Conference Transcription

Date of conference	**:**	**17 May 2011**
Conference title	**:**	**Vienna Insurance Group Results Q1 2011**

CONFERENCE DETAILS

Conference Date:	17 May 2011
Conference Time:	15:00 CET
Conference Duration:	Approximately 49 minutes
Chairperson:	Thomas Schmee

ACT Operator

Ladies and gentlemen, welcome to the Vienna Insurance Group Results for the First Quarter 2011 conference call on 17 May 2011. Throughout today's recorded 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 over the conference over to Mr Thomas Schmee. Please go ahead, sir.

Thomas Schmee

Thank you, Sandra. Ladies and gentlemen, good afternoon and good morning and welcome to the telephone conference of Vienna Insurance for the first quarter. Our team here in Vienna is lead today by Martin Simhandl, CFO.

Martin Simhandl

Hello. Good afternoon.

Thomas Schmee

And the table-round consists also of Peter Hagen, member of the Managing Board.

Peter Hagen

Good afternoon.

Thomas Schmee

Peter Hoefinger, member of the Managing Board.

Peter Hoefinger

Good afternoon.

Thomas Schmee

And Roland Groell, head of Group Finance and Accounting.

Roland Groell

Good afternoon.

Thomas Schmee

Martin Simhandl will guide you through a short presentation and afterwards we are ready to go into 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 results of the first quarter 2011 of Vienna Insurance Group.

What I can present to you is a sound developments with an increasing contribution from the CEE countries. The profit before taxes this quarter is up to roughly €143 million. The combined ratio down at 97.8% due to lower claims. Concerning premium development if we exclude the single premium life development, we see a growth of more than 6%, 6.1% especially a strong premium growth in CEE and here especially in Czech and Poland.

Slides five and six in your presentation give you an overview of financial highlights – the gross written premium up by roughly 3% to €2.6 billion; profit before tax plus 7%; net profit after tax and minorities nearly 8% plus to €109 million; combined ratio, I already mentioned; earnings per shares €3.41 per share and the ROE before tax on a level of 11.3%.

The next slides which are eight and nine gives you an overview about some figures of the income statement and the balance sheet. On the income statement figures I will elaborate more closer on the financial results and on the expenses for claims and insurance benefits and as well as the operating expenses just one thing to add. Taxes, €27.2 million this quarter which is corporate tax ratio of roughly 19%. The figures of the balance sheet show a very stable development as well on the asset as on the liability side. On the asset side, investments nearly unchanged, €28.2 billion; on the liability side, equity up at roughly €5.1 billion.

More details about the development of the gross written premiums are shown on slide ten of the presentation. Here you see the different developments in the main countries we are doing insurance business. In Austria, we have a sound development in non-motor non-life insurance. In life insurance, we see a decrease which is a fact coming from the new tax regulation for single premium life business in Austria.

In the Czech Republic, we also see a very positive development overall and a very positive development in life insurance as well as a positive life insurance in Slovakia. In both markets on the non-life side, we see the motor market not such strong development. In Poland, as well in life as in non-life, we see an extraordinary good development; non-life a plus of more than 20%, life more than doubled, 131% increase in life that's driven by a tax advantage product which is single premium product.

Romania, we see non-life decrease. This is a development I will come back to that also when we look at the claims development coming from the motor markets in Romania. On life side, we see positive developments – and may be at that point I flip to the lower part of that slid which shows the development of the life insurance entities in CEE of the s Versicherung Group which have a very positive development, more than 20% plus.

Slide 11 gives an overview of the expenses for claims incurred. We see a decrease of the Group loss ratio by over 1%, 1.3% points. We see in nearly all of our main markets, Austria, Czech, Slovakia, Poland – in Austria, Czech and Poland, coming from the better weather conditions in Poland and also reflecting the improved motor rates. In Slovakia the improvement also comes from the fact that the mandatory reserving for the former MTPL state monopoly is not required anymore. Romania on the other side we see a heavy increase of the claims ratio of more than 12% and this reflects the difficult motor market in Romania.

