Conference Transcription

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Conference title	**:**	**Vienna Insurance Group AG – Preliminary Unconsolidated Premiums 2011 Conference Call**

CONFERENCE DETAILS

Conference Date:	24 January 2012
Conference Time:	15:00 Central European Time
Conference Duration:	Approximately 50 minutes
Chairperson:	Nina Higatzberger

ACT Operator

Ladies and gentlemen, welcome to the Preliminary Unconsolidated Premiums 2011 Conference Call on Tuesday, 24 January 2012. 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 the conference over to Nina. Please go ahead.

Nina Higatzberger

Thank you, Kirsten. Ladies and gentlemen, welcome to today's conference for the Preliminary Premium 2011 of Vienna Insurance Group. The presenting team here in Vienna consist of Martin Simhandl, CFO.

Martin Simhandl

Hello, good afternoon.

Nina Higatzberger

Peter Hagen, Member of the Managing Board.

Peter Hagen

Hello.

Nina Higatzberger

Peter Höfinger, Member of the Managing Board.

Peter Höfinger

Good afternoon.

Nina Higatzberger

And Roland Gröll, Head of Group Finance and Accounting.

Roland Gröll

Good afternoon.

Nina Higatzberger

I will hand over to Martin Simhandl, who will guide you through the presentation.

Martin Simhandl

Thank you, Nina. Ladies and gentlemen, it's a pleasure for me to present to you the Preliminary Unconsolidated Premium Figures of our Group for 2011 and some other preliminary figures for 2011. I will start with the highlights which you will find on slide three of the presentation. And I think first clearly to be mentioned is that we expect for 2011 an increase of our profit before taxes of roughly 10% to nearly €560 million. This based on a combined ratio of around 97%. As far as this is concerns the premium development I want to highlight the premium growth in CEE 7.6%, mainly in Poland life and non-life and life insurance in the Czech Republic. Overall, we see a growth in the life segment in CEE of roughly 19% in 2011.

More details on the premium development you find on slide four, the overall premium volume increased by 3.4% to roughly €9 billion. And I again want to stress that these are unconsolidated figures, all the figures I am talking about are unaudited and preliminary. Within the premium of €9 billion, roughly €5 billion are non-life premiums and roughly €4 billion life premiums. Concerning the regional split out of the €9 billion, roughly €4 billion, and that's practically on the same level as in the year 2010, are from Austria and roughly €5 billion, which is a significant increase, come from the other countries. If we look closer on the CEE premiums as I said a plus of 7.6% out of which we see nearly €1.9 billion life premium and roughly €3 billion, €2.9 billion non-life premium. The combined ratio which was up at 98.4% we expect on a level of 97%.

The next slide gives you more details concerning the premium split per country. I want to focus first on Austria. In Austria we have a very good premium growth - in non-life more than 10%. On the other hand we have a sharp decrease in life, overall minus 9% which comes out of single premium sector, as you remember in Austria since the beginning of this year we have new tax regime in single premiums which caused that decrease.

Czech Republic, I want to point your attention to life insurance plus more than 13%, Slovakia life plus around 7%, Poland overall a plus of nearly 28%, life a plus of more than 82% and non-life nearly 10%. Romania, difficult country in 2011, the non-life part we see a decrease of roughly 7% on the other hand in life a plus of 8%. The other countries a minus of 2.2% which mainly or practically comes from the development of single premium business in Liechtenstein. Other negative impacts out of Bulgaria, Croatia, on the other hand positive development, in Hungary, in Serbia, in Ukraine, in Turkey, in Baltics, in Albania and in other countries.

Ladies and gentlemen, the next slide gives you an overview on our investments. First the overall investment split you see a quite stable development only small changes to the yearend 2010. The bond part in the portfolio on the level of 61%, 3% equities, 15% real estate, loans 12%, 3% affiliated companies and around 5% cash and cash equivalent. If you look closer to the bond portfolio, we see on the one hand that the government part in our bond portfolio has further increased and it is now on a level of 54%. We have a portion of 11% covered bonds/Pfandbriefe and the financials are on a level of 27%, other corporate 8%. As far as it concerns the rating, in this year the rating split on yearend 2011 ratings we see a stable development in AAA 22%, AA 33%, A 31% and 10% BBB and less then BBB 4%.

