Conference Transcription

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CONFERENCE DETAILS

Conference Date:	22 August 2012
Conference Time:	15:00 CET
Conference Duration:	Approximately 56 minutes
Chairperson:	Nina Higatzberger

ACT Operator

Welcome to the Results for the First Half of 2012 on 22 August 2012. Throughout today's presentation all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask questions. If any participant has difficulty hearing the presentation, please press *0 on your telephone for operator assistance.

I will now hand the conference over to Nina. Please go ahead, madam.

Nina Higatzberger

Thank you, Danny. Ladies and gentlemen, welcome to today's conference call for the half year results 2012 for Vienna Insurance Group. The presenting team here in Vienna consists of Martin Simhandl, our CFO.

Martin Simhandl

Hello, good afternoon.

Nina Higatzberger

Peter Hoefinger, Member of the Managing Board.

Peter Hoefinger

Good afternoon.

Nina Higatzberger

And Roland Groell, Member of the Extended Managing Board and Head of Group Finance and Accounting.

Roland Groell

Good afternoon.

Nina Higatzberger

I 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 result of first half year 2012 for Vienna Insurance Group. Let me start with the strategy that we very successfully follow now for many years - and also will follow in the future under the new CEO, Peter Hagen. This in insofar not astonishing as Peter Hagen has been part of the management board for many years and also we as members of the managing board are in the board for years now.

We as a group are focussed on insurance, only insurance - we consider this as our core business. We are present in Austria and in the CEE countries and we will concentrate on that region. What differentiates us pretty much from other groups is that for many, many years now and very successfully we follow a multi-brand strategy. This enables us to be very broad in distribution and to have as much as possible cooperations in that field.

Within that the strategic partnership with Erste Group is very important for us and I will show you that it is very successful. And last but not least, we concentrate on local entrepreneurship which means that insurance businesses - business done locally - it's very important that our management in the countries and in the companies have the spirit to lead the company successfully and to be part of the success of the Group insofar. Based on that - as I said - we very successfully developed the Group in the last years and I think also the first half year result 2012 expresses this path we are following.

The next slide which is slide four in your presentation gives you an overview of the first six months. We have an increase of the gross written premium of roughly 12% to more than €5.2 billion; already 54% of the premiums are coming from the CEE region. And within that also again a very positive development of those entities we have acquired from Erste Bank Group. We have double digit premium growth in the current life premium in Romania, in Slovakia and in Czech in our s Versicherung Group.

The profit before taxes of our Group increased by roughly 7% to more than €300 million. Profit growth in CEE is even stronger with roughly 14%. We have succeeded to reduce our combined ratio to 96.6% despite negative weather effects in the end of the second quarter. This is a Group being strongly capitalised with a Solvency I ratio of more than 200%. To give you a flavour of more recent things, I want to mention that we have merged two companies in Poland, InterRisk and PZM, and we have finished our acquisition of life insurance company Polisa.

The next slides of the presentation give an overview on the financial highlights. I elaborated already on gross written premium development and profit before tax. The next profit after tax and minorities increased even stronger by 7.5%. The combined ratio I already said is on the level of 96.6% and this ends up in earnings per share of €3.3 per share and an ROE before tax of 11.8%.

The next slide gives an overview on the profit and loss account and the balance sheet. In the income statement, besides the premium development, we see development of the financial result with a plus of roughly 5%, I will elaborate on that later on. We also see that the acquisition and admin expenses only grew by 1.4% on that, I also will elaborate. This ends up as I said in a profit before tax of more than €300 million, €301.7 million. We see a corporate tax ratio of roughly 21% and a net profit after tax and minorities of €231.3 million.

Within the balance sheet on the asset side we see a slight increase in the investments. On the liability side an increase in the shareholders' equity as well as in the underwriting provisions.

The next slide gives more detailed information about some items beginning with gross written premiums. Here we see on slide ten the development in different countries. In Austria, we see a positive development, a very positive development in the non-life sector as well motor and also non-motor especially corporate business. This includes also the branch offices of the Austrian companies. On the life side, we see a decrease. This reflects the negative development in the tax support of certain life products in Austria or the taxation of single premium business in life in Austria.

