VIENNA INSURANCE GROUP

TODAY

Protecting what matters.

Group Annual Report 2018 Vienna Insurance Group

Key figures …

		2018	2017	2016	2015
Income statement					
Premiums written	EUR millions	9,657.3	9,386.0	9,051.0	9,019.8
Net earned premiums – retention	EUR millions	8,729.4	8,509.6	8,191.3	8,180.5
Financial result	EUR millions	1,037.5	924.3	958.8	1,040.2
Expenses for claims and insurance benefits – retention	EUR millions	-6,947.0	-6,872.6	-6,753.4	-6,748.9
Acquisition and administrative expenses	EUR millions	-2,140.7	-2,040.3	-1,907.8	-1,847.6
Result before taxes	EUR millions	485.4	442.5	406.7	47.1
Net result of the period after taxes and non-controlling interests	EUR millions	268.9	297.6	287.8	-20.6
Combined ratio	%	96.0	96.7	97.3	97.3
Claims ratio	%	64.7	66.3	66.9	66.7
Cost ratio	%	31.3	30.4	30.4	30.6
Balance sheet					
Investments[1]	EUR millions	44,336.9	44,994.0	43,195.8	38,286.1
Shareholders' equity (including non-controlling interests)	EUR millions	5,835.7	6,043.9	5,711.3	4,414.5
Underwriting provisions	EUR millions	38,115.3	38,780.9	37,350.0	35,921.7
Total assets	EUR millions	51,163.5	51,714.0	50,008.1	44,489.7
Return on Equity (RoE)[2]	%	8.9	8.3	8.9	1.1
Share					
Number of shares	Piece	128,000,000	128,000,000	128,000,000	128,000,000
Market capitalisation	EUR millions	2,595.8	3,297.9	2,726.4	3,237.1
Average number of shares traded by day	Piece	~ 86,000	~ 104,000	~ 161,000	~ 147,000
Book value per share[3]	EUR	33.98	36.20	34.11	32.07
End-of-period price	EUR	20.280	25.765	21.300	25.290
High	EUR	28.740	26.520	24.790	42.620
Low	EUR	19.900	21.590	16.095	24.910
Share performance for the year (excluding dividends)	%	-21.29	20.96	-15.80	-31.80
Dividend per share	EUR	1.00[4]	0.90	0.80	0.60
Dividend yield	%	4.93	3.49	3.76	2.37
Earnings per share	EUR	2.04	2.23	2.16	-0.27
Price-earnings ratio as of 31 December		9.94	11.55	9.86	-93.67
Employees					
Number of employees (average for the year)		25,947	25,059	24,601	22,995

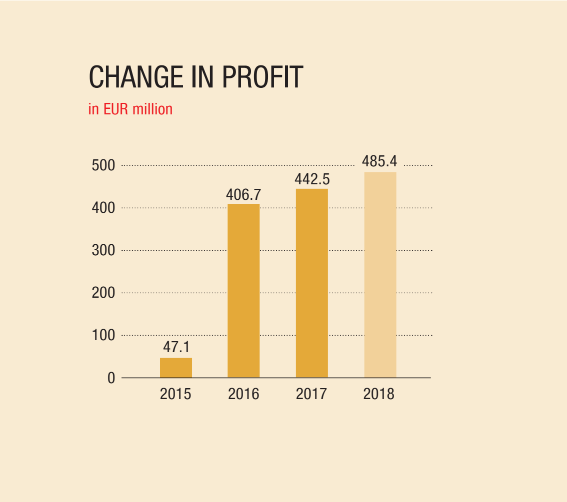
Rounding differences may occur when rounded amounts or percentages are added.

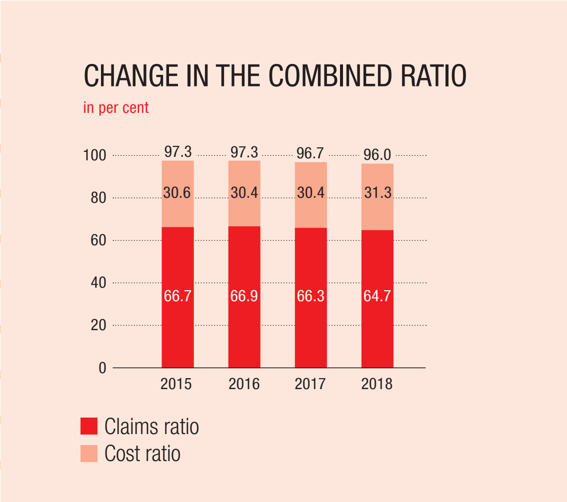
[1] Incl. unit-linked and index-linked life insurance investments and excl. cash and cash equivalents

[2] RoE is the ratio of Group result before taxes to VIG total average shareholders' equity.

[3] The value is calculated using shareholders' equity less non-controlling shares and hybrid bonds

[4] Proposed dividend





… at a glance

VIG BY SEGMENTS IN THE YEAR 2018

Country	Premium volume	Result before taxes	Combined ratio	Employees
	in EUR '000	in EUR '000	in %	Number
Austria	3,839,925	170,352	94.2	5,082
Czech Republic	1,684,151	166,696	92.7	4,971
Slovakia	799,646	47,212	97.3	1,699
Poland	897,790	32,245	92.6	1,867
Romania	515,340	-73,877	107.5	1,948
Baltic states	375,831	2,115	98.7	1,849
Hungary	263,502	7,580	98.5	473
Bulgaria	171,313	11,410	99.1	872
Turkey/Georgia	198,301	3,843	98.5	1,109
Remaining CEE[1]	374,689	23,466	96.6	4,705
Other Markets[2]	320,992	23,915	82.9	130
Central Functions[3]	1,584,272	70,194	–	1,242

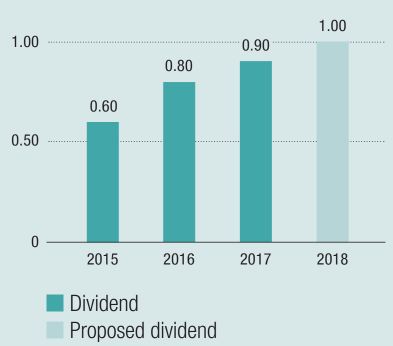
[1] Remaining CEE: Albania incl. Kosovo, Bosnia-Herzegovina, Croatia, North Macedonia, Moldova, Serbia, Ukraine

[2] Other Markets: Germany, Liechtenstein

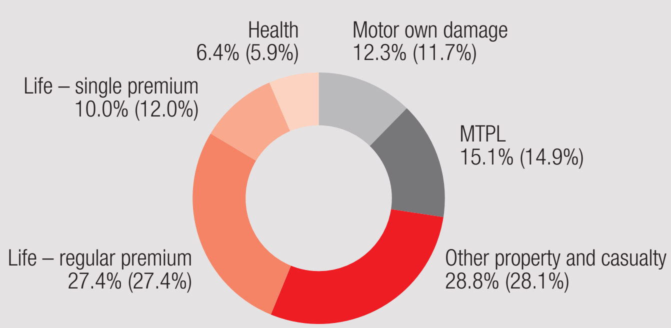
[3] Central Functions: VIG Holding, VIG Re, Wiener Re, VIG Fund, non-profit societies, corporate IT service providers and intermediate holding companies

DIVIDEND PER SHARE

in EUR



PREMIUMS BY LINES OF BUSINESS



Values for 2017 in parentheses

Thinking about the future

We think in terms of generations. Our business today is not just aimed at tomorrow, but at the future. Our expansion into the CEE region is an example of our forward thinking. Vienna Insurance Group was not just the first Austrian company in Central and Eastern Europe, but also one of the first private sector insurance companies in the region. Today we have a leading position there.

The future always begins now, today, because the path to long-term success is decided today. VIG's strategic "Agenda 2020" work programme was developed with this in mind. VIG is using it to promote digitalisation projects, expand promising lines of business and considers insurance solutions today that will become commonplace in the forseeable future.

This year's Group Annual Report has the title "Today" and reports on important events in 2018 and the path into the future. Our Sustainability Report is titled "Tomorrow", as CSR activities have inherently a longer term perspective. Our "The Future" poster, which you can view and order at **www.vig.com/future2028**, presents a scenario for the insurance world as we imagine it ten years from now.

A **PARTNER** FOR THE FUTURE

**Dear Shareholders,
Ladies and Gentlemen!**

Vienna Insurance Group was one of the first Austrian companies to recognise the great opportunities offered by Central and Eastern Europe. The Group is the clear number 1 in the region today, with around 50 companies, 25 countries and over 25,000 employees. Its pioneering spirit – or, in other words, its ability to anticipate and prepare for the future – has therefore paid off.

We proved this once again in the financial year just ended. Both premiums and the result before taxes increased again, and the combined ratio was further improved. And we continued to grow in our CEE home market in 2018.

But our focus on Central and Eastern Europe is not the only thing that characterises us as an insurance group. We also think about the future and take advantage of the opportunities this offers. This ability is in great demand at the moment, as the rapid pace of technological and social change also provides insurance companies the opportunity to increasingly position themselves as service providers. In a few years, half of our potential customers will belong to generation Y. These young people have grown up with the Internet and they expect an insurance partner who fits into their flexible digital world.

We at VIG want to be the partner for the next generations and are working intensely to achieve this goal. Our Group companies have the opportunity to independently develop digitalisation projects and make them a reality. Here are two examples: Our VIG Xelerate initiative allows Group companies to present their own digitalisation projects, and the best receive financial support from VIG Holding. In this way, we can provide direct, targeted support for activities aimed at the digital transformation. And under the leadership of Wiener Städtische, the first start-up in the Group, viesure, was founded in Austria at the beginning of 2019 with the aim of making interactions with insurance customers faster, easier and more transparent by making them purely digital.

People are particularly open to digital solutions in Central and Eastern Europe. In this respect, we couldn't wish for a better playing field for our future initiatives. Nevertheless, whether we are selling insurance via an app or a personal advisor, our promise for the future remains unchanged: to protect what matters.

Elisabeth Stadler
General Manager

© Ian Ehm

"YOUNG PEOPLE IN PARTICULAR EXPECT AN INSURANCE PARTNER WHO FITS INTO THEIR DIGITAL WORLD. WE WANT TO BE THAT PARTNER."

TODAY

Contents Group Annual Report 2018

COMPANY

© Ian Ehm

TOMORROW

By definition, acting sustainably means acting for the future. It sets the steps today that will make an impact only tomorrow. These steps should be carefully planned, as they affect a large number of target and stakeholder groups. VIG therefore uses a well-founded long-term CSR strategy. Further information is available in the **Sustainability Report 2018** and at:
www.vig.com/corporate-responsibility

THE FUTURE

Radical changes lie ahead in the insurance industry, which makes it essential to look at trends. Our **The Future poster** provides information on potential developments that VIG is already preparing for, and is available at
www.vig.com/future2028

An interview with the VIG Managing Board on the opportunities offered by technological change. **Page 14**

ONLINE ANNUAL REPORT

An online version of the Group Annual Report optimised for mobile devices is available at **annual-report.vig/2018**

All VIG publications are available at **www.vig.com/orderservice**

Our goal is to make this Group Annual Report as easy to read and as clear as possible. For this reason, words like him/her, etc. have been avoided. All references in the text are to be understood as referring equally to men and women without discrimination.

GROUP MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

SERVICE INFORMATION

PROFILE OF THE GROUP

Vienna Insurance Group manages and supports its around 50 Group companies in Austria and Central and Eastern Europe so that they can offer their customers comprehensive, individual and tailored insurance protection. More than 50% of its premiums and result before taxes are generated in the CEE region. The Group strategy is to achieve sustainable profitable growth in order to protect what matters. Today. Tomorrow. In the future.

Number
1
in Austria and the CEE region

Operating in
25
countries

Around
50
Group companies

Close to
200
years of experience in the Group

More than
25,000
employees

More than
20,000,000
customers

A+
rating with stable outlook
from Standard & Poor's

On the Vienna Stock Exchange
since
1994

VIG shares are listed on the Vienna
and Prague Stock Exchanges:

Around **70%**
of the shares are held
by Wiener Städtische
Versicherungsverein

Around **30%**
of the shares are
in free float

VIG MAKES ITSELF FIT FOR **THE FUTURE**

VIG always thinks about the future. Its strategy is aimed at achieving sustainable profitability and continuous earnings growth. The core of its strategy is the insurance business, with a regional focus on Austria and the CEE region. Four clear management principles and three priorities in the strategic work programme guarantee that VIG will further consolidate its market leadership in Austria and the CEE region and take optimal advantage of growth opportunities.

Key strategic elements

Insurance
VIG concentrates on its core business, namely providing insurance solutions and services that best address people's demand for security and provision.

Austria and the CEE
VIG's regional focus is on Austria and CEE while taking advantage of the many growth opportunities in this region. Different levels of economic and insurance-specific maturity of these markets guarantees broad risk diversification.

Management principles

Local entrepreneurship
VIG's decentralised organisational structure provides local management and employees the flexibility needed for their business operations. In the end, they know the needs of the local population and special features of the market best. This allows distribution and products to be adjusted optimally to local conditions. VIG Holding is responsible for Group management.

Multi-brand policy
VIG consciously relies on locally established brands, as this allows it to address different target groups directly and personally in its 50 Group companies in 25 markets. It also strengthens its regional identity and creates greater customer and employee loyalty to the company. Adding "Vienna Insurance Group" to the local brand names conveys the international stature and strength of the Group.

Multi-channel distribution
VIG uses its own field employees, brokers and agents, multi-level marketing, direct and digital sales. Bank distribution is also very important. The cooperation that began in 2008 with Erste Group, which also has a strong presence in the CEE region, was extended ahead of schedule in 2018 until the end of 2033.

Non-financial objectives

CSR
VIG thinks about today and tomorrow. In addition to its economic goals, it also has social and environmental goals. Detailed information on the sustainability strategy is available in the Sustainability Report starting on page 6.

Employer of choice
VIG positions itself as an attractive employer in a challenging international environment. It focuses on diversity. The different experiences and expectations that people bring with them are dealt with in a fair and just way, allowing VIG employees to follow their ideal development paths. Further information is available in the Sustainability Report starting on page 28.

Conservative investment and reinsurance policies
VIG is responsible for EUR 37,635.6 million in investments (including cash and cash equivalents). Security and sustainability are crucial for these investments. Most of the investments are in bonds and real estate. To obtain the optimal risk balance, risks are pooled at Group level and part of the risk is outsourced to the international reinsurance market.

Strategic measures

VIG has three priorities in its strategic Agenda 2020 work programme:

1. **Business model optimisation**
2. **Ensuring future viability**
3. **Organisation and cooperation**

>

Agenda 2020: What we are doing TODAY to make ourselves fit for THE FUTURE

In addition to addressing the challenges currently facing the insurance industry, VIG's strategic Agenda 2020 work programme also focuses on long-term social and technological trends. The goal is to take advantage of the opportunities offered by the changing world.

1. Business model optimisation

The following measures help increase cost efficiency and reduce the combined ratio.

Shared services and mergers
Combining back office functions in a country or region creates cost benefits. Group companies are also merged if the synergies of a merger outweigh the benefits of a diversified market presence in the long term.

Optimising the profitability of motor insurance
Innovative methods for setting prices, e.g. using advanced analytics, increase income in the motor line of business. Targeted measures for underwriting and risk selection and a new foreign claims team improve profitability.

Anti-fraud-management
A Group-wide best practice approach uses targeted anti-fraud measures to prevent unjustified claims.

Closed file review
A systematic review of closed claims identifies weak points in the claims handling process and prevents future overpayments.

2. Ensuring future viability

VIG uses the following measures to optimally take advantage of the opportunities created by demographic and social trends and technological innovations.

Expanding lines of business
VIG is promoting highly promising areas, such as:

- Bank distribution
- Health insurance
- Reinsurance
- SMEs
- Assistance

The insurance company of the future
The rapid pace of technological change requires continuous reassessment and redesign of insurance solutions. Traditional motor insurance, for example, could change into a solution for mobility risks due to autonomous vehicles, and traditional life insurance could change into a comprehensive tool for future provision. For VIG's product design, this means: protect against risks and offer added value.

Digitalisation
By means of its digital vision and centralised process for developing local transformation plans, VIG assists its Group companies in the digital transformation of their business models. The customer experience is improved and processes are automated, when reasonable, based on the motto "anywhere, anytime, any way". A Group-wide culture of innovation is helping VIG to better address its challenges.

Assistance
The expansion of assistance within the Group adds appropriate additional services to the traditional business model of insurance products. They also form a basis for future digital extensions, thereby creating competitive advantages.

Targets for 2020

EUR 530–550 million
Result before taxes

EUR 10.2 billion
Premiums

around 95%
Combined ratio

3.

Organisation and cooperation

Transparent rules, clear targets, an effective management model and an efficient infrastructure for exchanging best practices and innovations ensure efficient, effective collaboration within the Group, thereby ensuring the future success of Vienna Insurance Group.

FACTS & FIGURES

Group premiums EUR 9.7 billion (+2.9%)
When adjusted for single-premium life insurance, the year-on-year increase rises to 5.2%. More than half of the premium volume comes from the CEE region. **Page 44**

Result before taxes EUR 485.4 million
Considerable 9.7% increase in profits. More than half of the profit was generated by CEE markets. **Page 45**

96.0% net combined ratio
Therefore, VIG could further improve the combined ratio in 2018. **Page 46**

Dividend per share EUR 1.00
A dividend of EUR 1.00 per share will be proposed at the Annual General Meeting on 24 May 2019 based on our new dividend policy of distributing between 30 to 50% of Group net profit to shareholders. **Page 22**

A+ with a stable outlook
Rating of A+ with stable outlook was reconfirmed by Standard & Poor's. VIG still has the best credit rating of all companies listed on the ATX leading index of the Vienna Stock Exchange. **Page 23**

Solvency ratio 239%
VIG continues to have internationally outstanding solvency. VIG has sufficiently exeeded the required minimum solvency of 100% in all scenarios of the EIOPA stress test.

HIGHLIGHTS 2018

© Ian Ehm

Personnel changes

CHANGES IN THE MANAGING BOARD

Peter Thirring (above left) moved from his position as General Manager of the VIG company Donau Versicherung to the Managing Board of VIG Holding on 1 July 2018. Liane Hirner (below left), who has been a member of the Managing Board of Vienna Insurance Group since February 2018, assumed the position of CFO on 1 July 2018.

Strengthening market position

SEESAM ACQUISITION CONCLUDED IN THE BALTIC STATES

Following the signing of the purchase agreement in December 2017, the acquisition of 100% of the shares of Seesam Insurance AS (Seesam) was completed in September 2018. Vienna Insurance Group is using this acquisition to further reinforce its leading position in the Baltic market.

VIG ACQUIRES GOTHAER AND AN INTEREST IN TUW "TUW" IN POLAND

The acquisition of Gothaer Towarzystwo Ubezpieczen (Gothaer) was completed at the beginning of 2019 with the approval of the local authorities. VIG also acquired an indirect interest through its Group company InterRisk in the insurance company Towarzystwo Ubezpieczeń Wzajemnych "TUW" at the beginning of 2019. This strengthens VIG's position in the non-life sector of the Polish market.

ACQUISITION AND RENAMING OF MERKUR IN BOSNIA-HERZEGOVINA

The acquisition of 100% of the shares of Merkur Osiguranje d.d. (Merkur) was completed in February 2018 with the approval of the local authorities. This strengthens the range of products offered by Vienna Insurance Group in the life insurance segment in Bosnia-Herzegovina. Merkur's regional presence in the Federation of Bosnia-Herzegovina is also an important factor in its acquisition. The company was renamed Vienna osiguranje d.d. in October 2018.

AGENDA 2020

Business model optimisation

MERGERS BETWEEN COMPOSITE INSURERS AND BANK INSURANCE COMPANIES

The year of 2018 was marked by mergers between local composite insurers and life insurance companies specialising in bank distribution. Mergers took place in Hungary, Slovakia and Croatia in the 1st half of 2018, followed by Wiener Städtische and s Versicherung in Austria in the 2nd half of the year, and Kooperativa pojišťovna (Kooperativa) and Pojišťovna České spořitelny (PČS) in the Czech Republic at the beginning of 2019.

MERGER OF COMPENSA LIFE AND POLISA-ZYCIE CONCLUDED IN POLAND

The Polish Group companies Polisa-Zycie and Compensa were merged on 30 May 2018. The merged company is one of the largest life insurance companies in Poland and will operate under the Compensa Life brand in the future. The Polisa brand is still used to sell group policies.

VIG MERGES AXA LIFE AND BCR LIFE IN ROMANIA

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

Ensuring future viability

VIG EXPANDS ASSISTANCE IN POLAND AND ROMANIA

Growth of the Polish assistance market led VIG to establish the company "Global Assistance Polska" in August 2018, which was preceded by the motor assistance centre that was established in 2016. The Global Assistance company established in the previous year in Romania has also been operating in the motor area since October 2018.

VIG XELERATE ENTERS SECOND ROUND

Vienna Insurance Group invited its around 50 Group companies to pitch digitalisation projects once again. The "VIG Xelerate" programme was started in 2017 and promotes activities for digital transformation within the Group. The five projects from the first round receive a total of around EUR 1 million for implementation (see further page 18). VIG Xelerate gave the go-ahead for its second round of pitches in the autumn of 2018.

VIG RE STARTS IN PARIS

One year after the opening of its first branch in Frankfurt, VIG Re has now taken the second step in its planned internationalisation. The office in Paris will serve customers in France, Belgium and Luxembourg in the future. In addition to the German-speaking region this is another region targeted by the Prague-based reinsurance company for its expansion into Western Europe. Its customers will primarily be companies with regional portfolios and mutual insurance companies ("mutuelles").

COOPERATION WITH ERSTE GROUP EXTENDED

VIG and Erste Group have worked closely together in a very successful strategic partnership since 2008. In the middle of 2018, the cooperation was extended ahead of schedule until the end of 2033. As a result Erste Group customers will receive broader access to products and improved services in the insurance area. In the future, the cooperation will also be intensified online by the distribution of insurance products through the "George" web platform.

Organisation and cooperation

EFFICIENT MANAGEMENT

VIG Holding is responsible for Group management. A project to design a more effective management function began in 2018. The results are currently being evaluated.

THINKING ABOUT TOMORROW **TODAY**

After a successful end of the financial year, VIG is now devoting itself to implementation of its work programme. An interview with the Managing Board on the opportunities and challenges in the CEE region, interim results of Agenda 2020 and how VIG is dealing with technological change.

© Ian Ehm

The VIG Managing Board: Judit Havasi, Franz Fuchs, CEO Elisabeth Stadler, Liane Hirner, Peter Höfinger and Peter Thirring (from left to right)

Dear Mrs Stadler, I am now sitting in front of a newly formed Managing Board team. What are its strengths?
ELISABETH STADLER: In one word: diversity. The diversity of the Group is also reflected in the Managing Board team. The Managing Board consists of men and women in equal proportions; while half of its members have long careers within the Group, the other half come from outside. This allows us to combine in-depth knowledge of insurance with internal and external expertise. Liane Hirner and Peter Thirring are new members appointed to the Managing Board in 2018. Both have many years of experience in the insurance industry and their individual areas of focus and different perspectives that will be highly beneficial for VIG's future development. Liane Hirner is trained as an auditor and has ideal qualifications for her new position as CFO. Peter Thirring has in-depth knowledge of the industry and has moved from Group company Donau Versicherung to the Managing Board of VIG Holding. Our work in the Managing Board benefits from the diversity of the people involved and the enthusiasm for the insurance industry that unites us all.

How satisfied are you with the financial year 2018?
STADLER: Overall, we are very satisfied. On one hand, the fact that the Agenda 2020 initiatives have already been implemented, makes me optimistic. On the other hand, our business results give us a good reason to be happy.
LIANE HIRNER: We managed to increase not only the premium volume again, but also the result before taxes. And we are passing on part of this success to our shareholders, who can expect the dividend to increase by around 11% to EUR 1.00 per share. Under its new dividend policy, VIG distributes between 30 to 50% of net Group profit to shareholders.

You mentioned the achivements of Agenda 2020 over the past year. What do the interim results look like?
STADLER: Very good. We made significant progress and are working hard to bring the positive interim results to a satisfactory completion at the end of 2020. The results (see information box) speak for themselves and show that we are on the right track.
FRANZ FUCHS: We are successively rolling out our initiatives in the area of claims management. The same applies to the "digital transformation", "assistance" and "pricing" areas. And our measures for expanding business activities with growth potential are also now in the implementation phase.

Let's start with the last point. What were the milestones with respect to bank distribution, reinsurance, etc.?
STADLER: Bank distribution kept us busy in a number of ways last year. First, in the form of mergers between our local composite insurers and life insurance companies specialising in bank distribution. Mergers took place in Croatia, Slovakia, Hungary and Austria during the course of the year, and the merger in the Czech Republic took effect on 1 January 2019. In total, we created five strong local insurance companies whose combined resources and expertise will allow the opportunities provided by bank distribution to be further exploited, also by other lines of business. Bank distribution was also an important topic because of the extension of our cooperation agreement with Erste Group until the end of 2033.
JUDIT HAVASI: Extension of the agreement creates security and predictability for >

"WE MADE SIGNIFICANT PROGRESS AND ARE WORKING HARD TO BRING THE POSITIVE INTERIM RESULTS TO A SATISFACTORY COMPLETION IN 2020."
Elisabeth Stadler

Agenda 2020 – Interim results

What VIG has successfully achieved since the start of the initiative.

Business model optimisation

Shared services and mergers

- 11 companies merged

Optimising the profitability of motor insurance

- Unprofitable truck portfolio reduced by 14% since the start of Agenda 2020

Anti-fraud-management

- Roll-out in 13 companies in 10 countries
- 70% coverage of the claims in these companies at the end of 2018

Closed file review (CFR)

- Performed in 9 companies in 5 countries

Ensuring future viability

Digitisation

- More than 150 digitalisation projects being implemented
- VIG digital vision and digital inventory used in 10 countries
- VIG internal innovation competition, VIG Xelerate, held for the second time

Expansion of internal Group assistance services

- 5 assistance companies in 7 countries in Central and Eastern Europe
- More than 500,000 assistance cases since the start of Agenda 2020, of which 80% were already handled by VIG's own companies

Insurance of the future

- Cooperation with InnovationLab Leipzig
- Motor strategy lab for the motor business of the future
- Cooperation with start-ups
- viesure start-up established at the beginning of 2019

Expanding lines of business

- **Health insurance:** 84% premium growth in the CEE region, primarily driven by a 108% increase in the 5 key countries of Bulgaria, Poland, Romania, Turkey and Hungary
- **Bancassurance:** Since the start of the initiative at the beginning of 2018:
  - Group-wide premium growth of 14% (CEE 20%) in the non-life insurance area
  - 27% increase in health insurance portfolio premiums in Austria
- **Reinsurance:** 17% premium growth for VIG Re, 2 new branches established in Frankfurt and Paris to allow both the German-speaking region (Germany, Austria, Switzerland) and Benelux region to be served
- **SMEs:** Premium volume exceeds the threshold of around EUR 339 million for the first time

our future business development and acts as a signal to stakeholders that they can rely on us as a partner. And we want to expand this cooperation further.
PETER THIRRING: For reinsurance, 2018 was dominated by implementation of the planned expansion, including geographical expansion. Our two new branch offices in Frankfurt and Paris provide us with direct access to our customers in the German-speaking region as well as the region of France, Belgium and Luxembourg.

What progress has VIG achieved with the digital transformation?
STADLER: We developed a digital vision under Agenda 2020 that provides a guideline for the digital transformation of Group companies and their business models. The focus in 2018 was on supporting the local companies with their digital inventory based on the general vision. Initial transformation plans were also prepared and approved for implementation.
HAVASI: 19 companies in 11 countries have already worked hard to define their individual areas of focus based on the digital vision. VIG has an IT investment budget of around EUR 100 million and is devoting around half of this to digitalisation. Part of this will be used to fund various projects in the Group companies. Let me mention two examples. The Polish Group company Compensa is working on the “Genesis” project aimed at using artificial intelligence to optimise business processes and robot technology to automate them. This will allow insurance companies to be integrated directly into the digital world of the customer in the future via the “Internet of things”. The second example is our internal VIG Xelerate initiative, which invites all Group companies to pitch their innovative digitalisation ideas to VIG Holding. The VIG Managing Board then selects the projects that will receive financial support for implementation. VIG also awards special prizes for outstanding projects in its VIG Xelerate programme.
PETER HÖFINGER: In order to win a prize, the projects must provide a potential future benefit for the respective market and for the Group and achieve a clear improvement in key figures such as premium volume, expenses, market share or operational results. The five projects selected in the first round will receive a total of around EUR 1 million. The second round of pitches started in the autumn of 2018.

What effects do technological and social changes in the area of mobility have on VIG as a major provider of motor insurance?
FUCHS: The entire automobile industry is undergoing radical change and is even trying to reinvent itself in some areas. For example, the drive system itself – such as electric cars and the resulting reorientation of vehicle sales – as well as vehicle networking and automation. The rapid growth of car sharing is another example. We are following all of these areas and monitor the automobile industry closely in order to be able to help shape future changes. We brought the “Motor Strategy Lab” initiative to life for this purpose, where we develop strategies for specific occurrence scenarios and examine potential cooperations. Because one thing is clear to us: you have to start now in order to be prepared for the future.

Are you worried about technological change as an insurer?
STADLER: Digitalisation has the potential to completely rewrite the rules of the

VIG XELERATE INITIATIVE

An engine for the digital transformation

The following Group companies were the winners in the first round of VIG Xelerate. Their projects will receive a total of EUR 1 million in support.

GPI Holding (Georgia)
GPI digitalised sales of all individual policies and some B2B products and allows end customers to use online portals or an app to purchase and manage policies quickly and easily. A digital platform handles claims automatically, including claims evaluation. An app can be used to request assistance services and make doctor’s appointments.

Winner (Northern Macedonia)
Customers can use an app to report losses and check the status of processing, and Winner’s internal processes are simplified and automated at the same time. Customers benefit from faster, more transparent processing.

BCR Life (Romania)
BCR Life is developing a tablet-based advisory tool to help sales. It collects the data needed and immediately provides information on the customer’s needs.

InterRisk (Poland)
Artificial intelligence is used to develop a rate system that adjusts prices and benefits to the customer’s individual needs – thereby optimising income.

Bulstrad Life (Bulgaria)
Customers can use the free mobile B-Assist app to make doctor’s appointments, compare medical providers and manage the documents needed for medical care. The app is directly integrated into the software systems of the medical partners.

"THE ENTIRE AUTOMOBILE INDUSTRY IS UNDERGOING A PERIOD OF RADICAL CHANGE AND IS EVEN TRYING TO REINVENT ITSELF. VIG CONTINUES TO MONITOR DEVELOPMENTS CLOSELY, SO THAT IT CAN HELP SHAPE FUTURE CHANGES."

Franz Fuchs

game in the insurance industry. There is no question about that. Major technological changes like this always bring uncertainty. However, they also offer an opportunity to take on a greater role as a service provider using new business models. It is therefore essential to deal with such changes. I view this as a positive, however, since it creates a tremendous "drive" within VIG whenever it happens. This is also because our decentralised management approach brings us close to our customers, so we know what they want. Creative local concepts can be quickly implemented at VIG and this spurs employee innovation and enjoyment at helping to shape these changes. This freedom allows us to find innovative answers from many levels to the challenges facing our industry. With this in mind, no, I am not worried about technological change. I see it as an opportunity for further development.

You spoke of insurers as service providers. What role do assistance services play in this regard?

HÖFINGER: Service has many faces, such as the change from a claims adjustor to an advisor for matters concerning future provisions or risk, and also, of course, assistance. This is one of the priorities of Agenda 2020 and we have further intensified our efforts again in 2018. Our Group companies handled around 200,000 assistance cases in 2017 and this rose to around 300,000 cases in the reporting period. We recently established "Global Assistance Polska" in Poland, so we could also offer our services to third parties. We always start with pilot projects, such as the current cyber assistance project in the Czech Republic. If the results are good, we quickly expand the business, always with the goal of also offering services to third parties. And this strategy is bearing fruit.

In your view, what were the biggest challenges in the year just ended?

STADLER: We completed six mergers last year and one at the beginning of 2019. These also included mergers of very large Group companies. This requires enormous commitment from all parties concerned and I was pleased to watch VIG employees grow closer and excel when faced with such challenges. In terms of business development, the situation was unfortunately less positive in Romania and Poland in 2018.

FUCHS: In both countries, regulatory changes are the main factor depressing local business results. In Romania, the government capped premiums in our motor line of business for several months during the reporting period. The caps apply to all insurers operating in Romania, but we hope the situation will improve in 2019. In Poland, we had to form new provisions in the life insurance area in connection with the cancellation terms for a certain product line.

Romania is currently one of the most difficult countries. Why doesn't VIG simply leave such a market?

STADLER: The markets in Romania and some of the other countries mentioned have a great potential and we are confident that this potential will be realised. We enter countries with the intention of staying and take a long-term perspective. We feel it is part of our social responsibility as an employer and a company to help shape the markets where we operate.

HIRNER: This point of view is also shared by our principal shareholder, Wiener Städtische Versicherungsverein, which >

engages in local cultural and social activities. We feel an obligation to our employees, partners and policy holders, and promise our customers to protect what matters, including across generations when possible and reasonable. A commitment like this is not consistent with hasty decisions and short-term thinking. Naturally, it also has to make economic sense in the end. Our broad risk diversification across many countries ensures that individual losses have no significant effect on our earnings power and allows us to make prudent decisions and avoid wasting opportunities carelessly.

Does your strategy continue to focus on the CEE region and are you looking for potential acquisitions there?

STADLER: The CEE region continues to be a growth market. And as the number 1 company in this region, we are ideally positioned to benefit from its great potential. Our acquisitions of the Gothaer insurance company in Poland and Seesam Insurance in the Baltic states significantly expanded our market presence again in 2018. We have implemented around 45 mergers and acquisitions since 2010, including eleven in the past three years alone. And we are continuously checking the market for further acquisitions, since a glance at the insurance density already shows that the markets are far from being saturated. But not everything we see meets our requirements. The company being acquired must be a good fit, and the price also has to be right. VIG has excellent capital resources that we would like to use mainly for growth. The focus is on complementary acquisitions, like those we performed in previous years.

How does the capital market feel about your strategy and activities?

HIRNER: Completely positive, as shown by our investor survey during the reporting period (see p. 24). Our focus on the CEE region was also received favourably, as were our efforts to streamline our cost structure. VIG's particular management and control approach has proven

“WE BELIEVE THAT ONLY DECENTRALISED MANAGEMENT PROVIDES THE FLEXIBILITY NEEDED TO ACHIEVE SUCCESS IN A DIVERSE REGION LIKE THE CEE.”

Peter Höfinger

CLOSED FILE REVIEW

Use yesterday's claims to save in the future

VIG has been systematically reviewing old claims since 2017. This closed file review (CFR) can identify potential areas of improvement in claims handling so that unjustified payments can be avoided in the future. First, possible overpayments are identified and then a detailed analysis is performed along the value chain to determine the specific reasons. Finally, appropriate changes are made to guidelines or processes based on the results, and special training is provided. The CFR initiative started with motor insurance in Poland and Lithuania and was rolled out in Bulgaria, Latvia and Romania and for initial areas of other property insurance in 2018.

SME INITIATIVE

Small companies systematically targeted

Small and medium-sized enterprises (SMEs) are the backbone of the CEE economic area. VIG therefore decided in 2012 to systematically address them in its markets. Each Group company made its own decision as to which sectors were attractive based on the potential customers and risks. Information was then prepared for the distributors to allow them to specifically address these companies. In the autumn of 2018, the Serbian Wiener Städtische developed a digital tool to help distribution and there are plans to use this tool in other VIG markets after a test phase. And the SME cyber-coverage offered by the Austrian Wiener Städtische is now also being distributed in similar form in Poland and the Czech Republic.

successful in our highly diverse markets and continues to attract interest as a result. We will continue to satisfy the desire that was expressed for management visibility and active communication as good as we can.

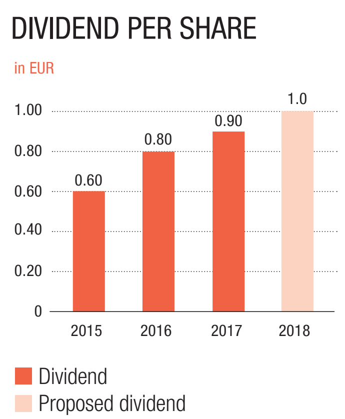
You have mentioned VIG's decentralised management approach a number of times. What is special about this approach and how does VIG manage in practice?
STADLER: We have clearly specified VIG Holding's responsibilities and those of local management. VIG Holding manages, controls and supports the Group companies. Guidelines, frameworks and clear rules exist.
HÖFINGER: In practice, this means, above all, exchanging a great deal of information. We maintain close contact with our colleagues on the managing boards of the local Group companies, frequently phoning them several times a week and also meeting personally. Every member of the VIG Managing Board is responsible for at least one country and is regularly informed of important developments taking place there. The VIG Managing Board and Controlling unit closely supervise the planning process performed by each Group company. We believe, however, that only decentralised management provides the flexibility needed to achieve success in a diverse region like the CEE. Local management and our multi-brand strategy are two important features that set us apart from the competition and contribute to our success.
STADLER: We analysed how VIG Holding could implement its management agenda more effectively in 2018 and are currently evaluating the results. Regulatory requirements, such as the EU solvency regime, apply across the Group. New international accounting standards, in particular IFRS 9 and 17, continue to require a high degree of centralisation in the areas concerned.

Ms Hirner, as CFO, IFRS 17 falls into your area of responsibility. What do you think about the deferral that was recently announced?
HIRNER: We think the one-year deferral is good, since too many issues still need to be clarified in the industry. A longer preparation and validation period gives listed insurance groups like VIG that are affected by application of the IFRS more planning certainty. We are, of course, still working intensively across the Group on implementing the new highly complex valuation model for insurance policies. This requires new IT systems – some of which are still in development – and extensive changes to the existing IT systems. Based on the current version of the IFRS 17 standard announced in May 2017, the cost of implementing IFRS 17 will be significantly higher than for the introduction of Solvency II. The new accounting standard has come under extensive criticism worldwide due to the high level of complexity and cost of implementation and appropriate changes are therefore being evaluated.

We have already talked a great deal about future scenarios. What goals has VIG set for the near future?
STADLER: For 2019, we plan to achieve a premium volume of EUR 9.9 billion and a result before taxes of EUR 500 to 520 million. We aim to steadily increase our premium volume to EUR 10.2 billion and our result before taxes to between EUR 530 and 550 million by 2020. Our goal for the combined ratio is a sustainable improvement to around 95% by 2020.

INVEST IN THE FUTURE

Strong today, prepared for tomorrow and thinking of the future. Why the top insurance company in the growth region of Central and Eastern Europe is a promising investment.



New dividend policy

VIG will distribute

30–50%

of Group net profit to its shareholders.

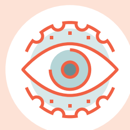
180 million potential customers and an insurance density that is only a fraction of the levels found in Western Europe, even in the developed CEE markets. These two figures alone make Central and Eastern Europe appear promising enough for long-term investments in the leading insurance group in the region. But they are inadequate to fully describe VIG's prospects for success, since VIG is much more than just the top player in the CEE region. It has good capital resources, and is therefore fast-growing, it focuses on the future of both technology and society, and it promotes diversity to position itself as an attractive employer. And almost 200 years of successful history have shown that the Group can dynamically adjust to market developments.

Invest in growth

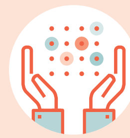
The formation of Kooperativa in the former country of Czechoslovakia shows that VIG was one of the first Austrian companies to recognise the potential in Eastern Europe. Today, most of its 25 markets are in the CEE region. The share of premiums and profit from the CEE show how forward-looking this business decision was. In 2018, 55.9% of premiums and 53.2% of the result before taxes came from Central and Eastern Europe. And the forecasts for future economic development of the region show long-term growth opportunities for the insurance industry.

THE VIG EQUITY STORY

Invest in growth
- 25 markets, primarily in the CEE growth region
- 180 million potential customers
- No. 1 in Austria and the CEE region
- Strong capital base for further bolt-on acquisitions



Invest in vision
- Targeted use of technology in distribution, product design and processes
- An insurer that provides added value: claims settlement, claims prevention and assistance
- Expansion into business activities with growth potential



Invest in responsibility
- Risk balancing using diversity as a basic principle
- Diversity as an engine of innovation and motivating factor
- Effective Group management and corporate control
- Goal of combining economic objectives with social and environmental factors, supported by the principal shareholder

Invest in reliability
- 200 years of insurance expertise
- Proven management principles
- Sustainable dividend policy
- Efficiency and profitability measures underway

Sustainable profitable growth is best realised with strong capital base. VIG is also acting risk consciously in this regard, as shown by its solvency ratio of 239%. VIG's A+ rating with a stable outlook from Standard & Poor's (S&P) is the best rating within the Austrian ATX Index. Its large capital buffer can be used to invest in the organic growth of Group companies, or to acquire other companies when this appears economically attractive. In VIG's case, these are generally complementary acquisitions, so-called "bolt-on" acquisitions. VIG considered more than 45 potential acquisition candidates between 2012 and 2018 and acquired 20 of the companies.

Invest in vision

Focusing on the future requires companies to continuously examine their business activities. VIG does precisely that. It follows relevant trends and developments and repeatedly adjusts its insurance business in response, because changes like digitalisation, a transport revolution due to autonomous vehicles, or demographic change permanently affect insurance companies and their products and services.

VIG uses the new digital technologies, for example, to automate processes, analyse data more efficiently and serve customers better. It links its sales employees, enabling them to provide better advisory services. And it promotes innovation within the Group and with external partners. It responds to social change by expanding its assistance services and slowly changing from a claims handler to a service provider for loss prevention, among other things.

Invest in responsibility

VIG feels that responsibility has two aspects. It has an internal effect, for example, on risk balancing, Group management and corporate control. And it has an external effect on society.

VIG promotes diversity in a number of ways to balance risk. Using a wide variety of brands ensures that all target groups are addressed – from private customers and small businesses, all the way to international corporate groups. As a composite insurer, it offers products and services for all needs. And it uses all distribution channels, with Erste Group given priority for bank distribution. And, finally, diversity is also used as a guiding principle that values the diversity of experience and values that employees bring with them. This also makes business sense, as it attracts the smartest people in the labour market and strengthens innovation.

Local management, which guarantees Group companies a high level of autonomy, is balanced with effective management of the companies by VIG Holding. This involves clear, Group-wide rules, strict risk requirements for the investments area, appropriate infrastructure for the exchange of best practices and innovations, and rapid communication channels between the Group companies and VIG Holding. This is

>

supplemented by an effective governance system for corporate control.

In order to fulfil its social responsibility and help create a future worth living, VIG has environmental and social goals in addition to its economic goals. It develops and launches products and services that provide added value in these areas. And it has invested in non-profit building societies for decades. Its principal shareholder Wiener Städtische Versicherungsverein also keeps initiating projects for disadvantaged people that are funded using VIG's dividend distributions. All of this contributes to the Group's social solidarity.

Invest in reliability

What could be stronger proof of reliability than close to 200 years of company history and 30 years of success in the CEE region? Shareholders also benefit from the Group's many years of profitable growth. The Company, which is listed on the Vienna Stock Exchange, has paid a dividend to its shareholders every year since 1994. The new dividend policy provides for a shareholder dividend of 30–50% of Group net profit. This sustainable dividend policy is supplemented by a range of income and cost efficiency measures aimed at achieving a combined ratio of 95% by 2020. This means that VIG is not only a reliable partner today, but also tomorrow and in the future.

© Klaus Ranger

Nina Higatzberger-Schwarz heads the VIG IR Team.

INVESTOR SURVEY 2018

The newly formed Managing Board initiated an investor survey in the summer of 2018. Who participated?

16 institutional investors, together representing just under 20% of the free float, and seven analysts took part in the telephone interview. We made sure we received broad feedback from both overseas and Europe, and that analysts representing different recommendations for VIG shares, from "buy" and "neutral" to "sell", were included. Overall, it was a representative cross section.

What topic areas were addressed in the survey?

Among other things, the structured interview questionnaire addressed VIG's strategy and which aspects were seen as attractive or problematic. Agenda 2020, our cooperation with Erste Group and special financial topics, such as our targets for 2018–2020, capital position and dividend policy, were also separately discussed. There were also questions on VIG's management and governance system and a block of topics dealt specifically with investor communication.

What were the major findings and what conclusions were drawn from the answers?

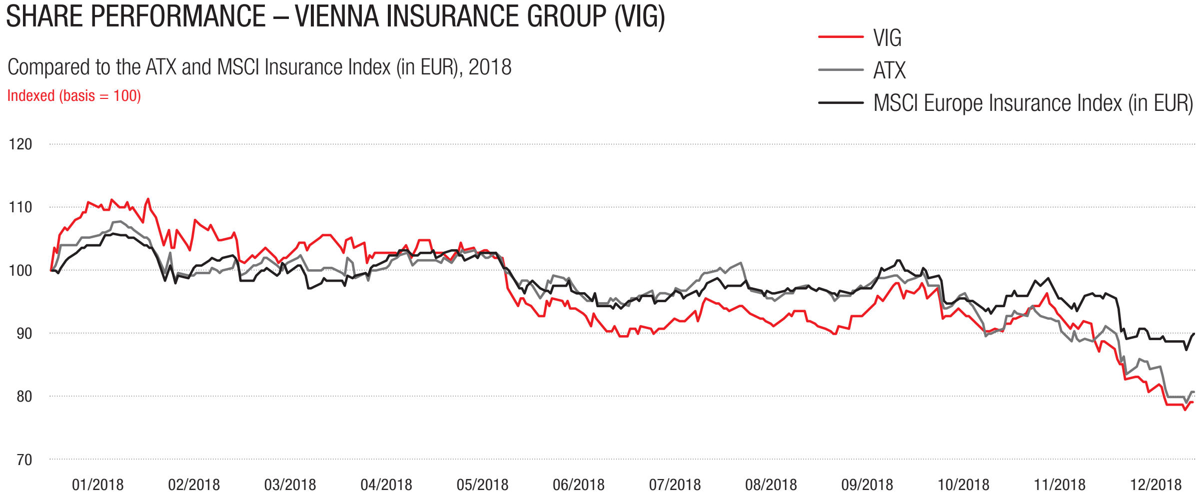
Investors and analysts were positive about the main aspects of VIG's strategy. The greater growth potential of VIG's home market in Central and Eastern Europe as compared to Western Europe, the lower insurance density and generally favourable demographic and economic outlook for the CEE region were consistently seen as attractive. VIG's mergers of Group companies to simplify the structure of the Group, its focus on profitable growth and cost management and the extension of the strategic partnership with Erste Bank were also seen as positive. The decentralised structure – particularly in distribution – of the Group in connection with our multi-brand strategy appeared very complex to many survey participants in comparison to our competitors. The discussion mainly concerned VIG's special management and control approach. The legal form of our principal shareholder, a mutual insurance company, is also a special factor that is not well understood by the capital market and its role, structure and corporate purpose have to be explained in more detail. Both, investors and analysts discuessed VIG's capital base, growth and shareholder return in relation to a competitive dividend yield. A desire for management visibility and continued active communication was clearly expressed and the Investor Relations Team will also focus more strongly on this in the future.

The Investor Relations team is available to answer capital market questions at any time:
www.vig.com/investorrelations
Email: investor.relations@vig.com
Phone: +43 50390 21919

SHARE PERFORMANCE – VIENNA INSURANCE GROUP (VIG)

Compared to the ATX and MSCI Insurance Index (in EUR), 2018

Indexed (basis = 100)



KEY FIGURES – VIENNA INSURANCE GROUP (VIG)

Key Share information		2018	2017	2016	2015
Market capitalisation	EUR millions	2,595.84	3,297.92	2,726.40	3,237.12
Average number of shares traded by day	Piece	~ 86,000	~ 104,000	~ 161,000	~ 147,000
Book value per share[1]	EUR	33.98	36.20	34.11	32.07
End-of-period price	EUR	20.280	25.765	21.300	25.290
High	EUR	28.740	26.520	24.790	42.620
Low	EUR	19.900	21.590	16.095	24.910
Share performance for the year (excluding dividends)	%	-21.29	20.96	-15.80	-31.80
Dividend per share	EUR	1.00[2]	0.90	0.80	0.60
Dividend yield	%	4.93	3.49	3.76	2.37
Earnings per share[3]	EUR	2.04	2.23	2.16	-0.27
Price-earnings ratio as of 31 December		9.94	11.55	9.86	-93.67

[1] The value is calculated using shareholders' equity less non-controlling shares and hybrid bonds
[2] Proposed Dividend
[3] The calculation of this financial ratio includes accrued interest expenses for hybrid capital

FINANCIAL CALENDAR[1]

Record date AGM	14 May 2019
Results for the 1st quarter of 2019	22 May 2019
Annual General Meeting	24 May 2019
Ex-dividend day	27 May 2019
Record date	28 May 2019
Dividend payment day	29 May 2019
Results for the 1st half of 2019	27 August 2019
Results for the 1st to 3rd quarter of 2019	27 November 2019

[1] Preliminary schedule

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 was introduced in 2002 and is regularly updated according to legislation and current trends. It is the standard for proper corporate governance and control in Austria. Provisions of the Code contribute to strengthening the trust in the Austrian capital market. 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 2018 version of the Austrian Code of Corporate Governance. § 243c UGB and § 267b UGB (Consolidated Corporate Governance Report) were also applied when preparing this report.

The Austrian Code of Corporate Governance is available to the public both on the VIG 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 sees corporate governance as a continuously changing process that responds to new conditions and current trends for the benefit of the Group as well as for its stakeholders. The goal of all corporate governance measures is to ensure responsible corporate management aimed at long-term growth while maintaining effective corporate control at the same time.

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 implementation of corporate governance. All information on the members, procedures and remuneration 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 that must be observed. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or Explain")
- Non-compliance with rules which are merely recommendations do not need to be disclosed or explained ("Recommendation")

Vienna Insurance Group complies with all of the rules of the Austrian Code of Corporate Governance.

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: Ray Sigorta (Turkey) and Makedonija (North Macedonia). The corporate governance reports are included in the annual reports of these companies and can be accessed through their respective websites: www.raysigorta.com.tr (About > Investor Relations), www.insumak.mk (website link: http://insumak.mk/finansiski-izvestai.php). Any areas of deviation – and the explanation(s) – are indicated in the corporate governance reports of these companies.

Vienna Insurance Group's shareholder structure is available at www.vig.com/ir.

MEMBERS OF THE MANAGING BOARD AND THEIR RESPONSIBILITIES

The Vienna Insurance Group Managing Board consists of the following six members as of 31 December 2018:

Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board
Year of birth: 1961
Date first appointed: 1 January 2016
End of current term of office:
30 June 2023

Elisabeth Stadler studied actuarial mathematics at the Vienna Technical University and began her career in the Austrian insurance industry as Board member and chairwoman. In May 2014, she was awarded the professional title of professor by Federal Minister Gabriele Heinisch-Hosek for her merits for the insurance industry. She held the position of General Manager at Donau Versicherung from September 2014 to March 2016, and has been CEO of Vienna Insurance Group since 2016.

