VIG

VIENNA INSURANCE GROUP

YOU CAN COUNT ON US

(REGIONALITY + MARKET KNOWLEDGE) × (INTERNATIONALITY + EXPERIENCE) = LOCAL ENTREPRENEURSHIP

(SYNERGIES + EXPERTISE) × BEST PRACTICE = EFFICIENCY

OPPORTUNITIES – RISK = SECURITY

LOCAL ENTREPRENEURSHIP² = CUSTOMER PROXIMITY

50 COMPANIES + 25 COUNTRIES = NUMBER 1

VISION + CEE = POTENTIAL

TRANSPARENCY × COMMUNICATION = TRUST

(REGIONALITY + IDENTITY) × CUSTOMER PROXIMITY = MULTI-BRAND STRATEGY

DECENTRALITY+ INTERNATIONALITY = STRENGTH

LOCAL ENTREPRENEURSHIP² = CUSTOMER PROXIMITY

AUSTRIA + CEE = VIG

LOCAL ENTREPRENEURSHIP² = CUSTOMER PROXIMITY

× BEST PRACTICE = EFFICIENCY

HONESTY + INTEGRITY = CREDIBILITY

CEE = VIG

MOTIVATION

= CUSTOMER PROXIMITY

NEL DISTRIBUTION

ES – RISK = SECURITY

EMPLOYEES

TRANSPARENCY × COMMUNICATION = TRUST

APPRECIATION + RESPECT = MOTIVATION

(INNOVATION × INSURANCE SOLUTIONS)^EXPERIENCE = STABILITY

ENCY

HONESTY + INTEGRITY = CREDIBILITY

(ECONOMY + ENVIRONMENT + SOCIAL) × LONG-TERM = SUSTAINABLE

OMER PROXIMITY

HONESTY + INTEGRITY = CREDIBILITY

50 COMPANIES + 25 COUNTRIES = NUMBER 1

(DIVERSITY × PERSONALITY)^SKILLS = VIG EMPLOYEES

APPRECIATION + RESPECT = MOTIVATION

AUSTRIA + CEE = VIG

TRANSPARENCY × COMMUNICATION = TRUST

VISION + CEE = POTENTIAL

(SERVICE + QUALITY) × INSURANCE SOLUTIONS = CUSTOMER SATISFACTION

(CAUTION × FORESIGHT)^DIGITISATION = FUTURE

(RISK-CONSCIOUSNESS + RESPONSIBILITY) × PROFITABILITY = CONSERVATIVE INVESTMENT

LOCAL ENTREPRENEURSHIP² = CUSTOMER PROXIMITY

AUSTRIA + CEE = VIG

(RISK-CONSCIOUSNESS + RESPONSIBILITY) × PROFITABILITY = CONSERVATIVE INVESTMENT

(REGIONALITY + IDENTITY) × CUSTOMER PROXIMITY = MULTI-BRAND STRATEGY

VISION + CEE = POTENTIAL

TRANSPARENCY × COMMUNICATION = TRUST

(REGIONALITY + MARKET KNOWLEDGE) × (INTERNATIONALITY) + EXPERIENCE) = LOCAL ENTREPRENEURSHIP

HONESTY + INTEGRITY = CREDIBILITY

DIVERSIFICATION × DISTRIBUTION CHANNELS = MULTI-CHANNEL DISTRIBUTION

50 COMPANIES + 25 COUNTRIES = NUMBER 1

VISION + CEE = POTENTIAL

AUSTRIA + CEE = VIG

TRANSPARENCY × COMMUNICATION = TRUST

(AVAILABILITY + INDIVIDUAL ADVICE) × PRODUCT EXPERTISE = OPTIMAL DISTRIBUTION

with supplement
THE SAFE SIDE
2016

Group Annual Report 2016 Vienna Insurance Group

VIENNA INSURANCE GROUP

Get informed and be on

THE SAFE SIDE

If a VIG newspaper is not included,
email us at info@vig.com and we will send
you your own personal copy by return.


THE SAFE SIDE

50%

Our compass

VIG

THE SAFE SIDE

**Everything, it's safe to say,
you should know about VIG.**

YOU can calculate many things precisely using numbers – however, there are other values that cannot be measured in the classic sense, but still need to be taken into account. What good would insurance be without service, customer focus and reliability.
Especially in times of dynamic change and transformational innovation, people need partners who **CAN** offer them security. Partners who do not collapse at the first sign of trouble, and whose compass remains true in even the roughest seas.

The Vienna Insurance Group's compass points East. We generate stable earnings in the markets of Central and Eastern Europe, where we benefit from the enormous potential for catch-up that makes this region so attractive. With around 50 companies in 25 countries, we are seeking to provide local entrepreneurship and proximity to customers. Being regional is just as much a core part of who we are as the many brands that make up the Vienna Insurance Group.

As an insurance group, we are a long-term partner on whom our customers can **COUNT**. VIG is number 1 in Austria and Central and Eastern Europe – also because it delivers **ON** what it promises. Customers can rely on this when it comes to making a claim, as can investors in terms of our dividend policy.

We stand for stability, a conservative investment policy and sustainability. We do not, however, close our eyes to the innovations implied by an increasingly digitalised economy and society. The Vienna Insurance Group combines foresight with caution and represents a balanced approach to opportunities and risks.

Our heritage gives us foresight. Our commitment to our investors, customers and employees is that
you can count on **US!**

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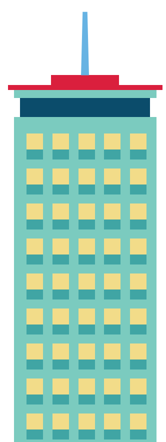
More in the enclosed newspaper

THE SAFE SIDE

Everything, it's safe to say, you should know about VIG!

SUPPLEMENT TO THE GROUP ANNUAL REPORT 2016



HEADLINES

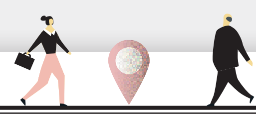
CONSOLIDATED FINANCIAL STATEMENTS

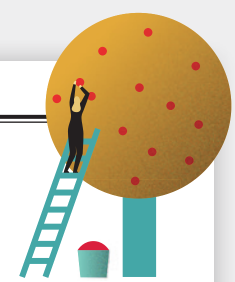
SERVICE INFORMATION

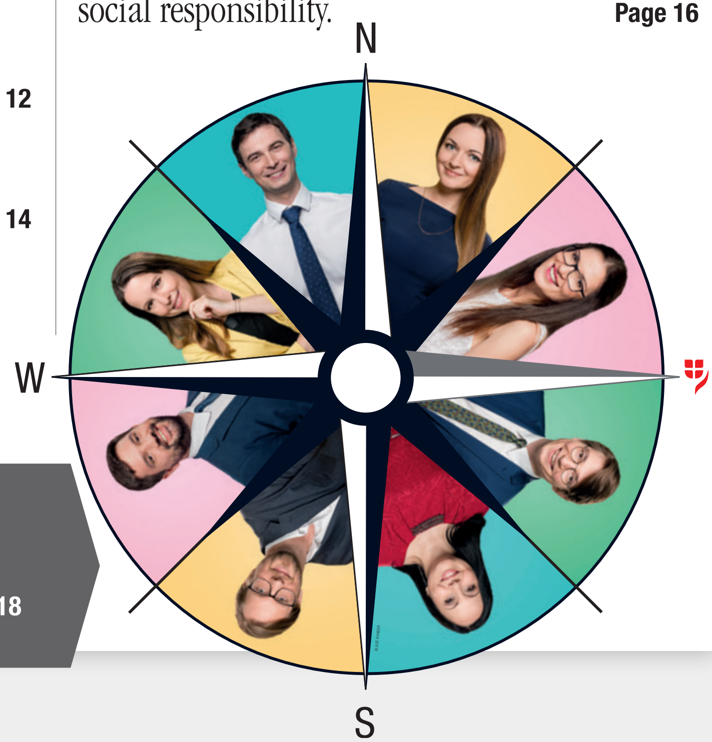
An online version of the Annual Report is available at www.vig.com/AR2016

The iPad IR app from VIG is available at www.vig.com/iPad

Please note: It is our goal to make the Annual Report as easy to read and as clear as possible. For this reason, formulations such as him/her, etc. have been avoided. Naturally the text always refers to both women and men equally without any discrimination.







Highlights 2016

Group premiums EUR 9.1 billion
Adjusted for single-premium life insurance products, the increase was a satisfactory 4.4%. More than half our premium volume comes from the CEE region.
Page 51

97.3% net combined ratio
The solid underwriting result has led to a combined ratio significantly below the 100% mark again in 2016.
Page 54

Planned dividend per share of EUR 0.80
This will be proposed at the Annual General Meeting on 12 May 2017 to maintain our dividend policy of distributing at least 30% of Group net profit after minority interests to shareholders.

New strategic VIG work programme
Many initiatives were launched in the following three areas: ensuring future viability, optimising our business model and organisation and cooperation.
Page 16

Result before taxes EUR 406.7 million
As a result, we more than achieved our stated objective of doubling the previous year's profit to up to EUR 400 million. Half of our profit comes from the CEE markets.
Page 52

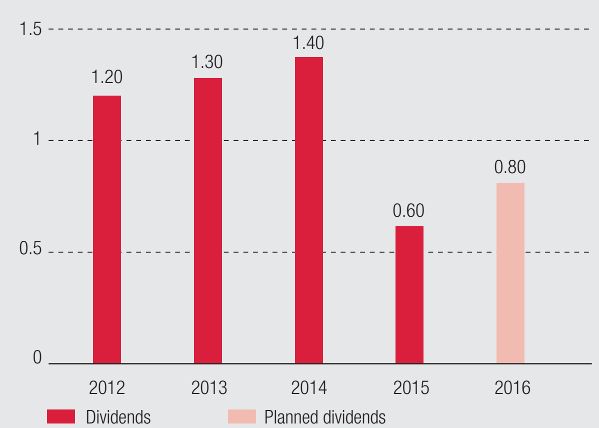
A+ with a stable outlook
Rating re-confirmed by Standard & Poor's. VIG continues to have the best rating of all companies included in the ATX leading index of the Vienna Stock Exchange.

Solvency II
VIG is currently the only insurance group in Austria with an approved internal model and has been using this model since Solvency II came into effect on 1 January 2016.
Page 48

Expansion in Serbia and Romania
Vienna Insurance Group continued its successful expansion in the CEE region with acquisitions in Serbia and Romania in 2016.
Page 16

DIVIDEND PER SHARE TREND

in EUR



DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

I am delighted to be able to inform you that we have achieved quite a bit after just one year as the new Management Team at Vienna Insurance Group (VIG): The Group has demonstrated again in 2016 that it is indeed a reliable partner. That is why we have entitled this Annual Report "You can count on us". There are many reasons we can cite why VIG is reliable even in times of rapid change and despite a difficult environment – in particular, the high level of service quality, customer focus, innovative and capital strength.

With our strategic work programme, Vienna Insurance Group is also pursuing the goal of ensuring the stability and sustainability required of a reliable partner over the long term. We are focusing on three areas: ensuring future viability, optimising our business model and finally organisation and cooperation.

Last year we announced we had an "appetite for more". At the time, we had set our sights on the markets of Poland, Hungary, Croatia and Serbia, where we want to increase our market share to over 10% in the medium term. In Serbia, we already managed to achieve this in 2016. This year we have defined our vision within the context of our focus on digitisation. In addition to process automation, we are focusing especially on our products and services. Online sales, which are becoming increasingly important, are ideally suited to simple products, and digital sales channels are advantageous in this regard. In the case of individual and more comprehensive insurance solutions, we also want to ensure we provide qualified and personalised advice in future.

In terms of individual insurance business lines, we are currently paying particular attention to health and life insurance. In relation to private health insurance, we are convinced that there is still a great deal of potential in our markets in the light of demographic trends and the associated growth in demand for healthcare. In relation to life insurance, the low interest rate period we are going through is presenting us with major challenges, primarily in investment. On this subject, a rethink appears to be under way in that the primary purpose of life insurance – to cover risks – is increasingly coming to the fore.

Looking at the Company's result for 2016, we registered a slight increase in Group premiums of 0.3%, rising to EUR 9.1 billion. It is important to mention here that single premium life insurance products continued to decline due to the continuing low interest rates. Adjusted for these, total premiums rose by a satisfactory 4.4%. Of our 25 markets, the dynamic premium growth in Romania (+24.4%), Turkey (+15.3%) and Hungary (+9.8%) are particularly noticeable.

Although the low interest rate environment, as expected, also had a negative effect on our financial result in 2016, we still achieved a significant increase in Group profit before taxes. In line with the target we announced at the start of the year, we more than doubled our profit to EUR 406.7 million in 2016. This includes a positive one-time effect on the financial result due to the revaluation of previously written down debt instruments from HETA in the 4th quarter.

Alongside the increase in profit, we maintained the Group's combined ratio at the previous year's level of 97.3%, meaning that Vienna Insurance Group showed an improvement over the previous quarters. In the medium term, we are aiming to improve the combined ratio to 95.0%. There is also positive news on dividend. As part of our ongoing dividend policy, where at least 30% of Group net profit (after minority interests) is paid out to shareholders, we are proposing to the Annual General Meeting that we increase the dividend to 80 cents per share.

The Group has demonstrated again in 2016 that it is indeed a reliable partner.

Our clear objective is to continue to increase the profitability of Vienna Insurance Group. We plan to generate a steady increase in Group premiums to around EUR 9.5 billion by 2019. We also expect our profit before taxes to steadily increase to between EUR 450 million and EUR 470 million.

On behalf of the entire Managing Board, I would like to thank you, our shareholders, clients and business partners for the faith you have shown in us. I particularly want to also thank our employees who are mainly responsible for the success of Vienna Insurance Group. Our compass continues to point East! The economic forecasts for the Central and Eastern European region are still providing much cause for optimism.

Yours sincerely

Elisabeth Stadler
VIG General Manager

Note: Detailed information on VIG's business strategy is provided on page 12 of this report.

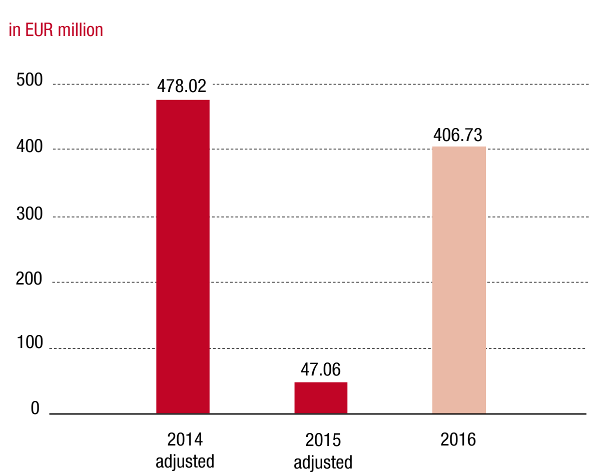
Key figures…

		2016	2015 adjusted	2014 adjusted
Income statement				
Premiums written	EUR millions	9,050.97	9,019.76	9,145.73
Net earned premiums – retention	EUR millions	8,191.26	8,180.54	8,353.74
Financial result	EUR millions	958.81	1,040.20	1,076.48
Expenses for claims and insurance benefits	EUR millions	-6,753.45	-6,748.87	-6,919.93
Acquisition and administrative expenses	EUR millions	-1,907.81	-1,847.57	-1,874.77
Result before taxes	EUR millions	406.73	47.06	478.02
Net result for the period after taxes and non-controlling interest	EUR millions	287.78	-20.58	330.42
Combined Ratio	%	97.3	97.3	96.7
Claims ratio	%	66.9	66.7	65.8
Cost ratio	%	30.4	30.6	30.9
Balance sheet				
Investments[1]	EUR millions	43,195.84	38,286.10	38,002.20
Shareholders' equity (excluding non-controlling interests)	EUR millions	5,711.26	4,414.46	4,796.33
Underwriting provisions	EUR millions	37,349.96	35,921.73	35,282.37
Total assets	EUR millions	50,008.11	44,489.71	43,923.13
RoE (Return on Equity)	%	8.9	1.1	11.1
Share				
Number of shares	Piece	128,000,000	128,000,000	128,000,000
Market capitalisation	EUR millions	2,726.40	3,237.12	4,746.24
Average number of shares traded by day	Piece	~ 161,000	~ 147,000	~ 65,000
Average daily stock exchange trading volume (single counting)	EUR millions	3.90	6.80	3.10
Year-end price	EUR	21.300	25.290	37.080
High	EUR	24.790	42.620	40.070
Low	EUR	16.095	24.910	33.800
Share performance for the year (excluding dividends)	%	-15.80	-31.80	2.36
Dividend per share	EUR	0.80[2]	0.60	1.40
Dividend yield	%	3.76	2.37	3.78
Earnings per share	EUR	2.16	-0.27	2.46
Price-earnings ratio as of 31 December		9.86	-93.67	15.07
Employees				
Number of employees (average for the year)		24,601	22,995	23,360

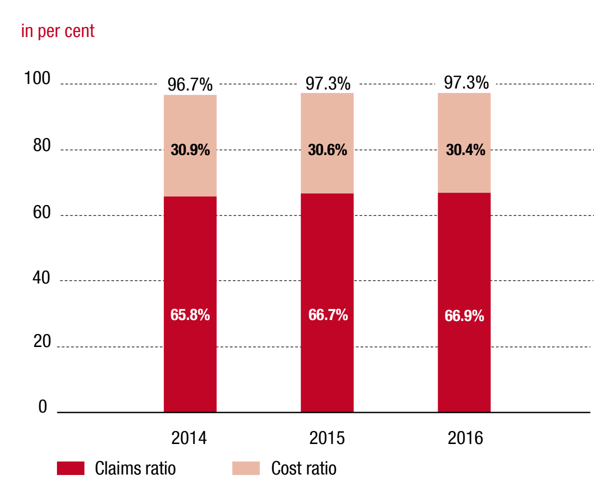
Rounding differences may occur when rounded amounts or percentages are added.

[1] incl. unit-linked and index-linked life insurance investments and excl. cash and cash equivalents [2] Planned dividend

CHANGE IN PROFIT



CHANGE IN THE COMBINED RATIO



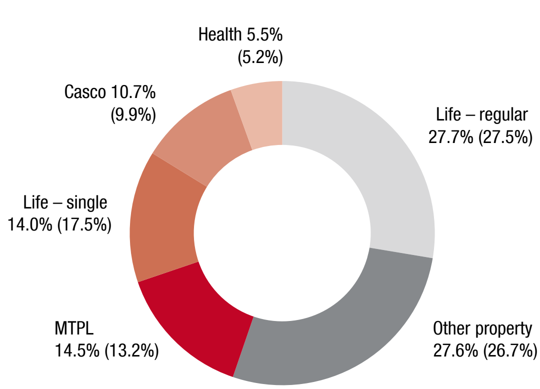
… at a glance

VIG BY SEGMENTS IN THE YEAR 2016

Country	Premium volume	Result before taxes	Combined Ratio	Employees
	in EUR '000	in EUR '000	in %	Number
Austria	3,941,322	196,090	97.59	5,170
Czech Republic	1,529,085	152,768	90.53	4,762
Slovakia	732,340	48,880	94.94	1,678
Poland	819,175	1,875	99.36	1,586
Romania	533,396	3,513	100.06	1,991
Baltic states	140,192	-11,227	135.42	1,281
Hungary	224,226	3,807	103.60	464
Bulgaria	136,679	5,381	98.15	834
Turkey/Georgia	208,698	9,004	95.74	888
Turkey	164,866	6,111	99.00	237
Georgia	43,832	2,893	80.30	651
Remaining CEE	331,392	7,433	101.40	4,720
Albania incl. Kosovo	36,376	1,235	95.74	450
Bosnia-Herzegovina	12,873	-7,536	126.76	276
Croatia	99,281	6,957	96.84	742
Macedonia	25,801	1,603	98.73	372
Moldova	8,402	273	113.92	435
Serbia	96,899	2,695	102.18	1,060
Ukraine	51,760	2,206	100.95	1,385
Other Markets	352,955	22,148	81.82	126
Germany	190,209	22,043	81.82	114
Liechtenstein	162,746	105	–	12

The Montenegro and Belarus markets were not included in the Vienna Insurance Group consolidated financial statements in 2016. There are also branch offices in Italy and Slovenia.

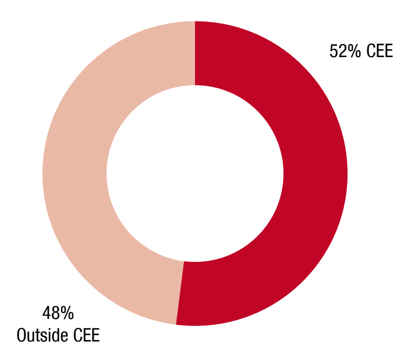
PREMIUMS BY LINES OF BUSINESS



Values for 2015 in parentheses

CEE SHARE OF PREMIUM VOLUME

%-Share of Premium volume



Vienna Insurance Group company profile

We are well established in all lines of business and thus offer a comprehensive customer-oriented portfolio of products and services with around 50 Group companies and more than 24,000 employees in 25 countries. We generated slightly more than EUR 9 billion in premiums in 2016, further strengthening our market leader position in Austria and in Central and Eastern Europe (CEE), where we have been operating for more than 25 years.

VIG's successful expansion into the CEE region

VIG's roots reach back more than 190 years in Austria, during which time the Company developed from its start as a local insurer in 1824 to an international insurance group. In 1990, Wiener Städtische recognised the many opportunities offered by the CEE region and took the chance of entering the market in the former Czechoslovakia. The expansion continued in following years. From Estonia to Albania and Germany to Georgia, the entire region was slowly covered. The 2014 entry into the market in the Republic of Moldova filled the final remaining gap in coverage of the CEE region.

The leading insurance company in the CEE region.

Using its combined strengths to become number 1

Vienna Insurance Group has worked its way to the top of the insurance market in many countries in previous years. Using a focused growth strategy and long-term perspective, it created a stable base that led to double-digit market shares in many markets.

The figures for the region show that the decision to expand into the CEE region was correct. In 2016, around half of VIG's total premium volume of around EUR 9 billion was generated in the CEE markets. The Group continues to believe in the potential offered by the ongoing economic growth in the region, which brings with it a rising demand for insurance products.

The importance of the region was confirmed by another decision by the Group in 2008 to establish the headquarter of the internal Group reinsurance company VIG Re in the Czech Republic.

Focusing together on the core business

The decisions above underscore the path followed by VIG and strengthen the focus on insurance as the clear core business. It pursues a progressive and highly riskconscious insurance strategy. Reliability, trustworthiness and solidity define its relationships with business partners, employees and shareholders.

This fundamental approach is also reflected in its strategy of continuous sustainable growth and excellent credit-worthiness. The international rating agency Standard & Poor's has confirmed VIG's development with an A+ rating with stable outlook for many years. VIG continues to have the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

Side-by-side with our customers

Customer loyalty and customer proximity are major factors in VIG's success. Our local employees know the needs of their customers the best, which is why Vienna Insurance Group places its trust in these employees and local entrepreneurship.

In order to create stability and trust, the Group uses a multi-brand strategy that retains established brands and unites them under the Vienna Insurance Group umbrella. This also allows a wide variety of distribution channels to be used. The Company's strategic orientation is rounded off by a conservative investment and reinsurance policy.

Erste Group and VIG: strong together

Erste Group is strongly anchored in Austria and is one of the top players in the CEE region. The strategic partnership between Erste Group and VIG began in 2008 and has grown and strengthened over the past eight years. Vienna Insurance Group companies offer Erste Group products, and Erste Group branches sell VIG insurance products in return.

Stable dividend policy of the Group

Vienna Insurance Group has been listed on the Vienna stock exchange since 1994. Today, it is one of the top companies in the "prime market" segment and offers an attractive dividend policy with a dividend payout ratio of at least 30% of Group profits (after taxes and non-controlling interests) for shareholders.

The significance of the Central and Eastern European economic area was once again underscored by the Company's second listing on the Prague Stock Exchange in February 2008. Vienna Insurance Group shares have also established themselves as one of the top companies there.

The shareholder structure has remained stable since the capital increase in 2005. Around 70% of the shares are held by its principal shareholder, Wiener Städtische Versicherungsverein. The remaining 30% of the shares are in free float.

Searching for the best together

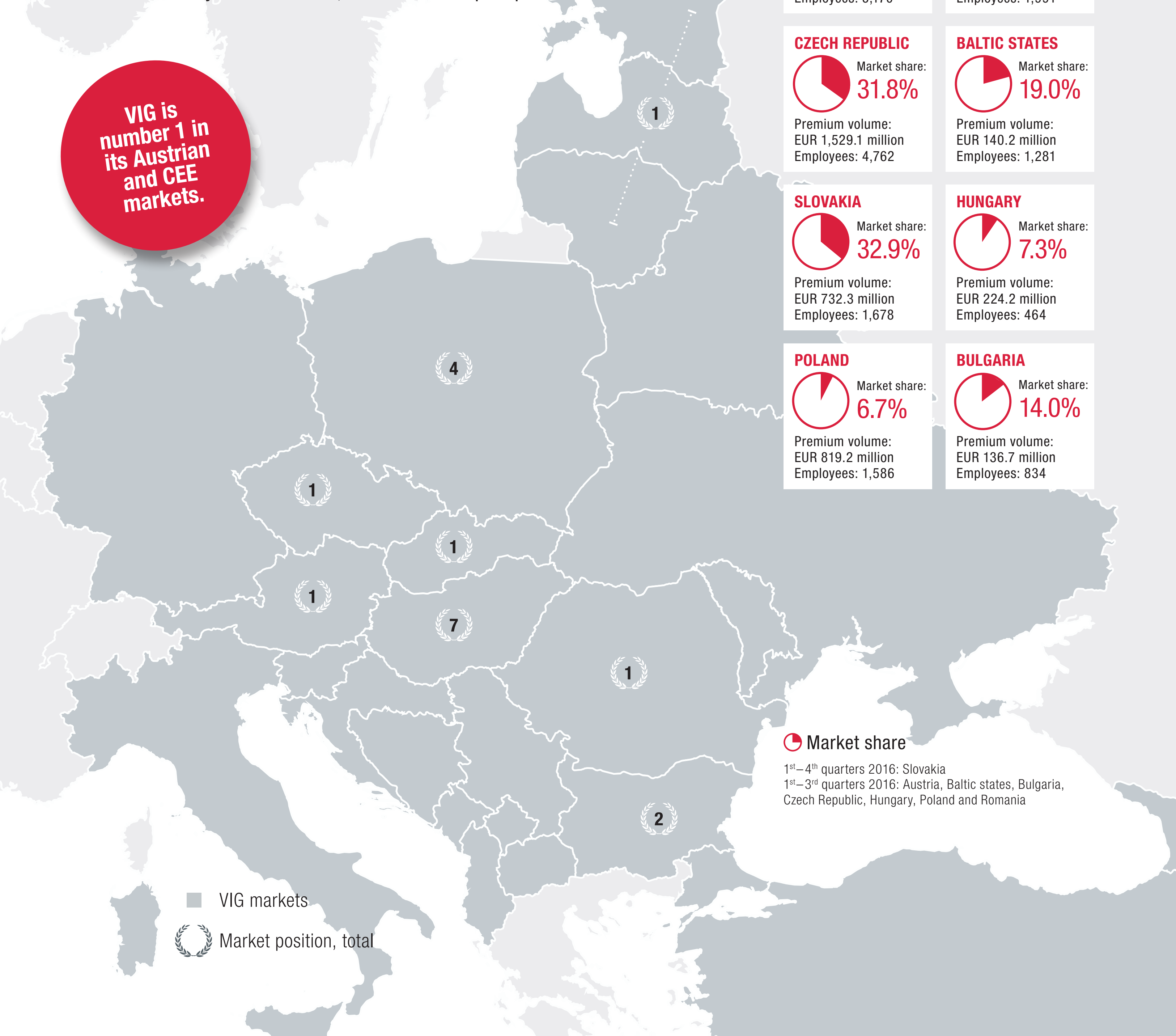
All Vienna Insurance Group companies strive to attract the most talented and intelligent employees. As a result, identifying and developing individual skills is a central priority in the Company's human resources management. Promoting diversity is also highly important, as is creating a framework that offers appropriate development opportunities for employees. This is because it is clear to Vienna Insurance Group that its success is built on the dedication of its more than 24,000 employees.

OUR VALUES – Roots that bind

- Credibility and integrity
- Entrepreneurship
- Customer satisfaction and quality of service
- Appreciation and respect

You can count on us – in Austria and Central and Eastern Europe

The Central and Eastern European economic area represents growth, future opportunities and a market of 180 million potential customers for Vienna Insurance Group. With more than 24,000 employees, VIG is the clear market leader in its Austrian and CEE markets. This plainly shows how many customers already rely on the expertise and service of our Group companies in 25 countries. The people know they can count on us, because our compass points East.



AUSTRIA
Market share: 24.2%
Premium volume: EUR 3,941.3 million
Employees: 5,170

ROMANIA
Market share: 25.6%
Premium volume: EUR 533.4 million
Employees: 1,991

CZECH REPUBLIC
Market share: 31.8%
Premium volume: EUR 1,529.1 million
Employees: 4,762

BALTIC STATES
Market share: 19.0%
Premium volume: EUR 140.2 million
Employees: 1,281

SLOVAKIA
Market share: 32.9%
Premium volume: EUR 732.3 million
Employees: 1,678

HUNGARY
Market share: 7.3%
Premium volume: EUR 224.2 million
Employees: 464

POLAND
Market share: 6.7%
Premium volume: EUR 819.2 million
Employees: 1,586

BULGARIA
Market share: 14.0%
Premium volume: EUR 136.7 million
Employees: 834

Market share

1st–4th quarters 2016: Slovakia
1st–3rd quarters 2016: Austria, Baltic states, Bulgaria, Czech Republic, Hungary, Poland and Romania

VIG
VIENNA INSURANCE GROUP

AUSTRIA
Wiener Städtische – Vienna Insurance Group
Donau – Vienna Insurance Group
S-Versicherung – Vienna Insurance Group

ITALY BRANCH
Wiener Städtische – Vienna Insurance Group
Donau – Vienna Insurance Group

SLOVENIA BRANCH
Wiener Städtische – Vienna Insurance Group

CZECH REPUBLIC
Kooperativa – Vienna Insurance Group
ČPP – Vienna Insurance Group
Pojišťovna České spořitelny – Vienna Insurance Group
VIG Re

SLOVAKIA
Kooperativa – Vienna Insurance Group
Komunálna poisťovňa – Vienna Insurance Group
Poisťovňa Slovenskej sporiteľne – Vienna Insurance Group

POLAND
Compensa – Vienna Insurance Group
InterRisk – Vienna Insurance Group
Polisa-Życie – Vienna Insurance Group
Vienna Life – Vienna Insurance Group

ROMANIA
Omniasig – Vienna Insurance Group
Asirom – Vienna Insurance Group
BCR Asigurari de Viata – Vienna Insurance Group

BULGARIA
Bulstrad – Vienna Insurance Group
Bulstrad Life – Vienna Insurance Group

CROATIA
Wiener Osiguranje – Vienna Insurance Group
Erste Osiguranje – Vienna Insurance Group

HUNGARY
Union Biztosító – Vienna Insurance Group
Erste Biztosító – Vienna Insurance Group
Vienna Life Biztosító – Vienna Insurance Group

SERBIA
Wiener Städtische – Vienna Insurance Group

UKRAINE
Княжа – Vienna Insurance Group
Княжа Life – Vienna Insurance Group
Глобус – Vienna Insurance Group
Українська страхова група – Vienna Insurance Group

ESTONIA
Compensa – Vienna Insurance Group
BTA

LATVIA
Compensa – Vienna Insurance Group
Baltikums Apdrošināšana – Vienna Insurance Group
BTA

LITHUANIA
Compensa – Vienna Insurance Group
Baltikums Apdrošināšana – Vienna Insurance Group
BTA

MOLDOVA
Donaris – Vienna Insurance Group

BELARUS
Купала – Vienna Insurance Group

GEORGIA
GPI – Vienna Insurance Group
IRAO – Vienna Insurance Group

TURKEY
Ray Sigorta – Vienna Insurance Group

ALBANIA
Sigma Interalbanian – Vienna Insurance Group
Intersig – Vienna Insurance Group

MACEDONIA
Осигурување Македонија – Vienna Insurance Group
Winner – Vienna Insurance Group
Winner Life – Vienna Insurance Group

MONTENEGRO
Život Wiener Städtische – Vienna Insurance Group

BOSNIA-HERZEGOVINA
Wiener Osiguranje – Vienna Insurance Group

GERMANY
InterRisk – Vienna Insurance Group

LIECHTENSTEIN
Vienna-Life – Vienna Insurance Group

As of March 2017
www.vig.com

Strategy

We and our around 50 Group companies have made a name for ourselves in Austria and the CEE region and have successfully established ourselves in the insurance market. We are united by a strategy that has precisely defined objectives and a desire to satisfy customer requirements in the best possible way. We aim to use this to effectively take advantage of the growth potential in the region.

OBJECTIVES

The Vienna Insurance Group (VIG) expansion strategy began in 1990 and has proved its value to this day. The Group has worked its way to the top position in the insurance markets of many countries. To further strengthen and expand this position, the special features of the individual markets are harmonised with the higher-level objectives of the Group. The following objectives have top priority in the business strategy:

- consolidating the market leadership in Austria and
- taking advantage of the growth potential in the CEE region

The decisions required for this are made based on the need to continuously improve earnings power, ensure a positive underwriting result and maintain a conservative investment policy.

The core business of Vienna Insurance Group focuses on "insurance", with a regional focus on Austria and Central and Eastern Europe. These two key strategic elements are based on four management principles that have proved themselves in the past and will continue to form a basis for all important business decisions by the Group in the future.

KEY STRATEGIC ELEMENTS

CONCENTRATING ON THE CORE BUSINESS

Vienna Insurance Group has more than 190 years of experi ence in the insurance industry and uses this experience every day when dealing with its customers in Austria and the CEE region. The core business of Vienna Insurance Group is to know people's country-specific security and future provision needs and offer individual insurance solutions that meet these needs. The Group will continue to use professional customer advisory services, a comprehensive range of products and outstanding service to achieve its success in the future.

FOCUS ON AUSTRIA AND THE CEE REGION

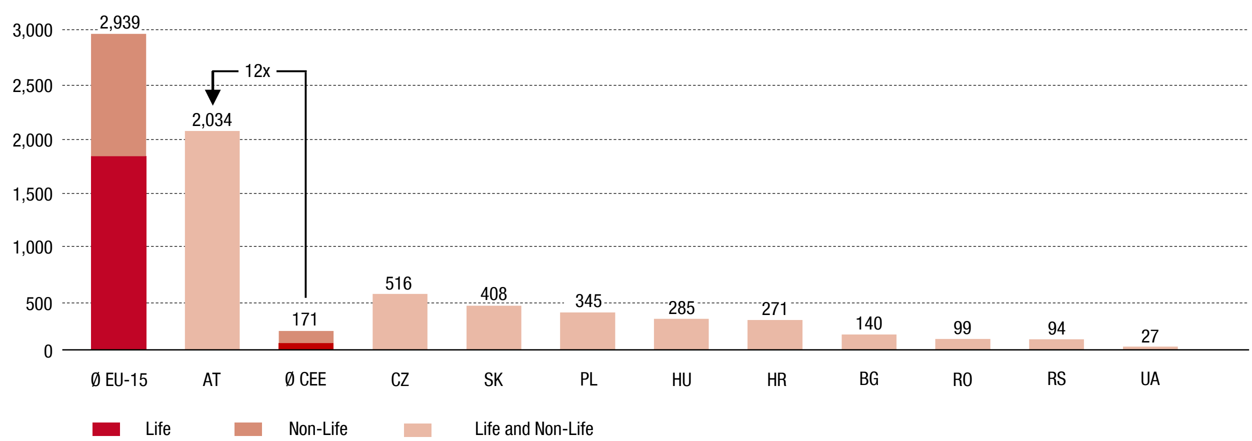
With foresight, determination and due care, VIG took the opportunity to enter the CEE region 26 years ago, a decision that is still bearing fruit today. Around half of all the Group premiums written in financial year 2016 were generated in markets outside of Austria. The differences in economic and insurance maturity of these markets provides valuable diversification among growing and dormant markets.

In the case of Austria, the goal is to consolidate our market leadership. This will be achieved by promoting loyalty among existing customers and actively taking advantage of growth potential. The potential offered by life insurance will be further exploited, in spite of the challenges presented by the ongoing low interest rate environment. Austria has a lower insurance density in this area than other Western European countries. Local Vienna Insurance Group companies have repeatedly demonstrated in the past that they possess the experience and expertise needed to identify market developments at an early stage and address them with innovative insurance solutions. They must continue to further exploit these opportunities in the future to ensure that Austria remains a stable foundation for the Group.

The early expansion into the CEE region gave the Group a decisive starting advantage. The valuable knowledge that the local employees possessed about special market features was quickly used to address local needs. The potential of the region, which Vienna Insurance Group continues to believe in, can be seen by comparing, for example, the insurance density in different countries. The average insurance density in the CEE markets was EUR 171, compared to EUR 2,939 in the EU-15 countries. The figures in the non-life area were EUR 113 versus EUR 1,138. The difference was even greater in the life segment, where the value was EUR 58 for the CEE markets and EUR 1,801 for the EU-15 countries. VIG companies in some countries once again provided impressive proof that they could take advantage of this potential in financial year 2016. The VIG companies in Romania, for example, reported an impressive 24% increase in premiums in 2016. In addition, Serbia recorded an increase of around 18%, Hungary around 10% and Croatia around 9%. The aim is to continue on this successful path in the coming years.

INSURANCE DENSITY 2015

Per capita insurance premium in EUR



CEE: weighted average of CEE markets
Source: in-house calculations based on publications by national insurance supervisory authorities and associations, the IMF and Swiss Re (Sigma)

MANAGEMENT PRINCIPLES

LOCAL ENTREPRENEURSHIP

VIG's decentralised structure and rapid decision-making are important success factors. It intentionally relies on the expertise of its local management and employees, who know the needs of the local population the best.

This is because the region where VIG operates only appears homogeneous at first glance. Closer examination clearly shows the variation in structure and level of development in the different insurance markets. As a result, business models cannot simply be transferred from one country to another. Instead, distribution and products have to be modified to take account of the special features of each market. This special structure does, however, offer great opportunities for both local management and local employees, as it allows them to work independently. The higher-level values and principles defined at the Group level may not, however, be ignored. A particular focus is placed on the risk management, actuarial, reinsurance and investment areas, and the departments in the holding company assist the VIG companies in these areas while ensuring continuous development and communication of the top-level Group guidelines. Regular international meetings of management and employees are held to exchange best practice examples and promote a common corporate culture.

MULTI-BRAND STRATEGY

VIG operates with more than one company and brand in most of its markets. This multi-brand strategy and local entrepreneurship are the key characteristics that set VIG apart from the competition and form an important foundation for the success of the Group. As part of its expansion strategy, VIG decided to retain well-established brands that already enjoyed good customer recognition. This allows it to address different target groups and design different product portfolios. The Group companies use their local brand names as their first names, which strengthens their regional identity and employee loyalty to the company. At the same time, adding Vienna Insurance Group to the name proclaims its international stature and many years of experience and provides additional security to customers.

Vienna Insurance Group nevertheless focuses on taking advantage of potential synergies and continuously examines the economic use of resources and the efficiency of organisational structures for this purpose. In many countries, employees are already working successfully in shared services in order to perform administrative tasks more efficiently. Group companies are only merged if the potential synergies clearly outweigh the benefits of a diversified market presence.

MULTI-CHANNEL DISTRIBUTION

Multi-channel distribution is directly related to the multi-brand strategy. VIG follows a diversified distribution strategy to acquire new customers in its markets, using a variety of different distribution channels including its own field sales staff, as well independent brokers and agents, multi-level marketing, direct sales, banks and digital media. These different distribution channels take into account local market circumstances in the countries and address customer needs in the best possible way.

The importance that a distribution channel has for a particular market depends both on the statutory framework and the state of development of the insurance industry in that market. Bank sales, for example, have become more important in recent years, and VIG was quick to recognise this trend. Erste Group and VIG entered into a cooperation agreement in 2008 that continues to benefit both parties to this day. VIG acquired all the insurance activities of Erste Group, a bank group that is firmly anchored in Austria and the CEE region, and the Erste Group sales organisation has distributed VIG products since then. In return, VIG companies offer their customers selected Erste Group banking products.

CONSERVATIVE INVESTMENT AND REINSURANCE POLICIES

The investment of customer funds entrusted to Vienna Insurance Group in the form of premiums is one of the key duties of the Company and demands great responsibility. Vienna Insurance Group's investment strategy can be considered conservative. The strategy includes investment guidelines that are binding on every Group company and monitored by the Group Asset Management and Internal Audit departments at regular intervals. In addition to ensuring sufficient liquidity to satisfy insurance claims, particular importance is placed on diversifying the investment portfolio and on the returns that can be achieved while taking into account the overall risk exposure of the Company.

Vienna Insurance Group had EUR 36,236.20 million in investments (including cash and cash equivalents) at the end of 2016. Of this amount, 72.7% was invested in fixed income securities and loans, and 15.7% in real estate. Only 4.0% of total investments are in equities (including equities in the funds). (Detailed information on the structure of investments can be found on page 52.) Thanks to this balanced, risk-conscious investment strategy, the structure of investments was largely unaffected by the financial and economic crisis. It is nevertheless important to continue examining and optimising the structure of the investment portfolio in the future. Vienna Insurance Group maintained its risk-conscious investment strategy with practically no change in 2016. Full consolidation of the non-profit societies from the 3rd quarter of 2016 nevertheless caused a shift in the investment portfolio towards real estate and away from all other asset classes.

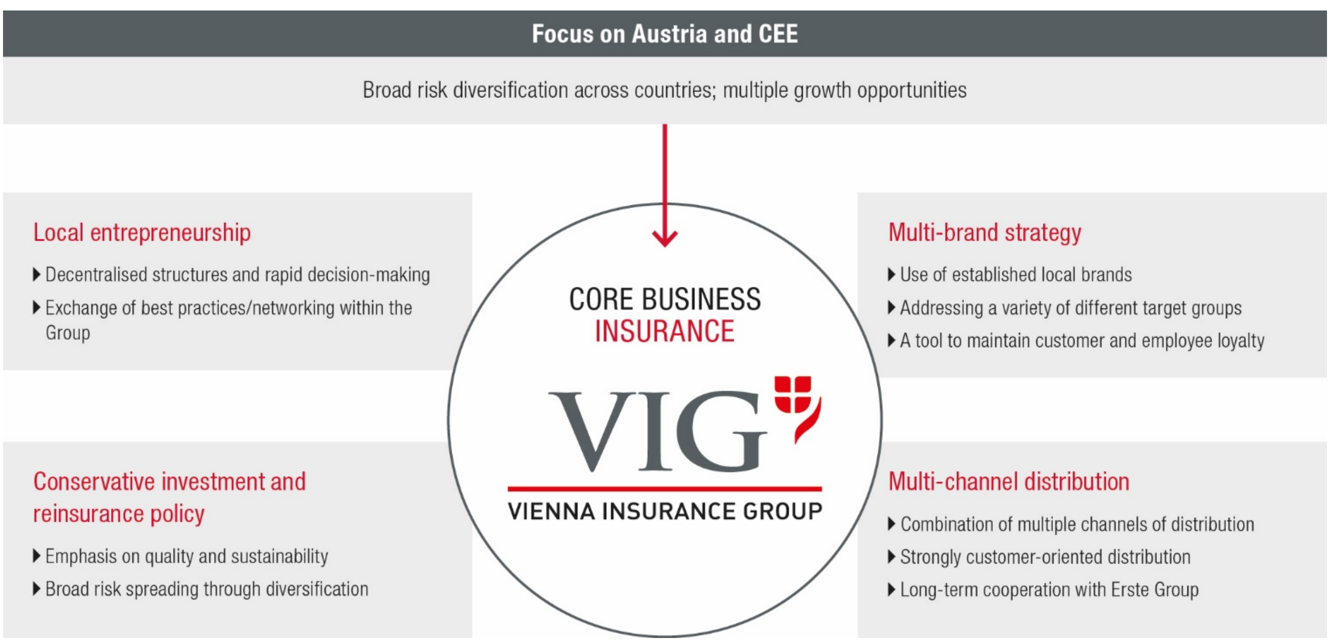
The conservative investment strategy plays a significant role, particularly taking into account the continuing low interest rates and ongoing obligations in the life insurance segment. These obligations will continue to be given the highest priority in the future with regard to investment. The life insurance companies in the Group are required to use appropriate control measures to ensure that this is the case. Internal analyses of maturity matching are performed regularly in the Group using current market parameters (yield curve).

Vienna Insurance Group also follows a conservative reinsurance policy. It limits the potential liability from its insurance business by passing on some of the risks it assumes to the international reinsurance market. It spreads this reinsurance coverage over a large number of different international reinsurance companies that Vienna Insurance Group believes offer adequate credit quality. VIG Holding acts as a reinsurer within the Group, coordinates the reinsurance programme and takes a leading role in the annual renewal process for natural disaster coverage.

The Group has had its own reinsurance company since the formation of VIG Re in 2008. The company is the first reinsurance company licensed in the Czech Republic and has a clear focus on the CEE region. The company began operations in August 2008 and received an A+ rating with stable outlook from the Standard & Poor's rating agency in the same year. This rating was reconfirmed in the summer of 2016. VIG Re also follows a conservative investment strategy and reserving policy. The success of the business strategy is reflected by the steady increase incedents. VIG Re already has around 300 insurance companies as its customers.

Pooling different risks ensures an important balancing of risks at the Group level that in turn contributes to ensuring optimal external insurance protection for Vienna Insurance Group as a whole. The primary objective is to create a safety net to provide continuous protection for all of the companies in the Group against the negative effects of individual large losses and negative changes in entire insurance portfolios.

MAIN PRINCIPLES FOR ACHIEVING VIG'S GOALS



STRATEGIC MEASURES AND INITIATIVES

We have developed a strategic work programme to ensure that VIG remains a strong and successful player in the Central and Eastern European insurance market in the future. For this reason, 2016 was dominated by an analysis of VIG's 25 markets. Vienna Insurance Group concentrates in this work programme on profitably using market potential as well as on areas that ensure future viability, optimise its business model in terms of cost-efficiency and effectiveness, and promote cooperation and organisation within the Group. Initiatives were defined in these three main areas for implementation by 2020.

A summary and description of selected focal points is presented below.

Strategic thrust of the agenda 2020

Optimising our business model

Creating added value by increasing operating performance.

Ensuring future viability

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

Organisation and cooperation

Support for measures in the area of optimisation and ensuring future viability by establishing:

- clear rules and instruments
- an infrastructure for cooperation within the Group

STRENGTHENING THE MARKET POSITION

Vienna Insurance Group aims to strengthen its market share by organic growth and further acquisitions that improve its market position and complement its existing portfolio. Vienna Insurance Group has identified four markets where it aims to increase its market share to at least 10% in the medium term: Serbia, Croatia, Hungary and Poland. This goal was already achieved in Serbia in 2016 when official approval was provided for acquisition of the AXA companies. The Group also made acquisitions in Romania and the Baltic states in 2016.

Purchase of the AXA companies in Serbia concluded
Vienna Insurance Group signed a purchase agreement to acquire the non-life insurer AXA Neživotno Osiguranje a.d.o. Beograd and life insurer AXA Životno Osiguranje a.d.o. Beograd (AXA Serbia) at the beginning of July 2016. The acquisition was concluded on 30 November 2016 after official approval was received, thereby increasing VIG's market share in Serbia to around 11.5%. The acquired companies will now be integrated into the existing company Wiener Städtische Osiguranje.

Purchase of the AXA company in Romania
At the beginning of August 2016, Vienna Insurance Group signed an agreement to acquire the Romanian life insurance company AXA Life Insurance S.A. (AXA Life), thereby confirming its leading position in the Romanian insurance market. The buyers are the two Romanian VIG Group companies BCR Life and Omniasig. The acquisition is subject to approval by the local authorities.

Acquisition of BTA Baltic concluded
Vienna Insurance Group has acquired a majority interest in BTA Baltic Insurance Company AAS (BTA Baltic), which has its registered office in Latvia and branches in Lithuania and Estonia. The transaction was concluded on 24 August 2016 after final official approval was received for the sales agreement that was signed in December 2015. The acquisition

of BTA Baltic makes Vienna Insurance Group the leading insurance group in the Baltics.

ENSURING FUTURE VIABILITY

Vienna Insurance Group's measures in this strategic area ensure that the Group remains fit for future opportunities and challenges and can optimally exploit potential to ensure the long-term success of the Company.

Insurance of the future
The aim of this initiative is to explore future changes in people's lifestyle and habits and the effects of demographic and economic change on the insurance industry.

Vienna Insurance Group has entered into a partnership with Versicherungsforen Leipzig's Insurance Innovation Lab to examine areas related to insurtechs, future automotive trends, such as self-driving vehicles or sensor networking, and artificial intelligence. How to design life insurance as an attractive instrument for future provision is also examined. The focus is on supplementing the primary service of risk coverage with additional value added.

Digitisation
Aside from automating processes, the main focus is on using digitisation for products and services. In 2016, VIG began screening the around 50 companies in the Group for digital innovations, products and services, with the aim of making these innovative ideas transferable to all Group companies – including, if possible, across country borders. VIG Holding is acting as a digital hub to support and coordinate activities in the Group and prepare a uniform digitisation strategy with the Group companies.

Assistance
VIG views the expansion of assistance services as a major opportunity to create a competitive advantage for the Company, and is already operating in-house assistance companies in the Czech Republic, Slovakia and Bulgaria.

Another milestone was achieved in 2016 during this internalisation by successful implementation of a greenfield project in Poland, which established itself as the most modern motor assistance centre in the Polish market. In 2017, work also began on establishing a separate assistance centre in Romania.

Expanding lines of business
There are three areas where VIG aims to expand its business activities: health insurance, bank insurance and reinsurance.

HEALTH INSURANCE
Based on market size, VIG presence, the structure of the public healthcare system and parameters for the private health insurance market, in addition to Austria five markets were identified where efforts will be made to expand health insurance. These are Poland, Romania, Bulgaria, Hungary and Turkey. Vienna Insurance Group will develop concrete business plans with local management in these five target countries to expand the portfolio in this segment.

REINSURANCE
The Group company VIG Re, which is headquartered in Prague, has established itself as one of the leading reinsurers in the CEE region in the last few years. It operates in 31 countries and recorded a premium volume of around EUR 370 million in 2016. VIG Re is now planning its next international initiatives, namely a gradual expansion of its business in Germany and controlled entry into the market in Western Europe, with a focus on France, Belgium, Luxembourg and Switzerland. VIG Re aims to position itself in these expanded markets as a niche player for special customer and market segments. The target group was therefore defined as locally and regionally oriented direct insurers.

BANK INSURANCE
Life insurance traditionally dominates the range of insurance products sold through banks. VIG feels a great deal of potential still exists to offer further insurance solutions to bank customers and plans to ramp up sales of health and property and casualty products. A project group is being formed with bank insurance partner Erste Group. The aim of the project is to optimise products, distribution and profits for the banks and insurance companies in all countries where

Erste Group and VIG cooperate. The focus is on customer needs and requirements, easily understandable products and integration into the bank's digitisation initiative. This also includes organisational and structural considerations on the insurance side that will improve communications and service for customers and banking partners.

OPTIMISING OUR BUSINESS MODEL

In addition to issues concerned with ensuring future viability, we are also implementing cost efficiency measures at the same time. These optimisation measures play a major role in the planned reduction of the combined ratio. This includes creating cost benefits by merging back-office functions and companies in the Group when long-term benefits due to potential synergies clearly outweigh the benefits of a diversified market presence.

Anti-fraud

Vienna Insurance Group works continuously on optimising processes in the area of claims management to make them more efficient and thus reduce expenses. In 2016, a project aimed at reducing insurance fraud was started or continued in Austria, the Czech Republic and Poland. The model tested in these three countries will now be transferred to other companies.

Closed file review

In addition to fighting fraud, Vienna Insurance Group also began a project for analysing the claims handling process in 2016. The goal of the analysis is to ensure a uniform group procedure for identifying and preventing unjustified overpayments due to weak points in the claims process.

Other measures

NAME OF POLISH LIFE INSURER SKANDIA CHANGED TO VIENNA LIFE

The name of the Polish life insurance company Skandia, which was acquired in May 2014, was changed to "Vienna Life Towarzystwo Ubezpieczeń na Życie SA Vienna Insurance Group" in October of the current year.

NAME OF UKRAINIAN LIFE INSURER JUPITER CHANGED TO KNIAZHA LIFE

The name of the Ukrainian life insurance company Jupiter was changed to "Private Joint-Stock Company "Insurance Company "Kniazha Life Vienna Insurance Group" in September of the current year.

CALL-IN AND REPAYMENT OF SUPPLEMENTARY CAPITAL BONDS

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

Corporate social responsibility

Our core business has always required being able to think in terms of and for many generations, assume responsibility and satisfy all of the future commitments we make to customers today. As a successful international insurance group, we want to actively fulfil our responsibility by helping create a future worth living. This section provides an insight into our extensive involvement in the area of corporate social responsibility (CSR).

OVERVIEW

THE IMPORTANCE OF INSURANCE TO SOCIETY

It is difficult to imagine a modern society without insurance. It fulfils a number of important economic functions that have become integral parts of our world. These functions include, for example, the following:

Asset protection:
Purchasing insurance coverage decreases the likelihood of catastrophic losses for individuals and allows existing assets to be protected using, for example, household insurance. However, insurance protection also promotes readiness to implement new innovative business ideas. A small company that wanted to introduce an innovative product to the market would probably be too scared to do so if it could not purchase product liability insurance.

Better handling of risks:
Insurance companies have a great deal of experience in managing risks and can reduce potential losses by, for example, technical testing, plant inspections or providing advice. Insurers also perform research into the causes of losses that can be used to reduce or even prevent future losses. Prompt provision of funds to remedy primary losses can prevent consequential losses affecting other individuals or companies.

Capital accumulation:
Insurance companies also play a role in capital accumulation. Funds are created to cover insurance payments, especially for life insurance. This means that insurance companies are important providers of capital to the economy and make long-term capital available for many productive uses.

Promotion of stakeholder-oriented management:
As a rule, insurance premiums are calculated based on risk – the higher the risk, the higher the premium. As a result, extremely high risks are never even assumed in the first place. Insurance companies play a type of monitoring role in this case. This role is particularly relevant for environmental protection. Companies that could potentially be sued for environmental pollution generally purchase insurance coverage against claims for damages. Since the premium for assuming extremely high risks would be far too high, insurance companies in effect promote the use of preventive measures to avoid environmental pollution.

Relieving the state:
Purchasing insurance protection also provides a public benefit. Individuals purchase insurance products to make personal provision for their old age or cover risks in their day-to-day lives. When this is not done, and individuals suffer losses they are unable to bear themselves, then the loss generally has to be covered by the state, i.e. taxpayers.

SUSTAINABLE SUCCESS

The Group's roots reach back to the year 1824, when the oldest of the three companies was formed in Austria that subsequently led to the current Wiener Städtische company and then to Vienna Insurance Group. In 1990, the Company was among the first Western European insurance companies to recognise and take advantage of the favourable political turning point in Eastern Europe and the growth opportunities that were offered by venturing into the market in the former Czechoslovakia. Further expansion followed – while applying good judgement and assessing the opportunities and risks – throughout the entire CEE region. The Group is now represented by around 50 insurance com-

ORGANISATIONAL INTEGRATION OF CSR

VIG feels that CSR concerns the Group as a whole and has therefore made it a Managing Board responsibility. A CSR Officer exists at the holding company level in the General Secretariat, which is directly below the Managing Board. The CSR Officer is responsible for coordination within the Group and consults on a variety of topics with the responsible individuals in corporate headquarters and with contacts at the major Group companies outside Austria. Progress on these topics is ensured by a continuous exchange of information and by workshops in which information is shared.

panies in 25 countries. Careful, risk-conscious corporate management and the tireless commitment of our local employees are the reasons why VIG holds a leading position in many of its markets. This success story has been guided at all times by long-term thinking, responsible action and efforts to combine business and social goals, and this will continue to be the case in the future.

STABLE OWNERSHIP

Around 30% of VIG shares are in free float and the remaining 70% are held by Wiener Städtische Versicherungsverein, the principal shareholder of Vienna Insurance Group. This principal shareholder shares VIG's business values and has an interest in the long-term, sustainable and successful performance of the Group. As a result, Vienna Insurance Group does not need to take actions aimed solely at short-term performance, but can, for example, remain in a market that is experiencing temporary difficulties but nevertheless has a great deal of long-term potential. Wiener Städtische Versicherungsverein also provides assistance to Vienna Insurance Group for cultural and social concerns in accordance with its articles of association. Great importance is placed on cross-border cultural exchanges, and on cooperations and initiatives that provide support for socially active organisations.

SUSTAINABILITY INDICES

VIG was included in the FTSE4Good and VÖNIX indices in 2016:

FTSE4GOOD
The FTSE4Good index was developed to highlight companies implementing far-reaching measures in the environmental, social and governance area. VIG shares were included in this global index in the middle of 2007.

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

FOCUSING ON IMPORTANT ISSUES

IDENTIFYING MATERIAL SOCIAL AND ENVIRONMENTAL TOPICS

In order to assume responsibility, the Company must first know its stakeholders' expectations. Doing this makes it possible to consider sustainability management from a strategic viewpoint and focus on material issues.

To ensure that VIG, with its many important social connections, did not lose itself in the broad area of social responsibility, the Group set out to involve major stakeholders in identifying the main social, environmental and economic issues for the Group. A multi-stage analysis process was initiated so that VIG's social contribution cannot only be identified, but also checked for significance with stakeholders, amended and improved.

To begin the process, a list of potentially relevant CSR topics was prepared from the following sources: statutory requirements, criteria based on international standards, analysis of internal documents, reports by international peers and requirements for sustainability ratings. This was followed by an internal workshop where the individual issues were examined for relevance to Vienna Insurance Group and assigned to separate topic areas.

Identifying the key CSR themes

MATERIALITY ANALYSIS PROCESS

The following sources were referred to in order to select the topics:

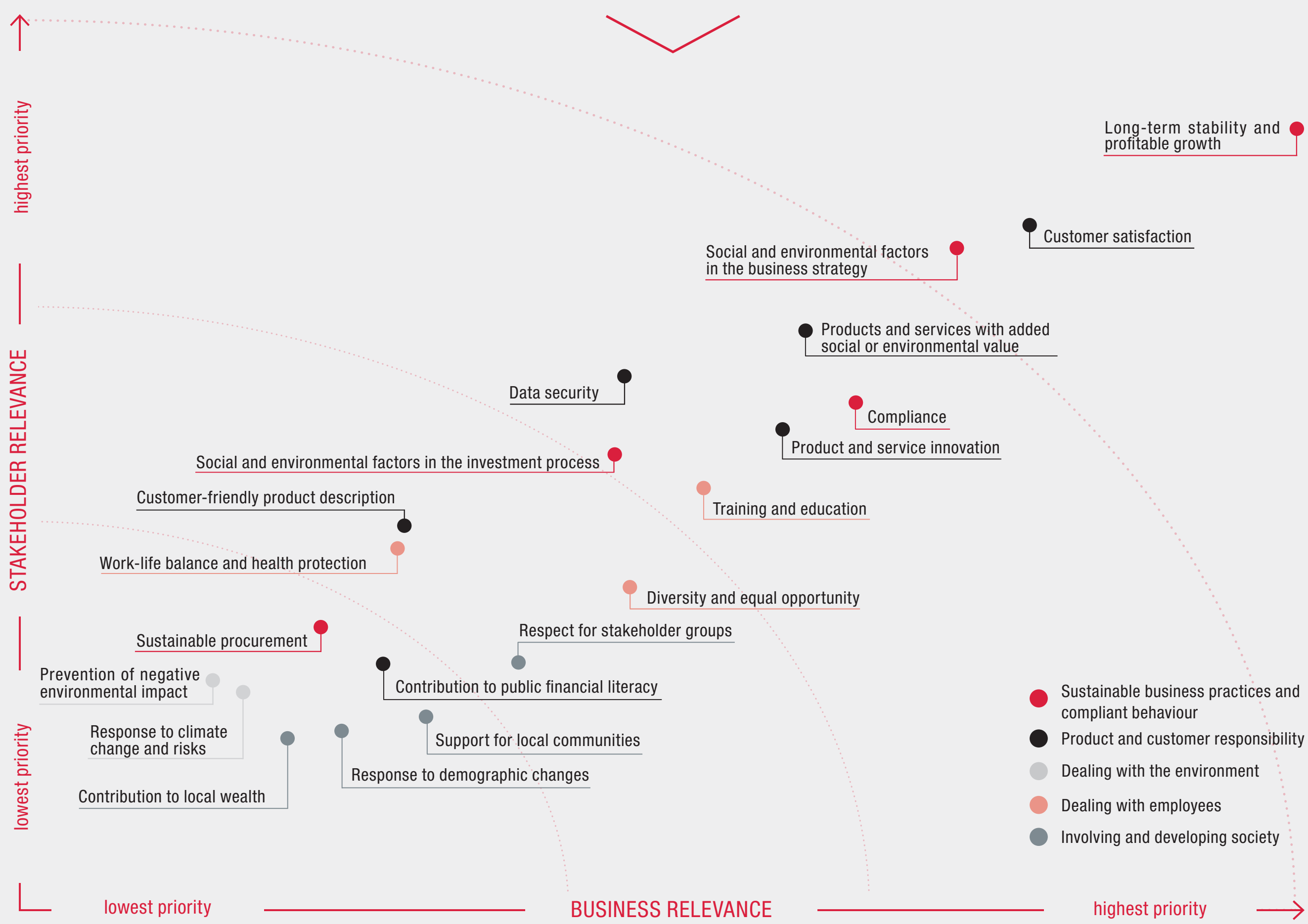
legal requirements	international standards	peer group comparisons	sustainability ratings	internal documents

Potentially relevant CSR topics were collected, and then a list of topics was drawn up.

The individual topics were reviewed at a workshop with experts from VIG Holding and by the CSR contacts from Group companies to test their relevance for VIG. The topics that resulted from this were assigned to five major topic areas.

Sustainable business practices and compliant behaviour	Product and customer responsibility	Dealing with the environment	Dealing with employees	Involving and developing society

An online questionnaire was developed to involve external stakeholders, as well as employees and management. Respondents ranked the topics in the topic areas according to their importance and then ranked the topic areas themselves. The results were transferred to a **MATERIALITY MATRIX**.



ONLINE SURVEY

In the middle of September 2016, an online questionnaire based on this preliminary work was sent to internal stakeholders (employees, management) and external interest groups, consisting of large clients, distribution partners, investors, analysts, political stakeholders, NGOs, various experts, the media and suppliers. The questionnaire asked respondents to rank the collected topics in the topic areas according to their importance for future sustainability reporting, and then to rank the topic areas themselves. Major topic areas included "sustainable business practices", "product and customer responsibility", "dealing with the environment", "dealing with employees" and "involving and developing society", each with between two and six subtopics. Around 770 respondents took advantage of the opportunity to provide their opinions.

MATERIALITY MATRIX

The results of the survey were entered into a materiality matrix (see chart on page 21). One axis (stakeholder relevance) shows employee and external stakeholder results, and the other axis (business relevance) shows management answers. The colours indicate the topic area to which each topic belongs.

The linear distribution of topics in the matrix does not have any major outliers at the upper left or lower right, indicating close agreement between the weightings and priorities of management versus employees and external stakeholders. Both groups rated long-term stability and profitable growth in the "sustainable business practices" topic area as the most important issue for corporate social responsibility. Customer satisfaction took second place, followed closely by social and environmental factors in the business strategy.

Vienna Insurance Group considers the stakeholder survey and assessment of the materiality of topics to be the first step in the Group's future development with regard to CSR. The materiality matrix provides important guidance for future direction.

COMPANY VALUES AND CONDUCT

VALUES

As a large international insurance group, Vienna Insurance Group is aware of its responsibility to interest groups and stakeholders. VIG's conduct towards these groups is guided by honesty and sustainability and is based on the following values:

- Credibility & integrity
- Customer satisfaction & quality of service
- Entrepreneurship
- Appreciation & respect

CODE OF CONDUCT

Above all, the brand Vienna Insurance Group stands for trust and security. To fulfil these demands, a standardised code of conduct, the Code of Business Ethics, was created based on VIG values. It applies to all VIG employees and governs conduct related to matters such as compliance with laws, human rights, non-discrimination, the prevention of market abuse, bribery, corruption, money-laundering and terrorist financing, data protection and the environment. In the interests of transparent corporate communication, the Code of Business Ethics is also published on the VIG website at www.vig.com/en/corporate-responsibility.

At the top level, the Vienna Insurance Group Managing Board is responsible for application of the Code of Business Ethics. The management bears responsibility for compliance with the rules in their areas of responsibility. Employees receive training and information sessions to learn about compliance-related topics.

COMPLIANCE ORGANISATION

The goal of the group-wide compliance management system of Vienna Insurance Group is to ensure compliance with the legal provisions applicable to VIG and the obligetions that it voluntarily assumes, and to promote a culture of integrity. The Vienna Insurance Group compliance organisation has a decentralised structure. The Group Compliance Officer works in close coordination with contact persons in the compliance-relevant departments of VIG Holding and local Group company compliance officeers, and coordinates communications with them. Compliance also relies on an exchange of information. For example, a Group-wide newsletter focusing on EU law is used for this purpose. An in-depth exchange of information and experience also takes place in Compliance Committee meetings, which take place in Vienna Insurance Group at both the holding company and Group level. The meetings in 2016 primarily dealt with the following topics: a number of areas in the Code of Business Ethics (in particular the prevention of corruption, market abuse, money laundering and terrorist financing, and data protection) as well as changes to EU law. Proactively providing information to employees on compliance-related issues also helps to raise awareness and create a compliance-conscious environment in the entire organisation.

PREVENTION OF BRIBERY AND CORRUPTION

VIG has zero tolerance for fraud and corruption and explicitly rejects all forms of bribery and corruption. Offering and/or accepting bribes, and all other forms of corruption are strictly forbidden. VIG requires transparency, integrity and compliance with anti-corruption and bribery laws in all lines of business, and places great importance on legally compliant and ethically correct conduct by all Group companies and their employees.

In addition to training in VIG's values and norms, the Internal Audit department monitors compliance with these values and norms, in particular with respect to bribery and corruption, by periodically checking for suspicious conduct and events that suggest unlawful conduct.

QUALITY AND RISK MANAGEMENT

COMPREHENSIVE RISK MANAGEMENT SYSTEM

Vienna Insurance Group uses effective risk management that allows risks to be handled professionally. This is very important for the Company, because its activities as an insurance group expose VIG to a large number of risks. These include traditional underwriting risks (incl. natural disaster risks), risks due to investments and a number of other risks, such as operational risk and reputation risk. Operational risk is the risk of losses related to business operations, such as expertise concentration risk, personnel shortage risk, legal and compliance risk, IT software and security risk and process and organisational risk. Reputation risk is the risk of negative changes in the business due to damage to a company's reputation. Reputation damage can shake customer confidence and the confidence of investors and the company's own personnel. Such damage can be caused, among other things, by providing incorrect advice when selling products, poor customer service, incorrect information to investors, etc.

Professional handling of risks due to effective risk management

VIG uses a comprehensive risk management system to fully identify, assess, manage and monitor the risks mentioned above and many other risks to which the Company is exposed. The risk management organisation is firmly anchored in the management culture of the Company and is based on a clearly defined risk policy and extensive risk expertise. Further information on VIG risk management is provided in this report starting on page 144.

VIG AWARDED TÜV QUALITY MANAGEMENT CERTIFICATION

VIG focuses on quality, risk minimisation and the efficiency and effectiveness of processes and workflows. This has now also been officially confirmed – the process department responsible for these matters has been awarded TÜV quality certification in accordance with EN ISO 9001:2015. Achieving this quality standard is still something quite new in the Austrian insurance industry. Certification was awarded after a nine-month startup phase.

ISO 9001 is a clearly recognised, globally established standard for top quality management. The new ISO 9001:2015 certification has been in effect since the autumn of 2015 and places greater weight on the strategic orientation of an organisation, among other things. In addition to considering process orientation, the way that risks and opportunities are handled is also part of the evaluation.

Chairwoman Ms. Stadler accepts the award
© Sebastian Philipp

RESPONSIBLE INVESTMENT

"Think globally – act locally" – Vienna Insurance Group also follows this guideline when making investment decisions. In the area of infrastructure investments, this means supporting local infrastructure projects that bring sustainable improvements in local living conditions. An example is its ongoing involvement in providing affordable living space in Austria. At the end of 2016, Vienna Insurance Group had around EUR 3.7 billion in investments in non-profit societies that build and renovate homes with affordable rents. This gives a broad section of the population access to low-cost and – due to the unlimited term of most of the rental agreements – long-term housing. In addition to increasing the stability of the housing market, this also promotes social solidarity, which is an important contribution given the increase in rents, particularly in metropolitan areas. The extensive use of renovation in social housing also reduces heating energy use and therefore makes an environmental contribution. The focus on multi-story buildings also increases density, thereby reducing space use.

A central factor in Vienna Insurance Group's investment philosophy is its ongoing investment in government bonds. These investments in local government bonds form an important part of the securities investments made by VIG insurance companies in CEE region. These ongoing investments by Vienna Insurance Group provide long-term capital to help meet the funding needs of CEE countries.

A responsible investment strategy is particularly important for life insurance, given the long-term obligations that are created. Ensuring that these obligations can be fully satisfied in the future is a top priority when investments are made. The life insurance companies in the Group are required to use appropriate control measures to ensure that this is the case. Internal analyses of maturity matching are performed regularly in the Group using current market parameters (yield curve).

CUSTOMER PROXIMITY USING A REGIONAL, DECENTRALISED STRUCTURE

What is the key difference between Vienna Insurance Group and its competitors? VIG's multi-brand strategy sets it apart. During its expansion, the Group decided to retain well-established brands that already enjoyed good customer recognition. This means that VIG operates with more than one company and/or brand in most of its markets. The individually tailored market presence of each of the companies allows them to address different target groups and design different product portfolios.

VIG's decentralised structure and rapid decision-making also set it apart. Customer needs vary widely from region to region due to differences in culture, experience and economic conditions. Vienna Insurance Group relies on its local management and employees, as they know their customers the best, thereby ensuring the best possible products and distribution based on local circumstances. This is important because needs-based product and service design plays a key role in our ongoing efforts to reach high customer satisfaction. Adequate freedom of action also allows the managers to react quickly to market changes and promote product and service innovations. Vienna Insurance Group feels this creates true customer proximity.

A number of examples are presented below in which Vienna Insurance Group companies have developed special products and services for their customers.

BE WHERE THE CUSTOMER IS

Insured in seconds. Since 2015, the Polish Group company Compensa has offered immediate purchase of motor policies using any form of mobile device, including its own terminals, under its Benefia brand for non-life products. Mobile terminals are located at post offices, cooperating banks, supermarkets, etc. After approval by the customer, the QR code on the vehicle registration is scanned to collect all relevant vehicle data. An offer is then immediately made with a variety of modules that can be chosen. If the customer chooses a policy, it can be purchased immediately and paid for using a credit or debit card.

This is just one example of how Benefia is successfully realising its vision to always be where the customer is. It developed its first online insurance system ("CSOU") in 2000, which was followed five years later by the Benefia24 online portal. The company sold its first policy via a smartphone in 2015. And the company is still working to ensure it is one step ahead for its customers in the future.

IMMEDIATE BENEFITS WHEN CANCER IS DIAGNOSED

One in four Austrians will be confronted with a diagnosis of cancer during their lifetimes. In addition to great emotional impact, this also frequently leads to additional expenses, e.g. for household help, childcare, special methods for improving tolerance to chemotherapy and radiotherapy, etc. The new cancer policy available from the Austrian Group company Donau Versicherung since January 2016 offers immediate benefits when malignant cancer is diagnosed.

The insured can also obtain a second medical opinion from internationally renowned experts, which can improve treatment outcomes. Donau Versicherung is the first company in Austria to work as a partner with MediGuide, a US company that has operated worldwide for 16 years and established itself as a leading provider of medical second opinions. Customers can easily obtain a professional second opinion from leading international doctors that can then be discussed with the treating doctor.

FULLY PERSONALISED LIFE INSURANCE

Simple, easy to understand and with many options – these few words sum up the new "NA PŘÁNÍ" life insurance policy offered by the Czech Group company Kooperativa. Customers can decide whether their priority is financial investment or coverage for biometric risks, such as nursing care or occupational disability. The product particularly provides coverage for many support measures in the case of severe accidents leading to serious permanent disability, such as physiotherapy costs, medical aids, vehicle modifycations, nursing care, etc. One special feature of this product is the option to choose your own name for the product, which is then used when communicating with the customer.

LISTEN, DISCUSS AND PROVIDE SOLUTIONS

How can insurance support local economic development? The Romanian Group company Omniasig is discussing this issue in the series of conferences that it jointly organises with the most reputed financial daily newspaper Ziarul Financiar. Corporate customers, brokers, government officials and other partners have been invited to these conferences since 2015 held in many regions of Romania. They come both as guests and as speakers. Omniasig wants to increase public knowledge about insurance and underline its importance for sustainable economic development. At the same time, it wants to show that Omniasig's range of also customised insurance solutions for its customers can contribute to local economic progress. The company plans to continue these events in 2017 and hold a conference in the Romanian capital of Bucharest to summarise the knowledge gained from these discussions.

Omniasig CEO Mihai Tecau speaks at a conference
© Omniasig

CHANGES IN SLOVAKIAN TOWNS AND CITIES

The Slovakian Group company Komunálna has been a long-time insurance partner for the country's municipalities. The company currently offers a special product for the association of cities and municipalities of Slovakia ("ZMOS"). The product is a policy for revitalising projects in towns and cities that receive EU subsidies and improving the infrastructure and therefore the quality of life of the people living there. Streets, pavement, water supply systems, waste disposal sites, parks, etc. are being revitalised for up-to-date modern use. The mayors concerned highly value the contribution that Komunálna is making with its tailor-made insurance product.

A SPECIAL INSURANCE PACKAGE FOR A SECOND CHANCE

A bank that tries to lose customers instead of gaining them – is there such a thing? Yes, for 10 years the Zweite Sparkasse and its seven branches throughout Austria have been providing accounts and extensive financial advice to people in financial difficulty, with the goal of quickly making them customers of a regular bank once again. The bank is managed by around 400 volunteer employees and was founded by Erste Group in 2006 using funds from the non-profit ERSTE foundation. Around 14,000 people have been served since then.

