

# TODAY

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# Introduction

The VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG) last disclosed results of the consolidated Embedded Value of its life and health businesses (Life and Health Embedded Value) in April 2018 for the year 2017. The disclosure included the Market Consistent Embedded Value (MCEV) for the majority of the Life and Health businesses.

In 2018, VIG successfully completed the mergers of several companies: s-Versicherung was merged into Wiener Städtische in Austria, PSLSP into Kooperativa in Slovakia, Erste Biztosito and Vienna Life Biztosito into Union Biztosito in Hungary, Polisa into Compensa Life in Poland, AXA Romania into BCR Life Romania, and Erste osiguranje into Wiener osiguranje in Croatia. The portfolios of Polisa, AXA Romania, and Wiener osiguranje were included in the Life and Health Embedded Value for the first time.

The chart below shows the companies for which the Life and Health Embedded Value is calculated for the year 2018. The results are shown separately for Austria/Germany (companies shown in red below) and CEE (companies shown in grey below).

## COMPANIES FOR WHICH THE LIFE AND HEALTH EMBEDDED VALUE IS CALCULATED

<b>Austria</b>	Wiener Städtische	Donau Versicherung		
<b>Germany</b>	InterRisk Life			
<hr/>				
<b>Czech Republic</b>	Kooperativa	ČPP	PČS	VIG RE
<b>Slovakia</b>	Kooperativa	Komunalna		
<b>Hungary</b>	Union Biztosító			
<b>Poland</b>	Compensa Life	Vienna Life		
<b>Romania</b>	BCR Life			
<b>Croatia</b>	Wiener osiguranje			

The insurance companies for which the Life and Health Embedded Value is not calculated are included in the consolidated results on the basis of the book value as shown in the respective parent company's audited local statutory accounts. The consolidation process ensures that where one of the businesses has an interest in another business, the value of the parent company excludes the book value and any unrecognized capital gains in respect of the dependent business.

VIG applies a bottom-up methodology in setting the economic assumptions for the Embedded Value calculations. The CFO Forum of European Insurers' Market Consistent Embedded Value Principles (Copyright © Stichting CFO Forum Foundation 2008), which were launched in June 2008 and last amended in April 2016, are applied.

In accordance with the April 2016 MCEV Principle 14 and to appropriately reflect the long-term and relatively illiquid nature of the insurance liabilities, VIG applies the volatility adjustment to the basic risk free curve in Austria as detailed in the Economic Assumptions section.

The directors of VIG acknowledge their responsibility for the preparation of the supplementary information and confirm the Embedded Value is prepared, in all material aspects, in accordance with the MCEV Principles.

KPMG Austria GmbH, reviews VIG's Embedded Value methodology, assumptions and calculations. The scope and the results are set out in the section about the independent review.

# Summary of Results

The Life and Health Embedded Value is an estimate of the economic value of insurance business including for covered business future profits on existing business, but excluding any profits on future new business. It corresponds to the total net of tax statutory profits distributable to the shareholders after allowance for the risks included in the covered business.

The Life and Health Embedded Value includes the following components which are described in the Methodology section:

- Adjusted Net Asset Value (ANAV)
- Value of In-Force (VIF) determined as
  - Stochastic Present Value of Future Profits (SPVFP)
  - less Net Risk Margin

All the values shown in this disclosure are net of tax and exclude minority interests.

## LIFE AND HEALTH EMBEDDED VALUE

The following table shows the Life and Health Embedded Value results as at 31 December 2018 and 2017 after restatement.

