Conference Transcription

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Conference title	**:**	**Vienna Insurance Group AG – Results for the first three quarters 2012**

CONFERENCE DETAILS

Conference Date:	27 November 2012
Conference Time:	15:00 CET
Conference Duration:	Approximately 51 minutes
Chairperson:	Nina Higatzberger

ACT Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Vienna Insurance Group results for the first three quarters 2012 on 27 November 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 difficult hearing the presentation, please press the *0 on your telephone for operator assistance.

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

Nina Higatzberger

Thank you. Ladies and gentlemen, welcome to today's conference call. The presenting team here in Vienna consists of Martin Simhandl, our CFO.

Martin Simhandl

Hello, good afternoon.

Nina Higatzberger

Peter Höfinger, Member of the Managing Board.

Peter Höfinger

Good afternoon.

Nina Higatzberger

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

Roland Gröll

Good afternoon.

Nina Higatzberger

I now hand over to Martin 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 first three quarters 2012 of Vienna Insurance Group. Before I step into the details of the figures, I want to elaborate a bit on the development of our market positions. Out of our premium growth in this year, we have increased the market share in our core countries. These are ten countries. We have increased that market share to 19.4%. This means that our market share in the meantime is practically twice as big as the market share of our main competitors in that countries. Slide four of our presentation gives you an overview of the market positions we hold in different countries. We are number one in Austria, Czech, Slovakia, Romania with market shares between 25% and 33%. We are in the top three in Poland, Bulgaria but also in Albania, Georgia and Macedonia and we are in top five in Croatia, Serbia and Ukraine. This is based on our strong premium development.

In the first three quarters of this year in comparison to last year, we have seen a premium growth of 9.2%, despite a rather difficult market environment and rather difficult economic environment. In CEE the premium grew even faster, by more than 14%. That means CEE accounts in the meantime for more than 54% of our overall premium volume. And if we look closer to the s Versicherung Group, this is the bank insurance entity in cooperation with Erste Bank Group, also here we see a very positive development especially in regular premium with regular premium double-digit growth in Slovakia, Romania and the Czech Republic.

The profit before taxes increased by 7% to €443 million. In CEE the growth was even stronger, more than 18% plus, 18.6% in profit before taxes. That means that more than 51% of the profit before taxes derives from CEE. Especially in the remaining markets we have seen a very substantial growth in our profit, more than €20 million.

The next slide – this is slide seven in your presentation – gives an overview of the financial highlights of the first three quarters. I spoke already about the profit before tax. The net profit after taxes and minorities increased even faster by roughly 9% to €341 million. Earnings per share up to €3.24 per share. This based on an improved combined ratio in comparison to last year, a combined ratio of 96.9% despite negative weather conditions. And the ROE before taxes up to 11.2%.

The next slide gives an overview on the income statement and on the balance sheet. If we look at the income statement, I have already elaborated on the gross written premium. The net earned premiums up by 11%. The financial result also developed very positively. I will come back to that. On the other hand the expenses for claims and insurance benefits increased by 14%, the acquisition and admin expenses only by 2.7%. I will come back to that later. Profit before taxes I already said. It's €443 million, taxes €93 million roughly. This means a corporate tax ratio of roughly 21% which is practically unchanged from last quarter. Net profit after tax and minorities, I also already elaborated.

If we look on the balance sheet, on the asset side, we see that investments increased in this year to €29.5 billion. On the liability side, I only want to point out one figure which is the shareholders' equity that developed very positively, a plus of more than €500 million to €5.5 billion in the end of third quarter.

If we look a bit closer to the gross written premiums and you see that on slide 11 of your presentation, then we see that in Austria in non-life we have a sound growth, both based on the development of corporate business but also on the development of our branches. In life we have an unchanged negative development which is heavily coming out from the development of the single premium business. In Czech Republic, the non-life development reflects pressure that we have seen especially in the first two quarters on the motor market. In life we have to be aware that the single premium business decreased this year in comparison to last year.

