selling it. Just to give you a little bit of ideas about the split of premium there. We have an increase in Poland in regular premium of close to 10% and particularly in the later months of the year we see there a catching up, for example December to December it was almost 50. Whereas the decline comes exclusively from these Anti Belca Tax products which we do not longer sell.

Marion Swoboda-Brachvogel – CA Cheuvreux

And that is – the product you mentioned is that the state subsidised end product?

Peter Hagen

No. This was a product in order to avoid a particular tax.

Marion Swoboda-Brachvogel – CA Cheuvreux

OK.

Peter Hagen

This is why it is called Anti Belca Tax.

Marion Swoboda-Brachvogel – CA Cheuvreux

OK.

Peter Hagen

Belca was the nice polish man who invented it.

Marion Swoboda-Brachvogel – CA Cheuvreux

OK.

Martin Simhandl

OK. Third question concerning the change of the organisational structure of the Group. We intend to do this this year, that's the first question. Secondly, the change in that structure is not driven by cost saving ideas. It is a question of how to better steer the Group and how to better organise it.

Marion Swoboda-Brachvogel – CA Cheuvreux

OK. There is basically also probably no, let's say at least no significant negative impact for this year associated with the implementation I guess.

Martin Simhandl

Definitely not. You have a rather small cost effect concerning the doing of that split but that is not much.

Marion Swoboda-Brachvogel – CA Cheuvreux

OK. Thank you very much.

ACT Operator

Thank you. The next question is from Robert Doucha. Please go ahead with your question.

Robert Doucha

Hello. We would like to expand a little bit on the Polish question. Without knowing the products that you sell there, could you just explain in a sort of more layman terms how is it possible that you have so much success in all the other countries such as Czech Republic, Slovakia even Romania and in Poland it seems very bad. What is behind this really? That is one question.

The second is regarding government bonds, you increased the holding of government bonds from 34% to 43%. I guess why do you believe that with events like Greece or why do you believe that the government bonds in Europe perhaps are a safe harbour in a way?

And then third question, what was the company that is sold in Romania? Thank you.

Martin Simhandl

The first answer concerning Poland will be answered by Peter Hagen, the second and third by me.

Peter Hagen

I apologise if I wasn't clear before, I certainly don't prescribe that Poland is doing particularly badly. In fact we have, on a local currency basis obviously, the whole non-life part is growing by more than 15%. And on the life part as I have said before we have to split between regular premium and one time premium. And it has been pointed out before the one time or single premium 2008, and that's market it's not just us but it is also us, was very much inflated by this particular Anti Belca Tax product. And as we do not longer sell this product obviously and most of the market participants don't, there is a dramatic drop in the single premium compared to 2008. The drop which has obviously an impact to the overall life results, which then again also has an impact on the results in total.

But the underlying, let's say regular business, is performing particularly in Poland, as Poland as you know is one of better performing economies is doing particularly well, an increase in non-life by more than 15%. I think it is quite an achievement and also an increase in regular premium life by almost 10% over the year. And as I said last month for example December doing quite well particularly shows that the underlying business development is quite satisfying. We have to really discount this special anti tax product which was huge seller in 2008 and which is now distorting the figures.

Robert Doucha

OK. Is it fair to assume that from now on it is going to be reasonably smooth sailing like in the other countries.

Peter Hagen

What we say is that we expect Poland in total local currency to grow in 2010 by about 10%.

Robert Doucha

OK. That makes it clear. Thank you.

Peter Hagen

OK.

Martin Simhandl

Concerning your second question government bonds, I didn't say that we have bought Greece.

Robert Doucha

Right. I didn't say that either but –

Martin Simhandl

But to make it more clear when we look a bit closer what has happened 2009, especially in the first half year of 2009 there were spreads on governments. For example Austria you remember somebody telling Austria is a very risky country which we definitely knew that it wasn't. By the way after sometime it turned out that there were some wrong figures but there were also other countries like Netherlands or whatever you had quite huge spreads on government except Germany. And that clearly was attractive, that's the one thing.

The other thing is that we also have investment volumes in other CEE countries like in Poland for example, like in Romania, like in the Czech Republic. Of course in the Czech Republic you mainly would invest in Czech government. Of course in Poland you mainly would invest in Polish government and by the way Polish government have quite interesting yield for the time being. And so that makes completely sense in our opinion.

Robert Doucha

OK.

Martin Simhandl

Concerning your third question, Romania. It is the life insurance company Omniasig Life and to give you an impression that was our smallest life entity. On the other hand we have a composite insurance company in Romania, which is Asirom including life insurance. And we have one life company in cooperation with BCR with the Erste Bank subsidiary in Romania which is growing tremendously and the growth of the BCR Life in this year was some times higher as the total premium of that Omniasig Life we are now on the way of selling.

Robert Doucha

OK. Thank you.

ACT Operator

Thank you. The next question is from William Elderkin. Please go ahead with your question.