	2018	2017*
<i>in EUR '000</i>		
<b>Austria/Germany</b>		
Free Surplus	367,465	770,136
Required Capital	103,365	291,097
<b>ANAV</b>	<b>470,830</b>	<b>1,061,233</b>
Stochastic PVFP	2,050,359	2,081,953
- Net Risk Margin	-460,075	-603,250
<b>VIF</b>	<b>1,590,284</b>	<b>1,478,703</b>
<b>Subtotal</b>	<b>2,061,114</b>	<b>2,539,936</b>
<b>CEE</b>		
Free Surplus	830,772	775,084
Required Capital	74,819	80,276
<b>ANAV</b>	<b>905,591</b>	<b>855,361</b>
Stochastic PVFP	1,554,687	1,458,540
- Net Risk Margin	-416,706	-366,513
<b>VIF</b>	<b>1,137,981</b>	<b>1,092,027</b>
<b>Subtotal</b>	<b>2,043,573</b>	<b>1,947,388</b>
<b>Total</b>		
Free Surplus	1,198,237	1,545,220
Required Capital	178,184	371,373
<b>ANAV</b>	<b>1,376,421</b>	<b>1,916,593</b>
Stochastic PVFP	3,605,046	3,540,493
- Net Risk Margin	-876,781	-969,763
<b>VIF</b>	<b>2,728,265</b>	<b>2,570,730</b>
<b>Total</b>	<b>4,104,686</b>	<b>4,487,323</b>

\* Results shown above are after restatement.

The results as at 31 December 2017 are shown after restatement. The restatement includes revaluation of the companies previously included in the consolidated results on the basis of the book value and updated Solvency II compliant treatment of contract boundaries in Slovakia.

## VALUE OF NEW BUSINESS

The Value of New Business (VNB) is calculated only for the covered business and the following table shows 2018 and 2017 results. Profitability is measured as a percentage of the Annual Premium Equivalent (APE) and the Present Value of New Business Premiums (PVNBP). The APE equals one tenth of the single premiums plus the annualized amount of regular premiums written during the year.

	2018	2017
<b>in EUR '000</b>		
<b>Austria/Germany</b>		
Value of New Business	48,838	40,223
APE	138,952	126,456
<b>APE-Ratio</b>	<b>35.15%</b>	<b>31.81%</b>
PVNBP	1,807,395	1,686,530
<b>PVNBP-Ratio</b>	<b>2.70%</b>	<b>2.38%</b>
<b>CEE</b>		
Value of New Business	93,326	112,742
APE	204,425	211,343
<b>APE-Ratio</b>	<b>45.65%</b>	<b>53.35%</b>
PVNBP	1,413,071	1,504,454
<b>PVNBP-Ratio</b>	<b>6.60%</b>	<b>7.49%</b>
<b>Total</b>		
Value of New Business	142,164	152,965
APE	343,377	337,799
<b>APE-Ratio</b>	<b>41.40%</b>	<b>45.28%</b>
PVNBP	3,220,466	3,190,984
<b>PVNBP-Ratio</b>	<b>4.41%</b>	<b>4.79%</b>

The VNB is calculated as the SPVFP for the new life and health business sold in 2018, less the new business strain and Net Risk Margin. The life and health companies in Austria do not defer acquisition costs for the traditional life insurance business in the local statutory accounts. Therefore the new business strain for the Austrian business includes the shareholders' share of the total acquisition expenses net of tax.

The 2018 total PVNBP-Ratio is 4.41%.

# Methodology

The Life and Health Embedded Value represents shareholders' interests in the business. Components of the Life and Health Embedded Value are described below. Calculations are performed separately for each business after allowing for both external and intra-group reinsurance.

## ADJUSTED NET ASSET VALUE

The ANAV is defined as:

- the shareholders' equity under the local GAAP bases;
- plus the shareholders' share of the unrecognized capital gains after tax, to the extent that these are not included in the calculation of the VIF;
- less the intangible assets after tax;
- less the difference between the shareholders' share of IFRS and local GAAP pension liabilities after tax;
- less the difference between the market and book value of the issued subordinated debt and hybrid capital after tax.

The unrecognized capital gains are included in the calculation of the VIF to the extent that they are covering technical reserves and allow for relevant minimum profit participation rules and the company's profit participation strategy. The remaining unrecognized capital gains net of tax are included in the ANAV.

The Required Capital for each company or segment is determined as the Solvency Required Capital (SCR) under the Solvency II regime less the sum of subordinated debt eligible to cover the SCR and the VIF. The capital requirements for Standard & Poor's A rating are defined as 150% of the solvency margin of VIG Re in Czech Republic and 100% of the solvency margin for all other companies.

The Free Surplus for each company is the ANAV in excess of the Required Capital.

## STOCHASTIC PRESENT VALUE OF FUTURE PROFITS

The Stochastic Present Value of Future Profits (SPVFP) is the value of the projected net of tax statutory distributable profits arising from the in-force business. It does not include profits from future new business.

