



WE ARE A **RELIABLE PARTNER**

Protecting what matters.



# Letter from the Chairwoman of the Managing Board

**Dear Shareholders,  
Ladies and Gentlemen!**

The title on the cover page of this half-year financial report is “We are a reliable partner”, something we would like to convey not only to our employees, customers and business partners, but also to our stakeholders including investors and analysts. A long-term forward-looking insurance company of our size with complex geographical organisations and product ranges is always built on trust and reliability. This also applies to the cooperation agreement with Erste Group that was renewed on 17 May 2018, thereby extending our partnership for another ten years to 2033.



companies. Based on VIG's well-known conservative valuation policy, the impairment test in the 2<sup>nd</sup> quarter of 2018 led to a EUR 50.1 million goodwill impairment charge in Romania. This did not, however, have a considerable impact on the earnings capacity of the Group overall.

Following the successful 1<sup>st</sup> half of 2018, we look with great confidence at the business development for the year as a whole. Continued high rates of GDP growth in the CEE markets, together with rising private consumption and lower unemployment offer an ideal opportunity for sustainable profitability and further growth of our insurance business.

A handwritten signature in black ink that reads "Stadler".

Elisabeth Stadler

Historically, we share a sustainable business philosophy with Erste Group and a similar understanding of how we want to operate in our Central and Eastern European markets. This strategic partnership is based on mutual trust, stability and reliability, allowing us to offer an extensive range of bancassurance products in the ten markets where we currently cooperate, both in branches and online. We feel that the potential is particularly great for expanding our health and property and casualty lines of business through Erste Group.

The renewal of the cooperation allows us to exploit this potential over the long term and provides an additional safety factor for our business development, which continued to be very satisfactory in the 1<sup>st</sup> half of 2018. We increased our premium volume again 3.6% to EUR 5.2 billion and our result before taxes 5.5% to EUR 232.7 million. With the improvement of the combined ratio to 96.3% (compared to 96.9% in the 1<sup>st</sup> half of 2017) we once again emphasise the value of our strategic focus on profitable growth and come closer to our aimed target of 95% in 2020.

All of our segments recorded premium growth in the 1<sup>st</sup> half of 2018, and the double-digit growth rates in the result before taxes in the Czech Republic, Hungary and Remaining CEE segment contributed to the overall increase in our result. It was only in Romania that the current market environment led us to review the planning data for our Romanian

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# Interim management report

## ECONOMIC ENVIRONMENT

According to the latest publications of the Austrian Institute of Economic Research (WIFO), the Austrian economy continued to be strong in the 1<sup>st</sup> half of 2018, recording 3.4% growth in the 1<sup>st</sup> quarter of 2018, above the level of the previous year. This rapid growth was driven by both domestic demand and foreign trade. Continued improvement in the labour market and highly optimistic consumer sentiment increased private household consumption, which rose 0.4% in the 1<sup>st</sup> quarter of 2018 alone. The standardised unemployment rate fell to 4.9% in April 2018 and the inflation rate declined slightly to 1.8%.

The Austrian economy also received additional stimulus from foreign trade. This equally applies to the larger CEE markets, whose exports benefited in some cases from depreciation of local currencies. According to analyses by the Vienna Institute for International Economic Studies (WIIW), GDP rose 5.1% in Poland, 4.4% in Hungary, 3.7% in the Czech Republic and 3.6% in Slovakia in the 1<sup>st</sup> quarter of 2018. At the same time, however, some CEE markets were also confronted with higher inflation, driven in part by rising wage demands. This especially applies to countries with government fiscal policy programmes, in particular Hungary with year-on-year growth of 8% in gross wages in the 1<sup>st</sup> quarter of 2018, Romania with 6.4% and Poland with 6.2%.

Interest rates remained at a historically low level in the 1<sup>st</sup> half of 2018. This led to dynamic growth in lending in the business sector after the European Central Bank announced a gradual adjustment of its monetary policy. In Austria alone, loans to non-financial companies increased 6.2% year-on-year in April 2018 based on WIFO calculations.

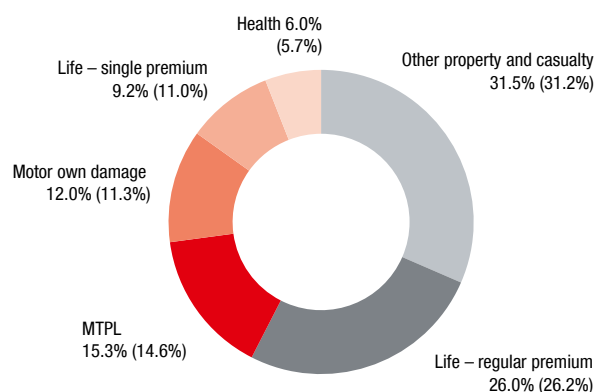
## BUSINESS DEVELOPMENT (IN ACCORDANCE WITH IFRS)

Vienna Insurance Group (VIG) wrote EUR 5,150.3 million in Group premiums in the 1<sup>st</sup> half of 2018, an increase of 3.6% compared to the same period in the previous year. Excluding single premium life insurance business, the Group recorded an even larger increase in premiums of 5.7%.

## VIG in the 1<sup>st</sup> half of 2018

- Premiums increased 3.6% to EUR 5,150.3 million
- Result before taxes rose to EUR 232.7 million, representing a significant increase of 5.5%
- The combined ratio is at an excellent 96.3%

## PREMIUM SHARE BY LINES OF BUSINESS IN THE 1<sup>ST</sup> HALF OF 2018



Values for 1<sup>st</sup> half of 2017 in parentheses

Expenses for claims and insurance benefits less reinsurers' share were EUR 3,457.7 million in the first six months of 2018 (1<sup>st</sup> half of 2017: EUR 3,394.7 million), implying a year-on-year increase of 1.9%.

Acquisition and administrative expenses less reinsurance commissions rose 5.8% year-on-year to EUR 1,090.5 million (1<sup>st</sup> half of 2017: EUR 1,030.8 million). This was primarily due to an increase in commissions and generally corresponded to the increase in premiums, not including single premium products.

The Group result before taxes rose to EUR 232.7 million in the 1<sup>st</sup> half of 2018 (1<sup>st</sup> half of 2017: EUR 220.5 million).

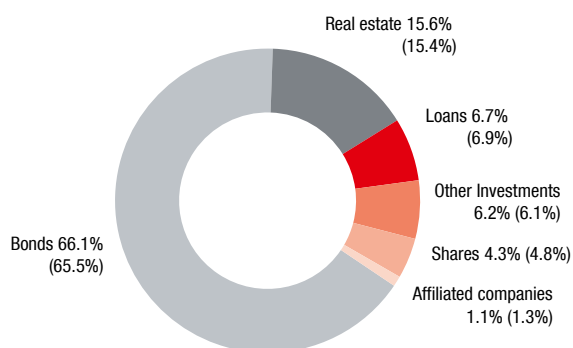
The year-on-year increase of 5.5% was primarily due to good growth in the financial result and an improved combined ratio.

The Group's combined ratio (after reinsurance, not including investment income) improved compared to the previous period to 96.3% (1<sup>st</sup> half of 2017: 96.9%).

Group investments including cash and cash equivalents were EUR 37.4 billion as of 30 June 2018, which was at the level of the previous year (31 December 2017: EUR 37.4 billion).

VIG earned a financial result of EUR 511.3 million in the 1<sup>st</sup> half of 2018 (1<sup>st</sup> half of 2017: EUR 488.4 million). This year-on-year increase of 4.7% was primarily due to profits earned on the sale of the stake in S IMMO AG and an increase in realised gains from investment funds in the Czech Republic.

## BREAKDOWN OF INVESTMENTS AS OF 30 JUNE 2018



Values as of 31 December 2017 in parentheses

## BUSINESS DEVELOPMENT BY SEGMENT

### Austria

The Austrian Vienna Insurance Group companies wrote premiums of EUR 2,170.0 million in the first six months of 2018, slightly more than in the same period in the previous year (1<sup>st</sup> half of 2017: EUR 2,167.0 million). When adjusted

for single premium life insurance products, the Austrian Group companies recorded an increase of 1.3%.

The result before taxes decreased slightly by 1.1% to EUR 76.7 million in the 1<sup>st</sup> half of the current year (1<sup>st</sup> half of 2017: EUR 77.5 million).

The combined ratio continued to improve in the first six months of 2018 to an excellent 95.3% (1<sup>st</sup> half of 2017: 95.8%).

## DEVELOPMENT BY SEGMENT

in EUR millions	Premiums written		Result before taxes	
	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17
Austria	2,170.0	2,167.0	76.7	77.5
Czech Republic	881.7	822.2	84.9	76.6
Slovakia	401.8	399.2	20.1	25.9
Poland	455.2	445.0	21.6	22.0
Romania	272.7	258.5	-43.1	5.8
Baltic states	193.2	162.7	0.0	-4.6
Hungary	125.6	123.1	3.1	2.4
Bulgaria	87.3	82.5	4.1	4.3
Turkey/Georgia	116.5	114.1	3.3	4.3
Remaining CEE <sup>1</sup>	185.1	181.0	11.6	8.4
Other Markets <sup>2</sup>	149.7	137.9	10.3	11.8
Central Functions <sup>3</sup>	819.7	738.2	39.6	-13.5
Consolidation	-708.4	-659.0	0.5	-0.3
<b>Total</b>	<b>5,150.3</b>	<b>4,972.4</b>	<b>232.7</b>	<b>220.5</b>

<sup>1</sup> Remaining CEE: Albania incl. Kosovo, Bosnia-Herzegovina, Croatia, Macedonia, Moldova, Serbia, Ukraine

<sup>2</sup> Other Markets: Germany, Liechtenstein

<sup>3</sup> Central Functions include VIG Holding, VIG Re, the Wiener RE, VIG Fund, the non-profit societies, corporate IT service providers and intermediate holding companies.

### Czech Republic

The Czech VIG companies wrote EUR 881.7 million in premiums in the 1<sup>st</sup> half of 2018, an increase of 7.2% compared to the same period in the previous year. The increase was mainly due to good performance in the regular premium life insurance and other property and casualty areas.

The result before taxes was EUR 84.9 million in the 1<sup>st</sup> half of the current year, corresponding to a year-on-year in-

crease of 10.8% (1<sup>st</sup> half of 2017: EUR 76.6 million). The increase was due to an improvement in the combined ratio and higher realised gains from investment funds.

The combined ratio decreased compared to the same period in the previous year to a very good 94.6% (1<sup>st</sup> half of 2017: 96.5%).

#### **Slovakia**

The Vienna Insurance Group companies in Slovakia wrote EUR 401.8 million in premiums in the first six months of the current year, slightly more than in the previous year (1<sup>st</sup> half of 2017: EUR 399.2 million). After adjusting for single premium life insurance, the increase was even 4.3%.

The result before taxes was EUR 20.1 million in the 1<sup>st</sup> half of 2018 (1<sup>st</sup> half of 2017: EUR 25.9 million). The decrease was primarily due to a significant deterioration in the combined ratio resulting from an increase in reserves performed in the 1<sup>st</sup> quarter of 2018.

The combined ratio in the first six months of 2018 was higher than in the previous year at 98.6% (1<sup>st</sup> half of 2017: 95.2%).

#### **Poland**

In Poland, EUR 455.2 million in premiums were written in the 1<sup>st</sup> half of 2018, representing a year-on-year increase of 2.3%. After adjusting for the life lines of business, premiums even grew by 22.7%. The significant increase was mainly due to positive performance in the motor lines of business and other property and casualty insurance.

The result before taxes for the first six months of the current year was EUR 21.6 million, which was close to the level of the previous year (1<sup>st</sup> half of 2017: EUR 22.0 million).

The combined ratio continued to improve to an excellent 94.1% in the 1<sup>st</sup> half of 2018 due to good performance in the motor lines of business (1<sup>st</sup> half of 2017: 94.8%).

#### **Romania**

The Romanian VIG companies wrote EUR 272.7 million in premiums in the 1<sup>st</sup> half of 2018, representing an increase of 5.5%. The increase was primarily due to strong premium development in the motor lines of business.

A loss of EUR 43.1 million was recorded in the 1<sup>st</sup> half of 2018 (1<sup>st</sup> half of 2017: result before taxes of EUR 5.8 million). This was primarily due to a goodwill write-down of EUR 50.1 million. After adjusting for this write-down, the result increased 20.7%.

The combined ratio improved compared to the same period in the previous year to 98.6% due to a better expense ratio (1<sup>st</sup> half of 2017: 99.3%).

#### **Baltic states**

The Baltic states consist of the countries of Estonia, Latvia and Lithuania.

VIG companies in the Baltic states wrote EUR 193.2 million in premiums in the first six months of 2018 representing a year-on-year increase of 18.8%. This significant increase in premiums was due to generally positive performance achieved in all lines of business, in particular the motor line of business.

The result improved significantly year-on-year in the Baltic states to EUR 23,000 (1<sup>st</sup> half of 2017: loss of EUR 4.6 million). The positive development was due to an improvement in the combined ratio.

Although the combined ratio improved significantly to 100.8% compared to the same period in the previous year, primarily due to good performance in the motor lines of business, it nevertheless remained slightly above the 100% threshold (1<sup>st</sup> half of 2017: 104.2%).

#### **Hungary**

Premiums written in Hungary rose 2.0% in the 1<sup>st</sup> half of 2018 to EUR 125.6 million, mainly due to premium growth in motor third party liability and health insurance.

The result before taxes rose to EUR 3.1 million (1<sup>st</sup> half of 2017: EUR 2.4 million). This major year-on-year increase of 31.2% was primarily due to a lack of the write-down of Vienna Life insurance portfolios performed in the previous year.

An increase in the claims ratio caused the combined ratio to rise to 99.7% in the 1<sup>st</sup> half of 2018 (1<sup>st</sup> half of 2017: 98.4%).

### **Bulgaria**

In Bulgaria, EUR 87.3 million in premiums were written in the 1<sup>st</sup> half of 2018. The increase of 5.8% was primarily due to good performance in motor own damage insurance.

The result before taxes of EUR 4.1 million in the 1<sup>st</sup> half of 2018 was close to the value in the previous year (1<sup>st</sup> half of 2017: EUR 4.3 million).

The expense ratio improved due to lower write-downs of receivables and higher reinsurance commissions, which in turn improved the combined ratio to 97.2% (1<sup>st</sup> half of 2017: 98.3%).

### **Turkey/Georgia**

The VIG companies in the Turkey/Georgia segment recorded written premiums of EUR 116.5 million in the first six months of 2018 (incl. EUR 89.2 million in Turkey), corresponding to a year-on-year increase of 2.1%. After adjusting for negative currency effects – primarily depreciation of the Turkish lira – the increase in the Turkey/Georgia segment even amounts to 24.6%, mostly due to premium growth in the other property and casualty line of business and motor own damage insurance in Turkey.

The result before taxes was EUR 3.3 million in the 1<sup>st</sup> half of 2018 in spite of the negative currency effects (1<sup>st</sup> half of 2017: EUR 4.3 million).

Due to the current market environment, the combined ratio was 102.8% (1<sup>st</sup> half of 2017: 99.1%).

### **Remaining CEE**

The Remaining CEE segment includes the countries of Albania incl. Kosovo, Bosnia-Herzegovina, Croatia, Macedonia, Moldova, Serbia and Ukraine.

The VIG companies in the Remaining CEE countries wrote EUR 185.1 million in premiums in the 1<sup>st</sup> half of 2018. The year-on-year increase of 2.3% was mainly due to positive performance in motor third party liability insurance in Ukraine and Serbia and life insurance in Croatia.

The result before taxes rose 37.6% to EUR 11.6 million due to positive performance in Serbia (1<sup>st</sup> half of 2017: EUR 8.4 million).

The combined ratio improved to 96.3% in the 1<sup>st</sup> half of the current year, primarily due to the positive performance achieved in Serbia and Ukraine (1<sup>st</sup> half of 2017: 99.1%).

### **Other Markets**

The Other Markets segment includes the countries of Germany and Liechtenstein.

The VIG companies in the Other Markets segment recorded written premiums of EUR 149.7 million in the first six months of 2018. The year-on-year increase of 8.6% was due to generally positive performance in all lines of business.

The result before taxes decreased 12.7% to EUR 10.3 million in the 1<sup>st</sup> half of 2018, primarily due to storm losses in the 1<sup>st</sup> quarter of 2018 (1<sup>st</sup> half of 2017: EUR 11.8 million).

In spite of higher losses due to Storm Friederike in the 1<sup>st</sup> quarter of 2018, the combined ratio was an excellent 87.2% in the 1<sup>st</sup> half of 2018 (1<sup>st</sup> half of 2017: 83.5%).

### **Central Functions**

Premiums written in the Central Functions segment rose 11.0% in the 1<sup>st</sup> half of 2018 to EUR 819.7 million. This was mainly the result of an increase in internal Group reinsurance premiums received by VIG Holding and an increase in premiums generated by Group company VIG Re entering new reinsurance business areas (Western Europe). In addition, Wiener Re was added to the Central Functions segment in the 2<sup>nd</sup> quarter of 2018.

The Central Functions reported a result before taxes of EUR 39.6 million in the first six months of the current year (1<sup>st</sup> half of 2017: loss of EUR 13.5 million). The positive result was primarily due to seasonal fluctuations in earnings of non-profit societies and lower expenses in the IT area.

## EMPLOYEES

Vienna Insurance Group had 25,248 employees in the 1<sup>st</sup> half of 2018. This was 189 more than at year-end 2017. The increase was primarily due to a larger number of field employees in the Czech Republic.

## GROUP BUSINESS DEVELOPMENT IN THE 2<sup>ND</sup> QUARTER OF 2018

Vienna Insurance Group generated EUR 2,324.2 million in premiums written in the 2<sup>nd</sup> quarter of 2018. This increase of 3.2%, which was achieved in spite of the decrease in single premium life insurance, was due to growth in other property and casualty insurance and the motor lines of business.

