

REPORT

ON THE ANALYSIS OF FOREIGN INSURANCE BUSINESS OF AUSTRIAN INSURANCE GROUPS

Division II/4 – Team Supervision of Insurance Groups

Version (30.11.2018)

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MANAGEMENT SUMMARY

Five Austrian Insurance Groups (i.e. Vienna Insurance Group, Uniqa Group, Grawe Group, Merkur Group and Wüstenrot Group) are active via subsidiaries or related undertakings on foreign markets (international activity via branches or freedom of services is not considered in this analysis). In 2017, the scope of business of Austrian insurance groups comprised 96 insurance companies in 27 countries, mainly in Central, Eastern and South Eastern Europe.

The accumulated premium volume (written premiums net of reinsurance ceded – domestic and foreign business) generated by the five Austrian insurance groups in 2017 amounted to 13.9 Bn. EUR in total. Thereof, premiums of 5.5 Bn. EUR (2016: 6,4 Bn. EUR) were generated outside Austria, this means a share of foreign business of nearly 40% (2016: 43%).

The decrease of foreign premium volume of 13% compared to the previous year mainly resulted from the sale of the Italian subsidiaries of Uniqa Group.

The geographical distribution of premiums shows that with a premium share of nearly 66% of foreign premiums, the Central European area (CE) represents the major stake in foreign business. With a premium share of 24% also South Eastern European countries (SEE) are of significant importance for Austrian insurance groups.

The effect of the macroeconomic development on the insurance sector can be approximated by looking at the indicators growth of gross written premiums, insurance penetration (i.e. premiums in % of GDP) and insurance density (i.e. premiums per capita). Considering the CESEE region as a whole, economic growth as measured by GDP growth (2016/2017: 11%) came along with a considerable growth of the insurance sector as measured by the increase in gross written premiums (2016/2017: 15%). Also relating to the indicators insurance penetration and insurance density, a positive effect could be observed.

Insurance markets relevant for Austrian insurance groups differ significantly regarding size, concentration and level of maturity: while Russia, Turkey, Poland and the Czech Republic are by far the biggest markets, referring to the level of maturity, insurance markets in Central Europe are much more developed than insurance markets in Eastern Europe (EE). The insurance markets of South Eastern Europe mostly are in between. Monitoring the market premium development, an increase in market premium volume could be observed for all geographical areas except for Eastern Europe.

In some countries Austrian insurance groups have a high market share and therefore a dominant position on the local insurance market. Slovakia and the Czech Republic are the countries with the highest market shares of Austrian groups with the particularity of significant market positions in life and non-life insurance.

In order to define key markets, FMA categorizes all relevant insurance markets according to its premium share (i.e. the relation of gross written premiums generated in a market to total foreign gross written premium volume of Austrian insurance groups). Insurance markets with a premium share above 4% are defined a key market. Based on the figures at the end of 2017, six key markets for Austrian insurance groups were defined: Czech Republic, Poland, Slovakia, Romania, Hungary and Croatia. Together, nearly 74% of total foreign premium volume of Austrian insurance groups has been generated in these key markets (2016: 72%).

1. ANALYSIS OF FOREIGN INSURANCE BUSINESS

At the end of 2017, five Austrian insurance groups (i.e. Vienna Insurance Group, Uniqa Group, Grawe Group, Merkur Group and Wüstenrot Group) carried out insurance business abroad via subsidiaries or related undertakings. The scope of business of these groups comprised 96 insurance companies in 27 countries, mainly in Central, Eastern and South Eastern Europe. For the purpose of streamlining the analysis, the relevant countries are clustered into 4 geographical segments:

Western Europe (WE)	Central Europe (CE)	South Eastern Europe (SEE)	Eastern Europe (EE)
Germany	Czech Republic	Albania	Belarus
Liechtenstein	Estonia	Bosnia Herzegovina	Georgia
(Switzerland)	Hungary	Bulgaria	Moldova
	Latvia	Croatia	Russia
	Lithuania	Cyprus	Turkey
	Poland	Kosovo	Ukraine
	Slovakia	Macedonia	
		Montenegro	
		Romania	
		Serbia	
		Slovenia	

Table 1: Relevant countries divided into clusters (Western, Central, South Eastern and Eastern Europe)

Out of these 96 insurance companies, five companies are pure reinsurance companies which mainly serve as group internal reinsurers. In order to avoid a misleading presentation of premiums per country due to reinsurance, these companies are not included in the following table.

	2017		2016		Δ in %
	Written Premiums	Ratio	Written Premiums	Ratio	
AUSTRIA	8.370	60%	8.345	57%	↑ 0%
FOREIGN MARKETS	5.533	40%	6.381	43%	↓ -13%
WE	250	5%	1.458	23%	↓ -83%
CE	3.641	66%	3.359	53%	↑ 8%
SEE	1.323	24%	1.279	20%	↑ 3%
EE	319	6%	285	4%	↑ 12%
Total	13.903	100%	14.726	100%	↓ -6%

* Written premiums net of reinsurance ceded (in Mio. EUR)

Table 2: Domestic and Foreign business operations of Austrian insurance groups in Austria and per geographical segment in Mio. EUR (2016-2017) (Source: FMA Reporting per 31.12.)

The accumulated premium volume (written premiums net of reinsurance ceded – domestic and foreign business) generated by the five Austrian insurance groups in 2017 amounted to 13.9 Bn. EUR in total. Thereof, premiums of 5.5 Bn. EUR were generated outside Austria, this means a share of foreign business of nearly 40% (2016: 43%).

Compared to 2016, total written premium volume generated in foreign markets decreased by 13%. This was mainly due to a substantial drop in premium volume in the geographical segment Western Europe resulting from the sale of the Italian subsidiaries of Uniqa Group.

The distribution of premiums according to geographical segments shows that with a premium share of nearly 66% of foreign premiums, Central Europe (CE) represents the major stake in foreign business. With a share of 24% also South Eastern European countries (SEE) are of significant importance for Austrian insurance groups.

1.1 Impact of Macroeconomic Framework

The effect of the macroeconomic development on the insurance sector can be approximated by looking at the indicators growth of gross written premiums, insurance penetration (i.e. premiums in % of GDP) and insurance density (i.e. premiums per capita).

Considering the CESEE region as a whole, economic growth as measured by GDP growth came along with a considerable growth of the insurance sector as measured by the increase in gross written premiums.

CESEE-Region	GDP (in Bn. EUR)	Gross Written Premiums (in Bn. EUR)	Insurance Penetration	Insurance Density
2016	1.252	31,3	2,50%	258
2017	1.388	36,1	2,60%	299
Δ in % or %-Points	11%	15%	0,1 pp	16%

Table 3: Insurance market indicators (Source X-Primm Report 2017)

Looking at the CESEE-landscape, the following countries show the most favorable developments on the insurance markets:

	Insurance Penetration (% in GDP)	Insurance Density (EUR/capita)	Gross Written Premiums (Mio. EUR)	Gross Written Premiums y-o-y growth (nominal)
Latvia	2,56%	331	646	21,4%
Poland	3,15%	394	14.950	18,0%
Lithuania	2,01%	274	793	11,7%
Estonia	1,92%	324	427	10,1%
Slovakia	2,51%	393	2.135	8,5%
Czech Republic	2,99%	558	5.906	8,4%
Hungary	2,48%	312	3.057	7,3%

Table 4: Insurance Market Indicators for CEE region (Source: XPrimm Insurance Report)

1.2 Level of Maturity

Insurance markets relevant for Austrian insurance groups differ significantly regarding size, concentration and level of maturity. Insurance penetration (i.e. premiums in % of GDP) and insurance density (i.e. premiums per capita) are the indicators to be used not only to link insurance sector and macroeconomic development but also to give an indication on the level of maturity of an insurance market. The following graph shows insurance density and insurance penetration for life and non-life business for each country.

