



VIENNA INSURANCE GROUP (VIG)

Results for the first quarter 2018

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Conference Call Q&A-Session

Transcription

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Operator Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star followed by two. If you are using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press star followed by one at this time. One moment for the first question please. The first question comes from the line of Youdisch Chicoree with Autonomous Research. Please go ahead.

Youdisch Chicoree Good afternoon everyone. I've got three questions please. The first one is on your outlook for Poland, especially on pricing and profitability. And secondly on Slovakia. Could you tell us a bit more about the reserve strengthening you had to take in motor and whether there's a risk of further charges? And thirdly is on the cost ratio. Should 42.4 percent be the new base going forward? Thank you.

Liane Hirner So, may I ask Peter to answer the first question regarding Poland, and then asking Judit to answer the questions regarding Slovakia.

Peter Höfingner Good afternoon. Peter Höfingner. Poland, on one hand side, we saw the last 18 months a positive trend in pricing motor. This is now not any more increasing the pricing tendencies as it was in the past. Nevertheless, pricing is stable and you can see that we are quite benefitting out of this and our combined ratio improved considerably. But it's not only motor business. We are also growing quite strongly in property, other property. This is due to the fact that we have enlarged our distribution channels, that we have further fostered our relation with multi-agents and with brokers. We have developed a digital platform for multi-agents, which makes it easier for them getting our products and getting offers and the applications. All this shows effects where we are now positively developing our companies and we have a quite positive outlook for the further development of Poland.

Youdisch Chicoree Okay, great, thank you.

Judit Havasi Regarding Slovakia, they are a very conservative group and based on these conservative calculations and the latest development in especially in foreign claims in Slovakia, we just strengthened our reserves. To be on the safe side, and regarding cost, no, this is not the target of the year end. There are several one-offs, but I have to say Slovakia has had a very low cost level in the past. I don't know whether we can, I would say,

repeat that one, but we are working on that. That's for sure at 42 percent it should not be at year end.

Youdisch Chicoree Okay, cool, thank you.

Operator The next question comes from the line of Raul Parekh with JP Morgan. Please go ahead.

Raul Parekh Hi, I've actually three questions please. The first one is on solvency. The solvency ratio is, you have a very strong solvency ratio, 220 percent, and for a personal insurer. And I just want to know you know probably, is this a level that you're comfortable with, or are you planning to address this all capitalisation somehow? And is this 220 percent solvency linked to the fact that your ROE is lowered seven percent roughly?

My second question is on the re-insurance business, which is growing strong at 31 percent and third party premium especially. What is the combined ratio for this business? And my last question is on Romania. On Romania, I see a structural improvement in the last couple of quarters, especially in combined ratio and the profit before tax. So is the outlook for business there improving? Thank you.

Liane Hirner So, may I ask Judit to answer the solvency question, and then Peter answer the questions regarding the re-insurance business and Romania. We'll hand over again to Judit.

Judit Havasi Okay, thank you. So the first question, solvency and ROE, this is very linked in our case. I would say yes, we feel comfortable with this level and based on our strategy we are looking always and continuously at new targets to expand a little bit our portfolio. This can also lead to this less ROE that we have now, because we are always looking for new targets in Europe in our countries. Yes, so we feel quite well with our solvency ratio of 220 percent.

Peter Höfingler The combined ratio of VIG Re in the year 2017 has been 95%.

Raul Parekh Okay.

Judit Havasi And Romania. Romania is a very interesting country. I'm personally responsible for that. So we have basically from the operational point of view a very, very positive outlook. But, yes, we will see. The year is very early. I would say we do everything to go further on that way

Raul Parekh Okay, just to follow up. I didn't know that you answered this question, but not too high solvency, is it linked to the ROE somehow?

Judit Havasi Yes, I've already answered yes. We are looking for new, I would say, continuously for targets and that's why I would say it's linked from the methodology point of view to solvency, yes.

Raul Parekh Okay, thank you. Thank you so much.

Operator Ladies and gentlemen, if you would like to ask a question, please press the star followed by one on your telephone. We have another question from the line of Michael Haid with Commerzbank. Please go ahead.

Michael Haid Good afternoon. Thank you very much for taking my questions. I have two questions. First of all on VIG Re. I noticed that the premium volume from external clients is 125 million euros, strongly up year over year.

Can you say what risks you wrote and what risks you have in your book? Is it mainly on property fire risks? Or do you have motor liability? And how would your target mix, your target portfolio look like? What should we expect going forward from this?

Second question, recurring investment income. I noticed that you show the recurring investment income both on slide 47 and on slide 13. However, these figures differ. On slide 47 you show 341 million. Slightly up year over year. And on slide 13, you show 324 million, slightly down year over year. And I understand that on page 13 you show the figures with, at equities, companies result slide 47 without. But then why is the recurring investment income lower on slide 13? I would have expected the opposite. And do you expect the recurring investment income now to bottom out at this level?

Liane Hirner The question regarding re-insurance, VIG Re.

Peter Höfingher Very clearly the target clients for us, and also therefore the target portfolios, comes from mutual companies in Western Europe, specifically Germany and in France, and from small primary insurance companies. We try to get property business here, and in this renewal last year we had the opportunity to have participation on many new contracts, but we were participating with a very low percentage on these contracts.

It's now the time to get a better knowledge of these clients and to build the client relationships to then further on, build it on and increase our shares on these treaties. So it's clearly property. We also have a small motor quota share and we also write SME business, and this is also the target portfolio which we have for Western Europe.

Michael Haid Okay.

Liane Hirner	Regarding your question to slide 13 and slide 47, I think we will come back to you to clarify the difference. And the second part of your question related to investment income, recurring investment income, which you said you expect to go further down, which is in-line with current market trends.
Michael Haid	Okay, can you say what the reinvestment yield, so the reinvestment yield for new money was in the first quarter and how it compared to the current portfolio yield?
Liane Hirner	I have the figures here for Austria. The new money yield in Austria in the first quarter of 2018 was roughly two percent, which is the same level as compared to year 2017 of around two percent.
Michael Haid	Okay, perfect, thank you very much.
Nina Higatzberger	And we will follow up regarding the current income and the differences with accounting and provide the information later on, out of investor relations, okay?
Michael Haid	Yes, thank you.
Nina Higatzberger	Thank you.
Operator	There are no further questions registered at this time. I hand back for closing comments.
Nina Higatzberger	Thank you.