Conference Transcription

Date of conference	**:**	**23 May 2012**
Conference title	**:**	**Vienna Insurance Group – Results for the First Quarter 2012**

CONFERENCE DETAILS

Conference Date:	23 May 2012
Conference Time:	15:00 CET
Conference Duration:	Approximately 56 minutes
Chairperson:	Nina Higatzberger

ACT Operator

Welcome to the Results for the First Quarter 2012 conference call on 23 May 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 Higatzberger. Please go ahead, madam.

Nina Higatzberger

Thank you operator. Ladies and gentlemen, welcome to today's conference for the first quarter results 2012 of Vienna Insurance Group. The presenting team here in Vienna consist of Martin Simhandl, CFO.

Martin Simhandl

Hello, good afternoon.

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 now 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 results of the first quarter 2012 of Vienna Insurance Group and what I can present to you is an ongoing positive development. Positive development with profit before tax is up by roughly 6% to more than €151 million. Profit after taxes and minorities increased even more by roughly 8%. The profit growth in CEE shows a plus of roughly 14% and CEE business is now more than 50% of the whole group profit. If we look at the life insurance companies of s Versicherung Group as well in the development of gross written premium as the profit development we see a plus of roughly 16%. Last but not least, a very favourable combined ratio on a level of 96.4%.

Ladies and gentlemen, the next slides of the presentation starting at slide five give an overview of the financial highlights of this first quarter. Gross written premium, a plus of 5.5% to €2,750 million. Profit before taxes, profit after taxes and minorities I already elaborated on that. Also the combined ratio of 96.4%. Earning per shares we see an increase to €3.37 per share and also an increase of the ROE before tax to 11.7%.

The next slide gives an overview of the P&L and the balance sheet and we will look at the income statement. I already elaborated on the gross written premium development. Net earned premiums increased even more, 7.3% to €2.23 billion. On the development of the financial result I will elaborate later also on the expenses for claims incurred on the costs side. Tax ratio roughly 20%. And if we look at the minorities we see a significant decrease. This comes from the fact that we have deconsolidated some of our housing societies in the first quarter of this year and we account them now at equity.

We also can see that on the balance sheet data. This is the reason why we see a decrease in the investments. We also see in the shareholders' equity a significant decrease in the minorities. Last but not least we see a significant decrease in the liabilities.

The next slide gives a closer look at some items of the profit and loss account. I start with the gross written premium by country. In Austria we see an ongoing positive development. In non-life we have to take into account that in Austria we also account the branch offices of our Austrian entities. You know, Wiener Stadtische has a branch office, life and non-life in Slovenia - that's a rather small branch office. Wiener Stadtische has also branch office life in Italy and Donau Versicherung branch office non-life in Italy which is more important.

If we look at the life insurance this positive development we see in the first quarter comes from the single premiums. We have to take into account that in the first quarter of the last year we have had a significant decrease in single premium life business coming from changed tax regulatory environment. If we look at the development in the Czech Republic as well in Poland and Romania we have to take into account that there are some negative effects out from the currency development. In Czech in non-life we see an ongoing pressure on the motor premium rates. We see on the other hand a sound development in the non-motor business.

In life insurance we see a negative development in single premium business which is over seasons and over quarters a rather volatile development so we will see how this develops over the year. Slovakia shows growth both in life and non-life. In Poland the negative non-life only comes from the currency development. If we would exclude that currency effect we would see a growth of more than 4% and in life insurance we see quite tremendous growth which is coming mainly from tax driven single premium business in Poland. In Romania the life insurance shows an ongoing positive development reflecting our good cooperation with BCR which is a subsidiary of the Erste Bank in Romania. In non-life a negative development is an effect of the ongoing situation on the Romanian motor market.

If we look at the next slide we see the development of expenses for claims incurred this year. Slight increase in the first quarter compared to last first quarter. In Austria and Slovakia we have insofar higher claims ratio as the first quarter of the last year in both of these countries has been extraordinary good. In Czech we see a positive development in the claims ratio and Poland a rather stable development. In Romania we see a significant increase in the claims ratio and this reflects the problematic situation under Romanian motor market.