In Slovakia, we have a sound development in MTPL as well as in property; life business also developing well. In Poland, on non-life we see an increased competition on the motor side; life we have seen quite a tremendous growth this year. Romania, the premium development reflects the challenging situation in that market. We have further actively reduced our MTPL portfolio. That is reflected in the premium development. Quite a good and positive development we have seen in nearly all markets of the remaining part of our countries.

Expenses for claims incurred, the Group claims ratio is up by roughly 0.5% point. This reflects negative weather conditions in the third quarter. In Austria especially we have seen a negative effect and the claims ratio went up by more than 2% point. We have a stable development in Slovakia and Poland and a significant improvement in the remaining markets that is mainly driven by Croatia and Turkey. On the other hand, we have a negative development in Romania and this reflects the unfavourable market situation there; we have an increase by more than 10% points. In Czech last but not least, the claims ratio is down by 2.7% points, so we have a very positive development there.

The acquisition and admin expenses, we have managed to decrease the Group cost ratio by 0.8% points. In Austria, the reduction was 2% points. In Czech we have an increase of 2.7% points and that also reflects no claims bonuses in reinsurance paid by our internal reinsurance company, VIG Re. In Poland, we have seen a reduction of the cost ratio by 1% point. In Romania, we have worked heavily to reduce the cost ratio there and we have been successful insofar but here we also have some seasonal effects. In remaining markets, we see an increase in the cost ratio and we have to be aware that this is mainly influenced by the depreciation of the acquired insurance portfolios.

Slide 14 gives you an overview on the financial result with a plus of more than 12%, very positive development. This reflects the by far better situation on the capital markets in this year in comparison to last year. If we look at positions like income from appreciations, income from disposal of investments but on the other hand also the losses from the disposal of investments and impairments, we see a very positive development in comparison to last year.

The next slide gives you some information about our investments, slide 15 the investment split. The bond part in our portfolio further increased. On the other hand we see a decrease in the real estate and this comes from the deconsolidation of some of our housing societies from the beginning of this year on. The others are rather unchanged.

Next slide gives an overview on the bond portfolio by issuer. We see a further increase of the part of government, slight decrease on financials and a slight increase on corporates. Rating structure reflects the recent development and these are developments we see how over a certain time that rating agencies downgrade companies and governments.

Last but not least development of shareholder's equity. As I said a very positive development. An increase of roughly €500 million within that year and this comes on the one hand out of the result of this year and on the other hand of a heavy increase of the unrealised gains in our asset portfolio.

On the last slide of the presentation, we give you an overview on the first three quarters of this year, three quarters we think we have reached very positive results with an increase of earnings before taxes of 7%, profit after taxes and minorities even higher increase, gross written premium plus 16%, profit growth in CEE of roughly 19% and a combined ratio below 97% despite the impact of negative weather conditions in this year especially in the third quarter.

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

ACT Operator

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

The first question today comes from Maciej Wasilewicz of Morgan Stanley. Please go ahead.

Maciej Wasilewicz - Morgan Stanley

Hi, it's Maciej from Morgan Stanley. I have got two questions that are related to each other. The first is just on capital. I know that you have told us that your Solvency I capital is above 200%. I am just wondering whether or not – I mean a few years ago I think it was now, we were told that you had quite a big if you like war chest or ability to purchase companies. Since then you haven't made any big acquisitions, so I imagine that this war chest must have expanded since that point. I am just wondering is your capital position now extremely strong both under Solvency I and Solvency II framework and is there anyway you can quantify that or give us a flavour for that. Secondly, if you don't have any near term opportunities for M&A and if your growth has slowed down a little bit because of the situation in Central and Eastern Europe being a little bit slower, is there any possibility that you might think about raising the dividend?