Expenses for claims and insurance benefits less reinsurers' share rose as a result to EUR 1,720.1 million in the 2<sup>nd</sup> quarter of 2018, representing a year-on-year increase of 4.0%.

Acquisition and administrative expenses less received reinsurance commissions rose 2.0% in the 2<sup>nd</sup> quarter of 2018 to EUR 522.7 million. This increase primarily resulted from higher commission and acquisition expenses due to the increase in premiums.

The result before taxes rose to EUR 115.4 million in the 2<sup>nd</sup> quarter of 2018, representing an increase of 4.0% that was primarily due to good development in the financial result and an improved combined ratio.

The financial result was EUR 272.9 million in the 2<sup>nd</sup> quarter of 2018. The increase of 13.4% compared to the 2<sup>nd</sup> quarter of the previous year was primarily due to profits on the sale of the stake in S IMMO AG.

## BUSINESS DEVELOPMENT BY BALANCE SHEET UNIT

Further information on business development by balance sheet units is provided in the additional disclosures in accordance with the Austrian Insurance Supervision Act (VAG) starting on page 53.

## RELATED PARTY TRANSACTIONS

Information on related party transactions is provided in the notes to the consolidated financial statements on page 51.

## RISK REPORT

The VIG risk environment remained unchanged in the 1<sup>st</sup> half of 2018. The information on significant business risks for VIG can therefore be obtained from the risk reporting in the Group Annual Report for 2017 and the Solvency and Financial Condition Report (SFCR) for 2017.

The VIG solvency ratio was 220.3% on 31 December 2017. The moderate change in the market environment and risk-less yield curve will help keep the solvency ratio in the upper part of our target solvency corridor at the end of the 1<sup>st</sup> half of 2018. The final results of the solvency calculation were not yet available at the editorial deadline.

VIG also became the first insurance company in Austria to take part in the stress test by the European insurance supervisory authority, EIOPA, in the 2<sup>nd</sup> quarter of 2018. The results are sent to the supervisory authorities by mid-August 2018.

The Group's excellent regulatory capital and A+ rating from Standard & Poor's confirm its high risk-bearing capacity.

Vienna Insurance Group will continue to maintain its current investment policy of maintaining a conservative, low-risk asset allocation.

Due to the progress being achieved in digitalisation, VIG is also focusing more on the issue of cyber-risk.

## OUTLOOK

### **Economic outlook**

Due to an escalating trade war, increased economic sanctions and geopolitical tensions, a number of renowned international economic institutions have revised their economic growth forecasts for 2018 and 2019. Although



the International Monetary Fund's (IMF) most recent forecast in July 2018 continues to predict global economic growth of 3.9% for the current year and next year, the forecast for the Eurozone has been reduced to 2.2% for 2018 and 1.9% for 2019. The IMF remains more optimistic for the Eastern European market, where it is projecting economic growth of 4.3% for 2018 and 3.6% for 2019.

Despite the dynamic economic upturn in Austria in the first few months of 2018, the domestic market cannot fully escape the effects of the slowdown in the international economy. WIFO expects economic growth to slow to 3% in Austria in 2018 and 2.2% in 2019. The rate of investment growth is expected to slow and WIFO feels that private consumption will only provide "a small amount of additional stimulus" in this late phase of the economic upswing.

The WIIW still expects the CEE markets to record positive economic growth in 2018 and 2019 – although at increasingly different rates. GDP growth is expected to decline to 3.2% in the Czech Republic in 2018 – in spite of strong growth in the 1<sup>st</sup> quarter of 2018. Poland and Romania are also expected to record slower economic growth of 3.5% and 4.5%, respectively, compared to the previous year. Faster growth, on the other hand, is projected for smaller countries like Macedonia and Serbia, whose planned accession to the EU will increasingly help them converge not only with the major CEE markets, but also with Western Europe.

Although the slowdown in economic activity in Western Europe will further add to the divergence in growth rates in CEE markets, declining unemployment, rising wages and the resulting increase in private consumption and higher investment will continue to support overall positive growth in the economy of the region as a whole.

### **VIG outlook**

Vienna Insurance Group sees growth potential in the bank insurance business and would like to further expand this distribution channel. The main goal was, and continues to be, broadening the range of products offered and optimising the cooperation between banks and insurance companies in all ten countries where Erste Bank and Sparkassen

are working together with Vienna Insurance Group. To optimise implementation of the cooperation, a decision was made in 2017 to merge life insurance companies specialising in bank distribution with local composite insurers. Subject to approval by the local authorities, these mergers are expected to be implemented by the beginning of 2019.

The Group will continue to focus on efficiency improvements and making use of synergies, and will work systematically on reducing both losses and expenses with the aim of achieving a sustainable combined ratio of 95%. In life insurance, efforts will also be made to further promote biometric risk coverage and the regular premium business. This is aimed to offset the ongoing reduction in the ordinary financial result caused by the low interest rate environment.

The strategic measures and initiatives set by the Agenda 2020 work programme to optimise our business model, organisation and cooperation and ensure future viability will be further promoted and shall thereby further contribute to the positive development of the Group in the future. Based on this, VIG plans to generate EUR 9.5 billion in gross written premiums and a result before taxes of EUR 450 to 470 million in the reporting year 2018.

Based on current conditions and the positive macroeconomic development of the region, Vienna Insurance Group aims to steadily increase premiums to more than EUR 10 billion and achieve a result before taxes in the range of EUR 500 million to EUR 520 million over the medium term by 2020. This will also benefit our shareholders, who can expect to receive stable dividends that increase with corporate earnings based on VIG's established dividend policy.

## CURRENT TOPICS

### **Weather-related claims in Austria and Central and Eastern Europe**

Total gross weather-related claims were around EUR 61 million in the 1<sup>st</sup> half of 2018 and primarily came from the companies in Austria and Germany. After deducting reinsurance, Vienna Insurance Group retained around EUR 53 million.

### **VIG qualifies for the VÖNIX sustainability index again**

VIG was included in the VÖNIX sustainability index again this year. The index has been calculated since 2005 and includes the 19 companies listed on the Vienna Stock Exchange that are leaders in environmental and social activities and services in Austria.

### **Annual General Meeting**

The 27<sup>th</sup> Annual General Meeting of Vienna Insurance Group AG Wiener Versicherung Gruppe was held on 25 May 2018 in the Wiener Stadthalle complex. The Annual General Meeting approved the VIG Managing Board and Supervisory Board proposal to increase the dividend from EUR 0.80 to EUR 0.90 per share. This corresponds to a dividend payout ratio of 38.7% of the profit after taxes and minority interests, thereby continuing the Group's long-term dividend policy of distributing at least 30% of net profits. Further information on the Annual General Meeting and a video of the presentation by General Manager Elisabeth Stadler are available online at [www.vig.com/annual-general-meeting](http://www.vig.com/annual-general-meeting).

## PERSONNEL CHANGES

### **Changes in the Managing Board**

Peter Thirring moved from his position as General Manager of the Vienna Insurance Group company Donau Versicherung to the Managing Board of VIG Holding on 1 July 2018. Furthermore Liane Hirner, who is a member of the VIG Managing Board since February 2018, has as of 1 July assumed the position of CFO from Martin Simhandl, who voluntarily decided to leave the Managing Board after 32 years of working for the Group.

## ENSURING FUTURE VIABILITY

### **Erste Group and Vienna Insurance Group renew cooperation agreement**

Erste Group and Vienna Insurance Group have worked together closely in a very successful strategic partnership since 2008. The signing of the cooperation agreement on 17 May 2018 extended the underlying distribution agreement to the end of 2033. The extensive range of products and, in particular, services will be made more readily accessible to customers of both companies under the renewed agreement. Vienna Insurance Group created a Bancassurance area at the beginning of the year to manage this change and implement Group-wide strategic initiatives.

### **'VIG Xelerate' promotes activities for digital transformation**

Vienna Insurance Group invited its around 50 Group companies to pitch digitalisation projects. The 'VIG Xelerate' programme was launched in 2017 and is aimed at promoting activities for digital transformation within the Group. Five projects were selected in the first round of pitches to receive around EUR 1 million in financial support for their implementation. A second round of pitches is planned for the autumn of 2018.

## BUSINESS MODEL OPTIMISATION

### **Merger of local composite insurers with life insurance companies specialising in bank distribution**

The merger of local composite insurers with life insurance companies specialising in bank distribution is aimed at using bank distribution to further expand the non-life business. The merger agreement between Sparkassen Versicherung and Wiener Städtische was signed in mid-June 2018. The merger requires approval by the financial market authority and is expected to become effective in the autumn of 2018. Mergers will be implemented in five countries in 2018, and have already successfully taken place in Hungary, Slovakia and Croatia. After the Austrian merger in the autumn of 2018, this leaves the merger in the Czech Republic, which is expected to take place at the end of 2018.

### **Merger of Compensa Life and Polisa-Zycie concluded in Poland**

The Polish Group company Polisa-Zycie was merged with Compensa on 30 May 2018. The company will operate under the Compensa brand in the future and will, therefore, retain its focus on life insurance, both single and regular premium.

### **VIG merges AXA Life with VIG company BCR Life in Romania**

AXA Life Insurance S.A. (AXA Life), which was acquired in Romania in 2017, was successfully merged with BCR Life on 1 June 2018. The merged company will operate under the BCR Life brand in the future in the Romanian insurance market.

## **STRENGTHENING MARKET POSITION**

### **VIG purchases Gothaer insurance company in Poland**

The purchase agreement to acquire Gothaer Towarzystwo Ubezpieczen (Gothaer TU) was signed on 6 June 2018. The purchase is subject to approval by the local authorities. The acquisition strengthens VIG's position in non-life insurance in the Polish market.

### **Vienna Insurance Group concludes acquisition of Merkur in Bosnia-Herzegovina**

The acquisition of 100% of the shares of Merkur Osiguranje d.d. ("Merkur") was concluded on 8 February 2018 with the approval of the local authorities. This adds the life segment to the range of products offered by Vienna Insurance Group in Bosnia-Herzegovina, which was previously heavily dominated by the property and casualty business. Merkur's regional presence in the Federation of Bosnia-Herzegovina is also an important factor in its acquisition.

## **AWARDS**

### **VIG one of the top brands in Austria**

The "Austrian Brand Value Study 2018" issued by the European Brand Institute presents the most valuable brand companies in Austria. Vienna Insurance Group, the only insurance company at the top of the list, maintained its Top 10 ranking from the previous year.

### **Czech VIG companies receive awards**

Kooperativa and Česká podnikatelská pojišťovna (ČPP) achieved first and second place in all four major categories of the "Insurer of the year" survey performed by the Association of Czech Insurance Brokers. Kooperativa also received first place in the "business insurance", "non-life insurance" and "innovation of the year" categories of the "Zlatá koruna" survey. ČPP received second place for "business insurance" and Pojišťovna České spořitelny (PČS) received second place for "life insurance".

### **Bulstrad named "Insurer of the year"**

In cooperation with the Bulgarian Insurance Association, VUZF University chose Bulstrad Non-Life as "Insurer of the year". This is considered the highest award in the Bulgarian insurance market.

### **Wiener Städtische is a superbrand**

The Superbrands Austria Brand Council and Business Brand Council selected the most successful brands in Austria again this year. Wiener Städtische was a winner for the second time in a row, receiving awards both in the "superbrands" and "business superbrands" categories.

### **InterRisk Germany receives awards**

FOCUS MONEY magazine has published the latest winners of its 2017 insurance awards and the best insurance brokers. As in the previous year, InterRisk Versicherungs-AG Vienna Insurance Group once again received two first prizes. InterRisk was also named "Germany's best insurance company" by the Franke and Bornberg rating agency and Deutsche Institut für Service-Qualität in cooperation with the news network n-tv.

# Capital markets & investor relations & share

## CAPITAL MARKETS

### International overview

Significant price gains in the initial weeks of 2018 and a subsequent market correction triggered by concerns about inflation and interest rates were followed by a nervous sideways movement of stock market prices over long periods during the 1<sup>st</sup> half of 2018.

The overall increase in corporate earnings, particularly in the 1<sup>st</sup> quarter of the current year and in the USA, could not permanently support the price trend, as it was already reflected in the large price increases recorded in the previous year. The increase in inflation expectations, which caused interest rates to rise – particularly in the short-maturity segment – was the main factor negatively affecting the stock market price trend. Increasing concerns about growing trade policy conflicts and closely related economic prospects also had a negative effect. An intensification of these trade policy conflicts in the final weeks of the 2<sup>nd</sup> quarter of 2018 dampened the slightly positive sentiment in the market and had a particularly negative effect on stock markets with highly export-oriented shares.

Small price gains in the 2<sup>nd</sup> quarter of 2018 reduced the losses recorded by the major share indices in the 1<sup>st</sup> quarter of 2018. The US Dow Jones Industrial (DJI) index recorded a total loss of 1.8% over the first two quarters of the current year compared to the end of 2017 (2.5% after the 1<sup>st</sup> quarter of 2018), the Eurostoxx 50 lost 3.1% (4.1% after the 1<sup>st</sup> quarter of 2018) and the Nikkei 225 lost 2.0% (5.8% after the 1<sup>st</sup> quarter of 2018). The moderate improvement in the 2<sup>nd</sup> quarter of 2018 was caused by relatively high price volatility, indicating a great deal of tension among investors.

Emerging market stock markets significantly underperformed the developed industrial countries. After recording a small increase in the 1<sup>st</sup> quarter of 2018, the MSCI Emerging Market index changed direction in the 2<sup>nd</sup> quarter of the current year. A total loss of 7.7% was recorded at the end of June 2018 compared to the level at the end of 2017. Rising short-term interest rates and a higher US dollar offset the favourable

macroeconomic situation that currently exists in many emerging markets and depressed expectations. After a long period of increases, the Eastern European CECE index, calculated in EUR, also recorded a significant correction this year, falling 13.9% in the first two quarters of 2018.

### Vienna Stock Exchange

The long period of rising prices was interrupted on the Vienna Stock Exchange in the 2<sup>nd</sup> quarter of 2018. Due to price corrections in the last few weeks of the quarter, the ATX leading index – which, unlike the market trend, gained 0.2% in the 1<sup>st</sup> quarter of 2018 – fell by 4.8% in the 2<sup>nd</sup> quarter compared to end-2017. Many market observers associated this drop with the increased risk of serious trade-restrictive measures, which would have an above-average effect on strong export-oriented countries like Austria and many Austrian companies with a high share of exports.

## INVESTOR RELATIONS

Investor Relations focused on preparations for the Annual General Meeting on 25 May 2018 during the 2<sup>nd</sup> quarter of 2018. All of the published documents for this event and the speech by the Chairwoman of the Managing Board are available online at [www.vig.com/annual-general-meeting](http://www.vig.com/annual-general-meeting).

VIG took part in the J.P. Morgan European Insurance Conference in London at the end of May 2018. VIG also met with interested investors in mid-June 2018 at the Wood & Company Emerging European Financials Conference in Warsaw. The discussions focused on current performance of the insurance business in Austria and Central and Eastern Europe and expectations with respect to macroeconomic and regulatory changes in the key VIG markets.

An encouraging organisational change took place in Investor Relations at the beginning of July. Due to transfer of responsibility for annual and interim report publications, which was previously the responsibility of the General Secretariat, three employees will be added to the IR team to allow communications to be more customised and target group-oriented in the future.

## VIG SHARE PERFORMANCE

VIG shares were unable to escape the effects of international market movements and forfeited the overall positive performance achieved in the 1<sup>st</sup> quarter of 2018 by the end of the 2<sup>nd</sup> quarter. The price drop of 9.3% versus the end of the previous year was even greater than the correction recorded by the leading index of the Vienna Stock Exchange. Following an interim high of EUR 28.740 on 1 February 2018, the price of VIG shares fell to a low of EUR 23.200 for the 1<sup>st</sup> half of the year on 27 June 2018. The subsequent recovery brought the share price to a sustained level above EUR 24 once again. VIG shares had a price of EUR 24.280 on the editorial deadline of 7 August 2018, which represented a gain of 4.7% from its low point, but a loss of 5.8% compared to the beginning of the year.