Areas of responsibility: Management of the VIG Group, Strategic Questions, General Secretariat, European Affairs, Group Communication & Marketing, Group Sponsoring, Human Resources, Group Development and Strategy, Asset Management, Treasury/Capital Market, Affiliated companies department, Bancassurance

Country responsibilities: Austria, Czech Republic

Supervisory board positions or comparable positions in other Austrian and foreign companies outside the Group: Institute of Science and Technology Austria, Austrian Red Cross

Elisabeth Stadler is also active in the Supervisory Boards of significant[1] Vienna Insurance Group companies: Wiener Städtische (Austria), Donau Versicherung (Austria), Kooperativa (Czech Republic), ČPP (Czech Republic), PČS[2] (Czech Republic), Compensa Non-Life (Poland), InterRisk (Poland).

Franz Fuchs
Year of birth: 1953
Date first appointed: 1 October 2009
End of current term of office:
30 June 2020

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. From 2003 until early 2014, Franz Fuchs was Chairman of the Managing Board of Compensa Non-Life and Compensa Life in Poland. He has been Chairman 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 motor vehicle insurance

Country responsibilities: Moldova, Poland, Romania, Ukraine

Supervisory board positions or comparable positions in other Austrian and foreign companies outside the Group: C-QUADRAT Investment AG

Franz Fuchs is also active in the Supervisory Boards of significant[1] Vienna Insurance Group companies: Kooperativa (Czech Republic), ČPP (Czech Republic), PČS[2] (Czech Republic), Compensa Non-Life (Poland), InterRisk (Poland).

[1] Vienna Insurance Group considers all companies that contribute at least 2% of written premiums and at least 2% in profit before taxes to be “significant”.
[2] The planned merger of PČS and Kooperativa was officially concluded at the beginning of January 2019.

Judit Havasi
Year of birth: 1975
First appointed on: 1 January 2016
End of current term of office:
30 June 2023

Judit Havasi studied law and has been working for the Group since 2000. She began her career in the internal audit department of UNION Biztosító, and became the head of this department 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 until 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: Planning & Controlling, Legal department, Group IT, Data Management & Processes, Performance management personal, Asset Risk Management

Country responsibilities: Hungary

Supervisory board positions or comparable positions in other Austrian and foreign companies outside the Group: Erste&Steiermärkische Bank d.d., Die Zweite Wiener Vereins-Sparcasse, "Volkstheater" Gesellschaft m.b.H., "Volkstheater" - Privatstiftung

Judit Havasi is also active in the Supervisory Boards of significant[1] Vienna Insurance Group companies: Wiener Städtische (Austria), Donau Versicherung (Austria), Kooperativa (Slovakia).

Liane Hirner, CFO
Year of birth: 1968
First appointed on: 1 February 2018
End of current term of office:
31 January 2023

Liane Hirner studied business administration in Graz. Before joining Vienna Insurance Group, she worked at PwC Austria's audit department where she started in 1993, and when she left, Liane Hirner was partner in the insurance area. In addition to her work as an auditor, Liane Hirner has also been involved in many professional associations, such as the IFRS Working Group of the Austrian Insurance Association and the Insurance Working Party of Accountancy Europe in Brussels. Liane Hirner was appointed to the Vienna Insurance Group Managing Board on 1 February 2018. She assumed the position of CFO on 1 July 2018.

Areas of responsibility: Finance and accounting

Country responsibilities: Germany, Belarus

[1] Vienna Insurance Group considers all companies that contribute at least 2% of written premiums and at least 2% in profit before taxes to be "significant".

Peter Höfinger
Year of birth: 1971
Date first appointed: 1 January 2009
End of current term of office:
30 June 2023

Peter Höfinger studied law at the University of Vienna and the University of Louvain-la-Neuve (Belgium). Peter Höfinger has been a member of the Vienna Insurance Group Managing Board since 1 January 2009. Prior to that, he was a director of the Managing Board at Donau Versicherung, responsible for sales and marketing. He joined this company in 2003. Previously, he held positions as managing board chairman and managing board member outside the Group in Hungary, the Czech Republic and Poland.

Areas of responsibility: Corporate and large customer business, Vienna International Underwriters (VIU), Group reinsurance

Country responsibilities: Albania and Kosovo, Bosnia-Herzegovina, Bulgaria, Croatia, North Macedonia, Montenegro, Serbia, Baltic states

Peter Thirring
Year of birth: 1957
Date first appointed: 1 July 2018
End of current term of office:
30 June 2023

Peter Thirring studied law at the University of Vienna. He has used his more than 30 years of insurance experience in the Generali insurance group. He was General Manager of Donau Versicherung from March 2016 to the end of June 2018. Peter Thirring was appointed to the Vienna Insurance Group Managing Board on 1 July 2018.

Areas of responsibility: Group external income reinsurance

Country responsibilities: Georgia, Liechtenstein, Slovakia, Turkey

Peter Thirring is also active in the Supervisory Boards of significant[1] Vienna Insurance Group companies: Kooperativa (Slovakia).

The Managing Board as a whole is responsible for Enterprise Risk Management, Actuarial department, Group Compliance, Internal Audit, Investor Relations.

In addition, Gábor Lehel (year of birth 1977) was appointed as a substitute member of the Managing Board for financial year 2018 and may become a full Member if a current Member of the Managing Board can no longer perform his or her duties.

Changes during and after the end of the financial year
Martin Simhandl (year of birth 1961) was a Member of the Vienna Insurance Group Managing Board in financial year 2018 from 1 January 2018 to 30 June 2018 and left the Managing Board at the end of his term of office on 30 June 2018.

[1] Vienna Insurance Group considers all companies that contribute at least 2% of written premiums and at least 2% in profit before taxes to be "significant".

Gábor Lehel (year of birth 1977) and Gerhard Lahner (year of birth 1977) have been appointed as substitute Members of the Managing Board for financial year 2019 and may become full Members if a current Member of the Managing Board can no longer perform his or her duties.

MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board had the following ten members as of 31 December 2018:

Günter Geyer
Chairman
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 Chairman of the Managing Board of Wiener Städtische. The Company's entry into the CEE market, with the establishment of the Kooperativa insurance companies in Bratislava and Prague and expansion into other CEE countries to become a major international insurance group, began under his leadership. Günter Geyer receives many national and international awards for his involvement in these countries. For example, he received an honorary doctorate degree from the University of Economics in Bratislava for his contribution to the development of the insurance industry in the Republic of Slovakia. Günter Geyer resigned from his position as Chairman of the Managing Board of Vienna Insurance Group on 31 May 2012. He has held the position of Chairman of the Supervisory Board of Wiener Städtische since 2009 and Chairman of the Supervisory Board of Vienna Insurance Group since 2014. He is also the Chairman of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

Rudolf Ertl
1st Deputy Chairman
Year of birth: 1946
Date first appointed: 2014
End of current term of office: 2019
Rudolf Ertl is Doctor of Laws 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 a 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 VIG. The insurance expertise he has accumulated over many years, and his knowledge of the CEE region make Rudolf Ertl a major asset to the Company as 1st Deputy Chairman of the Supervisory Board.

Maria Kubitschek
2nd Deputy Chairwoman
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 had been head of the Economic Division at the Vienna Chamber of Labour starting in 2001, with an interruption from 2011 until 2013 as head of the cabinet for the Austrian Federal Ministry for Transport, Innovation and Technology. She has been Deputy Director of the Vienna Federal Chamber of Labour since 2016, responsible, among other things, for coordinating the digitalisation strategy of the Federal Chamber of Labour and the digitalisation fund of the Vienna Chamber of Labour, and head of the European office in Brussels. 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
Provost Bernhard Backovsky was ordained a priest in 1967 and elected the 66th provost of the Klosterneuburg Monastery in December 1995 – a position he still holds today. Under his leadership, the business operations of the monastery were reformed and a general renovation of the monastery was completed successfully in 2014. From 2002 until 2017, he was also Abbot General of the Austrian Congregation of the Canons Regular, and from 2010 to 2016 he was Abbot Primate of the International Confederation of the Canons Regular of St. Augustine. In addition to numerous other honours, at the end of 2010 he received the Grand Decoration of Honour in Silver for Services to the Republic of Austria for supporting the Foundation for Street Children in Romania.

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

Martina Dobringer held various management positions in the Coface group starting in 1989 and brings her extensive knowledge of the international insurance industry with her. As Chairwoman of the Managing Board of Coface Central Europe Holding AG, she laid the cornerstone for Coface's successful expansion into this region. From 2001 to 2011, she was General Manager and Chairwoman of the Managing Board of Coface Austria Holding AG. In 2011, she was awarded the Grand Decoration of Honour in Silver for Services to the Republic of Austria, and in 2006 she became the first Austrian businesswoman to receive the highest French honour ("Chevalier dans l'ordre de la Légion").

Gerhard Fabisch
Year of birth: 1960
Date first appointed: 2017
End of current term of office: 2019
Gerhard Fabisch studied business administration and economics. He joined the Steiermärkische Bank und Sparkassen AG in 1985 and was made a member of the Managing Board in 2001 and Chairman of the Managing Board in 2004. Steiermärkische Bank und Sparkassen AG has a number of affiliated companies abroad, including in Croatia, Serbia and Bosnia-Herzegovina. Gerhard Fabisch is a member of the Board of Directors of ESBG (European Savings and Retail Banking Group) and WSBI (World Savings Banks Institute). He has been President of the Austrian Sparkassenverband since 2014.

Heinz Öhler
Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2019
Heinz Öhler joined the Tiroler Gebietskrankenkasse in 1970, where he initially held a position as head of the Finance Department and later held an executive position until 2011. In this position he managed country-wide projects and represented regional health insurance funds in a variety of ministerial committees, among other things. In March 2007, he was awarded the Grand Decoration of Honour in Gold for Services to the Republic of Austria for his work related to Austrian social security. He has held many positions in the sports world, including being appointed as a Member of the Tyrolean State Sports Council in November 2016.

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 expertise include company and tax law, mergers & acquisitions, as well as private foundation law and contract law, at which his activities cover national and international transactions.

Gabriele Semmelrock-Werzer
Year of birth: 1958
Date first appointed: 2017
End of current term of office: 2019
After holding positions at the Austrian branches of Chase Manhattan Bank AG and Crèdit Lyonnais AG, Gabriele Semmelrock-Werzer worked for Erste Group Bank AG in a variety of areas starting in 1995. She headed the Group Investor Relations department from 1999 to 2010, and in addition to international communications also actively assisted the expansion of the Erste Group into the CEE region and spent time in Prague and Bucharest. Since 2011, she has been Chairwoman of the Managing Board of Kärntner Sparkasse AG, which also holds a 70% interest in Sparkasse d.d. in Slovenia.

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 the Board of Directors from 1997 to 2003. Gertrude Tumpel-Gugerell also has many years of international experience, at the European level in particular. She was 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 divisions 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 defining 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 significance 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 considerable 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 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 audits 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 considered to be independent if at least 50% of the members elected by the Annual General Meeting satisfy the criteria above for the independence of a Supervisory Board Member.

Each Member of the Supervisory Board has declared whether they can be considered independent based on the criteria specified by the Supervisory Board. All Supervisory Board Members were independent on 31 December 2018 based on the criteria indicated.

No Supervisory Board Member holds more than 10% of the Company's shares.

The following Supervisory Board Members exercised supervisory mandates or comparable positions in other Austrian or foreign listed companies as of 31 December 2018:

Martina Dobringer
Praktiker AG

Georg Riedl
AT&S Austria Technologie und Systemtechnik AG

Gertrude Tumpel-Gugerell
Commerzbank AG
OMV AG

PROCEDURES FOLLOWED BY THE MANAGING BOARD AND BY THE SUPERVISORY BOARD AND ITS COMMITTEES

Managing Board

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

The Managing Board meets when needed (generally each week or every two weeks) to discuss current business developments and makes the necessary decisions and resolutions during these meetings. The Managing Board Members 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 the procedural rules of the Supervisory Board. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory Board examines its procedures regularly, but at least once a year in the form of a self-evaluation. The Supervisory Board's evaluation of its activities in 2018 found that its organisational structure and procedures were satisfactory in terms of efficiency and in compliance with the law. It found no need for change or desire for change in the practices followed to date.

The Supervisory Board and its committees, Chairpersons and Deputy Chairpersons continuously monitor and regularly examine Company management as well as the activities of the Managing Board in terms of managing and monitoring the Group. Detailed presentations and discussions during meetings of the Supervisory Board and its committees are used for this purpose, as are thorough and, in some cases, in-depth discussions with the Members of the Managing Board who provide detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. Strategy, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and reinsurance – at the VIG Holding level as well as at Group level – are also discussed during these meetings.

The Supervisory Board and the Audit Committee also directly engage 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 reporting year. During the meetings about annual and consolidated financial statements, the audit reports are discussed and debated with the audit managers in detail both with the Audit Committee and with the entire Supervisory Board. The Audit Committee examined the Company's Solvency and Financial Condition Report (SFCR) and reported its findings to the Supervisory Board. The Supervisory Board found no grounds for objection.

The internal audit department provides quarterly reports to the Audit Committee. If necessary, the head of internal audit provides detailed explanations of individual issues and audit focal points. The head of internal audit also submits the annual audit plan to the Audit Committee for approval. The Managing Board explains the organisation and effectiveness of the internal control system, internal audit and the risk management system to the Audit Committee at least once a year, and provides the Audit Committee 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 (consolidated) financial statements auditor and reports its findings to the Supervisory Board.

The Audit Committee and Supervisory Board as a whole also received the 2018 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined it.

At least once a year, the Managing Board presents the Supervisory Board with the measures to be taken by the Group in order to prevent corruption, and the Supervisory Board discusses those.

When preparing nominations to the Annual General Meeting regarding the election of new Supervisory Board Members, the latter takes the professional and personal requirements set by law and the Austrian Corporate Governance Code into account which a Supervisory Board Member must satisfy and observe.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided under the law and the Austrian Corporate Governance Code are fully satisfied when preparing the general meeting proposal on selection of the (consolidated) financial statements auditor. As a public-interest entity, Vienna Insurance Group complies with the special additional rules for external and internal rotation applicable to insurance companies and the special tendering process. 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 of all Group companies. This list provides a separate breakdown of expenses relating to the consolidated financial statements auditor, the members of the network to which the consolidated financial statements auditor pertains. The same goes for other financial statement auditors who work for the Group.

The Supervisory Board established five committees to increase its efficiency and to address complex matters: Committee for Urgent Matters (Working Committee), Audit Committee (Accounts Committee), Committee for Managing Board Matters (Personnel Committee), Strategy Committee and Nomination Committee.

SUPERVISORY BOARD COMMITTEES

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

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

Günter Geyer (Chairman)
Substitute: Gertrude Tumpel-Gugerell

Rudolf Ertl
Substitute: Martina Dobringer

Georg Riedl
Substitute: Maria Kubitschek

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)
The Audit Committee (Accounts Committee) is responsible for the duties assigned to it by law and is, in particular, responsible for the duties assigned in § 92 (4a)(4) of the Austrian Stock Corporation Act (AktG), § 123 (9) of the Austrian Insurance Supervision Act (VAG) and Regulation (EU) No. 537/2014, namely:

1. To monitor the accounting process and provide recommendations or suggestions to ensure its reliability;

2. To monitor the effectiveness of the Company's internal control system and the internal audit function and risk management system;

3. Monitor 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)(12) of the Austrian Auditor Supervision Act (APAG);

4. Check and monitor 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. To report the results of the financial statement audit to the Supervisory Board and explain how the financial statement audit has contributed to the reliability of the financial reports and the role of the Audit Committee in this;

6. To audit the annual financial statements and prepare their approval, examine the proposal for appropriation of profits, the management report, the solvency and financial condition report and corporate governance report, and present a report on the audit findings to the Supervisory Board;

7. Audit the consolidated financial statements and Group management report, the solvency and financial condition report at Group level and the corporate governance report at consolidated level, and report the results of the audit to the Supervisory Board;

8. To perform the procedure to elect the financial statement auditor (consolidated financial statement auditor) taking into account the appropriateness of the fees in accordance with Art. 4 of Regulation (EU) No. 537/2014 and the rotation periods in Art. 17 of Regulation (EU) No. 537/2014, and recommend 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 (Accounts 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 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 (Chairwoman)
1st substitute: Gabriele Semmelrock-Werzer
2nd substitute: Heinz Öhler

Georg Riedl (Deputy Chairman)
1st substitute: Gabriele Semmelrock-Werzer
2nd substitute: Heinz Öhler

Martina Dobringer
Substitute: Heinz Öhler

Rudolf Ertl
1st substitute: Gabriele Semmelrock-Werzer
2nd substitute: Heinz Öhler

Günter Geyer
1st substitute: Gabriele Semmelrock-Werzer
2nd substitute: Heinz Öhler

Maria Kubitschek
Substitute: Heinz Öhler

COMMITTEE FOR MANAGING BOARD MATTERS (PERSONNEL COMMITTEE)

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

Günter Geyer (Chairman)
Rudolf Ertl
Georg Riedl

STRATEGY COMMITTEE

The Strategy Committee cooperates with the Managing Board and, when appropriate, with experts that it consults in order to prepare fundamental decisions that will subsequently be decided upon by the entire Supervisory Board.

Günter Geyer (Chairman)
Substitute: Gertrude Tumpel-Gugerell

Rudolf Ertl
Substitute: Martina Dobringer

Georg Riedl
Substitute: Gabriele Semmelrock-Werzer

NOMINATION COMMITTEE

The Nomination Committee submits proposals to the Supervisory Board to fill positions that become available on the Managing Board and handles issues regarding successor planning.

Günter Geyer
Rudolf Ertl
Georg Riedl
Martina Dobringer

In 2014, the Supervisory Board gave its consent to VIG Holding and other companies of the Group that allowed them to use the legal services of Georg Riedl, Supervisory Board Member, and engage him or his law firm to act as a representative and provide advisory services on a project-related basis under normal market terms. Georg Riedl is a lawyer who has performed consultancy services for the Group, for which he received fees totalling (net) EUR 46,081.64 plus cash expenses and 20% VAT (of which EUR 31,470.83 plus cash expenses and 20% VAT were for VIG Holding) in the 2018 financial year. Supervisory Board Members Gerhard Fabisch and Gabriele Semmelrock-Werzer are members of the managing boards of companies with which distribution agreements were concluded under normal market and industry terms and conditions. The Company did not enter into any other agreements with Supervisory Board Members in 2018 that would have required the approval of the Supervisory Board.

NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN THE FINANCIAL YEAR 2018

One regular general meeting and four Supervisory Board meetings distributed across the financial year were held in 2018. Four meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended three Audit Committee meetings and the Supervisory Board meeting in 2018 that addressed the audit of the 2017 annual financial statements and the 2017 consolidated financial statements as well as formal approval of the 2017 annual financial statements, and also attended the Annual General Meeting. The Committee for Urgent Matters (Working Committee) was contacted once in writing in 2018. Two meetings of the Committee for Managing Board Matters (Human Resources Committee) were held in 2018. The Nomination Committee and Strategy Committee did not meet in 2018. Strategic matters were handled by the Supervisory Board as a whole.

No Member of the Supervisory Board attended less than half of the Supervisory Board meetings.

MANAGING BOARD AND SUPERVISORY BOARD COMPENSATION

The Company compensation guidelines are based on the provisions of Solvency II and include standards intended to prevent the compensation rules from creating incentives to assume excessive risk and to avoid conflicts of interest to the extent possible. The Company guidelines include further provisions for key positions – in particular variable compensation for these positions – that are generally aimed at promoting sustainability and careful dealing with risks. The Company guidelines apply to both insurance and reinsurance companies within the Group and therefore apply to all significant subsidiaries included in the consolidation scope.

Compensation plan for Managing Board Members 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 appropriateness of the remuneration in the market environment.

The variable portion of the compensation emphasises the need for sustainability and achieving it fully depends significantly on the sustainable performance of the Company that extends beyond a single reporting 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 2018 is around 60% of fixed salary. Special bonus compensation can also be earned for appropriate special target achievement. In total, the Members of the Managing Board can earn variable compensation equal to a maximum of around 80% to around 105% of their fixed compensation in this way.

Large parts of performance-related compensation are only paid after a delay. The delay for the 2018 reporting year extends to 2022. The deferred portions are awarded based on the sustainable performance of the Group.

The Managing Board is not entitled to performance-related compensation if performance fails to meet certain thresholds. Even if the targets are fully met in a given reporting year, because of the focus on sustainability, the full variable compensation is only awarded if the Group also achieves sustainable performance in the three following years.

The main performance criteria for variable compensation in 2018 were the combined ratio, premium growth, result before taxes and – as a non-financial objective – the promotion of social responsibility in practice, and for special bonus compensation those were country-specific targets and requirements related to cooperations.

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

In 2018, active Managing Board Members received the following for their services to the Company and as managers of affiliated companies during the reporting period:

	2018							
	Stadler	Fuchs	Havasi	Hirner[1]	Höfinger	Simhandl[2]	Thirring[3]	Total
in EUR '000								
VIG Holding remuneration	1,274	818	818	485	818	553	265	5,031
Fixed	765	528	528	485	528	263	265	3,362
Variable remuneration for 2017	446	242	242	0	242	242	0	1,412
Variable remuneration for previous years	63	48	48	0	48	48	0	256
Remuneration from affiliated companies for (previous) operating activities	0	0	0	0	0	0	278[4]	278
Total	1,274	818	818	485	818	553	544	5,309

1 Liane Hirner has been a Member of the Managing Board since 1 February 2018.
2 Martin Simhandl left the Managing Board on 30 June 2018.
3 Peter Thirring has been a Member of the VIG Managing Board since 1 July 2018.
4 For his services as Chairman of the Managing Board of Donau Versicherung until 30 June 2018.

	2017						
	Stadler	Fuchs	Gröll*	Havasi	Höfinger	Simhandl	Total
in EUR '000							
VIG Holding remuneration	999	768	475	734	768	768	4,511
Fixed	714	517	258	517	517	517	3,040
Variable remuneration for 2016	285	217	217	217	217	217	1,371
Variable remuneration for previous years	0	33	0	0	33	33	100
Variable remuneration from affiliated companies for previous operating activities	64	0	0	52	0	0	115
	1,063	768	475	786	768	768	4,627

*Mr Gröll left the Managing Board on 30 June 2017.

The standard employment contract for a Member of the Managing Board of the Company includes – depending, among other things, on the length of time with the Group – 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). This pension amount can be increased in individual cases if work continues past the maximum pension age, since a pension is not drawn during this period.

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.

The contracts for individual Managing Board Members who have been active in the Group for a long time are entitled to a severance payment structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable industry-specific provisions. This allows these 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 by their own choice, without agreement with the Company, before retirement is possible, or leaves due to their own fault, is not entitled to severance payment.

The provisions of the Austrian Employee and Employment Provisions Act apply to the remaining Managing Board Member's contracts.

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

Compensation plan for the Supervisory Board Members

In accordance with the resolutions adopted by the 27th ordinary General Meeting on 25 May 2018, the Supervisory Board Members elected by the General Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Supervisory Board Members 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 participating in the meeting). The total compensation paid to Supervisory Board Members in 2018 was EUR 461,000.

Supervisory Board Members received the following amounts:

	2018	2017
in EUR '000		
Günter Geyer	76	88
Rudolf Ertl	54	64
Maria Kubitschek	51	53
Bernhard Backovsky	37	36
Martina Dobringer	43	46
Gerhard Fabisch[1]	34	22
Heinz Öhler	39	36
Reinhard Ortner[2]	0	2
Georg Riedl	46	55
Gabriele Semmelrock-Werzer[1]	36	25
Karl Skyba[3]	0	24
Gertrude Tumpel-Gugerell	43	42
Total	**461**	494

1 Elected to the Supervisory Board in the General Meeting of 12 May 2017.
2 Reinhard Ortner deceased on 21 January 2017.
3 Karl Skyba left the Supervisory Board on the effective date through formal discharge by the General Meeting on 12 May 2017.

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

DIVERSITY CONCEPT

With around 50 companies and more than 25,000 employees in Austria and Central and Eastern Europe, Vienna Insurance Group combines many countries, languages and cultural backgrounds. Diversity is a key priority in its human resources strategy.

Vienna Insurance Group follows a bottom-up approach with respect to diversity management for the Company's boards. By applying diversity management to all personnel, the Group expects to generate corresponding diversity in the candidate pool for internal successor planning in the long term.

For Vienna Insurance Group, diversity reflects both the similarities and the differences it encounters in the Group, its markets and its partners as well as customers. Diversity management is based on genuine appreciation and open acceptance of diversity, and makes conscious use of this diversity. The Group includes this understanding of diversity in the VIG Code of Business Ethics: *"We tolerate no discrimination. We are committed to equal opportunity in the hiring and promotion of employees, regardless of their beliefs, religion, gender, worldview, ethnic background, nationality, sexual orientation, age, skin colour, disability or marital status."*

Group and VIG Holding level
The Vienna Insurance Group diversity concept focuses on the criteria of gender, generations and internationality at the Group level, and refined and developed measures for the following criteria:

- Gender: Ensure equal treatment for women and men in all areas (career and development options, benefits and income, etc.)
- Generations: Use mixed-age teams and take the various phases of life to develop full potential into account. Generation-appropriate offers and support in the various phases of life, learn from one another, healthy work, fair recruitment
- Internationality: Group-wide exchange of know-how (local expertise), collaborative learning, use of VIG's internal job market and ensuring an appropriate mix of people from different countries within VIG Holding

The criteria of gender, generations and internationality are also taken into account when new Supervisory Board Members are proposed for election at General Meetings.

Vienna Insurance Group has relied on the concept of local entrepreneurship for decades, thereby also promoting a very internationally diverse "community" of Group Managing Board Members and CEOs.

The topic of diversity is a key element in Group-wide management development training programmes, in terms of content as well as the participants and lecturers.

Group company level
Based on the principle of local entrepreneurship, the VIG insurance companies choose their own priorities against the background of priorities set for diversity at VIG Holding and at Group level. The Group sustainability report presents examples of successful implementation of the diversity concepts at Group company level on page 32.

Diversity Officer
As Diversity Officer, Angela Fleischlig-Tangl advises both VIG Holding and local VIG companies on matters related to diversity management.

MEASURES TO PROMOTE WOMEN IN MANAGING BOARD, SUPERVISORY BOARD AND MANAGEMENT POSITIONS IN THE GROUP

Appreciation of diversity and, therefore, removing barriers in women's careers is one of the key elements of the human resource strategy at VIG. Gender is one of the three priorities of the diversity concept at both Group and VIG Holding level.

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

Female Supervisory Board Members
Women hold around 17.9% of the positions in VIG Supervisory Boards (consolidated insurance companies) across Europe (as at 31 December 2018) and 40.0% of the positions in VIG Holding.

Female Managing Board Members

Women hold around 24.1% of the positions on the Managing Boards of VIG insurance companies and around 17.9% of the Managing Board chairs are women. In VIG Holding, 50.0% of the Managing Board Members were women as of 31 December 2018. Elisabeth Stadler is the head of the Group.

Females in management positions

Including distribution, women hold around 47.6% of the management positions at the level directly below the Managing Board of consolidated VIG insurance companies across Europe (not including distribution: 52.2%).

GENERATIONS AND INTERNATIONALITY

The average age of all Managing Board Members of the consolidated insurance companies is around 48 years (as of 31 December 2018), and the average age of Supervisory Board Members is around 56 years. 22 different nationalities (based on citizenship) are represented in the Managing Boards of the consolidated VIG insurance companies, and 20 different nationalities in the Supervisory Boards. Further information is provided in the sustainability report on page 33.

EXTERNAL EVALUATION REPORT

C-Rule 62 of the Austrian Code of Corporate Governance provides voluntary external evaluation of compliance with the C-Rules of the Code at least every three years. Vienna Insurance Group last had this evaluation performed in 2018 for the 2017 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 of these evaluations is available on the Vienna Insurance Group website.

Vienna, 20 March 2019

The Managing Board:

Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board

Franz Fuchs
Member of the Managing Board

Judit Havasi
Member of the Managing Board

Liane Hirner
CFO, Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Peter Thirring
Member of the Managing Board

Supervisory Board report

The Supervisory Board repeatedly and regularly took the opportunity, as a whole, through its committees as well as through its Chairperson and Deputy Chairperson, to comprehensively monitor Company management as well as the activities of the Management Board and its committees for the purpose of Group monitoring. This purpose was served by detailed presentations and discussions during meetings of the Supervisory Board and its committees as well as by detailed discussions on individual topics with Management Board Members who provided comprehensive explanations and evidence relating to management, the financial position of the Company and that of the Group. Among other things, strategy, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and reinsurance, both at VIG Holding and Group level, and other important topics for the Company and the Group were discussed at these meetings.

In accordance with the Solvency II requirements, starting in 2016 non-financial aspects must be part of the performance expectations for variable remuneration of Managing Board Members. VIG is committed to social responsibility and the importance of having employees drive forward performance, innovation and expertise. Goal fulfilment for Managing Board Members also depended on both financial and non-financial criteria in the 2018 reporting year.

The Supervisory Board has formed five committees from its Members. Information on the responsibilities and composition of these committees is available on the Company's website and in the 2018 consolidated corporate governance report.

One Annual General Meeting and four Supervisory Board meetings distributed over the financial year were held in 2018. Four meetings of the Audit Committee (Accounts Committee) were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, company number FN 269873y (KPMG), attended three Audit Committee meetings and the Supervisory Board meeting in 2018 that addressed the audit of the 2017 annual financial statements and the 2017 consolidated financial statements as well as formal approval of the 2017 annual financial statements, and also attended the Annual General Meeting. The financial statement auditor and consolidated financial statement auditor also informed the Audit Committee about the planning and procedure used to audit the financial statements and consolidated financial statements. The Committee for Urgent Matters (Working Committee) was contacted once in writing in 2018. Two meetings of the Committee for Managing Board Matters (Human Resources Committee) were held in 2018. The Nomination Committee and Strategy Committee did not meet in 2018. Strategic matters were handled by the Supervisory Board as a whole.

The 2018 consolidated corporate governance report presents detailed information on the principles underlying the remuneration system, and we refer to this information in the 2018 consolidated corporate governance report.

In financial year 2018, no agenda items were discussed during Supervisory Board meetings without the participation of Managing Board Members.

No Member of the Supervisory Board attended less 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 its organisational structure and procedures were satisfactory in terms of efficiency and in compliance with the law. It found no need for change or desire for change in the practices followed to date.

Acting upon the proposal and motion of the Supervisory Board, the General Meeting selected KPMG on 12 May 2017 to be the financial statements auditor and consolidated financial statements auditor for financial year 2018, and KPMG consequently performed these duties in financial year 2018.

The Supervisory Board Audit Committee mainly dealt with the following topics in 2018: During one meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor on specification of two-way communications.

By inspecting relevant documents, meeting with the Managing Board and discussions with the (consolidated) financial statements auditor, the Audit Committee was able to monitor the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection or any need to make recommendations to ensure reliability of the accounting process. The Supervisory Board Audit Committee also reviewed and monitored the 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 with the auditor's independent status. The Audit Committee also dealt with permitted non-audit services.

The Audit Committee also monitored the effectiveness of the internal control system, internal audit and the risk management system by obtaining 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 the Supervisory Board and discussed with the head of the internal audit department and the Group internal audit department. The Supervisory Board found no grounds for objection.

The Audit Committee examined the Company's Solvency and Financial Condition Report (SFCR) and reported its findings to the Supervisory Board. The Supervisory Board found no grounds for objection.

The Audit Committee also dealt with the selection of the financial statement and consolidated financial statement auditor for financial year 2019. It was determined that there were no grounds for exclusion of KPMG or circumstances that would give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. The Audit Committee reported to the Supervisory Board on the insights of these evaluations and proposed to the Supervisory Board and subsequently to the general meeting that KPMG be selected as auditor of the financial statements and consolidated financial statements. The General Meeting selected KPMG as auditor of the financial statements and consolidated financial statements for 2019. The Audit Committee also received the 2018 annual financial statements, management report, 2018 consolidated corporate governance report and 2018 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined them. The Managing Board's proposal for appropriation of profits was also reviewed 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 2018 consolidated financial statements and Group management report. In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2018 annual financial statements and management report and the 2018 consolidated financial statements and Group management report were reviewed by the Audit Committee and debated and discussed with KPMG. 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 Supervisory Board found no grounds for objection.

The (consolidated) financial statements auditor provided the Audit Committee with an additional report in accordance with Art. 11 AP-VO (EU Audit Regulation) on specific requirements regarding statutory audit of public-interest entities that explained the results of the financial statements audit and consolidated financial statements audit. This report prepared by the financial statement auditor was provided to the Supervisory Board.

The audit results and all resolutions adopted by the Audit Committee were reported to the Supervisory Board in its next meeting, along with an explanation of how the financial statement audit had contributed to the reliability of the financial reporting and what role the Audit Committee had played. The 2018 annual financial statements together with the management report and 2018 consolidated corporate governance report, the 2018 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed and examined by the Supervisory Board.

The appropriation of profits proposal was checked, in particular, to ensure that it was reasonable when capital requirements were taken into account.

The Supervisory Board also received the 2018 sustainability report (consolidated non-financial report) from the Managing

Board, and reviewed and carefully examined it. As a result of this discussion and examination, it found that the 2018 sustainability report (consolidated non-financial report) had been prepared properly and was appropriate.

In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2018 annual financial statements and management report and the 2018 consolidated financial statements and Group management report were reviewed by the Supervisory Board and discussed with KPMG. KPMG's audit of the 2018 annual financial statements and management report and the 2018 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 2018, and of the results of operations of the Company for financial year 2018 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 2018, and of the results of operations and cash flows of the Group for financial year 2018 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. KPMG also reviewed the 2018 sustainability report (consolidated non-financial report) and determined in accordance with § 269 (3) UGB and § 273 UGB that the 2018 sustainability report (consolidated non-financial report) and 2018 consolidated corporate governance report had been prepared.

The final results of the review by the Supervisory Board did not provide any basis for reservation either. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

After thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the 2018 annual financial statements prepared by the Managing Board, not to raise any objections to the management report, the 2018 consolidated financial statements and Group management report, the 2018 consolidated corporate governance report and the 2018 sustainability report (consolidated non-financial report) and to agree with the Managing Board proposal for appropriation of profits.

The 2018 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.

Vienna, April 2019

The Supervisory Board:

Günter Geyer (Chairman)

Group management report 2018

Business development and economic position

ECONOMIC ENVIRONMENT

Ten years after the outbreak of the 2008 financial crisis in the US and the far-reaching consequences for the global economy that led to many regulatory changes and, on occasion, unique fiscal measures aimed at containing the negative effects, the International Monetary Fund (IMF) is expecting robust global economic growth of 3.7% in both 2018 and 2019, thereby continuing at the same level as in 2017. Increasing uncertainty in connection with the much-discussed Brexit, the trade conflict between the US and China and the issue of immigration and increasing protectionism in local economies nevertheless also entail risks for future economic growth.

In 2018 economic growth has already slowed in the Eurozone, which recorded real GDP growth of 2.0%, after 2.4% in 2017. The Austrian Institute of Economic Research (WIFO) is expecting faster growth of 2.7% for Austria in 2018. In spite of the adjustment made to the previous forecast of 3%, this represents a high, made possible mainly due to industrial production and other expanding economic areas. This growth is also being supported by increasing private household expenditures on consumption. The inflation rate was 2.1% in 2018, which was only slightly above the ECB target for the Eurozone as a whole.

Economic growth in Eastern Europe slowed somewhat in 2018 compared to the previous year. Nevertheless, based on calculations by the Vienna Institute for International Economic Studies (WIIW), real GDP growth averaged 4.2% (after 4.9% in 2017) in the Central and Eastern European countries of the EU, which includes VIG's markets in the Czech Republic, Slovakia, Poland, Romania, Hungary, Bulgaria and the Baltic states. This is significantly higher than the growth recorded in Austria and the global economy. The strong growth rates of 4.1% and 4.8% recorded in Hungary and Poland in 2017 increased even further to 4.3% and 5.0%, respectively, in 2018. This, together with falling unemployment and low debt ratios, indicates the CEE region is still on a path of convergence with Western Europe.

LEGAL ENVIRONMENT

DIRECTIVE ON INSURANCE DISTRIBUTION

Directive (EU) 2016/97 on insurance distribution (Insurance Distribution Directive – IDD) was to be applied in the European Union by 1 October 2018 at the latest. The IDD affects all aspects of the insurance business, from recruiting insurance distributors including training and advanced training, to product development, the advisory process including wide-ranging duties to provide information and the distribution of standardised information sheets, all the way to handling conflicts of interest and remuneration. All of the distribution channels used by Vienna Insurance Group and its Group companies, such as salaried field employees, cooperation with insurance intermediaries (brokers and agents) and intermediaries performing distribution as a secondary activity, such as car dealers, are affected. Vienna Insurance Group conducted a Group-wide workshop in 2017 to assist Group companies in the EU that are affected. Due to high demand, another workshop was held in 2018. Furthermore, in addition to regular updates for the available legal bases, Group companies were also provided information and explanatory materials prepared for specific topics in order to create a shared understanding of the interpretation of European legal requirements, which is frequently kept to a very general level. Many questions from individual Group companies concerning local distribution solutions were also answered. As a result synergies were achieved, while simultaneously respecting local, independent implementation by the Group companies.

GENERAL DATA PROTECTION REGULATION

Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data (General Data Protection Regulation – GDPR) entered into force on 25 May 2018 and repeals Directive 95/46/EC. VIG has implemented all of the measures needed to comply with the new requirements.

GROUP BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE INDICATORS

GENERAL INFORMATION

The around 50 insurance companies belonging to VIG operate in the following reporting segments: Austria (incl. the Wiener Städtische branches in Slovenia and Italy and the Donau Versicherung branch in Italy), Czech Republic, Slovakia, Poland, Romania, Baltic states, Hungary, Bulgaria, Turkey/Georgia, Remaining CEE, Other Markets and Central Functions. These twelve segments are explained in the segment reporting section.

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

The Montenegro and Belarus markets were not included in the Vienna Insurance Group consolidated financial statements in 2018 due to immateriality. More information on the scope of consolidation and consolidation methods is provided on page 108 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 109.

VIG operates with more than one company and brand in most of its markets. The market presence of each company in a country is also aimed at different target groups. Their product portfolios 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 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 page 213 et seq. 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.

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

	2018	2017	Δ in %	Δ absolute
in EUR millions				
Premiums written – gross	**9,657.3**	9,386.0	**2.9%**	**271.3**
Net earned premiums – retention	8,729.4	8,509.6	2.6%	219.8
Expenses for claims and insurance benefits – retention	-6,947.0	-6,872.6	1.1%	-74.4
Acquisition and administrative expenses	-2,140.7	-2,040.3	4.9%	-100.4
Financial result excl. result from at equity consolidated companies	1,003.0	881.5	13.8%	121.5
Result from shares in at equity consolidated companies	34.5	42.8	-19.4%	-8.3
Other income and expenses	-193.7	-78.4	147.0%	-115.3
Result before taxes	**485.4**	442.5	**9.7%**	**42.9**

Premium volume

A detailed disclosure of premium development is included in Note 15 Premiums written of the notes to the consolidated financial statements.

Vienna Insurance Group wrote EUR 9,657.3 million in Group premiums in 2018, an increase of 2.9% compared to the same period in the previous year. Excluding the single premium life insurance business, the Group recorded an even larger increase in premiums of 5.2%. VIG retained EUR 8,811.1 million of the gross premiums written (2017: EUR 8,585.3 million). EUR 846.2 million was ceded to reinsurance companies (2017: EUR 800.8 million).

Premiums written grew particularly strongly in the Baltic states (+14.7%), Bulgaria (+14.1%) and Czech Republic (+5.0%) segments. In the Remaining CEE segment, Croatia (+15.1%) and Ukraine (+16.2%) recorded major premium increases. Overall, the Group generated 59.3% of its premiums outside Austria in 2018.

Net earned premiums rose 2.6%, from EUR 8,509.6 million in 2017 to EUR 8,729.4 million in 2018. Net reinsurance cessions were EUR 823.0 million (2017: EUR 793.5 million).

Expenses for claims and insurance benefits

A detailed disclosure of expenses for claims and insurance benefits is included in Note 19 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 EUR 6,947.0 million in 2018, representing a year-on-year increase of 1.1% (2017: EUR 6,872.6 million).

Acquisition and administrative expenses

A detailed disclosure of acquisition and administrative expenses is included in Note 20 Acquisition and administrative expenses of the notes to the consolidated financial statements.

Acquisition and administrative expenses for all VIG consolidated companies increased 4.9% year-on-year to EUR 2,140.7 million in 2018 (2017: EUR 2,040.3 million). This was primarily due to the increase in commissions and generally corresponded to the increase in premiums, not including single premium products.

Financial result

A detailed disclosure of the financial result (excluding at equity consolidated companies) is included in Note 16 Financial result excl. at equity consolidated companies in the notes to the consolidated financial statements.

VIG generated a financial result (incl. the result from at equity consolidated companies) of EUR 1,037.5 million in 2018. This year-on-year increase of 12.2% was primarily due to income from real estate, including non-profit societies.

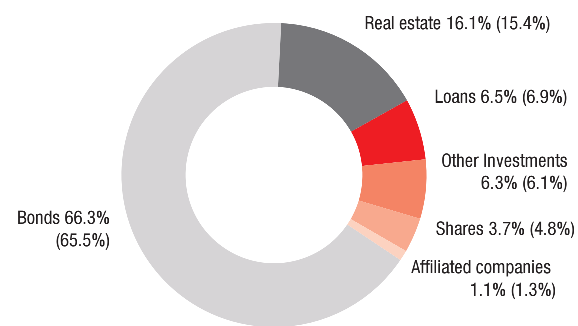
Result before taxes

The Group result before taxes rose to EUR 485.4 million in 2018 (2017: EUR 442.5 million). The increase in profits of 9.7% was primarily due to an improved combined ratio and good growth in the financial result.

Investments

A brief presentation of the investments is included on page 122 of the notes to the consolidated financial statements.

BREAKDOWN OF INVESTMENTS 2018



2017 values in parentheses

Vienna Insurance Group's total investments (including cash and cash equivalents) were EUR 37,635.6 million as of 31 December 2018, which was just slightly higher than the previous year level of EUR 37,430.6 million as of 31 December 2017.

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 decreased by 11.2% from EUR 9,061.1 million in 2017 to EUR 8,048.6 million in 2018, mainly due to negative performance by the underlying unit-linked and index-linked securities and outflows of funds from these securities.

Shareholders' equity

VIG's capital base decreased by 3.4% to EUR 5,835.7 million in 2018 (2017: EUR 6,043.9 million). This change was primarily due to repayment of the hybrid capital bond.

Underwriting provisions

A detailed disclosure of underwriting provisions is included in Note 10 Underwriting provisions – gross of the notes to the consolidated financial statements.

Underwriting provisions (excluding underwriting provisions for unit-linked and index-linked life insurance) were EUR 30,505.9 million as of 31 December 2018, representing an increase of 1.1% over the previous year (2017: EUR 30,168.2 million).

Cash flow

The cash flow from operating activities decreased from EUR 1,269.9 million in 2017 to EUR 967.8 million in 2018 due to the reduction in single premium life insurance and an increase in claim payments. The cash flow from investing activities changed from EUR -1,328.9 million in 2017 to EUR -850.5 million in 2018. This was primarily caused by a decrease in investments due to the reduced cash flow from operating activities and an outflow of funds from financing activities. VIG financing activities produced a cash flow of EUR -264.3 million in 2018 (2017: EUR -37.9 million). The year-on-year decrease was mainly due to the repayment of hybrid capital in September 2018 and the issuing of subordinated liabilities in the previous year. The Group had cash and cash equivalents of EUR 1,347.3 million at the end of 2018 (2017: EUR 1,497.7 million). Vienna Insurance Group received a total of EUR 874.4 million in interest and dividends in 2018 (2017: EUR 897.2 million).

Earnings per share

Earnings per share is a key figure equal to the result for the period (less non-controlling interests and interest on hybrid capital) divided by the average number of shares outstanding. The number of shares remained unchanged compared to the previous year.

Earnings per share were EUR 2.04 in 2018 (2017: EUR 2.23).

Return on equity (RoE)

Return on equity (RoE) measures the profitability of the Group by expressing the result before taxes as a ratio of the capital employed. This ratio is calculated by dividing the result before taxes by the average shareholders' equity. VIG uses shareholders' equity after adjusting for a provision for unrealised gains and losses for this purpose.

Return on Equity	31.12.2018	31.12.2017	31.12.2016
in EUR millions			
Shareholders' equity	5,835.7	6,043.9	5,711.3
Unrealised gains and losses recognised in equity	-370.1	-550.9	-532.0
Adjusted shareholders' equity	**5,465.6**	5,493.1	5,179.3
Average adjusted shareholders' equity	5,479.4	5,336.2	
Result before taxes	485.4	442.5	
RoE in %	**8.9**	8.3	

The Group earned a return on equity before taxes of 8.9% in 2018 (2017: 8.3%).

Combined ratio significantly below 100%

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 property and casualty line of business.

Combined ratio	2018	2017
in EUR millions		
Net earned premiums – retention	4,735.4	4,435.2
Expenses for claims and insurance benefits – retention	-3,065.0	-2,939.0
Acquisition and administrative expenses, including other underwriting income and expenses	-1,481.3	-1,348.8
Total expenses	**-4,546.3**	-4,287.8
Combined ratio in %	**96.0**	96.7

The Group combined ratio (after reinsurers' share, not including investment income) improved to 96.0% in 2018, mainly due to improvements in the Austria, Czech Republic and Poland segments (2017: 96.7%). As a result, VIG's combined ratio continued to improve in 2018.

BRANCH OFFICES

VIG and its Group companies have branch offices in Germany, France, Italy, Kosovo, Slovenia and the Baltic states of Estonia, Latvia and Lithuania. Information on existing branch offices and any significant changes compared to the previous year are discussed in more detail for the applicable regional segments in the section below. A list of the addresses of Group companies and branch offices is also provided on page 222.

BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE INDICATORS BY SEGMENT

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

PREMIUMS WRITTEN BY SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Austria	3,839.9	3,848.5	-0.2%	-8.6
Czech Republic	1,684.2	1,603.2	5.0%	80.9
Slovakia	799.6	810.0	-1.3%	-10.4
Poland	897.8	886.6	1.3%	11.1
Romania	515.3	506.5	1.7%	8.8
Baltic states	375.8	327.6	14.7%	48.2
Hungary	263.5	246.7	6.8%	16.8
Bulgaria	171.3	150.1	14.1%	21.2
Turkey/Georgia	198.3	207.8	-4.6%	-9.5
Remaining CEE[1]	374.7	352.0	6.4%	22.7
Other Markets[2]	321.0	292.6	9.7%	28.4
Central Functions[3]	1,584.3	1,411.5	12.2%	172.7
Consolidation	-1,368.4	-1,257.3	8.8%	-111.1
Total	**9,657.3**	**9,386.0**	**2.9%**	**271.3**

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

[2] Other Markets: Germany, Liechtenstein

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

RESULT BEFORE TAXES BY SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Austria	170.4	175.3	-2.8%	-5.0
Czech Republic	166.7	149.3	11.6%	17.4
Slovakia	47.2	55.7	-15.3%	-8.5
Poland	32.2	35.5	-9.2%	-3.3
Romania	-73.9	6.2	n/a	-80.1
Baltic states	2.1	1.4	51.7%	0.7
Hungary	7.6	2.1	> 100%	5.5
Bulgaria	11.4	6.9	65.0%	4.5
Turkey/Georgia	3.8	9.4	-58.9%	-5.5
Remaining CEE[1]	23.5	-6.0	n/a	29.4
Other Markets[2]	23.9	23.7	0.9%	0.2
Central Functions[3]	70.2	-16.7	n/a	86.9
Consolidation	0.3	-0.4	n/a	0.6
Total	**485.4**	**442.5**	**9.7%**	**42.9**

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

[2] Other Markets: Germany, Liechtenstein

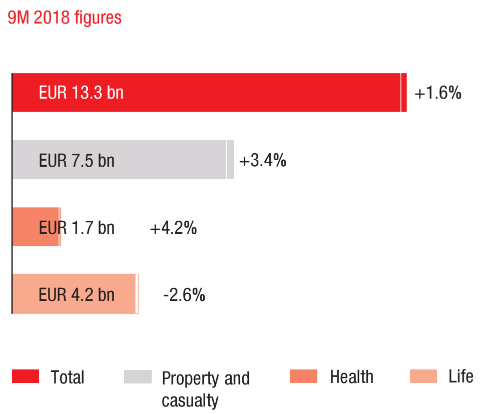
[3] Central Functions: VIG Holding, VIG Re, Wiener Re, VIG Fund, non-profit societies, corporate IT service providers and intermediate holding companies

AUSTRIA

AUSTRIAN INSURANCE MARKET

The five largest insurance groups generated around 72% of the premium volume in the country in the first three quarters of 2018. The two largest insurance groups generated around 44%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR



Source: Austrian Insurance Association

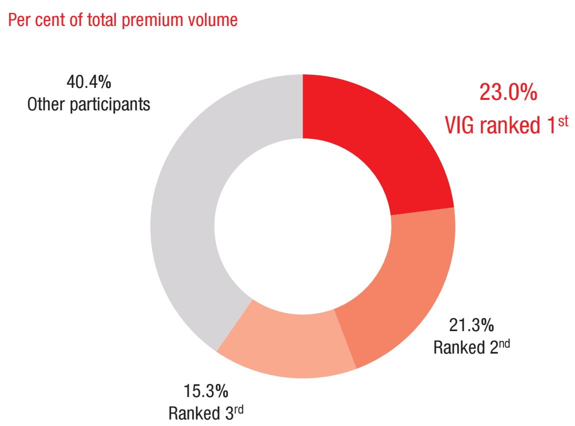
Premium volume from the Austrian insurance companies rose 1.6% in the 1st to 3rd quarters of 2018. Property and casualty insurance grew 3.4% and health insurance grew 4.2%. Life insurance recorded its third year of losses with a decrease of 2.6%.

The increase in property and casualty premiums was mainly driven by growth in motor own damage insurance (+6.3%) and third party liability insurance (+4.5%). The increase in motor own damage insurance was due to an increase in the number of policies. The average policy premium only rose 1%.

In life insurance, the regular premium business decreased 1.5% while the single premium business declined 9.2%. While the low interest rate environment continues to negatively affect interest in endowment insurance and annuity insurance, double-digit premium increases were recorded for occupational disability insurance (+12.8%) and term life insurance incl. residual debt insurance (+24.0%). Unit-linked life insurance – the largest life insurance line of business, generating around a third of the premiums – remained unchanged at the level of the previous year.

According to Axco Global Statistics, Austrians spent an average of EUR 1,949 per capita for insurance in 2017, which is the same as the year before. Of this, EUR 1,285 was spent in the non-life insurance area and EUR 664 in the life insurance area.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Austrian Insurance Association; as of 9M 2018

VIG COMPANIES IN AUSTRIA

As planned, Vienna Insurance Group merged s Versicherung, which specialises in bank distribution, with Wiener Städtische in 2018. At the end of the year, the Group was now represented by two insurance companies in Austria, Wiener Städtische and Donau Versicherung. s Versicherung is being retained as a brand for bancassurance customers. Wiener Städtische also operates branches in Italy and Slovenia. Donau Versicherung is also represented by a branch in Italy. VIG Holding operates out of Austria as a reinsurer of the Group and as an insurer in the cross-border corporate business. It is assigned to the Central Functions segment.

