VIG
VIENNA INSURANCE GROUP

Annual Financial Report 2019 Vienna Insurance Group
pursuant to § 124 sec. 1 of the Austrian Stock Exchange Act

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Note:
Our goal is to make the Annual Report as easy and clear to read as possible. For this reason, words like him/her, etc. have been avoided. It should be understood that the text always refers to women and men equally without discrimination.

GROUP MANAGEMENT REPORT

Group management report 2019

Business development and economic position

ECONOMIC ENVIRONMENT

Political uncertainty was the dominant topic in 2019. Although Brexit formally came into force on 31 January 2020, and an initial agreement temporarily settled the trade conflict between China and the US, the prospect of further negotiations being needed is nevertheless a source of continued uncertainty. As a result, the International Monetary Fund (IMF) expects a further slowdown in global economic growth to a real rate of 3.0% in 2019. While real growth was still 2.3% in the developed economies in 2018, the IMF only expects an increase of 1.7% in 2019. Growth stimulus should therefore be expected to come from the emerging markets instead. The outbreak of the coronavirus pandemic at the beginning of 2020 and the far-reaching measures taken to prevent its spread will also have a negative effect on growth.

The economic slowdown, which was already apparent in the eurozone in 2018, continued in 2019. Real growth, which was still 1.9% in 2018, was 1.2% in 2019. Economic growth of 1.6% is expected for Austria, which is a slowdown compared to the 2.4% growth recorded in the previous year. As in the eurozone as a whole, domestic demand was the main driver in Austria, with private and public-sector consumption and investment making positive contributions to GDP growth. Austrian prices also showed a certain increase in inflation at the end of 2019, recording an overall inflation rate of 1.5% compared to the previous year.

Erste Group analysts observe a slight increase in inflationary pressure in Central and Eastern Europe. An overall inflation rate of 2.7% (2018: 2.4%) is expected for the region in 2019. Similar to the eurozone, the growth slowdown recently observed in quarterly figures will lead to weaker growth in 2019. The Erste Group expects average real GDP growth of 3.7% for Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia. The rate was still 4.4% in 2018. Hungary is expected to record the fastest growth of 4.9%, followed by Poland and Romania, each with real GDP growth of 4.0% in 2019. The region therefore has a considerable growth advantage over Western markets, in spite of the slowdown.

LEGAL ENVIRONMENT

SHAREHOLDER RIGHTS DIRECTIVE

Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EU as regards the encouragement of long-term shareholder engagement (Shareholder Rights Directive II) was to be implemented in national law by 10 June 2019. It is mainly aimed at enhancing long-term shareholder engagement, corporate governance, performance and transparency. Shareholder Rights Directive II has the following main provisions:

- Identification of shareholders, communication of information and facilitating the exercise of rights;
- Transparency for institutional investors, asset managers and proxy advisors;
- Compensation policy and compensation report and
- Related party transactions

This has the following main effects. In the future, listed stock corporations will have the right to identify shareholders that hold at least 0.5% of the shares and request this information from intermediaries (e.g. investment firms, banks). Listed stock corporations will be obligated to prepare a compensation policy for members of company management. It must be submitted to the general meeting for an advisory vote every four years or in the event of material changes. The general meeting must hold an advisory vote on the compensation report each year. The compensation policy and compensation report must be published on the website of the respective stock corporation. Related party transactions of a listed company will require approval from the supervisory body in the future and must be publicly disclosed by the company. VIG Holding has established the measures needed to comply with the new requirements.

GROUP BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE INDICATORS

GENERAL INFORMATION

The around 50 VIG insurance companies operate in the following reporting segments: Austria, 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 scope of consolidation in 2019 due to immateriality. More information on the scope of consolidation and consolidation methods is provided on page 68 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 69.

VIG Insurance Group 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 remain unexploited. 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 insurance companies are considered if the additional synergies that can be achieved outweigh the benefits of a diversified market presence.

To improve readability, company names have been shortened throughout the entire report. A list of full company names is provided starting on page 235. 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 the business development are presented below.

KEY FIGURES FROM THE CONSOLIDATED INCOME STATEMENT

in EUR millions	2019	2018	Δ in %	Δ absolute
Premiums written – gross	**10,399.4**	9,657.3	**7.7%**	**742.1**
Net earned premiums – retention	9,317.9	8,729.4	6.7%	588.6
Expenses for claims and insurance benefits – retention	-7,262.7	-6,947.0	4.5%	-315.7
Acquisition and administrative expenses	-2,293.2	-2,140.7	7.1%	-152.5
Financial result excl. result from at equity consolidated companies	986.8	1,003.0	-1.6%	-16.3
Result from shares in at equity consolidated companies	24.1	34.5	-30.1%	-10.4
Other income and expenses	-251.2	-193.7	29.7%	-57.5
Result before taxes	**521.6**	485.4	**7.4%**	**36.1**

Premium volume

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

Premiums written reached EUR 10,399.4 million in 2019, representing a year-on-year increase of 7.7%. The significant increase was primarily the result of good growth in other property and casualty and motor own damage insurance, and first-time consolidation of the insurance companies Wiener TU (formerly Gothaer TU) in Poland and Seesam in the Baltic states. Adjusted for the first-time consolidation effects, the Group recorded organic growth of 5.3%. It retained EUR 9,420.7 million of the gross premiums written (2018: EUR 8,811.1 million). EUR 978.7 million was ceded to reinsurance companies (2018: EUR 846.2 million).

Premiums written grew particularly strongly in the Baltic states (+33.1%), Bulgaria (+30.7%), Poland (+26.1%) and Remaining CEE (+19.3%) segments. In the Remaining CEE segment, Ukraine (+58.2%), Bosnia-Herzegovina (+37.6%) and Serbia (+14.0%) recorded particularly large premium growth. Overall, the Group generated 61.2% of its premiums outside Austria in 2019.

Net earned premiums rose 6.7%, from EUR 8,729.4 million in 2018 to EUR 9,317.9 million in 2019. Net reinsurance cessions were EUR 944.7 million (2018: EUR 823.0 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 in the notes to the consolidated financial statements.

Group expenses for claims and insurance benefits less reinsurers' share were EUR 7,262.7 million in 2019, representing a year-on-year increase of 4.5% (2018: EUR 6,947.0 million). The increase is due to a considerable increase in premium volume.

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

Acquisition and administrative expenses for all consolidated VIG companies increased 7.1% year-on-year to EUR 2,293.2 million in 2019 (2018: EUR 2,140.7 million). This was mainly due to higher commissions resulting from the increase in premium volume.

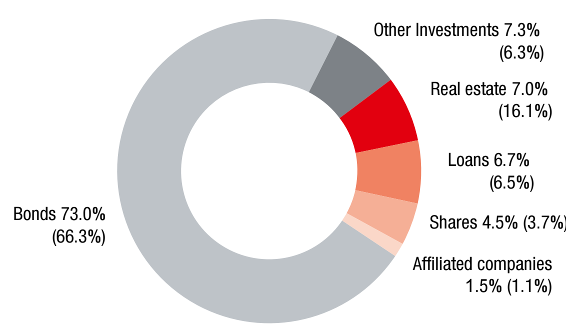
Financial result
A detailed disclosure of the financial result (excluding shares in at equity consolidated companies) is included in Note 16 Financial result excl. result from shares in at equity consolidated companies in the notes to the consolidated financial statements.

The financial result (incl. the result from shares in at equity consolidated companies) was EUR 1,010.8 million in 2019, representing a small decrease of 2.6% compared to the same period in the previous year.

Result before taxes
The Group result before taxes rose to EUR 521.6 million in 2019 (2018: EUR 485.4 million). The significant 7.4% increase in profits was due to an improvement in the combined ratio and a positive one-off effect from a refund of asset tax in Poland.

Investments
A brief presentation of the investments is included in the notes to the consolidated financial statements starting on page 81.

BREAKDOWN OF INVESTMENTS 2019



2018 values in parentheses

Total investments (including cash and cash equivalents) were EUR 35,899.1 million as of 31 December 2019. This was below the previous year value of EUR 37,635.6 million as of 31 December 2018 due to the change in consolidation method used for the non-profit societies starting 31 July 2019.

The investments include all land and buildings, all shares in at equity consolidated companies and all financial instruments, using the look-through approach for consolidated special funds, as well as other fund investments allocated to the asset classes. Investments for unit-linked and index-linked life insurance are not included. They increased by 7.1% from EUR 8,048.6 million in 2018 to EUR 8,620.3 million in 2019, mainly due to the positive performance achieved by the underlying unit-linked and index-linked securities.

Shareholders' equity

Shareholders' equity decreased by 11.1% to EUR 5,190.7 million in 2019 (2018: EUR 5,835.7 million). This was primarily due to the change in consolidation method used for the non-profit societies starting 31 July 2019. The shareholders' equity attributable to shareholders increased from EUR 4,547.5 million in 2018 to EUR 5,074.1 million, mainly due to the positive performance achieved by available for sale financial instruments recognised directly in equity.

Underwriting provisions

A detailed disclosure of underwriting provisions is included in Note 11 Underwriting provisions – gross in the notes to the consolidated financial statements.

Underwriting provisions (excluding underwriting provisions for unit-linked and index-linked life insurance) were EUR 31,886.1 million as of 31 December 2019, representing an increase of 4.5% over the previous year (2018: EUR 30,505.9 million).

Cash flow

The cash flow from operating activities rose from EUR 1,061.6 million in 2018 to EUR 1,298.8 million in 2019 due to a significant increase in the premiums collected in combination with a smaller increase in claim payments. The cash flow from investing activities changed from EUR -850.5 million in 2018 to EUR -886.0 million in 2019, mainly due to investments in financial instruments available for sale, and investments for unit-linked and index-linked life insurance. Financing activities produced a cash flow of EUR -240.3 million in 2019 (2018: EUR -358.0 million). The positive change compared to the previous year was mainly due to the redemption of VIG Holding's hybrid capital in 2018. The Group had cash and cash equivalents of EUR 1,443.4 million at the end of 2019 (2018: EUR 1,347.3 million). Interest and dividends were a total of EUR 822.3 million in 2019 (2018: EUR 834.8 million).

Significant improvement in earnings per share

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

Earnings per share were EUR 2.59 in 2019 (2018 EUR 2.04). This therefore represented an increase of 27.1% compared to the previous year.

Return on equity (RoE) substantially improved

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 and non-controlling interests by the average shareholders' equity. Shareholders' equity adjusted for a provision for unrealised gains and losses is used for this purpose.

Return on Equity	31.12.2019	31.12.2018	31.12.2017
in EUR millions			
Shareholders' equity	5,190.7	5,835.7	6,043.9
Unrealised gains and losses recognised in equity	-764.3	-370.1	-550.9
Adjusted shareholders' equity	**4,426.4**	5,465.6	5,493.0
Average adjusted shareholders' equity	4,946.0	5,479.3	
Result before taxes	521.6	485.4	
RoE in %	**10.5**	8.9	

The Group earned a return on equity before taxes of 10.5% in 2019 (2018: 8.9%).

Combined ratio significantly below 100%

The combined ratio is calculated as the sum of all underwriting income and expenses, 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.

The Group combined ratio improved to 95.4% in 2019, primarily due to positive changes in the Austria and Czech Republic segments (2018: 96.0%).

Combined ratio	2019	2018
in EUR millions		
Net earned premiums – retention	5,220.4	4,735.4
Expenses for claims and insurance benefits – retention	-3,325.0	-3,065.0
Acquisition and administrative expenses, including other underwriting income and expenses	-1,653.7	-1,481.3
Total expenses	**-4,978.7**	-4,546.3
Combined ratio in %	**95.4**	96.0

BRANCH OFFICES

VIG insurance companies have branch offices in Germany, France, Italy, Kosovo, Slovenia, the Baltic countries of Estonia, Latvia and Lithuania, and the Northern European countries of Sweden, Norway and Denmark. 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 the insurance companies and branch offices is also provided on page 224 of the Group Annual Report.

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 Function are explained below. The discussion focuses on presenting business developments in these segments and outlines areas of change in the various insurance markets.

A detailed presentation of the consolidated income statement by regional segments and premiums written by regional segments and lines of business is provided on page 78 in the notes to the consolidated financial statements and in Note 15 Premiums written on page 131.

PREMIUMS WRITTEN BY SEGMENT

	2019	2018	Δ in %	Δ absolute
in EUR millions				
Austria	3,943.3	3,839.9	2.7%	103.4
Czech Republic	1,745.8	1,684.2	3.7%	61.7
Slovakia	798.9	799.6	-0.1%	-0.8
Poland	1,132.0	897.8	26.1%	234.2
Romania	468.2	515.3	-9.1%	-47.1
Baltic states	500.3	375.8	33.1%	124.5
Hungary	289.5	263.5	9.9%	26.0
Bulgaria	223.9	171.3	30.7%	52.6
Turkey/Georgia	234.9	198.3	18.5%	36.6
Remaining CEE[1]	446.9	374.7	19.3%	72.2
Other Markets[2]	380.4	321.0	18.5%	59.4
Central Functions[3]	1,623.5	1,584.3	2.5%	39.2
Consolidation	-1,388.2	-1,368.4	1.4%	-19.8
Total	**10,399.4**	9,657.3	**7.7%**	**742.1**

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

	2019	2018	Δ in %	Δ absolute
in EUR millions				
Austria	207.3	170.4	21.7%	37.0
Czech Republic	172.5	166.7	3.5%	5.8
Slovakia	48.9	47.2	3.5%	1.7
Poland	69.2	32.2	> 100%	37.0
Romania	-101.8	-73.9	37.8%	-28.0
Baltic states	7.7	2.1	> 100%	5.5
Hungary	8.7	7.6	14.3%	1.1
Bulgaria	15.8	11.4	38.2%	4.4
Turkey/Georgia	6.7	3.8	73.3%	2.8
Remaining CEE[1]	27.1	23.5	15.3%	3.6
Other Markets[2]	22.6	23.9	-5.7%	-1.4
Central Functions[3]	36.5	70.2	-48.1%	-33.7
Consolidation	0.7	0.3	> 100%	0.4
Total	**521.6**	485.4	**7.4%**	**36.1**

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

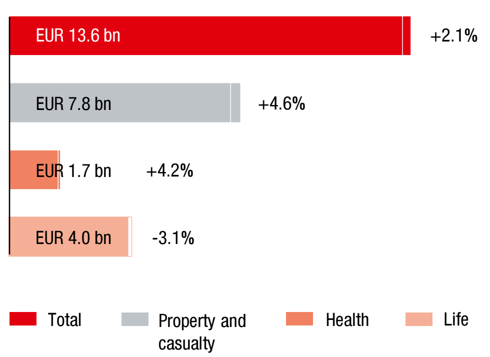
AUSTRIA

AUSTRIAN INSURANCE MARKET

The top 5 insurance groups in the country generated around 72% of the premium volume in Austria in the 1st to 3rd quarters of 2019. The two largest insurance groups generated around 45%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR

9M 2019 figures



Source: Austrian Insurance Association

The Austrian insurance companies generated a total premium volume of EUR 13.6 billion in the first three quarters of 2019. The year-on-year increase of 2.1% was primarily due to the growth in property and casualty insurance (+4.6%) and health insurance (+4.2%). Life insurance recorded its fourth consecutive year of losses with a decrease of 3.1%.

Motor own damage insurance, which recorded an increase of 6.6%, was the main driver of growth in property and casualty insurance. The positive change was due to an increase in the number of policies and an increase in average premiums. Motor third party liability recorded an increase of 1.6%.

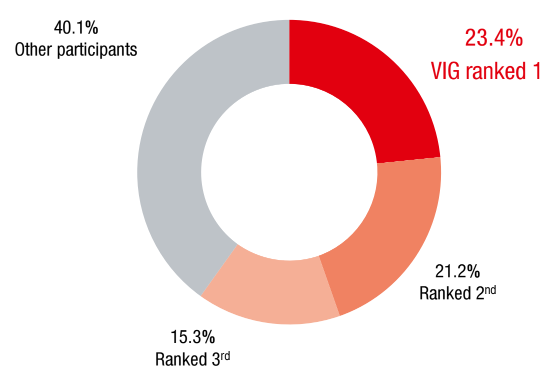
The downward trend in life insurance continued as a result of the ongoing low interest rate environment.

Income from regular premium life insurance fell 1.6% in the1st to 3rd quarters of 2019 and the income from single premium life insurance dropped even more, by 13.1%. The largest decrease was recorded by endowment insurance, which fell 9.9%. Unit-linked and capital forming life insurance also decreased in the 1st to 3rd quarters of 2019 (-4.7% and -3.0%, respectively). There is, however, still interest in occupational disability insurance and nursing care insurance, which recorded increases of 10.9% and 5.2%, respectively. Health insurance premiums recorded an increase of 4.2%.

According to Axco Global Statistics, a per capita average of EUR 1,940 was spent on insurance in Austria in 2018. Of this, EUR 1,311 was spent in the non-life insurance area and EUR 629 in the life insurance area.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Austrian Insurance Association; as of 9M 2019

VIG COMPANIES IN AUSTRIA

VIG Insurance Group is represented by the two insurance companies Wiener Städtische and Donau Versicherung in Austria. s Versicherung, which was merged with Wiener Städtische in 2018, continues to exist as a brand for bancassurance customers. Wiener Städtische also operates via branches in Italy and Slovenia. VIG Holding operates out of Austria as a reinsurer of the insurance group and as an insurer in the cross-border corporate business.

Since 2019, it has also been active in the traditional industrial insurance business through branch offices in the Northern European countries of Sweden, Norway and Denmark. VIG Holding is assigned to the Central Functions segment.

