

# THE SAFE SIDE

VIENNA INSURANCE GROUP SUPPLEMENT TO THE ANNUAL REPORT 2016

CEE region contributes more than

# 50%

**EUR 9.1 billion in premiums**

An increase of 4.4%, not including single-premium life insurance products.

**Profit before taxes EUR 406.7 million**

This means our ambitious goal of doubling our profit compared to last year to up to EUR 400 million was over-achieved. Half of the profit was generated by the Central and Eastern European markets.

**97.3% combined ratio**

Due to a solid underwriting result, the combined ratio was once again significantly below the 100% mark in 2016.



## Our compass points east

**We maintained our course consistently in 2016 and kept an important promise.**

The compass is a Chinese invention from the 11<sup>th</sup> century. Originally vitally important for sea travel, it is now synonymous with direction and purposefulness. Companies also use a “compass” in order to keep sight of their objectives.

The compass used by the Vienna Insurance Group (VIG) is special. It points east. This is because our Group, which has its headquarters in Austria, has made itself at home in Central and Eastern Europe (CEE). We are building on the potential of 180 million customers in the CEE region whose prosperity and insurance needs are continually growing (page 2).

This region already generates half of our income. The Central and Eastern European region was the major contributor to doubling our profit before taxes to EUR 406.7 million in 2016. We were

very pleased to be able to keep this promise we made. Our success was also due to the conservative investment strategy we feel we must follow as an insurance group and that we will not dissociate from even in difficult times.

Our Group has grown tremendously in the past 25 years. This means that new cultures and markets combined with a proven business model must all be brought into line so we can keep the big picture in focus. Although not a compass in the usual sense, we provide an appropriate form of guidance for our employees in the course of our employee mobility programmes that promote an exchange between our 50 Group companies (page 18).

Our compass has been pointing in the right direction and has brought us success – for more than 190 years.

### HIGHLIGHTS

#### Managing Board interview

Why you can count on VIG also in the future. **Page 4**

#### New strategic work programme

The programme focuses on ensuring future viability, optimising our business model and organisation and cooperation. **Page 8**

#### Highlights from VIG markets

What VIG companies did in 2016. You can read examples on **Page 12**

### UP TO DATE

#### Financial report 2016

**Facts and figures.** Everything you need to know about financial year 2016.



#### DIVIDEND INCREASED

The Group Managing Board will propose a dividend increase to EUR 0.80 per share. **Page 14**

#### VIG shares: strong capitalisation

The Group's strong capitalisation is the main reason for investing in Vienna Insurance Group. The Company also scores with stability and security. The international rating agency Standard & Poor's confirmed that this strategy has been well received by the market by once again awarding Vienna Insurance Group an A+ rating with stable outlook in 2016. **Page 14**

#### VIG takes responsibility

A stakeholder survey and materiality matrix were used to narrow down the broad area of corporate social responsibility (CSR) in the Group. They have provided important guidance for VIG's future direction and defined key social and environmental topics. Because Vienna Insurance Group is aware of its social responsibility. **Page 16**



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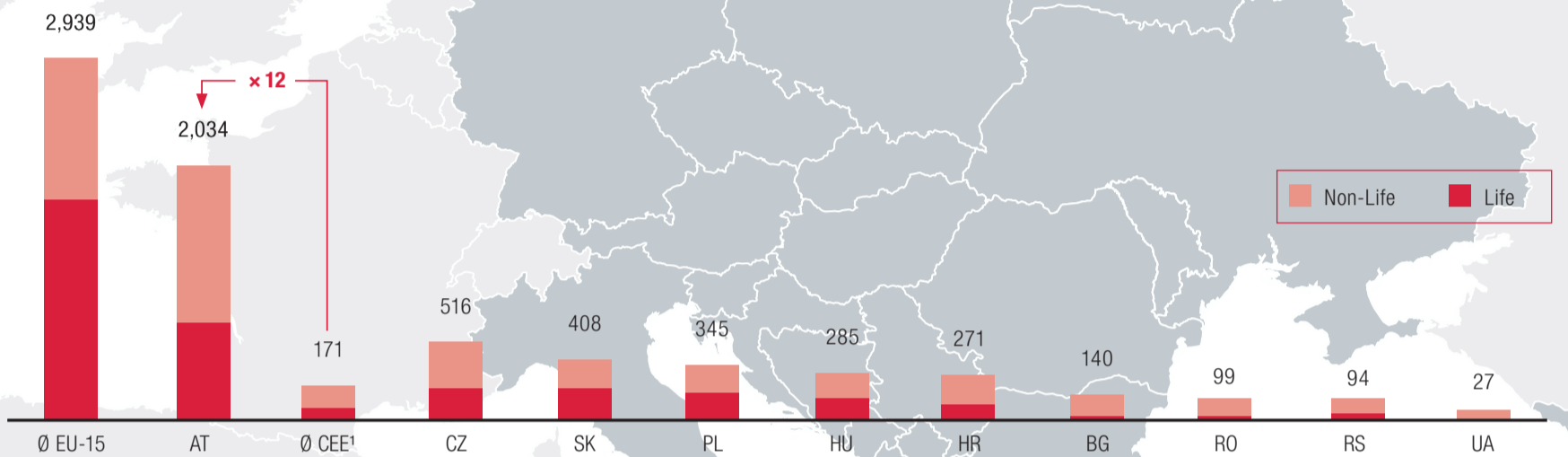
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**CENTRAL AND EASTERN EUROPE – A GROWTH MARKET**

Per capita insurance premiums in euros.

The countries of Central and Eastern Europe have a great deal of catch-up potential with regard to insurance coverage and protecting their increasing level of prosperity. CEE insurance markets are still far from being saturated, and growth rates are significantly higher than in Western European countries.



Source: in-house calculations based on data published by national insurance authorities and associations, the IMF and Swiss Re (Sigma); ¹ weighted average of all VIG CEE markets, 2015

# From local hero to CEE Group “We still have a great deal of upward potential”

**There are two things you absolutely need as a pioneer: a lot of courage and patience. After the fall of the Iron Curtain, many Austrian companies showed they were up to the challenge and invested offensively in the new market of Central and Eastern Europe. Four of them explain why they still believe they made the right decision and what their plans are for the future.**

The Ringturm building in Vienna is more than Austria’s first office highrise. When it opened in 1955, the Vienna Insurance Group’s headquarters was a symbol of the country’s return to freedom and the start of an economic upturn. The situation was completely different, however, just a few kilometres to the east. Europe was divided, and the eastern part of the continent dominated planned economies and unfreedom.

The fact that Austria was cut off for decades from the economy in Central and Eastern Europe is no longer apparent in the Ringturm. Quite the opposite. When

you enter the lobby of the headquarters nowadays, you are immediately surrounded by the variety of Central Europe. German, Croatian, Czech, Romanian – a different language is spoken around every corner.

**Convergence of prosperity brings growth**  
When the Iron Curtain fell at the beginning of the 1990s, many Austrian companies seized the opportunity and invested intensively in the CEE region. “Austrian banks in this form would no longer exist if the expansion into neighbouring countries had not taken place,” said Erste Group CEO Andreas Treichl, convinced of the

importance of the step that was taken at that time. “The expansion was a very important step for us – and for the Austrian economy as a whole. And this was based on the assumption that the level of prosperity would adjust to the level in Western Europe.” Treichl sees this confirmed by the fact that the regions around Prague and Bratislava are already more prosperous than the EU average.

It is a catch-up process that still has to unfold in the other CEE countries and is far from complete. This is shown, for example, by the growth rates of these countries compared to Western Europe. While



**Elisabeth Stadler, CEO of VIG**  
Per capita insurance expenditure in the CEE market is only around one twelfth of the level in Austria.



gross domestic product is expected to increase by 1.5% a year in the Eurozone between 2016 and 2019, the forecast is 3.6% for Slovakia and 3.3% for Poland. There

## FROM AUSTRIA TO THE CEE REGION – VIG’S HISTORY OF

The foundations for VIG’s successful history were laid in 1824. In 1990, the Company took the risk of expanding into the CEE region by forming the company Kooperativa in the former Czechoslovakia. 2014 saw VIG enter the final country in the CEE region, Moldova. VIG now operates in 25 countries.





**Oliver Schumy, CEO of Immofinanz**

Eastern European countries have comparatively low levels of national debt. Budget deficits in the region are low.



is good reason why the Erste Group bank subsidiaries in the Czech Republic and Slovakia now contribute three-quarters of the Group's income.

Vienna Insurance Group is also firmly rooted in the CEE region and is a market leader in many countries of the region. "We were already investing in the former Czechoslovakia in 1990 and are now a clear market leader in our Austrian and CEE markets," explained Elisabeth Stadler, CEO of VIG. The Group now generates half of its profits and more than half of its premiums in the CEE region.

**The CEE market is not saturated**

What makes the CEE market so attractive is the fact that the potential catch-up in terms of penetration of different products is far from complete. "While Austria is considered a thoroughly saturated insurance market where issues such as future provision and health are of great importance, insuring material assets, such as cars, buildings and homes, is still the priority in most CEE countries," explained Stadler. As a result, insurance expenditure in the CEE region is still only around one twelfth of the level in Austria.

The rise in quality of life and purchasing power has led to increased demand for higher quality products and services. This is also confirmed by Oliver Schumy, CEO of Immofinanz: "We currently earn most of our rental income in the CEE region. The faster the economy grows, the greater the demand for modern office space. And the increased purchasing power bolstered by wage growth and higher employment rates leads to increased retail sales in our shopping centres and retail parks."

Schumy continues to view the CEE region as an important growth market. Investment volumes improved in 2016 in all of the countries in the region where

Immofinanz operates. He believes the greater leeway available for public budgets is also important. "Eastern European countries have comparatively low levels of national debt. Budget deficits in the region are low. The countries have also improved in terms of competitiveness. These are all factors that favour the region," explained Schumy.

**Technology and driver of innovation**

It is quite clear to Alejandro Plater, CEO and COO of Telekom Austria Group, that the opportunities in Eastern Europe were one of the reasons the current majority shareholder, América Móvil, invested there. However, in addition to the upward economic trend in these markets, he also mentioned another key argument in favour of the CEE region, namely the innovativeness of the people there. "We particularly see opportunities due to technological change and digitisation. Eastern Europe offers considerable potential in this area. Many of the innovations we use internally come from outside Austria. Belarus was the first market where we completely virtualised our network, and our new TV products were partially developed in Croatia," said Plater.



**Alejandro Plater, CEO and COO of the Telekom Austria Group**

Central and Eastern Europe continues to be a highly attractive region, which is why our majority shareholder, América Móvil, invested in the Telekom Austria Group.



In addition to organic growth, the CEE region also naturally offers opportunities for acquisitions. "Our industry will continue to consolidate, particularly with regard to landline networks. Bulgaria alone, for example, has more than 300 regional cable companies, which prevents consumers from receiving benefits from an industry based on economies of scale. Our strategy is to aim for growth in our core business, using new products as well as acquisitions," explained Plater.

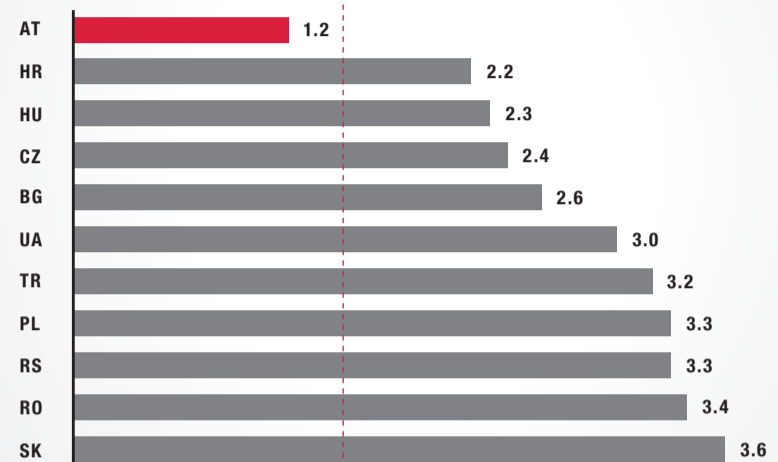
More acquisitions are also an option for VIG, which already operates around 50

**GDP GROWTH**

**ECONOMIC GROWTH FORECAST**

Real GDP growth 2016-19 in % p.a.

The forecast for economic growth in the next few years is significantly higher for Central and Eastern Europe than for Austria and the Eurozone.



Source: IMF, World Economic Outlook database, October 2016

companies in the region, and CEO Stadler has announced that she has an appetite for more. "That includes both organic growth from expanding existing businesses and acquisitions. Profitability naturally takes priority in all our considerations. If it is unprofitable, it is taboo for us." This is aimed at protecting and further expanding VIG's position as the largest insurance group in Austria and the CEE region.