Next slide gives an overview of the cost development, this is slide 12 in your presentation. We see here a significant decrease of the Group cost ratio, nearly 3% points. We see this cost reduction for example in Austria and in Poland driven by economies of scale. In Czech Republic we see a negative development; it's the same reason we already reported last time. This is an impact of higher reinsurance no-claims bonuses which are paid by VIG Re, our own reinsurance company. If we would exclude that we would have a positive development.

We see in Slovakia very significant decrease in the cost ratio. Here we have to take into account that the net earned premium in Slovakia has significantly increased – a double-digit increase - and this in combination with more favourable reinsurance structure has led to this positive cost effect mainly. In Romania a decrease in the cost ratio of 5% points shows the fruits of the restructuring measures we have taken and you know we are merging two companies now in Romania, Omniasig and BCR non-life.

Next slide gives an overview on the financial result. Overall the financial result increased by more than 9% to nearly €277 million. Here we can see some effects of the deconsolidation of some of the housing societies. We can see that in the current income where we have out of that the negative effect; on the other hand, a positive effect in the depreciations. Overall the first quarter of this year in comparison to the first quarter of last year shows better effect out from the income of appreciations and lower impairment.

The next slide gives an overview of investment spilt; overall, a very stable development. The only major change - I already elaborated on that - is the real estate part. This is the effect of the deconsolidation of some of the housing societies. You know our government exposure in the PIIGS countries is very limited and this we also have shown here.

If we look at a closer down break of the bond portfolio on the one hand the breakdown by issuer, practically no change in comparison to last quarter. If we look at the rating structure of our bond portfolio we see a decrease in the AAA part. This comes from the fact that in the end of the first quarter the latest rating of Republic of Austria was no more AAA but AA.

Last but not least the development of the shareholders' equity of our group shown on slide 16 of the presentation. What you can see here is that despite the negative effect out from the consolidation changes which affect the minorities in the equity, we have besides the result of the first quarter, significant increases in the shareholders' equity roughly €200 million of the increase of unrealised gains in the AFS portfolio.

Ladies and gentlemen, insofar my presentation ends. We are open for your questions now. Thank you.

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 and there will be a short pause while participants register for a question.

The first question comes from Maarten Altena from ING. Please go ahead.

Maarten Altena - ING

Good afternoon gentlemen. I have three questions. The first is on lapses. Do you face any particular increase in lapses on the back of the deteriorating macroeconomy and austerity measures throughout Europe? The second is on acquisitions which you will be able to share and which regions you would like to expand to. You mentioned some lines in the press release regarding acquisitions. The third is on the strong combined ratio. Would you expect any pressure on prices as the competition might intensify given the strong combined ratio and especially also in Czech Republic? Thanks.

Martin Simhandl

OK your three questions, the first concerning the development of the lapse ratio will be answered by Peter Höfinger. The second concerning acquisitions I will answer and the question concerning the combined ratio again will be answered by Peter. Please Peter.

Peter Höfinger

Thank you. Concerning lapse ratio one has to be aware about our life portfolio overall in the Group. If you look at the development over the last let's say three years we were significantly growing in life in Central and Eastern Europe. So these are quite young portfolios. Also at that time economy – the environment of the economy was not very favourable so people who took out life insurance in the last three years are able to continue to pay, so we do not see significant change in our lapse ratio currently. More or less the same is true for Austria where we have more mature portfolios. Also here lapse ratio is on a stable ratio in the first quarter in comparison to the last three years.

Maarten Altena - ING

Thank you.

Martin Simhandl

Second question concerning acquisitions. I think before I talk about possible acquisitions I want to repeat what I am saying since years now that we are in the favourable situation that in practically all of the countries we are present we are in a position that we are able to develop the business out of ourselves. So this means that we can be opportunistic when we look at acquisitions. If you look closer you will see that we are proving that. You only have to look at the development of our Polish entities over the last year, for example, and also for the first quarter of this year.