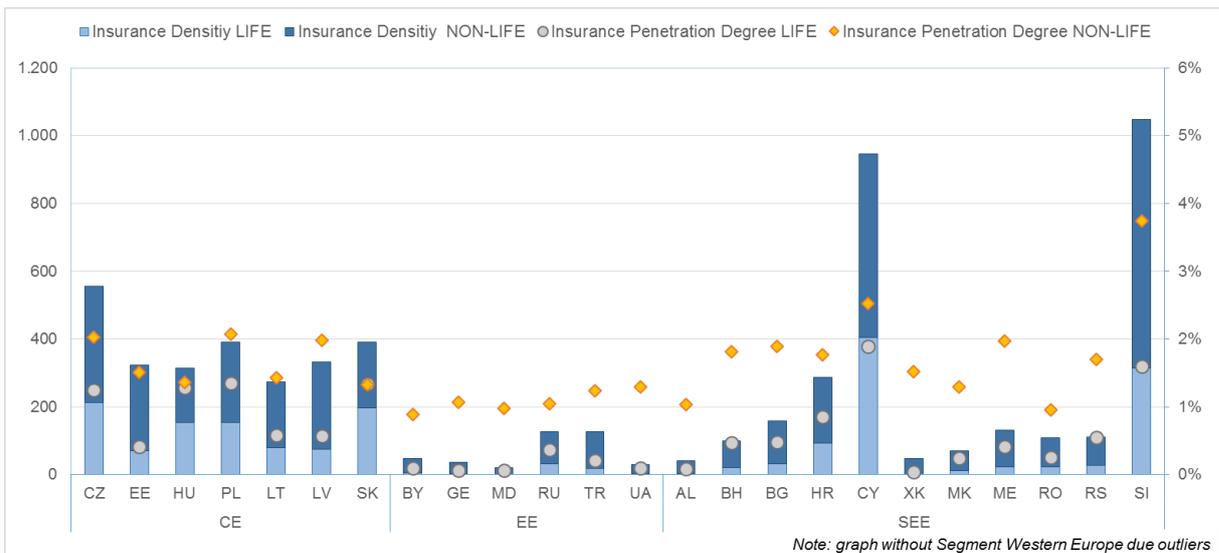


Table 5: Insurance Density and Insurance Penetration (life & non-life) per segment (Sources: X Primm; SNL; Swiss Re sigma)

As can be seen from the graph above, insurance markets in Central Europe are much more mature showing a significantly higher insurance density and insurance penetration as most of the markets in Eastern Europe and South Eastern Europe. However, with an insurance density above 1.000 EUR and a total insurance penetration of 5,3% Slovenia (SEE) is an outlier with a well-developed insurance market. The same is valid for Cyprus which shows a quite mature insurance market (total insurance penetration of 4,4% and insurance density over 940 EUR).

In order to get a more complete picture of the CESEE insurance landscape, the size of the insurance markets measured by gross written premium volume is linked to the indicators insurance density and insurance penetration.

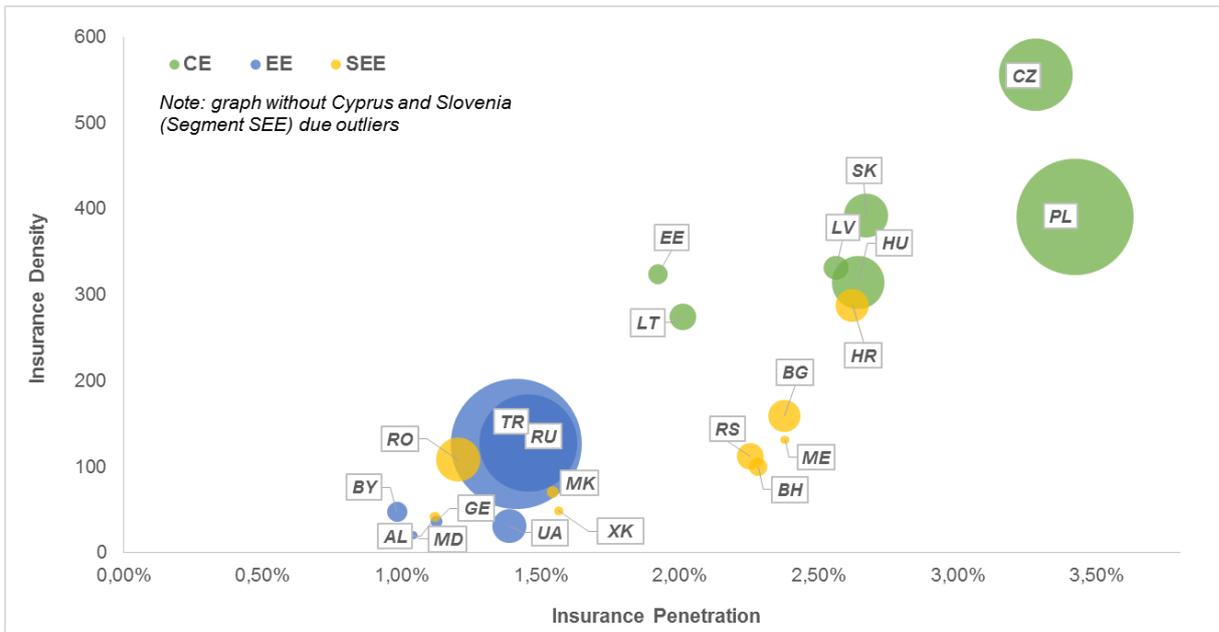


Table 6: Insurance Density, Insurance Penetration and GWP per Country (Segment CE, EE, SEE) (Sources: X Primm; SNL; Swiss Re sigma)

As can be seen from the graph, insurance markets in the CESEE-region are quite heterogenic. Regarding the size, Russia, Turkey, Poland and the Czech Republic are by far the biggest markets. Insurance markets in Central Europe already are much more developed than insurance markets in Eastern Europe. The insurance markets of South Eastern Europe mostly are in between.

As the insurance markets of Western Europe are much more mature as the markets in the other geographical segments, a separate diagram has been prepared for this region. In this diagram, also the indicators for Austria and the European Union are included.