Wiener Städtische has been a cooperation partner of Zweite Sparkasse almost from the beginning. At the initiative of Wiener Städtische Versicherungsverein, the Austrian Group company Wiener Städtische offers an insurance package to customers of the bank that is tailored to their needs. Basic insurance coverage is offered, providing free legal advice once every quarter, together with free accident insurance. Household insurance may also be purchased for a monthly premium of only EUR 3.

RESPONSIBILITY TO EMPLOYEES

The success of an insurance company depends critically on its employees, their qualifications, dedication and expertise and the strength of their commitment to customer service. Vienna Insurance Group therefore positions itself as an employer of choice in a challenging international environment in order to search for and hire employees who can help promote its corporate culture and strategy with conviction. In addition to international career opportunities, mobility programmes, training and advanced training, the human resources area offers a large number of other initiatives, some of which are presented below.

EXPECTATIONS OF EMPLOYEES MADE TRANSPARENT – VIG EMPLOYEE COMPETENCE MODEL

In human resources terminology, competences are behaviours that enable an individual to optimally fill a position. VIG's Group-wide competence model provides clear descriptions of the behaviours expected of employees that contribute to the success of the Company.
These include:

- Collaboration and networking
- Openness to change solutions focus
- Service quality and customer retention
- Personal responsibility and contribution to the success of the business

Employees and management in all Group companies are evaluated in terms of the strength of their core competences and continuously developed. The competence model promotes local entrepreneurship based on the principles of cooperation and the Vienna Insurance Group philosophy. These expected behaviours are used to translate and communicate the Company's strategy, success factors and values. The competence model helps managers fulfil their key responsibility for employee development, makes development paths visible and makes it easier to identify development needs within Vienna Insurance Group. Identifying development options creates employee motivation, commitment and loyalty. The competence model is customised for Vienna Insurance Group and provides adequate flexibility for local circumstances.

EXPERT CAREER PROFILE: EXPERTS ASKED TO ENTER THE LIMELIGHT

Experts were identified as a strategic target group while the above-mentioned Vienna Insurance Group competence model was being developed, due to their particular importance to Vienna Insurance Group for implementing strategy and achieving success. To give this target group greater visibility and appreciation, and create clear development prospects, an expert career profile was developed with the following expert competences:

- A holistic approach
- Analysing tasks & finding innovative solutions
- Planning and completing tasks
- Effective communication
- Experts as role models
- Managing projects, processes and people

An important objective of this model is to formulate a shared understanding and clear expectations for the conduct and responsibilities of this career profile. Special local and Group-wide initiatives are also offered for experts, such as events for promoting information exchange and networking, and advanced training programs for learning practical approaches to problem solving, effective communication, systematic project management and similar measures.

LEARNING FROM OUR ERRORS – HR MANAGER CONFERENCE FOCUSES ON ERROR MANAGEMENT

The annual Human Resources Management Conference is a key element in the Group strategy for the Group-wide exchange of best practices in the HR area. 41 participants from 29 Vienna Insurance Group companies in 17 countries met once again in autumn 2016 to share their experiences. The event offered two days of workshops and presentations and left a great deal of time for networking and discussion. It has now become a tradition for the meeting to select a new focal point each year. After Generation Y in 2015, the focus in 2016 was on dealing with errors in organisations. The conference included a presentation by a renowned outside speaker, Jan Hagan, from the ESMT Business School in Berlin with the title “Confronting and managing mistakes”. He presented a clear treatment of the topic using examples from the field of aviation.

A VERY SPECIAL SUMMER FOR THE CHILDREN OF VIG EMPLOYEES

Once a year, Vienna Insurance Group’s principal shareholder, Wiener Städtische Versicherungsverein, invites the children of Vienna Insurance Group employees to VIG Kids Camp. Around 500 children from 23 countries once again spent two weeks at one of four holiday camps during the summer of 2016. In order to attend, participants are asked to show creativity. The motto for the drawing contest in 2016 was “Take a trip to another city – where would you like to travel the most?” Interested children of employees between 9 and 13 years of age could participate. The most imaginative submissions were rewarded with an invitation to VIG Kids Camp 2016.

VIG Kids Camp
© Robert Newald

EXTREMELY FAMILY-FRIENDLY

Many people – and many companies – feel that achieving the proper work-life balance is one of the biggest challenges in life. Achieving this balance is easier if it is actively promoted by the company. VIG has a long tradition of assisting in this area and all three Austrian insurance companies – Wiener Städtische, Donau Versicherung and s Versicherung – have received the government's "berufundfamilie" (Career and Family) seal of approval. During the audit process for the seal of approval, companies develop family-friendly measures specifically tailored to the circumstances and employees in their business. After the measures have been successfully implemented and approved by an external certification body, the company receives the government seal of approval from the Austrian Federal Ministry of Family and Youth.

During the audit, the three VIG companies worked together with employees from a wide variety of areas to supplement the measures that already existed with many new measures aimed at improving the ability to balance career and family in the future. A few examples are: creating an information platform for parents and care-giving relatives, modernising the periodic employee reviews, expanding the existing childcare programme and creating awareness of active fathers, e.g. in the form of a "Papa Week" for young fathers.

SOCIAL RESPONSIBILITY

Active social involvement has a long tradition in the Group. For this reason, support is given to social programs and projects dedicated to the socially less fortunate. The VIG principal shareholder developed some of its own initiatives in previous years to promote the social involvement of employees and Group companies and bring the volunteers into the limelight. In addition, the "Carer with a Heart" initiative organised by Wiener Städtische Versicherungsverein and Wiener Städtische created awareness of the topic of nursing care and the future challenges it brings.

SOCIAL ACTIVE DAY – MOTIVATION FOR A GOOD CAUSE

Thousands of VIG employees send a powerful message for more solidarity on Social Active Day. Under this initiative, employees who want to become involved with a good cause or social organisation are generally allowed to spend one working day of their time on such activities. This initiative was brought to life in 2011 by VIG's principal shareholder, Wiener Städtische Versicherungsverein, and quickly became a success. Around 4,400 employees from Group companies in 20 countries participated in 2016. The Group supported a wide range of projects and social organisations that also differed greatly across regions. Homeless shelters and initiatives, nursing homes, children's aid programmes, environmental protection programmes, refugee facilities and many more received active support. The associations and projects are happy to be given a helping hand, and employees gain new experiences while doing good.

Winner Non-Life and Life employees renovated the outdoor facilities of an SOS Children's Village in Macedonia on their Social Active Day
© Winner

AWARD IN RECOGNITION OF COMMITMENT TO VOLUNTARY ACTIVITIES – THE UNSUNG HEROES OF THE GROUP

Since 2013, the principal shareholder of Vienna Insurance Group has awarded an award in recognition of commitment to voluntary activities to honour Group employees who volunteer their free time to help others in a special way. Nominations for this award are made by fellow employees, and a jury selects the winners from the many nominations submitted. The jury chose ten impressive individuals from Austria and the CEE region in 2016. Wiener Städtische Versicherungsverein invited these unsung heroes of the Group to a ceremony in the Vienna headquarters, the Ringturm building, to honour them for their outstanding service. The winners also enjoyed a pre-Christmas weekend in Vienna with a busy programme of cultural events.

GÜNTER GEYER AWARD FOR SOCIAL CONSCIENCE – ACTS OF SPECIAL COMPASSION

Since 2012, Vienna Insurance Group's principal shareholder has honoured VIG companies that show exceptional social involvement with an award named after its General Manager. This annual award – which is awarded in Gold, Silver and Bronze – is both a way to thank the companies and motivate them to continue. The prize money of in total EUR 100,000 is earmarked for use by Group companies in further social projects.

Kooperativa in the Czech Republic received first place in the Günter Geyer Award for Social Conscience in 2016. In 2013, the company created its own foundation to handle all CSR activities and was able to implement a broad range of projects addressing important social issues with a high level of employee participation. Bulstrad Life was awarded second place. Its social activities focus on disadvantaged children, such as children from Roma families and children with mental and physical disabilities. With support from the "For Our Children Foundation", the company helps mothers with newborn babies so that they do not have to give up their children for financial reasons. The third place winner, the Macedonian company Makeodnija Osiguruvanje, also demonstrated extensive social involvement. By, for example, redesigning a central playground in Skopje with customers, it showed that help can be provided even without financial support.

CARER WITH A HEART – CREATING AWARENESS OF NURSING CARE

From Lake Neusiedl to Lake Constance – the search for the best carers in the country took place for the fifth time in 2016. This initiative honours individuals who are active in the area of nursing care on a voluntary or professional basis. The decision was made at the beginning of November, when a jury of experts selected two winners in each Austrian state from the thousands of submissions. The winners received EUR 3,000 in prize money donated by Wiener Städtische Versicherungsverein and the Austrian Economic Chambers.

The initiative was initiated in 2012, and the Austrian Federal Ministry of Science, Research and Economy, Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, Erste Bank and the Sparkasse banks have been partners from the start. "Carer with a Heart" (website: pflegerin-mit-herz.at) has also received support from the Austrian Economic Chambers and Austrian Chamber of Labour since 2014. The goal of the initiative has remained the same during the five years since its formation, namely to create awareness of issues in the area of nursing care and give thanks to the many family members and professionals providing nursing care.

„Carer with a Heart" campaign 2016 with Kira Grünberg
© Wildruf

ENVIRONMENTAL RESPONSIBILITY

Conservation of resources and the environment and creating awareness with respect to natural disasters are highly important to Vienna Insurance Group. This is shown by a variety of examples from the Group companies.

A "REWARD" FOR E-MOBILITY

The electric car trend is gaining speed. More than 5,000 electric vehicles were registered in Austria in 2015, and experts predict that the number of electric cars could increase to 175,000 by 2020. Group company Wiener Städtische supported this trend towards environmentally-friendly vehicles with a special "e-mobility bonus" in 2016. Customers purchasing motor insurance (third party liability and own damage) for an electric vehicle during a specified time period received a one-time credit of EUR 500 toward their premiums. Purchases of insurance coverage for e-bikes were also rewarded last year. Each customer purchasing full own damage coverage for an e-bike, including e-bike third party liability, received a premium of EUR 50. Wiener Städtische also continues to offer its preferential rates for electric vehicles.

BE AN "ECOIST"

The number of cars in Georgia has risen considerably in the last few years. Far more than half of them are more than 15 years old, leading to a massive deterioration in air quality. The Georgian Group company GPIH has addressed this problem and began a campaign in 2015 under the slogan "Be an ecoist, not an egoist". The company used original, effective media methods, such as calling in the "air police", to make people aware of the problem. A separate website (www.ecoist.ge) with useful information on environmental pollution and driving safety was set up at the same time.

In order to promote environmentally friendly vehicles and help solve the problem, GPIH offered large discounts on its motor insurance for vehicles with low levels of harmful emissions and low engine power. The campaign was supported by two national NGOs and attracted a great deal of attention in Georgia. The ecoist website recorded more than 65,000 hits. The initiative was continued in 2016. This time, the company offered to plant trees to offset the CO_2 emissions of customers who purchased policies. The Georgian resort town of Borjomi is now 2,000 trees richer. GPIH also wanted to increase public awareness of clean air with this campaign.

KEEPING RISK ON THE RADAR

As shown by the changes in previous years, a general increase is taking place in the intensity and frequency of natural disasters. The economic damage is considerable, and the loss amounts are rising at a faster than average rate due to increased population density and higher asset values. Storms, hail and flooding generate losses in the millions practically every year.

Good quality public weather and climate information plays an important role in prevention. Group company Wiener Städtische therefore presented its Risk Radar in 2016. The interactive map at risikoradar.at allows users to perform an independent analysis of their personal risk for the first time in Austria. Risks due to storm, hail, flooding and lightning are available so far for users to select. Because the long-term trend is important, two time periods (ten years and five years) are specified. The risks can be analysed separately or in combination to produce a detailed risk analysis. Wiener Städtische is helping to increase public awareness of risk in this way.

CENTRAL AND EFFICIENT – THE NEW STATE HEAD OFFICES IN UPPER AND LOWER AUSTRIA

Conserving resources is not only important for customer products and services, but is also taken into account in the Company's own business activities. An example of this is the use of energy efficiency as an important criteria for new construction and the renovation of office buildings, such as the new state head offices for Wiener Städtische and Donau Versicherung in Upper and Lower Austria and s Versicherung in Upper Austria.

A central location was chosen at Dr. Karl Renner Promenade 14/Schulring 23 for the new state head office that opened in St. Pölten in 2013. This of course says nothing about the energy efficiency of the building, but is important in terms of the route travelled by the around 180 employees, customers, partners, etc. In addition to the choice of location, the building also satisfies state-of-the-art energy standards. Referred to as a "green building", it incorporates low-energy design, a photovoltaic system and geothermal cooling of the IT and building services rooms.

The fully renovated and redesigned state head office in Upper Austria also wins points for its central location in the heart of Linz and outstanding infrastructure in the area. To optimise energy efficiency in the state head office, which was opened in 2016, a new façade with additional thermal insulation and high-efficiency thermal windows was added and cooling ceilings were installed in the offices.

Collecting waste paper by cargo bicycle
© Omniasig

RECYCLING ON WHEELS

The Romanian Group company Omniasig takes part in an innovative environmental initiative that also has a social aspect. "Recicleta" is a social project that was started in 2009 by Viitor Plus, a Romanian association for sustainable development. It offers a "clean" pickup service for recyclable waste (mainly paper, but also including PET bottles and aluminium) in Romania's capital city for companies with small and medium amounts of waste. This is noteworthy, because recycling is otherwise only economical for large quantities of waste in Bucharest. "Ricicleta" employs people who are having difficulty entering the labour market.

Cargo bicycles are used to pick up waste paper at regular intervals from companies in Bucharest – including the offices of Omniasig since 2014 – and take it to a large collection point. In its first six years, "Recicleta" has transported around 290 tonnes of waste that was subsequently recycled. This is a major success, particularly given the country's extremely low recycling rate. Omniasig collected around two tonnes of waste paper and cardboard for recycling in 2016. The company plans to expand its recycling to include PET bottles, aluminium cans and old batteries in the future.

Corporate governance report

Transparency and stakeholder trust are important to us. Observance of and compliance with the provisions of the Austrian Code of Corporate Governance therefore play an important role in Vienna Insurance Group.

The Austrian Code of Corporate Governance (ÖCGK) was introduced in 2002 and is amended periodically to account for changes in the law and current trends. It is the standard for proper corporate governance and control in Austria. Provisions of the Code contribute to strengthening of trust in the Austrian capital market, and the report that companies are required to publish on compliance with these provisions requires a high level of transparency.

Vienna Insurance Group is committed to the application of and compliance with the January 2015 version of the Austrian Code of Corporate Governance. § 267b UGB (Consolidated Corporate Governance Report) is also applied when preparing this report.

The Austrian Code of Corporate Governance is available to the public both on the Vienna Insurance Group website at www.vig.com/ir and the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

Vienna Insurance Group views corporate governance as a continuous process that changes in response to new conditions and current trends and must be continuously improved for the benefit of the Group and all its stakeholders. The goal of all corporate governance measures is to ensure responsible corporate management aimed at long-term growth while simultaneously maintaining effective corporate control.

Vienna Insurance Group Managing Board, Supervisory Board and employees consider observance of and compliance with the rules of the Austrian Code of Corporate Governance to be highly important for the practical implementtation of corporate governance. Vienna Insurance Group's declaration of adherence to the Code, discussions regarding the areas of deviation and detailed information on the composition of, procedures followed by and the compensation of the Managing Board and Supervisory Board are clearly organised and presented below.

The rules of the Austrian Code of Corporate Governance are divided into the following three categories:

- Rules based on mandatory legal requirements ("Legal Requirement")
- Rules based on standard international requirements. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or Explain")
- Non-compliance with rules of a purely recommending nature does not need to be disclosed or explained ("Recommendation")

VIG complies with all of the "Legal Requirements" of the Austrian Code of Corporate Governance as set forth by law. VIG deviates from one "Comply or Explain" rule, as explained below:

RULE 41

The supervisory board shall set up a nomination committee. In cases of supervisory boards with no more than six members (including employees' representatives), the function may be exercised by all members jointly. The nomination committee submits proposals to the supervisory board for filling mandates that become free on the management board and deals with issues relating to successor planning.

Explanation: Because of its special importance, the entire issue of successor planning is handled by the Supervisory Board. The Vienna Insurance Group Supervisory Board has therefore not established a nomination committee.

VIG's scope of consolidation also includes capital market-oriented subsidiaries that are required by the legal systems applicable to them to prepare and publish corporate governance reports. These include: Bulstrad Non-Life (Bulgaria), Makedonija (Macedonia) and Ray Sigorta (Turkey). The corporate governance reports are included in the annual reports of these companies and can be accessed on their websites: www.raysigorta.com.tr (About > Investor Relations), www.bulstrad.bg/en/ (About Bulstrad > Financial Results), www.insumak.mk (website link: http://insumak.mk/sobranie-na-akcioneri.php). Any areas of deviation, and the reasons for these deviations, are indicated in the corporate governance reports for these countries.

MEMBERS OF THE MANAGING BOARD AND AREAS OF RESPONSIBILITY AS OF 1 JANUARY 2017

Vienna Insurance Group Managing Board is made up of six people:

Elisabeth Stadler
General Manager
Year of birth: 1961
Date first appointed: 1 January 2016
End of current term of office:
30 June 2018

Elisabeth Stadler studied actuarial theory at the Vienna Technical University and began her career in the Austrian insurance industry as a Board member and chair. In May 2014, she was awarded the professional title of professor by Federal Minister Gabriele Heinisch-Hosek for her services in the insurance industry. She served as General Manager of Donau Versicherung from September 2014 to March 2016 and has been General Manager of VIG since 2016.

Areas of responsibility: Management of the VIG Group, strategic issues, European issues, corporate communications and marketing, sponsorship, people management, group development and strategy

Country responsibilities: Austria, Czech Republic

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: Österreichische Post AG, Bank Austria Real Invest Immobilien Kapitalanlage GmbH (until 6 March 2017), Die Österreichische Hagelversicherung, Casinos Austria AG

Elisabeth Stadler also has an active role on the Supervisory Boards of material* Vienna Insurance Group companies: Wiener Städtische, Donau Versicherung, s Versicherung, Kooperativa (Czech Republic), ČPP, PČS, InterRisk

Franz Fuchs
Year of birth: 1953
Date first appointed: 1 October 2009
End of current term of office:
30 June 2018

Franz Fuchs began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in the life insurance area and pension funds before joining VIG. Franz Fuchs was Chair of the Managing Board of Compensa Non-life and Compensa Life from 2003 to the beginning of 2014. He has been Chair of the Managing Board of VIG Polska since 2003. He was first appointed to the Vienna Insurance Group Managing Board on 1 October 2009.

Areas of responsibility: Performance management personal and motor insurance, asset risk management

Country responsibilities: Baltic states, Moldova, Poland, Ukraine

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: C-QUADRAT Investment AG

Franz Fuchs also has an active role on the Supervisory Boards of material* Vienna Insurance Group companies: Kooperativa (Czech Republic), ČPP, PČS, InterRisk, Omniasig.

Roland Gröll
Year of birth: 1965
Date first appointed: 1 January 2016
End of current term of office:
30 June 2018

Roland Gröll studied at the Vienna University of Economics and Business and joined Wiener Städtische in 1994 in the Finance and Accounting department. He became Deputy Head of the Finance and Accounting department in 2003, and was head of this department from 2008 until the end of 2015. Roland Gröll was also a member of the Managing Board of Donau Versicherung for two years. He has been a member of the Vienna Insurance Group Managing Board since January 2016.

Areas of responsibility: Group IT/SAP, international processes and methods

Country responsibilities: Bosnia-Herzegovina, Croatia, Macedonia, Romania

Roland Gröll also has an active role on the Supervisory Board of a material* Vienna Insurance Group company: Omniasig.

Judit Havasi
Year of birth: 1975
Date first appointed: 1 January 2016
End of current term of office:
30 June 2018

Judit Havasi has worked for the Group since 2000. She began as an internal audit employee in UNION Biztosító and became the head of this company in 2003. Before her appointment to the Managing Board of Wiener Städtische in 2009, Judit Havasi was a substitute member of the Managing Board of Wiener Städtische and a member of the Managing Board of UNION Biztosító in Hungary. Judit Havasi was Deputy General Manager of Wiener Städtische from July 2013 to the end of 2015. She was also a substitute member of the Vienna Insurance Group Managing Board starting in 2011. She has been a member of the Vienna Insurance Group Managing Board since January 2016.

Areas of responsibility: Solvency II, planning and controlling, law

Country responsibilities: Slovakia

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: Erste&Steiermärkische Bank d.d., Die Zweite Wiener Vereins-Sparcasse

Judit Havasi also has an active role on the Supervisory Boards of material* Vienna Insurance Group companies: Wiener Städtische, Donau Versicherung, Kooperativa (Slovakia).

Peter Höfinger
Year of birth: 1971
Date first appointed: 1 January 2009
End of current term of office:
30 June 2018

Peter Höfinger has been a member of the Vienna Insurance Group Managing Board since 1 January 2009. Prior to that, he was director of the Managing Board of Donau Versicherung. He joined this company in 2003. Previously, he held management positions outside the Group in Hungary, the Czech Republic and Poland.

Areas of responsibility: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, group development and strategy

Country responsibilities: Albania (incl. Kosovo), Bulgaria, Montenegro, Serbia, Hungary, Belarus

Martin Simhandl, CFO
Year of birth: 1961
Date first appointed: 1 November 2004
End of current term of office:
30 June 2018

Martin Simhandl began his career with the Group in 1985 in the legal department of Wiener Städtische. In 1995, he became head of the subsidiaries department and in 2003, he took over coordination of the Group's investment activities. In 2002 and 2003, Martin Simhandl was also a member of the Managing Boards of InterRisk Non-life and InterRisk Life in Germany, with responsibility for the areas of property insurance, reinsurance and planning/controlling. On 1 November 2004, Martin Simhandl was appointed to the Managing Board of the Company.

Areas of responsibility: Asset management, subsidiaries department, finance and accounting, treasury/capital markets

Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: CEESEG Aktiengesellschaft, Erste Asset Management, Wiener Hafen Management GmbH, Wiener Börse AG

The Managing Board as a whole is responsible for enterprise risk management (Solvency II), general secretariat, the actuarial department, Group compliance, internal audit and investor relations.

The following two substitute members were also appointed to the Managing Board and will become members of the Managing Board if a member of the Managing Board becomes permanently incapable of performing his or her duties:
Martin Diviš (year of birth: 1973)
Gábor Lehel (year of birth: 1977)

* VIG considers all companies that contribute at least 2% of written premiums and at least 2% of profit before taxes to be "material".

MEMBERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2016

Günter Geyer
Chair
Year of birth: 1943
Date first appointed: 2014
End of current term of office: 2019

Günter Geyer joined Wiener Städtische in 1974 and was appointed to the Managing Board in 1988. In 2001, he became General Manager and Chair of the Managing Board. Working in a variety of positions in Austria and the CEE region, he played a major role in VIG's development into a successful international insurance group. Günther Geyer resigned from his position as Chair of the Managing Board of Vienna Insurance Group effective 31 May 2012 and has held the position of Chair of the Supervisory Board since 2014. He is Chair of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

Karl Skyba
1st Deputy Chair (until 30 April 2017)
Year of birth: 1939
Date first appointed: 1992
End of current term of office: 2019

Karl Skyba began working with the City of Vienna after graduating from high school in 1957, and his career path took him through a wide variety of positions in the local administration of the City of Vienna. After completing part-time law studies, he held the position of General Manager of the Vienna public utilities from 1991 to the end of 2002.

Maria Kubitschek
2nd Deputy Chair
(since 6 September 2016)
Year of birth: 1962
Date first appointed: 2014
End of current term of office: 2019

After completing her studies in social sciences and economics at the University of Vienna, Maria Kubitschek began working for the Vienna Chamber of Labour in 1988. After holding a variety of management positions, she was the Head of the Economic Division of the Vienna Chamber of Labour starting in 2001, with a short interruption from 2011-2013 (management position in the cabinet of the Austrian Federal Ministry for Transport, Innovation and Technology), and has been Deputy Director of the Vienna Chamber of Labour since in 2016. She is also a Member of the Managing Board of the Austrian Institute of Economic Research (WIFO).

Bernhard Backovsky
Year of birth: 1943
Date first appointed: 2002
End of current term of office: 2019

Bernhard Backovsky was ordained as a priest in 1967 and chosen as the 66th provost of Klosterneuburg Monastery in December 1995, a position that he still holds today. He has also been Abbott President of the Canons Regular of the Lateran Congregation of Austria since 18 October 2002 and was Abbott Primate of the Confederation of the Canons Regular of St. Augustine from 19 October 2010 to 16 October 2016. In addition to numerous other honours, at the end of 2010 he received the Grand Decoration of Honour in Silver for Services Rendered to the Republic of Austria for supporting the Foundation for Street Children in Romania. VIG has been a partner of Klosterneuburg Monastery for many years. The former provost of the monastery, Gaudenz Dunkler, was one of the founding fathers of "Wechselseitige k.k. priv. Brandschaden-Versicherungs-Anstalt" in 1824, which subsequently developed into Wiener Städtische Versicherungsverein and then into Wiener Städtische and VIG.

Martina Dobringer
Year of birth: 1947
Date first appointed: 2011
End of current term of office: 2019

Martina Dobringer has held management positions in the Coface Group since 1989 and was General Manager and Chair of the Managing Board of Coface Austria Holding AG from 2001 to 2011. In 2011, she was awarded the Grand Decoration of Honour in Silver for Services Rendered to the Republic of Austria and in 2006 became the first Austrian businesswoman to receive the highest French decoration ("Chevalier dans l'ordre de la Légion").

Rudolf Ertl
Year of birth: 1946
Date first appointed: 2014
End of current term of office: 2019

Rudolf Ertl has a Doctor of Laws degree and has been with the Group since 1972. He was a Member of the Managing Board of Wiener Städtische until the end of 2008 and Member of the Managing Board of Donau Versicherung until June 2009. He is a Member of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

Heinz Öhler
Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2019

Heinz Öhler joined the Tyrolean Regional Health Insurance Fund in 1990, where he initially acted as Manager of the Finance Department and later held an executive position until 2011. Handball has been one of his passions since he was a child and he has held many positions in the sports world, including being appointed as a Member of the Tyrolean State Sports Council in November 2016.

Reinhard Ortner †
Year of birth: 1949
Date first appointed: 2007

Reinhard Ortner died unexpectedly at the age of 68 on 21 January 2017. He had been a Member of the Supervisory Board since 2007 (Wiener Städtische and then Vienna Insurance Group). Reinhard Ortner worked in a variety of management positions in Erste Group during the entire 45 years of his professional career. He was highly appreciated for his humanity and consistently fair treatment of business partners and colleagues. We remember him with great respect and admiration.

Georg Riedl
Year of birth: 1959
Date first appointed: 2014
End of current term of office: 2019

After completing his legal studies at the University of Vienna, Georg Riedl has worked as an independent lawyer since 1991. His areas of specialisation include company law, mergers and acquisitions, private foundation law and tax law.

Gertrude Tumpel-Gugerell
Year of birth: 1952
Date first appointed: 2012
End of current term of office: 2019

Gertrude Tumpel-Gugerell was Vice Governor of the National Bank of Austria (OeNB) from 1998 to 2003 and Member of its Board of Directors from 1997 to 2003. During this period, she was also the Austrian Vice Governor to the International Monetary Fund and a Member of the Economic and Financial Committee, the most important economic policy advisory committee of the European Union. Gertrude Tumpel-Gugerell was responsible for the Economics and Financial Markets portfolios at the National Bank of Austria. From 2003 to 2011, she was a Member of the Executive Board of the European Central Bank.

SUPERVISORY BOARD INDEPENDENCE

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of VIG has established the following criteria for independence:

- The Supervisory Board member has not been a member of the Managing Board or a senior manager of the Company or subsidiary of the Company in the last five years.
- The Supervisory Board member does not have a business relationship with the Company or a subsidiary of the Company that is of such significant scope for the Supervisory Board member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies, in which the Supervisory Board member has a significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with § 95(5)(12) of the Austrian Stock Corporation Act (AktG) or § 15(2)(l) of the Articles of Association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that

the purchase or existence of insurance policies with the Company has no adverse effect on independence.

- The Supervisory Board member has not been an auditor of the Company's financial statements or held an ownership interest in or been an employee of the auditing company executing such auditing in the last three years.
- The Supervisory Board member is not a member of the Managing Board of another company that has a member of the Company's Managing Board on its Supervisory Board.
- The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or individuals holding one of the positions described above.
- The Supervisory Board as a whole is to be considered independent if at least 50% of the members elected by the general meeting satisfy the criteria above for independence of a Supervisory Board member.

All members of the Supervisory Board have declared whether they can be considered independent based on the criteria specified by the Supervisory Board. The following members are independent in terms of the points mentioned above: Karl Skyba, Bernhard Backovsky, Martina Dobringer, Maria Kubitschek, Heinz Öhler, Reinhard Ortner †, Georg Riedl, Gertrude Tumpel-Gugerell.

No member of the Supervisory Board is a shareholder with more than 10% of the shares of the Company.

The following members of the Supervisory Board held Supervisory Board positions or comparable positions in Austrian or foreign listed companies as of 31 December 2016:

Martina Dobringer
Praktiker AG

Georg Riedl
AT&S Austria Technologie und Systemtechnik AG
Bwin.Party Digital Entertainment Plc (until 31 January 2016)

Gertrude Tumpel-Gugerell
Commerzbank AG
OMV AG

SUPERVISORY BOARD COMMITTEES

The following qualified Supervisory Board committees were established to increase the efficiency of the Supervisory Board and address complex issues:

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

The Committee for Urgent Matters (Working Committee) decides on matters that require an approval of the Supervisory Board, but cannot be deferred to the next ordinary Supervisory Board meeting because of particular urgency.

Günter Geyer (Chair)
1st substitute: Gertrude Tumpel-Gugerell
2nd substitute: Reinhard Ortner †

Karl Skyba (Deputy Chair)
1st substitute: Georg Riedl
2nd substitute: Reinhard Ortner †

Rudolf Ertl
1st substitute: Martina Dobringer
2nd substitute: Reinhard Ortner †

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the duties assigned by § 92(4a) no. 4 of the Austrian Stock Corporation Act (AktG) and § 123(9) of the Austrian Insurance Supervision Act (VAG), namely:

1. Monitoring the accounting process and providing recommendations or suggestions for ensuring its reliability;

2. Monitoring the effectiveness of the Company's internal control system and, if applicable, the internal audit function and risk management system;

3. Monitoring the audit of the financial statements and consolidated financial statements taking into account findings and conclusions in reports published by the supervisory authority for financial statement auditors in accordance with § 4(2) no. 12 of the Austrian Auditor Supervision Act (APAG);

4. Checking and monitoring the independence of the financial statement auditor (consolidated financial statement auditor), in particular with respect to the additional services provided for the audited company; Art. 5 of Regulation (EU) No. 537/2014 and § 271a(6) UGB apply;

5. Reporting the results of the financial statement audit to the Supervisory Board and explaining how the financial statement audit has contributed to the reliability of the financial reports and the role of the Audit Committee in this;

6. Auditing the annual financial statements and performing preparations for their approval, examining the proposal for appropriation of profits, the management report, solvency and financial position report and, if applicable, corporate governance report, and presenting a report on the audit findings to the Supervisory Board or Board of Directors;

7. If necessary, auditing the consolidated financial statements and Group management report, the solvency and financial position report at the Group level and the corporate governance report at the consolidated level, and reporting the results of the audit to the Supervisory Board or Board of Directors;

8. Performing the procedure for selecting the financial statement auditor (consolidated financial statement auditor), taking into account the appropriateness of the fees, and recommending the appointment of a financial statement auditor (consolidated financial statement auditor) to the Supervisory Board in accordance with Art. 16 of Regulation (EU) No. 537/2014.

Furthermore, in a meeting (another meeting, in addition to the meeting required by law), the Audit Committee (Accounts Committee) specifies how the two-way communication between the (consolidated) financial statements auditor and the Audit Committee has to take place, while making provision for exchanges to take place between the Audit Committee (Accounts Committee) and the (consolidated) financial statements auditor without the presence of the Managing Board.

All of the members of the Audit Committee are experienced financial experts with knowledge and practical experience in finance, accounting and reporting that satisfy the requirements of the Company.

Gertrude Tumpel-Gugerell (Chair)
1st substitute: Karl Skyba
2nd substitute: Heinz Öhler

Georg Riedl (Deputy Chair)
1st substitute: Karl Skyba
2nd substitute: Heinz Öhler

Reinhard Ortner †
1st substitute: Maria Kubitschek
2nd substitute: Heinz Öhler

Günter Geyer
1st substitute: Maria Kubitschek
2nd substitute: Heinz Öhler

Rudolf Ertl
1st substitute: Karl Skyba
2nd substitute: Heinz Öhler

Martina Dobringer
1st substitute: Maria Kubitschek
2nd substitute: Heinz Öhler

COMMITTEE FOR MANAGING BOARD MATTERS (COMPENSATION COMMITTEE)

The Committee for Managing Board Matters (Compensation Committee) deals with personnel matters of the Managing Board. The Committee for Managing Board Matters therefore decides on terms of employment contracts with members of the Managing Board and their compensation and examines remuneration policies at regular intervals.

Günter Geyer (Chair)
Karl Skyba (Deputy Chair)
Substitute member: Rudolf Ertl

STRATEGY COMMITTEE

The Strategy Committee cooperates with the Managing Board and, when appropriate, with experts that it consults, to prepare fundamental decisions that must then be decided on by the Supervisory Board as a whole.

Günter Geyer (Chair)
1st substitute: Gertrude Tumpel-Gugerell
2nd substitute: Reinhard Ortner †

Karl Skyba (Deputy Chair)
1st substitute: Georg Riedl
2nd substitute: Reinhard Ortner †

Rudolf Ertl
1st substitute: Martina Dobringer
2nd substitute: Reinhard Ortner †

In 2014, the Supervisory Board gave its consent to VIG Holding and other companies in the VIG Group that allowed them to use legal services of Georg Riedl, Member of the Supervisory Board, and engage him or his law firm to act as a representative and provide advisory services on a project-related basis on normal market terms. Georg Riedl provided no advisory services in financial year 2016. The Company did not enter into any other contracts with members of the Supervisory Board in 2016 that would have required an approval of the Supervisory Board.

PROCEDURES FOLLOWED BY THE MANAGING BOARD AND SUPERVISORY BOARD

Managing Board
The Managing Board manages the business of the Company under the leadership of its Chair and within the constraints of the law, articles of association, rules of procedure for the Managing Board and rules of procedure for the Supervisory Board.

The Managing Board meets when needed (generally each week or every two weeks) to discuss current business developments and makes necessary decisions and resolutions during the course of these meetings. The members of the Managing Board continuously exchange information with each other and the heads of various departments.

Supervisory Board
The Supervisory Board performs all activities defined under the law, articles of association and rules of procedure of the Supervisory Board. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory Board examines its procedures regularly in the form of a self-evaluation at least once a year. The results of the 2016 self-evaluation once again demonstrate that the practices used to meet the requirements of the Austrian Stock Corporation Act and the Austrian Code of Corporate Governance and that the organisation and procedures of the Supervisory Board are appropriate and satisfactorily efficient for the business activities and business volume of the Company and Group as a whole. Requests and comments made by members of the Supervisory Board during this self-evaluation are taken into account.

The Supervisory Board and its committees, Chair and Deputy Chair continuously monitor and periodically examine management activities of the Company. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings serve this purpose, as do thorough and, in some cases, in-depth discussions between the executive committee of the Supervisory Board and members of the Managing Board, who provide comprehensive explanations and evidence based on supporting documentation relating to the management and financial position of the Company and the Group. Strategy and other topics related to implementation of new legal requirements, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and the IT strategy of the Company were also discussed in the Supervisory Board meetings and discussions with the Managing Board. The Supervisory Board holds closed Supervisory Board meetings with the Managing Board to discuss policy issues and determine the long-term growth strategy.

Supervisory Board and Audit Committee also hold direct discussions with the financial statements auditor and the consolidated financial statements auditor in order to familiarise themselves with the accounting process and audit progress, and to inquire whether the audit has produced any important findings. Provision was made for exchanges between the members of the Audit Committee and the (consolidated) financial statement auditor in such meetings without the presence of the Managing Board, but no member of the Audit Committee took advantage of this opportunity during the financial year. Audit reports are discussed and debated in detail with audit managers during Audit

Committee and Supervisory Board meetings regarding the annual financial statements and consolidated financial statements. The Audit Committee examined the Company's solvency and financial position report and reported its findings to the entire Supervisory Board. The Supervisory Board found no grounds for objection.

The Supervisory Board also receives quarterly reports from the internal audit department and asks the head of internal audit to provide detailed explanations of individual issues and audit focal points if necessary. The annual audit plan is submitted to the Supervisory Board. The Managing Board explains the organisation and operation of the risk management system and internal control system to the Supervisory Board at least once per year, and provides the Supervisory Board with a written report on this subject so that it can confirm the efficiency of the systems. The Audit Committee also examines the report and assessment of the functioning of the risk management system prepared by the (consoledated) financial statement auditor and reports its findings to the Supervisory Board.

At least once per year, the Managing Board presents to the Supervisory Board the precautions taken in the Group to prevent corruption, and the Supervisory Board discusses these measures.

When preparing general meeting proposals concerning the election of new Supervisory Board members, the Supervisory Board takes into account the requirements of the law and the Austrian Code of Corporate Governance that members of the Supervisory Board must satisfy and observe. Particular attention is paid to ensuring appropriate diversity in the sex, age and international distribution of the members.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided for under the law and Austrian Code of Corporate Governance are fully satisfied when preparing the general meeting proposal on selection of the (consolidated) financial statement auditor. In addition, after the audit of the consolidated financial statements has been completed, the Supervisory Board is provided with a list showing the total audit expenses for all Group companies. This list provides a separate breakdown according to expenses for the consolidated financial statements auditor, the members of the network, to which the consolidated financial statements auditor belongs, and other financial statement auditors working for the Group.

The Supervisory Board has formed four committees from its members, a Committee for Urgent Matters (Working Committee), an Audit Committee (Accounts Committee), a Committee for Managing Board Matters (Compensation Committee) and a Strategy Committee. Detailed information on these is provided in the "Supervisory Board Committees" section.

NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN FINANCIAL YEAR 2016

One ordinary general meeting and five Supervisory Board meetings distributed across the financial year were held in 2016. Five meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended four Audit Committee meetings and the Supervisory Board meeting in 2016 that dealt with the auditing of the 2015 annual financial statements and 2015 consolidated financial statements and formal approval of the 2015 annual financial statements, and also attended the Annual General Meeting. The Committee for Urgent Matters was contacted in writing on two occasions. Two meetings of the Committee for Managing Board Matters were held in 2016. The Strategy Committee did not hold any meetings in 2016; strategic matters were handled by the Supervisory Board as a whole.

No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

Disclosure of information on Managing Board and Supervisory Board compensation

The Company compensation guidelines are based on the provisions of Solvency II and entered into effect on 1 January 2016. The guidelines include standards that are generally intended to prevent the compensation rules from creating incentives to assume excessive risk and to avoid conflicts of interest as far as possible. The Company guidelines include further provisions for key positions – in particular the variable compensation for these positions –

that are generally aimed at promoting sustainability and careful handling of risks. The Company guidelines apply to insurance companies and reinsurance companies in the Group and therefore apply to all material subsidiaries included in the scope of consolidation.

Compensation plan for Members of the Managing Board of the Company

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the market environment.

The variable portion of the compensation emphasises the need for sustainability and achieving it fully depends critically on an analysis of the sustainable performance of the Company that extends beyond a single financial year.

The performance-related compensation is limited. The maximum performance-related compensation that the Managing Board can receive by overachieving the tradetional targets in financial year 2016 is between 60% and 65% of fixed compensation.

Large parts of the performance-related compensation are only paid after a delay. The delay for financial year 2016 extends to 2020. The deferred portions are awarded based on the sustainable performance of the Group, and non-financial factors are included in the evaluation of target achievement. For example, the performance-related compensation for 2016 is awarded based on promotion of those aspects of corporate governance that lead to the expression of social responsibility in practice.

Bonus compensation can also be earned for appropriate target achievement. In total, the members of the Managing Board can earn variable compensation equal to a maximum of between 81% and 93% of their fixed compensation in this way. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds.

Even if the targets are fully met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if the Company also achieves positive performance in the three following years.

In 2016, the key performance criteria for variable compensation are the combined ratio, premium growth and the result before taxes. The key performance criteria for bonus compensation are country-specific targets.

Managing Board compensation does not include stock options or similar instruments.

In 2016, the active members of the Managing Board received the following from the Company for their services during the reporting period:

- Elisabeth Stadler EUR 706,000, including EUR 0 variable,
- Franz Fuchs EUR 738,000 (EUR 737,000), including EUR 226,000 (EUR 231,000) variable,
- Roland Gröll EUR 511,000, including EUR 0 variable,
- Judit Havasi EUR 511,000, including EUR 0 variable,
- Peter Höfinger EUR 738,000 (EUR 790,000), including EUR 226,000 (EUR 284,000) variable,
- Martin Simhandl EUR 738,000 (EUR 790,000), including EUR 226,000 (EUR 284,000) variable.

The members of the Managing Board received the following compensation from affiliated companies for their services provided to the Company, or as a legal representative or an employee of an affiliated company:

- Elisabeth Stadler EUR 94,000, including EUR 94,000 variable,
- Judit Havasi EUR 173,000, including EUR 173,000 variable.

The standard employment contract for a member of the Managing Board of the Company includes a pension equal to a maximum of 40% of the measurement base if the member remains on the Managing Board until the age of 65 (the measurement base is equal to the standard fixed compensation).

A pension is normally received only if a Managing Board member's position is not extended and the member is not at fault for the lack of extension, or the Managing Board member retires due to illness or age.

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) are not applicable by law, the Company's Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to between two and twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement, or leaves due to a fault of his or her own, is not entitled to a severance payment.

Members of the Managing Board are provided a company car for both business and personal use.

Compensation plan for the members of the Supervisory Board
In accordance with the resolutions adopted by the 21st ordinary general meeting on 4 May 2012, the members of the Supervisory Board elected by the general meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Members of the Supervisory Board who withdraw from their positions before the end of a month still receive full compensation for the month in question. In addition to this compensation, Supervisory Board members are entitled to receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (remitted after participation in the meeting). The total compensation paid to members of the Supervisory Board in 2016 amounted to EUR 428,920.

The members of the Supervisory Board received the following amounts:
Günter Geyer EUR 73,000
Karl Skyba EUR 44,000
Maria Kubitschek EUR 38,000
Bernhard Backovsky EUR 33,000
Martina Dobringer EUR 39,000
Rudolf Ertl EUR 43,000
Heinz Öhler EUR 34,000
Reinhard Ortner † EUR 43,000
Georg Riedl EUR 37,000
Gertrude Tumpel-Gugerell EUR 43,000.

Supervisory Board compensation does not include stock options or similar instruments.

MEASURES HAVE BEEN PUT IN PLACE TO PROMOTE WOMEN TO THE MANAGING BOARD, SUPERVISORY BOARD AND MANAGEMENT POSITIONS IN THE GROUP

Women Supervisory Board members
Women hold around 18% of the positions on Vienna Insurance Group supervisory boards across Europe (as at 31 December 2016) and 33% of the positions in VIG Holding.

Women Managing Board members
Women hold around 23% of the positions on the managing boards of Vienna Insurance Group companies, around 13% of the managing board chairs are women, and 33% in VIG Holding. Since 1 January 2016, Elisabeth Stadler has been the first woman managing board chair of an ATX company in Austria.

For comparison, women held 9.8% of the managing board positions in the 59 largest German insurance companies in 2016, and 1.7% of the managing board chair positions in these companies.

Women in management positions
Including distribution, women hold around 42% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: around 47%).

Appreciation of diversity and, therefore, removing barriers to women's careers is one of the key elements of the personnel strategy at Vienna Insurance Group. In addition to implementing this principle to, for example, the management development process, efforts are being made to give visibility to ambitious women at all levels, for example, by assigning more women to attend external conferences, platforms, etc. as representatives of the Company.

Nomination procedures for Group-wide training programmes for management, high potentials and experts are also required to include equal numbers of women as far as possible, with the local human resources department bearing ultimate responsibility.

In the year 2016, managing board performance-related compensation in the individual Group companies was made dependent on diversity and, therefore, gender criteria.

Vienna Insurance Group is specifically involved in events such as the "Business Riot" – the Festival for Women, Work & Entrepreneurship, in particular making contributions on the subject of "actively structuring women's careers".

External evaluation

C-Rule 62 of the Austrian Code of Corporate Governance provides for voluntary external evaluation of compliance with the C-Rules of the Code at least every three years. VIG had this evaluation performed in 2016 for the 2015 Corporate Governance Report. All evaluations came to the conclusion that Vienna Insurance Group has complied with all the requirements of the Code. The summarised information on these evaluations is available on the website of Vienna Insurance Group. Another external evaluation for financial year 2017 is scheduled for the spring of 2018. The results of this evaluation will also be made available on the website.

Vienna, 22 March 2017

The Managing Board:

Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board

Franz Fuchs
Member of the Managing Board

Roland Gröll
Member of the Managing Board

Judit Havasi
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Supervisory Board report

The Supervisory Board reports that it has taken the opportunity to monitor the management activities of the Company comprehensively, both acting as a whole and periodically by means of its committees, Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were thorough and, in some cases, in-depth discussions with the members of the Managing Board, who provided detailed explanations and supporting docu-mentation relating to the management and financial position of the Company and the Group. The strategy, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and the IT strategy of the Company were also discussed at these meetings.

In accordance with the Solvency II rules, from 2016, non-financial aspects will be part of the performance expectations for variable remuneration of members of the Managing Board. VIG is committed to social responsibility and the importance of having employees drive forward performance, innovation and expertise, and in 2016 it included non-financial criteria as well as financial criteria in the evaluation of the fulfilment of goals for Managing Board members.

The Supervisory Board has formed four committees from its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the corporate governance report.

One ordinary general meeting and five Supervisory Board meetings distributed across the financial year were held in 2016. Five meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended four Audit Committee meetings and the Supervisory Board meeting in 2016 that focused on the auditing of the annual financial statements of 2015 and consolidated financial statements of 2015, and formal approval of the annual financial statements of 2015, and also attended the general meeting. The Committee for Urgent Matters was contacted in writing on two occasions. Two meetings of the Committee for Managing Board Matters were held in 2016. The Strategy Committee did not hold any meetings in 2016; strategic matters were handled by the Supervisory Board as a whole.

No agenda items were discussed in Supervisory Board meetings in 2016 without the participation of members of the Managing Board.

No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings. In order to ensure the effectiveness and efficiency of its activities and procedures, the Supervisory Board performed a self-evaluation of its procedures. The Supervisory Board's evaluation of its activities found that the practices followed satisfied the requirements of the Austrian Stock Corporation Act and the Code of Corporate Governance, and that its organisational structure and procedures were satisfactory in terms of efficiency. During one of the meetings of the Audit Committee, the members of the Committee consulted with the (consolidated) financial statements auditor concerning the specification of two-way communications.

Acting upon the proposal and motion of the Supervisory Board, the general meeting selected KPMG (FN 269873y) on 29 May 2015 to be the financial statements auditor and consolidated financial statements auditor for financial year 2016, and KPMG consequently performed these duties in financial year 2016. By inspecting relevant documents, meeting with the Managing Board and holding discussions with the (consolidated) financial statements auditor, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection. The Supervisory Board Audit Committee also monitored independence of the auditor of the financial statements and consolidated financial statements, and after reviewing suitable documents and supporting records submitted to the Committee, particularly with respect to the appropriateness of the fee and the additional services provided to the Company, was satisfied of the auditor's independence status. The Austrian Auditors Supervisory Authority has not published any reports to date in accordance with § 4 (2) (12) APAG (Austrian Auditor Supervision Act). The Audit Committee also considered permitted non-audit services and approved them in accordance with Art. 5(4) AP-VO (EU Audit Regulation) after the detailed discussion and examination of potential threats to the independence of the (Group) financial statement auditor.

The Audit Committee also reviewed the effectiveness of the internal control system, the internal auditing system and the risk management system by obtaining verbal and written descriptions of the processes and organisation of these systems from the Managing Board, the (consolidated) financial statements auditor and the individuals directly responsible for these areas. The Audit Committee reported on these monitoring activities to the Supervisory Board and stated that no deficiencies had been identified. The Supervisory Board was also given the opportunity during Supervisory Board meetings to verify the functional adequacy of the existing control and auditing systems. In addition, the audit plan and the quarterly reports prepared by the internal audit department were debated by the Audit Committee and Supervisory Board and discussed with the head of the internal audit department and the Group audit department. The Supervisory Board found no reasons for objection.

In order to prepare the Supervisory Board proposal for selection of the financial statements and consolidated financial statements auditor for financial year 2017, the Audit Committee obtained a list from KPMG of the fees received by the company broken down by service category, and documents concerning its licence to audit a stock corporation. It was determined that there were no grounds for exclusion or circumstances that could give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. The Audit Committee also considered the appropriateness of the fee of the financial statements and consolidated financial statements auditor. It was also ensured that KPMG was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the findings of these investigations and proposed to the Supervisory Board, which subsequently proposed to the General Meeting that KPMG (FN269873y) be selected as auditor of the financial statements and consolidated financial statements for 2017. The general meeting selected KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (FN269873y) as auditor of the financial statements and consolidated financial statements for 2017.

In addition, the Supervisory Board Audit Committee received the 2016 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Managing Board's proposal for appropriation of profits was also debated and discussed with respect to capital adequacy and its effects on the solvency and financial position of the Company during the course of this examination. The Supervisory Board Audit Committee also carefully examined the 2016 consolidated financial statements and Group management report, as well as the solvency and financial condition report (SFCR). As a result of this examination and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board that they be accepted without qualification. The committee chairman informed the Supervisory Board of the discussion and the resolutions adopted by the committee. The 2016 annual financial statements together with the management report and corporate governance report, the 2016 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appro-priation of profits were subsequently taken up, thoroughly discussed, and examined by the entire Supervisory Board. When making the decision on appropriation of profits, particular attention was paid to whether it could be justified with respect to coverage of capital requirements.

In addition, the auditor's reports prepared by the (consolidated) financial statement auditor KPMG for the 2016 annual financial statements and management report and the 2016 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the entire Supervisory Board, and debated and discussed with KPMG. KPMG's audit of the 2016 annual financial statements and management report and the 2016 consolidated financial statements and Group management report did not lead to any reservations. KPMG determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December 2016, and of the results of operations of the Company for financial year 2016 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. The disclosures pursuant to § 243a UGB (Austrian Commercial Code) are appropriate. KPMG further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2016, and of the results of operations and cash flows of the Group for financial year 2016 in accordance with IFRS and § 138 VAG (Austrian Insurance Supervision Act) in combination with § 245a UGB. The Group management report is consistent with the consolidated financial statements.

The final results of the review by the Audit Committee and the Supervisory Board also provided no basis for reservations. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

After a thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements prepared by the Managing Board, to raise no objections to the management report, consolidated financial statements and Group management report, and to declare its agreement with the Managing Board proposal for appropriation of profits.

The 2016 annual financial statements have therefore been approved in accordance with § 96(4) AktG (Austrian Stock Corporation Act).

The Supervisory Board proposes to the general meeting that it approves the Managing Board's proposal for appropriation of profits and formally approves the actions of the Managing Board and Supervisory Board.

Karl Skyba has resigned from his position as 1st Deputy Chairman of the Supervisory Board effective the end of April. In a meeting of 6 April 2017, the Supervisory Board appointed Rudolf Ertl to take his place as 1st Deputy Chairman of the Supervisory Board. On behalf of the Supervisory Board, I would like to thank Karl Skyba for his many years of good service working in close collaboration with his colleagues in the Executive Committee.

Vienna, April 2017

The Supervisory Board:

Günter Geyer (Chairman)

Group management report 2016

ECONOMIC ENVIRONMENT

From a macroeconomic point of view, 2016 was characterised by moderate growth worldwide and continuation of the low interest rate environment. In spite of a low price of oil averaging USD 45 per barrel, real economic growth fell to +1.5% in the USA (2015: +2.6%), +1.6% in the Eurozone (2015: +2.0%) and +6.7% in China (2015: +6.9%). The International Monetary Fund (IMF) forecast in October 2016 that the global economy would grow by 3.1% in 2016 (2015: +3.2%).

In terms of the major emerging markets, China, India and South Africa showed similar development, with growth rates generally slightly below those in the previous year. On the other hand, growth was higher than the previous year in Brazil and Russia, although both countries are still in recession. Growth in the EU slowed year-on-year by 0.4 percentage points to +1.9% in 2016.

Standard & Poor's continues to award Austria a credit rating of AA+ with a stable outlook. According to the Austrian Institute of Economic Research (WIFO), Austria's gross domestic product (GDP) grew 1.5%, representing an increase of 0.5 percentage points over the previous year. This moderate increase, however, is likely to already represent the highpoint for economic growth in the medium term. The insurance industry recorded a 2.1% decrease in premiums in the year under review, or an increase of +1.0% when single-premium life products are excluded. Motor vehicle demand was the main driver for the Austrian insurance market in the year just ended. Vehicle investments in the country as a whole rose by close to 20% year-on-year.

When adjusted for purchasing power, average per capita GDP grew 3.4% in Central and Eastern Europe (CEE) in 2016, representing a significant year-on-year increase of 0.7 percentage points. According to the Vienna Institute for International Economic Studies (WIIW), Slovakia, Poland and Romania were the major engines of growth in the larger markets, with growth rates of between +3.2% and +4.7%. Bulgaria and Turkey also grew by more than 3%. Growth in the Czech Republic, on the other hand, was 2.3 percentage points below the level of the previous year at +2.2% in 2016.

Croatia continued to recover with a growth rate of +2.5%, as did Serbia where growth increased by 1.4 percentage points. Due to the end of EU structural support programmes, the growth rate fell in Hungary from +3.1% in 2015 to +2.0% in 2016. However, this trend is expected to reverse again in 2017. The economic growth rate increased in almost all of the remaining smaller markets in 2016 compared to 2015. Ukraine found its way out of depression in 2016, recording economic growth of 0.8%. Gross domestic product fell 2.8% in Belarus in 2016.

The global economy as a whole was influenced by the US Federal Reserve's turnaround in interest rate policy, even though it is proceeding very slowly, the lowest level of oil prices in several decades, and a number of elections whose precise effects will not be known until future years. The UK population voted for Brexit, and the 45th president was elected in the USA. Significant national elections also took place in 14 of VIG's 26 countries.

LEGAL ENVIRONMENT

SOLVENCY II

The changes to the European insurance supervisory system, referred to as Solvency II, that are to be implemented by all member states of the EU presented great challenges for insurance companies. Temporary uncertainty about the final details of Solvency II made it important for companies to provide a high deal of flexibility in their implementation plans.

After years of preparation, Solvency II came into force fully at the beginning of 2016. At the same time, the new Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG) also came into effect.

VIG was well prepared to fulfil the extensive requirements placed on the Company by Solvency II starting in 2016 and the VAG amendment since the middle of 2014. The Group-wide "Solvency II" project was successfully completed after almost seven years.

During the course of this project, which was managed centrally from Austria, legal developments were followed closely and necessary measures taken promptly so that all of the individual companies and the Group were adequately prepared for the introduction of Solvency II.

Standardised guidelines, calculation and reporting solutions and advanced risk management processes were developed and implemented with the assistance of experts from the Group companies.

The intensive work on the development and implementation of a partial internal model continued at both the Group and individual company levels as part of the Solvency II project. The calculation procedures have been established in the individual companies and the required expertise is available there to allow consistent management parameters to be determined both at the Group and individual company levels. The parameters calculated by the model are used in corporate management.

At the end of 2015, the supervisory authority responsible for the Group, the Austrian Financial Markets Supervisory Authority (Finanzmarktaufsicht – FMA) approved the partial internal model for use both at Group level and at individual company level in the most important markets.

With respect to qualitative risk management requirements, Vienna Insurance Group has established a uniform governance system appropriate for Solvency II that includes all necessary key functions and clearly defines responsibilities and processes. Uniform Group-wide standards and methods for risk inventories and ORSA were also developed and successfully implemented decentralised and at Group level, thereby ensuring timely ORSA reporting to the supervisory authority at the end of 2016. A Group-wide unified internal control system helps to ensure compliance with the guidelines and requirements resulting from the risk management.

The focus in 2016 was on the first official solvency calculation under Solvency II, regulatory reporting and gradual automation of these processes. Ensuring adequate data quality and speeding up the reporting process were of key importance.

Other focal areas included further development of the Vienna Insurance Group internal model, and technical and organisational preparations for reporting in 2017, when a great deal of additional quantitative and qualitative information must be reported for the first time under Solvency II.

Vienna Insurance Group is monitoring and analysing developments in connection with Solvency II, in particular potential changes to the extrapolation of the riskless yield curve, which affects the size of underwriting provisions and, in turn, Vienna Insurance Group's capital.

BUSINESS DEVELOPMENT OF THE GROUP IN 2016

GENERAL INFORMATION

The around 50 insurance companies of Vienna Insurance Group operate in the following reporting segments: Austria (incl. the Wiener Städtische branches in Slovenia, and the Wiener Städtische and Donau Versicherung branches in Italy), Czech Republic, Slovakia, Poland (incl. the insurance business of the Compensa Non-Life branches in Lithuania and Latvia until transfer of the insurance portfolio on 31 December 2015), Romania, the Baltic states (incl. the insurance portfolio transferred from Compensa Non-Life (Poland) to Compensa Non-Life (Lithuania) starting as of 1 January 2016), Hungary, Bulgaria, Turkey/Georgia, Remaining CEE, Other Markets and Central Functions. These 12 segments are discussed in the Group report, which is broken down by lines of business.

The Remaining CEE segment includes the countries of Albania incl. Kosovo (a branch of an Albanian company is located in Kosovo), Bosnia-Herzegovina, Croatia, Macedonia, Moldova, Serbia and Ukraine.

The Montenegro and Belarus markets were not included in the Vienna Insurance Group consolidated financial statements in 2016 due to immateriality. More information on the scope of consolidation and consolidation methods is provided on page 128 of the notes to the consolidated financial statements. The notes to the consolidated financial statements provide detailed information on changes in the scope of consolidation starting on page 129.

Vienna Insurance Group operates with more than one company and brand in most of its markets. The distinct market presence of each company in a country may also be aimed at different target groups, and their product portfolios will differ accordingly. Use of this multi-brand strategy does not mean, however, that potential synergies are not exploited. Structural efficiency and the cost-effective use of resources are examined regularly. Back offices that perform administrative tasks for more than one company are already being used successfully in many countries. Specific country responsibilities also exist at the Managing Board level to ensure uniform management of each country. Mergers of Group companies are considered if the additional synergies that can be achieved outweigh the benefits of multiple market presences.

To improve readability, company names have been shortened throughout the entire report. A list of full company names is provided on pages 259 and 260.

In order to avoid duplicate information, reference will be made below to appropriate information in the notes. Changes in significant balance sheet and income statement items are presented in both the segment report and the notes to the financial statements. Additional disclosures in the management report below are intended to explain these data in more detail.

NEW SEGMENT REPORTING

Group management and the associated regular reporting to the Group Managing Board as the top decision-making body has taken place exclusively at the country level since the beginning of 2016 (except for the Baltic states and Albania incl. Kosovo). Certain countries were combined based on size according to regional or product-specific factors (Turkey/Georgia, Remaining CEE and Other Markets). The countries of Estonia, Latvia and Lithuania are combined in the Baltic states business segment, and Albania and Kosovo combined in the Albania incl. Kosovo business segment, which is allocated to the Remaining CEE reporting segment in reports to the Managing Board.

The regular reports will no longer include separate reporting by balance sheet unit (property and casualty, life and health insurance). This change took place in connection with the change in the composition of the Group Managing Board on 1 January 2016. Regular monitoring of goodwill impairment takes place solely at the country level starting as of the 1st quarter of 2016.

Detailed information on Vienna Insurance Group's segment reporting is provided in the consolidated financial statements starting on page 136.

RETROSPECTIVE ADJUSTMENTS

Adjustment for non-profit societies

The adjustment is based on a notice of 2 August 2016 from the Austrian Financial Market Authority (FMA) in accordance with § 3(1) no. 3 of the Austrian Financial Reporting Enforcement Act (Rechnungslegungs-Kontrollgesetz – RL-KG), in which the FMA finds that the interests in the non-profit societies were not reported in accordance with the IFRS. The audit was based on the consolidated financial statements of 31 December 2014 and 31 December 2015 and the half-year reports for 30 June 2014 and 30 June 2015. According to this notice, statutory restrictions on distribution and realisation of assets that apply to non-profit societies, and indirectly to their holding company, were not taken into account when determining the fair value of these companies at the time of loss of control or recognising the Group share in their profits. The effects on the Vienna Insurance Group balance sheet and income statement are as follows:

- The non-controlling interests reported during the conversion from full consolidation to at-equity consolidation for WWG Beteiligungen GmbH (formerly Neue Heimat Holding) are fully eliminated. This caused the non-controlling interests in the shareholders' equity to fall by EUR 57,101,000 (as of 1 January 2015).

- Due to the change in consolidation on 1 January 2014, the at-equity book value of the non-profit societies decreased by EUR 501,730,000 as of 1 January 2015.

- After restatement as of 1 January 2015, only the amount of distributions received from the non-profit societies is reported as their current contribution to earnings, instead of the amount previously shown for the share in the profits of the companies.

Tax effect of the risk reserve
During the IFRS/IAS changeover, deferred taxes were recognised for the reclassified untaxed risk reserve. The statement issued in 2016 by AFRAC now concludes that no deferred differences exist. Instead, if it is probable or foreseeable that the untaxed risk reserve will be released, and that this will lead to a tax charge, a provision for current tax (re-)payments should be formed. The AFRAC statement makes it necessary for VIG to change its accounting policies.

Correction of impairment testing

During an audit by the AFREP in accordance with § 2(1) of the Austrian Financial Reporting Enforcement Act (RL-KG), it was found that the previous consolidated financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe were incorrect for the following reasons:

As discussed in the accounting and valuation principles, a discounted cash flow method has been used to value non-financial assets since 2013, with long-term debt that was economically similar to shareholders' equity being included in the carrying amounts. To calculate the discount rate, a modified capitalisation rate (WACC) was used, whose tier 2 components were derived from a VIG peer group. The relationship of shareholders' equity to Tier 2 capital was also taken from the relationship in the above-mentioned peer group.

The method used to calculate the interest rate was therefore based on the financing structure of a peer group that reflected the asset-specific risk of the VIG Group as a whole and not the risk of the individual CGUs being tested. At the same time, the net assets of the CGUs were treated as dependent on VIG's company-specific financing. As a result, neither the specific risk profile of the individual items being valued nor the independent capital structures of the companies were taken into account.

The correction was performed as a retrospective adjustment in accordance with IAS 8. To do so, Vienna Insurance Group changed over to a pure equity approach using a dividend discount model. At the same time, the modified capitalisation rate (WACC) was replaced by a cost of equity capital rate. Based on the values as of 31 December 2015, this led to a reduction in goodwill of EUR 90.6 million (31 December 2014: EUR 0.0 million) and an equal reduction in shareholders' equity as of 31 December 2015 (31 December 2014: EUR 0.0 million). The profit before taxes for financial year 2015 also decreased by EUR 90.6 million.

FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators that form the basis for assessing Vienna Insurance Group's business development are presented below.

KEY FIGURES FROM THE CONSOLIDATED INCOME STATEMENT

in EUR million	2016	2015 adjusted	Change in %
Premiums written – gross	**9,050.97**	9,019.76	**0.3%**
Net earned premiums – retention	8,191.26	8,180.54	0.1%
Expenses for claims and insurance benefits	-6,753.45	-6,748.87	0.1%
Acquisition and administrative expenses	-1,907.81	-1,847.57	3.3%
Financial result excluding at equity consolidated companies	912.19	999.99	-8.8%
Result from shares in at equity consolidated companies	46.62	40.21	15.9%
Other income and expenses	-82.08	-577.24	-85.8%
Result before taxes	**406.73**	47.06	**764.3%**

Premium volume
A brief presentation of premium development is included under Note 28 "Premiums written" of the notes to the consolidated financial statements.

Vienna Insurance Group wrote EUR 9,050.97 million in Group premiums in 2016, an increase of 0.3% compared to the same period in the previous year. Excluding single-premium life insurance business, the Group recorded a significant increase in premiums of 4.4%. Vienna Insurance Group retained EUR 8,240.35 million of the gross premiums written. EUR 810.62 million was ceded to reinsurance companies (2015: EUR 799.82 million).

Total premium growth was particularly strong in Romania (+24.4%) and in the Remaining CEE segment (+7.9%). In the Remaining CEE countries, Serbia (+18.5%) and Croatia (9.4%) in particular recorded large premium increases in

2016. Overall, the Group generated 56.0% of its premiums outside Austria in 2016.

Net earned premiums rose 0.1%, from EUR 8,180.54 million in 2015 to EUR 8,191.26 million in 2016. Net reinsurance cessions were EUR 786.97 million (2015: EUR 801.00 million).

Expenses for claims and insurance benefits
A brief presentation of expenses for claims and insurance benefits is included under Note 32 "Expenses for claims and insurance benefits" of the notes to the consolidated financial statements.

Group expenses for claims and insurance benefits less reinsurers' share were around the level of the previous year at EUR 6,753.45 million in 2016 (2015: EUR 6,748.87 million).

Acquisition and administrative expenses
A brief presentation of acquisition and administrative expenses is included under Note 33 "Acquisition and administrative expenses" of the notes to the consolidated financial statements.

Acquisition and administrative expenses for all VIG consolidated companies increased to EUR 1,907.81 million in 2016. (2015: EUR 1,847.57 million). This corresponds to a year-on-year increase of 3.3%, which was primarily due to higher commissions resulting from an increase in regular premium life insurance and an increase in motor third party liability and own damage premiums.

Financial result
A brief presentation of the financial result (excluding at equity consolidated companies) is included in Note 29 "Financial result" of the notes to the consolidated financial statements.

VIG generated a financial result (incl. the result from at-equity consolidated companies) of EUR 958.81 million in 2016. This was a 7.8% year-on-year decrease that was mainly due to lower realised gains on the disposal of investments in bonds, loans and equities.

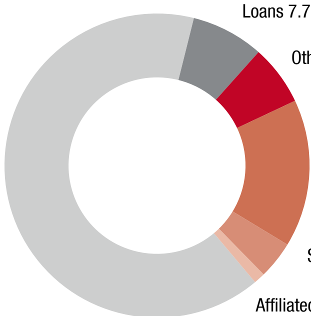
Result before taxes
Group profit before taxes rose to EUR 406.73 million in 2016 (2015: EUR 47.06 million). This more than achieved the target of at least doubling the profit of the previous year, in spite of the negative effects of the low interest rate environment. The financial result includes a one-time positive effect due to the agreement reached between the Carinthian Compensation Payment Fund and HETA creditors, which included VIG. Accepting the settlement before the 7 October 2016 deadline meant that the bonds that had been previously written off could be written up in value by around EUR 40 million.

Romania, Hungary and Bulgaria recorded particularly large increases in profits.

Investments
A brief presentation of the investments is included on page 151 of the notes to the consolidated financial statements.

Total VIG investments (including cash and cash equivalents) were EUR 36,236.20 million as of 31 December 2016. Compared with the previous year, this represents an increase of EUR 4,993.02 million, or 16.0%. The main reason for the increase was the change in consolidation method used for the non-profit societies, which resulted in all of their assets and liabilities being included in the consolidated financial statements.

BREAKDOWN OF INVESTMENTS 2016



2015 values in parentheses

The investments include all Vienna Insurance Group land and buildings, all shares in at equity consolidated companies and all financial instruments, using the look-through approach for consolidated institutional funds, as well as other fund investments allocated to the asset classes. Investments for unit-linked and index-linked life insurance are not included. These rose 5.0% from EUR 8,144.14 million in 2015 to EUR 8,549.58 million in 2016, mainly due to price gains for fund-linked and index-linked products.

Shareholders' equity

Vienna Insurance Group's capital base increased by 29.4% to EUR 5,711.26 million in 2016 (2015: EUR 4,414.46 million). This change was primarily due to the change in consolidation method used for the non-profit societies, which raised shareholders' equity by EUR 1,006.17 million, and to the result for the period of EUR 320.99 million.

Underwriting provisions

Underwriting provisions (excluding underwriting provisions for unit-linked and index-linked life insurance) were EUR 29,220.07 million as of 31 December 2016, representing an increase of 3.8% over the previous year (2015: EUR 28,145.12 million).

COMPOSITION OF MATHEMATICAL RESERVE

in EUR '000	31.12.2016	31.12.2015
Guaranteed policy benefits	19,791,408	19,304,414
Allocated and committed profit shares	808,622	932,810
Deferred mathematical reserve	928,866	831,161
Total	21,528,896	21,068,385

CHANGE IN MATHEMATICAL RESERVE

in EUR '000	31.12.2016	31.12.2015
Book value as of 31.12. of the previous year	21,068,385	20,854,835
Exchange rate changes	-283	47,969
Book value as of 1.1.	21,068,102	20,902,804
Additions	1,821,155	1,755,960
Amount used/released	-1,402,363	-1,645,491
Transfer from provisions for premium refunds	42,198	55,112
Changes in scope of consolidation	-196	0
Book value as of 31.12.	21,528,896	21,068,385

MATURITY STRUCTURE OF MATHEMATICAL RESERVE

in EUR '000	31.12.2016	31.12.2015
up to one year	1,621,431	1,880,715
more than one year up to five years	5,909,867	5,628,947
more than five years up to ten years	4,491,253	4,427,303
more than ten years	9,506,345	9,131,420
Total	21,528,896	21,068,385

CHANGE IN PROVISION FOR OUTSTANDING CLAIMS

in EUR '000	31.12.2016	31.12.2015
Book value as of 31.12. of the previous year	4,603,648	4,493,370
Exchange rate changes	-23,908	3,596
Book value as of 1.1.	4,579,740	4,496,966
Changes in scope of consolidation	60,989	7,401
Allocation of provisions for outstanding claims	3,196,819	3,354,228
for claims occurred in the reporting period	2,528,806	2,894,726
for claims occurred in previous periods	668,013	459,502
Usage/release of provision	-3,022,485	-3,254,947
for claims occurred in the reporting period	-1,457,007	-1,590,660
for claims occurred in previous periods	-1,565,478	-1,664,287
Book value as of 31.12.	4,815,063	4,603,648

MATURITY STRUCTURE OF PROVISION FOR OUTSTANDING CLAIMS

in EUR '000	31.12.2016	31.12.2015
up to one year	2,318,508	2,093,215
more than one year up to five years	1,527,780	1,499,433
more than five years up to ten years	435,623	495,659
more than ten years	533,152	515,341
Total	4,815,063	4,603,648

Cash flow

The cash flow from operating activities rose from EUR 1,118.61 million in 2015 to EUR 1,132.66 million in 2016. The cash flow from investing activities increased to EUR -693.01 million in 2016 (2015: EUR -887.67 million), primarily due to the decrease in the single-premium life insurance portfolio. Vienna Insurance Group's financing activeities in 2016 generated a cash flow of EUR -110.07 million (2015: EUR 91.73 million). The year-on-year decrease was mainly the result of the subordinated liability of EUR 400 million issued in 2015. At the end of 2016, the Group had cash and cash equivalents equal to EUR 1,589.94 million (2015: EUR 1,101.21 million). Vienna Insurance Group received a total of EUR 908.43 million in interest and dividends in 2016 (2015: EUR 950.65 million).

KEY FIGURES FOR VIENNA INSURANCE GROUP

in %	2016	2015 adjusted	2014 adjusted
Earnings per share (in EUR)	2.16	-0.27	2.46
Return on Equity	8.9	1.1	11.1
Combined Ratio	97.3	97.3	96.7
Claims ratio	66.9	66.7	65.8
Cost ratio	30.4	30.6	30.9

Earnings per share

Earnings per share is a key figure equal to annual profit for the Group (less non-controlling interests and interest on hybrid capital) divided by the average number of shares outstanding. Earnings per share rose to EUR 2.16 in 2016 (2015: EUR -0.27). The increase was due to the growth in profits in 2016.

RoE (Return on Equity)

RoE is the ratio of Group profit before taxes to total average shareholders' equity of Vienna Insurance Group. The formula for calculating return on equity has been changed since the 2015 half-year financial statements. The average overall capital in accordance with the new calculation will be adjusted to take into account the revaluation reserve. In order to make results more comparable, the previous years' values have been adjusted to the current calculation method.

Based on this, the Group achieved return on equity (RoE) before taxes of 8.9% (2015: 1.1%).

Combined ratio significantly below 100%

The Group's combined ratio (after reinsurance, not including investment income) of 97.3% in 2016 was at the level of the previous year. Therewith Vienna Insurance Group was able to continue to keep the combined ratio below the 100% mark as a result of its solid technical result.

The combined ratio is calculated as the sum of all underwriting expenses and income, and net payments for claims and insurance benefits, including the net change in underwriting provisions, divided by net earned premiums in the area of property and casualty.

DEVELOPMENT BY SEGMENT

Developments in the segments Austria, Czech Republic, Slovakia, Poland, Romania, Baltic states, Hungary, Bulgaria, Turkey/Georgia, Remaining CEE, Other Markets and Central Function are discussed below. The discussion focuses on presenting business development in these segments and outlines areas of change in the various insurance markets.

PREMIUMS WRITTEN BY SEGMENT

in EUR million	2016	2015	2014
Austria	3,941.32	4,055.53	4,076.99
Czech Republic	1,529.09	1,554.82	1,683.41
Slovakia	732.34	716.50	726.99
Poland	819.18	838.86	1,034.05
Romania	533.40	428.64	339.67
Baltic states	140.19	59.31	51.56
Hungary	224.23	204.26	179.98
Bulgaria	136.68	131.08	114.37
Turkey/Georgia	208.70	182.34	170.41
Remaining CEE[1]	331.39	307.19	293.60
Other Markets[2]	352.96	410.04	345.78
Central Functions[3]	1,324.84	1,248.91	1,289.84
Consolidation	-1,223.33	-1,117.70	-1,160.93
Total	9,050.97	9,019.76	9,145.72

[1] Remaining CEE: Albania incl. Kosovo, Bosnia-Herzegovina, Croatia, Macedonia, Moldova, Serbia, Ukraine

[2] Other markets: Germany, Liechtenstein

[3] Central Functions include VIG Holding, VIG Re, VIG Fund, the non-profit societies, corporate IT service providers and intermediate holding companies.