Martin Simhandl

Thank you for your questions. Maybe I would answer both. First, our capital position as you said is a sound one. I think this is something that is important and good for an insurance company, an insurance group especially in times as they are. I think more and more also investors are aware that the strengths of the balance sheet is something quite important and positively important for an insurance group. Of course we have a war chest. You saw that or recognised that in the end of last year when we were looking for an acquisition in Poland. At that time we would have been able to do that without raising equity. Of course this is something that insofar is unchanged. On the other hand, also this is something what we clearly said, we want to organically develop our business which this year I think we have managed quite well.

You asked about the Solvency I, Solvency II position. The problem under Solvency II to make it very frank is when I am talking about something today, I would talk about something different in three months. This changes all the time. Right now, as you know, there is a long-term guarantee assessment. There will be testings of 11 different scenarios and those scenarios all will lead to different results. If we would publish something, if there is not a certain stable basis where we could elaborate on, I truly think what we would have to do, is always to explain when something has changed. And over the last one, two years practically every month or second month something significantly changed in that process. We will see how it develops further. For the time being it has been postponed. Now it's said that Solvency II will come in 2015. We will see how it is going on. Now we are prepared to do that long-term guarantee assessment and hopefully there will be reached sometimes a time when the things are fixed and when they are fixed you can be sure then you also will get figures.

Concerning our dividend policy this is something what we follow since we had our second public offering in 2005. This is something that we have not changed in principle and also now we have not changed. So you can be based on what we have said always that we will distribute at minimum 30% of our Group net profit.

Maciej Wasilewicz - Morgan Stanley

Thank you.

ACT Operator

The next question comes from Brian Shea of Bank of America Merrill Lynch. Please go ahead.

Brian Shea - Bank of America Merrill Lynch

Good afternoon. Your running investment income is really very high and I just wanted if you could comment about the path that we should expect that to be taking over the next couple of years. If you don't want to make a forward-looking statement, I guess what you could do, Martin, is just help us out what are you putting new money into, what is your new money yield? That would at least give a sense for how quickly this averaging down effect which surely will be playing a role, how quickly it would be effecting your investment yield? Your running yield in the first nine months was 4.7% across the whole company and a very high 5% in non-life. Thank you.

Martin Simhandl

Thank you for your question. Of course this is very – an interesting question and always when questions are dealt with future, they are extremely interesting. Of course nobody knows the future and so I do not know how interest rates will develop. What I can tell you and insofar I think I can give you a flavour is what we had yield on new investments this year and now I am speaking about the euro part meaning I am speaking about Austria. In Austria this year we had a new investment yield of around 3.6%, 3.7%. In CEE countries as you can imagine the yield was higher because most of the CEE countries had in general higher yields. What we have experienced this year is that over the year on the one hand we have seen a slight decrease in the risk-free rate. But when it comes to risk-free rate even it is to be asked what is risk-free and what does count as risk-free is the German bund the only risk-free or what is risk-free. That's the one thing. The second thing what we have seen especially over the last month is that we have a certain decrease in the spreads and we have to be very carefully looking on how this develops in the future. But in fact nobody really can predict it.

Brian Shea - Bank of America Merrill Lynch

Thank you for that. I mean I guess the year-to-date average new money yield, that's a pretty dynamic number. I am assuming it has been coming a lot – down a lot of years going on. Do you have anything - you know, what is it today or what was it in Q3 standalone? Do you have any better feel for that?

Martin Simhandl

I have no figures on Q3 alone but I would not estimate that it's much different.

Brian Shea - Bank of America Merrill Lynch

OK and I guess in CEE, I mean the Polish government bond yield is quite a bit higher but your other main markets it's not that different from Austria. Should we expect the CEE yield in aggregate to really be that much higher than your euro portfolio?

Martin Simhandl

Well, as you've said the Polish is higher, the Slovakian is higher - even it is European - Czech is higher. For the time being I see no yield in CEE which is on the level of let's say Austria or Germany. There is none.

Brian Shea - Bank of America Merrill Lynch

OK, all right. I'll stop there. Thank you very much.