Concerning the countries Czech, Poland and Romania that we had ongoing negative currency effects. In Czech, we see a decrease on the non-motor side coming from MTPL with decreased average premiums. It looks that within July the market has found its bottom; hopefully, this will stay so. In life, we see a decline in the single premium business but a sound growth in the current premium business.

In Slovakia, we see both in life and non-life growth. In Poland, in non-life excluding the FX effects, we have a flat development. In life, we have an extremely dynamic growth. This mainly comes from short-term endowment single premium business. We have to be aware this is a very short-term and low margin business. Romania stays a very challenging market and we see that also in the non-life premium development which is ongoing negative. In life insurance we see a growth. This is the cooperation with BCR, the Erste Bank subsidiary in Romania. The other markets, the remaining markets, show double digit growth figures as well in life as in non-life.

The next slide which is slide 11 gives an overview of the development of expenses for claims incurred. We see a slight increase of the claims ratio by 0.5%points. In Austria, this is due to negative weather conditions in the second quarter. In Czech, we see a decrease in the claims ratio which comes both from motor and non-motor side.

We see a stable development in Slovakia and Poland and we see an ongoing difficult situation in Romania in comparison to the last year; in the first half year the claim ratio is up by more than 10%points. The remaining countries show an improved claims ratio, improved by roughly 4.5%points that's mainly coming out from Croatia and Bulgaria.

The admin and acquisition expenses have decreased relatively. The Group cost ratio decreased by more than 1.1%points. In Austria, we see a reduction of more than 3%points which comes from the stable cost development combined with increased premium volumes. In Czech Republic, we see an increase in the cost ratio. Here we have an effect of our reinsurance company VIG Re. We see higher reinsurance no claims bonuses and we also have some effects out of higher commissions paid in Czech.

In Slovakia, we see a stable cost ratio, in Poland a reduction by 1.5%points and in Romania we see the positive effect of our restructuring measures. We see that the cost ratio is down by 6%points and we have to take into account that this is despite the decrease in premium volume. In the remaining markets we see an increase in the cost ratio. This is influenced by the depreciation of acquired insurance portfolios but also by FX effects which are shown in the cost ratio.

Slide 13 gives an overview on the financial result. Overall we see an increase of roughly 5% in comparison to the first half year last year. If we go more deeper concerning the current income, we have to take into account that we have deconsolidated two housing societies. This has negatively influenced current income. On the other hand, it has decreased our ordinary depreciations and decreased interest expenses. What we can say is that we see a more positive trend in appreciations, in losses gained from disposal of investments and in write-downs. Insofar, we see overall an increase as I said by roughly 5% and the details you can see on slide 13.

The next slide gives an overview on the investment portfolio. Investment split is practically unchanged without the fact that the deconsolidation of the housing societies as I said have decreased the portion of real estate. At the same time the portion of bonds has increased.

If we look closer to the bond portfolio which is shown on page 15 of your presentation, if we look by each year, we have seen nearly no change. On the rating side we see the effect of the rating development in the market in the last month.

Last but not least, the development of the shareholders' equity which has increased by roughly €200 million this year. Besides the profit of the period, the positive development of the unrealised gains is most important for that increase.

Ladies and gentlemen, thank you very much for your attention and we 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. 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 whilst participants register for a question.

Thank you and the first question comes from Maarten Altema from ING. Please go ahead with your question.

Maarten Altema – ING

Yes, good afternoon, gentlemen and thanks for taking my questions. I have three questions at this time. The first is on the bond portfolio. Would you be able to share more information regarding your exposure to financials and covered bonds in particular such as for instance what percentage thereof is invested in peripheral based banks and are there any hybrid exposures?

The second one is on the combined ratio. I was wondering whether you could share the impact of weather related events in your combined ratio in the first quarter and the second quarter and what the outlook is for the third quarter in 2012.

The last one is on the Polish life premiums. How is the underlying development in terms of premium growth if you exclude for the low margin single premium business? And second to that, do you see any noteworthy trend in cross-selling of higher margin products to those low margin single premium clients? Thanks.