RESULT BEFORE TAXES BY SEGMENT

in EUR million	2016	2015 adjusted	2014 adjusted
Austria	196.09	212.96	169.72
Czech Republic	152.77	162.99	177.87
Slovakia	48.88	51.87	59.45
Poland	1.88	20.83	53.40
Romania	3.51	-87.58	6.08
Baltic states	-11.23	-2.65	-0.70
Hungary	3.81	-22.13	2.98
Bulgaria	5.38	-2.35	2.08
Turkey/Georgia	9.00	3.21	5.70
Remaining CEE[1]	7.43	-25.44	11.31
Other Markets[2]	22.15	20.22	18.89
Central Functions[3]	-33.32	-284.56	-29.43
Consolidation	0.38	-0.31	0.67
Total	406.73	47.06	478.02

[1] Remaining CEE: Albania incl. Kosovo, Bosnia-Herzegovina, Croatia, Macedonia, Moldova, Serbia, Ukraine

[2] Other markets: Germany, Liechtenstein

[3] Central Functions include VIG Holding, VIG Re, VIG Fund, the non-profit societies, corporate IT service providers and intermediate holding companies.

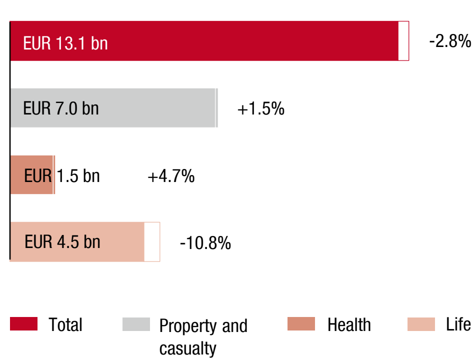
AUSTRIA

AUSTRIAN INSURANCE MARKET

Non-life insurance represented around 65% of total premium volume in Austria during the 1st to 3rd quarters of 2016, which was relatively high compared to other Western European insurance markets. As in previous years, the share of life insurance decreased once again and is now around 35%. There is therefore still significant potential for growth in life insurance.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2016 COMPARED TO THE PREVIOUS YEAR

9M 2016 preliminary figures



Source: Austrian Insurance Association

The Austrian insurance companies generated EUR 13.1 billion in premium volume in the 1st to 3rd quarters of 2016. This represented a year-on-year decline of 2.8% that was primarily due to a decrease in life insurance (-10.8%).

Property and casualty premiums recorded a moderate increase of 1.5%. The increase was mainly the result of good growth in casualty insurance (+3.4%).

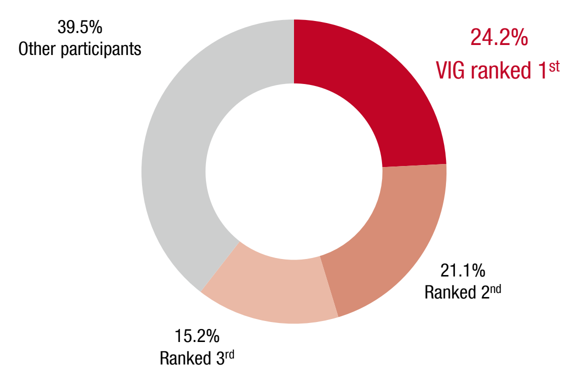
The continued low level of interest rates led to a further sharp decline in single-premium business (-37.8%) in the 1st to 3rd quarters of 2016. Regular premium life insurance also recorded a year-on-year decrease of 1.6%. Growth rates increased, on the other hand, for occupational disability (+9.3%) and nursing care insurance (+6.1%). Due to the difficult interest rate environment, the Austrian Financial Market Authority (FMA) further reduced the guaranteed interest rate (the maximum rate that can be promised to policy holders) for new life insurance policies from 1.0% to 0.5% at the beginning of 2017.

Health insurance recorded strong growth of 4.7% in the 1st to 3rd quarters of 2016.

Austria had an insurance density (per capita insurance premiums) of EUR 2,034 in 2015. EUR 1,245 of this amount was for non-life insurance and EUR 789 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Austrian Insurance Association; as of 9M 2016

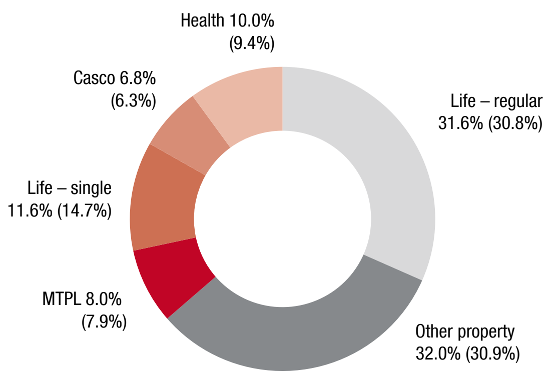
VIG COMPANIES IN AUSTRIA

Vienna Insurance Group is represented by three insurance companies in the Austrian market, Wiener Städtische, Donau Versicherung and s Versicherung. Although VIG Holding operates out of Austria as an international reinsurer and an insurer in the cross-border corporate customer business, it is assigned to the "Central Functions". Wiener Städtische also operates branches in Italy and Slovenia. Donau Versicherung is also represented by a branch in Italy.

VIG's market share of 24.2% in the 1st to 3rd quarters of 2016 makes it the leading insurance group in Austria. VIG also holds first place in property and casualty insurance with a market share of 22.2%, and in life insurance with a market share of 29.0%. In health insurance, VIG holds second place with a market share of 19.5%.

BUSINESS DEVELOPMENT IN AUSTRIA IN 2016

PREMIUM SHARE BY LINE OF BUSINESS IN 2016



Values for 2015 in parentheses

Premium development

The Vienna Insurance Group companies in Austria wrote EUR 3,941.32 million in gross written premiums in 2016 (2015: EUR 4,055.53 million). This corresponds to a year-on-year decrease of 2.8% that is due to the reduction in single-premium life business. When adjusted for this, the Austrian Group companies recorded an increase of 0.7%. Net earned premiums were EUR 3,247.94 million in 2016. This corresponds to a decrease of 3.6%.

Expenses for claims and insurance benefits

The Austrian Group companies had expenses for claims and insurance benefits (less reinsurance) of EUR 3,190.93 million in 2016, or EUR 171.02 million less than in 2015. This corresponds to a reduction of 5.1% due to a smaller allocation to the mathematical reserve as a result of the decrease in single-premium business.

Acquisition and administrative expenses

Acquisition and administrative expenses rose to EUR 619.01 million in 2016. The year-on-year increase of 3.3% largely corresponds to the growth in regular premium business.

Result before taxes

Profit before taxes decreased 7.9% in Austria to EUR 196.09 million in 2016 due to lower realised gains on the disposal of investments (2015: EUR 212.96 million).

Combined ratio

The combined ratio of 97.6% in Austria (after reinsurance, not including investment income) in 2016 remained close to the level of the previous year (2015: 97.5%).

VIENNA INSURANCE GROUP IN AUSTRIA

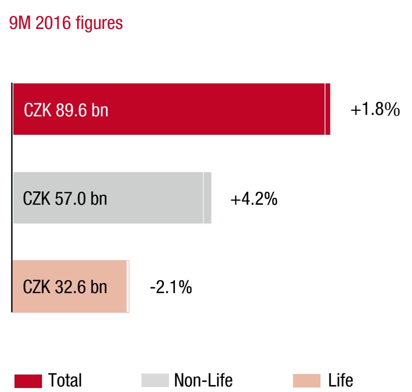
in EUR million	2016	2015 adjusted	2014 adjusted
Premiums written	3,941.32	4,055.53	4,076.99
Motor own damage insurance	266.49	256.57	258.05
Motor third party liability insurance	316.02	320.94	351.53
Other property and casualty insurance	1,261.10	1,252.93	1,228.51
Life insurance – regular premium	1,246.45	1,248.37	1,247.92
Life insurance – single-premium	456.37	595.54	622.82
Health insurance	394.89	381.19	368.16
Result before taxes	196.09	212.96	169.72

CZECH REPUBLIC

Czech insurance market

The insurance market in the Czech Republic is dominated by two insurance groups, which together hold a share of over 60% of total premium volume.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2016 COMPARED TO THE PREVIOUS YEAR



Source: Czech Insurance Association

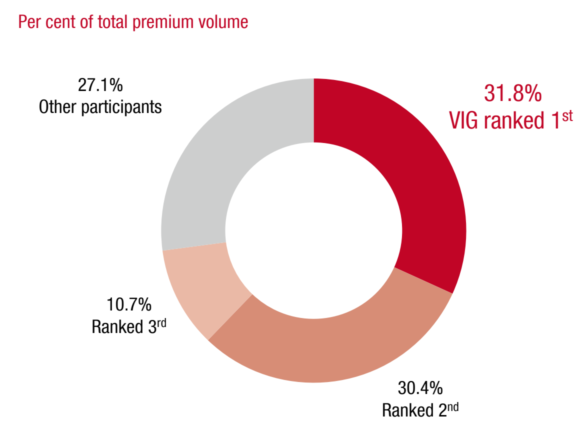
Premiums written in the Czech insurance market rose 1.8% in local currency terms during the first nine months of 2016.

The increase was primarily due to good growth in non-life insurance, which recorded a 4.2% increase in local currency terms in the 1st to 3rd quarters of 2016. Premiums rose 5.7% in the motor area, mainly due to a 9.4% increase in own damage insurance. Motor third party liability insurance recorded a gain of 2.9%. However, since average premiums remain unchanged or have even decreased slightly, this line of business continues to generate losses.

In local currency terms, life insurance premium volume decreased 2.1% year-on-year in the 1st to 3rd quarters of 2016. This included a decrease of 30.5% in single-premium business. Regular premium life insurance also decreased slightly, recording a drop of 0.8% in the first nine months of 2016.

The average per capita expenditure for insurance was EUR 516 in the Czech Republic in 2015. Of this, EUR 291 was spent on non-life insurance and EUR 225 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Czech Insurance Association; as of 9M 2016

VIG COMPANIES IN THE CZECH REPUBLIC

Vienna Insurance Group is represented by three insurance companies in the Czech Republic: Kooperativa, ČPP and PČS. The Group's own reinsurance company, VIG Re, has also been operating in Prague since 2008 – this company is, however, assigned to the "Central Functions".

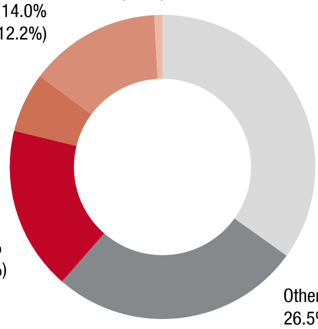
VIG's market share of 31.8% makes it the leading insurance group in the Czech market. VIG has a market share of 33.5% in the life insurance area, which also makes it the leader there. In non-life insurance, the Group is in second place with a market share of 30.9%.

BUSINESS DEVELOPMENT IN THE CZECH REPUBLIC IN 2016

Premium development

The Czech insurance companies generated premium volume of EUR 1,529.09 million in 2016 (2015: EUR 1,554.82 million), a decrease of 1.7% compared to the level in the previous year. This decrease was solely due to the decrease in single-premium life insurance business. When adjusted for this, strong premium growth of 6.4% was achieved. Net earned premiums were EUR 1,151.47 million in 2016 (2015: EUR 1,204.78 million).

PREMIUM SHARE BY LINE OF BUSINESS IN 2016



Values for 2015 in parentheses

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance were EUR 738.42 million in 2016. The year-on-year decrease of 9.6% was due to the significant reduction in single-premium life business, with the loss ratio remaining essentially constant for property and casualty insurance.

Acquisition and administrative expenses

Acquisition and administrative expenses for the Czech Group companies increased 10.9% to EUR 350.78 million in 2016. Acquisition and administrative expenses were EUR 316.28 million in 2015. The main reason for the increase was higher commission expenses due to the increase in motor insurance premiums and the increase in new business for regular premium life insurance.

Result before taxes

Due to the drop in the financial result, the profit before taxes generated by the Czech Group companies declined 6.3% year-on-year to EUR 152.77 million in 2016.

Combined ratio

The combined ratio improved to an excellent 90.5% in 2016, in spite of the increase in commission rates (2015: 90.7%).

VIENNA INSURANCE GROUP IN THE CZECH REPUBLIC

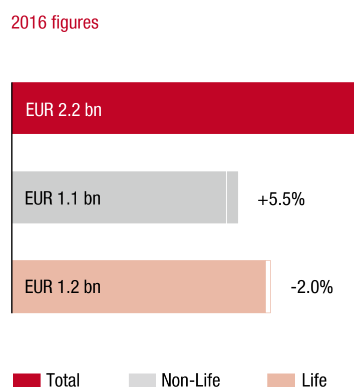
in EUR million	2016	2015	2014
Premiums written	1,529.09	1,554.82	1,683.41
Motor own damage insurance	213.40	190.33	177.74
Motor third party liability insurance	266.13	256.83	256.07
Other property and casualty insurance	405.22	377.40	379.10
Life insurance – regular premium	533.99	507.56	487.24
Life insurance – single-premium	96.97	209.11	369.51
Health insurance	13.37	13.59	13.75
Result before taxes	152.77	162.99	177.87

SLOVAKIA

SLOVAKIAN INSURANCE MARKET

More than half of the Slovakian insurance market was covered by the two largest insurance companies in 2016. The top 5 insurance groups generated around 80% of market premiums.

MARKET GROWTH IN 2016 COMPARED TO THE PREVIOUS YEAR



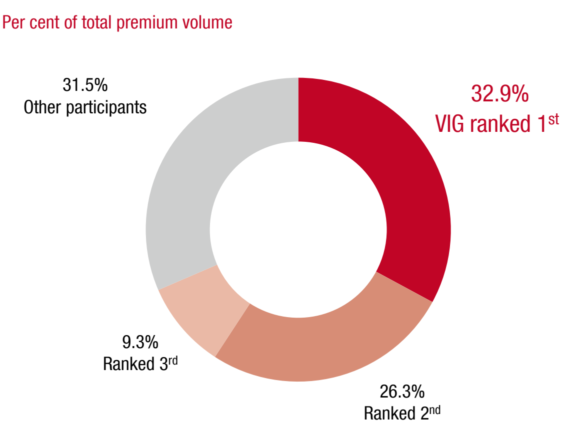
Source: Slovak Insurance Association

Premium volume rose 1.4% year-on-year in Slovakia in 2016. The increase was due to good premium growth in the non-life business, which increased 5.5% in 2016. Life insurance premiums, on the other hand, fell 2.0% compared to the previous year.

The Slovakian parliament approved a change in the law in November 2016 that will have a major effect on the non-life insurance market. The 8% tax that currently only applies to motor third party liability insurance will be extended to all non-life products in the future, which could have a direct effect on the profitability of insurers. The new legislation applies to policies from 1 January 2017.

Slovakia had an average insurance density of EUR 408 in 2015. EUR 185 of this amount was from non-life insurance and EUR 223 from life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Slovak Insurance Association; as of 2016

VIG COMPANIES IN SLOVAKIA

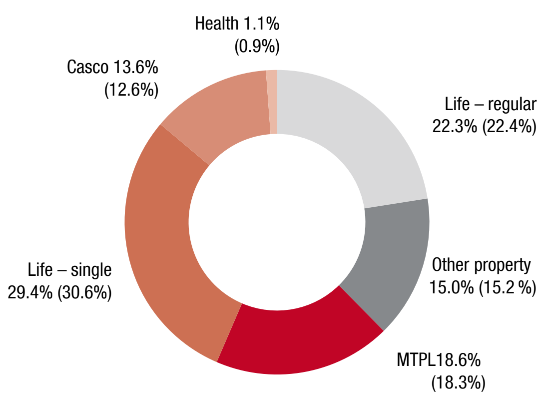
Vienna Insurance Group is represented by three insurance companies in Slovakia: Kooperativa, Komunálna and PSLSP.

Vienna Insurance Group’s market share of 32.9% in 2016 makes it the leading insurance group in the country. The Group holds second place in the non-life insurance market and first place in life insurance.

BUSINESS DEVELOPMENT IN SLOVAKIA IN 2016

Premium development
VIG wrote EUR 732.34 million in premiums written in Slovakia in 2016 (2015: EUR 716.50 million). This corresponds to a year-on-year increase of 2.2% that is primarily due to good growth in the motor lines of business. Net earned premium volumes were EUR 597.91 million, representing an increase of 3.7%.

PREMIUM SHARE BY LINE OF BUSINESS IN 2016



Values for 2015 in parentheses

Expenses for claims and insurance benefits
Expenses for claims and insurance benefits (less reinsurance) were EUR 491.82 million in 2016. This represents a year-on-year increase of 4.6%, which was mainly due to large losses in motor third party liability and fire insurance.

Acquisition and administrative expenses
VIG recorded EUR 100.41 million in acquisition and administrative expenses in Slovakia in 2016 (2015: EUR 98.65 million). The increase of 1.8% essentially corresponds to the increase in premiums.

Result before taxes
The Slovakian companies earned a profit before taxes of EUR 48.88 million, corresponding to a year-on-year decrease of 5.8%. Although there was an improvement in the current technical result, this was not enough to compensate for a positive one-time effect of around EUR 4 million in 2015 due to settlement of prior claims.

Combined ratio
The Vienna Insurance Group combined ratio improved to 94.9% in 2016 (2015: 96.2%).

VIENNA INSURANCE GROUP IN SLOVAKIA

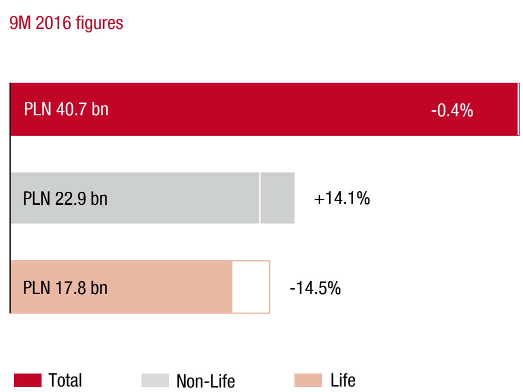
in EUR million	2016	2015	2014
Premiums written	732.34	716.50	726.99
Motor own damage insurance	99.48	90.10	88.02
Motor third party liability insurance	136.47	131.11	132.08
Other property and casualty insurance	109.79	109.09	104.86
Life insurance – regular premium	163.18	160.16	157.20
Life insurance – single-premium	214.97	219.38	238.69
Health insurance	8.45	6.65	6.14
Result before taxes	48.88	51.87	59.45

POLAND

POLISH INSURANCE MARKET

The Polish insurance market is one of the largest in Central and Eastern Europe. The top 5 insurance groups generated around 70% of the total premium volume.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2016 COMPARED TO THE PREVIOUS YEAR



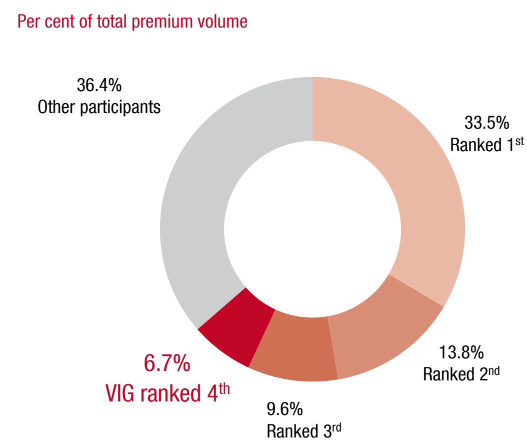
Source: Financial Market Authority Poland

The Polish insurance market recorded a slight drop of 0.4% in local currency terms during the first three quarters of 2016. Even though premium volume rose 14.1% in the non-life area, this was not enough to offset the change in life insurance, which fell 14.5%, mainly due to a decrease in single-premium business (-34.1%). Premiums from regular premium products, which, at close to 70%, represent the largest share of the life segment, also recorded a decrease of 1.0% in local currency terms. The negative trend in life insurance is the result of regulatory changes that increase the information requirements for investment products. These information requirements, however, also had the effect of reducing early policy cancellations.

The motor lines of business made particularly large contributions to the strong growth in non-life insurance. Motor third party liability increased 32.4% in local currency terms and motor own damage insurance rose 18.5%. Premiums in the non-motor lines of business rose moderately by 1.5% in the first nine months of 2016.

Poland had an insurance density of EUR 345 in 2015. EUR 172 of this amount was for non-life insurance and EUR 173 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Financial Market Authority Poland; as of 9M 2016

VIG COMPANIES IN POLAND

VIG is represented by five Group companies in Poland: Compensa Life and Non-Life, InterRisk, and the two life insurance companies Polisa and Vienna Life. The name of the last of these companies was changed from Skandia to Vienna Life in October of the current year during integration into the Group.

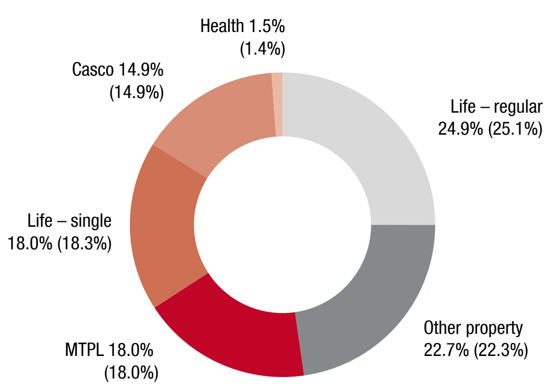
VIG's market share of 6.7% in the 1st to 3rd quarters of 2016 puts it in fourth place in the Polish insurance market. The Group is in fifth place in the non-life area, and the Polish VIG companies hold fourth place in the life insurance market.

BUSINESS DEVELOPMENT IN POLAND IN 2016

Premium development

Vienna Insurance Group generated total premiums written of EUR 819.18 million in Poland in 2016 (2015: EUR 838.86 million), representing a decrease of 2.3% compared to the previous year. When adjusted for transfer of the Baltic non-life business and negative exchange rate effects, on the other hand, significant growth of 5.1% was achieved. Net earned premiums were EUR 669.70 million in 2016, 6.5% lower than in 2015.

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Expenses for claims and insurance benefits

The Polish Vienna Insurance Group companies had expenses for claims and insurance benefits (less reinsurance) of EUR 542.65 million in 2016 (2015: EUR 501.34 million). This was an increase of EUR 41.31 million or 8.2% in expenses for claims and insurance benefits (less reinsurance). This change was primarily due to changes in the cancellation terms when certain life insurance products are surrendered.

Acquisition and administrative expenses

The Polish VIG companies reduced acquisition and administrative expenses by 27.6% to EUR 158.45 million in 2016 (2015: EUR 218.95 million). This was primarily the result of a reduction in commission expenses due to a significant drop in premiums in the high commission area of term life insurance.

Profit before taxes

The Polish companies earned profit before taxes of EUR 1.88 million in 2016 (2015: EUR 20.83 million). The decrease primarily resulted from a reduction in the financial result due to difficult market conditions, intense price competition, especially in the motor area, the newly introduced investment tax and the change in cancellation terms mentioned above.

Combined ratio

In spite of difficult market conditions, the combined ratio remained at the level of the previous year in 2016 at 99.4% (2015: 99.3%).

VIENNA INSURANCE GROUP IN POLAND

in EUR million	2016	2015	2014
Premiums written	**819.18**	838.86	1,034.05
Motor own damage insurance	122.30	125.30	140.85
Motor third party liability insurance	147.57	150.82	177.89
Other property and casualty insurance	185.48	186.81	221.26
Life insurance – regular premium	204.17	210.91	157.62
Life insurance – single-premium	147.05	153.46	322.57
Health insurance	12.60	11.57	13.86
Result before taxes	**1.88**	20.83	53.40

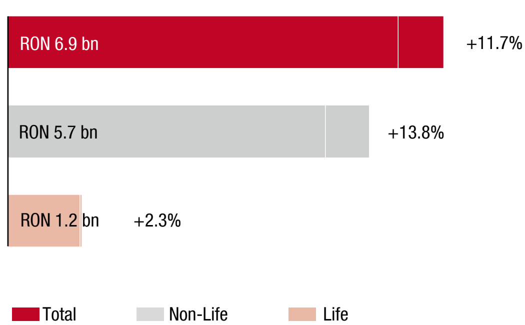
ROMANIA

ROMANIAN INSURANCE MARKET

Market concentration is lower in Romania compared to other insurance markets in Central and Eastern Europe. The top 3 insurance groups generated close to 50% of total premiums in 2016.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2016 COMPARED TO THE PREVIOUS YEAR

9M 2016 figures



Source: Financial supervisory authority ASF

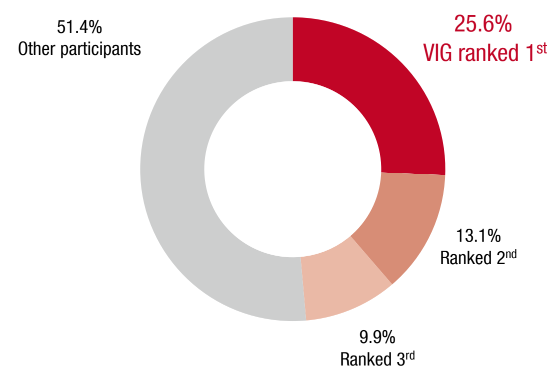
Premiums written in Romania rose 11.7% year-on-year in local currency terms in the 1st to 3rd quarters of 2016 – one of the fastest growth rates recorded in recent years. Non-life insurance, which grew 13.8% year-on-year, was mainly responsible for this increase. Premium growth of 33.7% for motor third party liability insurance easily compensated for the slight 9.0% decrease recorded in the non-motor lines of business. The increase in non-life insurance was primarily the result of higher average premiums in motor third party liability insurance, particularly for corporate customers.

Life insurance premiums grew 2.3% year-on-year in local currency terms. This increase was due to an increase in unit-linked and index-linked life insurance.

The average per capita expenditure for insurance was EUR 99 in Romania in 2015. EUR 78 of this amount was for non-life insurance and EUR 21 for life insurance. A comparison with other countries in the Central and Eastern European region, such as the Czech Republic, which had an average insurance density of EUR 516 in 2015, shows the enormous potential of the Romanian insurance market.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Financial supervisory authority ASF; as of 9M 2016

VIG COMPANIES IN ROMANIA

Vienna Insurance Group is represented by three insurance companies in the Romanian market: Omniasig, Asirom and BCR Life. A purchase agreement was also signed in August 2016 to acquire the life insurance company AXA Life. The buyers are the two Romanian VIG companies BCR Life and Omniasig. The acquisition is subject to approval by the local authorities.

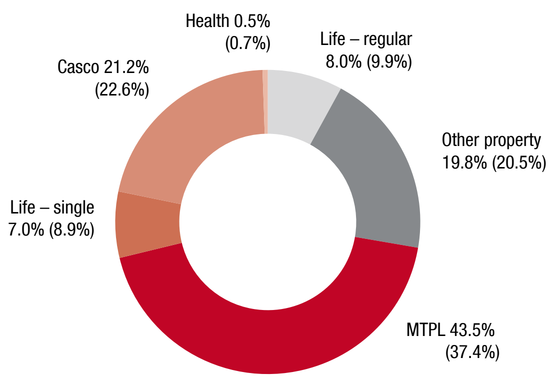
With a market share of 25.6% in the 1st to 3rd quarters of 2016, Vienna Insurance Group is the leading insurance group in Romania. The Group is also the leader in non-life insurance and holds second place in the Romanian market for life insurance.

BUSINESS DEVELOPMENT IN ROMANIA IN 2016

Premium development

The Romanian Group companies wrote EUR 533.40 million in premiums written in 2016, representing a significant increase of 24.4% (2015: EUR 428.64 million). This increase was mainly due to an increase in new business and higher average premiums in motor third party liability insurance. Net earned premiums were EUR 351.13 million in 2016, 32.5% higher than the previous year.

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Expenses for claims and insurance benefits

The Romanian companies had EUR 246.40 million in expenses for claims and insurance benefits (less reinsurance) in 2016 (2015: EUR 176.24 million). The year-on-year increase of 39.8% was primarily due to the allocation of loss reserves for motor third party liability insurance.

Acquisition and administrative expenses

Vienna Insurance Group had acquisition and administrative expenses of EUR 90.59 million in Romania in 2016 (2015: EUR 85.69 million). This year-on-year increase of 5.7% is due to a large increase in commissions caused by the significant increase in motor third party liability business.

Result before taxes

The Romanian Group companies increased their profit before taxes to EUR 3.51 million in 2016 (2015: EUR -87.58 million). It must be noted, however, that the result in the previous year was negatively affected by EUR 93.2 million in goodwill impairment losses.

Combined ratio

The combined ratio improved once again compared to the previous year, although at a level of 100.1%, it was still slightly above the 100% mark (2015: 102.4%).

VIENNA INSURANCE GROUP IN ROMANIA

in EUR million	2016	2015	2014
Premiums written	533.40	428.64	339.67
Motor own damage insurance	113.20	96.93	83.80
Motor third party liability insurance	231.88	160.33	116.42
Other property and casualty insurance	105.36	87.89	84.95
Life insurance - regular premium	42.48	42.31	35.63
Life insurance - single premium	37.52	38.30	18.73
Health insurance	2.95	2.88	0.14
Result before taxes	3.51	-87.58	6.08

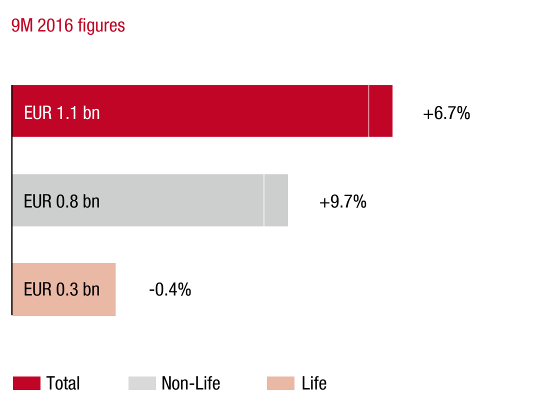
BALTIC STATES

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

THE BALTIC INSURANCE MARKET

In the insurance market in the Baltic states, many companies that have their registered office in one of the three Baltic states are also represented by branches in the other two markets. As a result, there is an above-average number of participants in the market. For example, more than 20 active companies or branches are operating in Lithuania. The top five insurance groups generated slightly more than 70% of total premium volume in the Baltic states in the 1st to 3rd quarters of 2016.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2016 COMPARED TO THE PREVIOUS YEAR



Source: The Estonian National Statistics Board, Latvian Insurers Association, Central Bank of the Republic of Lithuania

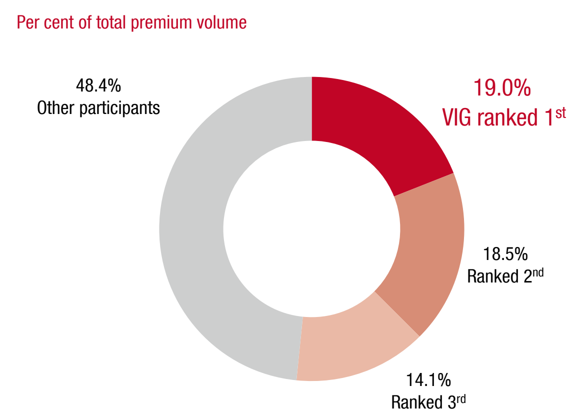
The positive growth trend recorded in the Baltics in recent years continued in the 1st to 3rd quarters of 2016. All three Baltic states displayed significant year-on-year increases in premiums. Estonia recorded an increase of 6.7%, Latvia 5.1% and premium volume rose 7.4% in Lithuania.

Non-life insurance recorded particularly large growth rates in the 1st to 3rd quarters of 2016. In Estonia, premiums rose 8.7% in the non-life area, in Latvia 5.4% and in Lithuania even as high as 12.6%.

Growth rates were mixed for life insurance in the three Baltic states, with premiums increasing 4.2% in Latvia and falling 2.6% in Lithuania. Life insurance premiums also recorded a slight decrease of 0.4% in Estonia in the 1st to 3rd quarters of 2016.

The three Baltic states also differ amongst each other in terms of insurance density. While average per capita expenditure on insurance was EUR 373 in Estonia in 2015 – EUR 301 for non-life and EUR 72 for life insurance – the comparable value for Latvia was EUR 267. Latvians spent EUR 209 of this amount on non-life insurance and EUR 58 on life insurance. Lithuania had an insurance density of EUR 222 in 2015. Of this, EUR 141 was spent on non-life insurance and EUR 81 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: The Estonian National Statistics Board, Latvian Insurers Association, Central Bank of the Republic of Lithuania; as of 9M 2016

VIG COMPANIES IN THE BALTIC STATES

Vienna Insurance Group operates in Estonia through the Group company Compensa Life, which is also represented by branches in Latvia and Lithuania. In Latvia, in addition to BTA Baltic, VIG is also represented by the property and casualty insurer Baltikums, which also has branches in Lithuania and distributes its products via brokers in Estonia. Compensa Non-Life was established in Lithuania in 2015 and took over the business previously managed from Poland. It also maintains branches in Latvia and Estonia.

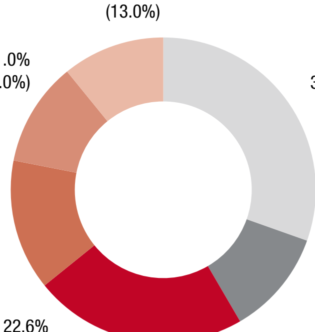
Following official approval of the BTA Baltic acquisition on 24 August 2016, Vienna Insurance Group became the leadng insurance group in the Baltic insurance market in the 1st to 3rd quarters of 2016. The Group holds second place in the non-life insurance market and third place in life insurance.

BUSINESS DEVELOPMENT IN THE BALTIC STATES IN 2016

Premium development

Premiums written in the Baltic states rose to EUR 140.19 million in 2016 (2015: EUR 59.31 million). The sharp year-on-year increase in premiums was primarily due to the newly founded insurance company Compensa Non-Life that was established in 2015 and to the property and casualty company Baltikums that was acquired in the previous year. Net earned premiums were EUR 108.10 million in 2016, 87.2% higher than the previous year.

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsureance were EUR 85.16 million in 2016 (2015: EUR 48.76 million). The year-on-year increase of 74.7% was also primarily due to the newly founded insurance company Compensa Non-Life that was established in 2015 and to the property and casualty company Baltikums that was acquired in the previous year.

Acquisition and administrative expenses

VIG recorded EUR 35.16 million in acquisition and administrative expenses in the Baltic states in 2016 (2015: EUR 15.32 million). The main reason for this increase was the new insurance company established in 2015 and the property and casualty insurer Baltikums that was acquired in the previous year.

Result before taxes

The loss of EUR 11.23 million reported in 2016 was primarily due to start-up losses for Compensa Non-Life resulting from transfer of the Baltic non-life business from a Polish Group company (2015: EUR -2.65 million).

Combined ratio

The start-up losses of Compensa Non-Life following transfer of the Baltic non-life insurance business from a Polish Group company also had an effect on the combined ratio, which was 135.4% in 2016.

VIENNA INSURANCE GROUP IN THE BALTIC STATES

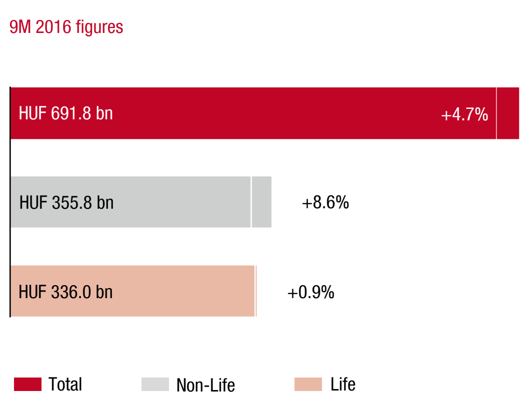
in EUR million	2016	2015	2014
Premiums written	140.19	59.31	51.56
Motor own damage insurance	15.50	0.00	0.00
Motor third party liability insurance	31.67	0.00	0.00
Other property and casualty insurance	15.66	0.00	0.00
Life insurance – regular premium	42.66	36.95	39.17
Life insurance – single-premium	19.49	14.66	12.39
Health insurance	15.22	7.69	0.00
Result before taxes	-11.23	-2.65	-0.70

HUNGARY

HUNGARIAN INSURANCE MARKET

In Hungary, the two largest insurance companies represented close to 30% of the market in the 1st to 3rd quarters of 2016. The top 5 insurance groups represented around 60% of the market.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2016 COMPARED TO THE PREVIOUS YEAR



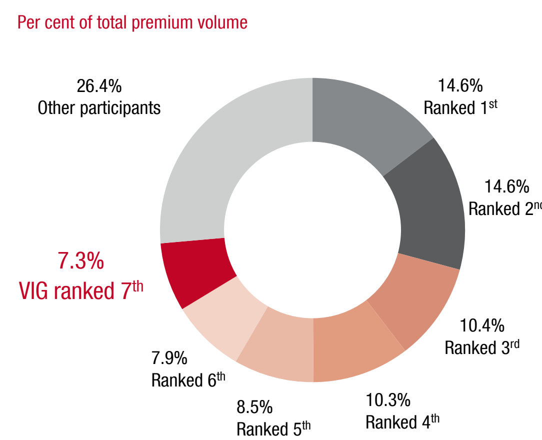
Source: Hungarian Insurers Association (MABISZ)

Hungary continued the positive growth trend recorded in previous years in 2016. Premium volume in the Hungarian insurance market grew 4.7% year-on-year in local currency terms in the 1st to 3rd quarters of 2016. A major part of this growth was contributed by the non-life line of business, which recorded an increase of 8.6%. Motor third party liability, in particular, achieved double-digit growth rates in the first three quarters (+22.5%).

Life insurance premiums also recorded moderate growth of 0.9% in local currency terms. Premiums in the life insurance line of business were primarily affected by the change in unit-linked insurance, which fell close to 9.0% in the first nine months of 2016. This decrease, however, was more than compensated by double-digit growth rates for tax-privileged pension insurance.

Average per capita premiums were EUR 285 in Hungary in 2015. EUR 140 of this amount was for non-life insurance and EUR 145 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Hungarian Insurers Association (MABISZ); as of 9M 2016 figures

VIG COMPANIES IN HUNGARY

Vienna Insurance Group is represented by three companies in the Hungarian insurance market: the life and non-life insurer Union Biztosító and the two life insurance companies Erste Biztosító and Vienna Life Biztosító.

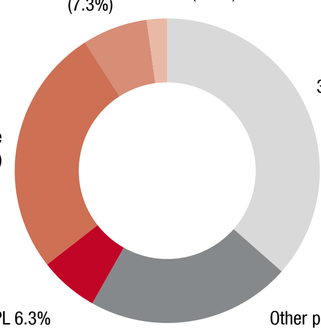
VIG's market share of 7.3% put it in seventh place in the Hungarian insurance market in the 1st to 3rd quarters of 2016. VIG holds sixth place in both the life and non-life insurance markets.

BUSINESS DEVELOPMENT IN HUNGARY IN 2016

Premium development

The Hungarian Group companies wrote EUR 224.23 million in premiums written in 2016 (2015: EUR 204.26 million). This corresponds to a year-on-year increase of 9.8%, which was primarily due to strong premium growth for single-premium life insurance products. Net earned premiums were EUR 174.57 million in 2016, 9.3% higher than the previous year.

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Expenses for claims and insurance benefits

Vienna Insurance Group had expenses for claims and insurance benefits (less reinsurance) of EUR 132.35 million in Hungary in 2016 (2015: EUR 118.98 million). The increase of 11.2% compared to the previous year was due to the significant increase in premiums from single-premium business and higher claims expenses in the motor lines of business.

Acquisition and administrative expenses

Vienna Insurance Group acquisition and administrative expenses increased slightly by 0.6% in Hungary to EUR 38.27 million in 2016 (2015: EUR 38.06 million).

Result before taxes

Profit before taxes increased to EUR 3.81 million in Hungary in 2016 (2015: EUR -22.13 million), although it must be noted that the result in the previous year was negatively affected by EUR 24.9 million in goodwill impairment losses. In addition, a Vienna Life provision of EUR 1.0 million for litigation expenses was released in 2016.

Combined ratio

Although the combined ratio improved considerably compared with the previous year, due to the tax burden caused by insurance and trade tax it remained above the 100% mark at 103.6% in 2016 (2015: 105.3%).

VIENNA INSURANCE GROUP IN HUNGARY

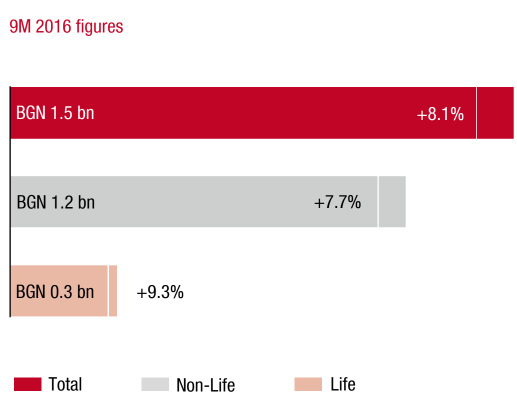
in EUR million	2016	2015	2014
Premiums written	224.23	204.26	179.98
Motor own damage insurance	15.47	14.87	13.28
Motor third party liability insurance	14.03	10.70	10.55
Other property and casualty insurance	48.62	45.98	43.99
Life insurance – regular premium	81.84	77.36	58.63
Life insurance – single-premium	59.43	51.80	52.11
Health insurance	4.83	3.56	1.42
Result before taxes	3.81	-22.13	2.98

BULGARIA

BULGARIAN INSURANCE MARKET

The five largest insurance groups in the Bulgarian market generated close to 60% of the premium volume in the first three quarters of 2016.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2016 COMPARED TO THE PREVIOUS YEAR



Source: Bulgarian Financial Supervision Commission (FSC)

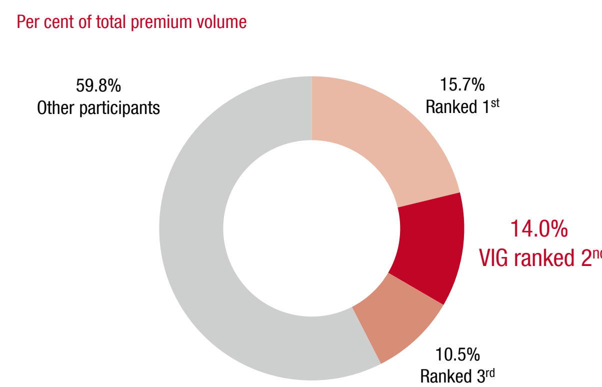
The Bulgarian insurance market recorded year-on-year premium growth of 8.1% in local currency terms in the 1st to 3rd quarters of 2016.

Premium volume in the non-life area rose 7.7%, due to contributions from motor third party liability insurance (+7.6%), motor own damage insurance (+7.1%) and the non-motor lines of business (+8.5%).

Life insurance premiums increased 9.3% in local currency terms in the 1st to 3rd quarters of 2016. This increase wasmainly due to growth in traditional and tax-privileged savings products and health insurance, as well as unit-linked life insurance.

The per capita expenditure for insurance was around EUR 140 in Bulgaria in 2015. Of this, EUR 112 was spent on non-life insurance and EUR 28 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Bulgarian Financial Supervision Commission (FSC); as of 9M 2016

VIG COMPANIES IN BULGARIA

Vienna Insurance Group is represented by three Group companies in Bulgaria: Bulstrad Life, Bulstrad Non-Life and Nova, which was formerly UBB-AIG. Bulstrad Non-Life acquired UBB-AIG in 2015 and changed its name to Nova in 2016 during integration with the Group. Vienna Insurance Group also holds an interest in the largest Bulgarian pension fund, Doverie.

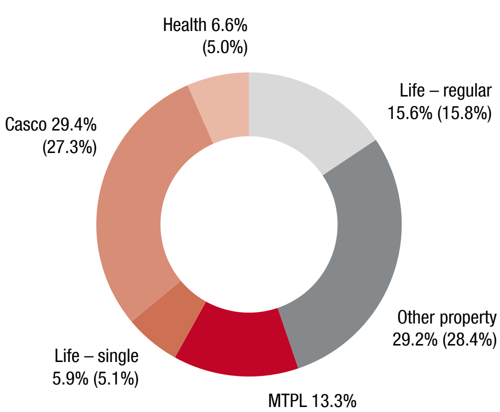
The Group's market share of 14.0% gives it an outstanding second place in the Bulgarian insurance market. VIG also holds second place in the life and non-life insurance markets in Bulgaria.

BUSINESS DEVELOPMENT IN BULGARIA IN 2016

Premium development

Premiums written in Bulgaria increased by 4.3% to EUR 136.68 million in 2016 (2015: EUR 131.08 million). The large growth rates recorded for health (+36.3%), motor own damage (+12.7%) and other property and casualty insurance (+7.0%) more than compensated for the decrease in motor third party liability premiums resulting from strong price competition in the market. Net earned premiums were EUR 96.51 million in 2016, 8.4% higher than the previous year.

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Expenses for claims and insurance benefits

The Bulgarian VIG companies had EUR 59.27 million in expenses for claims and insurance benefits (less reinsurance) in 2016 (2015: EUR 57.89 million). Primarily due to growth in the marine business and motor own damage insurance, the 2.4% increase in insurance payments was considerably less than the increase in premiums.

Acquisition and administrative expenses

Acquisition and administrative expenses were EUR 32.03 million in 2016 (2015: EUR 29.56 million). This corresponded to an increase of 8.4% compared to the previous year, which was caused by an increase in commissions due to the growth in premiums and the first-time consolidation of Nova.

Result before taxes

The Bulgarian VIG companies contributed EUR 5.38 million to the total Group profit in 2016 (2015: EUR -2.35 million). The main reasons for the increase were a lower allowance for receivables than in the previous year and an improved underwriting result for Bulstrad Non-Life, as well as the first-time consolidation of Nova.

Combined ratio

The combined ratio improved significantly compared to the previous year to 98.2% in 2016 (2015: 102.3%).

VIENNA INSURANCE GROUP IN BULGARIA

in EUR million	2016	2015	2014
Premiums written	136.68	131.08	114.37
Motor own damage insurance	40.24	35.69	30.21
Motor third party liability insurance	18.17	24.08	21.76
Other property and casualty insurance	39.86	37.24	34.59
Life insurance – regular premium	21.33	20.75	19.87
Life insurance – single-premium	8.08	6.71	7.94
Health insurance	9.01	6.61	0.00
Result before taxes	5.38	-2.35	2.08

TURKEY/GEORGIA

Turkey

The Turkish insurance market recorded another sharp increase of 32.1% in local currency terms in the first three quarters of 2016. The non-life sector dominates the Turkish insurance market with a share of 88.5% of total premium volume and an increase of 33.7% compared to the same period in the previous year. The increase was primarily due to dynamic growth in the motor lines of business (+58.0%). The non motor lines of business also rose 13.2% in local currency terms. Life insurance grew 20.9% in the 1st to 3rd quarters of 2016.

More than 60 insurance companies were operating in Turkey in the first three quarters of 2016. Vienna Insurance Group is represented by the non-life insurer Ray Sigorta in the Turkish insurance market. The Group's 1.5% share of total premium volume places it in 17th place in the market.

Georgia

The Georgian insurance market recorded an 8.2% year-on-year increase in premium volume in local currency terms in the 1st to 3rd quarters of 2016. Despite the dissolution of the national health insurance programme and a resulting decline in this class of insurance, the share of health insurance in the total premium volume totals around 46%. All lines of business recorded positive growth in local currency terms compared with the same period in the previous year. The non-life area grew by 8.0%, the life area by 11.7% and health insurance by 13.0%.

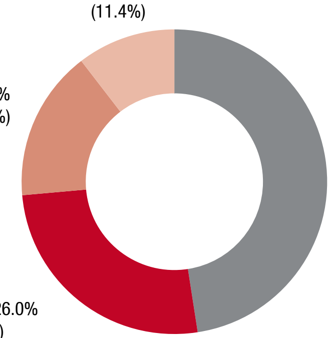
14 insurance companies operate in Georgia. VIG is represented by two companies: IRAO and GPIH. These Group companies held second place in the market with a combined market share of 30.4% in the 1st to 3rd quarters of 2016.

BUSINESS DEVELOPMENT IN THE TURKEY/GEORGIA SEGMENT IN 2016

Premium development

VIG wrote EUR 208.70 million in premiums written in the Turkey/Georgia segment in 2016 (2015: EUR 182.34 million), representing a significant increase of 14.5% compared to the previous year. This change was due to a sharp rise in average premiums for motor third party liability insurance in Turkey and other property and casualty insurance. Net earned premiums were EUR 102.13 million in 2016 (2015: EUR 92.74 million), an increase of 10.1% compared to the previous year.

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance were EUR 76.95 million in 2016 (2015: EUR 71.83 million). Compared to the previous year, this represented a 7.1% increase in expenses for claims and insurance benefits (less reinsurance), with claims rising significantly less than premiums due to the growth in motor third party liability insurance in Turkey.

Acquisition and administrative expenses

Acquisition and administrative expenses in the Turkey/Georgia segment decreased from EUR 25.16 million in 2015 to EUR 22.60 million in 2016. This corresponds to a year-on-year decrease of 10.2%, which was primarily due to higher reinsurance commissions in the motor third party liability and other property and casualty lines of business in Turkey.

Result before taxes

Profit before taxes rose to EUR 9.00 million in 2016 (2015: EUR 3.21 million). This significant increase was due to growth in motor third party liability insurance, primarily in Turkey.

Combined ratio

The combined ratio improved significantly to 95.7% in 2016, primarily due to higher reinsurance commissions in the motor third party liability and other property and casualty lines of business in Turkey (2015: 102.5%).

VIENNA INSURANCE GROUP IN THE TURKEY/GEORGIA SEGMENT

	2016	2015	2014
in EUR million			
Premiums written	208.70	182.34	170.41
Motor own damage insurance	33.15	36.46	33.71
Motor third party liability insurance	54.36	34.79	27.31
Other property and casualty insurance	99.39	90.31	87.53
Life insurance – regular premium	0.00	0.00	0.00
Life insurance – single-premium	0.00	0.00	0.00
Health insurance	21.80	20.78	21.86
Result before taxes	9.00	3.21	5.70

REMAINING CEE

The Remaining CEE segment includes Albania, Bosnia-Herzegovina, Croatia, Macedonia, Moldova, Serbia and Ukraine. The Remaining CEE markets generated 3.7% of Group premiums in 2016. The Group companies in the Montenegro and Belarus markets were not included in the VIG consolidated financial statements.

Albania including Kosovo

The Albanian insurance market grew 7.0% in local currency terms during the 1st to 3rd quarters of 2016. Liberalisation of motor rates, which led to an increase in prices for motor third party liability insurance, had a particularly positive effect. Premiums rose 8.9% for motor third party liability insurance and 26.3% for motor own damage insurance. Life insurance recorded a slight decrease of 3.0% compared to the previous year. Kosovo recorded premium growth of around 3% in the first three quarters of 2016.

VIG is represented by two non-life insurance companies, Sigma Interalbanian and Intersig, in Albania. Sigma Interalbanian also operates a branch in Kosovo. Vienna Insurance Group holds second place in the Albanian market, with a market share of 24.6%.

Bosnia-Herzegovina

The insurance market in Bosnia- Herzegovina grew by 7.9% in local currency terms in the first three quarters of 2016. The non-life area recorded a significant 8.8% increase in premiums. This was primarily due to growth in motor third party liability insurance. Life insurance premiums also recorded positive growth of 4.4%.

VIG is represented by the Group company Wiener Osiguranje in Bosnia-Herzegovina. VIG's 5.2% share places it in seventh place in the market. It holds fifth place in non-life insurance and seventh place in life insurance.

Croatia

The Croatian insurance market grew 0.3% in the 1st to 3rd quarters of 2016. The non-life area recorded a 1.0% year-on-year increase, primarily due to good growth in the motor lines of business (+1.3%). Life insurance recorded a slight decrease of 1.2% in the first three quarters of 2016.

Vienna Insurance Group is represented by two companies in the Croatian market. Wiener Osiguranje is active both in life and non-life insurance while Erste Osiguranje specialises in life insurance business in cooperation with Erste Group. The Group has a market share of 8.5%, which puts it in fourth place in the Croatian insurance market. It holds sixth place in non-life insurance with a market share of 5.1% and third place in the life insurance market with 15.9%.

Macedonia

The Macedonian insurance market grew 4.9% year-on-year in local currency terms. The non-life segment, which generated 88% of total premiums and achieved an increase of 3.1% compared to the previous year, continued to be the most important driver for the insurance market. The life insurance area recorded an increase of 19.2%.

Vienna Insurance Group is represented by three Group companies in the Macedonian market – Winner Non-Life, Winner Life and Makedonija Osiguruvanje – and is the market leader with a share of 23.3%. Vienna Insurance Group also holds first place for non-life insurance and third place for life insurance.

Moldova

The Moldovan insurance market recorded significant growth of 11.6% in local currency terms during the 1st to 3rd quarters of 2016. Non-life premium volume increased 12.3%. Motor insurance made the largest contribution to this growth, increasing 16.3% compared to the same period in the previous year. Life insurance premiums rose 1.0% in the first three quarters of 2016.

Vienna Insurance Group is represented by the Group company Donaris in Moldova. Its acquisition in 2014 allowed VIG to open up the last country in the CEE region and extend its presence to 25 countries. VIG holds a market share of 14.4% in Moldova, putting it in second place in the market.

Serbia

Premium volume in the Serbian insurance market grew 10.0% year-on-year in local currency terms in the first three quarters of 2016. This increase was mainly due to premium growth in the non-life area, which rose 7.6% compared to the previous year. Life insurance premiums increased signifycantly by 18.9% in the 1st to 3rd quarters of 2016.

Vienna Insurance Group is represented in Serbia by Wiener Städtische Osiguranje, which operates in both the life and non-life areas. The purchase agreement for acquisition of the AXA Life and AXA Non-Life insurance companies was signed on 6 July 2016. These acquisitions increase VIG's market share to around 12%. Vienna Insurance Group holds fourth place in non-life insurance and second place in life insurance.

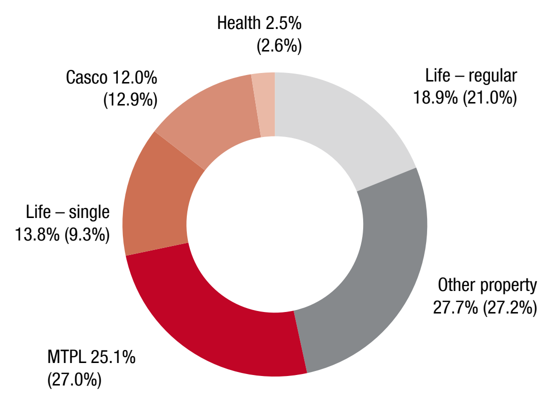
Ukraine

Premiums written in Ukraine rose 14.4% year-on-year in local currency terms during the 1st to 3rd quarters of 2016. Non-life premiums increased 13.1%, in spite of strong price competition and commission dumping in the market. It must be noted, however, that the increase was mainly due to depreciation of the country's currency and rate increases for motor third party liability insurance. Year-on-year growth of 32.2% was recorded in the life insurance area.

VIG is represented by four insurance companies in Ukraine: the three non-life insurance companies UIG, Kniazha and Globus and the life insurance company Kniazha Life, whose name was changed from Jupiter to Kniazha Life in September 2016. With a market share of 4.4%, VIG is in the third place in the Ukrainian insurance market. VIG holds third place in non-life insurance, and seventh place in life insurance.

BUSINESS DEVELOPMENT IN THE REMAINING CEE SEGMENT IN 2016

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Premium development

The VIG companies in the Remaining CEE countries wrote EUR 331.39 million in premiums written in 2016 (2015: EUR 307.19 million). The year-on-year increase of 7.9% was mainly the result of good growth in Croatia and Serbia. Net earned premiums were EUR 232.91 million in 2016 (2015: EUR 211.37 million), an increase of 10.2% compared to the previous year.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance were EUR 161.80 million in 2016 (2015: EUR 145.54 million). Compared to the previous year, this represented an increase of 11.2% in expenses for claims and insurance benefits, which primarily resulted from the transfer to the mathematical reserve due to the increase in premiums from single-premium business in Croatia and Serbia.

Acquisition and administrative expenses
Acquisition and administrative expenses were EUR 83.29 million in the Remaining CEE segment in 2016 (2015: EUR 81.71 million). Due to the low commission rates in single-premium business, the 1.9% increase in acquisition and administrative expenses was significantly smaller than the increase in premiums.

Result before taxes
Profit before taxes increased to EUR 7.43 million due to continued positive development of the VIG companies in the Remaining CEE countries. (2015: EUR -25.44 million). It must be noted, however, that the result in the previous year was negatively affected by EUR 38.7 million in goodwill impairment losses.

Combined ratio
The combined ratio improved slightly compared to the previous year to 101.4% in 2016 (2015: 102.7%).

VIENNA INSURANCE GROUP IN THE REMAINING CEE SEGMENT

	2016	2015	2014
in EUR million			
Premiums written	331.39	307.19	293.60
Motor own damage insurance	39.61	39.64	42.73
Motor third party liability insurance	83.35	82.97	77.26
Other property and casualty insurance	91.85	83.41	77.22
Life insurance - regular premium	62.64	64.47	65.92
Life insurance - single premium	45.83	28.83	22.71
Health insurance	8.12	7.87	7.76
Result before taxes	7.43	-25.44	11.31

OTHER MARKETS

The Other Markets segment includes Germany and Liechtenstein. The Other Markets generated 3.9% of Group premiums in 2016.

Germany
Premium volume in the German insurance market remained unchanged compared to the previous year. Property and casualty insurance recorded premium growth of 3.0% in the first three quarters of 2016. Life insurance premiums decreased 3.0% in 2016 compared to the first three quarters of 2015, largely due to the continued effects of the ongoing low interest rate environment on single-premium business. While single-premium products recorded a drop of 9.7%, regular premium products remained practically unchanged (-0.1%).

Vienna Insurance Group is represented in Germany by InterRisk Non-Life and InterRisk Life. These two highly profitable niche providers operate exclusively through brokers. InterRisk Non-Life specialises in casualty and liability insurance and selected property insurance products. InterRisk Life focuses on retirement provision and occupational disability solutions, as well as protection for surviving dependants.

Liechtenstein
Liechtenstein offers insurance companies direct access to the markets in countries in the European economic area and Switzerland. As a result, the insurance companies located there offer international insurance solutions. At the end of 2016, 21 life insurance, 17 property and casualty insurance and three reinsurance companies had registered offices in Liechtenstein. The Liechtenstein insurance market remained at the level of the previous year in the first three quarters of 2016.

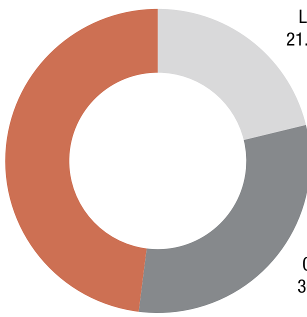
Vienna Insurance Group is represented by Vienna-Life in Liechtenstein. Vienna-Life operates exclusively in life insurance and concentrates predominantly on unit-linked and index-linked life insurance.

BUSINESS DEVELOPMENT IN THE OTHER MARKETS IN 2016

Premium development
Vienna Insurance Group generated total premiums written of EUR 352.96 million in the Other Markets in 2016 (2015: EUR 410.04 million), representing a decrease of 13.9% compared to the previous year. The decrease was due to a

reduction in single-premium business in Liechtenstein. Net earned premiums were EUR 311.57 million in 2016 (2015: EUR 371.16 million), representing a decrease of 16.1% compared to the previous year.

PREMIUMS WRITTEN BY LINE OF BUSINESS



Values for 2015 in parentheses

Expenses for claims and insurance benefits
The VIG companies in the Other Markets segment had EUR 255.04 million in expenses for claims and insurance benefits (less reinsurance) in 2016 (2015: EUR 254.28 million).

Acquisition and administrative expenses
Acquisition and administrative expenses decreased to EUR 25.22 million in the Other Markets in 2016 (2015: EUR 25.64 million). This corresponds to a drop of 1.6% compared to the previous year.

Result before taxes
Profit before taxes rose significantly by 9.5% to EUR 22.15 million in 2016 due to an improvement in the extraordinary financial result and to the underwriting result.

Combined ratio
Vienna Insurance Group had an excellent combined ratio of 81.8% in the Other Markets in 2016 (2015: 83.0%).

VIENNA INSURANCE GROUP IN THE OTHER MARKETS

in EUR million	2016	2015	2014
Premiums written	**352.96**	410.04	345.78
Motor own damage insurance	0.00	0.00	0.00
Motor third party liability insurance	0.00	0.00	0.00
Other property and casualty insurance	108.71	100.62	93.08
Life insurance – regular premium	74.79	72.88	72.56
Life insurance - single-premium	169.46	236.54	180.14
Health insurance	0.00	0.00	0.00
Result before taxes	**22.15**	20.22	18.89

CENTRAL FUNCTIONS

The Central Functions include VIG Holding, VIG Re, VIG Fund, the non-profit societies, corporate IT service providers and intermediate holding companies.

VIG Holding primarily focuses on managerial tasks for the Group. It also operates as an international reinsurer and in the international corporate business.

The Group's own reinsurance company, VIG Re, was formed in Prague in 2008 and is a successful reinsurance provider for both Vienna Insurance Group companies and external partners. VIG Re has established itself as an important company in the CEE region and follows a conservative underwriting and investment strategy. Standard & Poor's confirmed VIG Re's A+ rating with a stable outlook in the summer of 2016.

BUSINESS DEVELOPMENT IN THE CENTRAL FUNCTIONS IN 2016

Premiums written in the Central Functions segment rose 6.1% in 2016 to EUR 1,324.84 million. This was mainly due to an increase in premiums under internal Group reinsurance contracts. The loss of EUR 33.32 million reported in the Central Functions (2015: EUR -284.56 million) was due to interest expenses for the subordinated capital of the Group.

The result in the previous period was also negatively affected by EUR 195.0 million due to the impairment of IT systems.

BUSINESS DEVELOPMENT BY BALANCE SHEET UNIT

Further information on business development by balance sheet unit is provided in the additional disclosures in accordance with the Austrian Insurance Supervision Act (VAG) in the notes to the consolidated financial statements starting on page 246.

NON-FINANCIAL PERFORMANCE INDICATORS

The VIG success story has been guided at all times by long-term thinking and responsible action. VIG shares were included in both the Austrian VÖNIX sustainability index and the global FTSE4Good Index in 2016. Both require that the profit-making aspects of business activities be successfully combined with social and environmental objectives. VIG uses many measures and projects to provide a valuable contribution in many areas of society. The following provides some examples that represent the Group's wide range of commitments.

SOCIAL INVOLVEMENT – EXAMPLE: SOCIAL ACTIVE DAY

VIG is aware of its social responsibility to the people in its 25 markets and uses a wide range of projects and measures to proactively meet this responsibility. The Social Active Day is a very special initiative in this area, when thousands of VIG employees send a powerful message for solidarity. Under this initiative, employees who want to become involved with a good cause or social organisation are generally allowed to spend one working day of their time on such activities. This initiative was brought to life in 2011 by VIG's principal shareholder, Wiener Städtische Versicherungsverein, and quickly became a success. Around 4,400 employees from Group companies in 20 countries participated in 2016. The Group supported a wide range of projects and social organisations that also differed greatly across regions. Homeless shelters and initiatives, nursing homes, children's aid programmes, environmental protection programmes, refugee facilities and many more received active support. The associations and projects are happy to be given a helping hand, and employees gain new experiences while doing good.

CULTURAL INVOLVEMENT – EXAMPLE: GUSTAV MAHLER YOUTH ORCHESTRA

The Group's involvement is aimed at giving artists more freedom to develop artistically, thereby making a contribution to cultural life in Austria and the CEE region. The support provided to the Gustav Mahler Youth Orchestra is an example in this area. It is a place of learning for talented European orchestral musicians and helps young Austrian musicians play music with their colleagues from all over Europe, tradetionally including many from Central and Eastern Europe. The orchestra offers highly talented musicians up to the age of 26 the opportunity to work together with the great conductors and soloists of our time. This allows prospective professional musicians to gain experience that is critical for their musical development and future careers. VIG Holding feels that arts and culture make an important contribution to a society's quality of life and has therefore provided support to the Gustav Mahler Youth Orchestra for many years.

ENVIRONMENTAL FACTORS – EXAMPLE: RISK RADAR

In addition to conserving resources and the environment during day-to-day office work, creating awareness of natural disasters is also highly important to VIG. Storms, hail and flooding generate losses in the millions practically every year. Good quality public weather and climate information plays an important role in prevention. Group company Wiener Städtische therefore presented its Risk Radar in 2016. The interactive map at risikoradar.at allows users to perform an independent analysis of their personal risk for the first time in Austria. Risks due to storm, hail, flooding and lightning are available for users to select when they begin. Because the long-term trend is important, two time periods (ten years and five years) are specified. The risks can be analysed separately or in combination to produce a detailed risk analysis. Wiener Städtische is helping to increase public awareness of risk in this way.

EMPLOYEES

VIG positions itself as an employer of choice in a challenging international environment in order to search for and hire employees who can help promote its corporate culture and strategy with conviction. The human resources area offers a large number of initiatives, including international career opportunities, mobility programmes, training and advanced training.

VIG had a total of 24,601 employees in 2016, with 13,264 in the field sales force and 11,337 in administration. Overall, this is 1,606 more employees than in the previous year. The increase is due to the inclusion of the non-profit companies and the first-time consolidation of BTA Baltic. In 2016, the proportion of women across the Group was approximately 60%. Women hold around 23% of the positions on the Managing Boards of Vienna Insurance Group societies and around 13% of the Managing Board chairs are women. Including distribution, women hold around 42% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: around 47%).

EMPLOYEES BY SEGMENT

	2016	2015	2014
Number			
Austria	5,170	5,133	5,202
Czech Republic	4,762	4,758	4,802
Slovakia	1,678	1,580	1,579
Poland	1,586	1,723	1,825
Romania	1,991	2,106	2,351
Baltic states	1,281	372	142
Hungary	464	464	428
Bulgaria	834	799	812
Turkey/Georgia	888	837	781
Remaining CEE[1]	4,720	4,663	4,879
Other Markets[2]	126	123	126
Central Functions[3]	1,101	437	433
Total	24,601	22,995	23,360

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

2 Other markets: Germany, Liechtenstein

3 Central Functions include VIG Holding, VIG Re, VIG Fund, the non-profit societies, corporate IT service providers and intermediate holding companies.

Appreciation of diversity and, therefore, removing barriers to women's careers, among other things, is one of the key elements of the personnel strategy at Vienna Insurance Group. In addition to implementing this principle to, for example, the management development process, efforts are being made to give visibility to ambitious women at all levels, for example, by assigning more women to attend external conferences, platforms, etc. as representatives of the Company.

Nomination procedures for Group-wide training programmes for management, high potentials and experts are also required to include equal numbers of women as far as possible, with the local human resources department bearing ultimate responsibility.

In 2016, managing board performance-related compensation in the individual Group companies was made dependent on diversity and, therefore, gender criteria.

CORPORATE GOVERNANCE

VIG is committed to the application of and compliance with the January 2015 version of the Austrian Code of Corporate Governance, which is available to the public both on the VIG website at www.vig.com/en/ir and on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

RESEARCH AND DEVELOPMENT

Vienna Insurance Group is contributing its expertise to the development of insurance-specific software models.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The VIG risk management system is firmly anchored in the management culture of the Company and is based on a clearly defined, conservative risk policy, extensive risk expertise, a highly developed set of risk management tools, and risk-based Managing Board decisions.

The detailed risk report for Vienna Insurance Group is provided in the notes to the consolidated financial statements on page 144.

For information on the financial instruments used, please see the notes to the consolidated financial statements (Summary of significant accounting policies) and the risk report (starting on page 144).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ACCOUNTING PROCESS

Preparation of the consolidated financial statements includes all activities required for presentation and disclosure of the net assets, financial position and results of operations of the Group in accordance with the provisions of the law and the IFRS. The consolidated financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, segment report and all necessary disclosures in the notes. The financial statement process includes the aggregation of all data from accounting and upstream processes for the annual financial statements.

Risk management is implemented in the Vienna Insurance Group accounting process in accordance with the five elementary components of the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework model for internal risk management.

Control environment
The organisational structure consists of the local accounting departments of the individual Group companies and the Group accounting department at the VIG headquarters in Vienna. The accounting departments of the Group companies prepare both local GAAP and IFRS financial statements and then send the IFRS figures to the Group accounting department in Vienna. The IFRS financial statements are prepared in accordance with uniform Group accounting policies.

The Group companies mostly send their data using the local SAP system in which the data are entered. Some international companies and all Austrian insurance companies upload their balance sheets and income statements. The Group accounting department consolidates the data and prepares the consolidated financial statements.

Risk assessment
The annual financial statement process has been documented in order to identify risks in the accounting process and eliminate them as far as possible.

The documentation covers the entire process all the way from data entry by the employees of Group companies and automatic and manual controls and analyses during the consolidation process, to publication of the final annual report.

Control measures
The IFRS financial statements are prepared in accordance with uniform Group accounting policies. The newest version of the IFRS manual and detailed information on Group-wide reporting requirements are sent to the responsible persons in the local accounting departments before each set of quarterly and annual financial statements are prepared in order to ensure uniform reporting across the Group. Both automatic (using SAP validations) and manual checks (performance analyses and plausibility checks by employees in the Group accounting department) are performed for the financial statement data that is received. Additional checks in the form of control calculations and reconciliation of, in particular, reinsurance and financing balances are performed to identify and eliminate potential errors.

In addition, an earnings reconciliation statement is prepared, the accuracy of individual parts of the consolidated financial statements is checked and a plausibility check is performed for the consolidated financial statements as a whole to ensure that the presentation is complete and correct.

The accounting employees also work together closely with the Controlling department (e.g. variance analyses) when the financial statements are prepared. The data are also regularly submitted to the Managing Board for review and checking.

In order to ensure that the annual report is completed correctly and on time by the publication deadline, strict deadlines are set for the quarterly and annual financial statements and the Group companies are already informed of these deadlines at the beginning of the 4th quarter for the coming financial year.

The employees of the Group accounting department ensure in advance that the Group companies can send their data on time.

Information and communication
The intensive collaboration with other areas of the Company, in particular Controlling, generates a lively exchange of information and communications.

In addition to the annual report at the end of each financial year, interim reports are published each quarter in accordance with IAS 34 and statutory provisions.

The Investor Relations department is responsible for reporting to Vienna Insurance Group shareholders. This takes place both in personal meetings and via the Company website. This provides shareholders and other interested parties access to annual and quarterly reports, and to regularly updated information on key figures, share prices, the financial calendar, ad hoc news and other relevant topics.

Monitoring

The Group accounting department is managed by the Vienna Insurance Group Chief Financial Officer and is responsible for preparing the Group Annual Report. Quarterly reports are provided to the Managing Board and Supervisory Board to ensure regular monitoring of the internal control system. Risks are continuously monitored by internal cross-departmental Group controls (e.g. Group accounting department, Controlling).

Group-wide guidelines exist in order to standardise the handling of significant risks throughout the Group, and also provide a tool for risk monitoring. Local management is responsible for implementing these guidelines in the individual Group companies.

The auditor takes the internal control system into account during the financial statement audit to the extent that it is relevant to preparation of the consolidated financial statements.

The financial statement auditor also assesses the effectiveness of the risk management system in accordance with Rule 83 of the Austrian Corporate Governance Code.

DISCLOSURES IN ACCORDANCE WITH § 267(3A) IN COMBINATION WITH § 243A UGB

1. The Company has total share capital of EUR 132,887,468.20. It is divided into 128,000,000 no-par value bearer shares with voting rights, each share representing an equal portion of share capital.

2. The Managing Board is not aware of any restrictions on voting rights or the transfer of shares.

3. Wiener Städtische Versicherungsverein holds (directly or indirectly) approximately 70% of the share capital.

4. No shares have special rights of control. See point 6 for information on the rights of the shareholder Wiener Städtische Versicherungsverein.

5. Employees who hold shares exercise their voting rights without a proxy during general meetings.

6. The Managing Board must have at least three and no more than seven members. The Supervisory Board has between three and ten members (shareholder representatives). The shareholder Wiener Städtische Versicherungsverein has the right to appoint up to one third of the members of the Supervisory Board if, and so long as, it holds 50% or less of the Company's voting shares. General meeting resolutions are adopted by a simple majority, unless a different majority is required by law or the articles of association.

7. a) The Managing Board is authorised to increase the Company's share capital by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares in one or more tranches on or before 2 May 2018 against cash or in-kind contributions. The terms of the shares, the exclusion of shareholder pre-emption rights, and other terms and conditions of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Preferred shares without voting rights may also be issued, with rights equivalent to those of existing preferred shares. The issue prices of common and preferred shares may differ.

b) The general meeting of 3 May 2013 authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer convertible bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 2 May 2018, with or without exclusion of shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights for up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board.

c) The share capital has consequently been raised in accordance with § 159(2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the general meeting resolution of 3 May 2013 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date concerning the issuance of convertible bonds based on the authorisation granted on 3 May 2013.

d) The general meeting of 3 May 2013 further authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer income bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 2 May 2018, with or without exclusion of shareholder pre-emptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

As of 31 December 2016, no authorisation of the Managing Board under § 65 of the AktG (acquisition of own shares) was in effect, and the Company held none of its own shares as of 31 December 2016.

8. As of 31 December 2016, the Company was not party to any material agreements that would come into effect, change or terminate if control of the Company were to change due to a takeover bid, in particular, no agreements that would affect participations held in insurance companies. Existing agreements that would come into effect if control of the Company were to change due to a takeover bid relate to participations held in other (non-insurance) companies.

9. No compensation agreements exist between the Company and its Managing Board members, Supervisory Board members or employees covering the case of a public takeover bid.

Outlook 2017

AUSTRIA

Although the rate of growth decreased in the EU in 2016, Austria recorded an increase of 0.5 percentage points over the same period (total growth of +1.5% in 2016). Since close to 70% of exports go to the EU, a slowdown in European growth will also have an adverse effect on the Austrian economy in the future. The Austrian Institute of Economic Research (WIFO) is predicting that growth will remain constant over the next two years at +1.5% (2017) and +1.4% (2018).

Strong growth in domestic demand is the most significant positive factor for 2017. This is offset, however, by a propensity to consume that is expected to decline due to rising inflation and high unemployment.

WIFO considers the government budget for 2017 as neutral for the economy, particularly since expansive tax measures are offset by a reduction in government expenditure. The effects of the tax reductions will continue to be felt in the first half of 2017, but new stimulus will be needed over the medium term. The increase in EU subsidies to Central and Eastern European countries could also have a positive effect on the Austrian economy, particularly since they support infrastructure projects with Austrian involvement and restrict the movement of workers. Since Austria's trade relations with the United Kingdom only represent around 3% of Austrian goods exports, Brexit will have a limited effect on Austria's economy. The potential indirect risk to Austria from a weakening of the German economy due to Brexit is significantly more important in the medium term.

Given a budget deficit of 1.5% in 2017 and 1.1% in 2018, the Austrian national debt will remain at a high level and only slowly recover. Debt ratios of 83.7% of GDP (2017) and 82.3% (2018) are high by international comparison, but the problem is significantly reduced at the moment by relatively favourable funding terms. However, if the ECB continues to systematically purchase government bonds as expected in 2018, interest rates throughout Europe would be affected and a general increase of around 0.5 percentage points could be expected.