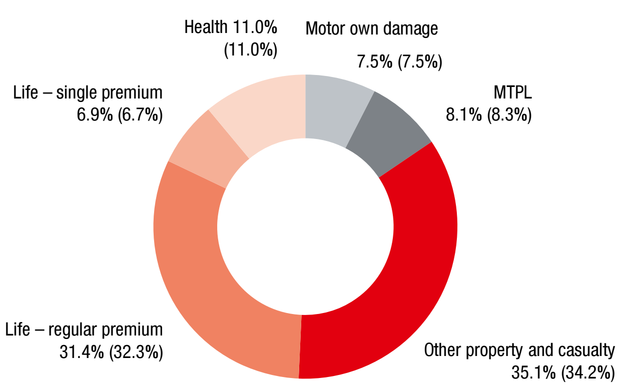
With a market share of 23.4% the VIG insurance companies represent Austria's largest insurance group. Together they hold first place in the property and casualty and life insurance, and second place in health insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE AUSTRIA SEGMENT

Premium development

The insurance companies of VIG in Austria wrote EUR 3,943.3 million in gross premiums in 2019 (2018: EUR 3,839.9 million). This corresponds to a year-on-year increase of 2.7%, which was primarily due to the good performance recorded for other property and casualty insurance, especially corporate business. Net earned premiums were EUR 3,226.2 million in 2019 (2018: EUR 3,158.3 million).

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The result before taxes in the Austria segment rose 21.7% to EUR 207.3 million in 2019 due to an improved combined ratio and a higher financial result, due to the sale of shares in S IMMO AG (2018: EUR 170.4 million).

Combined Ratio

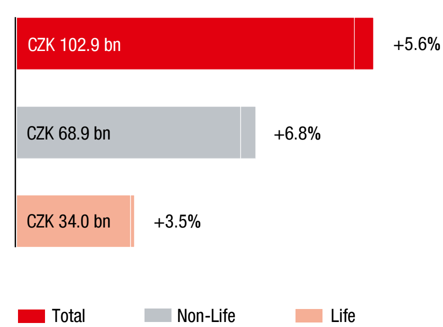
The combined ratio improved further to 93.5% in 2019 due to lower claims and cost ratios (2018: 94.2%).

CZECH REPUBLIC

CZECH INSURANCE MARKET

The insurance market in the Czech Republic remained dominated by the top 5 insurance groups in 2019, which together generate around 83% of total premium volume.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR



Source: Czech Insurance Association

The growth of the Czech insurance market continued in the first nine months of 2019. Premium volume rose 5.6% year-on-year (based on the calculation method of the Czech Insurance Association ČAP) from CZK 97.4 billion to CZK 102.9 billion. The large increase was due to growth in both the non-life and life sectors. The trend reversal for single premium life insurance is particularly noteworthy in this respect. After years of decline in this line of business, a striking year-on-year increase of 27.8% was recorded in the 1st to 3rd quarters of 2019.

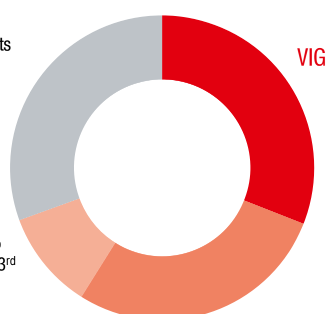
Premiums rose 6.8% in the non-life sector. The increase was primarily due to motor own damage insurance, which recorded a major gain of 10.5%. Motor third party liability insurance also rose 8.0% due to the steady increase in newly insured vehicles. The non-motor lines of business increased by 4.3%.

The life insurance sector recorded year-on-year growth of 3.5%. Regular premium life insurance recorded a small gain of 2.9%. The big increase, however, was due to single premium life insurance, which grew to CZK 956.2 million (+27.8%).

According to Axco Global Statistics, a per capita average of EUR 542 was spent on insurance premiums in the Czech Republic in 2018. EUR 338 of this amount was for non-life insurance and EUR 204 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Czech Insurance Association; as of 9M 2019

VIG COMPANIES IN THE CZECH REPUBLIC

After the merger of PČS and Kooperativa at the beginning of 2019, two companies now operate in the Czech Republic, namely Kooperativa and ČPP.

The 31.0% market share of the Czech VIG insurance companies made them the largest insurance group in the Czech Republic in the 1st to 3rd quarters of 2019. It also held first place in the life insurance sector, and second place in the non-life sector.

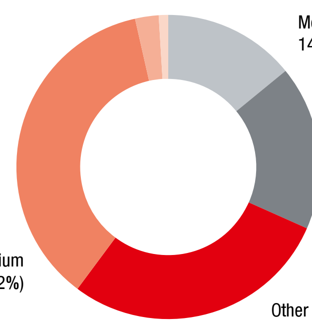
VIG Insurance Group's own reinsurance company, VIG Re which is headquartered in Prague and operates branch offices in Germany and France, is assigned to the Central Functions segment.

FINANCIAL PERFORMANCE INDICATORS IN THE CZECH REPUBLIC SEGMENT

Premium development

VIG insurance companies in the Czech Republic segment wrote EUR 1,745.8 million in premiums in 2019 (2018: EUR 1,684.2 million), representing an increase of 3.7% compared to the previous year. This increase was mainly due to good performance in other property and casualty insurance, regular premium life insurance and motor lines of business. Net earned premiums were EUR 1,312.8 million in 2019, representing an increase of 3.7% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The result before taxes in the Czech Republic segment rose 3.5% year-on-year to EUR 172.5 million in 2019, primarily due to an improvement in the life insurance underwriting result (2018: EUR 166.7 million).

Combined Ratio

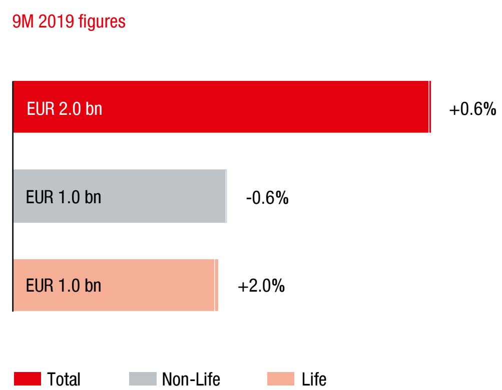
The combined ratio was further reduced compared to the same period in the previous year to 92.0% in 2019 (2018: 92.7%).

SLOVAKIA

SLOVAKIAN INSURANCE MARKET

The Slovakian insurance market is highly concentrated. The two largest insurance groups had a market share of around 56% in the first three quarters of 2019. The five largest insurance groups even generated around 76% of the premium volume.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR



Source: Slovak Insurance Association

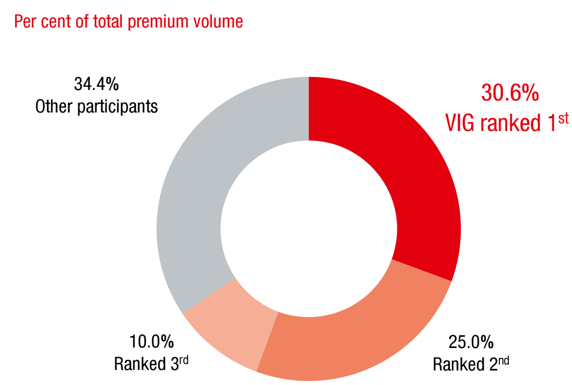
Premium volume was around EUR 2.0 billion in the first three quarters of 2019, representing a small year-on-year increase of 0.6%. While non-life insurance recorded a small decrease of 0.6%, life insurance increased by 2.0%.

The decrease in the non-life sector was, among other things, due to a drop in premiums from health insurance (-7.1%) and general liability insurance (-12.1%). The motor lines of business, on the other hand, were the growth drivers, with both motor third party liability (+4.6%) and motor own damage insurance (+3.2%) generating solid gains in the first three quarters of 2019. The non-life sector was negatively affected by an insurance tax of 8% introduced as of 1 January 2019.

Life insurance premiums rose during the reporting period due to an increase of 2.5% for life insurance with profit participation and 5.0% for unit-linked and index-linked life insurance.

According to Statista, a per capita average of EUR 379 was spent on insurance premiums in Slovakia in 2018. EUR 195 of this amount was spent on non-life insurance and EUR 184 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Slovak Insurance Association; as of 9M 2019

VIG COMPANIES IN SLOVAKIA

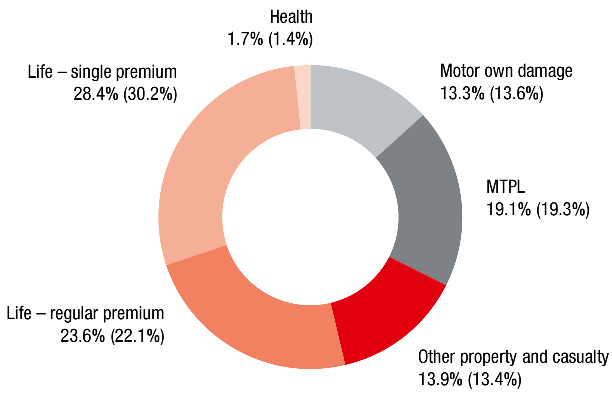
Two VIG insurance companies, Kooperativa and Komunálna, are represented in the Slovakian insurance market. Their market share of 30.6% puts them in first place in Slovakia. They hold second place for non-life insurance and first place for life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE SLOVAKIA SEGMENT

Premium development
Premiums written in the Slovakia segment remained almost unchanged at EUR 798.9 million in 2019 (2018: EUR 799.6 million). After adjusting for single premiums in

life insurance business, however, an increase of 2.6% was recorded. Net earned premiums were EUR 671.6 million in 2019 (2018: EUR 670.2 million).

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The Slovakian companies generated a result before taxes of EUR 48.9 million in 2019 (2018: EUR 47.2 million). This represents a year-on-year increase of 3.5%. It should be noted that the result for the previous year was burdened by significantly larger allowances for receivables.

Combined ratio

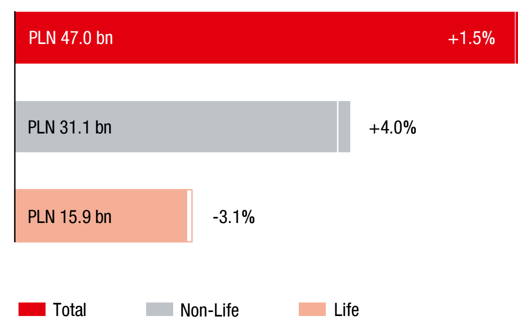
The combined ratio for the VIG insurance companies in Slovakia improved to 97.1% in 2019 (2018: 97.3%).

POLAND

POLISH INSURANCE MARKET

The five largest insurance groups in the country generated around 72% of the total premium volume in the first three quarters of 2019. The three largest insurance groups contributed around 59%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR



Source: Financial Market Authority Poland

The Polish insurance market has recorded very moderate growth for two years. In the 1st to 3rd quarters of 2019 premiums increased 1.5% year-on-year in local currency terms.

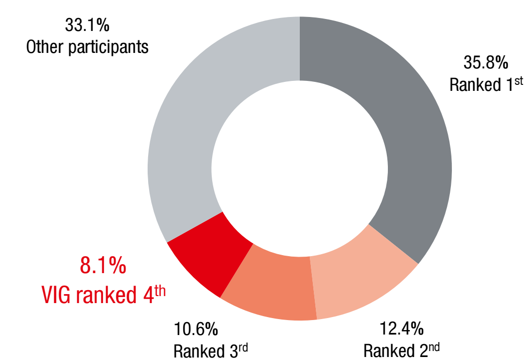
In the non-life sector, premiums grew 4.0%. On the one hand, this was due to the good performance achieved in the non-motor lines of business (+8.4%), with private health insurance recording one of the highest growth rates of 11.4%. On the other hand, the increase in the non-life sector was due to an increase in premiums for motor own damage insurance (+4.9%). Motor third party liability insurance, however, recorded a drop of 1.3%.

Premium volume in life insurance fell 3.1% in the first three quarters of 2019, primarily driven by uncertainty about unit-linked life insurance. Premiums from single premium products fell 17.0% in local currency terms, which was at least less than the major drop in premium volume recorded in the previous year. Premiums from regular premium life insurance, in contrast, grew 1.5%.

According to Axco Global Statistics, an average of EUR 371 per capita was spent on insurance in Poland in 2018. Out of this, EUR 273 was spent on non-life insurance and EUR 98 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Financial Market Authority Poland; as of 9M 2019

VIG COMPANIES IN POLAND

VIG Insurance Group is represented by Compensa Life and Non-Life, InterRisk, Vienna Life and Wiener TU (formerly Gothaer TU) in the Polish market. InterRisk also invested in the mutual insurance association TUW "TUW" in 2019. In addition to creating a strategic partnership, it also represented another step towards strengthening its market position in the non-life business.

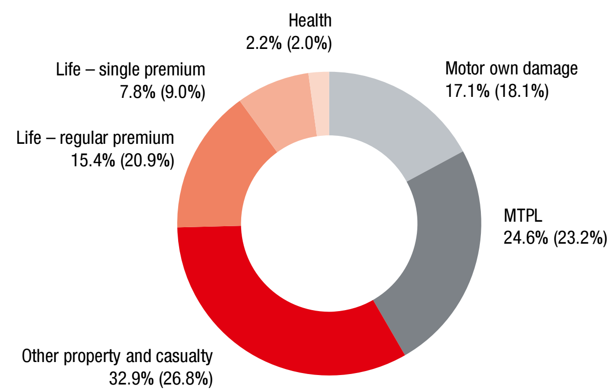
VIG Insurance Group holds fourth place in the overall market with a market share of 8.1%. In the non-life sector it is positioned as fourth in the ranking of top insurers, and in the life sector it is positioned as sixth.

FINANCIAL PERFORMANCE INDICATORS IN THE POLAND SEGMENT

Premium development

A total of EUR 1,132.0 million in Group premiums was written in the Poland segment in 2019 (2018: EUR 897.8 million), representing a double-digit year-on-year increase of 26.1% in the non-life lines of business. This major increase was primarily due to the cooperation with TUW "TUW" and first-time consolidation of the insurance company Wiener TU (formerly Gothaer TU). Net earned premiums were EUR 886.5 million in 2019, 29.3% higher than in 2018.

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The result before taxes rose to EUR 69.2 million in 2019 (2018: EUR 32.2 million), mainly due to very good technical results in the non-life lines of business, a higher financial result and positive effects of an asset tax refund. The previous year, however, was adversely affected by a new provision formed for expenses incurred as a result of changed surrender terms for the repurchase of certain life insurance products.

Combined Ratio

The combined ratio continued to be at a very good level of 94.8% in 2019 (2018: 92.6%).

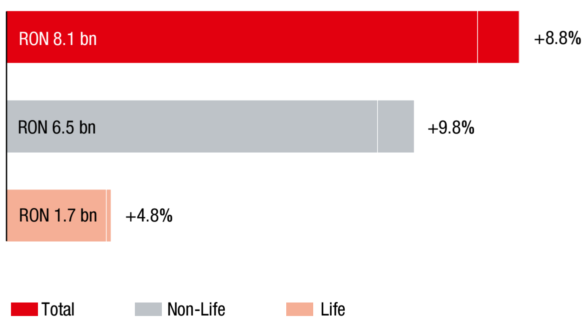
ROMANIA

ROMANIAN INSURANCE MARKET

The top 5 insurance groups generated around 72% of the total premium volume in Romania in the first three quarters of 2019. The two largest insurance groups generated around 37%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR

9M 2019 figures



Source: Financial Supervisory Authority ASF

The Romanian insurance market recorded an 8.8% year-on-year increase in premium volume in local currency terms. Both the non-life and life sectors contributed to this performance.

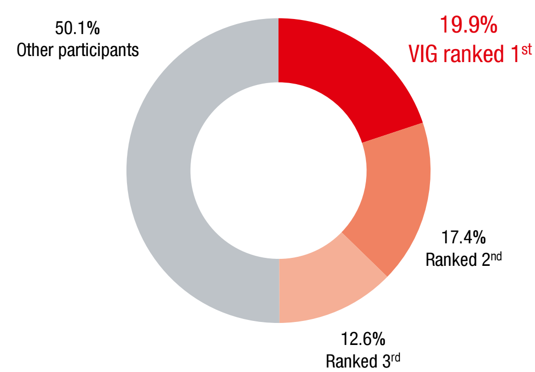
The non-life sector, which is heavily dominated by the motor lines of business, recorded a 9.8% increase. Motor third party liability, which represents around half of the non-life business, recorded its first increase of 6.1% following the declines recorded in the last two years. It must be noted, however, that the technical results in this line of business are significantly negative. The market for motor third party liability insurance is highly concentrated, with two insurance companies having a market share of slightly more than 70%. Motor own damage insurance achieved a gain of 12.2% compared to the same period in the previous year. The non-motor lines of business recorded an increase of 14.2%.

Life insurance grew 4.8% in the first three quarters of 2019. Unit-linked and index-linked life insurance generated a major gain of 40.6% compared to the previous year, while traditional life and annuity insurance fell 9.6%.

According to Axco Global Statistics, the insurance density in Romania was at EUR 112 per capita in 2018. EUR 90 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 2019

VIG COMPANIES IN ROMANIA

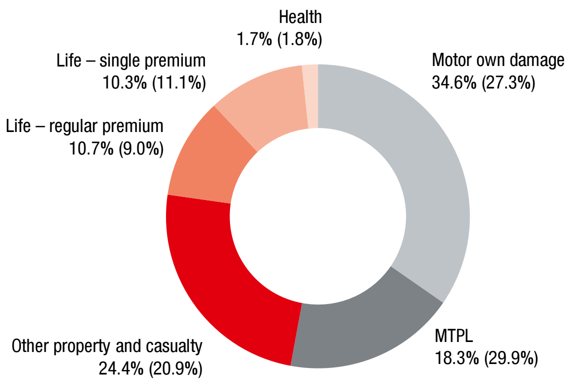
Three VIG insurance companies, the non-life insurer Omniasig, composite insurer Asirom and life insurer BCR Life, operate in the Romanian market. Their market share of 19.9% makes the VIG insurance companies the market leader in Romania. They hold the second place for both life insurance and non-life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE ROMANIA SEGMENT

Premium development

The VIG insurance companies in the Romania segment wrote EUR 468.2 million in premiums in 2019, representing a decrease of 9.1% (2018: EUR 515.3 million). The decline was primarily due to an intentional reduction in the motor third party liability portfolio. Net earned premiums were EUR 346.9 million in 2019, or 7.2% higher than the previous year, primarily due to lower reinsurance cesssions caused by a change in the portfolio mix.

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes
A loss of EUR 101.8 million was recorded in the Romanian segment in 2019 (2018: loss of EUR 73.9 million). This development was primarily the result of a complete goodwill impairment of EUR 108.8 million in 2019 (2018: EUR 50.1 million). Without the goodwill impairment, the operating result would have been EUR 7.0 million in 2019.