ACT Operator

The next question comes from Bernd Maurer of RCB. Please go ahead.

Bernd Maurer – Raiffeisen Centrobank

Bernd Maurer, Raiffeisen Centrobank. One question I do have regarding Poland, you stated you see increased competitive pressure and I ask you if you can elaborate a bit more on this issue stating in which fields you see competitive pressure to pick up and did competition increase in recent months in the shorter term or was it practically the same all over the year?

Martin Simhandl

Maybe this is a question which will by answered by Peter Höfinger Let me introduce insofar that not from the business itself but from the players being active on the market, I think the main – what we see in Poland for the time being is that somebody is making pressure that has quite a new ownership and I think that is an ownership that has changed in the beginning or within that year.

Peter Höfinger

Quite a lot has been already said for the reason for the competitive pressures. The main competitive pressures in motor business. We have also started over the last 9 to 12 months to continuously increasing our tariffs. So also there is a certain effect for slowing down our non-life development. But if you look on this figure, you also have to keep in mind certain FX effect which also you see here in this final picture.

What we are currently intending to do is we are trying to compensate certain shortfalls in the motor business in being much more active in the commercial lines of business. Because of history we are a bit under-represented in our market share in property in relation to motor so we are very active since beginning of the year building up our infrastructure and expertise in Poland to catch a larger share of the commercial business of the Polish market where we see first success.

Bernd Maurer – Raiffeisen Centrobank

Hello. Thank you. One more question. Do you think competitive pressure in Poland to increase further? Meaning that we had a very favourable claims environment in the last one a half years. That some market participants fighting for market share using the low claims ratio to be more aggressive on prices in the coming months than they are now?

Peter Höfinger

I would not see from today's perspective that competition will become less in motor.

Bernd Maurer – Raiffeisen Centrobank

Thank you very much.

ACT Operator

The next question comes from Thomas Neuhold of Kepler. Please go ahead.

Thomas Neuhold – Kepler Capital Markets

Yes, good afternoon. Basically I have three questions. First of all, can you give us an update on the situation in Romania? You again had quite high losses in the third quarter, how the current business environment is in Romania and how your restructuring is proceeding and then I have two follow-up questions.

Martin Simhandl

OK, let's start with Romania, you're first question. It's a quite challenging market. There are several reasons that it is challenging. We have to be aware and I said that already several times that we are in a market where we have two, three market players, two owned locally in Romania, one coming from Bulgaria which do business in MTPL which in our opinion is by far not sufficient in premium rate. This creates a lot of problems. We have decided to reduce our business to hold premium rates higher or even increase them substantially. Of course this leads to effects where you have decreasing premium volumes. We are on the other hand working very intensively to decrease our costs. As you know we have merged two of our big companies Omniasig and BCR non-life in this year and I think we have managed to have quite substantial cost effects out of that. But we have to be aware it's an ongoing, very challenging market. On the other hand we have ongoing situation where not all of our clients are paying the premiums, so this also negatively affects you.

If we look on the macro environment, it seems that Romania even in that year has a slight increase in GDP. It is predicted for next year to increase. Of course it would be better if there would be more substantial growths given more income to broader masses of the population. But thinking about the environment in Europe as a whole which economically for the time being is quite challenging, this is maybe even better from that general situation than what could have been expected in Romania.

Thomas Neuhold – Kepler Capital Markets

OK, thank you. The two other questions are more or less big picture questions. First on the life business, interest rates have fallen significantly over the recent quarters and I was wondering how you see the life business evolving in terms of volumes and profitability if interest rates stay at the current low levels. And the second question is regarding the general outlook of the insurance business in Austria. There was recently a study published that the disposable income of many people in Austria has declined due to rising costs of living. If this trend persists, do you see any risks that the growth rates in the insurance sector could slow down in Austria and that also profitability might become under pressure?