By the way you know we are on the way of finishing an acquisition in Poland right now - a company called Polisa, a rather small company. In general of course if something would be available that fits to us for example in Poland, for example in Hungary, we would look at that but there are also other countries where we are looking. You can be sure that we are monitoring all these markets very closely and you will see how it develops.

Peter Höfinger

If I come to the third question if I understood it right these favourable combined ratios will lead to stronger competition in pricing.

Maarten Altena - ING

Yes.

Peter Höfinger

This is different market by market. Maybe specifically because you mentioned Czech Republic. You can see here that we are having a negative growth rate. It is mainly due to motor business. In motor business in Czech Republic there is a fierce competition where we deliberately decided not to participate. Specifically in fleet business, fleet business is generally the first sign to see if either prices are going up or down because it enables you to have with one contract quite a higher volume in motor so therefore in Czech Republic, for example, we are not so much anyway engaged in fleet business.

Differently in Austria, we saw over the last years lowering pricing specifically in motor business. This has stabilised since last year. Even this is now I would say, maybe just a tendency of what one can say that prices are even increasing a bit maybe, but these are just tendencies in certain renewals which we see.

Overall one impact on the price competition has the reinsurance market. If you look on the renewals last year for the reinsurance coverage at this year, also here reinsurance prices were stable with certain tendencies to go up. So also here price dumping is not supported by lowering reinsurance pricing. Generally, I would say there is not a tendency that prices are lowering currently. Nevertheless, in certain markets even though when you have some local players you can see a different picture.

Maarten Altena - ING

OK, thanks very much gentlemen.

ACT Operator

Thank you. Our next question comes from Maciej Wasilewicz from Morgan Stanley. Please go ahead.

Maciej Wasilewicz - Morgan Stanley

OK, I have three questions if I may. The first question would be on - I just wanted to see management thinking on the macro situation since we last spoke. Obviously the macroeconomic situation has deteriorated quite substantially. I am just wondering have you as a management team set down and done a scenario analysis of these various positive and negative outcomes that could occur in Europe over the next year or so and what steps have you taken to protect the company against what investors perceived to be a growing tail risk? That's the first question.

Second question, I just wanted to focus on Romania for a bit because I think now for a number of years Romania has been a bit of a difficult market for you. I know you have tried various things in the past to fix this market. I just wanted to know, could you give us a brief summary about why the steps that you have taken in the past to fix profitability there haven't worked and how you are adapting your approach in the future to try to shift that situation?

Finally, just very briefly on the Polish single premium which grew very, very substantially. I just wanted to know what the attraction of that business is from VIG's perspective. Is it a low high margin business, what's the duration? I just wanted to get a bit of colour on that please.

Martin Simhandl

OK, thank you for your questions. First and the third question I would like to answer and the second question I would hand over to Peter Höfinger.

Well if you look at the macro situation, overall of course and we know that since now maybe four years we live in a time of high volatility. Practically nobody clearly can say what especially comes out from certain effects, on the one hand. On the other hand there have been so many situations since that time where there were ideas that something could explode which did not explode - that also has to be taken into account.

If we look more closer on the euro development, the one signal to give to you I already gave. You have seen how we have dealt in the past and now with the government portfolio part in countries which are so to say peripheric on the other hand, and I think that's even more important. Our Group follows the principle first to invest according to the currency of the liabilities - meaning in the same currency and for a lot of countries, all those countries not being in the Eurozone, this means practically investing in the country. This, from that perspective, I think gives a lot more stability than other ways of doing that. But, in general, nobody clearly can say what comes. We will look.

Peter Höfinger

Coming to Romania, I do agree with you that the recent years were difficult years in Romania. On the other hand side if you look on our development since we are in Romania and if you sum up all the profits also including losses which we had you come up to a figure which is around €100 million which in total I think is not so bad to have more than €100 million profit. That's done in Romania.