**Confidence and an appetite for more**

Whether the potential offered by an economic area can actually be exploited depends in part on the basic mood and attitude of the population. Telekom Austria CEO Plater confirms that the people in the CEE region strongly desire change and a better life. "Pessimism, on the other hand, currently dominates the West, even though it is completely unjustified. This naturally has a strong effect on investment and, in turn, on economic development. We need a new spirit of optimism, and the age of digitisation is a good reason for this," stated Plater.

Erste Bank CEO Treichl also explained that one of the reasons of the rapid growth in the eastern part of the continent was the difference in approach. "In my opinion, this also has to do with the fact that the people in this region want to become more prosperous, believe in themselves, and are therefore ready to take risks. This is something almost impossible to find in Western Europe anymore."

This desire for more puts the CEE region in an economic pole position for the fore-

seeable future. Austria borders on this economic area and benefits greatly from the upward trend because many Austrian companies have managed to make the jump from "local players" to established major players in the CEE region. The future of these companies is built on this growth region.

"Growing together" in the best sense of the word is what these corporations are promoting. VIG's Elisabeth Stadler clarifies the magnitude of the process: "Our premium volume was EUR 1 billion when our eastward expansion began. It is now a little more than EUR 9 billion, and we still have a great deal of upward potential."



**Andreas Treichl, CEO of Erste Group**

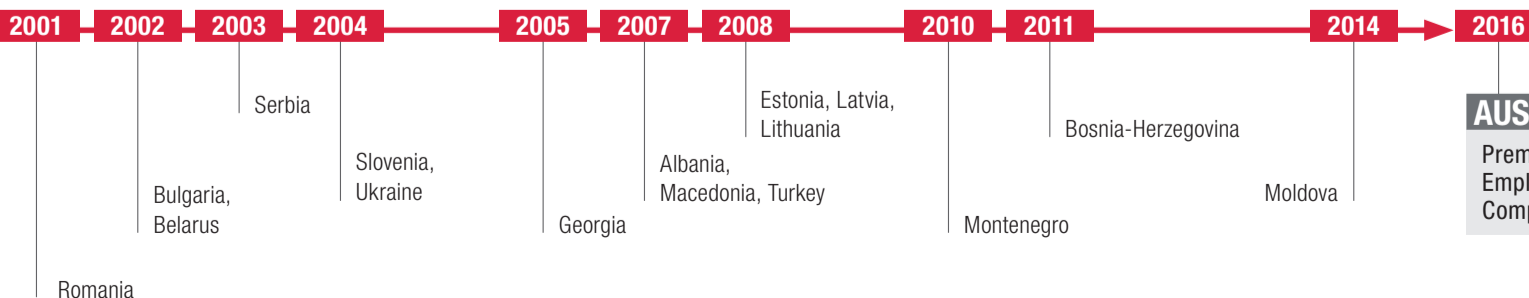
When the question of new locations arises, people inevitably take a closer look at the CEE region.

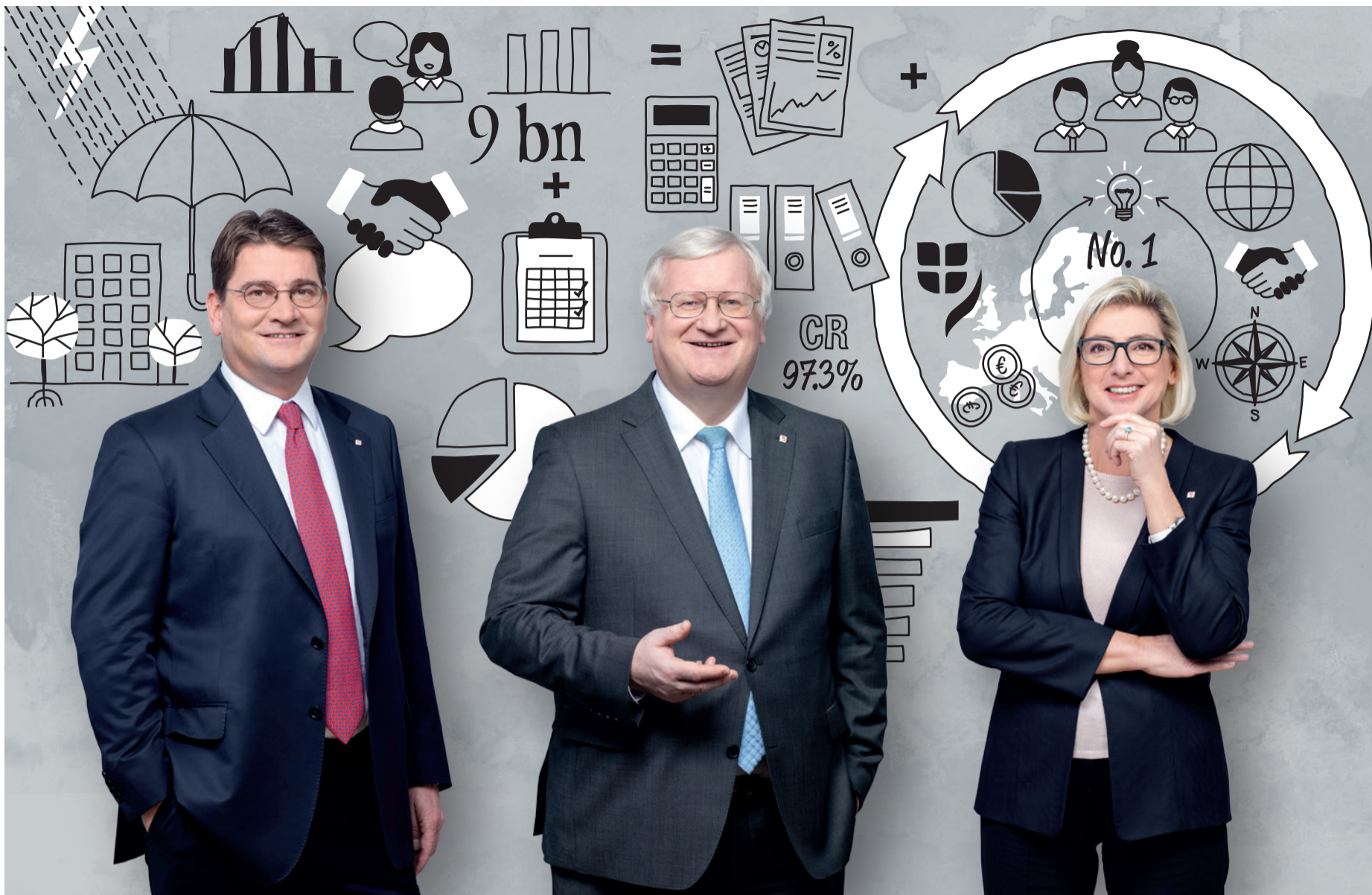


**AUSTRIA & CEE**

Premiums: EUR 9.1 billion  
 Employees: over 24,000  
 Companies: approx. 50

**EXPANSION**





2016

### Group premiums EUR 9.1 billion

Adjusted for single-premium life insurance products, the increase was a satisfactory 4.4%.

### Profit before taxes EUR 406.7 million

We have over-achieved our stated objective of doubling the previous year's profit to up to EUR 400 million.

### 97.3% net combined ratio

Solid underwriting result has led to a combined result significantly below the 100% mark in 2016.

### Planned dividend per share of EUR 0.80

This will be proposed at the Annual General Meeting on 12 May 2017 to maintain our dividend policy of distributing at least 30% of Group net profit after minority interests to shareholders.

### Market share greater than 10% in Serbia

The market share in Serbia was increased significantly by acquisitions in 2016.

### Expansion in Serbia and Romania

VIG continued its successful expansion in the CEE region with acquisitions in Serbia and Romania in 2016.

# You can count

2016 was once again extremely challenging for the insurance industry. The life business in particular is suffering from the now chronic low interest rate environment. While customers expect a reasonable yield, as an insurance company we are obligated to maintain a conservative investment policy.

We are therefore extremely happy that we have been able to maintain Group premiums at a stable level of slightly over EUR 9 billion in this difficult environment. This represents an increase of 0.3%. When adjusted for single-premium life insurance products, the increase even rises to 4.4%.

#### Growth in the CEE region

This was only achieved due to our strong presence in the CEE region. We currently already generate more than half our premium income there, and while Austria recorded a drop of 2.8% (an increase of 0.7% excluding single-premium life products), some of our growth markets recorded remarkable increases. The economic upward trend can be seen clearly in the CEE region. Romania, for example, recorded a growth of 24.4%, Turkey 15.3% and Hungary 9.8%.

The Central and Eastern European region also achieved good growth in motor

third party liability insurance. This line of business is nevertheless highly competitive and, in some cases, suffers from regulatory measures imposed on the insurance industry. In Romania, for example, the government imposed a maximum limit on motor third party liability tariffs for six months. We are keeping an eye on developments like this and are not afraid to take appropriate measures if profitability is threatened.

At the same time, we also still have an appetite for more in the Central and Eastern European region, whether through organic growth or further acquisitions. We have identified Poland, Hungary, Serbia and Croatia as four growth markets where we aim to achieve a market share of more than 10% in the medium term. Our purchase of the AXA companies means we have already achieved this goal in Serbia in 2016.

"You can count on us" is more than just a catchy phrase. It states that keeping our promises is a top priority. This concerns the CEE strategy we have been systematically implementing for years as well as our profits. In 2016, we announced that we aimed to double our profit before taxes to up to EUR 400 million. We were able to achieve this in spite of the negative effects of the low interest rate

environment. However, it should be mentioned that this was also due to a one-time positive effect on the financial result because of an agreement reached between the Carinthian Compensation Payment Fund and HETA's creditors, which included Vienna Insurance Group.

Accepting the settlement before the 7 October 2016 deadline meant that the bonds that had been previously written off could be written up in value by around EUR 40 million.

#### Dividend increase

We also certainly feel obliged to maintain our dividend policy, which provides for a dividend of at least 30% of Group net profits (after minority interests) for shareholders. We will therefore propose a dividend increase to EUR 0.80 per share at the Annual General Meeting.

With regard to the ratio of losses to premium income, the Group combined ratio was further reduced compared to previous quarters to 97.3% in 2016. Our clear objective is to continue increasing Group profitability and improve the combined ratio in the direction of 95.0% in the future.

The Standard & Poor's rating agency once again confirmed the path we have



The VIG Managing Board: Peter Höfing, Martin Simhandl, Elisabeth Stadler, Judit Havasi, Franz Fuchs, Roland Gröll (l. to r.)

# on us

**The Managing Board of Vienna Insurance Group on the financial year just ended, and on what else you can expect from the market leader in Austria and Central and Eastern Europe.**

chosen and the resulting excellent capitalisation by assigning an A+ rating with a stable outlook in 2016. This means we have the best rating of all companies included in the ATX leading index of the Vienna Stock Exchange.

#### Count on us – apart from bare figures

Vienna Insurance Group's major competitive advantage is our multi-brand strategy with local entrepreneurship. This is an expression of our diversity and one of the most important cornerstones of our strategy. Many studies have shown that companies with a high level of diversity are particularly successful. We place great importance on responding to different local needs and a Group-wide exchange of knowledge and information. This leads to many innovative product ideas and solutions that benefit our companies, employees – and in the end our customers.

When we bought companies in the Central and Eastern European region, they already had brands that were well known. Our customers and employees all identified with them. We are taking advantage of this by using a multi-brand strategy across our entire market area that is closely related to multi-channel distribution. Due to local differences, various approaches are implemented to

address customers in different countries. Vienna Insurance Group intentionally uses established regional brands and autonomous local management to respond to these country-specific needs for insurance and future provision.

This local expertise is also greatly assisted by our long-term strategic partnership with Erste Group, which also operates in many of our markets. Personal insurance typically dominates the range of insurance products sold through banks. We also see a great deal of potential in sales of health and property insurance. A project group is being formed with our bank insurance partner Erste Group for this purpose. The aim of the project is to optimise products, distribution and profits for the banks and insurance companies in all countries where Erste Group and Vienna Insurance Group cooperate. The focus is on customer needs and requirements, easily understandable products and integration into the bank's digitisation initiative.

With more than 24,000 employees, Vienna Insurance Group is the clear market leader in its Austrian and Central and Eastern European markets. We are in an excellent position to take advantage of the long-term growth opportunities offered by the region and its

180 million potential customers by providing service, customer-orientation and reliability – values that are particularly important in times of great change.