Combined Ratio
Although the combined ratio improved considerably in 2019, it remained above the 100% mark at 100.9% (2018: 107.5%).

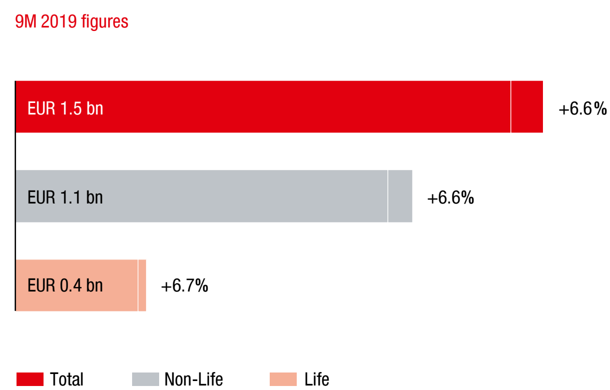
BALTIC STATES

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

THE BALTIC INSURANCE MARKET

The insurance market in the Baltic states is characterised by many companies that have their registered office in one of the three countries and also operate via branches in the other two markets. This leads to an above-average number of market participants. The five largest insurance groups in the Baltic states generated around 80% of the total premium volume.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR



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

With a premium increase of 6.6%, the Baltic states continued their positive development of recent years in the first nine months of 2019. The main contributions came from Lithuania and Latvia, which recorded similarly high growth rates (+7.9% and +8.0%, respectively). Premium volume rose 2.8% year-on-year in Estonia. With 47.5%, Lithuania generated close to half of the premium volume in the Baltic states.

Premium volume rose 6.6% in the non-life sector in the 1st to 3rd quarters of 2019. The biggest gain was recorded by the Latvian insurance market (+8.1%), followed by Lithuania (+7.6%) and Estonia (+3.3%).

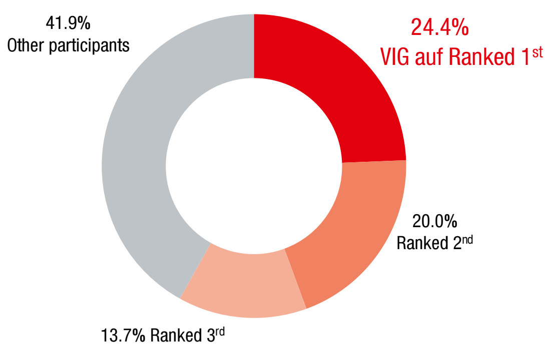
Life insurance premium volume also rose in the first nine months of 2019, with a gain of 6.7%. Within the Baltic states Lithuania recorded the largest increase in life insurance premiums, with a gain of 8.5%, followed by Latvia (+7.5%) and Estonia (+0.5%).

The average per capita expenditure for insurance in Lithuania was EUR 313 in 2018. EUR 236 of this amount was for non-life insurance and EUR 77 for life insurance.

Estonia's insurance density of EUR 418 per capita was higher than in Lithuania. EUR 351 of this amount was spent on non-life insurance and EUR 67 on life insurance. Latvia had the lowest insurance density in the Baltic states, namely EUR 284. EUR 224 was for the non-life sector and EUR 60 for the life sector.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: The Estonian National Statistics Board, Latvian Supervisory Authority, Central Bank of the Republic of Lithuania; as of 9M 2019

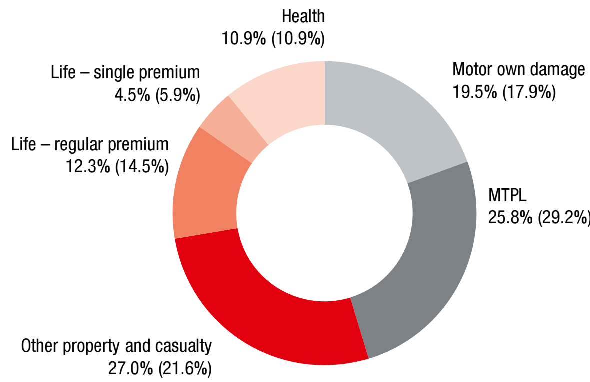
VIG COMPANIES IN THE BALTIC STATES

VIG insurance companies are represented in all three Baltic states. Compensa Life and Seesam have their headquaters in Estonia. Both insurance companies are also represented by branches in Latvia and Lithuania. BTA Baltic operates in Latvia and has branches in Estonia and Lithuania. Compensa Non-Life operates in Lithuania. It maintains branches in Latvia and Estonia.

With a market share of 24.4% the VIG insurance companies are number one in the Baltic states. They also hold first place in the non-life sector and third place for life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE BALTIC STATES SEGMENT

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Premium development
Premiums written in the Baltic states segment rose to EUR 500.3 in 2019 (2018: EUR 375.8 million). The significant 33.1% year-on-year increase in premiums was mainly due to first-time consolidation of the insurance company Seesam and generally positive performance in all lines of business. Net earned premiums rose to EUR 385.2 million in 2019 (2018: EUR 277.1 million).

Result before taxes
The result before taxes of EUR 7.7 million recorded in the Baltic states segment in 2019 could be increased compared to the previous year (2018: EUR 2.1 million). The development was mainly due to improvements in the combined ratio and a better financial result.

Combined Ratio
The combined ratio improved compared to the previous year to 97.7%, mainly due to lower claims ratios in motor third party liability and other property and casualty insurance (2018: 98.7%)

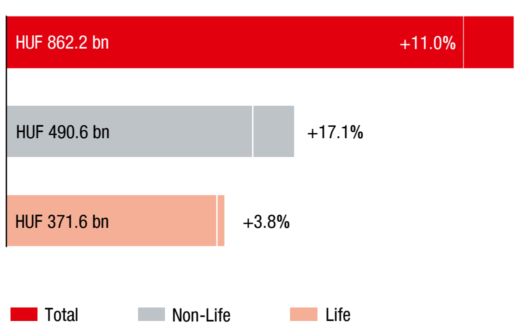
HUNGARY

HUNGARIAN INSURANCE MARKET

The top 5 insurance groups generated around 60% of the premium volume in 2018. The two largest insurance groups generated around 30%.

MARKET GROWTH IN THE 1^{ST} TO 3^{RD} QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR

9M 2019 figures



Source: National Bank of Hungary (MNB)

In the first nine months of the year, the Hungarian insurance market recorded a double-digit increase in premium volume of 11.0% in local currency terms.

The non-life sector also recorded double-digit growth (+17.1%). The main contribution came from motor third party liability insurance, which recorded a remarkable increase of 32.0%. The increase was primarily due to rising prices resulting from an increase in the insurance tax. Motor own damage premiums also increased 12.1% year-on-year in the 1^{st} to 3^{rd} quarters of 2019. This was due to a larger number of insured vehicles and higher prices.

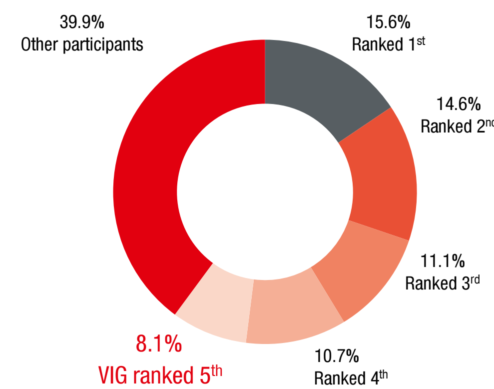
The Hungarian market continues to show massive interest in health insurance, which recorded an increase of 42.1%.

Life insurance premiums rose 3.8%. Tax-privileged pension insurance remained popular, with an increase of 20.9% in the first nine months of 2019. Endowment insurance also recorded double-digit growth (+16.8%).

According to Axco Global Statistics, the average per capita expenditure for insurance in Hungary was EUR 331 in 2018. Of this EUR 177 was spent for non-life insurance and EUR 154 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Hungarian Insurers Association (MABISZ); as of 2018

VIG COMPANIES IN HUNGARY

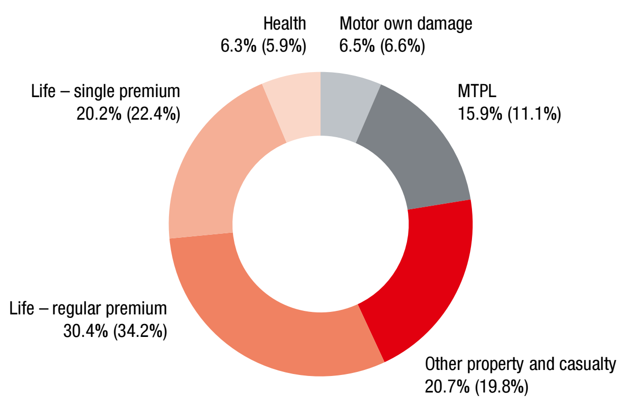
The VIG Insurance Group operates with the insurance company Union Biztosító in Hungary. It had a market share of 8.1% in 2018, which put it in fifth place in the market. It was in seventh place for non-life insurance and fourth place for life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE HUNGARY SEGMENT

Premium development
In the Hungary segment, premiums written in the amount of EUR 289.5 million were generated in 2019 (2018:

EUR 263.5 million). This corresponds to a year-on-year increase of 9.9%, which was primarily due to strong premium growth in motor third party liability and other property and casualty insurance. Net earned premiums were EUR 219.6 million in 2019, 7.0% higher than the previous year (2018: EUR 205.2 million).

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The result before taxes rose to EUR 8.7 million in Hungary in 2019 (2018: EUR 7.6 million). The increase was mainly due to an improvement in the combined ratio.

Combined Ratio

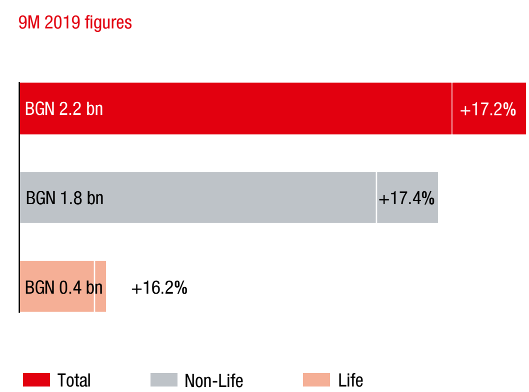
The combined ratio improved compared to the same period in the previous year to 97.6% in 2019 (2018: 98.5%). It must be noted that larger provisions were formed for cancellations in the previous year.

BULGARIA

BULGARIAN INSURANCE MARKET

The top 5 insurance groups generated around 58% of the total premium volume in Bulgaria in the first three quarters of 2019. The two largest insurance groups generated around 28%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2019 COMPARED TO THE PREVIOUS YEAR



Source: Bulgarian Financial Supervision Commission (FSC)

The Bulgarian insurance market continued to grow rapidly in the first three quarters of 2019, recording a double-digit year-on-year increase of 17.2% in local currency terms. Growth in both the non-life (+17.4%) and life (+16.2%) sectors contributed to this respectable increase.

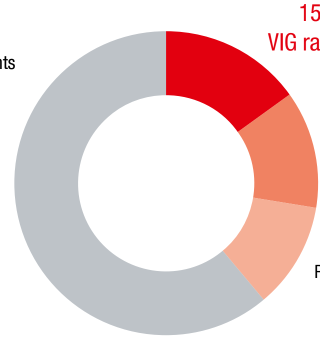
Motor third party liability insurance generated around 46% of the premium volume in the non-life sector. With strong growth of 21.1% it played a major role in the increase in the non-life sector. Many insurance companies have already taken introduction of the bonus-malus system into account in their prices. Motor own damage insurance recorded an increase of 6.1%. The non-motor lines of business recorded impressive double-digit growth of 24.1%.

Life insurance achieved a remarkable increase of 16.2% in the 1st to 3rd quarters of 2019, following the decrease during the same period in the previous year. The growth was driven by health insurance products in the life insurance sector (+81.5%) and unit-linked and index-linked life insurance (+18.1%). Traditional life insurance and annuity insurance, on the other hand, recorded a moderate change (+2.2%).

An average of EUR 26 per capita was spent on life insurance in Bulgaria in 2018. Around six times as much, EUR 158, was spent on non-life insurance. According to Axco Global Statistics, this corresponds to a total per capita premium of EUR 184 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 2019

VIG COMPANIES IN BULGARIA

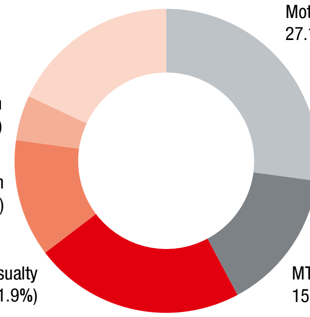
The three insurance companies Bulstrad Life, Bulstrad Non-Life and Nova are represented in the Bulgarian insurance market. Together they have a market share of 15.1%. That makes the VIG insurance companies the leading insurance group in Bulgaria. It holds second place in the non-life sector and first place in the market for life insurance. The PAC Doverie pension fund also belongs to VIG Insurance Group.

FINANCIAL PERFORMANCE INDICATORS IN THE BULGARIA SEGMENT

Premium development

Premiums written in the Bulgaria segment increased to EUR 223.9 million in 2019 (2018: EUR 171.3 million). The major increase of 30.7% was primarily due to good performance in health insurance, the motor lines of business and other property and casualty insurance. Net earned premiums were EUR 137.7 million in 2019, 12.1% higher than the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The Bulgarian VIG companies contributed EUR 15.8 million to the total Group result in 2019 (2018: EUR 11.4 million). Improvement in the combined ratio played a key role in this significant increase of 38.2%.

Combined ratio

The combined ratio improved considerably to 95.8% in 2019, mainly due to an increase in average premiums in the motor lines of business and greater profitability in other property and casualty insurance (2018: 99.1%).

TURKEY/GEORGIA

Turkey

The Turkish insurance market also recorded double-digit growth of 22.5% in local currency terms in the first nine months of 2019. Premium volume rose 20.4% in the non-life sector, while the life sector recorded an increase of 35.6%.

The non-life sector is clearly dominated by the 48.5% share contributed by the motor lines of business. Motor third party liability insurance rose 16.1% in the 1st to 3rd quarters of 2019, while motor own damage insurance increased 20.4% compared to the same period in the previous year. The non-motor lines of business grew 23.4%.

More than 60 insurance companies operate in Turkey. VIG non-life insurance company Ray Sigorta was in 19th place with a market share of 1.7%.

Georgia

The Georgian market continued the growth achieved in previous years with an increase of 15.5% in local currency terms. Double-digit growth rates were recorded in both the life insurance lines of business, which gained 25.4%, and non-life lines of business, which rose 14.8% compared to the same period in the previous year. Health insurance, which represents 37.6% of the total premium volume and is one of the most important lines of business in Georgia, recorded an increase of 5.0%. Growth in the non-life sector was also driven by motor own damage insurance (+30.7%), motor third party liability insurance (+29.1%) and the non-motor lines of business (+16.5%). The planned law on mandatory motor third party liability insurance for domestic vehicles was deferred after the introduction of mandatory motor third party liability insurance for foreign vehicles in the previous year. According to the State Insurance Supervision Service, only around 7% of all vehicles in Georgia currently have third party liability insurance.

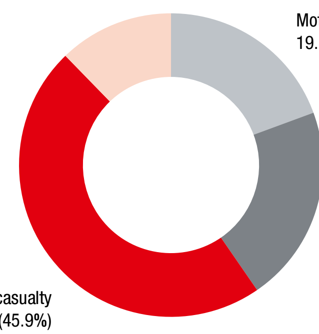
The VIG insurance companies GPIH and IRAO operate in Georgia. Its market share of 22.9% puts it in second place in the Georgian insurance market.

FINANCIAL PERFORMANCE INDICATORS IN THE TURKEY/GEORGIA SEGMENT

Premium development

The Turkey/Georgia segment recorded total premiums written of EUR 234.9 million in 2019 (2018: EUR 198.3 million). The year-on-year increase of 18.5% was mainly the result of good growth in the motor lines of business and other property and casualty insurance. Net earned premiums were EUR 112.4 million in 2019 (2018: EUR 97.1 million), an increase of 15.7% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The result before taxes rose to EUR 6.7 million in 2019, mainly due to an improvement in the combined ratio (2018: EUR 3.8 million).

Combined Ratio

The combined ratio improved considerably to 96.5% in 2019, mainly due to the positive performance recorded in the motor lines of business in Turkey (2018: 98.5%).

REMAINING CEE

The Remaining CEE segment includes the countries Albania incl. Kosovo, Bosnia-Herzegovina, Croatia, North Macedonia, Moldova, Serbia and Ukraine. The Remaining CEE markets generated 4.4% of Group premiums in 2019. The companies in Montenegro and Belarus were not included in the scope of consolidation.

Albania including Kosovo

Premium volume in Albania rose 3.1% in local currency terms in the first three quarters of 2019, with both the non-life and life lines of business contributing to the increase. The Albanian insurance market is dominated by the non-life sector, which represents 93.0% of the market. In addition to the strong growth of 10.7% recorded for motor own damage insurance in this sector, a moderate increase of 4.5%

was also recorded for motor third party liability insurance. The non-motor lines of business recorded a drop of 3.1% compared to the same period in the previous year. The life insurance sector recorded an 8.5% increase in premium volume in the 1st to 3rd quarters of 2019. The premium volume in Kosovo rose 8.0% year-on-year in the 1st to 3rd quarters of 2019.

The VIG insurance companies Sigma Interalbanian and Intersig operate in the Albanian insurance market. They occupy the second place in the market, with a market share of 23.5%. Sigma Interalbanian is also represented by a branch in Kosovo.

Bosnia-Herzegovina
Premiums increased 6.7% in local currency terms in Bosnia-Herzegovina in the first two quarters of 2019. Non-life insurance recorded a year-on-year increase of 5.8%. The 10.0% double-digit growth in life insurance was particularly satisfying. The motor lines of business that dominate the non-life sector also recorded gains. Motor own damage grew 12.5% and motor third party liability increased 4.6%.