If we look closer to the government part in our portfolio - the government and government guaranteed - you see more details on slide eight. The big portion of our government portfolio is in Czech Republic - nearly 30% of our government portfolio, roughly 20% Austria, 6% Germany, 10% Slovakia, 12% Poland, 3% France and all the rest around 20%.

Even more detailed picture on the government bonds in the PIIGS countries Portugal, Italy, Ireland, Greece and Spain overall €84 million taking into account impairments in Ireland to a level of €52 million which we did in the end of 2010. And in Greece we are in the meantime down on the level of 30% and this together gives impairment of roughly €45 million. Overall, our government bond portfolio in the PIIGS countries was approximately 0.3% of our total investment - very, very limited.

I think the year 2011 has shown that our strategy is the right one. We had difficult macroeconomic environment and, given that we delivered excellent results, you see also that our results are by far less volatile then those of other groups. I think this is something which fits exactly to our long-term strategy. And I think it has been proven in 2011 that our CEE focus is a focus we successfully can follow. This overall has led to the best year in the history of our Group. Taking into account the economic environment I think this is something which is really extraordinary.

It's the best year concerning top line as well as the bottom line, best profit before tax and the biggest gross written premium we ever had. And already more then 50% of our gross written premium is coming from CEE. I think this could be achieved with a focus on efficiency, on the one hand our efforts to strengthen our back office activities to join them to make them more efficient. On the other hand we have brought on the way in 2011 the merges in Poland, in Romania and Bulgaria and clearly our focus on efficiency also for the coming years.

Last but not least also in 2011 we had designed our organic growth acquisitions. We entered Bosnia Herzegovina, the acquisition of Jahorina, this is our 25th market. We purchased an insurance company in Albania, Intersig, and in Poland which is called Polisa. And overall the premium development of plus 7.6% we see the real positive impact of the CEE business in our Group.

Slide 11 gives you an overview of our earnings and you see on the one hand as I said the expected earnings are nearly €560 million are the best results we ever had. On the other hand you see that the volatility of our result is very limited. As far as it concerns the dividend I want to say that we want to stick to our dividend policy, meaning the payout ratio of minimum 30% of the Group's net profit. And given the expected increase in our result, management is considering to increase also dividend. Based on the yearend share price of our shares that would end up in a dividend yield of about 3.6%.

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

ACT Operator

Thank you. The first question comes from Farquhar Murray from Autonomous. Please go ahead with your question.

Farquhar Murray – Autonomous

Good afternoon, gentlemen. Just two questions from me if I may. Firstly, you have acknowledged your involvement process around Warta and ultimately it has gone to Talanx. Will we be right to assume it all came down to price in that process and looking forward does this change your longer-term aspirations and approach to Poland?

Then secondly, your statement with regards to dividend seems somewhat more qualified than normal. Can you just give us some colour around the sources of the uncertainty that you are facing and is that really all just about the Eurozone macro backdrop or are you seeing other sources of uncertainty looking into 2012? Thanks.

Peter Hagen

OK. Let me comment on the Warta, obviously you will understand that we are subject to some confidentiality rules so we cannot disclose everything. However having said this I would say we think we have prepared a very attractive offer, a fair price and I do believe also that the overall package we have offered was attractive. It did include a few items which we considered to be absolutely non-negotiable for a listed company and in connection with reserve, in connection with asset values etcetera, etcetera. And obviously another group has offered them a more attractive package. We believe we have done what a prudent listed company can do. And in the end it always goes down to the question that you want value for money. That's what I can comment on Warta.