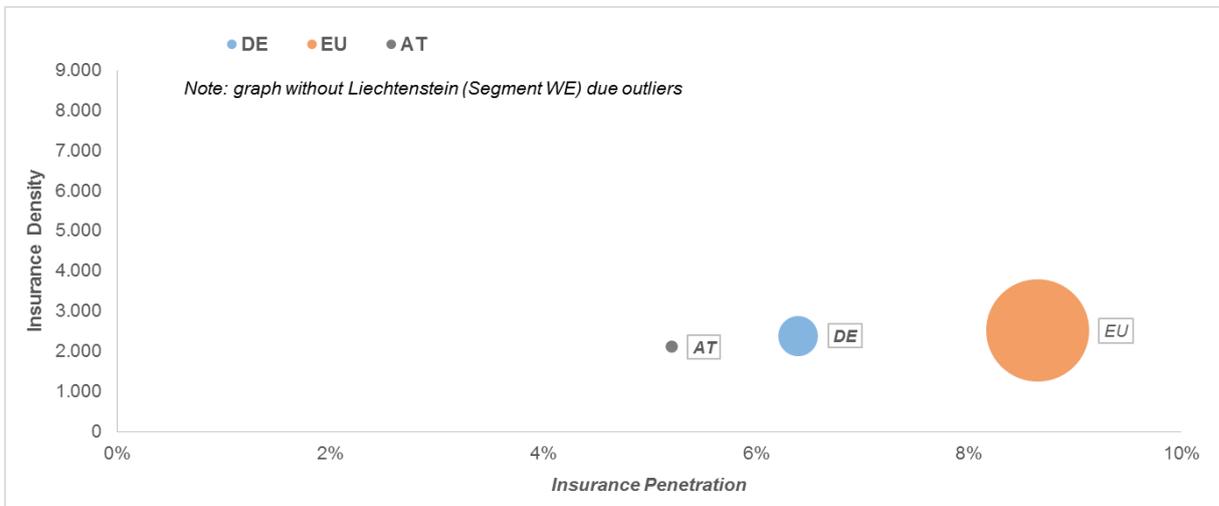


Table 7: Insurance Density, Insurance Penetration and GWP per country (Segment WE) (Sources: X Primm; SNL; Swiss Re sigma)

1.3 Market Premium Development

The following table provides information on the development of **market premiums** of foreign insurance markets (according to geographical segments) relevant for Austrian insurance groups.

Total Insurance Market	2017	2016	Δ in %
	Gross Written Premiums		
AUSTRIA	18,1	18,7 ↓	-2,8%
FOREIGN MARKETS	269,5	261,9 ↑	2,9%
WE	201,7	197,5 ↑	2,1%
CE	27,9	24,6 ↑	13,6%
SEE	9,0	8,6 ↑	5,4%
EE	30,8	31,3 ↓	-1,6%
TOTAL	287,6	280,6 ↑	2,5%

* Gross Written Premiums (in Bn. EUR)

Table 8: GWP Development 2016-2017 per Segment (Sources: FMA Reporting Local GAAP per 31.12.2017 for Austrian business; X Primm and Swiss Re sigma for foreign business)

The geographical segment Western Europe (WE) shows an increase in gross written premiums of 2,1% in 2017. Premium growth in those countries mostly results from non-life insurance, the life insurance sector was still under pressure due to low yield and the negative effect on sales of traditional savings, pension and annuity products.

In Central Europe (CE) gross written premiums increased by approximately 13,6%. It's again the non-life sector that saw a positive trend across the region with motor insurance being the main growth driver. Not by chance, double-digit growth rates were recorded for markets, where the motor insurance lines performed very well, such as Poland, Czech Republic and the three Baltic markets. It has to be noted that the main reason of the growth in motor lines in this area was the substantial increase in MTPL tariffs arising from increasing passenger cars sale.

Somewhat more surprisingly, the life sector also experienced substantial growth rates in most countries of the CE-cluster. In Poland – as the biggest market in the region – life insurance lines experienced a rise in written premiums of 9,2%. A similar growth rate was recorded in Slovakia, while the Czech Republic and Hungary enjoyed a more moderate increase with 2,2% and 5,3%. In many countries of the CE region life insurance growth was fueled by an increased banking lending activity and implicitly by the bank assurance distribution. As a result, unit linked products profited substantially with double-digit growth rates regarding written premiums amongst others in Poland (15,9%) and Slovakia (17,8%). In general, the persistence of the low yield environment remains the main challenge for insurers, especially for those managing a relevant portfolio of policies with guaranteed return. In fact, in many cases, market players restrain the efforts put in the traditional product sales, but focus on saving product lines for which the investment risk is at least shared or fully beard by the policy holders.

Regarding South Eastern Europe (SEE) the dominance of the non-life insurance sector has to be considered: non-life insurance contributes nearly 74% to total gross written premium volume. An increase in premiums could be observed for both insurance segments. In non-life insurance all countries except Romania – the market leader in absolute figures – experienced

an increasing premium volume. Regarding life insurance business, except for Kosovo, a growth of life insurance premiums was recorded in which Albania, Macedonia, Romania as well as Slovenia all showed double digit growth figures.

In the segment Eastern Europe (EE) it's Turkey and Russia, which are by far the biggest markets and determine premium development of the area, especially by their dominant non-life insurance sector. However, it is interesting to see that while the life-sector experienced substantial growth rates of 42,4% (RU) and 11,6% (TU), non-life products recorded a decrease of 9,2% and 8% accordingly.

In order to illustrate the trends and developments presented above, the following table shows the development of gross written premiums per segment and per line of business including annual change:

Total Insurance Market	2017			2016			CHANGE GWP 2017/2016					
	Gross Written Premiums			Gross Written Premiums			Life	Non-Life	Total			
	Life	Non-Life	Total	Life	Non-Life	Total						
AUSTRIA	8,9	10,2	18,1	8,1	10,5	18,7	↓	-8,7%	↓	-2,8%	↓	-2,8%
FOREIGN MARKETS	107,9	161,6	269,5	105,2	156,7	261,9	↑	2,5%	↑	3,1%	↑	2,9%
WE	87,9	113,8	201,7	87,7	109,7	197,5	↑	0,2%	↑	3,7%	↑	2,1%
CE	11,2	16,7	27,9	10,4	14,1	24,6	↑	6,9%	↑	18,4%	↑	13,6%
SEE	2,4	6,6	9,0	2,2	6,4	8,6	↑	9,4%	↑	4,0%	↑	5,4%
EE	6,5	24,3	30,8	4,9	26,4	31,3	↑	32,3%	↓	-7,9%	↓	-1,6%
TOTAL	116,8	171,8	287,6	113,4	167,2	280,6	↑	3,0%	↑	2,7%	↑	2,5%

* Gross Written Premiums (in Bn. EUR)

Table 9: GWP Development 2016-2017 per Segment and per line of business (Sources: FMA Reporting Local GAAP per 31.12.2017 for Austrian business; X Primm and Swiss Re sigma for foreign business)

1.4 Market Position

In some countries Austrian insurance groups have a high market share and therefore a dominant position on the local insurance market. However, there are significant differences with regard to lines of business.