Martin Simhandl

Maybe I also could answer these two questions. First interest rates, as I already wanted to elaborate, if we look at interest rates since the beginning of the crisis is 2008, it's not so easy to talk about interest rate as such because the difference between interest rates to be paid by different organisations, entities issuing bonds are very different in the meantime. So as I said we have seen a decrease in the risk free rate if we call it like that. We have seen over longer time quite substantial spreads even on very fundamentally good entities being public entities or being private entities. Over the last months we have seen here some decline. This is something what we always are monitoring very closely. From the view of an insurance general of course if interests and spreads are going down and if they are staying for a longer period on a low level, of course this affects your profitability. Then over time your investment portfolio, your running yield will come down.

On the other hand also your guaranties will come down. For the time being in Austria our average guaranties are roughly 2.8%, something around that which is not so tremendous high. Always when it comes to the discussion about interest rates, people are thinking about German insurance entities having significantly higher guaranteed interest rates, roughly 0.5% point higher. But of course this is something we have to monitor. On the other hand nobody really can foresee the overall GDP development. On the one hand it is as it is. But if GDP growth comes back again to Europe of course this also will have effect on interest rates.

Your third question was about the Austrian disposable income. I'm not so sure on what research you are reflecting here. I think if we generally look at the Austrian situation, we have to differentiate two things. We have a negative development in life insurance which is mainly coming from tax effects. I have to stress the fact that since one and a half or nearly two years now, we have the situation that single premium business with a duration less than 15 years from a tax standpoint punished and this clearly had quite a significant effect on the development of the premium volume in life insurance. On the other hand if we look at the income of the population, I think Austria to say it in a very broad way I think has done a quite good job. If we look at the development beginning from before the crisis, through the crisis and out in the last years, we see that the disposable income in Austria has developed quite well. Even that was on the one hand driven by effects coming from the public sector. But if we look for example on the development of wages even recently, we see significant real wages increases. What we also have seen is that the consumption part of the economy all over these years has strengthen the Austrian economy. So insofar, I am not so negative as you have pointed it out.

Thomas Neuhold – Kepler Capital Markets

Thank you.

ACT Operator

The next question comes from Avinash Singh of Nomura. Please go ahead.

Avinash Singh - Nomura

Hi, good afternoon. This is Avinash Singh from Nomura. I have got two question. The first is again on Romania. Despite of numerous effort on your side, the claims this year has worsened further. Should we expect this trend to continue in Q4 and what are you doing further to reverse this trend? My second question is on your Poland life business. I would like to understand this single premium, short-term endowment product. What kind of profitability does it offer as some of your competitors have said that they don't want to sell this product as the profitability is really low in this? And from your perspective should we expect you to further push this product in quarter four this year and even in 2013? Thank you.

Martin Simhandl

Thank you for your questions. First concerning Romania, frankly spoken, the negative trends there, if we are already able to change them significantly in the fourth quarter, this would be I think a bit too much challenging. Of course we are constantly working on improving debt and you can be aware we have done a lot and we are working hard on it. Of course it must and it will become better. I am in the meantime very cautious when it comes to prognosis when exactly this will happen but you can be aware that we are doing all that we come there.

Concerning Polish life insurance, to give you a bit more flavour, this product we are talking here about is a product that is short-term single premium product which has a positive tax effect for the insured. This is a product that exists for a lot of years in the meantime. We have done that business already before the crisis. We within the crisis closed down that business practically to zero because in that time meaning 2009, we thought that given the credit risk in that product, the margin would be too low. Over time the structure of the product on the market has changed also the credits have changed on the markets and therefore we re-stepped in. This is not something new. It's something that has come again. If others are doing different, then I would ask what have they done in 2009 but that's their decision. We have to be aware and also on that I elaborated already last time that this is low margin business. This is not a business we are doing only for itself. It is a business we are doing in the intention also out of that to grow our regular premium business be it in life, be it in non-life insurance.