As concerns Poland, of course Poland continues to be one of our core markets more so than ever I would say. We have organically grown over the last years particular the last year to a number four position in the market, non-life even number three. We obviously will even strengthen our efforts to get closer to number three and two position overall. And we will continue also with the policy to look for niche players which could fit into our overall strategy in Poland.

Farquhar Murray – Autonomous

OK, thanks.

Martin Simhandl

If I understood your second question correctly it was about the development we expect in 2012 and how we achieve it. I think what has to be stressed is that's already since the mid of 2011 especially capital markets are very volatile and macroeconomic scenarios are not really clearly foreseeable. Given that and also given some other effects, for example rating development, development of countries negotiations about regulations in the Eurozone, we think this is a year where predictions are very limited.

Farquhar Murray – Autonomous

OK. Thanks very much.

ACT Operator

Thank you. If any participant would like to ask question, please press *1 on your telephone. To cancel your request, please press *2.

Thank you. Our next question comes from Maarten Altena from ING. Please go ahead with your question.

Maarten Altena – ING

Good afternoon, gentlemen and Nina. I have three questions if I may. And the first one is on targets, last year you provided us with some hard targets on premium growth and also on profit before tax. Would you be able to give some more guidance for next year or may be given a range in terms of profit before tax and also regarding premium growth?

The second one is on the efficiency measures, you talked about the back office merging and also some other efficiency measures. Would you be able to express this in quantitative targets in terms of the total cost base? Or may be the expense ratio as your net capital was almost zero and you have 97% combined ratio, so may be you could dilute something on the cost impact of the efficiency measures?

The last one is on the investment portfolio, should we expect any changes in the investment portfolio due to the recent downgrade of countries, amongst others Austria, in order to sustain your low risk profile of your portfolio which might have a negative impact on investment returns going forward? These are my questions.

Peter Hagen

Let me start with the question on target 2012. I think what we wanted to say we did say it in writing – let's put it this way. First of all, we have grown since 2005 on a compound annual growth rate organically, so excluding all kind of acquisitions, by almost 6% each and every year which is outperforming the market by around 20% - 25%. Having said this, the goal for 2012 clearly is to outperform the market again.

Having said so, frankly speaking, even us being now working in this market more than 20 years, we are not really able to say currently how much these markets individually will grow, so it's very difficult to basically burn it down to a figure. Therefore what we say is that the clear goal for 2012 in terms of premium growth is to continue to outperform the market, that's one thing and that's the job for each and every individual company of the Group. That's as specific as I can get on the premium side.

On the profit side, obviously and I ask for your understanding actually if you look back and compare us to many of our competitors we were probably more courageous the last couple of years in giving very, very detailed or very, very specific figures. Given the environment and frankly speaking already what we had to do in the call on the third quarter if you might remember that we had slightly to change our indication for the target 2011. Actually we don't want to do that again, we don't like that, we don't feel comfortable enough in order to give you year targets.

All we can say is that it is our goal to keep the volatility of results at the historically low levels that we have achieved the last year independent of crisis or no crisis. But we don't feel comfortable now to give you a figure and we feel that we are very much in line with other large groups. So sorry for that. Let's keep good traditions onward and that is actually our goal.

On the efficiency measures question, as I have indicated also to the press, in real money we expect about €20 million to €25 million in cost savings but that is nothing special frankly speaking. This is something which we are doing basically each and every year, it does not necessarily always show in the combined ratio immediately. The reason for this is mainly because we see due to the increased share of CEE markets in our overall portfolio and also in non-life and CEE markets usually running at a higher cost ratio, particularly the more eastern ones - also given the size of them - than the more western ones, but because of the increasing prominence in total there is always a shift towards increased cost ratio which we try to offset by savings in these countries but as well in the more western countries. That €20 million, €25 million will not automatically flow into the combined ratio calculation due to this reason. Having said so obviously we will increase our efforts particularly in countries like Romania, the Ukraine, Bulgaria to reduce the cost burdens there. And this is also where most of this money that I was mentioning will come from.