What we are facing in the last two to three years we are very much also hit by the environment which we are finding there, negative GDP growth, reforms which are not always consequently put through by the government. Within this framework we tried to as quick and as appropriately adopt our business models there. What we are now doing is we are merging two companies, BCR and Omniasig, to realise full cost synergies. This is already seen in the first quarter results with significant improvement of our expense ratio.

The other topic is claims ratio where we are very unsatisfied still, that we are not able to improve the claims ratio to a level which is acceptable. This has on one hand side to do also with the specific market structure which we see there that a local competitor is quite destroying the pricing in motor and the market is very price sensitive. Nevertheless we are also here now having a very strong discipline in underwriting and we are accepting certain negative development in our premiums in motor by not taking insufficient level of premiums for certain risks.

I would believe, yes, the last one, two, three years difficult situation in Romania, but I also think that we are quite quickly adopting our business model and I am quite optimistic on one hand side for the environment but also for the development of our companies there that in a foreseeable future we should see again a positive development with our companies there. I think remarkable is our development in the life business even though also here the market is difficult and not very favourable. We are able to grow there our business which is exceptional also in relation to most of our competitors.

Martin Simhandl

Concerning your third question about Poland, Polish life business development, first maybe I have to be more precise. We are not only growing the single premium business but in the same time we are also growing the business with the current premiums. Of course, if you look at the written premium, that what you see in the P&L when you are growing at the same time single premium business and current premium that the effect much faster in the higher extent and by far higher extent comes from single premium. But it's not only single premium. That's the one thing I wanted to mention first.

Second, concerning the single premium business, this is as I said mainly tax driven business. This is so called Anti-Belka tax product. This is a rather short-term product and it's a rather low margin product. Overall, we are looking at that very carefully and if we are able to turn money out of that we are taking it and important for that is which business with which partners you are doing and in which construction. But overall it is a rather short-term and low margin business.

Maciej Wasilewicz - Morgan Stanley

Thanks for that. Just on the first answer that you gave on the macro situation. You made the point that your currency matched your liabilities to your assets. I guess what some people at least are worried about is country matching as well. Would it be – I mean can you give me any colour on whether or not because specifically in the Eurozone you have got Austrian liabilities in euros. How much of your investments were in Austria and how much are scattered across the Eurozone, is that matched or is that fairly diversified?

Martin Simhandl

If we are looking at the Eurozone, and here clearly we are looking at the assets of our Austrian entities mainly, then it's of course not only Austria. Austria has a significant part in that but it's so to say the big countries you would find there. Besides Austria, it's Germany, you would find Great Britain, you would find US and so on. This is fairly a diversified portfolio which you would find there. If you look closer for example on the government side, here the overall breakdown I have already given in the Group is the biggest part is Czech which practically comes out from Czech. Then you have important parts in Austria, in Slovakia, in Poland, in Germany, next is supranational and then all the rest together is around 20%.

Maciej Wasilewicz - Morgan Stanley

Thank you very much.

ACT Operator

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

Ralph Hebgen – KBW

Hi, good afternoon, Ralph Hebgen from KBW. Just a few things. First, I noticed that your running yield which means basically income return on assets excluding gains has dropped in the quarter. Now that may have something to do with the deconsolidation of the housing societies which you mentioned, but it would be interesting to hear your view on what drove this dynamic.

The second question is related and focused on the investment margin in life assurance by which I mean the average portfolio return less the average crediting rate. Would you be able to give us an idea of how that developed and when that has remained stable?

Poland, you mentioned there are now economies of scale. It would be interesting to see how sustainable you think they are and whether we can expect that good result which we have seen in the quarter to go forward.

Same question for expense ratio in P&C. In general I have seen that has come down relative to a very high 1Q 2011. It would be interesting to hear to which extent that is sustainable at the level of the first quarter 2012.

Finally, the Solvency I have seen was very good. What is your excess capital which you would have available to do acquisitions? Thank you very much.