#### Count on us – now and in the future

We have developed a strategic work programme to ensure that Vienna Insurance Group remains a dominant player in the Central and Eastern European insurance market in the future. The programme focuses on three areas: ensuring future viability, optimising our business model and organisation and cooperation.

These three areas include many initiatives, and an overview and description of these is provided on the following pages. A few examples are briefly mentioned here. First, the ongoing digitisation taking place in all areas of life and work will also affect the insurance business. We are consciously focusing on automating processes and digitising our range of products and services.

We also see significant potential in promoting private health insurance – in both Austria and the CEE region. Public healthcare funding, demographic change and medical progress are factors increasing the need for personal, self-determined health insurance. The increase in prosperity in the Central and Eastern

European region is also raising the demand for these products.

We are certainly also thinking about what the future holds for life insurance. Coverage for biometric risks and threats that are still currently underrated, such as occupational disability and nursing care, will become more important. We also should not forget that life insurance is the only financial instrument that offers a life-long annuity. This is an argument that continues to be valid even in view of the historically low level of interest rates.

Our clear objective is to continue increasing Vienna Insurance Groups' profitability. We plan to generate around EUR 9.5 billion in Group premiums until 2019 and expect our profit before taxes also to increase to between EUR 450 and EUR 470 million.

As previously mentioned, 2016 was a challenge. What really matters, however, is how one approaches such challenges. We decided to take an offensive approach to difficult situations. We continue to work intensively on generating profitable growth and expanding our position as market leader in the Central and Eastern European region. That is something you can count on!

**A strategic framework is the basic foundation for actively shaping corporate future. Here we outline the main cornerstones of the company strategy.**

# The VIG strategy

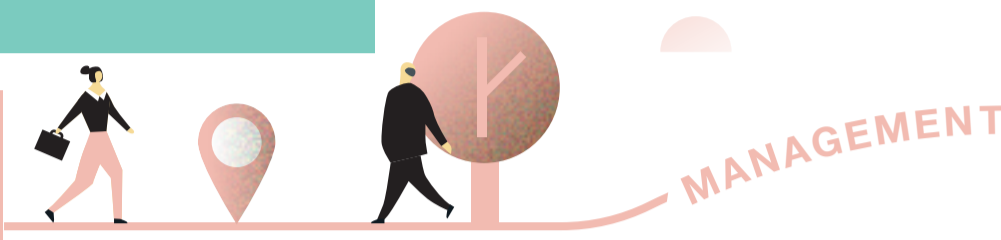
## Core business insurance

VIG concentrates on its core business, namely providing insurance solutions and advisory services that best address the different security and future provision needs of the people in its markets.



## Local entrepreneurship

- Decentralised structures and rapid decision-making
- Exchange of best practices/networking within the Group



**MANAGEMENT PRINCIPLES**

### Shared services and mergers

Generate cost advantages by combining back-office functions within a country or, if applicable, within a region, and by mergers where the synergy effects of the merger outweigh the advantages of a diversified market presence in the long-term.

### Anti-fraud

Establish a Group-wide best practice approach for managing fraud in retail business.

### Closed file review

Uniform Group procedure for identifying and preventing unjustified overpayments due to vulnerability in the claims process.

### Optimising the profitability of motor insurance

Develop targeted measures focused on underwriting and risk selection, and the use of new pricing methods.

## Optimising our business model

Creating added value by increasing operating performance.



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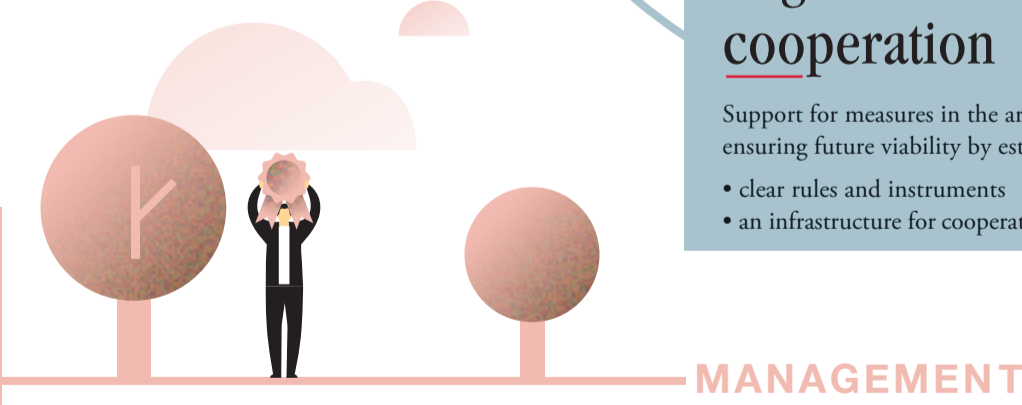
## Organisation cooperation

Support for measures in the ar ensuring future viability by est

- clear rules and instruments
- an infrastructure for cooperat

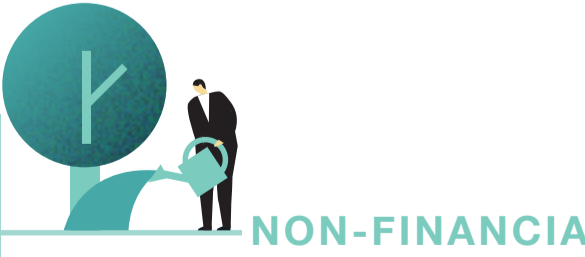
## Conservative investment and reinsurance policy

- Emphasis on quality and sustainability
- Broad risk spreading through diversification



## CSR

Our core business has always required being able to think in terms of and for many generations, assume responsibility and satisfy anytime the commitments we make to customers today. We want to actively fulfil our responsibility by helping create a future worth living.



# at a glance

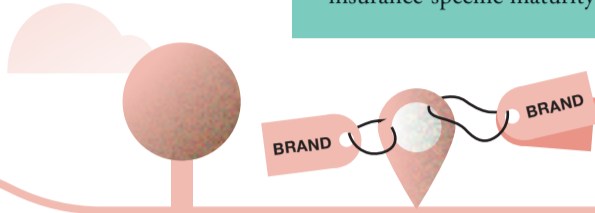
IC ELEMENTS



## Focus on Austria and CEE

VIG is committed to Austria and the CEE region as its home market and is convinced of the many growth opportunities offered by the CEE region. The difference in the economic and insurance-specific maturity of these markets ensures broad risk diversification across countries.

PRINCIPLES



## Multi-brand strategy

- Use of established local brands
- Addressing a variety of different target groups
- A tool to maintain customer and employee loyalty

MEASURES  
Starting points

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## Ensuring future viability

Measures for adapting the business model to (future) opportunities and challenges.

### Digitisation

Develop a digitisation strategy and integrate the opportunities to adapt our business model that arise as a result of digitisation (such as customer contact, advanced analytics, automation).

### Insurance of the future

Medium and long-term changes to the business model due to trends, innovations and technical developments, focusing on life and motor insurance.

### Assistance

Expand internal Group assistance to generate competitive advantages and round off the insurance business model.

### Intensification of lines of business

Taking advantage of growth potential in the health insurance, bank assurance and reinsurance businesses.

### Life insurance of the future

Considerations for the design of life insurance as an attractive instrument for future provisions for a self-determined life, in particular during old age.

### Motor business of the future

Examine future trends in the motor line of business, such as self-driving vehicles and sensor networks, and the necessary adjustments this creates for the business model.

MANAGEMENT PRINCIPLES

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ion within the Group

PRINCIPLES

## Multi-channel distribution

- Combination of multiple channels of distribution
- Strongly customer-oriented distribution
- Long-term cooperation with Erste Group

OBJECTIVES



## Employer of Choice

VIG also aims to be number 1 for their employees. We pursue this objective by identifying and promoting the individual skills of our employees and creating a work environment in which diversity plays a central role.

## INTERVIEW



KORNEL STADLER

“Our work must be implementation-oriented”

#### Klaus Mühleider

Head of Group Development and Strategy

#### What are the responsibilities of the new Group Development and Strategy department?

We help Vienna Insurance Group and its Group companies continue to operate more successfully than our competition. Although this sounds quite vague at first, it is nevertheless a clear goal that also provides a great deal of freedom for entrepreneurial initiative.

#### What are the main areas you work on with your team?

There are essentially three areas. The first one is early identification of trends so that they can be included in our business model. The effects of digitisation, the “Internet of Things” and self-driving vehicles on our business model are examples of such trends. It is also important, however, to propose very specific adjustments so that work on creating the business model of the future can already begin. Second, our responsibilities also include “traditional” strategy work such as country screening, identifying growth areas, for example in health insurance, and establishing cooperation. And third, we work on strengthening the operational aspects of our current business model. This concerns specific projects such as claims optimisation, fraud management and closed file review. We are always focusing on networking specialist expertise and sharing best practice so that knowledge is available everywhere in the Group.

#### What is your main challenge?

Strategy can be highly abstract at times. It is important to me that the benefits of the department to the Group as a whole can be clearly recognised. The department’s activities should always concern implementation – which is why the operating projects that were previously mentioned are so important. In addition, we should also test new methods and approaches, such as design thinking and innovation labs, and integrate them in order to prepare for the demands of the future.

## Optimised claims management Rapid assistance and critical analysis are two sides of the same coin

**An insurance company must provide help when it is needed, but must also recognise when it is being deceived.**

“The customer is always right” – Vienna Insurance Group follows this maxim not only when selling products, but also when customers need their insurance the most: when they make a claim. Vienna Insurance Group provides quick and easy assistance at times like these. This implies simple, efficient internal processes, which benefit both the customer and the insurance company itself, as they contribute to cost optimisation.

Preventing insurance fraud is just as important where cost reduction is concerned, since not all reported losses actually occur. For this reason, Vienna Insurance Group made anti-fraud a priority in the year 2016, and plans to use the closed file review method, i.e. follow-up examination of claims that have already been closed, starting in the year 2017.

#### Reducing fraud

When a claim occurs, it is important for people to be able to trust us. However, we naturally also have to be able to trust that our customers have provided

correct information about their claims. This is especially in the interests of the majority of our customers, who have legitimate claims and actually require assistance. Building on favourable experience in Austria, we therefore started an initiative to reduce fraud. Concretely in Poland and Romania in 2016.

The aim is to use a defined process to more quickly identify potential cases of fraud. Previous experience and typical procedures from the past are used to record patterns of fraud in manuals. These manuals are regularly updated and used to train claims processing employees. Cases that raise strong suspicions of fraud are then examined in more detail in a specialised department and rejected if proof of fraud is established. Constant feedback between claims processing and the specialised fraud department plays a key role in this process. It also makes it clear that this initiative is not a one-time measure, but instead a process that is integrated into the Company and regularly controlled, measured and monitored.

The results to date from this initiative are highly promising, and the process of expanding the model to other companies and countries has already begun.

#### VIG provides local support and creates synergies

Vienna Insurance Group plays a key role when measures are implemented on site in a Group company. It offers an international project team and best practice methodology. In this way, Vienna Insurance Group supports the implementation in each company and ensures that all necessary processes run correctly and knowledge transfer has taken place once implementation is concluded.



This also ensures that associated synergies and economies of scale can be exploited. No Vienna Insurance Group company has to reinvent the wheel in this process.

## Internal contribution to customer satisfaction

# Focus on comprehensive service

**Assistance plays a key role in ensuring the future viability of our business model.**

Providing immediate, direct help to customers 24/7 is the fundamental goal of assistance. Vienna Insurance Group is happy to set such a goal, since creating a customer-friendly image is a key success factor for the Group. In order to make further improvements in this area and increase customer loyalty, Vienna Insurance Group decided it would expand internally and no longer use outside companies to provide assistance services.

Internalisation like this allows for a significantly better use of potential synergies. The value added by this decision is clear to see: Control over claims handling – from first contact to payment of compensation – gives Vienna Insurance Group significant control over service quality and allows it to make further improvements.

#### By now, local market leader

The initiative began in 2013 with the purchase of the assistance company Global Assistance in the Czech Republic.

This Group subsidiary has already become a local market leader.

In the following years, the organisational foundations were laid to enable internal assistance to be promoted in other Vienna Insurance Group markets. In Bulgaria, for example, a Group in-house call centre was successfully converted to an assistance company, and the company Global Assistance was acquired in Slovakia. A further milestone was achieved in Poland in 2016, where a motor assistance centre was successfully set up as a greenfield project and established itself as the most modern motor assistance centre in the Polish market. In the year 2017, work also began on establishing a separate assistance centre in Romania. The focus for internal assistance in the year 2017 will be on services in the travel and household areas.