Martin Simhandl

Thank you very much for your question. I think the first question I will answer myself. The second will be answered by Peter Hoefinger and the third question concerning the Polish life development will be answered by Roland Groell.

If I understood clearly your question number one, it concerns the bond portfolio itself, the financials, covered bonds. I think we have given a breakdown in general. If we look back over the last four years since beginning of the crisis, every year-end continuously we have decreased the financial portfolio within our bond portfolio and have increased the government portfolio. Overall, as far as I have in hand, our covered bond portfolio is roughly 10% of the portfolio and the financial portfolio in the bond portfolio has decreased in the meantime to roughly 25%. In the financial portfolio itself the by far biggest part is senior portfolio. There are only really small parts non-senior and this also has been decreased over the last years. Within the senior portfolio, there is quite good diversification by countries like Austria, Germany, Great Britain, US, France, etc.

Peter Hoefinger

If I can come to the second question, development of combined ratio, we had in the first half specifically in the second quarter I would say quite a new phenomenon of natural events. We are experiencing in our region more and more very small local events with hail, flash flood. In the past - in the last years - we were more seeing large nat cat events. This time with a frequency of low nat cat events which then also locally depending on the country has a certain effect on combined ratio. If you compare first quarter with second quarter, you can see that we are quite stable despite these nat cat events.

Forecast for the third quarter I cannot give. I can just give you an indication. We had also quite some local nat cat events in July. August until now was quite fine but I cannot predict what could be the effect in the next weeks to come or give an assessment for the combined ratio for the third quarter.

Maarten Altema – ING

I am sorry to interrupt. Do you have the quantitative impact on the combined ratio for the year, natural catastrophes?

Peter Hoefinger

I cannot give you the exact impact on the combined ratio which was offset by a better loss ratio in the other lines of business. As I mentioned, it is a bit different than in the past as it is a number of small local events.

Maarten Altema – ING

OK.

Roland Groell

Regarding life business, some general remarks first. If you look at our development in life it's - as you mentioned - mainly influenced by our new cooperation in Poland but nevertheless if we do not include the Polish development, we have a positive development despite the situation that in Austria the life market in the first half year shows a minus of about 5%. And as you know, Austria, the life business within VIG mainly dominated even today from the Austrian business.

If you look at Poland, we do there this single premium business. Low margin you mentioned but we have also to mention it's also a low risk business as the duration of these contracts are rather short. In addition, it's very important for us that this is – if we look at the volume we do now in Poland, rather new cooperation, nevertheless, we worked together with Polish banks since years. What's important to mention is that there is also an increase in the current life business, also in the pure risk life business and I would assume that till the end of the year if we look at the regular premium business we will see also in this very specific bank cooperation, low but double-digit volume out of current premium business there. And that's very important for us because of course it starts with a rather low volume because we discuss now current premium but it's a sustainable and highly profitable business for us.

Generally if you look at the life business we are very proud that our s Versicherung Group companies especially in the CEE region. In Czech Republic and Slovakia and Romania they show double-digit growth rates (in the regular life premium business). Nevertheless that in Romania the economic environment is rather difficult. We have there growth rates of nearly 50% only speaking of current premium business without single premium business and that's a sign that nevertheless life business is not very easy today - especially in Austria - but in VIG overall the development from my point of view is quite satisfying.

Maarten Altema – ING

OK, thanks for taking my questions.

ACT Operator

Thank you. The next question comes from Michael Haid from Main First Bank. Please go ahead with your question.

Michael Haid – Main First Bank

Thank you very much. Good afternoon. I have also three questions. First on Romania, can you say that you see the floor in premiums in P&C going forward and when the combined ratio will be below or when you expect it below 100%?

Second question, I have to come back on Poland on this short-term capitalisation product. Can you say how short-term this product is? What would be the average duration, is it two months or is it one year or whatever? Where do I see these funds that you had as inflows, where do I see them on the balance sheet and how much in fact in the second quarter - out of these premiums in Poland, how much come from this short-term capitalisation product?