The operating expenses, the development is shown on slide 12. The Group cost ratio increased 1.6%. In Austria, we see an increase of nearly 2%. This is a timely effect which will come down over the rest of the year. In Czech Republic, we have some effects from building up reserves for run-off portfolios in our reinsurance company, VIG Re. In Slovakia, we have negative effects coming from lower reinsurance commissions. Poland, we see an improvement - reduction of the cost ratio which is because of lower admin and acquisition costs.

The financial result is shown in more details on slide 13. What we see on the one hand is a decrease of the total financial result to €253 million; on the other hand, an increase of the current income by more than 10% to a level of €338 million. What we have seen on the other side is that the income coming from depreciations especially and the income from the disposal of investments has gone down in comparison to last year.

Slide 14, 15 and 16 give you an overview on our investment portfolio. The general overview on slide 14 shows that we have a very stable situation as well as it concerns volume of investment as the investment split. If we look at the composition of the bond portfolio on slide 15, we only see slight developments especially a bit more government bonds, a bit less financial bonds which is a trend we also have seen over the last year. Last but not least the composition of our real estate portfolio. Out of our real estate portfolio, roughly 70% are Austrian housing societies. These are specific regulated entities which are low risk and low rent items. These are companies providing cheap rents for people and are supported widely by the public entities. On the other hand, we have the rest of the real estate portfolio within the insurance companies wherein we have hidden reserves of roughly €500 million.

The development of the shareholder's equity is shown on slide 17. Overall, an increase of the shareholders equity to the level of roughly €5.1 billion mainly coming out from the profit of the first quarter 2011.

Last but not least, a view on the development of our profit and of our dividend. We can see the development over the last years of profit before taxes. For this year we plan to increase again our profit before taxes by about 10%. We would estimate that we have a low percentage premium growth and the combined ratio for the whole year should come down to around 97%. As far as it concerns the dividend payment we are keeping our dividend policy with the payout ratio of at least 30% of the group net profit.

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

Thomas Schmee

Thank you, Martin. Sandra, can we go into the Q&A session now, please.

ACT Operator

Thank you sir. 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 whilst participant register for a question.

The first question comes from Marc Thiele. Please go ahead.

Marc Thiele – UBS

Yes, hi, good afternoon. Three questions if I may. Firstly, can you provide an update on P&C pricing action that you have recently taken? We hear a lot of fears that NatCat reinsurance price increases could spread into areas not impacted by losses. So I wonder how margins will be developing going forward.

Secondly, can you provide us with more detail of what is in the other expenses line in P&C insurance? There has been a year-on-year increase but the first quarter looks similar to the fourth quarter. Is it the run rate that we should be predicting going forward?

And then thirdly, can you provide us with more detail on net inflows in life insurance ideally by country but I would be also interested in a split similar to slide 29?

Peter Hagen

OK, Peter Hagen speaking. I will give you a short update about the P&C pricing. In general around the region including Austria, we have received – and I have to make one exception, this is Romania and I will come back to that one – we see a certain let's say levelling out of pressure on the motor rates which is always the most important line of business for us in the region. We see this in Austria where the average premium is now levelling out and we see already a slight increase. We have seen already since the end of last year an improvement in Poland which is frankly speaking not just our achievement or effort but it's a market effort. Basically all participants agree that there has to be increases and obviously the privatisation of PZU helped in this direction. We see still quite some competition and pressure in Slovakia and the Czech Republic particularly when it comes to fleet business. This is also why for example in Czech Republic we have not continued to compete uncertain fleet business segments. But overall, still, the rates there are I would say in a very healthy status.