### VIG financial calendar\*

Results for the 1 <sup>st</sup> to 3 <sup>rd</sup> quarters of 2018	28 November 2018
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\*Preliminary schedule

### Key share information for the 1<sup>st</sup> half of 2018

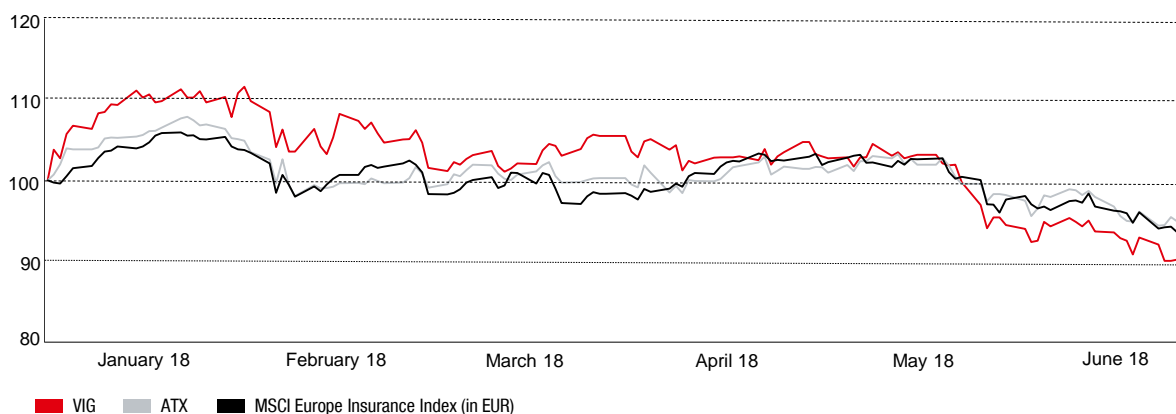
High	EUR	28.740
Low	EUR	23.200
Year-end price	EUR	23.360
Market capitalisation	EUR	3.0 billion
Dividend 2017	EUR	0.90
Book value per share	EUR	36.59

### VIG-Aktie im Überblick

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

## VIENNA INSURANCE GROUP (VIG) COMPARED TO THE ATX AND MSCI EUROPE INSURANCE INDEX (IN EUR) 1 JANUARY 2018 TO 30 JUNE 2018

Indexed (basis =100)



# Consolidated interim financial statements in accordance with IFRS

## CONSOLIDATED BALANCE SHEET

Assets	Notes	30.6.2018	31.12.2017
<i>in EUR '000</i>			
Intangible assets	1	1,894,932	1,970,641
Investments	2	36,192,725	35,932,907
Investments for unit-linked and index-linked life insurance		8,742,169	9,061,073
Reinsurers' share in underwriting provisions	3	1,134,007	1,066,320
Receivables	4	1,665,692	1,475,862
Tax receivables and advance payments out of income tax		273,840	239,455
Deferred tax assets		81,123	80,806
Other assets		405,681	389,160
Cash and cash equivalents		1,203,919	1,497,731
<b>Total</b>		<b>51,594,088</b>	<b>51,713,955</b>

Liabilities and shareholders' equity	Notes	30.6.2018	31.12.2017
<i>in EUR '000</i>			
Shareholders' equity		5,922,948	6,043,949
Subordinated liabilities		1,458,438	1,458,839
Underwriting provisions	6	30,470,647	30,168,173
Underwriting provisions for unit-linked and index-linked life insurance		8,299,809	8,612,749
Non-underwriting provisions	7	746,265	793,792
Liabilities	8	4,092,897	4,032,102
Tax liabilities out of income tax		217,584	202,050
Deferred tax liabilities		250,141	255,064
Other liabilities		135,359	147,237
<b>Total</b>		<b>51,594,088</b>	<b>51,713,955</b>

The numbers for the individual items in the consolidated balance sheet and consolidated income statement refer to detailed disclosures for these items in the "Notes to the consolidated balance sheet" section in the Notes to the consolidated financial statements starting on page 30.

## CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated income statement	Notes	1.1.-30.6.2018	1.1.-30.6.2017	1.4.-30.6.2018	1.4.-30.6.2017
in EUR '000					
<b>Net earned premiums – retention</b>		<b>4,354,878</b>	<b>4,219,046</b>	<b>2,151,825</b>	<b>2,066,192</b>
<b>Premiums written – retention</b>		<b>4,648,622</b>	<b>4,455,938</b>	<b>2,156,252</b>	<b>2,057,066</b>
Premiums written – gross	9	5,150,264	4,972,439	2,324,189	2,252,868
Premiums written – reinsurers' share		-501,642	-516,501	-167,937	-195,802
<b>Change in unearned premiums – retention</b>		<b>-293,744</b>	<b>-236,892</b>	<b>-4,427</b>	<b>9,126</b>
Change in unearned premiums – gross		-387,912	-342,348	28,519	27,940
Change in unearned premiums – reinsurers' share		94,168	105,456	-32,946	-18,814
Financial result excluding at equity consolidated companies	10	476,201	465,618	247,557	229,713
Result from shares in at equity consolidated companies		35,073	22,737	25,323	10,918
Other income	11	66,287	59,843	33,130	30,326
Expenses for claims and insurance benefits – retention	12	-3,457,709	-3,394,723	-1,720,106	-1,653,304
Acquisition and administrative expenses	13	-1,090,491	-1,030,794	-522,664	-512,565
Other expenses	14	-151,490	-121,184	-99,655	-60,357
<b>Result before taxes</b>		<b>232,749</b>	<b>220,543</b>	<b>115,410</b>	<b>110,923</b>
Taxes		-59,062	-48,296	-32,718	-26,290
<b>Result of the period</b>		<b>173,687</b>	<b>172,247</b>	<b>82,692</b>	<b>84,633</b>
thereof attributable to Vienna Insurance Group shareholders		136,629	146,578	61,115	77,526
thereof other non-controlling interests		3,841	3,417	2,274	4,234
thereof non-controlling interests in non-profit societies		33,217	22,252	19,303	2,873
Result per share (annualised)*	5	2.04	2.20	1.82	2.33
<b>Result of the period (carryforward)</b>		<b>173,687</b>	<b>172,247</b>	<b>82,692</b>	<b>84,633</b>

\*The calculation of these figures includes the accrued interest expenses for hybrid capital. The undiluted result equals the diluted result per share (in EUR).

Consolidated statement of comprehensive income	1.1.-30.6.2018	1.1.-30.6.2017	1.4.-30.6.2018	1.4.-30.6.2017
in EUR '000				
<b>Result of the period (carryforward)</b>	<b>173,687</b>	<b>172,247</b>	<b>82,692</b>	<b>84,633</b>
<b>Other comprehensive income (OCI)</b>				
<b>Items that will not be reclassified to profit and loss in subsequent periods</b>	<b>-2,030</b>	<b>2,028</b>	<b>-808</b>	<b>2,442</b>
+/- Underwriting gains and losses from provisions for employee benefits	-3,241	3,386	-1,090	4,129
+/- Deferred profit participation	607	-687	57	-900
+/- Deferred taxes	604	-671	225	-787
<b>Items that will be reclassified to profit or loss in subsequent periods</b>	<b>-151,101</b>	<b>14,537</b>	<b>-94,858</b>	<b>30,783</b>
+/- Exchange rate changes through equity	-36,540	47,780	-35,643	33,547
+/- Unrealised gains and losses from financial instruments available for sale	-377,970	-158,727	-123,860	-13,340
+/- Cash flow hedge reserve	59	424	-100	268
+/- Share of other reserves of associated companies	-6,889	158	-7,333	115
+/- Deferred mathematical reserve	78,702	48,969	9,795	1,619
+/- Deferred profit participation	158,101	64,174	45,558	6,746
+/- Deferred taxes	33,436	11,759	16,725	1,828
<b>Total OCI</b>	<b>-153,131</b>	<b>16,565</b>	<b>-95,666</b>	<b>33,225</b>
<b>Total profit</b>	<b>20,556</b>	<b>188,812</b>	<b>-12,974</b>	<b>117,858</b>
thereof attributable to Vienna Insurance Group shareholders	-14,119	162,384	-33,303	109,904
thereof other non-controlling interests	1,392	3,626	1,123	4,818
thereof non-controlling interests in non-profit societies	33,283	22,802	19,206	3,136

## CONSOLIDATED SHAREHOLDERS' EQUITY

Development	Share capital	Capital reserves		Retained earnings	Other reserves		Subtotal*
		Other	payments hybrid capital		Currency reserve	Other	
in EUR '000							
As of 1 January 2017	132,887	2,109,003	193,619	1,929,339	-181,373	380,788	4,564,263
Changes in scope of consolidation/ownership interests	0	0	0	698	0	0	698
Other comprehensive income	0	0	0	146,578	47,379	-31,573	162,384
Other comprehensive income excluding currency changes	0	0	0	0	0	-31,573	-31,573
Currency change	0	0	0	0	47,379	0	47,379
Result of the period	0	0	0	146,578	0	0	146,578
Dividend payment	0	0	0	-114,281	0	0	-114,281
As of 30. June 2017	132,887	2,109,003	193,619	1,962,334	-133,994	349,215	4,613,064
As of 1 January 2018	132,887	2,109,003	193,619	2,108,029	-121,616	410,089	4,832,011
Changes in scope of consolidation/ownership interests	0	0	0	-7,609	0	0	-7,609
Other comprehensive income	0	0	0	136,629	-36,534	-114,214	-14,119
Other comprehensive income excluding currency changes	0	0	0	0	0	-114,214	-114,214
Currency change	0	0	0	0	-36,534	0	-36,534
Result of the period	0	0	0	136,629	0	0	136,629
Dividend payment	0	0	0	-127,081	0	0	-127,081
As of 30. June 2018	132,887	2,109,003	193,619	2,109,968	-158,150	295,875	4,683,202

Development	Subtotal*	Non-controlling interests		Shareholders' equity
		Others	Non-profit societies	
in EUR '000				
As of 1 January 2017	4,564,263	114,219	1,032,775	5,711,257
Changes in scope of consolidation/ownership interests	698	186	0	884
Other comprehensive income	162,384	3,626	22,802	188,812
Other comprehensive income excluding currency changes	-31,573	-192	550	-31,215
Currency change	47,379	401	0	47,780
Result of the period	146,578	3,417	22,252	172,247
Dividend payment	-114,281	-6,054	-4,911	-125,246
As of 30. June 2017	4,613,064	111,977	1,050,666	5,775,707
As of 1 January 2018	4,832,011	115,944	1,095,994	6,043,949
Changes in scope of consolidation/ownership interests	-7,609	5,793	0	-1,816
Other comprehensive income	-14,119	1,392	33,283	20,556
Other comprehensive income excluding currency changes	-114,214	-2,443	66	-116,591
Currency change	-36,534	-6	0	-36,540
Result of the period	136,629	3,841	33,217	173,687
Dividend payment	-127,081	-7,752	-4,908	-139,741
As of 30. June 2018	4,683,202	115,377	1,124,369	5,922,948

\*The above subtotal equals the equity attributable to shareholders and other capital providers of the parent company.



Composition of dividend payments - retention	30.6.2018	31.12.2017
in EUR '000		
Dividends	115,200	102,400
Interest payments on the hybrid capital	15,841	15,841
Deferred taxes shown in equity	-3,960	-3,960
<b>Total</b>	<b>127,081</b>	<b>114,281</b>

Composition of other reserves	30.6.2018					Total
	Unrealised gains and losses	Cash flow hedge reserve	Underwriting gains and losses from provisions for employee benefits	Share of other reserves of associated companies	Currency reserve	
in EUR '000						
Gross	2,341,556	-2,433	-290,201	-6,282	-159,426	1,883,214
+/- Exchange rate changes from financial instruments available for sale	9,222					9,222
+/- Deferred mathematical reserve	-832,465					-832,465
+/- Deferred profit participation	-935,491	0	87,582	0	0	-847,909
+/- Deferred taxes	-130,486	0	47,309	0	0	-83,177
+/- Other non-controlling interests	-7,084	0	1,493	315	1,276	-4,000
+/- Non-controlling interests in non-profit societies	0	2,468	10,372	0	0	12,840
<b>Net</b>	<b>445,252</b>	<b>35</b>	<b>-143,445</b>	<b>-5,967</b>	<b>-158,150</b>	<b>137,725</b>

Composition of other reserves	31.12.2017					Total
	Unrealised gains and losses	Cash flow hedge reserve	Underwriting gains and losses from provisions for employee benefits	Share of other reserves of associated companies	Currency reserve	
in EUR '000						
Gross	2,720,471	-2,492	-286,960	607	-122,886	2,308,740
+/- Exchange rate changes from financial instruments available for sale	8,277					8,277
+/- Deferred mathematical reserve	-911,167					-911,167
+/- Deferred profit participation	-1,093,592	0	86,975	0	0	-1,006,617
+/- Deferred taxes	-163,922	0	46,705	0	0	-117,217
+/- Other non-controlling interests	-9,184	0	1,474	-9	1,270	-6,449
+/- Non-controlling interests in non-profit societies	0	2,534	10,372	0	0	12,906
<b>Net</b>	<b>550,883</b>	<b>42</b>	<b>-141,434</b>	<b>598</b>	<b>-121,616</b>	<b>288,473</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	1.1.-30.6.2018	1.1.-30.6.2017
<b>in EUR '000</b>		
<b>Result of the period</b>	<b>173,687</b>	<b>172,247</b>
Change in underwriting provisions net	277,888	686,329
Change in underwriting receivables and liabilities	-257,337	-253,312
Change in deposit receivables and liabilities as well as in reinsurance receivables and liabilities	52,087	46,884
Change in other receivables and liabilities	109,842	43,756
Change in financial instruments recognised at fair value through profit and loss (incl. held for trading)	-36,691	59,465
Gain/loss from disposal of investments	-81,165	-67,016
Depreciation/appreciation of all other investments	86,446	78,957
Change in pension, severance and other personnel provisions	3,618	-3,989
Change in deferred tax asset/liability excl. tax liabilities	29,819	-9,906
Change in other balance sheet items	-79,544	-56,120
Change in goodwill and other intangible assets	82,971	43,076
Other cash-neutral income and expenses and adjustments to the result of the period <sup>1</sup>	133,208	-102,345
<b>Cash flow from operating activities</b>	<b>494,829</b>	<b>638,026</b>
Cash inflow from the sale of associated companies	110,392	0
Cash inflow from the sale of available for sale securities	1,498,404	1,745,206
Payments for the acquisition of available for sale securities	-1,909,698	-2,316,291
Cash inflow from disposals/repayments of held to maturity securities	58,336	149,799
Payments for the addition of held to maturity securities	-48,759	-63,883
Cash inflow from the sale of land and buildings	25,064	25,687
Payments for the acquisition of land and buildings	-166,770	-111,748
Cash inflow for the sale of intangible assets	883	678
Payments for the acquisition of intangible assets	-26,265	-25,885
Change in investments for unit-linked and index-linked life insurance	135,605	41,805
Change in loans and other investments	-264,841	29,387
<b>Cash flow from investing activities</b>	<b>-587,649</b>	<b>-525,245</b>
Cash inflow from subordinated liabilities	0	450,000
Cash outflow from subordinated liabilities	0	-248,845
Dividend payments	-139,741	-125,246
Cash inflow from other financing activities	74,674	971
Cash outflow from other financing activities	-129,620	-49,976
<b>Cash flow from financing activities</b>	<b>-194,687</b>	<b>26,904</b>
<b>Change in cash and cash equivalents</b>	<b>-287,507</b>	<b>139,685</b>
Cash and cash equivalents at beginning of period <sup>2</sup>	1,497,731	1,589,941
Change in cash and cash equivalents	-287,507	139,685
Effects of foreign currency exchange differences on cash and cash equivalents	-6,305	4,353
<b>Cash and cash equivalents at end of period<sup>2</sup></b>	<b>1,203,919</b>	<b>1,733,979</b>
thereof non-profit societies	105,884	109,090

<sup>1</sup> The non-cash income and expenses are primarily from the results of shares held in at equity consolidated companies and exchange rate changes.

<sup>2</sup> The amount of cash and cash equivalents at the beginning and the end of period correlates with position cash and cash equivalents on the asset side and consists of cash on hand and overnight deposits.

	1.1.-30.6.2018	1.1.-30.6.2017
<b>Additional information on the statement of cash flows</b>		
<b>in EUR '000</b>		
Received interest <sup>1</sup>	389,364	397,225
Received dividends <sup>1</sup>	64,832	70,416
Interest paid <sup>2</sup>	49,460	47,351
Income taxes paid <sup>1</sup>	48,517	33,669

<sup>1</sup> Income tax payments, received dividends and received interest are included in the cash flow from operating activities.

<sup>2</sup> Interest paid result primarily from financing activities.

## Reconciliation of liabilities from financing activities

30.6.2018

	Subordinated liabilities (including interests)	Liabilities to financial institutions	Liabilities from public funding	Financing liabilities <sup>1</sup>	Derivative financial instruments <sup>2</sup>
in EUR '000					
Book value as of 31.12. of the previous year	1,490,999	1,201,031	100,018	1,480,417	1,166
<b>Cash changes</b>	<b>-32,557</b>	<b>-65,234</b>	<b>2,682</b>	<b>-7,823</b>	<b>0</b>
Cash inflows	0	37,141	4,027	33,506	0
Payments	0	-95,389	-1,320	-32,911	0
Interest paid	-32,557	-6,986	-25	-8,418	0
<b>Non-cash changes</b>	<b>31,467</b>	<b>6,400</b>	<b>185</b>	<b>12,143</b>	<b>-1,163</b>
Additions	31,862	6,415	185	15,700	3
Disposals	0	-15	0	-2,257	-68
Reclassifications	0	0	0	-849	0
Measurement changes	0	0	0	-395	-843
Exchange rate differences	-395	0	0	-56	-255
<b>Book value as of 30.6.</b>	<b>1,489,909</b>	<b>1,142,197</b>	<b>102,885</b>	<b>1,484,737</b>	<b>3</b>

<sup>1</sup> Contains lease liabilities, derivative liabilities from financing liabilities and other financing liabilities

<sup>2</sup> Only for derivatives from financing activities

## Reconciliation of liabilities from financing activities

31.12.2017

	Subordinated liabilities (including interests)	Liabilities to financial institutions	Liabilities from public funding	Financing liabilities <sup>1</sup>	Derivative financial instruments <sup>2</sup>
in EUR '000					
Book value as of 31.12. of the previous year	1,265,009	1,304,900	91,049	1,528,828	38
<b>Cash changes</b>	<b>131,660</b>	<b>-113,179</b>	<b>4,274</b>	<b>-23,327</b>	<b>55</b>
Cash inflows	450,000	106,595	7,742	57,808	213
Payments	-257,355	-205,190	-3,418	-64,020	-158
Interest paid	-60,985	-14,584	-50	-17,115	0
<b>Non-cash changes</b>	<b>94,330</b>	<b>9,310</b>	<b>4,695</b>	<b>-25,084</b>	<b>1,073</b>
Additions	59,852	12,352	5,210	17,579	0
Disposals	0	-11	-522	-10,436	0
Change in the scope of consolidation	0	0	0	-14	0
Reclassifications	33,326	341	0	-33,326	0
Measurement changes	0	-3,373	0	1,120	144
Exchange rate differences	1,152	1	7	-7	929
<b>Book value as of 31.12.</b>	<b>1,490,999</b>	<b>1,201,031</b>	<b>100,018</b>	<b>1,480,417</b>	<b>1,166</b>

<sup>1</sup> Contains lease liabilities, derivative liabilities from financing liabilities and other financing liabilities

<sup>2</sup> Only for derivatives from financing activities

# Notes to the consolidated financial statements

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the 1<sup>st</sup> half of 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the applicable commercial law provisions of § 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB) and Chapter 7 of the Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG).