The SPVFP allows for each company's profit participation strategy and also for the local minimum legal requirements for profit sharing.

The SPVFP is defined as the average - over a sufficient number of economic scenarios - of the discounted value of the projected after tax statutory shareholder profits. The economic scenarios represent possible future outcomes for capital market variables such as interest rates, equity and property returns and inflation. The other assumptions (including expenses, lapse rates, mortality and morbidity rates, profit participation rates and tax rates) are set on a best estimate basis that reflects each business' recent experience and expected future trends. Where appropriate, the projection models allow for management actions and policyholder behaviour, i.e. some assumptions (e.g. the asset allocation or lapse rates) vary depending on the future economic conditions.



## **NET RISK MARGIN**

The Net Risk Margin allows for the non-financial (i.e. mortality, morbidity, lapse and expense) and operational risks on the basis of the cost of holding risk capital to cover these risks and is presented net of tax. The risk capital is based on Solvency II capital requirements as used to calculate the Solvency II Risk Margin. The risk capital is projected over the life time of the portfolio on the basis of appropriate risk drivers of the risk capital components consistently applied to in-force and new business.

## **VALUE OF NEW BUSINESS**

The VNB represents the value generated by new business sold during the reporting period. New business premiums are defined as premiums arising from new business. New business includes policies where a new contract is signed or underwriting is carried out. The value of premium increases on existing contracts during the period is included in the VIF.

# Assumptions

## ECONOMIC ASSUMPTIONS

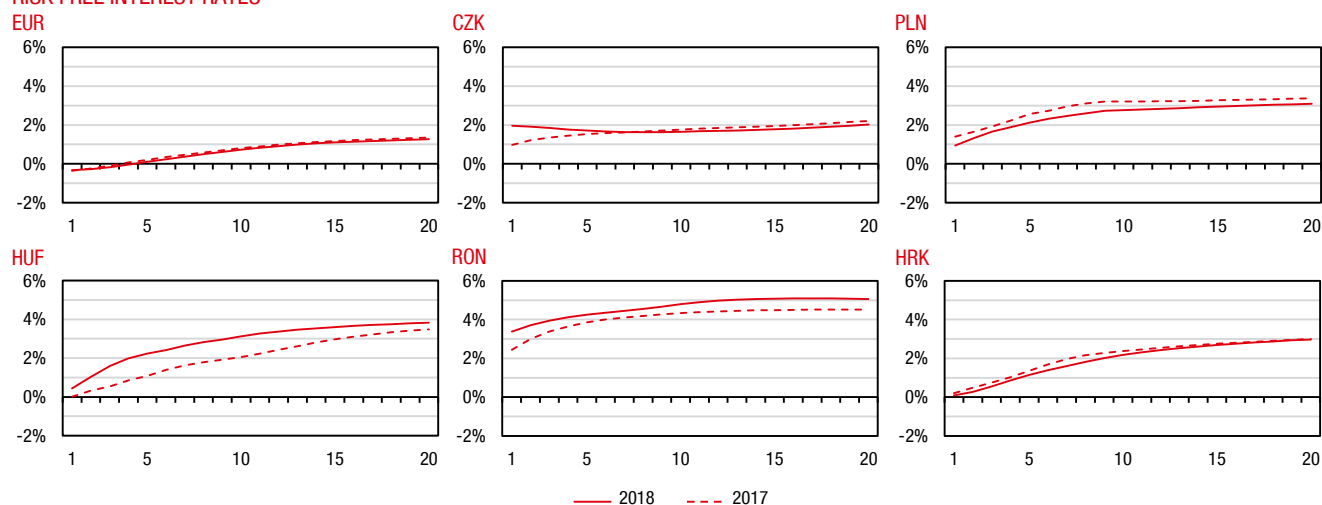
### Risk Free Interest Rates

VIG's reference rates as at 31 December 2018 and 31 December 2017 are the official Solvency II basic risk free rate curves as published by EIOPA. The Austrian companies apply the Solvency II volatility adjustment of 0.24% in 2018 and 0.04% in 2017 to the basic risk free curve.