This does not apply obviously to Romania. In Romania, we still see rates being substantially below what is needed. And unfortunately I have to say after many efforts in the last quarters before the end of the last year of our management there to increase the price levels, we have lost certain underwriting discipline in the last fourth quarter and certainly also in the first quarter of this year in some of the companies. We have seen there not just the question about not further increases of prices have been needed but also writing of let's say market segments which we don't want to have. Therefore we also will see some consequences as concerns the restructuring of some companies and also some personal consequences some of them we have already said. And we have for the particular management focus now in Romania not just as it becomes to the insurance pricing as such but also as concerns the cost side, we are not happy with the speed in which local management has prepared to restructure and resize the companies according to the current business environment. There we will see in the next months to come quite substantial restructurisation including personnel changes.

Coming back to the question of rates, when it comes to non-life, non-motor insurance and that is obviously where the catastrophe question comes in. We have seen quite good growth in premiums in Austria which is coming mostly from price increases. We have seen a very nice development also in Poland, definitely coming from a new perception of the catastrophe risk in Poland after the cat events last year. We see a relatively flat development on the personal lines in the Czech Republic and Slovakia which is not a bad issue because obviously the rates are not bad there.

Again, Romania, the situation is in a way that due to permanent changes in the legislation – as you might remember Romania is planning or has planned to set up a particular pool for pooling catastrophe risks and it is mandatory or not mandatory – about two month change in legislation always. So two months it's mandatory then they find out that this is against European Union legislation or the law has changed. Now, again in parliament there are proposal for amendment. The question about natural catastrophe costs in Romania, that all obviously is only valid for 2012 because 2011, the deals are done. We have no impact on any thing on 2011. For 2011, the catastrophe premiums for the whole group are basically in line with last year's, slight increases but nothing substantial.

We will see probably some impact in 2012, the extend of which obviously we cannot predict by now because in fact of course reinsurers will seek to increase rates globally but on the other hand side, we know already by now that certain reinsurers which are particularly focused on countries like in Asia or in the States are now interested to diversify their portfolio into Europe which again has a positive impact on rate. What in fact will be the balance in the renewal for 2012, we don't know by now.

In general, I would say in major markets we see a stable or slight increase or improvement of rates. A big exception is Romania and Romania is partially to a high degree market driven but there is some housekeeping to be done by us ourselves on the underwriting discipline not just as concerns the pricing but also on the segmentation and also on the cost restructure. Is that a fair overview?

Marc Thiele – UBS

That sounds very good. Thank you.

Peter Hagen

OK, thank you.

Roland Groell

The second question regarding other expenses, main parts consist of the fire tax, of some currency effects and also some expenditures of our housing society. If you look at the development in P&L where we saw in the first quarter an increase of about 30%, that's mainly driven because if you compare it with the first quarter 2010 some housing societies were not fully consolidated at that time. That's the main reason why we see in the first quarter this year 30% increase.

ACT Operator

The next question comes from Maciej Wasilewicz. Please go ahead.

Maciej Wasilewicz – Morgan Stanley

OK, thank you. I had just two questions if I may. The first question is going to your acquisition appetite and capacity. I am wondering whether you can give us an update both on what types of acquisitions are possible given your capital position and current appetite and whether or not you currently see in the market upcoming opportunities that could be of interest in size – I guess any sizable opportunities.

And the second question I had was just looking at the Polish business, combined ratio improved a lot year-on-year but still sit at 100% while premium growth was very, very strong in non-life. I am wondering whether or not – what is the acceptable level of pricing in Poland? What do you tell you salespeople? Is 100% combined ratio OK because you get a sufficient return in the investments or do you think that's potentially a little bit weaker than you might hope for in the future?

Peter Hagen

I will try to answer again first the second question because it's an easier one. No, we are not happy with a 100% plus combined ratio. In fact, it's a clear goal for all our countries and companies, non-life obviously, to come in with a combined ratio below 100%. We do not do cash flow underwriting. That's the principle and there is no exception to this. So the requirements from Group side is to come below 100%. This applies also – and particularly given also the size of the operations and their impact on Group combined ratio for the Polish companies, that also means that the bonus agreements with the board members is also partially dependent on their combined ratio.