They are in compliance with IAS 34 "Interim Financial Reporting". The same IFRS accounting policies were used as for the last financial statements for the previous financial year. Similarly, the estimates and discretionary assessments needed to prepare the consolidated financial statements were made in the same way. This does not include newly applicable or amended standards.

### Adoption of new standards and new interpretations

To the extent they are relevant to Vienna Insurance Group (VIG), VIG has applied the IFRS annual improvements (2014–2016 cycle), IFRS 15 "Revenue from contracts with customers", including clarifications, IFRIC 22 "Foreign currency transactions and advance consideration", amendments to IFRS 2 "Clarifications and measurement of share-based payments", amendments to IFRS 4 "Application of IFRS 9 'Financial instruments' in conjunction with IFRS 4 'Insurance contracts'" and amendments to IAS 40 "Classification of property under construction" since 1 January 2018. Application of the amended standards had either no effect, or no material effect on the consolidated interim financial statements.

### New standards and amendments to existing reporting standards that have or have not been adopted or have not yet been adopted by the EU

New standards and changes to current reporting standards		Applicable as of <sup>1</sup>
<b>Those already adopted by the EU</b>		
IFRS 16	Leases	1.1.2019
IFRS 9	Financial instruments	1.1.2018 <sup>2</sup>
Changes in IFRS 9	Prepayment features with negative compensation	1.1.2019
<b>Those which are not or not yet adopted by the EU</b>		
IFRS 14	Regulatory Deferral Accounts	EU decided this standard shall not be transferred into EU law
IFRS 17	Insurance contracts	1.1.2021
Changes according IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	First-time application deferred for an indefinite period
All IFRS	Yearly improvements (cycle 2015–2017)	1.1.2019
IFRIC 23	Uncertainty over income tax treatments	1.1.2019
Changes in IAS 19	Remeasurement due to a plan amendment, curtailment or settlement	1.1.2019
Changes in IAS 28	Clarification for application of impairment requirements to long-term interests	1.1.2019
Changes framework	New sections, such as Status and purpose of the conceptual framework and Presentation and disclosure, as well as addition of the Derecognition section to the Recognition section.	1.1.2020

<sup>1</sup> VIG is not planning early adoption of the provisions listed in the table.

<sup>2</sup> The first time adoption for insurance companies can be delayed to 1 January 2021.

The new requirements in IFRS 16 primarily concern the accounting presentation of leases by the lessee. The effects on the consolidated balance sheet of recognising the liability and the right of use were examined in a Group-wide project. As an insurance group, the main liabilities are in the area of real estate, in particular office space and branch offices, and passenger

cars. Examination of the Group-wide lease obligations showed that the effect would probably be less than 0.5% of total assets.

IFRS 17 “Insurance contracts”, which was submitted to EFRAG for endorsement, will be applicable retrospectively on 1 January 2021. The preparations that began in 2017 were continued in the current year. Although IFRS 17 can be expected to have a material effect on the Group’s financial reporting, the effect cannot currently be quantified due to the high level of complexity.

Based on current knowledge, first-time application of IFRS 9 can be expected to lead to considerably higher volatility of net profit for the period. Further amendments which are likely to have greater effects on VIG primarily concern the treatment of interest clauses in debt instruments and the treatment of impairment. It must be noted that there is an amendment to IFRS 4 that allows insurance companies to apply IFRS 9 at the same time as IFRS 17 after performing a “predominance test”. In this case, the date of first application for IFRS 9 is 1 January 2021 at the latest. VIG has performed the predominance test and the Group satisfies the criteria for deferring first-time application of IFRS 9.

### Foreign currency translation

Transactions and separate financial statements were translated into foreign currencies in the interim report for the 1<sup>st</sup> half of 2018 as indicated on page 102 of the Group Annual Report for 2017.

Name	Currency	Period-end exchange rate		Average exchange rate	
		30.6.2018	31.12.2017	1.1.-30.6.2018	1.1.-30.6.2017
<b>1 EUR <math>\triangleq</math></b>					
Albanian lek	ALL	125.9300	132.9500	129.9487	135.1016
Bosnian Convertible Marka	BAM	1.9558	1.9558	1.9558	1.9558
Bulgarian lev	BGN	1.9558	1.9558	1.9558	1.9558
Georgian lari	GEL	2.8537	3.1044	2.9823	2.7180
Croatian kuna	HRK	7.3860	7.4400	7.4178	7.4486
Macedonian denar	MKD	61.4939	61.4907	61.5293	61.6019
Moldovan leu	MDL	19.5261	20.4099	20.2245	20.9167
Turkish new lira	TRY	5.3385	4.5464	4.9566	3.9391
Polish zloty	PLN	4.3732	4.1770	4.2207	4.2690
Romanian leu	RON	4.6631	4.6585	4.6543	4.5370
Swiss franc	CHF	1.1569	1.1702	1.1697	1.0766
Serbian dinar	RSD	118.0676	118.4727	118.3028	123.4005
Czech koruna	CZK	26.0200	25.5350	25.5005	26.7841
Ukraine hryvnia	UAH	30.5680	33.4954	32.4297	28.9731
Hungarian forint	HUF	329.7700	310.3300	314.1128	309.4213

### DISCLOSURES ON SEASONAL AND ECONOMIC INFLUENCES

Within VIG, seasonal fluctuations mainly occur in premiums, losses and the financial result. Due to the large number of insurance contracts beginning in January, the 1<sup>st</sup> quarter is also normally the strongest quarter of the year in terms of premiums. In terms of losses, the 1<sup>st</sup> quarter (or 1<sup>st</sup> half) also normally shows a higher level of charges, mainly due to adverse environmental influences (snow, snowmelt, storms, floods). Adverse weather events, such as storms, can also occur during the summer and autumn. With respect to the financial result, most of the dividend income occurs in the 2<sup>nd</sup> quarter.

## CHANGES IN THE SCOPE OF CONSOLIDATION

Acquired companies are added to the scope of consolidation based on an internal Group guideline. The guideline includes quantitative thresholds and criteria. Detailed information is available in the Group Annual Report for 2017 starting on page 121.

Deconsolidations	Reason for deconsolidation	Date of deconsolidation	Segment
S IMMO AG	Sale	9.4.2018	Austria

Expansion of the scope of consolidation*	acquisition/formation	Shares	First time consolidation	Method
	Date	in %	Date	
VIG-AT Beteiligungen	2017	100.00	1.1.2018	full consolidation

\*Unless indicated otherwise, no goodwill exists.

### Companies acquired

Companies acquired but not yet consolidated	Acquired shares
in %	
Merkur Osiguranje	100.00
Seesam Insurance AS*	100.00
Gothaer*	100.00

\*Closing had not taken place yet by the balance sheet date.

Merkur Osiguranje was checked for materiality based on the thresholds in the 1<sup>st</sup> half of 2018. Since the specified thresholds were not exceeded, the company's qualitative objectives are currently being evaluated to determine whether it should be added to the scope of consolidation.

Seesam Insurance AS and Gothaer had not yet been added to the scope of consolidation in the 1<sup>st</sup> half of 2018, since the lack of closing for the transactions and lack of control over the companies meant that the requirements for inclusion in the scope of consolidation were not yet satisfied.

### Effect of the changes in the scope of consolidation

Balance sheet	Additions	Disposals
in EUR '000		
Investments		95,361
Cash and cash equivalents	33	

The figures shown in the table above reflect the actual dates of first consolidation, as shown in the deconsolidation and expansion of the scope of consolidation tables.

Contribution to profit before taxes in reporting period	Disposals
in EUR '000	
Result from shares in at equity consolidated companies	20,530
Result before taxes	20,530

## NON-PROFIT SOCIETIES

Non-profit societies build or renovate housing whose financing largely comes from housing construction subsidies that are provided for by subsidy laws and directives at the provincial level. Housing that is financed by housing construction subsidies is subject to special restrictions set down in the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz – WGG) that govern annual distributions and access to the assets of the housing society.

As a result, the total amount of annual profit that can be distributed may not exceed an amount equal to the total paid-in share capital times the interest rate (currently 3.5%) applicable under Section 14 (1) no. 3 WGG. In addition, when members leave a housing society or a housing society is dissolved, the members may not receive more than their paid-in capital contributions and their share of distributable profits. Any remaining assets are to be used for the purposes of non-profit housing. Reorganisation possibilities are also restricted. Merger agreements for merger of a housing society with other companies and spin-offs to other companies are considered legally invalid if the absorbing or newly formed company is not non-profit within the meaning of the WGG. Title to buildings, residential units and business units (co-ownership, condominium ownership) may only be transferred to the tenants or another building society within the meaning of the WGG.

VIG indirectly holds shares in the following consolidated non-profit societies:

- Neuland GmbH
- Sozialbau AG
- Urbanbau GmbH
- Erste Heimstätte GmbH
- Gemeinnützige Industrie-Wohnungsaktiengesellschaft
- Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH
- Schwarzatal GmbH
- Alpenländische Heimstätte GmbH
- Neue Heimat Oberösterreich GmbH

Assets	30.6.2018	thereof non-profit societies'	31.12.2017	thereof non-profit societies'
<b>in EUR '000</b>				
Intangible assets	1,894,932	1,512	1,970,641	1,592
Investments	36,192,725	3,820,760	35,932,907	3,772,645
Investments for unit-linked and index-linked life insurance	8,742,169	0	9,061,073	0
Reinsurers' share in underwriting provisions	1,134,007	0	1,066,320	0
Receivables	1,665,692	75,210	1,475,862	62,363
Tax receivables and advance payments out of income tax	273,840	6	239,455	6
Deferred tax assets	81,123	220	80,806	228
Other assets	405,681	5,277	389,160	5,570
Cash and cash equivalents	1,203,919	105,884	1,497,731	118,731
<b>Total</b>	<b>51,594,088</b>	<b>4,008,869</b>	<b>51,713,955</b>	<b>3,961,135</b>

\*Incl. their subsidiaries

Liabilities and shareholders' equity	30.6.2018	thereof non-profit societies*	31.12.2017	thereof non-profit societies*
<b>in EUR '000</b>				
Subordinated liabilities	1,458,438	0	1,458,839	0
Underwriting provisions	30,470,647	0	30,168,173	0
Underwriting provisions for unit-linked and index-linked life insurance	8,299,809	0	8,612,749	0
Non-underwriting provisions	746,265	44,943	793,792	58,630
Liabilities	4,092,897	2,668,382	4,032,102	2,638,085
Tax liabilities out of income tax	217,584	9	202,050	7
Deferred tax liabilities	250,141	0	255,064	0
Other liabilities	135,359	82	147,237	322
<b>Subtotal</b>	<b>45,671,140</b>	<b>2,713,416</b>	<b>45,670,006</b>	<b>2,697,044</b>
Shareholders' equity	5,922,948		6,043,949	
<b>Total</b>	<b>51,594,088</b>	<b>2,713,416</b>	<b>51,713,955</b>	<b>2,697,044</b>

\*Incl. their subsidiaries

Income statement	1.1.-30.6.2018	thereof non-profit societies*	1.1.-30.6.2017	thereof non-profit societies*
<b>in EUR '000</b>				
Premiums written – gross	5,150,264	0	4,972,439	0
Net earned premiums – retention	4,354,878	0	4,219,046	0
<b>Financial result excluding at equity consolidated companies</b>	<b>476,201</b>	<b>34,201</b>	<b>465,618</b>	<b>22,891</b>
Income from investments	803,547	147,989	785,812	138,312
Expenses for investments and interest expenses	-327,346	-113,788	-320,194	-115,421
Result from shares in at equity consolidated companies	35,073	0	22,737	0
Other income	66,287	0	59,843	0
Expenses for claims and insurance benefits – retention	-3,457,709	0	-3,394,723	0
Acquisition and administrative expenses	-1,090,491	0	-1,030,794	0
Other expenses	-151,490	-1,241	-121,184	-1,124
<b>Result before taxes</b>	<b>232,749</b>	<b>32,960</b>	<b>220,543</b>	<b>21,767</b>
Taxes	-59,062	-40	-48,296	188
<b>Result of the period</b>	<b>173,687</b>	<b>32,920</b>	<b>172,247</b>	<b>21,955</b>

\*Incl. their subsidiaries

## SEGMENT REPORTING

The statements concerning segment reporting made in the Group Annual Report for 2017 are still valid, continue to apply and can be read starting on page 126 of that report.

Wiener Re was added to the Central Functions segment in the 2<sup>nd</sup> quarter of 2018.



## CONSOLIDATED BALANCE SHEET BY SEGMENT

Assets	Austria		Czech Republic		Slovakia	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
in EUR '000						
Intangible assets	374,763	369,941	485,831	497,204	120,287	119,262
Investments	22,582,996	22,471,543	3,115,760	3,187,622	1,300,272	1,314,977
Investments for unit-linked and index-linked life insurance	5,729,639	5,869,028	354,193	358,039	210,600	211,392
Reinsurers' share in underwriting provisions	438,812	423,340	109,450	97,678	29,109	33,111
Receivables	664,370	581,646	151,462	123,510	68,493	65,381
Tax receivables and advance payments out of income tax	20,530	17,523	5,818	13,964	2,500	1,203
Deferred tax assets	3,452	3,415	4,940	5,168	7,316	5,432
Other assets	131,684	135,236	156,653	159,513	11,957	11,410
Cash and cash equivalents	652,563	798,824	27,534	166,807	55,169	67,027
<b>Total</b>	<b>30,598,809</b>	<b>30,670,496</b>	<b>4,411,641</b>	<b>4,609,505</b>	<b>1,805,703</b>	<b>1,829,195</b>

Assets	Poland		Romania		Baltic states	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
in EUR '000						
Intangible assets	143,966	148,146	135,250	186,909	129,647	132,976
Investments	921,946	935,138	691,934	669,064	445,660	398,310
Investments for unit-linked and index-linked life insurance	804,550	940,143	146,414	177,958	57,156	51,850
Reinsurers' share in underwriting provisions	49,637	51,954	32,033	31,785	29,298	23,049
Receivables	152,202	125,510	144,366	162,084	65,305	51,323
Tax receivables and advance payments out of income tax	2,047	1,463	2,118	2,120	606	258
Deferred tax assets	5,943	5,686	26,712	25,884	1,139	1,057
Other assets	8,109	9,078	9,578	7,227	8,803	7,012
Cash and cash equivalents	24,227	32,310	28,065	11,892	31,301	43,239
<b>Total</b>	<b>2,112,627</b>	<b>2,249,428</b>	<b>1,216,470</b>	<b>1,274,923</b>	<b>768,915</b>	<b>709,074</b>

Assets	Hungary		Bulgaria		Turkey/Georgia	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
in EUR '000						
Intangible assets	23,081	23,592	184,645	184,696	23,018	22,459
Investments	138,810	154,371	161,528	166,353	87,939	95,576
Investments for unit-linked and index-linked life insurance	407,990	430,862	4,142	3,586	0	0
Reinsurers' share in underwriting provisions	11,503	15,651	18,655	15,637	86,585	80,682
Receivables	22,419	16,240	50,365	40,256	73,771	56,739
Tax receivables and advance payments out of income tax	3	3	429	6	502	57
Deferred tax assets	1,817	1,941	1,068	1,063	1,308	1,370
Other assets	7,568	6,031	2,870	2,010	3,688	2,048
Cash and cash equivalents	7,276	4,282	30,384	21,781	19,380	21,007
<b>Total</b>	<b>620,467</b>	<b>652,973</b>	<b>454,086</b>	<b>435,388</b>	<b>296,191</b>	<b>279,938</b>

Assets	Remaining CEE		Other Markets		Central Functions		Total	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
<b>in EUR '000</b>								
Intangible assets	78,984	77,568	1,339	1,428	194,121	206,460	1,894,932	1,970,641
Investments	839,664	810,374	641,120	655,798	5,265,096	5,073,781	36,192,725	35,932,907
Investments for unit-linked and index-linked life insurance	86,426	86,497	941,059	931,718	0	0	8,742,169	9,061,073
Reinsurers' share in underwriting provisions	14,338	27,374	5,587	6,010	309,000	260,049	1,134,007	1,066,320
Receivables	79,848	77,580	14,463	15,355	178,628	160,238	1,665,692	1,475,862
Tax receivables and advance payments out of income tax	133	1,087	2,300	0	236,854	201,771	273,840	239,455
Deferred tax assets	3,871	3,836	2,294	1,894	21,263	24,060	81,123	80,806
Other assets	11,919	12,991	4,321	4,426	48,531	32,178	405,681	389,160
Cash and cash equivalents	22,005	22,103	48,968	25,263	257,047	283,196	1,203,919	1,497,731
<b>Total</b>	<b>1,137,188</b>	<b>1,119,410</b>	<b>1,661,451</b>	<b>1,641,892</b>	<b>6,510,540</b>	<b>6,241,733</b>	<b>51,594,088</b>	<b>51,713,955</b>

Liabilities and shareholders' equity	Austria		Czech Republic		Slovakia	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
<b>in EUR '000</b>						
Subordinated liabilities	337,300	337,300	21,138	21,539	0	0
Underwriting provisions	22,120,839	22,023,833	2,950,308	3,016,152	1,166,232	1,140,185
Underwriting provisions for unit-linked and index-linked life insurance	5,449,413	5,599,225	216,667	219,815	223,623	226,462
Non-underwriting provisions	491,417	513,529	4,336	3,970	2,198	3,331
Liabilities	585,082	542,969	195,891	217,640	76,778	83,901
Tax liabilities out of income tax	202,479	179,838	3,455	11,989	5	2,973
Deferred tax liabilities	174,271	166,449	30,665	33,419	10,483	11,809
Other liabilities	71,949	78,872	14,492	16,788	5,570	6,217
<b>Subtotal</b>	<b>29,432,750</b>	<b>29,442,015</b>	<b>3,436,952</b>	<b>3,541,312</b>	<b>1,484,889</b>	<b>1,474,878</b>