The Group is represented in Bosnia-Herzegovina by the insurance companies Wiener Osiguranje, which has its headquarters in Banja Luka in the Republika Srpska in Bosnia-Herzegovina, and Vienna osiguranje, which is headquartered in Sarajevo. The market share was 8.9% based on data from the 1st half of 2019, which puts the VIG insurance companies in fourth place in the market.

Croatia
The Croatian insurance market grew 7.5% in local currency terms in the first three quarters of 2019. Non-life premium volume rose 11.6% year-on-year. Motor own damage insurance (+20.5%) and health insurance (+16.7%) played a major role in this increase. Motor third party liability (+5.4%) and accident and fire insurance (+5.0% and +5.4%) also recorded increases. Life insurance premiums declined slightly by 1.3%, mainly due to decreases in index-linked and unit-linked products and annuity insurance.

The VIG insurance company Wiener Osiguranje operates in Croatia. Its market share of 9.0% in the 1st to 3rd quarters of 2019 put it in fourth place in the Croatian insurance market.

North Macedonia
Premiums in the North Macedonia insurance market rose 7.2% in local currency terms in the first three quarters of 2019. Non-life insurance dominates the overall market with a share of around 84.4%. It recorded an increase of 6.2% in the first nine months of 2019, driven by growth in motor third party liability (+6.0%) and motor own damage insurance (+5.4%) as well as in the non-motor lines of business (+6.7%). Life insurance continued the double-digit growth recorded in previous years with a 12.8% increase in premium volume in the first nine months of 2019.

The VIG insurance companies Makedonija Osiguruvanje, Winner Non-Life and Winner Life together hold a market share of 20.0%. That makes the VIG companies the leading insurance group in North Macedonia.

Moldova
The Moldovan insurance market recorded significant growth of 11.5% in local currency terms during the 1st to 3rd quarters of 2019. The non-life sector, whose 94.3% share dominates the overall portfolio, recorded a respectable 12.1% year-on-year increase. Life insurance recorded an increase of 2.4%. The non-motor lines of business grew particularly strongly in the first nine months, recording an impressive gain of 45.3%. While motor third party liability decreased 4.3%, motor own damage insurance rose 13.8%.

The VIG insurance company Donaris operates in Moldova. Its market share is 13.5% which puts it in second place in the market. It holds first place in the non-life sector.

Serbia
Premium volume for the insurance companies operating in Serbia rose 5.9% based on the local currency in the first three quarters of 2019. This growth was mainly due to the positive performance achieved in the non-life sector (+6.4%), which represents around 78% of the overall portfolio. The growth in non-life insurance was due to contributions from both the non-motor lines of business, which saw

premium volume rise 6.8% year-on-year, and motor lines of business (motor third party liability +4.1%, motor own damage +13.3%). Life insurance recorded an increase of 4.5% in the 1st to 3rd quarters of 2019. Health insurance also achieved double-digit growth of 29.4%.

The VIG insurance company Wiener Städtische Osiguranje operates in Serbia. It holds fourth place in the overall market with a market share of 11.4%, and second place in life insurance.

Ukraine

Around one quarter of the premium volume published in the Ukrainian market statistics in the first nine months of 2019 concerns reinsurance business between the insurance companies. When adjusted for these transactions, direct premium volume recorded strong year-on-year growth of 23.0% in local currency terms. The Ukrainian insurance market is clearly dominated by the non-life sector, which represents around 89% of the market. It grew 23.3% in the first three quarters of 2019, which is due, among other things, to an increase in mandatory motor third party liability insurance (+10.2%) and so-called "Green Card" policies (+32.6%). The premium volume generated in the life sector also rose significantly by 20.2%. At 11%, however, the share of total premium volume generated by life insurance remains modest.

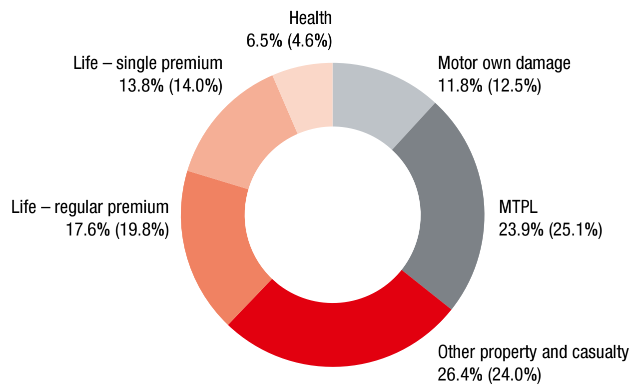
The Group is represented in Ukraine by the non-life insurers Globus, Kniazha and UIG, and the life insurer Kniazha Life. Globus was merged with UIG and the merger is expected to be concluded in 2020. The VIG insurance companies hold second place in the overall market, with a market share of 6.9%. They are in first 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 insurance companies in the Remaining CEE segment wrote EUR 446.9 million in premiums in 2019 (2018: EUR 374.7 million). The year-on-year increase of 19.3% was due to generally positive performance in all lines of business, especially in Ukraine, which recorded impressive growth rates in motor third party liability, other property and casualty and health insurance. Serbia also saw an increase in premiums, for both other property and casualty insurance and single-premium life insurance. Net earned premiums were EUR 328.8 million in 2019 (2018: EUR 285.7 million), an increase of 15.1% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The result before taxes rose to EUR 27.1 million in 2019, mainly due to an improvement in the combined ratio (2018: EUR 23.5 million).

Ukraine recorded a particularly large increase in its result in 2019, and large increases were also recorded in Serbia and Croatia.

Combined Ratio

The combined ratio improved to 93.9% in 2019, primarily due to positive effects from motor third party liability in Ukraine, Serbia and North Macedonia and growth in other property and casualty insurance in Croatia (2018: 96.6%).

OTHER MARKETS

The Other Markets segment includes Germany and Liechtenstein. In 2019 the segment generated 3.7% of Group premiums.

Germany

The German insurance industry recorded a 6.2% year-on-year increase in premium volume in the first nine months of 2019. Life insurance, which saw premiums increase 10.7%, was an important driver of growth. The increase was mainly due to significant growth of 34.8% in single-premium products. Regular premium life insurance remained stable, with an increase of 0.2%. The German insurance market also achieved growth of 3.3% in the property and casualty insurance line of business. Private health insurance recorded an increase of 2.1%.

The VIG insurance companies InterRisk Non-Life and InterRisk Life operate in Germany. The InterRisk companies distribute exclusively through around 10,000 independent sales partners. InterRisk Non-Life specialises in accident and liability insurance and selected property insurance products. InterRisk Life focuses on retirement provision and occupational disability solutions, as well as protection for surviving dependants. The VIG companies continue to operate successfully in the German market as niche providers.

Liechtenstein

As a member of the European Economic Area, the Principality of Liechtenstein has offered insurance companies direct market access to 31 countries and around 500 million people in Europe since 1995. 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 2019, 37 insurance companies, including 21 life insurance companies, had registered offices in Liechtenstein. Premium volume in the first three quarters of 2019 was around the same level as the previous year.

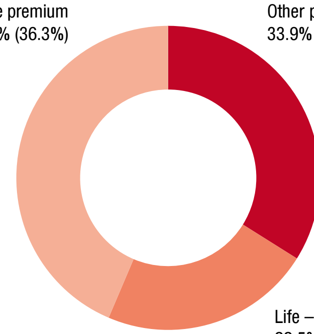
The VIG insurance company Vienna-Life operates in Liechtenstein. Vienna-Life mainly offers unit-linked and index-linked life insurance.

FINANCIAL PERFORMANCE INDICATORS IN THE OTHER MARKETS SEGMENT

Premium development

In the Other Markets segment total premiums written of EUR 380.4 million were recorded in 2019 (2018: EUR 321.0 million), representing an increase of 18.5% compared to the previous year. The increase was due to good performance in all lines of business, in particular single-premium life insurance in Liechtenstein. Net earned premiums were EUR 332.3 million in 2019 (2018: EUR 275.1 million), an increase of 20.8% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS



Values for 2018 in parentheses

Result before taxes

The result before taxes decreased 5.7% to EUR 22.6 million in Liechtenstein in 2019 (2018: EUR 23.9 million).

Combined Ratio

In 2019 the combined ratio was an excellent 82.4% in the Other Markets segment (2018: 82.9%).

CENTRAL FUNCTIONS

The Central Functions segment includes VIG Holding (including the branches in Northern Europe), VIG Re (including the branches in Germany and France), Wiener Re, the VIG Fund, non-profit societies, corporate IT service providers and intermediate holding companies. VIG Holding primarily focuses on managerial tasks for the insurance group. It also operates as the reinsurer for the insurance group and in the international corporate business.

The reinsurance company VIG Re was formed in Prague in 2008 and is a successful reinsurance provider for both VIG insurance companies and external partners. It 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 autumn of 2019.

FINANCIAL PERFORMANCE INDICATORS IN THE CENTRAL FUNCTIONS SEGMENT

Premiums written in the Central Functions segment rose 2.5% in 2019 to EUR 1,623.5 million. This was mainly the result of an increase in premiums generated by insurance company VIG Re entering new business areas for active reinsurance (Western Europe) and an increase in corporate business in VIG Holding.

A result before taxes of EUR 36.5 million was recorded in the Central Functions segment in 2019 (2018: EUR 70.2 million). The decrease was primarily due to the change in consolidation method used for the non-profit societies starting 31 July 2019.

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 161.

Other mandatory disclosures

RESEARCH AND DEVELOPMENT

Although VIG companies do not perform any research activities as defined in § 243 (3) (2) UGB, they contribute their expertise to the development of insurance-specific software models. VIG companies also cooperate with Digital Impact Labs Leipzig and Plug & Play to identify technological developments in the market more quickly and internalise them if necessary. The Group-own start-up viesure was also established for this purpose.

HOLDINGS, PURCHASE AND SALE OF OWN SHARES

Detailed information on § 243 (3)(3) UGB is available in Note 9 Consolidated shareholders' equity starting on page 119 of the notes to the consolidated financial statements.

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 the notes to the consolidated financial statements, which disclose significant accounting policies and explanatory 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 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 companies and the Group accounting department at the VIG Holding headquarters in Vienna. The accounting departments of the VIG 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. VIG companies mainly use this software to report their data, most of which is imported into the system as an upload or directly entered on site. 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 VIG companies and automatic and manual controls and analyses during the consolidation process, to publication of the final annual report.

Control measures
Internal Group IFRS accounting policies are set down in an accounting manual (IFRS interpretation). The manual is aimed at ensuring uniform and correct implementation of the International Financial Reporting Standards across the Group. It is regularly reviewed and updated when necessary, and is sent to the responsible people in the local accounting departments together with detailed information on Group-wide reporting requirements each time before the financial statements are prepared. The subsidiaries are responsible for compliance with Group-wide accounting policies.

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 intragroup transactions – in particular reinsurance and financing balances – are performed to identify and, if necessary, 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 VIG companies are already informed of these deadlines at the beginning of the 4th quarter for the coming reporting year. In this way, the employees in the Group accounting department ensure in advance that the VIG 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, a half-year report was published in accordance with IAS 34 and statutory provisions.

The Investor Relations department is responsible for reporting to VIG Holding shareholders. This takes place both in personal meetings and via the Company website. Shareholders and other interested parties are provided with access to annual and interim 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 VIG 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 general meetings in accordance with § 267 (3a) in conjunction with § 243a (1) UGB is provided in Note 9 Consolidated shareholders' equity starting on page 119 of the notes to the consolidated financial statements.

CONSOLIDATED NON-FINANCIAL REPORT

VIG Holding is publishing a separate consolidated non-financial report for financial year 2019 in accordance with § 267a of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB). It is available in printed form and online on the VIG Insurance Group website (www.vig.com) in the "Corporate Responsibility" menu section under "Downloads".

CORPORATE GOVERNANCE

VIG Holding is committed to application and compliance with the January 2020 version of the Austrian Code of Corporate Governance and publishes a consolidated corporate governance report on the 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 Group-internal and external service providers to provide IT services for VIG Holding. Outsourcing agreements that had been approved by the supervisory authority existed in 2019 with IBM Austria (Internationale Büromaschinen Ges. m.b.H.) and the internal Group IT system provider twinformatics GmbH, both headquartered in Austria. twinformatics GmbH has also assumed full responsibility for all IT services for the Austrian VIG insurance companies and concludes any sub-outsourcing required for this purpose while observing statutory and regulatory requirements and after consulting with the VIG insurance companies. In addition to these outsourcing agreements, VIG 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 (in particular the operation and maintenance of operating modules, computing centre operation, application development services, data storage)
- Claims handling

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 VIG Insurance Group were predominantly 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 or 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 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 developed set of risk management tools and risk-based Managing Board decisions.

The detailed risk report for VIG Insurance Group is provided in the notes to the consolidated financial statements starting on page 83. 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 83).

EXPECTED DEVELOPMENT – OUTLOOK FOR 2020

AUSTRIA

Due to the outbreak of the coronavirus pandemic at the beginning of 2020 and in particular its spread outside China, the eurozone is expected to grow around -0.5% in 2020. For Austria the Erste Group research department also expects further slowing of real GDP growth to 0.9% in 2020, before a potential recovery in 2021. Overall, export demand is expected to remain weak, so that domestic demand continues to be the main driver of growth, even though a slowdown in the labour market could become apparent. Inflation is expected to remain below the European Central Bank (ECB) target and reach 1.4% for Austria and 0.9% for the eurozone as a whole in 2020.

CEE

The Erste Group analysts also see the development of growth in Central and Eastern Europe as significantly affected by the coronavirus pandemic. Whereas political uncertainties and the tendency towards weaker export markets and domestic demand had previously led to an expected slowdown, this slowdown has only been compounded by the coronavirus pandemic. At an expected unemployment rate of 4.9% in 2020 (2019: 4.6%, 2018 still 5.2%), real GDP growth should then average only 0.8% for the region. Hungary and Poland should continue to show relatively good growth by regional standards, surpassed only by Romania and Serbia with real GDP growth of 1.8% and 1.5% respectively in 2020.

A key factor for economic development, under the current influence of the virus and beyond, should be government support measures. EU funding in upcoming budget periods should also contribute to the growth of the region.

VIG INSURANCE GROUP

As a market leader in Austria and the CEE region, VIG 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. It remains committed to its proven business strategy of profitable growth. Based on the values of diversity, customer proximity and responsibility, VIG insurance companies want to use their successful management principles to strengthen and further increase their market shares. This includes both organic growth and growth by acquisitions, particularly if an opportunity arises to strategically expand the existing portfolio or to take advantage of economies of scale. The goal is to increase 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. The acquisition of Gothaer TU in 2019 – which was subsequently renamed Wiener TU – increased the market share to around 8% in Poland.

The strategic measures and initiatives set by the Agenda 2020 work programme – business model optimisation, ensuring future viability and organisation and cooperation – helped accelerate the development of the Group in 2019. The focus continues to be on efficiency improvements, making use of synergies and the systematic reduction of both losses and expenses to improve the combined ratio. In life insurance, efforts will also be made to further promote biometric risk coverage and the regular premium business.

Under its dividend policy which foresees a distribution in the range of 30 to 50% of Group net profits, the dividend per share will continue to be aligned with the Company's performance.

Due to the coronavirus pandemic dominating the news at the time of the editorial deadline, VIG Insurance Group has taken all appropriate measures to protect its employees and ensure that business operations can continue. These measures will be continuously adjusted as the situation changes. We are also continuously monitoring capital market developments.

The far-reaching measures implemented around the world to prevent further spread and the associated uncertainty concerning its progression will lead to a slowdown in economic growth. At the current time, the effects on the business development of the insurance group cannot yet be estimated.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	31.12.2019
Reporting period	1.1.2019 – 31.12.2019
Comparative reporting date of the balance sheet	31.12.2018
Comparative period for the income statement	1.1.2018 – 31.12.2018
Currency	EUR

CONSOLIDATED BALANCE SHEET

Assets	Notes	31.12.2019	31.12.2018
in EUR '000			
Intangible assets	1, A	1,939,579	1,960,879
Right-of-Use Assets	2, B	197,656	
Investments	**3, C**	**34,455,740**	36,288,326
Land and buildings		2,414,258	5,965,666
Self-used land and buildings		488,701	458,981
Investment property		1,925,557	5,506,685
Shares in at equity consolidated companies		321,276	221,312
Financial instruments		31,720,206	30,101,348
Investments for unit-linked and index-linked life insurance	4, D	8,620,327	8,048,622
Reinsurers' share in underwriting provisions	5, E	1,283,434	1,135,626
Receivables	6, F	1,717,349	1,562,549
Tax receivables and advance payments out of income tax	G	226,845	297,528
Deferred tax assets	7, G	68,725	95,199
Other assets	8, H	391,911	427,488
Cash and cash equivalents		1,443,358	1,347,279
Total		50,344,924	51,163,496

Liabilities and shareholders' equity	Notes	31.12.2019	31.12.2018
in EUR '000			
Shareholders' equity	9	5,190,693	5,835,696
Share capital and reserves		5,074,114	4,547,473
Other non-controlling interests		116,579	107,712
Non-controlling interests in non-profit societies		0	1,180,511
Subordinated liabilities	10, L	1,464,597	1,458,681
Underwriting provisions	11, I	31,886,076	30,505,909
Underwriting provisions for unit-linked and index-linked life insurance	12, J	8,115,999	7,609,406
Non-underwriting provisions	13, K	931,559	867,493
Liabilities	14, B	2,094,572	4,276,662
Tax liabilities out of income tax	G	250,889	268,712
Deferred tax liabilities	7, G	262,202	203,834
Other liabilities		148,337	137,103
Total		50,344,924	51,163,496