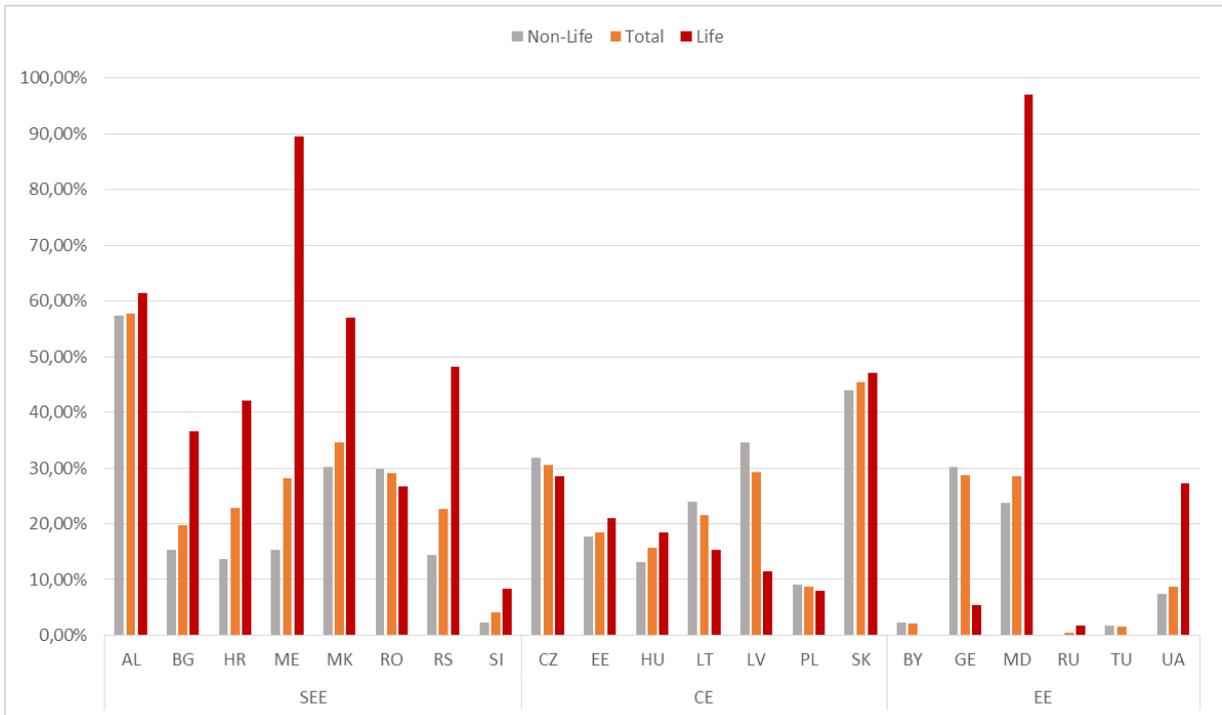


Table 10: Market share of Austrian Insurance Groups per Segment (Sources: X Primm; Swiss Re sigma)
Due to the non-availability of data, the figures for Hungary and Slovakia are based on the financial year 2016.

In Central Europe (CE), Slovakia and the Czech Republic are the countries with the highest market shares of Austrian groups with the particularity of significant market positions in life and non-life insurance.

In Eastern Europe (EE) and South Eastern Europe (SEE), Austrian insurance groups have much stronger positions on the life insurance market. This results from the fact, that life insurance markets are still smaller and Austrian insurance groups entered into it rather early. In Albania, Austrian insurance groups dominate the insurance market in both lines of business.

In Western Europe (WE), Austrian insurance groups do not play a significant role on the local markets, therefore Western Europe has not been considered in the graph.

2 ANALYSIS OF KEY MARKETS

From FMA's perspective, all insurance markets which are relevant for Austrian insurance groups are categorized according to the premium share, i.e. the relation of gross written premiums generated in a market to total foreign gross written premium volume. If the premium share lays above 4%, a country is classified as key market. Based on the figures at the end of 2017, the following countries are identified as key markets for Austrian insurance groups:

- Czech Republic
- Poland
- Slovakia
- Romania
- Hungary
- Croatia

Nearly 74% of total foreign premium volume of Austrian insurance groups has been generated in these key markets in 2017 (2016: 72%).

For these markets a more detailed analysis of the macroeconomic conditions and insurance market development and structure is carried out.

2.1 Czech Republic

Country		Performance Indicators 2017	
CZECH REPUBLIC	Macro	Population (mil)	10,62
		Real GDP Growth	4,48%
		Real GDP Growth Forecast 2018	3,00%
		Unemployment rate	2,90%
		S&P Credit Rating	AA-
	Insurance market total	Premium Total (mil)	5.905,94
		Life	2.254,54
		Non-Life	3.651,40
		Premium growth	8,40%
		Insurance Penetration	3,28%
		Insurance Density	556,11

Table 11: Key Performance Indicators 2017 Czech Republic (Sources: X-Primm, SNL, FMA-Reporting per 31.12.2017)

The Czech economy may face a period of slowing growth. Tight labour markets and the wage push which have supported growth recently may produce second-round effects such as rising unit labour costs, falling corporate profitability and weakened foreign trade performance. These effects may actually depress growth especially if monetary policy becomes too restrictive, foreign demand for Czech goods proves insufficient and productivity advances are less impressive than generally assumed.¹

2.1.1 Insurance Market Overview

At the end of 2017, gross written premiums amounted to about 5.906 Mio. EUR, which means an increase of 8,4% compared to 2016.

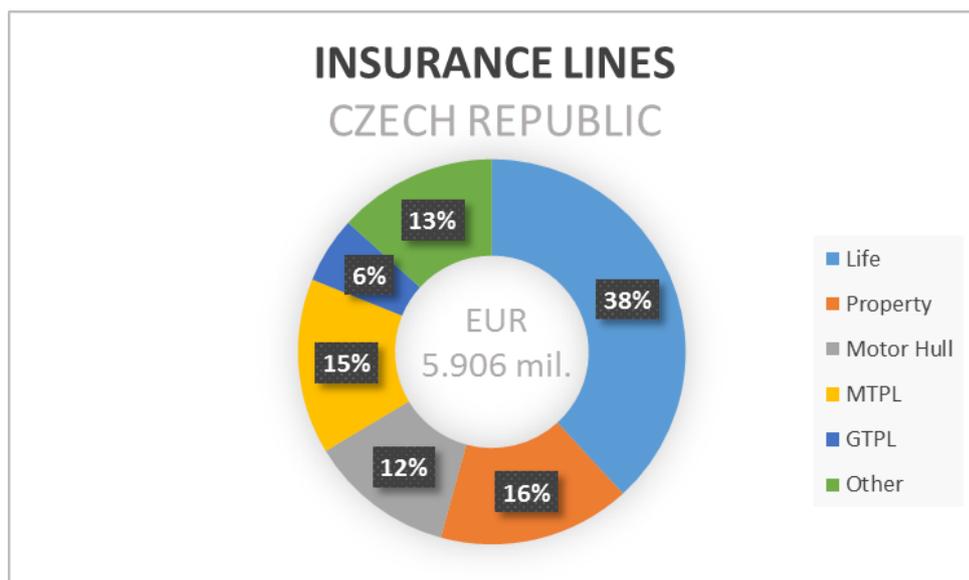


Table 12: Insurance Lines in Czech Republic 2017 (Source: X Primm Report 2017)

¹ See WIIW Forecast Report Autumn 2018

About 38% of gross written premiums account for life insurance and about 27% of premiums for motor lines (MTPL and Motor hull).

In 2017, life insurance has recorded a negative growth rate, while most of the non-life insurance lines saw a positive evolution.

The market claims development can be summarized as follows

	2016	2017	Delta
Gross written premium NL Total	3.242,98	3.651,40	12,6%
Non life claims ratio	57,8%	58,1%	0,3%
Motor claims ratio	61,5%	62,1%	0,6%
Property claims ratio	40,6%	45,7%	5,1%
Gross written premium L Total	2.205,45	2.254,54	2,2%
Benefit Ratio	75,7%	74,0%	-1,7%

Table 13: Development of premiums and claims 2017 (in Mio. EUR)-(Source: X Primm Report 2017)

Market Structure:

The biggest company on the Czech insurance market is Ceska Pojistovna followed by Kooperativa Pojistovna, which is a subsidiary of Vienna Insurance Group, and ALLIANZ pojišťovna. The market shares of these three companies remained almost unchanged and accounted together for half of the total market premiums in the reporting period in the Czech Republic.

For 2019, the merger of the Kooperativa Pojistovna and Pojistovna Ceske Sportelny is planned which will also lead to shifts in the market shares.