ACT Operator

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

Ralph Hebgen - Keefe, Bruyette & Woods

Yes, hi, good afternoon. Ralph Hebgen from KBW. First of all, I would like to ask you whether you would be able to give us a number of how much excess capital you are currently carrying. The second and that links into this – I'm reading in the press release that you are and I can quote this now, now also regarding the region from the Baltic Sea to the Black Sea as growth engines. In that context has your acquisitive arena so to speak expanded and can we expect to see M&A activity in this wider territory? And finally just noting that net realised gains have greatly expanded in the third quarter, how much of the €60 million net realised gains in 3Q went into pre-tax profits? Thank you very much.

Martin Simhandl

First question I want to answer, second will be answer by Peter Höfinger. The third as usual will be answered by Roland Gröll and thank you very much for your questions.

Concerning Solvency I, the excess capital we always and again this year we will give you in the year-end in our financial statement and you will have it completely clear in figures between year-end and next year. We do not publish it but it's quite an easy exercise because you can imagine how our equity has increased. On the other hand you have the solvency capital requirement which under Solvency II is coming out from your business volume. So a rough figure I am sure you can re-calculate quite easily. Second question, Peter.

Peter Höfinger

When you are mentioning the region from Baltic Sea to Black Sea, yes, fully right. This is one of our future growth area which will support our growth within the Group. Just if you look on the figures of average premium per capita with €170 just compared with Austria which is around 2,000, even this is below the average of all European Union. Mainly our target is to invest and explore their distribution channels. In all of these countries, we are represented. In some of the countries we even have dominant positions. So it will be focussed on organic growth to develop this region. If there is an opportunity coming up we will have a close look to it. But no major big acquisitions currently would be seen as a possibility. We will see what may be in the forthcoming years. Some of our international competitors, some are thinking to do with branch offices, so maybe there are some opportunities. But a very clear focus is on organic growth in this region and applying our multi distribution system to this region.

Martin Simhandl

But Ralph you are aware that we are looking after acquisitions all the time and we have done also recently acquisitions for example in Macedonia as we said. And of course we know very well in all of these countries what is on the market. OK, maybe Roland answers the third question.

Roland Gröll

All right. As you have said we have extraordinary investment result of about €60 million and out of this €60 million less than €50 million has an influence on the bottom line.

Ralph Hebgen - Keefe, Bruyette & Woods

Sorry, I do apologise. My telephone just beeped. How much was that?

Roland Gröll

Less than €50 million.

Ralph Hebgen - Keefe, Bruyette & Woods

OK. Thank you very much.

ACT Operator

The next question comes from Vinit Malhotra of Goldman Sachs. Please go ahead.

Vinit Malhotra – Goldman Sachs

Hi, good afternoon. Just two questions please. The first one is a bit more strategic. If I look at the spread of the business, the Czech, the Slovakian markets have – companies for you have been quite profitable on combined ratio and obviously you are seeing some more issues in the other CEE markets like Romania which we are discussing every quarter now. But, in Czech Republic for example, Kooperativa you bought at least 15 or 10 years ago if not more. I am just wondering is there some kind of timeline here that companies you bought in the last three, four years – and this is probably just you could confirm that, that is it that the companies you bought in the recent past are still in the restructuring mode because I remember that was or that is your key strategy – to buy and then turnaround. So some of these like in Romania we have seen some issues. But is there a trend there and – maybe the answer is no but maybe you could just clarify that. I think that's my first question. My second question was more on the investment income but that has been answered so I have only one question. Thank you.

Martin Simhandl

OK. Well, I think it's very easily and clearly to be answered. First, coming back to Kooperativa. Kooperativa we co-founded in 1990. We started from zero at that time. That was in Czechoslovakia. We had a market share of zero and the premium volume of zero. Now, we have in Czech a market share of over 30%, we have in Slovakia a market share of over 33%. Of course, this is quite an impressive development. In the meantime we also have acquired a lot of companies and of course we are also restructuring and developing them. Restructuring insofar that very often smaller companies we acquired have quite high cost ratios on which we could work and on the other hand we have a dynamic growth. And to give you a clear figure what you can see, the main effect what we have here, you can see in the segment others. The remaining countries had a profit in the period of the last year of €2 million and it shows a profit in the first three quarters of this year of €20 million. I think that is quite a development.