Although the reform of the Austrian banking sector is likely to still be incomplete, a number of concrete steps that were taken in 2016, such as the HETA resolution, have reduced the uncertainty for coming years.

The Austrian Association of Insurance Companies (VVO) is predicting that Austrian premium volume will record another small increase of 0.3% to reach EUR 17.1 billion in 2017. An increase of 1.7% is forecast in the property and casualty area, while personal insurance is expected to decline by 0.9%. When single premium business is excluded, pre miums are expected to increase by 1.4% in 2017.

CEE REGION

The macroeconomic forecasts by the WIIW for the next two years assume that the CEE region will continue to grow based on the global recovery. In the majority of countries, real GDP will even grow considerably faster than in the recent past. The large economic engines, such as Poland (2017: +3.5%) and the Czech Republic (2017: +2.4%), show rising rates of growth. Although recently limited by stagnation of the large Western European economies, their growth is now picking up and having a positive effect on the entire region of Central and Eastern Europe.

The only three countries where economic growth will be slower in 2017 than the previous year are Romania (2017: +3.5%), Turkey (2017: +3.0%) and Slovakia (2017: +3.1%), where gross domestic product was already at a high level in 2016, namely +4.7%, +3.3% and +3.2%, respectively.

In the smaller countries, there is a tendency for countries such as Bosnia-Herzegovina (2017: +3.3%), Bulgaria (+3.0%), Croatia (+2.7%) and the Baltic states (average around +2.5%) to grow at a slower, but constant rate. After two somewhat challenging years, Hungary's economy (2017: +2.6%) is also likely to see a turnaround, with growth 0.6 percentage points higher than in the recent past. This is partly due to the fact that the start-up phase for the new structural and regional fund development programmes is over, and Hungary traditionally receives more benefit from these programmes than the European average.

A number of potential trans-regional influencing factors are predicted for 2017 that could permanently affect the CEE region. This includes the ongoing wave of migration, which could continue to have a negative effect on the labour market over the medium term, in spite of economic stimulation from government investments.

VIENNA INSURANCE GROUP – OUTLOOK

With more than 24,000 employees, VIG is the clear market leader in its Austrian and CEE markets. It is therefore excellently positioned to take advantage of the long-term growth opportunities in a region with 180 million potential customers. In order to further exploit this potential, VIG will rely on its proven business strategy and four management principles. It will continue to follow its Group-wide principles of maintaining a diversified, decentralised market presence in Austria and Central and Eastern Europe, and focusing on the insurance business as its core competence.

The Group aims to further increase its market share using its proven multi-brand strategy and multiple distribution channels developed to best suit the region. These gains will be achieved through organic growth by expanding existing business and through acquisitions that are economically attractive for VIG or can strategically supplement its existing portfolio. Vienna Insurance Group wants to increase its market share to a minimum of 10% in Poland, Hungary, Croatia and Serbia over the medium term. VIG already achieved this goal of a 10% market share in Serbia in 2016 due to its acquisition of the AXA insurance companies. Market share was also further increased in Croatia and Hungary. Cost-efficiency will remain a priority in spite of this goal. Consolidation and pooling of processes and services is being examined to determine whether the potential synergies would outweigh the benefits of a diversified market presence in the long-term.

VIG has set itself a goal of continuously optimising profitability. The Group aims to generate healthy, properly considered growth and, based on this principle, will continue in the future to follow a growth policy focusing on earnings. We plan to steadily increase our Group premium volume to EUR 9.5 billion by 2019 and expect our profit before taxes to also grow steadily to between EUR 450 million and EUR 470 million.

The Group will focus more strongly on its underwriting result in future years and endeavour to make improvements in both the claims and expenses areas that will improve the combined ratio in the direction of 95% over the medium term. Life insurance with biometric components and regular premiums will also be further promoted. These measures are aimed at compensating for the decrease in the ordinary financial result due to the current low interest rate environment.

Vienna Insurance Group will also continue to pursue its strategic initiatives for optimising its business model, ensuring future viability and organisation and cooperation. For example, Vienna Insurance Group will focus on exploiting insurance potential in the health insurance segment and optimising the profitability of motor insurance. A new focus will also be placed on digitisation of products and services.

Vienna Insurance Group would also like to further expand its bank insurance business in the future, as bank distribution has become more important in many markets in the last few years. Vienna Insurance Group recognised this trend early on and now benefits from a partnership with Erste Group, a leading banking group in Austria and the CEE region. Personal insurance typically dominates the range of insurance products sold through banks. VIG also sees a great deal of potential in sales of health and property and casualty insurance. A project group was formed with our bank insurance partner Erste Group for this purpose. The aim of the project is to optimise products, distribution and profits for the banks and insurance companies in all countries where Erste Group and Vienna Insurance Group cooperate. The focus is on customer needs and requirements, easily understandable products and integration into the bank's digitisation initiative. This also includes organisational and structural considerations on the insurance side that will improve communications and service for customers and banking partners.

VIG Consolidated Financial Statements 2016 (page 86–258)

Notes to the consolidated balance sheet – liabilities and shareholders' equity

Notes to the income statement

Additional disclosures

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS	31.12.2016
Reporting period	1.1. 2016 – 31.12. 2016
Comparative reporting date	31.12. 2015
Comparative period for the income statement	1.1. 2015 – 31.12. 2015
Currency	EUR

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016

Assets	Notes	31.12.2016	31.12.2015 adjusted	1.1.2015 adjusted
in EUR '000				
A. Intangible assets	1			
I. Goodwill	A	1,532,190	1,489,039	1,643,721
II. Purchased insurance portfolios	B	43,339	40,773	70,478
III. Other intangible assets	C	478,971	459,545	655,647
Total intangible assets		2,054,500	1,989,357	2,369,846
B. Investments				
I. Land and buildings	2, D	5,601,623	1,907,737	1,851,219
a) Self-used property		429,484	434,306	427,384
b) Investment property		5,172,139	1,473,431	1,423,835
II. Shares in at equity consolidated companies	3, 4	269,699	319,636	305,156
III. Financial instruments	E	28,774,934	27,914,596	27,701,683
a) Loans and other investments	5	3,396,574	3,798,216	4,055,077
b) Other securities	4, 6	25,378,360	24,116,380	23,646,606
Financial instruments held to maturity		3,065,822	3,066,115	3,045,935
Financial instruments available for sale		21,851,248	20,649,481	20,134,501
Financial instruments recognised at fair value through profit and loss*		461,290	400,784	466,170
Total investments		34,646,256	30,141,969	29,858,058
C. Investments for unit-linked and index-linked life insurance	7, F	8,549,580	8,144,135	7,742,181
D. Reinsurers' share in underwriting provisions	8, G	985,211	1,030,740	1,105,743
E. Receivables	9, H	1,459,631	1,391,980	1,503,828
F. Tax receivables and advance payments out of income tax	10, I	236,940	216,710	119,138
G. Deferred tax assets	11, J	138,230	123,692	113,244
H. Other assets	12, K	347,819	349,919	331,307
I. Cash and cash equivalents	13	1,589,941	1,101,212	779,783
Total		50,008,108	44,489,714	43,923,128

* including held for trading

The references (numbers and letters) shown for individual items in the consolidated balance sheet and consolidated income statement refer to detailed disclosures for those items in the notes to the consolidated financial statements. The numbers refer to the detailed disclosures in the "Notes to the consolidated balance sheet" section starting on page 166. The letters refer to the explanatory text in the “Summary of significant accounting policies” section starting on page 96.

Further information on adjusted values is provided in the “Retrospective restatement” section starting on page 125.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016

Liabilities and shareholders' equity	Notes	31.12.2016	31.12.2015 adjusted	1.1.2015 adjusted
in EUR '000				
A. Shareholders' equity	14			
I. Share capital		132,887	132,887	132,887
II. Other capital reserves		2,109,003	2,109,003	2,109,003
III. Capital reserves from additional payments on hybridcapital		193,619	193,619	245,602
IV. Retained earnings		1,929,339	1,718,620	1,942,723
V. Other reserves		199,415	148,376	249,973
Subtotal		4,564,263	4,302,505	4,680,188
VI. Other non-controlling interests		114,219	111,955	116,144
VII. Non-controlling interests from non-profit societies		1,032,775	0	0
Total shareholders' equity		5,711,257	4,414,460	4,796,332
B. Subordinated liabilities	15	1,265,009	1,280,308	919,678
C. Underwriting provisions				
I. Provision for unearned premiums	16, L	1,282,164	1,181,269	1,143,490
II. Mathematical reserve	17, M	21,528,896	21,068,385	20,854,835
III. Provision for outstanding claims	18, N	4,815,063	4,603,648	4,488,944
IV. Provision for profit-unrelated premium refunds	19, O	63,605	56,060	52,360
V. Provision for profit-related premium refunds	19, P	1,491,192	1,182,632	1,277,796
VI. Other underwriting provisions	20, Q	39,151	53,129	72,527
Total underwriting provisions		29,220,071	28,145,123	27,889,952
D. Underwriting provisions for unit-linked and index-linked life insurance	21, R	8,129,884	7,776,602	7,392,417
E. Non-underwriting provisions				
I. Provisions for pensions and similar obligations	22, S	518,766	387,197	444,924
II. Other provisions	23, T	296,482	276,199	263,897
Total non-underwriting provisions		815,248	663,396	708,821
F. Liabilities	24, U	4,202,585	1,634,317	1,679,153
G. Tax liabilities out of income tax	25, I	181,300	121,801	84,081
H. Deferred tax liabilities	11, J	325,150	280,233	272,127
I. Other liabilities	26	157,604	173,474	180,567
Total		50,008,108	44,489,714	43,923,128

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

in EUR '000	Notes	2016	2015 adjusted
Premiums	28, V		
Premiums written – gross		9,050,968	9,019,759
Premiums written - reinsurers' share		-810,623	-799,817
Premiums written – retention		8,240,345	8,219,942
Change in unearned premiums – gross		-72,735	-38,223
Change in unearned premiums – reinsurers' share		23,646	-1,184
Net earned premiums – retention		8,191,256	8,180,535
Financial result excluding at equity consolidated companies	29	912,188	999,987
Income from investments		1,416,088	1,452,907
Expenses for investments and interest expenses		-503,900	-452,920
Result from shares in at equity consolidated companies	30	46,621	40,209
Other income	31	150,449	150,207
Expenses for claims and insurance benefits	32, W	-6,753,449	-6,748,874
Expenses for claims and insurance benefits – gross		-7,085,077	-7,107,571
Expenses for claims and insurance benefits – reinsurers' share		331,628	358,697
Acquisition and administrative expenses	33, X	-1,907,805	-1,847,567
Acquisition expenses		-1,665,277	-1,605,201
Administrative expenses		-381,370	-364,698
Reinsurance commissions		138,842	122,332
Other expenses	34	-232,526	-727,440
Result before taxes		406,734	47,057
Tax expenses/income	35	-85,744	-61,823
Result of the period		320,990	-14,766
thereof attributable to Vienna Insurance Group shareholders		287,778	-20,581
thereof other non-controlling interests	14	4,246	5,815
thereof non-controlling interests in non-profit societies	14	28,966	0
Result per share*	14		
Undiluted = diluted result per share (in EUR)		2.16	-0.27
Result of the period (Carry-forward)		320,990	-14,766

* The calculation of these figures includes the aliquot portion of interest expenses for hybrid capital.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	2016	2015 adjusted
Result of the period (Carry-forward)	320,990	-14,766
Other comprehensive income (OCI)		
Items that will not be reclassified to profit and loss in subsequent periods		
+/- Underwriting gains and losses from provisions for employee benefits	-98,281	14,273
+/- Deferred profit participation	29,833	-4,977
+/- Deferred taxes	16,125	-2,814
Subtotal	-52,323	6,482
Items that will be reclassified to profit or loss in subsequent periods		
+/- Exchange rate changes through equity	-23,833	8,171
+/- Unrealised gains and losses from financial instruments available for sale	509,775	-475,064
+/- Cash flow hedge reserve	4,571	3,468
+/- Share of other reserves of associated companies	-195	188
+/- Deferred mathematical reserve	-97,705	167,076
+/- Deferred profit participation	-253,191	151,108
+/- Deferred taxes	-36,359	35,753
Subtotal	103,063	-109,300
Total OCI	50,740	-102,818
Total profit of the period including other comprehensive income after taxes	371,730	-117,584
thereof attributable to Vienna Insurance Group shareholders	338,817	-122,178
thereof other non-controlling interests	6,312	4,594
thereof non-controlling interests in non-profit societies	26,601	0

For the basis of the measurements shown in the following tables (segment reports and cash flow statement) please refer to the number and letter references of the corresponding items in the consolidated balance sheet and consolidated income statement.

CONSOLIDATED SHAREHOLDERS' EQUITY

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY IN FINANCIAL YEARS 2016 AND 2015

	Share capital	Capital reserves		Retained earnings	Other reserves		Subtotal
		Other	payments hybrid capital		Currency reserve	Other	
in EUR '000							
As of 1 January 2015	132,887	2,109,003	245,602	2,378,849	-165,497	409,560	5,110,404
Retrospective restatement	0	0	0	-436,126	0	5,910	-430,216
As of 1 January 2015 adjusted	132,887	2,109,003	245,602	1,942,723	-165,497	415,470	4,680,188
Changes in scope of consolidation/ ownership interests	0	0	0	-2,441	0	0	-2,441
Other comprehensive income	0	0	0	-20,581	7,786	-109,383	-122,178
Other comprehensive income exclusive currency changes	0	0	0	0	0	-109,383	-109,383
Currency change	0	0	0	0	7,786	0	7,786
Result of the period	0	0	0	-20,581	0	0	-20,581
Repurchase of hybrid capital	0	0	-51,983	-8,536	0	0	-60,519
Dividend payment	0	0	0	-192,545	0	0	-192,545
As of 31 December 2015	132,887	2,109,003	193,619	1,718,620	-157,711	306,087	4,302,505
As of 1 January 2016	132,887	2,109,003	193,619	1,718,620	-157,711	306,087	4,302,505
Changes in scope of consolidation/ ownership interests	0	0	0	11,622	0	0	11,622
Other comprehensive income	0	0	0	287,778	-23,662	74,701	338,817
Other comprehensive income exclusive currency changes	0	0	0	0	0	74,701	74,701
Currency change	0	0	0	0	-23,662	0	-23,662
Result of the period	0	0	0	287,778	0	0	287,778
Dividend payment	0	0	0	-88,681	0	0	-88,681
As of 31 December 2016	132,887	2,109,003	193,619	1,929,339	-181,373	380,788	4,564,263

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

Please see page 125 for detailed information on the retrospective restatements.

in EUR '000	Subtotal	Non-controlling interests		Shareholders' equity
		Others	Non-profit societies	
As of 1 January 2015	5,110,404	173,023	0	5,283,427
Retrospective restatement	-430,216	-56,879	0	-487,095
As of 1 January 2015 adjusted	4,680,188	116,144	0	4,796,332
Changes in scope of consolidation/ ownership interests	-2,441	-518	0	-2,959
Other comprehensive income	-122,178	4,594	0	-117,584
Other comprehensive income exclusive currency changes	-109,383	-1,606	0	-110,989
Currency change	7,786	385	0	8,171
Result of the period	-20,581	5,815	0	-14,766
Repurchase of hybrid capital	-60,519	0	0	-60,519
Dividend payment	-192,545	-8,265	0	-200,810
As of 31 December 2015	4,302,505	111,955	0	4,414,460
As of 1 January 2016	4,302,505	111,955	0	4,414,460
Changes in scope of consolidation/ ownership interests	11,622	2,668	1,006,174	1,020,464
Other comprehensive income	338,817	6,312	26,601	371,730
Other comprehensive income exclusive currency changes	74,701	2,237	-2,365	74,573
Currency change	-23,662	-171	0	-23,833
Result of the period	287,778	4,246	28,966	320,990
Dividend payment	-88,681	-6,716	0	-95,397
As of 31 December 2016	4,564,263	114,219	1,032,775	5,711,257

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

Composition dividend payments	31.12.2016	31.12.2015
in EUR '000		
Dividends	76,800	179,200
Interest payments on the hybrid capital	15,841	17,793
Deferred taxes shown in equity	-3,960	-4,448
Total	88,681	192,545

EUR 51,983,000 of the nominal value of the hybrid bond issued in 2008 and 2009 was repurchased in the 1st quarter of 2015. The holders of the bonds also received a premium of EUR 8,536,000 as part of the repurchase. Accrued interest was EUR 1,951,000 for the period between the last interest payment and the repurchase.

Composition other reserves	31.12.2016	31.12.2015 adjusted
in EUR '000		
Unrealised gains and losses	531,956	411,271
Cash flow hedge reserve	-68	-2,836
Underwriting gains and losses from provisions for employee benefits	-148,749	-100,192
Share of other reserves of associated companies	-2,351	-2,156
Total	380,788	306,087

Unrealised gains and losses	31.12.2016	31.12.2015
in EUR '000		
Bonds	2,463,824	2,062,146
Shares and other participations	170,005	124,898
Investment funds	58,767	-3,465
Subtotal	2,692,596	2,183,579
+/- Exchange rate changes from financial instruments available for sale	10,866	10,108
+/- Deferred mathematical reserve	-928,865	-831,160
+/- Deferred profit participation	-1,073,869	-820,678
+/- Deferred taxes	-159,695	-124,393
+/- Other non-controlling interests	-9,077	-6,185
Total	531,956	411,271

Cash flow hedge reserve	31.12.2016	31.12.2015
in EUR '000		
Cash flow hedge reserve	-3,113	-3,660
+/- Deferred taxes	-233	824
+/- Non-controlling interests for non-profit societies	3,278	0
Total	-68	-2,836

Underwriting gains and losses from provisions for employee benefits	31.12.2016	31.12.2015
in EUR '000		
Pension provision and severance provision	-299,982	-194,684
+/- Deferred profit participation	90,337	60,504
+/- Deferred taxes	49,155	33,030
+/- Other non-controlling interests	1,613	958
+/- Non-controlling interests for non-profit societies	10,128	0
Total	-148,749	-100,192

Share of other reserves of associated companies	31.12.2016	31.12.2015 adjusted
in EUR '000		
Share of other reserves of associated companies	-2,532	-2,337
+/- Other non-controlling interests	181	181
Total	-2,351	-2,156

Currency reserve	31.12.2016	31.12.2015
in EUR '000		
Currency reserve	-183,058	-159,225
+/- Other non-controlling interests	1,685	1,514
Total	-181,373	-157,711

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD OF 1 JANUARY TO 31 DECEMBER 2016

in EUR '000	2016	2015 adjusted
Result of the period	**320,990**	-14,766
Change in underwriting provisions net	710,921	877,924
Change in underwriting receivables and liabilities	-85,826	65,664
Change in deposit receivables and liabilities as well as in reinsurance receivables and liabilities	41,981	12,249
Change in other receivables and liabilities	3,624	-75,152
Change in securities held for trading	65,041	73,217
Gain/loss from disposal of investments	-84,717	-200,002
Depreciation/appreciation of all other investments	64,081	82,979
Change in pension, severance and other personnel provisions	98,500	-56,988
Change in deferred tax asset/liability excl. tax liabilities	-4,214	34,700
Change in other balance sheet items	213	-13,639
Change in goodwill and other intangible assets	87,033	439,022
Other cash-neutral income and expenses and adjustments to the result of the period[1]	-84,963	-106,596
Cash flow from operating activities	**1,132,664**	1,118,612
Cash inflow from sale of subsidiaries	0	64,306
Cash inflow from the sale of associated companies	6,757	0
Payments for the acquisition of subsidiaries	-107,482	-26,065
Cash inflow from the sale of available for sale securities	3,268,788	4,141,973
Payments for the acquisition of available for sale securities	-3,873,475	-4,987,303
Cash inflow from the disposals/repayments of held to maturity securities	186,173	306,374
Payments for the addition of held to maturity securities	-191,713	-277,784
Cash inflow from the sale of land and buildings	30,527	29,531
Payments for the acquisition of land and buildings	-303,069	-119,512
Cash inflow for the sale of intangible assets	2,071	534
Payments for the acquisition of intangible assets	-41,390	-54,543
Change in unit-linked and index-linked life insurance items	-111,971	-226,492
Change in other investments	441,778	261,313
Cash flow from investing activities	**-693,006**	-887,668
Corporate actions, incl. hybrid capital	0	-60,519
Increase in subordinated liabilities	0	400,000
Decrease of subordinated liabilities	-9,300	-39,892
Dividend payments	-99,357	-205,258
Cash inflow from other financing activities	19,302	0
Cash outflow from other financing activities	-20,713	-2,597
Cash flow from financing activities	**-110,068**	91,734
Change in cash and cash equivalents	**329,590**	322,678
Cash and cash equivalents at beginning of period[2]	**1,101,212**	779,965
Change in cash and cash equivalents	329,590	322,678
Additions/disposals from change in consolidation method	162,570	1,068
Effects of foreign currency exchange differences on cash and cash equivalents	-3,431	-2,499
Cash and cash equivalents at end of period[2]	**1,589,941**	1,101,212
thereof non-profit societies	148,770	0

[1] The non-cash income and expenses are primarily due to the results of shares held in at-equity companies and exchange rate changes.

[2] 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.

Additional information on Cash Flow Statement	2016	2015
in EUR '000		
Received interest [4]	760,824	796,235
Received dividends[4]	147,601	154,416
Interest paid[3]	76,886	48,417
Income taxes paid[4]	45,725	61,510
Expected cash flow from reclassified securities	21,852	22,653
Effective interest rate of reclassified securities	3.37%	4.34%

[3] Interest paid result primarily from financing activities.

[4] Income tax payments, received dividends and received interest are included in the cash flow from operating activities.

Notes to the consolidated financial statements

GENERAL DISCLOSURES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is one of the leading Austrian insurance groups in Central and Eastern Europe and thus is also the largest listed insurance group in Austria. Its registered office is located at Schottenring 30, 1010 Vienna. The ultimate parent company, Wiener Städtische Versicherungsverein, includes Vienna Insurance Group in its consolidated financial statements.

Group insurance companies offer insurance services in the life, health and property and casualty areas in 25 countries of Central and Eastern Europe.

The significant accounting policies applied during preparation of the consolidated financial statements are presented below. The policies described were applied consistently during the accounting periods presented.

Summary of significant accounting policies
The consolidated financial statements as of 31 December 2016 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 of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB) and Chapter 7 of the Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG).

The consolidated financial statements were prepared using historical cost accounting, with the exception of financial instruments available for sale and financial assets and certain financial liabilities (including derivatives) measured at fair value.

Preparing consolidated financial statements in accordance with the IFRS requires that estimates be made. In addition, application of the Company's accounting policies requires management to make assumptions. Areas with greater leeway for discretion, highly complex areas, or areas involving assumptions and estimates that are of critical importance to the consolidated financial statements are listed in the notes on page 103.

Amounts were rounded to improve readability and, where not indicated otherwise, are shown in thousands of euros (EUR '000). Calculations, however, are done using exact amounts, including digits not shown, which may lead to rounding differences.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES
Except for the following changes, the Group has consistently applied the accounting policies indicated in all of the periods shown in these consolidated financial statements.

The following new standards and amendments to standards, including all subsequent changes to other standards, were to be applied for the first time starting as of 1 February 2015 or 1 January 2016. All of the standards and amendments to standards that affect the Group were applied in this financial year.

Standards used for the first time in the Group Annual Report

Standards applicable as of 1.2.2015	
IAS 19	Defined benefit plans: Employee contributions
All IFRS	Annual improvements (2010–2012 cycle)
Standards applicable as of 1.1.2016	
Amendments to IAS 27	Separate financial statements (equity method)
Amendments to IAS 1	Presentation of financial statements
All IFRS	Annual improvements (2012–2014 cycle)
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 11	Joint Arrangements
Amendments to IAS 16 and IAS 41	Agriculture: Plant produce
Changes according IFRS 10, 12 and IAS 28	Consolidation of investment companies

Unless otherwise indicated, application of the revised standards had no effect or no material effect on these consolidated financial statements.

IAS 19

The amendment to IAS 19 clarifies that, as before, employee contributions can be deducted from service costs in the period in which the service in question was provided if the amount of the contributions is independent of the number of years of service.

Annual improvements (2010–2012 cycle)

The annual improvements involved amendments to seven standards, namely IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Modification of the wording was intended to clarify existing standards, and some of the amendments have an effect on disclosures in the notes.

Amendments to IAS 27

As a result of the amendments, participations in subsidiaries, joint ventures and associated companies may be accounted for using the equity method in the future. This amendment is not relevant to the consolidated financial statements.

Amendments to IAS 1

These mainly consist of a clarification that financial statement notes are only necessary when their subject matter is material. The model organisation of the notes was deleted in order to make company-specific organisation easier. It was further clarified that companies can choose where to include the accounting policies section in the notes. The amendments include explanations on aggregation and disaggregation of items in the balance sheet and statement of comprehensive income, and a clarification that interests in the other comprehensive income of at-equity consolidated companies are to be presented in the statement of comprehensive income such that items that will be reclassified to profit or loss are separate from items that will not be reclassified.

The Group revised the present financial statements with respect to the materiality and materiality of notes disclosures and the presentation of subtotals and other items. The clarification that shares in the other comprehensive income of at equity consolidated companies are to be presented in the statement of comprehensive income separately by items that “will be reclassified to profit or loss in the future” and items that “will not be reclassified” is unnecessary due to the new definition of immateriality in the IFRS.

Annual improvements (2012–2014 cycle)

The annual improvements involved amendments to four standards, namely IFRS 5, IFRS 7, IAS 19 and IAS 34. The adjustment of the wording of the individual standards was intended to clarify existing requirements.

Amendments to IAS 16 and IAS 38

The amendments for property, plant and equipment (IAS 16) and intangible assets (IAS 38) provide clarification concerning the choice of depreciation and amortisation methods. Although revenue-based depreciation methods are not permitted for property, plant and equipment, they are permissible for intangible assets in certain exceptional cases.

Amendments to IFRS 11

The amendments provide clarification that the principles on business combinations accounting in IFRS 3 and other IFRSs, with the exception of those principles that conflict with the requirements of IFRS 11, must be applied to acquisitions and additional acquisitions of interests in joint operations in which the activity constitutes a business as defined in IFRS 3.

Amendments to IAS 16 and IAS 41

This amendment clarified that IAS 41 applies to plant produce. This amendment is not relevant to the consolidated financial statements.

Amendments to IFRS 10 and 12 and IAS 28

The amendments are to clarify questions with regard to the application of exceptions from the consolidation requirement under IFRS 10 if the parent entity satisfies the definition of an "investment entity".

STANDARDS THAT HAVE BEEN PUBLISHED, BUT NOT YET APPLIED.

The following standards have already been recognised by the European Union or are currently in the recognition process. Mandatory application, however, is not provided for until a future date.

New standards and changes to current reporting standards		Applicable as of
Those already adopted by the EU		
IFRS 15	Revenue from contracts with customers	1.1.2018
IFRS 9	Financial instruments	1.1.2018
Those not yet adopted by the EU		
IFRS 14	Regulatory Deferral Accounts	EU decided this standard shall not be transferred into EU law
IFRS 16	Leases	1.1.2019
Changes according IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	still open
Changes in IAS 12	Recognition of deferred tax assets for unrealised losses	1.1.2017
Changes in IAS 7	Changes to the statement of cash flows	1.1.2017
Clarification of IFRS 15	Clarifications concerning revenue from contracts with customers	1.1.2018
Changes in IFRS 2	Clarifications and measurement of share-based payments	1.1.2018
IFRS 4	Application of IFRS 9 Financial instruments in conjunction with IFRS 4 Insurance contracts	1.1.2018
All IFRS	Annual improvements (Cycle 2014–2016)	1.1.2017 or 1.1.2018
IFRIC Interpretation 22	Foreign currency transactions and advance consideration	1.1.2018
Amendments to IAS 40	Classification of property under construction	1.1.2018

IFRS 15 and clarification of IFRS 15

The objective is to gather together many requirements previously included in a variety of standards and interpretations. Under IFRS 15, revenues are to be realised when control over the agreed goods and services passes to the customer and the customer can benefit from them. Transfer of significant risks and rewards is therefore no longer the deciding factor. The new model provides a five-step scheme for determining recognition of revenue. The scope of the notes disclosures required is also expanded. The amendment to IFRS 15 contains clarifications concerning revenue from contracts with customers.

The Group will evaluate these amendments, but does not currently expect the standard to have a material effect on the Group financial statements, since IFRS 15 does not apply to insurance contracts.

IFRS 9

Includes requirements for the recognition, measurement and derecognition of financial instruments, and for hedge accounting, and supersedes IAS 39, which was previously relevant in these areas. The revision primarily concerns the classification and recognition of financial instruments. Financial assets are to be classified and measured in only two groups in the future – at amortised cost and at fair value. Classification and measurement depends on the business model and contractual cash flows. The new requirements also concern the accounting for financial asset impairment. In addition to actual losses, expected losses must now also be recognised. Exceptions exist for trade receivables and lease receivables. New requirements were also provided for hedge accounting. The objective is to orient hedge accounting more to the economic risk management of the entity.

Under IFRS 9, shares and investment fund units are no longer classified as available-for-sale as is currently the case, and unrealised gains and losses are no longer recognised in other comprehensive income and reclassified as profit for the period. Instead, unrealised gains and losses are either recognised exclusively in profit for the period (investment funds) or either in profit for the period or other comprehensive income without reclassification (shares). This amendment can be expected to lead to considerably higher volatility of profit for the period. Further amendments which are likely to have greater effects on the Group primarily concern the treatment of interest clauses in debt instruments and the treatment of impairment. The amended, but not yet endorsed, IFRS 4 allows first-time application of IFRS 9 to be delayed. If the exception is used, first-time application must occur at the same time as the new IFRS for insurance contracts (current state of information: at the latest 2021).

IFRS 14

The objective is to improve the comparability of financial statements of companies with rate-regulated activities that are applying the IFRS for the first time. The European Commission has decided not to adopt this standard, which is currently still provisional, into EU law and it is therefore not relevant to these consolidated financial statements.

IFRS 16

Supersedes the previous requirements of IAS 17 "Leases" and associated interpretations IFRIC 4, SIC 15 and SIC 27. The new requirements primarily concern the accounting presentation of leases by the lessee. The lessee now recognises a liability for the future lease payments to be made for each lease. At the same time, a right-of-use asset is recognised in the amount of the present value of the future lease payments and amortised linearly over the contractually stipulated useful life. As a result, the previous distinction between operating and finance leases no longer applies. IFRS 16 also includes requirements for sale-and-leaseback transactions and related financial statement notes disclosures.

Future division of leasing payments into a portion for amortisation of the right of use and an interest portion will cause a shift between the financial result and non-underwriting expenses in the income statement. The Group does not expect any significant effect on the result before taxes. The effects on the balance sheet of recognising the liability and the right of use are still being examined.

Amendments to IAS 7

The amendments to IAS 7 "Statement of cash flows" are intended to improve information about the change in the net debt of an entity. Disclosures must be made for changes in financial liabilities whose cash inflows and outflows are shown in the cash flow from financing activities in the statement of cash flows. The required disclosures can be presented in the form of a reconciliation of balance sheet items.

The consolidated financial statements will be revised appropriately in 2017 in accordance with the new presentation and notes disclosure requirements.

Amendments to IAS 12

The amendments provide clarification that write-downs to the lower of cost or market for debt instruments measured at fair value due to a change in the market interest rate level lead to deductible temporary differences. This amendment has no effect on the Group, since changes in the market interest rate level are already taken into account appropriately.

Amendments to IFRS 2

The amendment includes a clarification of the definition of vesting conditions, with separate definitions for performance conditions and service conditions included in Annex A of the standard. Managing Board and employee compensation does not include share options or similar instruments, which means that the amendments to IFRS 2 do not affect these consolidated financial statements.

Amendments to IFRS 4

The amendments to IFRS 4 "Insurance contracts" allow insurance companies to apply the new version of IFRS 9 "Financial instruments" at the same time as the new fully revised insurance standard if certain criteria are satisfied. First-time application of IFRS 9 will therefore take place at the latest in 2021. If the delay is used, the standard also requires additional notes disclosures to be published during the period until application of IFRS 9. The consolidated financial statements will be revised appropriately and modified to satisfy the notes disclosure requirements in 2018.

Annual improvements (2014–2016 cycle)

The standards concerned were IFRS 1, IFRS 12 and IAS 28, and the following modifications were made:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (01/01/2018): The Group has already been applying the IFRS for many years and the deletion of short-term exemptions for first-time application of the IFRS therefore has no effect on the Group.
- IFRS 12 Disclosure of Investments in Other Entities (1 January 2017): This standard provides information about the fact that the disclosure requirements of the standard — with the exception of IFRS 12.B10-B16 — also apply to interests that fall within the scope of IFRS 5. No (material) interests are accounted for in accordance with IFRS 5 in these financial statements and this improvement of the standard therefore has no effect on these consolidated financial statements.
- IAS 28 (1 January 2018): This amendment includes a clarification that the election to measure an investment in an associate or joint venture held by an entity that is a venture capital organisation or other qualified entity can be exercised separately for each investment. This clarification has no effect on these consolidated financial statements.

IFRIC 22

Clarification is provided concerning how the date of the exchange rate is determined for translating transactions in foreign currency that include advance payments received or made. The date on which the asset or liability resulting from the advance payment is first recognised is the date of the exchange rate used to translate the value of the underlying asset, income or expense.

Assets and liabilities are recognised in VIG companies on the date of the transaction in question and the published interpretation will therefore have no effect on the consolidated financial statements following endorsement.

IAS 40

The amendment to IAS 40 now clarifies in which cases the classification of a property as an “investment property” begins and ends if the property is still under construction or in development. The previous exhaustive list in IAS 40.57 was still unclear with respect to unfinished properties. The list is now considered non-exhaustive, so that unfinished properties can also be subsumed under the standard after endorsement.

The Group already accounts for and reports properties under construction that are held as “investment properties” after completion as such during the construction phase. No change is therefore expected for VIG as a result of this clarification.

Foreign currency translation

FOREIGN CURRENCY TRANSACTIONS

The separate financial statements of each Group subsidiary are prepared in the currency that generally prevails for the ordinary business activities of the company (functional currency). Transactions not concluded in the functional currency are recognised using the mean rate of exchange on the date of the transaction. Monetary assets and liabilities in foreign currency existing on the balance sheet date are translated to euros using the mean rate of exchange on the balance sheet date. Any resulting foreign currency gains and losses are recognised in profit or loss during the reporting period.

TRANSLATION OF SEPARATE FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

These consolidated financial statements present the assets, liabilities, income and expenses of each Group subsidiary in euros, the reporting currency of VIG.

All assets and liabilities reported in the separate financial statements are translated to euros using the mean rate of exchange on the balance sheet date. Items in the income statement are translated using the average month-end mean rate of exchange during the reporting period. In the statement of cash flows, the mean rate of exchange on the balance sheet date is used for changes in balance sheet items, and the mean rate of exchange at the end of the period is used for income statement items. Unless otherwise indicated, all of the financial information presented in euros has been commercially rounded up or down. Currency translation differences, including those that result from accounting using the equity method, are recognised directly in equity.

The following table shows the relevant exchange rates for the consolidated financial statements:

Name	Currency	Period-end exchange rate		Average exchange rate	
		2016	2015	2016	2015
		1 EUR ≙	1 EUR ≙	1 EUR ≙	1 EUR ≙
Albanian lek	ALL	135.2300	137.2800	137.3710	139.7463
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	2.7940	2.6169	2.6197	2.5229
Croatian kuna	HRK	7.5597	7.6380	7.5333	7.6137
Macedonian denar	MKD	61.4812	61.5947	61.5950	61.6098
Moldovan leu	MDL	20.8895	21.4779	22.0548	20.8980
Turkish new lira	TRY	3.7072	3.1765	3.3433	3.0255
Polish zloty	PLN	4.4103	4.2639	4.3632	4.1841
Romanian leu	RON	4.5390	4.5240	4.4904	4.4454
Swiss franc	CHF	1.0739	1.0835	1.0902	1.0679
Serbian dinar	RSD	123.4723	121.6261	123.1015	120.7441
Czech koruna	CZK	27.0210	27.0230	27.0343	27.2792
Ukraine hryvnia	UAH	28.4226	26.2231	28.3116	24.1905
Hungarian forint	HUF	309.8300	315.9800	311.4379	309.9956

ESTIMATES AND DISCRETIONARY DECISIONS

Preparation of the IFRS consolidated financial statements requires that management make discretionary assessments and specify assumptions regarding future developments which could have a material effect on the recognition and value of assets and liabilities, the disclosure of other obligations on the balance sheet date and the reporting of income and expenses during the financial year.

Estimation uncertainties		Discretionary decisions	
Underwriting provisions	Details page 120	Method of consolidation	Details page 105 and on page 128
Provisions for pensions and similar obligations	Details page 122		
Other non-underwriting provisions	Details page 124		
Financial instruments measured at fair value not based on stock market prices or other market prices (level 3)	Details page 104 and on page 232		
Impairment of goodwill	Details page 104		
Valuation allowances for receivables and other (accumulated) impairment losses	Details page 104		
Value of defered tax assets	Details page 104		

Please refer to the consolidated balance sheet on page 86 or to the associated disclosures in the notes for the book values of the estimated items on the balance sheet date.

Sensitivity analyses for assets and liabilities from insurance operations are presented in the risk report starting on page 158.

Provisions for pensions and similar obligations
The present value of an obligation depends on a large number of factors based on actuarial assumptions. The assumptions used to calculate the net liability (or assets) for obligations include a discount rate. Every change to these assumptions has an effect on the book value of the obligation.

The Group calculates the appropriate discount rate at the end of each year. This is the rate used to calculate the present value of the future expected cash outflows needed to satisfy the obligation. The Group determines the discount rate using the interest rate on top quality industrial bonds that are denominated in the currency in which the benefits will be paid and have maturities matching those of the obligation.

Other important assumptions used to calculate obligations are based on market conditions. Further information on sensitivity analyses is provided in Note 22. Provisions for pensions and similar obligations starting on page 205. Details on the underlying assumptions can be found in the "Accounting policies for specific items in the consolidated financial statements – Provisions for pensions and similar obligations" section on page 122.

Other non-underwriting provisions

Provisions are recognised in accordance with the requirements of IAS 37.14. Non-underwriting provisions accordingly include estimates in connection with the amount recognised and an estimate of the probability of occurrence for settling the obligation.

Financial instruments recognised at fair value

Suitable valuation methods are used to calculate the fair value of financial instruments that are not traded in active markets. The assumptions used are based on market data available on the balance sheet date. To determine the fair value of many financial assets that are not traded in active markets, the Group uses present value methods based on appropriate interest rate models. Further information on the valuation process is provided in Note 36. Financial instruments and fair value measurement hierarchy on page 232.

Impairment of goodwill

The Group tests goodwill for impairment at least once a year in accordance with the method explained on page 107 of the "Impairment of non-financial assets" section. Due to the change in segment reporting, the CGU groups were defined geographically based on countries as of the 1st quarter of 2016. Estimates in this area primarily concern the projected earnings of the CGUs that the calculations are based on, and specific parameters, in particular the growth rates.

Assuming a 10% reduction in the budget cash flows for determining value in use would increase the impairment needed in Croatia by EUR 12.9 million, Moldova by EUR 1.9 million, Macedonia by EUR 1.5 million and Albania incl. Kosovo by EUR 1.6 million.

Reducing the growth rate by 1 percentage point would increase the impairment needed in Croatia by EUR 17.7 million, Moldova by EUR 1.9 million, Macedonia by EUR 1.5 million and Albania incl. Kosovo by EUR 1.4 million.

Increasing the discount rate by 1 percentage point would increase the impairment needed in Croatia by EUR 22.1 million, Romania by EUR 10.7 million, Moldova by EUR 2.1 million, Macedonia by EUR 2.6 million and Albania incl. Kosovo by EUR 2.2 million.

Simultaneously reducing projected earnings by 10% and increasing the discount rate by 1 percentage point would increase the impairment needed in Croatia by EUR 32.8 million, Romania by EUR 49.3 million, Hungary by EUR 7.5 million, Moldova by EUR 2.5 million, Macedonia by EUR 5.5 million, Georgia by EUR 1.0 million and Albania incl. Kosovo by EUR 4.5 million.

The composition of the discount rate was changed due to an error identified during a random audit by the Austrian Financial Reporting Enforcement Panel (AFREP). Detailed information on the correction is provided in the "Retrospective adjustment" section starting on page 125.

Valuation allowances for receivables

The collectability of receivables is based on experience and is therefore subject to estimation uncertainty. Information on the recognition of potential impairment losses is provided on page 116.

Value of deferred tax assets

Income taxes must be estimated for each tax jurisdiction in which the Group operates. The current income tax expected for each taxable entity must be calculated and the temporary differences due to differences between the tax treatment of certain balance sheet items and the treatment in the IFRS consolidated financial statements must be assessed. If temporary differences exist, as a rule they lead to the recognition of deferred tax assets and liabilities in the consolidated financial statements based on the tax rate for each country.

Management must make judgements when calculating current and deferred taxes. Deferred tax assets are only recognised to the extent that it is probable they can be utilised. The utilisation of deferred tax assets depends on the likelihood of achieving sufficient taxable income of a particular tax type for a particular tax jurisdiction, while taking into account any statutory restrictions concerning maximum loss carry-forward periods. The Group considers the following factors when assessing the probability of being able to utilise deferred tax assets in the future:

- past results of operations,
- operating plans,
- loss carryforward periods,
- tax planning strategies and
- existing deferred tax liabilities.

Information on the existing group agreement for Austrian companies and some foreign companies is provided on page 117.

If actual events diverge from the estimates or the estimates must be adjusted in future periods, this could have an adverse effect on net assets, financial position and results of operations. If the assessment of the recoverability of deferred tax assets changes, the book value must be reduced or increased and the change recognised in the income statement or charged or credited to equity, depending on the treatment used when the deferred tax asset was originally recognised. Further information can be found in the section titled “Accounting policies for specific items in the consolidated financial statements – Taxes” starting on page 116 and in Note 11. Deferred taxes on page 193.

Method of Consolidation

Discretionary decisions by management primarily concern determining the scope of consolidation for fully consolidated companies and at equity consolidated companies. Please note that other discretionary decisions could have material effects on the net assets and results of operations of the Group.

The management of some companies in which the Group holds a majority interest feel that the Group does not control their companies. These are business operations that use a sector-specific business model that is significantly different from that of Vienna Insurance Group. As a result, these companies are managed by external management that has this sector-specific expertise. The Group therefore does not have control over the business practices of these companies.

Management holds the view that the Group has significant influence over some companies in which the VIG Group holds an interest of less than 20% because the Group is represented in the executive bodies that make significant decisions for these companies.

Similarly, companies that were of material importance at the time of first consolidation continue to be included in the scope of consolidation. In addition, two companies that offer special services or receive most of their revenues from outside the Group are included in the consolidated financial statements using full consolidation. Companies that primarily receive revenues from within the Group due to their business activities are not included in the scope of consolidation.

Thresholds calculated based on previous quarterly financial statements and the latest annual financial statements are used to determine the current scope of consolidation. These thresholds were raised and lowered 10% and 20% during a sensitivity analysis. The results showed that the changes in the thresholds caused no change in the scope of consolidation and consequently would have no effect on the consolidated balance sheet or Group result before taxes.

ACCOUNTING POLICIES FOR SPECIFIC ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

Intangible assets

GOODWILL (A)

The goodwill shown on the balance sheet results from applying the purchase method for companies acquired since 1 January 2004 (date financial reporting was converted to IFRS).

Goodwill is accounted for in the functional currency of each entity. Goodwill is measured at cost less accumulated impairment losses. In the case of participations in associated companies, goodwill is included in the adjusted book value of the participation.

PURCHASED INSURANCE PORTFOLIOS (B)

Purchased insurance portfolios relate, in particular, to the values of insurance portfolios recognised as a result of company acquisitions subsequent to 1 January 2004, using purchase price allocation under the election provided in IFRS 4.31. The values that are recognised correspond to the differences between the fair value of the purchased contractual rights and assumed contractual obligations under insurance contracts and the book value of the assumed insurance liabilities and assets. Depending on the measurement of the underwriting provisions, amortisation of these items is performed using the declining-balance or straight-line method over a maximum of fifteen years. The purchased insurance portfolio and associated amortisation are included in the segment reporting in the country of the acquired company.

The requirements of IFRS 4.31 were applied as of 1 July or 1 October 2008, respectively, for the first-time consolidation of s Versicherungsgruppe in 2008. The disclosure option was used in the life insurance line of business when preparing the opening balance sheet, and the underwriting provisions were recognised at fair value, as provided for in IFRS 3.

OTHER INTANGIBLE ASSETS (C)

Purchased intangible assets are recognised on the balance sheet at cost less accumulated amortisation and impairment losses. No intangible assets were created by the companies in the scope of consolidation. Corporate asset SAP also essentially consists of a bundle of purchased software modules that are prepared for future use by in-house and third-party development work. Regular monitoring and assessment of the project ensures that the recognition criteria for capitalising these expenses are satisfied. With the exception of the Asirom (book value as of 31 December 2016 EUR 25,843,000; book value as of 31 December 2015 EUR 32,958,000) and BTA Baltic trademarks (book value as of 31 December 2016 EUR 37,000,000), all intangible assets have finite useful lives. The intangible assets are therefore amortised over their period of use. The indefinite useful life of the trademarks results from the fact that there is no foreseeable end to its economic life. The useful lives of significant intangible assets are as follows:

Useful life in years	from	to
Software	3	15
Customer base (value of new business)	5	10

Software is amortised using the straight-line method. Customer bases (“value of new business”) and insurance portfolios from corporate acquisitions recognised as intangible assets are amortised using the declining balance method. The Group performs limited research and development activities that are immaterial in the context of its overall business.

A trademark with an unlimited useful life was identified as part of the purchase price allocation during the acquisition of Asirom. The fair value determined at the time was the average trademark value from the relief-from-royalty method and incremental cash flow method. A "tax and amortisation benefit" was taken into account in the relief-from-royalty method.

As of 31 December 2016, impairment testing of the existing trademark was changed so that only the relief-from-royalty method was used, as internationally this is the most widely used valuation method for trademarks. The relief-from-royalty method is also the only method used to determine trademark values for new acquisitions. The relief-from-royalty method calculates the value of a trademark from future notional royalties that the company would have to pay if the trademark were licensed from another company at standard market terms. A "tax amortisation benefit" is also taken into account in the relief-from-royalty method. The royalty payments used in the relief-from-royalty method are set within a range of 0.4%-0.8% of gross earned premiums. The royalty payment is defined during the initial calculation and retained for future testing unless there are indications that these payments could no longer be earned in the market or the market environment has changed significantly.

On 31 December 2016, a trademark with an unlimited useful life was identified and reported as part of the purchase price allocation during the acquisition of BTA Baltic.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are tested for indications of impairment when circumstances indicate. Intangible assets with an indefinite useful life (goodwill and trademarks carried on the balance sheet) are also tested when circumstances indicate and, at a minimum, once per year. Testing is also performed during the year if triggering events occur. The subsidiaries are combined into economic units (CGU groups) at the geographical country level for this purpose. The groups used for impairment testing essentially correspond to the VIG operating segments.

In the 1st quarter of 2016, periodic reporting to the Group Managing Board in its capacity as the ultimate decision-making body, analogous to the management of the Group, was modified so that reporting is performed separately for each country (except for the Baltic states and Albania incl. Kosovo), while premiums and results for the period are not reported separately for the property and casualty, life and health insurance lines of business. Goodwill monitoring and impairment testing therefore now takes place exclusively at the country level (not separately by lines of business), but the previous combination of different countries in the Other Markets segment will no longer take place.

Impairment testing as of 31 December 2016 resulted in a EUR 4.6 million write-down of goodwill.

Impairment is only recognised if the recoverable amount for an entire cash generating unit group is less than the book value of the assets attributable to the group. The value in use of the cash generating units is calculated using the earnings-based discounted cash flow method and used as the recoverable amount. If the value in use is less than the carrying amount, fair value less selling costs is examined to determine whether it is higher than value in use. A dividend discount model is used to determine fair value less selling costs for the property and casualty business and the life insurance business outside Austria, and MCEV is used for the life insurance business in Austria. No impairment is recognised if one of the two values is higher than the book value. If both values are less than the book value, the asset is written down to the higher value. Budget projections for the next three years are used to calculate the value in use. Capitalised earnings values for the period after these three years are extrapolated for another two years using an annual growth rate. The budget projections are calculated using the plans that were approved by the responsible supervisory board of the company concerned. Planning is performed in the local currency of each country. The currencies of the plans are translated using the last valid exchange rate on the reporting date. These are analysed at the Group level as part of the planning and control process. The growth rates are derived by further developing the budget projections. Among other things, both processes analyse the combined ratios, premium growth and financial income in the budgets based on past changes and expectations about future market trends. The present value of a perpetual annuity is calculated for the period following the fifth planning year. The values used for the perpetual annuity are based on the final planning period, adjusted using the growth rate for the second phase, and are adjusted after that, if necessary, to correspond to long-term achievable results. All of the underwriting business assets are assigned to the CGU groups. In addition to goodwill, these also include all insurance portfolios, investments, receivables and other assets. Underwriting provisions and current liabilities are deducted from the book values. Long-term debt that is economically similar to equity (subordinated debt and supplementary capital) is deducted. Assets held at the Group level but used by the operating companies are assigned to the units as corporate assets for the calculations. When calculating the capitalised earnings values, the projected earnings of the company are adjusted appropriately for allocated depreciation on assigned corporate assets.

The capital asset pricing model (CAPM) is used to determine a cost of equity capital for use in calculating the discount rates. A base rate (equal to the annual yield on German government bonds adjusted for inflation differentials using the Svensson method) is added to the country and sector-specific market risk to determine the cost of equity capital. The base rate before inflation differentials was 1.03% (1.58%). The market risk of 6.25% (6.25%) was multiplied with an average beta factor of 0.96 (0.88 adjusted) that was calculated using a specified peer group.

During an error correction in accordance with IAS 8, when the newly calculated model and risk-appropriate interest rate was chosen, the parameters used were those that reflected the current market assessment of the time value of money and the specific risks of the CGU. In addition, the calculation model was changed over to a pure equity model, which means that tier 2 capital plays no role in the cash flows or book value of the CGU groups.

The long-term growth rates are calculated during the financial year based on the compound annual growth rate assuming that insurance penetration in the countries concerned starting in 2013 will converge in 50-70 years with the current situation in Germany. An inflation component, corresponding to half of the inflation contained in the cost of equity capital is added to the compound annual growth rate.

Corporate assets, in particular software, are tested for impairment as part of the impairment test described above that is performed at least once a year. Software components are also checked to see whether they can still be used when triggering events occur. If there is a high probability that certain IT systems or programme sections can no longer be used, or no longer fully used, a write-down must be performed. Further information is provided in the notes to the consolidated balance sheet 1. Intangible assets starting on page 166.

CGU groups	Discount rates		Country risks		Long-term growth rate	
	2016	2015 adjusted	2016	2015	2016	2015
in %						
Austria	7.58	7.08	0.56	0.00	1.50	1.50
Czech Republic	8.24	8.51	1.00	1.05	4,05–4,69	4,04–4,34
Slovakia	8.23	8.34	1.21	1.26	4,81–5,21	4,42–4,98
Poland	8.65	9.00	1.21	1.26	5,29–5,50	5,12–5,41
Romania	10.95	10.97	3.13	3.28	5,62–7,54	5,41–7,44
Baltic states	8.49	8.62	1.47	1.54	5,08–5,29	4,79–5,08
Hungary	11.25	12.09	3.13	3.72	6,04–6,28	5,83–6,22
Bulgaria	9.79	10.06	2.71	2.84	6,28–6,71	6,16–6,76
Georgia	13.52	15.05	5.12	5.37	6.69	7.30
Turkey	15.30	15.26	3.55	3.28	6.98	7.07
Germany	7.02	7.08	0.00	0.00	1.50	1.50
Liechtenstein	7.32	7.38	0.00	0.00	1.65	1.65
Albania incl. Kosovo	14.46	15.13	6.40	6.71	7.13	7.26
Bosnia-Herzegovina	15.99	16.99	9.25	9.70	5,41–7,43	5,53–7,51
Croatia	11.25	11.07	4.27	3.72	5,17–6,49	5,00–6,57
Macedonia	12.12	12.75	5.12	5.37	5.72	5.73
Moldova	14.01	14.18	6.19	6.49	8.21	7.60
Serbia	15.40	16.21	6.40	6.71	6,35–7,98	6,51–8,26
Ukraine	25.61	27.38	14.21	14.90	9,07–13,11	8,86–12,58
Central Functions	7.91	7.80	0,56–1,00	0,00–1,05	1,50–4,69	1,50–4,34

Impairment and recoverable amounts for CGU groups	2016		2015 adjusted	
	Impairment	Recoverable amount	Impairment	Recoverable amount
in EUR million				
Romania			93.2	191.3
Hungary			24.9	79.1
Albania incl. Kosovo			11.6	24.8
Bosnia-Herzegovina	4.6	3.7	1.5	7.8
Croatia			24.1	120.1
Moldova			1.5	4.5

Impairment testing of the Asirom trademark resulted in a need for EUR 7.5 million in impairment.

Impairment of non-financial assets is recognised in other non-underwriting expenses in the income statement.

Investments

GENERAL INFORMATION

In accordance with the relevant IFRS requirements, some Group assets and liabilities are carried at fair value in the consolidated financial statements. This concerns a significant portion of investments. The Group assigns all financial instruments measured at fair value, and assets and financial liabilities not measured at fair value — whose fair values are to be published in the notes to the financial statements — to one of the levels of the IFRS 13 measurement hierarchy. As a result of the decentralised organisational structure of the Group, the individual subsidiaries are responsible for this fair value categorisation. This takes account, in particular, of local knowledge of the quality of the individual fair values and any input parameters needed for model valuation.

Fair values are determined using the following hierarchy specified in IFRS 13:

- The determination of fair value for financial assets and liabilities is generally based on price quotations in active markets for identical assets or liabilities (level 1).
- If a financial instrument is not listed and no market price quotations are available, fair value is determined using market price quotations for similar assets (level 2). Standard valuation models with inputs that are observable in the market are used for level 2 prices. These models are primarily used for illiquid bonds (present value method) and structured securities.
- The fair value of certain financial instruments, in particular bonds from countries without active capital markets and land and buildings, is determined using valuation models with input factors that are unobservable in the market. These models use, for example, transactions in inactive markets, expert reports and the structure of cash flows (level 3).

The table below lists the methods used and most important input factors for levels 2 and 3. The calculated fair values can be used for recurring and non-recurring measurements.

Pricing method	Used for	Fair value	Input parameters
Level 2			Observable
Present value method	Bonds; borrower’s note loans; loans; securitised liabilities and subordinated liabilities	Theoretical price	Issuer, sector and rating-dependent yield curves
Hull-White present value method	Bonds and borrower’s note loans with call options; securitised liabilities and subordinated liabilities	Theoretical price	Maturity-dependent implied volatilities; issuer, sector and rating-dependent curves
Libor market model present market model	Bonds and borrower’s note loans with other embedded derivatives	Theoretical price	Money market and swap curves; implied volatility surface; cap & floor volatilities; issuer, sector and rating-dependent yield curves
Present value method	Currency futures contracts	Theoretical price	Exchange rates; money market curves for the currencies concerned
Present value method	Interest rate/currency swaps	Theoretical price	Exchange rates; money market and swap curves for the currencies concerned
Standard option price model	Stock options	Theoretical price	Stock prices on the valuation date; implied volatilities
Level 3			Unobservable
Standard option price model	Stock options	Theoretical price	Share prices on the valuation date; volatilities
Market value method	Real estate	Appraisal value	Real estate-specific income and expense parameters; capitalisation rate; data on comparable transactions
Discounted cash flow model	Real estate	Appraisal value	Real estate-specific income and expense parameters; discount rate; indexes
Multiples approach	Shares	Theoretical price	Company-specific earnings figures; typical industry multipliers
Discounted cash flow model	Shares	Theoretical price	Company-specific earnings figures; discount rate
Share of capital	Shares	Book value	Company-specific equity according to separate financial statements
Amortised cost	Fixed Income Instruments (illiquid bonds, policy loans, loans) with no observable input data for comparable assets	Book value	Cost-price; redemption price; effective yield

For further information, please see Note 36. Financial instruments and fair value measurement hierarchy on page 232.

The following table presents the relationships between balance-sheet items and classes of financial instruments according to IFRS 7, incl. the basis of the measurements:

Balance Sheet Items, IAS 39-Categories and Classes of financial instruments according to IFRS 7	Method for measurement
Financial assets	
Loans and other investments	Amortised cost
Financial instruments held to maturity	Amortised cost
Financial instruments available for sale	Fair value
Financial instruments recognised at fair value through profit and loss*	Fair value
Investments for unit-linked and index-linked life insurance	Fair value
Financial liabilities	
Subordinated liabilities (other liabilities)	Amortised cost
Liabilities to financial institutions (other liabilities)	Amortised cost
Financing liabilities (other liabilities)	Amortised cost
Derivative liabilities (other liabilities)	Fair value

* including held for trading

LAND AND BUILDINGS (D)

Both self-used and investment properties are reported under land and buildings. Property that is both self-used and investment property is divided as soon as the self-used or investment portion exceeds 20%. If the 20% limit is not exceeded, the entire property is reported in the larger category (80:20 rule).

Costs incurred in later periods are only capitalised if they lead to a significant increase in future opportunities for use of the building (e.g. through building expansion or new building construction).

Self-used and investment buildings are both depreciated using the straight-line method over the expected useful life of the asset. The following useful lives are assumed when determining depreciation rates:

Useful life in years	from	to
Buildings	20	50

The fair values of these properties are presented on page 232.

Self-used land and buildings

Self-used land and buildings are measured at cost minus accumulated depreciation and impairment losses. Cost comprises all costs incurred in putting the asset into its present location in its present condition.

For self-used property, imputed arm's length rental income is generally recognised as investment income, and an equivalent amount of rental expenses is recognised as operating expenses.

Third-party used land and buildings

Investment property consists of land and buildings that are held to earn rental income or for capital appreciation and not for the provision of services, administrative purposes or for sale in the ordinary course of business. Investment property is measured at cost minus accumulated depreciation and write-downs.

Impairment of land and buildings

Real estate appraisals are performed at regular intervals for self-used and investment land and buildings by sworn and judicially certified building construction and real estate appraisers. Market value is determined based on the capitalised earnings or asset value method, predominantly from capitalised earnings value reports, with the asset value method generally only being used for undeveloped property.

In exceptional cases, the DCF model or a mixed method is used for valuation. The mixed method combining the capitalised earnings and asset value methods is only used, however, if no single method produces a representative value on the analysis date. Old lease agreements or an under-rent situation are reasons for this.

If the fair value is below the book value (cost minus accumulated depreciation and write-downs), the asset is impaired. In this case, the book value is written down to fair value and the change recognised in profit or loss. The method used to test for impairment is also used to test for a reversal of impairment. On each balance sheet date, a test is performed for indications that a reversal of impairment has taken place. The book value after the reversal may not exceed the book value that would have existed (taking into account amortisation or depreciation) if no impairment had been recognised.

Impairment is reported in the financial result in the income statement and is shown starting on page 216. The fair values and level hierarchy according to IFRS 13 are shown in 36. Financial instruments and fair value measurement hierarchy on page 232.

FINANCIAL INSTRUMENTS (E)

Financial instruments are divided into the following categories in accordance with the requirements of IAS 39:

- Loans and other receivables,
- Financial instruments held to maturity,
- Financial instruments available for sale,
- Financial instruments held for trading and
- Financial instruments recognised at fair value through profit or loss.

On initial recognition, the corresponding investments are measured at cost, which equals fair value at the time of acquisition. For subsequent measurement of financial instruments, two measurement methods are used.

Loans, other receivables and financial instruments held to maturity

Loans and other receivables and financial instruments held to maturity are subsequently measured at amortised cost. Amortised cost is determined using the effective interest rate of the loan in question. A write-down is recognised in profit or loss in the case of permanent impairment.

Financial instruments recognised at fair value through profit and loss

No separate calculation of amortised cost is performed for these financial instruments. Changes in fair value are recognised in profit or loss in the income statement. The financial instruments assigned to this category are predominantly structured investments ("hybrid financial instruments") that the Group has elected under IAS 39.11A and IAS 39.12 to assign to the category of "financial instruments at fair value through profit or loss". Structured investments are assigned to this category if the derivatives embedded in the host contract (as a rule securities or loans) are not closely related to the host contract so that otherwise the requirement under IAS 39 of isolating them from the host contract and measuring them separately at fair value would apply.

Financial instruments available for sale

These financial instruments are non-derivative financial assets that are designated as available for sale and are not classified as loans and other receivables, held-to-maturity financial instruments or financial assets at fair value through profit or loss.

If financial instruments available for sale are sold, the value fluctuations in fair value are recognised in other comprehensive income, and presented in other reserves under shareholders' equity. This does not include impairment, which is recognised in profit and loss. Upon disposal, the cumulative gains and losses recognised in other reserves in previous periods are transferred to the result for the period (recycling).

In addition, shares in affiliated companies that are not included in consolidation based on the definition of the scope of consolidation are also reported in this item. They are measured at amortised cost only if fair value cannot be determined. These measurement principles are also applied to shares in associated companies that were not valued at equity due to immateriality.

Spot transactions are accounted for at the settlement date.

Amendments to IAS 39 and IFRS 7 – "Reclassification of financial assets"

In October 2008, the IASB published amendments to IAS 39 and IFRS 7 under the title "Reclassification of financial assets". The adjusted version of IAS 39 permits reclassification of non-derivative financial assets (except for financial instruments that were measured using the fair value option upon initial recognition) in the "held-for-trading" and "available-for-sale" categories if the following conditions are satisfied:

- Financial instruments in the "held-for-trading" or "available-for-sale" categories can be transferred to the "loans and other receivables" category if they would have satisfied the definition of the "loans and other receivables" category at the time of initial recognition, and the company intends and is able to hold the financial instrument for the foreseeable future or until maturity.
- Financial instruments in the "held-for-trading" category that would not have satisfied the definition of "loans and other receivables" at the time of initial recognition can only be transferred to the "held-to-maturity" or "available-for-sale" categories under exceptional circumstances. The IASB indicated that the developments in the financial markets during the 2nd half of 2008 were a possible example of exceptional circumstances.

The amendments to IAS 39 and IFRS 7 went into effect retroactively from 1 July 2008 and were applied prospectively from the time of reclassification. Reclassifications performed in VIG before 1 November 2008 used fair values as of 1 July 2008.

Financial instruments had to be measured at fair value at the time of reclassification in 2008. In the case of reclassifications of assets in the "held-for-trading" category, gains or losses recognised from previous periods could not be reversed. In the case of reclassification of assets in the "available-for-sale" category, earlier gains or losses recognised in the revaluation reserve were locked in at the time of reclassification. The associated other reserve remains unchanged for financial instruments without a fixed maturity until derecognition and is only then recognised in profit or loss, while for financial instruments with a fixed maturity it is amortised to profit or loss over the remaining life of the financial instrument using the effective interest method. This applies analogously to deferred profit participation and deferred taxes. Derecognition of financial instruments is performed when the Group's contractual rights to their cash flows expire.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

On each balance sheet date, the book values of financial assets not measured at fair value through profit or loss are tested for objective evidence of impairment. Such evidence could be, for example, the debtor experiencing significant financial difficulties, a high probability of insolvency proceedings against the debtor, the loss of an active market for the financial asset, a significant change in the technological, economic, legal or market environment of the issuer, or a permanent decrease in the fair value of the financial asset below amortised cost.

Any impairment losses due to fair value lying below the book value are recognised in profit or loss.

If any changes to the fair value of available for sale financial instruments were previously recognised directly in equity, these changes must be eliminated from equity and recognised in profit or loss on the income statement. As a rule, impairment of equity instruments is to be recognised if the average market value during the last six months was consistently less than 80% of the historical cost of acquisition and/or if the market value as of the reporting date is less than 50% of the historical cost of acquisition.

TRADING ASSETS

The Group uses derivative financial instruments such as swaps, options and futures to hedge market risks (i.e. interest rate, share price and exchange rate fluctuations) in investment portfolios.

Derivative financial instruments that do not satisfy the hedge accounting criteria are recognised at fair value under held for trading (6. Other securities starting on page 183) if they have a positive fair value, or as liabilities (24. Liabilities starting on page 211) if they have a negative fair value. Gains and losses resulting from fair value measurement are included in the financial result.

Derivative financial instruments that are held for hedging purposes and satisfy the hedge accounting criteria are divided into fair value hedges and cash flow hedges by the Group. The Group documents the hedging relationship, along with its risk management objectives and strategy for entering into hedging transactions. The Group assesses the hedging relationship both at inception and on an ongoing basis to determine whether the derivatives used for hedging transactions are highly effective in offsetting fluctuations in the fair value or cash flow of the hedged item. Derivative financial instruments that are included in hedge accounting are reported as follows:

Fair value hedge

A fair value hedge is used to hedge a precisely defined risk of fluctuations in the fair value of a recognised asset or liability or firm commitment. Changes in the fair value of the derivative hedging instrument are recognised, together with the share of the change in the fair value of the hedged item corresponding to the hedged risk, as gains from financial assets and financial liabilities (net) at fair value through profit or loss.

The Group uses forward transactions (micro hedges) to a limited extent to hedge certain positions in its equity portfolios.

Cash flow hedges

Cash flow hedges eliminate the risk of fluctuations in expected future cash flows attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction. Changes in the fair value of a derivative hedging instrument that provides an effective hedge are recognised in equity as other reserves and are not transferred to the consolidated income statement until the offsetting gain or loss from the hedged item is realised and recognised.

The Group uses cash flow hedges to a limited extent, primarily to minimise the effects of interest rate fluctuations on earnings.

The Group ends hedge accounting prospectively if it is determined that the derivative financial instrument no longer provides a highly effective hedge, the derivative financial instrument or hedged item expires, or is sold, terminated or exercised, or if the Group determines that classification of the derivative financial instrument as a hedging instrument is no longer justified.

Investments for unit-linked and index-linked life insurance (F)

Investments for unit-linked and index-linked life insurance provide cover for unit-linked and index-linked life insurance underwriting provisions. The survival and surrender payments for these policies are linked to the performance of the associated investments for unit-linked and index-linked life insurance, with the income from these investments also credited in full to policyholders. As a result, policyholders bear the risk associated with the performance of the investments for unit-linked and index-linked life insurance.

These investments are held in separate cover funds, and managed separately from the other investments of the Group. Since the changes in value of the investments for unit-linked and index-linked life insurance are occasionally equal to the changes in value of the underwriting provisions, these investments are valued in accordance with the requirements of IAS 39. Investments for unit-linked and index-linked life insurance are therefore measured at fair value, and changes in value are recognised in the income statement.

Reinsurers' share in underwriting provisions (G)
The reinsurers' share in underwriting provisions is measured in accordance with contractual provisions.

The credit quality of each counterparty is taken into account when the reinsurers' share is measured. As a result of the good credit quality of the Group's reinsurers, no valuation allowances were needed for reinsurer shares as of the 31 December 2016 and 31 December 2015 balance sheet dates.

Information on the selection of reinsurers is provided in the "Financial instruments and risk management" section starting on page 144.

Receivables (H)
The receivables shown in the balance sheet relate in particular to the following receivables:

- Receivables from direct insurance business
  - from policyholders
  - from insurance intermediaries
  - from insurance companies
- Receivables from reinsurance business
- Other receivables

Receivables are generally reported at cost minus impairment losses for expected non-collectable amounts. In the case of receivables from policyholders, expected impairment losses from non-collectable premium receivables are shown on the liabilities side of the balance sheet under "Other underwriting provisions" (provisions for cancellations), or deducted from the premium receivable using a valuation allowance. The amounts included are shown in Note 9. Receivables on page 190.

Taxes (I)+(J)
Income tax expenses comprise actual taxes and deferred taxes. The income tax associated with transactions recognised directly in equity is also recognised directly in equity.

The actual taxes for the individual VIG companies are calculated using the company's taxable income and the tax rate applicable in the country in question.

Deferred taxes are calculated using the balance sheet liability method for all temporary differences between the asset and liability values recognised in the IFRS consolidated financial statements and the individual company tax bases for these assets and liabilities. Under IAS 12.47, deferred taxes are measured using the tax rates applicable at the time of realisation. In addition, any probable tax benefits realisable from existing loss carry-forwards are included in the calculation. Exceptions to this deferral calculation are differences from non-tax-deductible goodwill and any deferred tax differences linked to participations.

Deferred tax assets are not recognised if it is not probable that the tax benefits they contain can be realised. Deferred taxes are calculated using the following tax rates:

Tax rates	31.12.2016	31.12.2015
in %		
Albania	15.0	15.0
Bosnia-Herzegovina	10.0	10.0
Bulgaria	10.0	10.0
Germany	30.0	30.0
Estonia[1]	20.0	20.0
Georgia	15.0	15.0
Kosovo	5.0	5.0
Croatia[2]	18.0	20.0
Latvia	15.0	15.0
Liechtenstein	12.5	12.5
Lithuania	15.0	15.0
Macedonia	10.0	10.0
Moldova	12.0	12.0
Netherlands[3]	25.0	25.0
Austria	25.0	25.0
Poland	19.0	19.0
Romania	16.0	16.0
Serbia	15.0	15.0
Slovakia[4]	21.0	22.0
Czech Republic	19.0	19.0
Turkey	20.0	20.0
Ukraine[5]	18.0	18.0
Hungary[6]	9.0	19.0

1 As a rule the retained profits of locally domiciled companies are no subject to income tax. Only certain payments of the Estonian companies are subject to income tax.
2 The tax rate in Croatia is 18% as of 1 January 2017.
3 The tax rate in the Netherlands is 20% for the first EUR 200,000; above that the tax rate is 25%.
4 The tax rate in Slovakia is 21% as of 1 January 2017.
5 This tax is only collected in the non-underwriting area. Reduced tax rates of 0% (long-term life insurance premiums and pension insurance premiums) and 3% (all other insurance premiums) are used for the underwriting area.
6 The tax rate in Hungary is 10% for the first HUF 500 million, and 19% for amounts above this. As of 1 January 2017 the tax rate declines from 10% to 9%; furthermore the tax rate of 19% is abrogated.

GROUP TAXATION

Within the Group there is a corporate group of companies within the meaning of § 9 of the Austrian Corporate Income Tax Act (KStG), with Wiener Städtische Versicherungsverein as the parent company. The taxable earnings of group members are attributed to the parent company. The parent company has entered into agreements with each group member governing the allocation of positive and negative tax amounts for the purpose of allocating corporate income tax charges according to origin. If a group member earns positive income, 25% is allocated to the parent company. In the case of negative income, the group member receives lump-sum compensation equal to 22.5% of the tax loss. Since the tax allocation is 25% in the case of positive income, the group member should provide 10% of the tax benefit from group taxation resulting from inclusion of that group member in the group. Cash settlement of tax benefits is performed for a period of 3 years.

Other assets (K)
Other assets are measured at cost less impairment losses.

TANGIBLE ASSETS AND INVENTORIES
The tangible assets are technical equipment and machinery, other equipment, vehicle fleet, IT hardware/telecommunications, operating and office equipment and down payments on such goods. Inventories are primarily consumables and office supplies, down payments on such goods, and unbilled amounts of such goods. Tangible assets (not including land and buildings) are measured at cost less accumulated depreciation. Cost for tangible assets comprises all costs incurred in putting the asset into its present location in its present condition. Depreciation is performed using the straight-line method over the expected useful life of the asset.

Useful life in years	from	to
Office equipment	5	10
EDP facilities	3	8
Motor vehicles	5	8

Classification of insurance policies
Contracts under which a Group company assumes a significant insurance risk from another party (the policyholder), by agreeing to provide compensation to the policyholder if a specified uncertain future event (the insured event) negatively affects the policyholder are treated as insurance policies for the purposes of IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, credit indices, or some other variable, provided that the variable is not specific to one counterparty in the case of a non-financial variable. In many cases, particularly in the life insurance area, insurance policies as defined in IFRS also transfer financial risk.

Policies under which only an insignificant insurance risk is transferred from the policyholder to the Group company are treated as financial instruments (“financial insurance policies”) for IFRS reporting purposes. Such policies exist only to a minor extent in the personal insurance area.

Both insurance contracts and financial insurance policies can have contract terms that qualify as discretionary participation in net income (“profit participation”, “profit-dependent premium refund”). Contractual rights are considered discretionary participation in net income if, in addition to guaranteed benefits, the policyholder also receives additional payments that are likely to constitute a significant portion of the total contractual payments, and are contractually based on:

- the profit from a certain portfolio of policies or a certain type of policy, or
- the realised and/or unrealised investment income from a certain portfolio of assets held by the insurance company, or
- the profit or loss of the company, investment fund or business unit (e.g. balance sheet unit) holding the contract.

Policies with discretionary net income participation exist in all VIG countries, primarily in the life insurance balance sheet unit, and to a secondary extent in the property and casualty and health insurance areas as well, and are treated as insurance policies in accordance with IFRS 4. The net income participation in life insurance exists essentially in the form of participation in the adjusted net income of the balance sheet unit in question calculated according to national accounting requirements. Net income or profit participation amounts that have already been allocated or committed to policyholders are reported in the mathematical reserve. Amounts reported in the local annual financial statements which have been committed or allocated to policyholders in the future by means of net income participation are reported on the balance sheet in the provision for performance-based premium refunds.

In addition, the profit-related portion resulting from IFRS measurement differences as compared to local measurement requirements (deferred profit participation) is also reported in the provision for profit-related premium refunds. This primarily concerns Austrian and German policies that are eligible for profit participation, as the profit participation in these countries is governed by regulations. Deferred profit participation is not recognised on balance sheets in other countries, since policyholder participation is at the sole discretion of the company concerned. The rate used for calculating deferred profit participation is 80% of the difference between the value recognised in the local financial statements and the value recognised in the IFRS financial statements.

As permitted by IFRS 4, the option to present unrealised gains and losses with the same effects on balance sheet measurements of underwriting provisions, capitalised acquisition costs and purchased insurance portfolios as realised gains and losses has been applied (shadow accounting). The first step is to allocate unrealised gains on available-for-sale financial instruments to a deferred mathematical reserve to serve as security for contractually agreed insurance payments. The policy holder’s share of the surplus from the remaining unrealised gains is then allocated to a provision for deferred profit participation. Any remaining asset balance is reported as deferred policyholder profit participation resulting from measurement differences. This deferred item is only recognised if it is highly probable, at the Group company level, that the item can be satisfied by future profits in which the policyholders participate.