Martin Simhandl

A lot of questions, I have noticed five. The first will be answered by me, the third I think will be answered by Peter, fourth by Roland and maybe the last one again by me.

First, development of running yield. We see a slight decrease of course. Overall, we have to be aware that it's now since years we see a decrease in yields general. To give you a flavour, the average running yield of the life bond portfolio that has been one year ago - in the year 2010 it has been roughly 4.5%, now in 2011 it's something between 4.2%, 4.3%. I am talking here about running yields in the Austrian life portfolio which is the main part if you want we can come back to other countries which are significantly different because here we have other currencies and in parts we have significant different situations in yields. Overall, you see a slight decease of course. That's rather natural in such an environment but I think on a quite comfortable level.

Your second question, I think the investment margin in the life portfolio I have tried to answer that. Our average guarantee ratio in Austria has decreased in the meantime to a level of 2.8%, 2.9%. The average ratio including profit participation which was the most recent to be paid out was roughly 3.25% to give you a flavour. Maybe the next question, Peter will answer.

Peter Höfinger

When we come to Poland, maybe if you also look on the last year in Poland. Poland was always – it's a very important country for us where we have not yet the market position where our ambition is. Therefore we have invested in the last year significantly also in building up distribution capacities. We also did a number of small and medium size acquisitions.

I think what we now can see is on one hand side that we have reached reasonable volumes in non-life as well in life and that projects which we started sometime ago with finding cost synergies between our group companies there are now showing the effects which will also be further supported. We are also doing a merger between InterRisk and PZM which would be closed in the course of this year. Also this will further support our cost base in Poland. I do believe that in building up these distribution capacities in the last year we will also benefit from the positive development in Poland over proportionally in relation to the market this year. Therefore I would see the development of the profitability as being sustainable and to be seen to be continued.

Roland Gröll

According to your fourth question, the expense ratio and how sustainable this development is, if we look at the development in the first quarter we saw a reduction of expense ratio for about nearly 3% and main driver out of this development is Poland and Romania but also Austria and Slovakia. Let's start with Poland and Romania. As Peter mentioned before, in Romania we did a merger and these cost efficiency programmes and the cost reductions out of these mergers are sustainable so we do expect such a low expense ratio to compare with the last year's, also for the rest of the year and for the future. The same is true for Poland. There we see the first time, if I remember right, the expense ratio close to 30%. That's mainly driven by economy of scale but we did also a merger in Poland which has positive cost effect in Poland and I do not expect that there is development over the last three quarters, for the remaining three quarters, so it should be also sustainable in Poland.

The picture is a little bit different in Austria where we have seen improvement of nearly 5% and that expense ratio in the last year in the first quarter 2011 was rather high. If you look at the expense ratio of the total year 2011, it was significant better. It's about the level you see now in the first quarter 2012, so it is minus 5% that we will not see over the total year 2012. Quite the opposite is true in Czech Republic. There we see a slight increase of the expense ratio mainly driven by profit participation topics out of the reinsurance business so I expect there we are on stable development of the expense ratio. In Slovakia we saw also a significant better cost ratio mainly driven by write-offs of premium receivables. There we will see over the year a slightly different picture that means not minus 6%, minus 7% of the cost ratio but the directive should be a minus.

Martin Simhandl

Last question concerning solvency position of our group. In the end of 2011 we have published our figures with a solvency ratio of roughly 190% and we also have published the gross figures. Clearly in the first quarter of this year that has improved. I already spoke about the development of the unrealised gains, it's the profit of the year. We see of course other positive developments, if you have a situation where interest rates are decreasing on the one hand and also spreads to certain extent are decreasing.

We have to be on the other hand aware of the fact that under Solvency I, a decrease in interest rates positively influences the value of the assets but not negatively influences the value of the liability. This is something that will change in the future, we have to be aware of that. But overall I know you want to know a figure but I won't answer it very easily. We have taken part in the acquisition process of Warta which was some months ago and what I at that time said and the way I said it I meant it, there would not have been any need for us to gain additional equity to do that acquisition. Taking into account the further development we have seen this quarter I would say it's enough.