	EUR		CZK		PLN	
	2018	2017	2018	2017	2018	2017
in %						
1 year	-0.33	-0.36	1.96	0.98	0.94	1.40
2 years	-0.28	-0.25	1.91	1.22	1.33	1.66
5 years	0.10	0.21	1.71	1.53	2.13	2.57
10 years	0.73	0.80	1.65	1.76	2.77	3.21
20 years	1.28	1.36	2.02	2.21	3.10	3.37

	HUF		RON		HRK	
	2018	2017	2018	2017	2018	2017
in %						
1 year	0.44	0.01	3.38	2.43	0.08	0.20
2 years	1.03	0.32	3.72	3.00	0.28	0.48
5 years	2.24	1.08	4.25	3.86	1.14	1.36
10 years	3.13	2.06	4.79	4.33	2.18	2.38
20 years	3.83	3.49	5.07	4.52	2.98	3.00

### RISK FREE INTEREST RATES



Bloomberg is the principal source for market data, the main software used – the Economic Scenario Generator (ESG) – is Moody's Analytics Scenario Generator. With the 31 December 2018 the whole group switched to a new scenario model that allows for negative interest rates of the basic risk free rate (LMM+).

This model change to negative rates results in the corresponding lognormal volatilities failing to exist and, therefore, cannot be used as inputs. Consequently, the following table (Interest Rate Volatilities) includes a notation change of the implied swaption volatilities from log normal to normal terms for 2018. The calibration methodology and validation criteria follow market practice and ensure that the economic scenarios provided are of consistent quality and comply with the Solvency II Technical Specifications. We calibrate the stochastic scenarios to the following market data:

- Nominal yield curves;
- Real yield curves via inflation data;
- Interest rate volatilities (swaptions in normal terms);
- Equity implied volatility;
- Initial equity dividend yield;
- Data from VIG's partial internal model for property investments.

The swaption implied volatilities and the equity volatilities from the ESG output are shown in the tables below.

### Interest Rate Volatilities

Option/Swap Term	EUR					
	2018 <sup>1)</sup>			2017 <sup>2)</sup>		
	5 years	10 years	15 years	5 years	10 years	15 years
in %						
5 years	0.58	0.59	0.58	44.82	37.20	33.23
10 years	0.64	0.61	0.58	33.50	28.49	25.67
15 years	0.60	0.58	0.55	28.70	22.96	20.89

Option/Swap Term	CZK					
	2018 <sup>1)</sup>			2017 <sup>2)</sup>		
	5 years	10 years	15 years	5 years	10 years	15 years
in %						
5 years	0.64	0.66	0.63	33.45	30.82	26.43
10 years	0.64	0.64	0.61	29.12	25.95	22.23
15 years	0.65	0.63	0.59	25.48	21.72	18.69

Option/Swap Term	PLN					
	2018 <sup>1)</sup>			2017 <sup>2)</sup>		
	5 years	10 years	15 years	5 years	10 years	15 years
in %						
5 years	1.03	0.96	0.91	34.12	31.75	29.57
10 years	0.82	0.77	0.73	24.84	23.10	21.65
15 years	0.70	0.66	0.62	20.49	19.57	18.53

1) The implied swaption volatilities in normal terms for 2018.

2) The implied swaption volatilities in log normal terms for 2017.

## Equity Volatilities

	EUR		CZK		PLN	
	2018	2017	2018	2017	2018	2017
in %						
1 year	15.41	17.35	16.03	12.53	19.26	9.56
5 years	16.56	16.44	15.69	12.82	19.02	9.83
10 years	16.16	16.13	15.37	13.10	19.20	10.82
15 years	16.32	16.84	15.86	13.34	19.25	11.56

## Foreign Currency Exchange and Tax rates

The following table shows the foreign currency exchange rates against EUR and the nominal tax rates.

	Exchange rate		Tax rate	
	2018	2017	2018	2017
	1 EUR $\triangleq$	1 EUR $\triangleq$	in %	in %
Austria			25.00	25.00
Germany			31.72	31.72
Czech Republic	25.72	25.54	19.00	19.00
Croatia	7.41	7.44	18.00	18.00
Slovakia			21.00	21.00
Poland	4.30	4.18	19.00	19.00
Hungary	320.98	310.33	9.00	9.00
Romania	4.66	4.66	16.00	16.00

## Other Economic Assumptions

The price inflation assumptions are scenario dependent and are set in line with the assumed reference rates. The medical inflation rates assumed for the Austrian health insurance business are set to 2.00% p.a. for the calculations as at 31 December 2018 and 2017.