RECOGNITION AND ACCOUNTING METHODS FOR INSURANCE POLICIES

The Group fully applies the rules of IFRS 4 with respect to the valuation of insurance policies. Accordingly, the values recognised in the consolidated financial statements prepared in accordance with applicable national law are carried over to the IFRS consolidated financial statements, provided the provisions formed under national law satisfy the minimum requirements of IFRS 4. Equalisation and catastrophe provisions are therefore not recognised. In principle, accounting rules were not changed to differ from national accounting requirements, except when parameters used to calculate underwriting provisions did not lead to adequate funding for future provisions. In such cases, the Group uses its own parameters, which are consistent with these principles. In individual cases, the provisions formed locally by an insurance company for outstanding claims are increased in the consolidated financial statements based on the corresponding analysis. Detailed information on the valuation of underwriting items is available in the remarks for each item.

ADEQUACY TEST FOR LIABILITIES ARISING FROM INSURANCE POLICIES

Liabilities from insurance policies are tested at each balance sheet date for adequacy of the provisions recognised in the financial statements.

If the value calculated based on up-to-date estimates of current valuation parameters, taking into account all future cash flows associated with the insurance policies, is higher than the provisions formed for liabilities from insurance policies, an increase in the provisions is recognised in profit or loss to eliminate the shortfall.

Underwriting provisions

UNEARNED PREMIUMS (L)

Under the current version of IFRS 4, figures in annual financial statements prepared in accordance with national requirements may be used for the presentation of figures relating to insurance policies in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating unearned premiums in the property and casualty insurance area (10% for motor third party liability insurance), corresponding to EUR 28,503,000 (EUR 29,525,000). Acquisition expenses in excess of this figure are not capitalised in Austria. For foreign companies, in the property and casualty insurance area, a portion of the acquisition expenses is generally recognised in the same proportion as the ratio of net earned premiums to written premiums. To ensure uniform presentation within the Group, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in the provision for unearned premiums: EUR 275,231,000 (EUR 277,986,000).

MATHEMATICAL RESERVE (M)

Life insurance mathematical reserves are calculated using the prospective method as the actuarial present value of obligations (including declared and allocated profit shares and an administrative cost reserve) minus the present value of all future premiums received. The calculation is based on such factors as expected mortality, costs and the discount rate.

As a rule, the mathematical reserve and related tariff are calculated using the same basis, which is applied uniformly for the entire tariff and during the entire term of the policy. An annual adequacy test of the calculation basis is performed in accordance with IFRS 4 and applicable national accounting requirements (see section Adequacy test for liabilities arising from insurance policies on page 120). For information on the use of shadow accounting, please see page 119. As a rule the official mortality tables of each country are used for life insurance. If current mortality expectations differ to the benefit of policyholders from the calculation used for the tariff, leading to a corresponding insufficiency in the mathematical reserves, the reserves are increased appropriately in connection with the adequacy test of insurance liabilities.

In the life insurance balance sheet unit, acquisition costs are taken into account through zillmerisation or another actuarial method as a reduction of mathematical reserves. In accordance with national requirements, negative mathematical reserves resulting from zillmerisation are set to zero for Austrian insurance companies. Negative mathematical reserves are not set to zero for Group subsidiaries with registered offices outside Austria. These negative mathematical reserves are recognised in the mathematical reserve item in the consolidated financial statements. The following average discount rates are used to calculate mathematical reserves:

As of 31 December 2016: 2.31%
As of 31 December 2015: 2.40%*

In Austria, the average discount rate for life insurance is 2.19% during the reporting period (2.30%*).

* Due to the change in the calculation logic for determining the average value, the value of the discount rate for 2015 was adjusted.

In addition, the share of unrealised gains and losses from available-for-sale financial instruments serving as security for contractual obligations is shown in the mathematical reserve as part of the shadow accounting performed according to IFRS 4. Further information is provided in the section Classification of insurance policies beginning on page 118.

In health insurance, mathematical reserves are also calculated according to the prospective method as the difference between the actuarial present value of future policy payments minus the present value of future premiums. The loss frequencies used to calculate the mathematical reserve derive primarily from analyses conducted on the Group's own insurance portfolio. As a rule, the mortality tables used correspond to published mortality tables. The following discount rates are used for the great majority of transactions when calculating mathematical reserves:

As of 31 December 2016: 2.82%
As of 31 December 2015: 2.96%*

* Due to the change in the calculation logic for determining the average value, the value of the discount rate for 2015 was adjusted

PROVISION FOR OUTSTANDING CLAIMS (N)

National insurance law and national regulations (in Austria, the Austrian Commercial Code (UGB) and Austrian Insurance Supervision Act (VAG)) require VIG companies to form provisions for outstanding claims. The provisions are calculated for payment obligations arising from claims which have occurred up to the balance sheet date, but whose basis or size has not yet been established, as well as all related claims settlement expenses expected to be incurred after the balance sheet date, and, as a rule, are formed at the individual policy level. These policy-level provisions are marked up by a flat-rate allowance for unexpected additional losses. Except for the provisions for pension obligations, no discounting is performed. Insurance losses that have occurred up to the balance sheet date but were not known at the time that the balance sheet was prepared ("IBNR"), and losses that have occurred but have not been reported, or not reported in the correct amount ("IBNER"), are to be included in the provision (incurred but not reported claims provisions and provisions for as yet unidentified large losses). Separate provisions for claims settlement expenses are formed for internally incurred expenses attributable to claims settlement under the allocation according to origin principle. Collectible recourse claims are deducted from the provision. Where necessary, actuarial estimation methods are used to calculate the provisions. The methods are applied consistently, with both the methods and calculation parameters tested continuously for adequacy and adjusted if necessary. The provisions are affected by economic factors, such as the inflation rate, and by legal and regulatory developments, which may be subject to change over time. The current revision of IFRS 4 provides for provisions formed in accordance with applicable national requirements to be carried over into the consolidated financial statements.

PROVISION FOR PROFIT-UNRELATED PREMIUM REFUNDS (O)
The provisions for profit-unrelated premium refunds relate, in particular, to property and casualty and health insurance, and pertain to premium refunds in certain insurance classes that are contractually guaranteed to policyholders in the event that there are no claims or a low level of claims. These provisions are formed at the individual policy level. Since the provisions are predominantly short-term provisions, no discounting has been performed.

PROVISION FOR PROFIT-RELATED PREMIUM REFUNDS (P)
Profit shares that were dedicated to policyholders in local business plans, but have not been allocated or committed to policyholders as of the balance sheet date, are shown in the provision for profit-related premium refunds ("discretionary net income participation"). In addition, both the portion realised through profit and loss and the portion realised directly in equity that results from measurement differences between IFRS and local measurement requirements ("deferred profit participation") are reported in this item. Please see the section Classification of insurance policies starting on page 118.

OTHER UNDERWRITING PROVISIONS
The other underwriting provisions item primarily include provisions for cancellations. Cancellation provisions are formed for the cancellation of premiums that have been written but not yet paid by the policyholder, and therefore represent a liabilities-side allowance for receivables from policyholders. These provisions are formed based on the application of certain percentage rates to overdue premium receivables.

Underwriting provisions for unit-linked and index-linked life insurance (R)
Underwriting provisions for unit-linked and index-linked life insurance represent obligations to policyholders that are linked to the performance and income of the corresponding investments. The measurement of these provisions corresponds to the measurement of the investments for unit-linked and index-linked life insurance, and is based on the fair value of the investment unit or index serving as a reference.

Provisions for pensions and similar obligations (S)
PENSION OBLIGATIONS
Pension obligations are based on individual contractual obligations and collective agreements. The obligations are defined-benefit obligations. The plans are based on average salary and/or the number of years of service with the company.

These obligations are recognised in accordance with IAS 19 by determining the present value of the defined benefit obligation (DBO). Calculation of the DBO is performed using the projected unit credit method. In this method, future payments, calculated based on realistic assumptions, are accrued linearly over the period in which the beneficiary acquires these entitlements. The necessary provision amount is calculated for the relevant balance sheet date using actuarial reports that have been provided for 31 December 2015 and 31 December 2016.

The calculations for 31 December 2016 and 31 December 2015 are based on the following assumptions:

Pension assumptions	2016	2015
Interest rate	1.3%	2.0%
Pension increases	1.8%	1.8%
Salary increases	1.8%	1.9%
Labour turnover rate (age-dependent)	0%–4%	0.5%–7.5%
Retirement age, women (transitional arrangement)	62+	62+
Retirement age, men (transitional arrangement)	62+	62+
Life expectancy (for employees, in accordance with)	(AVÖ 2008-P)	(AVÖ 2008-P)

The weighted average length of the DBO for pensions was 15.85 years in financial year 2016 (14.87 years). A portion of the direct pension obligations are administered as an occupational group insurance plan following conclusion of an insurance contract in accordance with § 93-98 VAG.

SEVERANCE OBLIGATIONS

The Group is required by law, supplemented by collective agreements, to make a severance payment to all employees in Austria whose contracts are terminated by their employer or who begin retirement, and whose employment started before 1 January 2003. The size of this payment depends on the number of years of service and on the earnings at the time employment ends, and is equal to between two and 18 months of earnings. A provision is formed for this obligation.

The provision is calculated using the projected unit credit method. Under this method, the sum of the present values of future payments is calculated up to the point in time when the claims reach their highest value. The calculation for the balance sheet date in question is based on an actuarial report.

The calculations for 31 December 2016 and 31 December 2015 are based on the following assumptions:

Severance payment assumptions	2016	2015
Interest rate	1.3%	2.0%
Salary increases	1.8%	2.3%
Labour turnover rate (age-dependent)	0%–5.5%	0.5%–7.5%
Retirement age, women (transitional arrangement)	62+	62+
Retirement age, men (transitional arrangement)	62+	62+
Life expectancy (for employees, in accordance with)	(AVÖ 2008-P)	(AVÖ 2008-P)

The weighted average length of the DBO for severance pay was 8.52 years in financial year 2016 (8.54 years). For all employment relationships in Austria which began after 31 December 2002, the Group pays 1.53% of earnings into an occupational employee pension fund each month, where the contributions are invested in an employee account and paid out or passed on to the employee as a claim when employment ends. VIG's obligation in Austria is strictly limited to the payment of these amounts. As a result, no provision needs to be set up for this defined contribution plan. A portion of the severance obligations was outsourced to an insurance company.

Other non-underwriting provisions (T)
Other non-underwriting provisions are recognised if

- a legal or constructive obligation to a third party resulting from a past event exists,
- it is probable that this obligation will lead to an outflow of resources and
- a reliable estimate can be made of the amount of the obligation.

The provisions are recognised at the value representing the best possible estimate of the expenditure needed to fulfil the obligation. If the present value of the provision determined using a normal market rate of interest differs significantly from the nominal value, the present value of the obligation is recognised. The other non-underwriting provisions item also includes personnel provisions other than provisions for pensions and similar obligations. These relate primarily to provisions for anniversary benefits. Anniversary benefit obligations are measured using the calculation method described for severance obligations and the same calculation parameters.

(Subordinated) liabilities (U)
As a rule, liabilities are measured at amortised cost. This also applies to liabilities arising from financial insurance policies. The fair value of financial liabilities is shown in 36. Financial instruments and fair value measurement hierarchy starting on page 232.

Net earned premiums (V)
As a rule, unearned premiums (provision for unearned premiums) are determined on a pro rata basis over time. No deferral of unit-linked and index-linked life insurance premiums is performed, since the full amount of the premiums written in the reporting period is included in the calculation of the underwriting provisions for unit-linked and index-linked life insurance. In addition, the Austrian companies in particular report the change in the provision for cancellations in net earned premiums.

Expenses for claims and insurance benefits (W)
All payments to policyholders arising from loss events, claims settlement expenses directly related to loss events, and internal costs attributable to claims settlement under the allocation according to origin principle, are shown as expenses for claims and insurance benefits. Expenses for loss prevention are also reported in this item. Expenses for claims and insurance benefits are reduced by the income gained from using existing contractual and statutory avenues of recourse (this applies in particular to property and casualty insurance). Changes in underwriting provisions, except for the change in the provision for cancellations, are also shown under expenses for claims and insurance benefits (also see the notes on net earned premiums (V)).

Acquisition and administrative expenses (X)
The Group's personnel and materials expenses are assigned to the following income statement items using the allocation according to origin principle:

- Expenses for claims and insurance benefits (claims settlement expenses)
- Expenses arising from investments (expenses for asset investment)
- Acquisition and administrative expenses
- Other underwriting expenses
- Other non-underwriting expenses

RETROSPECTIVE ADJUSTMENTS

Adjustment for non-profit societies

The adjustment is based on a notice of 2 August 2016 from the Austrian Financial Market Authority (FMA) in accordance with § 3(1) no. 3 of the Austrian Financial Reporting Enforcement Act (Rechnungslegungs-Kontrollgesetz, RL-KG), in which the FMA finds that the interests in the non-profit societies were not reported in accordance with the IFRS. The audit was based on the consolidated financial statements of 31 December 2014 and 31 December 2015 and the half-year reports for 30 June 2014 and 31 December 2015. According to this notice, statutory restrictions on distribution and realisation of assets that apply to non-profit societies, and indirectly to their holding company, were not taken into account when determining the fair value of these companies at the time of loss of control or recognising the Group share in their profits. The effects on the VIG balance sheet and income statement are as follows:

- The non-controlling interests reported during the conversion from full consolidation to at-equity consolidation for WWG Beteiligungen GmbH (formerly Neue Heimat Holding) are fully eliminated. This causes the non-controlling interests in the shareholders' equity to fall by EUR 57,101,000 (as of 1 January 2015).
- Due to the change in consolidation on 1 January 2014, the at-equity book value of the non-profit societies decreased by EUR 501,730,000 as of 1 January 2015.
- After restatement as of 1 January 2015, only the amount of distributions received from the non-profit societies is reported as their current contribution to earnings, instead of the amount previously shown for the share in the profits of the companies.

Tax effect of the risk reserve

During the IFRS/IAS changeover, deferred taxes were recognised for the reclassified untaxed risk reserve. The statement issued in 2016 by AFRAC now concludes that no deferred differences exist. Instead, if it is probable or foreseeable that the untaxed risk reserve will be released, and that this will lead to a tax charge, a provision for current tax (re-)payments should be formed. The AFRAC statement makes it necessary for VIG to change its accounting policies.

Correction of impairment testing

During an audit by the AFREP in accordance with § 2(1) of the Austrian Financial Reporting Enforcement Act (RL-KG), it was found that the previous consolidated financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe were incorrect for the following reasons:

As discussed in the accounting and valuation principles, a discounted cash flow method has been used to value non-financial assets since 2013, with long-term debt that was economically similar to shareholders' equity being included in the carrying amounts. To calculate the discount rate, a modified capitalisation rate (WACC) was used, whose tier 2 components were derived from a VIG peer group. The relationship of shareholders' equity to Tier 2 capital was also taken from the relationship in the above-mentioned peer group.

The method used to calculate the interest rate was therefore based on the financing structure of a peer group that reflected the asset-specific risk of the VIG Group as a whole and not the risk of the individual CGUs being tested. At the same time, the net assets of the CGUs were treated as dependent on VIG's company-specific financing. As a result, neither the specific risk profile of the individual items being valued nor the independent capital structures of the companies were taken into account.

The correction was performed as a retrospective adjustment in accordance with IAS 8. To do so, VIG changed over to a pure equity approach using a dividend discount model. At the same time, the modified capitalisation rate (WACC) was replaced by a cost of equity capital rate. Based on the values as of 31 December 2015, this led to a reduction in goodwill of EUR 90.6 million (31 December 2014: EUR 0 million) and an equal reduction in shareholders' equity as of 31 December

2015 (31 December 2014: EUR 0.0 million). The profit before taxes for financial year 2015 also decreased by EUR 90.6 million.

Effects

The retrospective restatements indicated above led to the following changes in financial year 2015, and in shareholders' equity as of 1 January 2015:

As of 1.1.2015	As originally reported	Correction non-profit societies	Tax effect risk reserve	Correction impairmenttest	After adjustment
in EUR '000					
Assets					
A. Intangible assets	2,369,846	0	0	0	2,369,846
B. Investments	30,359,543	-501,485	0	0	29,858,058
E. Receivables	1,502,027	1,801	0	0	1,503,828
F. Tax receivables and advance payments out of income tax	119,209	-71	0	0	119,138
I. Cash and cash equivalents	781,987	-2,204	0	0	779,783
Liabilities and shareholders' equity					
A. Shareholders' equity	5,283,427	-501,757	14,662	0	4,796,332
Attributable to equity holders of the Company	5,110,404	-444,656	14,440	0	4,680,188
Non-controlling interests	173,023	-57,101	222	0	116,144
F. Liabilities	1,679,355	-202	0	0	1,679,153
H. Deferred tax liabilities	286,789	0	-14,662	0	272,127

Retrospective restatement had the following effects on the 2015 annual financial statements:

Assets	As originally reported	Correction non-profit societies	Tax effect risk reserve	Correction impairmenttest	After adjustment
in EUR '000					
A. Intangible assets	2,079,957	0	0	-90,600	1,989,357
B. Investments*	30,709,225	-567,256	0	0	30,141,969
C. Investments for unit-linked and index-linked life insurance	8,144,135	0	0	0	8,144,135
D. Reinsurers' share in underwriting provisions	1,030,740	0	0	0	1,030,740
E. Receivables	1,390,233	1,747	0	0	1,391,980
F. Tax receivables and advance payments out of income tax	216,846	-136	0	0	216,710
G. Deferred tax assets	123,692	0	0	0	123,692
H. Other assets	349,919	0	0	0	349,919
I. Cash and cash equivalents	1,103,234	-2,022	0	0	1,101,212
Total	45,147,981	-567,667	0	-90,600	44,489,714

* Adjustment only concerns shares in at equity consolidated companies

Liabilities and shareholders' equity	As originally reported	Correction non-profit societies	Tax effect risk reserve	Correction impairmenttest	After adjustment
in EUR '000					
B. Subordinated liabilities	1,280,308	0	0	0	1,280,308
C. Underwriting provisions	28,145,123	0	0	0	28,145,123
D. Underwriting provisions for unit-linked and index-linked life insurance	7,776,602	0	0	0	7,776,602
E. Non-underwriting provisions	663,396	0	0	0	663,396
F. Liabilities	1,634,579	-262	0	0	1,634,317
G. Tax liabilities out of income tax	121,801	0	0	0	121,801
H. Deferred tax liabilities	294,895	0	-14,662	0	280,233
I. Other liabilities	173,474	0	0	0	173,474
Subtotal	**40,090,178**	**-262**	**-14,662**	**0**	**40,075,254**
A. Shareholders' equity	**5,057,803**	**-567,405**	**14,662**	**-90,600**	**4,414,460**
Attributable to equity holders of the Company	4,860,133	-481,468	14,440	-90,600	4,302,505
Non-controlling interests	197,670	-85,937	222	0	111,955
Total	**45,147,981**	**-567,667**	**0**	**-90,600**	**44,489,714**

Income statement	As originally reported	Correction non-profit societies	Tax effect risk reserve	Correction impairmenttest	After adjustment
in EUR '000					
Premiums written – gross	9,019,759	0	0	0	9,019,759
Net earned premiums – retention	8,180,535	0	0	0	8,180,535
Financial result excl. at equity consolidated companies	**999,987**	**0**	**0**	**0**	**999,987**
Income from investments	1,452,907	0	0	0	1,452,907
Expenses for investments and interest expenses	-452,920	0	0	0	-452,920
Result from shares in at equity consolidated companies	74,911	-34,702	0	0	40,209
Other income	150,207	0	0	0	150,207
Expenses for claims and insurance benefits	-6,748,874	0	0	0	-6,748,874
Acquisition and administrative expenses	-1,847,567	0	0	0	-1,847,567
Other expenses	-637,101	261	0	-90,600	-727,440
Result before taxes	**172,098**	**-34,441**	**0**	**-90,600**	**47,057**
Tax expenses/income	-61,765	-58	0	0	-61,823
Result of the period	**110,333**	**-34,499**	**0**	**-90,600**	**-14,766**
thereof attributable to shareholders of the Company	98,223	-28,204	0	-90,600	-20,581
thereof non-controlling interests	12,110	-6,295	0	0	5,815

Earnings per share	As originally reported	Correction non-profit societies	Tax effect risk reserve	Correction impairmenttest	After adjustment
in EUR '000					
Result per share*	0.66	-0.22	0.00	-0.71	-0.27

* The calculation of these figures includes the aliquot portion of interest expenses for hybrid capital.

SCOPE AND METHODS OF CONSOLIDATION

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, is the parent company of the Group. All companies that are under the control ("control principle") of VIG ("subsidiaries") are fully consolidated in accordance with IFRS 10. The central focus of the introduction of IFRS 10 in 2014 is on establishing a uniform framework for including companies in the consolidated financial statements. The existence of control is the basis for inclusion. Under IFRS 10.7, an investor has control if the investor has all of the following:

- power over the investee,
- the right to a share of the variable returns from the investee, and
- the ability to use its power to affect the amount of the variable returns.

The Group has power over a subsidiary if the rights it has on the balance sheet date allow it to materially direct the material activities of the subsidiary. This is generally the case if the Group can exercise more than half of the voting rights or similar rights. Potential voting rights are also taken into account when determining whether a subsidiary is controlled. If a subsidiary has been formed in such a manner that voting rights or similar rights are not the deciding factor for control (for example if voting rights only apply to administrative tasks and the important activities are governed by contractual agreements), then control is examined based on the contractual relationship between VIG and the subsidiary. If a majority of the voting rights are held, but additional contractual agreements result in VIG not having control, but instead only a significant influence, the subsidiary is treated as an associated company and consolidated using the at equity method instead of fully consolidated.

Full consolidation of a subsidiary begins when control is gained and ends when control is lost. The consolidated financial statements include a total of 65 Austrian and 81 foreign companies.

Associated companies are companies over which the Group has a significant influence, but does not exercise control. These companies are accounted for at equity. These consolidated financial statements include 6 Austrian and 13 foreign companies accounted for at equity. 110 companies that have no material effect on the net assets, financial position and results of operations when considered individually or in aggregate have principally been included in the consolidated financial statements at cost less impairment.

The materiality or immateriality of subsidiaries, associated companies and joint arrangements for the consolidated financial statements is checked using a variety of thresholds defined at the Group level. Profit before taxes or total assets, for example, could be checked for this purpose. If a company does not satisfy any size criteria, in spite of the existence of control, a second step is performed to check whether the companies that are not included are material when taken as a whole. If this is not the case, these companies are not included in the scope of consolidation.

Fully controlled investment funds ("institutional funds") were fully consolidated in accordance with the requirements of IFRS 10. These consolidated institutional funds are not separate corporate entities and therefore not special purpose vehicles (SPVs) as defined in IFRS 10. They are investment funds that have not been designed for public capital markets.

Due to a lack of control, mutual funds are not consolidated, even if a majority of voting rights are held. The ability of subsidiaries to transfer funds (in the form of dividends) to parent companies can be restricted by corporate law, regulations and capital requirements.

Business combinations (IFRS 3)
Business combinations are accounted for using the purchase method. Goodwill is recognised as the value of the consideration transferred and all non-controlling interests in the acquired company less the identifiable assets acquired and liabilities assumed. In any business combination, present non-controlling interests that entitle holders to a proportionate share of the entity's net assets in the event of a liquidation can be measured either at fair value or as part of the identifiable net assets. Unless an IFRS provides for another measurement method, all other components of non-controlling interests are measured at the corresponding share of the identifiable net assets. If the consideration is less than the net assets of the acquired subsidiary measured at fair value, the difference is checked again and recognised directly in the income statement. As a rule, the fair values calculated in accordance with IFRS 13 of all assets (incl. goodwill and other intangible assets) and liabilities are allocated to the country to which the purchased company is assigned.

The Group considers the reported goodwill to reflect the value of the ability to make use of the insurance-specific expertise of the employees of the acquired companies. When a market is entered, it represents the ability to offer insurance products in a country and take advantage of the opportunities that exist there. In countries where the Group is already represented by one or more companies, the goodwill represents the possibility of taking advantage of potential synergies.

It must be noted that the purchase price allocation remains preliminary for newly acquired companies until the one-year limit has been reached. Due to the long-term nature of the insurance business and the related period for adjustments, no definitive value can be determined in the initial purchase price allocation. All company acquisitions were performed with cash and cash equivalents.

The purchase price allocations for newly acquired companies that were still preliminary in earlier financial statements were finalised within the one-year period. The purchase price allocation for Baltikums was recalculated in financial year 2016, leading to an increase in goodwill of EUR 4,931,000.

Note 4. Participations – Details on page 173 provides an overview of all participations.

Changes in the scope of consolidation
The following changes occurred in the scope of consolidation in financial year 2016:

DECONSOLIDATIONS
The company in the table below was deconsolidated during the reporting period.

Deconsolidations	Reason for deconsolidation	Date of deconsolidation	Segment
TECH GATE	Sale	30.6.2016	Austria

EXPANSION OF THE SCOPE OF CONSOLIDATION

The following companies were added to the scope of consolidation during the reporting period from 1 January to 31 December 2016:

Expansion of the scope of consolidation	Interest	First-time consolidation	Method
	in %	Date	
VIG Services Ukraine	100.00	1.1.2016	full consolidation
WOFIN GmbH	100.00	1.9.2016	full consolidation
Erste Pensionsfonds, Zagreb	25.30	1.1.2016	at-equity consolidation

COMPANIES ACQUIRED

The companies in the following table were acquired during the reporting period, but were not yet included in the scope of consolidation as of the balance sheet date:

Companies acquired during the reporting period, but not yet consolidated	Interest acquired
in %	
AXA Non-Life (Serbia)	100.00
AXA Life (Serbia)	100.00
AXA Life (Romania)	100.00

The requirements for inclusion of AXA Life (Romania) in the consolidated financial statements were still not satisfied as of 31 December 2016, since prior to the closing of the transactions, the Group still had no control over this company.

The acquisitions of the AXA Life and AXA Non-Life (Serbia) companies were closed at the end of November 2016, but control did not yet exist as of the balance sheet date and the companies were not yet integrated into VIG. Both companies are likely to be merged with Wiener Städtische Osiguranje (Serbia) in the middle of financial year 2017.

The following table lists the companies that were acquired and consolidated for the first time during the reporting period:

Companies acquired during the reporting period#	Interest acquired	First-time consolidation	Goodwill
	in %	Date	in EUR million
Nova	100.00	1.1.2016	0.56
BTA Baltic*	90.00	31.12.2016	49.59
IM31 Floridsdorf am Spitz	100.00	1.11.2016	0.00

* Due to an existing option agreement, the non-controlling interests were not measured separately.

SIGNIFICANT ACQUISITIONS DURING FINANCIAL YEAR 2016

The acquisitions performed in financial year 2016 are described below (values for premiums written and result before taxes are before any consolidation effects):

BTA Baltic

The Group has acquired a majority interest in BTA Baltic Insurance Company AAS (BTA Baltic), which has its registered office in Latvia and branches in Lithuania and Estonia. The sales agreement was signed in December 2015 and received final official approval, and the transaction was concluded on 24 August 2016. The acquisition of BTA Baltic makes the Group one of the top 3 insurers in the Baltic non-life insurance market, with the largest distribution network in Latvia.

BTA Baltic in the Baltic states generated EUR 132.9 million in gross premiums written in financial year 2016 and a result before taxes of EUR 2.5 million. The company has 957 employees in these three countries. BTA Baltic is number 2 in the non-life market in Latvia and Lithuania. In Estonia, the company is number 7 in the non-life insurance market.

Nova

After signing an agreement to acquire 100% of the shares of the Bulgarian bank insurance company UBB-AIG and receiving official approval at the beginning of January 2016, the transaction was concluded. The Group diversified to its portfolio in Bulgaria and increased potential sales in the Bulgarian market using its multi-brand and multi-channel strategy.

The bank insurance company Nova, formerly UBB-AIG, has recorded stable performance in recent years. EUR 2.4 million in gross premiums written were generated in financial year 2016. The result before taxes was EUR 0.9 million in financial year 2016.

AXA Life and Non-Life (Serbia)

The purchase agreement for acquisition of the non-life company AXA Nezivotna Osiguranje a.d.o. Beograd (AXA Non-Life Serbia) and life company AXA Zivotno Osiguranje a.d.o. Beograd (AXA Life Serbia) was signed on 6 July 2016. The acquisition was concluded on 30 November 2016 after official approvals had been received.

The two AXA companies generated EUR 17.4 million in premiums in 2016, and have around 106,000 customers and a market share of around 1.8%. The product portfolio includes accident, motor, household and life insurance.

The Serbian authorities have already been informed that the two companies AXA Life and Non-Life (Serbia) are likely to be merged with Wiener Städtische Osiguranje (Serbia) in the middle of 2017.

AXA Life (Romania)

VIG is acquiring the AXA SA life insurance company in Romania. The purchase agreement for the life insurance company AXA Life Insurance S.A. (AXA Life Romania) was signed on 3 August 2016. The buyers are the two VIG companies BCR Life and Omniasig. The acquisition is subject to approval by the local authorities.

AXA Life (Romania) generated more than EUR 4.5 million in gross premiums written in financial year 2015, primarily in the traditional life insurance business.

FOUNDED COMPANIES

Founded companies	Interest	Established
	in %	Date
UIG Consulting	100.00	25.4.2016

In financial year 2016, GPIH B.V. was retroactively merged into TBIH effective 1 January 2016. The company name of the absorbing company was then changed to ATBIH.

SIGNIFICANT CHANGES IN MINORITY INTERESTS

Change of significant minority interests	Change	Change of interest	Reduction of minority interest in consolidated shareholders' equity
	Date	in %	in EUR '000
Asirom	13.9.2016	0.08	-51
Sanatorium Astoria	1.1.2016	7.29	-367

Restrospective change of consolidation method to at equity consolidation	Interest	Changeover
	in %	Date
WWG Beteiligungen GmbH (formerly Neue Heimat Holding)	87.07	1.1.2014

The company name of Neue Heimat Holding was changed to WWG Beteiligungen GmbH. The company name of Skandia Poland was also changed to Vienna Life (Poland), and the name of Jupiter was changed to Kniazha Life.

Change of consolidation method to full consolidation	Interest	Changeover
	in %	Date
WWG Beteiligungen GmbH (formerly Neue Heimat Holding)	87.07	1.9.2016
WNH Liegenschaftsbesitz GmbH	100.00	1.9.2016
Alpenländische Heimstätte GmbH	94.84	1.9.2016
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	99.92	1.9.2016
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	55.00	1.9.2016
Neuland GmbH	61.00	1.9.2016
Erste Heimstätte GmbH	99.77	1.9.2016
Neue Heimat Oberösterreich GmbH	99.82	1.9.2016
Schwarztal GmbH	100.00	1.9.2016
Sozialbau AG	54.17	1.9.2016
Urbanbau GmbH	51.46	1.9.2016

Information on the companies that are fully consolidated and included at equity in the consolidated financial statements of 31 December 2016 is provided in Note 4. Participations – Details on page 173.

EFFECT OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The following changes to assets and liabilities were recognised due to first-time consolidation and deconsolidation of the companies indicated in 2016:

Balance sheet	Additions	thereof BTA Baltic	Disposals
in EUR '000			
Intangible assets	113,870	113,230	0
Investments	175,844	82,589	7,530
Reinsurers' share in underwriting provisions	9,159	9,015	0
Receivables (incl. tax receivables and advance payments out of income tax)	22,188	21,331	0
Other assets (incl. deferred tax assets)	1,952	1,848	0
Cash and cash equivalents	45,806	42,482	0
Underwriting provisions	-113,916	-111,848	0
Non-underwriting provisions	-1,653	-1,653	0
Liabilities (incl. tax liabilities out of income tax)	-14,879	-14,440	0

The figures shown in the table above reflect the actual dates of first consolidation and deconsolidation, as indicated in the Changes in the scope of consolidation section on page 129.

Contribution to profit before taxes in reporting period	Additions	Disposals
in EUR '000		
Net earned premiums – retention	1,093	0
Financial result	-587	2,670
Other income	4	0
Expenses for claims and insurance benefits	-149	0
Acquisition and administrative expenses	-394	0
Other expenses	-729	0
Result before taxes	-762	2,670

Inclusion of the first-time consolidated companies retroactively to 1 January 2016 would not cause any major changes in balance sheet items. Retroactive inclusion of BTA Baltic and the companies listed in the "Change of consolidation method to full consolidation" table as of 1 January 2016 would increase the Group result before taxes and non-controlling interests by 15.5% (not including consolidation effects). This increase is mainly due to the non-profit societies.

Including the new companies in the scope of consolidation increased the number of employees by 1,522.

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 holds indirect interests in non-profit societies that were included in the consolidated financial statements in the past based on satisfaction of the criteria for control — due to a majority interest or far-reaching contractual agreements (e.g. the right to determine members of management) — either by full consolidation or, if only significant influence existed, by at-equity consolidation.

These companies include:

- 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

Changes in the accounting for non-profit societies

When the contractual agreements with its parent company were amended in August 2016, VIG regained control over the non-profit societies. For this reason, the interests in the nine companies and WWG Beteiligungen GmbH (formerly Neue Heimat Holding) have been fully consolidated since the 3rd quarter of 2016 and significant assets have been included in the consolidated balance sheet. These assets are primarily property with a book value of around EUR 3.6 billion. Since VIG's parent company had control in previous years, the change in control is a business combination involving entities under common control. The assets and liabilities were therefore included in the consolidated balance sheet using the book values reported by VIG's parent company. Full consolidation increases the Group shareholders' equity from the non-profit societies by EUR 1.0 billion based on year-end 2016. This increase is separately reported in full under "non-controlling interests" in the balance sheet as this shareholders' equity is not attributable to VIG's area of influence.

The VIG balance sheet changed as follows due to the full consolidation as of 31 December 2016:

Assets	2016	thereof non-profit societies*
in EUR '000		
A. Intangible assets	2,054,500	1,244
B. Investments	34,646,256	3,724,565
C. Investments for unit-linked and index-linked life insurance	8,549,580	0
D. Reinsurers' share in underwriting provisions	985,211	0
E. Receivables	1,459,631	50,048
F. Tax receivables and advance payments out of income tax	236,940	0
G. Deferred tax assets	138,230	0
H. Other assets	347,819	5,627
I. Cash and cash equivalents	1,589,941	148,810
Total	**50,008,108**	**3,930,294**

* incl. their subsidiaries

Liabilities and shareholders' equity	2016	thereof non-profit societies*
in EUR '000		
B. Subordinated liabilities	1,265,009	0
C. Underwriting provisions	29,220,071	0
D. Underwriting provisions for unit-linked and index-linked life insurance	8,129,884	0
E. Non-underwriting provisions	815,248	54,593
F. Liabilities	4,202,585	2,670,165
G. Tax liabilities out of income tax	181,300	0
H. Deferred tax liabilities	325,150	0
I. Other liabilities	157,604	377
Subtotal	**44,296,851**	**2,725,135**
Shareholders' equity	5,711,257	
Total	**50,008,108**	**2,725,135**

* incl. their subsidiaries

Income statement	2016	thereof non-profit societies*
in EUR '000		
Premiums written – gross	9,050,968	0
Net earned premiums – retention	8,191,256	0
Financial result excluding at equity consolidated companies	912,188	30,372
Income from investments	1,416,088	107,077
Expenses for investments and interest expenses	-503,900	-76,705
Result from shares in at equity consolidated companies	46,621	0
Other income	150,449	0
Expenses for claims and insurance benefits	-6,753,449	0
Acquisition and administrative expenses	-1,907,805	0
Other expenses	-232,526	-1,450
Result before taxes	406,734	28,922
Tax expenses/income	-85,744	44
Result of the period	320,990	28,966

* incl. their subsidiaries

Government grants

The grants indicated below must be repaid if the assets are not used for their intended purpose:

Government grants	31.12.2016
in EUR '000	
Government grants – through Income Statement	65,984
Grants related to assets – deducts the grant in calculating the carrying amount of the asset	58,040
Grants related to income – shown separately	7,518
Grants related to income – deducted from the related expense	426

SEGMENT REPORTING

Changes at the beginning of financial year 2016

The new composition of the VIG Managing Board that was announced on 2 December 2015 became effective at the beginning of 2016. The resulting reorganisation of areas of responsibility created a stronger focus on countries in the management of the Group. Periodic reporting to the Group Managing Board in its capacity as the ultimate decision-making body was therefore also accordingly modified so that reporting is performed separately for each country (except for the Baltic states and Albania incl. Kosovo), and premiums and results for the period are not reported separately for the property and casualty, life and health insurance balance sheet units.

In accordance with the IFRS, managing by countries led to a change in the accounting for Group assets (e.g. insurance portfolios, brands, goodwill, etc.) based on cash generating units. As a result, Group assets are no long recognised based on balance sheet units of the parent company concerned, but at the country level. This makes it necessary to make retrospective adjustments to previous regional results shown for comparative periods in the annual report. Segment reporting also needed to change due to the management approach, and the changes were made at the beginning of 2016. The previous regional reporting was retrospectively adjusted.

Determination of reportable segments

The segments were determined in accordance with IFRS 8 Operating segments based on internal reporting to the principal decision-maker. The individual markets in which the Group operates were identified as the operating segments. The Group Managing Board, the principal decision-maker, regularly evaluates earning power based on the segments and decides on the allocation of resources to the segments. The focus on countries is also reflected in the country responsibilities of the members of the VIG Managing Board. The countries Estonia, Latvia and Lithuania are combined in the Baltic states operating segment, and Albania and Kosovo are combined in the Albania incl. Kosovo operating segment when reporting to the Managing Board. The countries of Turkey and Georgia are also combined into one reporting segment.

The reportable segments were determined using the aggregation criteria in IFRS 8.12 and IFRS 8.14 and the defined quantitative thresholds in IFRS 8.13.

As reportable segments identified:

- Austria (incl. the Wiener Städtische branches in Slovenia and the Wiener Städtische and Donau Versicherung branches in Italy),
- Czech Republic,
- Slovakia,
- Poland (incl. the insurance business of the Compensa Non-Life branch in Lithuania and Latvia up to transfer of the insurance portfolio on 31 December 2015),
- Romania,
- The Baltic states (since 1 January 2016 incl. the insurance portfolio transferred from Compensa Non-Life (Poland) to Compensa Non-Life (Lithuania)),
- Hungary,
- Bulgaria,
- Turkey/Georgia,
- Remaining CEE,
- Other Markets and
- Central Functions.

The Remaining CEE segment includes the following countries:

- Albania incl. Kosovo (a branch of an Albanian company is located in Kosovo),
- Bosnia-Herzegovina,
- Croatia,
- Macedonia,
- Moldova,
- Serbia and
- Ukraine.

The Remaining CEE segment was aggregated in accordance with the aggregation criteria in IFRS 8.14 and was not reported in an "all other segments" in spite of falling below the thresholds. The Managing Board feels that separate presentation provides important information due to VIG's focus on the CEE region.

The Managing Board also feels that important information is provided by separately publishing financial information for Romania, the Baltic states, Hungary, Bulgaria and Turkey/Georgia in the segment reports, even though they fall below the thresholds. VIG's focus on the CEE region and the strong growth recorded in individual countries led to this decision by the Managing Board.

The Other Markets reportable segment corresponds to the "all other segments" category in IFRS 8.16, and includes Germany and Lichtenstein.

Companies with management and coordination functions that cross regional boundaries and non-profit societies are included in the "Central Functions" segment.

Basis of the revenues of the reportable segments

REPORTABLE SEGMENTS (EXCL. CENTRAL FUNCTIONS)

The scope of business operations includes private and corporate customer insurance business. The range of products includes, among other things, motor third party liability and own damage, accident, third party liability, fire and natural hazards, and travel insurance.

A large number of life and health insurance products are offered for individuals and groups. These include, for example, supplementary health insurance, nursing care insurance, endowment insurance, term life insurance and investment-oriented products. In accordance with the cornerstones of VIG, products are sold through all distribution channels in all markets. This means that insurance products are distributed, among others, by sales employees, banks, brokers and agents.

CENTRAL FUNCTIONS

The segment includes VIG Holding, VIG Re, VIG Fund, the non-profit societies, corporate IT service providers and intermediate holding companies.

VIG Holding primarily focuses on managerial tasks for the Group. It also operates as an international reinsurer and in the international corporate business. The Group's own reinsurance company, VIG Re, was formed in Prague in 2008 and is a successful reinsurance provider for both VIG companies and external partners.

INFORMATION ON MAJOR CUSTOMERS

The Group does not depend to a great extent on one single customer, as defined in IFRS 8.34. The 10 largest customer groups are responsible for 2.0% of the premiums written by the Group. Corporate customers that are under common control according to the information available to VIG are combined into customer groups.

General information on segment reporting

Like transactions with third parties, transfer prices between reportable segments are determined using market prices. Intragroup transactions between segments are eliminated in the consolidation column. The only exception is dividends and intercompany profits, which are eliminated in each segment.

Performance measurement basis for reportable segments

A variety of performance indicators are used to determine the financial performance of the reportable segments. The IFRS contribution to earnings is used as an indicator in all cases. In the interests of comparability, the consolidated income statement by segments is appropriately reconciled with the consolidated income statement and only the main items are presented. The same applies to the balance statement by segments and consolidated balance sheet.

Consolidated balance sheet by segment

Assets	Austria		Czech Republic		Slovakia	
	2016	2015 adjusted	2016	2015	2016	2015
in EUR '000						
A. Intangible assets	357,481	359,795	434,563	433,355	117,179	114,671
B. Investments	21,811,944	21,245,626	3,099,805	3,231,555	1,247,048	1,226,063
C. Investments for unit-linked and index-linked life insurance	5,581,420	5,393,111	300,123	312,243	199,144	197,708
D. Reinsurers' share in underwriting provisions	379,602	451,567	100,134	109,362	58,039	48,167
E. Receivables	624,222	657,931	117,146	127,758	58,915	64,811
F. Tax receivables and advance payments out of income tax	30,937	24,961	9,290	9,733	4,726	0
G. Deferred tax assets	66,186	51,105	3,913	4,201	4,321	3,268
H. Other assets	146,056	167,232	136,641	123,591	7,221	6,908
I. Cash and cash equivalents	728,287	539,512	169,692	53,494	45,748	50,232
Total	29,726,135	28,890,840	4,371,307	4,405,292	1,742,341	1,711,828

Assets	Poland		Romania		Baltic states	
	2016	2015	2016	2015 adjusted	2016	2015
in EUR '000						
A. Intangible assets	138,792	144,534	199,247	204,994	141,066	24,893
B. Investments	854,330	925,750	588,776	412,853	323,192	196,268
C. Investments for unit-linked and index-linked life insurance	774,197	671,470	208,854	206,011	41,910	34,352
D. Reinsurers' share in underwriting provisions	51,284	22,701	29,399	30,559	17,328	14,371
E. Receivables	129,874	110,719	156,642	150,406	37,830	12,893
F. Tax receivables and advance payments out of income tax	5,765	7,563	2,176	2,183	721	179
G. Deferred tax assets	5,485	3,500	20,357	12,448	1,878	632
H. Other assets	8,652	8,028	6,651	9,559	3,861	533
I. Cash and cash equivalents	21,292	12,092	8,954	42,309	54,233	17,970
Total	1,989,671	1,906,357	1,221,056	1,071,322	622,019	302,091

Assets	Hungary		Bulgaria		Turkey/Georgia	
	2016	2015 adjusted	2016	2015	2016	2015
in EUR '000						
A. Intangible assets	26,188	26,061	191,141	194,237	25,276	27,654
B. Investments	161,548	148,428	154,317	131,453	98,446	80,095
C. Investments for unit-linked and index-linked life insurance	405,665	361,849	1,420	0	0	0
D. Reinsurers' share in underwriting provisions	9,895	8,077	19,699	16,165	65,948	65,707
E. Receivables	17,822	18,395	37,195	38,902	53,437	54,440
F. Tax receivables and advance payments out of income tax	29	11	4	427	11	651
G. Deferred tax assets	165	197	1,124	1,824	2,151	4,521
H. Other assets	6,480	5,222	2,109	2,130	993	1,315
I. Cash and cash equivalents	2,411	6,083	11,906	12,002	23,832	22,041
Total	630,203	574,323	418,915	397,140	270,094	256,424

Assets	Remaining CEE		Other Markets		Central Functions		Total	
	2016	2015 adjusted	2016	2015	2016	2015 adjusted	2016	2015 adjusted
in EUR '000								
A. Intangible assets	95,612	101,693	1,366	1,762	326,589	355,708	2,054,500	1,989,357
B. Investments	741,254	699,581	611,842	599,339	4,953,754	1,244,958	34,646,256	30,141,969
C. Investments for unit-linked and index-linked life insurance	74,307	48,371	962,540	919,020	0	0	8,549,580	8,144,135
D. Reinsurers' share in underwriting provisions	27,446	26,738	6,831	7,782	219,606	229,544	985,211	1,030,740
E. Receivables	69,779	67,717	15,603	17,795	141,166	70,213	1,459,631	1,391,980
F. Tax receivables and advance payments out of income tax	1,373	1,265	2,372	0	179,536	169,737	236,940	216,710
G. Deferred tax assets	3,323	4,054	987	2,801	28,340	35,141	138,230	123,692
H. Other assets	9,720	9,745	4,333	4,649	15,102	11,007	347,819	349,919
I. Cash and cash equivalents	25,433	16,793	47,454	143,289	450,699	185,395	1,589,941	1,101,212
Total	1,048,247	975,957	1,653,328	1,696,437	6,314,792	2,301,703	50,008,108	44,489,714

The investments included shares in at equity consolidated companies of EUR 230,235,000 in Austria (EUR 209,636,000), EUR 28,022,000 in the Czech Republic (EUR 27,471,000), and EUR 11,442,000 in the Central Functions segment (EUR 82,529,000).

Liabilities and shareholders' equity	Austria		Czech Republic		Slovakia	
	2016	2015 adjusted	2016	2015	2016	2015
in EUR '000						
B. Subordinated liabilities	97,020	112,320	20,355	20,353	0	0
C. Underwriting provisions	21,634,337	20,989,146	2,926,311	2,961,668	1,046,660	994,516
D. Underwriting provisions for unit-linked and index-linked life insurance	5,320,409	5,185,236	168,628	185,717	215,728	212,097
E. Non-underwriting provisions	556,954	457,698	4,220	7,271	2,171	3,069
F. Liabilities	682,072	739,517	198,158	201,819	83,797	98,179
G. Tax liabilities out of income tax	164,337	104,272	9,262	7,099	98	1,982
H. Deferred tax liabilities	230,549	206,296	26,922	23,839	14,054	12,557
I. Other liabilities	91,125	103,616	11,612	12,188	8,409	6,228
Subtotal	28,776,803	27,898,101	3,365,468	3,419,954	1,370,917	1,328,628

Liabilities and shareholders' equity	Poland		Romania		Baltic states	
	2016	2015	2016	2015	2016	2015
in EUR '000						
B. Subordinated liabilities	0	0	0	0	0	0
C. Underwriting provisions	755,047	741,332	504,808	396,331	329,940	165,487
D. Underwriting provisions for unit-linked and index-linked life insurance	745,124	638,569	208,092	201,260	41,910	34,353
E. Non-underwriting provisions	8,358	17,838	11,283	4,061	2,039	367
F. Liabilities	91,307	65,223	85,561	81,756	29,129	21,806
G. Tax liabilities out of income tax	77	576	0	0	56	150
H. Deferred tax liabilities	19,847	17,602	0	0	10,333	409
I. Other liabilities	18,630	21,261	8,117	10,992	2,203	845
Subtotal	1,638,390	1,502,401	817,861	694,400	415,610	223,417

Liabilities and shareholders' equity	Hungary		Bulgaria		Turkey/Georgia	
	2016	2015	2016	2015	2016	2015
in EUR '000						
B. Subordinated liabilities	0	0	0	0	0	0
C. Underwriting provisions	127,540	114,042	143,365	134,329	178,515	165,110
D. Underwriting provisions for unit-linked and index-linked life insurance	392,680	353,808	1,420	0	0	0
E. Non-underwriting provisions	4,964	6,578	19,142	14,855	4,857	1,123
F. Liabilities	18,289	21,271	15,214	15,883	29,798	20,693
G. Tax liabilities out of income tax	213	0	214	109	572	0
H. Deferred tax liabilities	1,010	1,176	1,809	1,893	4	75
I. Other liabilities	2,609	3,089	178	591	2,062	1,948
Subtotal	547,305	499,964	181,342	167,660	215,808	188,949

Liabilities and shareholders' equity	Remaining CEE		Other Markets		Central Functions		Total	
	2016	2015	2016	2015	2016	2015 adjusted	2016	2015 adjusted
in EUR '000								
B. Subordinated liabilities	0	0	0	0	1,147,634	1,147,635	1,265,009	1,280,308
C. Underwriting provisions	684,490	652,197	583,345	556,799	305,713	274,166	29,220,071	28,145,123
D. Underwriting provisions for unit-linked and index-linked life insurance	74,307	48,372	961,586	917,190	0	0	8,129,884	7,776,602
E. Non-underwriting provisions	7,455	5,505	8,863	7,003	184,942	138,028	815,248	663,396
F. Liabilities	38,654	34,094	40,657	100,976	2,889,949	233,100	4,202,585	1,634,317
G. Tax liabilities out of income tax	1,155	2,541	1	455	5,315	4,617	181,300	121,801
H. Deferred tax liabilities	2,223	1,649	867	321	17,532	14,416	325,150	280,233
I. Other liabilities	9,959	9,077	21	548	2,679	3,091	157,604	173,474
Subtotal	818,243	753,435	1,595,340	1,583,292	4,553,764	1,815,053	44,296,851	40,075,254
Shareholders' equity							5,711,257	4,414,460
Total							50,008,108	44,489,714

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

in EUR '000	Austria 2016	Austria 2015 adjusted	Czech Republic 2016	Czech Republic 2015	Slovakia 2016	Slovakia 2015	Poland 2016	Poland 2015
Premiums written – gross	3,941,322	4,055,532	1,529,085	1,554,823	732,340	716,495	819,175	838,864
Net earned premiums – retention	3,247,941	3,369,996	1,151,471	1,204,780	597,912	576,537	669,704	716,259
Financial result excluding at equity consolidated companies	**720,019**	819,676	**83,100**	94,793	**52,821**	51,923	**34,419**	46,061
Income from investments	914,002	1,011,163	122,117	146,988	56,404	55,253	43,891	60,970
Expenses for investments and interest expenses	-193,983	-191,487	-39,017	-52,195	-3,583	-3,330	-9,472	-14,909
Result from shares in at equity consolidated companies	40,953	21,678	1,647	2,100	0	0	0	0
Other income	18,512	19,623	41,288	43,412	18,554	33,003	18,055	13,859
Expenses for claims and insurance benefits	-3,190,930	-3,361,948	-738,424	-817,137	-491,818	-469,967	-542,647	-501,344
Acquisition and administrative expenses	-619,008	-599,239	-350,776	-316,279	-100,410	-98,648	-158,453	-218,948
Other expenses	-21,397	-56,825	-35,538	-48,680	-28,179	-40,983	-19,203	-35,057
Result before taxes	**196,090**	212,961	**152,768**	162,989	**48,880**	51,865	**1,875**	20,830
Tax expenses/income	-37,613	-75,002	-29,651	-32,385	-13,265	-13,413	-9,914	-12,819
Result of the period	**158,477**	137,959	**123,117**	130,604	**35,615**	38,452	**-8,039**	8,011

in EUR '000	Romania 2016	Romania 2015 adjusted	Baltic states 2016	Baltic states 2015	Hungary 2016	Hungary 2015 adjusted	Bulgaria 2016	Bulgaria 2015
Premiums written – gross	533,396	428,635	140,192	59,305	224,226	204,262	136,679	131,077
Net earned premiums – retention	351,128	265,024	108,102	57,750	174,565	159,667	96,511	89,018
Financial result excluding at equity consolidated companies	**13,622**	10,831	**4,466**	2,716	**6,882**	8,001	**11,160**	9,913
Income from investments	19,917	18,097	7,249	4,576	8,973	10,259	27,108	25,631
Expenses for investments and interest expenses	-6,295	-7,266	-2,783	-1,860	-2,091	-2,258	-15,948	-15,718
Result from shares in at equity consolidated companies	0	0	0	0	0	0	0	0
Other income	8,941	10,980	805	1,305	3,608	1,690	972	1,020
Expenses for claims and insurance benefits	-246,395	-176,241	-85,156	-48,764	-132,351	-118,978	-59,266	-57,891
Acquisition and administrative expenses	-90,585	-85,689	-35,162	-15,322	-38,267	-38,064	-32,030	-29,557
Other expenses	-33,198	-112,483	-4,282	-330	-10,630	-34,449	-11,966	-14,848
Result before taxes	**3,513**	-87,578	**-11,227**	-2,645	**3,807**	-22,133	**5,381**	-2,345
Tax expenses/income	7,649	1,803	1,674	102	-191	-432	-1,618	832
Result of the period	**11,162**	-85,775	**-9,553**	-2,543	**3,616**	-22,565	**3,763**	-1,513

	Turkey/Georgia		Remaining CEE		Other Markets	
	2016	2015	2016	2015 adjusted	2016	2015
in EUR '000						
Premiums written – gross	208,698	182,339	331,392	307,187	352,955	410,037
Net earned premiums – retention	102,131	92,741	232,908	211,367	311,570	371,155
Financial result excluding at equity consolidated companies	**6,961**	4,907	**36,646**	36,495	**19,872**	18,865
Income from investments	11,690	10,658	43,406	42,119	22,167	22,989
Expenses for investments and interest expenses	-4,729	-5,751	-6,760	-5,624	-2,295	-4,124
Result from shares in at equity consolidated companies	0	0	0	0	0	0
Other income	6,300	6,061	5,084	9,609	3,457	3,630
Expenses for claims and insurance benefits	-76,947	-71,828	-161,800	-145,540	-255,041	-254,277
Acquisition and administrative expenses	-22,603	-25,155	-83,293	-81,708	-25,219	-25,642
Other expenses	-6,838	-3,519	-22,112	-55,660	-32,491	-93,514
Result before taxes	**9,004**	3,207	**7,433**	-25,437	**22,148**	20,217
Tax expenses/income	-4,709	1,180	-5,553	-4,643	-6,083	-5,668
Result of the period	**4,295**	4,387	**1,880**	-30,080	**16,065**	14,549

	Central Functions		Consolidation		Total	
	2016	2015 adjusted	2016	2015	2016	2015 adjusted
in EUR '000						
Premiums written – gross	1,324,835	1,248,906	-1,223,327	-1,117,703	9,050,968	9,019,759
Net earned premiums – retention	1,141,869	1,066,788	5,444	-547	8,191,256	8,180,535
Financial result excluding at equity consolidated companies	**-77,308**	-103,916	**-472**	-278	**912,188**	999,987
Income from investments	198,566	106,596	-59,402	-62,392	1,416,088	1,452,907
Expenses for investments and interest expenses	-275,874	-210,512	58,930	62,114	-503,900	-452,920
Result from shares in at equity consolidated companies	4,021	16,431	0	0	46,621	40,209
Other income	25,753	6,963	-880	-948	150,449	150,207
Expenses for claims and insurance benefits	-768,738	-723,886	-3,936	-1,073	-6,753,449	-6,748,874
Acquisition and administrative expenses	-344,957	-311,834	-7,042	-1,482	-1,907,805	-1,847,567
Other expenses	-13,961	-235,106	7,269	4,014	-232,526	-727,440
Result before taxes	**-33,321**	-284,560	**383**	-314	**406,734**	47,057
Tax expenses/income	13,530	78,622	0	0	-85,744	-61,823
Result of the period	**-19,791**	-205,938	**383**	-314	**320,990**	-14,766

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Vienna Insurance Group's core competence is dealing professionally with risk. The Group's primary business is assuming risks from its customers using a variety of insurance policies. The insurance business consists of consciously assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under insurance policies can be satisfied at all times.

Because of its activities, VIG is exposed to a large number of risks. The overall risk of the Group can be divided into the following risk categories:

Market risk
Market risk is the risk of losses due to changes in market prices. Changes in value occur, for example, due to changes in yield curves, share prices, exchange rates and the value of real estate and participations.

Credit risk
Credit risk quantifies the potential loss due to a deterioration of the situation of a counterparty, against which claims exist.

Liquidity risk
This category includes the risk of VIG not having sufficient assets that can be liquidated at short notice to satisfy its payment obligations.

Underwriting risks
Vienna Insurance Group's core business consists of the transfer of risk from policyholders to the insurance company. Underwriting risks in the areas of life insurance, health insurance and non-life insurance are primarily the result of changes in insurance-specific parameters, such as loss frequency, loss amount or mortality, as well as lapse rates and lapse costs.

Reputation risks
Reputation risk is the risk of negative changes in business due to damage to a company's reputation.

Operational risks
Operational risks may result from deficiencies or errors in business processes, controls or projects caused by technology, staff, organisation or external factors.

Strategic risks
Strategic risks can arise due to changes in the economic environment, case law, or the regulatory environment. Established risk management processes are used to regularly identify, analyse, assess, report, control and monitor all the risks to which VIG is exposed. The risk control measures used are avoidance, reduction, diversification, transfer and acceptance of risks and opportunities.

In addition to the risks in the property and casualty balance sheet unit and real estate investments that are modelled using the partial internal model, VIG's main risks under the standard formula are:

- the **interest rate risk** as part of market risk, which primarily results from sales of long-term guarantee products,
- the asset **default risk** inherent in investments, which can be assigned to credit risk and indirectly to market risk,
- life insurance **lapse risk**, which can occur due to an increase in cancellation rates.

General information

In general, all Group companies are responsible for managing their own risks. Whereby VIG corporate risk management department provides framework guidelines in all major areas for these companies. The requirements set in the investments and reinsurance areas are particularly strict.

Effective risk management requires a risk management system that is consistent throughout the Group, and a risk policy and risk strategy set by management. The objective of such risk management is not complete avoidance of risk, but rather a conscious acceptance of desired risks and the implementation of measures to monitor and possibly even reduce existing risks based on economic factors. The risk-return ratio is therefore one of the key measures that must be optimized as part of the risk management in order to guarantee adequate security for the policyholder and the insurer itself while giving due consideration to the need to create value.

Risk management responsibilities in VIG are bundled together in independent organizational units and by a well-established risk and control culture, each individual employee contributes to successful management of risk. Transparent, verifiable decisions and processes within a company are very important aspects of its risk culture.

Partial internal model (PIM) for real estate

VIG feels that the Solvency II standard approach for calculating real estate risk is not appropriate. In particular, a uniform shock factor of 25% does not reflect the actual risk of VIG real estate investments. For this reason, an internal real estate model was developed and approved by the competent Group supervisory authority, the Austrian Financial Market Authority, on 1 January 2016.

The model is used in the Austrian companies Wiener Städtische, Donau Versicherung and VIG Holding.

The model distinguishes between four real estate classes for risk assessment: directly held properties, holding companies, non-profit housing societies and real estate funds.

The risk of the investments in these real estate classes is generally assessed in the same way, based on simulations of the future value of a real estate investment taking into account the specifics of each real estate class and all relevant cash flows and changes in market value.

Partial internal model (PIM) for the property and casualty balance sheet unit

VIG also feels that the Solvency II standard approach for calculating property and casualty risk is not appropriate, and developed an internal model for property and casualty insurance. The competent Group supervisory authority, the Austrian Financial Market Authority, approved use of the model for calculating regulatory solvency capital when Solvency II came into effect.

The model is used in VIG's non-life and composite insurance companies in Austria, the Czech Republic, Slovakia, Poland and Romania.

The model uses simulations to distribute the technical result for the property and casualty balance sheet unit over a year. Unlike the standard formula, the specifics of the portfolios of the individual insurance companies are explicitly reflected by company-specific parameters. The modelling of natural disaster risk is similarly based on sound physical models, allowing a significantly more appropriate assessment of risk.

Internal guidelines

VIG risk management is governed by a number of internal guidelines. Property and casualty underwriting risks are primarily managed using actuarial models for setting rates and monitoring the progress of claims, as well as guidelines regarding the assumption of insurance risks. The most important underwriting risks in life and health insurance are primarily biometric risks, such as life expectancy, occupational disability, illness and the need for nursing care. To account for these underwriting risks, VIG has formed provisions for future insurance payments.

Reinsurance

VIG limits the potential liability from its insurance business by passing on some of the risks it assumes to the international reinsurance market. It spreads this reinsurance coverage over a large number of different international reinsurance companies that VIG believes offer adequate credit quality, so as to minimise the risk (credit risk) due to the insolvency of one reinsurer. No significant reinsurer default has occurred in the history of VIG. The monetary limit per reinsurer is set individually for each subsidiary.

For operating segments where claims take a long time to be settled, especially for motor and general third-party liability, VIG uses reinsurance companies with outstanding ratings (at least a Standard & Poor's rating of A, preferably a rating of AA or higher) that in all likelihood will also continue to exist over the long term. Even for operating segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's A or higher. Only in a few cases — and for limited periods of time — are reinsurers with lower ratings accepted.

Other measures

VIG monitors the various market risks of its security portfolio using fair value valuations, value-at-risk (VaR) calculations, sensitivity analyses and stress tests. Liquidity risk is limited by matching the investment portfolio to insurance obligations. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects, or changes in the business environment, are also continuously monitored in the course of the internal control system.

Areas involved in risk monitoring and control

ENTERPRISE RISK MANAGEMENT (ERM)

The ERM department is responsible for Group-wide risk management. ERM assists the Managing Board with updating the corporate risk strategy, and with improvements to the risk organisation and further corporate risk management topics. ERM also creates a framework for Group-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support. ERM provides and manages the partial model approach and an aggregation solution with extensive reports for calculating regulatory risk capital.

INTERNATIONAL ACTUARIAL SERVICES

Underwriting risks are managed by the Group's international actuarial department. This department subjects all insurance solutions to in-depth actuarial analysis covering all lines of insurance business (life, health, and property and casualty). The actuarial function in the international actuarial department coordinates the Group-wide determination of underwriting provisions to prepare the economic balance sheet in accordance with Solvency II.

REINSURANCE
Reinsurance for all Group companies is managed and monitored by the corporate reinsurance department established in VIG.

CORPORATE BUSINESS
The corporate business department underwrites insurance contracts for large Austrian and international customers. The department also assists VIG subsidiaries with resources and know-how. The aim is to achieve a uniform underwriting philosophy and approach in all Group companies that perform such business.

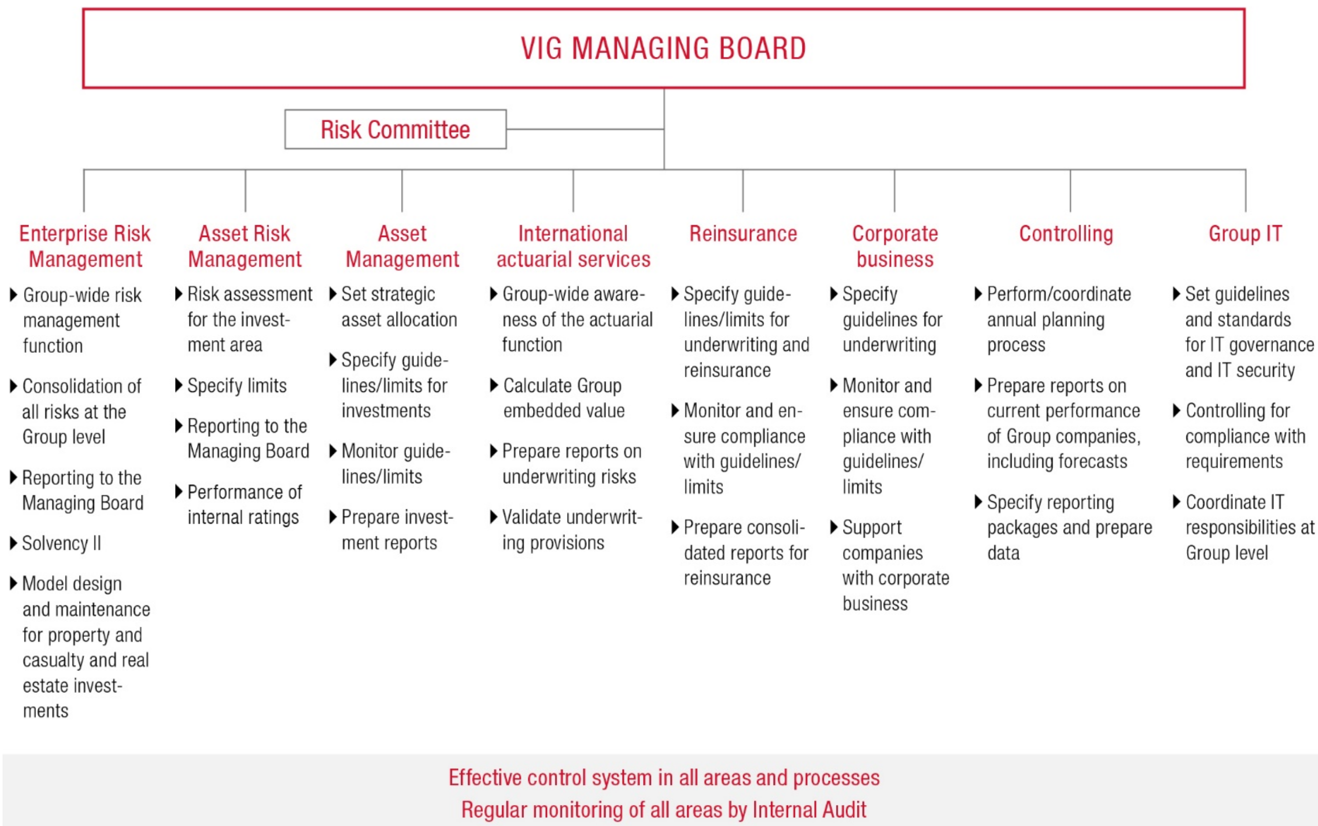
ASSET RISK MANAGEMENT (ARM)
The ARM department prepares quarterly risk budgets for the investment area. Compliance with these budgets is regularly checked. Compliance with securities guidelines and the Company's own limit system is monitored on an ongoing basis. Periodic VaR calculations and analyses, as well as detailed stress tests, are performed for purposes of this monitoring. To satisfy the quantitative requirements of the new Solvency II framework, the ARM department determines solvency capital requirements for the market risks of the assets of material subsidiaries at regular intervals.

ASSET MANAGEMENT
One of the key responsibilities of the asset management department is to define a strategic orientation for the investments of each VIG insurance company and for the Group as a whole, and to specify an investment strategy and investment process aimed at ensuring regular earnings that are as high as possible, but also as secure as possible, while simultaneously taking advantage of opportunities to increase the value of investments. Guidelines and limits are used to manage investments in the Group. Regular reports are also provided for investments, limits and income.

CONTROLLING
The Group controlling department is responsible for performance of an annual planning process and subsequently for monitoring day-to-day business development of the Group insurance companies. Regular reports are used for this purpose, including variance analyses and forecast accounts for the financial year.

INTERNAL AUDIT
The internal audit department systematically monitors operating and business processes, the internal control system of all operational business areas, including compliance with legal requirements, and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the whole Managing Board.

GROUP IT/BACK OFFICE
The Group IT department is responsible for coordinating IT responsibilities at the Group level (IT strategy, Group solutions and systems related to the IT environment, IT governance, IT procurement and controlling, IT security, etc.), for assisting VIG subsidiaries with large IT projects, and for developing Group-wide guidelines and common standards. The Austrian business organisation assists Group IT with this by providing outside IT and telephony services.



Capital requirements according to Solvency II

Vienna Insurance Group's capital resources under Solvency II are calculated using the partial internal model approved by the FMA.

VIG will publish a solvency and financial position report for 2016 as an individual company for the first time. For reasons of materiality and transparency, please refer to the calculations for the solvency and financial position of the listed Group. The report will contain detailed information on solvency. For more information on Solvency II, also see the "Management and control" section starting on page 163.

Analysis of risks from business activities

VIG calculates its underwriting provisions using recognised actuarial methods and assumptions. These assumptions include estimates of the long-term interest rate trend, returns on investments, the allocation of investments between equities, interest-bearing instruments and other categories, net income participations, mortality and morbidity rates, lapse rates and future costs. The Group monitors actual experience relating to these assumptions and adjusts its long-term assumptions where changes of a long-term nature occur.

GUARANTEED MINIMUM INTEREST RATES

VIG also has a considerable portfolio of policies with guaranteed minimum interest rates, including annuity and endowment insurance. For existing life insurance policies, VIG guarantees a minimum interest rate averaging around 2.31% p.a. (2.40% p.a.). If interest rates fall below the guaranteed average minimum rate for any length of time, VIG could find itself forced to use its capital to subsidise reserves for these products and consequently increase them through profit or loss as a result of the adequacy test.

LOSS RESERVES

In accordance with common industry practice and accounting and supervisory requirements, VIG companies work together with the Group actuarial department to independently form loss reserves and provisions for claims settlement expenses arising from the property and casualty insurance business. The reserves are based on estimates of the payments that will be made for these claims and the related claims settlement expenses. These estimates are made both on a case-by-case basis in light of the facts and circumstances available at the time the reserves are formed, as well as for losses that have already been incurred but which have not been reported, or not reported in the correct amount to Vienna Insurance Group ("IBNR", "IBNER"). These reserves represent the expected costs required for final settlement of all known pending claims and IBNR and IBNER losses.

Loss reserves, including IBNR and IBNER reserves, may vary depending on a number of variables that affect the total costs of a claim, such as changes in the statutory framework, the outcome of court proceedings, changes in processing costs, repair costs, loss frequency, claim size and other factors such as inflation and interest rates.

INTEREST RATE FLUCTUATIONS

VIG is exposed to market risk, that is, the risk of suffering losses as a result of changes to market parameters. For VIG, interest rates and issuer spreads are the most relevant parameters for market risk. Ignoring investments held for the account of and at the risk of policyholders, VIG's investments consist largely of fixed-income securities. The majority of these securities are denominated in euros and Czech koruna. Consequently, interest rate fluctuations in these currencies primarily have an effect on the value of these financial assets.

SHARE PRICE RISK

Vienna Insurance Group has a share portfolio which, even including shares held by funds, constitutes approximately 4.0% (4.5%) of investments. Among other things, Vienna Insurance Group's share investments include participations in a number of Austrian companies and equity positions in other companies whose shares trade primarily on the Vienna Stock Exchange or stock exchanges in the Eurozone or CEE region. A deterioration of the current economic situation could result in the share portfolio losing value.

ASPECTS OF THE LEGAL TAX FRAMEWORK AFFECTING EARNINGS

Changes to tax law may negatively affect the attractiveness of certain VIG products that currently enjoy tax advantages. For example, the introduction of laws to reduce the tax advantages of the Group's retirement benefit products or other life insurance products could considerably diminish the attractiveness of those products.

DEVELOPMENTS IN CENTRAL AND EASTERN EUROPE

The expansion and development of business operations in the countries of Central and Eastern Europe is a core component of VIG's strategy. It has a very strong presence in these countries. Prescribed risk guidelines create a uniform risk management philosophy in all CEE countries. The presence of the corporate risk management department in the holding company makes risk management more consistent within the Group.

RISKS FROM ACQUISITIONS

In the past, VIG acquired a number of companies in Central and Eastern Europe, or acquired participations in these companies. Acquisitions often bring challenges in terms of corporate management and financing, such as:

- the need to integrate the infrastructure of the acquired company, including management information systems, and risk management and controlling systems;
- handling unsettled matters of a legal or supervisory nature resulting from the acquisition;
- integration of marketing, customer support and product ranges; and
- integration of different corporate and management cultures.

CLIMATE CHANGE

The environmental disasters that have been becoming increasingly common in recent years, such as floods, mudslides, landslides and storms may have been brought about by general climate change. The number of claims caused in this way may continue to rise in the future.

CREDIT RISK FROM INVESTMENTS

When managing risks related to credit quality, a distinction must be made between liquid and tradable risks (e.g. exchange-listed bonds) and bilateral risks, such as, for example, time deposits, OTC derivatives, loans, private placements and securities accounts/depositories. The risk is limited at the portfolio level by means of rating and diversification limits.

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by VIG, whether on the basis of an analysis performed by the Group, credit assessments/ratings from recognised sources, provision of security (e.g. guarantor's liability) or the possibility of recourse to reliable mechanisms for safeguarding investments.

CREDIT RISK FROM REINSURANCE

VIG follows a policy of ceding a portion of assumed risks to reinsurance companies. This transfer of risk to reinsurers does not, however, relieve VIG of its obligations to policy holders. VIG is therefore exposed to the risk of insolvency on the part of reinsurers.

CURRENCY RISKS

To diversify its portfolio, the investment area also makes use of international capital markets and, to a very small extent, foreign currencies. VIG's high degree of involvement in the CEE region results in currency risks at the Group level in spite of matching local currency investments made at the local level.

CONCENTRATION RISK

Internal guidelines and Vienna Insurance Group's limit system are used to keep concentrations within the desired safety margin. Consultation across business lines provides for a comprehensive view of all significant risks.

REGULATORY ENVIRONMENT

VIG is subject to domestic and foreign (insurance) supervisory regulations. These regulations govern such matters as:

- capital requirements of insurance companies and groups;
- admissibility of investments as security for underwriting provisions;
- licences of the different VIG companies;
- marketing activities and the sale of insurance policies; and
- cancellation rights of policy holders.

Changes to the statutory framework may make restructuring necessary, thus resulting in increased costs.

RANDOM AUDIT BY THE AUSTRIAN FINANCIAL REPORTING ENFORCEMENT PANEL (AFREP)

The AFREP is currently performing a random audit of Vienna Insurance Group. The audit had not produced any final results by the editorial deadline. The results of the audit could affect the figures shown in the consolidated financial statements for 2016.

Investments

The Group invests in fixed-income securities (bonds, loans/credits), shares, real estate, participations and other investments, taking into account the overall risk position and the investment strategy provided for this purpose.

The investment strategy is laid down in the investment guidelines for each of the Group's insurance companies and compliance is continuously monitored by the asset management and ARM departments and by the internal audit department on a random basis. Investment guidelines are laid down centrally and must be followed by all Group companies. When determining exposure volumes and limits as part of establishing the strategic orientation of investments, the risk inherent in the specified categories and market risks are of fundamental importance.

The investment strategy principles may be summarised as follows:

- VIG practices a conservative investment policy designed for the long term.
- Vienna Insurance Group focuses on its asset mix as a way to ensure that cash flows match its long-term liability profile and to create sustainable increases in value through the use of correlation and diversification effects of the individual asset classes.
- Investment management depends on the asset class in question or on the objective within asset classes, and is performed internally or by an outside manager.
- The currency profile of the investments should match as closely as possible the obligations to policyholders and other liabilities in foreign currency (currency matching).
- Risk management for securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate, and currency fluctuations as they affect profitability and the value of investments, and at limiting these risks. Risks are limited by a limit system at position level and by a two-level value-at-risk limit system for risk exposure at the portfolio level.
- Market developments are monitored continuously and the allocation of portfolio assets is managed actively.