Liabilities and shareholders' equity	Poland		Romania		Baltic states	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
<b>in EUR '000</b>						
Subordinated liabilities	0	0	0	0	0	0
Underwriting provisions	832,809	822,376	622,483	590,822	441,027	387,366
Underwriting provisions for unit-linked and index-linked life insurance	777,957	903,983	145,442	176,822	57,151	51,850
Non-underwriting provisions	10,193	9,220	25,440	25,971	403	335
Liabilities	74,262	85,024	83,061	74,946	41,828	36,961
Tax liabilities out of income tax	2,136	203	0	0	645	217
Deferred tax liabilities	21,113	21,620	0	0	2,683	2,683
Other liabilities	13,144	13,442	3,447	8,260	2,341	1,959
<b>Subtotal</b>	<b>1,731,614</b>	<b>1,855,868</b>	<b>879,873</b>	<b>876,821</b>	<b>546,078</b>	<b>481,371</b>

Liabilities and shareholders' equity	Hungary		Bulgaria		Turkey/Georgia	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
<b>in EUR '000</b>						
Subordinated liabilities	0	0	0	0	0	0
Underwriting provisions	146,246	144,046	166,570	148,198	213,559	187,618
Underwriting provisions for unit-linked and index-linked life insurance	400,880	420,163	5,199	3,452	0	0
Non-underwriting provisions	1,512	3,718	26,610	24,133	6,115	7,293
Liabilities	25,031	20,314	20,441	18,618	23,808	26,772
Tax liabilities out of income tax	322	356	504	398	423	510
Deferred tax liabilities	302	652	1,102	1,315	295	53
Other liabilities	650	2,682	366	416	1,105	1,881
<b>Subtotal</b>	<b>574,943</b>	<b>591,931</b>	<b>220,792</b>	<b>196,530</b>	<b>245,305</b>	<b>224,127</b>

Liabilities and shareholders' equity	Remaining CEE		Other Markets		Central Functions		Total	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
<b>in EUR '000</b>								
Subordinated liabilities	0	0	0	0	1,100,000	1,100,000	1,458,438	1,458,839
Underwriting provisions	777,205	741,132	626,066	609,390	407,303	357,055	30,470,647	30,168,173
Underwriting provisions for unit-linked and index-linked life insurance	86,426	86,497	937,051	924,480	0	0	8,299,809	8,612,749
Non-underwriting provisions	7,338	7,611	8,355	9,061	162,348	185,620	746,265	793,792
Liabilities	27,708	40,392	32,169	36,219	2,906,838	2,848,346	4,092,897	4,032,102
Tax liabilities out of income tax	800	627	1,295	219	5,520	4,720	217,584	202,050
Deferred tax liabilities	1,807	2,694	413	584	7,007	13,786	250,141	255,064
Other liabilities	18,138	14,478	2	2	4,155	2,240	135,359	147,237
<b>Subtotal</b>	<b>919,422</b>	<b>893,431</b>	<b>1,605,351</b>	<b>1,579,955</b>	<b>4,593,171</b>	<b>4,511,767</b>	<b>45,671,140</b>	<b>45,670,006</b>
Shareholders' equity							5,922,948	6,043,949
<b>Total</b>							<b>51,594,088</b>	<b>51,713,955</b>

Intrasegment transactions have been eliminated from the amounts indicated for each segment. As a result, the segment assets and liabilities cannot be netted to determine the segment shareholders' equity.

## CONSOLIDATED INCOME STATEMENT BY SEGMENT

	Austria		Czech Republic		Slovakia		Poland	
	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17
<b>in EUR '000</b>								
Premiums written – gross	2,170,033	2,166,966	881,652	822,170	401,818	399,203	455,163	444,978
Net earned premiums – retention	1,611,547	1,609,566	641,072	593,310	323,641	322,893	338,071	358,120
<b>Financial result excluding at equity consolidated companies</b>	<b>336,735</b>	<b>349,525</b>	<b>55,340</b>	<b>47,164</b>	<b>26,996</b>	<b>27,513</b>	<b>13,918</b>	<b>16,024</b>
Income from investments	430,614	435,315	85,269	72,519	28,951	29,592	20,037	23,298
Expenses for investments and interest expenses	-93,879	-85,790	-29,929	-25,355	-1,955	-2,079	-6,119	-7,274
Result from shares in at equity consolidated companies	32,950	20,796	1,161	1,005	0	0	0	0
Other income	10,587	9,916	14,845	23,670	1,927	4,318	1,873	4,697
Expenses for claims and insurance benefits – retention	-1,559,782	-1,555,985	-410,592	-389,564	-260,502	-266,609	-246,279	-272,454
Acquisition and administrative expenses	-342,231	-347,079	-201,328	-182,040	-61,092	-50,178	-74,845	-75,623
Other expenses	-13,119	-9,205	-15,565	-16,923	-10,882	-12,070	-11,123	-8,782
<b>Result before taxes</b>	<b>76,687</b>	<b>77,534</b>	<b>84,933</b>	<b>76,622</b>	<b>20,088</b>	<b>25,867</b>	<b>21,615</b>	<b>21,982</b>
Taxes	-42,572	-4,016	-20,112	-17,003	-7,441	-8,599	-4,987	-4,928
<b>Result of the period</b>	<b>34,115</b>	<b>73,518</b>	<b>64,821</b>	<b>59,619</b>	<b>12,647</b>	<b>17,268</b>	<b>16,628</b>	<b>17,054</b>

	Romania		Baltic states		Hungary		Bulgaria	
	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17
<b>in EUR '000</b>								
Premiums written – gross	272,741	258,455	193,237	162,699	125,618	123,139	87,342	82,545
Net earned premiums – retention	193,990	188,872	132,143	120,906	85,786	78,626	64,422	56,049
<b>Financial result excluding at equity consolidated companies</b>	<b>6,310</b>	<b>6,580</b>	<b>2,708</b>	<b>3,039</b>	<b>3,300</b>	<b>3,176</b>	<b>5,103</b>	<b>5,461</b>
Income from investments	10,008	9,540	4,063	4,257	4,061	4,330	12,685	13,243
Expenses for investments and interest expenses	-3,698	-2,960	-1,355	-1,218	-761	-1,154	-7,582	-7,782
Result from shares in at equity consolidated companies	0	0	0	0	0	0	0	0
Other income	5,196	3,423	538	533	3,487	913	237	326
Expenses for claims and insurance benefits – retention	-135,315	-130,807	-95,102	-83,589	-65,192	-55,294	-37,855	-32,823
Acquisition and administrative expenses	-52,254	-50,617	-34,603	-35,542	-19,246	-19,513	-22,509	-19,513
Other expenses	-61,014	-11,646	-5,661	-9,968	-5,045	-5,552	-5,298	-5,220
<b>Result before taxes</b>	<b>-43,087</b>	<b>5,805</b>	<b>23</b>	<b>-4,621</b>	<b>3,090</b>	<b>2,356</b>	<b>4,100</b>	<b>4,280</b>
Taxes	-1,520	-1,024	-638	871	-265	-203	-553	-390
<b>Result of the period</b>	<b>-44,607</b>	<b>4,781</b>	<b>-615</b>	<b>-3,750</b>	<b>2,825</b>	<b>2,153</b>	<b>3,547</b>	<b>3,890</b>

	Turkey/Georgia		Remaining CEE		Other Markets	
	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17
<b>in EUR '000</b>						
Premiums written – gross	116,515	114,147	185,122	180,980	149,746	137,926
Net earned premiums – retention	47,513	50,932	133,404	121,833	126,478	115,267
<b>Financial result excluding at equity consolidated companies</b>	<b>3,339</b>	<b>4,370</b>	<b>12,545</b>	<b>9,956</b>	<b>10,096</b>	<b>10,873</b>
Income from investments	6,110	6,388	20,297	21,014	11,106	11,684
Expenses for investments and interest expenses	-2,771	-2,018	-7,752	-11,058	-1,010	-811
Result from shares in at equity consolidated companies	0	0	0	0	0	0
Other income	5,433	3,748	4,096	6,563	1,289	1,104
Expenses for claims and insurance benefits – retention	-38,530	-41,301	-88,673	-78,450	-93,921	-85,013
Acquisition and administrative expenses	-10,598	-10,552	-44,465	-45,105	-14,799	-13,856
Other expenses	-3,900	-2,932	-5,286	-6,353	-18,799	-16,530
<b>Result before taxes</b>	<b>3,257</b>	<b>4,265</b>	<b>11,621</b>	<b>8,444</b>	<b>10,344</b>	<b>11,845</b>
Taxes	-630	-796	-2,239	-2,134	-2,513	-2,895
<b>Result of the period</b>	<b>2,627</b>	<b>3,469</b>	<b>9,382</b>	<b>6,310</b>	<b>7,831</b>	<b>8,950</b>

	Central Functions		Consolidation		Total	
	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17	1.1.-30.6.18	1.1.-30.6.17
<b>in EUR '000</b>						
Premiums written – gross	819,684	738,195	-708,407	-658,964	5,150,264	4,972,439
Net earned premiums – retention	653,199	600,085	3,612	2,587	4,354,878	4,219,046
<b>Financial result excluding at equity consolidated companies</b>	<b>-608</b>	<b>-18,049</b>	<b>419</b>	<b>-14</b>	<b>476,201</b>	<b>465,618</b>
Income from investments	201,755	183,065	-31,409	-28,433	803,547	785,812
Expenses for investments and interest expenses	-202,363	-201,114	31,828	28,419	-327,346	-320,194
Result from shares in at equity consolidated companies	962	936	0	0	35,073	22,737
Other income	16,783	1,014	-4	-382	66,287	59,843
Expenses for claims and insurance benefits – retention	-422,467	-404,708	-3,499	1,874	-3,457,709	-3,394,723
Acquisition and administrative expenses	-206,661	-177,674	-5,860	-3,502	-1,090,491	-1,030,794
Other expenses	-1,616	-15,103	5,818	-900	-151,490	-121,184
<b>Result before taxes</b>	<b>39,592</b>	<b>-13,499</b>	<b>486</b>	<b>-337</b>	<b>232,749</b>	<b>220,543</b>
Taxes	24,408	-7,179	0	0	-59,062	-48,296
<b>Result of the period</b>	<b>64,000</b>	<b>-20,678</b>	<b>486</b>	<b>-337</b>	<b>173,687</b>	<b>172,247</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. INTANGIBLE ASSETS

Composition	30.6.2018	31.12.2017
<b>in EUR '000</b>		
Goodwill	1,473,969	1,537,694
Purchased insurance portfolios	25,687	28,092
<b>Other intangible assets</b>	<b>395,276</b>	<b>404,855</b>
Purchased software	328,745	334,821
Other	66,531	70,034
<b>Total</b>	<b>1,894,932</b>	<b>1,970,641</b>

Development of goodwill	30.6.2018	31.12.2017
<b>in EUR '000</b>		
Acquisition costs	1,906,517	1,884,782
Cumulative impairment as of 31.12. of previous years	-368,823	-352,592
<b>Book value as of 31.12. of the previous year</b>	<b>1,537,694</b>	<b>1,532,190</b>
Exchange rate differences	-14,425	23,790
<b>Book value as of 1.1.</b>	<b>1,523,269</b>	<b>1,555,980</b>
Additions	795	1,176
Impairments	-50,095	-19,462
<b>Book value as of 30.6. and 31.12. respectively</b>	<b>1,473,969</b>	<b>1,537,694</b>
Cumulative appreciation/depreciation as of 30.6. and 31.12. respectively	418,005	368,823
<b>Acquisition costs</b>	<b>1,891,974</b>	<b>1,906,517</b>

Due to the increase in the yields on Romanian government bonds in the 2<sup>nd</sup> quarter of 2018, VIG had the plans for its Romanian subsidiaries updated. They indicated a deterioration of results in one area, leading VIG to perform an impairment test for the Romanian CGU group for the 1<sup>st</sup> half of 2018. The resulting necessary impairment of EUR 50.1 million was recognised as an expense in the 2018 half-year report.

The impairments in the previous year concerned the Ukraine, Moldova and Albania incl. Kosovo CGU groups.

### 2. INVESTMENTS

Composition	30.6.2018	31.12.2017
<b>in EUR '000</b>		
Land and buildings	5,743,789	5,684,598
Shares in at equity consolidated companies	210,603	298,149
Loans and other investments	3,531,550	3,267,067
Other securities	26,706,783	26,683,093
<b>Total</b>	<b>36,192,725</b>	<b>35,932,907</b>

## 2.1. Other securities

Development	Held to maturity (incl. reclassified)		Available for sale		Recognised at fair value through profit and loss*	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
<b>in EUR '000</b>						
Acquisition costs	3,127,710	3,063,233				
Cumulative depreciation as of 31.12. of previous years	-261	2,589				
<b>Book value as of 31.12. of the previous year</b>	<b>3,127,449</b>	<b>3,065,822</b>	<b>23,220,303</b>	<b>21,851,248</b>	<b>335,341</b>	<b>461,290</b>
Exchange rate changes	-50,025	136,911	-40,528	34,806	-3,553	5,569
<b>Book value as of 1.1.</b>	<b>3,077,424</b>	<b>3,202,733</b>	<b>23,179,775</b>	<b>21,886,054</b>	<b>331,788</b>	<b>466,859</b>
Reclassifications	0	0	868	-10,676	-1,685	-1,988
Additions	46,607	149,434	1,911,854	4,187,627	167,940	174,378
Disposals/repayments	-58,336	-224,289	-1,507,441	-2,966,688	-135,522	-301,222
Changes in the scope of consolidation	0	0	-35	46,290	0	0
Changes in value recognised in profit and loss	113	0	0	0	-1,642	-2,686
Changes recognised directly in equity	0	0	-302,756	86,153	0	0
Impairment	0	-429	-2,169	-8,457	0	0
<b>Book value as of 30.6. and 31.12. respectively</b>	<b>3,065,808</b>	<b>3,127,449</b>	<b>23,280,096</b>	<b>23,220,303</b>	<b>360,879</b>	<b>335,341</b>
Cumulative appreciation/depreciation as of 30.6. and 31.12. respectively	1,851	261				
<b>Acquisition costs</b>	<b>3,067,659</b>	<b>3,127,710</b>				

\*Including held for trading

## 3. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Composition	30.6.2018	31.12.2017
<b>in EUR '000</b>		
Provision for unearned premiums	254,792	153,784
Mathematical reserve	37,736	37,850
Provision for outstanding claims	829,058	858,473
Provision for profit-unrelated premium refunds	10,754	14,670
Other underwriting provisions	1,667	1,543
<b>Total</b>	<b>1,134,007</b>	<b>1,066,320</b>

## 4. RECEIVABLES

Composition	30.6.2018	31.12.2017
<b>in EUR '000</b>		
<b>Underwriting</b>	<b>968,068</b>	<b>768,188</b>
Receivables from direct insurance business	825,478	639,792
from policyholders	661,799	492,952
from insurance intermediaries	105,789	102,919
from insurance companies	57,890	43,921
Receivables from reinsurance business	142,590	128,396
<b>Non-underwriting</b>	<b>697,624</b>	<b>707,674</b>
Other receivables	697,624	707,674
<b>Total</b>	<b>1,665,692</b>	<b>1,475,862</b>

## 5. EARNINGS PER SHARE (ANNUALISED)

		1.1.-30.6.2018	1.1.-30.6.2017	1.4.-30.6.2018	1.4.-30.6.2017
Result of the period	in EUR '000	173,687	172,247	82,692	84,633
Other non-controlling interests in net result of the period	in EUR '000	-3,841	-3,417	-2,274	-4,234
Non-controlling interests in the result of the period of non-profit societies	in EUR '000	-33,217	-22,252	-19,303	-2,873
<b>Result of the period less non-controlling interests</b>	<b>in EUR '000</b>	<b>136,629</b>	<b>146,578</b>	<b>61,115</b>	<b>77,526</b>
Accrued interest expenses for hybrid capital	in EUR '000	5,892	5,892	2,962	2,962
Number of shares at closing date	units	128,000,000	128,000,000	128,000,000	128,000,000
<b>Result per share (annualised)*</b>	<b>EUR</b>	<b>2.04</b>	<b>2.20</b>	<b>1.82</b>	<b>2.33</b>

\*The undiluted result per share equals the diluted result per share (in EUR).

## 6. UNDERWRITING PROVISION – GROSS

Composition	30.6.2018	31.12.2017
in EUR '000		
Provision for unearned premiums	1,755,377	1,395,073
<b>Mathematical reserve</b>	<b>21,934,721</b>	<b>21,962,632</b>
Guaranteed policy benefits	20,352,208	20,296,586
Allocated and committed profit shares	750,048	754,879
Deferred mathematical reserve	832,465	911,167
Provision for outstanding claims	5,183,716	5,141,400
<b>Provision for premium refunds</b>	<b>1,547,366</b>	<b>1,619,268</b>
Profit-related premium refunds	340,825	315,181
Profit-unrelated premium refunds	54,019	65,620
Deferred profit participation recognised through profit and loss <sup>†</sup>	307,870	231,850
Deferred profit participation recognised directly in equity <sup>†</sup>	844,652	1,006,617
Other underwriting provisions	49,467	49,800
<b>Total</b>	<b>30,470,647</b>	<b>30,168,173</b>

<sup>†</sup>The deferred profit participation is solely due to the profit-related premium refund.