Last question, Austrian life. Your mother company the Wiener Stadtische Wechselseitige to my understanding subsidised the tax exempt old age provision product in the second quarter. Can you explain how does it work? Is this only for new business and is this subsidy for the whole year? Those are my questions.

Martin Simhandl

Thank you for your questions. Maybe I will start with the third question. As you know the structure of Vienna Insurance Group is that that it has been originally a mutual insurance company and the mutual immortalisation has been done in that way that the mutual stayed as a holding that is Wiener Stadtische Versicherungsverein which is nowadays the main shareholder of VIG. That means till now this is the mutual and in its function as mutual it has done these subsidies. That's concerning your third question. Your first question concerning Romania will be answered by Peter Hoefinger.

Peter Hoefinger

Well, as you can see, the performance in Romania is more than unsatisfying also for us. We are putting a lot of attention to Romania to get the situation in place. On one hand side when talking about Romania one also has to keep in mind the environment where we are there from an economic point of view but also from a political point of view which is very much characterised by negative tendencies and uncertainties. Nevertheless what we are doing in Romania we are currently making heavy restructuring with no compromises. I think one indication which you can clearly see and Martin mentioned it already we were able to achieve a reduction of our expense ratio was 6 percentage points when having at the same time minus 18% in premium. Looking on this also in absolute figures I think this shows what dramatic efforts we are achieving there on the expense side.

On the claims side we see one effect. We started six months ago to quite consequently restructure our portfolio. This means clients with a high frequency of claims or with very high claims ratios we cancel. We are following a disciplined underwriting approach which has an immediate effect on the premium which is seen now in the negative development of the premium. But you have a delaying effect with the claims. So, if you have been cancelling immediately a fleet business for next month, this does not mean that also with next month all the claims are stopped by these clients.

We have some kind of delaying effect where you see cancelling and not taking bad performing customers also in your claims ratio. Having a lower base for your claims ratio so again having the lower premiums automatically then is increasing your claims ratio. Therefore, we are expecting that we will be seeing positive effect in our portfolio and therefore also in our claims ratio by the time this delaying effect between cancelling premium and also then related claims of these customers are stopped.

I cannot give you a clear timing when we will be below 100% in our combined ratio. I can assure you that we do everything to bring it below 100%. I do not believe that we will achieve it this year but we will try to come very close.

Michael Haid – Main First Bank

OK, in the second half - sorry - when you say you come close to below 100% this year that means you would have to incur a combined ratio of close to 90% in the second half which sounds rather – to me it sounds rather unrealistic.

Peter Hoefinger

There should be a certain improvement of our combined ratio in the second half.

Michael Haid – Main First Bank

OK.

Martin Simhandl

Your third question concerning the additional question to Polish life business will be answered by Roland Groell.

Roland Groell

Your question according the duration of our Polish life business, the duration is about three months and the main part is invested in bank deposits. That's the reason if you look at our investments split that we see there an increase of some percentage points.

Michael Haid – Main First Bank

OK. And how much was it in the second quarter, the amount or the premiums that went into this product?

Roland Groell

I do not have the exact figure but some €100 million.

Michael Haid – Main First Bank

OK, thank you very much.

ACT Operator

Thank you. The next question comes from Michael Klien from Nomura. Please go ahead with your question.

Michael Klien – Nomura

Yes, hello. It's Michael Klien from Nomura. Firstly, just an update in terms of your current thinking on M&A. I remember the last discussions were obviously in Poland in terms of an acquisition there. Do you still see opportunities there, maybe some other countries where you see opportunities? Secondly, on your costs structure I think you are targeting cost savings of €20 million to €25 million per annum. Can you update us where we stand here currently? And finally in terms of your non-life business particularly in Austria you were able as you were mentioning to increase your premium income in the Austrian non-life business in particular because of the motor and corporate business. Could you maybe break down this improvement in premiums in terms of volumes versus prices? Thank you.

Martin Simhandl

Concerning M&A I think our position here is quite unchanged. As you know we are always looking on opportunities. I have to add and I have added that all the time that it's important for us that we are in a position giving our market position in CEE that we can acquire companies but we have no need if we don't want. This is very important - so insofar we can be opportunistic. Based on that we always have communicated clearly that on the one hand we want to develop our Polish business. The less we develop it with acquisitions the more we will try to develop it organically, but clearly this is a country where we want to develop our position.