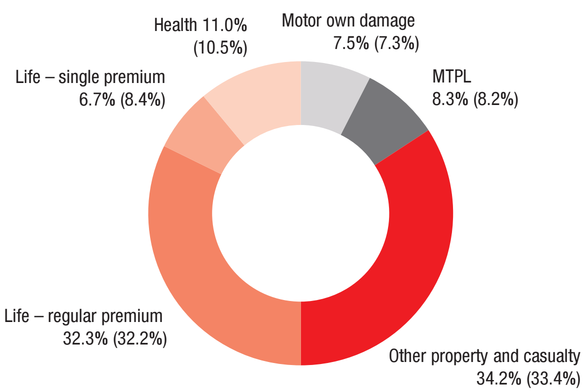
VIG has a market share of 23.0% in Austria, making it the largest insurance group in the country. It holds first place in the property and casualty and life insurance markets, and second place in health insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE AUSTRIA SEGMENT

Premium development

The Vienna Insurance Group companies in Austria wrote EUR 3,839.9 million in gross premiums in 2018 (2017: EUR 3,848.5 million). This corresponds to a slight year-on-year decrease of 0.2% due to the reduction in single premium life business. When adjusted to this, the Austrian Group companies recorded an increase of 1.6%. Net earned premiums were EUR 3,158.3 million in 2018 (2017: EUR 3,165.1 million).

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits

The Austrian Group companies had expenses for claims and insurance benefits (less reinsurance) of EUR 3,083.5 million in 2018, or EUR 38.1 million more than in 2017. This corresponds to an increase of 1.3%.

Acquisition and administrative expenses

Acquisition and administrative expenses decreased to EUR 639.0 million in 2018. The year-on-year decrease of 1.3% resulted from an increase in reinsurance commissions and profit commissions from reinsurance due to a decrease in claims under fire and natural hazards insurance.

Result before taxes

The result before taxes in the Austria segment decreased 2.8% to EUR 170.4 million in 2018 (2017: EUR 175.3 million).

Combined Ratio

Due to better loss experience for fire and natural hazards insurance and motor own damage insurance, the combined ratio (after reinsurance, not including investment income) improved again in 2018 to 94.2% (2017: 95.5%).

VIENNA INSURANCE GROUP IN THE AUSTRIA SEGMENT

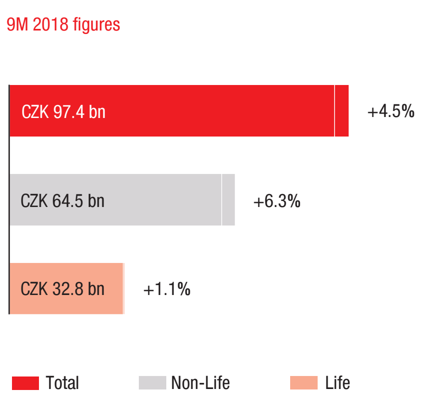
in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	**3,839.9**	3,848.5	**-0.2%**	**-8.6**
Motor own damage insurance (Casco)	288.0	280.0	2.9%	8.0
Motor third party liability insurance	320.8	316.9	1.2%	3.9
Other property and casualty insurance	1,312.2	1,284.5	2.2%	27.8
Life insurance – regular premium	1,240.3	1,240.3	0.0%	0.0
Life insurance – single premium	258.0	321.9	-19.8%	-63.9
Health insurance	420.7	405.0	3.9%	15.7
Result before taxes	**170.4**	175.3	**-2.8%**	**-5.0**

CZECH REPUBLIC

CZECH INSURANCE MARKET

The Czech insurance market is highly concentrated. The top 5 insurance groups generated around 84% of the market premiums in the 1st to 3rd quarters of 2018.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR



Source: Czech Insurance Association

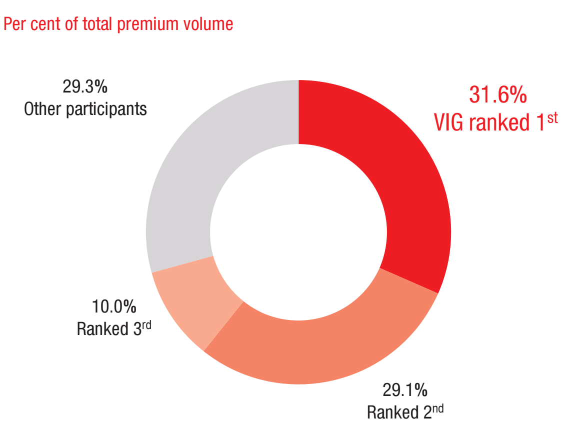
Premium volume in the Czech Republic was CZK 97.4 billion in the first three quarters of 2018, representing a year-on-year increase of 4.5%. This is one of the fastest growth rates recorded in recent years.

The increase was driven by a large increase of 6.3% in the non-life sector, particularly due to growth in the motor lines of business. Growth in the number of insured vehicles led to a 6.6% increase in premiums for motor third party liability insurance and an even larger increase of 10.0% for motor own damage insurance. The non-motor lines of business rose by 4.5%.

The trend reversal for life insurance is particularly noteworthy. Life insurance recorded an overall increase of 1.1% in the Czech market, based on the local currency (using the calculation method of the Czech Insurance Association). Premiums in the single premium business continued to decline (-11.7%) in the first three quarters of 2018, while the significantly larger regular premium business achieved an increase of 1.4%.

According to Axco Global Statistics, a per capita average of EUR 524 was spent on insurance premiums in the Czech Republic in 2017. EUR 319 of this amount was for non-life insurance and EUR 205 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Czech Insurance Association; as of 9M 2018

VIG COMPANIES IN THE CZECH REPUBLIC

Vienna Insurance Group operated three insurance companies in the Czech Republic in 2018: Kooperativa, ČPP and PČS. The planned merger of PČS and Kooperativa was officially concluded at the beginning of January 2019. The aim is to strengthen the bancassurance business by combining the expertise of the two companies.

VIG had a market share of 31.6% in the Czech Republic in the 1st to 3rd quarters of 2018. Vienna Insurance Group holds first place both in terms of total premiums and in the life insurance business. The Group is in second place in the non-life business.

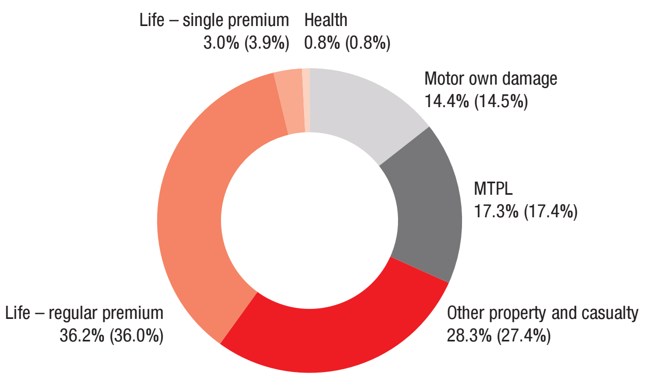
The Group reinsurance company VIG Re, which has its headquarters in Prague, is assigned to the Central Functions segment.

FINANCIAL PERFORMANCE INDICATORS IN THE CZECH REPUBLIC SEGMENT

Premium development

The Czech Group companies wrote EUR 1,684.2 million in premiums in 2018 (2017: EUR 1,603.2 million), representing an increase of 5.0% compared to the previous year. This major increase was mainly due to good performance in other property and casualty insurance and regular premium life insurance. Net earned premiums were EUR 1,265.7 million in 2018, representing an increase of 4.9% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance were EUR 804.8 million in 2018, representing an increase of 1.6%. Due to a decrease in large losses, expenses for claims and insurance benefits did not grow as fast as premiums.

Acquisition and administrative expenses

Acquisition and administrative expenses for the Czech Group companies increased 5.3% to EUR 380.6 million in 2018. Acquisition and administrative expenses were still EUR 361.4 million in 2017. Higher commission expenses due to premium growth were the main reason for the increase.

Result before taxes

The result before taxes generated by the Czech Group companies rose to EUR 166.7 million in 2018, primarily due to an improvement of 11.6% in the combined ratio compared to the previous year (2017: EUR 149.3 million).

Combined Ratio

The combined ratio decreased compared to the same period in the previous year to 92.7% in 2018 (2017: 97.5%). It must be noted that the combined ratio was negatively affected by large losses in the previous year.

VIENNA INSURANCE GROUP IN THE CZECH REPUBLIC SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	**1,684.2**	1,603.2	**5.0%**	**80.9**
Motor own damage insurance (Casco)	243.1	232.7	4.5%	10.4
Motor third party liability insurance	290.5	278.4	4.4%	12.1
Other property and casualty insurance	476.9	438.8	8.7%	38.1
Life insurance – regular premium	609.4	576.7	5.7%	32.7
Life insurance – single premium	50.2	63.3	-20.7%	-13.1
Health insurance	14.0	13.3	5.5%	0.7
Result before taxes	**166.7**	149.3	**11.6%**	**17.4**

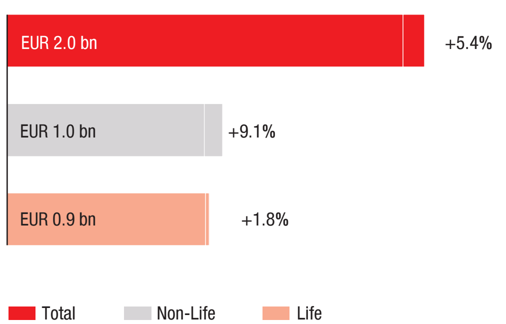
SLOVAKIA

SLOVAKIAN INSURANCE MARKET

The top 5 insurance groups generated around 75% of the premium volume in the first three quarters of 2018. The two largest insurance groups generated around 55%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR

9M 2018 figures



Source: Slovak Insurance Association

The Slovakian insurance market grew 5.4% in the 1st to 3rd quarters of 2018. The non-life and life sectors recorded positive growth, although slightly slower than the previous year.

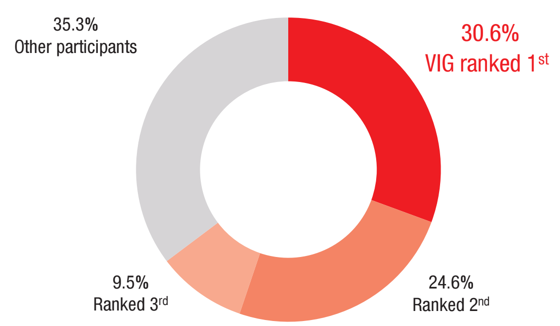
Non-life insurance premiums rose 9.1%. The 8% levy that was introduced for all non-life products sold after 1 January 2017 is being replaced by an 8% levy on insurance premiums at the beginning of 2019. The tax will be charged for all non-life policies, both new and old. Motor third party liability insurance was the only line of business affected by the tax levy prior to 2017. Motor premiums grew 9.3%. A small upward price trend can be seen for motor third party liability in particular. Insurers are increasingly differentiating between risk groups, introducing both a bonus system and a malus system and investing in assistance services.

Life insurance recorded an increase of 1.8% during the reporting period. While demand fell for products with profit participation (-6.4%), a double-digit increase in premiums (30.5%) was recorded for health insurance products.

According to Axco Global Statistics, the insurance density was an average of EUR 585 per capita in 2017. EUR 397 of this amount was spent on non-life insurance and EUR 201 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Slovak Insurance Association; as of 9M 2018

VIG COMPANIES IN SLOVAKIA

After the successful merger of Kooperativa and PSLSP in April 2018, Vienna Insurance Group is now represented by two insurers, Kooperativa and Komunálna, in the Slovakian insurance market.

With a market share of 30.6%, VIG is at the top of the ranking of the largest insurance groups in the country. It holds second place in the non-life market and is the market leader in life insurance.

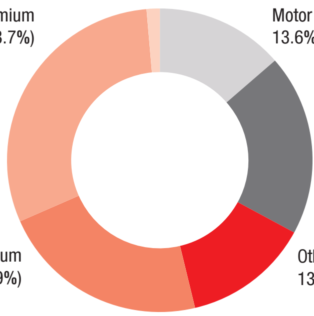
FINANCIAL PERFORMANCE INDICATORS IN THE SLOVAKIA SEGMENT

Premium development

Vienna Insurance Group companies in the Slovakia segment wrote a total of EUR 799.6 million in premiums in 2018 (2017:

EUR 810.0 million). This year-on-year decrease of 1.3% was primarily due to the decrease in single-premium life insurance business. When adjusted for this, an increase of 3.8% was recorded. Net earned premiums were EUR 670.2 million, which represented a decrease of 1.3%.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits
Expenses for claims and insurance benefits (less reinsurance) were EUR 529.5 million in 2018. This represents a year-on-year decrease of 5.1%, which was mainly due to a significant reduction in single-premium life insurance business.

Acquisition and administrative expenses
Vienna Insurance Group recorded EUR 123.6 million in acquisition and administrative expenses in the Slovakia segment in 2018 (2017: EUR 107.4 million). The 15.2% increase is the result of higher commission expenses.

Result before taxes
The Slovakian companies generated a result before taxes of EUR 47.2 million in 2018 (2017: EUR 55.7 million). This corresponds to a year-on-year decrease of 15.3%, which was caused by a deterioration in the combined ratio due to an increase in reserves performed in the 1st quarter of 2018 and additional levies in the non-motor lines of business.

Combined Ratio
The combined ratio of 97.3% for the Slovakian VIG companies in 2018 was higher than the previous year (2017: 95.4%).

VIENNA INSURANCE GROUP IN THE SLOVAKIA SEGMENT

	2018	2017	Δ in %	Δ absolute
in EUR millions				
Premiums written	799.6	810.0	-1.3%	-10.4
Motor own damage insurance (Casco)	108.9	105.2	3.6%	3.7
Motor third party liability insurance	154.0	148.1	4.0%	5.9
Other property and casualty insurance	106.8	105.1	1.6%	1.7
Life insurance – regular premium	176.7	169.6	4.2%	7.1
Life insurance – single premium	241.9	272.7	-11.3%	-30.7
Health insurance	11.3	9.4	20.7%	1.9
Result before taxes	47.2	55.7	-15.3%	-8.5

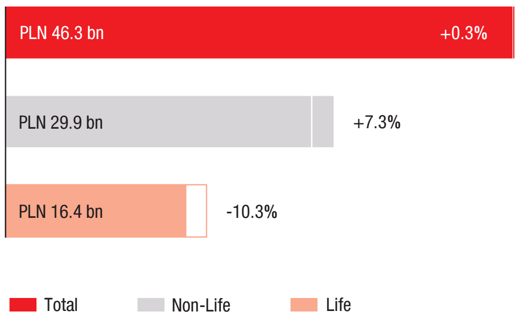
POLAND

POLISH INSURANCE MARKET

The five largest insurance groups in the country generated around 73% of the total premium volume in Poland in the 1st to 3rd quarters of 2018. The two largest insurance groups generated around 52%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR

9M 2018 figures



Source: Financial Market Authority Poland

The overall market was unchanged in Poland in the first three quarters of 2018 due to offsetting changes in the non-life and life sectors, with premiums rising only 0.3% in local currency.

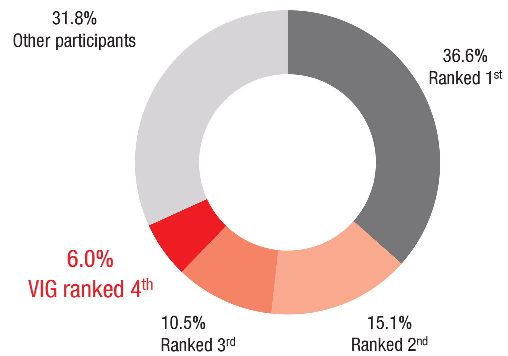
The non-life sector grew 7.3%. Motor third party liability premiums increased 3.2%. This is a moderate change compared to the double-digit growth in the previous year and is due to the increase in number of insured vehicles. The rates are at the same level as the previous year. Thanks to previous price increases, however, the profitability of the motor third party liability line of business has improved. Motor own damage insurance increased 8.9%, based both on policies and prices. The non-motor lines of business gained 10.6%. The gains were particularly large for health insurance, which recorded a 31.1% increase in premiums.

Life insurance premium volume fell 10.3% due to a 31.7% decrease in single premium business. The regular premium business remained almost unchanged at 0.2%.

A high employment rate and rising wages are stimulating private consumption. The Polish economy is also benefiting from an increase in investment. According to Axco Global Statistics, an average of EUR 371 per capita was spent on insurance in Poland in 2017. Of this, EUR 254 was spent on non-life insurance and EUR 117 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Financial Market Authority Poland; as of 9M 2018

VIG COMPANIES IN POLAND

VIG is represented by the companies Compensa Life and Non-Life, InterRisk and Vienna Life in Poland. In the middle of 2018, Vienna Insurance Group signed a purchase agreement to acquire Gothaer TU. The acquisition was concluded after approval by the local authorities and strengthens VIG's market presence in the non-life sector. The merger of two Group companies, Polisa and Compensa Life, was another important step for the Group in Poland. The merged company is one of the largest life insurance companies in Poland and will operate under the Compensa Life brand in the future.

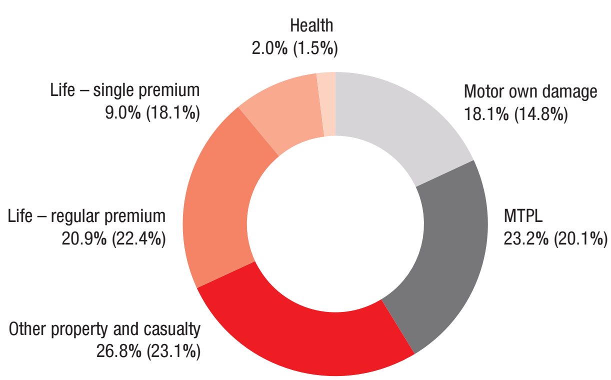
Vienna Insurance Group holds a market share of 6.0%, putting it in fourth place in the overall market. In the non-life sector it is fourth in the ranking of top insurers in the country, and in the life sector it is fifth.

FINANCIAL PERFORMANCE INDICATORS IN THE POLAND SEGMENT

Premium development

VIG generated total premiums written of EUR 897.8 million in the Poland segment in 2018 (2017: EUR 886.6 million), representing an increase of 1.3% compared to the previous year. After adjusting for the single premium life insurance business, an increase of 12.5% was recorded. The increase was mainly due to good performance in the motor lines of business and other property and casualty insurance. Net earned premiums were EUR 685.8 million in 2018, 4.3% lower than in 2017.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 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 516.8 million in 2018 (2017: EUR 532.3 million). This corresponds to a decrease of EUR 15.5 million or 2.9% in expenses for claims and insurance benefits (less reinsurance), which is due to a drop in business for unit-linked life insurance.

Acquisition and administrative expenses

The Polish VIG companies had EUR 148.3 million in acquisition and administrative expenses in 2018 (2017: EUR 158.8 million). The drop is due to an increase in reinsurance commissions from internal Group quota treaties.

Result before taxes

The result before taxes fell to EUR 32.2 million in 2018 due to new reserves formed for expenses incurred as a result of changes to the surrender terms and conditions for certain life insurance products (2017: EUR 35.5 million).

Combined Ratio

The combined ratio improved to 92.6% in 2018 due to continued good performance in the motor lines of business (2017: 93.9%).

VIENNA INSURANCE GROUP IN THE POLAND SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	**897.8**	886.6	**1.3%**	**11.1**
Motor own damage insurance (Casco)	162.6	131.3	23.8%	31.3
Motor third party liability insurance	208.6	177.9	17.2%	30.7
Other property and casualty insurance	240.8	205.2	17.3%	35.6
Life insurance – regular premium	187.6	198.3	-5.4%	-10.7
Life insurance – single premium	80.4	160.4	-49.9%	-80.0
Health insurance	17.8	13.5	31.5%	4.3
Result before taxes	**32.2**	35.5	**-9.2%**	**-3.3**

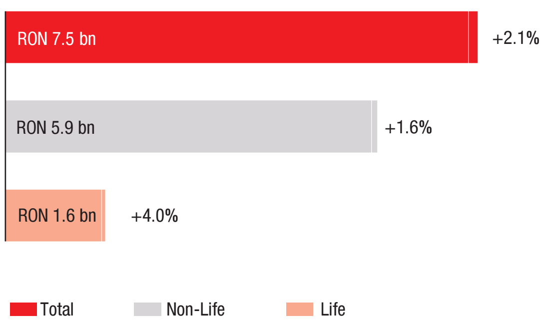
ROMANIA

ROMANIAN INSURANCE MARKET

The top 5 insurance groups generated around 71% of the premium volume in the overall market in the first three quarters of 2018. The two largest insurance groups generated around 38%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR

9M 2018 figures



Source: Financial Supervisory Authority ASF

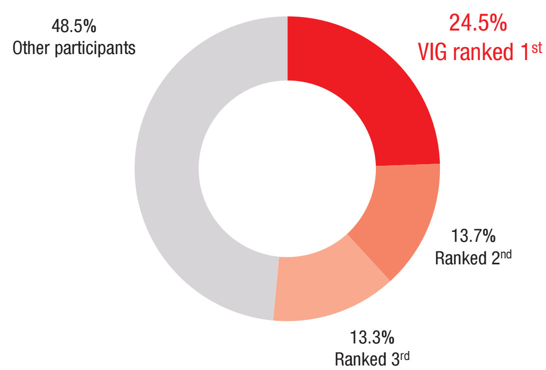
Premium volume in the Romanian insurance market grew 2.1% in the 1st to 3rd quarters of 2018 based on the local currency. The non-life sector was heavily influenced by changes in the motor market and grew 1.6%. Motor third party liability insurance, which represents around half of the non-life business, fell again by around 5.5%. This was the result of rate reductions in connection with legislative changes and introduction of reference rates in 2017. The number of policies, on the other hand, rose 8.0%. The decrease in motor third party liability insurance was compensated by gains in other lines of business in the non-life sector. The premium volume for motor own damage insurance, for example, rose 9.7%, while the fire and natural hazards line of business gained 5.1%.

Life insurance premiums rose 4.0%, driven by a 10.8% increase in traditional life and annuity insurance, while unit-linked life insurance fell 16.9% following the high recorded in the previous year.

According to Axco Global Statistics, Romania had an insurance density of EUR 108 per capita in 2017. EUR 86 of this amount was for non-life insurance and EUR 22 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Financial Supervisory Authority ASF; as of 9M 2018

VIG COMPANIES IN ROMANIA

AXA Life, which was acquired in Romania in 2017, was successfully merged with BCR Life on 1 June 2018. Vienna Insurance Group is now represented in Romania by the non-life insurer Omniasig, composite insurer Asirom and life insurance company BCR Life.

VIG's market share of 24.5% makes it the largest insurance group in Romania. It is the leader in non-life insurance and holds second place in the market for life insurance.

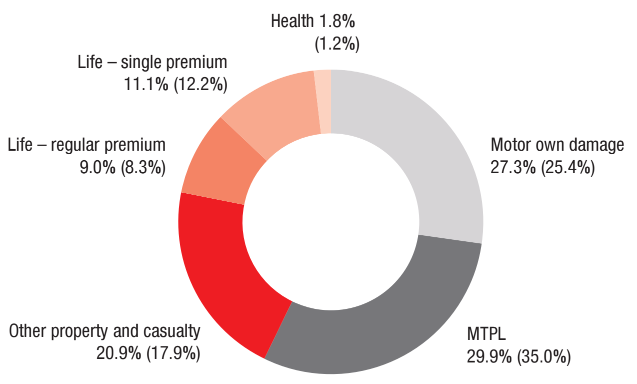
FINANCIAL PERFORMANCE INDICATORS IN THE ROMANIA SEGMENT

Premium development

The Group companies in the Romania segment wrote EUR 515.3 million in premiums in 2018, representing an increase of 1.7% (2017: EUR 506.5 million).

The increase was primarily due to strong premium growth in other property and casualty and motor own damage insurance. Net earned premiums were EUR 323.5 million in 2018, or 13.9% below the previous year, primarily due to an increase in reinsurance cessions.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits

The Romanian companies had expenses for claims and insurance benefits (less reinsurance) of EUR 222.3 million in 2018, or 10.6% less than in the previous year (2017: EUR 248.6 million). This change was due to an increase in reinsurance cessions.

Acquisition and administrative expenses

Vienna Insurance Group had acquisition and administrative expenses of EUR 108.5 million in the Romania segment in 2018 (2017: EUR 104.8 million). This is 3.5% more than compared to the previous year.

Result before taxes

A loss of EUR 73.9 million was recorded in the Romania segment in 2018 (2017: profit before taxes of EUR 6.2 million). This change was primarily the result of goodwill impairment of EUR 50.1 million in the 2nd quarter of 2018 and the formation of provisions for the ongoing Romanian Competition Council proceedings.

Combined Ratio

The combined ratio was 107.5% due to the effect of the reference rates on new production in the motor third party liability line of business (2017: 98.6%).

VIENNA INSURANCE GROUP IN THE ROMANIA SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	515.3	506.5	1.7%	8.8
Motor own damage insurance (Casco)	140.7	128.6	9.4%	12.1
Motor third party liability insurance	154.1	177.3	-13.1%	-23.1
Other property and casualty insurance	107.5	90.4	18.9%	17.1
Life insurance – regular premium	46.6	42.3	10.3%	4.4
Life insurance – single premium	57.2	61.8	-7.4%	-4.6
Health insurance	9.2	6.2	48.1%	3.0
Result before taxes	-73.9	6.2	n/a	-80.1

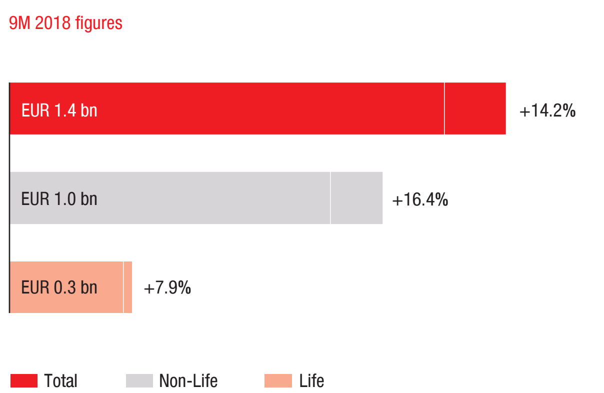
BALTIC STATES

The Baltic states consist of the countries 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 countries are also represented by branches in the other two markets. This leads to an above-average number of market participants. The top 5 insurance groups in the Baltic states generated 78.8% of the total premium volume.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR



Source: The Estonian National Statistics Board, Latvian Supervisory Authority, Central Bank of the Republic of Lithuania

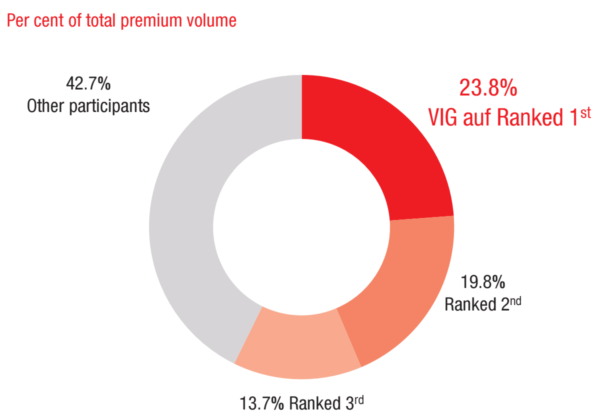
Premium volume in the three Baltic states rose by 14.2% year-on-year in the 1st to 3rd quarters of 2018. Latvia recorded the largest increase of 16.9%. Estonia and Lithuania also recorded major increases of 13.7% and 12.9%, respectively. Lithuania, with a 47.0% share of the premium volume, is the largest individual Baltic market.

The non-life sector continued to record dynamic premium growth of 16.4% in the first nine months of 2018. All three countries recorded double-digit premium increases, with the Latvian market standing out with an increase of 19.7% in the non-life sector. The growth was mainly driven by motor third party liability insurance. Premium volume increased around 42% compared to the same period in the previous year.

Life insurance premiums also recorded good growth of 7.9%. The largest increase in life insurance in the Baltic markets was recorded in Latvia, which rose by 9.8%, followed by Lithuania (+8.8%) and Estonia (+2.9%).

Average per capita expenditures for insurance were EUR 274 in Lithuania in 2017. EUR 204 of this amount was for non-life insurance and EUR 70 for life insurance. Estonia's insurance density of EUR 326 per capita was higher than in Lithuania. Of this, EUR 261 was spent on non-life insurance and EUR 65 on life insurance. Latvia had the lowest insurance density in the Baltic states, namely EUR 239. EUR 180 was for the non-life sector and EUR 59 for the life sector.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: The Estonian National Statistics Board, Latvian Supervisory Authority, Central Bank of the Republic of Lithuania; as of 9M 2018

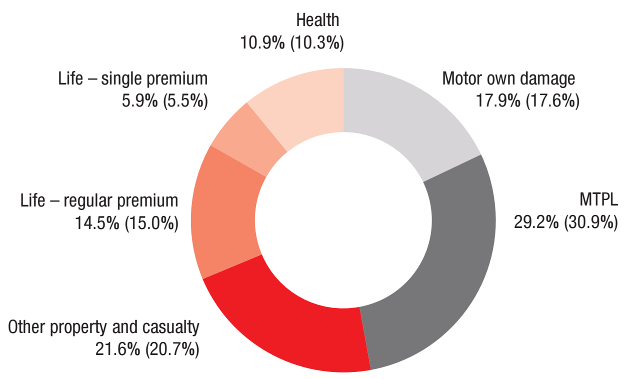
VIG COMPANIES IN THE BALTIC STATES

VIG is represented in all three Baltic countries. Compensa Life has its headquarters in Estonia and is also represented by branches in Latvia and Lithuania. VIG is represented in Latvia by BTA Baltic, which has branches in Estonia and Lithuania. The Group is represented in Lithuania by Compensa Non-Life, which also maintains branches in Latvia and Estonia.

Following signing of the purchase agreement in December 2017, acquisition of 100% of the shares of the non-life insurance company Seesam was concluded in September 2018 with approval by the local authorities. The acquisition of Seesam, which is represented in all three Baltic states, raised VIG's market share in the Baltic states to 23.8% in the 1st to 3rd quarters of 2018. This makes VIG by far the largest insurance group in the Baltic states. The Group is also in first place in the non-life sector, and in third place for life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE BALTIC STATES SEGMENT

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Premium development

Premiums written in the Baltic states segment rose to EUR 375.8 in 2018 (2017: EUR 327.6 million). This significant year-on-year increase in premiums of 14.7% was due to generally good performance achieved in all lines of business, in particular the motor lines of business and other property and casualty insurance. Net earned premiums rose to EUR 277.1 million in 2018 (2017: EUR 242.9 million).

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance were EUR 198.4 million in 2018 (2017: EUR 170.0 million). The increase of 16.8% essentially equals the increase in business volume.

Acquisition and administrative expenses

VIG recorded EUR 69.0 million in acquisition and administrative expenses in the Baltic states segment in 2018 (2017: EUR 67.1 million). The change is due to an increase in personnel and operating expenses caused by expansion of the distribution network.

Result before taxes

The result before taxes of EUR 2.1 million recorded in the Baltic states segment in 2018 was an improvement over the previous year (2017: EUR 1.4 million).

Combined Ratio

The combined ratio improved compared to the previous year to 98.7%, mainly due to good performance in the motor lines of business (2017: 99.0%).

VIENNA INSURANCE GROUP IN THE BALTIC STATES SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	**375.8**	327.6	**14.7%**	**48.2**
Motor own damage insurance (Casco)	67.4	57.5	17.1%	9.9
Motor third party liability insurance	109.9	101.3	8.6%	8.7
Other property and casualty insurance	81.1	68.0	19.4%	13.2
Life insurance – regular premium	54.3	49.0	10.9%	5.3
Life insurance – single premium	22.3	18.0	23.8%	4.3
Health insurance	40.8	33.9	20.4%	6.9
Result before taxes	**2.1**	1.4	**51.7%**	**0.7**

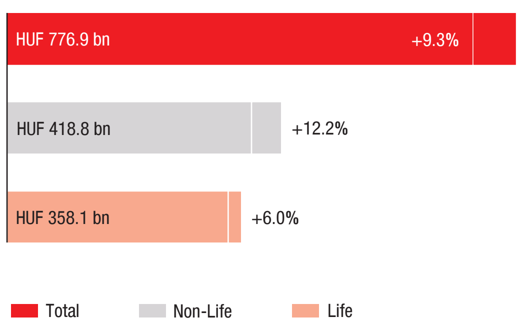
HUNGARY

HUNGARIAN INSURANCE MARKET

The top 5 insurance groups generated around 60% of the premium volume. The two largest insurance groups generated around 29%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR

9M 2018 figures



Source: National Bank of Hungary (MNB)

The Hungarian market continued to grow in 2018. The rate of growth gained slightly in the first three quarters, with premiums increasing 9.3% in the local currency.

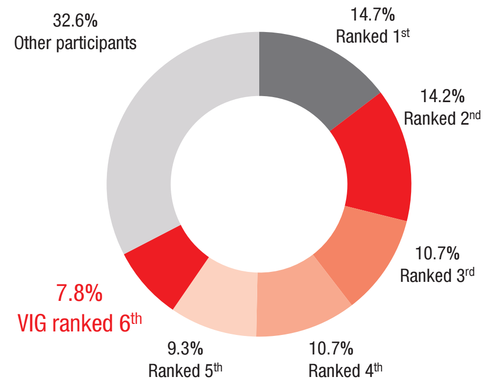
Premiums in the non-life sector were 12.2% higher year-on-year. This change was primarily driven by the motor lines of business, which recorded gains mainly as a result of higher average prices and an increase in the number of vehicles insured. Health insurance recorded very dynamic growth of 68.2%.

Life insurance premiums rose by 6%. Tax-privileged pension insurance continues to be popular, with growth rates of 31.7%.

According to Axco Global Statistics, the average per capita expenditure for insurance in Hungary was EUR 315 in 2017. Of this EUR 162 was spent for non-life insurance and EUR 153 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Hungarian Insurers Association (MABISZ); as of 2017

VIG COMPANIES IN HUNGARY

The national bank approved the merger of three VIG companies (Union Biztosító, Erste Biztosító and Vienna Life Biztosító) at the end of March 2018. VIG has therefore been represented exclusively by the insurance company Union Biztosító in Hungary since April 2018. The merger will give the Group an operating size in Hungary that ensures more effective operations and helps achieve the goal of a market share of around 10% in the medium term.

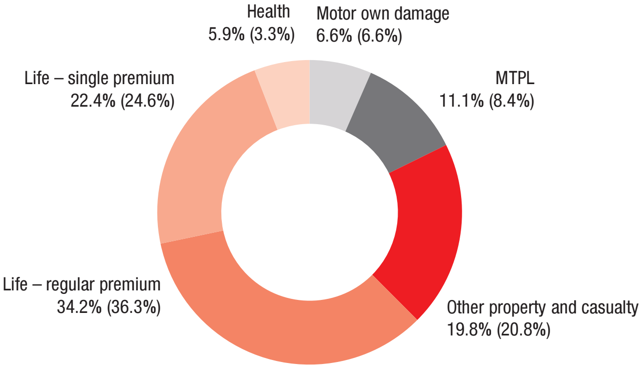
VIG had a market share of 7.8% in 2017, which put it in 6th place in the market. It was in 7th place for non-life insurance and 4th place for life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE HUNGARY SEGMENT

Premium development

The Group companies in the Hungary segment wrote EUR 263.5 million in premiums in 2018 (2017: EUR 246.7 million). This corresponds to a year-on-year increase of 6.8%, which was primarily due to strong premium growth in motor third party liability and health insurance. Net earned premiums were EUR 205.2 million in 2018, 6.8% higher than the previous year (2017: EUR 192.1 million).

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

VIENNA INSURANCE GROUP IN THE HUNGARY SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	**263.5**	246.7	**6.8%**	**16.8**
Motor own damage insurance (Casco)	17.5	16.3	7.3%	1.2
Motor third party liability insurance	29.1	20.6	41.2%	8.5
Other property and casualty insurance	52.1	51.3	1.6%	0.8
Life insurance – regular premium	90.0	89.6	0.5%	0.5
Life insurance – single premium	59.2	60.7	-2.5%	-1.5
Health insurance	15.5	8.2	89.4%	7.3
Result before taxes	**7.6**	2.1	**> 100%**	**5.5**

Expenses for claims and insurance benefits

Vienna Insurance Group had expenses for claims and insurance benefits (less reinsurance) of EUR 161.9 million in Hungary in 2018 (2017: EUR 142.6 million), which represents an increase of 13.5% compared to the previous year. This was larger than the increase in net premiums, primarily due to the increase in volume for health and motor third party liability insurance and their respective claims ratios.

Acquisition and administrative expenses

Vienna Insurance Group acquisition and administrative expenses rose 6.2% to EUR 39.3 million in the Hungary segment in 2018 (2017: EUR 41.9 million), mainly due to an increase in reinsurance commissions.

Result before taxes

The result before taxes rose to EUR 7.6 million in Hungary in 2018 (2017: EUR 2.1 million). The increase was primarily due to a lack of the write-down of Vienna Life insurance portfolios that was performed in the previous year and a better combined ratio.

Combined Ratio

The combined ratio improved compared to the same period in the previous year to 98.5% in 2018 (2017: 98.9%).

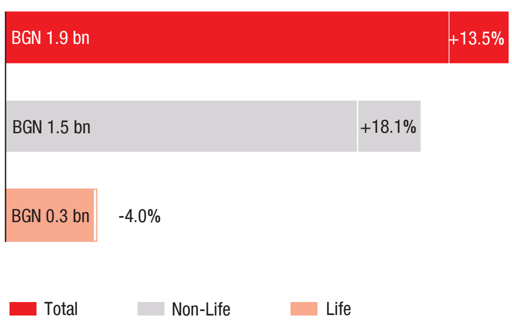
BULGARIA

BULGARIAN INSURANCE MARKET

The top 5 insurance groups generated around 57% of the premium volume in the country in the first three quarters of 2018. The two largest insurance groups generated around 26%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2018 COMPARED TO THE PREVIOUS YEAR

9M 2018 figures



Source: Bulgarian Financial Supervision Commission(FSC)

Bulgarian insurance companies recorded a 13.5% increase in premiums in the first nine months of 2018 based on the local currency.

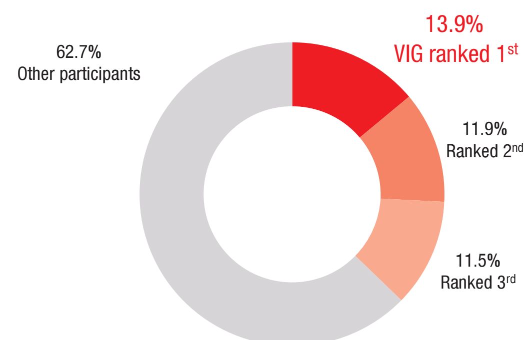
The non-life sector grew 18.1%, driven by motor third party liability insurance, which saw premiums increase 38.1% compared to the same period in the previous year. Further price increases are expected based on the draft regulation prepared by the Bulgarian financial supervisory authority for introduction of a bonus-malus system. Compensation for personal injury is also expected to be increased and there are plans to raise the taxes on older and high-emission vehicles. Motor own damage also recorded a double-digit increase of 10.6%. The non-motor lines of business only recorded moderate growth of 0.5%.

The share of life insurance in the portfolio, which was already small, decreased further to 17.4% in the 1st to 3rd quarters of 2018. Premium volume fell 4.0% due a sharp drop in annuity and pension insurance (-53.6%) that was not fully offset by the other life lines of business.

The economy is being driven by high levels of investment and private consumption. Falling unemployment and rising income are providing support for private consumption. The average per capita expenditure for life insurance in Bulgaria was EUR 26 in 2017. Around five times as much, EUR 131, was spent on non-life insurance. According to Axco Global Statistics, this corresponds to a total per capita premium of EUR 157 per year for insurance services.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Bulgarian Financial Supervision Commission (FSC); as of 9M 2018

VIG COMPANIES IN BULGARIA

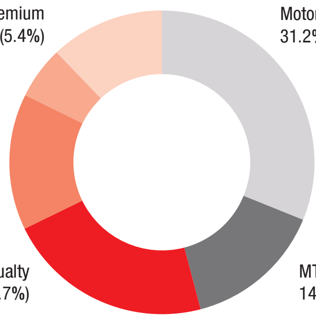
VIG is represented by three Group companies in the Bulgarian insurance market, Bulstrad Life, Bulstrad Non-Life and Nova. Together they hold a market share of 13.9%, making VIG the leading insurance group in Bulgaria. It holds second place in the non-life sector and first place in the market for life insurance. The Doverie pension fund also belongs to the Group.

FINANCIAL PERFORMANCE INDICATORS IN THE BULGARIA SEGMENT

Premium development

Premiums written in the Bulgaria segment increased to EUR 171.3 million in 2018 (2017: EUR 150.1 million). The major increase of 14.1% was primarily due to good performance in motor own damage and health insurance. Net earned premiums were EUR 122.8 million in 2018, 12.1% higher than the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits

The Bulgarian Vienna Insurance Group companies had EUR 72.7 million in expenses for claims and insurance benefits (less reinsurance) in 2018 (2017: EUR 64.4 million). The year-on-year increase of 12.9% essentially equals the increase in business volume.

Acquisition and administrative expenses

Acquisition and administrative expenses were EUR 46.4 million in 2018 (2017: EUR 38.8 million). The year-on-year increase of 19.6% resulted from an increase in commissions due to significant growth in the volume of business and additional fees in the motor area.

Result before taxes

The Bulgarian VIG companies contributed EUR 11.4 million to the total Group result in 2018 (2017: EUR 6.9 million). A major reason for this large increase of 65.0% was the lack of a write-down of insurance portfolios previously performed for the Doverie pension fund.

Combined Ratio

The combined ratio rose to 99.1% in 2018, primarily due to an increase in reserves (2017: 97.1%).

VIENNA INSURANCE GROUP IN THE BULGARIA SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	171.3	150.1	14.1%	21.2
Motor own damage insurance (Casco)	53.4	47.1	13.5%	6.4
Motor third party liability insurance	25.1	21.2	18.4%	3.9
Other property and casualty insurance	37.6	37.1	1.3%	0.5
Life insurance – regular premium	24.9	25.3	-1.7%	-0.4
Life insurance – single premium	9.6	8.2	17.9%	1.5
Health insurance	20.7	11.3	83.7%	9.4
Result before taxes	11.4	6.9	65.0%	4.5

TURKEY/GEORGIA

Turkey

The Turkish insurance market once again recorded double-digit growth of 18.2% during the 1st to 3rd quarters of 2018. The non-life sector gained 19.9% in the 1st to 3rd quarters of 2018 in local currency terms, further increasing its contribution to total premium volume to around 86%, while life insurance premiums rose 8.5%. Motor third party liability insurance represented around one third of the non-life business. It recorded an increase of 25.1%, and motor own damage insurance recorded a gain of 11.9% in premium volume. The non-motor lines of business rose by 19.3%.

More than 60 companies offer insurance in Turkey. Vienna Insurance Group is in 17th place in the ranking of the largest insurance groups in the country. The non-life insurance company belonging to the Group, Ray Sigorta, holds a market share of 1.6% in the overall market.

Georgia

In Georgia, the top 3 insurance groups generated around two thirds of the premiums in the Georgian insurance market in the 1st to 3rd quarters of 2018. The overall market recorded a year-on-year increase of 20.7% in local currency terms. The increase in all lines of business underscores the potential for catch-up offered by this market. Health insurance, which is still the dominant line of business, representing around 41% of total premium volume, recorded an increase of 6.8%. As announced, mandatory motor third party liability insurance was introduced for foreign vehicles at the beginning of 2018, causing the premium volume in this line of business to almost quadruple. The next step being planned is to also introduce mandatory motor third party liability insurance for domestic vehicles. Double-digit growth rates were recorded for motor own damage insurance (+15.7%) and the non-motor lines of business (+16.6%). After decreasing in the previous year, life insurance recorded a striking increase of 62.4% in the 1st to 3rd quarters of 2018.

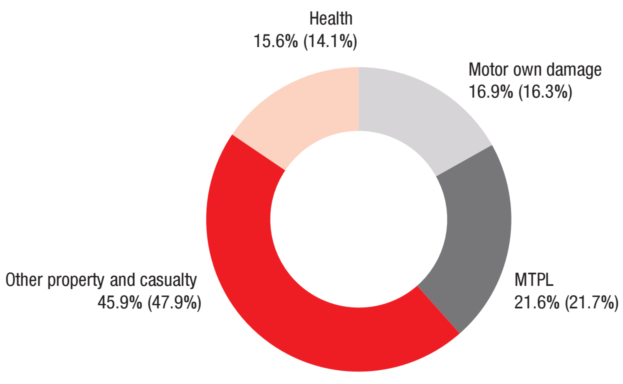
VIG is represented by two companies in Georgia: GPIH and IRAO. It occupies second place in the market, with a total market share of 26.8%.

FINANCIAL PERFORMANCE INDICATORS IN THE TURKEY/GEORGIA SEGMENT

Premium development

Vienna Insurance Group recorded total premiums written of EUR 198.3 million in the Turkey/Georgia segment in 2018 (2017: EUR 207.8 million), representing a decrease of 4.6% compared to the previous year. This change was due to negative currency effects. When adjusted for these effects, the Turkey/Georgia segment recorded an increase of 19.8%. Net earned premiums were EUR 97.1 million in 2018 (2017: EUR 101.6 million), a decrease of 4.4% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurers' share fell from EUR 79.8 in 2017 to EUR 73.6 million in 2018. This corresponds to a year-on-year decrease of 7.8% that was primarily due to currency effects.

Acquisition and administrative expenses

Acquisition and administrative expenses were EUR 22.7 million in 2018 (2017: EUR 19.7 million). Compared to the previous year, this represented an increase of 15.1% and was mainly due to a reduction in reinsurance commissions.

Result before taxes
The result before taxes declined to EUR 3.8 million in 2018, primarily due to full impairment of the goodwill of EUR 5.1 million in Turkey, negative currency effects and a deterioration of the combined ratio (2017: EUR 9.4 million).

Combined Ratio
The combined ratio rose to 98.5% in 2018 due to higher claims expenses (replacement part prices) in the motor lines of business (2017: 96.1%).

VIENNA INSURANCE GROUP IN THE TURKEY/GEORGIA SEGMENT

in EUR millions	2018	2017	Δ in %	Δ absolute
Premiums written	**198.3**	207.8	**-4.6%**	**-9.5**
Motor own damage insurance (Casco)	33.5	33.9	-1.3%	-0.4
Motor third party liability insurance	42.8	45.1	-5.0%	-2.3
Other property and casualty insurance	91.0	99.5	-8.5%	-8.5
Life insurance – regular premium	0.0	0.0	n/a	0.0
Life insurance – single premium	0.0	0.0	n/a	0.0
Health insurance	31.0	29.3	5.9%	1.7
Result before taxes	**3.8**	9.4	**-58.9%**	**-5.5**

REMAINING CEE

The Remaining CEE segment includes the countries of Albania incl. Kosovo, Bosnia-Herzegovina, Croatia, North Macedonia, Moldova, Serbia and Ukraine. The Remaining CEE markets generated 4.0% of Group premiums in 2018. The companies in the Montenegro and Belarus markets were not included in the VIG consolidated financial statements.

Albania including Kosovo
The Albanian insurance market grew 3.6% in local currency terms in the 1st to 3rd quarters of 2018. The motor lines of business represent more than two thirds of the Albanian insurance market. Premiums rose 5.1% for motor third party liability and 8.0% for motor own damage insurance. The non-motor lines of business also contributed to the growth of the Albanian insurance market with an increase of 1.4%, as did health insurance, with an increase of 8.5%. Life insurance recorded a decrease of 4.2% in premiums. The premium volume in Kosovo rose 5.9% year-on-year in the 1st to 3rd quarters of 2018.

VIG is represented in the non-life sector in Albania by the companies Sigma Interalbanian and Intersig. VIG has a market share of 23.1%, which puts it in second place in the Albanian insurance market. Sigma Interalbanian is also represented by a branch in Kosovo.

Bosnia-Herzegovina
Premiums increased 4.0% in local currency terms in Bosnia-Herzegovina in the first two quarters of 2018. Premium volume rose 4.8% year-on-year in the non-life sector. Motor third party liability insurance, which dominates the non-life sector, grew 7.1%. Life insurance recorded a moderate increase of 1.0%.

Vienna Insurance Group is represented by Wiener Osiguranje, which has its headquarters in Banja Luka, in the Serbian Republika Srpska in Bosnia-Herzegovina. The acquisition of Merkur Osiguranje was also concluded in February 2018 and the company was renamed Vienna osiguranje d.d. in October 2018. The acquisition strengthens the range of products offered by VIG in the life insurance segment in Bosnia-Herzegovina. Vienna Insurance Group's market share was 8.5% based on data from the 1st half of 2018, which puts it in fifth place in the market ranking.

Croatia
The Croatian insurance market grew 9.7% in local currency terms in the 1st to 3rd quarters of 2018, with both the non-life and life insurance lines of business contributing to this growth. Double-digit growth rates were recorded for motor own damage insurance (+18.4%) and life insurance (+10.5%), which was primarily driven by traditional life insurance products. Premium volume rose 6.3% for motor third party liability insurance and 8.0% for health insurance.

Since the merger of Erste Osiguranje and Wiener Osiguranje was concluded in April 2018, VIG has only been represented by the insurance company Wiener Osiguranje in Croatia. Erste Osiguranje will now only be used as a brand for bank distribution in the future. Its market share of 9.3% in the 1st to 3rd quarters of 2018 put it in fourth place in the Croatian insurance market.

North Macedonia

Premium volume in the North Macedonian insurance market grew 8.9% in local currency terms in the first nine months of 2018, which was the largest increase recorded since 2015. Life insurance continued the double-digit growth recorded in previous years with an increase of 15.6%. It represents 14.8% of the overall portfolio, which corresponds to an increase of 6.4 percentage points over five years. Premium volume in the non-life sector rose 7.8%, driven by the non-motor lines of business. Motor third party liability grew 5.6% and motor own damage increased 4.2%.

VIG's three Group companies, Makedonija Osiguruvanje, Winner Non-Life and Winner Life, together hold a market share of 20.1% in the overall market. That makes it the leading insurance group in North Macedonia.

Moldova

Premium volume for the insurance companies operating in Moldova rose 2.3% based on the local currency in the first three quarters of 2018. The non-life sector recorded a year-on-year increase of 2.1%. The life sector gained 5.4%, but only represents 6.2% of the overall portfolio. Premium volume increased in the motor lines of business (motor third party liability +5.9%, motor own damage +4.0%), while the non-motor lines of business decreased 6.5%.

VIG is represented by Group company Donaris in Moldova. It generates 13.4% of the premiums in the overall market, putting it in second place. Donaris holds first place in the non-life sector.

Serbia

The Serbian insurance industry recorded a 4.1% increase in premium volume in local currency terms in the first three quarters of 2018. Although this continues the long tradition of increasing premium volumes, the growth rate is slower than in previous years. The non-life sector, which represents more than three quarters of the total market, recorded a 3.6% year-on-year increase. This growth was driven by the motor lines of business (motor third party liability +5.3%, motor own damage +12.4%), which benefited from an increasing number of registrations. Due to efforts to achieve harmonisation with EU law, a new act is being prepared for motor third party liability insurance. One of the objectives is to better regulate guarantee funds and claims for damages. Life insurance recorded an increase of 5.7%. Starting from a very low level, health insurance recorded strong growth of 25.6%.