Vinit Malhotra – Goldman Sachs

And just if I can, similar to just taking a slightly longer run view. A few years ago when you came to the market, there was also a lot of discussions around your conservative reserves. If you could just remind us again – and the reason I ask is because as I said when you are seeing just close to 90 combined ratios in some of your major market, I am just wondering if you are still adding to that reserve buffer or if you could just update us on that please. Thank you.

Martin Simhandl

We came to market last time in 2008. At that time also in 2005, we clearly spoke about our reserving policy and this reserving policy also is unchanged now. We disclosed that each and every year within our embedded value report where you can see the redundancies. Now our claims reserves that were in the end of the last year roughly €500 million reserves in technical redundancies and technical reserves net of taxes. And if you look at the development, you see not a huge but you see a steady increase.

Vinit Malhotra – Goldman Sachs

OK, thank you very much.

ACT Operator

The next question comes from Ralph Hebgen as a follow-up from KBW. Please go ahead.

Ralph Hebgen - Keefe, Bruyette & Woods

Yes, sorry, here I am again. Just one question on Poland. Thank you very much for the explanation which you have already given. Just one point on the influx of single premium business which we have seen in the second quarter. It was actually very pronounced there and commensurately depressed the margin in the second quarter since the business is quite low margin. Now, in the third quarter, the profit margin is back up with the historical run rate. Just to help us understand the dynamics, is the second quarter influx indeed a one-off or is it driven by seasonal dynamics? In other words, can we expect this happening again in future quarters or is it actually just a one-off in the second quarter?

Martin Simhandl

I think when we are talking about single premium business especially when we are talking about short-term single premium business, we always have to be aware that this has a certain fluctuation and one time it's more, one time it's less. It has maybe seasonalities and it could change also over time. On the other hand, as you know this is a business that is low margin. Our main focus frankly spoken is not on that business. Our main focus is that in combination with that business, we are developing the rest of our business. So insofar, yes, there will be also in the future inflow of such business. If it will be exactly in the same amount, could be, could not be, could be less, but it's not the main question for us. The main question is for us in overall developing our sustainable growing, earning, carrying business.

Ralph Hebgen - Keefe, Bruyette & Woods

OK, thank you.

ACT Operator

The next question comes from Dhruv Gahlaut of HSBC. Please go ahead.

Dhruv Gahlaut – HSBC

Good afternoon and thank you. Dhruv Gahlaut from HSBC. I have just got one question on Romania. Given the profit in the first nine months, should we expect further impairments like last year? Thanks.

Martin Simhandl

I would answer that like that. Romania, our main focus for the time being is on improving our business there, making it solid from each and every side. That's the main thing. All the rest, I would not think it's the right time to discuss. In our opinion, and this is something what we really believe is that maybe not seen in the figures, we have structurally changed a lot already in the Romania, that we have significantly reduced our cost basis, that we have significantly improved the premium rates of our new business. And last but not least, and that is also something what you have to take into account, if we look at Romania, maybe last year was not very good one and this year for the time being is also not a very good one. But overall, if we look about a longer period, Romania also for us is a substantially earning bearing business. We have earned a lot out of Romania already.

Dhruv Gahlaut – HSBC

Right. Thank you.

Nina Higatzberger

Operator, as it seems that there are no further questions I would like to end the conference here. Ladies and gentlemen, thank you for listening in. We hope to have you with us again next year when we will release the preliminary unconsolidated premiums of 2012 on 24 January. Goodbye. Thank you.

ACT Operator

Thank you. Ladies and gentlemen, this concludes the Vienna Insurance Group results for the first three quarters of 2012. Thank you for participating. You may now disconnect.

END OF CONFERENCE