We would like to do also something in Hungary which is not easy because it's always necessary that you have appropriate targets in such countries. Last but not least could also be - given the situation in the Ukraine - this could be a country that we could look for targets. But in general we are always very aware what's on the market in the different countries and we are always closely monitoring that. Concerning development of cost ratio -

Roland Groell

I think if you look at our cost structure we have to separate the commissions and administrative expenses. If you look at our commissions there is always a certain volatility driven by two main issues. The first is, for example, if you look at some of our CEE countries where we tried to increase significantly the non-motor business that means automatically that we have to pay more commissions there. Nevertheless it makes a lot of sense because that's a very profitable business.

The second issue is if you look at the administrative expenses, we have within the first half year very, very slightly increase if I remember right of about 1%. If you compare this with our premium volume we show in the first half year that means that we have our administrative costs quite well under control. I think Peter mentioned before especially in Romania where we were able to reduce our cost ratio nevertheless with a decrease of our premium volume. And the same is true if you look, for example, to Austria. But also to our other markets that's true, for example, for Bulgaria and for other small countries we are in and that's what we have always said that there is a possibility to reduce our cost ratio especially in the younger CEE countries and that we see now.

Martin Simhandl

Concerning your third question Austrian premium development, I cannot give you an exact figure what part comes from rate increases and what from new business but I would estimate that the bigger part comes from new business and we also have to take into account that this includes also the branch offices.

Michael Klien – Nomura

Just coming back to the cost savings perspective if I am thinking about your target of €20 million, €25 million I think one of the cornerstones was to harmonisation of the IT infrastructure. Can you maybe just update us on this programme where exactly we stand here?

Roland Groell

That's true. If we start with Austria. In Austria, we have I do not want to say 100% but we are well on track if we look at the IT harmonisation. The same is true for Czech Republic. The same is true for Slovakia. We saw a significant improvement in Poland. That's the reason why we show now in Poland the combined ratio below 100% because we improved not only the claims ratio but also the cost ratio there.

In Romania, we are on the way. You know that we have merged the two companies there. That's one reason why we are able now to show a lower cost ratio because now we have a unified IT system in this merged company and we are on the way in the smaller other CEE countries. For example, in Albania there is a specific project. The same is true for Bulgaria and for others but the main drivers are Poland, Romania and also Slovakia where we have nearly finalised the harmonisation.

Michael Klien – Nomura

OK, thank you.

ACT Operator

Thank you. The next question comes from Dhruv Gahlaut from HSBC. Please go ahead with your question.

Dhruv Gahlaut – HSBC

Good afternoon. I had a couple of questions. Firstly, if you could comment on what was the support from reserve releases coming through at the first half this year compared to what it was at the first half last year. Secondly, in terms of Romania I know you are looking at improving the combined ratio further in the second half of this year, but assuming the trends remain where they at this point should we be expecting further goodwill impairment there? And thirdly, giving the changing pattern in terms of the nat cat losses which you are witnessing at this point, are you thinking of any changes in the reinsurance strategy as well? Thank you.

Martin Simhandl

Maybe I try to answer your first two questions. Reserve releases, to make it very short, we have not changed our reserving policy. As we have done it - we do it now. You know that we are building up redundancies in our reserves that means also asked of that - of course you have reserve releases but in the same time you build up new redundancies.

Secondly, concerning Romania, I think the main attention of the management board is and that's what we are really concentrated on is to make things better there and be aware we are very concentrated on that. Concerning the nat cat effect maybe Peter Hoefinger is answering.

Peter Hoefinger

Maybe coming on to nat cat event, clearly you know we have a nat cat cover for the whole group bundling all our countries in this nat cat cover having therefore the advantage of a natural diversification before going to the third party reinsurance market and also having here the stronger bargaining power for the pricing. Nevertheless we are currently in the modelling phase and in the simulation phase of our portfolio as the renewal is standing before the doors and are here considering certain scenarios and maybe also changing certain systematics in our nat cat cover but this is too early to comment here on concrete details.