Martin Simhandl

OK, let me answer to your third question concerning the investment portfolio. As I've tried to point out and that counts also for the past if you look back our investment portfolio is a quite stable one. And that it is something which was valid for the last years and for many years and which is valid also for the future. We always try to have a stable portfolio with a good quality. Quality we are feeling well. This quality not automatically and in all items refers to ratings, we never bought AAA asset backed securities although they were estimated to be high quality in ratings. And concerning the downgrades what we have mentioned Austria and France we think these two countries continue to be high quality and we are feeling well with it. Clearly what we also have focussed and this also over the last years and before that our new investment again are in good and high quality.

Maarten Altena – ING

OK. It's very helpful. Thanks.

ACT Operator

Thank you. Our next question comes from Ralph Hebgen from KBW. Please go ahead.

Ralph Hebgen – KBW

Good afternoon. Just two questions if I may. One is would you be able to give us a feel of how much realised gains, unrealised gains and impairments contributed to the results?

Second is more a question relating to operations, and you said last year at the full year stage that there was an initiative to convert policies, I think it was in the Czech Republic. And I was wondering whether you could give us an update on that conversion process and how it proceeded and succeeded during the year? Thank you very much.

Martin Simhandl

Concerning your first question, first I want to mention what we published and what we are talking about are preliminary figures, so please be aware that I only want to give you a rough picture because at that time I think this is appropriately to deal with. Realised gains on the one hand impairments, on the other side in our investment portfolio we expect impairments of roughly €200 million for the year 2011 and roughly half of that should be the realised gains.

Peter Hagen

Concerning the issue of Czech Republic, as I have mentioned last year this was the major effort in 2010 continuing in 2011. Yes, it did continue. There is a general shift, it's not just a conversion from existing products into new products but also the new product simply are more towards the unit linked and index linked products than the traditional ones. Overall, we see a further shift away from traditional life towards unit linked and index linked which will obviously reduce the cost of guarantees which we will then see when we are able to publish embedded value. But yes, I can confirm the conversion process went on, however the major part of the conversion, as I had mentioned in the last year, has been done in 2010. The increase this year is mainly coming from really new business particularly procured via the bank. OK.

Ralph Hebgen - KBW

OK, perfect. Thank you very much.

ACT Operator

Thank you. Our next question comes from Michael Haid from Mian First. Please go ahead with your question.

Michael Haid – Main First

Thank you very much, good afternoon. I have two questions. First of all on your investment split. When I look at page six, this suggest that the asset allocation has been largely unchanged, when I look at page seven however I think there was some movement within the bond portfolio which suggests that you further de-risked the investment portfolio. Can you say anything about the implication this has on your recurring investment income on the recurring investment yield and how much does it effect the P&L bottom line for 2012?

Second question on P&C Insurance, has any material changes happened since the third quarter in pricing in any of the markets that you operate? May be a sub question here, can you give us an update on the situation in Romania?

Martin Simhandl

OK, may I try to answer your first question. Looking at the investment split the overall portfolio is nearly unchanged. Within the bond portfolio, and this not only counts for 2011, if you look back this is a strategy we are running already since the crisis 2008. We reduce the portion of finance and increase the portion of government. We think this is very appropriate strategy and we have continued that in 2011.

As far as it concern its impact on the average investment yield I first want to find out if you look for example on the split of our bond portfolio you will see that on one hand we have a substantial part in Germany but it's 6%. The main portion of our government bonds are in countries which on the one hand in our opinion are very high quality and on the other hand deliver a quite good investment yield so that we will see clearly a slight decrease in our average bond portfolio investment yields but not really substantially.

For example to stress one specific fact the biggest part in our bond portfolio is Czech Republic as you have seen. Czech Republic for years now is on yield levels which are far above Germany. It has been upgraded last year to AA, we think this is the country with a very stable positive development, very high security and a very high quality.