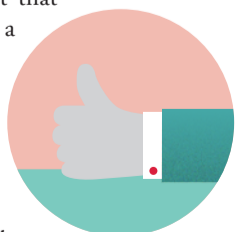
#### Thanks to new technologies, even more customer service

The digitisation trend will also natural-

ly affect assistance. As a result, mobile solutions that provide faster, better customer service have already been implemented, such as mobile GPS tracking for tow trucks. This supports the drivers to take the shortest route and ensures that locations are found quickly.

#### Identify customer needs + professional assistance = satisfied customer

The initial results from this initiative indicate that significant synergy effects are created by the transfer of knowledge between individual Group-wide assistance companies and close cooperation between assistance and claims handling. However, the fact that professional assistance has a major effect on customer loyalty and satisfaction is also extremely important. And ultimately, that is our goal: to provide the best possible service to customers who is convinced of the value of that service.



JELKA LERCHE



# An attractive product in spite of low interest rates

## Life insurance of the future

**Life insurance continues to be popular.**

In the media, one repeatedly encounters the opinion that the end of traditional life insurance is near and that this type of future provision is no longer needed due to decreasing yields and reductions in the guaranteed minimum interest rate.

The numbers, however, show quite a different picture. Pensions and life insurance are increasingly being seen as attractive products. A survey performed in the year 2016 across Austria by the market research institute Integral showed that pensions recorded a stark increase in popularity among different forms of saving and investment. It was chosen by 35% of the respondents, while only 28% made this choice in the previous year. Life insurance took third place on the popularity scale with a score of 40% (35% in the previous year), behind savings accounts and building society savings.

The criticism of life insurance is based on the current low interest rate environment. Vienna Insurance Group's Austrian life insurance business is also highly challenging due to the large portfolio that has developed over the years

and the low level of interest rates. The decrease in the financial result reduces profits in such an environment. The average yield on investments of around 3% nevertheless fully covers the average minimum rate of 2.3% guaranteed for life insurance – over the medium term.

Even Vienna Insurance Group's yield on new investments of slightly less than 2% is clearly above the guaranteed minimum interest rate of 0.5% that has applied since the beginning of the year. That means this segment can still earn the guaranteed minimum yield even in difficult times. This is important for customers and shareholders to know, but is not the main reason that life insurance is so important. Traditional life insurance is, after all, one of the few products that can guarantee customers a life-long annuity and therefore plays a particularly important role in old age provision.

Unit-linked and index-linked life insurance, which requires considerably less equity-backing from insurance com-

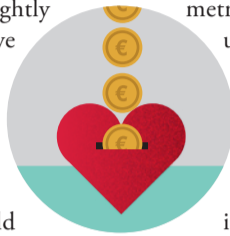
panies and offers higher expected returns for customers, is becoming more popular in the current low interest rate environment. This is a trend we are monitoring in the Austrian Group companies, and also increasingly promoting, given the costs of life insurance guarantees.

One has to consider that, as an insurance company, Vienna Insurance Group first and foremost offers protection against risk. This has not always been given the importance it deserves in the past. However, protection against risks is the key characteristic that distinguishes insurance from pure investment products. Increased attention to coverage of biometric risks when designing products is therefore a key factor in the attractiveness of life insurance products in the future.

This is the area that Vienna Insurance Group is examining when considering "life insurance of the future". The focus is on whether product should also include property benefits in the future, in addition to the usual features. These could, for example, be benefits related to "ambient assisted living": that is, the use of digitisation in households of the elderly, nursing care benefits required by the elderly or programs for maintaining health.

The relationship between the associated costs and the added value for custom-

ers must be evaluated and fairly priced. There is no question, however, that the demand for life insurance and future provision products exists. It will be up to the insurance companies to use their creativity and motivation to provide appropriate solutions that satisfy customer expectations. Through the strong local ties of Vienna Insurance Group companies they are ideally suited for this task.



### COOPERATION ERSTE GROUP AND VIG

Almost nine years ago, Erste Group and Vienna Insurance Group reached an agreement to form a strategic partnership. Vienna Insurance Group acquired all of Erste Group's insurance activities, and VIG insurance products have been sold through Erste Group branches and, in some cases, through its online portal since then. In return, Vienna Insurance Group companies offer Erste Group banking products. Therefore both of these companies have benefited from the cooperation, which is why it is being further expanded by forming a joint project group with the goal of optimising products, distribution and profits for the banks and insurance companies in all countries where Erste Group and VIG cooperate. The focus is on customer needs and requirements, easily understandable products and integration into the bank's digitisation initiative.

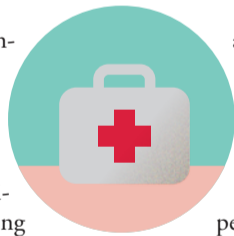
The cooperation is therefore a win-win situation for both companies.

# The demand for optimal medical treatment is increasing

## VIG accelerates its health insurance offer

**This line of business has particularly high potential in Central and Eastern Europe.**

A combination of rising health-care costs, ageing populations and technical progress in medicine are causing government systems to reach their limits. As a result, private health coverage is becoming significantly more important, which is one of the reasons Vienna Insurance Group is also focusing on expanding this line of business.



are now being implemented, and regional product solutions are also being examined.

An important result of the analyses is that healthcare expenditure depends on a number of social and economic factors. These include the level of income in a country, the quality of the coverage offered by the public sector and the population's expenditure on private healthcare. As shown by the chart, the share of private healthcare expenditure to total ex-

pense varies greatly from country to country. And also the acceptance of private health insurance solutions: While around one third of the population now has private supplementary coverage in Austria, the percentage in Central and Eastern European countries is still very low, even though a highly significant portion of healthcare expenditure is privately funded in some countries.

This situation and the change in awareness of optimal coverage indicate a large amount of growth potential. The fact

that premiums in the CEE region rose by 20% in 2016 shows that the path VIG has chosen is the right one. In addition, the public sector is increasingly prepared to provide tax subsidies for private health insurance and integrate them into the state insurance system.

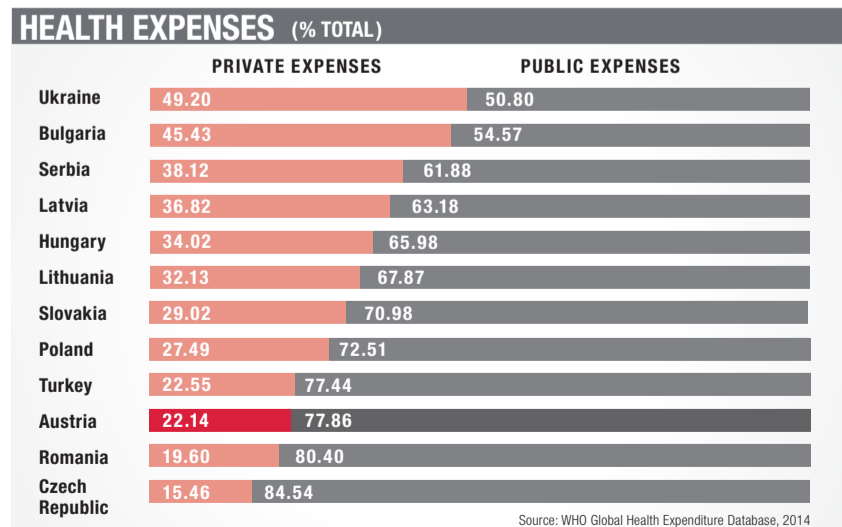
The current situation differs greatly in some of Vienna Insurance Group's markets. While Turkey has a comparatively well-established market for private insurance, in Romania it is still very small. In Poland, demand for private health insurance is growing significantly. Demand is particularly high for products covering outpatient treatment and diagnosis in private-sector medical centres.

In Hungary, private health insurance is primarily offered in the form of group health insurance. This is due to the tax advantages offered for companies. This market has grown considerably in recent years.

Private coverage for health risks is an attractive future market in the Central and Eastern European region. The level of market saturation is still low given the increasing prosperity. Vienna Insurance Group aims to take advantage of this potential.

Health insurance currently represents only a small portion of the total premiums of the Group. This will, however, change in the future, due to increasing demand for solid health coverage from the growing middle class in the CEE region. In this region, private insurance is especially a future market where the government system fails to provide full coverage.

This issue has been given increased attention at Vienna Insurance Group for around a year. We are currently analysing markets where products can be introduced to supplement government programmes. The markets in Bulgaria, Hungary, Romania, Poland and Turkey were already identified as offering the greatest opportunities. As a result, country-specific development programmes



# Gábor Lehel on the strategic initiative “digitisation”

## Vienna Insurance Group sets a balance between traditional and digital sales

**Digitisation is an important focus for Vienna Insurance Group to remain fit for the future.**

**The digitisation trend will also affect the insurance business. What trends do you see, and are we competing with the “insurtechs”?**

I can only confirm that digitisation also plays a major role for Vienna Insurance Group. The rapid advance of technology is a fact, and the requirements of our customers and intermediaries are changing. We need to respond in a future-oriented manner. There are signs of a trend to make processes faster, automated and paperless. Machines and computers will become more important and, in some cases, will also communicate with each other.

That does not mean, however, that people will no longer be needed. Exactly the opposite is true. They have important characteristics that machines lack, such as feelings, trust and intuition. We therefore do not consider digitisation a threat, but instead an incentive for innovation.

We are also closely monitoring the new insurtechs. We can learn from these IT-driven start-ups. They are based on an interesting way of thinking and include some good ideas. We might even cooperate with one or another insurtech in the future.

Even though many of these companies appear cool and modern on the surface, a closer look shows they are often promoting things that have existed for a long time, just dressed up to look trendy.

**VIG has a 190-year history, and digitisation was set as a priority in the previous year. How do the Group’s individual markets differ in this respect?**

Many Eastern European markets are very open to online insurance and digitisation, and many more online sales have taken place there than in Austria. This also has to do with the freedom allowed by the legal frameworks in some countries. Austria is somewhat stricter in this respect. Overall, however, we have already accomplished quite a bit in the Group.

For example, Wiener Städtische introduced video advisory sessions in the previous year, a Polish Group company lets customers use an app or ATM to buy

motor insurance in a matter of seconds and digital signatures can be used to buy insurance in the Czech Republic.

**Would it be more efficient to implement innovations Group-wide and manage them centrally?**

On the contrary, individual companies act as pilot projects. What works in these cases can be introduced to other countries later or rolled out across the Group. We currently screen our 50 companies for digital innovations, products and services with the aim of making these innovative ideas available to all Group companies.

We are also working on a shared Group-wide understanding of how we as a Group aim to deal with the topic of digitisation to ensure optimal customer access and use of Group-wide synergies at the best. The actual implementation itself, however, is left to the discretion of each Group company – in accordance with the decentralised nature of our structure.

In addition to process automation, we are also focusing on creating large benefits for our customers and intermediaries by using digitisation for products and services.

**What are you doing to keep up with the changes?**

We consciously try to promote innovation. Working with innovation labs, for example, provides the framework, methods, tools and structures needed to strengthen innovation across company boundaries – whether to develop new products or deal with new technological trends.

Digitisation workshops are also held regularly in the Group to discuss new developments, trends but also solutions and exchange knowledge and experience.

**Does this mean Vienna Insurance Group is moving as quickly as possible to digitise its business?**

In one sense, yes, as digital developments can be very helpful for users. On the other hand, however, we want to find a healthy combination of traditional and digital solutions. This is critically important in industries like insurance that depend heavily on personal interaction.

**“We consciously try to promote innovation.”**



**Gábor Lehel:**  
General Manager of the Hungarian Group company Union Biztosító and deputy member of the VIG Managing Board.

### INNOVATIVE PRODUCTS

#### VIG GOES DIGITAL

**A few examples of the many digital offerings within Vienna Insurance Group.**

**s Versicherung uses “George” for digital sales.** s Versicherung’s accident insurance guarantees immediate payment following an accident based on a defined list of injuries. Customers are therefore spared a long procedure for assessing potential disability. Another unique selling point, however, is that customers can purchase this accident insurance anytime, anywhere in the world also by using the “George” online banking platform offered by Erste Bank and the Sparkasse banks. Insurance coverage begins the second the mouse is clicked to purchase the policy. s Versicherung’s product range on “George” will be expanded gradually. This is a clear demonstration of the successful partnership between Erste Bank and VIG!



#### **BCR Life issues a health insurance card based on a prepaid card.**

BCR Life’s new health insurance makes it easier for its Romanian customers to settle charges for medical services using a prepaid card licensed by MasterCard. A simple online process enables doctor’s appointments to be made and costs to be refunded directly to the prepaid card even before the visit to the doctor. Easy and secure. This is customer service par excellence!

#### **Wiener Städtische uses live chats to provide advice.**

Wiener Städtische is the first Austrian insurance company that can be reached by live chat. Customers can use the “wienersädtische.at” website to start a chat with its service hotline advisers. This service has already been used 5,000 times in the first half year with an average of 38 customer enquiries each working day.