Dhruv Gahlaut – HSBC

Great, thanks.

ACT Operator

Thank you. The next question comes from Vinit Malhotre from Goldman Sachs. Please go ahead with your questions.

Vinit Malhotre – Goldman Sachs

Yes, hi. Thank you. This is Vinit from Goldman. Just two questions please. Just coming back to the second quarter now of Austrian growth, I am just wondering how sustainable is it from forecasting it rest of the year and if you could also give an idea of how much of this growth is coming from the branches as you mentioned within Austria.

Second question is on the other expense line we noticed a very sharp improvement and we found out that it was from reinsurance effect of currency particularly with Czech currently now that currency has reversed so if you could just talk a bit more about what's going on in that line that would be good. Thank you.

Martin Simhandl

I am not sure if we have understood your questions correctly. Concerning Austria, maybe two answers to that. Yes there is a substantial part of the increase also coming from the branch offices. Concerning the second half year the prediction in Austria is not really easy. We have to take into account especially in the life market in Austria we have the situation where we had changes in the tax environment, two times. And those effects we estimated that they will be significant, they have been till now but we don't really know how it's going on. This concerns as well the single premium business. You know that there was a very negative effect because short term single premium business is punished on the tax side and short term now is defined up to 15 years. And the second is that with the beginning or with the first quarter of this year we also have negative effect on the current premium; most important current premium product which is the tax subsidised old age provisioning product in Austria. Insofar prediction is not very easy.

Vinit Malhotre – Goldman Sachs

Sorry, just about on the non-life side the growth was also very strong and I was just wondering if that is easier to look at.

Martin Simhandl

I am not so sure if we would have that growth effect also in second half year but I think we will see a positive development as well in the motor and the non-motor side in Austria. In general this is the part where we see quite - from the bases quite a positive development.

Your second question I am not so sure if I understood it clearly, the output currency development. Maybe Roland Groell tries to answer.

Roland Groell

If I understood you right, the question was according the development of our other expenses.

Vinit Malhotre – Goldman Sachs

Yes, in the P&C side, yes.

Roland Groell

Perhaps first of all if you look at their overall development it's in line I think also with the previous year. We have now other expenses of about €140 million that's nearly the same amount like last year. And if you look at the first quarter, if I remember right, we show there something like €30 million and it's also nearly the same amount like the same period of last year.

If we look at the P&C business, in general that's also true for P&C perhaps with one exception. What is the main driver of the volatility of our other expenses is our FX development and in the case of the second quarter this year it was mainly driven by the development of the Czech Crown. The Czech Crown if you look at the first quarter has a development of I think something like minus or plus 5%. If you look at FX ratio at the end of the half year it's nearly a zero development in comparison to the end of last year and that's the main reason why there is a certain volatility in the other expenses.

Martin Simhandl

But we have to be aware this is only in the other expenses; it is offset by other developments, in that case in the financial results.

Vinit Malhotre – Goldman Sachs

Yes, perfect. Thank you very much.

ACT Operator

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

Ralph Hebgen – KBW

Yes, good afternoon, Ralph Hebgen from KBW. Two things. One, may I go back to the single premium business in Poland. The influx there in the second quarter was material and I was just wondering whether you could give us any background on this business. Is this business which you have written before but which was not basically written at those volumes or is this new business which has occurred for some reason in this quarter? So basically what are the drivers behind that business? And also why do you write it basically? The profit margin in Poland has materially diluted versus the second quarter 2011 and why this is not in itself meaningful? Of course you still get the volume and you still get the commensurate profit. I wonder what your rationale is in pursuing this particular line of business.

And second, just for information, you had net realised gains I think of around €50 million at the half year stage. Would you be able to comment on how much of that actually went into the pre-tax profits? Thank you very much.

Martin Simhandl

Thank you for your questions. The second question, a traditional one, will be answered by Roland Groell but the first I will try to answer.