Peter Hagen

In terms of your second question concerning the P&C rating or pricing development, not much to add what I said at the last telecon about the development. We structurally have continued and actually we do continue in increasing prices on motor in Romania that has an impact also on our premium volume. I have clearly to say that still in Romania there are players under cutting rates. You might recall that we had the change in management mid last year reflecting our dissatisfaction with situation not keeping up or strict underwriting strategy. We obviously had made up for this, we are still suffering from some of the impact of this less disciplined approach. Obviously we are not prepared to continue this. Romania will continue to increase prices and even if we have to accept some overall total premium decline for profitability reason.

We see positive developments in Bulgaria not so much only on the pricing side, there is more that we are clearly streamlining the portfolio and getting rid of unprofitable parts particularly again the motor business.

I would say in Bulgaria particularly it was not so much an issue of the premium rates but there are simply in some parts of the motor markets the rates were inadequate. Better then to try to attract these parts we rather concentrate on the more profitable parts of the market. We see continuing positive development in the rating structure not only in motor but also in motor in Poland. As I said a couple of telecons before as well, we have seen since the privatisation or the partly privatisation of PZU a much more rational behaviour in the markets. Obviously we all had benefited from this and on the motor side we saw increases in the last 12 to 14 months of 50% and more. I do not believe that this trend will continue at this speed however we have good indication that Poland is continuing to go into the right direction as concerns pricing not only in motor also in particularly for example personal line, non-life.

As concerns the other countries may be we will see some further development also in Croatia but that is relatively minor market. Czech Republic, Slovak Republic, Austria, I would say Austria has seen business stabilisation I have mentioned this before. I cannot say that we see particular high increases on the motor side but we have a clear stabilisation and we see a good development on the non-motor side. The competitive environment in Czech Republic, Slovak Republic has not change since the last call.

Michael Haid – Main First

Thank you very much, perfect. Thanks.

ACT Operator

Thank you. Our next question comes from Raphael Caruso from Raymond James. Please go ahead with your question.

Raphael Caruso – Raymond James

Good afternoon everyone and congrats for the figures. I have two questions. The first one is concerning acquisition because during the last quarter you mentioned €1.5 billion available for acquisition, so do you still have this amount and if yes, do you plan to do other acquisition in Poland?

Secondly, I would like to understand why you increase so much your exposure to Czech Republic sovereign bonds. Don't you consider it too risky to have 30% of your government bonds portfolio invested in one country? Thanks.

Peter Hagen

OK. Concerning the acquisition, what we were mentioning when we were talking about the €1 billion, €1.5 billion it was basically if you want so the war chest we had available if we really had come to a very big acquisition. Now we always have stated that Warta is strategically interesting to us, however obviously it always have a price question and the very fact that you could finance the investment don't necessarily mean it is a good deal. Obviously in making our offer we thought we are offering a fair deal. You know what has been offered by Talanx so you can imagine that obviously our offer was not attractive enough for the seller or Talanx offered something more. There is no direct logical link between what we have available in financial means and what we are ready to spend for an individual acquisition obviously.

Having said so when I mentioned actually in answering the first question today is that certainly Poland will continue to be a major target market for us and if not by means of acquiring Warta we will do it organically by investing into organic growth. We will find other acquisition objects in Poland as well maybe not as prominent as Warta but adding up to where we want finally to be. You will not see probably that we will spend €500 million, €600 million or €1 billion on any one single acquisition but you will see €50 million here, €100 million there, that's the way how we will continue Poland and elsewhere, not just Poland.

Concerning the exposure to Czech government I guess one of the reasons or simply seeking simply that our Czech operation are one of the biggest in the whole Group. And their underwriting liability particularly the mathematically reserve in life insurance is obviously denominated in Czech crown so they are investing their liabilities obviously in Czech crown denominated assets. And the major part of it goes into Czech governments, so that's the main reason why. May be Martin wants to add some things.