Ralph Hebgen - KBW

Brilliant. Thank you very much indeed.

ACT Operator

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

Raphael Caruso – Raymond James

Good afternoon everyone. Three questions from my side. Firstly in Poland in life insurance what are the products that you call tax driven business. Is it considered as savings or term life insurance please? Secondly, should we consider that starting now half of the results in Poland will be generated by life insurance? To conclude, you mentioned some cost cutting potential. Should we expect any specific cost cutting programme in the next quarter and if yes in which regions, please? Thanks.

Martin Simhandl

Sorry, before we answer your questions I think we have understood your first question concerning the Polish product. The second question, frankly spoken acoustically was not very clear for us. Could you be so kind and to repeat it?

Raphael Caruso – Raymond James

Yes, sure. Should we consider that starting now half of the results in Poland will generated by life insurance.

Martin Simhandl

You mean to generate mathematical reserves in the life business in Poland?

Raphael Caruso – Raymond James

No, the results for the operating profit in Poland.

Martin Simhandl

OK.

Raphael Caruso – Raymond James

The third question is concerning the cost cutting potential and if you have any cost cutting programme in the next quarter and in which regions?

Martin Simhandl

OK, let's start with the first question, the Polish life product. To explain that a bit more closely, it's the Anti-Belka product, is a product which mainly is a saving product and which allows the customer not to be burdened by a tax deduction which he would suffer if he would do a similar product with the bank. That's the main structure of that product. The second question Roland Gröll will answer.

Roland Gröll

If I hopefully understood you right, your question was regarding profitability in Poland and which part comes from life and which from non-life.

Raphael Caruso – Raymond James

Exactly.

Roland Gröll

If you look at the premium development, you will see a rather flat development in non-life also mainly driven out of currency effect. In life you will see a huge increase that's mainly driven by the single premium business but partly also from additional regular premium business.

If you look at the profitability we see in Poland in both lines of business in life and in non-life a significantly better profitability in non-life and mainly driven if you look at the combined ratio to a better combined ratio the first time significantly below 100 and in life mainly driven not only by the new volumes but also out of the existing life portfolios there. And I would expect in the foreseeable future that we will see improving profitability in both lines.

Martin Simhandl

Coming back to your third question concerning the cost cutting programmes, I think we have to differentiate two effects on the costs side. One, there are countries where we see insofar increasing cost efficiencies that we are growing but our costs are not or not so much growing. This is a development that also depends from the top line development and insofar is not so easy to be predicted.

The second are those countries where we are doing structural changes. The one and maybe by far the most important for the time being is the merge that we are doing in Romania. I would estimate that the quite significant part or the rather bigger part of the effect we have to gain there are already done. We have on the way also a merge in Bulgaria. Here the same counts. We always try if we are doing mergers not to first so to say formally decide on a merge and then do think about how to put from an organisational point of view to companies. Together we normally start the other way around so we are normally starting to harvest the effect even before the formal decision has ended. There is a third merge on the way which is in Poland. PZM and InterRisk and that's also in a rather developed situation.

Raphael Caruso – Raymond James

OK, thanks. Very clear.

ACT Operator

Thank you. Our next question comes from Brian Shea from Bank of America Merrill Lynch. Please go ahead.

Brian Shea - Bank of America Merrill Lynch

Good afternoon. I had two questions please. First of all touching I guess on the topic that Ralph had mentioned, your investment yield and the path it's going to take going forward. I guess what I would ask you would be what yield are you achieving today on your new money. I don't know if you can give a global number for non-life and a global number for life or if you could just have to give us examples that would be a good way for us to judge how that overall yield will be progressing going forward.

Then secondly on the combined ratio other companies have commented that the first quarter was abnormally light in terms of large losses, natural catastrophe losses. I am just wondering if there is a danger in extrapolating the good result in Q1 too much whereas there is an abnormal benefit that you had in Q1 from light large losses. Thank you.