## OPERATING ASSUMPTIONS

Shareholder returns for participating business are determined in accordance with local legal minimum profit participation rules, local supervisory requirements and are consistent with each company's practice. The assumed profit sharing for the Austrian health insurance business, in accordance with current practice, is limited to the "no claims bonus". It does not allow for the minimum profit participation rules that were introduced by the Austrian Supervisory Authority (FMA) in 2007, because these rules are applicable for only a non-material part of the Wiener Städtische health business as at 31 December 2018 and 2017.

Other actuarial assumptions such as mortality and morbidity rates, lapse, paid-up, and annuity take-up rates are included on a best estimate basis. These assumptions are regularly reviewed and adjusted to reflect historical experience and expected trends. Expense assumptions for the covered businesses are based on the companies' recent experience and for the merged companies reflecting the management's best estimate expectation on expense synergy effects. No expenses are excluded as one-off expenses and all the expenses within VIG are allocated to the corresponding operating segments.

# Analysis of Change

The following tables show the analysis of change in the Life and Health Embedded Value separately consolidated for Austria/Germany, for CEE, and for the life and health business in total.

Austria/Germany	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
<i>in EUR '000</i>					
Value 2017 reported	770,136	291,097	1,478,703	2,539,936	
Value 2017 restated	770,136	291,097	1,478,703	2,539,936	
Capital and dividend flows	-155,971	0	0	-155,971	
Foreign exchange variance	0	0	0	0	
Acquired/divested businesses	-452,443	-20,248	70,796	-401,895	
Value 2017 adjusted	161,722	270,849	1,549,498	1,982,069	
Value of New Business	-117,757	58,292	108,302	48,838	
Roll forward	-387	0	-4,936	-5,323	
Transfers from VIF and Required Capital to Free Surplus	148,270	-16,219	-132,051	0	
Experience variance	81,395	-131,586	97,209	47,018	
Assumptions changes	210,760	-210,760	165,497	165,497	
Other operating variance	-149,033	144,952	-196,914	-200,995	
Operating earnings	173,249	-155,322	37,108	55,035	
Economic variance	30,440	-12,112	3,628	21,956	
Other non-operating variance	2,054	-50	50	2,054	
Total earnings	205,742	-167,484	40,786	79,045	3.99%
Value 2018	367,465	103,365	1,590,284	2,061,114	

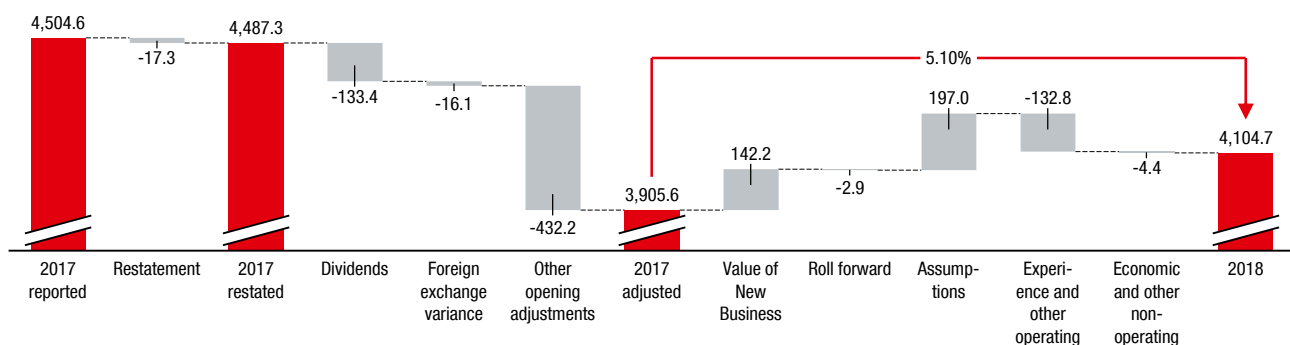
CEE	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
<i>in EUR '000</i>					
Value 2017 reported	800,870	17,485	1,146,296	1,964,651	
Value 2017 restated	775,084	80,276	1,092,027	1,947,388	
Capital and dividend flows	-91,325	0	0	-91,325	
Foreign exchange variance	-4,282	-487	-11,368	-16,137	
Acquired/divested businesses	79,222	-3,936	8,319	83,605	
Value 2017 adjusted	758,700	75,853	1,088,979	1,923,531	
Value of New Business	-68,776	4,107	157,995	93,326	
Roll forward	4,362	0	-1,947	2,414	
Transfers from VIF and Required Capital to Free Surplus	130,637	-351	-130,286	0	
Experience variance	34,582	-5,456	-10,919	18,207	
Assumptions changes	-5,269	5,269	31,464	31,464	
Other operating variance	-7,090	-8,364	18,459	3,006	
Operating earnings	88,446	-4,795	64,765	148,417	
Economic variance	-14,646	3,761	-35,633	-46,519	
Other non-operating variance	-1,727	0	19,870	18,143	
Total earnings	72,073	-1,034	49,002	120,041	6.24%
Value 2018	830,772	74,819	1,137,981	2,043,573	