Martin Simhandl

I think this is perfectly said, we are as you know always focused that we have between our assets and liabilities no currency exposure and this is the main reason for the Czech government portfolio. And by the way we are feeling very well with it.

Raphael Caruso – Raymond James

OK. Thanks a lot.

ACT Operator

Thank you. Our next question comes from Daria Asadullaeva from Bank of America Merrill Lynch. Please go ahead with your questions.

Daria Asadullaeva – Bank of America Merrill Lynch

Hello, I have got two questions. First one is, it looks like in Poland both life and non-life despite the positive pricing development growth has slowed down in Q4. Can you please comment on this development?

The second question is that you mentioned that subsidiaries have targets on premium growth, in this situation how do you ensure that profitability is not sacrificed to achieve these growth targets? Thank you.

Peter Hagen

That's a very good one. I start with the second one, it's a tough one. Obviously individual companies do not get only premium targets. We have a clear goal and also local management is incentivised always also on bottom line results. Having said so obviously adding up to this bottom line results to Group results including financial income which is very much influenced also by the situation of capital markets. We cannot just sum up the individual goals to come up with the Group result. Therefore we do not give an indication on Group result.

Of course we have an idea about where company should go on their operating performance. They are getting goals in this direction on a non-life side starting with issues like combined ratio and also in terms of life when we talk about new business value and things like that. Rest assured that we will very much continue to look into underwriting discipline on the life as well as on the non-life side. We just cannot compile it to a Group profits targets that's because the Group profit target is influenced substantially also by other items which are not under control of individual company's management. But be assure that obviously on an individual basis there are clear expectations on performance.

Now as concerns Poland you are absolutely right on the life side there was a certain reluctance to continue with certain types of business, particularly with the Anti-Belka tax products in the fourth quarter simply because that's a very dynamically developing market and that is changing basically and you have to follow this quarter by quarter because it's a revolving business if you want so. Margins are always marginal and we had the feeling in fourth quarter that they were too marginal. Therefore we were a little bit more reluctant in writing this business, that's the major reason why.

On the non-life side it's simply what I said before is that we see continuous increase but the increase is started already middle of 2010 and so they work their way through. If you compare quarter-by-quarter obviously Q4 2010 was already one where rates have been increased substantially to Q4 2011 to Q4 2010 hasn't showed the same increases again, so that's the major reason. The start of the improving of the non-life market in Poland has basically started somewhere in the middle of 2010, so the first quarter compare Q2 2011 to Q2 2010 obviously showed higher increases than later quarters on a quarter-to-quarter basis, that's the reason why.

Daria Asadullaeva – Bank of America Merrill Lynch

OK. Thank you so much.

Peter Hagen

You are welcome.

ACT Operator

As a reminder, if you would like to ask a question, please press *1 on your telephone. To cancel this request, please press *2.

Thank you. We have a question from Michael Broom from Berenberg Bank. Please go ahead with your question.

Michael Broom – Berenberg Bank

Good afternoon, just a quick one to finish on I guess. Slide six, look at the piece of those loans and that's got, if I understand it, Austrian fixed income instruments which should be classified as loans from AFS a little while ago. You can just give us a rough indication or an update on what the difference between the balance sheet value and the market value of that piece of investment portfolio is at 2011 yearend, could you please? That will be the first point.

I just want to clarify something you said to slide nine, I think you said that you impaired the Greek bonds down to 30%, can you just confirm that is correct and you were talking about impairing to the P&L rather than just marking through shareholders equity? Thanks very much.

Martin Simhandl

Let me start with the second part of your question Greek government bonds, the value we are showing here is the value gone through the P&L.

Second concerning the loans, the loans consists roughly one-third loans provided as loans, mainly mortgage loans, and roughly two-thirds are reclassified bonds. These are more or less diversified bond portfolio which has been reclassified during the last crisis because it's a really illiquid part of the bond portfolio. I cannot give you detailed numbers concerning market values. And we have also to say given that these are illiquid instruments to give you a clear and very precise market value is difficult in such, this is the reason why the rules of possible reclassification in 2008, 2009 have been set. Given that I would not estimate that the difference materially would be a substantial one.