So very simple said no, we are not happy with anything above 100% and yes, it's a strong demand from Group side to come below 100% and it has financial impact on the income not just of the board members but basically going down into the management of the individual companies. This is also reflected in the fact that we have already started last year in several tranches in the various companies at different timings. Actually the multi-brand gives us a little bit of chance also to test the elasticity of demand once we increase prices and we have used particularly Benefia non-life in Poland to do this testing. And then the others followed soon after we have seen the reaction of the market. But given the fact, as I said before, that PZU has to follow, Allianz is following, etc., we continue to increase prices also in this year and the next tranche is actually up in 1st of June. And we are confident and actually this is a clear request to the boards to go below 100%. Again this does not only apply to the Polish boards but also to the Polish boards.

As concerns the acquisition appetite, well, we always have an appetite for acquisitions. Obviously you know that there are markets where we do not have yet the market positions we would like to see. One of them to stay in Poland is certainly Poland. This is where probably the most opportunities are popping up which are also interesting for us. You can trust in that that we are looking into and are also invited for looking into basically all major let's say targets which are every now and then popping up in the public discussions and also those which are not so public. So yes, we are looking into basically all opportunities there and we are confident that whatever is on the market excluding PZU which so far I don't know whether the government would give up more. But other than that we do believe that we are able to finance given the current to high degree outside valuations obviously to finance this.

Other countries where we are always interested obviously is Hungary. Again also there, basically we have to wait for exits from foreigners as we know there are certain interested parties that might want to leave. It depends very much in fact whether those companies leaving a market are not just selling premium but also selling distribution power. We are not so much interested if they are basically working only with independent sales networks which anyway can shift any time they want. So we need to have a good understanding of how they generated their business and whether these networks are sustainable once they have been – the company had been acquired by us.

Having said so, obviously there are certain companies we might be interested in depending on whether some foreign investors do not insist on package deals. I would say at the moment when we have a chance to – I would not want to cherry pick but we are to pick companies in countries where we believe that we should strengthen our market position, if we could, then certainly we will look into this. When we should basically acquire companies, as I said, a package deal all over the region, we are rather reluctant.

Maciej Wasilewicz – Morgan Stanley

You cannot tell us what your war chest is again, can you or –

Peter Hagen

As I said, I think so far as far as we know the targets that are currently available we believe that the – obviously outside valuations we can manage these deals.

Maciej Wasilewicz – Morgan Stanley

OK, thank you.

ACT Operator

We have a follow-up question from Mr Marc Thiele, please go ahead.

Marc Thiele – UBS

Yes I – sorry I have been cut off earlier. Can you give some insight in terms of the net inflows like a split in terms of life insurance net inflows by country or a split based on the detail you provide on slide 29?

Martin Simhandl

Well, what I could tell you in general on slide 29, there is a spilt of regular and single premium and you see the development overall. Mainly the single premium development is in effect in Austria which is also somehow in Liechtenstein. In Austria, it's mainly an effect coming out from the new tax regulation where single premium business has quite huge tax disadvantage if it's below 15-year duration which is quite a lot. That in generally will give you a view.

Marc Thiele – UBS

Can you provide us with some detail related to surrenders, how they have developed like a percentage number of surrenders and may be an absolute level in terms of maturities?

Peter Hagen

Surrenders – actually the surrenders are obviously very different country by country. It depends also when we started this life insurance kind of product there. In fact they have very much stabilised in Austria. Actually they went down. We saw a little bit of an increase at the peak of the crisis but actually they are now back on very normal levels.

And also in the other countries ,in fact surrenders have not been the major problem. We have seen some impact in Czech Republic but not very much and actually it was less driven by the crisis but by the fact of changes in the tax legislations which might make old products less attractive. So people buy back old products in order to invest into new ones. And if were not able enough basically to offer something new then obviously these people went elsewhere. But formally this is a surrender of old product but the investments are new. If you see the improvement of the new business value for example of embedded value which we have published recently, then you can see that particularly in the Czech Republic and I was explaining this last telecon, we were very successful in basically replacing these old products with new products which are tax deductible. But formally obviously the finishing of the old product is a surrender. So cleared by this we have quite normal surrender values for the particular country or company or products I would say with one particular issue and that is that the business provided by the bank shows much, much lower surrender values than the one which is coming by the other distribution channels.