Vienna Insurance Groups investment portfolio (with the look-through approach applied to consolidated institutional funds) includes holdings of around 65.0% in bonds (71.6%) and around 7.7% in loans (9.2%). Holdings of shares and real estate amount to around 4.0% (4.5%) and 15.7% (6.4%), respectively, in each case relative to the book value of the total investment portfolio.

The table below shows the breakdown of VIG investments according to segments:

Composition Investments	31.12.2016						
Book value	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Land and buildings	**1,327,369**	**146,616**	**27,735**	**13,107**	**40,316**	**5,615**	**0**
Self-used land and buildings	156,879	144,782	24,980	6,306	39,842	5,238	0
Third-party used land and buildings	1,170,490	1,834	2,755	6,801	474	377	0
Shares in at equity consolidated companies	**230,235**	**28,022**	**0**	**0**	**0**	**0**	**0**
Loans	**2,234,472**	**1,892**	**128,721**	**19,138**	**6,439**	**0**	**4,356**
Loans	1,046,212	1,892	377	3,278	6,439	0	4,356
Reclassified loans	254,271	0	37,534	0	0	0	0
Bonds classified as loans	933,989	0	90,810	15,860	0	0	0
Other securities	**17,844,531**	**2,906,384**	**1,090,592**	**784,228**	**505,253**	**306,667**	**157,192**
Financial instruments held to maturity	0	1,472,770	319,193	219,627	10,317	64,960	0
Government bonds	0	1,281,307	194,136	214,412	9,216	53,020	0
Covered bonds	0	128,913	120,023	2,267	0	474	0
Corporate bonds	0	49,069	0	0	0	9,296	0
Bonds from banks	0	13,481	5,034	2,948	1,101	2,170	0
Subordinated bonds	0	0	0	0	0	0	0
Financial instruments reclassified as held to maturity	0	648,619	0	0	0	0	0
Government bonds	0	595,928	0	0	0	0	0
Covered bonds	0	39,355	0	0	0	0	0
Bonds from banks	0	13,336	0	0	0	0	0
Financial instruments available for sale	17,667,724	750,308	754,397	516,355	488,714	157,773	154,779
Bonds	15,753,931	431,352	655,872	500,241	482,151	150,632	137,645
Shares and other participations*	604,870	11,228	108	5,734	4,142	7,141	704
Investment funds	1,308,923	307,728	98,417	10,380	2,421	0	16,430
Held for trading	41,082	25	0	48,246	6,222	7,489	2,413
Bonds	0	0	0	10,242	2,499	0	0
Shares and other non-fixed-interest securities	0	0	0	20,003	0	895	0
Investment funds	0	0	0	18,001	3,723	6,594	0
Derivatives	41,082	25	0	0	0	0	2,413
Financial instruments recognised at fair value through profit and loss	135,725	34,662	17,002	0	0	76,445	0
Bonds	118,829	22,508	15,665	0	0	76,445	0
Shares and other non-fixed-interest securities	16,567	0	0	0	0	0	0
Investment funds	329	12,154	1,337	0	0	0	0
Other investments	**175,337**	**16,891**	**0**	**37,857**	**36,768**	**10,910**	**0**
Bank deposits	174,167	14,245	0	30,878	36,768	10,910	0
Deposits on assumed reinsurance business	1,170	0	0	0	0	0	0
Other	0	2,646	0	6,979	0	0	0
Total	**21,811,944**	**3,099,805**	**1,247,048**	**854,330**	**588,776**	**323,192**	**161,548**

* includes shares in non-consolidated subsidiaries and other participations

Composition Investments			31.12.2016				31.12.2015 adjusted
Book value	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Total	Total
in EUR '000							
Land and buildings	13,495	5,274	35,359	18,020	3,968,717	5,601,623	1,907,737
Self-used land and buildings	7,574	4,311	14,093	5,771	19,708	429,484	434,306
Third-party used land and buildings	5,921	963	21,266	12,249	3,949,009	5,172,139	1,473,431
Shares in at equity consolidated companies	0	0	0	0	11,442	269,699	319,636
Loans	859	234	11,305	229,850	140,379	2,777,645	2,880,334
Loans	859	234	11,305	182,064	140,379	1,397,395	1,335,993
Reclassified loans	0	0	0	47,786	0	339,591	439,980
Bonds classified as loans	0	0	0	0	0	1,040,659	1,104,361
Other securities	137,758	11,714	592,876	334,509	706,656	25,378,360	24,116,380
Financial instruments held to maturity	13,494	0	104,559	0	125,151	2,330,071	2,256,682
Government bonds	13,494	0	104,116	0	114,563	1,984,264	1,905,774
Covered bonds	0	0	0	0	0	251,677	255,452
Corporate bonds	0	0	443	0	10,588	69,396	66,480
Bonds from banks	0	0	0	0	0	24,734	28,896
Subordinated bonds	0	0	0	0	0	0	80
Financial instruments reclassified as held to maturity	0	0	87,132	0	0	735,751	809,433
Government bonds	0	0	87,132	0	0	683,060	749,270
Covered bonds	0	0	0	0	0	39,355	46,784
Bonds from banks	0	0	0	0	0	13,336	13,379
Financial instruments available for sale	100,775	6,638	375,810	331,655	546,320	21,851,248	20,649,481
Bonds	89,604	0	368,671	304,357	401,127	19,275,583	18,179,916
Shares and other participations*	1,592	6,638	1,977	19,528	74,952	738,614	663,506
Investment funds	9,579	0	5,162	7,770	70,241	1,837,051	1,806,059
Held for trading	12	5,076	20,422	0	413	131,400	171,410
Bonds	0	4,863	2,854	0	0	20,458	50,316
Shares and other non-fixed-interest securities	0	213	52	0	0	21,163	23,343
Investment funds	0	0	17,516	0	0	45,834	46,009
Derivatives	12	0	0	0	413	43,945	51,742
Financial instruments recognised at fair value through profit and loss	23,477	0	4,953	2,854	34,772	329,890	229,374
Bonds	23,157	0	4,841	893	23,345	285,683	202,088
Shares and other non-fixed-interest securities	0	0	112	0	0	16,679	13,455
Investment funds	320	0	0	1,961	11,427	27,528	13,831
Other investments	2,205	81,224	101,714	29,463	126,560	618,929	917,882
Bank deposits	2,205	81,224	101,714	29,463	30,770	512,344	811,451
Deposits on assumed reinsurance business	0	0	0	0	95,790	96,960	98,017
Other	0	0	0	0	0	9,625	8,414
Total	154,317	98,446	741,254	611,842	4,953,754	34,646,256	30,141,969

* includes shares in non-consolidated subsidiaries and other participations

The “second best rating” method specified under Solvency II is used as a rating method. The latest (issue or issuer) rating from each of the three major rating agencies is used to determine the second best rating.

If the latest rating is an issuer rating, and this rating cannot be directly used due to a difference in quality of the security (e.g. senior unsecured debt rating and a lower tier 2 bond), the rating is adjusted downwards appropriately. The adjustment is one notch down for lower tier 2 bonds and two notches down for upper tier 2 or tier 1 bonds.

This results in up to three valid ratings for each bond. These ratings are then ranked according to increasing probability of default, and the rating with the second-lowest probability of default taken as the “second best rating”. If the ratings in first and second place have the same probability of default, both of these ratings are simultaneously the “second best rating”. In cases where a rating has only been assigned by one rating agency, due to a lack of other information, this rating is used as the “second best rating”.

LAND AND BUILDINGS

As of 31 December 2016, VIG’s real estate portfolio had a book value of EUR 5,601.6 million (market value: EUR 6,690.0 million) and a book value of EUR 1,907.7 million as of 31 December 2015 (market value: EUR 2,855.2 million).

The portfolio of directly held real estate and real estate held in the form of participations is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create hidden reserves. The real estate portfolio represents 15.7% (6.4%) of VIG’s total investment portfolio.

The following table shows VIG’s real estate investments as of 31 December 2016 and 31 December 2015, broken down by type of use for the Austria and Central Functions segments and the totals for all other segments.

Use of property	% of the real estate portfolio	
	31.12.2016	31.12.2015
Austria	23.70	66.26
Self-used	2.80	8.52
Investment property	20.90	57.74
Central Functions	70.85	18.17
Self-used	0.35	0.97
Investment property	6.90	17.20
Non-profit societies*	63.60	0.00
Other segments	5.45	15.57
Self-used	4.52	13.28
Investment property	0.93	2.29

* Fully held as investment property

AT EQUITY CONSOLIDATED COMPANIES

VIG’s shares in at equity consolidated companies had a book value of EUR 269.7 million as of 31 December 2016 and EUR 319.6 million as of 31 December 2015. Shares in at equity consolidated companies therefore represented 0.8% (1.1%) of the book value of the total investment portfolio as of 31 December 2016.

LOANS

VIG loans had a book value of EUR 2,777.6 million as of 31 December 2016 and a book value of EUR 2,880.3 million as of 31 December 2015. Investments in loans are less important in the CEE region.

A portfolio analysis and maturity structure of VIG loans are presented in Note 5. Loans and other investments on page 179.

BONDS

Bonds represented 65.0% of VIG's total investments as of 31 December 2016 (71.6%). VIG manages its bond portfolio using estimates of changes in interest rates, spreads and credit quality, taking into account limits related to individual issuers, credit quality, maturities, countries, currencies and issue volume. VIG is currently not planning any investment strategy changes with respect to its bond portfolio. Under the investment guidelines of the significant Group companies, bond investments are made almost entirely in the investment grade range. Investments in non-investment grade bonds are only made in individual cases and in accordance with decisions made by the Managing Board of the local company. The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average creditworthiness, to control foreign currency effects, and to make the majority of investments in mid to long-term maturities in order to reflect the maturity profile of the liabilities as efficiently as possible.

SHARES

As of 31 December 2016, VIG's share investments (including those contained in the funds) represented 4.0% (4.5%) of the book value of the total investment portfolio. In accordance with the investment guidelines for Austria, management is carried out using a top-down approach, subject to the constraint that diversification be used to minimise the market risk of the shares. The overall proportion of shares is very small for Group companies in the CEE countries.

Risk diversification within VIG's share portfolio is mainly achieved by geographic diversification primarily in the home markets of the Group and in the Eurozone. Share investments are predominantly made by the Austrian companies.

ASSET MARKET RISK

VIG divides market risk into interest rate risk, spread risk, share risk, currency risk, real estate risk and participation risk. For VIG, interest rates, spreads and share prices are the most relevant parameters for market risk. VIG uses fair value measurements, VaR calculations, sensitivity analyses and stress tests to monitor asset-side market risks.

The composition of investments is aimed at providing coverage for insured risks that is appropriate for the insurance business and the maturities of VIG liabilities.

INTEREST RATE AND SHARE PRICE RISK

In VIG's investment model, the bonds serve primarily to ensure stable earnings over the long term. Derivatives are only used to reduce investment risk. Relevant investment guidelines expressly govern the use of derivatives for bond portfolios managed by third parties such as investment funds.

Shares serve to increase earnings over the long term, provide diversification and compensate for long-term erosion in value due to inflation. VIG assesses share price risk by considering diversification within the overall portfolio and correlation with other securities exposed to price risk.

Market risk affecting earnings is controlled by calculating value-at-risk at regular intervals based on the "Investment and Risk Strategy" guideline for securities and comparing it to the limit relative to the risk budget. Value-at-risk is determined using a variance/covariance calculation. Vienna Insurance Group statistically estimates the variances and covariances from market data.

Depending on the purpose of the application, VIG performs value-at-risk calculations for different sub-portfolios. Confidence levels range between 95% and 99.5%, and the holding period varies from 20 to 250 days. Due to the nature of the portfolio, interest rate and spread components make the largest contributions to value-at-risk. As a plausibility check of the calculations, the value-at-risk for the most important sub-portfolios is determined using both the parametric method described above and the historical calculation method.

The following table shows the VaR (at a 99% confidence level) for VIG financial instruments that are measured as available for sale or at fair value through profit or loss.

VaR Vienna Insurance Group	31.12.2016	31.12.2015
in EUR million		
10-day holding period	381.70	412.64
20-day holding period	539.80	583.57
60-day holding period	934.96	1,010.77
Total risk capacity	1,522.46	1,567.98
20-day VaR as % of risk capacity	35%	37%

CAPITAL MARKET SCENARIO ANALYSIS

This analysis is carried out annually for all VIG companies in order to check the risk capacity of the investments. The following table shows the stress parameters and the effects on capital of each scenario for 31 December 2016 (not including deferred taxes, deferred profit participation or deferred mathematical reserve).

Reduction in market value	Scenario 0	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
of shares	0%	-20%	-10%	-20%	-20%	0%
of bonds	0%	-5%	-3%	-5%	0%	-5%
of real estate	0%	-5%	-10%	0%	-10%	-10%
Market value of assets less liabilities (in EUR millions)	7,711,38	5,746,50	6,084,83	6,084,71	6,776,25	5,667,01

In scenario 1, the market value of shares, bonds and real estate all decrease sharply at the same time – ceteris paribus. The market value of the assets is still considerably higher than the value of the liabilities after stress testing, which confirms the good rating given to VIG by Standard & Poor's.

Portfolio changes in the life line of business

The following table shows the changes in endowment insurance (not including risk insurance), risk insurance, annuity insurance, unit-linked and index-linked insurance, and government-sponsored pension plans.

	Endowment insurance (not incl. risk insurance)		Risk insurance		Annuity insurance	
	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured
	Quantity	in EUR '000	Quantity	in EUR '000	Quantity	in EUR '000
As of 31.12.2015	2,272,411	24,854,808	1,782,955	56,367,965	570,871	11,430,708
Exchange rate changes	0	-1,039	0	-249,632	0	-4,398
As of 1.1.2016	2,272,411	24,853,769	1,782,955	56,118,333	570,871	11,426,310
Additions	134,561	1,754,310	451,581	8,363,075	34,354	917,456
New business	134,505	1,639,110	451,534	6,963,671	34,354	820,148
Increases	56	115,200	47	1,399,404	0	97,308
Changes	-114,817	-1,318,192	2,121	-1,544,242	-4,175	-84,763
Changes in additions	66,239	1,528,471	33,513	942,464	14,586	494,157
Changes in disposals	-181,056	-2,846,663	-31,392	-2,486,706	-18,761	-578,920
Disposals due to maturity	-102,138	-1,035,612	-97,564	-1,189,396	-15,659	-201,277
Due to expiration	-83,665	-925,147	-93,634	-1,122,995	-14,257	-173,567
Due to death	-18,473	-110,465	-3,930	-66,401	-1,402	-27,710
Premature disposals	-116,987	-1,097,239	-316,226	-4,971,642	-26,469	-441,704
Due to non-redemption	-4,111	-38,349	-35,175	-2,255,655	-894	-29,206
Due to lapse without payment	-14,999	-165,630	-227,497	-2,262,757	-3,044	-73,053
Due to redemption	-88,229	-816,108	-52,931	-402,873	-19,316	-249,555
Due to waiver of premium	-9,648	-77,152	-623	-50,357	-3,215	-89,890
As of 31.12.2016	2,073,030	23,157,036	1,822,867	56,776,128	558,922	11,616,022

	Unit-linked and index-linked insurance		Government sponsored pension plans		Total	
	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured
	Quantity	in EUR '000	Quantity	in EUR '000	Quantity	in EUR '000
As of 31.12.2015	2,056,800	16,389,457	483,370	9,390,082	7,166,407	118,433,020
Exchange rate changes	0	-12,995	0	1,430	0	-266,634
As of 1.1.2016	2,056,800	16,376,462	483,370	9,391,512	7,166,407	118,166,386
Additions	274,183	2,227,949	11,564	724,848	906,243	13,987,638
New business	274,021	2,178,432	11,512	341,069	905,926	11,942,430
Increases	162	49,517	52	383,779	317	2,045,208
Changes	-168,511	-625,916	-374	-53,491	-285,756	-3,626,604
Changes in additions	12,671	238,751	9,363	164,097	136,372	3,367,940
Changes in disposals	-181,182	-864,667	-9,737	-217,588	-422,128	-6,994,544
Disposals due to maturity	-20,110	-142,235	-1,356	-24,607	-236,827	-2,593,127
Due to expiration	-16,598	-109,927	-863	-17,417	-209,017	-2,349,053
Due to death	-3,512	-32,308	-493	-7,190	-27,810	-244,074
Premature disposals	-219,679	-1,486,582	-26,286	-524,796	-705,647	-8,521,963
Due to non-redemption	-44,702	-103,547	-272	-17,932	-85,154	-2,444,689
Due to lapse without payment	-82,149	-531,287	-512	-6,670	-328,201	-3,039,397
Due to redemption	-81,119	-617,006	-23,501	-260,777	-265,096	-2,346,319
Due to waiver of premium	-11,709	-234,742	-2,001	-239,417	-27,196	-691,558
As of 31.12.2016	1,922,683	16,349,678	466,918	9,513,466	6,844,420	117,412,330

MARKET CONSISTENT EMBEDDED VALUE SENSITIVITY ANALYSES FOR THE LIFE AND HEALTH INSURANCE BUSINESSES

Market Consistent Embedded Value is determined in accordance with the Market Consistent Embedded Value Principles published by the CFO Forum in May 2016 and will be published on 19 April 2017 after a separate review is performed.

Market Consistent Embedded Value consists of two components: the adjusted net assets at market value and the value of the life and health insurance portfolio, which equals the present value of distributable net profits after taxes less the risk margin. Market Consistent Embedded Value is thus an actuarial measurement of the value of a company, assuming it continues as a going concern, but explicitly excluding the value of future new business. In addition to the Market Consistent Embedded Value, the increase in value due to new business written during the reporting period is also determined.

The estimated trend of future profits is based on "best estimate" assumptions, i.e. a realistic assessment of economic and operational conditions based on future expectations and historical data, in which future risk is taken into account using stochastic models and an explicit calculation of capital commitment costs. When calculating the market consistent embedded value, numerous assumptions are made regarding operational and economic conditions, as well as other factors, some of which are beyond VIG's control. Although Vienna Insurance Group considers these assumptions sound and reasonable, future developments may differ materially from expectations. Publication of the Market Consistent Embedded Value is therefore no guarantee or warranty that the expected future profits on which this value is based will be realised in this fashion.

The shareholder margin is calculated taking into account surpluses from all available income sources, with the profit participation regulation promulgated on 6 October 2015 taken into account for life insurance in Austria. For the other lines of businesses and countries, the amount of profit participation assumed is based on local practice and the respective regulatory provisions. The projections of future profits are based on realistic assumptions for investment income, inflation, costs, taxes, cancellations, mortality and other key figures.

The interest rate curve used depends on the capital market on the measurement date. In order to be able to make a statement on the impact of alternative yield curves, the market consistent embedded value as of 31 December 2016 and the increase in value resulting from new business in 2016 were calculated using a yield curve alternately increased and decreased by 1%. For interest rate sensitivities, a change of +/- 100 basis points is applied to capital market interest rate data. Interest rates that extend beyond the last liquid market data are extrapolated using a long-term interest rate level of 4.2% (ultimate forward rate). The long-term level is also held constant for the sensitivities. The sensitivities therefore do not represent a simple parallel shift.

Sensitivities are shown in the following table:

Sensitivities of the market consistent embedded value of life and health insurance in Austria	2016	2015
Change in % of the base value		
Market Consistent Embedded Value, Austria		
Decrease in level of equity and property values -10%	-5.92	-4.25
Interest rate curve shift +1%	16.04	10.46
Interest rate curve shift -1%	-32.78	-20.70
Administrative costs -10%	3.70	2.42
Decrease in lapse rate 10%	-0.15	1.10
Reduction in mortality and morbidity rates, endowment insurance +5%	0.46	0.60
Reduction in mortality rates for annuities +5%	-0.71	-0.79
Value of new business, Austria		
Interest rate curve shift +1%	22.24	30.49
Interest rate curve shift -1%	-50.23	-33.52
Administrative costs -10%	3.58	8.52
Decrease in lapse rate 10%	7.40	30.39
Reductionin mortality and morbidity rates, endowment insurance +5%	1.09	2.41
Reduction in mortality rates for annuities +5%	-1.69	-4.31

For information on the effect of the above sensitivities on the income statement please see the embedded value publication of 19 April 2017.

Provisions in the property and casualty line of business

GENERAL INFORMATION

If claims are asserted by or against policyholders, all amounts that a company in VIG's property and casualty line of business pays or expects to have to pay to the claimant are referred to as losses, and the costs of investigating, adjusting and processing these claims are referred to as "claims settlement expenses". Vienna Insurance Group has formed provisions by lines of business, extent of cover and year for each Group company to pay for losses and claims settlement expenses due to claims under its property and casualty insurance policies.

Losses and claims settlement expenses can be divided into two categories: reserves for known but still outstanding claims, and reserves for claims that have been incurred but have not yet been reported, or the correct amount has not been reported ("IBNR", "IBNER"). Provisions for outstanding claims are based on estimates of future payments, including claims settlement expenses, for these claims. These estimates are made on a case-by-case basis in accordance with facts and circumstances ascertainable at the time the provision is formed.

The estimates reflect the well-founded judgement of Group adjusters based on general practices for forming insurance provisions and a knowledge of the nature and value of each type of claim. These provisions are adjusted regularly during normal processing and represent the expected eventual costs necessary to finally settle all pending reported claims, taking into account inflation and other social and economic factors that could affect the amount of provisions that are required.

Historical developments in distribution patterns and claims payments, the level of reported and still outstanding claims and the nature of the extent of cover are also taken into account. In addition, court decisions and economic conditions can also affect the estimate of provisions and the eventual size of claims.

IBNR and IBNER provisions are formed to offset the expected costs of losses that have been incurred but not yet reported to the individual Group companies. These provisions, just like the provisions for reported claims, are formed to pay the expected costs, including claims settlement expenses, necessary to finally settle these claims. Because, by definition, the extent of these losses is still unknown when the provisions are formed, the Group calculates its IBNR and IBNER liabilities based on historical claims experience, adjusted for current developments in claims-related factors. These provisions are based on estimates made using actuarial and statistical forecasts of the expected costs to finally settle these claims. The analyses are based on the facts and circumstances known at the time and on expectations regarding changes in legal and/or economic factors that determine the level of loss, such as case law, the inflation rate and labour costs. These provisions are regularly reviewed and revised once additional information is known and claims are actually reported. The time needed to learn of these claims and settle them is an important factor that must be taken into account when forming provisions.

Claims which are easy to settle, such as property damage under motor insurance, are reported within a few days or weeks and are normally settled within a year.

More complicated claims, such as personal injury under motor or general liability insurance, typically require longer settlement times (on average four to six years, in some cases considerably longer). Difficult claims, where settlement regularly depends on the results of often protracted litigation, also lead to substantially longer settlement times, especially in the liability, casualty, building and professional liability lines of business.

The final costs of the claims and claims settlement expenses depend on a number of variable circumstances. Between the time a claim is reported and final settlement, changing circumstances may require that the provisions that were formed be revised upwards or downwards. For example, changes in the law, the outcome of litigation and changes in medical costs, costs for materials for auto and house repair and hourly wage rates can have a substantial effect on the costs of claims. These factors may result in actual developments differing from expectations — sometimes substantially. Loss reserve estimates are regularly reviewed and updated, using the most recent information available to management. Any changes to provision estimates are reflected in the operating result. VIG's conservative policy toward provisions is shown, for example, by the fact that liquidation of loss reserves has generally led to a profit. Based on the Group's internal procedures and the information currently available to it, management believes that the Group's provisions in the property and casualty insurance area are adequate. However, forming loss reserves is by nature an uncertain process, and therefore no guarantee can be given that in the end losses will not differ from the Group's initial estimates.

CHANGE IN GROSS LOSS RESERVE

The following table shows the changes in VIG's direct loss reserve as of the end of each year indicated. The provisions reflect the amount of expected losses, based on claims that occurred in the current and all previous loss years and had not yet been paid as of the balance sheet date, including IBNR and IBNER.

Interpreting the information contained in this table requires caution, because each amount contains the effects of all changes from the previous periods. The circumstances and trends that affected liability in the past could possibly recur in the future and therefore no conclusions can be drawn from the information given in this table as to future results.

Claim payments for each year of occurrence on the applicable balance sheet date (gross)

	Calendar year									
Year of occurrence	≤2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
in EUR '000										
2007 and before	2,008,083	902,691	258,096	157,742	97,383	75,847	67,827	48,407	56,832	40,273
2008		1,642,675	692,806	146,180	72,889	36,326	27,159	21,992	12,921	17,016
2009			1,687,960	713,178	180,476	69,027	38,112	25,020	16,847	15,673
2010				1,714,403	705,902	161,705	73,596	44,006	26,997	25,863
2011					1,616,214	651,472	101,100	107,425	52,275	43,849
2012						1,711,639	775,993	194,023	93,221	84,701
2013							1,811,908	705,274	179,122	130,960
2014								1,545,509	773,664	192,081
2015									1,565,072	734,971
2016										1,619,590
Total	2,008,083	2,545,366	2,638,862	2,731,503	2,672,864	2,706,016	2,895,695	2,691,656	2,776,951	2,904,977

Loss reserve for each year of occurrence on the applicable balance sheet date (gross)

	Calendar year									
Year of occurrence	≤2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
in EUR '000										
2007 and before	2,914,491	1,756,107	1,248,195	939,222	809,881	630,894	535,016	488,584	415,047	384,862
2008		1,488,267	624,863	407,621	231,495	169,633	132,469	113,339	96,998	83,907
2009			1,414,103	653,175	387,931	234,502	162,405	134,355	111,606	100,578
2010				1,519,003	649,507	392,546	229,759	170,849	136,974	105,317
2011					1,596,365	765,298	410,771	269,853	194,351	157,623
2012						1,592,559	764,380	437,836	285,304	211,434
2013							1,686,441	788,263	479,577	279,969
2014								1,739,007	809,712	467,509
2015									1,680,149	786,209
2016										1,747,035
Total	2,914,491	3,244,374	3,287,161	3,519,021	3,675,179	3,785,432	3,921,241	4,142,086	4,209,718	4,324,443

The values shown for the previous year could differ from those published in the 2015 annual report due to currency translation and changes in the scope of consolidation.

Reinsurance

VIG limits its liability arising from the insurance business by passing on, to the extent necessary, a portion of the assumed risks to the international reinsurance market. Some of the risks of Group companies are reinsured within VIG and these risks are in turn ceded to reinsurers at the Group level.

REINSURANCE GUIDELINES

VIG's reinsurance guidelines are jointly determined each year by the corporate reinsurance department and the member of the Managing Board responsible for reinsurance during the development of the reinsurance strategy for the next financial year. The reinsurance guidelines require each Group company to provide, in conjunction with the corporate reinsurance department, reinsurance coverage that is appropriate for its local company. The reinsurance guidelines govern the following issues:

Reinsurance is a prerequisite for the provision of insurance coverage

Underwriting departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage has already been assured.

Retention

It is Group-wide policy that no more than EUR 50 million for the first two natural disaster events and EUR 20 million for each additional event can be placed at risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 10 million.

Selection of reinsurers – diversification

VIG and its Group companies divide their reinsurance coverage among many different international reinsurance companies of appropriate credit quality, so as to minimise the risk arising from one reinsurer's inability to pay. No significant reinsurer default has occurred in the history of VIG.

Selection of reinsurers – ratings

For operating segments where claims settlement takes a long time, in particular for motor third party liability, general liability and aviation, VIG uses reinsurers with outstanding ratings (at least a Standard & Poor's rating of A, preferably a rating of AA or higher), which in all likelihood will also continue to exist over the long term. Even for operating segments with claims that are settled quickly (e.g. natural disasters, fire, technology, transportation, storm, burglary, household, water pipes, auto own damage) the preferred rating is Standard & Poor's A or higher. Only in a few cases – and for limited periods of time – are reinsurers with lower ratings accepted.

Design of reinsurance programmes

If it can be justified economically, any Group company can purchase reinsurance coverage individually from external reinsurers. If individual reinsurance policies can only be purchased by a Group company at uneconomical terms, VIG strives, as far as possible, to jointly place reinsurance contracts covering risks from natural disasters, property lines of business, casualty, transport, aviation and motor liability. If necessary, intra-Group assumptions of reinsurance are also passed on as retrocession in the reinsurance market for safety reasons. The guidelines for Wiener Städtische reinsurance coverage are presented below. Retentions for all other companies in the Group are below those of Wiener Städtische.

REINSURANCE COVERAGE USING THE EXAMPLE OF WIENER STÄDTISCHE

Natural disasters

Wiener Städtische provides insurance for damage caused by natural disasters such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retention for natural disasters to EUR 16 million for the first loss event and EUR 4.5 million for each additional event.

Private customer business

The private customer business consists of essentially stable insurance portfolios having calculable results that are characterised above all by a stable claims frequency. Thus, such recurrent claims are only reinsured in exposed lines of business, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on the retention. The effects on the retention of the small number of expected major losses are covered by non-proportional reinsurance. Even in this operating segment, Wiener Städtische's maximum net loss is between EUR 1 million and EUR 2 million, depending on the line of business.

Management and control

LIQUIDITY MANAGEMENT

VIG manages its liquidity using guidelines approved by the Managing Board of VIG Holding. As a rule, VIG Holding and each subsidiary are responsible for their own liquidity planning. As the Group parent company, VIG Holding is responsible for allocating capital for the Group as a whole. This allows capital to be efficiently distributed within the Group. It also allows VIG Holding to ensure that the target levels of liquidity and capital resources are available both at the Group level and in the individual operating units.

Most of the liquidity for day-to-day operations comes from premiums received from primary insurance, regular income from investments and proceeds from the sale of investments. These inflows are offset by payments for property and casualty insurance claims, and benefit payments for life and health insurance. The remaining net liquidity is used to cover acquisition and operating costs.

The maturity pattern of the insurance business provides a natural liquidity buffer. Unlike the premiums received, Vienna Insurance Group guarantees insurance coverage for a certain period of time, and no cash outflow occurs during this period until an insured event occurs. The liquidity buffer is invested during this period and generates investment income. A portion is held in the form of liquid investments to ensure that it can be quickly converted into cash to pay claims. In addition, the bond portfolio, in particular, is structured so that the proceeds from maturing bonds are received on the dates it is anticipated they will be needed. External influence factors, such as capital market developments and the interest rate level, affect the liquidity situation by improving or restricting the ability to sell the investment portfolio at market value.

The time, frequency and size of insured claims are also important for the liquidity situation of property and casualty insurance.

The number of policy extensions also plays a role. The liquidity needs for life insurance are generally affected by the difference between actual mortality experience and the assumptions used to calculate underwriting provisions. Market returns or minimum interest rates and the behaviour of life insurance customers, such as the number of policies surrendered or terminated, also have an effect on VIG liquidity needs.

CAPITAL MANAGEMENT

In the interests of our shareholders and insurance customers, our goal is to ensure that VIG has adequate capital resources at all times and that all operating insurance companies fulfil their respective minimum regulatory capital requirements. Due to its successful business strategy, VIG has traditionally had very good capital resources. Maintaining this good capital base in the future is also important to us, both to allow us to take advantage of profitable growth opportunities and to cushion the effects of large loss events.

Standard & Poor's rating

VIG also places great importance on permanently maintaining a strong credit rating with Standard & Poor's (S&P). VIG is regularly rated by S&P. S&P has its own capital model for assessing the relationship between the risk capital required by a company and the capital resources available to it. In July 2016, S&P confirmed VIG's A+ rating with a "stable" outlook.

The subordinated bonds issued in 2013 (EUR 500 million, tier 2, first call date 9 October 2023) and 2015 (EUR 400 million, tier 2, first call date 2 March 2026) and hybrid bond issued in 2008 (outstanding volume EUR 198 million, restricted tier 1, first call date 12 September 2018) have been rated A- by S&P.

According to the S&P rating report of 14 July 2016, VIG's capital resources exceed the requirements for the AAA-level. This means that VIG has a very good credit rating when compared to similar insurance companies and outstanding capital resources.

When performing regular capital planning, VIG takes account of the effects on its rating, with the goal of strengthening it over the long term.

Active capital management

VIG uses the criteria above to monitor its capital positions and takes appropriate measures to further improve its capital structure and strengthen its capital and solvency situation over the long term. VIG's objective in all Group insurance companies continues to be minimum coverage of 125% under Solvency II.

Capital management focuses on subordinated long-term liabilities with equity-like characteristics. VIG Treasury continuously monitors capital market developments, with particular attention to developments concerning bonds with equity-like characteristics from the European insurance sector. New capital instruments developing in the capital market for insurance companies are examined for applicability to VIG.

Capital resources

As of 31 December 2016, share capital of EUR 132,887,468.20 was registered in the commercial register, divided into 128,000,000 no-par value bearer ordinary shares with voting rights. VIG Holding held no own shares on 31 December 2016 (2015: none). In addition, VIG Holding can, according to the authorisation by the shareholders, increase its shareholders' equity by issuing common or preferred shares. The individual authorisations are listed in Note 14. Consolidated shareholders' equity on page 196.

Using the consolidated look-through approach for the listed Group leads to a solvency requirement under Solvency II of EUR 3,456.55 million as of the 3rd quarter of 2016, compared to Group's existing capital of EUR 6,297.33 million (unaudited figures). The calculations for 31 December 2016 had not yet been finished when the consolidated financial statements were finalised.

Capital component	30.09.2016*
in EUR million	
Tier 1	**5,244.66**
Tier 1 – unrestricted	4,791.85
Tier 1 – restricted	452.81
Tier 2	1,052.67
Tier 3	0.00
Solvency II capital	**6,297.33**

* Values not audited

in EUR million	30.09.2016*
Capital	6,297.33
Capital requirement	3,456.55
Solvency ratio	**approx. 182%**

* Values not audited

Regulatory Group solvency reporting is performed at the level of VIG's principal shareholder, Wiener Städtische Versicherungsverein.

VIG announced on 5 December 2016 that it would call the two supplementary capital bonds issued on 12 January 2005 with a remaining outstanding volume of around EUR 256 million for early repayment on the first call date of 12 January 2017. The two bonds are supplementary capital bond 2005 (restricted tier 1) with a total nominal value of EUR 120 million, ISIN AT0000342704, and supplementary capital bond 2005-2022 (tier 2) with a total nominal value of around EUR 136 million, ISIN AT0000342696.

Since a deduction from Solvency II capital already occurs on the date of announcement, these two bonds were removed as capital components in the 4th quarter of 2016. No other circumstances existed before approval of the consolidated financial statements that would have indicated a significant change in the solvency ratio on the balance sheet date.

Long-term debt financing

As of 31 December 2016, VIG Holding had outstanding senior and subordinate bonds and outstanding hybrid capital with a variety of maturities. Detailed information on the VIG Holding bond programme is available in Note 15. Subordinated liabilities on page 200. As shown by the maturities, VIG's focus is on subordinated liabilities that are eligible capital. General capital market conditions and other circumstances that affect the financial services sector as a whole or the Group in particular could have an adverse effect on the cost and availability of debt financing. The goal, therefore, is to actively manage the Group's capital structure to keep refinancing risks as low as possible. VIG announced on 5 December 2016 that it would call the two supplementary capital bonds issued on 12 January 2005 for early repayment on the first call date of 12 January 2017.

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS

Composition	31.12.2016	31.12.2015 adjusted
in EUR '000		
Goodwill	1,532,190	1,489,039
Purchased insurance portfolios	43,339	40,773
Other intangible assets	478,971	459,545
Purchased software	395,761	419,699
Other	83,210	39,846
Total	**2,054,500**	1,989,357

Development of goodwill	31.12.2016	31.12.2015 adjusted
in EUR '000		
Acquisition costs	1,838,652	1,836,272
Cumulative impairment as of 31.12. of previous years	-349,613	-192,551
Book value as of 31.12. of the previous year	**1,489,039**	1,643,721
Exchange rate changes	-7,332	-617
Book value as of 1.1.	**1,481,707**	1,643,104
Additions	55,082	2,758
Impairments	-4,599	-156,823
Book value as of 31.12.	**1,532,190**	1,489,039
Cumulative impairment as of 31.12.	352,592	349,613
Acquisition costs	**1,884,782**	1,838,652

Additions result from acquisition of the subsidiaries indicated in the section Scope and methods of consolidation starting on page 128.

The impairment in the current financial year concerns the Bosnia- Herzegovina CGU group. The impairment in the previous year was due to the Romania property and casualty, Hungary, Croatia, Albania incl. Kosovo, Bosnia-Herzegovina and Moldova CGU groups.

Information on the adjusted previous year values is provided in the "Retrospective adjustment" section starting on page 125.

Book values of goodwill of cash-generating units	31.12.2016	31.12.2015 adjusted
in EUR '000		
Austria	301,716	301,716
Czech Republic	417,695	417,664
Slovakia	111,257	111,257
Poland	135,389	140,038
Romania	165,135	165,819
Baltic states	75,301	20,782
Hungary	16,581	15,920
Bulgaria	184,154	183,590
Georgia	15,838	17,022
Turkey	7,889	9,207
Albania incl. Kosovo	14,439	14,105
Bosnia-Herzegovina	0	4,599
Croatia	44,890	44,183
Macedonia	12,581	12,558
Moldova	5,721	5,565
Serbia	230	542
Ukraine	13,089	14,187
Central Functions	10,285	10,285
Total	**1,532,190**	**1,489,039**

Please see the “Impairment of non-financial assets” section on page 107 for information on the assumptions used for impairment testing.

Development of purchased insurance portfolio	31.12.2016	31.12.2015
in EUR '000		
Acquisition costs	379,452	376,034
Cumulative depreciation as of 31.12. of the previous year	-338,679	-305,556
Book value as of 31.12. of the previous year	**40,773**	**70,478**
Exchange rate changes	0	131
Book value as of 1.1.	**40,773**	**70,609**
Additions	12,000	1,900
Scheduled depreciation	-7,342	-12,997
Impairments	-2,092	-18,739
Book value as of 31.12.	**43,339**	**40,773**
Cumulative depreciation as of 31.12.	348,116	338,679
Acquisition costs	**391,455**	**379,452**

The purchased insurance portfolio results from acquisition of the existing portfolios and of the securities acquired as part of the acquisition of the insurance companies described in the Scope and methods of consolidation section.

The impairment in 2016 included EUR 1,425,000 for the insurance portfolio in the Baltic states and EUR 667,000 in Macedonia. The impairment in 2015 was mainly due to Poland (Life), and is a consequence of a change in the law for insurance companies and banks that has made them subject to a new tax since 1 January 2016.

The additions to the insurance portfolio are due to the newly acquired company BTA Baltic.

Development of purchased software	31.12.2016	31.12.2015
in EUR '000		
Acquisition costs	961,460	911,179
Cumulative depreciation as of 31.12. of the previous year	-541,761	-294,376
Book value as of 31.12. of the previous year	**419,699**	616,803
Exchange rate changes	-167	169
Book value as of 1.1.	**419,532**	616,972
Reclassifications	24	539
Additions	38,063	50,808
Disposals	-1,262	-361
Changes in scope of consolidation	2,117	60
Scheduled depreciation	-62,602	-53,319
Impairments	-111	-195,000
Book value as of 31.12.	**395,761**	419,699
Cumulative depreciation as of 31.12.	605,556	541,761
Acquisition costs	**1,001,317**	961,460

Corporate assets were included in the impairment testing for 31 December 2016. Additional detailed information is available starting on page 106.

The testing of the IT systems performed in the previous financial year identified EUR 195,000,000 in write-downs needed for the 2015 consolidated financial statements.

The change in the scope of consolidation was the result of first-time consolidation of BTA Baltic, Nova and the non-profit societies.

Development of other intangible assets	31.12.2016	31.12.2015
in EUR '000		
Acquisition costs	215,569	211,597
Cumulative depreciation as of 31.12. of the previous year	-175,723	-172,753
Book value as of 31.12. of the previous year	**39,846**	38,844
Exchange rate changes	366	-311
Book value as of 1.1.	**40,212**	38,533
Reclassifications	0	-538
Additions	53,327	4,096
Disposals	-809	-141
Changes in scope of consolidation	791	0
Scheduled depreciation	-2,081	-1,904
Impairments	-8,230	-200
Book value as of 31.12.	**83,210**	39,846
Cumulative depreciation as of 31.12.	186,711	175,723
Acquisition costs	**269,921**	215,569

Please see the section Accounting policies for specific items in the consolidated financial statements on page 106 for information on the assumptions used for impairment testing.

The additions from first-time consolidation of BTA Baltic included EUR 13.0 million for a customer base and EUR 37.0 million for a trademark with an unlimited life.

The impairments included EUR 563,000 for the customer base in the Baltic states, EUR 167,000 for the customer base in Macedonia and EUR 7.5 million for the Asirom trademark. The impairment in the previous year was EUR 200,000 for the Donaris customer base.

Other intangible assets included EUR 25,843,000 for the Asirom trademark (EUR 32,958,000), which is allocated to the Romania CGU group, and EUR 37,000,000 for the BTA Baltic trademark, which is allocated to the Baltic states CGU Group.

2. LAND AND BUILDINGS

Development	Self-used	
	31.12.2016	31.12.2015
in EUR '000		
Acquisition costs	627,856	604,427
Cumulative depreciation as of 31.12. of the previous year	-193,550	-177,043
Book value as of 31.12. of the previous year	**434,306**	427,384
Exchange rate changes	-1,243	2,753
Book value as of 1.1.	**433,063**	430,137
Reclassifications	-3,096	-6,271
Additions	17,570	14,800
Disposals	-1,427	-1,097
Changes in scope of consolidation	516	17,452
Appreciation	1,121	1,934
Scheduled depreciation	-14,324	-16,120
Impairments	-3,939	-6,529
Book value as of 31.12.	**429,484**	434,306
Cumulative depreciation as of 31.12.	205,481	193,550
Acquisition costs	**634,965**	627,856
thereof land	43,898	44,767

The changes in the scope of consolidation are the result of first-time inclusion of BTA Baltic (EUR +516,000).

The impairment is primarily due to fair value lying below book value of land and buildings, as shown by appraisal reports.

Development	Investment property	
	31.12.2016	31.12.2015
in EUR '000		
Acquisition costs	2,081,067	1,982,302
Cumulative depreciation as of 31.12. of the previous year	-607,636	-558,467
Book value as of 31.12. of the previous year	**1,473,431**	1,423,835
Exchange rate changes	-924	291
Book value as of 1.1.	**1,472,507**	1,424,126
Reclassifications	3,165	6,014
Additions	289,999	104,713
Disposals	-31,138	-24,787
Changes in scope of consolidation	3,527,007	23,419
Appreciation	0	1,810
Scheduled depreciation	-76,446	-43,486
Impairments	-12,955	-18,378
Book value as of 31.12.	**5,172,139**	1,473,431
Cumulative depreciation as of 31.12.	2,156,857	607,636
Acquisition costs	**7,328,996**	2,081,067
thereof land	1,068,894	359,733
rental income from investment property	255,912	121,902
operating expenses for rented investment property	68,874	35,630
operating expenses for vacant investment property	4,763	3,920

The changes in the scope of consolidation are due to regaining control over the non-profit societies (EUR +3,496,924,000) and WNH Liegenschaftsbesitz GmbH (EUR +14,635,000), and first-time inclusion of IM31 Floridsdorf am Spitz (EUR +15,448,000).

The impairment is primarily due to fair value lying below book value of land and buildings, as shown by appraisal reports.

3. SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Development	31.12.2016	31.12.2015 adjusted
in EUR '000		
Book value as of 31.12. of the previous year	**319,636**	305,156
Exchange rate changes	0	48
Book value as of 1.1.	**319,636**	305,204
Additions	367	33
Disposals	-2,046	-1,959
Changes in scope of consolidation	-906	-9,559
Disposals due to acquisition of control	-78,914	0
Share of changes in OCI	-195	189
Pro rata result for the period of at equity consolidated companies	45,516	40,485
Dividend payment	-13,759	-14,757
Book value as of 31.12.	**269,699**	319,636
thereof Austria line of business	230,235	209,636
thereof Czech Republic line of business	28,022	27,471
thereof Central Functions line of business	11,442	82,529

All associated companies are measured at equity. The disposal due to acquisition of control in 2016 was due to regaining control over the non-profit societies. Detailed information is provided in the Non-profit societies section on page 133.

Shares in significant associated companies	2016				
	Beteiligungs- und Wohnungs-anlagen GmbH	Gewista-Werbe-gesellschaft m.b.H.	Österreichisches Verkehrsbüro Aktien-gesellschaft	S IMMO AG	VBV - Betriebliche Altersvorsorge AG
in EUR '000					
Group interest in %	25.00%	33.00%	36.58%	10.25%	23.56%
Income	159	82,528	880,489	199,511	55,912
Expenses	-187	-67,277	-872,785	-111,638	-33,821
Financial result	15,422	9,801	3,774	108,161	6,255
Tax expenses/income	2,271	-2,748	-1,656	-27,170	-6,745
Result of the period	17,665	22,304	9,822	168,864	21,601
Parent company minority interests	0	0	-178	1,359	0
Result for the period less non-controlling interests	17,665	22,304	9,644	170,223	21,601
thereof non-controlling interests	18	8,935	26	8,561	307
thereof shares of associated companies held by shareholders	17,647	13,369	9,796	160,303	21,294
Share of result	4,416	7,360	3,528	17,442	5,089
Fixed assets	340,336	79,798	106,628	2,001,070	228,754
Current assets (incl. other assets)	15,236	42,430	140,045	213,076	9,428,726
Borrowings	-262,706	-40,688	-165,646	-1,493,428	-9,470,982
Net assets	92,866	81,540	81,027	720,718	186,498
thereof non-controlling interests	93	32,665	217	36,540	2,655
thereof shares of associated companies held by shareholders	92,773	48,875	80,810	684,178	183,843
Share of net assets	23,217	26,908	29,640	73,924	43,939
Goodwill	0	0	24,460	0	0
Book value of shares in associated companies	23,217	26,908	54,100	73,924	43,939

The book value of S IMMO AG does not have to be written down, since the EPRA NAV per share is higher than the book value. S IMMO AG, Beteiligungs- und Immobilien GmbH and Beteiligungs- und Wohnungsanlagen GmbH were included in the consolidated financial statements with a different balance sheet date (30 September).

Although the Group only holds slightly more than 10% of the shares of S IMMO AG, the Group has a significant influence over the company because the Group appoints the chairman of the supervisory board and one other supervisory board member. The Group also one of the largest shareholders of S IMMO AG.

Book value of shares in associated companies	2016				
	Beteiligungs- und Wohnungs-anlagen GmbH	Gewista-Werbe-gesellschaft m.b.H.	Österreichisches Verkehrsbüro Aktien-gesellschaft	S IMMO AG	VBV - Betriebliche Altersvorsorge AG
in EUR '000					
Book value as of 31.12. of the previous year	19,896	22,960	53,096	58,460	40,333
Book value as of 1.1.	19,896	22,960	53,096	58,460	40,333
Disposals	0	0	0	-2,046	0
Share of changes in OCI	0	0	-110	65	-164
Pro rata result for the period of at equity consolidated companies	4,416	7,360	3,528	17,445	5,089
Dividend payment	-1,095	-3,412	-2,414	0	-1,319
Book value as of 31.12.	23,217	26,908	54,100	73,924	43,939

Shares in immaterial associated companies	31.12.2016	31.12.2015 adjusted
in EUR '000		
Book value as of 31.12. of the previous year	124,891	121,909
Exchange rate changes	0	48
Book value as of 1.1.	124,891	121,957
Additions	367	0
Changes in scope of consolidation	-906	-9,559
Disposals due to acquisition of control	-78,914	0
Share of changes in OCI	14	1
Pro rata result for the period of at equity consolidated companies	7,678	19,695
Dividend payment	-5,519	-7,203
Book value as of 31.12.	47,611	124,891

Materiality of associated companies is generally determined based on the amount of the at equity book value.

4. PARTICIPATIONS – DETAILS

Participations were held in the following companies as of 31 December 2016:

Affiliated companies and participations of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Country of domicile	Equity interest 2016[1]	Equity interest 2015[1]	Equity 2016[2]	Equity 2015[2]
		in %	in %	in EUR '000	in EUR '000
Fully consolidated companies					
"Baltikums Vienna Insurance Group" AAS, Riga	Latvia	100.00	100.00	6,036	5,848
"BULSTRAD LIFE VIENNA INSURANCE GROUP" JOINT STOCK COMPANY, Sofia	Bulgaria	100.00	100.00	9,271	7,844
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00	100.00	38,826	38,822
"POLISA-ŻYCIE" Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.43	99.43	13,523	12,926
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	100.00	100.00	130,026	123,508
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00	100.00	7,059	7,026
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.84	94.84	155,033	142,850
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00	100.00	25,774	25,630
Anif-Residenz GmbH & Co KG, Anif	Austria	100.00	100.00	14,752	14,548
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	571	-411
Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest	Romania	99.65	99.57	98,526	59,565
ATBIH N.V., Amsterdam	Netherlands	100.00	100.00	181,677	236,532
BČR Asigurări de Viață Vienna Insurance Group S.A., Bucharest	Romania	93.98	93.98	34,130	30,005
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00	100.00	3,792	4,252
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	100.00	773,871	802,855
BTA Baltic Insurance Company AAS, Riga	Latvia	90.00		34,053	
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00	100.00	-480	-324
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	100.00	1,275	-9,017
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	100.00	30,618	22,138
CAL ICAL "Globus", Kiev	Ukraine	100.00	99.60	1,823	3,022
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100.00	100.00	455	301
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00	80.00	-544	-568
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00	100.00	20,788	-65,554
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00	100.00	92,724	91,614
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chisinau	Moldova	99.99	99.99	3,285	2,914
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00	100.00	58,055	59,968
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00	100.00	34,625	22,899
Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	42,794	50,461
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.94	99.94	72,218	90,886
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Vilnius	Lithuania	100.00	100.00	24,298	22,696
DBLV Immobesitz GmbH, Vienna	Austria	100.00	100.00	39	21
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00	100.00	1,686	1,688
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	100.00	10,225	15,765
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	100.00	22	22
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00	100.00	3,041	3,075
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00	100.00	90,560	90,828

Company	Country of domicile	Equity interest 2016[1]	Equity interest 2015[1]	Equity 2016[2]	Equity 2015[2]
		in %	in %	in EUR '000	in EUR '000
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24	99.24	84,538	81,873
DVIB GmbH, Vienna	Austria	100.00	100.00	89,371	90,515
ELVP Beteiligungen GmbH, Vienna	Austria	100.00	100.00	25,060	25,121
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77	99.77	260,531	245,662
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00	95.00	14,339	11,768
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00	95.00	7,853	5,799
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00	55.00	260,155	246,295
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	99.92	99.92	114,477	110,018
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	10,622	28,261
IM31 Floridsdorf am Spitz GmbH, Salzburg	Austria	100.00		18,351	
Insurance Company Nova Ins EAD, Sofia	Bulgaria	100.00		4,193	
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	99.38	99.38	32,857	30,954
International Insurance Company "IRAO" LTD, Tbilisi	Georgia	100.00	100.00	4,236	2,921
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	100.00	23,518	23,518
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.98	99.98	76,055	95,165
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	100.00	48,400	44,300
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albanien	89.98	89.98	3,396	3,034
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje	Macedonia	94.26	94.25	23,698	24,482
Joint Stock Company Insurance Company GPI Holding, Tbilis	Georgia	90.00	90.00	10,955	11,395
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00	100.00	5,542	5,231
Kaiserstraße 113 GmbH, Vienna	Austria	100.00	100.00	2,330	2,323
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	100.00	2,068	2,005
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00	100.00	3,045	2,971
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	100.00	55,176	53,199
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	100.00	308,380	301,004
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39	98.39	461,828	496,852
Limited Liability Company "UIG Consulting", Kiev	Ukraine	100.00		5,306	
LVP Holding GmbH, Vienna	Austria	100.00	100.00	522,208	556,367
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	118,605	102,004
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00	100.00	26,421	26,391
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.82	99.82	160,134	146,521
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	61.00	61.00	98,371	94,556
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.50	99.49	153,096	147,137
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55	56.55	23,681	27,269
Passat Real Sp. z o.o., Warsaw	Poland	100.00	100.00	-439	836
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58	92.58	20,749	19,628
PFG Holding GmbH, Vienna	Austria	89.23	89.23	123,567	121,480
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88	92.88	20,880	32,965
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00	95.00	49,683	44,305
Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice	Czech Republic	95.00	95.00	142,411	134,009
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100.00	100.00	9,329	7,553
PRIVATE JOINT-STOCK COMPANY "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80	97.80	1,693	1,803
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99	99.99	4,634	5,439

Company	Country of domicile	Equity interest 2016[1]	Equity interest 2015[1]	Equity 2016[2]	Equity 2015[2]
		in %	in %	in EUR '000	in EUR '000
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	60.00	17,221	16,760
Projektbau GesmbH, Vienna	Austria	100.00	100.00	17,103	18,522
Projektbau Holding GmbH, Vienna	Austria	90.00	90.00	18,509	18,493
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100.00	100.00	1,215	1,079
Ray Sigorta A.Ş., Istanbul	Turkey	94.96	94.96	34,077	29,597
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00	100.00	7,757	8,525
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00	100.00	48	41
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	100.00	7,552	7,687
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	100.00	-5,382	-5,543
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	66.70	8,738	8,701
Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana	Albanien	89.05	89.05	11,670	11,450
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	54.17	54.17	309,871	302,570
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00	95.00	488,800	494,885
SVZ GmbH, Vienna	Austria	100.00	100.00	71,646	39,601
SVZI GmbH, Vienna	Austria	100.00	100.00	73,086	40,250
T 125 GmbH, Vienna	Austria	100.00	100.00	9,088	9,018
TBI BULGARIA EAD, Sofia	Bulgaria	100.00	100.00	40,778	41,037
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00	100.00	32,767	30,995
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00	100.00	12,165	12,348
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	51.46	51.46	112,803	107,023
V.I.G. ND, uzavrený investicni fond a.s., Prague	Czech Republic	100.00	100.00	87,977	98,324
Vienibas Gatve Investments OÜ, Talinn	Estonia	100.00	100.00	-85	-19
Vienibas Gatve Properties SIA, Riga	Latvia	100.00	100.00	1,555	1,484
Vienna Life Vienna Insurance Group Biztosiító Zártkörüen Müködö Részvénytársaság, Budapest	Hungary	100.00	100.00	14,555	13,966
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	100.00	13,255	13,063
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	3,807	34,152
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00	100.00	112,096	103,678
VIG FUND, a.s., Prague (Consolidated Financial Statements)[3]	Czech Republic	100.00	100.00	141,531	128,370
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97	99.97	3,854	3,835
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00	100.00	138,798	134,785
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00	100.00	8,889	8,986
VIG Real Estate GmbH, Vienna	Austria	100.00	100.00	92,209	103,822
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00	100.00	75	
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	100.00	4,411	4,800
WGPV Holding GmbH, Vienna	Austria	100.00	100.00	103,793	103,797
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosnia-Herzegovina	100.00	100.00	6,646	6,718
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	99.47	99.47	74,861	71,044
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	100.00	807,217	835,946
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	100.00	799,034	827,896
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00	100.00	31,697	27,853
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	99.90	99.90	986,607	934,376
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100.00	100.00	1,101	1,563
WILA GmbH, Vienna	Austria	100.00	100.00	4,063	2,155
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00	100.00	4,168	4,066

Company	Country of domicile	Equity interest 2016[1]	Equity interest 2015[1]	Equity 2016[2]	Equity 2015[2]
		in %	in %	in EUR '000	in EUR '000
WOFIN Wohnungsfinanzierungs GmbH, Vienna	Austria	100.00		1,104	
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00	100.00	4,314	2,399
WSV Immoholding GmbH, Vienna	Austria	100.00	100.00	272,586	247,795
WWG Beteiligungen GmbH, Vienna	Austria	87.07	87.07	81,096	82,800

Company	Country of domicile	Equity interest 2016[1]	Equity interest 2015[1]	Equity 2016[2]	Equity 2015[2]
		in %	in %	in EUR '000	in EUR '000
At equity consolidated companies					
AIS Servis, s.r.o., Brno	Czech Republic	100.00	100.00	1,646	2,082
Benefita, a.s., Prague	Czech Republic	100.00	100.00	506	472
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	25.00	21,902	19,234
Beteiligungs- und Wohnungsanlagen GmbH	Austria	25.00	25.00	179,956	166,673
ČPP servis, s.r.o., Prague	Czech Republic	100.00	100.00	62	56
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	30.00	8,076	8,306
ERSTE d.o.o. - za upravljanje obveznim i dobrovljnim mirovinskim fondovima, Zagreb	Croatia	25.30		1,446	
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	33.00	81,540	69,577
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100.00	100.00	3,783	3,870
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	100.00	385	398
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00	100.00	7,521	7,485
KIP, a.s., Prague	Czech Republic	100.00	100.00	8,906	8,884
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Consolidated Financial Statements)	Austria	36.58	36.58	81,219	78,284
S - budovy, a.s., Prague	Czech Republic	100.00	100.00	2,849	2,839
S IMMO AG, Vienna (Consolidated Financial Statements)	Austria	10.25	10.25	744,994	594,470
Sanatorium Astoria, a.s., Karlsbad	Czech Republic	100.00	92.71	4,931	5,040
S-správa nemovitosti, a.s., Prague	Czech Republic	100.00	100.00	448	499
SURPMO, a.s., Prague	Czech Republic	100.00	100.00	95	88
VBV - Betriebliche Altersvorsorge AG, Vienna (Consolidated Financial Statements)	Austria	23.56	23.56	189,496	173,796

Company	Country of domicile	Equity interest 2016[1]
		in %
Non-consolidated companies		
Assistance Company Ukrainian Assistance Service LLC, Kiev	Ukraine	100.00
"Compensa Services" SIA, Riga	Latvia	100.00
"Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H., Vienna	Austria	20.13
Medical Clinic DIYA LLC, Kiev	Ukraine	100.00
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H., Linz	Austria	79.51
Akcionarsko družstvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica	Montenegro (Rep.)	100.00
Amadi GmbH, Wiesbaden	Germany	100.00
Anif-Residenz GmbH, Anif	Austria	99.90
AQUILA Hausmanagement GmbH, Vienna	Austria	99.90
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	49.95
Autosig SRL, Bucharest	Romania	99.50
AXA Nezivotno Osiguranje akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00
AXA Životno Osiguranje akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00

Company	Country of domicile	Equity interest 2016[1]
		in %
B&A Insurance Consulting s.r.o., Moravska Ostrava	Czech Republic	49.00
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.94
Brunn N68 Sanierungs GmbH, Vienna	Austria	49.95
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	99.38
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	Austria	90.18
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	98.15
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	98.15
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	98.15
CAPITOL Sp. z o.o., Warsaw	Poland	99.98
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	99.90
CCA EDV für Versicherungswirtschaft GmbH, Vienna	Austria	24.28
Compensa Dystrybucja Sp. z o. o., Warsaw	Poland	99.99
Compensa Life Distribution, UAB, Vilnius	Lithuania	100.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	99.90
DV Asset Management EAD, Sofia	Bulgaria	100.00
DV CONSULTING EOOD, Sofia	Bulgaria	100.00
DV Invest EAD, Sofia	Bulgaria	100.00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	94.40
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	24.97
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	73.92
EGW Datenverarbeitungs-Gesellschaft m.b.H., Vienna	Austria	71.92
EGW Liegenschaftsverwertungs GmbH, Vienna	Austria	71.92
EGW Wohnbau gemeinnützige Ges.m.b.H., Wiener Neustadt	Austria	71.92
Erste Bank und Sparkassen Leasing GmbH, Vienna	Austria	48.95
Erste S Biztositasi Alkusz Kft, Budapest	Hungary	95.00
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	84.47
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	95.78
Finanzpartner GmbH, Vienna	Austria	49.95
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
GELUP GmbH, Vienna	Austria	33.30
GEO HOSPITALS LLC, Tbilisi	Georgia	93.50
GGVier Projekt-GmbH, Vienna	Austria	54.95
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	23.31
Glamas Beteiligungsverwaltungs GmbH, Vienna	Austria	23.31
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	Slovakia	100.00
Global Services Bulgaria JSC, Sofia	Bulgaria	99.69
Hausservice Objektbewirtschaftungs GmbH, Vienna	Austria	20.72
Henderson Global Investors Immobilien Austria GmbH, Vienna	Austria	34.97
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	98.58
Immodat GmbH, Vienna	Austria	20.72
IMOVE Immobilienverwertung- und -verwaltungs GmbH, Vienna	Austria	20.72
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
Jahorina auto d.o.o., Brcko	Bosnia-Herzegovina	100.00
Joint Stock Company "Curatio", Tbilisi	Georgia	90.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	49.95
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	23.31
MC EINS Investment GmbH, Vienna	Austria	49.95
Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvéntársaság, Budapest	Hungary	100.00
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG, Vienna	Austria	94.93

Company	Country of domicile	Equity interest 2016[1]
		in %
People's Pharmacy LLC, Tbilisi	Georgia	45.00
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.45
Privat Joint-stock company "OWN SERVICE", Kiev	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	37.76
Risk Consult Bulgaria EOOD, Sofia	Bulgaria	50.44
Risk Consult Polska Sp.z.o.o., Warsaw	Poland	67.78
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	50.44
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi, Istanbul	Turkey	63.80
Risk Experts s.r.o., Bratislava	Slovakia	50.44
Risk Logics Risikoberatung GmbH, Vienna	Austria	50.44
SB Liegenschaftsverwertungs GmbH, Vienna	Austria	40.26
S.C. CLUB A.RO S.R.L., Bucharest	Romania	99.60
S.C. Risk Consult & Engineering Romania S.R.L., Bucharest	Romania	50.44
S.C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest	Romania	98.43
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	99.90
Slovexperta, s.r.o., Žilina	Slovakia	100.00
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	23.31
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	94.93
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	99.96
Spoldzielnia Vienna Insurance Group IT Polska, Warsaw	Poland	99.95
SVZ Immoholding GmbH & Co KG, Vienna	Austria	94.93
SVZ immoholding GmbH, Vienna	Austria	94.93
TBI Info EOOD, Sofia	Bulgaria	99.88
TOGETHER Internet Services GmbH, Vienna	Austria	24.28
UAB "Compensa Services", Vilnius	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH, Vienna	Austria	97.70
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	33.30
Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw	Poland	99.99
Vienna International Underwriters GmbH, Vienna	Austria	100.00
VIG Asset Management investiční společnost, a.s., Prague	Czech Republic	100.00
VIG AM Services GmbH, Vienna	Austria	100.00
VIG Management Service SRL, Bucharest	Romania	98.43
VIG Services Bulgaria EOOD, Sofia	Bulgaria	99.38
VIG Services Shqiperi Sh.p.K., Tirana	Albania	89.36
VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	49.95
WAG Immobilien Einsiedlergasse GmbH, Linz	Austria	24.98
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	24.98
Wien 3420 Aspern Development AG, Vienna	Austria	24.44
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	99.90
WINO GmbH, Vienna	Austria	99.90
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	99.90
WSV Beta Immoholding GmbH, Vienna	Austria	99.90
WSV Vermögensverwaltung GmbH, Vienna	Austria	99.90

1 The share in equity equals the share in voting rights before non-controlling interests.

2 The capital value shown corresponds to the latest local annual financial statements available.

3 In addition to the parent company, the consolidated financial statements of VIG FUND, a.s., Prague, also include the following companies: EUROPEUM Business Center s.r.o, Bratislava, HUN BM Korlátolt Felelősségű Társaság, Budapest and SK BM s.r.o., Bratislava.

An internal Group materiality guideline is used to determine the scope of consolidation. The guideline includes quantitative thresholds and qualitative criteria that take into account the provisions of IFRS 10. A distinction is made between insurance companies and other companies based on the object of the company. The materiality threshold is calculated annually based on pre-defined criteria and compared to relevant financial data for the company participations. Companies that exceed the pre-defined thresholds and satisfy the qualitative criteria are included in the scope of consolidation. After examining the individual company participations, an additional check is made to ensure that the non-consolidated participations are immaterial when considered as a whole.

Please see section Scope and methods of consolidation on page 128 for information on changes in the scope of consolidation.

The information required under § 265(2) no. 4 of the Austrian Commercial Code (UGB) is provided in the overview of participations in the separate financial statements.

5. LOANS AND OTHER INVESTMENTS

Loans and other investments	31.12.2016	31.12.2015
in EUR '000		
Loans	1,397,395	1,335,993
Reclassified loans	339,591	439,980
Bonds classified as loans	1,040,659	1,104,361
Subtotal	**2,777,645**	2,880,334
Other investments	618,929	917,882
thereof bank deposits	512,344	811,451
thereof deposits on assumed reinsurance business	96,960	98,017
Total	**3,396,574**	3,798,216

Development loans total	31.12.2016	31.12.2015
in EUR '000		
Acquisition costs	2,975,359	3,218,563
Cumulative depreciation as of 31.12. of the previous year	-95,025	-111,710
Book value as of 31.12. of the previous year	**2,880,334**	3,106,853
Exchange rate changes	-860	-74
Book value as of 1.1.	**2,879,474**	3,106,779
Additions	207,588	205,638
Disposals	-341,525	-420,457
Changes in scope of consolidation	12,275	0
Appreciation	20,387	5
Impairments	-554	-11,631
Book value as of 31.12.	**2,777,645**	2,880,334
Cumulative depreciation as of 31.12.	38,197	95,025
Acquisition costs	**2,815,842**	2,975,359

The appreciation was primarily due to the reduction in impairment of HETA bonds (EUR 19.8 million). Further information is provided in Note 6. Other securities on page 183.

Composition	Amortised cost	
Loans	31.12.2016	31.12.2015
in EUR '000		
Loans to non-consolidated affiliated companies	72,744	80,710
Loans to participations	44,897	16,701
Mortgage loan	422,790	468,785
Policy loans and prepayments	26,526	30,427
Other loans	830,438	739,370
to public authorities	194,432	173,004
to financial institutions	184,505	189,505
to other commercial debtors	449,710	374,351
to private persons	1,115	1,303
other	676	1,207
Total	1,397,395	1,335,993

Public sector borrowers include national, state and local authorities. The other category under other loans mainly consists of loans to other public institutions. The loans included under other loans are generally loans that are not secured by insurance policies.

Composition	Amortised cost	
Reclassified loans	31.12.2016	31.12.2015
in EUR '000		
Other loans		
to public authorities	9,000	4,000
to financial institutions	225,271	328,622
to other commercial debtors	46,427	44,032
other	58,893	63,326
Total	339,591	439,980

Composition	Amortised cost	
Bonds classified as loans	31.12.2016	31.12.2015
in EUR '000		
Bonds classified as loans		
to public authorities	113,392	123,205
to financial institutions	883,287	936,312
to other commercial debtors	43,980	44,844
Total	1,040,659	1,104,361

Maturity structure	Amortised cost	
Loans	31.12.2016	31.12.2015
in EUR '000		
up to one year	93,423	46,439
more than one year up to five years	234,301	286,896
more than five years up to ten years	398,172	398,244
more than ten years	671,499	604,414
Total	1,397,395	1,335,993

Maturity structure Reclassified loans	Amortised cost 31.12.2016	Amortised cost 31.12.2015
in EUR '000		
up to one year	71,682	46,242
more than one year up to five years	120,778	161,653
more than five years up to ten years	53,046	107,805
more than ten years	94,085	124,280
Total	339,591	439,980

Maturity structure Bonds classified as loans	Amortised cost 31.12.2016	Amortised cost 31.12.2015
in EUR '000		
up to one year	37,978	60,119
more than one year up to five years	203,731	216,168
more than five years up to ten years	448,556	422,939
more than ten years	350,394	405,135
Total	1,040,659	1,104,361

Ageing analysis	31.12.2016				
Overdue loans	1–60 days overdue	61–90 days overdue	91–120 days overdue	longer overdue	Total
in EUR '000					
Loans	6,521	44	420	6,311	13,296
not adjusted	6,521	44	21	4,415	11,001
adjusted	0	0	399	1,896	2,295

Ageing analysis	31.12.2015				
Overdue loans	1–60 days overdue	61–90 days overdue	91–120 days overdue	longer overdue	Total
in EUR '000					
Loans	3,149	0	400	5,020	8,569
not adjusted	3,149	0	0	4,620	7,769
adjusted	0	0	400	400	800

Impairment	31.12.2016		
Loans and bonds classified as loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired loans	2,428,016	0	2,428,016
Impaired loans	48,235	38,197	10,038
Total	2,476,251	38,197	2,438,054

Impairment	31.12.2015		
Loans and bonds classified as loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired loans	2,423,893	0	2,423,893
Impaired loans	110,953	94,492	16,461
Total	2,534,846	94,492	2,440,354

Impairment	31.12.2016		
Reclassified loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired reclassified loans	337,169	0	337,169
Impaired reclassified loans	2,422	0	2,422
Total	339,591	0	339,591

Impairment	31.12.2015		
Reclassified loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired reclassified loans	378,377	0	378,377
Impaired reclassified loans	62,136	533	61,603
Total	440,513	533	439,980

Financial instruments in the “Financial instruments available for sale” category that were reclassified as loans in 2008 had a fair value of EUR 1,037,036,000 as of the reclassification date.

6. OTHER SECURITIES

Development	Held to maturity (incl. reclassified)		Available for sale		Held for trading		Recognised at fair value through profit and loss	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in EUR '000								
Acquisition costs	3,080,231	3,059,251						
Cumulative depreciation as of 31.12. of the previous year	-14,116	-13,316						
Book value as of 31.12. of the previous year	**3,066,115**	3,045,935	**20,649,481**	20,134,501	**171,410**	194,883	**229,374**	271,287
Exchange rate changes	-6,265	54,826	-10,417	26,852	-2,769	-2,831	24	2,193
Book value as of 1.1.	**3,059,850**	3,100,761	**20,639,064**	20,161,353	**168,641**	192,052	**229,398**	273,480
Reclassifications	0	-5	11,186	-5,311	-14	2,912	11,273	897
Additions	192,014	272,247	3,887,838	5,002,212	103,090	123,743	199,800	88,424
Disposals/repayments	-186,151	-306,317	-3,234,330	-4,110,530	-135,619	-143,311	-225,915	-147,794
Change in scope of consolidation	0	0	3,877	-12,420	0	0	111,101	15,276
Changes in value recognised in profit and loss	187	-249	20,820	2,240	-4,698	-3,986	4,233	-909
Changes recognised directly in equity	0	0	546,944	-369,618	0	0	0	0
Impairments	-78	-322	-24,151	-18,445	0	0	0	0
Book value as of 31.12.	**3,065,822**	3,066,115	**21,851,248**	20,649,481	**131,400**	171,410	**329,890**	229,374
Cumulative appreciation/depreciation as of 31.12.	-2,589	14,116						
Acquisition costs	**3,063,233**	3,080,231						

The reclassifications shown for the available for sale, held for trading and recognised at fair value through profit and loss categories are generally reclassifications from and to investments for unit-linked and index-linked life insurance.

On 6 September 2016, the Carinthian Compensation Payment Fund (CCPF) made another offer to HETA creditors that was accepted by 98.71% of the cumulative outstanding total nominal value of all the bonds included in the offer by the end of the offer on 7 October 2016. The offer was as follows:

- In addition to a 75% cash settlement for senior creditors of HETA bonds and 30% for subordinated creditors based on nominal value plus accrued interest, the bonds may instead be exchanged for zero coupon government-guaranteed bearer bonds issued at 90% of nominal value by the Carinthian Compensation Payment Fund (CCPF) and maturing on 14 January 2032. The conversion ratio is 1-to-1 for senior bonds and 2-to-1 for subordinated bonds. Alternatively, subordinated bonds may be exchanged 1-to-1 for zero coupon bonds issued by the federal government. The zero coupon bonds are issued at 45% of nominal value and mature on 28 September 2068. The zero coupon bearer bonds and zero coupon bonds are redeemed at 100% of nominal value upon maturity.
- Provision has also been made for the Austrian Treasury to implement appropriate stabilisation measures starting on 1 December for a period of 180 days that allow holders of the zero coupon bearer bonds to sell their bonds to the CCPF at present value.

The offer was accepted in the following manner by the VIG companies concerned:

- Non-subordinated bonds were exchanged 1-to-1 for the Austrian federal government-guaranteed zero coupon bearer bonds issued by CCPF.
- Subordinated bonds were also exchanged 1-to-1 for zero coupon bonds issued by the Austrian federal government

Acceptance of the offer led to an appreciation in these consolidated financial statements of around EUR 40.1 million for the bonds that had previously been written down (including EUR 19.8 million reported under loans on page 179).

Composition	Amortised cost		Fair value	
Financial instruments held to maturity	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in EUR '000				
Government bonds	1,984,264	1,905,774	2,379,577	2,306,539
Covered bonds	251,677	255,452	316,242	311,657
Corporate bonds	69,396	66,480	76,452	73,485
Bonds from banks	24,734	28,896	25,409	29,970
Subordinated bonds	0	80	0	82
Total	2,330,071	2,256,682	2,797,680	2,721,733

Composition	Amortised cost		Fair value	
Financial instruments reclassified as held to maturity	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in EUR '000				
Government bonds	683,060	749,270	865,916	933,132
Covered bonds	39,355	46,784	40,853	49,037
Bonds from banks	13,336	13,379	16,334	16,183
Total	735,751	809,433	923,103	998,352

Maturity structure	Amortised cost		Fair value	
Financial instruments held to maturity	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in EUR '000				
up to one year	124,237	109,012	677,098	110,124
more than one year up to five years	629,610	635,619	424,742	708,406
more than five years up to ten years	786,859	851,342	801,840	1,047,826
more than ten years	789,365	660,709	894,000	855,377
Total	2,330,071	2,256,682	2,797,680	2,721,733

Maturity structure	Amortised cost		Fair value	
Financial instruments reclassified as held to maturity	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in EUR '000				
up to one year	86,677	74,167	88,436	74,408
more than one year up to five years	369,820	450,491	425,306	518,319
more than five years up to ten years	151,384	157,173	190,975	200,450
more than ten years	127,870	127,602	218,386	205,175
Total	735,751	809,433	923,103	998,352

Rating categories	Amortised cost	
Financial instruments held to maturity (incl. reclassified)	31.12.2016	31.12.2015
in EUR '000		
AAA	69,450	71,941
AA	262,143	2,135,836
A	2,459,878	592,096
BBB	60,613	67,500
BB and lower	183,823	171,347
No rating	29,915	27,395
Total	3,065,822	3,066,115

Financial instruments in the "Financial instruments held to maturity" category that were reclassified as financial instruments available for sale in 2008 had a fair value of EUR 1,393,784,000 as of the reclassification date. The Group made use of the provisions on "reclassification of financial assets" in IAS 39.50 et seqq. due to financial market developments in the 2nd half of 2008. Since the required information is not available and the cost to obtain the information would be excessively high, it would not be possible to determine the book values if reclassification had not been performed.