## 7. NON-UNDERWRITING PROVISIONS

Composition	30.6.2018	31.12.2017
in EUR '000		
Provisions for pensions and similar obligations	487,651	483,408
Other non-underwriting provisions	258,614	310,384
<b>Total</b>	<b>746,265</b>	<b>793,792</b>



## 8. LIABILITIES

Composition	30.6.2018	31.12.2017
in EUR '000		
<b>Underwriting</b>	<b>774,197</b>	<b>778,908</b>
Liabilities from direct business	554,235	625,886
to policyholders	316,130	407,101
to insurance intermediaries	195,452	191,205
to insurance companies	42,653	27,580
Liabilities from reinsurance business	173,767	102,197
Deposits from ceded reinsurance business	46,195	50,825
<b>Non-underwriting</b>	<b>3,318,700</b>	<b>3,253,194</b>
Liabilities to financial institutions	1,142,197	1,201,031
Other liabilities	2,176,503	2,052,163
<b>Total</b>	<b>4,092,897</b>	<b>4,032,102</b>

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 9. PREMIUMS WRITTEN

Premiums written	1.1.-30.6.2018						
Gross	Motor own damage insurance (Casco)	Motor third party liability insurance	Other property and casualty insurance	Life insurance – regular premium	Life insurance – single premium	Health insurance	Total
<i>in EUR '000</i>							
Austria	162,530	188,108	822,059	643,454	144,264	209,618	2,170,033
Czech Republic	123,500	149,388	264,393	305,849	31,605	6,917	881,652
Slovakia	55,035	79,524	64,094	85,481	112,456	5,228	401,818
Poland	85,010	108,062	121,577	96,032	39,217	5,265	455,163
Romania	67,834	97,306	51,103	23,463	27,888	5,147	272,741
Baltic states	35,086	57,134	39,658	26,747	8,819	25,793	193,237
Hungary	9,371	15,145	32,647	43,868	17,364	7,223	125,618
Bulgaria	27,598	11,127	21,823	15,660	5,404	5,730	87,342
Turkey/Georgia	16,432	22,696	56,861	0	0	20,526	116,515
Remaining CEE	22,996	44,948	51,825	30,458	26,582	8,313	185,122
Other Markets	0	0	62,188	39,134	48,424	0	149,746
Central Functions	0	0	799,278	8,807	0	11,599	819,684
Consolidation							-708,407
<b>Total</b>	<b>605,392</b>	<b>773,438</b>	<b>2,387,506</b>	<b>1,318,953</b>	<b>462,023</b>	<b>311,359</b>	<b>5,150,264</b>
Premiums written	1.1.-30.6.2017						
Gross	Motor own damage insurance (Casco)	Motor third party liability insurance	Other property and casualty insurance	Life insurance – regular premium	Life insurance – single premium	Health insurance	Total
<i>in EUR '000</i>							
Austria	157,946	183,035	809,867	647,776	166,594	201,748	2,166,966
Czech Republic	116,266	141,806	242,728	278,963	35,867	6,540	822,170
Slovakia	53,299	75,740	60,310	83,430	121,785	4,639	399,203
Poland	68,393	88,181	100,034	99,472	84,747	4,151	444,978
Romania	61,167	88,380	49,503	20,880	34,803	3,722	258,455
Baltic states	28,717	49,379	34,102	23,954	6,682	19,865	162,699
Hungary	8,838	12,804	37,223	43,195	16,694	4,385	123,139
Bulgaria	23,798	11,270	21,488	15,513	4,006	6,470	82,545
Turkey/Georgia	15,507	24,513	54,316	0	0	19,811	114,147
Remaining CEE	21,351	41,742	57,968	30,340	23,535	6,044	180,980
Other Markets	0	0	58,720	36,791	42,415	0	137,926
Central Functions	0	0	719,812	8,645	0	9,738	738,195
Consolidation							-658,964
<b>Total</b>	<b>555,282</b>	<b>716,850</b>	<b>2,246,071</b>	<b>1,288,959</b>	<b>537,128</b>	<b>287,113</b>	<b>4,972,439</b>

## 10. FINANCIAL RESULT EXCLUDING AT EQUITY CONSOLIDATED COMPANIES

Composition	1.1.-30.6.2018						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
<b>in EUR '000</b>							
Current income	355,306	50,239	21,722	10,759	9,223	3,508	2,713
Income from appreciation	3,616	1,268	580	954	2	154	0
of which a reduction in impairment	0	0	0	0	0	0	0
Gains from disposal of investments	44,741	22,267	5,920	2,633	398	349	99
Other income	26,951	11,495	729	5,691	385	52	1,249
<b>Total income</b>	<b>430,614</b>	<b>85,269</b>	<b>28,951</b>	<b>20,037</b>	<b>10,008</b>	<b>4,063</b>	<b>4,061</b>
Depreciation of investment	23,865	4,078	1,137	3,640	844	521	168
of which impairment of investments	1,913	0	0	0	0	0	159
Exchange rate differences	103	-6,299	-6	-2,288	-89	30	78
Losses from disposal of investments	5,104	14,158	281	475	11	232	51
<b>Interest expenses</b>	<b>28,106</b>	<b>2,148</b>	<b>60</b>	<b>1,986</b>	<b>1,798</b>	<b>200</b>	<b>30</b>
Personnel provisions	2,976	0	0	0	0	0	0
Interest expenses for liabilities to financial institutions	21	0	0	0	0	0	0
Interest expenses for financing liabilities	1,077	0	0	0	0	0	0
Interest expenses for subordinate liabilities	17,902	540	0	273	532	180	0
Other interest expenses	6,130	1,608	60	1,713	1,266	20	30
<b>Other expenses</b>	<b>36,701</b>	<b>15,844</b>	<b>483</b>	<b>2,306</b>	<b>1,134</b>	<b>372</b>	<b>434</b>
Managed Portfolio Fees	1,978	1,174	76	1,055	300	96	77
Asset management expenses	28,496	1,036	406	1,251	830	225	357
Other expenses	6,227	13,634	1	0	4	51	0
<b>Total expenses</b>	<b>93,879</b>	<b>29,929</b>	<b>1,955</b>	<b>6,119</b>	<b>3,698</b>	<b>1,355</b>	<b>761</b>

## Composition

1.1.-30.6.2018

	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
<b>in EUR '000</b>							
Current income	2,133	4,951	17,674	10,290	190,017	-31,409	647,126
Income from appreciation	130	197	33	12	114	0	7,060
of which a reduction in impairment	0	113	14	12	0	0	139
Gains from disposal of investments	637	109	2,061	683	10,285	0	90,182
Other income	9,785	853	529	121	1,339	0	59,179
<b>Total income</b>	<b>12,685</b>	<b>6,110</b>	<b>20,297</b>	<b>11,106</b>	<b>201,755</b>	<b>-31,409</b>	<b>803,547</b>
Depreciation of investment	873	600	560	353	58,720	0	95,359
of which impairment of investments	0	0	8	97	0	0	2,177
Exchange rate differences	8	438	5,941	2	16,280	0	14,198
Losses from disposal of investments	279	380	11	54	1,970	0	23,006
<b>Interest expenses</b>	<b>178</b>	<b>852</b>	<b>241</b>	<b>145</b>	<b>57,420</b>	<b>-31,828</b>	<b>61,336</b>
Personnel provisions	0	0	0	0	375	0	3,351
Interest expenses for liabilities to financial institutions	0	0	0	0	6,117	0	6,138
Interest expenses for financing liabilities	72	47	17	0	23,360	-14,080	10,493
Interest expenses for subordinate liabilities	80	0	0	0	24,794	-11,933	32,368
Other interest expenses	26	805	224	145	2,774	-5,815	8,986
<b>Other expenses</b>	<b>6,244</b>	<b>501</b>	<b>999</b>	<b>456</b>	<b>67,973</b>	<b>0</b>	<b>133,447</b>
Managed Portfolio Fees	81	7	4	0	170	0	5,018
Asset management expenses	6,066	348	733	440	66,346	0	106,534
Other expenses	97	146	262	16	1,457	0	21,895
<b>Total expenses</b>	<b>7,582</b>	<b>2,771</b>	<b>7,752</b>	<b>1,010</b>	<b>202,363</b>	<b>-31,828</b>	<b>327,346</b>

## Composition

1.1.-30.6.2017

	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
<b>in EUR '000</b>							
Current income	365,902	49,796	21,648	11,873	7,558	3,447	2,767
Income from appreciation	3,973	4,213	1,230	3,922	102	763	0
of which a reduction in impairment	0	0	0	0	0	0	0
Gains from disposal of investments	40,653	12,762	6,094	2,092	1,456	30	594
Other income	24,787	5,748	620	5,411	424	17	969
<b>Total income</b>	<b>435,315</b>	<b>72,519</b>	<b>29,592</b>	<b>23,298</b>	<b>9,540</b>	<b>4,257</b>	<b>4,330</b>
Depreciation of investment	25,874	3,125	1,417	902	685	776	0
of which impairment of investments	1,194	0	0	274	44	0	0
Exchange rate differences	-14	13,623	18	2,246	51	-78	107
Losses from disposal of investments	2,539	2,255	65	376	6	81	291
<b>Interest expenses</b>	<b>23,758</b>	<b>1,315</b>	<b>59</b>	<b>1,957</b>	<b>1,252</b>	<b>112</b>	<b>243</b>
Personnel provisions	2,694	0	0	0	0	0	0
Interest expenses for liabilities to financial institutions	23	0	0	0	0	0	0
Interest expenses for financing liabilities	1,128	0	0	0	0	0	0
Interest expenses for subordinate liabilities	12,910	514	0	261	533	96	203
Other interest expenses	7,003	801	59	1,696	719	16	40
<b>Other expenses</b>	<b>33,633</b>	<b>5,037</b>	<b>520</b>	<b>1,793</b>	<b>966</b>	<b>327</b>	<b>513</b>
Managed Portfolio Fees	2,063	1,268	66	691	313	8	140
Asset management expenses	27,062	687	386	1,102	617	318	373
Other expenses	4,508	3,082	68	0	36	1	0
<b>Total expenses</b>	<b>85,790</b>	<b>25,355</b>	<b>2,079</b>	<b>7,274</b>	<b>2,960</b>	<b>1,218</b>	<b>1,154</b>

## Composition

1.1.-30.6.2017

	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
<b>in EUR '000</b>							
Current income	1,964	4,753	17,305	10,331	174,902	-27,981	644,265
Income from appreciation	477	843	670	16	132	0	16,341
of which a reduction in impairment	0	0	620	0	0	0	620
Gains from disposal of investments	1,017	63	2,512	1,142	6,010	0	74,425
Other income	9,785	729	527	195	2,021	-452	50,781
<b>Total income</b>	<b>13,243</b>	<b>6,388</b>	<b>21,014</b>	<b>11,684</b>	<b>183,065</b>	<b>-28,433</b>	<b>785,812</b>
Depreciation of investment	781	682	939	243	62,049	0	97,473
of which impairment of investments	0	0	379	0	6,000	0	7,891
Exchange rate differences	341	85	8,621	0	-11,666	0	13,334
Losses from disposal of investments	263	49	176	62	1,247	0	7,410
<b>Interest expenses</b>	<b>175</b>	<b>600</b>	<b>322</b>	<b>134</b>	<b>56,292</b>	<b>-28,419</b>	<b>57,800</b>
Personnel provisions	0	0	0	0	310	0	3,004
Interest expenses for liabilities to financial institutions	0	0	0	0	7,055	0	7,078
Interest expenses for financing liabilities	72	47	36	0	23,115	-13,953	10,445
Interest expenses for subordinate liabilities	80	0	79	0	23,067	-10,036	27,707
Other interest expenses	23	553	207	134	2,745	-4,430	9,566
<b>Other expenses</b>	<b>6,222</b>	<b>602</b>	<b>1,000</b>	<b>372</b>	<b>93,192</b>	<b>0</b>	<b>144,177</b>
Managed Portfolio Fees	78	5	3	0	101	0	4,736
Asset management expenses	5,967	184	797	326	89,941	0	127,760
Other expenses	177	413	200	46	3,150	0	11,681
<b>Total expenses</b>	<b>7,782</b>	<b>2,018</b>	<b>11,058</b>	<b>811</b>	<b>201,114</b>	<b>-28,419</b>	<b>320,194</b>

## 11. OTHER INCOME

Composition	1.1.-30.6.2018			1.1.-30.6.2017		
	Underwriting	Non-underwriting	Total	Underwriting	Non-underwriting	Total
<b>in EUR '000</b>						
Austria	5,869	4,718	10,587	5,125	4,791	9,916
Czech Republic	14,447	398	14,845	22,918	752	23,670
Slovakia	1,396	531	1,927	4,031	287	4,318
Poland	200	1,673	1,873	819	3,878	4,697
Romania	4,944	252	5,196	2,942	481	3,423
Baltic states	248	290	538	183	350	533
Hungary	1,437	2,050	3,487	427	486	913
Bulgaria	213	24	237	291	35	326
Turkey/Georgia	208	5,225	5,433	1,752	1,996	3,748
Remaining CEE	2,043	2,053	4,096	2,336	4,227	6,563
Other Markets	1,233	56	1,289	1,043	61	1,104
Central Functions	233	16,550	16,783	22	992	1,014
Consolidation	0	-4	-4	-382	0	-382
<b>Total</b>	<b>32,471</b>	<b>33,816</b>	<b>66,287</b>	<b>41,507</b>	<b>18,336</b>	<b>59,843</b>

## 12. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Composition	1.1.-30.6.2018						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
<i>in EUR '000</i>							
<b>Expenses for claims and insurance benefits – gross</b>	<b>1,742,172</b>	<b>507,167</b>	<b>288,010</b>	<b>294,098</b>	<b>173,543</b>	<b>126,675</b>	<b>76,897</b>
Payments for claims and insurance benefits	1,653,110	535,875	273,057	346,499	186,102	88,381	70,343
Changes in the provision for outstanding claims	-21,260	8,958	-14,540	10,594	2,968	19,639	3,407
Change in mathematical reserve	-21,130	-46,423	29,508	-63,630	-15,268	17,048	1,138
Change in other underwriting provisions	-52	-1,574	0	-129	-347	1,593	617
Expenses for profit-related and profit-unrelated premium refunds	131,504	10,331	-15	764	88	14	1,392
<b>Expenses for claims and insurance benefits – reinsurers' share</b>	<b>-182,390</b>	<b>-96,575</b>	<b>-27,508</b>	<b>-47,819</b>	<b>-38,228</b>	<b>-31,573</b>	<b>-11,705</b>
Payments for claims and insurance benefits	-206,478	-106,035	-40,638	-50,518	-43,687	-20,097	-10,916
Changes in the provision for outstanding claims	24,474	6,363	12,400	2,673	5,478	-11,476	-759
Change in mathematical reserve	-186	0	0	26	-19	0	0
Change in other underwriting provisions	0	0	0	0	0	0	-62
Expenses for profit-unrelated premium refunds	-200	3,097	730	0	0	0	32
<b>Expenses for claims and insurance benefits – retention</b>	<b>1,559,782</b>	<b>410,592</b>	<b>260,502</b>	<b>246,279</b>	<b>135,315</b>	<b>95,102</b>	<b>65,192</b>
Payments for claims and insurance benefits	1,446,632	429,840	232,419	295,981	142,415	68,284	59,427
Changes in the provision for outstanding claims	3,214	15,321	-2,140	13,267	8,446	8,163	2,648
Change in mathematical reserve	-21,316	-46,423	29,508	-63,604	-15,287	17,048	1,138
Change in other underwriting provisions	-52	-1,574	0	-129	-347	1,593	555
Expenses for profit-related and profit-unrelated premium refunds	131,304	13,428	715	764	88	14	1,424



## Composition

1.1.-30.6.2018

	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
<i>in EUR '000</i>							
<b>Expenses for claims and insurance benefits – gross</b>	<b>46,763</b>	<b>81,407</b>	<b>116,092</b>	<b>103,463</b>	<b>466,640</b>	<b>-383,201</b>	<b>3,639,726</b>
Payments for claims and insurance benefits	34,723	52,293	84,946	56,981	406,061	-346,797	3,441,574
Changes in the provision for outstanding claims	7,519	28,913	14,156	11,355	60,209	-36,387	95,531
Change in mathematical reserve	4,327	0	16,981	31,996	56	-17	-45,414
Change in other underwriting provisions	0	201	24	0	2	0	335
Expenses for profit-related and profit-unrelated premium refunds	194	0	-15	3,131	312	0	147,700
<b>Expenses for claims and insurance benefits – reinsurers' share</b>	<b>-8,908</b>	<b>-42,877</b>	<b>-27,419</b>	<b>-9,542</b>	<b>-44,173</b>	<b>386,700</b>	<b>-182,017</b>
Payments for claims and insurance benefits	-5,879	-18,730	-16,394	-5,568	-32,242	363,254	-193,928
Changes in the provision for outstanding claims	-3,030	-23,988	-11,038	-4,121	-11,687	23,430	8,719
Change in mathematical reserve	1	0	13	147	2	16	0
Change in other underwriting provisions	0	-159	0	0	0	0	-221
Expenses for profit-unrelated premium refunds	0	0	0	0	-246	0	3,413
<b>Expenses for claims and insurance benefits – retention</b>	<b>37,855</b>	<b>38,530</b>	<b>88,673</b>	<b>93,921</b>	<b>422,467</b>	<b>3,499</b>	<b>3,457,709</b>
Payments for claims and insurance benefits	28,844	33,563	68,552	51,413	373,819	16,457	3,247,646
Changes in the provision for outstanding claims	4,489	4,925	3,118	7,234	48,522	-12,957	104,250
Change in mathematical reserve	4,328	0	16,994	32,143	58	-1	-45,414
Change in other underwriting provisions	0	42	24	0	2	0	114
Expenses for profit-related and profit-unrelated premium refunds	194	0	-15	3,131	66	0	151,113