The VIG company Wiener Osiguranje has a market share of 11.4% in the Serbian market. VIG therefore holds fourth place in the overall market in Serbia and second place in life insurance.

Ukraine

Approximately one third of the premium volume published in the Ukrainian market statistics in the 1st to 3rd quarters of 2018 concerns reinsurance business between companies. After adjusting for these transactions, direct premium volume rose 19.8% year-on-year in local currency. The non-life sector grew 18.1%. Mandatory motor third party liability insurance gained 20.3%. The Ukrainian motor insurance bureau (MTIBU) introduced electronic motor third party liability insurance in 2018. One of the objectives was to prevent forged and invalid policies from being issued and to make police checks easier. According to MTIBU, around 93,000 e-policies were sold during the period from introduction in February to November 2018. Strong growth of 35.6% in life insurance increased its share of total direct premiums to 11.1%.

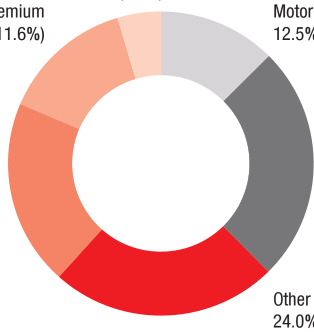
VIG operates three non-life insurance companies in Ukraine, UIG, Kniazha and Globus, and the life insurance company Kniazha Life. VIG generates 6.0% of the premiums in the overall market in Ukraine, putting it in second place. It holds second place in the non-life sector and seventh place in the life sector.

FINANCIAL PERFORMANCE INDICATORS IN THE REMAINING CEE SEGMENT

Premium development

The VIG companies in the Remaining CEE segment wrote EUR 374.7 million in premiums in 2018 (2017: EUR 352.0 million). The year-on-year increase of 6.4% was primarily based on growth in single premium life insurance and other property and casualty insurance in Croatia and first-time consolidation of Vienna osiguranje (formerly Merkur Osiguranje) in Bosnia-Herzegovina. Respectable growth was also achieved in Ukraine, with motor third party liability, other property and casualty and health insurance recording double-digit growth rates. Net earned premiums were EUR 285.7 million in 2018 (2017: EUR 247.2 million), an increase of 15.6% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance were EUR 197.2 million in 2018 (2017: EUR 170.6 million). This corresponds to a year-on-year increase of 15.6% in expenses for claims and insurance benefits (less reinsurance), which was primarily the result of a higher volume of business.

Acquisition and administrative expenses

Acquisition and administrative expenses were EUR 96.5 million in the Remaining CEE segment in 2018 (2017: EUR 93.3 million). This corresponds to a year-on-year increase of 3.4%.

Result before taxes

The result before taxes rose to EUR 23.5 million in 2018, mainly due to an improvement in the combined ratio (2017: loss of EUR 6.0 million). It should be noted that the result in the previous year was negatively affected by a goodwill impairment of EUR 19.5 million in the Ukraine, Moldova and Albania incl. Kosovo CGU groups.

Combined Ratio

The combined ratio improved to 96.6% in 2018, primarily due to the positive performance achieved in Ukraine and Croatia (2017: 100.1%).

VIENNA INSURANCE GROUP IN THE REMAINING CEE SEGMENT

	2018	2017	Δ in %	Δ absolute
in EUR millions				
Premiums written	374.7	352.0	6.4%	22.7
Motor own damage insurance (Casco)	46.9	43.5	7.8%	3.4
Motor third party liability insurance	94.0	88.0	6.8%	6.0
Other property and casualty insurance	90.0	102.9	-12.6%	-12.9
Life insurance – regular premium	74.3	64.0	16.2%	10.4
Life insurance – single premium	52.3	40.7	28.3%	11.5
Health insurance	17.3	12.9	33.6%	4.3
Result before taxes	23.5	-6.0	n/a	29.4

OTHER MARKETS

The Other Markets segment includes Germany and Liechtenstein. The segment generated 3.3% of Group premiums in 2018.

Germany

The German insurance industry recorded a 2.7% year-on-year increase in premiums in the first nine months of the year. The main contribution was from property and casualty insurance, which recorded an increase of 3.4%. After decreasing in the previous year, the contribution from life insurance (not including pension funds) increased 3.8% in the 1st to 3rd quarters of 2018, driven by a 12.6% increase in single premium business. Regular premium life insurance also recorded a small gain of 0.4%. Private health insurance grew 1.9%.

VIG is represented in Germany by InterRisk Non-Life and InterRisk Life. The InterRisk companies distribute exclusively through around 10,000 independent sales partners. InterRisk Non-Life specialises in accident and third party liability insurance and selected property insurance products. InterRisk Life focuses on retirement provision and occupational disability solutions, as well as protection for surviving dependants. The

VIG companies continue to operate successfully in the German market as highly profitable niche providers.

Liechtenstein

The Principality of Liechtenstein has been a member of the European Economic Area since 1995. This gives Liechtenstein insurance companies free access to the markets in 31 countries in Europe. The life insurance companies domiciled in Liechtenstein primarily offer unit-linked and equity-linked (anteilsgebunden) retirement and insurance solutions for high net worth individuals. The property and casualty insurers cover all of the corresponding lines of business. At the end of 2018, 21 life insurance, 17 property and casualty insurance and 5 reinsurance companies had registered offices in Liechtenstein. Premium volume in the first three quarters of 2018 was at the same level as the previous year.

VIG is represented in Lichtenstein by Group company Vienna Life, which focuses on unit-linked and index-linked life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE OTHER MARKETS SEGMENT

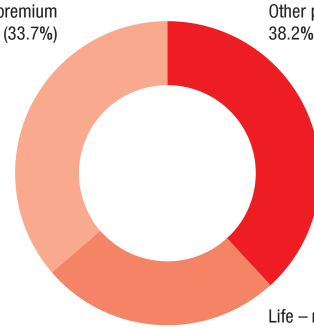
VIENNA INSURANCE GROUP IN THE OTHER MARKETS SEGMENT

	2018	2017	Δ in %	Δ absolute
in EUR millions				
Premiums written	**321.0**	292.6	**9.7%**	**28.4**
Motor own damage insurance (Casco)	0.0	0.0	n/a	0.0
Motor third party liability insurance	0.0	0.0	n/a	0.0
Other property and casualty insurance	122.6	116.5	5.2%	6.1
Life insurance – regular premium	81.9	77.4	5.8%	4.5
Life insurance – single premium	116.5	98.7	18.1%	17.8
Health insurance	0.0	0.0	n/a	0.0
Result before taxes	**23.9**	23.7	**0.9%**	**0.2**

Premium development

Vienna Insurance Group recorded total premiums written of EUR 321.0 million in the Other Markets segment in 2018 (2017: EUR 292.6 million), representing an increase of 9.7% compared to the previous year. The increase was due to good performance in all lines of business in Germany and single premium life insurance in Liechtenstein. Net earned premiums were EUR 275.1 million in 2018 (2017: EUR 248.8 million), an increase of 10.6% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2017 in parentheses

Expenses for claims and insurance benefits

The VIG companies in the Other Markets segment incurred EUR 188.2 million in expenses for claims and insurance benefits (less reinsurance) in 2018, 25.1% less that than in 2017 (EUR 251.3 million). This was primarily due to the effect on underwriting reserves of currency fluctuations between the Swiss franc and euro.

Acquisition and administrative expenses

Acquisition and administrative expenses in the Other Markets segment improved from EUR 29.8 million in 2017 to EUR 28.3 million in 2018. This year-on-year decrease of 5.0% was due to an increase in reinsurance commissions.

Result before taxes

The result before taxes improved 0.9% to EUR 23.9 million in 2018 (2017: EUR 23.7 million).

Combined Ratio

Vienna Insurance Group had a combined ratio of 82.9% in the Other Markets segment in 2018 (2017: 81.3%).

CENTRAL FUNCTIONS

The Central Functions segment includes VIG Holding, VIG Re (including the branches in Germany and France), the VIG Fund, non-profit societies, corporate IT service providers, intermediate holding companies and, since the 1st half of 2018, Wiener Re. VIG Holding primarily focuses on managerial tasks for the Group. It also operates as the reinsurer for the Group 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 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 2018.

FINANCIAL PERFORMANCE INDICATORS IN THE CENTRAL FUNCTIONS SEGMENT

Premiums written in the Central Functions segment rose 12.2% in 2018 to EUR 1,584.3 million. This was mainly the result of an increase in internal Group reinsurance through VIG Holding and an increase in premiums generated by Group company VIG Re entering new reinsurance business areas (Western Europe). In addition, Wiener Re was added to the Central Functions in the 2nd quarter of 2018.

A profit before taxes of EUR 70.2 million was recorded in the Central Functions segment in 2018 (2017: loss of EUR 16.7 million). The positive result is primarily due to the non-profit societies in the real estate area, lower expenses in the IT area and an improvement in the technical result.

BUSINESS DEVELOPMENT BY BALANCE SHEET UNIT

Further information on business development by balance sheet units is provided in the additional disclosures in accordance with the Austrian Insurance Supervision Act (VAG) in the notes to the consolidated financial statements starting on page 203.

Other legal disclosures

RESEARCH AND DEVELOPMENT

Although VIG does not perform any research activities as defined in § 243 (3)(2) UGB, it contributes its expertise to the development of insurance-specific software models. VIG is also cooperating with the Insurance Innovation Lab in Leipzig.

HOLDINGS, PURCHASE AND SALE OF OWN SHARES

Detailed information on § 243 (3)(3) UGB is available in Note 8 Consolidated shareholders' equity in the notes to the consolidated financial statements starting on page 158.

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.

The IFRS financial statements are prepared in accordance with uniform Group accounting policies. The Group fully applies the rules of IFRS 4 with respect to the valuation of insurance policies. Accordingly, the values recognised under applicable national law are carried over to the IFRS consolidated financial statements.

Standardised software is used to prepare the consolidated financial reports. The Group companies mostly use this software to send their data, which is entered locally. The Austrian insurance companies and some international insurance companies upload their balance sheets and income statements into the system. 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 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 financial statements are prepared in order to ensure uniform reporting across the Group. Both automatic (using 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 provided 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 reporting year.

The employees of the VIG 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, quarterly and half-year reports are published 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. Shareholders and other interested parties are provided access to annual, quarterly and half-year financial 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 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).

The internal audit department also performs quality assurance. It performs independent, objective audit procedures to examine the structure and effectiveness of internal control systems and the value and optimisation potential of operational processes. The activities of the internal audit department are therefore aimed at helping the Company both reduce risks and strengthen processes and structures.

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

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS AND ASSOCIATED AGREEMENTS

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. The number of shares issued remains unchanged since the previous financial year.

Further information on the anticipatory resolutions and authorisations of the Managing Board in the general meeting of 12 May 2017 in accordance with § 267 (3a) in conjunction with § 243a (1) UGB is provided in Note 8 Consolidated shareholders' equity starting on page 158 of the notes to the consolidated financial statements.

CONSOLIDATED NON-FINANCIAL REPORT

Vienna Insurance Group is publishing a separate consolidated non-financial report for financial year 2018 in accordance with § 267a of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB). It is available in printed form and online on the Vienna Insurance Group website (www.vig.com) in the "Corporate Responsibility" menu section under "Downloads".

CORPORATE GOVERNANCE

Vienna Insurance Group is committed to application and compliance with the January 2018 version of the Austrian Code of Corporate Governance and publishes a consolidated corporate governance report on the VIG website at www.vig.com under "Investor Relations".

OUTSOURCING DISCLOSURES

The outsourcing disclosures required under § 156 (1)(1) in conjunction with § 109 VAG are discussed in more detail below.

VIG Holding

A resolution was adopted allowing internal and external service providers to provide IT services for VIG Holding. Outsourcing agreements that had been approved by the supervisory authority existed in 2018 with IBM Austria (Internationale Büromaschinen Ges. m.b.H.), T-Systems Austria GesmbH and with the internal Group IT system provider twinformatics GmbH, all headquartered in Austria. twinformatics GmbH was also engaged in 2018 to assume overall responsibility for all IT services for the Austrian VIG companies, and to perform the sub-outsourcing necessary for this purpose taking into account statutory and regulatory requirements and report them to the Austrian Financial Market Authority (FMA). The reports to the FMA and FMA approvals also took place in 2018. In addition to these outsourcing agreements, Vienna Insurance Group Holding has not outsourced any critical or important functions or business activities.

VIG Group

Outsourcing took place in the following areas, in particular, in the Group:

- IT area (in particular the operation and maintenance of operating modules, computing centre operation, application development services, data storage)
- Claims handling area

The four governance functions were individually outsourced by the operating insurance companies of the Group, in particular the internal audit and actuarial functions and related activities.

While governance functions in the Group were, with few exceptions, outsourced to other Group companies, critical or important activities in the IT and claims handling areas were outsourced both inside and outside the Group.

The notification of local supervisory authorities about the outsourcing of critical or important functions or activities and the approval of such outsourcing by these authorities was done by the companies concerned in accordance with applicable national legal requirements.

Expected development and risks of the Group

SIGNIFICANT RISKS AND UNCERTAINTIES

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 VIG is provided in the notes to the consolidated financial statements on page 124. 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 124).

EXPECTED DEVELOPMENT – OUTLOOK FOR 2019

AUSTRIA

The Austrian Institute of Economic Research (WIFO) expects the Eurozone to continue recording solid growth, although the 1.7% expected for 2019 is below the real GDP growth of 2.0% forecasted for Austria in 2019. WIFO is assuming that household income will rise – driven by rising wages and salaries and lower taxes, in particular by introduction of the family bonus – and will, in turn, increase private consumption (+1.7%). The unemployment rate as a percentage of the labour force will continue to fall, although at a slower rate. In addition to the labour market, the good economic conditions will also benefit the government budget. WIFO expects budget surpluses in 2019 and 2020 based on overall increases in tax revenues.

The Austrian Insurance Association (VVO) expects premiums to rise by 1.5% to around EUR 17.6 billion this year. Health insurance is expected to achieve again the largest increase of 3.5%, and property and casualty insurance is expected to grow by 3%. Life insurance premiums are expected to decrease by 2%.

CEE

The November 2018 forecast by the Vienna Institute for International Economic Studies (WIIW) continues to show robust growth in most Central and Eastern European countries. Tight labour markets are causing significant wage increases. As in Austria, this is having a positive effect on consumption, but could present a challenge for future growth in the medium term. With the exception of Croatia (2.6%), the Central and Eastern European (CEE) countries in the EU are expected to record real GDP growth rates of at least 3% in 2019. Slovakia, in particular, stands out for an expected growth rate of 4.1%, which is also an increase compared to 2018. According to WIIW, the average GDP growth rate of 3.4% expected for the CEE countries in the EU is almost the same as the growth of 3.5% expected for the Western Balkans in 2019.

As WIIW summarises in its analysis, the overall outlook remains positive for the region, although with a considerably higher level of risk due to, among other things, the intensification of the trade conflict between the US and China and a reduction in the EU budget after Brexit. WIIW confirms that the region in general is still on a path of convergence with Western Europe, although at a slower pace due to a weakening of the external environment.

Based on the forecasts currently available, VIG expects growth rates to be considerably higher in the CEE markets than in Western Europe, so that the insurance industry will continue to show dynamic growth in the CEE region in 2019.

VIENNA INSURANCE GROUP

As a market leader in Austria and the CEE region, Vienna Insurance Group with its more than 25,000 employees is in an excellent position to take advantage of the opportunities available in this region and the long-term growth options they offer. VIG remains committed to its proven business strategy of profitable growth. Based on VIG's values of diversity, customer proximity and responsibility, the Group plans to use its successful management principles to consolidate and further increase its market share. This includes both organic growth and growth by acquisitions, particularly if an opportunity arises to strategically expand the existing portfolio or take advantage of economies of scale. Vienna Insurance Group has set itself a goal of increasing its market share to a minimum of 10% in Poland, Hungary, Croatia and Serbia in the medium term. This goal was already achieved in one of these countries, Serbia, in 2016 as the result of an acquisition. VIG's acquisition of Gothaer TU raised its market share to around 9% in Poland.

The strategic measures and initiatives set by the Agenda 2020 work programme – business model optimisation, organisation and cooperation and ensuring future viability – helped accelerate the development of the Group in 2018. The Group continues to focus on efficiency improvements and making use of synergies, and is working systematically to reduce both losses and expenses in order to improve its combined ratio. In life insurance, efforts will also be made to further promote biometric risk coverage and the regular premium business.

For 2019, VIG plans to steadily grow its Group premium volume to EUR 9.9 billion and its result before taxes (including non-controlling interests) to between EUR 500 to 520 million. Based on current conditions and the positive macroeconomic development of the region, Vienna Insurance Group aims to continuously increase premiums to more than EUR 10.2 billion by 2020 and achieve a result before taxes (including non-controlling interests) in the range of EUR 530 to 550 million. For the combined ratio, VIG expects a sustainable improvement to around 95% by 2020.

Based on the feedback received from the investor survey in the summer of 2018, Management decided to implement a new dividend policy. The new policy is to distribute a dividend in the range of 30 to 50% of Group net profits. The goal is to continue aligning the dividend per share to the company's earnings performance.

VIG Consolidated financial statements 2018 (page 76–212)

GENERAL DISCLOSURES

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

NOTES TO THE CONSOLIDATED INCOME STATEMENT

ADDITIONAL DISCLOSURES

VIG CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) 31.12.2018

Reporting period	1.1.2018–31.12.2018
Balance sheet as of previous reporting date	31.12.2017
Income statement as of previous reporting period	1.1.2017–31.12.2017
Currency	EUR

CONSOLIDATED BALANCE SHEET

Assets	Notes	31.12.2018	31.12.2017
in EUR '000			
Intangible assets	1, A	1,960,879	1,970,641
Investments	**2, B**	**36,288,326**	**35,932,907**
Land and buildings		5,965,666	5,684,598
Self-used land and buildings		458,981	430,906
Investment property		5,506,685	5,253,692
Shares in at equity consolidated companies		221,312	298,149
Financial instruments		30,101,348	29,950,160
Investments for unit-linked and index-linked life insurance	3, C	8,048,622	9,061,073
Reinsurers' share in underwriting provisions	4, D	1,135,626	1,066,320
Receivables	5, E	1,562,549	1,475,862
Tax receivables and advance payments out of income tax	F	297,528	239,455
Deferred tax assets	6, F	95,199	80,806
Other assets	7, G	427,488	389,160
Cash and cash equivalents		1,347,279	1,497,731
Total		**51,163,496**	**51,713,955**

Liabilities and shareholders' equity	Notes	31.12.2018	31.12.2017
in EUR '000			
Shareholders' equity	**8**	**5,835,696**	**6,043,949**
Share capital and reserves		4,547,473	4,832,011
Other non-controlling interests		107,712	115,944
Non-controlling interests in non-profit societies		1,180,511	1,095,994
Subordinated liabilities	9, K	1,458,681	1,458,839
Underwriting provisions	10, H	30,505,909	30,168,173
Underwriting provisions for unit-linked and index-linked life insurance	11, I	7,609,406	8,612,749
Non-underwriting provisions	12, J	867,493	793,792
Liabilities	13, K	4,276,662	4,032,102
Tax liabilities out of income tax	F	268,712	202,050
Deferred tax liabilities	6, F	203,834	255,064
Other liabilities		137,103	147,237
Total		**51,163,496**	**51,713,955**

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 143. The letters refer to the explanatory text in the “Principals of significant accounting policies” section starting on page 83.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement	Notes	2018	2017
in EUR '000			
Net earned premiums – retention	L	8,729,362	8,509,562
Premiums written – retention		8,811,079	8,585,253
Premiums written – gross	15	9,657,319	9,386,040
Premiums written – reinsurers' share		-846,240	-800,787
Change in unearned premiums – retention		-81,717	-75,691
Change in unearned premiums – gross		-104,955	-82,947
Change in unearned premiums – reinsurers´ share		23,238	7,256
Financial result excl. result from at equity consolidated companies	16	1,003,025	881,526
Income from investments		1,638,418	1,586,950
Expenses for investments and interest expenses		-635,393	-705,424
Result from shares in at equity consolidated companies	17	34,453	42,754
Other income	18	131,493	223,149
Expenses for claims and insurance benefits – retention	19, M	-6,947,007	-6,872,588
Acquisition and administrative expenses	20, N	-2,140,693	-2,040,282
Other expenses	18	-325,204	-301,572
Result before taxes		485,429	442,549
Taxes	21	-117,477	-69,958
Result of the period		367,952	372,591
thereof attributable to Vienna Insurance Group shareholders		268,924	297,596
thereof other non-controlling interests		7,560	7,052
thereof non-controlling interests in non-profit societies		91,468	67,943
Earnings Result per share* (in EUR)	8	2.04	2.23
Result of the period (carryforward)		367,952	372,591

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income	2018	2017
in EUR '000		
Result of the period (carryforward)	367,952	372,591
Other comprehensive income (OCI)		
Items that will not be reclassified to profit and loss in subsequent periods	-29,302	7,210
+/- Underwriting gains and losses from provisions for employee benefits	-55,383	13,022
+/- Deferred profit participation	17,075	-3,362
+/- Deferred taxes	9,006	-2,450
Items that will be reclassified to profit or loss in subsequent periods	-205,294	82,032
+/- Exchange rate changes through equity	-20,986	60,172
+/- Unrealised gains and losses from financial instruments available for sale	-887,641	24,119
+/- Cash flow hedge reserve	115	621
+/- Share of other reserves of associated companies	-290	3,139
+/- Deferred mathematical reserve	290,637	17,698
+/- Deferred profit participation	364,034	-19,723
+/- Deferred taxes	48,837	-3,994
Total OCI	-234,596	89,242
Total profit	133,356	461,833
thereof attributable to Vienna Insurance Group shareholders	40,607	385,487
thereof other non-controlling interests	3,007	7,903
thereof non-controlling interests in non-profit societies	89,742	68,443

CONSOLIDATED SHAREHOLDERS' EQUITY

Development	Share capital	Capital reserves		Retained earnings	Other reserves		Subtotal*
		Others	payments hybrid capital		Currency reserve	Others	
in EUR '000							
As of 1 January 2017	132,887	2,109,003	193,619	1,929,339	-181,373	380,788	4,564,263
Changes in scope of consolidation/ownership interests	0	0	0	-4,625	0	1,167	-3,458
Other comprehensive income	0	0	0	297,596	59,757	28,134	385,487
Other comprehensive income excluding currency changes	0	0	0	0	0	28,134	28,134
Currency change	0	0	0	0	59,757	0	59,757
Result of the period	0	0	0	297,596	0	0	297,596
Dividend payment	0	0	0	-114,281	0	0	-114,281
As of 31 December 2017	132,887	2,109,003	193,619	2,108,029	-121,616	410,089	4,832,011
As of 1 January 2018	132,887	2,109,003	193,619	2,108,029	-121,616	410,089	4,832,011
Changes in scope of consolidation/ownership interests	0	0	0	-3,209	0	-142	-3,351
Other comprehensive income	0	0	0	268,924	-21,095	-207,222	40,607
Other comprehensive income excluding currency changes	0	0	0	0	0	-207,222	-207,222
Currency change	0	0	0	0	-21,095	0	-21,095
Result of the period	0	0	0	268,924	0	0	268,924
Repurchase of hybrid capital	0	0	-193,619	-4,675	0	0	-198,294
Dividend payment	0	0	0	-123,500	0	0	-123,500
As of 31 December 2018	132,887	2,109,003	0	2,245,569	-142,711	202,725	4,547,473

Development	Subtotal*	Non-controlling interests		Shareholders' equity
		Other	Non-profit societies	
in EUR '000				
As of 1 January 2017	4,564,263	114,219	1,032,775	5,711,257
Changes in scope of consolidation/ownership interests	-3,458	447	0	-3,011
Other comprehensive income	385,487	7,903	68,443	461,833
Other comprehensive income excluding currency changes	28,134	436	500	29,070
Currency change	59,757	415	0	60,172
Result of the period	297,596	7,052	67,943	372,591
Dividend payment	-114,281	-6,625	-5,224	-126,130
As of 31 December 2017	4,832,011	115,944	1,095,994	6,043,949
As of 1 January 2018	4,832,011	115,944	1,095,994	6,043,949
Changes in scope of consolidation/ownership interests	-3,351	-2,844	-165	-6,360
Other comprehensive income	40,607	3,007	89,742	133,356
Other comprehensive income excluding currency changes	-207,222	-4,662	-1,726	-213,610
Currency change	-21,095	109	0	-20,986
Result of the period	268,924	7,560	91,468	367,952
Repurchase of hybrid capital	-198,294	0	0	-198,294
Dividend payment	-123,500	-8,395	-5,060	-136,955
As of 31 December 2018	4,547,473	107,712	1,180,511	5,835,696

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

Composition of dividend payments – retention	31.12.2018	31.12.2017
in EUR '000		
Dividends	115,200	102,400
Interest payments on the hybrid capital	11,067	15,841
Deferred taxes shown in equity	-2,767	-3,960
Total	**123,500**	114,281

Composition of other reserves	31.12.2018					
	Unrealised gains and losses	Cash flow hedge reserve	Underwriting gains and losses from provisions for employee benefits	Share of other reserves of associated companies	Currency reserve	Total
in EUR '000						
Gross	1,833,233	-2,377	-342,343	175	-143,872	1,344,816
+/- Exchange rate changes from financial instruments available for sale	7,874					7,874
+/- Deferred mathematical reserve	-620,530					-620,530
+/- Deferred profit participation	-729,558	0	104,050	0	0	-625,508
+/- Deferred taxes	-115,085	0	55,711	0	0	-59,374
+/- Other non-controlling interests	-5,874	0	2,799	18	1,161	-1,896
+/- Non-controlling interests in non-profit societies	0	2,414	12,218	0	0	14,632
Net	370,060	37	-167,565	193	-142,711	60,014

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

CONSOLIDATION CASH FLOW STATEMENT

in EUR '000	2018	2017
Result of the period	**367,952**	372,591
Change in underwriting provisions net	111,856	806,992
Change in underwriting receivables and liabilities	-12,873	-14,829
Change in deposit receivables and liabilities as well as in reinsurance receivables and liabilities	32,651	-31,105
Change in other receivables and liabilities	78,313	-6,185
Change in financial instruments recognised at fair value through profit and loss (incl. held for trading)	7,008	144,389
Gain/loss from disposal of investments	-111,379	-98,818
Depreciation/appreciation of all other investments	177,991	207,821
Change in pension, severance and other personnel provisions	56,736	-36,438
Change in deferred tax asset/liability excl. tax liabilities	-33,573	-15,872
Change in other balance sheet items	-29,076	-36,988
Change in goodwill and other intangible assets	106,661	165,715
Other cash-neutral income and expenses and adjustments to the result of the period[1]	215,573	-187,394
Cash flow from operating activities	**967,840**	1,269,879
Cash inflow from the sale of associated companies	110,392	0
Payments for the acquisition of subsidiaries	-11,061	-37,610
Cash inflow from the sale of available for sale securities	2,248,144	2,975,505
Payments for the acquisition of available for sale securities	-3,388,440	-4,181,627
Cash inflow from disposals/repayments of held to maturity securities	280,454	224,339
Payments for the addition of held to maturity securities	-102,939	-154,812
Cash inflow from the sale of land and buildings	93,521	68,693
Payments for the acquisition of land and buildings	-432,587	-278,323
Cash inflow for the sale of intangible assets	4,241	4,313
Payments for the acquisition of intangible assets	-81,690	-61,746
Change in investments for unit-linked and index-linked life insurance	489,786	-713
Change in loans and other investments	-60,315	113,124
Cash flow from investing activities	**-850,494**	-1,328,857
Corporate actions, incl. hybrid capital	-198,017	0
Cash inflow from subordinated liabilities	0	450,000
Cash outflow from subordinated liabilities	0	-257,355
Dividend payments	-139,722	-130,090
Cash inflow from other financing activities	292,815	172,358
Cash outflow from other financing activities	-219,372	-272,786
Cash flow from financing activities	**-264,296**	-37,873
Change in cash and cash equivalents	**-146,950**	-96,851

	2018	2017
Cash and cash equivalents at beginning of period[2]	1,497,731	1,589,941
Change in cash and cash equivalents	-146,950	-96,851
Additions/disposals from change in consolidation method	2,574	0
Effects of foreign currency exchange differences on cash and cash equivalents	-6,076	4,641
Cash and cash equivalents at end of period[2]	**1,347,279**	1,497,731
thereof non-profit societies	122,341	118,731

[1] The non-cash income and expenses are primarily from the results of shares held in at equity consolidated 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 and consists of cash on hand and overnight deposits.

Additional information on the statement of cash flows	2018	2017
in EUR '000		
Received interest[1]	767,633	751,197
Received dividends[1]	106,740	145,965
Interest paid[2]	97,409	94,610
Income taxes paid[1]	79,085	49,590
Expected cash flow from reclassified securities	10,539	16,323
Effective interest rate of reclassified securities	4.22%	4.24%

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

2 Interest paid result primarily from financing activities.

Reconciliation of liabilities from financing activities	31.12.2018			
	Subordinated liabilities (including interests)	Liabilities to financial institutions	Liabilities from public funding	Financing liabilities*
in EUR '000				
Book value as of 31.12. of the previous year	1,490,999	1,201,031	100,018	1,480,417
Cash changes	-64,266	15,038	4,753	24,206
Cash inflows	0	187,983	8,060	96,772
Payments	0	-158,090	-3,255	-58,027
Interest paid	-64,266	-14,855	-52	-14,539
Non-cash changes	64,106	14,532	372	15,619
Additions	64,263	14,532	372	22,396
Disposals	0	0	0	-9,844
Change in the scope of consolidation	0	0	0	4,613
Reclassifications	0	0	0	-1,176
Measurement changes	0	0	0	-333
Exchange rate differences	-157	0	0	-37
Book value as of 31.12.	1,490,839	1,230,601	105,143	1,520,242

*Contains lease liabilities, derivative liabilities from financing liabilities and other financing liabilities

Reconciliation of liabilities from financing activities	31.12.2017			
	Subordinated liabilities (including interests)	Liabilities to financial institutions	Liabilities from public funding	Financing liabilities*
in EUR '000				
Book value as of 31.12. of the previous year	1,265,009	1,304,900	91,049	1,528,828
Cash changes	131,660	-113,179	4,274	-23,327
Cash inflows	450,000	106,595	7,742	57,808
Payments	-257,355	-205,190	-3,418	-64,020
Interest paid	-60,985	-14,584	-50	-17,115
Non-cash changes	94,330	9,310	4,695	-25,084
Additions	59,852	12,352	5,210	17,579
Disposals	0	-11	-522	-10,436
Change in the scope of consolidation	0	0	0	-14
Reclassifications	33,326	341	0	-33,326
Measurement changes	0	-3,373	0	1,120
Exchange rate differences	1,152	1	7	-7
Book value as of 31.12.	1,490,999	1,201,031	100,018	1,480,417

*Contains lease liabilities, derivative liabilities from financing liabilities and other financing liabilities

Notes to the consolidated financial statements

PRINCIPALS 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.

PRINCIPALS OF SIGNIFICANT ACCOUNTING POLICIES

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 in these financial statements.

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

Preparing consolidated financial statements in accordance with the IFRS requires that estimates be made. In addition, application of the Company's accounting policies requires the Managing Board 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 90.

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 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. Unless otherwise indicated, the standards relevant to VIG that are applicable for the first time have no or no material effect on these consolidated financial statements.

Standards applicable to VIG that are used for the first time in the Group Annual Report

All IFRS	Annual improvements (Cycle 2014–2016)
IFRS 15	Revenue from contracts with customers
Clarification of IFRS 15	Clarifications concerning revenue from contracts with customers
Amendments in IFRS 4	Application of IFRS 9 Financial instruments in conjunction with IFRS 4 Insurance contracts
Amendments in IFRS 2	Clarifications and measurement of share-based payments
Amendments to IAS 40	Classification of property under construction
IFRIC 22	Foreign currency transactions and advance consideration

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[1]
Those already adopted by the EU		
IFRS 16	Leases	1.1.2019
IFRS 9	Financial instruments	1.1.2018[2]
Amendments in IFRS 9	Prepayment features with negative compensation	1.1.2019
IFRIC 23	Uncertainty over income tax treatments	1.1.2019
Amendments in IAS 28	Clarification for application of impairment requirements to long-term interests	1.1.2019
All IFRS	Annual improvements (Cycle 2015–2017)	1.1.2019
Amendments in IAS 19	Remeasurement on a plan amendment, curtailment or settlement	1.1.2019
Those not yet adopted by the EU		
IFRS 14	Regulatory Deferral Accounts	EU decided this standard shall not be transferred into EU law
IFRS 17	Insurance contracts	1.1.2022[3]
Amendments according IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	First-time application deferred for an indefinite period
Amendments to various standards	Changes to the references to the framework concept in the IFRS standards	1.1.2020
Amendments in IFRS 3	Definition of a business operation	1.1.2020
Amendments according IAS 1 and IAS 8	Standardisation and clarification of the definition of materiality	1.1.2020

1 VIG is not planning early adoption of the provisions listed in the table.

2 The first time adoption for insurance companies can be delayed to 1 January 2022. The deferral is still subject to a public consultation.

3 The deferral to 1 January 2022 is still subject to a public consultation.

Unless indicated otherwise, either the Group does not expect the standards listed in the two tables to have a material effect, or the amendments are not relevant to the Group.

IFRS 16 – "LEASES"

The new standard 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 (RoU 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. The distinction between an operating lease and finance lease remains for the lessor, and the list of criteria for deciding which kind of lease one is dealing with has been taken from IAS 17 without change.

With respect to first-time application of IFRS 16, one can choose to apply the standard using the full retrospective approach or modified retrospective approach (with or without adjusting the previous year). The Group chose to apply the standard for the first time on 1 January 2019 using the modified retrospective approach. This led to recognition of the right-of-use and a lease liability in the same amount in the balance sheet at the time of first application, so that there was no effect on shareholders' equity.

When applying IFRS 16, the Group also elected to apply the exemption for short-term leases (up to one year) and low value assets (new cost up to EUR 5,000).

A preliminary analysis was performed to estimate the leases during the financial year just ended. The preliminary analysis found a large number of leases. Operating leases were primarily found for the following assets in the Group:

- branch offices,
- office space,
- building rights,
- motor vehicles,
- advertising space and
- parking spaces.

Due to the large number of leases, management decided to use a project team to implement a Group-wide IT tool. The software will be used to calculate and amortise the rights-of-use and lease liabilities in the future in accordance with IFRS 16. The Group subsidiaries are currently entering leases relevant to IFRS 16 into the programme. The Group is currently assuming that the effect on the balance sheet as of 1 January 2019 before elimination of intragroup transactions will be less than EUR 500 million, but the reported data is still undergoing quality checks. Due to these checks, the precise effect on total balance sheet assets cannot be reliably estimated at this time.

Significant estimates and discretionary decisions exist in particular for the terms of leases with unlimited terms, and estimates for the exercise of purchase, extension and termination options. The estimates are the responsibility of the management of the reporting company. As a rule, past experience is used when assessing options and lease terms.

IFRS 9 – "FINANCIAL INSTRUMENTS" AND AMENDMENTS TO IFRS 4 – "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 (SPPI criterion). The new provisions also concern the accounting for impairment of financial assets. In addition to incurred losses (incurred loss model), expected losses are also recognised (expected credit loss model). 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.

When IFRS 9 is applied, the previous classification for financial assets available for sale is no longer needed. In this category, fair value changes were recognised directly in equity in other comprehensive income. Unrealised gains and losses are primarily recognised in other comprehensive income and, in the case of disposals, reclassified to profit or loss. IFRS 9 makes a distinction between equity and debt instruments in the fair value measurement class. The distinction is mainly that both unrealised gains and losses and impairment of equity instruments (e.g. shares) are not recognised in profit or loss at any time. In the case of debt instruments (e.g. bonds, loans), the provisions in IAS 39 "Financial instruments available for sale" apply analogously. 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 amendments to IFRS 4 “Insurance contracts” allow insurance companies to defer application of the new IFRS 9 “Financial instruments” until 1 January 2022 (subject to endorsement of the standard by the EU). Business activities must primarily be connected with the insurance business in order to use the deferral. This is only the case if the share of the book value of all insurance liabilities exceeds 90% of the total liabilities of the Group, or the share is between 80 and 90% and the Group does not pursue any other significant activities other than the insurance business.

The Group performed the required calculations on the basis of 31 December 2015 and satisfies the criteria for deferral of IFRS 4 with a result of more than 90%. As a result, IFRS 9 will be applied at the same time as IFRS 17 (provided first-time application of IFRS 17 takes place on 1 January 2022). For associated companies and joint ventures that have applied IFRS 9 since 1 January 2018, the Group has chosen in accordance with IFRS 4 to include them in the consolidated interim financial statements without adjustment. IFRS 4 does not require periodic evaluation of the predominant business activity, only evaluation if there is a change in the entity’s business activities. If the deferral is used, the change to IFRS 4 requires additional notes disclosures to be published during the period until application of IFRS 9.

The Group expects the changeover to IFRS 9 to have effects due to the new impairment model and interactions with IFRS 17. The classification of investments based on the SPPI criteria (Solely Payments of Principal and Interest) has already been implemented.

The Group expects, however, the introduction of IFRS 9 and 17 to lead to additional expenses.

Fair value	31.12.2018		Fair value changes	
Financial assets	SPPI	Other*	SPPI	Other*
in EUR '000				
Loans	2,057,295	674,524	-42,318	-23,683
Bank deposits	810,286	0	0	0
Other securities	**22,955,884**	**4,075,119**	**-478,340**	**-354,582**
Bonds	22,955,884	1,462,865	-478,340	-22,374
Shares and other participations and other non-fixed-interest securities	0	697,474	0	-161,164
Investment funds	0	1,887,257	0	-175,211
Derivatives	0	27,523	0	4,167
Non-underwriting receivables	711,068	489	0	0
Cash and cash equivalents	1,347,278	0	0	0

*Financial instruments that satisfy the SPPI-criteria (“SPPI pass”), but are held for trading or managed based on fair value, are to be reported under “Other”, not under SPPI.

Book values	31.12.2018						
SPPI financial instrument rating categories	AAA	AA	A	BBB	BB and lower	No rating	Total
in EUR '000							
Loans and bank deposits	93,855	268,796	722,363	837,558	442,904	314,296	2,679,772
Other securities	2,311,551	7,362,608	8,159,659	3,745,890	1,030,373	120,008	22,730,089
Non-underwriting receivables	309	2,682	11,193	1,076	13,761	682,637	711,658
Cash and cash equivalents	220	25,283	675,172	117,691	157,651	371,261	1,347,278

SPPI financial instruments with a significant risk of default	31.12.2018	
	Book value	Fair value
in EUR '000		
Loans and bank deposits	493,304	505,212
Other securities	1,089,691	1,108,577
Non-underwriting receivables	60,023	60,036
Cash and cash equivalents	199,344	199,344

IFRS 17 – "INSURANCE CONTRACTS"

The International Accounting Standards Board (IASB) issued IFRS 17, the accounting standard for insurance contracts, on 18 May 2017. Various international bodies have discussed numerous interpretation and implementation issues since the standard was issued. In November 2018, the IASB made a preliminary decision to defer the date of first application of IFRS 17 to 1 January 2022 and to extend the temporary exemption from applying IFRS 9 for insurance companies. IFRS 9 and IFRS 17 are therefore simultaneously applicable starting in 2022. The preliminary deferral of the date of first application confirms the uncertainty shown by the IASB's discussions about possible amendments to IFRS 17. The proposed deferral and other proposed amendments are subject to a public consultation that is expected to take place in 2019. Based on the discussions and IASB schedule, the European Financial Reporting Advisory Group (EFRAG) will work on a recommendation to the EU Commission concerning endorsement of IFRS 17 in EU law.

IFRS 4, which is still currently valid, is to be applied until IFRS 17 enters into effect. IFRS 4 allows local accounting practices to be used for insurance contracts in the consolidated balance sheet. The IASB imposes uniform accounting policies for insurance contracts for the first time in IFRS 17.

IFRS 17 provides three measurement models for measuring insurance contracts:

- Measurement is performed, as a rule, using the general measurement model (GMM) based on a prospective method. The model is based on the concept of contract fulfilment and uses current assumptions. When the GMM is used for measurement, future cash inflows and outflows are discounted and adjusted using a risk margin. First-time measurement of insurance contracts results in either a profit margin (contractual service margin – CSM) that is distributed over the term of the contract, or a loss component that is recognised immediately in the income statement. There are a number of exceptions and special provisions for the GMM that concern groups of investment contracts with discretionary participation features and reinsurance cessions as well as two other measurement models.
- A simpler measurement model – the premium allocation approach (PAA) – may be used for short-term contracts and low volatility insurance contracts. The simplified approach used by the PAA is similar to the unearned premium model currently used to account for property and casualty insurance, with the difference that the loss reserve is also accounted for using an expected present value and a risk margin.
- There is a mandatory measurement model for contracts that are eligible for profit participation and unit-linked and index-linked life insurance – the variable fee approach (VFA). Measurement is, as a rule, performed according to the GMM, but the CSM is variable in the VFA due to the profit participation.

Measurement units are determined using the following steps:

- Portfolio: Insurance contracts are combined into portfolios
- Group: Portfolios are divided into groups
- Groups are divided according to underwriting year (annual cohorts)

For initial recognition, IFRS 17 requires insurance contracts to be combined into portfolios that comprise all insurance contracts that are subject to similar risks and managed together.

Each portfolio must be divided into at least the following groups:

- onerous contracts
- contracts that have no significant possibility of becoming onerous
- other contracts

Here is a summary of the most important changes in the accounting for insurance contracts:

- the use of current assumptions for measuring underwriting provisions,
- introduction of CSM for the unrealised future profits of a group of insurance contracts,
- elimination of savings components as income,
- the choice to report the effect of discounting cash flows with current interest rates in other comprehensive income instead of the income statement.

A preliminary study of the technical and substantive requirements of IFRS 17 was performed before the start of the Group-wide IFRS 17 project. After analysing the results of the preliminary study, a Group-wide project structure was established. Due to existing substantive uncertainties, it is not currently possible to quantify the effect on individual balance sheet and income statement items.

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 through profit or loss during the reporting period.

Translation of separate financial statements in foreign currencies

These consolidated financial statements present assets, liabilities, income and expenses 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. Currency translation differences, including those that result from accounting using the equity method, are recognised directly in equity.

Name	Currency	End-of-period exchange rate		Average exchange rate	
		31.12.2018	31.12.2017	2018	2017
1 EUR ≙					
Albanian lek	ALL	123.4200	132.9500	127.5752	134.1279
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	3.0701	3.1044	2.9903	2.8370
Croatian kuna	HRK	7.4125	7.4400	7.4182	7.4637
Macedonian denar	MKD	61.4950	61.4907	61.5111	61.5742
Moldovan leu	MDL	19.5212	20.4099	19.8442	20.8282
Turkish new lira	TRY	6.0588	4.5464	5.7077	4.1206
Polish zloty	PLN	4.3014	4.1770	4.2615	4.2570
Romanian leu	RON	4.6635	4.6585	4.6540	4.5688
Swiss franc	CHF	1.1269	1.1702	1.1550	1.1117
Serbian dinar	RSD	118.1946	118.4727	118.2752	121.4027
Czech koruna	CZK	25.7240	25.5350	25.6470	26.3258
Ukraine hryvnia	UAH	31.7141	33.4954	32.1289	30.0753
Hungarian forint	HUF	320.9800	310.3300	318.8897	309.1933

ESTIMATES AND DISCRETIONARY DECISIONS

Preparation of the IFRS consolidated financial statements requires that the Managing Board 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 on page 102	Method of consolidation	Details on page 92 and starting on page 108
Provisions for pensions and similar obligations	Details on page 106	Materiality	Details on page 92
Other non-underwriting provisions	Details on page 106		
Financial instruments measured at fair value not based on stock market prices or other marked prices (Level 3)	Details on page 91 and starting on page 183		
Impairment of goodwill	Details on page 91		
Valuation allowances for receivables and other (accumulated) impairment losses	Details on page 91		
Value of deferred tax assets	Details on page 91		

Please refer to the consolidated balance sheet on page 76 or to the corresponding disclosures in the notes to the consolidated balance sheet. Sensitivity analyses for assets and liabilities from insurance operations are presented in the risk report starting on page 136.

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 a minimum 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 obligations.

Other important assumptions used to calculate obligations are based on market conditions. Further information on sensitivity analyses is provided in Note 12.1. Provisions for pensions and similar obligations starting on page 167. 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 106.

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 22. Financial instruments and fair value measurement hierarchy on page 183. For information on the impairment of financial instruments, please see page 99.

Impairment of goodwill

The Group tests goodwill for impairment at least once a year in accordance with the method explained on page 93 of the "Impairment of non-financial assets" section. 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 and discount rates.

Sensitivities Additional impairment needed	Cash flows	Growth rate	Discount rate	Cash flows and discount rate
	-10%	-1%p	+1%p	-10% and +1%p
in EUR millions				
Romania				-33.5
Baltic states				-10.1
Bulgaria			-8.3	-37.1
Albania incl. Kosovo	-2.0	-0.5	-2.2	-5.1
Bosnia-Herzegovina	-2.6	-1.3	-2.4	-4.1

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 100.

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 IFRS treatment and tax treatment of certain balance sheet items must be assessed. If temporary differences exist, as a rule they lead to the recognition of deferred tax assets and liabilities in the financial statements based on the tax rate for each country.

The Managing Board 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 carryforward 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 102.

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 101 and in Note 6. Deferred taxes on page 156.

Method of consolidation
Discretionary decisions by the Managing Board primarily concern determining the scope of consolidation for fully consolidated companies and at equity consolidated companies. Note that other discretionary decisions could also have material effects on the net assets and results of operations of the Group.

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 are not included in the scope of consolidation if the revenues from their business activities are primarily generated and charged within the Group and do not generate any significant profits.

Thresholds calculated based on previous quarterly financial statements and the latest annual financial statements are used to determine the current scope of consolidation.

The effect on the Group result due to all the companies in which the Group holds less than a 20% interest and that are not consolidated would be 1.3% (not including any consolidation effects).

Materiality
Under IAS 1.31, only material information is to be presented in the financial statements, even if a standard specifies certain requirements or minimum requirements. The IASB's aim in this paragraph was to create the foundation for clear, understandable financial reporting based on the most important information. Discretionary leeway exists when deciding whether information concerns material or immaterial disclosures. VIG introduced the use of a threshold for determining the materiality of notes disclosures in this Annual Report. The threshold is not applied if the Managing Board is of the opinion that information should be published in any case.

ACCOUNTING POLICIES FOR SPECIFIC ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

INTANGIBLE ASSETS (A)

Goodwill
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.

Other intangible assets
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 trademarks, all intangible assets have a finite useful life. The intangible assets are therefore amortised over their period of use. The useful lives of significant intangible assets are as follows:

Average useful life in years	from	to
Software	6	10

Software is amortised using the straight-line method. Software components are also checked on an event-driven basis to see whether they can still be used. If there is a high probability that certain IT systems or programme sections can no longer be used, or no longer be 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 143.

Trademarks with unlimited useful lives were identified as part of the purchase price allocation during acquisition of the companies Asirom, BTA Baltic and Seesam Insurance. The indefinite useful life results from the fact that there is no foreseeable end to their economic life. The fair value of the Asirom trademark at the time was calculated as the average of the trademark values from the relief-from-royalty method and incremental cash flow method, and the fair value of the BTA Baltic and Seesam Insurance trademarks was calculated using the relief-from-royalty method. A "tax amortisation benefit" was taken into account in the relief-from-royalty method. The Asirom trademark had a book value of EUR 16,989,000 (EUR 18,043,000), the BTA Baltic trademark had a book value of EUR 37,000,000 (EUR 37,000,000) and the Seesam Insurance trademark had a book value of EUR 13,000,000 on 31 December 2018.

Impairment of non-financial assets
Non-financial assets are tested for impairment on an event-driven basis. Intangible assets with an indefinite useful life (goodwill and trademarks carried on the balance sheet) are tested when a triggering event occurs, including during the year, and at a minimum at the end of the financial year. The subsidiaries are combined into economic units (CGU groups) at the geographical country level for the test. The CGU groups used for impairment testing essentially correspond to the VIG operating segments. The trademarks were also individually tested for impairment using the relief-from-royalty method.

Goodwill impairment is only recognised if the recoverable amount for the CGU group is less than the book value of the assets attributable to the group. As a rule, the value in use is calculated using the Discounted Cash Flow method. In cases where the value in use is less than book value, fair value less selling costs is also calculated. Fair value less selling costs is calculated using trailing stock exchange multipliers for the property and casualty and health lines of business in all regions and for the life business outside Austria. For the life business in Austria the Market Consistent Embedded Value is used. If one of the two values is more than book value then no write-down is performed, otherwise the value is written down to the larger of the values.

To calculate value in use, the cash flows available to shareholders for five budget years and the following perpetual annuity are discounted. All subsidiaries prepare detailed budgets in local currency for three years that are approved by the applicable supervisory boards and checked for plausibility on the Group level as part of the planning and control process. Currencies are translated to euros using the end of period rate on the 31 December. Extrapolation of the budget projections for a further two years and the perpetual annuity is performed using key parameters (combined ratios, premium growth, financial income) based on their past values and expected future market changes. The predicted cash flows for the perpetual annuity are assumed to continue forever.

All of the underwriting business assets are assigned to the CGU groups. In addition to goodwill and trademarks, these also include all insurance portfolios and customer bases, investments, receivables and other assets. Underwriting provisions and current liabilities are deducted from the book values. Assets held at the Group level but used by the operating companies are allocated to the CGU groups in the form of corporate assets. The cash flows of the CGU groups are accordingly adjusted for amortisation of the allocated corporate assets.

To calculate the discount rates, the capital asset pricing model (CAPM) is used to calculate a cost of equity capital. The risk-free interest rate (equal to the yield on German government bonds on the reporting date calculated using the Svensson method), country-specific inflation differentials and risk premiums, and sector-specific market risk are added to this. The base rate before inflation differentials was 0.95% (1.34%). The market risk of 6.55% (6.16%) was multiplied by a beta factor of 0.80 (0.96) that was calculated based on a specified peer group.

The long-term growth rates are calculated during the financial year based on the compound annual growth rate (CAGR) 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 adjustment equal to half of the inflation included in the cost of equity was added to the CAGR.