Insurance Undertaking	Market Share 2017 in %
TOP 3 - Life insurance	
Ceska Pojistovna	17,93%
Kooperativa Pojistovna	15,54%
Pojistovna Ceske Sportelny	15,21%
TOP 3 – Non Life insurance	
Ceska Pojistovna	24,38%
Kooperativa Pojistovna	22,69%
Allianz Pojistovna	12,23%

Table 14: Market Shares (Source: X Primm Report 2017)

2.2 Poland

Country		Performance Indicators 2017	
POLAND	Macro	Population (mil)	38,25
		Real GDP Growth	4,65%
		Real GDP Growth Forecast 2018	4,60%
		Unemployment rate	6,57%
		S&P Credit Rating	BBB+
	Insurance market total	Premium Total (mil)	14.949,69
		Life	5.888,66
		Non-Life	9.061,03
		Premium growth	18,02%
		Insurance Penetration	3,42%
		Insurance Density	390,84

Table 15: Key Performance Indicators 2017 Poland (Sources: X-Primm, SNL, FMA-Reporting per 31.12.2017)

Despite lower profits the corporate sector's financial standing and financing conditions are good. However, the private domestic firms are reluctant to expand investment. The ongoing political changes destabilise the country's legal framework undermining trust in the rule of law. The conflict between the European Commission and the Polish government may lead to substantial cuts in the funds available to Poland which would also undermine public investment and reduce medium-term growth prospects.²

2.2.1 Insurance Market Overview

At the end of 2017, gross written premiums amounted to about 14.950 Mio. EUR, which means an increase of 18,0% compared to 2016. However, measured in local currency an increase in premiums of 11,3% could be realized.

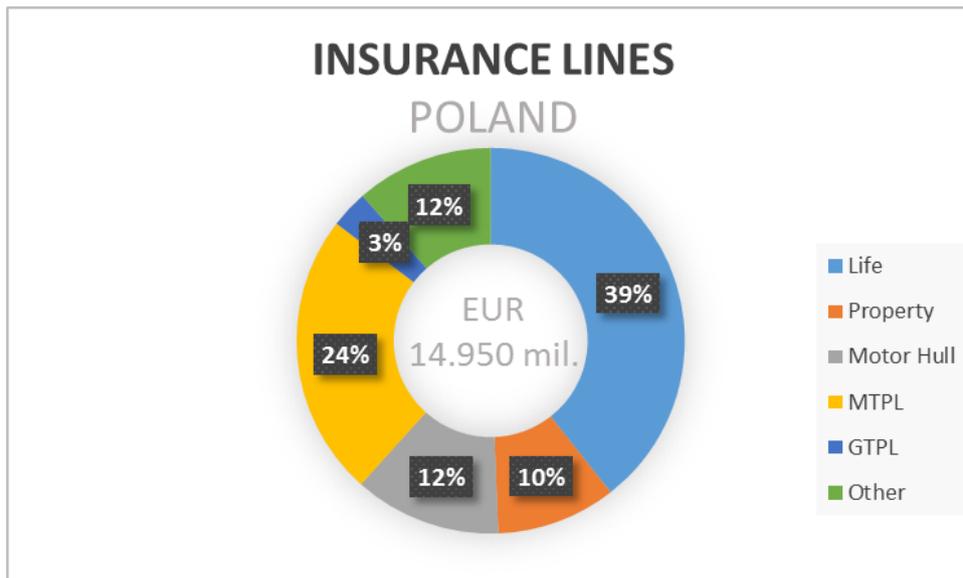


Table 16: Insurance Lines in Poland 2017 (Source: X Primm Report 2017)

² See WIIW Forecast Report Autumn 2018

About 39% of gross written premiums account for life insurance and about 36% of premiums for motor lines (MTPL and Motor hull).

The market claims development can be summarized as follows

	2016	2017	Delta
Gross written premium NL Total	7.274,52	9.061,03	24,6%
Non life claims ratio	57,2%	51,6%	-5,6%
Motor claims ratio	66,8%	58,1%	-8,6%
Property claims ratio	51,3%	44,5%	-6,8%
Gross written premium L Total	5.392,56	5.888,66	9,2%
Benefit Ratio	76,6%	82,9%	6,3%

Table 17: Development of premiums and claims 2017 (in Mio. EUR)-(Source: X Primm Report 2017)

Market Structure:

The domestic insurance company PZU with a market share of more than one third clearly dominates the Polish insurance market.

Insurance Undertaking	Market Share 2017 in %
TOP 3 - Life insurance	
PZU Zycie	34,86%
Open Life	9,58%
AVIVA	7,65%
TOP 3 – Non Life insurance	
PZU	32,94%
ERGO Hestia	14,38%
WARTA	13,55%

Table 18: Market Shares (Source: X Primm Report 2017)

2.3 Slovakia

Country		Performance Indicators 2017	
SLOVAKIA	Macro	Population (mil)	5,45
		Real GDP Growth	3,40%
		Real GDP Growth Forecast 2018	3,70%
		Unemployment rate	5,94%
		S&P Credit Rating	A+
	Insurance market total	Premium Total (mil)	2.135,07
		Life	1.073,21
		Non-Life	1.061,86
		Premium growth	8,56%
		Insurance Penetration	2,67%
		Insurance Density	391,76

Table 19: Key Performance Indicators 2017 Slovakia (Sources: X-Primm, SNL, FMA-Reporting per 31.12.2017)

Slovakia's growth accelerated in the first half of 2018 on a broad base. Forecasts for this and next year amount to 3,8% and about 4% respectively, thanks to the new Jaguar Land Rover plant. Main internal risks are growing wages and labour shortages.³

2.3.1 Insurance Market Overview

At the end of 2017, gross written premiums amounted to about 2.135 Mio. EUR, which means an increase of 8,6% compared to last year.

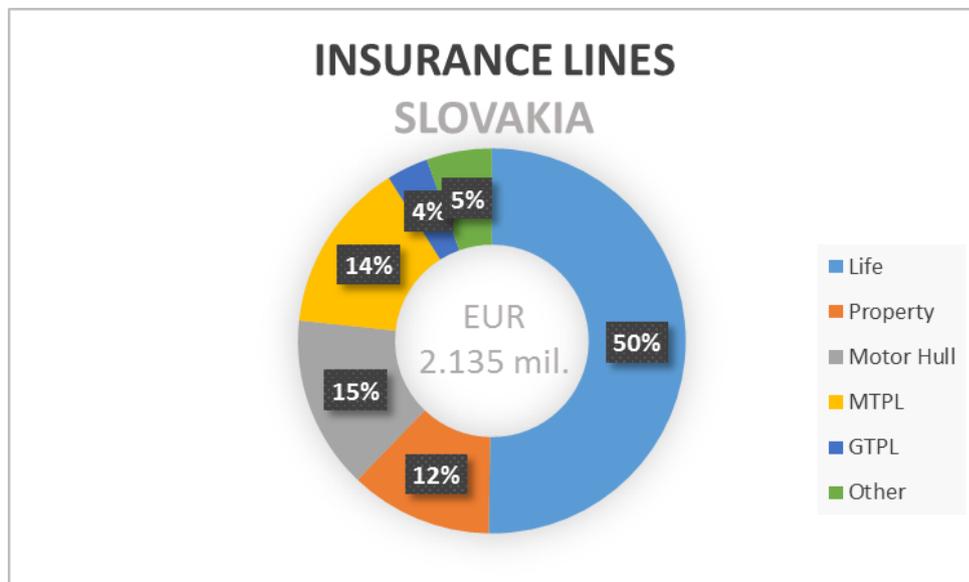


Table 20: Insurance Lines in Slovakia 2017 (Source: X Primm Report 2017)

Half of total gross written premium volume accounts for life insurance and about 29% for motor lines (MTPL and Motor hull).