ACT Operator

The next question comes from Richard Burden. Please go ahead.

Richard Burden – Credit Suisse

Hi, it's Richard Burden, Credit Suisse. Just got two questions. First, coming back to slide 12 on the operating expenses in the property casualty segment, can you just clarify particularly in the Czech Republic which of these are likely to be recurring and which will gradually drop out of the numbers over the course of this year and how should we think about that trend overall? Obviously, you mentioned Austria as dropping out over the year but what about the items you mentioned in the CEE?

And then secondly, coming on to the life profitability, can you give us a bit more detail on the development of the life business, in particular the splits of the life profitability between technical margins and investment margins because it seems to be a very big increase year-on-year despite the fall in the overall investment income in the life segment? I just want to understand a bit more how profit sharing mechanisms developed over the year across the business and how is the underlying technical margins developed?

Peter Hagen

OK. Question cost ratios Austria and particularly Czech Republic. Austria, it has been pointed out this is basically a booking shift from one quarter to the other between gross cost and reinsurance commissions but that will level out. The underlying operating, if you look into this, clear from reinsurance impact. Actually the Austrian companies are slightly improving the cost ratio. When it comes to Czech Republic, there is only a very particular reasons for this. Again the operating companies are basically stable in their cost ratios compared to the last quarters, doing quite well. VIG Re has assumed with beginning of this year a particular portfolio, actually a loss portfolio, which was with Swiss Re, a reinsurance of InterRISK in Germany, one of our group companies. We have taken over this in-house which was about a €30 million deal which is repaying to us and we are running this now off in-house. Given the quality of the portfolio, the agreement with InterRISK is that they have a very, very high profit commission on the runoff results of this business and this already is provided for by VIG Re given the experience of the past years that we have received from Swiss Re. Having said so, that should level out over the rest of the year but we will see certain impact but because of this particular reason, the balance of this we see in the investment income of VIG Re because we have additional €30 million for investment. So, in essence, the underlying operating cost ratios of the insurance companies is in Austria slightly improving and in Czech Republic in total basically stable. Is that OK?

Richard Burden – Credit Suisse

So, really for 2012, we should assume these effects drop away?

Peter Hagen

Well, the runoff of the portfolio will continue but it will be a lower basis, yes.

Richard Burden – Credit Suisse

OK.

Peter Hagen

If you look – already in 2011, it will level out over the next quarters.

Richard Burden – Credit Suisse

Perfect. Thank you.

Martin Simhandl

Concerning your question about profitability, if we look at the financial result then we have to be aware of the fact that, in life insurance, the IFRS financial results not directly influence the profitability of life because as we accounting life insurance according to local GAAP on the liability side, that means that we have movements in the future profit participation. So you should not estimate that the degrees in the financial results reflect in that way in the profitability of life. That's the one thing and the second thing – given the premium development in life, we see positive cost effect in that sector.

Richard Burden – Credit Suisse

OK, thank you.

ACT Operator

The next question comes from Enrico Mattioli. Please go ahead.

Enrico Mattioli – Deutsche Bank

Good afternoon to everybody. Just a couple of question left. Again in life, you just mentioned that there is a positive impact on the cost and expense ratio based on higher premiums. I have noticed that for the first time the expense ratio in life is below 15%. It has always been between 16%, 17%, 18% in the past. Do you think this is sustainable or anyway it's a bit too low there below 15% and it has got to be reabsorbed in the future? This is the first question. Then I wanted to know if I understand correctly there is zero NatCat impact in Q1. I was wondering if you can remind us what was the impact in Q1 2010 of NatCat in terms of euro million claims. And also if you can give us some colour on the investment results especially in non-life with regards to the depreciation of investment that €27.2 million recorded this year. Can you give us a breakdown of that or explain to us where it came from and if you think that that is going to be reabsorbed during the year if as I have seen, it must be linked also to the increasing interest rates during Q1? Thanks.