ACT Operator

Thank you. We have a follow-up question from Farquhar Murray. Please go ahead with your questions.

Farquhar Murray – Autonomous

Hi, again and thanks for taking the question. It just really a follow-up on the uncertainty looking into 2012. When you cited rating developments also regulation on rating development is there any parts of business that you would cite as being particularly sensitive?

Then on regulation, is there anything new there on the Solvency 2 front that's raising that issue at all looking into 2012? Thanks.

Martin Simhandl

Sorry I am not so sure if I have understood you correctly. The first is about expected ratings developments. Maybe you have a clear answer here, me personally I do not know what **S&P** is going to do tomorrow.

Concerning the second part frankly spoken I have not acoustically understood clearly. Maybe Peter answer that.

Peter Hagen

I was closer to the speaker. Concerning the regulation obviously we are tracking what is going on in European Union on Solvency 2 and I hope issuing obviously a lot of things become rather more unclear than clearer with any sort of publication. We actually sometime are really concerned whether we interpret some of the issues properly. Having said so, overall looking at the constitutive part of Solvency 2, we feel very comfortable for the time being. There shouldn't be any major issue for us in order to meet these requirements.

I think what we are more concerned about when it comes to regulation is the administrative burden that is put on companies starting from hundreds of pages of reports that has to be produced and forwarded to various authorities, that is obviously a financial burden not just to implement but also then to operate which we think is considerable. And on top of this obviously there seems to be now some sort of a competition between various bodies involved who can ask for more and that is something we are tracking quite with some concern. But having said so in terms of the hard Solvency as much as we are able to say something about it and as much as QIS 5 and following publication are giving guidance we feel comfortable in terms of being able to meet all the requirements with a nice margin.

Farquhar Murray – Autonomous

OK. That's very helpful on regulatory. On rating agency developments I too don't know what S&P thinks and don't necessarily thinks it's actually that important. My question is more whether you have businesses that you would regard as potentially sensitive to some of the downgrade issues or risk that you might have?

Peter Hagen

In our case obviously given the very fact the part of the world where we are operating, from the outside we are required to just get the rating we get, we have quite a comfortable capital level. Now this doesn't change anyway, so we are on the Solvency 1 we are around 200 and according to Standard & Poor's capital model again we are also way ahead of the AA. Anyway we get already some sort of charges due to the very region where we are working.

Having said so I think we have seen that Standard & Poor's more and more starts to differentiate also the CEE region having seen negative rating action in Romania compensated by positive rating action in the Czech Republic as had been mentioned before by Martin. Having said this and if I look into the economic development in this countries and the projections about economic development we can see that basically in all the major countries we work in CEE the expectations concerning economic growth is certainly outpacing what is expected for Western Europe. We do not expect immediately that for the whole region Standard & Poor's or any rating agency would take some negative action as such.

Having said so obviously if you had asked me two months ago whether I do believe that they will in one big shot just kill a few several countries in Western Europe just from one day to the other I probably would also had said no. Whatever I say, frankly speaking, is speculation but because we don't like to speculate that's one of the reason why we don't want to give a more clear guidance then we do.

Farquhar Murray – Autonomous

OK, that's very helpful. Thanks very much.

ACT Operator

Thank you. Once again as a reminder if you would like to ask a question, please press *1 on your telephone.

Thank you. We appear to have no further questions at this time, please continue with any further point you wish to raise.

Nina Higatzberger

OK. Thank you Kirsten and thank you ladies and gentlemen for listening in. We hope to have you with us again on 29 March for the final yearend 2011 results together with the embedded value. Good bye.

ACT Operator

Thank you. Ladies and gentlemen that concludes today's Preliminary Unconsolidated Premiums 2011 conference call. Thank you for participation. You may now disconnect.

END OF CONFERENCE