#### **Bulgarian health insurance app.**

The Bulgarian Group company Bulstrad Life launched its innovative and free of charge health insurance app B-Assist in 2016. This allows customers who have purchased this product to arrange doctor’s appointments free of charge with a few clicks. The app also reminds customers of their appointments and enables necessary documents to be exchanged. Customers can use a map function to choose from cooperating medical providers.



Susanne Chishti on current trends in digitisation

# Digitisation is both an opportunity and a challenge

Susanne Chishti  
CEO FINTECH Circle

**A mega-trend and its effects on the insurance business. New business models and innovations due to digitisation will also affect the insurance sector.**

The digitisation trend is not new. Emails replaced handwritten letters and digital cameras replaced 35 mm film cameras years ago. Navigation devices communicate with satellites and traffic control centres, and soon smart meters will be used to measure electricity consumption.

The increase in networking and data exchange will naturally also affect the insurance sector. The following trends are beginning to show in this area and could play a critical role in the future.

One trend is towards the increased use of technology to cut costs. Many processes still require manual processing or paper documentation today. Digital technologies allow many work steps to be automated, thereby speeding up processing and increasing customer satisfaction. The trend to automated processing of claims is an example of this.

Insurance companies are also offering more personalised services that take the

individual needs of customers or customer groups into account. An explicit data strategy and the ability to analyse customer data will be a clear competitive advantage in this regard. Data and visualising and interpreting data to allow faster, better decisions to be made will have immense value in the digitised economy of the future.

When dealing with customers, it will become more important to use data to identify the proper context and underlying needs of the customer rather than simply sell products. Insurance companies must be there when customers make specific “life decisions”, and be able to offer appropriate personalised service. This includes insurance companies that cover special risks for short periods of time.

Digitisation also leads to increased collaboration. Platforms allow many companies to work together to find common

solutions for upcoming challenges. This trend is being fuelled by the appearance of many small IT-driven start-ups. “Fintechs”, or “insurtechs” in the case of insurance-related start-ups, use digital channels to offer individual products from bank and insurance company product ranges. They generally operate outside the regulatory framework and offer products from established providers, frequently under cooperative agreements using open interfaces. Insurance companies could increasingly become platforms for partners with complementary or supplementary products.

**“Digitisation also leads to collaboration.”**

Blockchains are another interesting idea that is based on the use of a distributed database for entering and confirming digital transactions instead of a central clearing house. The blockchain would therefore simplify and speed up online payment processing, which would further promote the trend towards digitisation of business transactions and processes.

Many established businesses are currently analysing these new technologies. They could lead to faster, easier and more secure online services for customers, significantly reduce manual processing and paper documentation, and make transactions easier to audit.

It is important to keep an eye on all of these trends and carefully assess their future potential. This is particularly the case given demographic changes and the fact that future generations of customers will interact with their insurance companies in different ways than they do today.

## About

### Susanne Chishti

Susanne Chishti was born in Graz. After many years of management experience in international finance she has dedicated herself completely to the digitisation of the industry. She is CEO of Fintech Circle, a London-based company dedicated to financing new financial start-ups.

This is how smart insurance sales work in Poland

# Innovative channels to the customer

**The Polish motor insurance market is highly competitive and the logical outcome would be aggressive pricing policies. Compensa, under its Benefia brand, is using a lot of digital finesse to follow a different path.**

The Polish VIG company Compensa is offering groundbreaking channels for the instant closing of motor insurance sales under its Benefia brand. The company entered the online business at a very early stage and the experience it has gathered is now paying off. It has allowed customers to process transactions using its own terminals and app since 2015. That the demand for such services exists is shown, for example, by the fact that around

32,000 policies were sold through these terminals at Polish vehicle inspection centres in 2016.

How does it work? Quite simply. The Polish vehicle registration has a QR code that stores all policyholder information. The code is scanned in and an appropriate policy is selected and supplemented, as desired, with own damage or passenger coverage, or comprehensive packages with assistance services. A credit card or debit card can be used to pay the premium in a single payment or instalments, and the policy is available immediately as a printout. Insurance coverage begins on the date selected. Customers are delighted about the fast, easy and intuitive processing.

But the Polish company of Vienna Insurance Group also stands out for other reasons. Its vision is to be everywhere that

the customer is and where no one else has ever sold. In addition to its automated policy terminals, products can also be purchased using software integrated into ATMs and via SMS. There are clear benefits for the customer, namely faster, easier access to a broad range of products coupled with easy processing. The insurance company also benefits from lower selling costs and round-the-clock availability of customers.

These far-reaching digital initiatives immediately received two awards. The brand Benefia was given the “Insurtech Implementation Award” for its “Here and Now” app that can be used to purchase motor insurance in less than two minutes. This application is unique in the European market. It was also honoured with an award in the “Most digital Insurer” category of the “E-commerce Polska Awards 2016”.



## NEW MOTOR OWN DAMAGE PRODUCT FOR WOMEN IN TURKEY

# Ray Sigorta knows what women want

**Ray Sigorta is breaking new ground by bringing a target group-specific product to the Turkish market: “Princess Casco” motor own damage insurance for women.**

Ray Sigorta listened to women to find out what they want and expect from motor own damage insurance. A variety of focus groups – based on age, income and level of education – and individual interviews with potential female customers helped

the company understand what was expected of this product. Other customised own damage products from around the world were used as a reference. The result is a unique product providing a special service.

“Princess Casco” has its own hotline that offers a number of different levels of support. Emergency drivers are available for customers and are dispatched as soon as notification of a claim is received. Employees take care of further handling

immediately after an accident is reported and arrange for the car to be transported to a garage or the desired address and organize a replacement vehicle. As soon as the car has been repaired, it is returned to the customer and the replacement car is taken back.

The product is fast, easy and uncomplicated. A key factor there is the fact that the exceptional service performance is a unique selling point. Therefore, Ray Sigorta can clearly set itself apart from the competition.

Kadınlara özel  
**Princess Casco**

**Kaza yapmak keyfinizi kaçırmayın!**

**RAY SIGORTA**  
VIENNA INSURANCE GROUP

RAY SIGORTA

# Wiener Städtische protects SMEs from cyber attacks

**You don't have to be defenceless against increasing cybercrime. You can insure yourself against it.**

Cyberattacks are becoming more and more complex and sophisticated. They

are causing enormous damage by simply bypassing antivirus programs and firewalls. The increase in networking also increases the likelihood of weak points in IT systems. Hackers with criminal intentions, employees who misuse sensitive data or malware that is unintentionally installed. Even just opening an email attachment is enough. The criminals are highly professional and these situations cannot be avoided. Circumstances have unfortunately changed greatly from a few years ago, when forged messages from energy companies and banks could be easily identified due to badly formulated sentences and many errors. In addition, most companies are increasingly sending invoices to customers by email to save paper and reduce

their environmental impact. One wrong click is all it takes to give criminals access to passwords, knock out a system or take money from an account. Losses can quickly reach the five- or six-digit range in cases like this. In addition to a loss of earnings, companies can also suffer damage to their image or reputation if, for example, a website or mail server is unavailable for days.

The Austrian Group company Wiener Städtische is now offering “Cyber Protect”, an innovative customised solution for small and medium-size enterprises. Only 3% of SMEs in Austria currently have such coverage. In comparison, more than 60% of these companies are already protected in the USA. This is the case even though around 92% of the companies questioned are aware of the risk. Companies can now make a change. Cybercrime insurance is an optimal addition to all-risk insurance that covers all of a company's risks due to natural hazards. Companies can protect themselves against all possible risks with these two packages.

The basic package provides coverage for data loss and damage, including data theft and data protection breaches. Supplementary coverage is available, if required, for crisis and PR management, both internal and external, benefits in the event of business interruption due to data loss, and assistance with cyber blackmail. Media liability insurance is also available.

Coverage is provided for the cost of IT specialists, overtime by IT employees in the company, examining third-party claims, through to the cost of legal advice. Professional crisis management and Public Relations agency services are also covered when damage to a company's image must be remedied or at least limited. Around-the-clock telephone assistance and remote maintenance are also provided by the experts at the Cyber Centre.

This is a truly reassuring investment given the significant increase in cyberattacks and the damage they can cause.

Sicherheit für Ihr IT-System

Cyber Risk Business

JETZT NEUE APPS DOWNLOADEN

**IHR NETZ HAT DOPPELTEN BODEN**

**UNSER CYBER PROTECT**

Das CYBER CENTER hilft: 24 Stunden, 7 Tage die Woche unter 050 350 355. Mit dem Drei-Stufen-Support.

WIENER STÄDTISCHE  
VIENNA INSURANCE GROUP

WIENER STÄDTISCHE

## New corporate video for Vienna Insurance Group Insurance stands for responsibility

**Pictures speak louder than words, and VIG has produced a new video to speak on its behalf.**

The “self-portrait” was filmed in Fischamend, Lower Austria, and a small village in western Hungary. The Group is symbolised by a 100-year-old oak tree – a metaphor for our goal of being a dependable, strong partner that our customers and business partners can rely on at all times. The deeply rooted trunk stands for **stability** and our **expertise** in the coverage of risk.

The many branches and ramifications symbolise our regional base and decentralised structure that ensure close proximity to our customers. The leaves represent our local Group companies in Austria and Central and Eastern Europe. We feel responsible for providing products and services that offer protection and **security** to the people in our markets.

Insurance is more to us than simply selling insurance policies. Being an insurer implies social **responsibility** that we gladly accept – with all of our strength, the dedication of our more than 24,000 employees, and our many years of experience in Austria and Central and Eastern Europe. As strong and protective as a massive oak tree.

[www.vig.com/imagevideo](http://www.vig.com/imagevideo)



## CEO Martin Diviš on Kooperativa's 25 years in the Czech Republic

**How would you sum up Kooperativa's 25 years?**

Our premium volume was around EUR 3.3 million 25 years ago and today it is EUR 1.2 billion. We grew from 50 employees to around 3,600. During that period, we handled more than 7.5 million claims to the complete satisfaction of our customers – who now number more than 2 million. If you ask why Kooperativa is strong, successful, stable, fair and respectful, analysts will look for the answer in the company's history, key figures, competition, business law, customer behaviour or the character of our industry. They will measure, examine, evaluate, calculate and model. To me, however, the answer is clear – Kooperativa just acts the way people do.

**What are you particularly proud of when you think back to the past?**

In all those years, it was the work and determination of our employees that have brought us so far. This was particularly clear when the government monopoly on motor third party liability insurance was lifted in 1999. There were long lines of customers outside Kooperativa's offices, and we set up tables in the street to manage the rush. Everyone helped to issue policies. We even hired students temporarily. In a very short period of time, we had issued more than a million policies. That was truly remarkable.

**Kooperativa has been part of the VIG Group for 25 years. What do you value about this the most?**

It was clear right from the start that the headquarters in Vienna would rely on our local management, the on-site team

and our special knowledge of the Czech market. I consider this to be proper and reasonable. Not everything works the same way in Austria as it does in the Czech Republic or, for example, Romania. Wherever you go, people are just a little bit different, as is the environment. Take the manner and style of communication, for example. An advertisement that is humorous in the Czech Republic might be a complete failure in Hungary or Poland. And I have to say that I personally value very highly the Group's approach to relying on Group company management.

**What is the secret of your success?**

Success is always a combination of different factors. In my opinion, the most important are the determination of our employees, who enjoy doing their jobs, a strong experienced principal shareholder, trustworthy business partners and a

management that knows what it wants and how to achieve it. And we particularly value the confidence that each and every customer places in us. When this is true, one can truly call it success. And Kooperativa even goes one step further – we are an insurance company that always tries to be straightforward and helpful, and knows that life is not always simple. Kooperativa is an insurance company for life as it is.



**Martin Diviš:**  
CEO and  
General  
Manager of  
the Czech  
Kooperativa

**Kooperativa**  
VIENNA INSURANCE GROUP

LUKAS BIBA/ECONOMIA

## AWARDS

### VIG receives TÜV certification for efficient processes

VIG focuses on quality, risk minimisation and the efficiency and effectiveness of processes and workflows. As a result, the VIG International Processes and Methods department was awarded TÜV quality certification in accordance with ISO 9001:2015. Achieving this quality standard is still something quite new in the Austrian insurance industry.

### Donau Versicherung honoured in the Ass-Compact Awards 2016

Donau Versicherung received multiple awards in the AssCompact Awards 2016, including silver for its commercial combined policy and agricultural business products, and bronze for commercial third-party liability insurance. Donau Versicherung also moved higher in the overall evaluation, and is now one of the top 5 insurers in Austria.