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" starting on page 102. The letters refer to the explanatory text in the section titled "Principles of significant accounting policies" starting on page 40.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement	Notes	2019	2018
in EUR '000			
Net earned premiums – retention	**M**	**9,317,929**	**8,729,362**
Premiums written – retention		**9,420,712**	**8,811,079**
Premiums written – gross	15	10,399,407	9,657,319
Premiums written – reinsurers´ share		-978,695	-846,240
Change in unearned premiums – retention		**-102,783**	**-81,717**
Change in unearned premiums – gross		-136,790	-104,955
Change in unearned premiums – reinsurers´ share		34,007	23,238
Financial result excl. result from at equity consolidated companies	**16**	**986,766**	**1,003,025**
Income from investments		1,593,201	1,638,418
Expenses for investments and interest expenses		-606,435	-635,393
Result from shares in at equity consolidated companies	17	24,074	34,453
Other income	18	193,203	131,493
Expenses for claims and insurance benefits – retention	19, N	-7,262,744	-6,947,007
Acquisition and administrative expenses	20, O	-2,293,226	-2,140,693
Other expenses	18	-444,433	-325,204
Result before taxes		**521,569**	**485,429**
Taxes	21	-108,481	-117,477
Result of the period		**413,088**	**367,952**
thereof attributable to shareholders		331,277	268,924
thereof other non-controlling interests		13,698	7,560
thereof non-controlling interests in non-profit societies		68,113	91,468
Earnings Result per share* (in EUR)	9	2.59	2.04
Result of the period (carryforward)		**413,088**	**367,952**

*The calculation of these figures in the previous year 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	2019	2018
in EUR '000		
Result of the period (carryforward)	413,088	367,952
Other comprehensive income (OCI)		
Items that will not be reclassified to profit and loss in subsequent periods	-58,322	-29,302
+/- Underwriting gains and losses from provisions for employee benefits	-106,988	-55,383
+/- Deferred profit participation	29,861	17,075
+/- Deferred taxes	18,805	9,006
Items that will be reclassified to profit or loss in subsequent periods	409,035	-205,294
+/- Exchange rate changes through equity	9,605	-20,986
+/- Unrealised gains and losses from financial instruments available for sale	985,477	-887,641
+/- Cash flow hedge reserve	-452	115
+/- Share of other reserves of associated companies	-1,394	-290
+/- Deferred mathematical reserve	-112,952	290,637
+/- Deferred profit participation	-361,614	364,034
+/- Deferred taxes	-109,635	48,837
Total OCI	350,713	-234,596
Total profit	763,801	133,356
thereof attributable to shareholders	676,722	40,607
thereof other non-controlling interests	19,836	3,007
thereof non-controlling interests in non-profit societies	67,243	89,742

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 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
As of 1 January 2019	132,887	2,109,003	0	2,245,569	-142,711	202,725	4,547,473
Changes in scope of consolidation/ownership interests	0	0	0	-22,081	0	0	-22,081
Other comprehensive income	0	0	0	331,277	9,623	335,822	676,722
Other comprehensive income excluding currency changes	0	0	0	0	0	335,822	335,822
Currency change	0	0	0	0	9,623	0	9,623
Result of the period	0	0	0	331,277	0	0	331,277
Dividend payment	0	0	0	-128.000	0	0	-128.000
As of 31 December 2019	132,887	2,109,003	0	2,426,765	-133,088	538,547	5,074,114

Development	Subtotal*	Non-controlling interests		Shareholders' equity
		Other	Non-profit societies	
in EUR '000				
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
As of 1 January 2019	4,547,473	107,712	1,180,511	5,835,696
Changes in scope of consolidation/ownership interests	-22,081	-2,138	-1,242,012	-1,266,231
Other comprehensive income	676,722	19,836	67,243	763,801
Other comprehensive income excluding currency changes	335,822	6,156	-870	341,108
Currency change	9,623	-18	0	9,605
Result of the period	331,277	13,698	68,113	413,088
Dividend payment	-128.000	-8,831	-5,742	-142,573
As of 31 December 2019	5,074,114	116,579	0	5,190,693

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

Composition of dividend payments - retention	31.12.2019	31.12.2018
in EUR '000		
Dividends	128.000	115,200
Interest payments on the hybrid capital	0	8,300
Total	128.000	123,500

Composition of other reserves	31.12.2019					
	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	2,818,621	37	-436,695	-1,219	-134,267	2,246,477
+/- Exchange rate changes from financial instruments available for sale	7,963					7,963
+/- Deferred mathematical reserve	-733,482					-733,482
+/- Deferred profit participation	-1,091,172	0	133,911	0	0	-957,261
+/- Deferred taxes	-224,720	0	74,516	0	0	-150,204
+/- Other non-controlling interests	-12,889	0	3,630	46	1,179	-8,034
+/- Non-controlling interests in non-profit societies	0	0	0	0	0	0
Net	764,321	37	-224,638	-1,173	-133,088	405,459

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

CONSOLIDATED CASH FLOW STATEMENT

in EUR '000	2019	2018
Result of the period	**413,088**	367,952
Change in underwriting provisions net	697,415	111,856
Change in underwriting receivables and liabilities	50,372	19,778
Change in other receivables and other liabilities (excl. leases)	96,646	78,313
Change in financial instruments recognised at fair value through profit and loss (incl. held for trading)	-14,292	7,008
Gain/loss from disposal of investments	-211,826	-111,379
Appreciation/depreciation of investments	125,734	177,991
Change in provisions for pensions and similar obligations and other personnel provisions	111,061	56,736
Change in deferred taxes	-4,081	-33,573
Change in intangible assets	189,028	106,661
Change in right-of-use assets and lease receivables and liabilities	44,995	
Change in other balance sheet items	51,974	-29,076
Other cash-neutral income and expenses[1]	-251,350	309,285
Cash flow from operating activities	**1,298,764**	1,061,552
Cash inflow from the sale of associated companies	0	110,392
Payments for the acquisition of subsidiaries	-68,631	-11,061
Payments for the acquisition of associated companies	-153	0
Cash inflow from the sale of available for sale securities	2,946,231	2,248,144
Payments for the acquisition of available for sale securities	-3,420,012	-3,388,440
Cash inflow from disposals/repayments of held to maturity securities	260,575	280,454
Payments for the acquisition of held to maturity securities	-64,117	-102,939
Cash inflow from the sale of land and buildings	70,834	93,521
Payments for the acquisition of land and buildings	-387,667	-432,587
Cash inflow for the sale of intangible assets	6,088	4,241
Payments for the acquisition of intangible assets	-170,239	-81,690
Change in investments for unit-linked and index-linked life insurance	120,203	489,786
Change of loans	-19,252	139,108
Change in other investments	-159,864	-199,423
Cash flow from investing activities	**-886,004**	-850,494
Corporate actions, incl. hybrid capital	0	-198,017
Cash outflow from subordinated liabilities	-64,917	-64,266
Dividend payments	-142,573	-139,722
Cash inflow from other financing activities	131,142	292,815
Cash outflow from other financing activities	-130,335	-248,818
Cash outflow from lease liabilities	-33,615	
Cash flow from financing activities	**-240,298**	-358,008
Change in cash and cash equivalents	**172,462**	-146,950

	2019	2018
Cash and cash equivalents at beginning of period[2]	1,347,279	1,497,731
Change in cash and cash equivalents	172,462	-146,950
Change in the scope of consolidation	-77,478	2,574
Effects of foreign currency exchange differences on cash and cash equivalents	1,095	-6,076
Cash and cash equivalents at end of period[2]	**1,443,358**	1,347,279
thereof non-profit societies	0	122,341

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 statement of cash flows	2019	2018
in EUR '000		
Received interest[1]	766,045	767,633
Received dividends[1]	56,300	67,137
Interest paid[2]	85,923	97,409
Income taxes paid[1]	73,458	79,085
Expected cash flow from reclassified securities	**7,562**	10,539
Effective interest rate of reclassified securities	**4.60%**	4.22%

[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	31.12.2019				
	Subordinated liabilities (including interest)[1]	Liabilities to financial institutions	Liabilities from public funding	Lease liabilities	Financing liabilities[2]
in EUR '000					
Book value as of 31.12. of the previous year	1,490,839	1,230,601	105,143		1,520,242
Cash changes	**-64,917**	**-10,602**	**2,695**	**-33,615**	**8,714**
Cash inflows	0	81,663	4,344	0	45,135
Payments	-350	-81,766	-1,621	-33,615	-26,925
Interest paid	-64,567	-10,499	-28	0	-9,496
Non-cash changes	**71,049**	**-1,004,581**	**-107,838**	**232,947**	**-1,454,417**
Additions	64,490	10,628	218	317,485	13,526
Disposals	0	0	-180	-32	-16,432
Change in the scope of consolidation	6.000	-1,015,209	-107,876	-84,487	-1,420,785
Reclassifications	301	0	0	0	-31,077
Measurement changes	0	0	0	0	342
Exchange rate differences	258	0	0	-19	9
Book value as of 31.12.	**1,496,971**	**215,418**	**0**	**199,332**	**74,539**

[1] The interest payable for subordinated liabilities is included in other liabilities.
[2] Contains lease liabilities, derivative liabilities from financing liabilities and other financing liabilities

The lease liabilities column shows the lease liabilities reported in accordance with IFRS 16 starting as of 1 January 2019. Further information is available in the section titled “Changes in accounting policies” on page 40, in “Estimates and discretionary decisions” starting on page 48, and under “Leases” in “Accounting policies” starting on page 54.

The changes in the scope of consolidation were primarily due to the change in the consolidation method for the non-profit societies.

Reconciliation of liabilities from financing activities	31.12.2018			
	Subordinated liabilities (including interest)[1]	Liabilities to financial institutions	Liabilities from public funding	Financing liabilities[2]
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

[1] The interest payable for subordinated liabilities is included in other liabilities.

[2] Contains lease liabilities, derivative liabilities from financing liabilities and other financing liabilities

Notes to the consolidated financial statements

PRINCIPLES OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is one of the leading insurance groups in Central and Eastern Europe with its registered office located at Schottenring 30, 1010 Vienna. As the ultimate parent company, Wiener Städtische Versicherungsverein includes VIG Holding and its subsidiaries in its consolidated financial statements.

The insurance companies of the VIG Insurance Group offer insurance services in the life, health and property and casualty areas in 30 countries.

PRINCIPLES 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 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 48.

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 accounting policies indicated have been applied consistently in all of the periods shown in these consolidated financial statements. Unless otherwise indicated, the standards that are applicable for the first time, if relevant, have no or no material effect on the financial statements.

Standards applicable that are used for the first time in the Group Annual Report, if relevant

All IFRS	Annual improvements (Cycle 2015–2017)
IFRS 16	Leases
Clarification of IAS 19	Plan amendments, curtailments or settlements
Amendments in IAS 28	Long-term interests in associated companies and joint ventures
IFRC 23	Uncertainty over income tax treatment

EFFECTS OF FIRST-TIME APPLICATION OF 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 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.

IFRS 16 generally determines whether a lease exists based on the concept of control. This is in contrast to the focus on "opportunities and risks" in IAS 17 and IFRIC 4. The VIG Insurance Group uses the definition of a lease in IFRS 16 for all leases.

As part of the transition to IFRS 16, EUR 294.70 million in assets for the use of leased assets and lease liabilities were recognised on 1 January 2019. The modified retrospective approach was used for the transition to IFRS 16. Corresponding figures for previous periods were not adjusted.

Elections for first-time application of IFRS 16

The VIG Insurance Group is making use of the following expedients for first-time application of IFRS 16. The VIG Insurance Group has elected not to apply the new provisions to leases that involve low-value assets or that have terms that end within a period of twelve months after the time of first application. In these cases, the leases are accounted for as short-term leases and recognised under expenses as short-term leases. Initial direct costs were not included when measuring the right-of-use asset for the leased asset at the time of initial recognition. For leases that already existed under IAS 17, the current state of knowledge, such as the determination of the term of a lease that includes an extension or termination option, was taken into account. No use was made of the option to use a uniform incremental borrowing rate for first-time calculation of the lease liability for a portfolio of similar leases.

Reconciliation from IAS 17 to IFRS 16

The lease liability was discounted using the incremental borrowing rate on 1 January 2019. The weighted average interest rate was 1.93%. The incremental borrowing rate consists of the country-specific benchmark rate and an individual credit spread. The country-specific benchmark rate is based on the currency, the credit spread is based on credit quality and country risks. Both parameters are determined for equivalent terms. Since the VIG Insurance Group has primarily concluded long-term leases in the area of real estate, the benchmark rates for periods up to 30 years were determined.

Based on the minimum lease payments on 31 December 2018, the following reconciliation for the lease liability as of 1 January 2019 was prepared:

Development Lease liability	
in EUR '000	
Off-balance leasing as of 31.12.2018	**237,017**
Short-term leases	-3,562
Low-value leases	-374
Leases with variable payments	-66
Non-lease components	-193
Adjustment for residual value guarantees	16
Adjustment for reasonable certain option to purchase the asset, to extend the lease term or termination option	10,880
Adjustment due to different lease term estimates for IAS 17 and IFRS 16	110,326
Adjustment due to different definitions of leases in IAS 17 and IFRS 16	9,574
Currency differences	-252
Lease liabilities as of 1.1.2019 (undiscounted)	**363,366**
First time applications discount rate	-72,025
Liabilities from finance lease as of 31.12.2018	3,356
Lease liabilities as of 1.1.2019 (discounted)	**294,697**

The adjustment due to different lease term estimates was mainly due to the Austrian insurance companies. For leases with unlimited terms, the minimum lease payment under IAS 17 was determined based on the notice periods (corresponds to the non-cancellable lease period) under the leasehold interest.

For leases concluded in a currency other than the functional currency of a company, the initial amounts recognised under IFRS 16 were converted as of 1 January 2019 using the exchange rate on 31 December 2018.

Effect on the balance sheet and income statement

Effects on the balance sheet	31.12.2018	IFRS 16 adjustment	1.1.2019
in EUR '000			
Effects on the assets	**37,959,627**	**329,313**	**38,288,940**
Right-of-Use Assets		223,381	223,381
Investments and tangible assets	36,397,078	58,253	36,455,331
Receivables	1,562,549	47,679	1,610,228
Effects on the liabilities	**6,659,334**	**329,313**	**6,988,647**
Liabilities	4,276,662	294,697	4,571,359
Other liabilities	137,103	34,616	171,719
Retained earnings	2,245,569	0	2,245,569

Effects on the balance sheet	31.12.2019	thereof IFRS 16*
in EUR '000		
Effects on the assets	**36,471,136**	**238,197**
Right-of-Use Assets	197,656	197,656
Investments and tangible assets	34,556,131	-8,690
Receivables	1,717,349	49,231
Effects on the liabilities	**4,669,674**	**238,197**
Liabilities	2,094,572	199,332
Other liabilities	148,337	33,918
Retained earnings	2,426,765	4,947

*The non-profit societies are no longer included due to the change in the consolidation method.

Effect on the income statement	2019
in EUR '000	
Effects on the financial result	**-4,553**
Interest expenses for lease liabilities	-5,135
Amortisation of right-of-use asset for building rights used by third parties	-830
Interest income for finance lease receivables	698
Profit/loss from finance leases as lessor	636
Currency differences for lease liabilities	78
Other income and expenses	**-22,058**
Depreciation right-of-use asset	-29,279
Appreciation right-of-use asset	9
Profit/loss from policy modifications	41
Profit/loss from subleasing of finance leases	266
Profit/loss from finance leases as lessor	6,905
Lease payments which would have been shown in the income statement in accordance with IAS 17	31,558
Increase/decrease in result before taxes	**4,947**

Effect on the consolidated cash flow statement

Under IAS 17, all lease payments for operating leases were to be reported in the cash flow for operating activities. Lease payments for short-term leases and low-value assets, and variable lease payments not included in the measurement of the lease liability are to be allocated to the cash flow from operating activities as before. Under IAS 7, payments for the interest portion of the lease liability can be allocated to the cash flow from operating activities as well as the cash flow from financing activities. The VIG Insurance Group is allocating the interest portion and the principal portion of the lease liability to the cash flow from financing activities. The application of IFRS 16 does not result in any net change to cash or cash equivalents. The changes described above cause the cash flow from financing activities to increase and the cash flow from operating activities to decrease by the same amount.

The following standards have already been endorsed by the European Union or are currently in the endorsement 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 9	Financial instruments	1.1.2018[2]
Amendments to IFRS 9	Prepayment features with negative compensation	1.1.2019[2]
Amendments to IAS 1 and IAS 8	Standardisation and clarification of the definition of materiality	1.1.2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1.1.2020
Amendments to various standards	Changes to the references to the framework concept in the IFRS standards	1.1.2020
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	1.1.2023
Amendments to 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 IFRS 3	Definition of a business operation	1.1.2020
Amendments to IAS 1	Classification of liabilities as current or non-current	1.1.2022

1 The VIG Insurance Group is not planning early adoption of the provisions listed in the table.
2 First-time application for insurance companies can be delayed to 1 January 2023.

Unless indicated otherwise, either no material effects from the standards listed in the two tables are expected, or the amendments are not relevant.

IFRS 9 FINANCIAL INSTRUMENTS

The International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial instruments (IFRS 9) in July 2014. The standard supersedes IAS 39 "Financial instruments: measurement" (IAS 39), which was previously applicable.

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). Simplifications 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. Equity instruments held for trading are measured at fair value through profit or loss for the period. For equity instruments that are not held for trading, the irrevocable election to perform measurement through other comprehensive income can be used at the time of first application. Unlike debt instruments, equity instruments measured through other comprehensive income cannot be included in the profit for the period and are therefore presented in a separate item under equity. In the case of debt instruments (e.g. bonds, loans), the provisions in IAS 39 "Financial instruments available for sale" apply analogously. Upon first-time application of IFRS 9, it can be assumed that the new classification rules and the new impairment model – ECL model (entry of risk provisions) – will lead to fluctuations in the profit or loss for the period. Interactions with IFRS 17 will also occur.

The amendments to IFRS 4 Insurance contracts allow insurance companies to defer application of the new IFRS 9 Financial instruments until IFRS 17 Insurance contracts comes into force (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 VIG Insurance Group, or the share is between 80% and 90% and the VIG Insurance Group does not pursue any other significant activities other than the insurance business.

The VIG Insurance 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. In March 2020, the IASB decided to postpone the first-time application of IFRS 17 until 1 January 2023. For associated companies and joint ventures that have applied IFRS 9 since 1 January 2018, the VIG Insurance Group has chosen in accordance with IFRS 4 to include them in the consolidated financial statements without adjustment. IFRS 4 does not require periodic evaluation of the predominant business activity, an evaluation should only be performed 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 VIG Insurance 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.