³ See WIIW Forecast Report Autumn 2018

The market claims development can be summarized as follows

	2016	2017	Delta
Gross written premium NL Total	1.002,55	1.061,86	5,9%
Non life claims ratio	50,5%	48,7%	-1,8%
Motor claims ratio	64,3%	65,6%	1,4%
Gross written premium L Total	964,12	1.073,21	11,3%
Benefit Ratio	68,5%	63,4%	-5,1%

Table 21: Development of premiums and claims 2017 (in Mio. EUR)-(Source: X Primm Report 2017)

Market Structure:

The subsidiaries of Austrian insurance groups play an important role on the Slovakian insurance market. For 2017, no actual data regarding market shares are available, but no major changes in the market rankings are supposed to have taken place. Market leader is Allianz Slovenska poistovna, followed by Kooperativa Poistovna, the subsidiary of Vienna Insurance Group that holds the second position on the Slovakian insurance market.

2.4 Romania

Country		Performance Indicators 2017	
ROMANIA	Macro	Population (mil)	19,68
		Real GDP Growth	6,97%
		Real GDP Growth Forecast 2018	4,00%
		Unemployment rate	4,80%
		S&P Credit Rating	BBB-
	Insurance market total	Premium Total (mil)	2.124,95
		Life	441,77
		Non-Life	1.683,17
		Premium growth	1,72%
		Insurance Penetration	1,20%
		Insurance Density	107,97

Table 22: Key Performance Indicators 2017 Romania (Sources: X-Primm, SNL, FMA-Reporting per 31.12.2017)

The Romanian economy is experiencing an unavoidable slowdown, following a boom based on fiscal stimulus of household consumption in the past two years. Economic growth is sustainable at rates somewhat below 4% over the forecast period. Business sector investment is supporting economic growth, while public investments are falling victim to fiscal rebalancing.⁴

2.4.1 Insurance Market Overview

At the end of 2017, gross written premiums amounted to about 2.125 Mio. EUR, which means an increase of 1,7% compared to 2016.

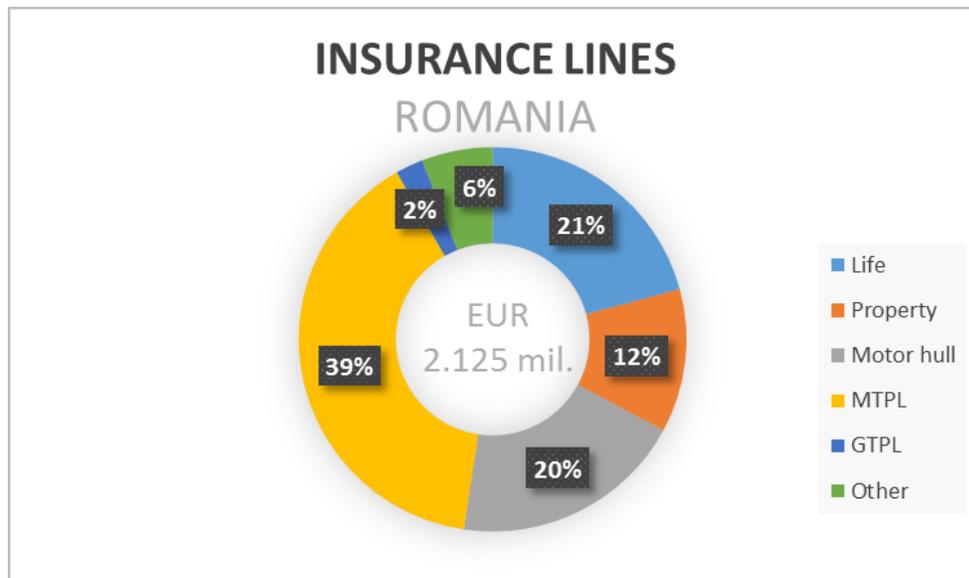


Table 23: Insurance Lines in Romania 2017 (Source: X Primm Report 2017)

For Romania, motor lines are the dominant factor on the insurance market. Nearly 60% of total premium volume account for motor lines.

⁴ See WIIW Forecast Report Autumn 2018

The market claims development can be summarized as follows

	2016	2017	Delta
Gross written premium NL Total	1.717,17	1.683,17	-2,0%
Non life claims ratio	46,7%	54,2%	7,5%
Motor claims ratio	52,6%	60,1%	7,5%
Gross written premium L Total	371,75	441,77	18,8%
Benefit Ratio	46,0%	52,1%	6,1%

Table 24: Development of premiums and claims 2017 (in Mio. EUR)-(Source: X Primm Report 2017)

Market Structure:

The subsidiaries of Austrian insurance groups reached a market share of 29,1% in 2017.

Insurance Undertaking	Market Share 2017 in %
TOP 3 - Life insurance	
NN Asigurari de Viata	36,52%
BCR Asigurari de Viata VIG	17,49%
ERGO Asigurari de Viata	7,57%
TOP 3 – Non Life insurance	
CITY Insurance	16,33%
ALLIANZ Tiriac	14,22%
EUROINS	14,14%

Table 25: Market Shares (Source: X Primm Report 2017)

2.5 Hungary

Country		Performance Indicators 2017	
HUNGARY	Macro	Population (mil)	9,72
		Real GDP Growth	4,17%
		Real GDP Growth Forecast 2018	4,20%
		Unemployment rate	3,80%
		S&P Credit Rating	BBB-
	Insurance market total	Premium Total (mil)	3.057,15
		Life	1.485,78
		Non-Life	1.571,36
		Premium growth	7,33%
		Insurance Penetration	2,64%
	Insurance Density	314,52	

Table 26: Key Performance Indicators 2017 Hungary (Sources: X-Primm, SNL, FMA-Reporting per 31.12.2017)

The Hungarian economy expanded by 4,8% in Q2 of 2018, reaching the zenith of the current business cycle. Growth has been driven by the extraordinarily rapid utilization of EU cohesion policy resources. This high growth rate is unlikely to be sustained in the next three years. A sharp decrease in EU transfers from next year on will remove an important driver of growth and there is no comparable substitute for that in sight.⁵

2.5.1 Insurance Market Overview

At the end of 2017, gross written premiums amounted to about 3.057 Mio. EUR, which means an increase of about 7,3% compared to 2016.

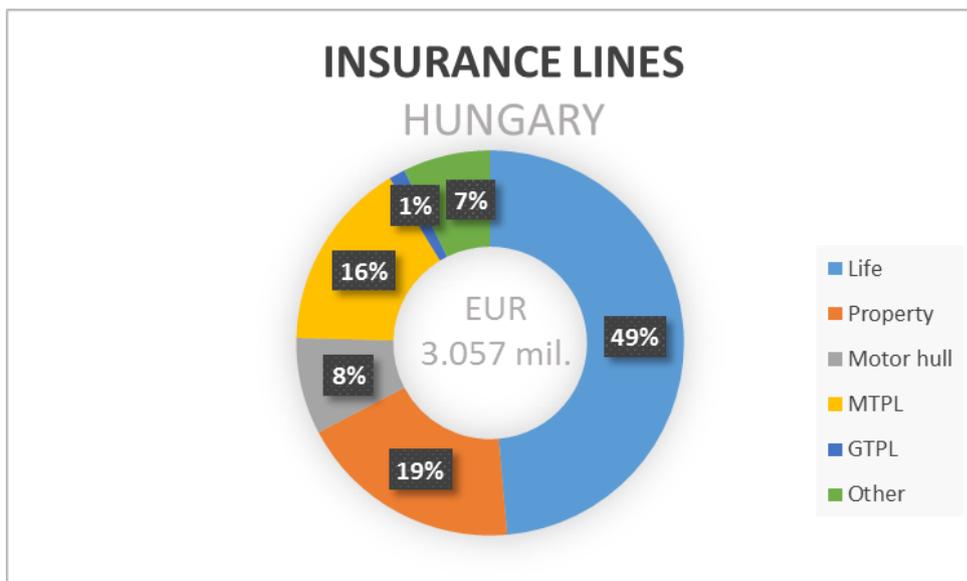


Table 27: Insurance Lines in Hungary 2017 (Source: X Primm Report 2017)