William Elderkin – Citigroup

Hi, good afternoon everybody. I have got two questions. One is, could you elaborate a little bit more in terms of the thinking underlying your 10% profit growth target for 2010. You have given I think a high single-digit premium growth target. I am assuming you don't get a repetition of the goodwill write-off you have had in the fourth quarter and assuming that you have a normal level of claims this year. My question is – this year 2009 has been quite a heavy claims year, it really won't be very difficult at all to get to the levels of PBT that you seem to be targeting which seems to suggest there is something that is likely to develop in a rather more adverse way than I was thinking, perhaps on the claims side, perhaps elsewhere. Could you just elaborate on what your thinking is behind that?

Similarly, in terms of your dividend commentary, I just wonder really what has changed here because I think with the preliminary results at this stage last year you actually gave a precise number for the dividend. My impression from what you have discussed is that the kind of dividend you are talking to for 2009 is below what you declared for 2008 on an ordinary basis. And I just want to know really what is driving that thinking in terms of your capital management, cash generation and whatever else?

Martin Simhandl

The first question will be answered by Peter Hagen, the second by me.

Peter Hagen

OK. Maybe first a few just like directions, we were talking about single-digit growth. High single-digit growth is what we are hoping for but not what we are projecting. That is because, in fact one of the most difficult markets to project is Austria and the impact of Austria on the overall result given the weight Austria still has in terms of the growth.

We have indicated a few countries, about the growth rate of these countries like the Czech Republic about 10%, Poland and Romania 10%, Slovakia around 5%. These are countries where we expect – if you take the average, exactly this kind of high single-digit growth for the area leaning towards low double-digit. But Austria is certainly the country where it is currently the most difficult to project whether we will be last year. What we are aiming at is around 1% but there is currently no guarantee for that, that's one thing.

The second thing I want to mention is we are talking about at least 10% profit growth. And then I would put this all together and may be first of all, as we have mentioned before you might appreciate that we are so far, as far as I know, the only ones who actually dared to give some sort of a guidance with all prudence that we are able to do. And this prudence is also driven not only by the situation on the financial market but also certainly you mentioned it on as concerns the claims issues.

We had 2009 quite impact of natural catastrophes and we also suffered few large losses even in the last quarter. Now obviously, we have to take this into account and as you know from the past we try to be on the conservative side with all our guidances when we give a guidance. For the time being I tend to let's say, not completely disagree with you that we have a fair chance to reach this goal because this is why we are publishing it.

And provided that a lot of things develop more positively then we would expect by now and prudently project by now.

Obviously, we would also have to revise something but for the time being I think from our standards of prudence we do not believe that we should exceed what we already disclosed better than or more than others which is that we are aiming at at least 10% increase.

Martin Simhandl

Second question dividend policy. I think what we wanted to point out is the one thing that we had an extraordinary situation in 2008. We had a capital increase which was very strongly also supported by retail investors here in Austria and we wanted to set a certain sign. What we clearly now want to give as information is that we stick to our overall dividend policy. And what comes out exactly 5 cent more or less that is not a question of this time now. But we wanted to give you the clear indication that we stick to our dividend policy, which we have not changed over the last five years.

William Elderkin – Citigroup

OK. Do you have a progressive dividend policy?

Martin Simhandl

Sorry. I have –

William Elderkin – Citigroup

I have been under the impression that your dividend policy was progressive. I am not sure that understanding was correct given the trajectory of 2009 dividend.

Martin Simhandl

The dividend policy I have given you today and I have given you all the years before is the same. We have given at the first SPO in the year 2005. We have said at that time that our dividend policy is that management will go for a dividend of at least 30% of the Group net result, that has not changed at all.

William Elderkin – Citigroup

OK. Thank you very much.

ACT Operator

Thank you. The next question is from Charles Graham. Please go ahead with your question.

Charles Graham - ING

Just a quick question really. Can we go back to the issue of the goodwill write-down at the Ukrainian Business? Is the €20 million, a 100% of the goodwill or is there still some goodwill still outstanding? And are there any other businesses or vehicles that is also potentially at risk?

Martin Simhandl

First looking at Ukraine and given the fact the development of the economy as a whole and the insurance market we think to be on a prudent side we have done that write-down which is the complete goodwill of our direct participations in Ukraine.

ACT Operator

Has that answered your question?

Charles Graham - ING

Yes, thank you.

ACT Operator

Thank you. The next question is from Ralph Hebgen. Please go ahead with your question.

Ralph Hebgen – KBW

Yes hello, good afternoon. I was also hoping to go back to the guidance which you gave for 2010 of the 10% growth in pre-tax profit. It looks to me that perhaps behind that statement is a higher operational gearing than the market would have expected you to have in general. I know it is difficult to discuss these things in the conference call but would you perhaps be able to indicate how much of your Group costs base in general terms is fixed and how much is variable?

Martin Simhandl

Frankly spoken, your last questions I am not able to answer now.

Ralph Hebgen - KBW

OK. In that case, I have got just a few more simple ones. Of the €440 million guided or indicated pre-tax profit for 2010, how much in that is the contribution from Erste?

The second question is, how much of the €60 million in efficiency savings or efficiency gains has accrued in the property and casualty segment?