Fair value	31.12.2019		31.12.2018		Fair value changes	
Financial assets	SPPI	Other*	SPPI	Other*	SPPI	Other*
in EUR '000						
Loans	2,177,866	544,263	2,057,295	674,524	9,806	-10,594
Bank deposits	973,247	0	810,286	0	0	0
Other securities	**24,175,017**	**4,427,075**	22,955,884	4,075,119	**845,750**	**334,039**
Bonds	24,175,017	1,449,893	22,955,884	1,462,865	845,750	53,896
Shares and other participations and other non-fixed-interest securities	0	687,972	0	697,474	0	26,220
Investment funds	0	2,254,413	0	1,887,257	0	245,148
Derivatives	0	34,797	0	27,523	0	8,775
Non-underwriting receivables	712,649	954	711,068	489	0	0
Cash and cash equivalents	1,443,358	0	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	31.12.2019						
SPPI financial instrument rating categories	AAA	AA	A	BBB	BB and lower	No rating	Total
in EUR '000							
Loans and bank deposits	50,784	382,768	799,572	1,009,734	471,724	221,928	2,936,510
Other securities	2,195,120	7,663,175	8,580,015	4,496,988	681,046	151,974	23,768,318
Non-underwriting receivables	400	3,581	14,171	1,054	17,892	676,174	713,272
Cash and cash equivalents	1,798	6,644	686,069	389,726	150,758	208,363	1,443,358

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	31.12.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
in EUR '000				
Loans and bank deposits	482,328	494,767	493,304	505,212
Other securities	738,373	746,982	1,089,691	1,108,577
Non-underwriting receivables	84,265	84,265	60,023	60,036
Cash and cash equivalents	207,873	207,873	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. On 17 March 2020, the IASB decided to postpone the date of first-time application of IFRS 17 by two years from 1 January 2021 to 1 January 2023. In addition, the Board decided to align the effective date of first-time application of IFRS 9 for insurance companies with IFRS 17 to 1 January 2023. In a next step 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 a risk adjustment applied. 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 adjustment.
- 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 that is distributed over the term of the contract,
- introduction of a risk adjustment to take account of the uncertainty in the cash flows from insurance contracts,
- elimination of savings components (investment component) as income, and
- fair value measurement of cash flows.

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. The IFRS 17 standard has been specifically addressed in a variety of methodological working groups since the start of the programme. The Group project is also focusing on revising the actuarial model and implementing an underwriting subledger.

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 subsidiary are prepared in the currency that generally prevails for the ordinary business activities of the company (functional currency). Within the VIG Insurance Group, the functional currency is generally the local 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 Holding. 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.

Currency		End-of-period exchange rate		Average exchange rate	
		31.12.2019	31.12.2018	2019	2018
1 EUR ≙					
Albanian lek	ALL	121.7700	123.4200	122.9982	127.5752
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	3.2095	3.0701	3.1585	2.9903
Croatian kuna	HRK	7.4395	7.4125	7.4180	7.4182
Macedonian denar	MKD	61.4855	61.4950	61.5052	61.5111
Moldovan leu	MDL	19.2605	19.5212	19.6742	19.8442
Turkish new lira	TRY	6.6843	6.0588	6.3578	5.7077
Polish zloty	PLN	4.2568	4.3014	4.2976	4.2615
Romanian leu	RON	4.7830	4.6635	4.7453	4.6540
Swiss franc	CHF	1.0854	1.1269	1.1124	1.1550
Serbian dinar	RSD	117.5931	118.1946	117.8592	118.2752
Czech koruna	CZK	25.4080	25.7240	25.6704	25.6470
Ukraine hryvnia	UAH	26.4220	31.7141	28.6605	32.1289
Hungarian forint	HUF	330.5348	320.9800	325.2985	318.8897

ESTIMATES AND DISCRETIONARY DECISIONS

Preparation of the IFRS consolidated financial statements requires that the Managing Board makes discretionary assessments and specifies 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. The book values of the items on the balance sheet date are shown in the consolidated balance sheet on page 32 or the corresponding disclosures in the notes. Sensitivity analyses for assets and liabilities from insurance operations are presented in the risk report starting on page 96.

Estimation uncertainties		Discretionary decisions	
Underwriting provisions	Details on page 63	Method of consolidation	Details on page 51 and starting page 68
Non-underwriting provisions	Details on page 49 and starting page 66	Materiality	Details on page 51
Financial instruments measured at fair value not based on stock market prices or other marked prices (Level 3)	Details on page 49 and starting page141		
Impairment of goodwill	Details on page 49		
Valuation allowances for receivables and other (accumulated) impairment losses	Details on page 49 and on page 61		
Value of defered tax assets	Details on page 50		
Leases	Details on page 51		

Non-underwriting provisions

The non-underwriting provisions are essentially provisions for pensions and similar obligations.

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 VIG Insurance 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 VIG Insurance 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 13. Non-underwriting provisions starting on page 127. Details on the underlying assumptions can be found in the section titled “Accounting policies for specific items in the consolidated financial statements – Provisions for pensions and similar obligations” on page 66.

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 VIG Insurance Group uses present value methods based on appropriate interest rate models. Note 22. Financial instruments and fair value measurement hierarchy on page 141 provides further information on the valuation process. Information on the impairment of financial instruments is provided on page 60.

Impairment of goodwill

The VIG Insurance Group tests goodwill for impairment at least once a year in accordance with the method explained on page 52 in the section titled “Impairment of non-financial assets”. 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				
Bulgaria				0.2
Bosnia-Herzegovina				0.3
Croatia	7.9	4.6	15.1	30.1

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 61.

Value of deferred tax assets

Income taxes must be estimated for each tax jurisdiction in which the VIG Insurance Group operates. The current income tax expected for each taxable entity must be calculated and the temporary differences due to differences between the tax and IFRS 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 amount of the expected current and deferred tax liability or asset reflects the best estimate taking into account tax uncertainties and, consequently, under application of IFRIC 23.

The Managing Board must make assessments and, taking into account tax uncertainties, judgements when calculating current and latent 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 VIG Insurance 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 62.

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 61 and in Note 7. Deferred taxes on page 117.

Leases
Leases, particularly in connection with real estate as the underlying asset, can include extension and termination options. Options like these give the VIG Insurance Group and its subsidiaries a great deal of flexibility. All of the facts and circumstances available to the management of the company concerned that provide an economic incentive to exercise or not exercise the options are taken into account when determining the term of a lease. If management feels that exercise of an extension option or non-exercise of a termination option is sufficiently probable, these options are taken into account when determining the lease term. These assessments may differ from actual future circumstances. A discussion of the accounting policies used is provided starting on page 54.

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 VIG Insurance 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.

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. The Managing Board of the VIG Holding introduced the use of a threshold for determining the materiality of notes disclosures in this Annual Report. If the threshold is not exceeded, information is only published in the Annual Report if the information is judged during the approval process based on qualitative criteria to be material for the financial statement reader.

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	12

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 102.

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 unlimited 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 16,564,000 (EUR 16,989,000), 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 10,500,000 (EUR 13,000,000) on 31 December 2019.

Impairment of non-financial assets
The subsidiaries are combined into economic units (CGU groups) at the geographical country level for testing goodwill. The CGU groups used for impairment testing essentially correspond to the VIG Insurance Group operating segments. The trademarks were also individually tested for impairment using the relief-from-royalty method.

As a rule, the value in use calculated using the discounted cash flow method is used as the recoverable amount for the CGU group. 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.

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 local supervisory boards and centrally checked for plausibility as part of the planning and control process. Currencies are translated to euros using the exchange rate on the 31 December reporting date for the financial year. 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. This is done by adding country-specific inflation differentials, risk premiums and sector-specific market risk to the risk-free interest rate (equal to the yield on German government bonds on the reporting date calculated using the Svensson method). The base rate before inflation differentials was 0.34% (0.95%). The market risk of 7.66% (6.55%) was multiplied by a beta factor of 0.83 (0.80) 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.

Impairment and recoverable amounts for CGU groups	2019		2018	
	Impairment	Recoverable amount	Impairment	Recoverable amount
in EUR millions				
Romania	108.8	243.0	50.1	325.6
Turkey			5.1	18.0

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

CGU groups	Discount rates		Country risks		Long-term growth rate	
	2019	2018	2019	2018	2019	2018
in %						
Austria	7.11	6.74	0.39	0.55	1.50	1.50
Czech Republic	7.38	6.88	0.60	0.98	4,01–4,92	3,91–4,63
Slovakia	7.56	7.37	0.84	1.18	5,16–5,17	4,89–5,30
Poland	8.77	7.63	0.84	1.18	5,48–6,52	5,01–5,62
Romania	9.68	9.56	2.17	3.06	5,71–7,64	5,40–7,28
Baltic states	7.74	7.63	1.02	1.44	4,87–5,92	4,88–5,49
Hungary	10.10	10.00	2.17	3.06	6,19–6,25	5,77–6,03
Bulgaria	8.86	8.82	1.88	2.64	6,17–6,83	6,29–6,63
Georgia	10.77	11.05	2.96	4.17	6.54	6.34
Turkey	20.62	22.58	4.44	5.00	9.83	10.44
Germany	6.72	6.19	0.00	0.00	1.50	1.50
Liechtenstein	6.72	6.19	0.00	0.00	1.50	1.50
Albania incl. Kosovo	11.22	13.11	4.44	6.25	6.41	6.72
Bosnia-Herzegovina	12.74	14.68	6.42	9.03	5,23–7,19	5,13–7,08
Croatia	9.09	9.71	2.96	4.17	4,86–6,25	4,93–6,26
North Macedonia	10.41	10.96	3.55	5.00	5.90	5.75
Moldova	16.20	18.05	6.42	9.03	9.31	9.22
Serbia	11.03	11.78	3.55	5.00	5,64–7,24	5,61–7,16
Ukraine	17.30	21.96	7.39	12.50	8,49–12,27	8,50–12,82
Central Functions	7,11–11,03	6,74–11,78	0,39–3,55	0,55–5,00	1,50–7,24	1,50–7,16

LEASES (B)

Lessee

At the beginning of a lease, the VIG Insurance Group assesses whether it is a lease as defined by IFRS 16. A lease is an agreement that conveys the right to use an asset specified in the lease for an agreed period of time in exchange for consideration.

If the VIG Insurance Group is the lessee under a lease, the right-of-use is recognised on the asset side of the balance sheet and a corresponding lease liability is recognised on the liabilities side. This does not apply to leases with terms of up to twelve months or low-value underlying assets. The VIG Insurance Group specified that assets of this type have a maximum new acquisition price of EUR 5,000.00. This includes, for example, IT infrastructure, office furniture and telephones. The lease payments in these exceptional cases are recognised as expenses in the income statement over the term of the lease. The new provisions are not applied to leases for intangible assets.

Lease liabilities are measured by discounting the future lease payments by the interest rate implicit in the lease at the beginning of the lease term. If the discount rate cannot be determined, the incremental borrowing rate is used. The incremental borrowing rate consists of the country-specific benchmark rate and an individual credit spread. The country-specific benchmark rate is based on the currency, the credit spread is based on credit quality and country risks. Both parameters are determined for equivalent terms. Since the VIG Insurance Group has primarily concluded long-term leases in the area of real estate, the benchmark rates for periods up to 30 years were determined.

The following lease payments are included in the measurement of lease liabilities:

- fixed lease payments, less lease incentives payable,
- variable payments depending on an index or interest rate,
- expected payments by the lessee based on residual value guarantees,
- the exercise price of a purchase option if this is considered reasonably certain and
- penalty payments for exercising an option to terminate the lease if the estimated lease term reflects the lessee exercising the option to terminate the lease.

The payments included in the measurement do not include value-added tax, for both companies with and without the right to deduct input tax.

When using the effective interest method, the book value of the lease liability is increased using the rate of return and reduced by the payments made when subsequent measurement is performed.

For initial measurement of a lease, the right-of-use assets include:

- the calculated lease liability,
- lease payments made at or before the commencement date of the lease, less lease incentives received,
- initial direct costs and
- removal obligations.

The right-of-use asset is subsequently measured at cost, with the book value reduced by linear depreciation over the term of the lease and potential impairment. The depreciation begins on the commencement date of the lease. All income and expenses in connection with IFRS 16 Leases are recognised in the income statement under underwriting for insurance companies and under non-underwriting for non-insurance companies.

The right-of-use assets are divided into the following classes:

- real estate incl. self-used building rights,
- building rights used by third parties that are intended for third party use (reported in accordance with IAS 40 in the investment property item),
- motor vehicles,
- computer & office furniture,
- IT equipment and
- other (including, e.g. parking places).

Variable lease payments that are not included in the measurement of the lease liability are recognised in the income statement as expenses.

Lessor
Leases for which the VIG Insurance Group is lessor are classified as operating or finance leases. The classification is based on IFRS 16 requirements as to whether the risks and rewards incidental to ownership of the asset are transferred to the lessee.

In the case of a sublease, the main lease and the sublease are accounted for separately. Classification of the sublease as an operating or finance lease is based on the right-of-use asset and not the underlying asset from the main lease.

In the case of an operating lease, the VIG Insurance Group reports the underlying asset at amortised cost under land and buildings or tangible assets. Lease income earned during the financial year is recognised in profit or loss in the income statement.

For a finance lease, the VIG Insurance Group reports a receivable and accrued interest in the balance sheet. The net investment under the lease is indicated in Note 28. Leases starting on page 159.

Deferred taxes
In July 2019, the IASB issued draft amendments to IAS 12 that provide for an exemption from the initial recognition exemption for deferred taxes in cases in which deductible and taxable temporary differences of the same amount arise at the time of the transaction. Based on these draft amendments, VIG Insurance Group has decided not to apply the initial recognition exemption in IFRS 16 for leases that lead to deductible and taxable temporary differences of the same amount and to recognise deferred taxes for these differences starting as of 1 January 2019. This does not, as a rule, lead to deferred tax assets or liabilities being reported in the balance sheet at the time of initial recognition, since offsetting is generally required. Deferred taxes are not recognised until subsequent measurement is performed.

INVESTMENTS (C)

General information
In accordance with the relevant IFRS requirements, some VIG Insurance Group assets and liabilities are carried at fair value in the consolidated financial statements. This concerns a significant portion of investments. The VIG Insurance 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 VIG Insurance 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			**Observable**
Present value method	Bonds; borrower's note loans; loans; securitised liabilities and subordinated liabilities	Theoretical price	Issuer, sector and rating-dependent yield curves
Hull-White present value method	Bonds; 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 141.

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	20	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.

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 impairment.

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 132. The fair values and level hierarchy according to IFRS 13 are shown in 22. Financial instruments and fair value measurement hierarchy starting on page 141.

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. The financial instruments assigned to this category are predominantly structured investments ("hybrid financial instruments") that the VIG Insurance 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 Insurance Group before 1 November 2008 used fair values as of 1 July 2008. Further details are provided on page 110 and page 112.

Derecognition of financial instruments is performed when 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 (D)

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. The income from these investments are also credited in full to the 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 VIG Insurance Group. Since the changes in value of the investments for unit-linked and index-linked life insurance are occasionally equal to the changes in value of the underwriting provisions, these investments are valued in accordance with the requirements of IAS 39.9b. 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 (E)

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 VIG Insurance Group's reinsurers, no valuation allowances were needed for reinsurer shares as of the 31 December 2019 and 31 December 2018 balance sheet dates.

Information on the selection of reinsurers is provided in the section titled "Financial instruments and risk management" starting on page 80.

RECEIVABLES (F)

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). Impairment is necessary if there is material evidence of financial difficulties, such as default or delay in payment and the items therefore cannot be considered collectable or not fully collectable. 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 6. Receivables on page 116.

TAXES (G)

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 Insurance Group 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	31.12.2019	31.12.2018
in %		
Albania	15.0	15.0
Bosnia-Herzegovina	10.0	10.0
Bulgaria	10.0	10.0
Germany[1]	30.0	30.0
Estonia[2]	0.0	0.0
Georgia[3]	15.0	15.0
Kosovo[4]	10.0	0.0
Croatia	18.0	18.0
Latvia	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	22.0	20.0
Ukraine	18.0	18.0
Hungary	11.3	11.3

[1] The tax rate shown here is a flat tax rate. The tax rate is between 15,825% and 31,715%, depending on the registered office and activities of the company.

[2] 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%.

[3] 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.

[4] Insurance companies will no longer be subject to a 5% corporate income tax on their gross premiums. Retained earnings have been subject to a 10% corporate income tax since August 2019.

Group taxation

With Wiener Städtische Versicherungsverein as the parent company there is a corporate group of companies within the meaning of § 9 of the Austrian Corporate Income Tax Act (KStG). 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 (H)

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

UNDERWRITING PROVISIONS (I)

Classification of insurance policies

Contracts under which an insurance 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 insurance 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 Insurance Group 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 usually exists in the form of participation in the net income or net interest 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 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 VIG Insurance 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 adjusted 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 (10%)), corresponding to EUR 28,312,000 (EUR 28,534,000). Acquisition expenses in excess of this figure are not capitalised in Austria. For foreign companies in the property and casualty balance sheet unit 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, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in the provision for unearned premiums: EUR 355,679,000 (EUR 301,880,000).

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.

The mathematical reserve and related premium rate are essentially 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 64. For information on the use of shadow accounting, please see page 64. 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 2019: 1.96%
As of 31 December 2018: 2.07%

In Austria, the average discount rate for life insurance was 1.79% during the reporting period (1.88%).

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 titled “Classification of insurance policies” beginning on page 63.

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 2019: 2.41%
As of 31 December 2018: 2.42%

Provision for outstanding claims

National insurance law and national regulations (in Austria, the Austrian Insurance Supervision Act (VAG)) require VIG Insurance Group 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 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. Collectable 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.

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 63.

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 (J)

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 (K)

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 2018 and 31 December 2019.

The calculations are based on the following assumptions:

Pension assumptions	31.12.2019	31.12.2018
Interest rate	0.75%	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 2018-P)

The weighted average length of the DBO for pensions was 16.47 years in financial year 2019 (15.88 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.

(SUBORDINATED) LIABILITIES (L)

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 141.

NET EARNED PREMIUMS (M)

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 (N)

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 (O)

This item includes VIG Insurance 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 73 Austrian and 81 foreign companies.