Total	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
in EUR '000					
Value 2017 reported	1,571,006	308,581	2,624,998	4,504,586	
Value 2017 restated	1,545,220	371,373	2,570,730	4,487,323	
Capital and dividend flows	-247,296	0	0	-247,296	
Foreign exchange variance	-4,282	-487	-11,368	-16,137	
Acquired/divested businesses	-373,221	-24,184	79,115	-318,290	
Value 2017 adjusted	920,422	346,702	2,638,477	3,905,600	
Value of New Business	-186,533	62,399	266,297	142,164	
Roll forward	3,975	0	-6,883	-2,908	
Transfers from VIF and Required Capital to Free Surplus	278,907	-16,571	-262,337	0	
Experience variance	115,977	-137,043	86,289	65,224	
Assumptions changes	205,491	-205,491	196,960	196,960	
Other operating variance	-156,123	136,588	-178,454	-197,989	
Operating earnings	261,695	-160,116	101,873	203,451	
Economic variance	15,793	-8,351	-32,005	-24,563	
Other non-operating variance	327	-50	19,921	20,197	
Total earnings	277,815	-168,517	89,788	199,086	5.10%
Value 2018	1,198,237	178,184	2,728,265	4,104,686	

The opening adjustments of TEUR -581,723 include:

- the dividends paid to shareholders from the consolidated L&H segments in 2018;
- the impact of exchange rate movements;
- transfers between regions and segments mainly caused by the mergers concluded in 2018 under which a significant portion of statutory equity of composite insurers in Austria was reallocated from the L&H segment to the P&C segment.

**Total L&H business**  
in EUR million



The VNB for Austria/Germany is TEUR 48,838. The decrease in the free surplus is due to the non-deferral of acquisition expenses for the conventional business in Austria and this is compensated by a higher VIF. The VNB for CEE is TEUR 93,326.

The roll forward of TEUR -5,323 in Austria/Germany is the expected existing business contribution on the basis of the reference rates. This represents the unwinding at the reference rates of all the Life and Health Embedded Value components with the exception of the free surplus which increases at the reference rates after tax. The corresponding result for CEE is TEUR 2,414.

The experience variance is TEUR 47,018 for Austria/Germany and TEUR 18,207 for CEE. These amounts include a number of positive and negative variances. The main impact in Austria/Germany is better than expected contribution of the health business.

The impact of the assumption changes is TEUR 165,497 for Austria/Germany and TEUR 31,464 for CEE. The main effect in Austria/Germany is due to more favourable expense and lapse assumptions as a consequence of the merger.

The other operating variances are TEUR -200,995 in Austria/Germany due to modeling harmonization in the merged company and TEUR 3,006 in CEE.

The non-material economic variances are TEUR 21,956 in Austria/Germany and TEUR -46,519 in CEE.

In 2018 the total Life and Health Embedded Value Return is 5.10% of the 2017 restated and adjusted value.

# Sensitivity Analysis

The following tables show the sensitivities to various assumption changes of the Life and Health Embedded Value and the VNB as at 31 December 2018.