### InterRisk in Germany provides high level of customer convenience

An industry study by the business magazine FOCUS-MONEY awarded InterRisk a rating of “very good” for providing a very high degree of customer convenience. The study also included broker-oriented insurers for the first time. “These excellent results confirm that InterRisk, a broker-oriented insurance company, also enjoys the highest level of customer satisfaction from its policyholders,” said Dietmar Willwert, the company's Director of Sales and Marketing.

### Kooperativa awarded the “Golden Crown”

As in previous years, the Czech Group company Kooperativa once again succeeded in winning the Golden Crown award in this year's survey for the most successful insurance company in the Czech Republic. The company received awards in four categories: gold for industrial and commercial insurance, silver for household insurance and two bronze awards in the motor and third party liability categories.

### Omniasig receives two awards

As in the previous year, Omniasig once again received the “Best Property and Casualty Insurer of the Year” award from the Romanian XPRIMM publishing company. This award is given to companies that demonstrably practice sustainable development, with a strong focus on service that is both high quality and profitable at the same time. Omniasig also won the award for “Best Financial Company” in Romania.

## AT A GLANCE

## IR activities in 2016

Vienna Insurance Group was represented at a total of 12 international investor conferences, and management met with existing and potential investors in, for example, London, Frankfurt, Paris, Munich, Warsaw and Prague to provide information on current developments in the Group. More than 270 contacts with investors took place in 2016. The IR team also assisted 13 analysts who issue reports on VIG and their estimates of share performance at various intervals. Vienna Insurance Group publishes continuously updated information on its IR webpages ([www.vig.com/ir](http://www.vig.com/ir)), including information on events (along with the presentations used), research reports and contact information for the IR team, who are available to answer questions at any time.

## Dividend

Vienna Insurance Group continues to be an attractive investment for long-term investors, as the Group has paid a dividend each year since its stock exchange listing in 1994. Vienna Insurance Group has followed a long-term dividend policy that provides for a shareholder dividend of at least 30% of Group net earnings (after minority interests) since its capital increase in 2005. It plans to continue following this policy for financial year 2016. The Group Managing Board will propose a dividend of EUR 0.80 per share to the statutory body.

## Supplementary capital bonds called in

In December 2016, Vienna Insurance Group informed the market that it was calling in two supplementary capital bonds. As the issuer, Vienna Insurance Group repaid around EUR 256 million on the first ordinary call-in date effective 12 January 2017. A new bond in the amount of EUR 400 million was issued in 2015 based on the callability of the two supplementary capital bonds mentioned. Due to the careful long-term financial planning of the Group, the call therefore had no negative effects on the Group's rating and hardly any effect on solvency. Instead, Vienna Insurance Group provided proof of its reliability as a bond issuer.

## Rating confirmed again

The A+ rating with stable outlook awarded by the internationally recognised rating agency Standard & Poor's is clear evidence of the Group's outstanding capitalisation. The rating underscores Vienna Insurance Group's financial stability and was reconfirmed in July 2016. Moreover, due to its market leader position in Austria and Central and Eastern Europe, Vienna Insurance Group's competitive situation was rated as "strong". This means that Vienna Insurance Group, as an international insurance group, continues to enjoy the best credit rating of all companies in the ATX Index.

**A+** with stable outlook

Sound investment on a sustainable foundation

# VIG is attractive – and not just due to its strong capitalisation!

**Stability and security** are of utmost importance in gaining the confidence of investors and customers and in maintaining this confidence over the long term.

Vienna Insurance Group has focused on its customers' concerns and kept the best interests of its stakeholders in mind since its inception, and the continued existence of its insurance companies and consequently the observance and fulfilment of the obligations to its customers are central elements of its mission statement. Vienna Insurance Group's excellent level of capitalisation provides an indispensable foundation for this. The management of Vienna Insurance Group keeps this in mind at all times and follows a sustainable, long-term strategy in managing the Company.

**“As an insurance group, stability and security are of particular importance to Vienna Insurance Group.”**

## The Group is excellently positioned

Vienna Insurance Group's outstanding position in Austria and the markets of Central and Eastern Europe and its strategic approach to optimal exploitation of growth potential, combined with its conservative investment and reinsurance policy and excellent capitalisation make it an attractive investment.

As an insurance group, stability and security are of particular importance to Vienna Insurance Group. During periods of increased volatility and uncertainty, capitalisation and an adequate safety buffer become more important to customers and investors. Supervisory authorities also focus closely on the Group's capital adequacy, i.e. precisely these "capital buffers".

As a result of the introduction of Solvency II, new risk-based capital requirements entered into force for the European insurance sector on 1 January 2016. The key performance indicator for solvency is the solvency ratio, which is the ratio of own funds to the capital requirement. Capital is now determined using an economic balance sheet. Capital requirements are calculated using either a prescribed standard formula or an individual internal company model.

## Vienna Insurance Group is the only Austrian insurance group with an internal model

This requires approval by the supervisory authorities. Because the standard formula did not adequately reflect Vienna Insurance Group's risk profile, it decided to internally model the property and casualty and real estate investment areas of the business. This large-scale and highly complex project took years to complete and was successfully concluded at the end of 2015 with approval from the Austrian Financial Market Authority (FMA). Vienna Insurance Group is therefore currently the only insurance group

in Austria with an approved internal model and has been using this model since Solvency II came into effect on 1 January 2016.

As an individual company, Vienna Insurance Group had a solvency ratio of around 390% at the end of 2016. The Solvency II ratio for Vienna Insurance

Group as a listed group was at the level of the previous year, thereby providing evidence of the outstanding capitalisation of the Group (unverified values). However, financial strength has never been an end in itself

for Vienna Insurance Group. The Group ensures that it has adequate risk buffers to protect against any future risks arising from its existing portfolio. As a listed company that is convinced of its growth potential, particularly in the Central and Eastern European region, Vienna Insurance Group also requires sufficient capital to take advantage of these growth opportunities and to provide dividends that allow shareholders to participate in its success. These are the factors the Group weighs up during its financial planning. The challenge is to find the proper balance.

Vienna Insurance Group uses a long-term approach for capital planning. This became clear in March 2015 when a

subordinated bond with a par value of EUR 400 million was issued. The issue took advantage of favourable market conditions to achieve an attractive interest rate of 3.75%. In addition, two supplementary capital bonds were called in at the end of 2016 on their first call date in January 2017.

## A+ rating with a stable outlook

The A+ rating with stable outlook assigned by Standard & Poor's (S&P) starting in March 2009 indicates that Vienna Insurance Group is on the right track with regard to its long-term capital planning. The experts at S&P assess the Group's business risk profile as "strong" and its financial risk profile as "very strong".

With regard to the business risk profile, the rating report primarily mentions the Group's solid diversification across lines of business and well-established multi-channel distribution, including its exclusive sales partnership with Erste Group and its strong competitive position in Austria and the Central and Eastern European region. The financial risk profile is based on an S&P capital model that provides an even better rating when taken on its own.

This means that Vienna Insurance Group has the best rating of all companies in the ATX index. Its goal is to maintain, or even improve, this rating over the long term.

**“Vienna Insurance Group uses a very long-term approach for capital planning.”**

## THE VIG EQUITY STORY

Market leader in Austria and the CEE region

Long-term growth potential

Successful business model: broad diversification across countries, products and distribution channels

Optimal combination of local entrepreneurship and central risk management

Experienced management

Strong capitalisation

Conservative investment policy



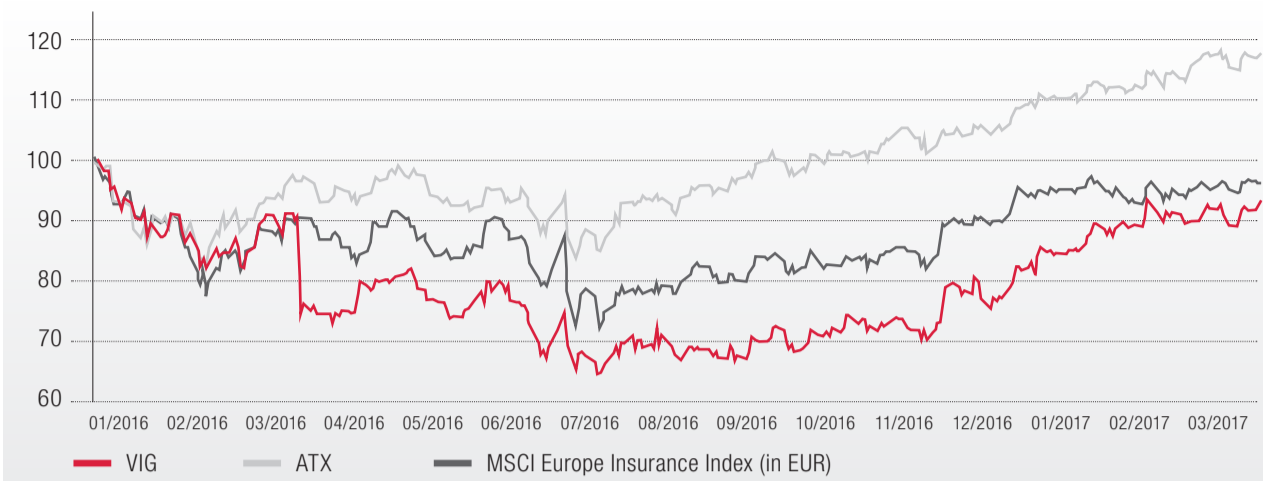
If you have any questions about the Group and VIG shares, please contact the Investor Relations team.

**Nina Higtzberger-Schwarz**

Head of Investor Relations  
Phone: +43 (0) 50 390-21920  
E-mail: [nina.higtzberger@vig.com](mailto:nina.higtzberger@vig.com)

## SHARE PERFORMANCE – VIENNA INSURANCE GROUP (VIG)

Vienna Insurance Group (VIG) compared to the ATX and MSCI Insurance Index (in EUR), 1 January 2016 to 8 March 2017



## KEY FIGURES – VIENNA INSURANCE GROUP (VIG)

Key share information		2016	2015	2014
Market capitalisation	EUR million	2,726.40	3,237.12	4,746.24
Average number of shares traded per day	Shares	approx. 161,000	approx. 147,000	approx. 65,000
Average daily stock exchange trading volume (single counting)	EUR million	3.9	6.8	3.1
Year-end price	EUR	21.300	25.290	37.080
High	EUR	24.790	42.620	40.070
Low	EUR	16.095	24.910	33.800
Share performance for the year (excluding dividends)	%	-15.80	-31.80	2.36
Dividend per share	EUR	0.80 <sup>1)</sup>	0.60	1.40
Dividend yield	%	3.76	2.37	3.78
Earnings per share <sup>2)</sup>	EUR	2.16	-0.27	2.46
Price-earnings ratio as of 31 December		9.86	-93.67	15.07

<sup>1)</sup> Planned dividend

<sup>2)</sup> The calculation of this financial ratio includes accrued interest expenses for hybrid capital.

## VIG SHARES IN OVERVIEW

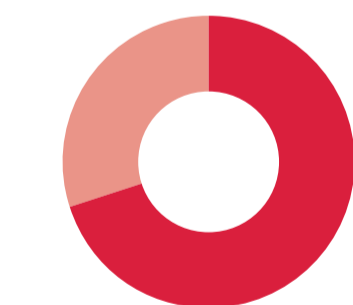
Initial listing (Vienna)	17 October 1994
Initial listing (Prague)	5 February 2008
Number of common shares	128 million
Free float	approx. 30%
ISIN	AT0000908504
Security symbol	VIG
Bloomberg	VIG AV / VIG CP
Reuters	VIGR.VI / VIGR.PR
Standard & Poor's rating	A+, stable outlook

## FINANCIAL CALENDAR\*

Record date AGM	2 May 2017
Annual General Meeting	12 May 2017
Ex-dividend day	17 May 2017
Record date	18 May 2017
Dividend payment day	19 May 2017
Results for the 1 <sup>st</sup> quarter of 2016	23 May 2017
Results for the 1 <sup>st</sup> half of 2016	22 August 2017
Results for the 1 <sup>st</sup> to 3 <sup>rd</sup> quarters of 2016	29 November 2017

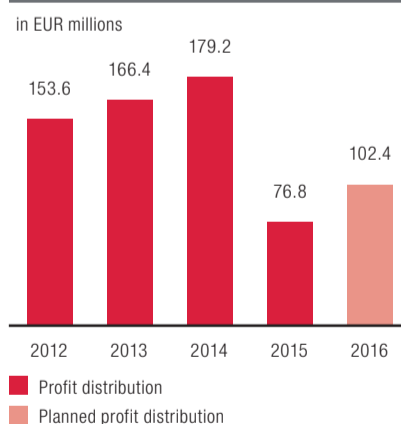
\* Preliminary schedule

## SHAREHOLDER STRUCTURE



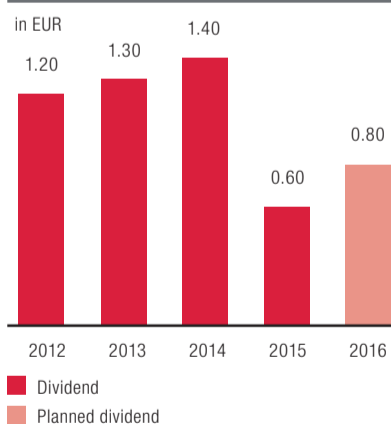
- Approx. 70% Wiener Städtische Versicherungsverein
- Approx. 30% free float

## PROFIT DISTRIBUTIONS



- Profit distribution
- Planned profit distribution

## DIVIDEND PER SHARE



- Dividend
- Planned dividend

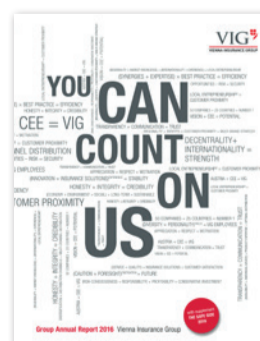
## SERVICE TIP

### Online annual report

An online version of the annual report that is optimised for both the Internet and mobile devices can be found on the Vienna Insurance Group website at [www.vig.com](http://www.vig.com). This means that interested parties can now examine the Company's business performance at any time and any place. All sections may be downloaded in PDF form, and the most important tables are also available for

download as Excel files. Other features, such as links within the report and a comparison with the previous year create transparency and take you directly to the information being sought.