Associated companies are companies over which the VIG Holding has directly or indirectly a significant influence but does not exercise control. These companies are accounted for at equity. These consolidated financial statements include 14 Austrian and 15 foreign companies accounted for at equity. 109 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 VIG Holding level. Qualitative assessment criteria are also used. 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 12. 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 VIG Insurance 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 VIG Insurance 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. A list of companies that are fully consolidated and included at equity is provided on page 151 in Note 26. Affiliated companies and participations.

CHANGES IN THE SCOPE OF CONSOLIDATION

Expansion of the scope of consolidation	Acquisition/ formation	Interest	First-time consolidation	Method	Goodwill
	Date	in %	Date		in EUR '000
Camelot Informatik und Consulting Gesellschaft m.b.H., Vienna	1996	100.00	1.1.2019	full consolidation	
MC EINS Investment GmbH, Vienna	2013	100.00	1.10.2019	full consolidation	
SIA Urban Space, Riga	2019	100.00	1.7.2019	full consolidation	
Towarzystwo Ubezpieczeń Wzajemnych „TUW", Warsaw	2018	52.16	1.4.2019	consolidated at equity	
VIG Offices 1, s.r.o., Bratislava	2019	100.00	13.9.2019	full consolidation	
WIBG Holding GmbH & Co KG, Vienna	2018	100.00	31.12.2019	full consolidation	
WIBG Projektentwicklungs GmbH & Co KG, Vienna	2018	100.00	31.12.2019	full consolidation	
Wiener TU (formerly Gothaer TU), Warsaw	2018	100.00	1.4.2019	full consolidation	12,483
WINO GmbH, Vienna	2016	100.00	31.12.2019	full consolidation	
WSV Triesterstraße 91 Besitz GmbH & Co KG, Vienna	2018	100.00	31.12.2019	full consolidation	

Change in significant minority interests	Change	Change of interest	Change in consolidated shareholders' equity
	Date	in %	in EUR '000
Asirom	31.12.2019	0.05	48
Komunálna	31.12.2019	0.32	229
VIG Re	31.3.2019	-0.34	-570
Wiener Re	31.3.2019	-0.34	-25

Change of consolidation method to at equity-consolidation	Interest	Changeover
	in %	Date
Alpenländische Heimstätte GmbH	94.84	31.7.2019
Erste Heimstätte GmbH	99.77	31.7.2019
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	55.00	31.7.2019
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	99.92	31.7.2019
Neue Heimat Oberösterreich GmbH	99.82	31.7.2019
Neuland GmbH	61.00	31.7.2019
Schwarzatal GmbH	100.00	31.7.2019
Sozialbau AG	54.17	31.7.2019
Urbanbau GmbH	51.46	31.7.2019

Further information on the table and change in consolidation method is provided on page 71.

Effect of the changes in the scope of consolidation

Balance sheet	Additions
in EUR '000	
Intangible assets	40,311
Right-of-Use Assets	5,126
Investments (excl. shares in at equity consolidated companies)	350,934
Shares in at equity consolidated companies	153
Reinsurers' share in underwriting provisions	112,047
Receivables (incl. tax receivables and advance payments out of income tax)	42,069
Other assets (incl. deferred tax assets)	5,485
Cash and cash equivalents	19,318
Subordinated liabilities	11,626
Underwriting provisions	232,596
Non-underwriting provisions	4,343
Liabilities (incl. tax liabilities out of income tax)	143,284
Other liabilities (incl. deferred tax liabilities)	813

The figures shown in the table above reflect the actual dates of first consolidation, as indicated in the section titled “Changes in the scope of consolidation” on page 69.

Contribution to result before taxes in reporting period	Additions
in EUR '000	
Net earned premiums – retention	112,858
Financial result excl. result from at equity consolidated companies	2,085
Other income	1,610
Expenses for claims and insurance benefits – retention	-63,934
Acquisition and administrative expenses	-37,920
Other expenses	-11,075
Result before taxes	**3,624**

Inclusion of the first-time consolidated companies retroactively to 1 January 2019 would not cause any material changes in balance sheet items. Inclusion of the first-time consolidated companies retroactively to 1 January 2019 would reduce the Group result before taxes and non-controlling interests by 0.05% (not including any consolidation effects).

Including the new companies in the scope of consolidation and changing the consolidation method used for the non-profit societies decreased the number of employees by 121.

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.

The amendment of the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz – WGG Amendment 2019, BGBl (Federal Gazette) I No. 85/2019) entered into force in July 2019. The amendment considerably restricted the owners' rights and possibilities for exerting influence. Based on a comprehensive analysis of the additional restrictions caused by the amendments to the WGG, the VIG Holding Managing Board decided in an overall assessment based on the change in the legal framework that VIG Holding has no control over the non-profit societies as defined in the IFRS. However, based on the remaining possibilities for exerting influence, it does have significant influence. The non-profit societies were therefore deconsolidated on 31 July 2019 and the existing shares were reported at fair value taking into account the restrictions under the WGG. Subsequent measurement is performed using the at equity method in IAS 28, while also taking into account the restrictions under the WGG with respect to distributions and claims to the remaining assets of the companies.

VIG Holding 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

Accounting for non-profit societies
Effective 1 August 2019, the portion of the profits of the non-profit societies not attributable to shareholders is no longer included in the financial result and, therefore, also not in the result before taxes. Deconsolidation of the non-profit societies had no effect on profit or loss. Due to the change to the at equity method to be applied under IAS 28, as of 31 December 2019 the balance sheet shows no investments (including real estate disposals with a book value of EUR 3,861,525,000 as of 31 July 2019), financing liabilities, or the special "non-controlling interests in non-profit societies" item under equity for the non-profit societies.

Assets – non-profit societies[1]	Balance sheet disposals as at 31.7.2019[2]	31.12.2018
in EUR '000		
Intangible assets	1,366	1,455
Right-of-Use Assets	37,626	
Investments	4,188,935	3,945,402
Receivables	105,408	73,279
Tax receivables and advance payments out of income tax	47	47
Other assets	4,543	5,407
Cash and cash equivalents	96,411	122,341

[1] Incl. their subsidiaries

[2] Intragroup transactions are not eliminated

Liabilities – non-profit societies[1]	Balance sheet disposals as at 31.7.2019[2]	31.12.2018
in EUR '000		
Non-underwriting provisions	47,619	69,429
Liabilities	3,020,446	2,706,434
Tax liabilities out of income tax	30	28
Other liabilities	10,056	848

[1] Incl. their subsidiaries

[2] Intragroup transactions are not eliminated

Income statement – non-profit societies*	1.1.-31.7.2019	1.1.-31.12.2018
in EUR '000		
Financial result excl. result from at equity consolidated companies	**72,134**	93,941
Income from investments	211,773	323,823
Expenses for investments and interest expenses	-139,639	-229,882
Other expenses	-4,295	-2,499
Result before taxes	**67,839**	91,442
Taxes	-54	-302
Result of the period	**67,785**	91,140

*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 VIG Insurance Group operates, were identified as the operating segments. The VIG Holding 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 Holding 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),
- Czech Republic,
- Slovakia,
- Poland,
- Romania,
- Baltic states,
- Hungary,
- Bulgaria,
- Turkey/Georgia,
- Remaining CEE,
- Other Markets and
- Central Functions (incl. the VIG Holding branches in Sweden, Norway and Denmark and VIG Re branches in Germany and France).

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" in accordance with IFRS 8.16 in spite of falling below the thresholds. This segment is presented separately because of VIG Insurance Group'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 Insurance Group'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 Lichtenstein.

Companies with management and coordination functions for the VIG Insurance Group that cross regional boundaries 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 Insurance Group, 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, 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 VIG Insurance Group. It also operates as the reinsurer for the VIG Insurance Group and in the international corporate business. The Group's own reinsurance company, VIG Re, is a successful provider of reinsurance for both insurance companies of VIG Insurance Group and external partners.

Information on major customers

The VIG Insurance Group does not depend to a great extent on one single customer, as defined in IFRS 8.34. The 10 largest customer groups are responsible for 2.1% of the premiums written by the Group. Corporate customers that are under common control according to the information available to VIG Insurance Group 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 exceptions are 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000						
Intangible assets	455,579	384,629	505,065	496,509	123,905	121,895
Right-of-Use Assets	80,466		63,343		7,372	
Investments	23,572,424	22,507,494	3,088,224	3,079,349	1,455,389	1,345,968
Investments for unit-linked and index-linked life insurance	5,484,384	5,186,277	389,107	327,566	193,217	179,009
Reinsurers' share in underwriting provisions	400,137	398,611	134,935	112,384	31,904	33,809
Receivables	559,902	579,005	169,866	157,109	62,780	63,245
Tax receivables and advance payments out of income tax	18,451	51,958	9,548	13,717	103	1,997
Deferred tax assets	6,014	4,961	2,081	3,811	7,156	10,359
Other assets	111,248	128,613	158,364	166,730	11,149	12,109
Cash and cash equivalents	656.000	528,511	125,717	159,640	78,331	65,970
Total	31,344,605	29,770,059	4,646,250	4,516,815	1,971,306	1,834,361

Assets	Poland		Romania		Baltic states	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000						
Intangible assets	187,378	147,433	23,662	135,935	145,113	155,812
Right-of-Use Assets	10,230		4,074		11,399	
Investments	1,299,029	1,001,803	710,867	733,185	639,017	479,912
Investments for unit-linked and index-linked life insurance	726,043	716,324	137,358	136,977	80,617	58,546
Reinsurers' share in underwriting provisions	180,855	55,778	42,187	50,891	50,972	44,484
Receivables	240,505	139,253	178,100	160,705	85,109	62,461
Tax receivables and advance payments out of income tax	493	1,542	0	683	430	248
Deferred tax assets	920	1,683	10,304	17,609	544	968
Other assets	10,302	7,330	3,683	4,006	16,116	12,646
Cash and cash equivalents	24,949	35,267	14,889	18,527	50,291	131,426
Total	2,680,704	2,106,413	1,125,124	1,258,518	1,079,608	946,503

Assets	Hungary		Bulgaria		Turkey/Georgia	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000						
Intangible assets	26,013	24,698	185,830	185,337	16,707	16,690
Right-of-Use Assets	4,023		2,801		741	
Investments	172,437	156,411	208,984	168,945	102,883	85,609
Investments for unit-linked and index-linked life insurance	481,705	431,909	11,269	6,100	0	0
Reinsurers' share in underwriting provisions	13,061	10,951	22,459	19,515	86,928	85,446
Receivables	34,566	28,973	45,505	40,715	77,786	60,935
Tax receivables and advance payments out of income tax	27	12	20	124	2,266	2,018
Deferred tax assets	1,730	2,570	1,018	1,010	2,053	1,378
Other assets	11,754	6,429	6,049	5,906	1,511	1,543
Cash and cash equivalents	6,768	4,532	44,863	41,032	23,226	21,412
Total	752,084	666,485	528,798	468,684	314,101	275,031

Liabilities and shareholders' equity	Austria		Czech Republic		Slovakia	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000						
Subordinated liabilities	342,950	337,300	21,647	21,381	0	0
Underwriting provisions	22,552,573	21,834,012	2,828,728	2,898,376	1,230,371	1,177,166
Underwriting provisions for unit-linked and index-linked life insurance	5,194,598	4,911,106	202,422	182,423	202,686	190,815
Non-underwriting provisions	683,171	574,767	7,966	5,946	3,148	2,163
Liabilities	693,724	526,119	429,340	302,927	115,885	95,871
Tax liabilities out of income tax	205,976	235,473	32,908	21,285	127	12
Deferred tax liabilities	187,189	138,170	9,231	22,120	18,243	9,643
Other liabilities	85,413	66,821	2,469	15,556	4,283	4,339
Subtotal	29,945,594	28,623,768	3,534,711	3,470,014	1,574,743	1,480,009

Liabilities and shareholders' equity	Poland		Romania		Baltic states	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000						
Subordinated liabilities	0	0	0	0	0	0
Underwriting provisions	1,244,133	899,143	628,367	659,561	616,364	535,184
Underwriting provisions for unit-linked and index-linked life insurance	697,588	696,910	136,259	136,270	80,617	58,546
Non-underwriting provisions	6,683	3,924	40,847	41,999	1,212	1,119
Liabilities	194,663	86,853	83,160	103,205	77,136	50,643
Tax liabilities out of income tax	323	1,077	384	1,170	331	603
Deferred tax liabilities	23,658	15,401	0	0	2,924	3,471
Other liabilities	15,911	12,953	8,822	8,545	1,693	2,565
Subtotal	2,182,959	1,716,261	897,839	950,750	780,277	652,131

Liabilities and shareholders' equity	Hungary		Bulgaria		Turkey/Georgia	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000						
Subordinated liabilities	0	0	0	0	0	0
Underwriting provisions	171,265	164,671	229,538	192,981	224,138	191,383
Underwriting provisions for unit-linked and index-linked life insurance	477,765	426,042	10,761	5,818	0	0
Non-underwriting provisions	1,370	1,854	6,734	6,670	11,305	9,279
Liabilities	46,821	23,086	28,935	22,073	39,618	21,222
Tax liabilities out of income tax	304	336	356	133	2,273	1,653
Deferred tax liabilities	408	176	765	285	6	2
Other liabilities	2,313	1,217	198	532	771	1,020
Subtotal	700,246	617,382	277,287	228,492	278,111	224,559

Assets	Remaining CEE		Other Markets		Central Functions		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000								
Intangible assets	89,630	85,708	1,583	1,324	179,114	204,909	1,939,579	1,960,879
Right-of-Use Assets	9,505		47		3,655		197,656	
Investments	1,067,904	947,073	694,777	656,139	1,443,805	5,126,438	34,455,740	36,288,326
Investments for unit-linked and index-linked life insurance	56,452	73,729	1,055,178	928,935	4,997	3,250	8,620,327	8,048,622
Reinsurers' share in underwriting provisions	18,677	15,431	5,391	5,963	295,928	302,363	1,283,434	1,135,626
Receivables	90,506	76,042	15,805	14,442	156,919	179,664	1,717,349	1,562,549
Tax receivables and advance payments out of income tax	226	234	385	243	194,896	224,752	226,845	297,528
Deferred tax assets	2,034	2,135	977	2,859	33,894	45,856	68,725	95,199
Other assets	15,910	14,480	5,238	4,991	40,587	62,705	391,911	427,488
Cash and cash equivalents	26,301	26,112	50,208	45,928	341,815	268,922	1,443,358	1,347,279
Total	1,377,145	1,240,944	1,829,589	1,660,824	2,695,610	6,418,859	50,344,924	51,163,496

The investments included shares in at equity consolidated companies of EUR 183,232,000 in Austria (TEUR 179,094,000), EUR 25,739,000 in the Czech Republic (EUR 30,345,000), EUR 153,000 in Poland (EUR 0) and EUR 112,152,000 in the Central Functions segment (EUR 11,873,000).

Liabilities and shareholders' equity	Remaining CEE		Other Markets		Central Functions		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000								
Subordinated liabilities	0	0	0	0	1,100,000	1,100,000	1,464,597	1,458,681
Underwriting provisions	969,551	866,126	663,264	622,278	527,784	465,028	31,886,076	30,505,909
Underwriting provisions for unit-linked and index-linked life insurance	56,452	73,729	1,051,854	924,497	4,997	3,250	8,115,999	7,609,406
Non-underwriting provisions	7,351	7,300	12,686	9,782	149,086	202,690	931,559	867,493
Liabilities	47,712	28,216	33,806	39,387	303,772	2,977,060	2,094,572	4,276,662
Tax liabilities out of income tax	1,132	829	636	1,792	6,139	4,349	250,889	268,712
Deferred tax liabilities	5,361	1,004	377	179	14,040	13,383	262,202	203,834
Other liabilities	19,383	18,654	2	2	7,079	4,899	148,337	137,103
Subtotal	1,106,942	995,858	1,762,625	1,597,917	2,112,897	4,770,659	45,154,231	45,327,800
Shareholders' equity							5,190,693	5,835,696
Total							50,344,924	51,163,496

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.

The decrease in investments and liabilities in the Central Functions segment is generally due to the change in consolidation method for the non-profit societies.