Life and Health Embedded Value		Austria/Germany	% change	CEE	% change	Total	% change
<b>in EUR '000</b>							
Base value		2,061,114		2,043,573		4,104,686	
Change in yield curve	+1%	280,636	13.62%	-55,057	-2.69%	225,579	5.50%
Change in yield curve	-1%	-438,094	-21.26%	47,902	2.34%	-390,192	-9.51%
Equity and property values	-10%	-55,241	-2.68%	-18,177	-0.89%	-73,419	-1.79%
Equity and property implied volatilities	+25%	-33,601	-1.63%	-4,822	-0.24%	-38,423	-0.94%
Swaption implied volatilities	+25%	-71,951	-3.49%	-9,761	-0.48%	-81,712	-1.99%
Maintenance expenses	-10%	51,142	2.48%	50,610	2.48%	101,752	2.48%
Lapse rates	-10%	8,024	0.39%	64,513	3.16%	72,537	1.77%
Mortality for assurances	-5%	11,013	0.53%	58,031	2.84%	69,043	1.68%
Mortality for annuities	-5%	-6,442	-0.31%	-1,019	-0.05%	-7,461	-0.18%
Removal of volatility adjustment		-141,303	-6.86%	0	0.00%	-141,303	-3.44%

Value of New Business		Austria/Germany	% change	CEE	% change	Total	% change
<b>in EUR '000</b>							
Base value		48,838		93,326		142,164	
Change in yield curve	+1%	-174	-0.36%	-1,865	-2.00%	-2,038	-1.43%
Change in yield curve	-1%	-3,829	-7.84%	-240	-0.26%	-4,069	-2.86%
Maintenance expenses	-10%	3,003	6.15%	4,037	4.33%	7,041	4.95%
Lapse rates	-10%	3,397	6.96%	8,206	8.79%	11,603	8.16%
Mortality for assurances	-5%	1,656	3.39%	7,204	7.72%	8,860	6.23%
Mortality for annuities	-5%	-1,456	-2.98%	17	0.02%	-1,439	-1.01%
Removal of volatility adjustment		-2,789	-5.71%	0	0.00%	-2,789	-1.96%

The sensitivities assume the same management actions and policyholder behaviour as for the base case. Each of the sensitivities is shown separately. If two events occur simultaneously the impact will usually not be the same as the sum of the individual sensitivities.



- **Change in Yield Curve**

These sensitivities show the impact of a sudden parallel shift in reference rates until the last liquid point. From the last liquid point, the reference rates are extrapolated to the ultimate forward rate, which remains unchanged. There are corresponding changes in the other economic assumptions including discount rates, equity and property returns, and the market values of fixed income assets.

For Austria/Germany the -100 bps sensitivity is more significant than the +100 bps sensitivity because it leads to more interest guarantees on the participating business coming into the money. The losses in this situation are partly compensated by reducing future policyholder profit participation. The higher surplus for the +100 bps sensitivity has to be shared with policyholders.

The impact of these sensitivities for CEE are lower than for Austria/Germany because the higher proportion of unit-linked and non-participating business means that the impact of a change in the yield curve is partly offset by the change in the discount rate. In addition, the CEE new business helps mitigate interest rate risk in total.

- **Decrease in the equity and property values at the valuation date**

This sensitivity is higher in Austria/Germany than in CEE, where it is not significant.

- **Increase to the equity and property volatilities**

This sensitivity is higher in Austria/Germany than in CEE, where it is not significant.

- **Increase to the swaption volatilities**

This sensitivity is higher in Austria/Germany than in CEE, where it is not significant.

- **Decrease in maintenance expenses**

This sensitivity is significant in both regions.

- **Decrease in lapse rates**

This sensitivity is more significant in CEE.

- **Decrease in mortality rates for assurances**

This sensitivity is more significant in CEE.

- **Decrease in mortality rates for annuities**

This sensitivity is higher in Austria/Germany than in CEE, where it is not significant.

- **Removal of volatility adjustment**

The removal of volatility adjustment sensitivity does not have any compensating impact on the market value of the assets at the valuation date. Therefore the impact of removing the volatility adjustment of 0.24% is proportionally higher than the effect of the -100 bps yield curve sensitivity for Austria/Germany.