The **VIG online Annual Report** is available at: [www.vig.com/AR2016](http://www.vig.com/AR2016)



## SHARE IN 2016

### Vienna Insurance Group shares following an upward trend

**Nothing scares investors more than uncertainty. Although VIG shares also suffered the effects of uncertainty, they resumed their significant upward trend at the end of 2016.**

Many market participants were confronted by a number of unexpected developments during the 2016 stock market year. The unexpected outcome of the Brexit vote, the ongoing refugee crisis and economic concerns about unclear data from China were the main reasons for political and macroeconomic uncertainty. These factors already had a correspondingly negative effect on stock markets in the first months of the year. The price of shares of Vienna Insurance Group ran parallel to the ATX index (Austrian Trade Index) of the Vienna Stock Exchange, similar to international markets and trends.

However, publication of the 2015 annual result and announcement of a year-on-year reduction in the dividend to EUR 0.60 resulted in a considerable drop in the middle of March. After the unsettling outcome of the UK vote to leave the European Union, shares of Vienna Insurance Group finally reached their low for the year of EUR 16.095 on 5 July 2016.

An upward movement began in the second half of the year thanks to good economic data, particularly in the Central and Eastern European region. After a period of volatile sideways movement, the shares of the Vienna Insurance Group – similar to the ATX and Euro Stoxx Insurance Index – increasingly picked up speed to reach a year-end price of EUR 21.300, representing a remarkable increase of 32.3%. The high for the year of EUR 24.790 achieved on 4 January 2016 remained out of reach, however, and the 2016 annual performance of minus 15.78% was disappointing as a result. The increase of around 10% in trading volume compared to the previous year is, however, worthy of note.

### VIG shares continue their recovery in 2017

Vienna Insurance Group shares recorded an excellent start to the year in 2017 with a sustained increase above the EUR 22.000 mark and a number of closing prices considerably higher than EUR 23.000 at the middle of February and the beginning of March 2017.

The uninterrupted upward trend since the end of 2016 is nevertheless a clear indicator that investors are regaining their confidence in Vienna Insurance Group's performance, and the Group's stable foundation and clear strategic course are gaining investors' attention once again.

Corporate social responsibility requires a clear focus

# Responsibility requires knowledge of expectations

**Through a stakeholder survey and materiality analysis, Vienna Insurance Group determined key social, environmental and economic issues.**



2. **Customer satisfaction**  
Safeguarding of high customer satisfaction, incl. fair benefits processing

To begin the process, a list of potentially relevant corporate social responsibility topics was prepared from the following sources: future statutory requirements, criteria based on international standards, analysis of internal documents, reports by

of large clients, distribution partners, investors, analysts, political stakeholders, NGOs, various experts, the media and suppliers. The questionnaire asked respondents to rank the collected topics in the topic areas according to their importance for future sustainability reporting and then to rank the topic areas themselves. Major topic areas included “sustainable business practices”, “product and customer responsibility”, “dealing with the environment”, “dealing with employees” and “involving and developing society”, each with between two and six sub-topics. Around 770 respondents took advantage of the opportunity to provide their opinions.

The results show that the weights and priorities assigned by management are close to those assigned by employees and external stakeholders. Both groups rated long-term stability and profitable growth as the most important issue for corporate social responsibility. Customer satisfaction took second place, followed closely by social and environmental factors in the business strategy. The boxes show the ranking of all topics with the highest priority.

Corporate social responsibility (CSR) covers a very wide territory. This is both a blessing and a curse at the same time. On the one hand, corporate social responsibility has an extremely broad range of applications – from sustainable management and products with environmental value added through to involvement of relevant social groups. On the other hand, one can lose oneself in this broad expanse of choices without clear guidance.

To ensure this did not occur to Vienna Insurance Group with its many important social connections, the Group set out to involve major stakeholders in identifying the main social, environmental and economic issues for the Group. A multi-stage analysis process was initiated so that Vienna Insurance Group’s social contribution could not only be identified, but also checked for significance with stakeholders, amended and improved, taking into account existing requirements.

3. **Social and environmental factors in the business strategy**  
Consideration of social, ecological and governance factors as part of the general business and risk strategy

international peers and requirements for sustainability ratings. This was followed by an internal workshop where the individual issues were examined for relevance to Vienna Insurance Group and assigned to separate topic areas.

In the middle of September 2016, an online questionnaire based on this preliminary work was sent to internal stakeholders (employees, management) and our external interest groups, consisting

4. **Products and services with added value**  
Products and services that offer added value in ecological and social terms, e.g. access to services for disadvantaged groups

At Vienna Insurance Group, we consider the stakeholder survey and assessment of the materiality of topics to be the first step in the Group’s future development with regard to corporate social responsibility. It provides us with important guidance for our future direction that Vienna Insurance Group will examine closely in the current year.

5. **Compliance**  
Adherence to legal as well as voluntarily-adopted, published commitments (e.g. Code of Business Ethics), incl. the prevention of corruption, bribery and anti-competitive behaviour

6. **Product and service innovation**  
Provision of innovative products and services according to customers’ needs, such as through the adaption of new digital features

7. **Data security**  
Protection of customer privacy

8. **Training and education**  
Promotion of employees’ training and education as well as provision of high professional and personal qualifications

9. **Social and environmental factors in the investment process**  
Consideration of ecological and social factors as well as human rights in the investment process

**CSR officer is available to answer your questions related to corporate social responsibility at Vienna Insurance Group.**

**Petra Ringler**  
CSR officer  
Phone: + 43 (0) 50 390-26052  
E-mail: [petra.ringler@vig.com](mailto:petra.ringler@vig.com)



## Reinhard Friesenbichler on the importance of sustainable management

# Collective assumption of risk is essential for the operation of an economic system

**The impact that insurance companies can have with their investment portfolios should not be underestimated. This also applies to the aspect of sustainability – a topic that is becoming increasingly important.**

### What significance do sustainability and social responsibility have for an insurance company?

There are three areas where corporate social responsibility can be introduced: product policy, investment policy and stakeholder relations.

Insurance is based on the principle of collective assumption of risk. Insurance products are therefore essential for the operation of a modern economic system. Events that would threaten an individual's existence are no longer an existential threat. In ethical terms, this is valuable in its own right.

The social impact of an insurance product depends critically on how it is used. In simple terms, it makes a difference whether business interruption insurance is used for a coal-fired power station or a wind power station. Intelligent, sustainability-oriented product design is therefore needed.

Insurance company investment portfolios tend to be conservative, which in general would also be beneficial for a sustainable investment strategy. Often, however, there is a lack of awareness of the enormous impact the industry could have.

In spite of typical problems, such as complex product design and pricing, stakeholder relations are generally quite good in the insurance industry.

### What importance do sustainable investments have and what is the trend?

They are rapidly becoming more important! When I wrote my thesis on ethical funds 20 years ago at university, there were hardly any products like this here, and I flew to the USA to interview people involved in the area. The situation is completely different today. First, the initiative has clearly moved from the USA to Europe. Second, market shares have now risen to the double-digit percentage range.

This trend can be expected to continue. Investors are increasingly realising that investments form an integral part of social responsibility.

### VÖNIX is the sustainability index in the Austrian capital market and it is based on the sustainability model you developed. What does being in this index say about a company?

The goal of VÖNIX is to identify the best companies on the Vienna Stock Exchange in terms of environmental and social performance. And Vienna Insurance Group has been one of the 20 to 25 companies selected each year for the VÖNIX index since its inception in 2005.

This basket of sustainable stocks outperforms the ATX Prime index by around 1% a year over the long term.

**“The social impact of a product is important.”**

### To what extent has this mindset established itself in companies in the CEE region?

A sustainability index, CEERIUS, that is operated by rfu and the Vienna Stock Exchange, has also been available in the CEE region since 2009. This index uses the same methodology as VÖNIX. As a result, we can make a direct comparison over a large number of years.

The clear sustainability gap that initially existed between the East and West is narrowing significantly. Many companies in the region are no different in terms of CSR management than companies in Germany, the United Kingdom or Scandinavia. At the same time, however, environmental high-risk industries, such as mining, crude oil and natural gas,

are very heavily represented on some Eastern European stock exchanges.

### VIG is currently at the materiality analysis stage of implementing its CSR strategy. How important is it for a company to focus on material issues when dealing with CSR?

Absolutely important! As is the case for all management activities, areas that are important and critical for success must be identified and the resources of the company used as efficiently as possible when dealing with CSR. Due to the abstract range of services offered by insurance companies, it is particularly likely that the important areas of activity will not be apparent at first glance. A systematic examination in the form of a materiality analysis is therefore especially valuable.

### About

**Reinhard Friesenbichler** is a specialist in sustainable investment and management. He founded the management consulting company rfu whose sustainability model forms the basis for the VÖNIX index.



**Reinhard Friesenbichler:**  
Mastermind behind the  
Austrian VÖNIX  
sustainability index

### VIG INVESTMENT



KORNEL STYDLER

**“Responsibility is a cornerstone of Vienna Insurance Group’s investment philosophy.”**

**Gerald Weber,**  
Head of VIG Asset Management

“Think globally – act locally” – Vienna Insurance Group also follows this guideline when making investment decisions. In the area of infrastructure investments, for example, this means supporting local projects that bring sustainable improvements in local living conditions. This includes providing affordable housing in Austria. At the end of 2016, Vienna Insurance Group had around EUR 3.7 billion in investments in non-profit societies. These organisations build and renovate homes with affordable rents, thereby giving a broad section of the population access to a home of their own.

In addition to increasing the stability of the housing market, this also promotes social solidarity, which is an important influence given the increase in rents, particularly in metropolitan areas. The extensive use of renovation in social housing also reduces energy use and therefore has a significant environmental impact. The use of multi-story buildings to increase density and reduce space requirements makes an important contribution, too.

Another key element of Vienna Insurance Group’s investment philosophy is investing in government bonds from the CEE region, thereby providing long-term capital for these countries. By doing so, we play the role of a sustainable investor in our own market.

A responsible investment strategy is particularly important for life insurance, given the long-term obligations that are created. Ensuring that these obligations can be fully satisfied in the future is a top priority when investments are made. The life insurance companies in the Group are required to use appropriate control measures to make sure that this is the case. The Group regularly performs maturity matching analyses to assist them with this. The use of current market parameters guarantees that Vienna Insurance Group is able to fulfil its obligations in this area at any time.

### SUSTAINABILITY INDICES: VIG WAS INCLUDED IN THE FTSE4GOOD AND VÖNIX INDICES IN 2016

#### FTSE4Good

The FTSE4Good index was developed to highlight companies implementing far-reaching measures in the environmental, social and governance area. Vienna Insurance Group shares were included in this global index in the middle of 2007.

#### VÖNIX

The first Austrian sustainability index, VÖNIX, comprises listed Austrian companies that are leaders in social and environmental performance. Vienna Insurance Group shares have been included in this index since the middle of 2005.