Peter Hagen

OK. NatCat may be first. Yes, you are absolutely right. There is no NatCat impact in the first quarter 2011. In 2010 the claims were €16 million, so that's the difference.

Enrico Mattioli – Deutsche Bank

OK, thanks. And most of these €16 million were in the Czech Republic and Poland -

Peter Hagen

Poland, Czech Republic, right.

Enrico Mattioli – Deutsche Bank

Right. OK, thanks.

Martin Simhandl

Concerning your question about the expense ratio in life, of course we hope that we will hold it on that level. And we are working always on the cost ratio but we have to be aware that the cost ratio in life is also related to the business development and it's also a question of the dynamic of growths in life that is reflected in the cost ratio.

Concerning your third question, frankly spoken, could you be so kind and repeat it to us because we have not clearly understood it.

Enrico Mattioli – Deutsche Bank

Yes, I was wondering whether you can give us some colour on the depreciation of the investment especially in P&C which was €27 million in first quarter 2011. Is that coming from pick-up in interest rates? Can we assume considering the interest rate pick-up mostly in Q1 that this could be reabsorbed during the year as a negative effect?

Martin Simhandl

I think we have to be aware that in the depreciations there is also the ordinary depreciation of the real estate. And within the real estate part, as I said, the biggest portion is the housing societies. And the housing societies are shown in non-life given the fact that we had quite a substantial increase over the last year and we had also an additional consolidation effect in our real estate portfolio and the housing societies. Clearly the ordinary depreciation in that part has increased.

Enrico Mattioli – Deutsche Bank

So, you expect it to continue during the year?

Martin Simhandl

Yes I expect it to continue.

Enrico Mattioli – Deutsche Bank

OK, thank you.

ACT Operator

The next question comes from Michael Haid. Please go ahead.

Michael Haid – CA Cheuvreux

Yes, good afternoon. Thank you very much. I have three questions. First of all, regarding your pre-tax profit target for this year, €560 million, I have some difficulties in breaking that down to the various segments. Can you give us an idea about how you want to achieve the €560 million pre-tax profit or speaking differently, what do you think can your life business provide on a sustainable basis?

Second question related to that page 13 of your presentation, the investment income by segment. To what extend does the first quarter differ from what I would say normalised investment result for the three segments?

And my last question also on the investment result, page 13, the income from appreciations and the income from disposal of investment are mixed up with the quarterly report on page 19. I assume that the quarterly report is right. What investment did you sell in the first quarter?

Martin Simhandl

First concerning your question about our earnings target, what we were saying and what we are saying that earnings will grow by about 10%. That is it and I have nothing to add to that.

Second, concerning the investment income, I think there are two item to be said. The one thing – of course, I could give you a flavour of somehow normalised and clearly so to say the extraordinary positive part in investment income in this quarter is comparably low to other quarters. But I have to add and this is so to say the other side of what I said concerning the life result, most part of that investment result, the one way it goes, the other way it goes, it's a question of profit participation and future profit participation. Clearly you would estimate a normalised situation with a higher income from disposals and some other things if we compare that to the last years. But that does not mean that you see that as a net effect in the P&L by far not.

Last but not least, I am looking at the income from disposal, a big part of that is investment funds, special funds where we are doing trading, especially some share fund, equity funds where we have a trading strategy which under IFRS is shown each and every part of that either as an income from disposal or a loss from disposal. The net effect of that is not very high. I think in the first quarter, out of the fund I am talking, the net effect was some €3 million positive.

Michael Haid – CA Cheuvreux

OK, thank you very much.