⁵ See WIIW Forecast Report Autumn 2018

The market claims development can be summarized as follows

	2016	2017	Delta
Gross written premium NL Total	1.437,25	1.571,36	9,3%
Non life claims ratio	43,8%	46,0%	2,3%
Motor claims ratio	60,7%	61,2%	0,5%
Property claims ratio	32,3%	39,5%	7,2%
Gross written premium L Total	1.411,10	1.485,78	5,3%
Benefit Ratio	77,6%	79,1%	1,5%

Table 28: Development of premiums and claims 2017 (in Mio. EUR)-(Source: X Primm Report 2017)

2.6 Croatia

Country		Performance Indicators 2017	
CROATIA	Macro	Population (mil)	4,19
		Real GDP Growth	2,76%
		Real GDP Growth Forecast 2018	2,80%
		Unemployment rate	11,10%
		S&P Credit Rating	BB+
	Insurance market total	Premium Total (mil)	1.205,26
		Life	391,31
		Non-Life	813,94
		Premium growth	3,98%
		Insurance Penetration	2,62%
		Insurance Density	287,65

Table 29: Key Performance Indicators 2017 Croatia (Sources: X-Primm, SNL, FMA-Reporting per 31.12.2017)

Croatia's economy will continue its path of moderate growth, with annual GDP growth of slightly below 3% in the period 2018-2020; increasing the absorption of EU funds will be an important precondition for achieving this growth rate. Demographic changes, coupled with continued emigration of young and educated people and rising labor shortages in crucial sectors, will become a major challenge in the future.⁶

2.6.1 Insurance Market Overview

At the end of 2017, gross written premiums amounted to about 1.205 Mio. EUR, which means an increase of nearly 4% compared to 2016.

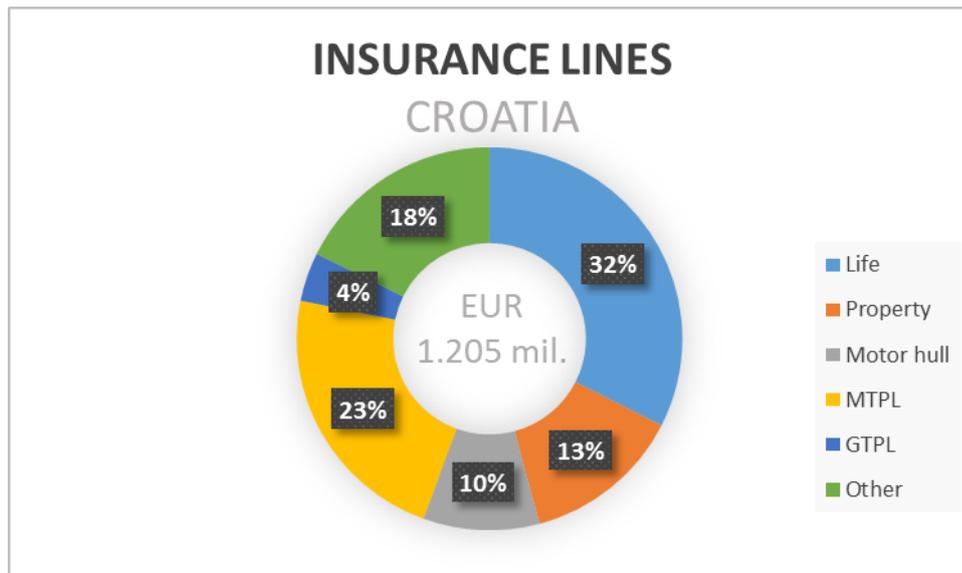


Table 30: Insurance Lines in Croatia 2016 (Source: X Primm Report 2017)

⁶ See WIIW Forecast Report Autumn 2018

The market claims development can be summarized as follows

	2016	2017	Delta
Gross written premium NL Total	773,00	813,94	5,3%
Non life claims ratio	50,2%	50,1%	-0,1%
Motor claims ratio	57,2%	58,6%	1,4%
Property claims ratio	52,9%	50,4%	-2,5%
Gross written premium L Total	386,09	391,31	1,4%
Benefit Ratio	62,6%	69,8%	7,2%

Table 31: Development of premiums and claims 2017 (in Mio. EUR)-(Source: X Primm Report 2017)

Market Structure:

It is worth noting that throughout the year a number of mergers and acquisitions were announced with the market leader CROATIA Osiguranje the most active player in this aspect further boosting its position.

Insurance Undertaking	Market Share 2017 in %
TOP 3 - Life insurance	
CROATIA Osiguranje	18,15%
ALLIANZ Zagreb	18,07%
WIENER Osiguranje VIG	9,63%
TOP 3 – Non Life insurance	
CROATIA Osiguranje	31,13%
EUROHERC Osiguranje	14,96%
ALLIANZ Zagreb	10,05%

Table 32: Development of premiums and claims 2017 (in Mio. EUR)-(Source: X Primm Report 2017)