CGU groups	Discount rates		Country risks		Long-term growth rate	
	2018	2017	2018	2017	2018	2017
in %						
Austria	6.74	7.71	0.55	0.46	1.50	1.50
Czech Republic	6.88	7.88	0.98	0.81	3.91–4.63	3.94–4.31
Slovakia	7.37	8.23	1.18	0.98	4.89–5.30	4.96–5.24
Poland	7.63	8.56	1.18	0.98	5.01–5.62	5.30–5.68
Romania	9.56	10.46	3.06	2.54	5.40–7.28	5.46–7.67
Baltic states	7.63	8.44	1.44	1.19	4.88–5.49	5.14–5.51
Hungary	10.00	10.64	3.06	2.54	5.77–6.03	5.86–6.13
Bulgaria	8.82	9.21	2.64	2.19	6.29–6.63	6.17–6.49
Georgia	11.05	11.60	4.17	3.46	6.34	6.44
Turkey	22.58	16.05	5.00	2.88	10.44	7.41
Germany	6.19	7.25	0.00	0.00	1.50	1.50
Liechtenstein	6.19	7.25	0.00	0.00	1.50	1.50
Albania incl. Kosovo	13.11	13.25	6.25	5.19	6.72	6.74
Bosnia-Herzegovina	14.68	14.28	9.03	7.50	5.13–7.08	5.30–7.28
Croatia	9.71	10.21	4.17	3.46	4.93–6.26	4.98–6.26
North Macedonia	10.96	11.16	5.00	4.15	5.75	5.64
Moldova	18.05	17.61	9.03	7.50	9.22	9.16
Serbia	11.78	12.22	5.00	4.15	5.61–7.16	5.75–7.18
Ukraine	21.96	21.45	12.50	10.38	8.50–12.82	8.89–12.94
Central Functions	6.74–11.78	7.80	0.55–5.00	0.46–0.81	1.50–7.16	1.50–4.31

Impairment and recoverable amounts for CGU groups	2018		2017	
	Impairment	Recoverable amount	Impairment	Recoverable amount
in EUR millions				
Romania	50.1	325.6		
Turkey	5.1	18.0		
Albania incl. Kosovo			2.5	23.9
Moldova			5.9	4.3
Ukraine			11.1	27.8

Impairment of non-financial assets is recognised in other non-underwriting expenses in the income statement.

INVESTMENTS (B)

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 in active markets, fair value is determined using market price quotations for similar assets or market price quotations in inactive markets (Level 2). Standard valuation models with inputs that are observable in the market are used for Level 2 measurements. 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 generally 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			Obervable
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; borrower's note loans; loans; securitised liabilities and subordinated liabilities with call options	Theoretical price	Maturity dependent implied volatilities; issuer, sector and rating-dependent yield curves
Libor market model present value method	Bonds and borrower's note loans with other embedded derivates	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
Option pricing models	Stock options	Theoretical price	Share prices on the valuation date; implied volatilities; yield curve
Level 3			(Un-)observable
Option pricing models	Stock options	Theoretical price	Share prices on the valuation date; volatilities; yield curve
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 22. Financial instruments and fair value measurement hierarchy on page 183.

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	Measurement method
Financial assets	
Loans and other investments	At amortised costs
Financial instruments held to maturity	At amortised costs
Financial instruments available for sale	At fair value
Financial instruments recognised at fair value through profit and loss*	At fair value
Investments for unit-linked and index-linked life insurance	At fair value
Financial liabilities	
Subordinated liabilities (other liabilities)	At amortised costs
Liabilities to financial institutions (other liabilities)	At amortised costs
Financing liabilities (other liabilities)	At amortised costs
Derivative liabilities (other liabilities)	At fair value

*Including held for trading

Land and buildings

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. The following useful lives are assumed when determining depreciation rates:

Average useful life in years	from	to
Buildings	31	50

SELF-USED LAND AND BUILDINGS

Self-used real estate is 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 material costs in the operating expenses.

INVESTMENT PROPERTY

Investment property consists of real estate that is 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 real estate and investment property by sworn and judicially certified building construction and real estate appraisers. Market value is determined based on the capitalised earnings method, with the asset value method generally only being used for undeveloped property – provided it is not leased. The discounted cash flow method is used in exceptional cases.

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 through 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 174. The fair values and level hierarchy according to IFRS 13 are shown in 22. Financial instruments and fair value measurement hierarchy starting on page 183.

Financial instruments
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 recognised at fair value through profit and loss and
- Financial instruments held for trading.

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. The amortised cost is determined using the effective interest rate of the asset in question. A write-down is recognised in profit or loss in the case of permanent impairment.

The current income recorded in the income statement is essentially interest income.

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.

Financial instruments available for sale are measured at fair value. Fluctuations in value are recognised in other comprehensive income and reported in equity in other reserves. 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).

Spot transactions are accounted for at the settlement date.

FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH PROFIT AND LOSS

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.

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.

The amendments to IAS 39 and IFRS 7 went into effect retroactively to 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. Further details are provided on page 149 and page 151.

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. The Managing Board has considerable discretion when quantifying the influence of information that could affect the creditworthiness, rating and/or earning power of a debtor.

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 fair value during the last six months was consistently less than 80% of the historical cost of acquisition and/or if the fair value as of the reporting date is less than 50% of the historical cost of acquisition.

INVESTMENTS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE (C)

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 equal to the changes in value of the underwriting provisions, these investments are valued in accordance with the requirements of IAS 39.9b. 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 (D)

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 2018 and 31 December 2017 balance sheet dates.

Information on the selection of reinsurers is provided in the "Financial instruments and risk management" section starting on page 121.

RECEIVABLES (E)

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

As a rule, receivables are reported at cost less impairment losses for losses already incurred but not yet known (e.g. death that is not yet known). 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 5. Receivables on page 155.

TAXES (F)

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 carryforwards 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	31.12.2018	31.12.2017
in %		
Albania	15.0	15.0
Bosnia-Herzegovina	10.0	10.0
Bulgaria	10.0	10.0
Germany	30.0	30.0
Estonia[1]	0.0	0.0
Georgia[2]	15.0	15.0
Kosovo[3]	0.0	0.0
Croatia	18.0	18.0
Latvia[4]	0.0	0.0
Liechtenstein	12.5	12.5
Lithuania	15.0	15.0
North Macedonia	10.0	10.0
Moldova	12.0	12.0
Austria	25.0	25.0
Poland	19.0	19.0
Romania	16.0	16.0
Serbia	15.0	15.0
Slovakia	21.0	21.0
Czech Republic	19.0	19.0
Turkey	20.0	20.0
Ukraine	18.0	18.0
Hungary	11.3	9.0

1 Basically, the reinvested profits of locally domiciled companies are not subject to corporate income tax. Profit distributions by the companies are subject to a tax rate of 14% to 20%.

2 As a rule, the reinvested profits of locally domiciled companies will not be subject to corporate income tax starting 1 January 2023. The planned implementation date was postponed from 1 January 2019 to 1 January 2023.

3 Insurance companies will be subject to 5% corporate income tax on their gross premiums.

4 Change in the tax system effective 1 January 2018: No tax on reinvested profits. Distributions are taxed at a rate of 20%.

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 head of the tax group. The head of the tax group 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 head of the tax group. In 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 three years.

OTHER ASSETS (G)

Other assets are measured at cost less impairment losses. Depreciation is performed using the straight-line method over the expected useful life of the asset.

UNDERWRITING PROVISIONS (H)

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 in 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 in 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 policyholder'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

Based on the election provided in IFRS 4, the values recognised in the consolidated financial statements prepared in accordance with applicable national law are carried over to the IFRS consolidated financial statements. The national provisions are only carried over, however, if they 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.

Provision for unearned premiums

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% (15%) is used when calculating unearned premiums in the property and casualty balance sheet unit (10% for motor third party liability insurance (2017 10%)), corresponding to EUR 28,534,000 (EUR 28,354,000). Acquisition expenses in excess of this figure are not capitalised in Austria. For foreign companies in the property and casualty line of business 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 301,880,000 (EUR 281,392,000).

Mathematical reserve

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.

Basically, the mathematical reserve and related premium rate are calculated using the same basis, which is applied uniformly for the entire rate and during the entire term of the policy. The appropriateness of the calculation basis is reviewed each year in accordance with IFRS 4 and applicable national accounting requirements. Please refer to section Adequacy test for liabilities arising from insurance policies on page 103. For information on the use of shadow accounting, please see page 103. Basically, the official mortality tables of each country are used for the life balance sheet unit. If current mortality expectations differ to the benefit of policyholders from the calculation used for the rate, 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. The resulting negative mathematical reserves are either set to zero in accordance with national requirements or reported 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 2018: 2.07%
As of 31 December 2017: 2.18%

In Austria, the average discount rate for life insurance was 1.88% during the reporting period (2.08%).

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 102.

In the health insurance balance sheet unit, 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 2018: 2.42%
As of 31 December 2017: 2.80%

Provision for outstanding claims
National insurance law and national regulations (in Austria, the 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 (e.g. 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
The provisions for profit-unrelated premium refunds relate, in particular, to the property and casualty and health balance sheet units, 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
Profit shares that were dedicated to policyholders in local business plans, but have not been allocated or committed to individual 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 102.

Other underwriting provisions
The other underwriting provisions item primarily includes 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 (I)

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.

NON-UNDERWRITING PROVISIONS (J)

Provisions for pensions and similar obligations

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 accounted for in accordance with IAS 19. The present value of the defined benefit obligation (DBO) is calculated. 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 2017 and 31 December 2018.

The calculations are based on the following assumptions:

Pension assumptions	31.12.2018	31.12.2017
Interest rate	1.50%	1.50%
Pension increases	2.00%	2.00%
Salary increases	2.00%	2.00%
Employee turnover rate (age-dependent)	0%–4%	0%–4%
Retirement age, women (transitional arrangement)	62+	62+
Retirement age, men (transitional arrangement)	62+	62+
Life expectancy (for employees, in accordance with)	(AVÖ 2018-P)	(AVÖ 2008-P)

The weighted average length of the DBO for pensions was 15.88 years in financial year 2018 (15.56 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.

Other non-underwriting provisions

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.

(SUBORDINATED) LIABILITIES (K)

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 22. Financial instruments and fair value measurement hierarchy starting on page 183.

EARNED PREMIUMS (L)

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.

EXPENSES FOR CLAIMS AND INSURANCE BENEFITS (M)

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 the underwriting provisions are also reported in expenses for claims and insurance benefits.

ACQUISITION AND ADMINISTRATIVE EXPENSES (N)

This item includes Group personnel and materials expenses allocated according to the origin principle.

SCOPE AND METHODS OF CONSOLIDATION

Full consolidation of a subsidiary begins when control is gained and ends when control is lost. The consolidated financial statements include a total of 69 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 5 Austrian and 16 foreign companies accounted for at equity. 114 Companies that have no material effect on the net assets, financial position and results of operations when considered individually or in aggregate have essentially been measured at fair value.

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, 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 ("special funds") were fully consolidated in accordance with the requirements of IFRS 10. These consolidated institutional funds are not separate corporate entities and therefore not structured entities 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 and regulations.

BUSINESS COMBINATIONS (IFRS 3)

Business combinations are recognised 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 another IFRS provides a different 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.

Deferred tax assets acquired during a business combination and arising under IAS 12.66 et seqq. on the acquisition date are tested for impairment in accordance with IAS 12.37.

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 also represents the possibility of making use of potential synergies.

When real estate holding companies are acquired, they are checked to see whether they include business operations. If they do not, the purchase method is not used. In such cases, the acquisition costs, including transaction costs, are distributed among the acquired assets and assumed liabilities based on fair value. No deferred taxes are recognised in such cases (initial recognition exemption) and goodwill cannot arise.

All company acquisitions were performed with cash and cash equivalents. Note 26. Participations – Details on page 194 provides an overview of participations.

CHANGES IN THE SCOPE OF CONSOLIDATION

Change in the scope of consolidation

Expansion of the scope of consolidation*	acquisition/formation	Interest	First-time consolidation	Method
	Date	in %	Date	
VIG-AT Beteiligungen	2017	100.00	1.1.2018	full consolidation
SVZD GmbH	2017	100.00	1.1.2018	full consolidation
Vienna Osiguranje (formerly Merkur Osiguranje)	2018	100.00	1.4.2018	full consolidation
Seesam Insurance AS	2018	100.00	31.12.2018	full consolidation
"Compensa Services" SIA	2016	100.00	1.1.2018	full consolidation
UAB "Compensa Services"	2016	100.00	1.1.2018	full consolidation
Nußdorfer Straße 90–92 Projektentwicklung GmbH & Co KG	2016	100.00	31.12.2018	full consolidation
TECHBASE Science Park Vienna GmbH	2018	100.00	31.12.2018	full consolidation
WSV Beta Immoholding GmbH	2015	100.00	1.1.2018	full consolidation
WSV Vermögensverwaltung GmbH	2012	100.00	1.1.2018	full consolidation
FinServis Plus, s.r.o	2018	100.00	21.11.2018	consolidated at equity

*Unless indicated otherwise, no goodwill exists.

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

Companies acquired

Companies acquired during the reporting period, but not yet consolidated (no subject to closing at 31 December 2018)	Interest acquired
in %	
Gothaer	100.00
Towarzystwo Ubezpieczen Wzajemnych „TUW“	52.16

Due to the lack of closing for the transactions and lack of control over the companies, Gothaer and TUW “TUW” had not yet been added to the scope of consolidation on the balance sheet date.

Founded companies

Founded companies	Interest	Established
FinServis Plus, s.r.o	100.00	21.11.2018

Information on the companies that are fully consolidated and included at equity in the consolidated financial statements of 31 December 2018 is provided in Note 26. Participations – Details on page 194.

Significant changes in minority interests

Change in significant minority interests	Change	Change of interest	Change in consolidated shareholders' equity
	Date	in %	in EUR '000
Progress	31.12.2018	10.00	3,136

Effect of the changes in the scope of consolidation

Balance sheet	Additions	Disposals
in EUR '000		
Intangible assets	34,362	
Investments (excl. shares in at-equity consolidated companies)	125,367	55,890
Shares in at equity consolidated companies		95,361
Reinsurers' share in underwriting provisions	11,120	
Receivables (incl. tax receivables and advance payments out of income tax)	11,799	
Other assets (incl. deferred tax assets)	3,372	
Cash and cash equivalents	106,482	
Underwriting provisions	131,228	
Non-underwriting provisions	525	
Liabilities (incl. tax liabilities out of income tax)	13,887	
Other liabilities (incl. deferred tax liabilities)	2,395	

The figures shown in the table above reflect the actual dates of first consolidation, as indicated in the Changes in the scope of consolidation section on page 109.

Contribution to profit before taxes in reporting period	Additions	Disposals
in EUR '000		
Net earned premiums – retention	11,274	
Financial result excl. result from at equity consolidated companies	1,905	7,516
Result from shares in at equity consolidated companies		6,540
Other income	199	
Expenses for claims and insurance benefits – retention	-8,825	
Acquisition and administrative expenses	-15,344	
Other expenses	-4,254	
Result before taxes	**-15,045**	**14,056**

Inclusion of the first-time consolidated companies retroactively to 1 January 2018 would not cause any changes in balance sheet items. Inclusion of the first-time consolidated companies retroactively to 1 January 2018 would reduce the Group result before taxes and non-controlling interests by 0.70% (not including any consolidation effects).

Including the new companies in the scope of consolidation the number of employees increased by 719.

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 § 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 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.

Due to these restrictions, even though a shareholder can acquire control over a non-profit society by holding a majority of the shares, the shareholder will not have full power of disposal over the society's assets. As a result, the earnings contributed by the non-profit societies are presented separately in these consolidated financial statements as non-controlling interests in the Group result.

Vienna Insurance Group indirectly holds shares in the following consolidated non-profit societies:

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

Government grants (must be repaid if the assets are not used for their intended purpose)

Government grants	31.12.2018	31.12.2017
in EUR '000		
Government – through Income Statement	55,798	55,146
Grants related to assets – deducts the grant in calculating the carrying amount of the asset	47,445	43,733
Grants related to income – shown separately	8,156	9,974
Grants related to income – deducted from the related expense	197	1,439

Accounting for non-profit societies

The interests in the nine companies and WWG Beteiligungen GmbH are fully consolidated and significant assets have been included in the consolidated balance sheet. These assets are primarily property with a book value of around EUR 3,773,319,000 (EUR 3,616,247,000). The share of the consolidated shareholders' equity attributable to the non-profit societies is reported separately under "non-controlling interests", since this part of the shareholders' equity is not within VIG's sphere of influence.

Assets	31.12.2018	thereof non-profit societies*	31.12.2017	thereof non-profit societies*
in EUR '000				
Intangible assets	1,960,879	1,455	1,970,641	1,592
Investments	36,288,326	3,945,402	35,932,907	3,772,645
Investments for unit-linked and index-linked life insurance	8,048,622	0	9,061,073	0
Reinsurers' share in underwriting provisions	1,135,626	0	1,066,320	0
Receivables	1,562,549	73,279	1,475,862	62,363
Tax receivables and advance payments out of income tax	297,528	47	239,455	6
Deferred tax assets	95,199	0	80,806	228
Other assets	427,488	5,407	389,160	5,570
Cash and cash equivalents	1,347,279	122,341	1,497,731	118,731
Total	51,163,496	4,147,931	51,713,955	3,961,135

*Incl. their subsidiaries

Liabilities and shareholders' equity	31.12.2018	thereof non-profit societies*	31.12.2017	thereof non-profit societies*
in EUR '000				
Subordinated liabilities	1,458,681	0	1,458,839	0
Underwriting provisions	30,505,909	0	30,168,173	0
Underwriting provisions for unit-linked and index-linked life insurance	7,609,406	0	8,612,749	0
Non-underwriting provisions	867,493	69,429	793,792	58,630
Liabilities	4,276,662	2,706,434	4,032,102	2,638,085
Tax liabilities out of income tax	268,712	28	202,050	7
Deferred tax liabilities	203,834	0	255,064	0
Other liabilities	137,103	848	147,237	322
Subtotal	45,327,800	2,776,739	45,670,006	2,697,044
Shareholders' equity	5,835,696		6,043,949	
Total	51,163,496	2,776,739	51,713,955	2,697,044

*Incl. their subsidiaries

Income statement	2018	thereof non-profit societies*	2017	thereof non-profit societies*
in EUR '000				
Premiums written – gross	9,657,319	0	9,386,040	0
Net earned premiums – retention	8,729,362	0	8,509,562	0
Financial result excl. result from at equity consolidated companies	**1,003,025**	**93,941**	**881,526**	**69,813**
Income from investments	1,638,418	323,823	1,586,950	299,919
Expenses for investments and interest expenses	-635,393	-229,882	-705,424	-230,106
Result from shares in at equity consolidated companies	34,453	0	42,754	0
Other income	131,493	0	223,149	0
Expenses for claims and insurance benefits – retention	-6,947,007	0	-6,872,588	0
Acquisition and administrative expenses	-2,140,693	0	-2,040,282	0
Other expenses	-325,204	-2,499	-301,572	-2,304
Result before taxes	**485,429**	**91,442**	**442,549**	**67,509**
Taxes	-117,477	-302	-69,958	108
Result of the period	**367,952**	**91,140**	**372,591**	**67,617**

*Incl. their subsidiaries

SEGMENT REPORTING

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, as 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 quantitative thresholds defined in IFRS 8.13.

The following were identified as reportable segments:

- Austria (incl. the Wiener Städtische branches in Slovenia and Italy and the Wiener Städtische and Donau Versicherung branches in Italy)
- Czech Republic,
- Slovakia,
- Poland,
- Romania,
- Baltic states,
- Hungary,
- Bulgaria,
- Turkey/Georgia,
- Remaining CEE,
- Other Markets and
- Central Functions.

The Remaining CEE segment includes the countries of Albania incl. Kosovo (a branch of an Albanian company is located in Kosovo), Bosnia-Herzegovina, Croatia, North Macedonia, Moldova, Serbia and Ukraine. The segment was aggregated in accordance with the aggregation criteria in IFRS 8.14 and was not reported in an “all other segments” category in accordance with IFRS 8.16 in spite of falling below the thresholds. This segment is presented separately because of 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.

The Other Markets reportable segment corresponds to the “all other segments” category in IFRS 8.16, and includes Germany and Liechtenstein.

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
This segment includes VIG Holding, VIG Re, the VIG Fund, the non-profit societies, corporate IT service providers, intermediate holding companies and, since the 1st half of 2018, Wiener Re.

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, is a successful provider of reinsurance 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 1.8% 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 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 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Intangible assets	384,629	369,941	496,509	497,204	121,895	119,262
Investments	22,507,494	22,471,543	3,079,349	3,187,622	1,345,968	1,314,977
Investments for unit-linked and index-linked life insurance	5,186,277	5,869,028	327,566	358,039	179,009	211,392
Reinsurers' share in underwriting provisions	398,611	423,340	112,384	97,678	33,809	33,111
Receivables	579,005	581,646	157,109	123,510	63,245	65,381
Tax receivables and advance payments out of income tax	51,958	17,523	13,717	13,964	1,997	1,203
Deferred tax assets	4,961	3,415	3,811	5,168	10,359	5,432
Other assets	128,613	135,236	166,730	159,513	12,109	11,410
Cash and cash equivalents	528,511	798,824	159,640	166,807	65,970	67,027
Total	**29,770,059**	30,670,496	**4,516,815**	4,609,505	**1,834,361**	1,829,195

Assets	Poland		Romania		Baltic states	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Intangible assets	147,433	148,146	135,935	186,909	155,812	132,976
Investments	1,001,803	935,138	733,185	669,064	479,912	398,310
Investments for unit-linked and index-linked life insurance	716,324	940,143	136,977	177,958	58,546	51,850
Reinsurers' share in underwriting provisions	55,778	51,954	50,891	31,785	44,484	23,049
Receivables	139,253	125,510	160,705	162,084	62,461	51,323
Tax receivables and advance payments out of income tax	1,542	1,463	683	2,120	248	258
Deferred tax assets	1,683	5,686	17,609	25,884	968	1,057
Other assets	7,330	9,078	4,006	7,227	12,646	7,012
Cash and cash equivalents	35,267	32,310	18,527	11,892	131,426	43,239
Total	**2,106,413**	2,249,428	**1,258,518**	1,274,923	**946,503**	709,074

Assets	Hungary		Bulgaria		Turkey/Georgia	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Intangible assets	24,698	23,592	185,337	184,696	16,690	22,459
Investments	156,411	154,371	168,945	166,353	85,609	95,576
Investments for unit-linked and index-linked life insurance	431,909	430,862	6,100	3,586	0	0
Reinsurers' share in underwriting provisions	10,951	15,651	19,515	15,637	85,446	80,682
Receivables	28,973	16,240	40,715	40,256	60,935	56,739
Tax receivables and advance payments out of income tax	12	3	124	6	2,018	57
Deferred tax assets	2,570	1,941	1,010	1,063	1,378	1,370
Other assets	6,429	6,031	5,906	2,010	1,543	2,048
Cash and cash equivalents	4,532	4,282	41,032	21,781	21,412	21,007
Total	**666,485**	652,973	**468,684**	435,388	**275,031**	279,938

Liabilities and shareholders' equity	Austria		Czech Republic		Slovakia	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Subordinated liabilities	337,300	337,300	21,381	21,539	0	0
Underwriting provisions	21,834,012	22,023,833	2,898,376	3,016,152	1,177,166	1,140,185
Underwriting provisions for unit-linked and index-linked life insurance	4,911,106	5,599,225	182,423	219,815	190,815	226,462
Non-underwriting provisions	574,767	513,529	5,946	3,970	2,163	3,331
Liabilities	526,119	542,969	302,927	217,640	95,871	83,901
Tax liabilities out of income tax	235,473	179,838	21,285	11,989	12	2,973
Deferred tax liabilities	138,170	166,449	22,120	33,419	9,643	11,809
Other liabilities	66,821	78,872	15,556	16,788	4,339	6,217
Subtotal	28,623,768	29,442,015	3,470,014	3,541,312	1,480,009	1,474,878

Liabilities and shareholders' equity	Poland		Romania		Baltic states	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Subordinated liabilities	0	0	0	0	0	0
Underwriting provisions	899,143	822,376	659,561	590,822	535,184	387,366
Underwriting provisions for unit-linked and index-linked life insurance	696,910	903,983	136,270	176,822	58,546	51,850
Non-underwriting provisions	3,924	9,220	41,999	25,971	1,119	335
Liabilities	86,853	85,024	103,205	74,946	50,643	36,961
Tax liabilities out of income tax	1,077	203	1,170	0	603	217
Deferred tax liabilities	15,401	21,620	0	0	3,471	2,683
Other liabilities	12,953	13,442	8,545	8,260	2,565	1,959
Subtotal	1,716,261	1,855,868	950,750	876,821	652,131	481,371

Liabilities and shareholders' equity	Hungary		Bulgaria		Turkey/Georgia	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Subordinated liabilities	0	0	0	0	0	0
Underwriting provisions	164,671	144,046	192,981	148,198	191,383	187,618
Underwriting provisions for unit-linked and index-linked life insurance	426,042	420,163	5,818	3,452	0	0
Non-underwriting provisions	1,854	3,718	6,670	24,133	9,279	7,293
Liabilities	23,086	20,314	22,073	18,618	21,222	26,772
Tax liabilities out of income tax	336	356	133	398	1,653	510
Deferred tax liabilities	176	652	285	1,315	2	53
Other liabilities	1,217	2,682	532	416	1,020	1,881
Subtotal	617,382	591,931	228,492	196,530	224,559	224,127

Assets	Remaining CEE		Other Markets		Central Functions		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000								
Intangible assets	85,708	77,568	1,324	1,428	204,909	206,460	1,960,879	1,970,641
Investments	947,073	810,374	656,139	655,798	5,126,438	5,073,781	36,288,326	35,932,907
Investments for unit-linked and index-linked life insurance	73,729	86,497	928,935	931,718	3,250	0	8,048,622	9,061,073
Reinsurers' share in underwriting provisions	15,431	27,374	5,963	6,010	302,363	260,049	1,135,626	1,066,320
Receivables	76,042	77,580	14,442	15,355	179,664	160,238	1,562,549	1,475,862
Tax receivables and advance payments out of income tax	234	1,087	243	0	224,752	201,771	297,528	239,455
Deferred tax assets	2,135	3,836	2,859	1,894	45,856	24,060	95,199	80,806
Other assets	14,480	12,991	4,991	4,426	62,705	32,178	427,488	389,160
Cash and cash equivalents	26,112	22,103	45,928	25,263	268,922	283,196	1,347,279	1,497,731
Total	1,240,944	1,119,410	1,660,824	1,641,892	6,418,859	6,241,733	51,163,496	51,713,955

Liabilities and shareholders' equity	Remaining CEE		Other Markets		Central Functions		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000								
Subordinated liabilities	0	0	0	0	1,100,000	1,100,000	1,458,681	1,458,839
Underwriting provisions	866,126	741,132	622,278	609,390	465,028	357,055	30,505,909	30,168,173
Underwriting provisions for unit-linked and index-linked life insurance	73,729	86,497	924,497	924,480	3,250	0	7,609,406	8,612,749
Non-underwriting provisions	7,300	7,611	9,782	9,061	202,690	185,620	867,493	793,792
Liabilities	28,216	40,392	39,387	36,219	2,977,060	2,848,346	4,276,662	4,032,102
Tax liabilities out of income tax	829	627	1,792	219	4,349	4,720	268,712	202,050
Deferred tax liabilities	1,004	2,694	179	584	13,383	13,786	203,834	255,064
Other liabilities	18,654	14,478	2	2	4,899	2,240	137,103	147,237
Subtotal	995,858	893,431	1,597,917	1,579,955	4,770,659	4,511,767	45,327,800	45,670,006
Shareholders' equity							5,835,696	6,043,949
Total							51,163,496	51,713,955

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

CONSOLIDATED INCOME STATEMENT BY SEGMENT

	Austria		Czech Republic		Slovakia		Poland	
	2018	2017	2018	2017	2018	2017	2018	2017
in EUR '000								
Premiums written – gross	3,839,925	3,848,496	1,684,151	1,603,246	799,646	810,049	897,790	886,646
Net earned premiums – retention	3,158,344	3,165,095	1,265,702	1,206,716	670,210	679,295	685,756	716,271
Financial result excl. result from at equity consolidated companies	**710,780**	655,774	**94,816**	89,860	**50,303**	53,605	**23,105**	24,495
Income from investments	899,902	873,062	146,312	135,794	54,255	58,390	36,806	41,919
Expenses for investments and interest expenses	-189,122	-217,288	-51,496	-45,934	-3,952	-4,785	-13,701	-17,424
Result from shares in at equity consolidated companies	29,931	38,847	2,528	2,044	0	0	0	0
Other income	22,406	37,968	28,275	47,286	4,776	5,913	9,969	8,036
Expenses for claims and insurance benefits – retention	-3,083,506	-3,045,392	-804,763	-792,031	-529,484	-558,023	-516,808	-532,349
Acquisition and administrative expenses	-638,951	-647,329	-380,576	-361,386	-123,641	-107,371	-148,270	-158,844
Other expenses	-28,652	-29,614	-39,286	-43,144	-24,952	-17,711	-21,507	-22,107
Result before taxes	**170,352**	175,349	**166,696**	149,345	**47,212**	55,708	**32,245**	35,502
Taxes	-60,878	-23,524	-32,386	-26,855	-14,704	-16,621	-9,470	-8,060
Result of the period	**109,474**	151,825	**134,310**	122,490	**32,508**	39,087	**22,775**	27,442

	Romania		Baltic states		Hungary		Bulgaria	
	2018	2017	2018	2017	2018	2017	2018	2017
in EUR '000								
Premiums written – gross	515,340	506,544	375,831	327,607	263,502	246,741	171,313	150,106
Net earned premiums – retention	323,541	375,626	277,110	242,858	205,168	192,130	122,844	109,596
Financial result excl. result from at equity consolidated companies	**13,493**	13,289	**5,201**	6,108	**6,701**	6,385	**11,130**	9,355
Income from investments	22,044	19,360	8,290	8,047	8,342	9,362	26,074	26,995
Expenses for investments and interest expenses	-8,551	-6,071	-3,089	-1,939	-1,641	-2,977	-14,944	-17,640
Result from shares in at equity consolidated companies	0	0	0	0	0	0	0	0
Other income	6,041	21,204	1,299	1,938	7,073	2,619	2,958	5,578
Expenses for claims and insurance benefits – retention	-222,329	-248,593	-198,444	-169,965	-161,867	-142,584	-72,743	-64,438
Acquisition and administrative expenses	-108,509	-104,812	-68,984	-67,095	-39,318	-41,932	-46,419	-38,801
Other expenses	-86,114	-50,536	-14,067	-12,450	-10,177	-14,506	-6,360	-14,374
Result before taxes	**-73,877**	6,178	**2,115**	1,394	**7,580**	2,112	**11,410**	6,916
Taxes	-8,382	2,921	-991	5,949	-721	1,693	-401	-1,208
Result of the period	**-82,259**	9,099	**1,124**	7,343	**6,859**	3,805	**11,009**	5,708

in EUR '000	Turkey/Georgia 2018	Turkey/Georgia 2017	Remaining CEE 2018	Remaining CEE 2017	Other Markets 2018	Other Markets 2017
Premiums written – gross	198,301	207,784	374,689	351,997	320,992	292,611
Net earned premiums – retention	97,094	101,591	285,695	247,150	275,067	248,771
Financial result excl. result from at equity consolidated companies	**7,764**	8,992	**34,603**	28,669	**19,212**	21,270
Income from investments	11,944	13,319	42,984	42,482	21,476	23,822
Expenses for investments and interest expenses	-4,180	-4,327	-8,381	-13,813	-2,264	-2,552
Result from shares in at equity consolidated companies	0	0	0	0	0	0
Other income	19,688	5,501	7,254	14,407	3,486	62,986
Expenses for claims and insurance benefits – retention	-73,593	-79,843	-197,183	-170,594	-188,247	-251,284
Acquisition and administrative expenses	-22,687	-19,716	-96,462	-93,273	-28,335	-29,835
Other expenses	-24,423	-7,173	-10,441	-32,313	-57,268	-28,218
Result before taxes	**3,843**	9,352	**23,466**	-5,954	**23,915**	23,690
Taxes	-1,834	-3,489	-5,046	-3,441	-8,103	-8,715
Result of the period	**2,009**	5,863	**18,420**	-9,395	**15,812**	14,975

in EUR '000	Central Functions 2018	Central Functions 2017	Consolidation 2018	Consolidation 2017	Total 2018	Total 2017
Premiums written – gross	1,584,272	1,411,536	-1,368,433	-1,257,323	9,657,319	9,386,040
Net earned premiums – retention	1,356,546	1,221,039	6,285	3,424	8,729,362	8,509,562
Financial result excl. result from at equity consolidated companies	**25,990**	-36,299	**-73**	23	**1,003,025**	881,526
Income from investments	424,572	393,281	-64,583	-58,883	1,638,418	1,586,950
Expenses for investments and interest expenses	-398,582	-429,580	64,510	58,906	-635,393	-705,424
Result from shares in at equity consolidated companies	1,994	1,863	0	0	34,453	42,754
Other income	18,268	11,429	0	-1,716	131,493	223,149
Expenses for claims and insurance benefits – retention	-892,903	-818,075	-5,137	583	-6,947,007	-6,872,588
Acquisition and administrative expenses	-432,270	-366,428	-6,271	-3,460	-2,140,693	-2,040,282
Other expenses	-7,431	-30,201	5,474	775	-325,204	-301,572
Result before taxes	**70,194**	-16,672	**278**	-371	**485,429**	442,549
Taxes	25,439	11,392	0	0	-117,477	-69,958
Result of the period	**95,633**	-5,280	**278**	-371	**367,952**	372,591

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL INSTRUMENTS

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. Compliance is continuously monitored by the Asset Management and Asset Risk Management (ARM) departments and by the Internal Audit department on a sample 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 (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 value-at-risk limit system for risk exposure at the portfolio level.
- Market developments are monitored continuously and the structure of the portfolio is actively managed, if necessary.

VIG's investment portfolio (with the look-through approach applied to consolidated institutional funds) includes holdings of around 66.34% in bonds (65.53%) and around 6.52% in loans (6.91%). The share in equities is around 3.70% (4.77%), in real estate around 16.07% (15.39%), in participations around 1.13% (1.31%) and in other around 6.24% (6.09%), in all cases based on the book value of the total investment portfolio.

Composition of investments – book values	31.12.2018	31.12.2017
in EUR '000		
Land and buildings	**5,965,666**	**5,684,598**
Self-used land and buildings	458,981	430,906
Investment property	5,506,685	5,253,692
Shares in at equity consolidated companies	**221,312**	**298,149**
Loans	**2,455,264**	**2,588,679**
Loans	1,349,605	1,394,260
Reclassified loans	179,522	241,511
Bonds classified as loans	926,137	952,908
Other securities	**26,745,279**	**26,683,093**
Financial instruments held to maturity	2,371,009	2,443,702
Government bonds	2,098,103	2,101,611
Covered bonds	205,878	254,409
Corporate bonds	50,405	61,670
Bonds from banks	16,623	26,012
Financial instruments reclassified as held to maturity	564,992	683,747
Government bonds	548,990	667,558
Covered bonds	2,092	2,126
Bonds from banks	13,910	14,063
Financial instruments available for sale	23,481,693	23,220,303
Bonds	21,011,150	20,311,546
Shares and other participations[1]	670,377	833,539
Investment funds	1,800,166	2,075,218
Financial instruments recognised at fair value through profit and loss[2]	327,585	335,341
Bonds	185,874	207,529
Shares and other non-fixed-interest securities	27,097	41,633
Investment funds	87,091	61,845
Derivatives	27,523	24,334
Other investments	**900,805**	**678,388**
Bank deposits	810,286	574,650
Deposits on assumed reinsurance business	90,503	95,280
Other	16	8,458
Total	**36,288,326**	**35,932,907**

1 Includes shares in non-consolidated subsidiaries and other participations.
2 Including held for trading

Land and buildings

VIG's real estate portfolio had a book value of 5,965.7 million as of 31 December 2018 (fair value: EUR 7,256.4 million, incl. the book value of the non-profit societies, for more information see page 183) and a book value of EUR 5,684.6 million as of 31 December 2017 (fair value: EUR 6,867.4 million – incl. the book value of the non-profit societies, for more information see page 183).

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 16.07% (15.39%) of VIG's total investment portfolio.

The following table shows VIG's real estate investments as of 31 December 2018 and 31 December 2017, broken down by type of use for the Austria and Central Functions segments and the totals for all other segments.

Use of real estate	% of the real estate portfolio 31.12.2018	31.12.2017
Austria	23.85	23.78
Self-used	2.59	2.67
Investment property	21.26	21.11
Central Functions	70.32	70.72
Self-used	0.33	0.35
Investment property	6.74	6.76
Non-profit societies*	63.25	63.61
Other segments	5.83	5.50
Self-used	4.69	4.53
Investment property	1.14	0.97

*Mainly held as investment property

At equity consolidated companies

VIG's shares in at equity consolidated companies had a book value of EUR 221.3 million as of 31 December 2018 and a book value of EUR 298.1 million as of 31 December 2017. Shares in at equity consolidated companies therefore represented 0.61% (0.83%) of the book value of the total investment portfolio as of 31 December 2018.

Loans

VIG loans had a book value of EUR 2,455.3 million as of 31 December 2018 and a book value of EUR 2,588.7 million as of 31 December 2017. Investments in loans are less important in the CEE region. A portfolio analysis and maturity structure of VIG loans are presented in Note 2.3. Loans and other investments starting on page 148.

Bonds

Bonds represented 66.34% (65.53%) of VIG's total investments as of 31 December 2018. 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. In VIG's investment model, the bonds serve primarily to ensure stable earnings over the long term. Derivative products are only used to reduce risks or make efficient portfolio management easier. Relevant investment guidelines expressly govern the use of derivatives for bond portfolios managed by third parties such as investment funds.

Shares

As of 31 December 2018, VIG's share investments (including those contained in the funds) represented 3.70% (4.77%) 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 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.

In general, all Group companies are responsible for managing their own risks. The VIG corporate Risk Management department provides guidelines in all major areas for these companies. The requirements set in the investments and reinsurance areas are particularly strict.

The primary requirement for effective risk management is 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 a key measure that must be optimised 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 organisational 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.

Risk strategy

The strategic orientation of the Company is based on a business strategy, capital strategy and a comprehensive risk strategy. The risk strategy specifies appropriate risk management measures for significant risks and is based on the following principles that are applicable Group-wide:

RISKS THAT ARE NOT ACCEPTED

- Risks from the insurance business are not accepted if they cannot be adequately measured. This includes, in particular, the areas of third party liability insurance for genetic engineering and atomic energy.
- With respect to investments, risks are not accepted if insufficient know-how is available to measure the risks, e.g. weather derivatives or forward transactions for foodstuffs, or if they could generate potentially unlimited losses.

RISKS ACCEPTED WITH RESTRICTIONS

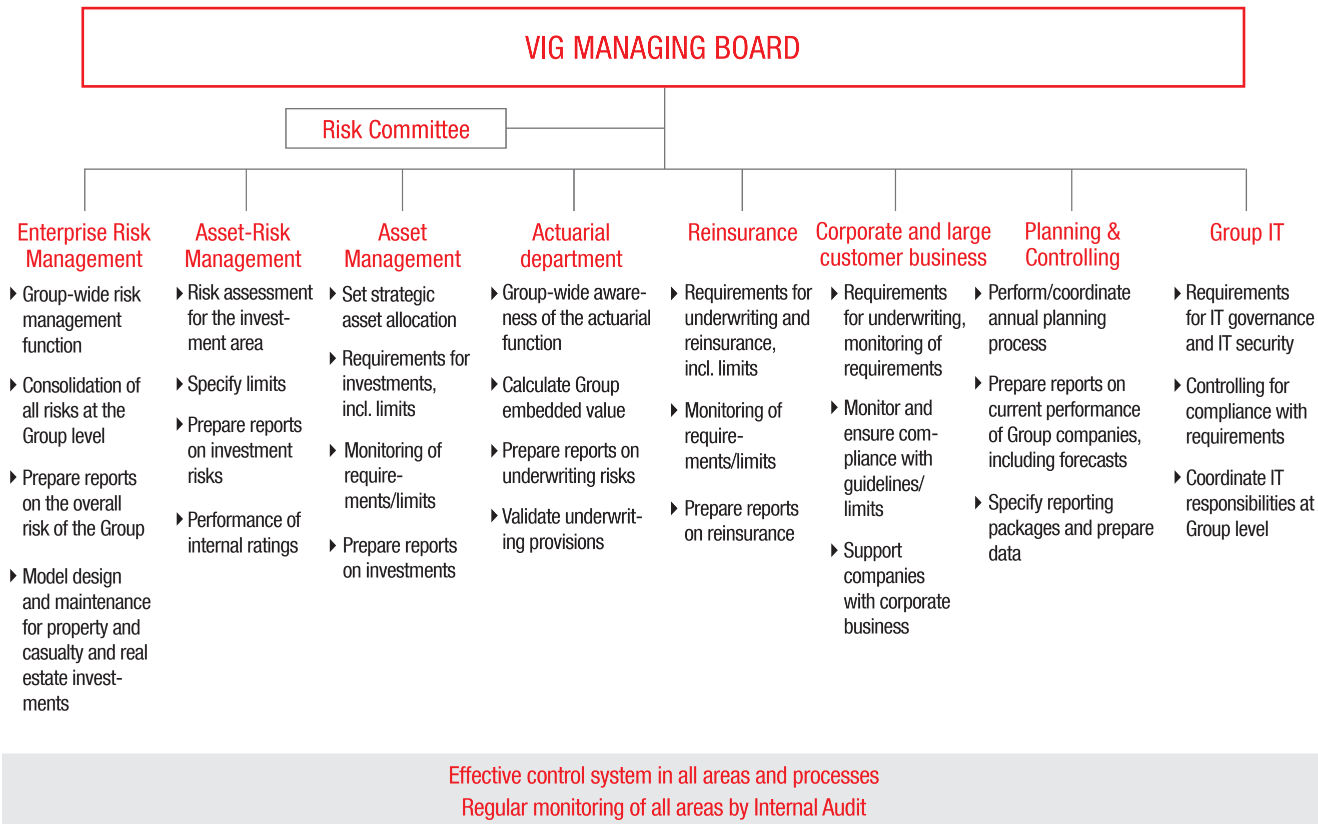
- Operational risks must be avoided as far as possible, but have to be accepted to a certain extent as they cannot be fully excluded, or the costs for avoiding them exceed the expected losses.
- Observe and act in accordance with the prudent businessman rule in connection with investments.

RISK-MINIMISING MEASURES

- Establish functional risk governance by maintaining and promoting a high level of risk awareness.
- Reinsurance is a key instrument for hedging against large losses (tail risks), particularly in the property and casualty area.
- Limit market risk taking into account underwriting obligations.

Organisation of the risk management system

The risk management organisation is well integrated into VIG's organisational structure. All departments that assume responsibilities in the risk management system report either to the Managing Board or an individual member of the Managing Board. A short overview of the risk management organisation is provided in the chart below before the responsibilities and roles of the units involved are described.



MANAGING BOARD

The Managing Board has overarching responsibility for risk management. This centralised approach is also shown by the reporting lines of the corporate departments in which the Solvency II governance functions (Risk Management, Actuarial, Internal Audit and Compliance functions) are located. Judit Havasi is the contact person for risk management matters in the Managing Board.

The Managing Board as a whole is also responsible for the following areas related to risk management:

- Set up and promote risk management
- Define and communicate the risk strategy, including risk tolerances and risk appetite
- Approve corporate risk management guidelines
- Take the risk situation into account in strategic decisions

RISK COMMITTEE

The VIG Managing Board established the Risk Committee to ensure regular discussions of current matters relating to risk management across functional areas within the organisation and an exchange of information on the risk situation between the members of the committee (representatives of the units involved in risk management and the Compliance function) and the Managing Board. The Risk Committee meetings take place at least quarterly and are chaired by Managing Board member Judit Havasi. The Risk Committee reports to the Managing Board after its meetings.

ENTERPRISE RISK MANAGEMENT (ERM)

The Enterprise Risk Management department reports to the Managing Board and is responsible for Group-wide risk management. The head of the department performs the Risk Management function and reports to the Managing Board. Judit Havasi is the contact person in the Managing Board.

ERM provides a Group-wide aggregation solution with extensive reporting and partial modelling approaches for calculating solvency capital. Calculation of the solvency capital requirement during the year, analysis of risk-bearing capacity using proprietary analysis tools and reviewing the internal control system are other important activities performed by the department.

The department also assists the Managing Board with updating the corporate risk strategy, improvements to the risk organisation and further corporate risk management topics.

ASSET-RISK MANAGEMENT (ARM)

The ARM department reports to Managing Board member Judit Havasi. The primary responsibility of the department is to analyse, assess and monitor risks associated with investments, in particular with respect to the Group's solvency result and financial result. For this purpose, the department specifies Group-wide requirements for risk assessment and implements a central system for investment management and risk monitoring. The department is also responsible for maintaining an internal rating approach for banks.

ASSET MANAGEMENT

The Asset Management department reports to Managing Board member Elisabeth Stadler. One of the key responsibilities of the 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 that current income is 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.

ACTUARIAL DEPARTMENT

The Actuarial department reports to the Managing Board. Managing Board member Franz Fuchs is the contact person. The head of the department performs the Actuarial function required by Solvency II. The department is therefore responsible, in particular, for the duties related to the Actuarial function. The Actuarial department also calculates the embedded value for the life and health insurance businesses and prepares profitability analyses and company valuations. The department assists actuarial collaboration and functional networking.

REINSURANCE

The Reinsurance department reports to Managing Board member Peter Höfinger. The department coordinates and assists all Group companies and their reinsurance departments with reinsurance matters in the non-life business (property and casualty, third party liability and accident insurance) by preparing and applying guidelines. The department also administers Group-wide reinsurance programmes in the non-life lines of business. 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 catastrophes, individual large losses and negative changes in entire insurance portfolios.

CORPORATE AND LARGE CUSTOMER BUSINESS

The Corporate and Large Customer Business department reports to Managing Board member Peter Höfinger and underwrites insurance contracts for large Austrian and international customers. The department also assists 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.

PLANNING & CONTROLLING

The Planning & Controlling department is an important part of the integrated risk management approach and reports to Managing Board member Judit Havasi. The department coordinates business planning over a 3-year horizon. The standardised reports include key figure and variance analyses for planning, forecasts and ongoing performance of VIG Holding and other Group companies. Regular monthly premium reports, quarterly reports for each company (aggregated at the country and Group level) and cost reports are prepared.

INTERNAL AUDIT

The Internal Audit department reports to the Managing Board. Managing Board Chairwoman Elisabeth Stadler is the contact person in the Managing Board. 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 Managing Board. The head of the department performs the Internal Audit function required by Solvency II.

GROUP IT

The Group IT department reports directly to Managing Board member Judit Havasi. The department is responsible for IT management at the Group level (IT strategy, IT governance, IT security, IT Group projects, etc.), for assisting Group companies 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.

Risk management processes

Many risk management processes have been established in the individual departments of the risk management organisation to cover the entire risk management cycle from risk identification to risk assessment, risk control and risk monitoring. These processes are governed by a number of internal guidelines. This ensures that VIG's risk exposure is appropriately recorded and taken into account when business decisions are made.

RISK IDENTIFICATION

The risk management process begins with the identification of risks. This is performed using a standardised process that is supplemented by ad hoc analyses. A comprehensive reporting process ensures that newly identified risks and the effects of extraordinary events are appropriately included in the risk profile.

RISK ASSESSMENT

A number of assessment methods are used to assess identified risks. Assessment is primarily based on internal models and the standard model and is performed annually and during the year. If the standard formula is used for assessment, an appropriateness check is also performed. The total risk is determined by aggregating the assessed risks, taking into account diversification effects between the risks. The results of the own risk and solvency assessment, the embedded value for the life and health insurance businesses, findings from the S&P capital model and value-at-risk calculations for the investments area are also taken into account in the risk assessment.

RISK CONTROL

The risk strategy, planning, reinsurance programme, risk budgets and risk-bearing capacity are the most important elements of risk control.

The Managing Board reviews the risk strategy each year and makes any modifications needed. The ERM department assists the Managing Board with this.

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. The planning horizon is three years. The planning data is used in the ORSA and forms a starting basis for calculating future expected solvency.

The Reinsurance department coordinates the Group-wide reinsurance programme and manages the annual renewal process for natural catastrophe coverage. The ERM department assists the Reinsurance department in validating the external natural catastrophe models used and evaluating the effectiveness of reinsurance coverage using the internal non-life model.

The Asset Risk Management department specifies quarterly risk budgets for investments. These budgets are then also used to limit the value-at-risk for the investments.

RISK MONITORING

The solvency corridor defined at the Group level and the Group-wide limit system for risk-bearing capacity form the basis for continuous monitoring of the solvency situation of the Group and subsidiaries.

Compliance with the securities guidelines, risk budgets and key figures is also continuously checked and monitored. Monitoring is performed by means of periodic fair value measurements, value-at-risk calculations and detailed sensitivity analyses and stress tests and determining the solvency capital requirement during the year.

Liquidity risk is managed and monitored 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 by the internal control system.

Periodic risk monitoring is documented, for example, in the quarterly reports provided to the Managing Board following the meetings of the Risk Committee and forms the starting point for any further analyses or corrective control measures.

Risk categories
Because of its activities, VIG is exposed to a large number of financial and non-financial 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.

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.

OPERATIONAL RISKS
Operational risks may result from deficiencies or errors in business processes, controls or projects caused by technology, staff, organisation or external factors.

REPUTATION RISK
Reputation risk is the risk of negative changes in business due to damage to a company's reputation.

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.

STRATEGIC RISKS
Strategic risks can arise due to changes in the economic environment, case law, or the regulatory environment.

Managing significant risks
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, the following risks must be noted due to their great importance for VIG:

- 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.

MARKET RISK

Vienna Insurance Group is exposed to market risk, that is, the risk of suffering losses as a result of changes to market parameters. For VIG, interest rates, issuer spreads and share prices are the most relevant parameters for market risk. Ignoring investments held for the account of and at the risk of policyholders, Vienna Insurance Group's investments consist largely of fixed-income securities. The majority of these securities are denominated in euros and Czech koruna. Consequently, interest rate fluctuations and exchange rate changes in these currencies primarily have an effect on the value of these financial assets.

The management of investments is aimed at providing coverage for insured risks that is appropriate for the insurance business and the maturities of VIG liabilities.

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. VIG 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 vary between 95.0% 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 value-at-risk (at a 99% confidence level) for VIG financial instruments that are measured as available for sale or at fair value through profit or loss (incl. held for trading).

Value-at-Risk	31.12.2018	31.12.2017
in EUR millions		
10-day holding period	222.1	292.6
20-day holding period	314.2	413.8
60-day holding period	544.1	716.8

Market risk is divided into interest rate, spread, share price, currency, real estate and concentration risk. For VIG, interest rates, spreads and share prices are the most relevant parameters for market risk.

Interest rate risk

The main source of interest rate risk for VIG is the sizeable portfolio of policies with guaranteed minimum interest rates, which includes pension and endowment insurance, and the resulting investments. For existing life insurance policies, VIG guarantees a minimum interest rate averaging around 2.07% p.a. (2.18% p.a.). If interest rates fall below the guaranteed average minimum rate for a longer duration of time, VIG could find itself forced in the future 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.

Spread risk

Spread risk arises from all assets and liabilities whose values depend on changes in the size of credit spreads over the riskless yield curve. Duration and the creditworthiness of the debtor are the main factors determining the amount of spread risk. Diversification and a uniform limit system for investments in fixed-interest instruments are used to limit this risk at the portfolio level.

Share price risk
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.

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. 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.

Currency risk
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 VIG'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.

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 IFRS regulatory capital of each scenario for 31 December 2018 (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)	**7,643.0**	**5,470.2**	**5,861.6**	**5,837.1**	**6,549.2**	**5,463.2**

In scenario 1, the fair value of shares, bonds and real estate all decrease sharply at the same time – ceteris paribus. The fair value of the assets is always still significantly higher than the value of the liabilities after stress.

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 monitored by means of ratings and limited by diversification limits at the portfolio level.

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 analyses 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.

Under the investment guidelines of the material Group companies, bond investments (which represent the largest share of investments) are made almost entirely in the investment grade range. 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.

Use of ratings

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, these two ratings are 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”.