Martin Simhandl

OK. Maybe the first question concerning investment yield I will answer and the second question Peter Höfinger will answer. Well, I would say it like that.

If we look at investment yields we clearly have to differentiate between countries. Poland is not the same like Eurozone and we have to be very aware of that. But if I am talking Eurozone and here practically by far the biggest part I am talking about the Austrian entities which are also the biggest part in our assets. If last year we were able to invest around those slightly below 4% the tendency is more now in direction 3.5% or something like that.

Peter Höfinger

Maybe to your second question. If you look on the claims ratio in comparison to the first quarter 2011 you see that we have increased our claims ratio by 1.3% so we have stably a good claims ratio. What is true, this is supported by the absence of nat cat events. Nat cat events can have - depending on the size of it can have impact clearly on our claims ratio so having no nat cat event is benefiting.

On the other hand side if you say large claims we normally in our overall strategy, to have a reduced volatility in our results, we normally also have reinsurance programmes in place where there should not be a significant impact due to one single claim on our net claims ratio. Nat cat events this clearly would have impact and you can also see it in the past when there were nat cat event but single large claims not. Therefore, I would not say it's an exceptional first quarter but clearly it was a good first quarter with a claims ratio.

Brian Shea - Bank of America Merrill Lynch

OK, all right. Thank you.

ACT Operator

Thank you. Our next question comes Thomas Neuhold from Kepler. Please go ahead.

Thomas Neuhold - Kepler

Yes, good afternoon. There are only two small questions left from my side. Firstly, you had a very strong increase on the premiums in Austria. What was the reason for that? Secondly on the deconsolidation of the housing societies, firstly, what was the reason for the deconsolidation, and secondly, maybe you can give us with an indication what was the impact of the deconsolidation on pre-tax profit and net profit before minorities please?

Martin Simhandl

Maybe I will try to answer both questions. First, the premium development in Austria, in general we have to state that in comparison to written premium our earned premiums in the Group all over the last time increases a bit higher meaning that we have the capacity and the possibility to have a higher retention in our group that's also reflecting the size and the growth of the Group itself first. Secondly, and that I also mentioned, Austria is not only reflecting the motor business which has consolidated the non motor business in Austria. That's behaving quite well and growing. We have in here also the branch offices and here we have on the one hand Slovenia which is not so important and Italy which is more important.

Second question concerning the housing societies. I think I've tried to elaborate on the idea of deconsolidating housing societies several times also in the past. We have to be aware that under Solvency II there will be a new regime for the calculation of equity and for the time being real estate seems to be quite burdened. Insofar this is also a way to so to say to decrease that burden and I think this is quite a good idea and I would not exclude that we over the next time would also have the situation that we further deconsolidate also other housing societies.

If we look at the effect on the earnings what you have seen is decrease in the minorities that's practically completely an effect out of the housing societies. What you can see here is a decrease meaning these are parts of earnings. Sorry, is this somebody asking?

Thomas Neuhold - Kepler

No, sir we got here some background noise, I apologise.

Martin Simhandl

OK, and minority earnings clearly have been shown under earnings in the past if you are deconsolidating and only accounting on equity at equity basis this part of earnings is gone. But it also reflected in the fact that in the first quarter in comparison to the first quarter last year the net earnings after minorities have stronger increased than the earnings before taxes and minorities.

Thomas Neuhold - Kepler

OK, thank you.

ACT Operator

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

There appeared to be no further questions. Please continue with any other points you wish to raise.

Nina Higatzberger

Thank you operator. Ladies and gentlemen, thanks for your interest and for listening in. We hope to have you with us again on 22 August when we are going to present the first half year results. Goodbye.

Martin Simhandl

Goodbye.

Peter Höfinger

Goodbye.

Roland Gröll

Bye.

ACT Operator

This concludes the Results for First Quarter 2012 conference call. Thank you for participating. You may now disconnect.

END OF CONFERENCE