Martin Simhandl

What I clearly can give you is that the part of Erste business is increasing in the profitability. I cannot give you now the exact number. And your second question was –

Ralph Hebgen - KBW

You mentioned the efficiency programme generated about €60 million in contribution in pre-tax profit in 2009. How much of that results from the P&C segment?

Martin Simhandl

Rolland Groell will answer that question.

Ralph Hebgen - KBW

Thank you.

Ronald Groell

Roughly 50% is allocated in non-life business and 50% in life and health business.

Ralph Hebgen - KBW

Half-half.

Ronald Groell

Yes, roughly half.

Ralph Hebgen - KBW

Thank you, excellent.

ACT Operator

Thank you. The next question is from Maciej Wasilewicz. Please go ahead with your question.

Maciej Wasilewicz – Morgan Stanley

I have got just a few questions. First of all, I wanted to know in the Austrian market in the non-life segment, what are you seeing in terms of rates and price increases?

Secondly, if policy rates were raised say this year at some point, what effect would that have on your Austrian life business in particular? And what if it was a flattening curve rather than just policy rates increasing?

The next question is in the Turkish market, why did you see falls? What's the pressure there, I know it is a very small part of your business, I am just wondering what the context of that is?

And finally, when you put forward your single-digit premium growth expectation, is that factoring in M&A as well as organic growth or are you talking about merely organic growth and M&A would be on top of that if you spend some of your fabled war-chest.

Martin Simhandl

I hope we have got all your questions. The last I will answer shortly, it is not taking into account any M&A. And the rest will be answered by Peter.

Peter Hagen

OK. I'll start in reverse order, Turkey. As you know we have taken over that company about two years ago. It is intermediated by a holding company, so we basically do this together with partners. The point is the company has been strategically positioned in a market where we do believe both in terms of its distribution, network etc that it needs further improvement. And in the course of doing so improving the distribution power, changing basically also the distribution strategy we have also cancelled out a lot of business which we thought is not part of what we want to have and what we consider to be profitable. The reason for this is simply cleaning up of the portfolio in Turkey.

In Austria, I can say that on a non-life side and that applies to the motors part as well as to the non-motor part. We do currently not see a rise in premium rates neither on

motor nor on the commercial business in Austria. What we can see since a while already is that the rates are relatively stable however not at the level they have been three, four years ago.

Having said this, so the point is simply that the premium development, and this is also what makes it difficult premium development for next year will be also influenced obviously by the number of new cars being licensed. We do not expect a huge increase in premium rates in this area simply also given by the fact that the last experience is quite favourable still. And this is not just the case for us but for the market. Therefore there is not really pressure on rates going upwards, that's one thing.

On the commercial side we see a more diversified picture. I wouldn't say we see a general increase in premium. We see more something like – we have seen let's say in the early 2000s we have seen a general increase in premium rates for the obvious reasons. Two, three, four years later we have seen a general decrease of premium rates. And now I think we can say that it is more and more differentiated according to claims experience of the individual client but we would not see a general uplift in premium rates.

When it comes to personal lines business also there we have to say that the claims experience personal lines non-motor is particularly favourable still. Also from that side we do not expect a particular boost in terms of increase in premium rates because obviously it is quite nice profitable business. Our strategy in this area is particularly, and I am pleased to say that we seem to be quite successful in this, to increase the retention rate of customers. We have been able to substantially reduce cancellations in that area. That's in a summary Austria on the non-life segment and this is also why it is difficult to project Austria in development for next year.

On the life side it will be more or less – we do believe that on the regular premium side there will be a stable development. We will have the underlying needs particularly for private provision for pensions is continuing to exist. Again also there Sparkassen Versicherung, the company with which we are cooperating with the Erste Bank Group will play an important role. And the single premium business will basically be still very volatile.

Maciej Wasilewicz – Morgan Stanley

OK, that's a really great answer. I guess just one last sort of issue that I wanted to sort of tie off there was the impact of interest rates. Should interest rates rise in short end of the curve, what impact would that have if any on the Austrian life? I presume it has some. And what if that was a flattening of the curve rather than steepening?

Peter Hagen

If we would see an increase of the interest rate curve on the short end may be that would attract to buy some saving models of banks. But given the fact that within the crisis there was not that huge trend versus insurance what you may be could have expected. On the other hand I would not expect quite a negative effect out of that. On the investment portfolio side, if you have an increase on the rates of the short end there would not be a significant impact.

Maciej Wasilewicz – Morgan Stanley

OK. Thank you very much.

ACT Operator

And once again, if you would like to ask a question, please press *1 on your telephone.

There appears to be no further questions at this time. Would you like to continue with any other points.

Thomas Schmee

Thank you very much operator and thank you very much ladies and gentlemen for joining us in this telephone conference. We would be happy to talk to you at our next scheduled event that is the release of the final results for the year 2009 on 31 March. Thank you very much and have a good day. Good Bye.

Peter Hagen

Bye.

ACT Operator

And this concludes the Preliminary and Consolidated Premiums 2009 conference call. Thank you for your participation and you may now disconnect.

END OF CONFERENCE