CREDIT RISK FROM REINSURANCE

VIG cedes 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 exposed to the risk of reinsurer insolvency. VIG therefore designs its reinsurance programme carefully and monitors reinsurer rating changes.

UNDERWRITING RISKS

Underwriting risks are divided into life insurance, non-life insurance and health insurance (incl. accident insurance) and are managed by the International Actuarial department, a team of actuaries. 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.

Life underwriting risk and health underwriting risk similar to life

Life underwriting risk includes lapse risk, cost risk, disability risk, morbidity risk, longevity risk, mortality risk, disaster risk and audit risk. VIG’s main risks in this area are lapse risk and cost risk, as well as 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. Vienna Insurance Group 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, profit 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.

To minimise lapse risk, VIG uses an effective complaint management department, qualified advisors and customer loyalty programmes to increase customer satisfaction and avoid cancellations. Policyholder cancellation behaviour is continuously monitored so that targeted measures can be taken if unfavourable changes occur.

VIG uses regular analyses, targeted product design and detailed underwriting guidelines to address these risks. A variety of reinsurance contracts also exist that help to reduce the general level of risk. A broadly diversified product portfolio in all life and composite companies and a well-mixed customer base in the CEE region minimise risk concentrations.

Non-life underwriting risk and health underwriting risk similar to non-life

Risk in the non-life sector is divided into premium risk, reserve risk, lapse risk and catastrophe risk. Property and casualty underwriting risks are primarily managed using actuarial models for setting rates and monitoring the progress of claims, as well as requirements for the assumption of insurance risks.

Health underwriting risk is primarily concentrated in the Austrian companies. In the CEE markets, motor third party liability has a high volume compared to the other lines of business. This risk concentration was consciously accepted in order to enter these markets. VIG's strong market position and above-average growth prospects in the CEE region will help growth in the other lines of business, thereby reducing the concentration in motor third party liability.

The environmental catastrophes 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.

VIG forms provisions for claims and claims settlement expenses and regularly monitors them in order to effectively cover the risk associated with the insurance business. This risk is also significantly reduced by ceding reinsurance.

LIQUIDITY RISK

Efficient asset liability management can be used to prevent liquidity shortages. Investments and obligations are analysed regularly to identify liquidity needs. These analyses, together with clear investment requirements (limit systems) and a conservative investment policy, help to appropriately manage liquidity risk. The Treasury/Capital Market department performs regular monitoring of cash flows and prepares quarterly reports on insurance company liquidity changes. The reports from the companies include the cash flows from operating activities, investing activities and financing activities. The department evaluates and analyses the data.

To ensure that every company continues to have adequate liquidity in the future, Group guidelines specify liquidity management standards that must be observed by every company. Among other things, these standards require a regular examination of current and future cash inflows and outflows.

The derivative liabilities do not represent a risk for VIG's liquidity, since the expected cash flows are covered by the underlying instrument.

The financing liabilities are largely due to the non-profit societies (see page 183). Since the properties of the non-profit societies are almost fully rented, no liquidity risk is seen in connection with servicing the financing liabilities.

OTHER RISKS

VIG's business activities result in other risks, primarily non-financial risks that are assessed and managed as part of risk management. These include, in particular, operational risks, as well as reputation risks and strategic risks.

In addition, a comprehensive internal control system (ICS) ensures that adequate risk control infrastructure has been set up for non-financial operational risks and is regularly checked for appropriateness and effectiveness. The ICS itself is comprised of all measures and control activities used to minimise risks – particularly for the areas of accounting and compliance, but also for other operational risks. It extends from specially established processes, organisational units such as accounting and controlling, all the way to guidelines, regulations and individual controls within processes, such as automated audits or use of the "four-eyes" principle.

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.

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.

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. The prescribed risk guidelines ensure consistent risk management in all CEE countries in the Group.

Concentration risk

Concentration risk is due to the strategic partnership with Erste Group Bank and VIG consciously accepts this risk. Exposure is regularly assessed and monitored by the risk management processes that have been established.

Risks due to mergers and acquisitions

In the past, VIG acquired a number of companies in Central and Eastern Europe or acquired participations in these companies. Mergers of Group companies are considered if the synergies that can be achieved outweigh the benefits of multiple market presences. Mergers and acquisitions often bring challenges in terms of corporate management and financing, such as:

- the need to integrate the infrastructure of the acquired or merged company, including management information systems, and risk management and controlling systems,
- handling unsettled matters of a legal or regulatory nature and associated legal and compliance risks resulting from the merger or acquisition,
- integration of marketing, customer support and product ranges, and
- integration of different corporate and management cultures.

When performing mergers, a number of additional risks must be taken into account in the strategy, in particular process and organisational risks.

Portfolio changes in the life line of business

Portfolio changes in the life line of business	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 31.12.2017	2,016,764	22,958,048	1,759,104	62,880,292	554,009	11,928,216
Exchange rate differences		-18,013		-321,674		-4,371
As of 1.1.2018	2,016,764	22,940,035	1,759,104	62,558,618	554,009	11,923,845
Changes in scope of consolidation	31,872	215,903	21,729	277,818	0	0
Additions	140,717	1,710,915	686,880	35,202,432	27,573	885,751
New business	140,717	1,599,360	686,880	30,872,435	27,573	762,394
Increases		111,555		4,329,997		123,357
Changes	-18,274	48,710	-83,893	673,899	4,132	-15,064
Changes in additions	32,112	799,765	14,215	2,949,762	8,112	286,591
Changes in disposals	-50,386	-751,055	-98,108	-2,275,863	-3,980	-301,655
Disposals due to maturity	-102,679	-1,177,468	-90,254	-22,680,716	-18,722	-252,022
Due to expiration	-82,456	-1,055,434	-85,795	-22,600,394	-17,152	-221,056
Due to death	-20,223	-122,034	-4,459	-80,322	-1,570	-30,966
Premature disposals	-91,445	-947,804	-367,800	-4,302,877	-19,469	-414,643
Due to non-redemption	-2,741	-32,183	-69,290	-269,844	-586	-16,452
Due to lapse without payment	-16,983	-128,135	-191,935	-2,584,891	-2,238	-53,787
Due to redemption	-72,037	-729,577	-106,563	-1,404,133	-16,648	-265,826
Due to waiver of premium	316	-57,909	-12	-44,009	3	-78,578
As of 31.12.2018	1,976,955	22,790,291	1,925,766	71,729,174	547,523	12,127,867

Portfolio changes in the life line of business	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 31.12.2017	1,966,766	17,270,108	452,765	9,497,571	6,749,408	124,534,235
Exchange rate differences		-70,097		-3,401		-417,556
As of 1.1.2018	1,966,766	17,200,011	452,765	9,494,170	6,749,408	124,116,679
Changes in scope of consolidation	0	0	0	0	53,601	493,721
Additions	229,891	2,645,574	28,815	722,449	1,113,876	41,167,121
New business	229,891	2,578,503	28,815	389,619	1,113,876	36,202,311
Increases		67,071		332,830		4,964,810
Changes	1,852	529,257	50,305	-24,028	-45,878	1,212,774
Changes in additions	17,402	1,527,436	191,999	2,519,176	263,840	8,082,730
Changes in disposals	-15,550	-998,179	-141,694	-2,543,204	-309,718	-6,869,956
Disposals due to maturity	-44,949	-325,038	-2,055	-32,654	-258,659	-24,467,898
Due to expiration	-37,567	-266,041	-1,136	-23,765	-224,106	-24,166,690
Due to death	-7,382	-58,997	-919	-8,889	-34,553	-301,208
Premature disposals	-182,221	-1,933,893	-29,811	-492,720	-690,746	-8,091,937
Due to non-redemption	-32,065	-94,439	-314	-12,475	-104,996	-425,393
Due to lapse without payment	-58,038	-730,985	-972	-7,649	-270,166	-3,505,447
Due to redemption	-80,303	-807,184	-28,745	-303,447	-304,296	-3,510,167
Due to waiver of premium	-11,815	-301,285	220	-169,149	-11,288	-650,930
As of 31.12.2018	1,971,339	18,115,911	500,019	9,667,217	6,921,602	134,430,460

EMBEDDED VALUE SENSITIVITY ANALYSES FOR THE LIFE AND HEALTH INSURANCE BUSINESSES

The following table shows the sensitivities for changes in the assumptions used to calculate the embedded value for the life and health insurance businesses and value of new business as of 31 December 2018:

Embedded value for the life and health insurance business	Austria/ Germany	Change	CEE	Change	Total	Change
	in EUR '000	in %	in EUR '000	in %	in EUR '000	in %
Base value	2,061,114		2,043,573		4,104,686	
Increase in yield curve 1%	280,636	13.62	-55,057	-2.69	225,579	5.50
Decrease in yield curve 1%	-438,094	-21.26	47,902	2.34	-390,192	-9.51
Decrease in share and real estate values 10% as of the reporting date	-55,241	-2.68	-18,177	-0.89	-73,419	-1.79
Increase in share and real estate volatility 25%	-33,601	-1.63	-4,822	-0.24	-38,423	-0.94
Increase in yield curve volatility 25%	-71,951	-3.49	-9,761	-0.48	-81,712	-1.99
Decrease in administrative expenses 10%	51,142	2.48	50,610	2.48	101,752	2.48
Decrease in lapse rates 10%	8,024	0.39	64,513	3.16	72,537	1.77
Decrease in mortality 5% for endowment and risk insurance	11,013	0.53	58,031	2.84	69,043	1.68
Decrease in mortality 5% for annuities	-6,442	-0.31	-1,019	-0.05	-7,461	-0.18
No volatility adjustment	-141,303	-6.86	0	0.00	-141,303	-3.44

Value of new business	Austria/ Germany	Change	CEE	Change	Total	Change
	in EUR '000	in %	in EUR '000	in %	in EUR '000	in %
Base value	48,838		93,326		142,164	
Increase in yield curve 1%	-174	-0.36	-1,865	-2.00	-2,038	-1.43
Decrease in yield curve 1%	-3,829	-7.84	-240	-0.26	-4,069	-2.86
Decrease in administrative expenses 10%	3,003	6.15	4,037	4.33	7,041	4.95
Decrease in lapse rates 10%	3,397	6.96	8,206	8.79	11,603	8.16
Decrease in mortality 5% for endowment and risk insurance	1,656	3.39	7,204	7.72	8,860	6.23
Decrease in mortality 5% for annuities	-1,456	-2.98	17	0.02	-1,439	-1.01
No volatility adjustment	-2,789	-5.71	0	0.00	-2,789	-1.96

The sensitivities are based on the same management rules and policyholder behaviour as the base case. Each sensitivity is calculated separately. If two events occur simultaneously, the effect is not necessarily equal to the sum of the individual sensitivities.

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". VIG 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, interest rates 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 car and house repair and hourly wage rates, loss frequency and loss amount 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 the Managing Board. 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.

CHANGES IN CLAIMS PAYMENTS AND GROSS LOSS RESERVE

The following tables show claims payments for individual years of occurrence and VIG's direct loss reserves at 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)

Year of occurrence*	Calender year									
	≤2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
in EUR '000										
2009 and before	2,638,862	1,017,100	350,748	181,200	133,098	95,419	86,600	72,962	45,878	48,187
2010		1,714,403	705,902	161,705	73,596	44,006	26,997	25,863	17,143	22,121
2011			1,616,214	651,472	101,100	107,425	52,275	43,849	33,054	25,382
2012				1,711,639	775,993	194,023	93,221	84,701	44,606	28,075
2013					1,811,908	705,274	179,122	130,960	70,628	36,587
2014						1,545,509	773,664	192,081	101,832	54,209
2015							1,565,072	734,971	212,354	91,806
2016								1,619,590	806,055	204,162
2017									1,827,020	885,844
2018										1,816,053
Total	2,638,862	2,731,503	2,672,864	2,706,016	2,895,695	2,691,656	2,776,951	2,904,977	3,158,570	3,212,426

*Currency translation effects and changes in the scope of consolidation can lead to differences in the figures for previous years.

Loss reserve for each year of occurrence on the applicable balance sheet date (gross)

Year of occurrence*	Calender year									
	≤2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
in EUR '000										
2009 and before	3,303,433	2,007,309	1,435,256	1,040,764	834,637	740,025	627,477	572,594	533,647	474,305
2010		1,531,658	651,662	393,540	230,501	171,228	137,247	105,523	94,873	75,507
2011			1,608,789	768,190	412,251	270,822	194,945	157,931	122,216	101,006
2012				1,602,011	767,831	440,116	286,807	212,221	169,230	142,029
2013					1,695,511	789,978	480,548	280,509	197,735	154,313
2014						1,749,247	813,249	468,519	313,557	234,036
2015							1,687,291	787,903	467,615	299,946
2016								1,757,426	803,864	497,502
2017									1,903,463	863,161
2018										1,999,997
Total	3,303,433	3,538,967	3,695,707	3,804,505	3,940,731	4,161,416	4,227,564	4,342,626	4,606,200	4,841,802

*Currency translation effects and changes in the scope of consolidation can lead to differences in the figures for previous years.

Reinsurance

VIG limits its potential 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

The 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. They require each Group company to provide, in consultation with the corporate Reinsurance department, reinsurance coverage that is appropriate for its local company. These guidelines govern the following points.

REINSURANCE IS A PREREQUISITE FOR THE ACCEPTANCE 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 that VIG feels have appropriate credit quality, so as to minimise the risk arising from one reinsurer's inability to pay (credit risk). The monetary limit per reinsurer is set individually for each subsidiary.

SELECTION OF REINSURERS – RATINGS

For lines of business 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 lines of business with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, motor own damage), 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.

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 catastrophes, 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 catastrophes

Wiener Städtische provides insurance for damage caused by natural catastrophes such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retention for natural disasters to EUR 16.5 million for the first loss event and EUR 5.0 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, VIG 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 August 2018, 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), 2015 (EUR 400 million, tier 2, first call date 2 March 2026) and 2017 (EUR 200 million, tier 2, first call date 13 April 2027) have been rated A- by S&P. The hybrid bond issued in 2008 (outstanding volume EUR 198 million, restricted tier 1) was repaid on the first call date of 12 September 2018.

According to the S&P rating report of 30 August 2018, 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 has set itself a goal of holding the solvency ratio at the current level in all of the insurance companies in the Group in spite of planned growth. A comfort zone of 170-230% has been specified at the Group level.

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 2018, 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 2018 (2017: 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 8. Consolidated shareholders' equity starting on page 158.

VIG had a reviewed solvency ratio of 238.6% as of 31 December 2018 (31 December 2017: 220.3%).

Long-term debt financing

VIG had subordinated bonds with a wide range of maturities outstanding as of 31 December 2018. Detailed information on the VIG bond programme is available in Note 9. Subordinated liabilities starting on page 161. 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS

Composition	31.12.2018	31.12.2017
in EUR '000		
Goodwill	1,475,206	1,537,694
Purchased insurance portfolios	33,311	28,092
Other intangible assets	**452,362**	**404,855**
Purchased software	362,838	334,821
Other	89,524	70,034
Total	**1,960,879**	**1,970,641**

Development of goodwill	31.12.2018	31.12.2017
in EUR '000		
Acquisition costs	1,906,517	1,884,782
Cumulative depreciation as of 31.12. of the previous year	-368,823	-352,592
Book value as of 31.12. of the previous year	**1,537,694**	**1,532,190**
Exchange rate differences	-8,077	23,790
Book value as of 1.1.	**1,529,617**	**1,555,980**
Additions	808	1,176
Impairments	-55,219	-19,462
Book value as of 31.12.	**1,475,206**	**1,537,694**
Cumulative impairment as of 31.12.	424,751	368,823
Acquisition costs	**1,899,957**	**1,906,517**

The impairments for the current reporting period related to the Romania and Turkey CGU groups.

Due to the increase in the yields on Romanian government bonds in the 2nd quarter of 2018, VIG had the plans for its Romanian subsidiaries updated. They indicated a deterioration of results in one area, which is why an impairment test was performed for the Romanian CGU group for the 1st half of 2018. The resulting necessary impairment of EUR 50.1 million was recognised as an expense in financial year 2018.

The goodwill impairment in the Turkey CGU group is due to political uncertainty and associated increases in inflation and exchange rate fluctuations.

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

Book values of goodwill of cash-generating units	31.12.2018	31.12.2017
in EUR '000		
Austria	301,716	301,716
Czech Republic	438,754	442,002
Slovakia	111,257	111,257
Poland	140,767	144,127
Romania	110,731	160,899
Baltic states	75,301	75,301
Hungary	16,005	16,555
Bulgaria	184,154	184,154
Georgia	14,510	14,349
Turkey	0	6,433
Albania incl. Kosovo	13,125	12,186
Croatia	45,782	45,612
North Macedonia	12,579	12,579
Serbia	0	239
Central Functions	10,525	10,285
Total	1,475,206	1,537,694

Please see the “Impairment of non-financial assets” section starting on page 93 for information on the assumptions used for impairment testing.

Development of purchased software	31.12.2018	31.12.2017
in EUR '000		
Acquisition costs	1,055,450	1,001,317
Cumulative depreciation as of 31.12. of the previous year	-720,629	-605,556
Book value as of 31.12. of the previous year	**334,821**	**395,761**
Exchange rate differences	-902	1,254
Book value as of 1.1.	**333,919**	**397,015**
Reclassifications	-673	1,350
Additions	71,755	55,728
Disposals	-4,147	-1,744
Changes in scope of consolidation	2,101	0
Scheduled depreciation	-40,117	-81,886
Impairments	0	-35,642
Book value as of 31.12.	**362,838**	**334,821**
Cumulative depreciation as of 31.12.	753,229	720,629
Acquisition costs	**1,116,067**	**1,055,450**

Corporate assets were included in the impairment testing for 31 December 2018. This is discussed starting on page 93.

The change in the scope of consolidation was the result of first-time consolidation of the companies Vienna osiguranje (Bosnia-Herzegovina), Seesam Insurance AS and UAB "Compensa Services".

Please see the section Accounting policies for specific items in the consolidated financial statements starting on page 93 for information on the assumptions used for impairment testing. The impairment in the previous year was based on a risk assessment of possible regulatory requirements with respect to the future usability of existing systems.

2. INVESTMENTS

Composition	31.12.2018	31.12.2017
in EUR '000		
Land and buildings	5,965,666	5,684,598
Shares in at equity consolidated companies	221,312	298,149
Loans and other investments	3,356,069	3,267,067
Other securities	26,745,279	26,683,093
Total	**36,288,326**	**35,932,907**

2.1. Land and buildings

Development	Self-used	
	31.12.2018	31.12.2017
in EUR '000		
Acquisition costs	657,111	634,965
Cumulative depreciation as of 31.12. of the previous year	-226,205	-205,481
Book value as of 31.12. of the previous year	**430,906**	**429,484**
Exchange rate differences	-1,959	7,846
Book value as of 1.1.	**428,947**	**437,330**
Reclassifications	4,420	456
Additions	41,545	13,430
Disposals	-423	-1,985
Appreciation	114	2,264
Scheduled depreciation	-14,392	-19,863
Impairments	-1,230	-726
Book value as of 31.12.	**458,981**	**430,906**
Cumulative depreciation as of 31.12.	239,871	226,205
Acquisition costs	**698,852**	**657,111**
thereof land	52,092	45,014

The impairment is primarily due to fair value lying below book value of land and buildings, as shown by appraisal reports.

Development	Investment property	
	31.12.2018	31.12.2017
in EUR '000		
Acquisition costs	7,577,673	7,328,996
Cumulative depreciation as of 31.12. of the previous year	-2,323,981	-2,156,857
Book value as of 31.12. of the previous year	**5,253,692**	5,172,139
Exchange rate differences	-562	3,317
Book value as of 1.1.	**5,253,130**	5,175,456
Reclassifications	-4,094	-617
Additions	391,043	264,893
Disposals	-51,418	-50,721
Changes in scope of consolidation	73,472	38,684
Appreciation	433	5,457
Scheduled depreciation	-146,889	-159,948
Impairments	-8,992	-19,512
Book value as of 31.12.	**5,506,685**	5,253,692
Cumulative depreciation as of 31.12.	2,445,939	2,323,981
Acquisition costs	**7,952,624**	7,577,673
thereof land	1,174,079	1,112,560
Rental income	**555,708**	535,230
Contingent rental income from operating lease	69	205
From investment property	555,639	535,025
Operating expenses for rented investment property	156,548	159,951
Operating expenses for vacant investment property	7,271	7,183

The changes in the scope of consolidation are the result of first-time inclusion of Nußdorfer Straße 90–92 (EUR +42,701,000) and TECHBASE GmbH (EUR +30,771,000).

The impairment is primarily due to fair value lying below book value of land and buildings, as shown by appraisal reports.

2.2. Shares in at equity consolidated companies

Development	31.12.2018	31.12.2017
in EUR '000		
Book value as of 31.12. of the previous year	**298,149**	269,699
Book value as of 1.1.	**298,149**	269,699
Additions	706	345
Disposals	0	-5,390
Changes in scope of consolidation	-95,361	863
Share of changes in OCI	-439	3,139
Pro rata result of the period of at equity consolidated companies	37,859	44,941
Dividend payment	-19,602	-15,448
Book value as of 31.12.	**221,312**	298,149
thereof segment Austria	179,094	256,879
thereof segment Czech Republic	30,345	29,649
thereof segment Central Functions	11,873	11,621

Associated companies are measured at equity.

Shares in significant associated companies	2018				
	Beteiligungs- und Wohnungs-anlagen GmbH	Gewista-Werbe-gesellschaft m.b.H.	Österreichisches Verkehrsbüro	S IMMO AG*	VBV - Betriebliche Altersvorsorge AG
in EUR '000					
Group interest in %	**25.00%**	**33.00%**	**36.58%**	**10.33%**	**23.71%**
Income	0	84,527	555,967	92,767	62,113
Expenses	-193	-70,371	-537,919	-57,263	-38,095
Financial result	18,670	13,235	2,811	50,103	6,175
Taxes	2,062	-3,521	-4,523	-14,478	-7,625
Result of the period	**20,539**	**23,870**	**16,336**	**71,129**	**22,568**
Parent company minority interest	0	0	-145	-197	0
Result of the period less non-controlling interests	**20,539**	**23,870**	**16,191**	**70,932**	**22,568**
thereof non-controlling interests	462	7,537	368	3,606	508
thereof shares of associated companies held by shareholders	20,077	16,333	15,968	67,523	22,060
Share of result	**5,135**	**7,877**	**5,923**	**7,327**	**5,351**
Fixed assets	340,336	76,090	108,762	2,366,995	319,272
Current assets (incl. other assets)	31,199	85,673	196,381	137,186	10,731,335
Borrowings	-254,521	-61,563	-214,066	-1,579,396	-10,831,947
Net assets	**117,014**	**100,200**	**91,077**	**924,785**	**218,660**
thereof non-controlling interests	2,633	31,638	2,049	46,887	4,920
thereof shares of associated companies held by shareholders	114,381	68,562	89,028	877,898	213,740
Share of net assets	**29,254**	**33,066**	**33,314**	**95,361**	**51,844**
Goodwill	0	0	24,460	0	0
Sale	0	0	0	-95,361	0
Book value of shares in associated companies	**29,254**	**33,066**	**57,774**	**0**	**51,844**

*Sale of S IMMO AG on 9 April 2018

Beteiligungs- und Immobilien GmbH and Beteiligungs- und Wohnungsanlagen GmbH were included in the consolidated financial statements with a different balance sheet date (30 September).

Development of shares in material associated companies	2018				
	Beteiligungs- und Wohnungs-anlagen GmbH	Gewista-Werbe-gesellschaft m.b.H.	Österreichisches Verkehrsbüro	S IMMO AG*	VBV - Betriebliche Altersvorsorge AG
in EUR '000					
Book value as of 31.12. of the previous year	26,339	29,508	56,117	90,916	47,519
Book value as of 1.1.	**26,339**	**29,508**	**56,117**	**90,916**	**47,519**
Additions	0	0	0	0	694
Changes in scope of consolidation	0	0	0	-95,361	0
Share of changes in OCI	0	0	-315	-147	-143
Pro rata result of the period of at equity consolidated companies	5,135	7,877	5,923	7,327	5,351
Dividend payment	-2,220	-4,319	-3,951	-2,735	-1,577
Book value as of 31.12.	**29,254**	**33,066**	**57,774**	**0**	**51,844**

Materiality of associated companies is generally determined based on the amount of the at equity book value.

2.3. Loans and other investments

Loans and other investments	31.12.2018	31.12.2017
in EUR '000		
Loans	1,349,605	1,394,260
Reclassified loans	179,522	241,511
Bonds classified as loans	926,137	952,908
Subtotal	**2,455,264**	**2,588,679**
Other investments	900,805	678,388
thereof bank deposits	810,286	574,650
thereof deposits on assumed reinsurance business	90,503	95,280
Total	**3,356,069**	**3,267,067**

Composition of total loans	31.12.2018	31.12.2017
in EUR '000		
Loans	**1,349,605**	**1,394,260**
Loans to non-consolidated affiliated companies	125,215	75,708
Loans to participations	35,577	33,383
Mortgage loan	416,336	391,716
Policy loans and prepayments	22,390	23,517
Other loans	**750,087**	**869,936**
to public authorities	161,478	207,499
to financial institutions	170,720	207,264
to other commercial borrowers	416,574	453,773
to private persons and others	1,315	1,400
Reclassified loans	**179,522**	**241,511**
Bonds classified as loans	**926,137**	**952,908**
to public authorities	110,293	111,758
to financial institutions	777,874	791,313
to other commercial borrowers	37,970	49,837
Total	**2,455,264**	**2,588,679**

Public sector borrowers include national, state and local authorities. The loans included under other loans are generally loans that are not secured by insurance policies.

Collateral was provided for around 48.9% of the total loans reported.

Development of loans, total	31.12.2018	31.12.2017
in EUR '000		
Acquisition costs	2,619,873	2,815,842
Cumulative depreciation as of 31.12. of the previous year	-31,194	-38,197
Book value as of 31.12. of the previous year	**2,588,679**	**2,777,645**
Exchange rate differences	-475	1,115
Book value as of 1.1.	**2,588,204**	**2,778,760**
Reclassifications	-10,000	0
Additions	142,905	169,018
Disposals	-266,809	-352,493
Changes in scope of consolidation	1,325	0
Appreciation	85	92
Impairments	-446	-6,698
Book value as of 31.12.	**2,455,264**	**2,588,679**
Cumulative depreciation as of 31.12.	30,989	31,194
Acquisition costs	**2,486,253**	**2,619,873**

Maturity structure of total loans	31.12.2018	31.12.2017
in EUR '000		
Loans	**1,349,605**	**1,394,260**
up to one year	46,280	113,521
more than one year up to five years	225,099	222,503
more than five years up to ten years	387,204	384,548
more than ten years	691,022	673,688
Bonds classified as loans	**926,137**	**952,908**
up to one year	122,085	33,969
more than one year up to five years	271,311	231,352
more than five years up to ten years	248,441	404,126
more than ten years	284,300	283,461

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.

2.4. Other securities

Development	Held to maturity (incl. reclassified)		Available for sale		Recognised at fair value through profit and loss*	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Acquisition costs	3,127,710	3,063,233				
Cumulative depreciation as of 31.12. of the previous year	-261	2,589				
Book value as of 31.12. of the previous year	**3,127,449**	3,065,822	**23,220,303**	21,851,248	**335,341**	461,290
Exchange rate differences	-21,564	136,911	-20,310	34,806	-4,457	5,569
Book value as of 1.1.	**3,105,885**	3,202,733	**23,199,993**	21,886,054	**330,884**	466,859
Reclassifications	0	0	-720	-10,676	13,811	-1,988
Additions	98,527	149,434	3,392,352	4,187,627	372,993	174,378
Disposals/repayments	-280,313	-224,289	-2,270,603	-2,966,688	-390,045	-301,222
Change in the scope of consolidation	11,902	0	-40,789	46,290	0	0
Changes in value recognised in profit and loss	0	0	0	0	-58	-2,686
Changes recognised directly in equity	0	0	-791,865	86,153	0	0
Impairments	0	-429	-6,675	-8,457	0	0
Book value as of 31.12.	**2,936,001**	3,127,449	**23,481,693**	23,220,303	**327,585**	335,341
Cumulative appreciation/depreciation as of 31.12.	1,382	261				
Acquisition costs	2,937,383	3,127,710				

*Including held for trading

The changes recognised directly in equity for the financial instruments available for sale category were mainly due to the effect of the yield curve on fixed-interest securities.

The reclassifications shown for the available for sale and recognised at fair value through profit and loss (incl. held for trading) categories are generally reclassifications from and to investments for unit-linked and index-linked life insurance.

Composition of book values of government bonds[1]	Held to maturity (incl. reclassified)		Available for sale		Recognised at fair value through profit and loss[2]	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in %						
Austria	0.57	0.55	15.65	16.25	0.00	0.00
Germany	0.11	0.04	2.04	2.23	68.52	55.30
Czech Republic	70.00	72.20	5.78	5.20	0.00	0.00
Slovakia	4.95	4.65	7.53	7.29	0.00	0.00
Poland	10.72	10.35	12.10	11.79	22.58	25.83
Romania	0.11	0.11	5.45	5.54	0.00	0.00
Other countries	13.54	12.10	51.45	51.70	8.90	18.87

1 Government bonds also include bonds issued by supranational organisations, government agencies, federal or constituent states and municipal bonds.

2 Including held for trading

Financial instruments held to maturity

Composition	Amortised cost		Fair value	
Financial instruments held to maturity	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000				
Financial instruments held to maturity	2,371,009	2,443,702	2,577,282	2,736,209
Government bonds	2,098,103	2,101,611	2,246,731	2,333,025
Covered bonds	205,878	254,409	258,883	307,855
Corporate bonds	50,405	61,670	55,167	66,456
Bonds from banks	16,623	26,012	16,501	28,873
Financial instruments reclassified as held to maturity	564,992	683,747	644,443	801,581
Government bonds	548,990	667,558	626,859	782,948
Covered bonds	2,092	2,126	2,323	2,415
Bonds from banks	13,910	14,063	15,261	16,218

Maturity structure	Amortised cost		Fair value	
Financial instruments held to maturity	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000				
Financial instruments held to maturity	2,371,009	2,443,702	2,577,282	2,736,209
up to one year	251,978	150,817	254,896	155,551
more than one year up to five years	544,904	699,640	582,334	763,524
more than five years up to ten years	810,828	685,853	911,409	799,643
more than ten years	763,299	907,392	828,643	1,017,491
Financial instruments reclassified as held to maturity	564,992	683,747	644,443	801,581
up to one year	3,435	119,667	3,614	122,212
more than one year up to five years	416,517	418,207	449,361	478,004
more than five years up to ten years	10,142	10,276	11,426	12,184
more than ten years	134,898	135,597	180,042	189,181

Rating categories	Amortised cost	
Financial instruments held to maturity (incl. reclassified)	31.12.2018	31.12.2017
in EUR '000		
AAA	69,916	67,635
AA	2,086,919	249,424
A	488,488	2,530,306
BBB	58,735	60,442
BB and lower	213,442	195,886
No rating	18,501	23,756
Total	2,936,001	3,127,449

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.

Financial instruments available for sale

Composition	Fair value	
Financial instruments available for sale	31.12.2018	31.12.2017
in EUR '000		
Bonds	**21,011,150**	20,311,546
Government bonds	10,232,590	10,003,103
Covered bonds	1,456,623	1,469,643
Corporate bonds	5,135,065	4,607,261
Bonds from banks	3,363,881	3,318,729
Subordinated bonds	822,991	912,810
Shares and other participations*	**670,377**	833,539
Investment funds	**1,800,166**	2,075,218
Equity funds	824,276	1,010,258
Pension funds	694,327	790,526
Alternative funds	5,670	4,005
Real estate funds	77,278	72,094
Balanced funds	198,615	198,335
Total	**23,481,693**	23,220,303

*Includes shares in non-consolidated subsidiaries and other participations of EUR 203,314,000 (EUR 191,943,000).

Unrealised gains and losses	31.12.2018			31.12.2017		
Financial instruments available for sale	Fair value	Unrealised gains	Unrealised losses	Fair value	Unrealised gains	Unrealised losses
in EUR '000						
Bonds	21,011,150	1,962,804	-163,389	20,311,546	2,364,081	-88,165
Shares and other participations	670,377	144,066	-30,084	833,539	300,458	-12,462
Investment funds	1,800,166	82,457	-162,621	2,075,218	191,372	-34,813
Total	**23,481,693**	**2,189,327**	**-356,094**	23,220,303	2,855,911	-135,440

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	31.12.2018			31.12.2017		
Financial instruments available for sale	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
in EUR '000						
Bonds	**21,024,950**	**13,800**	**21,011,150**	20,325,525	13,979	20,311,546
not adjusted	21,011,141	0	21,011,141	20,311,475	0	20,311,475
adjusted	13,809	13,800	9	14,050	13,979	71
Shares*	**504,142**	**37,079**	**467,063**	681,096	39,500	641,596
not adjusted	417,485	0	417,485	568,776	0	568,776
adjusted	86,657	37,079	49,578	112,320	39,500	72,820
Investment funds	**1,846,292**	**46,126**	**1,800,166**	2,126,389	51,171	2,075,218
not adjusted	1,751,688	0	1,751,688	2,008,892	0	2,008,892
adjusted	94,604	46,126	48,478	117,497	51,171	66,326
Total	**23,375,384**	**97,005**	**23,278,379**	23,133,010	104,650	23,028,360

*Not including impairment of shares in affiliated companies and other participations

Maturity structure	Fair value	
Financial instruments available for sale	31.12.2018	31.12.2017
in EUR '000		
no maturity	2,405,636	2,820,847
up to one year	1,100,850	754,010
more than one year up to five years	5,702,639	5,532,497
more than five years up to ten years	8,577,142	8,228,955
more than ten years	5,695,426	5,883,994
Total	23,481,693	23,220,303

Rating categories	Fair value	
Fixed-interest financial instruments available for sale	31.12.2018	31.12.2017
in EUR '000		
AAA	2,293,664	2,349,187
AA	5,646,679	4,986,648
A	7,976,565	8,128,516
BBB	4,041,480	3,981,304
BB and lower	944,412	792,626
No rating	108,350	73,265
Total	21,011,150	20,311,546

Financial instruments recognised at fair value through profit and loss (incl. held for trading)

Composition	Fair value	
Financial instruments recognised at fair value through profit and loss*	31.12.2018	31.12.2017
in EUR '000		
Bonds	**185,874**	207,529
Government bonds	59,367	72,064
Covered bonds	111	0
Corporate bonds	7,551	7,862
Bonds from banks	109,508	113,060
Subordinated bonds	9,337	14,543
Shares and other non-fixed-interest securities	**27,097**	**41,633**
Investment funds	**87,091**	**61,845**
Equity funds	26,501	8,762
Pension funds	32,537	20,568
Alternative funds	2,856	1,992
Real estate funds	5,122	3,378
Balanced funds	20,075	27,145
Derivatives	**27,523**	**24,334**
Total	327,585	335,341

*Including held for trading

3. INVESTMENTS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Composition	31.12.2018			31.12.2017
	Unit-linked	Index-linked	Total	Total
in EUR '000				
Investment funds	5,786,711	54,107	5,840,818	6,675,235
Bonds	0	2,109,095	2,109,095	2,270,140
Shares	0	4,562	4,562	4,711
Derivatives (guarantee claim)	0	0	0	2,738
Bank deposits	66,438	22,951	89,389	97,784
Deposit receivables	4,409	0	4,409	10,740
Net of receivables and liabilities	349	0	349	-275
Total	5,857,907	2,190,715	8,048,622	9,061,073

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
no maturity	5,934,770	6,777,732
up to one year	132,734	203,136
more than one year up to five years	1,567,536	1,664,192
more than five years up to ten years	346,280	294,422
more than ten years	67,302	121,591
Total	8,048,622	9,061,073

4. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Composition	31.12.2018	31.12.2017
in EUR '000		
Provision for unearned premiums	167,642	153,784
Mathematical reserve	36,966	37,850
Provision for outstanding claims	913,266	858,473
Provision for profit-unrelated premium refunds	15,246	14,670
Other underwriting provisions	2,506	1,543
Total	1,135,626	1,066,320

Development	Book value as of 1.1.	Exchange rate differences	Additions	Amount used/released	Changes in scope of consolidation	Book value as of 31.12.
in EUR '000						
Provision for unearned premiums	153,784	-11,689	137,286	-112,257	518	167,642
Mathematical reserve	37,850	0	4,117	-5,001	0	36,966
Provision for outstanding claims	858,473	-14,742	458,203	-399,270	10,602	913,266
Provision for profit-unrelated premium refunds	14,670	-51	15,267	-14,640	0	15,246
Other underwriting provisions	1,543	-73	1,893	-857	0	2,506
Total	1,066,320	-26,555	616,766	-532,025	11,120	1,135,626

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
up to one year	633,454	499,585
more than one year up to five years	294,929	324,676
more than five years up to ten years	115,233	117,515
more than ten years	92,010	124,544
Total	1,135,626	1,066,320

5. RECEIVABLES

Composition	31.12.2018	31.12.2017
in EUR '000		
Underwriting	850,404	768,188
Receivables from direct insurance business	713,727	639,792
from policyholders	558,368	492,952
from insurance intermediaries	106,059	102,919
from insurance companies	49,300	43,921
Receivables from reinsurance business	136,677	128,396
Non-underwriting	712,145	707,674
Other receivables	712,145	707,674
Total	1,562,549	1,475,862

Composition of other receivables	31.12.2018	31.12.2017
in EUR '000		
Receivables from recourse claims	22,038	23,358
Pro rata and outstanding interest and rent	406,808	414,491
Receivables from tax authority (excl. income tax) and from fees of all kinds	36,274	46,553
Receivables from sales of investments	7,228	15,683
Receivables from property management	13,716	14,047
Receivables from third party claims settlement	28,917	25,843
Receivables from green card deposits and surety	41,047	36,355
Receivables from pre-payments	15,960	10,303
Receivables from public funding and financing contributions	15,510	16,900
Other receivables	124,647	104,141
thereof receivables from charges for services	77,725	72,243
thereof receivables from charges for pensions	13,690	8,714
Total	712,145	707,674

Maturity structure	31.12.2018			31.12.2017
	Premium receivables due	Non-underwriting	Total	Total
in EUR '000				
up to one year	252,274	652,391	904,665	849,685
more than one year up to five years	17,868	35,430	53,298	72,946
more than five years up to ten years	0	5,127	5,127	17,906
more than ten years	0	19,197	19,197	24,607
Subtotal	270,142	712,145	982,287	965,144
Premium receivables not yet due			339,488	316,118
Receivables from reinsurance business			136,677	128,396
Other underwriting receivables			104,097	66,204
Total			1,562,549	1,475,862

The gross receivables are offset by impairments (directly reducing the asset item) of EUR 86,529,000 (EUR 89,953,000) and provisions for cancellations of EUR 15,044,000 (EUR 10,329,000).

Ageing analysis	31.12.2018				
Overdue receivables	1–60 days overdue	61–90 days overdue	91–120 days overdue	more than 120 days overdue	Total
in EUR '000					
Premium receivables	140,438	58,992	16,793	75,193	291,416
not adjusted	62,229	27,878	8,081	36,131	134,319
adjusted	78,209	31,114	8,712	39,062	157,097
Non-underwriting receivables	4,766	7,666	631	34,752	47,815
not adjusted	3,884	7,417	546	22,524	34,371
adjusted	882	249	85	12,228	13,444

Ageing analysis	31.12.2017				
Overdue receivables	1–60 days overdue	61–90 days overdue	91–120 days overdue	more than 120 days overdue	Total
in EUR '000					
Premium receivables	160,835	33,316	33,910	70,445	298,506
not adjusted	83,922	10,083	27,183	34,939	156,127
adjusted	76,913	23,233	6,727	35,506	142,379
Non-underwriting receivables	10,209	934	583	29,507	41,233
not adjusted	9,747	744	519	20,966	31,976
adjusted	462	190	64	8,541	9,257

6. 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	31.12.2018		31.12.2017	
	Assets	Liabilities	Assets	Liabilities
in EUR '000				
Intangible assets	10,475	11,902	15,158	8,052
Investments	91,960	252,862	78,957	312,149
Receivables and other assets	29,752	16,316	21,428	16,785
Accumulated losses carried forward	47,777	0	69,872	0
Tax-exempt reserves	0	12,142	0	13,223
Underwriting provisions	110,891	167,919	130,382	177,094
Non-underwriting provisions	91,075	4,339	91,296	10,656
Liabilities and other liabilities	18,654	26,534	15,705	21,139
Sum before valuation allowance	**400,584**	**492,014**	422,798	559,098
Valuation allowance for DTA	-17,205		-37,958	
Total before netting	**383,379**	**492,014**	384,840	559,098
Netting	-288,180	-288,180	-304,034	-304,034
Net balance	**95,199**	**203,834**	80,806	255,064

Deferred tax assets from seven-year amortisation of participations to going concern value were recognised in the amount of EUR 14,599,000 (EUR 12,539,000). 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 91,125,000 (EUR 129,615,000). 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 the IFRS shareholders' equity is EUR 1,781,957,000 (EUR 1,786,779,000). Deferred taxes for undistributed subsidiary profits of EUR 13,496,000 (EUR 10,281,000) were also not reported, because a decision to distribute the profits had not yet been made.

EUR 22,968,000 (EUR 37,499,000) in deferred taxes on loss carryforwards were not recognised.

7. OTHER ASSETS

Composition	31.12.2018	31.12.2017
in EUR '000		
Tangible assets and inventories	155,514	117,112
Prepayments for projects	302	121
Other assets	57,706	68,235
Asset-side accruals	213,966	203,692
Total	**427,488**	389,160

8. 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. 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

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe called the hybrid capital bond with ISIN AT0000A09SA8 effective 12 September 2018 for early repayment at its redemption amount of 100% of nominal value plus all accrued interest up to (but not including) the repayment date.

All approvals were granted by the Austrian Financial Market Authority. Erste Group Bank AG, Am Belvedere 1, 1100 Vienna, acted as the paying agent.

Non-controlling interests

Composition of non-controlling interests	31.12.2018	31.12.2017
in EUR '000		
Other non-controlling interests	107,712	115,944
Unrealised gains and losses	5,874	9,184
Share in the result of the period	7,560	7,052
Other	94,278	99,708
Non-controlling interests in non-profit societies	1,180,511	1,095,994
Share in the result of the period	91,468	67,943
Other	1,089,043	1,028,051
Total	1,288,223	1,211,938

Please see page 111 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		2018	2017
Result of the period	EUR '000	367,952	372,591
Other non-controlling interests in net result of the period	EUR '000	-7,560	-7,052
Non-controlling interests in the result of the period of non-profit societies	EUR '000	-91,468	-67,943
Result of the period less non-controlling interests	**EUR '000**	**268,924**	297,596
Interest expenses for hybrid capital	EUR '000	8,300	11,881
Number of shares at closing date	units	128,000,000	128,000,000
Earnings per share*	**EUR**	**2.04**	2.23

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

Since there were no potential dilution effects in either the current or previous reporting period, the basic earnings per share equal the diluted earnings per share.

Detailed information on capital management is available in the “Management and control” section on page 141.

Consolidated shareholders’ equity

SHARE CAPITAL AND VOTING RIGHTS

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. The number of shares issued remains unchanged since the previous financial year.

The Managing Board is not aware of any restrictions on voting rights or the transfer of shares. Employees who hold shares exercise their voting rights without a proxy during General Meetings.

The Managing Board must have at least three and no more than seven members. The Supervisory Board has at least three and at most ten members (shareholder representatives). Wiener Städtische Versicherungsverein, which directly and indirectly holds around 71.49% (71.26%) of the share capital, 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.

No shares have special rights of control. See the section indicated above for information on the rights of the shareholder Wiener Städtische Versicherungsverein.

As of the balance sheet date, 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.

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.

ANTICIPATORY RESOLUTIONS

The Managing Board is authorised to increase the share capital of the Company 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 11 May 2022 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.

The general meeting of 12 May 2017 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 11 May 2022, 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 12 May 2017 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 12 May 2017.

The general meeting of 12 May 2017 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 11 May 2022, 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.

The General Meeting of 12 May 2017 authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65 (1) nos. 4 and 8 and (1a) and (1b) AktG to the maximum extent permissible by law during a period of 30 months following the date the General Meeting resolution was adopted. The amount paid upon repurchase of the Company's own shares may not be more than a maximum of 50% below, or more than a maximum of 10% above, the average unweighted stock exchange closing price on the 10 stock exchange trading days preceding the repurchase. The Managing Board may choose to make the purchase on the stock exchange, through a public offer or in any other legally permissible and expedient manner.

The General Meeting of 12 May 2017 also authorised the Managing Board to use own shares

- for issuing shares to employees and senior management of the Company or to employees, senior management and managing board members of companies affiliated with the Company;
- for servicing convertible bonds issued based on the resolution adopted by the General Meeting of 12 May 2017;
- for sales in accordance with § 65 (1b) AktG on the stock market or through a public offer. The Managing Board is also authorised for a period of a maximum of five years after adoption of the resolution to dispose of the acquired own shares in some other way without or with partial or full exclusion of shareholder pre-emptive rights. The written report on the reasons for exclusion of shareholder pre-emptive rights was submitted to the General Meeting.

The Managing Board has not made use of these authorisations to date. The Company held none of its own shares on the balance sheet date.

Payout 2018 for the financial year 2017	Per share	Total
in EUR		
Ordinary shares	0.90	115,200,000

Proposed appropriation of profits
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Holding) ended financial year 2018 with net retained profit of EUR 233,117,387.05. The following allocation of profits will be proposed in the Annual General Meeting:

The 128 million shares shall receive a dividend of EUR 1.00 per share. The payment date for this dividend will be 29 May 2019, the record date 28 May 2019, and the ex-dividend date 27 May 2019.

A total of EUR 128,000,000.00 will therefore be distributed. The net retained profit of EUR 105,117,387.05 remaining for financial year 2018 after distribution of the dividend is to be carried forward.

9. SUBORDINATED LIABILITIES

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 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 5.50% 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 subordinate bond satisfies the tier 2 requirements of Solvency II. The bond is listed on the Luxembourg Stock Exchange.

The EUR 200,000,000.00 subordinated bond was privately placed with international institutional investors. The subordinated bond has a term of 30 years and VIG can call it for the first time after 10 years. It satisfies the tier 2 requirements of Solvency II and qualifies as capital based on the requirements of the S&P rating agency. The subordinated bond bears interest at a fixed rate of 3.75% p.a. during the first ten years of its term and variable interest after that. Inclusion for trading in the Third Market of the Vienna Stock Exchange took place on 13 April 2017.

Subordinated liabilities of the Group

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	9.10.2013	500,000	30[1]	First 10 years: 5.5% p.a.; thereafter variable	560,360
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	2.3.2015	400,000	31[2]	First 11 years: 3.75% p.a.; thereafter variable	409,900
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	13.4.2017	200,000	30[3]	First 10 years: 3.75% p.a.; thereafter variable	205,098
DONAU Versicherung AG Vienna Insurance Group	15.4.+ 21.5.2004	3,500	unlimited[4]	4.95% p.a.	3,857
DONAU Versicherung AG Vienna Insurance Group	1.7.1999	1,500	unlimited[5]	4.95% p.a.	1,634
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	1.3.1999	12,000	unlimited[6]	4.90% p.a.	13,203
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	2.7.2001	16,100	unlimited[7]	6.10% p.a.	18,624
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	15.11.2003	19,500	unlimited[8]	4.95% p.a.	21,720
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	30.6.2006	34,700	unlimited[9]	4.75% p.a.	38,148
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	11.5.2017	250,000	10[10]	3.50% p.a.	262,035
Kooperativa pojst'ovna, a.s., Vienna Insurance Group	22.12.2010	21,381	unlimited[11]	5.05% p.a.	21,119
Total		1,458,681			1,555,698

[1] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 9 October 2023.
[2] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 2 March 2026.
[3] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed after 10 years.
[4] This may be determined, 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.
[6] This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to payment being made early. Due to cancellations, EUR 3,750,000 will be repaid starting with 2021.
[7] This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to payment being made early. No cancellations have been made for the next 5 years.
[8] This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to payment being made early. Due to cancellations, EUR 350,000 will be repaid in 2019 and EUR 70,000 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. No cancellations were made for the next 5 years.
[10] The right to ordinary and extraordinary cancellation by the holder is excluded. No provision has been made for regular cancellation by the issuer.
[11] This can only be cancelled subject to not less than five years' notice.

10. UNDERWRITING PROVISIONS – GROSS

Composition	31.12.2018	31.12.2017
in EUR '000		
Provision for unearned premiums	1,502,697	1,395,073
Mathematical reserve	**22,106,049**	**21,962,632**
Guaranteed policy benefits	20,775,376	20,296,586
Allocated and committed profit shares	710,143	754,879
Deferred mathematical reserve	620,530	911,167
Provision for outstanding claims	5,439,941	5,141,400
Provision for premium refunds	**1,386,197**	**1,619,268**
Profit-related premium refunds	353,832	315,181
Profit-unrelated premium refunds	70,181	65,620
Deferred profit participation recognised through profit and loss*	336,676	231,850
Deferred profit participation recognised directly in equity*	625,508	1,006,617
Other underwriting provisions	71,025	49,800
Total	**30,505,909**	**30,168,173**

*The deferred profit participation is solely due to the profit-related premium refund.

10.1. Provision for unearned premiums

Development	31.12.2018	31.12.2017
in EUR '000		
Book value as of 31.12. of the previous year	**1,395,073**	**1,282,164**
Exchange rate differences	-28,712	8,164
Book value as of 1.1.	**1,366,361**	**1,290,328**
Additions	1,170,748	1,112,168
Amount used/released	-1,061,316	-1,008,959
Changes in scope of consolidation	26,904	1,536
Book value as of 31.12.	**1,502,697**	**1,395,073**

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
up to one year	1,335,789	1,243,514
more than one year up to five years	136,442	123,576
more than five years up to ten years	26,123	16,145
more than ten years	4,343	11,838
Total	**1,502,697**	**1,395,073**

10.2. Mathematical reserve

Development	31.12.2018	31.12.2017
in EUR '000		
Book value as of 31.12. of the previous year	**21,962,632**	21,528,896
Exchange rate differences	-16,167	108,888
Book value as of 1.1.	**21,946,465**	21,637,784
Additions	2,498,778	2,313,871
Amount used/released	-2,432,239	-2,049,883
Transfer from provisions for premium refunds	33,723	44,150
Changes in scope of consolidation	59,322	16,710
Book value as of 31.12.	**22,106,049**	21,962,632

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
up to one year	1,799,737	1,666,442
more than one year up to five years	5,664,642	5,907,616
more than five years up to ten years	4,401,597	4,422,063
more than ten years	10,240,073	9,966,511
Total	**22,106,049**	21,962,632

10.3. Provision for outstanding claims

Development	31.12.2018	31.12.2017
in EUR '000		
Book value as of 31.12. of the previous year	**5,141,400**	4,815,063
Exchange rate differences	-43,330	45,628
Book value as of 1.1.	**5,098,070**	4,860,691
Changes in scope of consolidation	41,600	879
Allocation of provisions for outstanding claims	**4,127,116**	5,081,147
for claims paid occurred in the reporting period	3,543,781	3,869,180
for claims paid occurred in previous periods	583,335	1,211,967
Use/release of provision	**-3,826,845**	-4,801,317
for claims paid occurred in the reporting period	-1,771,237	-2,314,824
for claims paid occurred in previous periods	-2,055,608	-2,486,493
Book value as of 31.12.	**5,439,941**	5,141,400

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
up to one year	2,605,575	2,473,952
more than one year up to five years	1,812,110	1,713,687
more than five years up to ten years	488,043	438,093
more than ten years	534,213	515,668
Total	**5,439,941**	5,141,400

EUR 152,307,000 (EUR 143,222,000) in recourse claims was deducted from the provision for outstanding claims.