Composition	Fair value	
Financial instruments available for sale	31.12.2016	31.12.2015
in EUR '000		
Bonds	19,275,583	18,179,916
Government bonds	9,811,659	9,262,255
Covered bonds	1,409,681	1,481,839
Corporate bonds	4,025,527	3,350,611
Bonds from banks	3,243,837	3,274,261
Subordinated bonds	784,879	810,950
Shares and other participations*	738,614	663,506
Investment funds	1,837,051	1,806,059
Equity funds	786,755	776,989
Pension funds	818,155	793,246
Alternative funds	2,123	2,213
Real estate funds	72,215	88,932
Balanced funds	157,803	144,679
Total	21,851,248	20,649,481

* Includes shares in non-consolidated subsidiaries and other participations of EUR 173,832,000 (EUR 140,096,000).

Unrealised gains and losses	31.12.2016			31.12.2015		
Financial instruments available for sale	Fair value	Not realised gains	Unrealised losses	Fair value	Not realised gains	Unrealised losses
in EUR '000						
Bonds	19,275,583	2,529,123	-65,299	18,179,916	2,189,477	-127,331
Shares and other participations	738,614	179,437	-9,431	663,506	138,200	-13,302
Investment funds	1,837,051	100,104	-41,337	1,806,059	71,688	-75,153
Total	21,851,248	2,808,664	-116,067	20,649,481	2,399,365	-215,786

In the case of the financial instruments available for sale category, the balance sheet value equals fair value. Unrealised gains and losses represent the difference between amortised cost and fair value.

Impairments	31.12.2016		
Available for sale*	Gross book value	Impairment	Net book value
in EUR '000			
Bonds	569	390	179
Shares	8,168	2,282	5,886
Investment funds	40,565	12,186	28,379
Total	49,302	14,858	34,444

* Not including impairment of shares in affiliated companies and other participations

Impairments	31.12.2015		
Available for sale*	Gross book value	Impairment	Net book value
in EUR '000			
Bonds	4,246	2,250	1,996
Shares	13,411	3,472	9,939
Investment funds	38,352	5,716	32,636
Total	56,009	11,438	44,571

* Not including impairment of shares in affiliated companies and other participations

Maturity structure	Fair value	
Financial instruments available for sale	31.12.2016	31.12.2015
in EUR '000		
no maturity	2,495,732	2,120,721
up to one year	953,683	894,477
more than one year up to five years	4,637,365	4,234,736
more than five years up to ten years	8,132,037	7,832,016
more than ten years	5,632,431	5,567,531
Total	21,851,248	20,649,481

Rating categories	Fair value	
Fixed-interest financial instruments available for sale	31.12.2016	31.12.2015
in EUR '000		
AAA	2,277,337	2,282,346
AA	5,226,447	5,238,877
A	6,686,991	6,049,855
BBB	4,184,283	3,505,425
BB and lower	830,426	1,056,110
No rating	70,099	47,303
Total	19,275,583	18,179,916

Composition Financial instruments recognised at fair value through profit and loss*	Fair value 31.12.2016	 31.12.2015
in EUR '000		
Bonds	306,141	252,404
Government bonds	139,560	98,775
Corporate bonds	8,533	2,469
Bonds from banks	144,226	139,545
Subordinated bonds	13,822	11,615
Shares and other non-fixed-interest securities	37,842	36,798
Investment funds	73,362	59,840
Equity funds	12,126	11,876
Pension funds	20,395	21,381
Alternative funds	5,237	1,878
Real estate funds	2,728	264
Balanced funds	32,876	24,441
Derivatives	43,945	51,742
Total	461,290	400,784

* including held for trading

Maturity structure Financial instruments recognised at fair value through profit and loss*	Fair value 31.12.2016	 31.12.2015
in EUR '000		
no maturity	27,640	13,816
up to one year	74,618	13,887
more than one year up to five years	168,793	136,821
more than five years up to ten years	29,619	29,944
more than ten years	29,220	34,906
Total	329,890	229,374

* excluding held for trading

Rating categories Fixed-interest financial instruments recognised at fair value through profit and loss*	Fair value 31.12.2016	 31.12.2015
in EUR '000		
AAA	14,363	17,263
AA	21,334	26,773
A	129,226	90,029
BBB	117,724	97,066
BB and lower	20,447	20,342
No rating	3,047	931
Total	306,141	252,404

* including held for trading

Composition	Fair value	
Derivative financial instruments	31.12.2016	31.12.2015
in EUR '000		
Options	41,082	47,882
Swaps	2,425	2,143
Futures	413	619
Other structured products	25	1,098
Total	43,945	51,742

Risk type	Fair value	
Derivative financial instruments	31.12.2016	31.12.2015
in EUR '000		
Interest risk		
over the counter	2,331	2,143
Currency risk		
traded on stock exchange	32	0
over the counter	500	1,717
Share and index risk		
over the counter	12,482	12,482
Participation risk		
over the counter	28,600	35,400
Total	43,945	51,742

VIG Holding secured a fixed interest rate until 2017 by entering into an interest rate swap for a floating rate supplementary capital bond that was issued in 2005 with a nominal value of EUR 120,000,000. The differential payments under the interest rate swap occur at the same time as the interest payments on the bond and are recognised as interest expenses in the financial result. The interest rate swap is accounted for as a cash flow hedge. The fair value of the swap is accordingly recognised in other reserves under other comprehensive income. The swap had a negative fair value of EUR -131,000 as of 31 December 2016 (EUR -3,660,000)

As a result of an amendment to a shareholder agreement between a VIG company and another shareholder, it became necessary to revalue an option in accordance with IAS 39. The valuation resulted in an option market value of EUR 28,600,000 (EUR 35,400,000) which was recognised in the financial result.

Composition book values of government bonds[1]	Held to maturity (incl. reclassified)		Available for sale		Recognised at fair value through profit and loss[2]	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in %						
Austria	0.54%	0.60%	18.18%	19.51%	0.00%	0.00%
Germany	0.04%	0.01%	2.45%	2.38%	22.27%	38.42%
Czech Republic	71.38%	72.08%	5.57%	6.30%	0.00%	0.00%
Slovakia	5.13%	5.47%	8.45%	9.55%	0.00%	0.00%
Poland	10.66%	10.29%	11.34%	11.28%	7.85%	44.01%
Romania	0.14%	0.16%	4.88%	3.53%	0.00%	0.07%
Other countries	12.11%	11.39%	49.13%	47.45%	69.88%	17.50%

[1] Government bonds also include government-guaranteed bonds, municipal bonds and bonds issued by supranational organisations and federal or constituent states.
[2] Including held for trading

7. INVESTMENTS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Composition	31.12.2016			31.12.2015
	Unit-linked	Index-linked	Total	Total
in EUR '000				
Investment funds	6,145,999	55,030	6,201,029	5,921,263
Bonds	0	2,213,143	2,213,143	2,144,140
Shares	0	4,596	4,596	3,876
Derivatives (guarantee claim)	0	1,420	1,420	0
Bank deposits	41,220	78,570	119,790	57,349
Deposit receivables	10,205	0	10,205	14,827
Net of receivables and liabilities	-603	0	-603	2,680
Total	6,196,821	2,352,759	8,549,580	8,144,135

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
no maturity	6,325,414	5,961,644
up to one year	63,438	107,990
more than one year up to five years	1,378,105	1,008,016
more than five years up to ten years	552,345	744,268
more than ten years	230,278	322,217
Total	8,549,580	8,144,135

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Composition	31.12.2016	31.12.2015
in EUR '000		
Provision for unearned premiums	149,918	125,715
Mathematical reserve	40,141	63,262
Provision for outstanding claims	781,567	825,929
Provision for profit-unrelated premium refunds	11,291	11,059
Other underwriting provisions	2,294	4,775
Total	985,211	1,030,740

Development	Book value as of 1.1.	Exchange rate changes	Additions	Amount used/released	Changes in scope of consolidation	Book value as of 31.12.
in EUR '000						
Provision for unearned premiums	125,715	-6,446	149,354	-120,975	2,270	149,918
Mathematical reserve	63,262	-6	3,622	-26,737	0	40,141
Provision for outstanding claims	825,929	-8,343	586,362	-629,270	6,889	781,567
Provision for profit-unrelated premium refunds	11,059	2	5,525	-5,295	0	11,291
Other underwriting provisions	4,775	7	1,093	-3,581	0	2,294
Total	1,030,740	-14,786	745,956	-785,858	9,159	985,211

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	477,785	476,764
more than one year up to five years	287,634	297,818
more than five years up to ten years	84,697	135,007
more than ten years	135,095	121,151
Total	985,211	1,030,740

9. RECEIVABLES

Composition	31.12.2016	31.12.2015 adjusted
in EUR '000		
Underwriting	794,974	729,433
Receivables from direct insurance business	651,748	621,839
from policyholders	486,109	462,914
from insurance intermediaries	109,638	109,342
from insurance companies	56,001	49,583
Receivables from reinsurance business	143,226	107,594
Non-underwriting	664,657	662,547
Other receivables	664,657	662,547
Total	1,459,631	1,391,980

Composition of other receivables	31.12.2016	31.12.2015 adjusted
in EUR '000		
Receivables from financial services and leasing	2,675	3,123
Pro rata interest and rent	400,884	413,787
Receivables from tax authority (excl. income tax)	46,820	49,865
Receivables from employees	3,049	4,680
Receivables from sales of investments	9,466	28,756
Receivables from facility managers	13,640	10,765
Receivables from third party claims settlement	26,138	20,896
Outstanding interest and rent	8,682	5,609
Receivables from green card deposits	8,863	5,677
Receivables from surety	22,416	23,465
Receivables from pre-payments	15,442	26,142
receivables from public funding	2,953	0
receivables from funding of housing projects	14,440	720
receivables from fees of every kind	2,234	2,559
Receivables arising from social contributions	293	217
Other receivables	86,662	66,286
thereof receivables from intercompany charges for services	56,196	43,058
thereof receivables from intercompany charges for pensions	8,857	5,928
Total	664,657	662,547

Maturity structure	31.12.2016			31.12.2015 adjusted
	Premium receivables	Non-underwriting	Total	Total
in EUR '000				
up to one year	252,053	608,789	860,842	879,804
more than one year up to five years	17,094	27,669	44,763	38,185
more than five years up to ten years	0	9,312	9,312	96
more than ten years	0	18,887	18,887	16,436
Subtotal	**269,147**	**664,657**	**933,804**	934,521
Premium receivables not yet due			272,111	243,766
Receivables from reinsurance business			143,226	107,594
Other underwriting receivables			110,490	106,099
Total			**1,459,631**	1,391,980

The gross receivables are offset by impairments (directly reducing the asset item) of EUR 93,668,000 (EUR 106,304,000) and provisions for cancellations of EUR 8,962,000 (EUR 10,124,000).

Ageing analysis	31.12.2016				
Overdue receivables	1–60 days overdue	61–90 days overdue	91–120 days overdue	longer overdue	Total
in EUR '000					
Premium receivables	**137,566**	**55,609**	**19,415**	**59,512**	**272,102**
not adjusted	87,112	35,808	13,510	32,885	169,315
adjusted	50,454	19,801	5,905	26,627	102,787
Non-underwriting receivables	**5,669**	**1,073**	**1,634**	**26,609**	**34,985**
not adjusted	5,272	1,038	142	21,864	28,316
adjusted	397	35	1,492	4,745	6,669

Ageing analysis	31.12.2015				
Overdue receivables	1–60 days overdue	61–90 days overdue	91–120 days overdue	longer overdue	Total
in EUR '000					
Premium receivables	131,190	53,031	18,515	56,754	259,490
not adjusted	83,074	34,148	12,884	31,361	161,467
adjusted	48,116	18,883	5,631	25,393	98,023
Non-underwriting receivables	5,406	1,023	1,558	25,376	33,362
not adjusted	5,027	990	135	20,851	27,003
adjusted	378	33	1,423	4,525	6,359

10. TAX RECEIVABLES AND ADVANCE PAYMENTS OUT OF INCOME TAX

Composition	31.12.2016	31.12.2015 adjusted
in EUR '000		
Austria	30,937	24,961
Czech Republic	9,290	9,733
Slovakia	4,726	0
Poland	5,765	7,563
Romania	2,176	2,183
Baltic states	721	179
Hungary	29	11
Bulgaria	4	427
Turkey/Georgia	11	651
Remaining CEE	1,373	1,265
Other Markets	2,372	0
Central Functions	179,536	169,737
Total	236,940	216,710

Maturity structure	31.12.2016	31.12.2015 adjusted
in EUR '000		
up to one year	34,128	27,509
more than one year	202,812	189,201
Total	236,940	216,710

11. DEFERRED TAXES

The deferred tax assets and liabilities reported relate to temporary differences in the balance sheet items listed in the table below. (The differences were measured using the applicable tax rates.) It should be noted that deferred taxes, as far as permissible, are offset at the taxpayer level, and, accordingly, the different balances are shown either as assets or liabilities on the balance sheet.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the deferred tax assets can be used. Deferred tax assets are examined each balance sheet date and reduced to the extent that it is no longer probable that the associated tax benefits can be realised.

Composition	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities adjusted
in EUR '000				
Intangible assets	6,909	14,940	7,172	4,133
Investments	104,071	342,322	86,850	291,242
Receivables and other assets	16,445	13,838	16,420	14,269
Accumulated losses carried forward	67,802	0	63,366	0
Tax-exempt reserves	0	21,361	0	22,946
Underwriting provisions	129,402	153,764	153,225	177,391
Non-underwriting provisions	89,781	9,626	68,046	3,391
Liabilities and other liabilities	13,069	22,629	11,531	4,606
Sum before valuation allowance	**427,479**	**578,480**	406,610	517,978
Valuation allowance for DTA	-35,919		-45,173	
Sum after valuation allowance	**391,560**	**578,480**	361,437	517,978
Netting	-253,330	-253,330	-237,745	-237,745
Net balance	**138,230**	**325,150**	123,692	280,233

Maturity structure	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities adjusted
in EUR '000				
up to one year	7,468	13,525	6,929	2,747
more than one year	130,762	311,625	116,763	277,486
Total	**138,230**	**325,150**	123,692	280,233

Deferred tax assets from seven-year amortisation of participations to going concern value were recognised in the amount of EUR 20,416,000 (EUR 28,438,000). Deferred tax liabilities and deferred tax assets of consolidated taxable entities in the tax group collected by the same tax authority were netted, resulting in a deferred tax liability of EUR 129,105,000 (EUR 126,165,000). In accordance with IAS 12.39, deferred tax liabilities were not reported for temporary differences from interests in subsidiaries since they would not be reversed in the foreseeable future. The difference between the book value for tax purposes and IFRS shareholders' equity is EUR 150,081,000 (EUR 608,732,000). Deferred taxes for undistributed subsidiary profits of EUR 6,611,000 (EUR 4,725,000) were also not reported, because a decision to distribute the profits had not yet been made.

EUR 35,688,000 (EUR 44,913,000) in deferred taxes on loss carry-forwards was not recognised. The unrecognised taxes on losses related primarily to the following countries:

Deferred tax assets on tax loss carryforwards not recognised	2016			
	Total	thereof expiration per year		
	2016	2017	2018 ff	unlimited
in EUR '000				
Netherlands	19,267	14,665	4,602	0
Austria	9,842	0	0	9,842
Hungary	2,446	0	2,446	0
Serbia	2,209	295	1,914	0
Bulgaria	78	1	77	0
Bosnia-Herzegovina	604	0	604	0
Germany	635	0	0	635
Latvia	217	0	217	0
Other countries	390	58	260	72
Total	35,688	15,019	10,120	10,549

Deferred tax assets on tax loss carryforwards not recognised	2015			
	Total	thereof expiration per year		
	2015	2016	2017 ff	unlimited
in EUR '000				
Netherlands	19,524	19	19,505	0
Romania	10,232	0	10,232	0
Austria	8,910	0	0	8,910
Hungary	2,608	0	2,608	0
Serbia	2,027	672	1,355	0
Bulgaria	44	0	44	0
Bosnia-Herzegovina	468	0	468	0
Germany	657	0	0	657
Latvia	225	0	114	111
Other countries	218	33	139	46
Total	44,913	724	34,465	9,724

12. OTHER ASSETS

Composition	31.12.2016	31.12.2015
in EUR '000		
Tangible assets and inventories	98,717	93,226
Prepayments for projects	636	249
Other assets	78,650	95,009
Deferred charges	169,816	161,435
Total	347,819	349,919

Composition of tangible assets and inventories	31.12.2016	31.12.2015
in EUR '000		
Office equipment	27,707	25,130
IT hardware/telecommunication	22,682	22,460
Technical equipment and machinery	5,283	5,715
Vehicle fleet	11,144	9,912
Other tangible assets	27,657	26,133
Inventory	4,244	3,876
Total	98,717	93,226

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
no maturity	8,075	6,443
up to one year	172,026	167,388
more than one year up to five years	104,072	86,230
more than five years up to ten years	35,078	67,821
more than ten years	28,568	22,037
Total	347,819	349,919

Development of tangible assets and inventories	31.12.2016	31.12.2015
in EUR '000		
Acquisition costs	289,654	290,862
Cumulative depreciation as of 31.12. of the previous year	-196,428	-198,687
Book value as of 31.12. of the previous year	93,226	92,175
Exchange rate changes	-179	361
Book value as of 1.1.	93,047	92,536
Reclassifications	-44	249
Additions	32,071	37,848
Disposals	-10,102	-17,715
Changes in scope of consolidation	5,804	99
Scheduled depreciation	-22,059	-19,708
Impairments	0	-83
Book value as of 31.12.	98,717	93,226
Cumulative depreciation as of 31.12.	218,845	196,428
Acquisition costs	317,562	289,654

13. CASH AND CASH EQUIVALENTS

Composition	31.12.2016	31.12.2015 adjusted
in EUR '000		
Current bank balances	1,589,491	1,100,783
Cash and cheques	450	429
Total	1,589,941	1,101,212

Cash and cash equivalents consist of cash on hand and overnight deposits.

14. CONSOLIDATED SHAREHOLDERS' EQUITY

The **share capital** and **other capital reserves** items include contributions to share capital made by VIG shareholders. Other capital reserves report the share of contributions paid that is in excess of the share capital. In addition, the **hybrid capital** item separately reports the amounts received from the corporate bond issued in 2008. The capital reserves are reduced by external costs directly related to corporate actions affecting equity after taking tax effects into account.

Retained earnings are the earnings that Group companies have earned since joining VIG. These are reduced by the dividends distributed by the Group parent company. Amounts resulting from changes in the scope of consolidation are also recognised. If changes are made to accounting policies, the adjustments for earlier periods that are not included in the financial statements are recognised in the opening balance sheet value of retained earnings for the earliest period presented.

Other reserves consist of unrealised gains and losses from the measurement of available for sale financial instruments, and actuarial gains and losses that are directly recognised in comprehensive income in accordance with IAS 19. Unrealised gains and losses from the at equity measurement of associated companies, and translation differences resulting from currency translation for foreign subsidiaries are also reported in other reserves. In addition, measurement gains or losses from cash flow hedges are also recognised.

Non-controlling interests are also shown as part of shareholders' equity. These consist of shares held by third parties in the equity of consolidated subsidiaries that are not directly or indirectly fully owned by VIG.

Hybrid bonds

Issue date	Outstanding volume	Maturity	Interest	Fair value
	in EUR '000	in years	in %	in EUR '000
12.6.2008	198,017	unlimited	until 12.09.2018 8% p.a., afterwards variable	204,155

The hybrid bond satisfies the equity capital criteria of IAS 32.16C and .16D, since interest is only payable if the general meeting adopts a dividend payout resolution and the bond does not have a fixed term.

Non-controlling interests

Composition of Other non-controlling interests	31.12.2016	31.12.2015 adjusted
in EUR '000		
Unrealised gains and losses	9,077	6,185
Share in the profit of the period	4,246	5,815
Other	100,896	99,955
Total	114,219	111,955

Disclosure of material other non-controlling interests	2016				
	Palais Hansen	PČS	PFG Holding GmbH	Progress	s Versicherung
in EUR '000					
Non controlling interests in %	43.51%	5.08%	12.43%	40.06%	5.07%
Premiums written	0	266,443	0	0	795,050
Result before taxes	-4,048	42,324	604	-3,369	26,477
Profit attributed to non-controlling interests	-1,761	2,150	75	-1,350	1,342
OCI	0	2,382	0	0	12,197
Result for the year	-3,933	34,216	1,040	-1,673	7,441
Comprehensive income attributed to non-controlling interests	-1,711	1,859	129	-670	996
Investments	87,665	1,001,492	215,125	34,590	12,012,687
Other assets	14,078	77,021	16,286	11,497	590,111
Underwriting provisions (incl. reinsurance)	0	-813,506	0	0	-11,530,232
Other liabilities	-58,543	-101,657	-11	-7,391	-508,913
Shareholders' equity/net assets	43,200	163,350	231,400	38,696	563,653
Share of equity	18,796	8,298	28,763	15,502	28,577
Cash flow from operating activities	2,036	-48,544	4,223	643	46,144
Cash flow from investing activities	-43	75,910	619	3,412	111,794
Cash flow from financing activities	-3,082	-24,353	0	-2,962	-37,000
Net change in cash and cash equivalents	-1,089	3,013	4,842	1,093	120,938
Dividend to non-controlling interests	0	1,051	0	889	1,250

This table represents the five most important companies for the balance sheet dates shown.

Disclosure of material other non-controlling interests	2015				
	Neue Heimat Holding	Palais Hansen	PČS	Progress	s Versicherung
in EUR '000					
Non controlling interests in %	12.93%	43.51%	5.08%	40.06%	5.07%
Premiums written	0	0	325,968	0	857,793
Result before taxes	1,792	-3,461	32,464	2,874	45,687
Profit attributed to non-controlling interests	232	-1,506	1,649	1,151	2,316
OCI	0	0	-871	0	-4,700
Result for the year	1,851	-5,813	26,236	2,983	32,630
Comprehensive income attributed to non-controlling interests	239	-2,529	1,289	1,195	1,416
Investments	80,652	90,063	1,065,587	41,390	11,658,184
Other assets	2,158	17,152	122,576	11,083	510,781
Underwriting provisions (incl. reinsurance)	0	0	-939,237	0	-11,108,877
Other liabilities	-2,009	-60,081	-96,632	-9,142	-522,723
Shareholders' equity/net assets	80,801	47,134	152,294	43,331	537,365
Share of equity	10,448	20,508	7,737	17,358	27,244
Cash flow from operating activities	-237	1,812	6,108	-859	24,769
Cash flow from investing activities	2,055	-15	39,012	2,762	-67,254
Cash flow from financing activities	-2,000	-7,914	-24,772	-2,676	18,835
Net change in cash and cash equivalents	-182	-6,117	20,348	-773	-23,650
Dividend to non-controlling interests	200	4,389	1,069	803	2,365

This table represents the five most important companies for the balance sheet dates shown.

Composition of non-controlling interests in non-profit societies	31.12.2016	31.12.2015
in EUR '000		
Share in the profit of the period	28,966	0
Other	1,003,809	0
Total	**1,032,775**	0

Please see page 134 for information on accounting and measurement for the non-profit societies.

Earnings per share

Under IAS 33.10, basic earnings per share are to be calculated by dividing profit or loss attributable to common shareholders of the parent entity (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period.

Earnings per share		2016		31.12.2015 adjusted
Result of the period	in EUR '000	320,990	in EUR '000	-14,766
Other non-controlling interests in net result for the period	in EUR '000	-4,246	in EUR '000	-5,815
Non-controlling interests in the profit for the period of non-profit companies	in EUR '000	-28,966	in EUR '000	0
Result for the period less non-controlling interests	**in EUR '000**	**287,778**	**in EUR '000**	-20,581
Interest expenses for hybrid capital	in EUR '000	11,881	in EUR '000	13,345
Number of shares at closing date	units	128,000,000	units	128,000,000
Result per share*	**EUR**	**2.16**	**EUR**	-0.27

* The calculation of these figures includes the aliquot portion of interest expenses for hybrid capital.

Since there were no potential dilution effects either in 2015 or in the current reporting period, the undiluted earnings per share equal the diluted earnings per share.

Detailed information on capital management is available in the “Management and control” section on page 163.

Consolidated shareholders’ equity

The Company has share capital of EUR 132,887,468.20. It is divided into 128,000,000 no-par value ordinary bearer shares with voting rights, with each share representing an equal portion of the share capital. As there were no new issues in 2016, the number of shares remained unchanged.

The Managing Board is authorised to increase the share capital by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares in one or more tranches on or before 2 May 2018 against cash or in-kind contributions. The terms of the shares, the exclusion of shareholder pre-emption rights, and other terms and conditions of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Preferred shares without voting rights may also be issued. The issue prices of common and preferred shares may differ.

The general meeting of 3 May 2013 authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer convertible bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 2 May 2018, with or without exclusion of shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights for up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board. The share capital has consequently been raised in accordance with § 159(2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36 through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the general meeting resolution of 3 May 2013 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date concerning the issuance of convertible bonds based on the authorisation granted on 3 May 2013.

The general meeting of 3 May 2013 further authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer income bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 2 May 2018, with or without exclusion of shareholder pre-emptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

VIG held none of its own shares as of 31 December 2016.

Income bonds (hybrid bonds) with a total nominal value of EUR 250,000,000.00, (Tranche 1) were issued on 12 June 2008 and income bonds with a total nominal value of EUR 250,000,000.00, (Tranche 2) were issued on 22 April 2009 based on the authorisation granted by the general meeting of 16 April 2008. Tranche 2 was repurchased in August 2013, and EUR 51,983,000.00 of the nominal value of tranche 1 was repurchased in March 2015. The income bonds are traded on the Vienna Stock Exchange. The interest rate is 8% p.a. until 12 September 2018 (fixed interest rate), after which the income bonds pay variable interest. The Company has the right to call the bonds each quarter after the start of the variable interest period.

Payout 2016	Per share	Total
in EUR		
Ordinary shares	0.60	76,800,000

Proposed appropriation of profits
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Holding) ended financial year 2016 with a net retained profit of EUR 139,605,985.93. The following appropriation of profits will be proposed in the Annual General Meeting:

The 128 million shares shall receive a dividend of EUR 0.80 per share. The payment date for this dividend will be 19 May 2017, the record date 18 May 2017, and the ex-dividend date 17 May 2017.

A total of EUR 102,400,000.00 will therefore be distributed. The net retained profit of EUR 37,205,985.93 remaining for financial year 2016 after distribution of the dividend is to be carried forward.

15. SUBORDINATED LIABILITIES

Issuing company	Issue date	Outstanding volume	Maturity	Interest	Fair value
		in EUR '000	in years	in %	in EUR '000
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	12.1.2005	127,635	17	First 12 years: 4,625% p.a.; thereafter variable	131,521
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	12.1.2005	120,000	unlimited[1]	First year: 4.25% p.a.; thereafter variable	120,061
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	9.10.2013	500,000	30[2]	First 10 years: 5.5% p.a.; after that variable	530,565
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	2.3.2015	400,000	31[3]	First 11 years: 3.75% p.a.; after that variable	382,897
DONAU Versicherung AG Vienna Insurance Group	15.4.+ 21.5.2004	3,500	unlimited[4]	4.95% p.a.	3,902
DONAU Versicherung AG Vienna Insurance Group	1.7.1999	2,500	unlimited[5]	4.95% p.a.	2,863
Sparkassen Versicherung AG Vienna Insurance Group	1.3.1999	12,810	unlimited[6]	4.90% p.a.	14,557
Sparkassen Versicherung AG Vienna Insurance Group	2.7.2001	19,310	unlimited[7]	6.10% p.a.	23,262
Sparkassen Versicherung AG Vienna Insurance Group	15.11.2003	23,800	unlimited[8]	4.95% p.a.	27,416
Sparkassen Versicherung AG Vienna Insurance Group	30.6.2006	35,100	unlimited[9]	4.75% p.a.	39,959
Kooperativa pojst'ovna, a.s., Vienna Insurance Group	22.12.2010	20,354	unlimited[10]	5.05% p.a.	20,807
Total		1,265,009			1,297,810

[1] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 12 January 2017

[2] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 9 October 2023.

[3] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 2 March 2026.

[4] This may be terminated, in whole or in part, with 5 years' notice effective as of 1 July 2009 by the holders and by Donau Versicherung, and effective as of 31 December of each following year.

[5] This may be terminated, in whole or in part, with 5 years' notice effective as of 1 July 2009 by the holders and by Donau Versicherung, and effective as of 1 July of each following year. EUR 1,000,000 has already been terminated effective as of 1 July 2015 and EUR 1,000,000 has already been terminated effective as of 1 July 2017.

[6] This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 810,000 will be repaid in 2017 and EUR 3,750,000 thereafter.

[7] This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 3,210,000 will be repaid in 2017.

[8] This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 4,300,000 will be repaid starting with 2017 and EUR 390,000 thereafter.

[9] This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 400,000 will be repaid in 2017.

[10] This can only be cancelled subject to not less than five years' notice.

VIG Holding subordinated liabilities

Interest on supplementary capital bonds is only paid out to the extent that the interest is covered by the company's national annual profit. The interest is, however, always included as an expense.

On 12 January 2005, the Company issued supplementary capital bond 2005-2022 with a total nominal value of EUR 180,000,000.00. The bond pays interest at 4.625% p.a. on its nominal value during the first 12 years of its term (fixed interest rate period), after which the bond pays variable interest. VIG Holding can call the bond in full for the first time after 12 years and on each following coupon date. VIG repurchased EUR 7,543,000.00 of the nominal value in June 2014 and EUR 35,822,500.00 of the nominal value in March 2015.

On 12 January 2005, the Company also issued supplementary capital bond 2005 with a total nominal value of EUR 120,000,000.00. This bond does not have a fixed term. VIG Holding can call the bond in full for the first time after 12 years and on each following coupon date. The bond paid interest at 4.25% p.a. on its nominal value during the first year of its term, after which the bond pays variable interest. Interest was paid at 2.0% p.a. on the bond's nominal value during the period from 12 January 2016 to 11 January 2017.

On 5 December 2016, VIG Holding decided to call the two supplementary capital bonds issued on 12 January 2005 effective 12 January 2017 for early repayment at their redemption amount of 100% of nominal value plus all accrued interest up to (but not including) the repayment date.

On 9 October 2013 the Company issued a subordinated bond with a total nominal value of EUR 500,000,000.00 and a term of 30 years. VIG Holding can call the bond in full for the first time on 9 October 2023 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 5.5% p.a. during the first ten years of its term and variable interest after that. The subordinate bond satisfies the tier 2 requirements of Solvency II. The bonds are traded on the Vienna Stock Exchange.

On 2 March 2015 the Company issued a subordinated bond with a total nominal value of EUR 400,000,000.00 and a term of 31 years. VIG Holding can call the bond in full for the first time on 2 March 2026 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 3.75% p.a. during the first eleven years of its term and variable interest after that. The subordinated bond satisfies the tier 2 requirements of Solvency II. The bond is listed on the Luxembourg Stock Exchange.

16. PROVISION FOR UNEARNED PREMIUMS

Development	31.12.2016	31.12.2015
in EUR '000		
Book value as of 31.12. of the previous year	1,181,269	1,143,490
Exchange rate changes	-22,093	-8,480
Book value as of 1.1.	1,159,176	1,135,010
Additions	869,201	983,382
Amount used/released	-798,000	-943,831
Changes in scope of consolidation	51,787	6,708
Book value as of 31.12.	1,282,164	1,181,269

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	1,144,017	1,033,075
more than one year up to five years	113,726	129,930
more than five years up to ten years	13,619	11,511
more than ten years	10,802	6,753
Total	1,282,164	1,181,269

17. MATHEMATICAL RESERVE

Composition	31.12.2016	31.12.2015
in EUR '000		
Guaranteed policy benefits	19,791,408	19,304,414
Allocated and committed profit shares	808,622	932,810
Deferred mathematical reserve	928,866	831,161
Total	21,528,896	21,068,385

Development	31.12.2016	31.12.2015
in EUR '000		
Book value as of 31.12. of the previous year	21,068,385	20,854,835
Exchange rate changes	-283	47,969
Book value as of 1.1.	21,068,102	20,902,804
Additions	1,821,155	1,755,960
Amount used/released	-1,402,363	-1,645,491
Transfer from provisions for premium refunds	42,198	55,112
Changes in scope of consolidation	-196	0
Book value as of 31.12.	21,528,896	21,068,385

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	1,621,431	1,880,715
more than one year up to five years	5,909,867	5,628,947
more than five years up to ten years	4,491,253	4,427,303
more than ten years	9,506,345	9,131,420
Total	21,528,896	21,068,385

18. PROVISION FOR OUTSTANDING CLAIMS

Development	31.12.2016	31.12.2015
in EUR '000		
Book value as of 31.12. of the previous year	4,603,648	4,493,370
Exchange rate changes	-23,908	3,596
Book value as of 1.1.	4,579,740	4,496,966
Changes in scope of consolidation	60,989	7,401
Allocation of provisions for outstanding claims	3,196,819	3,354,228
for claims paid occurred in the reporting period	2,528,806	2,894,726
for claims paid occurred in previous periods	668,013	459,502
Usage/release of provision	-3,022,485	-3,254,947
for claims paid occurred in the reporting period	-1,457,007	-1,590,660
for claims paid occurred in previous periods	-1,565,478	-1,664,287
Book value as of 31.12.	4,815,063	4,603,648

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	2,318,508	2,093,215
more than one year up to five years	1,527,780	1,499,433
more than five years up to ten years	435,623	495,659
more than ten years	533,152	515,341
Total	4,815,063	4,603,648

EUR 111,563,000 (EUR 78,612,000) in recourse claims was deducted from the provision for outstanding claims.

A detailed presentation of the gross loss reserve for the property and casualty line of business is provided under a heading with this name in the Financial instruments and Risk management section on page 149.

19. PROVISION FOR PREMIUM REFUNDS

Composition	31.12.2016	31.12.2015
in EUR '000		
Profit-related premium refund	297,704	257,113
Profit-unrelated premium refund	63,605	56,060
deferred profit participation recognised through profit and loss*	209,956	165,345
deferred profit participation recognised directly in equity*	983,532	760,174
Total	1,554,797	1,238,692

* The deferred profit participation is solely due to the profit-related premium refund.

Development	31.12.2016	31.12.2015
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	313,173	284,593
Exchange rate changes	314	699
Book value as of 1.1.	313,487	285,292
Addition/release	90,020	82,993
Transfer to mathematical reserve	-42,198	-55,112
Book value as of 31.12.	361,309	313,173
Deferred profit participation		
Book value as of 31.12. of the previous year	925,519	1,045,563
Exchange rate changes	-26	18
Book value as of 1.1.	925,493	1,045,581
Unrealised gains and losses on financial instruments available for sale	253,191	-151,108
Underwriting gains and losses from provisions for employee benefits	-29,833	4,977
Revaluations recognised through profit and loss	44,637	26,069
Book value as of 31.12.	1,193,488	925,519
Provision for premium refunds incl. deferred profit participation	1,554,797	1,238,692

Maturity structure for profit-related premium refunds incl. deferred profit participation	31.12.2016	31.12.2015
in EUR '000		
up to one year	613,746	703,959
more than one year up to five years	586,664	273,934
more than five years up to ten years	170,514	120,442
more than ten years	120,268	84,297
Total	1,491,192	1,182,632

Maturity structure for profit-unrelated premium refunds	31.12.2016	31.12.2015
in EUR '000		
up to one year	59,310	55,400
more than one year up to five years	881	277
more than five years up to ten years	2,024	239
more than ten years	1,390	144
Total	63,605	56,060

20. OTHER UNDERWRITING PROVISIONS

Development	31.12.2016	31.12.2015
in EUR '000		
Book value as of 31.12. of the previous year	53,129	72,527
Exchange rate changes	76	939
Book value as of 1.1.	53,205	73,466
Additions	8,365	25,961
Amount used/released	-22,756	-46,298
Changes in scope of consolidation	337	0
Book value as of 31.12.	39,151	53,129

Other underwriting provisions are primarily provisions for prior losses and cancellations.

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	11,036	18,019
more than one year up to five years	432	66
more than five years up to ten years	103	0
more than ten years	27,580	35,044
Total	39,151	53,129

21. UNDERWRITING PROVISIONS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Composition	31.12.2016	31.12.2015
in EUR '000		
Unit-linked life insurance	5,953,526	5,693,162
Index-linked life insurance	2,176,358	2,083,440
Total	**8,129,884**	**7,776,602**

Development	31.12.2016	31.12.2015
in EUR '000		
Book value as of 31.12. of the previous year	7,776,602	7,392,417
Exchange rate changes	-7,395	78,021
Book value as of 1.1.	7,769,207	7,470,438
Additions	715,751	660,893
Amount used/released	-355,074	-354,729
Book value as of 31.12.	8,129,884	7,776,602

The change in exchange rate effects compared to the previous year was mainly caused by currency fluctuations, which were due to the Swiss franc being unpegged from the euro. This exchange rate effect is neutral with respect to the Group result, since an offsetting change takes place in the underwriting expenses.

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	289,512	195,449
more than one year up to five years	2,020,458	1,572,362
more than five years up to ten years	1,512,817	1,606,726
more than ten years	4,307,097	4,402,065
Total	**8,129,884**	**7,776,602**

22. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Composition	31.12.2016	31.12.2015
in EUR '000		
Provision for pension obligations	409,259	298,988
Provision for severance obligations	109,507	88,209
Total	**518,766**	**387,197**

Pension obligations

Development of DBO	31.12.2016	31.12.2015
in EUR '000		
Present value of obligation (DBO) as of 1.1.	**727,012**	**732,325**
Current service costs	10,655	9,637
Past service costs	16	14
Interest expense	14,632	14,448
Remeasurement	**91,222**	**3,296**
Actuarial gain/loss demographic	-249	21
Actuarial gain/loss financial	89,251	30
Experience adjustment	2,220	3,245
F/X differences	-5	18
Payment on settlement	-323	-5
Benefits paid	-30,669	-32,724
Change scope of cons. prov.	22,979	3
Present value of the obligation (DBO) as of 31.12.	**835,519**	**727,012**
thereof DBO employees	299,880	227,124
thereof DBO retirees	535,639	499,888

Development of plan assets	31.12.2016	31.12.2015
in EUR '000		
Plan assets as of 1.1.	**428,024**	**374,799**
Interest income	8,547	7,816
Remeasurement	**-5,400**	**13,444**
Net return on assets	-5,400	13,444
Contributions	13,397	58,564
Payment on settlement	1,630	-1
Benefits paid	-25,331	-26,598
Change scope of cons. prov.	5,395	0
Plan assets as of 31.12.	**426,260**	**428,024**

Development of provisions	31.12.2016	31.12.2015
in EUR '000		
Book value as of 1.1.	**298,988**	**357,526**
Current service costs	10,655	9,637
Past service costs	16	14
Interest expense	6,085	6,632
Remeasurement	**96,622**	**-10,148**
Net return on assets	5,400	-13,444
Actuarial gain/loss demographic	-249	21
Actuarial gain/loss financial	89,251	30
Experience adjustment	2,220	3,245
F/X differences	-5	18
Contributions	-13,397	-58,564
Payment on settlement	-1,953	-4
Benefits paid	-5,338	-6,126
Change scope of cons. prov.	17,584	3
Book value as of 31.12.	**409,259**	**298,988**

The plan assets consist of the following:

Structure of investments in the mathematical reserve for occupational group insurance	31.12.2016	31.12.2015
in %		
Wiener Städtische and VIG Holding	100.00%	100.00%
Fixed-interest securities	84.76%	86.31%
Loan	5.19%	5.60%
Bank deposits	10.05%	8.09%
Donau Versicherung	100.00%	100.00%
Fixed-interest securities	100.00%	100.00%

The asset allocation of the mathematical reserve for occupational group insurance is structured according to the maturity of the liabilities.

Pension contributions are expected to be EUR 11,429,000 in financial year 2017 (ACTUAL in 2016: EUR 13,149,000 incl. transfers).

Severance obligations

Development of DBO	31.12.2016	31.12.2015
in EUR '000		
Present value of obligation (DBO) as of 1.1.	163,585	162,300
Current service costs	6,909	6,654
Past service costs	-974	-6
Interest expense	3,319	3,130
Remeasurement	1,507	-3,921
Actuarial gain/loss demographic	-184	-149
Actuarial gain/loss financial	4,888	337
Experience adjustment	-3,197	-4,109
F/X differences	-146	-95
Payment on settlement	0	-1
Benefits paid	-5,447	-4,440
Change scope of cons. prov.	16,865	-36
Present value of the obligation (DBO) as of 31.12.	185,618	163,585

Development of plan assets	31.12.2016	31.12.2015
in EUR '000		
Plan assets as of 1.1.	75,376	74,902
Interest income	1,509	1,485
Remeasurement	-171	292
Net return on assets	-171	292
Contributions	1,524	1,151
Payment on settlement	2	-1
Benefits paid	-2,847	-2,453
Change scope of cons. prov.	719	0
Plan assets as of 31.12.	76,111	75,376

Development of provisions	31.12.2016	31.12.2015
in EUR '000		
Book value as of 1.1.	88,209	87,398
Current service costs	6,909	6,654
Past service costs	-974	-6
Interest expense	1,810	1,645
Remeasurement	1,678	-4,213
Net return on assets	171	-292
Actuarial gain/loss demographic	-184	-149
Actuarial gain/loss financial	4,888	337
Experience adjustment	-3,197	-4,109
F/X differences	-146	-95
Contributions	-1,524	-1,151
Payment on settlement	-2	0
Benefits paid	-2,600	-1,987
Change scope of cons. prov.	16,146	-36
Book value as of 31.12.	109,507	88,209

The plan assets consist of the following:

Structure of investment for outsourced severance payments	31.12.2016	31.12.2015
in %		
Wiener Städtische and VIG Holding	100.00%	100.00%
Index-linked life insurance	71.16%	75.33%
Pension funds	28.84%	24.67%

Part of the severance obligations of Wiener Städtische and VIG Holding was outsourced to an insurance company.

The asset allocation for severance outsourcing is structured according to the maturity of the liabilities.

Severance payments are expected to be EUR 1,544,000 in financial year 2017 (ACTUAL in 2016: EUR 1,467,000).

Sensitivity analysis

Pension sensitivity analysis	Variation	DBO	Change
	in %	in EUR '000	in %
Base parameters		835,519	
Interest rate	+0.5	772,924	-7.5
	-0.5	903,159	8.1
Future salary increases	+0.5	845,197	1.2
	-0.5	823,715	-1.4
Future pension increases	+0.5	888,798	6.4
	-0.5	784,006	-6.2
Employee turnover	+2.5	790,270	-5.4
	-2.5	840,395	0.6
Mortality	+5.0	819,503	-1.9
	-5.0	849,897	1.7

Severnace payment sensitivity analysis	Variation	DBO	Change
	in %	in EUR '000	in %
Base parameters		185,618	
Interest rate	+0.5	178,209	-4.0
	-0.5	193,585	4.3
Future salary increases	+0.5	193,390	4.2
	-0.5	178,315	-3.9
Employee turnover	+2.5	173,009	-6.8
	-2.5	192,527	3.7
Mortality	+5.0	185,524	-0.1
	-5.0	185,714	0.1

METHOD FOR PERFORMING SENSITIVITY ANALYSIS

Calculate parameter variations. Mortality is increased or decreased proportionally.

Pension cash flow	Expected payments
year/s	in EUR '000
1	32,863
2	33,790
3	34,855
4	35,531
5	34,126
6–10	171,609
11–15	168,055
16–20	156,638
21–30	252,185
31–40	161,294
41+	107,311

Severance payment cash flow	Expected payments
year/s	in EUR '000
1	19,689
2	10,804
3	12,396
4	12,968
5	14,839
6–10	58,368
11–15	50,613
16–20	28,442
21–30	24,954
31–40	5,909
41+	545

23. OTHER PROVISIONS

Composition	31.12.2016	31.12.2015
in EUR '000		
Provision for anniversary benefits	24,815	21,552
Other personnel provision	8,249	7,428
Provision for customer support and marketing	44,815	43,766
Provision for litigation	21,702	28,684
Provision for reinsurance premium adjustments	87	0
Provision for renewal commissions	678	1,339
Other provisions	196,136	173,430
Provision for construction activities by non-profit societies	13,771	0
Provision for IT expenses	39,911	15,043
Provision for advertising and sponsorship	4,788	2,320
Provision for guaranteed interest for pension funds	15,856	14,277
Risk provision in connection with Donau Versicherung's Italian business	23,900	25,500
Onerous contracts	20,000	48,000
Miscellaneous other provisions	77,910	68,290
Total	296,482	276,199

Development	Book value as of 1.1.	Changes in scope of consolidation	Exchange rate changes	Amount used	Release	Additions	Book value as of 31.12.
in EUR '000							
Provision for anniversary benefits	21,552	2,498	-22	-1,014	-1,953	3,754	24,815
Other personnel provision	7,428	1,653	1	-4,748	-983	4,898	8,249
Provision for customer support and marketing	43,766	0	-12	-4,490	-6,271	11,822	44,815
Provision for litigation	28,684	553	-520	-5,330	-7,530	5,845	21,702
Provision for reinsurance premium adjustments	0	0	5	0	0	82	87
Provision for renewal commissions	1,339	0	-37	-701	-449	526	678
Other provisions	173,430	7,326	1	-30,834	-69,458	115,671	196,136
Total	276,199	12,030	-584	-47,117	-86,644	142,598	296,482

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	197,012	171,363
more than one year up to five years	46,543	47,766
more than five years up to ten years	14,654	22,063
more than ten years	38,273	35,007
Total	296,482	276,199

Other provisions with a maturity of more than ten years mainly consist of EUR 20,291,000 in provisions for anniversary benefits (EUR 19,828,000) and a non-discountable provision of EUR 15,856,000 for pension fund guaranteed interest (EUR 14,277,000).

24. LIABILITIES

Composition	31.12.2016	31.12.2015 adjusted
in EUR '000		
Underwriting	852,885	933,128
Liabilities from direct business	653,676	722,832
to policyholders	442,872	523,949
to insurance intermediaries	175,597	160,306
to insurance companies	35,207	38,577
Liabilities from reinsurance business	144,063	134,462
Deposits from ceded reinsurance business	55,146	75,834
Non-underwriting	3,349,700	701,189
Liabilities to financial institutions	1,304,901	283,774
Other liabilities	2,044,799	417,415
Total	4,202,585	1,634,317

Composition of other liabilities	31.12.2016	31.12.2015 adjusted
in EUR '000		
Tax liabilities (excl. income taxes)	69,622	82,712
Liabilities for social security	14,942	13,839
Liabilities to facility managers	10,474	6,562
Liabilities to employees	23,990	18,311
Bond liabilities	55,787	1,769
Liability for unused vacation entitlements	24,792	22,330
Liability for variable salary components	38,518	35,390
Liability for legal and consulting fees	4,856	8,659
Liability for unpaid incoming invoices	79,465	69,899
Liabilities for derivatives	9,809	14,399
Leasing liabilities	61	59
Liabilities from sureties	20,036	4,732
Liabilities from fees	16,807	16,762
Liabilities from construction projects	20,964	953
Financial liabilities	1,470,177	44,809
Liabilities from public funding	91,049	118
Liabilities from property transactions	5,665	55
Liabilities from purchase of capital investments	1,867	5,914
Other liabilities	85,918	70,143
thereof liabilities from intercompany charges for services	34,475	33,594
thereof interest and dividend liabilities	34,240	19,294
Total	2,044,799	417,415

Most of the bond liabilities are due to the non-profit societies. Around half of these liabilities are guaranteed by Group third parties.

Maturity structure	31.12.2016			31.12.2015 adjusted
	Underwriting	Non-underwriting	Total	Total
in EUR '000				
up to one year	806,794	391,563	1,198,357	1,157,458
more than one year up to five years	29,633	603,542	633,175	318,911
more than five years up to ten years	11,044	615,030	626,074	114,871
more than ten years	5,414	1,739,565	1,744,979	43,077
Total	852,885	3,349,700	4,202,585	1,634,317

Composition	Fair Value	
Liabilities for derivatives	31.12.2016	31.12.2015
in EUR '000		
Options	0	7,097
Swaps	8,906	6,613
Futures	139	579
Other structured products	764	110
Total	9,809	14,399

The analysis of expected cash flows for derivative liabilities does not show any threat to VIG's liquidity, as the expected cash flows can be covered by the liquidity from business operations.

Risk type	Fair value	
Liabilities for derivatives	31.12.2016	31.12.2015
in EUR '000		
Interest risk	5,868	5,440
traded on stock exchange	0	1,767
over the counter	5,868	3,673
Currency risk	3,941	1,876
over the counter	3,941	1,876
Share and index risk	0	7,083
over the counter	0	7,083
Total	9,809	14,399

25. TAX LIABILITIES OUT OF INCOME TAX

Composition	31.12.2016	31.12.2015
in EUR '000		
Austria	164,337	104,272
Czech Republic	9,262	7,099
Slovakia	98	1,982
Poland	77	576
Baltic states	56	150
Hungary	213	0
Bulgaria	214	109
Turkey/Georgia	572	0
Remaining CEE	1,155	2,541
Other Markets	1	455
Central Functions	5,315	4,617
Total	181,300	121,801

Maturity structure	31.12.2016	31.12.2015
in EUR '000		
up to one year	15,669	16,325
more than one year up to five years	165,631	105,476
Total	181,300	121,801

26. OTHER LIABILITIES

Composition	31.12.2016	31.12.2015
in EUR '000		
Deferred income	138,216	164,627
Other liabilities	19,388	8,847
Total	157,604	173,474

27. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation
The Group is involved in a number of legal actions arising from the normal course of business. Taking into account the provisions formed for these legal actions, management is of the opinion that they will not have a significant effect on the business or consolidated financial position.

Litigation relating to coverage
In their capacity as insurance companies, the VIG companies are involved in a number of court proceedings as defendants or have been threatened with litigation. In addition, there are proceedings, in which the Group companies are not involved as parties, but may be affected by the outcome of such lawsuits due to agreements with other insurers concerning participation in claims. In the opinion of the Group, adequate provisions proportionate to the amount in dispute have been established for all claims in accordance with the law.

Off-balance sheet claims
The following table shows off-balance sheet claims as of 31 December 2016 and 2015.

Composition	31.12.2016	31.12.2015
in EUR '000		
Contingent receivables	16,800	10,717

The off-balance sheet claims for the individual financial years were primarily related to guarantees from agencies and guarantee retentions.

Off-balance sheet commitments
The following table shows the off-balance sheet commitments as of 31 December 2016 and 2015.

Composition	31.12.2016	31.12.2015
in EUR '000		
Liabilities and assumed liabilities	30,185	20,245
Letters of comfort	460	0
Guarantee bond	1,062	14,868

The off-balance sheet commitments for the individual financial years were primarily related to loans of participations and unresolved court cases due to personal injury and liabilities for social housing.

No off-balance sheet financing structures via special purpose vehicles (SPVs) or other similar corporate structures exist.

NOTES TO THE INCOME STATEMENT

28. PREMIUMS WRITTEN

Premiums written	2016						
Gross	Motor own damage insurance	Motor third party liability insurance	Other property and casualty insurance	Life insurance – regular premium	Life insurance – single-premium	Health insurance	Total
in EUR '000							
Austria	266,492	316,024	1,261,097	1,246,449	456,372	394,888	3,941,322
Czech Republic	213,399	266,131	405,218	533,992	96,971	13,374	1,529,085
Slovakia	99,481	136,471	109,785	163,180	214,974	8,449	732,340
Poland	122,298	147,571	185,483	204,173	147,047	12,603	819,175
Romania	113,200	231,881	105,359	42,482	37,523	2,951	533,396
Baltic states	15,499	31,665	15,660	42,658	19,487	15,223	140,192
Hungary	15,471	14,032	48,621	81,844	59,426	4,832	224,226
Bulgaria	40,236	18,166	39,860	21,329	8,078	9,010	136,679
Turkey/Georgia	33,154	54,364	99,386	0	0	21,794	208,698
Remaining CEE	39,606	83,347	91,848	62,637	45,830	8,124	331,392
Other Markets	0	0	108,705	74,786	169,464	0	352,955
Central Functions	0	0	1,281,106	19,021	0	24,708	1,324,835
Consolidation	0	0	0	0	0	0	-1,223,327
Total	958,836	1,299,652	3,752,128	2,492,551	1,255,172	515,956	9,050,968

Premiums written	2015						
Gross	Motor own damage insurance	Motor third party liability insurance	Other property and casualty insurance	Life insurance – regular premium	Life insurance – single-premium	Health insurance	Total
in EUR '000							
Austria	256,565	320,939	1,252,928	1,248,366	595,544	381,190	4,055,532
Czech Republic	190,330	256,830	377,400	507,562	209,111	13,590	1,554,823
Slovakia	90,104	131,111	109,090	160,158	219,383	6,649	716,495
Poland	125,304	150,817	186,807	210,914	153,457	11,565	838,864
Romania	96,928	160,331	87,893	42,307	38,299	2,877	428,635
Baltic states	0	0	0	36,954	14,664	7,687	59,305
Hungary	14,865	10,700	45,975	77,360	51,800	3,562	204,262
Bulgaria	35,691	24,081	37,239	20,748	6,705	6,613	131,077
Turkey/Georgia	36,463	34,788	90,309	0	0	20,779	182,339
Remaining CEE	39,642	82,968	83,414	64,467	28,829	7,867	307,187
Other Markets	0	0	100,621	72,878	236,538	0	410,037
Central Functions	0	0	1,207,876	19,428	0	21,602	1,248,906
Consolidation	0	0	0	0	0	0	-1,117,703
Total	885,892	1,172,565	3,579,552	2,461,142	1,554,330	483,981	9,019,759

29. FINANCIAL RESULT

Composition	2016						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Current income	808,895	102,412	43,938	30,824	14,138	5,161	8,589
Income from appreciation	44,828	2,869	1,691	3,128	1,269	738	0
of which a reduction in impairment	40,372	0	0	0	1,121	0	0
Gains from disposal of investments	60,279	16,836	10,775	9,939	4,510	1,350	384
Total income	914,002	122,117	56,404	43,891	19,917	7,249	8,973
Depreciation of investment	73,706	8,361	2,249	2,336	2,113	1,910	478
of which impairment of investments	28,756	1,070	0	342	859	905	478
F/X differences	-57	-1,221	-4	-964	-319	25	-165
Losses from disposal of investments	12,582	18,675	278	1,232	106	215	331
Interest expenses	37,940	3,650	271	3,138	2,358	242	701
Personnel provisions	6,842	0	0	0	0	0	0
Interest expenses for liabilities to financial institutions	52	0	0	0	0	0	0
Interest expenses from financing liabilities	2,621	0	0	0	0	0	0
Interest expenses for subordinate liabilities	20,276	1,028	0	628	1,076	185	530
Other interest expenses	8,149	2,622	271	2,510	1,282	57	171
Other expenses	69,812	9,552	789	3,730	2,037	391	746
Managed portfolio fees	4,776	2,829	79	1,100	735	22	142
Expenses for asset management	57,192	3,851	708	2,630	1,256	369	604
Other expenses	7,844	2,872	2	0	46	0	0
Total expenses	193,983	39,017	3,583	9,472	6,295	2,783	2,091

Composition	2016						
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Current income	23,571	9,208	37,025	20,056	192,596	-59,402	1,237,011
Income from appreciation	1,326	1,745	211	1,356	209	0	59,370
of which a reduction in impairment	0	0	54	1,353	0	0	42,900
Gains from disposal of investments	2,211	737	6,170	755	5,761	0	119,707
Total income	27,108	11,690	43,406	22,167	198,566	-59,402	1,416,088
Depreciation of investment	2,318	1,998	3,541	1,189	50,308	0	150,507
of which impairment of investments	761	313	2,283	343	5,600	0	41,710
F/X differences	85	-281	-888	0	8,154	0	4,365
Losses from disposal of investments	1,003	610	168	132	2,326	0	37,658
Interest expenses	298	955	1,964	208	106,361	-58,930	99,156
Personnel provisions	0	0	0	0	787	0	7,629
Interest expenses for liabilities to financial institutions	0	0	2	0	8,971	0	9,025
Interest expenses from financing liabilities	74	174	79	0	30,842	-26,071	7,719
Interest expenses for subordinate liabilities	0	0	158	0	54,800	-17,296	61,385
Other interest expenses	224	781	1,725	208	10,961	-15,563	13,398
Other expenses	12,244	1,447	1,975	766	108,725	0	212,214
Managed portfolio fees	165	17	372	0	601	0	10,838
Expenses for asset management	11,416	350	1,329	689	106,354	0	186,748
Other expenses	663	1,080	274	77	1,770	0	14,628
Total expenses	15,948	4,729	6,760	2,295	275,874	-58,930	503,900

The income from the reduction of impairments is primarily due to the HETA bonds that were impaired in 2014. Further information is available in Note 6. Other securities on page 183.

Composition	2015						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Current income	832,249	109,521	44,453	37,296	12,346	3,519	9,915
Income from appreciation	6,079	4,193	1,455	1,839	208	954	0
of which a reduction in impairment	3,685	0	0	0	0	0	0
Gains from disposal of investments	172,835	33,274	9,345	21,835	5,543	103	344
Total income	1,011,163	146,988	55,253	60,970	18,097	4,576	10,259
Depreciation of investment	64,737	11,816	1,936	5,040	2,566	1,453	587
of which impairment of investments	21,377	4,014	0	0	116	430	587
F/X differences	-1,115	-4,010	-71	-596	-522	-14	-53
Losses from disposal of investments	20,575	31,481	238	1,556	127	2	184
Interest expenses	40,784	3,438	564	4,336	2,717	111	734
Personnel provisions	7,701	0	0	0	0	0	0
Interest expenses for liabilities to financial institutions	0	370	0	0	0	0	0
Interest expenses from financing liabilities	2,044	0	0	0	0	0	0
Interest expenses for subordinate liabilities	20,495	1,018	0	465	1,074	110	519
Other interest expenses	10,544	2,050	564	3,871	1,643	1	215
Other expenses	66,506	9,470	663	4,573	2,378	308	806
Managed portfolio fees	4,188	2,851	69	1,278	672	23	166
Expenses for asset management	50,797	3,354	593	3,295	1,545	285	640
Other expenses	11,521	3,265	1	0	161	0	0
Total expenses	191,487	52,195	3,330	14,909	7,266	1,860	2,258

Composition	2015						
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Current income	21,912	7,782	36,905	19,978	98,440	-62,392	1,171,924
Income from appreciation	1,378	2,550	167	2,243	0	0	21,066
of which a reduction in impairment	0	0	64	2,240	0	0	5,989
Gains from disposal of investments	2,341	326	5,047	768	8,156		259,917
Total income	25,631	10,658	42,119	22,989	106,596	-62,392	1,452,907
Depreciation of investment	4,559	3,220	3,924	2,960	33,055	0	135,853
of which impairment of investments	2,563	1	2,280	2,681	21,950	0	55,999
F/X differences	-235	-586	-2,842	0	-2,548	0	-12,592
Losses from disposal of investments	758	352	170	37	4,434	0	59,914
Interest expenses	129	786	2,388	321	88,421	-62,114	82,615
Personnel provisions	0	0	0	0	756	0	8,457
Interest expenses for liabilities to financial institutions	0	0	29	0	54	0	453
Interest expenses from financing liabilities	0	301	379	0	27,112	-26,917	2,919
Interest expenses for subordinate liabilities	0	0	158	0	52,505	-16,742	59,602
Other interest expenses	129	485	1,822	321	7,994	-18,455	11,184
Other expenses	10,507	1,979	1,984	806	87,150	0	187,130
Managed portfolio fees	297	10	351	0	167	0	10,072
Expenses for asset management	10,208	248	1,170	715	82,889	0	155,739
Other expenses	2	1,721	463	91	4,094	0	21,319
Total expenses	15,718	5,751	5,624	4,124	210,512	-62,114	452,920

Please see Note 2. Land and buildings on page 169 for information on operating expenses for investment property.

Composition	2016			
Income	Current income	Income from appreciations	Gains from disposal of investments	Total
in EUR '000				
Land and buildings	**202,107**	**1,121**	**3,272**	**206,500**
Self-used land and buildings	19,832	1,121	225	21,178
Third-party used land and buildings	182,275	0	3,047	185,322
Loans	**115,533**	**20,387**	**8,678**	**144,598**
Loans	45,919	19,854	1,390	67,163
Reclassified loans	19,848	533	1,332	21,713
Bonds classified as loans	49,766	0	5,956	55,722
Financial instruments held to maturity	**81,752**	**286**	**22**	**82,060**
Government bonds	70,579	0	3	70,582
Covered bonds	8,128	0	0	8,128
Corporate bonds	2,324	0	0	2,324
Bonds from banks	720	286	19	1,025
Subordinated bonds	1	0	0	1
Financial instruments reclassified as held to maturity	**34,365**	**0**	**0**	**34,365**
Government bonds	32,318	0	0	32,318
Covered bonds	1,402	0	0	1,402
Bonds from banks	645	0	0	645
Financial instruments available for sale	**654,663**	**20,820**	**91,024**	**766,507**
Bonds	575,678	20,820	62,217	658,715
Government bonds	277,652	0	36,617	314,269
Covered bonds	45,786	0	1,680	47,466
Corporate bonds	110,674	648	6,098	117,420
Bonds from banks	102,209	20,000	11,263	133,472
Subordinated bonds	39,357	172	6,559	46,088
Shares and other participations	28,741	0	10,073	38,814
Investment funds	50,244	0	18,734	68,978
Financial instruments held for trading	**2,144**	**5,898**	**15,582**	**23,624**
Bonds	1,484	1,688	512	3,684
Government bonds	1,396	1,576	440	3,412
Bonds from banks	22	50	10	82
Subordinated bonds	66	62	62	190
Shares and other non-fixed-interest securities	608	2,789	710	4,107
Investment funds	52	1,339	326	1,717
Derivatives	0	82	14,034	14,116
Financial instruments recognised at fair value through profit and loss	**3,260**	**10,858**	**922**	**15,040**
Bonds	3,221	6,077	191	9,489
Government bonds	1,062	1,818	161	3,041
Corporate bonds	132	30	25	187
Bonds from banks	1,802	3,623	5	5,430
Subordinated bonds	225	606	0	831
Shares and other non-fixed-interest securities	4	3,223	297	3,524
Investment funds	35	1,558	434	2,027
Other investments	108,539	0	207	108,746
Unit-linked and index-linked life insurance	34,648	0	0	34,648
Total	**1,237,011**	**59,370**	**119,707**	**1,416,088**
thereof participations	6,093		286	6,379

Composition	2016			
Expenses	Depreciation of investments	Currency changes	Losses from disposal of investments	Total
in EUR '000				
Land and buildings	**107,664**	**0**	**809**	**108,473**
Self-used land and buildings	18,263	0	49	18,312
Third-party used land and buildings	89,401	0	760	90,161
Loans	**554**	**-132**	**5,419**	**5,841**
Loans	554	-132	0	422
Reclassified loans	0	0	170	170
Bonds classified as loans	0	0	5,249	5,249
Financial instruments held to maturity	**177**	**39**	**0**	**216**
Government bonds	3	55	0	58
Corporate bonds	174	-17	0	157
Subordinated bonds	0	1	0	1
Financial instruments reclassified as held to maturity	**0**	**546**	**0**	**546**
Government bonds	0	546	0	546
Financial instruments available for sale	**24,151**	**-5,837**	**19,383**	**37,697**
Bonds	390	-2,291	1,356	-545
Government bonds	0	-1,924	929	-995
Covered bonds	0	-52	16	-36
Corporate bonds	390	-354	379	415
Bonds from banks	0	16	32	48
Subordinated bonds	0	23	0	23
Shares and other participations	11,575	-65	154	11,664
Investment funds	12,186	-3,481	17,873	26,578
Financial instruments held for trading	**11,303**	**2,789**	**10,022**	**24,114**
Bonds	1,648	-113	661	2,196
Government bonds	1,639	-41	615	2,213
Bonds from banks	9	-72	10	-53
Subordinated bonds	0	0	36	36
Shares and other non-fixed-interest securities	1,300	0	1,135	2,435
Investment funds	792	-434	90	448
Derivatives	7,563	3,336	8,136	19,035
Financial instruments recognised at fair value through profit and loss	**6,625**	**46**	**1,662**	**8,333**
Bonds	5,320	43	989	6,352
Government bonds	1,204	0	42	1,246
Corporate bonds	320	0	30	350
Bonds from banks	3,399	43	917	4,359
Subordinated bonds	397	0	0	397
Investment funds	1,305	3	673	1,981
Other investments	33	6,914	363	7,310
Total	**150,507**	**4,365**	**37,658**	**192,530**
thereof impairments	41,710			41,710
thereof participations	9,293			9,293

Interest expenses and other expenses result from items on the liabilities side of the balance sheet or from business operations and therefore cannot be directly allocated to an investment class.

Composition Income	2015			
	Current income	Income from appreciations	Gains from disposal of investments	Total
in EUR '000				
Land and buildings	103,123	3,744	3,712	110,579
Self-used land and buildings	19,708	1,934	2,405	24,047
Third-party used land and buildings	83,415	1,810	1,307	86,532
Loans	126,771	5	12,676	139,452
Loans	49,999	5	0	50,004
Reclassified loans	24,102	0	1,760	25,862
Bonds classified as loans	52,670	0	10,916	63,586
Financial instruments held to maturity	83,769	0	85	83,854
Government bonds	72,967	0	84	73,051
Covered bonds	7,721	0	0	7,721
Corporate bonds	2,323	0	0	2,323
Bonds from banks	753	0	0	753
Subordinated bonds	5	0	1	6
Financial instruments reclassified as held to maturity	38,667	0	0	38,667
Government bonds	35,139	0	0	35,139
Covered bonds	2,886	0	0	2,886
Bonds from banks	642	0	0	642
Financial instruments available for sale	655,712	2,240	216,443	874,395
Bonds	583,415	2,240	95,140	680,795
Government bonds	279,733	0	51,945	331,678
Covered bonds	49,484	0	6,429	55,913
Corporate bonds	102,740	0	3,872	106,612
Bonds from banks	110,664	0	32,426	143,090
Subordinated bonds	40,794	2,240	468	43,502
Shares and other participations	21,526	0	85,380	106,906
Investment funds	50,771	0	35,923	86,694
Financial instruments held for trading	2,781	6,750	19,897	29,428
Bonds	2,056	2,551	781	5,388
Government bonds	1,760	2,457	385	4,602
Bonds from banks	160	3	248	411
Subordinated bonds	136	91	148	375
Shares and other non-fixed-interest securities	712	1,829	727	3,268
Investment funds	13	1,208	354	1,575
Derivatives	0	1,162	18,035	19,197
Financial instruments recognised at fair value through profit and loss	3,920	8,327	7,082	19,329
Bonds	3,279	6,041	194	9,514
Government bonds	1,177	1,351	25	2,553
Covered bonds	30	0	77	107
Corporate bonds	45	43	11	99
Bonds from banks	1,730	3,983	81	5,794
Subordinated bonds	297	664	0	961
Shares and other non-fixed-interest securities	5	889	6,380	7,274
Investment funds	606	1,397	508	2,511
Others	30	0	0	30
Other investments	115,552	0	22	115,574
Unit-linked and index-linked life insurance	41,629	0	0	41,629
Total	1,171,924	21,066	259,917	1,452,907
thereof participations	4,886		55,866	60,752

Composition Expenses	2015 Depreciation of investments	Currency changes	Losses from disposal of investments	Total
in EUR '000				
Land and buildings	84,513	0	64	84,577
Self-used land and buildings	22,649	0	2	22,651
Third-party used land and buildings	61,864	0	62	61,926
Loans	11,631	-294	850	12,187
Loans	11,098	-294	0	10,804
Reclassified loans	533	0	258	791
Bonds classified as loans	0	0	592	592
Financial instruments held to maturity	571	-482	27	116
Government bonds	0	-474	27	-447
Covered bonds	249	-9	0	240
Bonds from banks	322	0	0	322
Subordinated bonds	0	1	0	1
Financial instruments reclassified as held to maturity	0	185	0	185
Government bonds	0	185	0	185
Financial instruments available for sale	18,445	-7,862	22,741	33,324
Bonds	2,250	-2,418	3,686	3,518
Government bonds	0	-2,256	2,537	281
Covered bonds	0	42	132	174
Corporate bonds	1,152	-315	720	1,557
Bonds from banks	963	13	292	1,268
Subordinated bonds	135	98	5	238
Shares and other participations	10,479	-14	3,728	14,193
Investment funds	5,716	-5,430	15,327	15,613
Financial instruments held for trading	10,736	2,502	33,126	46,364
Bonds	3,264	-152	378	3,490
Government bonds	3,234	-16	365	3,583
Bonds from banks	30	-136	13	-93
Shares and other non-fixed-interest securities	4,366	0	1,287	5,653
Investment funds	1,298	15	95	1,408
Derivatives	1,808	2,639	31,366	35,813
Financial instruments recognised at fair value through profit and loss	9,236	-1,133	3,021	11,124
Bonds	7,639	-1,164	1,002	7,477
Government bonds	4,019	0	1	4,020
Covered bonds	89	-8	0	81
Corporate bonds	51	0	0	51
Bonds from banks	3,292	-1,156	1,001	3,137
Subordinated bonds	188	0	0	188
Shares and other non-fixed-interest securities	5	0	690	695
Investment funds	1,592	31	1,300	2,923
Other securities	0	0	29	29
Other investments	721	-5,508	85	-4,702
Total	135,853	-12,592	59,914	183,175
thereof impairments	55,999			55,999
thereof participations	7,007		694	7,701

Interest expenses and other expenses result from items on the liabilities side of the balance sheet or from business operations and therefore cannot be directly allocated to an investment class.