ACT Operator

As a reminder, if any participant would like to ask a question, please press *1 on your telephone.

The next question comes from Ralph Hebgen. Please go ahead.

Ralph Hebgen – Keefe, Bruyette & Woods

Yes, hello, good afternoon; Ralph Hebgen from KBW. My first question relates to P&C. The current investment income there in the first quarter is shown as €109 million. That's some 2.6 times the level it was shown in Q1 2010 and the vast step-up in investment income came in Q3 2010. It would be interesting to hear some explanation of why the investment income increased so much in the P&C segment? That is question number one.

Question number two is I think Dr Geyer said this morning on the press conference call in German that reaching the profit goals won't be easy. At least that is how Bloomberg translated it. If that is an adequate translation, would you be able to explain why Dr Geyer expressed that caution relating to the profit growth target?

Question number three relates to M&A. I believe again in the press conference call this morning, reference was made to KBC's unit Warta in Poland and again as reported on Bloomberg you expressed interest in it. I think Bloomberg said something like you would be interested in buying it if it was for sale. Again it will be interesting to perhaps just hear some commentary on your reasons for your interest in that particular unit. Thank you very much indeed.

Peter Hagen

I start with your last question. I mean I ask for your understanding that we will not comment too much what our CEO has said. Obviously, I have mentioned before in the discussion about acquisition target, if KBC – and we all know that there is no official process launched independent of what a lot of investment banks are saying and consultants – if KBC were to put Warta on the market definitely, we would look into this company. I mean if you look Warta is non-life, about one percentage point market share behind us. So in total we would make up for around close to 20% market share in Poland which is a nice second place behind PZU. So obviously from this perspective, we would have to look into it. We would do certainly not our job if we weren't. On the life side, on a lower scale, the same applies. So that's all we can say to Warta apart from the fact that obviously there can only be a buyer if there is a seller. And maybe you know more than we do but we don't know anything about KBC readiness to sell. But we assured that if they want to sell, they know that we are interested to buy or to look into it.

As concerns your question about profit goals not be easy, if they were easy we wouldn't accept it as a goal. Our goals are set in a way that we believe they are stretched goals and so they are never reached easily, otherwise we didn't do our job. That's what is comment wanted to say.

Martin Simhandl

Concerning P&C development of financial result, as I have already said, included in P&C, there is also the housing societies and the financial result of the housing societies which clearly has increased since last year.

Ralph Hebgen – Keefe, Bruyette & Woods

So the investment contribution of the housing companies meant that the investment income jumped three fold in Q3 2010? That much?

Martin Simhandl

It's also a question of allocation. These companies now are completely in P&C.

Ralph Hebgen – Keefe, Bruyette & Woods

OK, so in other words we can use that baseline established in Q3 2010 – let's say we can use that level achieved in Q3 2010 as a baseline to project investment income in P&C forward?

Martin Simhandl

So it is.

Ralph Hebgen – Keefe, Bruyette & Woods

OK, fine, perfect. My last question, sorry I forgot to ask that. How much of the net realised gains achieved in the quarter actually contributed to pre-tax profit?

Roland Groell

If you look at the net realised gains, as always, we call this extraordinary investment result and we calculate the income from appreciations, the income from disposals of investments and if we look at the expenses, we also took into this calculation the impairment of investment and losses from disposals. If we look at the first quarter, the figure is about €30 million, the main part in life, and out of this €30 million, about €10 million has an impact on the profit.

Ralph Hebgen – Keefe, Bruyette & Woods

OK, perfect. Thank you very much indeed.

ACT Operator

There appear to be no further questions. Please go ahead with any other points you wish to raise.

Thomas Schmee

Ladies and gentlemen, thank you very much for joining the telephone conference with us and we will look forward to have you with us again with the half year result in August. Thank you very much. Have a good day, good bye.

ACT Operator

Ladies and gentlemen, this concludes the Vienna Insurance Group results for first quarter 2011. You may now disconnect.

END OF CONFERENCE