A detailed presentation of the change in gross loss reserve for the property and casualty line of business is provided on page 138.

10.4. Provision for premium refunds

Development	31.12.2018	31.12.2017
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	380,801	361,309
Exchange rate differences	-754	2,099
Book value as of 1.1.	380,047	363,408
Additions	374,880	284,229
Amount used/released	-300,591	-223,080
Changes in scope of consolidation	3,400	394
Transfer to mathematical reserve	-33,723	-44,150
Book value as of 31.12.	424,013	380,801
Deferred profit participation		
Book value as of 31.12. of the previous year	1,238,467	1,193,488
Book value as of 1.1.	1,238,467	1,193,488
Unrealised gains and losses on financial instruments available for sale	-364,034	19,723
Underwriting gains and losses from provisions for employee benefits	-17,075	3,362
Revaluations recognised through profit and loss	104,826	21,894
Book value as of 31.12.	962,184	1,238,467
Provision for premium refunds incl. deferred profit participation	1,386,197	1,619,268

Maturity structure for profit-related premium refunds incl. deferred profit participation	31.12.2018	31.12.2017
in EUR '000		
up to one year	131,269	642,946
more than one year up to five years	362,390	582,452
more than five years up to ten years	239,590	175,421
more than ten years	582,767	152,829
Total	1,316,016	1,553,648

Maturity structure for profit-unrelated premium refunds	31.12.2018	31.12.2017
in EUR '000		
up to one year	60,467	59,757
more than one year up to five years	1,327	1,373
more than five years up to ten years	1,559	2,894
more than ten years	6,828	1,596
Total	70,181	65,620

10.5. Other underwriting provisions

Development	31.12.2018	31.12.2017
in EUR '000		
Book value as of 31.12. of the previous year	49,800	39,151
Exchange rate differences	-463	1,214
Book value as of 1.1.	49,337	40,365
Reclassifications	18,266	0
Additions	17,257	9,933
Amount used/released	-13,835	-23,503
Changes in scope of consolidation	0	23,005
Book value as of 31.12.	71,025	49,800

Other underwriting provisions are primarily provisions for old claims and cancellations.

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
up to one year	23,412	11,770
more than one year up to five years	6,135	3,511
more than five years up to ten years	0	3,153
more than ten years	41,478	31,366
Total	71,025	49,800

11. UNDERWRITING PROVISIONS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Composition	31.12.2018	31.12.2017
in EUR '000		
Unit-linked life insurance	5,615,138	6,438,200
Index-linked life insurance	1,994,268	2,174,549
Total	7,609,406	8,612,749

Development	31.12.2018	31.12.2017
in EUR '000		
Book value as of 31.12. of the previous year	8,612,749	8,129,884
Exchange rate differences	-6,489	-28,113
Book value as of 1.1.	8,606,260	8,101,771
Additions	643,128	1,265,182
Amount used/released	-1,639,982	-754,804
Changes in scope of consolidation	0	600
Book value as of 31.12.	7,609,406	8,612,749

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
up to one year	379,504	485,504
more than one year up to five years	2,215,231	2,522,574
more than five years up to ten years	1,230,532	1,291,428
more than ten years	3,784,139	4,313,243
Total	7,609,406	8,612,749

12. NON-UNDERWRITING PROVISIONS

Composition	31.12.2018	31.12.2017
in EUR '000		
Provisions for pensions and similar obligations	539,241	483,408
Other non-underwriting provisions	328,252	310,384
Total	867,493	793,792

12.1. Provisions for pensions and similar obligations

Composition	31.12.2018	31.12.2017
in EUR '000		
Provision for pension obligations	426,212	375,054
Provision for severance obligations	113,029	108,354
Total	539,241	483,408

Pension obligations

Development of DBO	31.12.2018	31.12.2017
in EUR '000		
Present value of obligation (DBO) as of 1.1.	811,237	835,519
Current service costs	12,820	13,933
Past service costs	418	-687
Interest expense	11,957	10,295
Remeasurement	49,756	-14,498
Actuarial gain/loss demographic	50,118	-120
Actuarial gain/loss financial	13	-7,134
Experience adjustment	-375	-7,244
Exchange rate differences	-4	19
Settlement payments	-226	-925
Benefits paid	-31,810	-32,419
Changes in scope of consolidation	18	0
Present value of the obligation (DBO) as of 31.12.	854,166	811,237
thereof DBO employees	298,604	294,936
thereof DBO retirees	555,562	516,301

Development of plan assets	31.12.2018	31.12.2017
in EUR '000		
Plan assets as of 1.1.	436,183	426,260
Interest income	6,443	5,363
Remeasurement	-1,342	-100
Net return on assets	-1,342	-100
Contributions	15,184	32,528
Settlement payments	0	-169
Benefits paid	-28,514	-27,699
Plan assets as of 31.12.	427,954	436,183

Development of provisions	31.12.2018	31.12.2017
in EUR '000		
Book value as of 1.1.	375,054	409,259
Current service costs	12,820	13,933
Past service costs	418	-687
Interest expense	5,514	4,932
Remeasurement	51,098	-14,398
Net return on assets	1,342	100
Actuarial gain/loss demographic	50,118	-120
Actuarial gain/loss financial	13	-7,134
Experience adjustment	-375	-7,244
Exchange rate differences	-4	19
Contributions	-15,184	-32,528
Settlement payments	-226	-756
Benefits paid	-3,296	-4,720
Changes in scope of consolidation	18	0
Book value as of 31.12.	426,212	375,054

The plan assets consist of the following:

Structure of investments in the mathematical reserve for occupational group insurance	31.12.2018	31.12.2017
in %		
Wiener Städtische and VIG Holding	100.00	100.00
Fixed-interest securities	89.87	80.71
Loans	1.59	4.94
Bank deposits	6.80	14.35
Shares, supplementary capital, profit participation rights, participation capital	1.74	0.00
Donau Versicherung	100.00	100.00
Fixed-interest securities	98.03	95.58
Bank deposits	0.09	4.42
Shares, supplementary capital, profit participation rights, participation capital	1.88	0.00

The asset allocation of the actuarial reserve for occupational group insurance is structured according to the maturity of the liabilities.

Pension contributions are expected to be EUR 15,351,000 in financial year 2019 (ACTUAL in 2018: EUR 15,184,000 incl. transfers).

Sensitivity analysis

Pension sensitivity analysis	Variation	DBO	Change
	in %	in EUR '000	in %
Base parameters		854,166	
Interest rate	+0.5	783,923	-8.22
	-0.5	916,968	7.35
Future salary increases	+0.5	856,872	0.32
	-0.5	836,182	-2.11
Future pension increases	+0.5	903,575	5.78
	-0.5	794,140	-7.03
Employee turnover	+2.5	803,976	-5.88
	-2.5	851,243	-0.34
Mortality	+5.0	830,955	-2.72
	-5.0	861,735	0.89

METHOD FOR PERFORMING SENSITIVITY ANALYSIS

Parameter variations were calculated. Mortality is increased or decreased proportionally.

Pension cash flow	Expected payments
year(s)	in EUR '000
1	32,941
2	33,898
3	34,326
4	34,613
5	35,276
6–10	179,210
11–15	177,967
16–20	168,042
21–30	274,705
31–40	181,718
41+	119,880

12.2. Other provisions

Composition	31.12.2018	31.12.2017
in EUR '000		
Provision for anniversary benefits	26,645	24,688
Other personnel provision	8,143	7,168
Provision for customer support and marketing	54,703	44,961
Provision for litigation	11,629	21,925
Other provisions	227,132	211,642
thereof provision for construction activities by non-profit societies	24,461	17,249
thereof provision for subsequent purchase price reductions for company acquisitions	11,700	11,700
thereof provision for IT expenses	62,967	39,796
thereof provision for regulatory risks	28,000	13,000
thereof provision for performance fees and bonuses	15,836	8,444
thereof onerous maintenance contracts	13,100	16,200
Total	328,252	310,384

Development	Book value as of 1.1.	Changes in scope of consolidation	Exchange rate differences	Amount used	Release	Reclassi-fication	Additions	Book value as of 31.12.
in EUR '000								
Provision for anniversary benefits	24,688	0	-20	-1,792	-1,251	0	5,020	26,645
Other personnel provision	7,168	10	-53	-5,420	-1,536	538	7,436	8,143
Provision for customer support and marketing	44,961	0	-39	-5,242	-5,301	-462	20,786	54,703
Provision for litigation	21,925	95	-961	-4,516	-1,041	-6,170	2,297	11,629
Other provisions	211,642	348	-1,049	-49,621	-52,562	-15,324	133,698	227,132
Total	310,384	453	-2,122	-66,591	-61,691	-21,418	169,237	328,252

Maturity structure	31.12.2018	31.12.2017
in EUR '000		
up to one year	248,237	210,279
more than one year up to five years	54,656	48,121
more than five years up to ten years	1,148	11,383
more than ten years	24,211	40,601
Total	328,252	310,384

Other provisions with a maturity of more than ten years mainly consist of provisions for anniversary benefits EUR 22,714,000 (EUR 20,275,000) and a non-discountable provision of EUR 0 for pension fund guaranteed interest (EUR 18,134,000).

13. LIABILITIES

Composition	31.12.2018	31.12.2017
in EUR '000		
Underwriting	876,824	778,908
Liabilities from direct business	683,409	625,886
to policyholders	463,218	407,101
to insurance intermediaries	191,828	191,205
to insurance companies	28,363	27,580
Liabilities from reinsurance business	124,962	102,197
Deposits from ceded reinsurance business	68,453	50,825
Non-underwriting	3,399,838	3,253,194
Liabilities to financial institutions	1,230,601	1,201,031
Other liabilities	2,169,237	2,052,163
Total	4,276,662	4,032,102

Composition of other liabilities	31.12.2018	31.12.2017
in EUR '000		
Tax liabilities (excl. income taxes), levies and fees	92,104	86,149
Liabilities for social security	17,152	16,424
Property management, building contract and property transfer liabilities	34,596	31,625
Liabilities to employees and employee-related liabilities	101,679	97,071
Liabilities for unpaid incoming invoices	88,929	79,531
Interest payable for subordinated liabilities	32,158	32,160
Liabilities from sureties	33,334	22,238
Financing liabilities*	1,521,880	1,481,081
Liabilities from public funding	105,143	100,018
Other liabilities	142,262	105,866
thereof liabilities from charges for services	103,901	71,267
Total	2,169,237	2,052,163

*Includes lease liabilities, derivative liabilities and other financing liabilities

The financing liabilities reported are primarily from the non-profit societies and mainly consist of municipal financing loans for non-profit housing projects.

Maturity structure	31.12.2018			31.12.2017
	Underwriting	Non-underwriting	Total	Total
in EUR '000				
up to one year	830,046	667,583	1,497,629	1,333,158
more than one year up to five years	34,005	535,908	569,913	565,100
more than five years up to ten years	11,236	510,608	521,844	489,898
more than ten years	1,537	1,685,739	1,687,276	1,643,946
Total	876,824	3,399,838	4,276,662	4,032,102

14. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation relating to coverage

In their capacity as insurance companies, the Group 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	31.12.2018	31.12.2017
in EUR '000		
Contingent receivables	19,465	15,359

The off-balance sheet claims for the individual financial years were primarily related to guarantees from agencies and retentions.

Off-balance sheet commitments	31.12.2018	31.12.2017
in EUR '000		
Liabilities and assumed liabilities	23,471	23,311
Letters of comfort	387	435
Guarantee bond	9,213	0
Litigation	0	11,033

The off-balance sheet commitments for the individual financial years were primarily related to loans of participations and liabilities for social housing, as well as completion bonds in the current financial year. There were additional risks in the previous year related to potential court cases due to the change in the law in Poland.

No off-balance sheet financing structures using special purpose structured entities or other similar corporate structures exist.

Litigation

The Group is involved in a number of legal disputes in connection with its normal business activities. 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.

NOTES TO THE INCOME STATEMENT

15. PREMIUMS WRITTEN

Premiums written	2018						
Gross	Motor own damage insurance (Casco)	Motor third party liability insurance	Other property and casualty insurance	Life insurance – regular premium	Life insurance – single premium	Health insurance	Total
in EUR '000							
Austria	287,975	320,786	1,312,208	1,240,296	257,977	420,683	3,839,925
Czech Republic	243,121	290,543	476,913	609,355	50,198	14,021	1,684,151
Slovakia	108,930	153,958	106,846	176,696	241,910	11,306	799,646
Poland	162,604	208,583	240,791	187,615	80,395	17,802	897,790
Romania	140,704	154,112	107,530	46,618	57,189	9,187	515,340
Baltic states	67,375	109,928	81,140	54,322	22,284	40,782	375,831
Hungary	17,529	29,147	52,096	90,029	59,198	15,503	263,502
Bulgaria	53,411	25,115	37,595	24,878	9,622	20,692	171,313
Turkey/Georgia	33,503	42,826	90,952	0	0	31,020	198,301
Remaining CEE	46,859	93,984	89,979	74,337	52,280	17,250	374,689
Other Markets	0	0	122,582	81,933	116,477	0	320,992
Central Functions	0	0	1,541,916	19,110	0	23,246	1,584,272
Consolidation							-1,368,433
Total	1,162,011	1,428,982	4,260,548	2,605,189	947,530	621,492	9,657,319

Premiums written	2017						
Gross	Motor own damage insurance (Casco)	Motor third party liability insurance	Other property and casualty insurance	Life insurance – regular premium	Life insurance – single premium	Health insurance	Total
in EUR '000							
Austria	279,991	316,863	1,284,453	1,240,337	321,852	405,000	3,848,496
Czech Republic	232,705	278,428	438,835	576,688	63,296	13,294	1,603,246
Slovakia	105,194	148,072	105,139	169,626	272,653	9,365	810,049
Poland	131,313	177,922	205,207	198,313	160,353	13,538	886,646
Romania	128,645	177,251	90,421	42,265	61,759	6,203	506,544
Baltic states	57,522	101,252	67,976	48,991	18,005	33,861	327,607
Hungary	16,334	20,636	51,296	89,562	60,727	8,186	246,741
Bulgaria	47,053	21,214	37,110	25,304	8,161	11,264	150,106
Turkey/Georgia	33,941	45,099	99,454	0	0	29,290	207,784
Remaining CEE	43,478	87,976	102,902	63,984	40,742	12,915	351,997
Other Markets	0	0	116,529	77,416	98,666	0	292,611
Central Functions	0	0	1,373,984	16,560	0	20,992	1,411,536
Consolidation							-1,257,323
Total	1,076,176	1,374,713	3,973,306	2,549,046	1,106,214	563,908	9,386,040

16. FINANCIAL RESULT EXCL. RESULT FROM AT EQUITY CONSOLIDATED COMPANIES

Composition	2018						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Current income	755,768	94,791	44,079	22,024	19,390	7,711	5,458
Income from appreciation	6,213	3,479	1,216	784	10	192	0
of which a reduction in impairment	183	0	0	0	0	0	0
Gains from disposal of investments	75,335	30,763	7,615	4,074	1,916	279	547
Other income	62,586	17,279	1,345	9,924	728	108	2,337
Total income	**899,902**	**146,312**	**54,255**	**36,806**	**22,044**	**8,290**	**8,342**
Asset management expenses	42,281	7,788	2,226	4,166	1,906	1,575	485
of which impairment of investments	3,429	390	0	432	0	461	457
Exchange rate differences	296	-5,745	-16	-1,126	-233	81	-8
Losses from disposal of investments	11,808	23,173	603	1,690	907	188	126
Interest expenses	**56,453**	**4,389**	**119**	**3,934**	**3,582**	**439**	**81**
Personnel provisions	5,923	0	0	0	0	0	4
Interest expenses for liabilities to financial institutions	40	0	0	0	0	0	0
Interest expenses for financing liabilities	3,095	0	0	0	0	25	0
Interest expenses for subordinate liabilities	35,987	1,083	0	533	109	367	0
Other interest expenses	11,408	3,306	119	3,401	3,473	47	77
Other expenses	**78,284**	**21,891**	**1,020**	**5,037**	**2,389**	**806**	**957**
Managed Portfolio Fees	4,405	1,877	148	1,554	683	50	307
Asset management expenses	58,959	2,435	897	3,483	1,694	635	650
Other expenses	14,920	17,579	-25	0	12	121	0
Total expenses	**189,122**	**51,496**	**3,952**	**13,701**	**8,551**	**3,089**	**1,641**

Composition	2018						
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Current income	4,157	11,200	37,980	20,207	400,010	-64,583	1,358,192
Income from appreciation	402	0	455	143	160	0	13,054
of which a reduction in impairment	0	0	426	24	0	0	633
Gains from disposal of investments	1,415	425	3,619	734	21,413	0	148,135
Other income	20,100	319	930	392	2,989	0	119,037
Total income	**26,074**	**11,944**	**42,984**	**21,476**	**424,572**	**-64,583**	**1,638,418**
Depreciation of investment	1,708	115	1,798	809	126,185	0	191,042
of which impairment of investments	55	0	706	319	11,094	0	17,343
Exchange rate differences	295	-251	4,155	126	13,947	0	11,521
Losses from disposal of investments	713	1,322	48	156	3,537	0	44,271
Interest expenses	**355**	**2,179**	**456**	**180**	**114,377**	**-64,510**	**122,034**
Personnel provisions	0	0	0	0	750	0	6,677
Interest expenses for liabilities to financial institutions	0	0	0	0	12,287	0	12,327
Interest expenses for financing liabilities	144	82	33	0	44,968	-28,385	19,962
Interest expenses for subordinate liabilities	160	0	0	0	50,000	-22,969	65,270
Other interest expenses	51	2,097	423	180	6,372	-13,156	17,798
Other expenses	**11,873**	**815**	**1,924**	**993**	**140,536**	**0**	**266,525**
Managed Portfolio Fees	170	9	391	0	213	0	9,807
Asset management expenses	11,549	757	1,132	967	138,564	0	221,722
Other expenses	154	49	401	26	1,759	0	34,996
Total expenses	**14,944**	**4,180**	**8,381**	**2,264**	**398,582**	**-64,510**	**635,393**

Please see Note 2.1. Land and buildings on page 145 for information on operating expenses for investment property.

Composition	2017						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Current income	746,656	96,067	43,384	22,051	16,294	7,048	6,098
Income from appreciation	11,050	3,379	3,048	4,189	132	781	0
of which a reduction in impairment	6,035	0	0	0	0	0	0
Gains from disposal of investments	58,958	29,128	10,666	4,346	2,111	163	1,300
Other income	56,398	7,220	1,292	11,333	823	55	1,964
Total income	873,062	135,794	58,390	41,919	19,360	8,047	9,362
Depreciation of investment	77,363	6,154	3,426	5,447	1,375	842	704
of which impairment of investments	6,083	0	0	3,750	91	19	485
Exchange rate differences	110	22,366	27	2,972	-900	0	432
Losses from disposal of investments	17,235	8,073	104	900	27	53	481
Interest expenses	51,066	2,700	117	3,927	2,787	313	286
Personnel provisions	5,221	0	0	0	0	0	0
Interest expenses for liabilities to financial institutions	1,846	0	0	0	0	0	6
Interest expenses for financing liabilities	1,433	0	0	0	0	0	0
Interest expenses for subordinate liabilities	30,557	1,055	0	521	1,074	276	203
Other interest expenses	12,009	1,645	117	3,406	1,713	37	77
Other expenses	71,514	6,641	1,111	4,178	2,782	731	1,074
Managed Portfolio Fees	3,962	2,632	140	1,754	746	72	359
Asset management expenses	57,756	1,287	870	2,424	1,691	639	715
Other expenses	9,796	2,722	101	0	345	20	0
Total expenses	217,288	45,934	4,785	17,424	6,071	1,939	2,977

Composition	2017						
	Bulgaria	Turkey/ Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Current income	4,027	10,279	35,653	20,908	372,961	-58,407	1,323,019
Income from appreciation	1,039	1,912	691	259	1,281	0	27,761
of which a reduction in impairment	0	0	651	8	1,119	0	7,813
Gains from disposal of investments	1,832	92	5,212	2,275	15,397	0	131,480
Other income	20,097	1,036	926	380	3,642	-476	104,690
Total income	26,995	13,319	42,482	23,822	393,281	-58,883	1,586,950
Depreciation of investment	2,977	2,095	2,309	1,215	134,473	0	238,380
of which impairment of investments	1,625	0	1,219	0	22,080	0	35,352
Exchange rate differences	580	-552	8,359	2	-15,725	0	17,671
Losses from disposal of investments	553	38	492	136	4,569	0	32,661
Interest expenses	351	1,452	649	168	119,126	-58,454	124,488
Personnel provisions	0	0	0	0	621	0	5,842
Interest expenses for liabilities to financial institutions	0	0	0	0	14,191	0	16,043
Interest expenses for financing liabilities	146	100	62	0	49,490	-28,062	23,169
Interest expenses for subordinate liabilities	160	0	138	0	48,136	-21,617	60,503
Other interest expenses	45	1,352	449	168	6,688	-8,775	18,931
Other expenses	13,179	1,294	2,004	1,031	187,137	-452	292,224
Managed Portfolio Fees	163	12	417	0	214	0	10,471
Asset management expenses	12,367	215	1,252	906	182,450	0	262,572
Other expenses	649	1,067	335	125	4,473	-452	19,181
Total expenses	17,640	4,327	13,813	2,552	429,580	-58,906	705,424

Composition	2018			2017		
Income	Current income	Income from appreciation	Gains from disposal of investments	Current income	Income from appreciation	Gains from disposal of investments
in EUR '000						
Land and buildings	**411,726**	**547**	**42,589**	388,466	7,721	16,103
Self-used land and buildings	19,837	114	356	20,370	2,264	239
Investment property	391,889	433	42,233	368,096	5,457	15,864
Loans	**91,089**	**85**	**783**	101,533	92	8,982
Loans	41,025	85	777	44,776	92	2
Reclassified loans	9,431	0	3	13,464	0	1,043
Bonds classified as loans	40,633	0	3	43,293	0	7,937
Financial instruments held to maturity	**81,137**	**0**	**0**	80,656	0	50
Government bonds	70,221	0	0	69,710	0	50
Covered bonds	8,116	0	0	8,104	0	0
Corporate bonds	2,112	0	0	2,244	0	0
Bonds from banks	688	0	0	598	0	0
Financial instruments reclassified as held to maturity	**30,630**	**0**	**61**	33,373	0	0
Government bonds	29,875	0	61	31,413	0	0
Covered bonds	79	0	0	1,299	0	0
Bonds from banks	676	0	0	661	0	0
Financial instruments available for sale	**668,850**	**0**	**86,482**	656,618	0	83,870
Bonds	573,892	0	15,998	570,976	0	30,485
Government bonds	274,450	0	12,662	276,734	0	17,351
Covered bonds	42,616	0	1,386	45,559	0	438
Corporate bonds	128,081	0	1,044	115,078	0	8,665
Bonds from banks	93,531	0	482	94,501	0	2,280
Subordinated bonds	35,214	0	424	39,104	0	1,751
Shares and other participations	49,520	0	22,206	30,206	0	33,933
Investment funds	45,438	0	48,278	55,436	0	19,452
Financial instruments recognised at fair value through profit and loss*	**5,117**	**12,422**	**16,575**	6,708	19,948	22,460
Bonds	3,958	2,861	405	5,790	8,681	379
Government bonds	2,021	401	355	2,686	3,414	184
Covered bonds	65	78	0	0	0	0
Corporate bonds	163	27	0	257	508	68
Bonds from banks	1,350	1,398	43	2,539	3,785	108
Subordinated bonds	359	957	7	308	974	19
Shares and other non-fixed-interest securities	396	1,940	1,547	534	6,627	1,779
Investment funds	641	2,348	269	305	3,429	404
Derivatives	122	5,273	14,354	79	1,211	19,898
Other investments	22,947	0	1,645	20,112	0	15
Unit-linked and index-linked life insurance	46,696	0	0	35,553	0	0
Total	**1,358,192**	**13,054**	**148,135**	1,323,019	27,761	131,480
thereof participations	7,699		169	6,845		423

*Including held for trading

EUR 94,366,000 (EUR 59,302,000) for financial instruments available for sale was reclassified from shareholders' equity to the income statement in the current reporting period.

Composition Expenses	2018 Depreciation of investments	2018 Exchange rate differences	2018 Losses from disposal of investments	2017 Depreciation of investments	2017 Exchange rate differences	2017 Losses from disposal of investments
in EUR '000						
Land and buildings	**171,503**	**0**	**910**	200,049	0	114
Self-used land and buildings	15,622	0	118	20,589	0	17
Investment property	155,881	0	792	179,460	0	97
Loans	**446**	**-147**	**62**	6,698	450	7,370
Loans	446	-83	0	6,698	530	0
Reclassified loans	0	0	62	0	0	98
Bonds classified as loans	0	-64	0	0	-80	7,272
Financial instruments held to maturity	**0**	**815**	**0**	429	1,790	0
Government bonds	0	815	0	0	1,769	0
Corporate bonds	0	0	0	429	21	0
Financial instruments reclassified as held to maturity	**0**	**736**	**0**	0	315	0
Government bonds	0	736	0	0	315	0
Financial instruments available for sale	**6,675**	**-5,380**	**14,573**	8,457	32,425	15,751
Bonds	15	-321	1,763	316	14,100	3,989
Government bonds	0	66	1,033	0	9,825	3,146
Covered bonds	0	356	265	0	625	226
Corporate bonds	15	-617	373	315	1,501	296
Bonds from banks	0	-126	37	0	702	244
Subordinated bonds	0	0	55	1	1,447	77
Shares and other participations	5,816	-151	401	6,965	455	994
Investment funds	844	-4,908	12,409	1,176	17,870	10,768
Financial instruments recognised at fair value through profit and loss*	**12,418**	**1,962**	**26,649**	22,747	-1,818	9,386
Bonds	5,404	35	1,073	7,542	40	1,569
Government bonds	1,426	0	963	2,855	30	43
Covered bonds	34	0	0	0	0	0
Corporate bonds	189	0	80	670	0	0
Bonds from banks	2,930	35	30	3,413	42	1,526
Subordinated bonds	825	0	0	604	-32	0
Shares and other non-fixed-interest securities	2,431	-3	3,174	1,625	5	423
Investment funds	4,532	-76	1,334	1,518	761	309
Derivatives	51	2,006	21,068	12,062	-2,624	7,085
Other investments	0	13,535	2,077	0	-15,491	40
Total	**191,042**	**11,521**	**44,271**	238,380	17,671	32,661
thereof impairment	17,343			35,352		
thereof participations	3,665		21	1,779		105

*Including held for trading

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.

17. RESULT FROM SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Composition	2018	2017
in EUR '000		
Income	34,453	42,754
Current result	34,453	42,754

18. OTHER INCOME AND EXPENSES

Composition	2018	2017
in EUR '000		
Other income	131,493	223,149
Underwriting	60,730	148,465
Non-underwriting	70,763	74,684
Other expenses	325,204	301,572
Underwriting	192,759	156,931
Non-underwriting	132,445	144,641

Details of other income	2018	2017
in EUR '000		
Other income	131,493	223,149
thereof compensation for services performed	8,723	7,270
thereof release of other provisions	15,991	20,551
thereof fees of all kinds	20,087	25,069
thereof exchange rate gains	30,852	94,429
thereof reversal of allowances for receivables and receipt of payment for written-off receivables	13,427	22,494

The decrease in exchange rate gains compared to the previous year was mainly caused by fluctuations in the Swiss franc and euro exchange rate. This exchange rate effect is neutral with respect to the Group result, since an offsetting change takes place in the underwriting result.

Details of other expenses	2018	2017
in EUR '000		
Other expenses	325,204	301,572
thereof adjustments (not including investments)	38,918	44,967
thereof write-downs of the insurance portfolio and customer base	7,081	19,919
thereof brokering expenses	20,832	22,259
thereof underwriting taxes	31,040	26,074
thereof exchange rate losses	45,940	42,896
thereof other contributions and fees	15,244	15,254
thereof expenses for government-imposed contributions	26,091	23,837
thereof impairment of goodwill and trademarks*	55,222	27,262

*The impairment in the current reporting year mainly concern the CGU groups of Romania and Turkey. The impairment in the previous year mainly concerns the CGU group Ukraine, Moldova and Albania incl. Kosovo as well as the Asirom trademark.

19. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Composition	2018	2017
in EUR '000		
Expenses for claims and insurance benefits – gross	**7,374,913**	**7,366,621**
Payments for claims and insurance benefits	6,953,408	6,635,605
Changes in the provision for outstanding claims	271,254	288,240
Change in mathematical reserve	-92,942	322,131
Change in other underwriting provisions	2,738	-13,597
Expenses for profit-related and profit-unrelated premium refunds	240,455	134,242
Expenses for claims and insurance benefits – reinsurers´ share	**-427,906**	**-494,033**
Payments for claims and insurance benefits	-368,010	-396,592
Changes in the provision for outstanding claims	-55,291	-91,695
Change in mathematical reserve	870	2,481
Change in other underwriting provisions	-1,035	48
Expenses for profit-unrelated premium refunds	-4,440	-8,275
Expenses for claims and insurance benefits – retention	**6,947,007**	**6,872,588**
Payments for claims and insurance benefits	6,585,398	6,239,013
Changes in the provision for outstanding claims	215,963	196,545
Change in mathematical reserve	-92,072	324,612
Change in other underwriting provisions	1,703	-13,549
Expenses for profit-related and profit-unrelated premium refunds	236,015	125,967

20. ACQUISITION AND ADMINISTRATIVE EXPENSES

Composition	2018	2017
in EUR '000		
Acquisition expenses	**1,866,305**	**1,769,054**
Commission expenses*	1,273,920	1,215,061
Pro rata personnel expenses	341,739	316,250
Pro rata material expenses	250,646	237,743
Administrative expenses	**423,560**	**414,666**
Pro rata personnel expenses	196,656	190,756
Pro rata material expenses	226,904	223,910
Reinsurance commissions	-149,172	-143,438
Total	**2,140,693**	**2,040,282**

*Includes commissions of EUR 1,214,330,000 (EUR 1,170,489,000) for direct insurance business.

21. TAXES

Composition in EUR '000	2018	2017
Actual taxes	127,837	89,287
from the current period	125,078	105,400
from previous periods	2,759	-16,113
Deferred taxes	-10,360	-19,329
Change of deferred taxes in the current year	-23,142	-10,212
Deferred taxes due to temporary differences relating to other periods	-6,059	-9,265
Deferred taxes due to loss carry forwards relating to other periods	18,841	148
Total	117,477	69,958

Reconciliation in EUR '000	2018	2017
Expected tax rate in %	25.0%	25.0%
Result before taxes	485,429	442,549
Expected tax expenses	121,357	110,637
Adjusted for tax effects due to:		
Different local tax rate	-18,596	-21,682
Change of tax rates	1,136	-6,212
Non-deductible expenses	42,658	53,636
Income not subject to tax	-48,843	-58,157
Taxes from previous years	18,245	-25,230
Non-recognition/reduction of deferred tax assets due to temporary differences	605	-480
Non-recognition/reduction of deferred tax assets due to loss carry forwards	-16,999	-6,650
Effects due to group taxation/profit transfers	-2,317	4,425
Tax effects due to deferred profit participation	18,995	12,294
Others	1,236	7,377
Effective tax expenses	117,477	69,958
Effective tax rate in %	24.2%	15.8%

The income tax rate of the parent company VIG Holding is used as the Group tax rate.

ADDITIONAL DISCLOSURES

22. 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 121.

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	2018				
	Book value	Level 1	Level 2	Level 3	Fair value
in EUR '000					
Land and buildings excluding non-profit societies	**2,192,347**	**0**	**67,794**	**3,415,254**	**3,483,048**
Self-used land and buildings	454,459	0	36,498	661,745	698,243
Investment property	1,737,888	0	31,296	2,753,509	2,784,805
Land and buildings non-profit societies	**3,773,319**				
Self-used land and buildings	4,522				
Investment property	3,768,797				
Loans	**2,455,264**	**171,347**	**2,418,648**	**141,824**	**2,731,819**
Loans	1,349,605	0	1,314,694	126,613	1,441,307
Reclassified loans	179,522	82,941	125,890	0	208,831
Bonds classified as loans	926,137	88,406	978,064	15,211	1,081,681
Other securities	**26,745,279**	**22,413,671**	**3,861,053**	**756,279**	**27,031,003**
Financial instruments held to maturity	2,371,009	2,207,471	361,127	8,684	2,577,282
Financial instruments reclassified as held to maturity	564,992	626,858	17,585	0	644,443
Financial instruments available for sale	23,481,693	19,451,543	3,396,763	633,387	23,481,693
Financial instruments recognised at fair value through profit and loss[1]	327,585	127,799	85,578	114,208	327,585
Other investments	**900,805**				**900,805**
Investments for unit-linked and index-linked life insurance	**8,048,622**	**8,048,622**			**8,048,622**
Subordinated liabilities	**1,458,681**	**0**	**1,534,579**	**21,119**	**1,555,698**
Liabilities to financial institutions	**1,230,601**				**1,230,601**
thereof non-profit societies	1,048,047				1,048,047
Financing liabilities[2]	**1,513,496**				**1,513,496**
thereof non-profit societies	1,438,915				1,438,915

[1] Including held for trading
[2] Not including lease liabilities and derivative 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 same applies to their financing loans and bonds, whose terms are determined by the special nature of the non-profit sector and consequently are not available in this form to companies outside this sector. As a result, no market can be found for these forms of financing either.

Fair values and book values of financial instruments and other investments	2017				
	Book value	Level 1	Level 2	Level 3	Fair value
in EUR '000					
Land and buildings excluding non-profit societies	2,068,351	0	72,101	3,179,063	3,251,164
Self-used land and buildings	429,086	0	40,432	632,503	672,935
Investment property	1,639,265	0	31,669	2,546,560	2,578,229
Land and buildings non-profit societies	3,616,247				
Self-used land and buildings	1,820				
Investment property	3,614,427				
Loans	2,588,679	261,277	2,479,234	196,127	2,936,638
Loans	1,394,260	0	1,330,410	181,086	1,511,496
Reclassified loans	241,511	127,478	160,665	0	288,143
Bonds classified as loans	952,908	133,799	988,159	15,041	1,136,999
Other securities	26,683,093	23,571,234	3,209,867	312,333	27,093,434
Financial instruments held to maturity	2,443,702	2,367,296	360,487	8,426	2,736,209
Financial instruments reclassified as held to maturity	683,747	782,948	18,633	0	801,581
Financial instruments available for sale	23,220,303	20,259,701	2,696,134	264,468	23,220,303
Financial instruments recognised at fair value through profit and loss[1]	335,341	161,289	134,613	39,439	335,341
Other investments	678,388				678,388
Investments for unit-linked and index-linked life insurance	9,061,073	9,061,073			9,061,073
Subordinated liabilities	1,458,839	0	1,515,965	21,732	1,537,697
Liabilities to financial institutions	1,201,031				1,201,031
thereof non-profit societies	1,040,498				1,040,498
Financing liabilities[2]	1,476,569				1,476,569
thereof non-profit societies	1,417,446				1,417,446

[1] Including held for trading
[2] Not including lease liabilities and derivative liabilities

Land and buildings excluding non-profit societies	Fair value	
	31.12.2018	31.12.2017
in EUR '000		
Self-used land and buildings	698,243	672,935
evaluated by an independent expert	279,907	281,886
evaluated by an internal expert	418,336	391,049
Investment property	2,784,805	2,578,229
evaluated by an independent expert*	879,367	847,393
evaluated by an internal expert	1,905,438	1,730,836

*This corresponds to 31.58% (32.87%) of the fair value of investment property.

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 asset, the asset is generally measured using valuation reports prepared by appraisers (e.g. expert reports). The organisational units responsible for appraisal of 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 within the Group to value a particular security on each valuation date. In practice, however, situations occur when the cost of process compliance would be inappropriate. 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 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 through profit and loss (incl. held for trading),
- 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 (only for property and to determine maintenance expenses), and
- discounted cash flow method.

Each time valuation is performed, the methods are verified, which allows the fair value of a property to be calculated. The Group mainly uses the capitalised earnings method. In rare cases, the asset value method or discounted cash flow method is also used, provided it can be used to determine the highest and best use value for the property type.

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. 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 represents a market-oriented method. This method is, as a rule, used to determine the value of undeveloped property. Land value is generally determined using the residual value method, with a premium or discount for overuse/underuse applied since 2018 instead of a development discount. A usable area study is performed to determine whether overuse or underuse exists.

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-allocable 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 can 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 a write-up or write-down 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 16. Financial result excl. result from at equity consolidated companies starting on page 174 or Note 18. Other income and expenses on page 180.

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	2018				
	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	122	0	1	3	53
Financial instruments recognised at fair value through profit and loss*	5	0	0	0	9
Total	**127**	**0**	**1**	**3**	**62**

*Including held for trading

Reclassifications from Level 1 to Level 3 took place based on the non-availability of prices or comparable financial instruments used for measurement. The reclassifications from Level 3 to Level 2 were performed due to consolidation effects between the measurement hierarchies. Financial instruments whose unobservable input factors now have a greater influence on fair value than the observable factors were reclassified from Level 2 to Level 3.

Reclassification of financial instruments	2017				
	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	22	5	10	7	8
Financial instruments recognised at fair value through profit and loss*	2	0	3	0	0
Total	24	5	13	7	8

*Including held for trading

The reclassifications between Level 1 and Level 2 are primarily due to changes in liquidity, trading frequency and trading activity. The reclassifications to Level 3 were performed due to consolidation effects between the measurement hierarchies, and reclassifications from Level 3 to Level 1 in the financial instruments available for sale category were performed for the same reason.

Hierarchy for financial instruments measured at fair value

Measurement hierarchy	Level 1		Level 2		Level 3	
Financial instruments recognised at fair value	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in EUR '000						
Financial assets						
Financial instruments available for sale	19,451,543	20,259,701	3,396,763	2,696,134	633,387	264,468
Bonds	17,352,412	17,693,862	3,327,159	2,559,555	331,579	58,129
Shares and other participations	413,903	534,841	35	92,359	256,439	206,339
Investment funds	1,685,228	2,030,998	69,569	44,220	45,369	0
Financial instruments recognised at fair value through profit and loss*	127,799	161,289	85,578	134,613	114,208	39,439
Bonds	51,637	80,713	62,252	112,607	71,985	14,209
Shares and other non-fixed-interest securities	15,715	21,746	162	19,887	11,220	0
Investment funds	60,447	57,738	21,642	938	5,002	3,169
Derivatives	0	1,092	1,522	1,181	26,001	22,061
Investments for unit-linked and index-linked life insurance	8,048,622	9,061,073				

*Including held for trading

The unrealised effect on the result (net profit or loss) from Level 3 financial instruments that are still in the portfolio and whose fair value is recognised in the income statement was EUR 5,917,000 during the reporting year (EUR -11,153,000).

Unobservable input factors

Asset class	Measurement methods	Unobservable input factors	Range
Real estate	Market value	Capitalisation rate	1%–7%
		Rental income	EUR 3,000–EUR 3,702,000
		Land prices	EUR 0–EUR 6,000
	Discounted Cash flow	Capitalisation rate	4.00%–9.09%
		Rental income	EUR 88,000–EUR 4,090,000
Financial instruments available for sale	Hull-White present value method	Rating-dependent spreads	0.13%–5.32%

Sensitivities

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

The most important bonds measured using a level 3 method in the financial instruments available for sale category are held by the Austrian, Czech and Polish companies and show the following sensitivities:

Financial instruments available for sale – loans	Fair Value
in EUR '000	
Fair value at 31.12.2018	330,571
Rating-dependent spread +50bp	-6,902
Effect on the statement of comprehensive income	-6,902

The following sensitivities result from calculations using the Solvency II partial internal model:

Real estate	Fair Value
in EUR '000	
Fair value at 31.12.2018	2,764,679
Rental income -5%	2,665,085
Rental income +5%	2,866,822
Capitalisation rate -50bp	2,908,553
Capitalisation rate +50bp	2,642,801
Land prices -5%	2,732,174
Land prices +5%	2,799,107

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

Reconciliation of financial assets and liabilities

Development of financial instruments by Level	Financial instruments available for sale					
	31.12.2018			31.12.2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in EUR '000						
Fair value at 31.12 of the previous year	20,259,701	2,696,134	264,468	18,943,142	2,650,989	257,117
Exchange rate differences	-16,756	-2,583	-971	27,737	6,480	589
Fair value at 1.1.	20,242,945	2,693,551	263,497	18,970,879	2,657,469	257,706
Reclassification between securities categories	8,467	456	-9,643	-1,655	0	-9,021
Reclassification to Level	0	869,556	451,791	14,168	108,277	30,475
Reclassification from Level	-853,697	-446,525	-21,125	-115,421	-17,727	-19,772
Additions	2,817,914	476,373	98,065	3,813,979	332,764	40,884
Disposals	-2,034,200	-164,112	-72,291	-2,515,668	-404,569	-46,451
Change in the scope of consolidation	7,048	35	-47,872	46,066	16	208
Changes in value recognised in profit and loss	0	0	0	0	0	0
Changes recognised directly in equity	-735,540	-32,571	-23,754	51,827	21,833	12,493
Impairments	-1,394	0	-5,281	-4,474	-1,929	-2,054
Fair value at 31.12.	19,451,543	3,396,763	633,387	20,259,701	2,696,134	264,468

Development of financial instruments by Level	Financial instruments recognised at fair value through profit and loss*					
	31.12.2018			31.12.2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in EUR '000						
Fair value at 31.12 of the previous year	161,289	134,613	39,439	256,865	144,416	60,009
Exchange rate differences	-3,480	-998	21	2,001	3,236	332
Fair value at 1.1.	157,809	133,615	39,460	258,866	147,652	60,341
Reclassification between securities categories	-7,484	20,678	617	-1,988	0	0
Reclassification to Level	0	13,771	58,245	1,749	129	1,846
Reclassification from Level	-13,771	-58,245	0	-1,846	-1,749	-129
Additions	277,000	12,171	83,822	140,490	31,087	2,801
Disposals	-279,976	-36,722	-73,347	-239,726	-47,418	-14,078
Changes in value recognised in profit and loss	-5,779	310	5,411	3,744	4,912	-11,342
Changes recognised directly in equity	0	0	0	0	0	0
Fair value at 31.12.	127,799	85,578	114,208	161,289	134,613	39,439

*Including held for trading

Please refer to Note 16. Financial result excl. result from at equity consolidated companies on page 174 for information on the effects of changes in value recognised in profit and loss.

Development of financial instruments assigned to Level 3	Subordinated liabilities	
	31.12.2018	31.12.2017
in EUR '000		
Fair value at 31.12 of the previous year	21,732	20,807
Exchange rate differences	-158	1,202
Fair value at 1.1.	21,574	22,009
Reclassification to Level 3	0	0
Reclassification from Level 3	0	0
Changes in value recognised in profit and loss	-455	-277
Changes recognised directly in equity	0	0
Fair value at 31.12.	21,119	21,732

23. NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES

Employee statistics	2018	2017
Number		
Field staff	13,885	13,609
Office staff	12,062	11,450
Total	25,947	25,059

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

The number of employees in the Central Functions segment includes 685 employees (previous year: 682) of the non-profit societies (including their subsidiaries).

Personnel expenses	2018	2017
in EUR '000		
Wages and salaries	560,386	506,741
Expenses for severance benefits and payments to company pension plans	5,688	7,139
Expenses for retirement provisions	18,423	17,192
Mandatory social security contributions and expenses	157,876	156,159
Other social security expenses	20,070	18,039
Total	**762,443**	**705,270**
thereof field staff	337,858	312,239
thereof office staff	424,585	393,031

Supervisory board and managing board compensation (gross)	2018	2017
in EUR '000		
Compensation paid to Supervisory Board members	461	494
Total payments to former members of the Managing Board or their survivors	1,650	719
Provision for future pension and severance obligations of Managing Board members	2,746	1,588
Provision for other future long-term claims of Managing Board members	4,430	2,392
Compensation paid to active Managing Board members	5,031	4,511
Total	**14,318**	**9,704**

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 appropriateness of the remuneration in 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 reporting 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 2018 is around 60% of fixed salary. 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 around 80% to 105% of their fixed compensation in this way.

Large parts of performance-related compensation are only paid after a delay. The delay for the 2018 financial year extends to 2022. The deferred portions are awarded based on the sustainable performance of the Group.

The Managing Board is not entitled to performance-related compensation if performance fails to meet certain thresholds. Even if the targets are fully met in a given financial year, because of the focus on sustainability, the full variable compensation is only awarded if the Group also achieves sustainable performance in the three following years.

The main performance criteria for variable compensation in 2018 were the combined ratio, premium growth, result before taxes and – as a non-financial objective – the promotion of social responsibility in practice, and for bonus compensation those were country-specific targets and requirements related to cooperations.

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

The standard employment contract for a member of the Managing Board of the Company includes – depending, among other things, on the length of time with the Group – 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). This pension amount can be increased in individual cases if work continues past the maximum pension age, since a pension is not drawn during this period.

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.

The contracts for individual Managing Board members who have been active in the Group for a long time provide for a severance payment structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable industry-specific provisions. This allows these 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 by their own choice, without agreement with the Company, before retirement is possible, or leaves due to their own fault, is not entitled to severance payment.

The provisions of the Austrian Employee and Employment Provisions Act apply to the remaining Managing Board Member's contracts.

Managing Board Members are provided with a company car for both business and personal use. The members of the Managing Board received EUR 5,031,000 (EUR 4,511,000) from the Company during the reporting period for their services. The members of the Managing Board received EUR 803,000 (EUR 608,000) from subsidiaries during the reporting period.

Former members of the Managing Board received EUR 1,650,000 (EUR 719,000). Former members of the Managing Board received EUR 728,000 (EUR 347,000) from subsidiaries during the reporting period.

The Managing Board had five members in January 2018 and six members starting in February 2018.