Composition	1.1.-30.6.2017						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
<b>in EUR '000</b>							
<b>Expenses for claims and insurance benefits – gross</b>	<b>1,806,083</b>	<b>469,267</b>	<b>296,151</b>	<b>318,938</b>	<b>179,485</b>	<b>99,970</b>	<b>62,042</b>
Payments for claims and insurance benefits	1,577,950	501,940	266,678	279,883	156,975	80,571	69,446
Changes in the provision for outstanding claims	73,251	-9,521	-2,405	1,777	26,497	5,356	462
Change in mathematical reserve	69,791	-28,311	31,887	36,920	-3,896	13,554	-9,404
Change in other underwriting provisions	-405	1,990	0	-125	0	0	315
Expenses for profit-related and profit-unrelated premium refunds	85,496	3,169	-9	483	-91	489	1,223
<b>Expenses for claims and insurance benefits – reinsurers' share</b>	<b>-250,098</b>	<b>-79,703</b>	<b>-29,542</b>	<b>-46,484</b>	<b>-48,678</b>	<b>-16,381</b>	<b>-6,748</b>
Payments for claims and insurance benefits	-217,891	-91,292	-36,361	-44,254	-36,954	-13,254	-6,418
Changes in the provision for outstanding claims	-31,386	10,701	6,434	-2,258	-11,774	-3,127	131
Change in mathematical reserve	-210	0	0	28	50	0	0
Change in other underwriting provisions	0	0	0	0	0	0	-470
Expenses for profit-unrelated premium refunds	-611	888	385	0	0	0	9
<b>Expenses for claims and insurance benefits – retention</b>	<b>1,555,985</b>	<b>389,564</b>	<b>266,609</b>	<b>272,454</b>	<b>130,807</b>	<b>83,589</b>	<b>55,294</b>
Payments for claims and insurance benefits	1,360,059	410,648	230,317	235,629	120,021	67,317	63,028
Changes in the provision for outstanding claims	41,865	1,180	4,029	-481	14,723	2,229	593
Change in mathematical reserve	69,581	-28,311	31,887	36,948	-3,846	13,554	-9,404
Change in other underwriting provisions	-405	1,990	0	-125	0	0	-155
Expenses for profit-related and profit-unrelated premium refunds	84,885	4,057	376	483	-91	489	1,232

## Composition

1.1.-30.6.2017

	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
<b>in EUR '000</b>							
Expenses for claims and insurance benefits – gross	38,441	69,135	101,569	93,539	464,408	-353,559	3,645,469
Payments for claims and insurance benefits	38,085	48,626	81,512	121,869	383,668	-334,613	3,272,590
Changes in the provision for outstanding claims	-2,600	20,595	2,879	7,630	81,587	-18,905	186,603
Change in mathematical reserve	3,043	0	17,495	-38,601	-847	-41	91,590
Change in other underwriting provisions	0	-86	29	0	0	0	1,718
Expenses for profit-related and profit-unrelated premium refunds	-87	0	-346	2,641	0	0	92,968
Expenses for claims and insurance benefits – reinsurers' share	-5,618	-27,834	-23,119	-8,526	-59,700	351,685	-250,746
Payments for claims and insurance benefits	-8,188	-15,412	-60,275	-5,491	-24,899	373,518	-187,171
Changes in the provision for outstanding claims	2,569	-12,519	-2,097	-3,266	-34,702	17,383	-63,911
Change in mathematical reserve	1	0	39,253	231	-99	-39,216	38
Change in other underwriting provisions	0	97	0	0	0	0	-373
Expenses for profit-unrelated premium refunds	0	0	0	0	0	0	671
Expenses for claims and insurance benefits – retention	32,823	41,301	78,450	85,013	404,708	-1,874	3,394,723
Payments for claims and insurance benefits	29,897	33,214	21,237	116,378	358,769	38,905	3,085,419
Changes in the provision for outstanding claims	-31	8,076	782	4,364	46,885	-1,522	122,692
Change in mathematical reserve	3,044	0	56,748	-38,370	-946	-39,257	91,628
Change in other underwriting provisions	0	11	29	0	0	0	1,345
Expenses for profit-related and profit-unrelated premium refunds	-87	0	-346	2,641	0	0	93,639

## 13. ACQUISITION AND ADMINISTRATIVE EXPENSES

## Composition

1.1.-30.6.2018

	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
<b>in EUR '000</b>							
<b>Acquisition expenses</b>	<b>344,002</b>	<b>221,206</b>	<b>64,613</b>	<b>81,994</b>	<b>59,167</b>	<b>34,975</b>	<b>18,102</b>
Commission expenses	217,415	151,605	51,163	69,074	41,640	25,273	14,321
Pro rata personnel expenses	67,450	40,610	7,159	8,937	10,480	6,939	2,077
Pro rata material expenses	59,137	28,991	6,291	3,983	7,047	2,763	1,704
<b>Administrative expenses</b>	<b>84,044</b>	<b>38,805</b>	<b>13,332</b>	<b>20,381</b>	<b>6,088</b>	<b>11,048</b>	<b>8,553</b>
Pro rata personnel expenses	35,924	15,122	5,325	10,100	3,468	7,217	3,704
Pro rata material expenses	48,120	23,683	8,007	10,281	2,620	3,831	4,849
Reinsurance commissions	-85,815	-58,683	-16,853	-27,530	-13,001	-11,420	-7,409
<b>Total</b>	<b>342,231</b>	<b>201,328</b>	<b>61,092</b>	<b>74,845</b>	<b>52,254</b>	<b>34,603</b>	<b>19,246</b>

Composition	1.1.-30.6.2018						Total
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	
in EUR '000							
<b>Acquisition expenses</b>	<b>21,818</b>	<b>16,239</b>	<b>42,844</b>	<b>20,058</b>	<b>226,088</b>	<b>-189,505</b>	<b>961,601</b>
Commission expenses	16,754	11,775	27,774	17,634	222,821	-189,505	677,744
Pro rata personnel expenses	2,552	2,898	8,993	1,324	2,290	0	161,709
Pro rata material expenses	2,512	1,566	6,077	1,100	977	0	122,148
<b>Administrative expenses</b>	<b>2,915</b>	<b>5,122</b>	<b>15,165</b>	<b>4,737</b>	<b>2,641</b>	<b>0</b>	<b>212,831</b>
Pro rata personnel expenses	1,413	3,236	6,713	2,673	882	0	95,777
Pro rata material expenses	1,502	1,886	8,452	2,064	1,759	0	117,054
Reinsurance commissions	-2,224	-10,763	-13,544	-9,996	-22,068	195,365	-83,941
<b>Total</b>	<b>22,509</b>	<b>10,598</b>	<b>44,465</b>	<b>14,799</b>	<b>206,661</b>	<b>5,860</b>	<b>1,090,491</b>

Composition	1.1.-30.6.2017						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
<b>Acquisition expenses</b>	<b>338,745</b>	<b>209,035</b>	<b>56,252</b>	<b>76,889</b>	<b>49,763</b>	<b>29,011</b>	<b>19,421</b>
Commission expenses	209,137	147,964	42,642	65,778	36,089	21,410	15,419
Pro rata personnel expenses	69,201	35,559	6,797	7,551	8,483	5,448	2,126
Pro rata material expenses	60,407	25,512	6,813	3,560	5,191	2,153	1,876
<b>Administrative expenses</b>	<b>85,023</b>	<b>30,905</b>	<b>11,455</b>	<b>19,813</b>	<b>8,460</b>	<b>11,134</b>	<b>8,264</b>
Pro rata personnel expenses	37,309	14,006	5,076	9,976	3,748	7,109	3,556
Pro rata material expenses	47,714	16,899	6,379	9,837	4,712	4,025	4,708
Reinsurance commissions	-76,689	-57,900	-17,529	-21,079	-7,606	-4,603	-8,172
<b>Total</b>	<b>347,079</b>	<b>182,040</b>	<b>50,178</b>	<b>75,623</b>	<b>50,617</b>	<b>35,542</b>	<b>19,513</b>

Composition	1.1.-30.6.2017						Total
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	
in EUR '000							
<b>Acquisition expenses</b>	<b>18,928</b>	<b>15,513</b>	<b>44,408</b>	<b>18,894</b>	<b>191,996</b>	<b>-163,581</b>	<b>905,274</b>
Commission expenses	15,216	11,029	28,655	16,453	189,375	-163,581	635,586
Pro rata personnel expenses	2,280	2,677	9,243	1,361	1,510	0	152,236
Pro rata material expenses	1,432	1,807	6,510	1,080	1,111	0	117,452
<b>Administrative expenses</b>	<b>2,606</b>	<b>5,837</b>	<b>15,168</b>	<b>4,720</b>	<b>2,411</b>	<b>0</b>	<b>205,796</b>
Pro rata personnel expenses	1,238	3,814	7,031	2,660	480	0	96,003
Pro rata material expenses	1,368	2,023	8,137	2,060	1,931	0	109,793
Reinsurance commissions	-2,021	-10,798	-14,471	-9,758	-16,733	167,083	-80,276
<b>Total</b>	<b>19,513</b>	<b>10,552</b>	<b>45,105</b>	<b>13,856</b>	<b>177,674</b>	<b>3,502</b>	<b>1,030,794</b>

## 14. OTHER EXPENSES

Composition	1.1.-30.6.2018			1.1.-30.6.2017		
	Underwriting	Non-underwriting	Total	Underwriting	Non-underwriting	Total
<b>in EUR '000</b>						
Austria	10,447	2,672	13,119	4,581	4,624	9,205
Czech Republic	13,983	1,582	15,565	15,371	1,552	16,923
Slovakia	10,830	52	10,882	12,060	10	12,070
Poland	3,949	7,174	11,123	3,095	5,687	8,782
Romania	10,595	50,419	61,014	10,625	1,021	11,646
Baltic states	3,599	2,062	5,661	5,143	4,825	9,968
Hungary	3,773	1,272	5,045	4,198	1,354	5,552
Bulgaria	3,112	2,186	5,298	3,317	1,903	5,220
Turkey/Georgia	384	3,516	3,900	683	2,249	2,932
Remaining CEE	4,411	875	5,286	4,611	1,742	6,353
Other Markets	18,410	389	18,799	16,169	361	16,530
Central Functions	413	1,203	1,616	487	14,616	15,103
Consolidation	-12	-5,806	-5,818	-11	911	900
<b>Total</b>	<b>83,894</b>	<b>67,596</b>	<b>151,490</b>	<b>80,329</b>	<b>40,855</b>	<b>121,184</b>

Goodwill impairment of EUR 50.1 million was recognised in the Romania segment for the reporting period.

Further information is provided in Note 1 "Intangible assets" on page 30.

## ADDITIONAL DISCLOSURES

### 15. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT HIERARCHY

Information on the nature and extent of risks arising from financial instruments is provided in the section titled “Financial instruments and risk management” in the Group Annual Report for 2017 starting on page 133.

#### Fair value and book value of financial instruments and other investments

Fair values and book values of financial instruments and other investments in EUR '000	30.6.2018				Fair value
	Book value	Level 1	Level 2	Level 3	
<b>Land and buildings excluding non-profit societies<sup>1</sup></b>	<b>2,087,611</b>	<b>0</b>	<b>69,506</b>	<b>3,279,933</b>	<b>3,349,439</b>
Self-used land and buildings	456,510	0	37,950	664,463	702,413
Investment property	1,631,101	0	31,556	2,615,470	2,647,026
<b>Land and buildings non-profit societies</b>	<b>3,656,178</b>				
Self-used land and buildings	1,794				
Investment property	3,654,384				
<b>Loans</b>	<b>2,498,296</b>	<b>218,136</b>	<b>2,460,088</b>	<b>151,753</b>	<b>2,829,977</b>
Loans	1,383,900	0	1,378,272	121,675	1,499,947
Reclassified loans	178,518	85,602	132,408	0	218,010
Bonds classified as loans	935,878	132,534	949,408	30,078	1,112,020
<b>Other securities</b>	<b>26,706,783</b>	<b>23,437,768</b>	<b>3,230,278</b>	<b>323,191</b>	<b>26,991,237</b>
Financial instruments held to maturity	2,389,618	2,223,846	356,306	8,709	2,588,861
Financial instruments reclassified as held to maturity	676,190	743,563	17,838	0	761,401
Financial instruments available for sale	23,280,096	20,274,072	2,742,217	263,807	23,280,096
Financial instruments recognised at fair value through profit and loss <sup>2</sup>	360,879	196,287	113,917	50,675	360,879
<b>Other investments</b>	<b>1,033,254</b>				
Investments for unit-linked and index-linked life insurance	8,742,169	8,742,169			8,742,169
<b>Subordinated liabilities</b>	<b>1,458,438</b>	<b>0</b>	<b>1,503,633</b>	<b>20,980</b>	<b>1,524,613</b>
<b>Liabilities to financial institutions</b>	<b>1,142,197</b>				<b>1,142,197</b>
thereof non-profit societies	1,038,671				1,038,671
<b>Financing liabilities<sup>3</sup></b>	<b>1,481,387</b>				<b>1,481,387</b>
thereof non-profit societies	1,417,699				1,417,699

<sup>1</sup> The market values are derived from internal and external expert reports.

<sup>2</sup> Including held for trading

<sup>3</sup> Not including lease liabilities and derivative liabilities

Book value was generally used for the fair value of the financial liabilities (except for subordinated liabilities), which were primarily due to the non-profit societies, as no market exists for property subject to the Austrian Non-Profit Housing Act (WGG). The same applies to their financing loans and bonds, whose terms are determined by the special nature of the non-profit sector and consequently are not available in this form to companies outside the sector. As a result, no market can be found for these forms of financing either.

## Fair values and book values of financial instruments and other investments

31.12.2017

	Book value	Level 1	Level 2	Level 3	Fair value
<b>in EUR '000</b>					
Land and buildings excluding non-profit societies <sup>1</sup>	2,068,351	0	72,101	3,180,883	3,252,984
Self-used land and buildings	429,086	0	40,432	634,323	674,755
Investment property	1,639,265	0	31,669	2,546,560	2,578,229
Land and buildings non-profit societies	3,616,247				
Self-used land and buildings	1,820				
Investment property	3,614,427				
Loans	2,588,679	261,277	2,479,234	196,127	2,936,638
Loans	1,394,260	0	1,330,410	181,086	1,511,496
Reclassified loans	241,511	127,478	160,665	0	288,143
Bonds classified as loans	952,908	133,799	988,159	15,041	1,136,999
Other securities	26,683,093	23,571,234	3,209,867	312,333	27,093,434
Financial instruments held to maturity	2,443,702	2,367,296	360,487	8,426	2,736,209
Financial instruments reclassified as held to maturity	683,747	782,948	18,633	0	801,581
Financial instruments available for sale	23,220,303	20,259,701	2,696,134	264,468	23,220,303
Financial instruments recognised at fair value through profit and loss <sup>2</sup>	335,341	161,289	134,613	39,439	335,341
Other investments	678,388				
Investments for unit-linked and index-linked life insurance	9,061,073	9,061,073			9,061,073
Subordinated liabilities	1,458,839	0	1,515,965	21,732	1,537,697
Liabilities to financial institutions	1,201,031				1,201,031
thereof non-profit societies	1,040,498				1,040,498
Financing liabilities <sup>3</sup>	1,476,569				1,476,569
thereof non-profit societies	1,417,446				1,417,446

<sup>1</sup> The market values are derived from internal and external expert reports.

<sup>2</sup> Including held for trading

<sup>3</sup> Not including lease liabilities and derivative liabilities

### Measurement process

For information on the measurement process, please see Note 23 "Financial instruments and fair value measurement hierarchy" in the Group Annual Report for 2017 starting on page 204.

### Reclassification of financial instruments

Reclassifications were performed based on the criteria and time points indicated in Note 23 "Financial instruments and fair value measurement hierarchy" in the Group Annual Report for 2017 starting on page 206.

## Hierarchy for financial instruments measured at fair value

Valuation hierarchy	Level 1		Level 2		Level 3	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Financial instruments measured at fair value						
in EUR '000						
<b>Financial assets</b>						
Financial instruments available for sale	20,274,072	20,259,701	2,742,217	2,696,134	263,807	264,468
Bonds	17,911,774	17,693,862	2,604,237	2,559,555	33,267	58,129
Shares and other participations	466,580	534,841	91,616	92,359	227,468	206,339
Investment funds	1,895,718	2,030,998	46,364	44,220	3,072	0
Financial instruments recognised at fair value through profit and loss	178,088	161,289	113,917	134,613	68,874	39,439
Bonds	106,218	80,713	95,620	112,607	18,492	14,209
Shares and other non-fixed interest securities	17,911	21,746	17,178	19,887	0	0
Investment funds	53,922	57,738	0	938	28,321	3,169
Derivatives	37	1,092	1,119	1,181	22,061	22,061
Investments for unit- and index-linked life insurance	8,742,169	9,061,073				

\*Including held for trading

The unrealised effect on the result (net profit or loss) from Level 3 financial instruments that are still in the portfolio and whose fair value is recognised in the income statement was EUR 44,000 during the reporting year (EUR -4,734,000).

## Unobservable input factors

Asset class	Measurement methods	Unobservable input factors	Range
Real estate	Market value	Capitalisation rate	1.00%–7.00%
		Rental income	3,000 EUR–3,703,000 EUR
		Land prices	0 EUR–5,000 EUR
	Discounted Cash flow	Capitalisation rate	4.00%–9.75%
		Rental income	EUR 88,000–EUR 4,090,000

## Sensitivities

With respect to the value of shares measured using a Level 3 method (multiples approach), the Group assumes that alternative inputs and alternative methods do not lead to significant changes in value.

Due to a lack of available data, no sensitivity analysis information can be provided for the other securities whose fair value in Level 3 has been determined by independent third parties.



The following sensitivities result from partial internal model calculations based on the solvency capital requirements:

sensitivities – real estate	Fair value
<i>in EUR millions</i>	
Fair value at 30.6.2018	2,524.34
Rental income -5%	2,431.51
Rental income +5%	2,620.24
Capitalisation rate -50bp	2,662.37
Capitalisation rate +50bp	2,407.43
Land prices -5%	2,494.99
Land prices +5%	2,555.95

Since real estate is measured at amortised cost in the VIG balance sheet, negative sensitivities would only affect the income statement if property value fell below book value. Other comprehensive income was therefore unaffected.