ANNEX 1: RISK MAP INSURANCE MARKET AND MACROECONOMIC INDICATORS

Country	Gross written premiums per country (in million Euro) ¹⁾			Premium development total ¹⁾	Insurance Density (in Euro) ²⁾			Insurance Penetration Degree ³⁾			Macroeconomic indicators ⁴⁾											
	Gross written premiums 2017	Gross written premiums Non-Life	Gross written premiums Total	Premium development in % (Euro Basis) 2017	Insurance Density LIFE	Insurance Density NON-LIFE	Insurance Density TOTAL	Insurance Penetration Degree LIFE	Insurance Penetration Degree NON-LIFE	Insurance Penetration Degree TOTAL	Unemployment Rate (in %) 2018 Forecast	Unemployment Rate (in %) 2017	Real GDP Growth (in %) 2018 Forecast	Real GDP Growth (in %) 2017	Consumer Prices Growth 2017 (in %)	Population in million 2017	Long Term Rating Moody's	Long Term Rating Fitch	Long Term Rating S&P	Long Term Rating Direction Moody's	Long Term Rating Direction Fitch	Long Term Rating Direction S&P
ALBANIA	9,06	112,74	121,80	7,18%	3,09	38,48	41,57	0,08%	1,04%	1,12%	6,80%	7,63%	4,00%	3,84%	1,99%	2,93	B1	-	B+	Affirm	-	Upgrade
BELARUS	43,66	402,48	446,14	-7,64%	4,60	42,41	47,01	0,10%	0,89%	0,98%	-	-	2,90%	2,38%	6,03%	9,49	B3	B	B	Upgrade	Affirm	Upgrade
BOSNIA AND HERZEGOVINA	71,20	278,13	349,33	7,77%	20,28	79,24	99,52	0,47%	1,82%	2,28%	-	37,50%	2,40%	1,55%	1,25%	3,51	B3	-	B	Affirm	-	-
BULGARIA	229,68	895,83	1.125,50	7,50%	32,39	126,35	158,75	0,49%	1,89%	2,38%	5,00%	6,23%	3,50%	3,56%	2,06%	7,09	Baa2	BBB	BBB-	Affirm	Affirm	-
CROATIA	391,31	813,94	1.205,26	3,98%	93,39	194,26	287,65	0,85%	1,77%	2,62%	-	11,10%	2,80%	2,76%	1,13%	4,19	Ba2	BB+	BB+	Affirm	Affirm	Upgrade
CYPRUS	348,38	465,27	813,64	6,31%	405,09	541,01	946,10	1,93%	2,57%	4,50%	-	10,30%	3,60%	3,88%	0,53%	0,86	Ba2	BB+	BB+	Upgrade	Upgrade	-
CZECH REPUBLIC	2.254,54	3.651,40	5.905,94	8,40%	212,29	343,82	556,11	1,25%	2,03%	3,28%	2,20%	2,90%	3,00%	4,48%	2,43%	10,62	A1	AA-	AA-	Affirm	Upgrade	Upgrade
ESTONIA	91,26	335,97	427,23	10,11%	69,14	254,52	323,66	0,42%	1,55%	1,97%	-	-	3,40%	4,85%	3,42%	1,32	A1	A+	AA-	Affirm	Affirm	-
GEORGIA	7,96	134,23	142,19	1,08%	2,03	34,33	36,36	0,06%	1,06%	1,13%	-	-	5,20%	4,99%	6,03%	3,91	Ba2	BB-	BB-	Upgrade	Affirm	Upgrade
GERMANY	85.845,00	111.545,00	197.389,00	1,70%	1.037,40	1.347,98	2.385,37	2,79%	3,63%	6,42%	-	3,60%	2,10%	2,51%	1,70%	82,75	Aaa	AAA	AAA	Affirm	Affirm	-
HUNGARY	1.485,78	1.571,36	3.057,15	7,33%	152,86	161,66	314,52	1,28%	1,36%	2,64%	-	3,80%	4,20%	4,17%	2,35%	9,72	Baa3	BBB-	BBB-	Upgrade	Affirm	-
ITALY	100.871,00	36.792,00	137.663,00	-4,60%	1.699,31	619,81	2.319,12	6,24%	2,28%	8,52%	-	11,10%	1,30%	1,57%	1,33%	59,36	Baa2	BBB	BBB	Affirm	Affirm	Upgrade
KOSOVO	2,50	84,92	87,42	4,27%	0,00	47,18	48,57	0,04%	1,52%	1,57%	-	-	1,52%	4,08%	1,82%	1,80	NA	NA	NA	NA	NA	NA
LATVIA	145,06	500,98	646,03	21,35%	74,39	256,91	331,30	0,58%	1,99%	2,56%	-	8,30%	4,00%	5,00%	2,92%	1,95	A3	A-	A-	Affirm	Affirm	-
LIECHTENSTEIN	2.033,80	2.298,71	4.332,52	33,99%	54.379,79	61.462,87	115.842,65	39,39%	44,52%	83,91%	-	-	0,00%	0,00%	-	0,04	NA	NA	NA	NA	NA	NA
LITHUANIA	231,35	561,25	792,60	11,66%	80,05	194,20	274,26	0,59%	1,43%	2,01%	-	6,70%	3,90%	3,87%	3,72%	2,89	A3	A-	A	Affirm	Affirm	Upgrade
MACEDONIA	23,52	122,72	146,24	3,09%	11,31	59,00	70,31	0,25%	1,30%	1,54%	-	-	2,60%	0,02%	1,35%	2,08	-	BB	BB-	-	Affirm	Downgrade
MOLDOVA	4,65	66,00	70,65	6,93%	1,31	18,54	19,84	0,07%	0,97%	1,04%	-	-	4,20%	4,50%	6,57%	3,56	B3	-	-	Affirm	Remove	-
MONTENEGRO	14,16	67,61	81,77	2,00%	22,73	108,52	131,25	0,41%	1,97%	2,38%	-	-	0,00%	0,16%	-	0,62	-	-	-	-	-	-
POLAND	5.888,66	9.061,03	14.949,69	18,02%	153,95	236,89	390,84	1,35%	2,07%	3,42%	-	6,57%	4,60%	4,65%	2,01%	38,25	A2	A-	BBB+	Affirm	Affirm	-
ROMANIA	441,77	1.683,17	2.124,95	1,72%	22,45	85,53	107,97	0,25%	0,95%	1,20%	-	4,80%	4,00%	6,97%	1,34%	19,68	Baa3	BBB-	BBB-	Affirm	Affirm	Upgrade
RUSSIAN FEDERATION	4.814,17	13.737,36	18.569,78	0,37%	32,74	93,43	126,30	0,37%	1,05%	1,41%	-	5,10%	1,70%	1,55%	3,68%	147,03	Ba1	BBB-	BBB-	Affirm	Affirm	Upgrade
SERBIA	192,09	593,69	785,78	8,85%	27,32	84,45	111,78	0,55%	1,70%	2,25%	14,20%	15,00%	3,00%	1,90%	3,20%	7,03	Ba3	BB	BB	Upgrade	Affirm	Upgrade
SLOVAKIA	1.073,21	1.061,86	2.135,07	8,56%	196,92	194,84	391,76	1,34%	1,33%	2,67%	-	5,94%	3,70%	3,40%	1,39%	5,45	A2	A+	A+	Affirm	Affirm	Upgrade
SLOVENIA	653,53	1.525,75	2.179,29	5,48%	314,20	733,53	1.047,73	1,60%	3,74%	5,34%	-	9,00%	4,50%	5,38%	1,56%	2,08	Baa1	A-	A+	Upgrade	Affirm	-
SWITZERLAND	27.512,92	25.689,67	53.202,59	-3,62%	3.244,45	3.029,44	6.273,89	4,87%	4,54%	9,41%	-	3,11%	2,30%	1,11%	0,53%	8,48	Aaa	AAA	AAA	Affirm	Affirm	-
TURKEY	1.512,94	8.778,35	10.291,29	-5,53%	18,74	108,71	127,45	0,21%	1,24%	1,46%	-	-	4,00%	7,32%	11,14%	80,75	Ba3	BB	B+	Downgrade	Downgrade	Downgrade
UKRAINE	86,99	1.209,66	1.296,65	4,79%	2,05	28,56	30,61	0,09%	1,30%	1,39%	-	1,40%	3,00%	2,53%	14,44%	42,36	Caa2	B-	B-	Upgrade	Affirm	Upgrade
Risk Category				>15%	<10	<50	<100	<0,5%	<1%	<2%	>15%	>15%	<0%									
AUSTRIA	8.114,91	10.538,15	18.653,06	-2,80%	917,08	1.191,47	2.108,55	2,27%	2,94%	5,21%	4,80%	5,53%	2,90%	3,10%	2,23%	8,6	Aa1	AA+	AA+	Affirm	Affirm	-

1) Sources: Xprimm 2017 Marketportfolio; Swiss Re sigma No 3/2018, local reporting

2) Sources: Xprimm 2017 Marketportfolio; snl.com; Swiss Re sigma No 3/2018; World Economic Outlook (April 2018, IMF)

3) Sources: Xprimm 2017 Marketportfolio; snl.com; Swiss Re sigma No 3/2018; World Economic Outlook (April 2018, IMF)

4) Sources: snl.com; Swiss Re sigma No 3/2018; World Economic Outlook (April 2018, IMF)