# Mobile minds – Together knowledge on a trip

Nothing makes more sense for a company like Vienna Insurance Group that covers the entire economic area of Central and Eastern Europe than to implement targeted measures to distribute and multiply this wealth of expertise and knowledge. Vienna Insurance Group employees in the holding company and the around 50 Group companies have the opportunity to familiarise themselves with their important functional areas also in other Vienna Insurance Group companies, by taking part in personal, custom-designed mobility programmes. Knowledge transfer between companies is also encouraged through international projects and meetings and the international Group-wide job market.

## Overcoming borders with mobility programmes

The opportunity to learn together and from each other is not just for up-and-coming talent, but also for experts and managers – an opportunity that **Wolfgang Hajek**, Subsidiaries Manager at the holding company of Vienna Insurance Group took advantage of. He was sent to Georgia under his mobility programme. The exchange of experience dramatically influenced his understanding of the local market environment. “It was highly interesting to talk about the Georgian health insurance market and its development with my colleagues there and discuss the growth potential of our involvement in Georgia. I gained good insights into how these participations were managed, the business model they were based on and how the local healthcare system developed,” explained Wolfgang Hajek. He would never have gained this knowledge if he had not left his desk in Vienna for a while. This targeted exchange of information through personal discussions with colleagues in other Group companies is important and is being encouraged. Mobility programme participants learn what the workflows, standards and best practices are like in other locations.

## VIG IN WORDS AND PICTURES

Get more background information on VIG and take a look behind the scenes on our website at [www.vig.com/videos](http://www.vig.com/videos), including employees talking about their previous experiences, variety of activities and different career paths.



The goal of the programme is to increase participants' knowledge and promote the creation of international networks within the Group. “The results of my one-month mobility programme were 5 countries, 9 Group companies, a larger business network and invaluable experience,” explained **Chantal Rannersberger**. She is a key participant in the compilation and preparation of Vienna Insurance Group reports, and also collects related information and highlights from local Group companies. “Communication normally takes place by email and telephone. Getting to know my colleagues personally and making new contacts in a broad range of areas was a great benefit and allows me to be much more effective when collecting information today,” explained Rannersberger.

**Darya Konoplitskaya** from Kupala in Belarus made the same experience. As Senior Financial Manager, she acts as an interface between Minsk and Vienna and is therefore in continuous contact with her colleagues in the holding company. “One can, of course, also communicate online and by telephone. But getting to know my colleagues has made working together totally different now,” she explained. After her mobility programme in VIG Holding, where she spent time in departments like asset management and accounting, she now knows the concerns of her colleagues in Vienna and how to work together smoothly with them. “It was also naturally an amazing experience,” stated Konoplitskaya, “to visit another country and meet so many new colleagues who shared their knowledge and experience with me. I would gladly do it again.”

## Meetings are also multi-national in the Group

Vienna Insurance Group is an established player in the Central and Eastern European insurance market. The special features and challenges of the individual countries in this region vary due to differences in culture, experience and economic circumstances. The mobility programme, international projects and international meetings in many functional areas develop the intercultural skills that are needed in the Group and help increase mutual understanding.

The feedback of the participants shows that the various measures have helped them gain an understanding of the Group as a whole. One example is **Alexandru Tindeche**, a mathematician at BCR Life in Bucharest who visited the actuarial department at the holding

company of Vienna Insurance Group under the mobility programme and also attended Group-wide actuarial meetings: “Vienna Insurance Group gives you the opportunity to gain an understanding of how the insurance process operates as a whole. It is like a puzzle. One process taken on its own means nothing, but it all makes sense once you see the big picture.”

The exchange of best-practice solutions takes place in regular international meetings, which also promote

the development of a shared corporate culture.

They provide the perfect opportunity to discuss measures and projects, generate commitment, ask unanswered questions, or simply express an opinion.

Insights into the day-to-day business at other Group company and the detailed exchange of knowledge make a valuable contribution to expanding personal and professional skills. **Božena Kelić** from the Croatian Group company Wiener Osiguranje came to the actuarial department in Vienna for training.



# her sending

**Skilled employees expect something from their employer. To encourage employee performance and motivation in the Group, VIG Human Resources uses mobility programmes as a targeted measure for sustainable personnel development and Group-wide solidarity.**

"I particularly valued the positive, proactive atmosphere. The mobility programme was a good opportunity for me to expand my knowledge and learn new things. When we see each other at an international meeting, we can quickly connect again."

*Darya Konopliitskaya, Senior Financial Manager, Kupala, Minsk*



**Biljana Nikolovska-Miteva**, Annual Report Team Leader for Group company Makedonija in the Macedonian capital city of Skopje, also experienced this "Eureka" moment during the time she spent in Vienna under

*Božena Kelic, Mathematician, Wiener Osiguranje, Zagreb*



## International projects

**Jan Martin**, General Secretary of Compensa Non-Life in the Baltics, feels the same way. He worked with colleagues from Poland and Romania in an international project on an anti-fraud initiative in the claims area. "I was involved in a project that extended across national boundaries, where we were able to reconcile local and Group interests and keep the 'big picture' in view at all times."

He found the dynamic working environment and mutual appreciation in the international team to be particularly noteworthy. "It is in situations like this that you realise you bear part of the responsibility for the success of Vienna Insurance Group as a whole."

*Jan Martin, General Secretary, Compensa Non-Life, Vilnius*

her mobility programme. "Since that time, being part of a Group is no longer something purely theoretical for me," she explained. "The experience truly had an effect on me."

The benefits for her include knowledge transfer, getting to know key individuals and processes, and improved cooperation and communication. She would also like to send a personal message to the people she met during the mobility programme: "Thank you to everyone who made my visit in Vienna such an unforgettable, inspiring experience."

*Biljana Nikolovska-Miteva, Annual Report Team Manager, Makedonija, Skopje*



## TRAINING & DEVELOPMENT

### People make the difference

**In order to attract the best employees, Vienna Insurance Group has made it a goal to be an employer of choice. Many measures have been taken to achieve this:**

### Vienna Insurance Group competence model

As an insurance group that includes individual responsibility, a service orientation and service quality as core competences of its employees, Vienna Insurance Group has developed a competence model that can be applied to the entire Group. This provides additional transparency for employees and managers in an international company.

### Performance Development Dialogue

Many employees feel that regular direct feedback is an important element in a motivating work environment. The Performance Development Dialogue (PDD) was introduced to institutionalise the feedback dialogue between employees and managers. It includes annual employee objectives, personal competences and development objectives and measures. The PDD is being implemented gradually in all VIG Group companies.

### VIG Corporate University

Leadership, strategy and project management are some of the priorities Vienna Insurance Group has set for its Corporate University. Programmes customised for the Company's requirements have been developed in cooperation with renowned international universities and business schools. For example, in cooperation with Zeppelin University, Friedrichshafen, Germany, the International Management Development Programme for High Potentials and Young Managers offered focuses on management, innovation management, strategy and the insurance business.

### Technical Academies

In addition to future-oriented management, an insurance company also needs highly specialised insurance technical experts. Vienna Insurance Group's Technical Academies offer Group-wide training in areas such as underwriting and claims handling, business process management and reinsurance. The goal of the Technical Academies is to develop a common technical understanding, improve professional expertise and strengthen networking in the Group.

### BEST RECRUITERS CERTIFICATE

**The recruitment department of VIG Holding has been awarded the "Best Recruiters Austria" silver certificate each year since 2014.**





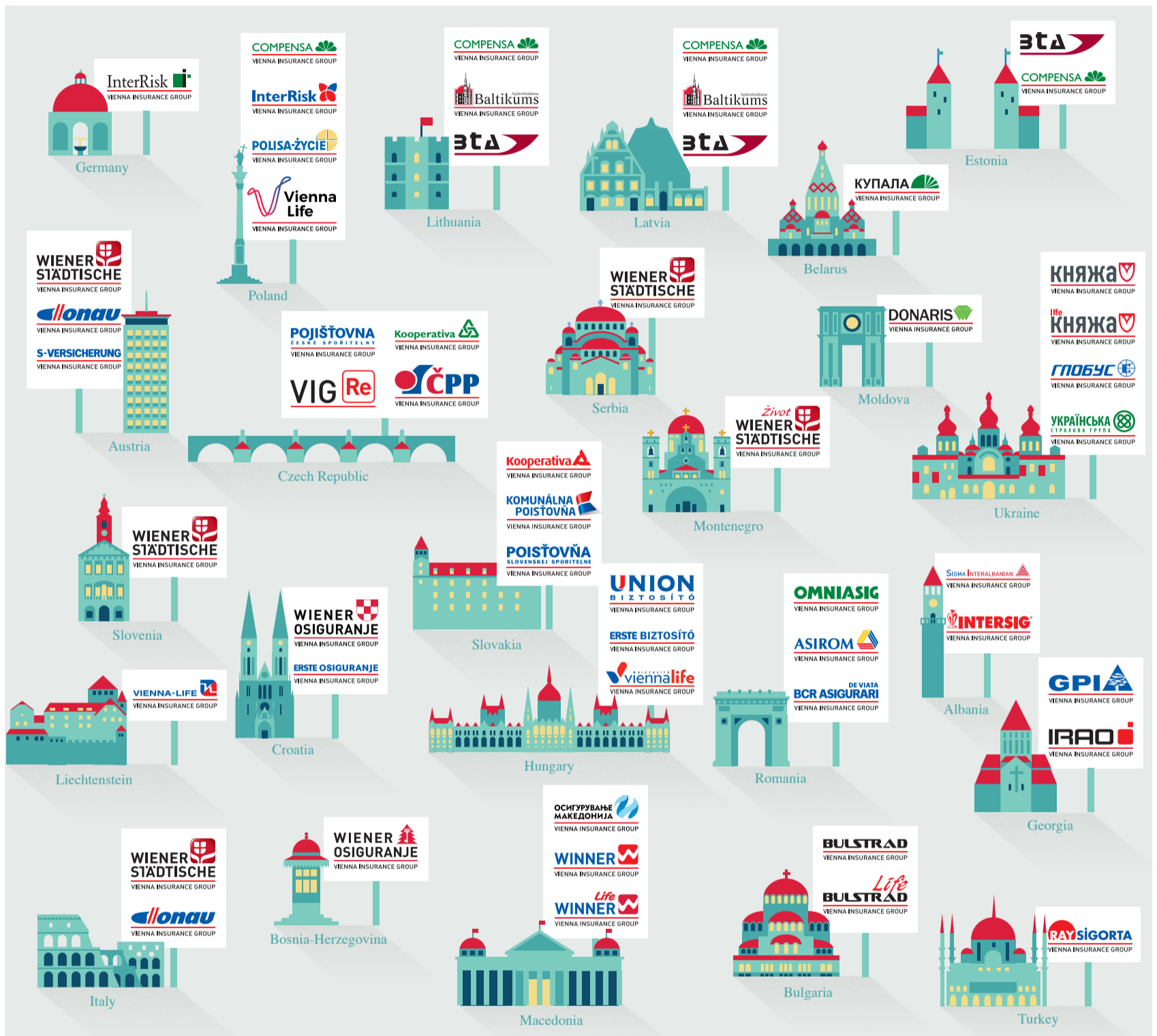
# You can count on us – throughout Central and Eastern Europe

An online version of the Annual Report is available at [www.vig.com/AR2016](http://www.vig.com/AR2016)

VIG's IR app for the iPad is available at [www.vig.com/iPad](http://www.vig.com/iPad)

The Central and Eastern European economic area represents growth, future opportunities and a market of 180 million potential customers for Vienna Insurance Group. With over 24,000 employees, VIG is the clear market leader

in its Austrian and CEE markets. This clearly shows how many customers already rely on the expertise and service of our Group companies in 25 countries. They know they can count on us, because our compass points east.



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**NOTE** This Supplement to the Group Annual Report includes forward-looking statements based on current assumptions and estimates that were made by the management of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe to the best of its knowledge. Statements using the words "expectation", "target" or similar formulations indicate such forward-looking statements. Forecasts related to the future development of the Company are estimates made on the basis of information available as of the date this annual report went to press. Actual results may differ from the forecasts if the assumptions underlying the forecast prove to be wrong or if unexpectedly

high risks occur. Rounding differences may occur when rounded amounts or percentages are added. The Supplement to the Group Annual Report was prepared with the greatest possible 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.

Our goal was to make the Supplement to the Group Annual Report quick and easy to read. For this reason, in most cases we have not used phrasing such as "he/she", "his/her", etc. It should be understood that the text always refers to women and men equally without discrimination.

In case of doubt, the German version is authoritative.

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**Website – online report**  
This paper and the Group Annual Report 2016 are available in both German and English and may also be downloaded in both languages in PDF form from our website ([www.vig.com](http://www.vig.com)) under Investor Relations.

**Further information is available in the VIG Annual Report 2016**

