



VIENNA INSURANCE GROUP (VIG)
Results for the first three quarters 2019
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Conference Call Q&A-Session
Transcription

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Operator The first question comes from the line of Youdish Chicooree of Autonomous Research. Please go ahead.

Youdish Chicooree Good afternoon, everyone. Thank you for taking my question. I have three questions, please. The first one is on top-line growth, which remains quite strong at 5%, if we exclude the acquisition. I was wondering whether the issue you're facing in Romania poses a risk to that rate of growth going forward. That's my first question.

Secondly, it's on the combined ratio. You had in the past mentioned consistently about a sustainable target of 95%, but I don't see any mention of this in the presentation today. So that's why I was wondering whether this target has been dropped. That's my second question.

And finally the third question is on the financial result. I mean most of the decline comes from lower gains, but I think on slide 26 you also mention some provisions for various projects and topics in the central functions. Could you elaborate on what these are and whether there's a risk you need to take more provisions for these projects, please? Thank you very much.

Liane Hirner Thank you for your questions. The first question will be answered by Peter, and I will take the question number two and three.

Peter Höfinger Good afternoon. No, if you look all over the place we have a quite positive dynamic in our top-line growth. Even though we are further going to reduce our Motor TPL portfolio in Romania, this will not have an overall impact on the growth dynamic as a group.

Youdish Chicooree All right, great.

Liane Hirner Regarding your question regarding combined ratio, we confirm the long-term target. Sorry for not mentioning it in the presentation.

The third question regarding financial result and other expenses. The increase of other expenses is mainly driven by provisions from various projects and topics, which is currently at a maximum level. So a quarterly comparison is not really meaningful. These are more or less precautionary measures in nature.

Youdish Chicooree Does it relate to, what, IT or finance transformation projects, or they're just..?

Liane Hirner These are for example, IT, IFRS 17, or these things, digitalization, various projects and issues.

Youdish Chicooree But you don't see that needing further increase going forward, we were probably running at a quite high level already.

Liane Hirner No, no. They are currently at a maximum level.

Youdish Chicooree Okay, understood. All right, thank you very much.

Operator The next question is from Oliver Simkovic of RCB. Please go ahead.

Oliver Simkovic Hello, thank you very much. I have two questions. The first one is a follow-up to organic growth question. Especially the third quarter, it seems that the growth was mainly driven by other property and the P&C segment. Could you maybe provide us with a little bit of an overview of this market and what the primary drivers are? Also, whether the growth rates can be expected in this sub-segment to continue on those levels.

 And a second question is regarding the potential insurance tax in the Czech Republic. Do you have an indication of what the impact would be and also how you account for this in your financials? Thank you.

Liane Hirner First question will be answered by Peter Höfingler, and I will take over the question regarding the taxation in Czech Republic.

Peter Höfingler If I understood right your question, you're asking for the growth in the whole group. I think, on one hand side, we are supported by the economic development in Central-Eastern Europe, which has a quite attractive GDP growth, everywhere around 3% or above. It's also very much driven by internal consumption and therefore also catching up of the living standards, which is in the end also driving the demand for insurances. We would assess that this is also to be going forward in the next year.

 If you look on other property, so on one hand side, this is a quite successful development in corporate business. We also see all over the place a hardening of the market in corporate business, where we're benefiting as the leader in corporate business in Central-Eastern Europe. On the other hand side, specifically with regard to Poland, there is also a strong driver in other property due to the cooperation with TUW "TUW" but also with the first consolidation of the ex-Gothaer insurance.

Liane Hirner Thank you for the question regarding the taxation in the Czech Republic. We closely monitor the developments and the ongoing discussions around this issue. The legislative procedure, as you might know, is not finished yet. Under the assumption that the law comes into force as it is written now, it was discussed in the second reading, the P&L tax impact on the group level, meaning below profit before tax, we expect at around €25 million for VIG. Locally, it will become an issue in 2020. On group level, we are currently in contact with our auditors regarding taking a provision already in 2019. But this will be decided on a later stage.

Oliver Simkovic Perfect. Thank you.

Operator Once again, to ask a question, please press star and one on your telephone. The next question comes from the line of Thomas Unger of Erste Group. Please go ahead.

Thomas Unger Hello, thank you for taking my question. Good afternoon. Just a follow-up on the potential insurance tax in the Czech Republic. The €25 million would be a one-off impact spread over two years, or is that per year for two years? If you could clarify that.

And then secondly, if you could give us an update on the solvency ratio, especially at the end of Q3 and how it developed in Q2 and Q3.

And then last question, the combined ratio in Austria in Q3 was especially impressive. According to my calculation it would be below 92%. Is that a result of the disposal of the Italian business in DONAU Versicherung? And what effect did that have? Thank you.

Liane Hirner Regarding the first question, Czech Republic and tax, the €25 million I mentioned is a one-off, and we are currently discussing. We don't know the final number as the law is still not passed, but this will be a one-off effect probably in 2019.

Thomas Unger Okay so for one year only?

Liane Hirner Only for one year, yes. The solvency II ratio, as you might remember, in half year it amounted to 238%, which was slightly below year-end 2018. Given the current yield curve, the solvency ratio will certainly come down until year-end. And we expect the solvency ratio to be again in our comfort zone, which amounts from 170% to 230%.

The cost ratio in Austria is also impacted by the disposal of the Italian business, as you mentioned.

Thomas Unger And what impact did that have now in Q3 on the combined ratio?

Liane Hirner We will follow up on this. I don't have this information right now.

Thomas Unger Okay. And just one more to follow-up on your presentation, you said that the tax ratio at the end of 2019 or for 2019 should be around 25% for the group level, right?

Liane Hirner Right.

Thomas Unger Okay, thank you.

Operator The next question comes from the line of Thomas Neuhold of Kepler Cheuvreux. Please go ahead.

Thomas Neuhold Good afternoon, thank you for taking my question. Actually, I have only a couple of questions regarding your guidance for 2019. Firstly, on the unchanged gross written premiums target

of €9.9 billion. You had already €7.9 billion in the first nine months. That would imply a rather weakish Q4, or to put it differently, why didn't you update the €9.9 gross written premium guidance, because I think you will easily exceed this figure by year-end, unless there are some one-off effects which might lead to lower premiums in Q4?

And secondly, on the unchanged pre-tax profit guidance. As of July, the housing societies are non-consolidated. Obviously, they would have also contributed to the pre-tax profit for the remainder of the year on a like-for-like basis. So I was just wondering what will or could compensate the earnings contributions from the housing societies?

And maybe a question related to that. You recently announced the disposal of a 10% stake in s Immo. If that goes through, what kind of earnings contribution could expect from this deal?

Liane Hirner

Thank you for your questions. We confirm the guidance for 2019. I would like to comment that our first quarter is the strongest. For Q3/Q4, we do not expect anything on the negative side, so the €9.9 billion is maybe a little bit conservative for the full-year. But we always emphasise that it's, to our opinion, better to be a little bit more conservative in the planning and then deliver better results.

PBT remains unchanged. This is correct, also in the light of the deconsolidation of the housing societies. The contribution of the non-profit housing societies amounted to €63.2 million already in the first seven months. We expect out of the ordinary course of the business, as maybe also in the financial result to be some form of compensation.

Regarding the s Immo deal, I cannot give you any information, as the deal is not closed yet.

Thomas Neuhold

Okay, understood. Thank you.

Operator

A final reminder. To ask a question, please press star and one on your telephone. And there are no more questions at this time. I hand back to Nina for closing comments.

Nina Higatzberger

Thank you everybody for listening in and goodbye. Have a nice afternoon.