#### Carry-over of assets and liabilities/financial assets and liabilities

Development of financial instruments by Level	Financial instruments available for sale					
	30.6.2018			31.12.2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>in EUR '000</i>						
Fair value at 31.12. of the previous year	20,259,701	2,696,134	264,468	18,943,142	2,650,989	257,117
Exchange rate differences	-34,588	-4,648	-1,292	27,737	6,480	589
Fair value at 1.1.	20,225,113	2,691,486	263,176	18,970,879	2,657,469	257,706
Reclassification between securities categories	7,873	372	-7,377	-1,655	0	-9,021
Reclassification to Level	29,410	21,200	1,087	14,168	108,277	30,475
Reclassification from Level	-903	-28,553	-22,241	-115,421	-17,727	-19,772
Additions	1,713,079	159,371	39,404	3,813,979	332,764	40,884
Disposals	-1,375,774	-120,858	-10,809	-2,515,668	-404,569	-46,451
Change in the scope of consolidation	0	0	-35	46,066	16	208
Changes in value recognised in profit and loss	0	0	0	0	0	0
Changes recognised directly in equity	-323,810	20,293	761	51,827	21,833	12,493
Impairments	-916	-1,094	-159	-4,474	-1,929	-2,054
Fair value at 30.6. or 31.12.	20,274,072	2,742,217	263,807	20,259,701	2,696,134	264,468

Development of financial instruments  
by Level

Financial instruments recognised at fair value through profit and loss\*

	30.6.2018			31.12.2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>in EUR '000</i>						
Fair value at 31.12. of the previous year	161,289	134,613	39,439	256,865	144,416	60,009
Exchange rate differences	-3,640	-439	526	2,001	3,236	332
<b>Fair value at 1.1.</b>	<b>157,649</b>	<b>134,174</b>	<b>39,965</b>	<b>258,866</b>	<b>147,652</b>	<b>60,341</b>
Reclassification between securities categories	-7,739	1	6,053	-1,988	0	0
Reclassification to Level	0	0	938	1,749	129	1,846
Reclassification from Level	0	-938	0	-1,846	-1,749	-129
Additions	155,339	4,327	8,274	140,490	31,087	2,801
Disposals	-104,924	-26,856	-3,742	-239,726	-47,418	-14,078
Changes in value recognised in profit and loss	-4,038	3,209	-813	3,744	4,912	-11,342
Changes recognised directly in equity	0	0	0	0	0	0
<b>Fair value at 30.6. or 31.12.</b>	<b>196,287</b>	<b>113,917</b>	<b>50,675</b>	<b>161,289</b>	<b>134,613</b>	<b>39,439</b>

\*Including held for trading

Please refer to Note 10 “Financial result excluding at equity consolidated companies” on page 35 for information on the effects of changes in value recognised in profit and loss.

Development of financial instruments assigned to Level 3

Subordinated liabilities

	30.6.2018	31.12.2017
<i>in EUR '000</i>		
Fair value at 31.12. of the previous year	21,732	20,807
Exchange rate differences	-398	1,202
<b>Fair value at 1.1.</b>	<b>21,334</b>	<b>22,009</b>
Reclassification to Level 3	0	0
Reclassification from Level 3	0	0
Changes in value recognised in profit and loss	-354	-277
Changes recognised directly in equity	0	0
<b>Fair value at 30.6. or 31.12.</b>	<b>20,980</b>	<b>21,732</b>

## 16. NUMBER OF EMPLOYEES

Employee statistics	30.6.2018			31.12.2017		
	Field staff	Office staff	Gesamt	Field staff	Office staff	Gesamt
<b>Number</b>						
Austria	2,802	2,293	5,095	2,806	2,335	5,141
Czech Republic	3,153	1,832	4,985	3,071	1,824	4,895
Slovakia	853	843	1,696	887	865	1,752
Poland	740	1,087	1,827	763	813	1,576
Romania	1,178	771	1,949	1,163	791	1,954
Baltic states	584	625	1,209	629	656	1,285
Hungary	36	426	462	35	433	468
Bulgaria	288	591	879	289	578	867
Turkey/Georgia	672	445	1,117	659	422	1,081
Remaining CEE	3,229	1,444	4,673	3,300	1,441	4,741
Other Markets	7	124	131	7	123	130
Central Functions		1,225	1,225		1,169	1,169
<b>Total</b>	<b>13,542</b>	<b>11,706</b>	<b>25,248</b>	<b>13,609</b>	<b>11,450</b>	<b>25,059</b>

The specified employee figures are average values based on full-time equivalents.

The Central Functions segment includes 682 employees (31 December 2017: 682) in the non-profit societies.

## 17. RELATED PARTY TRANSACTIONS

### Related parties

Related parties are the affiliated companies, joint ventures and associated companies listed in Note 27 "Participations – Details" in the Annual Report published at the end of the year starting on page 214.

Information on relationships and transactions between fully consolidated companies is not included, as this interim report includes consolidated financial statements.

Wiener Städtische Versicherungsverein directly and indirectly holds around 71% of VIG's share capital and therefore controls VIG. Due to this control, Wiener Städtische Versicherungsverein is also a related company and its Managing Board and Supervisory Board members are related persons. VIG also defines all members of the managing boards and supervisory boards of all VIG insurance companies as related persons.

Members of the Managing Board and Supervisory Board did not receive any advances or loans and had no loans outstanding during the reporting periods.

There were also no guarantees outstanding for members of the Managing Board or Supervisory Board during the reporting periods.

### Transactions with related companies

The Group charges Wiener Städtische Versicherungsverein for office space and provides other services (e.g. internal audit, Group accounting, provision of personnel) to Wiener Städtische Versicherungsverein under service agreements.

In addition, Wiener Städtische Versicherungsverein acts as the parent company of a tax group in accordance with §9 of the Austrian Corporate Income Tax Act (KStG).

Open items with related companies	30.6.2018	31.12.2017
in EUR '000		
<b>Loans</b>	<b>89,437</b>	<b>65,410</b>
Associated companies	1,312	1,631
Subsidiaries not included in the consolidated financial statements	88,125	63,779
<b>Receivables</b>	<b>269,017</b>	<b>251,423</b>
Parent company	229,895	218,641
Associated companies	3,420	3,509
Subsidiaries not included in the consolidated financial statements	35,702	29,273
<b>Liabilities</b>	<b>204,023</b>	<b>184,164</b>
Parent company	186,465	164,126
Associated companies	2,369	2,148
Subsidiaries not included in the consolidated financial statements	15,189	17,890

Transactions with related companies	30.6.2018	31.12.2017
in EUR '000		
<b>Loans</b>	<b>25,010</b>	<b>13,260</b>
Associated companies	219	796
Subsidiaries not included in the consolidated financial statements	24,791	12,464
<b>Receivables</b>	<b>40,197</b>	<b>75,108</b>
Parent company	11,526	30,426
Associated companies	3,220	10,529
Subsidiaries not included in the consolidated financial statements	25,451	34,153
<b>Liabilities</b>	<b>101,932</b>	<b>160,068</b>
Parent company	29,680	47,659
Associated companies	23,891	36,867
Subsidiaries not included in the consolidated financial statements	48,361	75,542

The transactions do not include changes in open items resulting from a change in the scope of consolidation.

#### **Transactions with related persons**

The amounts for related person transactions, open items and income statement items are insignificant.

## **18. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

### **Call and repayment of a hybrid capital bond**

Vienna Insurance Group will call the hybrid capital bond (Bond 08/S1/T1) with ISIN AT0000A09SA8 effective 12 September 2018 for early repayment at its redemption amount of 100% of nominal value plus all accrued interest up to (but not including) the repayment date.

# Additional disclosures in accordance with the Austrian Insurance Supervision Act (VAG)

## GROUP EXPENSES FOR PROFIT-RELATED PREMIUM REFUNDS

The Group had EUR 124,520,000 in expenses for profit-related premium refunds incl. policy holder profit participation (30 June 2017: EUR 77,087,000).

## BUSINESS DEVELOPMENT BY BALANCE SHEET UNIT

	1.1.-30.6.2018				1.1.-30.6.2017			
	Property/ Casualty	Life	Health	Total	Property/ Casualty	Life	Health	Total
<b>in EUR '000</b>								
<b>Operating result for direct business</b>	<b>196,075</b>	<b>216,675</b>	<b>19,864</b>	<b>432,614</b>	<b>178,864</b>	<b>163,818</b>	<b>21,704</b>	<b>364,386</b>
Gross direct premiums written	2,995,348	1,777,867	252,060	5,025,275	2,811,794	1,823,885	236,359	4,872,038
<b>Gross direct<sup>1</sup></b>	<b>292,855</b>	<b>224,960</b>	<b>19,873</b>	<b>537,688</b>	<b>235,443</b>	<b>172,001</b>	<b>21,810</b>	<b>429,254</b>
Underwriting result <sup>2</sup>	226,775			226,775	169,374			169,374
Financial result <sup>2</sup>	66,080			66,080	66,069			66,069
Direct reinsurance cessions	-96,780	-8,285	-9	-105,074	-56,579	-8,183	-106	-64,868
<b>Operating result for indirect business</b>	<b>-42,912</b>	<b>1,303</b>	<b>44</b>	<b>-41,565</b>	<b>-45,421</b>	<b>1,144</b>	<b>40</b>	<b>-44,237</b>
Gross indirect premiums written	114,617	10,322	50	124,989	91,649	8,702	50	100,401
Gross indirect	-6,827	1,659	44	-5,124	-31,206	2,084	40	-29,082
Indirect reinsurance cessions	-36,085	-356	0	-36,441	-14,215	-940	0	-15,155
<b>Operating result for direct and indirect retention</b>	<b>153,163</b>	<b>217,978</b>	<b>19,908</b>	<b>391,049</b>	<b>133,443</b>	<b>164,962</b>	<b>21,744</b>	<b>320,149</b>
Other non-underwriting income and expenses	-13,127	-20,551	-102	-33,780	-23,889	1,411	-41	-22,519
Expenses for profit related premium refunds	0	-124,520	0	-124,520	0	-77,087	0	-77,087
<b>Result before taxes</b>	<b>140,036</b>	<b>72,907</b>	<b>19,806</b>	<b>232,749</b>	<b>109,554</b>	<b>89,286</b>	<b>21,703</b>	<b>220,543</b>
Taxes	-15,610	-39,713	-3,739	-59,062	-31,939	-12,244	-4,113	-48,296
<b>Result of the period</b>	<b>124,426</b>	<b>33,194</b>	<b>16,067</b>	<b>173,687</b>	<b>77,615</b>	<b>77,042</b>	<b>17,590</b>	<b>172,247</b>

<sup>1</sup> Includes commissions of EUR 639,420,000 (EUR 604,376,000) for direct insurance business.

<sup>2</sup> A breakdown of the underwriting result was only performed for property and casualty insurance. Due to immateriality, investments were not transferred to the underwriting account in property and casualty insurance. Investment results were transferred in full to the underwriting account for the life insurance and health business.

## GROSS PREMIUMS – WRITTEN BY BALANCE SHEET UNIT (INCL. CONSOLIDATION EFFECTS)

Property and Casualty insurance	1.1.-30.6.2018	1.1.-30.6.2017
in EUR '000		
<b>Direct business</b>	<b>2,995,348</b>	<b>2,811,794</b>
Casualty insurance	199,678	189,565
Health insurance	37,221	30,647
Motor own damage insurance (Casco)	605,392	555,282
Rail vehicle own-damage	1,432	1,421
Aircraft own-damage insurance	3,569	3,861
Sea, lake and river shipping own-damage insurance	6,247	5,658
Transport insurance	31,397	31,426
Fire and natural hazards insurance	589,231	578,220
Other property	282,540	267,432
Third party liability insurance for self-propelled land vehicles	773,438	716,850
Carrier insurance	9,018	9,160
Aircraft liability insurance	3,308	4,072
Sea, lake and river shipping liability insurance	1,615	1,618
General liability insurance	285,337	265,214
Credit insurance	2,510	2,779
Guarantee insurance	20,935	18,247
Insurance for miscellaneous financial losses	68,872	66,451
Legal expenses insurance	31,039	30,334
Assistance insurance, travel health insurance	42,569	33,557
<b>Indirect business</b>	<b>114,617</b>	<b>91,649</b>
Marine, aviation and transport insurance	6,054	5,276
Other insurance	96,964	76,635
Health insurance	11,599	9,738
<b>Total</b>	<b>3,109,965</b>	<b>2,903,443</b>
<b>Life insurance</b>	<b>1.1.-30.6.2018</b>	<b>1.1.-30.6.2017</b>
in EUR '000		
Regular premium – direct business	1,316,409	1,285,255
Single premium – direct business	461,458	538,630
<b>Direct business</b>	<b>1,777,867</b>	<b>1,823,885</b>
thereof policies with profit participation	763,885	786,549
thereof policies without profit participation	223,558	222,668
thereof unit-linked life insurance portfolio	774,706	797,504
thereof index-linked life insurance portfolio	15,718	17,164
<b>Indirect business</b>	<b>10,322</b>	<b>8,702</b>
<b>Total</b>	<b>1,788,189</b>	<b>1,832,587</b>
<b>Health insurance</b>	<b>1.1.-30.6.2018</b>	<b>1.1.-30.6.2017</b>
in EUR '000		
Direct business	252,060	236,359
Indirect business	50	50
<b>Total</b>	<b>252,110</b>	<b>236,409</b>

## GROSS PREMIUMS – WRITTEN BY COUNTRY AND BALANCE SHEET UNIT

Composition	1.1.-30.6.2018	1.1.-30.6.2017
in EUR '000		
<b>Property and Casualty insurance</b>	<b>3,109,965</b>	<b>2,903,443</b>
Austria	1,143,737	1,114,903
Czech Republic	544,123	507,216
Slovakia	202,831	192,965
Poland	319,914	260,759
Romania	219,048	201,024
Turkey	89,241	86,354
Central Functions	135,803	111,610
Other countries	455,268	428,612
<b>Life insurance</b>	<b>1,788,189</b>	<b>1,832,587</b>
Austria	787,593	814,211
Czech Republic	337,454	314,830
Slovakia	197,937	205,215
Poland	135,249	184,219
Hungary	63,602	62,017
Other countries	266,354	252,095
<b>Health insurance</b>	<b>252,110</b>	<b>236,409</b>
Austria	209,618	201,748
Georgia	17,219	17,758
Other countries	25,273	16,903
<b>Total</b>	<b>5,150,264</b>	<b>4,972,439</b>

## OPERATING RESULT FOR DIRECT AND INDIRECT RETENTION BY COUNTRY AND BALANCE SHEET UNIT

	1.1.-30.6.2018	1.1.-30.6.2017
in EUR '000		
<b>Property and Casualty insurance</b>	<b>153,163</b>	<b>133,443</b>
Austria	69,206	54,421
Czech Republic	59,567	55,472
Slovakia	9,015	19,937
Poland	22,989	20,840
Romania	11,104	8,414
Turkey	1,972	7,417
Central Functions	-45,308	-70,861
Other countries	24,618	37,803
<b>Life insurance</b>	<b>217,978</b>	<b>164,962</b>
Austria	129,721	74,850
Czech Republic	48,910	52,489
Slovakia	12,130	14,299
Poland	10,745	8,358
Hungary	1,158	2,089
Other countries	15,314	12,877
<b>Health insurance</b>	<b>19,908</b>	<b>21,744</b>
Austria	20,027	21,773
Georgia	-441	105
Other countries	322	-134
<b>Total</b>	<b>391,049</b>	<b>320,149</b>

## KEY FIGURES BY BALANCE SHEET UNIT

	1.1.-30.6.2018				1.1.-30.6.2017			
	Property/ Casualty	Life	Health	Total	Property/ Casualty	Life	Health	Total
in %								
Cost ratio	31.58	20.60	14.30	26.22	31.33	19.40	14.29	25.35
Claims ratio	64.75				65.61			
Combined Ratio	96.33				96.94			



# Declaration by the Managing Board

We declare to the best of our knowledge that the consolidated interim financial statements prepared in accordance with applicable accounting standards give a true and fair view of the Group's net assets, financial position and results of operations, the interim management report gives a true and fair view of the net assets, financial position and results of operations of the Group with regard to the most important events during the first six months of the financial year and their impact on the consolidated interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and material related party transactions to be disclosed. The interim report was not fully audited or reviewed by an auditor.

Vienna, 7 August 2018

The Managing Board:



**Elisabeth Stadler**

General Manager, CEO,  
Chairwoman of the Managing Board



**Franz Fuchs**

Member of the Managing Board



**Judit Havasi**

Member of the Managing Board



**Liane Hirner**

Member of the Managing Board, CFO



**Peter Höfing**

Member of the Managing Board



**Peter Thirring**

Member of the Managing Board

## Managing Board areas of responsibility:

**Elisabeth Stadler:** VIG Group management, strategic matters, general secretariat, asset management, treasury/capital market, subsidiaries department, European affairs, Group communication & marketing, sponsoring, bank cooperation, human resources management, Group development & strategy; Country responsibilities: Germany, Austria, Czech Republic

**Franz Fuchs:** Performance management personal insurance, performance management motor vehicle insurance, asset risk management; Country responsibilities: Baltic states, Moldova, Poland, Ukraine

**Judit Havasi:** Planning & controlling, legal, Group IT, data management and processes; Country responsibilities: Romania

**Liane Hirner:** Finance and accounting

**Peter Höfing:** Corporate and large customer business, Vienna International Underwriters (VIU), Group reinsurance; Country responsibilities: Albania incl. Kosovo, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Serbia

**Peter Thirring:** Group external income reinsurance; Country responsibilities: Georgia, Liechtenstein, Slovakia, Turkey

The **Managing Board as a whole** is responsible for enterprise risk management, Group actuarial department, Group compliance, internal audit and investor relations.

# General information

## NOTICE

This 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 interim 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.

Calculation differences may arise when rounded amounts and percentages are summed automatically.

The interim report was prepared with the greatest possible care in order to ensure that the information provided in all parts is correct and complete. The possibility of rounding, type-setting or printing errors, however, cannot be ruled out completely.

All references in the text are to be understood as referring equally to men and women without discrimination.

The interim report can be downloaded as a PDF file in German or English from our website at:  
[www.vig.com/en/downloads](http://www.vig.com/en/downloads).

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In case of doubt, the German version is authoritative.

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