30. RESULT FROM AT EQUITY CONSOLIDATED COMPANIES

Composition	2016	2015 adjusted
in EUR '000		
Income	46,621	40,485
Current result	43,951	40,485
Gains from disposal of investments	2,670	0
Expenses	0	-276
Losses from disposal of investments	0	-276
Total	46,621	40,209

31. OTHER INCOME

Composition	2016			2015		
Other income	Underwriting	Non-underwriting	Total	Underwriting	Non-underwriting	Total
in EUR '000						
Austria	11,226	7,286	18,512	12,770	6,853	19,623
Czech Republic	38,626	2,662	41,288	41,626	1,786	43,412
Slovakia	17,974	580	18,554	15,985	17,018	33,003
Poland	4,332	13,723	18,055	3,854	10,005	13,859
Romania	8,331	610	8,941	8,286	2,694	10,980
Baltic states	158	647	805	1,032	273	1,305
Hungary	648	2,960	3,608	284	1,406	1,690
Bulgaria	924	48	972	835	185	1,020
Turkey/Georgia	1,700	4,600	6,300	1,652	4,409	6,061
Remaining CEE	4,342	742	5,084	5,987	3,622	9,609
Other Markets	3,106	351	3,457	3,550	80	3,630
Central Functions	126	25,627	25,753	6	6,957	6,963
Consolidation	-880	0	-880	-948	0	-948
Total	90,613	59,836	150,449	94,919	55,288	150,207

Details of other income	2016	2015
in EUR '000		
Other income	150,449	150,207
thereof compensation for services performed	12,605	10,817
thereof release of other provisions	27,082	29,372
thereof all kinds of fees	15,479	5,982
thereof exchange rate gains	24,551	22,556
thereof reversal of allowances for receivables and receipt of payment for written-off receivables	25,579	39,522
thereof commission income	6,327	6,886
thereof interest not from investments	2,671	2,255

32. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Composition	2016						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Gross							
Expenses for claims and insurance benefits	3,275,866	967,665	558,933	514,832	329,885	72,715	134,737
Payments for claims and insurance benefits	3,285,802	965,516	530,563	520,350	258,963	65,851	131,081
Changes in provision for outstanding claims	-9,936	2,149	28,370	-5,518	70,922	6,864	3,656
Change in mathematical reserve	145,638	-75,595	17,464	114,958	13,807	32,849	15,287
Change in other underwriting provisions	0	-7,463	0	29	0	0	-2,628
Expenses for profit-related and profit-unrelated premium refunds	152,364	26,247	2,147	650	-109	-16	2,387
Total expenses	3,573,868	910,854	578,544	630,469	343,583	105,548	149,783
Reinsurers' share							
Expenses for claims and insurance benefits	-379,669	-173,515	-85,859	-87,849	-97,188	-20,392	-18,030
Payments for claims and insurance benefits	-433,957	-177,183	-68,138	-87,821	-72,613	-14,943	-19,170
Changes in provision for outstanding claims	54,288	3,668	-17,721	-28	-24,575	-5,449	1,140
Change in mathematical reserve	850	7	0	27	0	0	0
Change in other underwriting provisions	0	0	0	0	0	0	592
Expenses for profit-unrelated premium refunds	-4,119	1,078	-867	0	0	0	6
Total expenses	-382,938	-172,430	-86,726	-87,822	-97,188	-20,392	-17,432
Retention							
Expenses for claims and insurance benefits	2,896,197	794,150	473,074	426,983	232,697	52,323	116,707
Payments for claims and insurance benefits	2,851,845	788,333	462,425	432,529	186,350	50,908	111,911
Changes in provision for outstanding claims	44,352	5,817	10,649	-5,546	46,347	1,415	4,796
Change in mathematical reserve	146,488	-75,588	17,464	114,985	13,807	32,849	15,287
Change in other underwriting provisions	0	-7,463	0	29	0	0	-2,036
Expenses for profit-related and profit-unrelated premium refunds	148,245	27,325	1,280	650	-109	-16	2,393
Total expenses	3,190,930	738,424	491,818	542,647	246,395	85,156	132,351

Composition	2016						
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Gross							
Expenses for claims and insurance benefits	65,249	127,436	159,751	243,291	841,693	-729,007	6,563,046
Payments for claims and insurance benefits	65,569	104,856	160,511	231,594	778,446	-693,288	6,405,814
Changes in provision for outstanding claims	-320	22,580	-760	11,697	63,247	-35,719	157,232
Change in mathematical reserve	7,090	0	47,541	26,425	726	-1,557	344,633
Change in other underwriting provisions	0	308	510	71	0	0	-9,173
Expenses for profit-related and profit-unrelated premium refunds	136	0	-452	3,207	10	0	186,571
Total expenses	72,475	127,744	207,350	272,994	842,429	-730,564	7,085,077
Reinsurers' share							
Expenses for claims and insurance benefits	-13,206	-50,630	-44,361	-18,025	-73,696	732,938	-329,482
Payments for claims and insurance benefits	-13,712	-38,187	-49,149	-13,861	-88,228	694,571	-382,391
Changes in provision for outstanding claims	506	-12,443	4,788	-4,164	14,532	38,367	52,909
Change in mathematical reserve	-3	0	-1,189	89	5	1,562	1,348
Change in other underwriting provisions	0	-167	0	-17	0	0	408
Expenses for profit-unrelated premium refunds	0	0	0	0	0	0	-3,902
Total expenses	-13,209	-50,797	-45,550	-17,953	-73,691	734,500	-331,628
Retention							
Expenses for claims and insurance benefits	52,043	76,806	115,390	225,266	767,997	3,931	6,233,564
Payments for claims and insurance benefits	51,857	66,669	111,362	217,733	690,218	1,283	6,023,423
Changes in provision for outstanding claims	186	10,137	4,028	7,533	77,779	2,648	210,141
Change in mathematical reserve	7,087	0	46,352	26,514	731	5	345,981
Change in other underwriting provisions	0	141	510	54	0	0	-8,765
Expenses for profit-related and profit-unrelated premium refunds	136	0	-452	3,207	10	0	182,669
Total expenses	59,266	76,947	161,800	255,041	768,738	3,936	6,753,449

Composition	2015						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Gross							
Expenses for claims and insurance benefits	3,515,173	953,878	516,265	565,019	248,529	23,692	104,586
Payments for claims and insurance benefits	3,419,649	956,071	537,411	603,543	217,283	22,301	106,764
Changes in provision for outstanding claims	95,524	-2,193	-21,146	-38,524	31,246	1,391	-2,178
Change in mathematical reserve	160,427	7,489	18,784	21,121	23,520	25,653	22,411
Change in other underwriting provisions	0	-6,697	0	269	-309	0	2,229
Expenses for profit-related and profit-unrelated premium refunds	123,831	23,468	257	182	-412	-7	1,711
Total expenses	3,799,431	978,138	535,306	586,591	271,328	49,338	130,937
Reinsurers' share							
Expenses for claims and insurance benefits	-440,669	-160,662	-65,808	-85,244	-95,087	-574	-12,038
Payments for claims and insurance benefits	-411,681	-166,484	-76,635	-101,058	-81,324	-547	-11,776
Changes in provision for outstanding claims	-28,988	5,822	10,827	15,814	-13,763	-27	-262
Change in mathematical reserve	4,780	-2	0	-3	0	0	0
Change in other underwriting provisions	77	0	0	0	0	0	-2
Expenses for profit-unrelated premium refunds	-1,671	-337	469	0	0	0	81
Total expenses	-437,483	-161,001	-65,339	-85,247	-95,087	-574	-11,959
Retention							
Expenses for claims and insurance benefits	3,074,504	793,216	450,457	479,775	153,442	23,118	92,548
Payments for claims and insurance benefits	3,007,968	789,587	460,776	502,485	135,959	21,754	94,988
Changes in provision for outstanding claims	66,536	3,629	-10,319	-22,710	17,483	1,364	-2,440
Change in mathematical reserve	165,207	7,487	18,784	21,118	23,520	25,653	22,411
Change in other underwriting provisions	77	-6,697	0	269	-309	0	2,227
Expenses for profit-related and profit-unrelated premium refunds	122,160	23,131	726	182	-412	-7	1,792
Total expenses	3,361,948	817,137	469,967	501,344	176,241	48,764	118,978

Composition				2015			
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Gross							
Expenses for claims and insurance benefits	68,788	115,864	141,557	158,605	830,051	-714,196	6,527,811
Payments for claims and insurance benefits	75,906	122,179	147,451	144,461	693,106	-643,399	6,402,726
Changes in provision for outstanding claims	-7,118	-6,315	-5,894	14,144	136,945	-70,797	125,085
Change in mathematical reserve	5,425	0	37,317	108,523	429	-728	430,371
Change in other underwriting provisions	3	-65	116	-32	0	0	-4,486
Expenses for profit-related and profit-unrelated premium refunds	42	0	-319	5,122	0	0	153,875
Total expenses	74,258	115,799	178,671	272,218	830,480	-714,924	7,107,571
Reinsurers' share							
Expenses for claims and insurance benefits	-16,359	-43,983	-32,485	-17,999	-106,670	715,267	-362,311
Payments for claims and insurance benefits	-21,445	-55,744	-42,930	-11,216	-58,133	641,944	-397,029
Changes in provision for outstanding claims	5,086	11,761	10,445	-6,783	-48,537	73,323	34,718
Change in mathematical reserve	-8	0	-646	51	76	730	4,978
Change in other underwriting provisions	0	12	0	7	0	0	94
Expenses for profit-unrelated premium refunds	0	0	0	0	0	0	-1,458
Total expenses	-16,367	-43,971	-33,131	-17,941	-106,594	715,997	-358,697
Retention							
Expenses for claims and insurance benefits	52,429	71,881	109,072	140,606	723,381	1,071	6,165,500
Payments for claims and insurance benefits	54,461	66,435	104,521	133,245	634,973	-1,455	6,005,697
Changes in provision for outstanding claims	-2,032	5,446	4,551	7,361	88,408	2,526	159,803
Change in mathematical reserve	5,417	0	36,671	108,574	505	2	435,349
Change in other underwriting provisions	3	-53	116	-25	0	0	-4,392
Expenses for profit-related and profit-unrelated premium refunds	42	0	-319	5,122	0	0	152,417
Total expenses	57,891	71,828	145,540	254,277	723,886	1,073	6,748,874

33. ACQUISITION AND ADMINISTRATIVE EXPENSES

Composition				2016			
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Acquisition expenses	620,376	399,154	111,147	150,183	109,127	29,250	34,868
Commission expenses	367,394	276,996	83,255	125,922	81,635	25,182	26,856
Pro rata personnel expenses	136,585	70,400	13,782	14,863	16,913	2,284	3,798
Pro rata material expenses	116,397	51,758	14,110	9,398	10,579	1,784	4,214
Administrative expenses	150,306	60,497	25,348	43,507	13,720	10,088	16,626
Pro rata personnel expenses	67,464	27,991	10,530	20,186	7,268	6,391	6,462
Pro rata material expenses	82,842	32,506	14,818	23,321	6,452	3,697	10,164
Received reinsurance commissions	-151,674	-108,875	-36,085	-35,237	-32,262	-4,176	-13,227
Total	619,008	350,776	100,410	158,453	90,585	35,162	38,267

Composition	2016						
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Acquisition expenses	33,253	35,172	81,264	34,997	363,599	-337,113	1,665,277
Commission expenses	25,663	25,842	49,696	30,148	360,686	-337,113	1,142,162
Pro rata personnel expenses	4,501	6,010	18,701	2,514	1,259	0	291,610
Pro rata material expenses	3,089	3,320	12,867	2,335	1,654	0	231,505
Administrative expenses	4,981	11,205	31,291	9,374	4,427	0	381,370
Pro rata personnel expenses	2,340	6,613	14,069	4,971	1,603	0	175,888
Pro rata material expenses	2,641	4,592	17,222	4,403	2,824	0	205,482
Received reinsurance commissions	-6,204	-23,774	-29,262	-19,152	-23,069	344,155	-138,842
Total	32,030	22,603	83,293	25,219	344,957	7,042	1,907,805

Composition	2015						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Acquisition expenses	596,735	365,640	112,525	195,342	95,553	12,925	33,995
Commission expenses	369,889	251,087	85,372	169,751	67,622	10,129	26,431
Pro rata personnel expenses	128,884	65,759	11,972	15,205	16,507	1,211	3,603
Pro rata material expenses	97,962	48,794	15,181	10,386	11,424	1,585	3,961
Administrative expenses	144,067	49,473	26,498	47,935	17,472	3,238	16,742
Pro rata personnel expenses	49,652	28,355	10,839	22,892	8,065	2,201	6,418
Pro rata material expenses	94,415	21,118	15,659	25,043	9,407	1,037	10,324
Received reinsurance commissions	-141,563	-98,834	-40,375	-24,329	-27,336	-841	-12,673
Total	599,239	316,279	98,648	218,948	85,689	15,322	38,064

Composition	2015						
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Acquisition expenses	31,524	32,803	79,242	32,457	325,498	-309,038	1,605,201
Commission expenses	24,431	24,038	48,412	27,829	323,001	-309,038	1,118,954
Pro rata personnel expenses	4,257	5,578	17,851	2,330	849	0	274,006
Pro rata material expenses	2,836	3,187	12,979	2,298	1,648	0	212,241
Administrative expenses	4,506	9,868	31,727	8,762	4,425	-15	364,698
Pro rata personnel expenses	2,116	6,350	14,101	4,423	1,843	0	157,255
Pro rata material expenses	2,390	3,518	17,626	4,339	2,582	-15	207,443
Received reinsurance commissions	-6,473	-17,516	-29,261	-15,577	-18,089	310,535	-122,332
Total	29,557	25,155	81,708	25,642	311,834	1,482	1,847,567

34. OTHER EXPENSES

Composition	2016			2015 adjusted		
Other expenses	Underwriting	Non-underwriting	Total	Underwriting	Non-underwriting	Total
in EUR '000						
Austria	12,571	8,826	21,397	9,528	47,297	56,825
Czech Republic	30,954	4,584	35,538	45,079	3,601	48,680
Slovakia	27,779	400	28,179	29,704	11,279	40,983
Poland	6,867	12,336	19,203	29,824	5,233	35,057
Romania	22,476	10,722	33,198	16,658	95,825	112,483
Baltic states	3,046	1,236	4,282	0	330	330
Hungary	7,691	2,939	10,630	7,573	26,876	34,449
Bulgaria	4,917	7,049	11,966	4,757	10,091	14,848
Turkey/Georgia	1,024	5,814	6,838	1,446	2,073	3,519
Remaining CEE	12,489	9,623	22,112	13,579	42,081	55,660
Other Markets	30,467	2,024	32,491	92,742	772	93,514
Central Functions	530	13,431	13,961	117	234,989	235,106
Consolidation	-1,009	-6,260	-7,269	-61	-3,953	-4,014
Total	159,802	72,724	232,526	250,946	476,494	727,440

Details of other expenses	2016	2015 adjusted
in EUR '000		
Other expenses	232,526	727,440
thereof impairments (not including investments)	45,556	59,497
thereof write-downs of the insurance portfolio and customer base	10,534	32,287
thereof brokering expenses	22,049	21,796
thereof underwriting taxes	36,318	26,120
thereof exchange rate losses	24,496	92,786
thereof other contributions and fees	16,485	8,573
thereof write-downs of IT projects	0	195,000
thereof expenses for government-imposed contributions	20,951	23,299
thereof impairment of goodwill and trademarks*	12,099	156,833

* The impairment in the current reporting year mainly concerns the Bosnia-Herzegovina CGU group and Asirom trademark. The impairment of goodwill in the previous year mainly concerned the Romania property and casualty, Hungary, Croatia, Albania incl. Kosovo, Bosnia-Herzegovina and Moldova CGU groups.

The decrease in exchange rate losses compared to the previous year was mainly the result of currency losses due to the Swiss franc being unpegged from the euro in 2015. This exchange rate effect is neutral with respect to the Group result, since an offsetting change takes place in the underwriting result.

35. TAX EXPENSE

Composition in EUR '000	2016	2015 adjusted
Actual taxes	91,702	36,594
from the current period	98,635	58,044
from previous periods	-6,933	-21,450
Deferred taxes	-5,958	25,229
Change of deferred taxes in the current year	-14,736	15,373
Deferred taxes out of temporary differences relating to other periods	8,954	11,146
Deferred taxes out of loss carry forwards relating to other periods	-176	-1,290
Total	85,744	61,823

Reconciliation in EUR '000	2016	2015 adjusted
Expected income tax rate in %	25.0%	25.0%
Result before taxes	406,734	47,057
Expected tax expenses	101,684	11,764
Adjusted for tax effects due to:		
Different local tax rate	-18,378	-14,496
Change of tax rates	624	31,176
Non-deductible expenses	28,957	60,025
Income not subject to tax	-30,477	-35,921
Taxes from previous years	1,845	-11,595
Non-recognition/reduction of deferred tax assets due to temporary differences	-58	-10,967
Non-recognition/reduction of deferred tax assets due to loss carry forwards	-7,995	-6,152
Effects due to Group taxation/profit transfers	-10,857	6,910
Tax effects due to deferred profit participation	14,829	17,675
Other	5,570	13,404
Effective income tax expenses	85,744	61,823
Effective income tax rate in %	21.1%	131.4%

The income tax rate of the parent company VIG Holding is used as the Group tax rate.

36. 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 on page 144.

Fair values and book values of financial instruments and other investments
The table below shows the book values and fair values of holdings of financial instruments and other investments:

Fair values and book values of financial instruments and other investments	2016				
	Book value	Level 1	Level 2	Level 3	Fair value
in EUR '000					
Land and buildings[1]	5,601,623	0	70,499	6,619,470	6,689,969
Self-used land and buildings	429,484	0	37,400	610,665	648,065
Investment property[2]	5,172,139	0	33,099	6,008,805	6,041,904
thereof non-profit societies	3,562,729				3,562,729
Shares in at equity consolidated companies	269,699				
Loans	2,777,645	424,847	2,721,444	37,635	3,183,926
Loans	1,397,395	0	1,529,603	15,233	1,544,836
Reclassified loans	339,591	238,555	159,290	0	397,845
Bonds classified as loans	1,040,659	186,292	1,032,551	22,402	1,241,245
Other securities	25,378,360	22,532,287	3,174,206	326,828	26,033,321
Financial instruments held to maturity	2,330,071	2,466,364	321,614	9,702	2,797,680
Financial instruments reclassified as held to maturity	735,751	865,916	57,187	0	923,103
Financial instruments available for sale	21,851,248	18,943,142	2,650,989	257,117	21,851,248
Held for trading	131,400	81,041	6,778	43,581	131,400
Financial instruments recognised at fair value through profit and loss	329,890	175,824	137,638	16,428	329,890
Other investments	618,929				
Investments for unit-linked and index-linked life insurance	8,549,580	8,549,580	0	0	8,549,580
Subordinated liabilities	1,265,009	0	1,277,003	20,807	1,297,810
Liabilities to financial institutions	1,304,901				1,304,901
thereof non-profit societies	1,065,466				1,065,466
Liabilities from funding of housing projects	1,470,177				1,470,177
thereof non-profit societies	1,374,064				1,374,064
Liabilities for Derivates[3]	9,809	0	9,809	0	9,809

1 The market values are derived from internal and external appraisal reports.
2 Share of fair value from independent appraisals: 32% (not incl. non-profit societies)
3 included in Other liabilities

Fair values and book values of financial instruments and other investments	2015 adjusted				
	Book value	Level 1	Level 2	Level 3	Fair value
in EUR '000					
Land and buildings[1]	1,907,737	0	61,302	2,793,870	2,855,172
Self-used land and buildings	434,306	0	40,847	579,177	620,024
Investment property[2]	1,473,431	0	20,455	2,214,693	2,235,148
Shares in at equity consolidated companies	319,636				
Loans	2,880,334	500,212	2,669,087	41,281	3,210,580
Loans	1,335,993	0	1,420,411	22,156	1,442,567
Reclassified loans	439,980	297,560	193,395	0	490,955
Bonds classified as loans	1,104,361	202,652	1,055,281	19,125	1,277,058
Other securities	24,116,380	21,092,333	3,468,166	209,851	24,770,350
Financial instruments held to maturity	2,256,682	2,237,015	477,297	7,421	2,721,733
Financial instruments reclassified as held to maturity	809,433	933,132	65,220	0	998,352
Financial instruments available for sale	20,649,481	17,750,295	2,763,552	135,634	20,649,481
Held for trading	171,410	117,560	1,955	51,895	171,410
Financial instruments recognised at fair value through profit and loss	229,374	54,331	160,142	14,901	229,374
Other investments	917,882				
Investments for unit-linked and index-linked life insurance	8,144,135	8,144,135	0	0	8,144,135
Subordinated liabilities	1,280,308	0	1,293,721	20,761	1,314,482
Liabilities to financial institutions	283,774				283,774
Liabilities from funding of housing projects	44,809				44,809
Liabilities for Derivates[3]	14,399	1,767	12,591	41	14,399

[1] The market values are derived from internal and external appraisal reports.
[2] Share of fair value from independent appraisals: 32%
[3] included in Other liabilities

The book values were 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 fair value for derivative financial instruments equals the book value reported in the balance sheet.

Measurement process

The measurement process aims to determine fair value using price quotations that are publicly available in active markets or valuations based on recognised economic models using observable inputs. If public price quotations and observable market data are not available for a financial assets, the assets are generally measured using valuation reports prepared by appraisers (e.g. expert reports). The organisational units responsible for valuing investments are independent of the units that assume the risk exposure of the investments, thereby ensuring separation of functions and responsibilities.

As a rule, the aim is to use the same price throughout the Group to value a particular security on each valuation date. In practice, however, situations occur when the cost of actually doing so would be inordinately large. For example, the local provisions in some countries (in which the Group operates) require the insurance companies there to use prices on the local stock exchange to value certain investments. In this case, if the same security is held by other Group companies, these companies might use another price source for valuation.

Institutional funds are another example where uniform valuation can only be achieved at an inordinately high cost. The Austrian companies hold varying amounts of institutional funds that are required under the IFRS to be included in consolidation for the consolidated financial statements. However, the valuation logic of an institutional fund requires the fund value (NAV) on a particular date to be calculated using the (in general, closing) prices on the previous day. In this case, a security that is both held in an institutional fund and directly held will be valued using different prices.

The following items are measured at fair value:
- financial instruments available for sale,
- financial instruments recognised at fair value affecting net income (incl. trading assets),
- derivative financial instruments (assets/liabilities) and
- investments for unit-linked and index-linked life insurance.

Balance sheet items that are not reported at fair value are subject to non-recurring measurement at fair value. These items are measured at fair value when events occur that indicate that the book value might no longer be recoverable (impairment). The following items are not reported at fair value:
- financial instruments held to maturity,
- shares in at equity consolidated companies,
- land and buildings (self-used and investment property),
- loans and
- receivables.

REAL ESTATE VALUATION

The following valuation methods are used to calculate the fair value of real estate in the Group:
- the capitalised earnings method,
- asset value method and
- discounted cash flow method.

Each time valuation is performed, the methods are checked to determine, which one allows the fair value of a property to be calculated. The VIG Group mainly uses the capitalised earnings method. Less frequently, the asset value method, discounted cash flow method or a mixed method combining the capitalised earnings and asset value methods is used, provided they can be used to determine the highest and best use value for the property type. The mixed method is used if no single method produces a representative value on the analysis date. Old lease agreements or an under-rent situation are reasons for this.

Capitalised earnings method

In this method, the value of a property is determined by using an appropriate interest rate to capitalise expected or received future gross profits over the expected useful life. The net operating income is calculated by deducting actual operating, maintenance and administrative expenses (management expenses). An allowance for lost rental income and any liquidation proceeds and costs are also taken into account. The rate used to calculate capitalised earnings is based on the achievable return on investment. The net operating income minus the return on the land is capitalised at this rate over the remaining useful life to calculate the capitalised earnings value of the physical facilities. This is added to the land value to calculate the total capitalised earnings value of the property.

Asset value method

The asset value method is comprised of the land value, building value, the value of outdoor facilities and the value of existing annexes and constitutes a market-oriented method. This method is generally used to calculate the value of undeveloped properties, or developed properties when the property is not primarily being used to earn income and the replacement costs of the individual parts of the property are important to a prospective buyer.

Discounted cash flow method

The discounted cash flow method is a valuation method that discounts cash flows during the forecast phase (phase I) back to the valuation date. Discounting is performed using a rate for a comparable risky investment with property- and market-specific premiums. The gross profit for the year plus vacancy rental (at current market rent) minus non-allocatable management costs equals the net operating income for the year. The method allows precise analysis of the individual years of the initial forecast phase so that investments and vacancies to be assigned to individual years and accounted for in advance. In phase II, the proceeds from a fictitious disposal at the end of the forecast phase (max. 10 years) are calculated by capitalising future cash flows. The rate used for this calculation is the rate for a comparably risky investment plus market- and property-specific premiums, less the expected increase in value.

OTHER DISCLOSURES ABOUT THE VALUATION PROCESS

The use of different pricing models and assumptions can lead to differing results for fair value. Changes in the estimates and assumptions used to determine the fair value of assets in cases where no market price quotations are available may necessitate an appreciation or depreciation of the book value of the assets in question and recognition of the corresponding income or expense on the income statement.

Certain investments whose fair value is normally not measured repeatedly, are measured a single time at fair value when events or changes in circumstances indicate that the book value might no longer be recoverable. If financial assets are measured at fair value when impairment is recognised or fair value minus selling costs is used as a measurement basis in accordance with IFRS 5, a disclosure to this effect is included in Note 29. Financial result on page 216 or Note 34. Other expenses on page 230.

Reclassification of financial instruments

The Group companies regularly review the validity of the last fair value classification performed on each valuation date. A reclassification is performed, for example, if needed inputs are no longer directly observable in the market.

Reclassifications between level 1 and 2 primarily occur if liquidity, trading frequency or trading activity of the particular financial instrument once again, or no longer allows one to conclude an active market exists. For example, the market maker for a security changes frequently, with corresponding changes on liquidity. A similar example is when shares are included in (or removed from) an index that acts as a benchmark for many funds. The classification can also change in this case. As a result of the decentralised organisation of the Group, the classifications are generally reviewed by the local companies at the end of the period. Any reclassifications are presented as if they had taken place at the end of the period.

Reclassification of financial instruments	2016				
	between Level 1 and Level 2	Level 3 to Level 1	Level 1 to Level 3	Level 3 to Level 2	Level 2 to Level 3
Number					
Financial instruments available for sale	42	1	0	5	106
Financial instruments recognised at fair value through profit and loss	3	0	0	0	0
Held for trading	4	0	0	0	0
Derivative liabilities*	0	0	0	5	0
Total	49	1	0	10	106

* included in Other liabilities

Reclassifications between Level 1 and Level 2 were primarily due to changes in liquidity, trading frequency and activity, but also resulted from a harmonisation of measurement hierarchies due to the introduction of Solvency II, and consolidation effects between the measurement hierarchies. The harmonisation of hierarchies due to the introduction of Solvency II also led to reclassifications between level 3 and level 2 in the financial instruments available for sale and derivative liabilities categories. The reclassification from level 3 to level 1 in the financial instruments available for sale category was due to consolidation effects.

A total of 95 reclassifications took place between level 1 and level 2 in financial year 2015. These were primarily performed due to liquidity, trading frequency or trading activity once again, or no longer allowing one to conclude an active market exists. The harmonisation of hierarchies due to the introduction of Solvency II was another reason. There were also 58 reclassifications into and out of level 3 as a result of the reassessment of the measurement hierarchy. 52 of these transactions were from level 3 to level 1 or 2 and 6 were transactions into level 3.

Hierarchy for financial instruments measured at fair value

Measurement hierarchy	Level 1		Level 2		Level 3	
Financial instruments recognised at fair value	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in EUR '000						
Financial assets						
Financial instruments available for sale	18,943,142	17,750,295	2,650,989	2,763,552	257,117	135,634
Bonds	16,715,094	15,597,056	2,505,492	2,503,150	54,997	79,710
Shares and other participations	441,393	428,385	95,101	184,174	202,120	50,947
Investment funds	1,786,655	1,724,854	50,396	76,228	0	4,977
Held for trading	81,041	117,560	6,778	1,955	43,581	51,895
Bonds	14,901	46,304	3,058	0	2,499	4,013
Shares and other non-fixed-interest securities	21,111	23,291	52	52	0	0
Investment funds	44,997	45,822	837	186	0	0
Derivatives	32	2,143	2,831	1,717	41,082	47,882
Financial instruments recognised at fair value through profit and loss	175,824	54,331	137,638	160,142	16,428	14,901
Bonds	149,359	41,515	121,071	146,781	15,253	13,791
Shares and other non-fixed-interest securities	112	94	16,567	13,361	0	0
Investment funds	26,353	12,722	0	0	1,175	1,110
Investments for unit-linked and index-linked life insurance	8,549,580	8,144,135	0	0	0	0
Financial liabilities						
Derivative liabilities*	0	1,767	9,809	12,591	0	41

* included in Other liabilities

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 -6,227,000 during the reporting year (EUR -1,335,000).

Unobservable input factors

Asset class	Measurement methods	Unobservable input factors	Range
Real estate	Market value	Capitalisation rate	1.5%–7.5%
		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	130,000 EUR–4,263,000 EUR

Sensitivities
With respect to the value of shares measured using a level 3 method (multiples approach), the Group assumes that neither alternative inputs nor alternative methods lead to significant changes in value.

The following sensitivities were calculated for a derivative with the most material fair value: a 50 bp increase in the discount rate leads to a 54% increase in option value; a 50 bp decrease leads to a 65% drop in option value. The changes would have an effect on the income statement.

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 calculations using the Solvency II partial internal model:

Sensitivities – real estate	Fair value
in EUR million	
Fair value at 31.12.2016	2,443.88
Rental income -5%	2,363.09
Rental income +5%	2,527.61
Capitalisation rate -50bp	2,566.50
Capitalisation rate +50bp	2,340.33
Land prices -5%	2,412.09
Land prices +5%	2,477.83

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

Carry-over of financial assets and liabilities

Development of financial instruments by level	Financial instruments available for sale					
	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in EUR '000						
Book value as of 31.12. of the previous year	17,750,295	2,763,552	135,634	16,765,424	3,224,929	144,148
Exchange rate changes	-11,312	1,742	-847	27,190	907	-1,245
Book value as of 1.1.	17,738,983	2,765,294	134,787	16,792,614	3,225,836	142,903
Reclassification between securities categories	12,076	-230	-660	-2,738	-2,391	-182
Reclassification to level	194,727	172,035	117,274	235,239	72,054	750
Reclassification from level	-125,383	-309,054	-49,599	-72,054	-226,577	-9,412
Additions	3,644,530	167,319	75,989	4,831,191	157,684	13,337
Disposals	-2,855,790	-360,741	-17,799	-3,704,598	-400,772	-5,160
Change in scope of consolidation	-123,407	129,673	-2,389	0	-12,420	0
Changes in value recognised in profit and loss	648	20,019	153	0	2,240	0
Changes recognised directly in equity	462,928	75,143	8,873	-325,497	-38,204	-5,917
Impairments	-6,170	-8,469	-9,512	-3,862	-13,898	-685
Book value as of 31.12.	18,943,142	2,650,989	257,117	17,750,295	2,763,552	135,634

Development of financial instruments by level	Held for trading					
	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in EUR '000						
Book value as of 31.12. of the previous year	117,560	1,955	51,895	135,592	1,793	57,498
Exchange rate changes	-3,238	469	0	-235	-2,635	39
Book value as of 1.1.	114,322	2,424	51,895	135,357	-842	57,537
Reclassification between securities categories	-14	0	0	2,912	0	0
Reclassification to level	0	8,647	0	7,610	0	1,899
Reclassification from level	-8,647	0	0	-1,899	0	-7,610
Additions	99,314	1,195	2,581	106,534	0	17,209
Disposals	-125,886	-5,572	-4,161	-129,660	1,857	-15,508
Changes in value recognised in profit and loss	1,952	84	-6,734	-3,294	940	-1,632
Changes recognised directly in equity	0	0	0	0	0	0
Book value as of 31.12.	81,041	6,778	43,581	117,560	1,955	51,895

Please refer to Note 29. Financial result on page 216 for information on the effects of changes in value recognised in profit and loss.

Development of financial instruments by level	Financial instruments recognised at fair value through profit and loss					
	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in EUR '000						
Book value as of 31.12. of the previous year	54,331	160,142	14,901	56,063	190,553	24,671
Exchange rate changes	20	3	1	581	1,500	112
Book value as of 1.1.	54,351	160,145	14,902	56,644	192,053	24,783
Reclassification between securities categories	11,273	0	0	896	1	0
Reclassification to level	17,255	0	0	0	0	302
Reclassification from level	0	-17,255	0	-302	0	0
Additions	70,131	127,327	2,342	73,412	6,946	8,066
Disposals	-86,286	-138,338	-1,291	-91,430	-37,781	-18,583
Change in scope of consolidation	108,887	2,214	0	15,276	0	0
Changes in value recognised in profit and loss	213	3,545	475	-165	-1,077	333
Changes recognised directly in equity	0	0	0	0	0	0
Book value as of 31.12.	175,824	137,638	16,428	54,331	160,142	14,901

Development of financial liabilities assigned to Level 3	Subordinated liabilities		Derivative liabilities*	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in EUR '000				
Book value as of 31.12. of the previous year	20,761	0	41	0
Exchange rate changes	83	0	0	0
Book value as of 1.1.	20,844	0	41	0
Reclassification to level 3	0	20,761	0	0
Reclassification from level 3	0	0	-41	0
Additions	98	0	0	41
Changes in value recognised in profit and loss	-135	0	0	0
Book value as of 31.12.	20,807	20,761	0	41

* included in Other liabilities

37. NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES

Employee statistics	2016	2015
Number		
Austria	5,170	5,133
Field staff	2,787	2,771
Office staff	2,383	2,362
Czech Republic	4,762	4,758
Field staff	2,949	2,953
Office staff	1,813	1,805
Slovakia	1,678	1,580
Field staff	826	790
Office staff	852	790
Poland	1,586	1,723
Field staff	784	838
Office staff	802	885
Romania	1,991	2,106
Field staff	1,187	1,236
Office staff	804	870
Baltic states	1,281	372
Field staff	622	150
Office staff	659	222
Hungary	464	464
Field staff	36	54
Office staff	428	410
Bulgaria	834	799
Field staff	285	286
Office staff	549	513
Turkey/Georgia	888	837
Field staff	480	421
Office staff	408	416
Remaining CEE	4,720	4,663
Field staff	3,301	3,285
Office staff	1,419	1,378
Other Markets	126	123
Field staff	7	7
Office staff	119	116
Central Functions	1,101	437
Office staff	1,101	437
Total	24,601	22,995
thereof field staff	13,264	12,791
thereof office staff	11,337	10,204

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

The number of employees in the Central Functions segment includes 664 employees of the non-profit societies.

The average number of employees in the fully consolidated companies was 24,601 (22,995). Thereof 13,264 (12,791) were active in sales resulting in personnel costs of EUR 286,088,000 (EUR 269,088,000) and 11,337 (10,204) were in operations resulting in personnel costs of EUR 343,123,000 (EUR 324,315,000).

Personnel expenses	2016	2015
in EUR '000		
Wages and salaries	448,316	419,387
Expenses for severance benefits and payments to company pension plans	10,975	10,311
Expenses for retirement provisions	15,320	15,864
Mandatory social security contributions and expenses	139,342	132,398
Other social security expenses	15,258	15,343
Total	629,211	593,303
thereof field staff	286,088	269,088
thereof office staff	343,123	324,215

Supervisory board and managing board compensation (gross)	2016	2015
in EUR '000		
Compensation paid to Supervisory Board members	429	414
Total payments to former members of the Managing Board or their survivors	2,771	490
Provision for future pension obligations for Managing Board members	2,061	1,064
Compensation paid to active Managing Board members	3,942	3,459
Total	9,203	5,427

Compensation plan for members of the Managing Board

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the market environment.

The variable portion of the compensation emphasises the need for sustainability and achieving it fully depends critically on an analysis of the sustainable performance of the Company that extends beyond a single financial year.

The performance-related compensation is limited. The maximum performance-related compensation that the Managing Board can receive by overachieving the traditional targets in financial year 2016 is between 60% and 65% of its fixed salary.

Large parts of the performance-related compensation are only paid after a delay. The delay for financial year 2016 extends into the year 2020. The deferred portions are awarded based on sustainable performance of the Group, and non-financial factors are included in the evaluation of target achievement. For example, the performance-related compensation for 2016 is awarded based on promotion of those aspects of corporate governance that lead to the expression of social responsibility in practice.

Bonus compensation can also be earned for appropriate target achievement. In total, the members of the Managing Board can earn variable compensation equal to a maximum of 81% to 93% of their fixed compensation in this way. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds.

Even if the targets are fully met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if the Company also achieves positive performance in the three following years.

In 2016, the key performance criteria for variable compensation are the combined ratio, premium growth and profit before taxes, and the key performance criteria for bonus compensation are country-specific targets.

Managing Board compensation does not include stock options or similar instruments.

The standard employment contract for a member of the Managing Board includes a pension equal to a maximum of 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis is equal to the standard fixed salary).

A pension is normally received only if a Managing Board member's position is not extended and the member is not at fault for the lack of extension, or the Managing Board member retires due to illness or age.

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) are not applicable by law, the Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement is possible, or leaves due to a fault of his or her own, is not entitled to a severance payment.

Members of the Managing Board are provided a company car for both business and personal use. The members of the Managing Board received EUR 3,942,000 (EUR 3,459,000) from the Company during the reporting period for their services. The members of the Managing Board received EUR 641,000 (EUR 377,000) from subsidiaries during the reporting period.

Former members of the Managing Board received EUR 2,771,000 (EUR 490,000). Former members of the Managing Board received EUR 95,000 (EUR 89,000) from subsidiaries during the reporting period.

The Managing Board had six members in financial year 2016.

38. AUDITING FEES AND AUDITING SERVICES

Auditing fees were EUR 1,665,000 (EUR 1,113,000) and were broken down into the following areas:

Composition	2016	2015
in EUR '000		
Audit of consolidated financial statements	243	130
Audit of financial statements of parent company	56	38
Other audit services	769	630
Tax fees	56	93
All other fees	541	222
Total	**1,665**	1,113

39. RELATED PARTIES

Related parties

Related parties are the affiliated companies, joint ventures and associated companies listed in Note 4. Participations – Details on page 173. In addition, the members of the Managing Board and Supervisory Board of VIG and their families also qualify as related parties. Wiener Städtische Versicherungsverein directly and indirectly holds around 71.2% (around 70.5%), and therefore a majority of the voting rights of VIG. Based on this controlling interest, it is therefore also a related party.

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 parties

The Group charges Wiener Städtische Versicherungsverein for office space. Other services (e.g. accounting services) are also provided by the Group.

Due to the loss of control of the non-profit societies by Wiener Städtische Versicherungsverein and the related passing of control to VIG, transactions with the non-profit societies are no longer included under related party transactions. The loss of control was the result of contractual provisions between Wiener Städtische Versicherungsverein and VIG.

Transactions with non-consolidated affiliated and associated companies mainly relate to financing and intra-company charges for services.

Open entries with related companies	31.12.2016	31.12.2015
in EUR '000		
Receivables	213,338	218,455
thereof parent company	200,918	207,502
Liabilities	149,807	72,995
thereof parent company	129,343	54,717
Loans	53,269	154,812
thereof parent company	0	76,841
Total	116,800	300,272

Transaction volumes with related companies	2016	2015
in EUR '000		
Receivables	54,650	81,434
thereof parent company	25,502	70,528
Liabilities	159,073	127,716
thereof parent company	77,344	37,307
Loans	28,321	60,895
thereof parent company	668	30,464

Transaction volume does not include changes in open entries resulting from a change in the scope of consolidation.

Open entries with related persons	31.12.2016	31.12.2015
in EUR '000		
Receivables	3	1
Liabilities	942	908
Loans	27	48
Total	-912	-859

Transaction volumes with related companies	2016	2015
in EUR '000		
Receivables	118	101
Liabilities	2,206	1,616
Loans	21	47

Profit and Loss related transactions to related persons	2016	2015
in EUR '000		
Compensation paid to Supervisory Board members	1,654	1,578
Insurance premiums received	397	400
Other payments (incl. Dividends paid)	796	432
Total	2,847	2,410

40. OBLIGATIONS UNDER OPERATING LEASES

The Group's lease obligations are primarily due to leases of company vehicles and buildings.

Future cumulative minimum lease payments under operating leases are shown in the following table according to maturity:

Maturity structure of payments	31.12.2016	31.12.2015
in EUR '000		
up to one year	19,432	19,404
more than one year up to five years	12,161	6,901
more than five years	614	7
Total	32,207	26,312

41. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Call-in and repayment of supplementary capital bonds
On 5 December 2016, the Group decided to call the two supplementary capital bonds issued on 12 January 2005 (ISIN AT0000342696 and AT0000342704) effective 12 January 2017 for early repayment at their redemption amount of 100% of nominal value plus all accrued interest up to (but not including) the repayment date.

Since a deduction from Solvency II capital already occurs on the date of announcement, these two bonds were removed as capital components in the 4th quarter of 2016.

Subordinate bond placement

The subordinated bond of EUR 200 million has been priced on 6 April 2017 in the form of a private placement with international institutional investors. The subordinated bond can be called for the first time after 10 years by VIG and satisfies the tier 2 requirements of Solvency II. The subordinated bond will be included in the Third Market of the Vienna Stock Exchange on 13 April 2017.

42. BODIES OF THE COMPANY

The Supervisory Board had the following members:

Chair:
Günter **Geyer**

1st Deputy Chair (until 30 April 2017)
Karl **Skyba**

2nd Deputy Chair (since 6 September 2016)
Maria **Kubitschek**

Members:
Bernhard **Backovsky**
Martina **Dobringer**
Rudolf **Ertl**
Heinz **Öhler**
Reinhard **Ortner** †
Georg **Riedl**
Gertrude **Tumpel-Gugerell**

The Managing Board had the following members:

Chairwoman:
Elisabeth **Stadler**

Members:
Franz **Fuchs**
Roland **Gröll**
Judit **Havasi**
Peter **Höfinger**
Martin **Simhandl**

ADDITIONAL DISCLOSURES IN ACCORDANCE WITH THE AUSTRIAN INSURANCE SUPERVISION ACT (VAG)

PROFIT PARTICIPATION IN AUSTRIA

Life insurance

Under the FMA regulation of 6 October 2015 on profit participation in the life insurance sector (LV-GBV), the expenses for profit-related premium refunds and policy holder profit participation plus any direct credits must be at least 85% of the measurement basis. The measurement basis within the meaning of § 4(1) LV-GBV is calculated as follows for life insurance policies eligible for profit participation:

Life measurement basis	31.12.2016	31.12.2015
in EUR '000		
Net earned premiums – retention	1,075,057	1,191,018
Income and expenses for investments and interest expenses	449,341	442,789
Expenses for claims and insurance benefits	-1,276,321	-1,384,561
Administrative expenses	-144,971	-163,692
Other underwriting and non-underwriting income and expenses	8,829	-7,427
Taxes	-17,998	1,639
Total	93,937	79,766

Health insurance

According to § 1 of the FMA regulation on profit participation in the health insurance sector (KV-GBV) of 15 October 2015, the regulation is applicable to policies whose actuarial bases were submitted after 30 June 2007 and whose terms provide for profit participation. The expenses for profit-related premium refunds plus any direct credits must be at least 85% of the measurement basis for the health insurance policies concerned. The measurement basis within the meaning of § 3(1) KV-GBV is calculated as follows for health insurance policies eligible for profit participation:

Health measurement basis	31.12.2016	31.12.2015
in EUR '000		
Net earned premiums – retention	8,500	9,049
Income and expenses for investments and interest expenses	860	580
Expenses for claims and insurance benefits	-7,670	-7,878
Administrative expenses	-981	-1,155
Other underwriting and non-underwriting income and expenses	-179	-310
Taxes	-3	-42
Total	527	244

VIG expenses for profit-related premium refunds

VIG had EUR 135,040,000 in expenses for profit-related premium refunds incl. policy holder profit participation (EUR 112,782,000).

MATHEMATICAL RESERVE

Life insurance mathematical reserve	31.12.2016	31.12.2015
in EUR '000		
Direct business	20,177,848	19,787,630
Policy benefits	18,440,361	18,023,659
Allocated profit share	793,318	916,885
Committed profit shares	15,304	15,925
Deferred mathematical reserve	928,865	831,161
Indirect business	131,721	131,427
Policy benefits	131,721	131,427
Total	20,309,569	19,919,057

Health insurance mathematical reserve	31.12.2016	31.12.2015
in EUR '000		
Direct business	1,219,231	1,149,207
Individual insurance	894,897	846,194
Group insurance	324,334	303,013

BUSINESS DEVELOPMENT BY BALANCE SHEET UNIT

	2016				2015 adjusted			
	Property/ Casualty	Life	Health	Total	Property/ Casualty adjusted	Life adjusted	Health	Total
in EUR '000								
Operating result for direct business	233,942	332,086	58,734	624,762	264,811	304,955	55,087	624,853
Gross direct premiums written	4,751,294	3,746,570	412,484	8,910,348	4,478,281	4,009,888	397,860	8,886,029
Gross direct[1]	462,575	347,899	58,786	869,260	517,858	316,289	55,151	889,298
Underwriting result[2]	408,744			408,744	399,860			399,860
Financial result[2]	53,831			53,831	117,998			117,998
Direct reinsurance cessions	-228,633	-15,813	-52	-244,498	-253,047	-11,334	-64	-264,445
Operating result for indirect business	-70,231	9	122	-70,100	-45,246	1,346	92	-43,808
Gross indirect premiums written	127,321	13,118	181	140,620	120,754	12,864	112	133,730
Gross indirect	1,474	312	122	1,908	9,645	1,982	92	11,719
Indirect reinsurance cessions	-71,705	-303	0	-72,008	-54,891	-636	0	-55,527
Operating result for direct and indirect retention	163,711	332,095	58,856	554,662	219,565	306,301	55,179	581,045
Other non-underwriting income and expenses	-17,110	4,538	-316	-12,888	-368,511	-48,220	-4,475	-421,206
Expenses for profit-related premium refunds	0	-134,580	-460	-135,040	0	-112,562	-220	-112,782
Result before taxes	146,601	202,053	58,080	406,734	-148,946	145,519	50,484	47,057
Tax expenses/income	-27,428	-48,003	-10,313	-85,744	10,582	-66,058	-6,347	-61,823
Result of the period	119,173	154,050	47,767	320,990	-138,364	79,461	44,137	-14,766

[1] Includes commissions of EUR 1,107,341,000 (EUR 1,.091,267,000) for direct insurance business.

[2] 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

Property and Casualty insurance*	2016	2015
in EUR '000		
Direct business	4,751,294	4,478,281
Casualty insurance	360,866	341,056
Health insurance	56,029	46,803
Land vehicle own-damage insurance	958,836	879,124
Rail vehicle own-damage	3,626	4,114
Aircraft own-damage insurance	5,178	6,565
Sea, lake and river shipping own-damage insurance	7,832	7,090
Transport insurance	51,623	48,706
Fire explosion and other natural risks	860,095	903,310
Other property	476,917	459,250
Liability insurance for land vehicles having their own drive train	1,299,652	1,147,568
Carrier insurance	15,151	13,270
Aircraft liability insurance	4,680	4,742
Sea, lake and river shipping liability insurance	3,097	3,349
General liability insurance	407,794	380,887
Credit insurance	5,704	18,394
Guarantee insurance	26,371	26,465
Insurance for miscellaneous financial losses	88,415	71,754
Legal expenses insurance	54,850	53,908
Assistance insurance, travel health insurance	64,578	61,926
Indirect business	127,321	120,754
Marine, aviation and transport insurance	11,909	10,648
Other insurance	90,704	88,504
Health insurance	24,708	21,602
Total	4,878,615	4,599,035

* Including consolidation effects

A portion of the net earned premiums of EUR 1,369,000 (EUR 3,303,000) from indirect property and casualty insurance business was deferred one year before being recognised in the income statement. Of the EUR 454,000 (EUR 324,000) in net earned premiums from indirect life insurance business, EUR 387,000 (EUR 254,000) was deferred for one year before being shown in the income statement.

Life insurance*	2016	2015
in EUR '000		
Direct premiums from regular premium products	2,488,992	2,455,094
Direct premiums from single-premium products	1,257,578	1,554,794
Direct business	3,746,570	4,009,888
thereof policies with profit participation	1,660,636	1,806,399
thereof policies without profit participation	429,021	424,213
thereof unit-linked life insurance policies	1,612,487	1,728,995
thereof index-linked life insurance policies	44,426	50,281
Indirect business	13,118	12,864
Total	3,759,688	4,022,752

* Including consolidation effects

Please refer to the respective separate financial statements for information on investments for unit-linked and index-linked life insurance.

Health insurance*	2016	2015
in EUR '000		
Direct business	412,484	397,860
Indirect business	181	112
Total	412,665	397,972

* Including consolidation effects

GROSS PREMIUMS WRITTEN BY COUNTRY AND BALANCE SHEET UNIT

Composition	2016	2015
in EUR '000		
Property and Casualty insurance	4,878,615	4,599,035
Austria	1,799,115	1,816,148
Czech Republic	897,873	837,687
Slovakia	349,824	335,072
Poland	467,955	474,494
Romania	451,825	346,216
Turkey	164,866	142,970
Other countries	747,157	646,448
Life insurance	3,759,688	4,022,752
Austria	1,702,499	1,843,733
Czech Republic	630,963	716,673
Slovakia	378,153	379,541
Poland	351,221	364,370
Hungary	143,535	130,854
Liechtenstein	162,746	234,452
Other countries	390,571	353,129
Health insurance	412,665	397,972
Austria	394,888	381,190
Georgia	17,777	16,782
Total	9,050,968	9,019,759

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

in EUR '000	2016	2015
Property and Casualty insurance	**163,711**	219,565
Austria	81,201	128,653
Czech Republic	121,955	112,063
Slovakia	26,536	26,376
Poland	27,496	44,831
Romania	16,916	5,519
Turkey	4,298	1,017
Other countries	-114,691	-98,894
Life insurance	**332,095**	306,301
Austria	210,554	172,567
Czech Republic	87,139	96,770
Slovakia	25,326	25,059
Poland	-20,392	-17,109
Hungary	3,513	3,456
Liechtenstein	294	250
Other countries	25,661	25,308
Health insurance	**58,856**	55,179
Austria	59,182	57,624
Georgia	-326	-2,445
Total	**554,662**	581,045

KEY FIGURES BY BALANCE SHEET UNIT

	2016				2015			
in %	Property/ Casualty	Life	Health	Total	Property/ Casualty	Life	Health	Total
Cost ratio	30.4%	18.5%	14.0%	24.1%	30.6%	19.9%	12.3%	24.5%
Claims ratio	66.9%				66.7%			
Combined Ratio	**97.3%**				97.3%			

DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the consolidated 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 Group management report presents the business development, result and position of the Group so as to give a true and fair view of its net assets, financial position and results of operations, and the Group management report provides a description of the principal risks and uncertainties to which the Group is exposed.

The declaration for the annual financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is issued in the annual report of this company.

The consolidated financial statements for financial year 2016 were approved for publication by a resolution of the Managing Board on 19 April 2017.

Vienna, 19 April 2017

The Managing Board:

Elisabeth Stadler
General Manager,
Chair of the Managing Board

Franz Fuchs
Member of the Managing Board

Roland Gröll
Member of the Managing Board

Judit Havasi
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Managing Board areas of responsibility:

Elisabeth Stadler: VIG Group management, strategic matters, European matters, Group communication & marketing, sponsoring, people management, business development; Country responsibilities: Austria, Czech Republic

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

Roland Gröll: Group IT/SAP, international processes and methods; Country responsibilities: Bosnia-Herzegovina, Croatia, Macedonia, Romania

Judit Havasi: Solvency II, planning and controlling, legal; Country responsibilities: Slovakia

Peter Höfinger: Corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, business development; Country responsibilities: Albania incl. Kosovo, Bulgaria, Montenegro, Serbia, Hungary, Belarus

Martin Simhandl: Asset management, subsidiaries department, finance and accounting, treasury/capital market; Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion
We have audited the consolidated financial statements of

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna

and its subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2016, and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and other legal or regulatory requirements.

Basis for our Opinion
We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements.Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

RECOVERABILITY OF GOODWILL
Refer to notes pages 104, 107 to 109, 125 to 127

Risk for the Financial Statements
The book value of goodwill recorded in the consolidated financial statements of Vienna Insurance Group, amounting to EUR 1,532.2 million, has been monitored separately at country level starting from the first quarter of 2016 onwards. At least once a year and in case of a triggering event on an ad hoc basis Vienna Insurance Group performs a recoverability test (the so-called impairment test) of the recorded goodwill amounts.

The impairment test of goodwill is complex and based on discretionary factors. Those factors include in particular the expected future cash flows of the individual countries (taking into account the development of future premiums, budgeted combined ratios and financial income), which are primarily based on past experience as well as on the management's assessment of the expected market environment. Other factors are the assumed long-term growth rate as well as the underlying region-specific costs of capital.

Due to an error determined during a review of the IFRS group financial statements as of December 31, 2015 based on a random sample by the Austrian Financial Reporting Enforcement Panel, a retrospective adjustment according to IAS 8 had to be recorded in the IFRS group financial statements. The weighted average costs of capital used as discount rate in the impairment test have been changed to pure costs of equity. Accordingly long-term liabilities that have economically similar characteristics than equity (Tier 2 capital) have been taken out of the carrying amounts of the respective cash generating units to be tested for impairment.

Our Response

- Based on the internal reporting structure we have assessed whether the changes in the allocation of goodwill are appropriate.
- In cooperation with our valuation experts we have assessed the appropriateness of key assumptions, of discretionary decisions and of the valuation method applied for the impairment testing. We have reconciled the expected future cash flows used in the calculation with the strategic business planning approved by the management. We have discussed the assumptions regarding the market development with those responsible for planning and reconciled these assumptions with general and sector-specific market expectations. We have analyzed the consistency of planning data using information from prior periods.
- Given that minor changes in the applied costs of capital rate significantly impact the recoverable amount of goodwill, we have compared the applied costs of capital with discount rates used by a group of comparable companies (Peer-Group). Further we analyzed alternative scenarios, taking into account forecast uncertainties, as well as possible changes in costs of capital and long-term growth rates.
- By means of our own sensitivity analysis we have determined whether the tested book values are still sufficiently covered by the recoverable amounts in case of possible changes in the assumptions within a realistic range.
- Additionally, we have assessed whether the disclosures in the notes with respect to the recoverability of goodwill and the retrospective adjustments are appropriate.

RECOVERABILITY OF IT SYSTEMS

Refer to notes page 107 to 109

Risk for the Financial Statements

The consolidated financial statements include corporate assets amounting to EUR 479,0 million, relating in particular to software components. These assets are impairment tested at least once a year. In addition an impairment test is performed when triggering events occur.

In the previous year 2015, a company-internal analysis concluded that certain IT systems and program components did not further meet (in full) future technical and economic requirements. Therefore an impairment loss on purchased software in the amount of EUR 195 million was recognised.

For the current financial year it has to be verified whether changes in market, economic or legal conditions require a reversal of the impairment or additional write downs.

The estimations of the general conditions and the market environment, and thus of the expected future cash flows as well as the individual costs of capital are highly discretionary.

Our Response

- In order to assess whether indications of a reversal of impairment or further write-downs do exist, we, in cooperation with our IT specialists, have conducted interviews with management, representatives of business divisions and responsible IT project managers, have gained an understanding of the planning process, analyzing planned implementations as well as the technical framework.
- This analysis also included the impairment test, the determination of the recoverable amount and the validation of underlying parameters.
- In cooperation with our valuation experts we focused in particular on the validation of the specific costs of capital, the valuation model and the underlying planning data and estimates.

CHANGES IN THE CONSOLIDATION METHOD

Refer to notes pages 125ff

Risk for the Financial Statements

Until the interim report as of 31 March 2016, Vienna Insurance Group had included the investment in non-profit housing societies in the consolidated financial statements applying the equity method. In the interim report as of 30 June 2016, due to a legally binding notice dated 2 August 2016 from the Austrian Financial Market Authority (FMA) in accordance with § 3 (1) lit. 3 of the Austrian Financial Reporting Enforcement Act (Rechnungslegungs- Kontrollgesetz), a retrospective adjustment pursuant to IAS 8 was performed. By means of this adjustment both for the valuation of the investment in and for the recognition of profits from such non-profit housing societies the requirement of the legally binding notice to recognize the statutory restrictions for dividend payments and for realization of assets that apply to non-profit housing societies, was taken into account.

With effect from 17 August 2016 Vienna Insurance Group has regained control over the non-profit housing societies. Hence these entities are fully consolidated in the group financial statements starting from the third quarter 2016 onwards. The transaction was treated as a business combination of companies under common control.

The retrospective adjustment as well as the change in consolidation method are complex and based on estimates as well as discretionary decisions by management.

Our Response

- We have verified the existence of control by examining the contractual arrangements.
- We have assessed management's judgement that the initial consolidation of the non-profit housing societies is a business combination of companies under common control.
- We have also assessed whether the accounting for the transaction, as well as the presentation within the notes regarding the change of the consolidation method and the retrospective adjustments, are appropriate.

LIABILITY ADEQUACY TEST - "LAT"
Refer to notes page 119

Risk for the Financial Statements
Vienna Insurance Group has a considerable portfolio of policies with a guaranteed minimum interest rate. Due to the persistently low interest rates in the market, there is a risk that insurance liabilities are not adequately measured.

At each balance sheet date Vienna Insurance Group uses current estimates of future cash flows from insurance contracts to determine whether the insurance liabilities are adequately accounted for in the balance sheet.

To ensure this, future cash flows from existing policies are calculated on a best estimate basis using actuarial methods. For life and health insurance the cash flow model used for this purpose is also used to calculate the Market Consistent Embedded Value ("MCEV"). The MCEV is determined according to the "Market Consistent Embedded Value Principles" published by the CFO Forum in May 2016.

The performance of the liability adequacy test is complex and its underlying assumptions are based on a large number of estimates and discretionary factors.

Our Response
We have examined the appropriateness of key assumptions and discretionary decisions as well as the calculation models and methods applied. In order to assess the appropriateness of the assumptions and methods used, we gained an understanding of the methodology in discussions with the actuaries of Vienna Insurance Group and analyzed the assumptions used as well as the resulting cash flows.

In particular, we assessed whether the applied methodology was consistent with the "Market Consistent Embedded Value Principles" published by the CFO Forum in May 2016. In addition, we assessed the appropriateness of the implementation of the methodology within the models, analyzed the consistency of assumptions used on the basis of information from prior periods, and examined the completeness of the modeled portfolio.

Furthermore, we critically dealt with the sensitivity analysis prepared by the company.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements
The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and other legal or regulatory requirements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings including any significant deficiencies in internal control that we identify in the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.

- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with the Austrian Commercial Code and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

OPINION

In our opinion, the group management report has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

STATEMENT

Based on our knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the consolidated financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

Engagement Partner
The engagement partner is Mr. Michael Schlenk.

Vienna, 19 April 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Michael Schlenk
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

List of abbreviations

Abbreviation	Full company name
Alpenländische Heimstätte GmbH	Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck
Asirom	Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest
ATBIH	ATBIH N.V., Amsterdam
AXA Life (Romania)[1]	AXA Life Insurance S.A., Bucharest
AXA Non-Life (Serbia)[1]	AXA Nezivotno Osiguranje akcionarsko drustvo za osiguranje, Belgrade
AXA Life (Serbia)[1]	AXA Životno Osiguranje akcionarsko drustvo za osiguranje, Belgrade
Baltikums	"Baltikums Vienna Insurance Group" AAS, Riga
BCR Life	BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest
BTA Baltic	BTA Baltic Insurance Company AAS, Riga
Bulstrad Life	BULSTRAD LIFE VIENNA INSURANCE GROUP JOINT STOCK COMPANY, Sofia
Bulstrad Non-Life	INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia
Compensa Life (Lithuania)[1]	Compensa Life Vienna Insurance Group SE, Vilnius
Compensa Life (Poland)[1]	Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw
Compensa Non-Life (Estonia)[1]	Compensa Non-Life, Compensa Vienna Insurance Group, UADB, Tallinn
Compensa Non-Life (Lithuania)[1]	Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Vilnius
Compensa Non-Life (Poland)[1]	Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
ČPP	Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague
Donaris	Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chisinau
Donau Versicherung	DONAU Versicherung AG Vienna Insurance Group, Vienna
Doverie	Pension Insurance Company Doverie AD, Sofia
Erste Biztosító	ERSTE Vienna Insurance Group Biztosító Zrt., Budapest
Erste Group	Erste Group Bank AG
Erste Heimstätte GmbH	Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna
Erste Osiguranje	Erste Osiguranje Vienna Insurance Group d.d., Zagreb
Erste Pensionsfonds, Zagreb	ERSTE d.o.o. - mandatory and voluntary pension fund management company, Zagreb
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg
Globus	CAL ICAL "Globus", Kiev
GPIH	Joint Stock Company Insurance Company GPI Holding, Tiflis
GPIH B.V.	GPIH B.V., Amsterdam
IM31 Floridsdorf am Spitz	IM31 Floridsdorf am Spitz GmbH, Salzburg
InterRisk	InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
InterRisk Life	InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden
InterRisk Non-Life	InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden
Intersig	INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana
IRAO	International Insurance Company "IRAO" LTD, Tbilisi
Jupiter	Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev
Kniazha	PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev
Kniazha Life	PRIVATE JOINT-STOCK COMPANY "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev
Komunálna	KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava
Kooperativa (Slovakia)[1]	KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava
Kooperativa (Czech Republic)[1]	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague
Health	Health insurance
Life	Life insurance
Makedoija Osiguruvanje	Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje
Neue Heimat Holding	Neue Heimat Oberösterreich Holding GmbH, Vienna
Neue Heimat Oberösterreich GmbH	NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz
Neuland GmbH	Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna
Nova	Insurance Company Nova Ins EAD, Sofia
Omniasig	OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest
OePR	Austrian Financial Reporting Enforcement Panel (AFREP)
Palais Hansen	Palais Hansen Immobilienentwicklung GmbH, Vienna
PČS	Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice

Abbreviation	Full company name
Polisa	"POLISA-ŻYCIE" Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
Progress	PROGRESS Beteiligungsges.m.b.H., Vienna
PSLSP	Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava
Ray Sigorta	Ray Sigorta A.Ş., Istanbul
Sanatorium Astoria	Sanatorium Astoria, a.s., Karlsbad
s Versicherung	Sparkassen Versicherung AG Vienna Insurance Group, Vienna
Property/Casualty	Property and Casualty insurance
Schwarzatal GmbH	"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna
Sigma	Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana
S IMMO AG	Sparkassen Immobilien AG
Skandia Poland	Skandia Życie Towarzystwo Ubezpieczeń S.A., Warsaw
Sozialbau AG	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna
TECH GATE	TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna
UIG	Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev
UIG Consulting	Limited Liability Company "UIG Consulting", Kiev
Union Biztosító	UNION Vienna Insurance Group Biztosító Zrt., Budapest
Urbanbau GmbH	Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna
Vienna Insurance Group bzw. VIG[2]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Holding[3]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Fund	VIG FUND, a.s., Prague (Consolidated Financial Statements)
Vienna-Life (Liechtenstein)[1]	Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern
Vienna Life (Poland)[1]	Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw
Vienna Life (Hungary)[1]	Vienna Life Vienna Insurance Group Biztosító Zártkörüen Müködö Részvénytársaság, Budapest
VIG Re	VIG RE zajišťovna, a.s., Prague
Vienna International Underwriters bzw. VIU	Vienna International Underwriters GmbH, Vienna
VIG Services Ukraine	VIG Services Ukraine, LLC, Kiev
Wiener Städtische	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna
Wiener Städtische Osiguranje (Montenegro)[1]	Akcionarsko društvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica
Wiener Städtische Osiguranje (Serbia)[1]	WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Belgrade
Wiener Städtische Versicherungsverein	Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group, Vienna
Wiener Osiguranje (Croatia)[1]	Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb
Winner Life	Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje
Winner Non-Life	Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje
WOFIN GmbH	WOFIN Wohnungsfinanzierungs GmbH, Vienna
WWG Beteiligungen GmbH	WWG Beteiligungen GmbH, Vienna

[1] Country names in parentheses are added if there is more than one company with the same abbreviated name and it is not clear from the context which one is intended. The context is assumed to be clear, for example, if there is used in the description of activities taking place within a country.

[2] Used when referring to VIG Group.

[3] Used when referring to the individual company.

Glossary

Administrative expenses
Administrative expenses for retained insurance business are broken down into acquisition expenses and other administrative expenses, less reinsurance commissions and profit commissions for reinsurance cessions. Expenses for claims investigation, loss prevention and claims processing (claims handling expenses) or for making insurance payments (settlement costs) are shown in the expenses for insurance benefits item.

Affiliated companies
The parent company and its subsidiaries are considered to be affiliated companies if the parent company is able to exert control over the business policies of the subsidiary. Examples of this are where the parent company can affect variable returns from the subsidiary, a controlling agreement exists or it is possible to appoint the majority of the members of the Managing Board or other executive bodies of the subsidiary.

ALM (Asset and Liability Management)
ALM refers to taking both assets and liabilities into account when implementing strategic decisions in order to achieve optimal company results and is therefore needed for determining and managing the risk capital required, matching assets and liabilities (duration, cash flow and income matching) and optimising investments and reinsurance.

Cash flow
A key figure used in the analysis of shares and companies. It represents the inflow and outflow of liquid assets during a specific accounting period. Cash flow is essentially calculated by adding together the profit for the year, depreciation, changes in long-term provisions and income taxes.

Cash flow statement
A presentation of the changes in cash and cash equivalents during a financial year, broken down into the three areas of ordinary activities, investing activities and financing activities. The aim is to provide information on the financial strength of the company.

Ceded reinsurance premiums
Share of the premiums to which the reinsurer is entitled in return for reinsuring certain risks.

CEE (Central and Eastern Europe)
The Vienna Insurance Group defines the “CEE” region as all the growth markets in Central and Eastern Europe in which the Group operates. This includes Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey and Ukraine. Note that differences may exist between this definition and the definition of CEE used by other companies, financial institutions (e.g. IMF, OECD, WIFO, IHS), etc.

Claims incurred but not reported
Losses that are reported in the current financial year but occurred in the previous year. Each year as of the balance sheet date, a reserve (= incurred but not reported reserve, IBNR) is formed for losses that relate to the financial statement year but are not reported until the following year.

Combined ratio (net)
When the total of all items in the income statement that contribute to the profit before taxes, except for income from capital assets, other non-underwriting income and expenses and the value of gross earned premiums itself, is divided by gross earned premiums, the result is called the combined ratio. If this ratio is less than 100%, the company is earning a profit from the underwriting portion of the business. This ratio is only calculated for property

and casualty insurance. Since the reinsurers' share is taken into account in the calculation, the result is a net combined ratio.

Consolidation
The financial statements of the parent company and those of the subsidiaries are combined when the consolidated financial statements are prepared by the parent company. During this process, intragroup equity interests, interim results, receivables and payables and income and expenses are eliminated.

Deposits on assumed and ceded reinsurance business
A claim by the reinsuring company against the ceding company for deposits that it retains. When business is assumed, the reinsurer's share of premiums and claims are retained as security by the ceding insurance company. The deposits on ceded reinsurance item is analogous.

Derivative financial instruments (derivatives)
Financial contracts whose value depends on the price of an underlying asset. Derivatives can be classified systematically according to the nature of the underlying asset (interest rates, share prices, currency rates or commodity prices). Options, futures, forwards and swaps are important examples of derivative financial instruments.

Direct business
Insurance business where an immediate legal relationship exists between the insurer and policyholder.

Earnings per share (basic/diluted)
The ratio of consolidated annual profit (less interest on hybrid capital) divided by the average number of shares outstanding. The diluted earnings per share include convertible securities that have been exercised, or are still available for exercise, in the calculation of the number of shares and net income. The convertible securities consist of convertible bonds and stock options.

Enterprise Risk Management (ERM)
Risk and opportunity management. The responsibilities of ERM are identification, assessment, analysis and control of opportunities and risks.

Erste Group
An abbreviated version of the company name of Erste Group Bank AG.

Equity method
Shares in associated companies are recognised using this method. As a rule, the value recognised corresponds to the Group's proportional share of the equity in these companies. In the case of shares in companies that prepare their own consolidated financial statements, the consolidated equity is recognised instead. For current valuation, the value recognised is adjusted using a proportional share of changes to equity, with the shares in net income being allocated to consolidated net income and disbursed profit distributions deducted.

Expenses for claims and insurance benefits
These are comprised of the payments for insurance claims, payments for claims investigation, claims settlement and claims prevention, and from the change in the associated reserves.

Fair value
Value for security calculated using a theoretical pricing model that takes into account factors on which the price depends.

Financial instruments available for sale
Available for sale securities include securities that were not acquired with the intention of being held-to-maturity,

or for short-term trading purposes. They are recognised at market value as of the balance sheet date.

Financial result
Income and expenses for investments and interest. This includes, for example, income from securities, loans, real estate and participations, as well as bank interest and expenses incurred in the financial area, such as depreciation of owned real estate, write-downs of securities to listed market prices, bank fees, etc.

Gross domestic product (GDP)
A measure of a country's economic production. All goods and services produced or provided within a country (by citizens or foreigners) during a specified period, valued at current prices (market prices) or constant prices (prices in a certain base year). By using a constant price level in the calculations, price increases can be eliminated so that the figures presented over time are independent of inflation. GDP at constant prices is also known as real Gross domestic product.

Gross/net
In insurance terminology, "gross/net" means before or after reinsurance has been deducted ("net" is also used to mean "for own account" or "retention"). In connection with income from participations, the term "net" is used when related expenses have already been deducted from income (e.g. write-offs and losses from disposals). Therefore, (net) income from participations equals the profit or loss from these interests.

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS has stood for the overall framework of all standards adopted by the International Accounting Standards Board. Previously adopted standards continue to be referred to as International Accounting Standards (IAS).

Income from investments and interest income
Income from investments and other interest income is comprised of income from participations (of which affiliated companies), income from land and buildings, income from other investments, income from write-ups, gains from the disposal of investments, and other income from investments and interest income.

Indirect business
Insurance business where the company acts as a reinsurer.

Insurance density
Annual per capita insurance premiums, used as an indicator for the state of development of a country's insurance sector.

Insurance payments (net)
Expenses (after deducting reinsurance) for insurance claims.

Insurance supervisory authority
The Austrian insurance supervisory authority is a part of the Austrian Financial Market Authority (FMA) that was established as an independent authority in April 2002. Its supervision extends to private-sector insurance companies with registered offices in Austria.

KPMG
KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft changed its legal form from a stock corporation (Aktiengesellschaft) to a limited liability company (GmbH). As a result, when the change was registered in the commercial register on 22 August 2014, the name of the company changed from KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

Loss reserve
A reserve for losses that have already been incurred but have not yet been settled. Claims and claims settlement expenses can be divided into two categories: reserves for reported but not yet settled claims ("RBNS"), and reserves for claims that have been incurred but have not yet been reported, or the correct amount has not been reported ("IBNR", "IBNER").

Market capitalisation
Stock exchange value or market capitalisation means the value of a stock corporation calculated by multiplying the current stock exchange price by the total number of shares issued.

Market value
The value of an asset on the balance sheet that can be realised by selling it in the market to a third party.

Mathematical reserve
A reserve calculated according to mathematical principles for future insurance payments in the life and health insurance balance sheet units. In the health insurance balance sheet unit, this is also referred to as an ageing reserve.

Net earned premiums
The portion of premiums written that is allocated to the current financial year.

Non-life
Non-life insurance includes the property and casualty insurance and health insurance segments.

Options
Derivative financial instruments which entitle, but do not obligate the buyer to purchase (call option) or sell (put option) an underlying asset at a future point in time for a specified price. In contrast, the seller of the option is obligated to deliver or purchase the asset and receives a premium for providing the option.

Organic growth
Organic growth means the growth of a company resulting from the company's own financial strength. Such growth is therefore not the result of purchasing other companies.

Personal insurance
Comprised of life, health and casualty insurance.

Present value
Current value of a cash amount to be received in the future, calculated by discounting with a known discount rate.

Profit participation
See premium refund (profit-dependent).

Premium
Agreed fee paid in exchange for assumption of risk by an insurance company.

Premium refund (profit-dependent)
The policyholder's profit participation in the profit of the insurance class in question (mandatory for traditional life insurance).

Premium refund (profit-independent)
Contractually accorded refund of premiums to the policyholder.

Premiums written
Direct business premiums written are comprised of set premiums, not including premium or fire service taxes, plus policyholder collateral payments, reduced by premiums cancelled during the financial year. In indirect business, the premiums written correspond to the premiums that the ceding insurer has indicated for offset. In co-insurance business, the premiums written by each co-insurer correspond to the share of premiums allotted to it.

Price-earnings ratio
A financial ratio for evaluating shares. The price-earnings ratio (P/E ratio) shows the price of the share in relation to the earnings per share in a comparative period or future period. If the comparative period is defined as one year, the price-earnings ratio is the end-of-year price divided by the earnings per share for the year.

Provision for unearned premiums
The portion of premiums written that were specified for the period following the balance sheet date and are therefore not included in the income for the financial year. These premiums are used to cover obligations arising after the balance sheet date.

Return on equity (RoE)
Result before taxes divided by average shareholders' equity (less revaluation reserve), calculated using values at the beginning and end of the year.

Retained earnings
Retained earnings are the profits generated by the company that have not been distributed as dividends.

Rating
A rating is an evaluation of the creditworthiness of a debtor (countries, companies and so on) often carried out by a specialised rating agency. The evaluation is expressed as a kind of grading. It is very similar to a school grading system. The rating systems of the agencies use different grading steps and their own symbols.

Reinsurance
Reinsurance is when an insurance company insures a portion of its risk with another insurance company.

Securities held to maturity
Held-to-maturity securities comprise debt securities that are intended to be held to maturity and can be held to maturity. They are measured at cost on the date of initial recognition and are subsequently measured at amortised cost. A write-down is recognised in profit or loss in the case of permanent impairment.

Segment reporting
Presentation of the consolidated financial statements using segments defined in accordance with IFRS 8. For VIG, these are countries.

Single-premium
A special type of premium payment used for life insurance. A (high) amount is paid as a single-premium at the start of the policy.

Unit-linked and index-linked life insurance
Insurance policies where the investment is made at the pol-

icyholder's risk. The investments in this area are valued at fair value, with the underwriting reserves shown at the value of the investments.

Solvency II
Solvency II is a fundamental reform of insurance supervisory law in Europe, particularly solvency regulations relating to the capital adequacy of insurance companies. Solvency II is intended to create methods for the risk-based management of the total solvency of insurance companies. The current static system for determining capital adequacy is replaced by a risk-based system, which goes beyond the current capital adequacy provisions of the Insurance Supervision Act to also take into account, in particular, qualitative factors (e.g. internal risk management).

Standard & Poor's
Standard & Poor's is an internationally recognised rating agency. It analyses and evaluates companies, countries and bonds, among other things. It uses its own rating scale, which ranges from AAA for the highest category to CC for the lowest when rating the financial strength of insurance companies. The ratings can be modified by adding a plus or minus sign.

Stress test
Stress tests are a special form of scenario analysis. The objective is to arrive at a quantitative assessment of the potential losses incurred by portfolios in the event of extreme market fluctuations.

UGB
Austrian Commercial Code as of 1 January 2007 (Unternehmensgesetzbuch; Handelsgesetzbuch (HGB) until 31 December 2006).

Underwriter
Underwriters are responsible for evaluating risks in the insurance industry, and have the authority to underwrite risks. An underwriter estimates the probability and size of a loss as precisely as possible, calculates insurance premiums and establishes policy terms.

Underwriting provisions
These consist of the provision for claims not yet settled, mathematical reserve, unearned premiums, provisions for profit-dependent and profit-independent premium refunds, the equalisation provision and other underwriting provisions.

VAG
The Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz) includes provisions governing the organization and supervision of insurance companies.

Value-at-risk (VaR)
Value-at-risk is a procedure used to calculate potential losses arising from price changes affecting the trading position. This loss potential is expressed using a specific confidence limit (e.g. 98%), and is calculated based on market-related price changes.

Vienna Insurance Group (VIG)
When Vienna Insurance Group (VIG) is mentioned, generally the Group as a whole is meant. If a statement refers only to the activities of the Group holding company, the word "Holding" is added at the end of the name.

Volatility
Fluctuations in security prices, currency rates and interest rates.

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Address · Notes · Information

NOTICE

This annual report includes forward-looking statements based on current assumptions and estimates that were made by the management of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe to the best of its knowledge. Disclosures using the words “expected”, “target” or similar formulations are an indication of 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 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 annual report was prepared with great care to ensure that all information was complete and accurate. The possibility of rounding, type-setting or printing errors, however, cannot be ruled out completely.

Our goal was to make the annual report quick and easy to read. For this reason we have not used phrasing such as “he/she”, “his/her”, etc. It should be understood that the text always refers to women and men equally without discrimination.

ADDRESS

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WEBSITE – ONLINE REPORT

The annual report is available in German and English on our Internet website (www.vig.com) under Investor Relations and can also be downloaded in both languages as a PDF file.

Service tip **Online annual report**

The Vienna Insurance Group website provides an online version of the annual report that is optimised for both the Internet and mobile devices. All sections may be downloaded in PDF form. You can also download the most important tables as Excel files. Other features such as links within the report and a comparison with the previous year create transparency and take you directly to the information being sought. The online version of the report also allows you to perform a full-text search quickly and easily. The search results are presented on an overview page, sorted by relevance. The term being searched for is highlighted in colour on this page and on the page in the report.

In case of doubt, the German version is authoritative.

Editorial deadline: 19 April 2017

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Farny, D. (2006): Versicherungsbetriebslehre (Insurance Operations), 4th Edition, Karlsruhe: Verlag Versicherungswirtschaft GmbH

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(INNOVATION × INSURANCE SOLUTIONS) $^{\text{EXPERIENCE}}$ =
STABILITY

AUSTRIA + CEE = VIG

OPPORTUNITIES – RISK = SECURITY

(SYNERGIES + EX

AUSTRIA

(ECONOMY + ENVIRONMENT + SOCIAL) × LONG-TERM = SUSTAINABLE

APPRECIATION -

DECENTRALITY + INTERNATIONALITY = STRENGTH

LOCAL ENTREPRENE

DIVERSIFICATION × DISTRIBUTION CHANNELS = MULTI-

50 COMPANIES + 25 COUNTRIES = NUMBER 1

TRANSPARENCY × COMMUNICATION = TRUST

OP

(DIVERSITY × PERSONALITY)$^{\text{SKIL}}$

OPPORTUNITIES – RISK = SECURITY

(REGIONALITY + MARKET KNOWLEDGE) × (INTERNATIONALITY) + EXPERIENCE) = LOCAL ENTREPRENEURSH

(SERVICE + QUALITY) × INSURANCE SOLUTIONS = CUSTOMER SATISFACTION

(SYNERGIES + EXPERTISE) × BEST PRACTICE

VISION + CEE = POTENTIAL

LOCAL ENTREPRENEURSHIP^2 = C

(RISK-CONSCIOUSNESS + RESPONSIBILITY) × PROFITABILITY = CONSERVATIVE INVESTM

(CAUTION × FORESIGHT)$^{\text{DIGITISATION}}$ = FUTURE

HONESTY + INTEGRITY = CREDIBILITY

(AVAILABILITY + INDIVIDUAL ADVICE) × PRODUCT EXPERTISE = OPTIMAL DISTRIBUTION

(SYNERGIES + EXPERTISE) × BEST PRACTICE = EFFICIENCY

50 COMPANIES + 25 COUNTRIES = NUMBER 1

VISION + CEE = POTENTIAL

(CAUTION × FORESIGHT)$^{\text{DIGITISATION}}$ = FUTURE

(SYNERGIES + EXPERTISE) × BEST PRACTICE = EFFICIENCY