24. AUDITING FEES AND AUDITING SERVICES

Composition	2018	2017
in EUR '000		
Audit of consolidated financial statements	251	243
Audit of parent company financial statements	66	56
Other audit services	343	357
Tax advisory fees	4	6
Other fees	532	354
Total	**1,196**	1,016

25. BODIES OF THE COMPANY

The Supervisory Board had the following Members:

Chairman:
Günter Geyer

1st Deputy Chairman:
Rudolf Ertl

2nd Deputy Chairwoman:
Maria Kubitschek

Members:
Bernhard Backovsky
Martina Dobringer
Gerhard Fabisch
Heinz Öhler
Georg Riedl
Gabriele Semmelrock-Werzer
Gertrude Tumpel-Gugerell

The Managing Board had the following Members:

Chairwoman:
Elisabeth Stadler

Members:
Franz Fuchs
Judit Havasi
Liane Hirner (since 1 February 2018) (CFO since 1 July 2018)
Peter Höfinger
Martin Simhandl (until 30 June 2018)
Peter Thirring (since 1 July 2018)

Substitute members of the Managing Board
Gábor Lehel
Gerhard Lahner (since 1 January 2019)

26. PARTICIPATIONS – DETAILS

Affiliated companies and participations of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Country of domicile	Equity interest 2018[1]	Equity interest 2017[1]	Equity 2018[2]	Equity 2017[2]
		in %	in %	in EUR '000	in EUR '000
Fully consolidated companies					
"BULSTRAD LIFE VIENNA INSURANCE GROUP" JOINT STOCK COMPANY, Sofia	Bulgaria	100.00	100.00	15,043	14,825
"Compensa Services" SIA, Riga	Latvia	100.00	100.00	-387	-559
"Compensa Vienna Insurance Group", ADB, Vilnius	Lithuania	100.00	100.00	27,060	21,161
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00	100.00	39,826	39,844
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	100.00	100.00	143,595	137,705
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.84	94.84	184,226	168,210
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00	100.00	26,682	27,197
Anif-Residenz GmbH & Co KG, Vienna	Austria	100.00	100.00	14,944	14,844
arithmetica Consulting GmbH, Vienna	Austria	100.00	100.00	479	571
Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest	Romania	99.65	99.65	61,517	99,106
ATBIH GmbH, Vienna	Austria	100.00	100.00	152,496	163,366
BCR Asigurări de Viaţă Vienna Insurance Group S.A., Bucharest	Romania	94.00	93.98	41,761	36,384
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00	100.00	4,508	4,841
BTA Baltic Insurance Company AAS, Riga	Latvia	90.83	90.83	51,196	54,498
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00	100.00	-561	-521
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	100.00	33,889	33,249
CAL ICAL "Globus", Kiev	Ukraine	100.00	100.00	3,403	2,407
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100.00	100.00	948	688
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00	80.00	-479	-513
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00	100.00	9,635	7,217
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00	100.00	103,670	101,946
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chişinău	Moldova	99.99	99.99	4,556	4,466
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00	100.00	34,479	36,037
Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	99.97	100.00	61,848	47,659
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.94	99.94	102,112	94,738
CP Solutions a.s., Prague	Czech Republic	100.00	100.00	15,705	15,761
DBLV Immobesitz GmbH, Vienna	Austria	100.00	100.00	42	41
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00	100.00	2,080	1,691
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	100.00	10,496	10,492
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	100.00	21	21
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00	100.00	2,996	3,018
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00	100.00	93,630	90,556
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	100.00	99.24	91,072	90,654
DVIB GmbH, Vienna	Austria	100.00	100.00	92,601	89,419
ELVP Beteiligungen GmbH, Vienna	Austria	100.00	100.00	23,315	23,317
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77	99.77	281,985	277,343
Floridsdorf am Spitz 4 Immobilienverwertungs GmbH, Vienna	Austria	100.00	100.00	18,743	18,895
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00	55.00	288,382	274,295

Company	Country of domicile	Equity interest 2018[1]	Equity interest 2017[1]	Equity 2018[2]	Equity 2017[2]
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	99.92	99.92	128,184	121,817
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	30,110	29,391
Insurance Company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo	Bosnia-Herzegovina	100.00		8,550	
Insurance Company Nova Ins EAD, Sofia	Bulgaria	100.00	100.00	5,163	6,192
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	100.00	100.00	41,639	38,055
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	100.00	99.99	90,334	88,171
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	100.00	51,370	49,970
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.98	89.98	4,873	3,950
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90.00	90.00	15,973	11,474
Joint Stock Company International Insurance Company IRAO, Tbilisi	Georgia	100.00	100.00	5,545	4,179
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	North Macedonia	100.00	100.00	6,300	5,938
Kaiserstraße 113 GmbH, Vienna	Austria	100.00	100.00	2,445	2,412
KÁLVIN TOWER Ingatlanfejlesztési és Beruházási Korlátolt Felelősségű Társaság, Budapest	Hungary	100.00	100.00	2,463	2,113
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00	100.00	3,226	3,236
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	100.00	41,844	47,760
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	98.47	100.00	329,936	304,709
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	97.28	98.39	1,208,917	490,464
Limited Liability Company "UIG Consulting", Kiev	Ukraine	100.00	100.00	6,124	5,250
LVP Holding GmbH, Vienna	Austria	100.00	100.00	635,223	567,543
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	128,681	118,123
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00	100.00	26,442	26,423
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz	Austria	99.82	99.82	185,707	173,718
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	61.00	61.00	105,218	102,224
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG, Vienna	Austria	100.00	100.00	37,248	28,461
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.50	99.50	145,853	151,233
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55	56.55	19,732	20,819
Passat Real Sp. z o.o., Warsaw	Poland	100.00	100.00	-118	438
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58	92.58	26,539	22,269
PFG Holding GmbH, Vienna	Austria	89.23	89.23	123,732	123,224
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88	92.88	13,196	16,860
Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice	Czech Republic	100.00	95.00	150,050	159,009
Porzellangasse 4 Liegenschaftsverwaltung GmbH & Co KG, Vienna	Austria	100.00	100.00	11,879	11,086
PRIVATE JOINT-STOCK COMPANY "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80	97.80	1,674	1,442
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100.00	100.00	9,723	8,705
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99	99.99	4,750	1,492
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	70.00	60.00	18,112	18,182
Projektbau GesmbH, Vienna	Austria	100.00	100.00	15,785	15,981
Projektbau Holding GmbH, Vienna	Austria	90.00	90.00	8,007	18,508

Company	Country of domicile	Equity interest 2018[1]	Equity interest 2017[1]	Equity 2018[2]	Equity 2017[2]
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100.00	100.00	1,340	1,261
Ray Sigorta A.Ş., Istanbul	Turkey	94.96	94.96	37,737	43,279
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00	100.00	7,726	7,769
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00	100.00	37	38
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	100.00	7,443	7,512
Seesam Insurance AS, Tallinn	Estonia	100.00		50,646	
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	Austria	100.00	100.00	-5,967	-5,608
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	66.70	8,607	8,668
Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana	Albania	89.05	89.05	13,240	12,414
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	54.17	54.17	324,188	315,547
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group, Skopje	North Macedonia	94.26	94.26	25,776	24,593
SVZ GmbH, Vienna	Austria	100.00	100.00	154,635	133,570
SVZD GmbH, Vienna	Austria	100.00	100.00	54,732	32
SVZI GmbH, Vienna	Austria	100.00	100.00	158,974	137,185
T 125 GmbH, Vienna	Austria	100.00	100.00	9,252	9,222
TBI BULGARIA EAD in liquidation, Sofia	Bulgaria	100.00	100.00	40,528	40,640
TECHBASE Science Park Vienna GmbH, Vienna	Austria	100.00		12,649	
twinformatics GmbH, Vienna	Austria	100.00	100.00	1,564	1,553
UAB "Compensa Services", Vilnius	Lithuania	100.00	100.00	861	158
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	98.64	100.00	53,600	33,569
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00	100.00	11,041	12,363
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	51.46	51.46	125,363	118,560
V.I.G. ND, a.s., Prague	Czech Republic	100.00	100.00	92,049	93,063
Vienibas Gatve Investments OÜ, Tallinn	Estonia	100.00	100.00	-212	-151
Vienibas Gatve Properties SIA, Riga	Latvia	100.00	100.00	1,711	1,647
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	100.00	11,609	12,164
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	750	2,417
VIG-AT Beteiligungen GmbH, Vienna	Austria	100.00	100.00	352,849	32
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00	100.00	129,729	112,106
VIG FUND, a.s., Prague (Consolidated Financial Statements)[3]	Czech Republic	100.00	100.00	170,635	139,189
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97	99.97	3,883	3,887
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00	100.00	168,887	169,614
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00	100.00	10,371	10,694
VIG Real Estate GmbH, Vienna	Austria	100.00	100.00	109,810	92,215
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00	100.00	142	30
VITEC Vienna Information Technology Consulting GmbH, Vienna	Austria	51.00	51.00	381	49
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	100.00	4,314	4,256
WGPV Holding GmbH, Vienna	Austria	100.00	100.00	106,570	105,278
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosnia-Herzegovina	100.00	100.00	8,871	6,011
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	97.82	97.82	92,621	78,374
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00	100.00	7,285	7,173
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00	100.00	50,746	44,048
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	97.75	99.90	501,900	987,437
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100.00	100.00	1,151	1,104

Company	Country of domicile	Equity interest 2018[1]	Equity interest 2017[1]	Equity 2018[2]	Equity 2017[2]
WILA GmbH, Vienna	Austria	100.00	100.00	4,733	4,695
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00	100.00	4,383	4,267
WOFIN Wohnungsfinanzierungs GmbH, Vienna	Austria	100.00	100.00	1,611	1,477
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00	100.00	5,328	4,340
WSV Beta Immoholding GmbH, Vienna	Austria	100.00	100.00	30,460	1,024
WSV Immoholding GmbH, Vienna	Austria	100.00	100.00	284,305	274,423
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00	100.00	4,379	1,583
WWG Beteiligungen GmbH, Vienna	Austria	87.07	87.07	86,157	83,626

Company	Country of domicile	Equity interest 2018[1]	Equity interest 2017[1]	Equity 2018[2]	Equity 2017[2]
		in %	in %	in EUR '000	in EUR '000
At equity consolidated companies					
AB Modřice, a.s., Prague	Czech Republic	100.00	100.00	383	390
AIS Servis, s.r.o., Brno	Czech Republic	100.00	100.00	2,320	2,066
Benefita, a.s., Prague	Czech Republic	100.00	100.00	1,315	597
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	25.00	17,172	15,571
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00	25.00	204,104	192,446
ČPP servis, s.r.o., Prague	Czech Republic	100.00	100.00	90	79
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	30.00	10,999	9,544
ERSTE d.o.o. - za upravljanje obveznim i dobrovljnim mirovinskim fondovima, Zagreb	Croatia	25.30	25.30	15,000	14,909
FinServis Plus, s.r.o, Prague	Czech Republic	100.00		12	
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	33.00	100,200	89,418
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100.00	100.00	4,567	4,186
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	100.00	392	741
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00	100.00	8,019	8,012
KIP, a.s., Prague	Czech Republic	100.00	100.00	9,141	9,252
Main Point Karlín II., a.s., Prague	Czech Republic	100.00	100.00	370	390
Pražská softwarová s.r.o., Prague	Czech Republic	100.00	100.00	40	38
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Consolidated Financial Statements)	Austria	36.58	36.58	91,077	85,024
S - budovy, a.s., Prague	Czech Republic	100.00	100.00	2,950	2,995
Sanatorium Astoria, a.s., Karlsbad	Czech Republic	100.00	100.00	5,084	5,193
SURPMO, a.s., Prague	Czech Republic	100.00	100.00	0	583
VBV - Betriebliche Altersvorsorge AG, Vienna (Consolidated Financial Statements)	Austria	23.71	23.71	218,660	203,938

Company	Country of domicile	Equity interest 2018[1]
		in %
Non-consolidated companies		
"Assistance Company Ukrainian Assistance Service" LLC, Kiev	Ukraine	100.00
"Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H., Vienna	Austria	20.13
"JAHORINA AUTO" d.o.o., Banja Luka	Bosnia-Herzegovina	100.00
"Medical Clinic DIYA" LLC, Kiev	Ukraine	100.00
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H., Linz	Austria	79.51
Akcionarsko društvo za životno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro (Rep.)	100.00
ALBA Services GmbH, Vienna	Austria	48.87
Amadi GmbH, Wiesbaden	Germany	100.00
Anif-Residenz GmbH, Vienna	Austria	97.75
AQUILA Hausmanagement GmbH, Vienna	Austria	97.75
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	48.87

Company	Country of domicile	Equity interest 2018[1]
Autosig SRL, Bucharest	Romania	99.50
B&A Insurance Consulting s.r.o., Moravská Ostrava	Czech Republic	48.45
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.94
Brunn N68 Sanierungs GmbH, Vienna	Austria	48.87
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00
Camelot Informatik und Consulting Gesellschaft m.b.H., Vienna	Austria	92.86
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	98.16
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	98.16
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	98.16
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	97.75
Compensa Dystrybucja Sp. z o. o., Warsaw	Poland	99.98
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	97.75
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	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	24.44
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	72.32
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	47.90
Erste Biztositasi Alkusz Kft, Budapest	Hungary	98.64
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	85.00
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	99.44
Finanzpartner GmbH, Vienna	Austria	48.87
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
GELUP GmbH, Vienna	Austria	32.58
GEO HOSPITALS LLC, Tbilisi	Georgia	93.50
GGVier Projekt-GmbH, Vienna	Austria	53.76
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	22.80
Global Assistance Polska Sp.z.o.o., Warsaw	Poland	99.99
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE SERVICES SRL, Bucharest	Romania	99.70
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	Slovakia	99.11
Global Services Bulgaria JSC, Sofia	Bulgaria	100.00
Hausservice Objektbewirtschaftungs GmbH, Vienna	Austria	20.72
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	98.29
Immodat GmbH, Vienna	Austria	20.72
IMOVE Immobilienverwertung- und -verwaltungs GmbH, Vienna	Austria	20.72
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
ITIS Sp.z.o.o., Warsaw	Poland	49.01
Joint Stock Company "Curatio", Tbilisi	Georgia	90.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje	North Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	48.87
Lead Equities II Auslandsbeteiligungs AG, Vienna	Austria	21.59
Lead Equities II.Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	22.80
MC EINS Investment GmbH, Vienna	Austria	48.87
Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvéntársaság, Budapest	Hungary	98.99
Nuveen Management Austria GmbH, Vienna	Austria	34.21
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	73.96

Company	Country of domicile	Equity interest 2018[1]
POLISA - ŻYCIE Ubezpieczenia Sp.z.o.o., Warsaw	Poland	99.97
Privat Joint-stock company "OWN SERVICE", Kiev	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
Risk Consult Bulgaria EOOD, Sofia	Bulgaria	51.00
Risk Consult Polska Sp.z.o.o., Warsaw	Poland	68.14
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi, Istanbul	Turkey	64.19
Risk Experts Risiko Engineering GmbH, Vienna	Austria	12.24
Risk Experts s.r.o., Bratislava	Slovakia	51.00
Risk Logics Risikoberatung GmbH, Vienna	Austria	51.00
Rößlergasse Bauteil Drei GmbH, Vienna	Austria	100.00
Rößlergasse Bauteil Zwei GmbH, Vienna	Austria	97.75
SB Liegenschaftsverwertungs GmbH, Vienna	Austria	40.26
S.C. CLUB A.RO S.R.L., Bucharest	Romania	99.68
S.C. Risk Consult & Engineering Romania S.R.L., Bucharest	Romania	51.00
S.C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest	Romania	98.45
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	97.75
Slovexperta, s.r.o., Žilina	Slovakia	98.51
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	22.80
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	97.75
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	99.97
SVZ Immoholding GmbH & Co KG, Vienna	Austria	97.75
SVZ immoholding GmbH, Vienna	Austria	97.75
TAUROS Capital Investment GmbH & Co KG, Vienna	Austria	23.27
TAUROS Capital Management GmbH, Vienna	Austria	24.93
TBI Info EOOD, Sofia	Bulgaria	99.10
TOGETHER GmbH, Vienna	Austria	24.71
twinfaktor GmbH, Vienna	Austria	74.16
UAB "Compensa Life Distribution", Vilnius	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	98.64
Untere Donaulände 40 GmbH, Vienna	Austria	98.65
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	32.58
Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw	Poland	99.98
Vienna International Underwriters GmbH, Vienna	Austria	100.00
viesure innovation center GmbH, Vienna	Austria	98.87
VIG Asset Management, a.s., Prague	Czech Republic	100.00
VIG AM Services GmbH, Vienna	Austria	100.00
VIG Management Service SRL, Bucharest	Romania	98.45
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	89.52
VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	48.87
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	24.44
WIBG Holding GmbH & Co KG, Vienna	Austria	97.75
WIBG Projektentwicklungs GmbH & Co KG, Vienna	Austria	97.75
Wien 3420 Aspern Development AG, Vienna	Austria	23.92
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	97.75
WINO GmbH, Vienna	Austria	97.75
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	97.75
WSV Triesterstraße 91 Besitz GmbH & Co KG, Vienna	Austria	97.75

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: Atrium Tower Sp.z.o.o, Warsaw, EUROPEUM Business Center s.r.o, Bratislava, HUN BM Korlátolt Felelősségű Társaság, Budapest and SK BM s.r.o., Bratislava.

Fusionierte Gesellschaften	Country of domicile	Fusionszeitpunkt	Aufnehmende Gesellschaft
"POLISA-ŻYCIE" Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	1.1.2018	Compensa Life (Poland)[1)]
AXA Life Insurance S.A., Bucharest	Romania	1.6.2018	BCR Life
BML Versicherungsmakler GmbH, Vienna	Austria	1.1.2018	Wiener Städtische
COMPENSA Holding GmbH, Wiesbaden	Germany	1.1.2018	SVZD GmbH, Vienna
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	7.5.2018	Wiener Osiguranje (Croatia)[1]
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	1.4.2018	Union Biztosító
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	1.1.2018	Kooperativa (Slovakia)[1]
Vienna Life Vienna Insurance Group Biztosiító Zártkörüen Müködö Részvénytársaság, Budapest	Hungary	1.4.2018	Union Biztosító
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	1.1.2018	Wiener Städtische
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	1.1.2018	Wiener Städtische
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	1.1.2018	Wiener Städtische

[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 the name is used in a description of activities taking place within a country.

Please see section Scope and methods of consolidation starting on page 108 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.

27. RELATED PARTIES

Related parties

Related parties are the affiliated companies, joint ventures and associated companies listed in Note 26. Participations – Details starting on page 194. In addition, the members of the Managing Board and Supervisory Board of VIG Holding also qualify as related parties. Wiener Städtische Versicherungsverein directly and indirectly holds around 71.49% (around 71.26%), and therefore a majority of the voting rights of VIG. Based on this controlling interest, it and the members of its managing board and supervisory board are therefore also related parties.

Supervisory Board and Managing Board compensation and notes on the compensation plan for Managing Board members are provided in Note 23. Number of employees and personnel expenses starting on page 190.

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

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

Transactions with related companies

Transactions with non-consolidated affiliated and associated companies mainly relate to financing and charges for services.

Transactions with Wiener Städtische Versicherungsverein

Wiener Städtische Versicherungsverein is VIG's principal shareholder. It has the legal form of a mutual insurance association that has spun off its insurance operations under the Austrian Insurance Supervision Act (VAG) and consequently has no insurance business operations. Due to the outsourcing to Wiener Städtische Versicherung AG that took place at that time, its only responsibilities are those as a majority shareholder of VIG Holding, so that intercompany charges within the Group are of minor importance. They are based on service agreements between VIG Holding and Wiener Städtische Versicherungsverein for intercompany charges for internal audit services, Group accounting, provision of staff and office leases based on the arm's length principle.

Open items with related companies	31.12.2018	31.12.2017
in EUR '000		
Loans	122,754	65,410
Associated companies	1,257	1,631
Subsidiaries not included in the consolidated financial statements	121,497	63,779
Receivables	278,296	251,423
Parent company	238,414	218,641
Associated companies	2,580	3,509
Subsidiaries not included in the consolidated financial statements	37,302	29,273
Liabilities	234,610	184,164
Parent company	214,125	164,126
Associated companies	1,899	2,148
Subsidiaries not included in the consolidated financial statements	18,586	17,890

Transactions with related companies	2018	2017
in EUR '000		
Loans	54,481	13,260
Associated companies	492	796
Subsidiaries not included in the consolidated financial statements	53,989	12,464
Receivables	74,216	75,108
Parent company	24,296	30,426
Associated companies	6,858	10,529
Subsidiaries not included in the consolidated financial statements	43,062	34,153
Liabilities	194,323	160,068
Parent company	58,463	47,659
Associated companies	46,675	36,867
Subsidiaries not included in the consolidated financial statements	89,185	75,542

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

28. OBLIGATIONS UNDER LEASES

Payments recorded as expenses	31.12.2018
in EUR '000	
Minimum lease payments from operating leases	35,480
Payments received from subletting under operating leases	-1,330
Lease payments from finance leases	1,587
Total	35,737

28.1. Operating leases

The Group's lease obligations are primarily due to leases of company vehicles and real estate.

Maturity structure of minimum lease payments – lessee	31.12.2018
in EUR '000	
up to one year	37,963
more than one year up to five years	42,788
more than five years	156,266
Total	237,017

Maturity structure of minimum lease payments – lessor	31.12.2018
in EUR '000	
up to one year	152,360
more than one year up to five years	100,218
more than five years	120,512
Total	373,090

The lessor minimum lease payments mainly concern building leases.

28.2. Finance leases

The Group has no material finance leases, either as a lessor or lessee.

29. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Group company InterRisk invests in TUW "TUW" insurance association
VIG is investing in the Towarzystwo Ubezpieczeń Wzajemnych "TUW" insurance association via its Polish Group company InterRisk. Group company InterRisk expects around an additional EUR 70 million in premiums from reinsurance business with TUW "TUW".

Vienna Insurance Group concludes acquisition of Gothaer TU in Poland
VIG has acquired 100 per cent of the shares of Gothaer Towarzystwo Ubezpieczeń (Gothaer TU). The transaction was concluded on 28 February 2019 after approval by the local authorities. The company generated a stable premium volume of around EUR 170 million in 2018.

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 policyholder profit participation plus any direct credits have to 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	31.12.2018	31.12.2017
in EUR '000		
Net earned premiums – retention	866,142	915,322
Income and expenses for investments and interest expenses	394,413	390,963
Expenses for claims and insurance benefits – retention	-1,023,601	-1,116,539
Acquisition and administrative expenses	-130,316	-132,179
Other underwriting and non-underwriting income and expenses	-8,259	-996
Taxes	-6,641	-1,041
Total	**91,738**	55,530

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 have to 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	31.12.2018	31.12.2017
in EUR '000		
Net earned premiums – retention	8,339	8,473
Income and expenses for investments and interest expenses	651	566
Expenses for claims and insurance benefits – retention	-7,861	-7,111
Acquisition and administrative expenses	-1,018	-1,137
Other underwriting and non-underwriting income and expenses	-198	-139
Taxes	-3	-7
Total	**-90**	645

GROSS PREMIUMS WRITTEN PER BALANCE SHEET UNIT (INCL. CONSOLIDATION EFFECTS)

Property and casualty insurance	2018	2017
in EUR '000		
Direct business	5,385,778	5,089,361
Casualty insurance	397,459	379,282
Health insurance	85,496	67,231
Motor own damage insurance (Casco)	1,162,011	1,076,176
Rail vehicle own-damage	3,693	3,926
Aircraft own-damage insurance	5,682	5,136
Sea, lake and river shipping own-damage insurance	10,450	9,640
Transport insurance	56,338	55,456
Fire and natural hazards insurance	964,613	920,833
Other property	509,505	491,531
Third party liability insurance for self-propelled land vehicles	1,428,982	1,374,713
Carrier insurance	15,011	16,536
Aircraft liability insurance	5,833	5,327
Sea, lake and river shipping liability insurance	3,612	3,522
General liability insurance	454,455	418,729
Credit insurance	4,491	6,561
Guarantee insurance	41,896	39,023
Insurance for miscellaneous financial losses	89,934	90,324
Legal expenses insurance	57,503	55,807
Assistance insurance, travel health insurance	88,814	69,608
Indirect business	215,932	173,860
Marine, aviation and transport insurance	13,034	11,143
Other insurance	179,652	141,725
Health insurance	23,246	20,992
Total	5,601,710	5,263,221

The net earned premiums of EUR 985,000 (EUR 1,149,000) from indirect property and casualty insurance business were deferred one year before being recognised in the income statement. Of the EUR 428,000 (EUR 412,000) in net earned premiums from indirect life insurance business, EUR 323,000 (EUR 347,000) were deferred for one year before being shown in the income statement.

Life insurance	2018	2017
in EUR '000		
Regular premium – direct business	2,596,901	2,541,415
Single-premium – direct business	956,794	1,108,784
Direct business	3,553,695	3,650,199
thereof policies with profit participation	1,533,161	1,572,475
thereof policies without profit participation	450,672	436,907
thereof unit-linked life insurance portfolio	1,535,737	1,601,148
thereof index-linked life insurance portfolio	34,125	39,669
Indirect business	16,847	14,346
Total	3,570,542	3,664,545

Please refer to the respective separate financial statements for information on investments for unit-linked and index-linked life insurance.

Health insurance	2018	2017
in EUR '000		
Direct business	485,013	458,208
Indirect business	54	66
Total	485,067	458,274

KEY FIGURES PER BALANCE SHEET UNIT

	2018				2017			
	Property/ Casualty	Life	Health	Total	Property/ Casualty	Life	Health	Total
in %								
Cost ratio	31.28	20.49	14.90	26.04	30.41	17.45	15.03	24.08
Claims ratio	64.73				66.27			
Combined ratio	96.01				96.68			

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, that 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 that 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 2018 were approved for publication by a resolution of the Managing Board on 20 March 2019.

Vienna, 20 March 2019

The Managing Board:

Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board

Franz Fuchs
Member of the Managing Board

Judit Havasi
Member of the Managing Board

Liane Hirner
CFO, Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Peter Thirring
Member of the Managing Board

Managing Board areas of responsibility:

Elisabeth Stadler:	Management of the Group, Strategic Questions, General Secretariat, Asset Management, Treasury/Capital Market, Affiliated companies department, European Affairs, Group Communication & Marketing, Group Sponsoring, Bancassurance, Human Resources, Group Development & Strategy; Country responsibilities: Austria, Czech Republic
Franz Fuchs:	Performance management motor vehicle insurance; Country responsibilities: Moldova, Poland, Romania, Ukraine
Judit Havasi:	Planning & Controlling, Performance management personal insurance, Asset Risk Management, Legal department, Group IT, Data Management & Processes; Country responsibilities: Hungary
Liane Hirner:	Finance and accounting; Country responsibilities: Germany, Belarus
Peter Höfinger:	Corporate and large customer business, Vienna International Underwriters (VIU), Group reinsurance; Country responsibilities: Baltic states, Albania incl. Kosovo, Bosnia-Herzegovina, Bulgaria, Croatia, North Macedonia, Montenegro, Serbia
Peter Thirring:	Group external active reinsurance; Country responsibilities: Georgia, Liechtenstein, Slovakia, Turkey

The Managing Board as a whole is responsible for Enterprise Risk Management, Actuarial department, Group compliance, Internal Audit and Investor Relations.

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion
We have audited the consolidated financial statements of

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe,
Vienna, Austria,

and its subsidiaries ("the Group"), which comprise the Consolidated Balance Sheet as at 31 December 2018, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018, 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, the additional requirements pursuant to § 245a UGB (Austrian Commercial Code) as well as other legal or regulatory requirements.

Basis for our Opinion
We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we 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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

We have identified the following key aud it matters:

- Recoverability of goodwill
- Liability Adequacy Test – "LAT"

RECOVERABILITY OF GOODWILL
Refer to notes pages 91, 93 to 95

Risk for the Consolidated Financial Statements
The recoverability of goodwill recognised in the Consolidated Financial Statements of the Vienna Insurance Group amounting to EUR 1,475.2 million, is monitored separately at country level. 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.

Our Response

Together 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 reconciled the assumptions regarding the market development with general and sector-specific market expectations. We have analysed the consistency of planning data using information from prior periods.

Given that minor changes in the applied cost of capital rate significantly impact the recoverable amount of the cash generating units, we have compared the parameters used for derivation of the applied cost of capital with those used by a group of comparable companies (Peer Group).

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 are appropriate.

LIABILITY ADEQUACY TEST – "LAT"

Refer to notes pages 103 and 136 et seq.

Risk for the Consolidated Financial Statements

With life and health insurance, Vienna Insurance Group holds a significant amount of long-term contracts for which premiums have been calculated using a high discount rate. As these interest rates are also used to measure the liabilities from insurance contracts, there is – due to the persistently low interest rates in the market - a risk that the 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 June 2008 and last amended in April 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 analysed 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 June 2008 and last amended in April 2016. In addition, we assessed the appropriateness of the implementation of the methodology within the models, analysed 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.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to § 245a UGB (Austrian Commercial Code) as well as other legal or regulatory requirements and for such internal controls as management determines are 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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could 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 AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations 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 Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, 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, amongst 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 during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit, i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law 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 is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to § 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 our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Additional Information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 12 May 2017, we were elected as group auditors. We were appointed by the Supervisory Board on 22 May 2017. We have been the Group's auditors from the year ended 31 December 2013 without interruption.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner
The engagement partner is Mr Michael Schlenk.

Vienna, 20 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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. § 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
AXA Life (Romania)[1]	AXA Life Insurance S.A., Bucharest
BCR Life	BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest
Beteiligungs- und Wohnungsanlagen GmbH	Beteiligungs- und Wohnungsanlagen GmbH, Linz
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 (Estonia)[1]	Compensa Life Vienna Insurance Group SE, Tallinn
Compensa Life (Poland)[1)]	Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw
Compensa Non-Life (Lithuania)[1]	"Compensa Vienna Insurance Group", ADB, 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, Chișinău
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, Vienna
Erste Heimstätte GmbH	Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna
Erste Osiguranje	Erste osiguranje Vienna Insurance Group d.d., Zagreb
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg
Gewista-Werbegesellschaft m.b.H.	Gewista-Werbegesellschaft m.b.H., Vienna
Global Assistance Polska	Global Assistance Polska Sp.z.o.o., Warsaw
Globus	CAL ICAL "Globus", Kiev
Gothaer	GOTHAER Towarzystwo Ubezpieceń S.A., Warsaw
GPIH	Joint Stock Company Insurance Company GPI Holding, Tbilisi
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	Joint Stock Company International Insurance Company IRAO, Tbilisi
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
Makedonija Osiguruvanje	Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group, Skopje
Merkur Osiguranje	Merkur Osiguranje d.d., Sarajewo
n/a	not available
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
Nußdorfer Straße 90-92	Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG, Vienna
Omniasig	OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest
Österreichisches Verkehrsbüro	Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Consolidated Financial Statements)
Palais Hansen	Palais Hansen Immobilienentwicklung GmbH, Vienna
PČS	Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice
Poisťovňa Slovenskej sporiteľne	Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava
Polisa	"POLISA-ŻYCIE" Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
Progress	PROGRESS Beteiligungsges.m.b.H., Vienna

Abbreviation	Full company name
PSLSP	Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava
Ray Sigorta	Ray Sigorta A.Ş., Istanbul
s Versicherung	Sparkassen Versicherung AG Vienna Insurance Group, Vienna
Property/Casualty	Property and casualty insurance
Schwarzatal GmbH	"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna
Seesam Insurance AS	Seesam Insurance AS, Tallinn
Sigma	Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana
S IMMO AG	Sparkassen Immobilien AG, Vienna
Sozialbau AG	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna
TECHBASE GmbH	TECHBASE Science Park Vienna GmbH, Vienna
TUW „TUW“	Towarzystwo Ubezpieczen Wzajemnych „TUW“
UIG	Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev
Union Biztosító	UNION Vienna Insurance Group Biztosító Zrt., Budapest
Urbanbau GmbH	Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna
VBV - Betriebliche Altersvorsorge AG	VBV - Betriebliche Altersvorsorge AG, Vienna (Consolidated Financial Statements)
Vienna Insurance Group or VIG[2]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
Vienna International Underwriters or VIU	Vienna International Underwriters GmbH, Vienna
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 Biztosiító Zártkörüen Müködö Részvénytársaság, Budapest
Vienna osiguranje (Bosnia and Herzegowina)[1]	Insurance Company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo
Vienna-Life (Liechtenstein)[1]	Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern
viesure	viesure innovation center GmbH, Vienna
VIG Fund	VIG FUND, a.s., Prague (Consolidated Financial Statements)
VIG Holding[3]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Re	VIG RE zajišťovna, a.s., Prague
VIG-AT Beteiligungen	VIG-AT Beteiligungen GmbH, Vienna
Wiener Re	"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade
Wiener Städtische	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna
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
Wiener Osiguranje (Bosnia and Herzegowina)[1]	Wiener Osiguranje Vienna Insurance Group ad, Banja Luka
Winner Life	Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje
Winner Non-Life	Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje

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 the name is used in a description of activities taking place within a country.

2 Used when referring to VIG Group.

3 Used when referring to the individual company.

Glossary

Acquisition and administrative expenses
Acquisition and administrative expenses for retained business are broken down into acquisition expenses, 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.

Asset and liability management (ALM)
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.

Austrian Commercial Code (UGB)
Unternehmensgesetzbuch (UGB) as of 1 January 2007, Handelsgesetzbuch (HGB) until 31 December 2006.

Austrian Insurance Supervision Act (VAG)
The Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz) includes provisions governing the organisation and supervision of insurance companies.

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.

Central and Eastern Europe (CEE) or CEE markets
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, North 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 items 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 (undiluted/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.

Embedded value
The embedded value represents the economic value of the insurance business and is comprised of future profits from the insurance portfolio. Profits from future new business are not included. It therefore corresponds to the distributable profits after taxes and takes into account the risks contained in the business.

Enterprise Risk Management (ERM)
Risk and opportunity management. The responsibilities of ERM are identification, assessment, analysis and control of opportunities and risks.

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.

Erste Group
An abbreviated version of the company name of Erste Group Bank AG.

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 of a 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 financial instruments 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.

General Data Protection Regulation (GDPR)
Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data enters into force on 25 May 2018 and must therefore be immediately applied in the European Union. The GDPR standardises the provisions applicable to the processing of personal data by private-sector companies and public bodies in the entire EU. The main objectives of the GDPR are data security and strengthening the fundamental rights and freedoms of natural persons. Although the GDPR is immediately applicable across the EU, it nevertheless contains opening clauses that allow member states to enact their own national regulations. The GDPR was implemented in Austrian law by the Austrian Data Protection Amendment Act of 2018 (Datenschutz-Anpassungsgesetz 2018), which extensively amended the Austrian Data Protection Act of 2000 (Datenschutzgesetz 2000).

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 GDP.

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.

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 Distribution Directive (IDD)
Directive (EU) 2016/97 on insurance distribution must be applied by 1 October 2018 at the latest in the European Union. The IDD affects all aspects of the insurance business, including the recruiting of insurance distributors entailing training and advanced training, product development, the advisory process including wide-ranging duties to provide information, the distribution of standardised information sheets, the handling of conflicts of interest and remuneration.

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.

International Financial Reporting Standards (IFRS)
The IFRS are 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 (IASB). Standards that were previously adopted, however, are still cited as IAS.

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.

Own Risk and Solvency Assessment (ORSA)
Under Article 45 of Directive 2009/138/EC, every insurance company must perform the Own Risk and Solvency Assessment (ORSA) as part of its risk management system.

Personal insurance
Comprised of life, health and casualty insurance.

Premium
Agreed fee paid in exchange for assumption of risk by an insurance company.

Premiums written
Direct business premiums written are comprised of set premiums, not including insurance 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.

Present value
Current value of a cash amount to be received in the future, calculated by discounting with a known discount rate.

Price-earnings ratio (PE ratio)
A financial ratio for evaluating shares. The price-earnings ratio is the ratio of the share price to the earnings per share in a reference period, or to the expected earnings per share in a future period. If the reference period is defined as one year, the price-earnings ratio is the end-of-year price divided by the earnings per share in that year.

Profit participation
See profit-related premium refunds.

Profit-related premium refunds
The policyholder's profit participation in the profit of the insurance class in question (mandatory for traditional life insurance).

Profit-unrelated premium refunds
Contractually accorded refund of premiums to the policyholder.

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.

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 schemes and their own symbols.

Reinsurance
Reinsurance is when an insurance company insures a portion of its risk with another insurance company.

Retained earnings
Retained earnings are the profits generated by the company that have not been distributed as dividends.

Return on equity (RoE)
Profit before taxes divided by average shareholders' equity (less revaluation reserve), calculated using values at the beginning and end of the year.

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.

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 Austrian Insurance Supervision Act, in particular to also take qualitative factors (e.g. internal risk management) into account.

Standard & Poor's (S&P)
S&P 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.

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 outstanding claims, mathematical reserve, unearned premiums, provisions for profit-related and profit-unrelated premium refunds, the equalisation provision and other underwriting provisions.

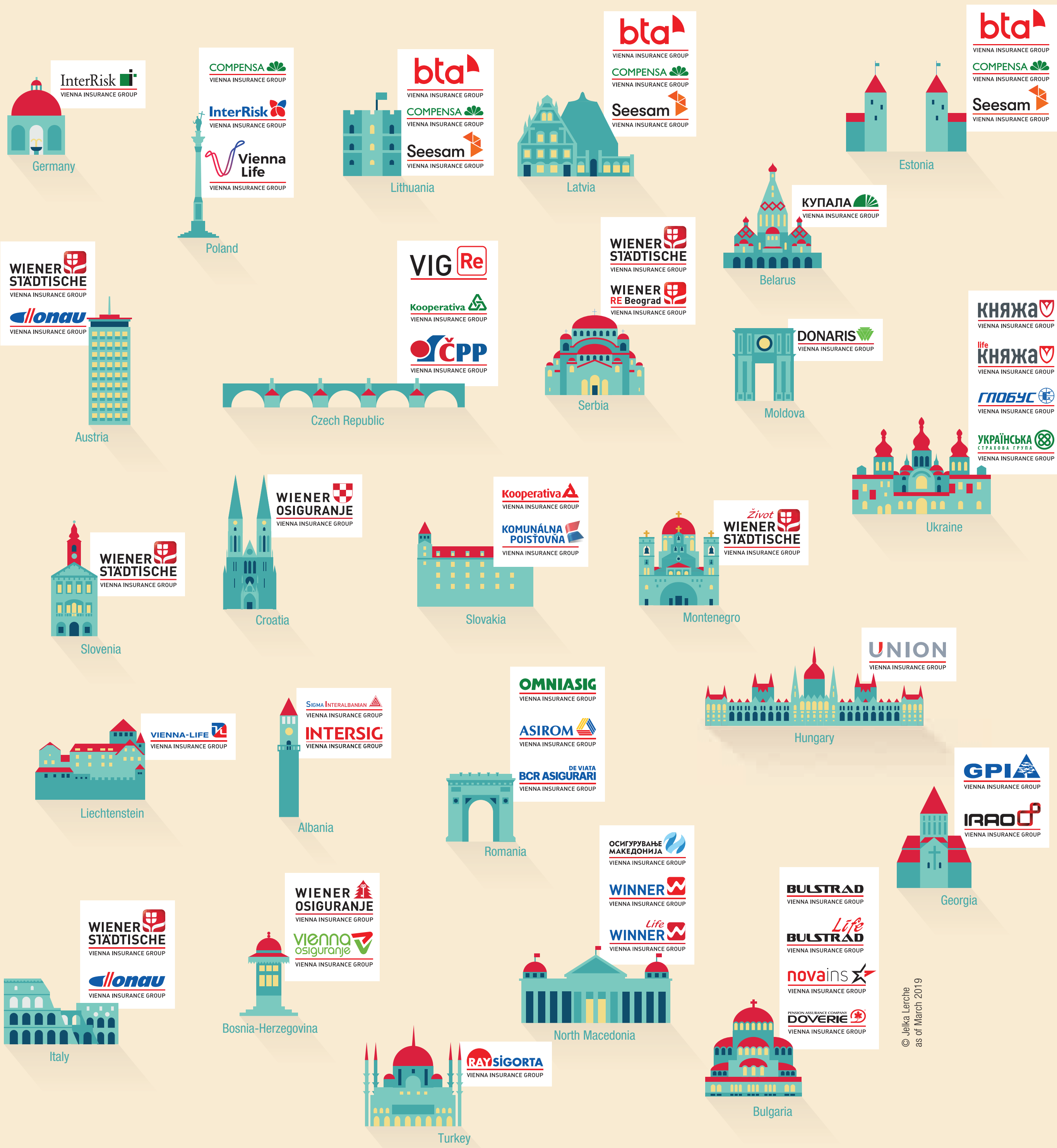
Unit-linked and index-linked life insurance
Insurance policies where the investment is made at the policyholder's risk. The investments in this area are valued at fair value, with the underwriting reserves shown at the value of the investments.

Value of new business
The value of new business is the value generated by the new business sold during the financial year.

Value-at-risk (VaR)
The value-at-risk concept is a procedure used to calculate potential losses arising from changes in the price of a 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)
VIG generally refers to the Group as a whole. Vienna Insurance Group and VIG are used as synonyms. 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.



More than 25,000 employees in 25 countries and 50 Group companies are taking VIG into the future. Today. Tomorrow. In the future.

VIG
VIENNA INSURANCE GROUP

Addresses of Group companies

Country	Postal address	Phone	E-mail/Internet address
ALBANIA			
Sigma Interalbanian	Tirana Rr. Komuna e Parisit, Pallati Lura	+355 (0) 42 258 254	kontakt@sivig.al www.sivig.al
Intersig	Tirana Rr. Ismail Qemali, Samos Tower/2nd Floor,	+355 4 22 70 576	info@intersig.alwww.intersig.al
Kosovo			
Sigma Interalbanian Kosovo (branch)	KOS-10000 Prishtinë, Qyteza Pejton, Rr.Pashko Vasa, No. 13.	+381 38 246 301	info@sigma-ks.net www.sigma-ks.net
BOSNIA-HERZEGOVINA			
Wiener	BiH-78000 Banja Luka ul. Kninska 1a	+387 (0) 51 931 100	direkcija@wiener.bawww.wie-ner.ba
Vienna Osiguranje	Fra Andela Zvizdovica 1/A9 BiH-71000 Sarajevo	+387 (0) 33 943 640	info@viennaosiguranje.ba www.viennaosiguranje.ba
BULGARIA			
Bulstrad Non-life	BG-1000 Sofia Positano Square 5	+359 (0) 2 985 66 10	public@bulstrad.bg www.bulstrad.bg
Bulstrad Life	BG-1301 Sofia Sveta Sofia Straße 6	+359 (0) 2 401 4000	bullife@bulstradlife.bg www.bulstradlife.bg
Nova ins	BG-1000 Sofia Positano Square 5	+359 (0) 2 933 30 46	office@novains.bg www.novains.bg
Doverie	BG-1113 Sofia Tintyava Street 13-B	+359 (0) 2 464 61 73	head@poc-doverie.bg www.poc-doverie.bg
GERMANY			
InterRisk (Life and Non-life)	D-65203 Wiesbaden Carl-Bosch-Straße 5	+49 (0) 611 27 87-0	info@interrisk.de www.interrisk.de
ESTONIA			
BTA Baltic (branch)	EE-11415 Tallinn Lõõtsa 2B	+372 5 68 68 668 +372 68 68 068	info@bta.ee www.bta-kindlustus.ee
Compensa Life	EE-10152 Tallinn Narva mnt. 63/2	+372 610 3000	info@compensalife.ee www.compensalife.ee
Compensa Non-Life (branch)	EE-10152 Tallinn Narva mnt. 63/2	+372 675 6756	info@compensa.ee www.compensa.ee
Seesam	EE-10145 Tallinn Maakri 19/1	+372 628 1800	seesam@seesam.ee www.seesam.ee
GEORGIA			
GPIH	GE-0171 Tbilisi Kostava Str. 67	+995 (0) 322 505 111	info@gpih.ge www.gpih.ge

Country	Postal address	Phone	E-mail/Internet address
IRAO	GE-0160 Tbilisi Bochorishvili Str. 88/15	+995 (0) 322 949 949	office@irao.ge www.irao.ge
CROATIA			
Wiener Osiguranje	HR-10000 Zagreb Slovenska ulica 24	+385 (0) 1 371 86 00	kontakt@wiener.hr www.wiener.hr
LATVIA			
BTA Baltic	LV-1013, Riga, Sporta iela 11	+371 2612 1212	bta@bta.lv www.bta.lv
Compensa Life (branch)	LV-1004 Riga Vienibas gatve 87h	+371 6760 6939	info@compensalife.lv www.compensalife.lv
Compensa Non-Life (branch)	LV-1004 Riga Vienibas gatve 87h	+371 6755 8888	info@compensa.lv www.compensa.lv
Seesam	LV-Riga Muitasiela 1	+371 6706 1000	info@seesam.lv www.seesam.lv
LIECHTENSTEIN			
Vienna-Life	LI-9487 Bendern Industriestraße 2	+423 235 06 60	office@vienna-life.li www.vienna-life.li
LITHUANIA			
BTA Baltic (branch)	LT-05132 Vilnius Virsuliskiu skg. 34	+370 5 2600 600	bta@bta.lt www.bta.lt
Compensa Non-Life	LT-06115 Vilnius Ukmergės g. 280	+370 5 249 1911	info@compensa.lt www.compensa.lt
Compensa Life (branch)	LT-06115 Vilnius Ukmergės g. 280	+370 5 250 4000	info@compensalife.lt www.compensalife.lt
Seesam	LT-08105 Vilnius Konstitucijos pr. 29	+370 700 777 77	seesam@seesam.lt www.seesam.lt
NORTH MACEDONIA			
Winner Non-Life	MK-1000 Skopje Boris Trjkovski 62	+389 (0) 232 316 31	winner@winner.mk www.winner.mk
Winner Life	MK-1000 Skopje 11 Oktomvri Str. 25	+389 (0) 23114 333	life@winnerlife.mk www.winnerlife.mk
Makedoija Osiguruvanje	MK-1000 Skopje11 Oktomvri Str. 25	+389 (0) 2 3115 188	info@insumak.mk www.insumak.mk
MOLDOVA			
Donaris	MD-2068 Chisinau Moscova Boulevard 15/7	+373 22 265 700	office@donaris.md www.donaris.md
MONTENEGRO			
Wiener Städtische Osiguranje	ME-81000 Podgorica Rimski trg 47	+382 20 205 150	office@wiener.co.me www.wiener.me

Country	Postal address	Phone	E-mail/Internet address
AUSTRIA			
Vienna Insurance Group	A-1010 Vienna Schottenring 30	+43 (0) 50 390 22000	info@vig.com www.vig.com
Wiener Städtische	A-1010 Vienna Schottenring 30	+43 (0) 50 350 20000	kundenservice@staedtische.at www.wienerstaedtische.at
Donau Versicherung	A-1010 Vienna Schottenring 15	+43 (0) 50 330 70000	donau@donauversicherung.at www.donauversicherung.at
ITALY			
Wiener Städtische (branch)	I-00147 Rome Via Cristoforo Colombo 112	+39 (0) 6 510 70 11	wiener@wieneritalia.com www.wieneritalia.com
Donau Versicherung (branch)	I-20139 Milan Via Bernardo Quaranta 45	+39 (0) 2 897569 1	info@donauassicurazioni.it www.donauassicurazioni.it
Slovenia			
Wiener Städtische (branch)	SI-1000 Ljubljana Cesta v Kleče 15	+386 (0) 1 300 17 00	info@wienerstaedtische.si www.wienerstaedtische.si
POLAND			
Compensa (Life and Non-life)	PL-02-342 Warsaw Aleje Jerozolimskie 162	+48 22 501 6100	centrala@compensa.pl www.compensa.pl
InterRisk	PL-00-668 Warsaw ul. Noakowskiego 22	+48 22 537 68 03	sekretariat@interrisk.pl www.interrisk.pl
Vienna Life	PL-02-677 Warsaw Ul. Cybernetyki 7	+48 22 460 22 22	info@viennalife.pl www.viennalife.pl
ROMANIA			
Omniasig	RO-011 822 Bucharest Aleea Alexandru No. 51, Sector 1	+40 (0) 21 405 74 20	office@omniasig.ro www.omniasig.ro
Asirom	RO-020 912 Bucharest Bld Carol I Nr. 31–33, Sector 2	+40 (0) 21 601 1099	comunicare@asirom.ro www.asirom.ro
BCR Life	RO-011 835 Bucharest Str. Rabat No. 21, Sector 1	+40 (0) 21 206 90 40	office@bcrasigviata.ro www.bcrasigviata.ro
SERBIA			
Wiener Städtische Osiguranje	RS-11070 Belgrade Trešnjinog cveta 1	+381 11 2209 800	office@wiener.co.rs www.wiener.co.rs
Wiener Re	RS-11070 Belgrade Trešnjinog cveta 1	+381 (0) 11 2209 960	wienerre@wiener.co.rs www.wienerre.rs
SLOVAKIA			
Kooperativa	SK-816 23 Bratislava Štefanovičova 4	+421 (0) 2 572 99 198	info@koop.sk www.koop.sk
Komunálna	SK-811 05 Bratislava Štefánikova 17	+421 (0) 2 482 105 44	info@kpas.sk www.kpas.sk

Country	Postal address	Phone	E-mail/Internet address
CZECH REPUBLIC			
Kooperativa	CZ-186 00 Prague 8 Pobřežní 665/21	+420 957 105 105	info@koop.cz www.koop.cz
ČPP	CZ-186 00 Prague 8 Pobřežní 665/23	+420 956 451 111	info@cpp.cz www.cpp.cz
VIG Re	CZ-110 01 Prague 1 Templová 747/5	+420 956 445 505	info@vig-re.com www.vig-re.com
Germany			
VIG Re (branch)	D-60323 Frankfurt am Main Bockenheimer Landstr. 66	+49 151 58 26 05 33	info@vig-re.com www.vig-re.com
France			
VIG Re (branch)	75002 Paris 25 rue Louis le Grand	+33 603 61 78 93	info@vig-re.com www.vig-re.com
TURKEY			
Ray Sigorta	TR-34457 Istanbul Haydar Aliyev Cad. No. 28 Tarabya Sariyer	+90 (0) 212 363 2500	info@raysigorta.com.tr www.raysigorta.com.tr
UKRAINE			
Kniazha	UA-04050 Kiev Glybotschytsjka Str. 44	+380 44 207 72 72	reception@kniazha.com.ua www.kniazha.ua
Kniazha Life	UA-04050 Kiev Glybotschytsjka Str. 44	+380 44 585 55 08	info@kniazha-life.com.ua www.kniazha-life.com.ua
Globus	UA-03038 Kiev Bul. Ivana Fedorova 32-V	+380 44 254 53 78	office@ic-globus.com www.ic-globus.com
UIG	UA-03038 Kiev Bul. Ivana Fedorova 32-A	+380 44 237 02 55	office@ukringroup.ua www.ukringroup.com.ua
HUNGARY			
Union Biztosító	H-1082 Budapest Baross u. 1	+36 (0) 1 486 42 00	info@unionbiztosito.hu www.unionbiztosito.hu
BELARUS			
Kupala	BY-220004 Minsk ul. Nemiga 40	+375 (0) 17 200 80 27	office@kupala.by www.kupala.by

VIG Holding contact information

Asset Management
Gerald Weber
Chief Investment Officer
Tel.: +43 (0) 50 390-22914
E-Mail: gerald.weber@vig.com

Asset-Risk Management
Bernhard Reisecker
Tel.: +43 (0) 50 390-25439
E-Mail: bernhard.reisecker@vig.com

Bancassurance
Harald Londer
Tel.: +43 (0) 50 390-25670
E-Mail: harald.londer@vig.com

Affiliated companies department
Sonja Raus
Tel.: +43 (0) 50 390-21953
E-Mail: sonja.raus@vig.com

Data Management & Processes
Carsten Dehner
Tel.: +43 (0) 50 390-26719
E-Mail: carsten.dehner@vig.com

Enterprise Risk Management (Solvency II)
Ronald Laszlo
Tel.: +43 (0) 50 390-25475
E-Mail: ronald.laszlo@vig.com

Performance management motor vehicle insurance
Jürgen Palmberger
Tel.: +43 (0) 50 390-20219
E-Mail: juergen.palmberger@vig.com

Performance management personal insurance
Gerhard Kalcik
Tel.: +43 (0) 50 390-27053
E-Mail: gerhard.kalcik@vig.com

European Affairs
Dieter Pscheidl
Tel.: +43 (0) 50 390-20079
E-Mail: dieter.pscheidl@vig.com

Finance and accounting
Roland Goldsteiner
Tel.: +43 (0) 50 390-21865
E-Mail: roland.goldsteiner@vig.com

Corporate and large customer business
Wolfgang Petschko
(Unterwritng policy issues and organisation)
Tel.: +43 (0) 50 390-21406
E-Mail: wolfgang.petschko@vig.com

Josef Aigner
(Claims policy issues and risk management)
Tel.: +43 (0) 50 390-26112
E-Mail: josef.aigner@vig.com

General Secretariat/Legal department
Philipp Bardas
Tel.: +43 (0) 50 390-21062
E-Mail: philipp.bardas@vig.com

Actuarial department
Werner Matula
Tel.: +43 (0) 50 390-21999
E-Mail: werner.matula@vig.com

Group Compliance
Jasmin Schwarz
Tel.: +43 (0) 50 390-20249
E-Mail: jasmin.schwarz@vig.com

Group IT
Ryszard Dyszkiewicz
Tel.: +43 (0) 50 390-21365
E-Mail: ryszard.dyszkiewicz@vig.com

Group Sponsoring
Barbara Grötschnig
Tel.: +43 (0) 50 390-21027
E-Mail: barbara.groetschnig@vig.com

Internal Audit
Dr. Herbert Allram
Tel.: +43 (0) 50 390-21070
E-Mail: herbert.allram@vig.com

Investor Relations
Nina Higatzberger-Schwarz
Tel.: +43 (0) 50 390-21920
E-Mail: nina.higatzberger@vig.com

Group Development and Strategy
Klaus Mühleder
Tel.: +43 (0) 50 390-21363
E-Mail: klaus.muehleder@vig.com

Group Communication & Marketing
Wolfgang Haas
Tel.: +43 (0) 50 390-21029
E-Mail: wolfgang.haas@vig.com

Human Resources
Birgit Moosmann
Tel.: +43 (0) 50 390-21314
E-Mail: birgit.moosmann@vig.com

Planning & Controlling
Thomas Schmee
Tel.: +43 (0) 50 390-21900
E-Mail: thomas.schmee@vig.com

Reinsurance
Gerald Klemensich
(Reinsurance coordination and policy issues)
Tel.: +43 (0) 50 390-21161
E-Mail: gerald.klemensich@vig.com

Eva-Maria Stackl
(Reinsurance network and organisation)
Tel.: +43 (0) 50 390-21144
E-Mail: eva.stackl@vig.com

Treasury/ Capital market
Hannes Gruber
Tel.: +43 (0) 50 390-21174
E-Mail: hannes.gruber@vig.com

Address · Notes · General 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 large 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 is 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 as easy to read and as clear as possible. 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

VIENNA INSURANCE GROUP AG
Wiener Versicherung Gruppe
Schottenring 30
1010 Vienna

Phone: +43 (0) 50 390 22000

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: 20 March 2019

GENERAL INFORMATION

Editor and media owner:
VIENNA INSURANCE GROUP AG
Wiener Versicherung Gruppe
Schottenring 30, 1010 Wien
www.vig.com
Company register: 75687 f
Commercial Register of Vienna
Data Processing Register code (DVR No.): 0016705

Project coordination:
Adriana Yasmin Urbina-Kraly, investor.relations@vig.com

Project team:
Claudia Hartl, Sylvia Machherndl, Nicole Motal

Graphic design:
Egger & Lerch Corporate Publishing/velcom GmbH +
Kobza and the Hungry Eyes GmbH

Editorial and layout:
Egger & Lerch Corporate Publishing/velcom GmbH
1030 Wien, www.egger-lerch.at

Photos:
Page 27, 28, 29: Ian Ehm, Page 40: Ludwig Schedl

Illustrations:
Kobza and the Hungry Eyes GmbH,
1060 Wien, www.kthe.at

English Translation:
SDL PLC

Printing:
Print Alliance HAV Produktions GmbH
2540 Bad Vöslau, www.av-astoria.at

Partly produced in-house using firesys 17PG001VIGE18

VIENNA INSURANCE GROUP