# Maturity Profile

The following table shows the discounted profits expected to emerge from the in-force covered business as at 31 December 2018 over future years. The VIF is split into five maturity bands.

	VIF maturity profile	% of VIF
	in EUR '000	
1 to 5 years	943,762	34.59%
6 to 10 years	558,066	20.45%
11 to 15 years	340,388	12.48%
16 to 20 years	172,879	6.34%
more than 20 years	713,171	26.14%
<b>Total</b>	<b>2,728,265</b>	

The maturity profile indicates that 55.04% of the VIF emerges during the first 10 years.

# Appendix: Independent Review

VIENNA INSURANCE GROUP AG  
Wiener Versicherung Gruppe  
Schottenring 30  
1010 Vienna, Austria

Vienna, 1<sup>st</sup> April 2019

## Report on the Review of Life and Health Embedded Value 2018

### Introduction

We have reviewed the accompanying Supplementary Information on the Life & Health Embedded Value Results (the “Life and Health Embedded Value”) of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (“VIG”), Vienna for the period from 1st January 2018 to 31st December 2018.

The Life and Health Embedded Value comprises the Market Consistent Embedded Values (“MCEV”) of the majority of the life and health businesses as at 31st December 2018 together with the value of new business generated, the sensitivities and the analysis of movement in the MCEV during the year 2018.

Some insurance companies are excluded from the scope of our review. These companies are included in the Life and Health Embedded Value on the basis of book value as shown in the respective parent company’s audited local statutory accounts or the MCEV.

The scope of our review covered the methodology adopted together with the assumptions and calculations made by VIG in its Life and Health Embedded Value. The Life and Health Embedded Value and the underlying assumptions are the sole responsibility of the Board of Directors of VIG. They are prepared by VIG on the basis of VIG’s methodology as described in the Life and Health Embedded Value.

### Auditor’s responsibility

Our responsibility is to express an opinion on this Life and Health Embedded Value based on our review. Our liability towards the Company and towards third parties is limited in accordance with the stipulations of § 275 par. 2 of the Austrian Commercial Code (UGB).

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 “Principles of Engagements to Review Financial Statements” as well as with the International Standards on Review Engagements (ISRE) 2400/2410 and the stipulations in the MCEV Principles published by the CFO forum in June 2008 and amended in October 2009 and in April 2016 (“MCEV Principles”).

A review is limited primarily to making inquiries, primarily of Company personnel, responsible for actuarial, financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

Our review was conducted in accordance with generally accepted actuarial practices and processes. It comprised a combination of such reasonableness checks, analytical review and checks of accuracy as we considered necessary to provide reasonable assurance that the Life and Health Embedded Value is compiled free of significant error. However, we have relied without verification upon the completeness and accuracy of data and information supplied by VIG, including the value of net assets as disclosed in the audited local statutory accounts and the consolidated IFRS accounts of VIG and the subsidiaries of VIG.

The calculation of the Life and Health Embedded Value necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond VIG's control. Although the assumptions used represent estimates which the Directors believe are together reasonable, actual experience in future may vary from that assumed in the calculation of the embedded value results and any such variations may be material. Deviations from assumed experience are normal and are to be expected. The Life and Health Embedded Value does not purport to be a market valuation and should not be interpreted in that manner since it does not purport to encompass all of the many factors that may bear upon a market value.

Due to the fact that this report was prepared solely by order and on behalf of VIG, its contents should not be relied upon by any third party and do not provide a basis for any claims by third parties.

### **Opinion**

Based on our review, nothing has come to our attention that causes us to believe that the Life and Health Embedded Value has not been prepared in all material respects in accordance with the MCEV Principles.

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Michael Schlenk



## DISCLAIMER

This supplementary disclosure of the Life and Health Embedded Value results contains forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and it might not be possible to achieve the predictions, forecasts, projections and other outcomes described or implied in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in these forward-looking statements.

These forward-looking statements will not be updated except as required by applicable laws.

This document was prepared with the due care in order to ensure that the information provided in all parts is correct and complete. Rounding, type-setting and printing errors can nevertheless not be completely ruled out.

## ADDRESS

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