If we look at the Polish development this is a business which is tax driven in Poland and the impact of that business differs always as it's a short-term business what's, so to say, the demand of the customers of certain banks that could differ from quarter to quarter to a certain extent. That's the one thing. But frankly spoken that's not the main reason why we are doing that. At the same time, and Roland Groell already mentioned it that maybe I have to make it a bit more clearer, at the same time we are starting to build up a regular premium portfolio as well on the life risk side but also on the other side. And this of course if you are building up a regular premium portfolio in the first period, this always will be small but we are aware of regular premium when it grows, it grows on the basis of the last year and thirdly year on the basis of the first and the second year and so on and that we have to take into account.

Roland Groell

According to your question net realised gains and the contribution to the pre-tax profits, I think in the meantime we know how we calculate our extraordinary investment results. The net impact is less than €10 million, so not material.

Ralph Hebgen – KBW

OK, thank you very much.

ACT Operator

The next question comes from Michael Haid from Main First Bank. Please go ahead with your question.

Michael Haid – Main First Bank

Thank you for taking me again, thank you. Just one question. Can you say a word on motor insurance in Poland? I saw that your premiums in P&C in Poland decreased significantly but you said that almost all of this effect is FX driven. Nevertheless, it seems that competition in Poland motor is increasing. Can you comment on that, please?

Martin Simhandl

Peter will answer your question.

Peter Hoefinger

Yes, you are fully right. Pricing on motor has become much more competitive since the beginning of the year. We are not engaging into this pricing war. We are focusing very much on other non-life to stronger build up our property corporate business portfolio. We are not willing to push growth in motor business if we think the premiums are not sufficient and I think you can also see with the combined ratio in Poland this first half that we are here on the right track following this strategy.

Michael Haid – Main First Bank

Thank you very much. Great.

ACT Operator

Thank you. We have a question from Thomas Neuhold from Kepler. Please go ahead with your question.

Thomas Neuhold – Kepler

Yes, good afternoon. I have two questions. First of all on the development in the remaining countries we have seen a very strong increase in volumes and also in profitability. Maybe you can guide us through in which segments and in which markets you currently see there the biggest growth opportunities.

The second question would be for the question on the life business in Austria. You mentioned already that the negative changes on the tax side, you've also seen significant dropping in government yields. Do you think there is a likelihood that the guaranteed interest will continue to fall and at which ratio do you think this guaranteed interest life products would become very difficult because they are not attractive anymore for the customers?

Martin Simhandl

Thank you for you questions. Maybe I can start with the second question. Guaranteed interest rates - sorry, do you still hear us?

Thomas Neuhold – Kepler

Yes.

Martin Simhandl

There is a formula which determines how the regulator sets the maximum guaranteed interest rate for new business. As you know in Austria for the time being this is 2%, we expect that it goes down to 1.75%. Concerning the question of how attractive life business is, I think the one thing what in such an environment the market has to think of is maybe how to reshape some products and there are also some smaller changes on the way in different companies in that country. On the other hand, and I think that's very, very important, if you look at the customer, if you look at how much he gets out from different kinds of investments, how much does he get out from bank deposits or some other investments, this is very, very low.

I would say in comparison to that and given the high security of traditional life insurance I always wonder why not more people are asking for that product in that situation. Maybe it's a question of the time they are bound to that. To a certain extent in Austria that's also a question of taxation, but it's also a question of how to create these products and maybe insofar there will be also part in new products which are taken into account then.

Your first question is of the development of remaining countries. This is a development which is overall very positive in the premium growth double digit as well in life as in non-life and this is not only one country, but more details I will give you now. It's especially Hungary, Georgia, Albania but also life in Liechtenstein has developed quite well. These are partially significant - sorry.

Nina Higatzberger

Just one second please.

Martin Simhandl

In all these countries we have those developments, but in addition to that we also have effects from the development of the depreciation on insurance stocks what we are doing on a regular basis.

Thomas Neuhold – Kepler

OK, thank you.

ACT Operator

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

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

We do not appear to have any further questions. Please continue with any points you wish to raise.

Nina Higatzberger

Thank you, Danny. Thank you ladies and gentlemen for listening in. We hope to have you with us again on 27 November for the presentation of the nine months results. Goodbye.

ACT Operator

This concludes today's presentation. Thank you for your participation and you may now disconnect.

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