CONSOLIDATED INCOME STATEMENT BY SEGMENT

	Austria		Czech Republic		Slovakia		Poland	
	2019	2018	2019	2018	2019	2018	2019	2018
in EUR '000								
Premiums written – gross	3,943,276	3,839,925	1,745,827	1,684,151	798,860	799,646	1,131,979	897,790
Net earned premiums – retention	3,226,195	3,158,344	1,312,764	1,265,702	671,617	670,210	886,524	685,756
Financial result excl. result from at equity consolidated companies	**738,945**	710,780	**70,763**	94,816	**49,550**	50,303	**30,759**	23,105
Income from investments	982,570	899,902	113,005	146,312	53,595	54,255	47,083	36,806
Expenses for investments and interest expenses	-243,625	-189,122	-42,242	-51,496	-4,045	-3,952	-16,324	-13,701
Result from shares in at equity consolidated companies	20,393	29,931	1,419	2,528	0	0	0	0
Other income	37,047	22,406	44,906	28,275	23,478	4,776	25,044	9,969
Expenses for claims and insurance benefits – retention	-3,116,818	-3,083,506	-789,706	-804,763	-530,468	-529,484	-623,610	-516,808
Acquisition and administrative expenses	-654,843	-638,951	-361,077	-380,576	-139,861	-123,641	-216,726	-148,270
Other expenses	-43,592	-28,652	-106,619	-39,286	-25,432	-24,952	-32,788	-21,507
Result before taxes	**207,327**	170,352	**172,450**	166,696	**48,884**	47,212	**69,203**	32,245
Taxes	-23,354	-60,878	-33,538	-32,386	-13,728	-14,704	-12,352	-9,470
Result of the period	**183,973**	109,474	**138,912**	134,310	**35,156**	32,508	**56,851**	22,775

	Romania		Baltic states		Hungary		Bulgaria	
	2019	2018	2019	2018	2019	2018	2019	2018
in EUR '000								
Premiums written – gross	468,237	515,340	500,284	375,831	289,520	263,502	223,905	171,313
Net earned premiums – retention	346,889	323,541	385,234	277,110	219,627	205,168	137,683	122,844
Financial result excl. result from at equity consolidated companies	**13,497**	13,493	**11,373**	5,201	**4,865**	6,701	**11,674**	11,130
Income from investments	23,646	22,044	13,847	8,290	7,235	8,342	26,426	26,074
Expenses for investments and interest expenses	-10,149	-8,551	-2,474	-3,089	-2,370	-1,641	-14,752	-14,944
Result from shares in at equity consolidated companies	0	0	0	0	0	0	0	0
Other income	13,475	6,041	2,914	1,299	9,178	7,073	1,107	2,958
Expenses for claims and insurance benefits – retention	-235,789	-222,329	-268,088	-198,444	-164,561	-161,867	-78,531	-72,743
Acquisition and administrative expenses	-106,784	-108,509	-102,968	-68,984	-42,034	-39,318	-50,332	-46,419
Other expenses	-133,118	-86,114	-20,810	-14,067	-18,410	-10,177	-5,838	-6,360
Result before taxes	**-101,830**	-73,877	**7,655**	2,115	**8,665**	7,580	**15,763**	11,410
Taxes	-7,334	-8,382	-1,305	-991	-2,460	-721	-2,216	-401
Result of the period	**-109,164**	-82,259	**6,350**	1,124	**6,205**	6,859	**13,547**	11,009

in EUR '000	Turkey/Georgia 2019	Turkey/Georgia 2018	Remaining CEE 2019	Remaining CEE 2018	Other Markets 2019	Other Markets 2018
Premiums written – gross	234,902	198,301	446,910	374,689	380,402	320,992
Net earned premiums – retention	112,366	97,094	328,817	285,695	332,312	275,067
Financial result excl. result from at equity consolidated companies	**7,873**	7,764	**37,591**	34,603	**16,601**	19,212
Income from investments	15,757	11,944	46,354	42,984	21,641	21,476
Expenses for investments and interest expenses	-7,884	-4,180	-8,763	-8,381	-5,040	-2,264
Result from shares in at equity consolidated companies	0	0	0	0	0	0
Other income	6,084	19,688	8,023	7,254	3,876	3,486
Expenses for claims and insurance benefits – retention	-80,997	-73,593	-222,262	-197,183	-273,295	-188,247
Acquisition and administrative expenses	-31,199	-22,687	-109,641	-96,462	-29,280	-28,335
Other expenses	-7,466	-24,423	-15,462	-10,441	-27,653	-57,268
Result before taxes	**6,661**	3,843	**27,066**	23,466	**22,561**	23,915
Taxes	-1,532	-1,834	-6,021	-5,046	-8,076	-8,103
Result of the period	**5,129**	2,009	**21,045**	18,420	**14,485**	15,812

in EUR '000	Central Functions 2019	Central Functions 2018	Consolidation 2019	Consolidation 2018	Total 2019	Total 2018
Premiums written – gross	1,623,491	1,584,272	-1,388,186	-1,368,433	10,399,407	9,657,319
Net earned premiums – retention	1,351,456	1,356,546	6,445	6,285	9,317,929	8,729,362
Financial result excl. result from at equity consolidated companies	**-2,808**	25,990	**-3,917**	-73	**986,766**	1,003,025
Income from investments	316,492	424,572	-74,450	-64,583	1,593,201	1,638,418
Expenses for investments and interest expenses	-319,300	-398,582	70,533	64,510	-606,435	-635,393
Result from shares in at equity consolidated companies	2,262	1,994	0	0	24,074	34,453
Other income	19,685	18,268	-1,614	0	193,203	131,493
Expenses for claims and insurance benefits – retention	-878,363	-892,903	-256	-5,137	-7,262,744	-6,947,007
Acquisition and administrative expenses	-443,077	-432,270	-5,404	-6,271	-2,293,226	-2,140,693
Other expenses	-12,694	-7,431	5,449	5,474	-444,433	-325,204
Result before taxes	**36,461**	70,194	**703**	278	**521,569**	485,429
Taxes	3,435	25,439	0	0	-108,481	-117,477
Result of the period	**39,896**	95,633	**703**	278	**413,088**	367,952

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 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 Insurance Group practices a conservative investment policy designed for the long term.
- VIG 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.

The investment portfolio (with the look-through approach applied to consolidated institutional funds) includes holdings of around 73.05% (66.34%) in bonds and around 6.73% (6.52%) in loans. The share in equities is around 4.46% (3.70%), in real estate around 6.97% (16.07%), in participations around 1.50% (1.13%) and in other around 7.29% (6.24%), in all cases based on the book value of the total investment portfolio.

Composition of investments (book values)	31.12.2019	31.12.2018
in EUR '000		
Land and buildings	2,414,258	5,965,666
Shares in at equity consolidated companies	321,276	221,312
Loans	**2,416,108**	**2,455,264**
Loans	1,461,846	1,349,605
Reclassified loans	139,584	179,522
Bonds classified as loans	814,678	926,137
Other securities	**28,244,801**	**26,745,279**
Financial instruments held to maturity – bonds	2,195,001	2,371,009
Financial instruments reclassified as held to maturity – bonds	568,700	564,992
Financial instruments available for sale	25,148,103	23,481,693
Bonds	22,300,441	21,011,150
Shares and other participations[1]	666,017	670,377
Investment funds	2,181,645	1,800,166
Financial instruments recognised at fair value through profit and loss[2]	332,997	327,585
Bonds	203,477	185,874
Shares and other non-fixed-interest securities	21,955	27,097
Investment funds	72,768	87,091
Derivatives	34,797	27,523
Other investments	**1,059,297**	**900,805**
Bank deposits	973,247	810,286
Deposits on assumed reinsurance business	86,032	90,503
Other	18	16
Total	**34,455,740**	**36,288,326**

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

Land and buildings

The real estate portfolio had a book value of EUR 2,414.3 million as of 31 December 2019 (fair value: EUR 3,863.1 million) and a book value of EUR 5,965.7 million as of 31 December 2018 (fair value: EUR 7,256.4 million).

The portfolio of directly held real estate and real estate held in the form of participations is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create hidden reserves. The real estate portfolio represents 6.97% (16.07%) of the total investment portfolio. The decrease in direct holdings is due to the change in consolidation method used for the non-profit societies – further information is available starting on page 71 of this Annual Report.

The following table shows the real estate investments as of 31 December 2019 and 31 December 2018, broken down by type of use for the Austria and Central Functions segments and the totals for all other segments. The real estate holdings in the Central Functions segment show a decrease compared to the previous year. This adjustment is due to the change in consolidation method for the non-profit societies, which led to a decrease in direct holdings.

Use of real estate in % of the real estate portfolio	31.12.2019	31.12.2018
Austria	64.91	23.85
Self-used	7.76	2.59
Investment property	57.15	21.26
Central Functions	20.21	70.32
Self-used	0.96	0.33
Investment property	19.25	6.74
Non-profit societies*	0.00	63.25
Other segments	14.88	5.83
Self-used	11.52	4.69
Investment property	3.36	1.14

*Mainly held as investment property

At equity consolidated companies

Shares in at equity consolidated companies had a book value of EUR 321.3 million as of 31 December 2019 and a book value of EUR 221.3 million as of 31 December 2018. Shares in at equity consolidated companies therefore represented 0.93% (0.61%) of the book value of the total investment portfolio as of 31 December 2019. The increase in the book value of shares in at equity consolidated companies is due to the change in consolidation method for the non-profit societies – further information is available starting on page 71 of this Annual Report.

Loans

Loans had a book value of EUR 2,416.1 million as of 31 December 2019 and a book value of EUR 2,455.3 million as of 31 December 2018. Investments in loans are less important in the CEE region. A portfolio analysis and maturity structure of loans are presented in Note 3.3. Loans and other investments starting on page 109.

Bonds

Bonds represented 73.05% of total investments as of 31 December 2019 (66.34%). VIG Insurance Group 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 Insurance Group is currently not planning any investment strategy changes with respect to its bond portfolio. In the 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 2019, share investments (including those contained in the funds) represented 4.46% (3.70%) 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 companies of VIG Insurance Group in the CEE countries.

RISK MANAGEMENT

VIG Insurance Group's core competence is dealing professionally with risk. The VIG Insurance 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 insurance companies are responsible for managing their own risks. The Risk Management department of VIG Holding 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 Holding 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.

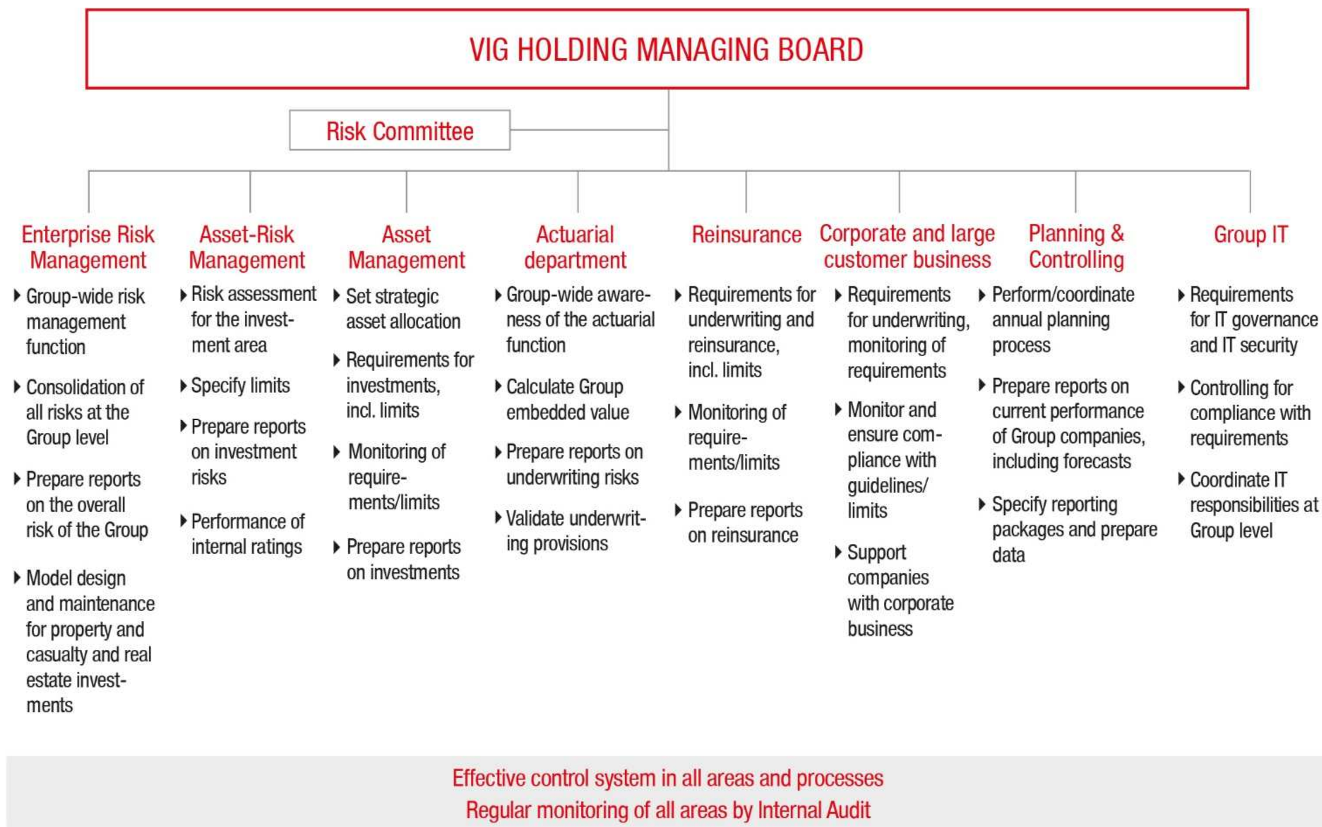
Risk strategy
The strategic orientation of the Company is based on a business strategy, capital strategy and a comprehensive risk strategy. The risk strategy specifies appropriate risk management measures for significant risks and is based on the following principles that are applicable Group-wide:

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
Risk management is well integrated into VIG Holding's organisational structure. The chart below shows part of the organisational structure, including the Enterprise Risk Management and Asset Risk Management departments.



MANAGING BOARD
The Managing Board as a whole was responsible for Enterprise Risk Management until 31 December 2019. Enterprise Risk Management and Asset Risk Management have been the responsibility of Liane Hirner since the beginning of 2020.

The Managing Board as a whole is 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 Holding 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 the Managing Board member responsible for the area who acts as the contact person for matters related to risk management. The Risk Committee reports to the Managing Board after its meetings.

ENTERPRISE RISK MANAGEMENT (ERM)
The head of the department performs the Risk Management function. The Managing Board as a whole was responsible for the ERM department up to the end of the financial year. The department has been the responsibility of Managing Board Member Liane Hirner since the beginning of 2020.

The main responsibilities of the ERM department include determining the Group's overall risk profile and calculating solvency. The department provides a Group-wide risk aggregation solution for this purpose 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 was in Judit Havasi's area of responsibility up to the end of the financial year and has been in Liane Hirner's area of responsibility since the beginning of 2020. The primary responsibility of the department is to analyse, assess and monitor risks associated with investments, in particular with respect to the VIG Insurance 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 was the responsibility of Managing Board Chairwoman Elisabeth Stadler up to the end of the financial year and has been in the area of responsibility of Managing Board Member Gerhard Lahner since the beginning of 2020. One of the key responsibilities of the department is to define a strategic orientation for the investments of each insurance company of VIG Insurance Group and for the VIG Insurance 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. Regular reports are also provided for investments, limits and income.

ACTUARIAL DEPARTMENT
The Actuarial department was the responsibility of the Managing Board as a whole up to the end of the financial year and Franz Fuchs was the contact person in the Managing Board. The department has been the responsibility of Managing Board Member Gabor Lehel since the beginning of 2020. 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 companies in the VIG Insurance Group 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 VIG Insurance 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 companies of VIG Insurance Group that perform such business.

PLANNING & CONTROLLING

The Planning & Controlling department is an important part of the integrated risk management approach. It was the responsibility of Managing Board Member Judit Havasi up to the end of the financial year and has been the responsibility of Managing Board Chairwoman Elisabeth Stadler since the beginning of 2020. 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 insurance companies. Regular monthly premium reports, quarterly reports for each company (aggregated at the country and VIG Insurance 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 was the direct responsibility of Managing Board Member Judit Havasi up to the end of the financial year and has been the responsibility of Peter Thirring since the beginning of 2020. The department is responsible for IT management at the VIG Insurance Group level (IT strategy, IT governance, IT security, IT-Group projects, etc.), for assisting companies of the VIG Insurance Group 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 Insurance Group’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 insurance companies of VIG Insurance Group. 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 Own Risk & Solvency Assessment (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 Insurance Group is exposed to a large number of financial and non-financial risks. The overall risk of the VIG Insurance 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

VIG 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 Insurance Group 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 Insurance Group:

- 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, and
- life insurance lapse risk, which can occur due to an increase in cancellation rates.

MARKET RISK

VIG Insurance Group is exposed to market risk, that is, the risk of suffering losses as a result of changes to market parameters. 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, investments in insurance business consist largely of fixed-income securities. The majority of these securities are denominated in euros and Czech crown. 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 liabilities.

Market risk affecting earnings is controlled by calculating value-at-risk for securities (whose changes in value affect the financial result) at regular intervals and comparing it to the limit relative to the risk budget. Value-at-risk is determined using a variance/covariance calculation. Thereby the variances and covariances are estimated statistically from market data. The risk budget is determined using the hidden reserves of securities, which are taken into account based on liquidity. Default risk is calculated using credit value-at-risk and included in this analysis.

Depending on the purpose of the application, VIG Holding performs value-at-risk calculations for different sub-portfolios for the VIG Insurance Group. 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 financial instruments that are measured as available for sale or at fair value through profit or loss (incl. held for trading).

Value-at-Risk	31.12.2019	31.12.2018
in EUR millions		
10-day holding period	256.3	222.1
20-day holding period	362.4	314.2
60-day holding period	627.7	544.1

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

Interest rate risk

The main source of interest rate risk 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 Insurance Group guarantees a minimum interest rate averaging around 1.96% p.a. (2.07% p.a.). If interest rates fall below the guaranteed average minimum rate for a longer duration of time, VIG Insurance Group 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.

The embedded value in life and health insurance consists of the adjusted net assets at market value (ANAV) and the value of the insurance portfolio (VIF). VIF is the present value of future profits (SPVFP), reduced by a risk margin. The SPVFP was EUR 2,929.0 million as of 31 December 2019. A 100 basis point drop in the yield curve would reduce the SPVFP to EUR 1,821.1 million, which means the IFRS reserves are also adequate in this scenario. Also see the embedded value sensitivity analysis on page 96.

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, 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 Insurance Group assesses share price risk by considering diversification within the overall portfolio and correlation with other securities exposed to price risk. Risk diversification within the 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. The high degree of involvement in the CEE region results in currency risks at the VIG Insurance Group level in spite of matching local currency investments made at the local level.

Concentration risk

Internal guidelines and 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 insurance companies of VIG Insurance Group in order to check the risk capacity of the investments. The following table shows the stress parameters and the effects on IFRS capital of each scenario for 31 December 2019 (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)	**7,301.5**	**5,204.4**	**5,802.4**	**5,402.1**	**6,546.8**	**5,366.1**

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 Insurance Group, 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, 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.

The book values of the investments as of 31 December 2019 are shown on page 81. Information on the securities and their ratings is provided in Note 3.4. Other securities starting on page 111.

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 Insurance Group cedes a portion of assumed risks to reinsurance companies. This transfer of risk to reinsurers does not, however, relieve VIG Insurance Group of its obligations to policyholders. VIG Insurance Group is exposed to the risk of reinsurer insolvency. VIG Holding therefore designs its reinsurance programme carefully and monitors reinsurer rating changes for VIG Insurance Group.

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. The 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 Insurance Group has formed provisions for future insurance payments. VIG 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, net income participations, mortality and morbidity rates, lapse rates and future costs. The companies of VIG Insurance Group monitor 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 Insurance Group 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.

The companies of VIG Insurance Group use 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 Insurance Group 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 is responsible for the ongoing monitoring of cash flows and quarterly reporting on the development of liquidity. The reports 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, VIG Holding guidelines specify liquidity management standards that must be observed group-wide by every company. Among other things, these standards require a regular examination of current and future cash inflows and outflows.

OTHER RISKS

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 products that currently enjoy tax advantages. For example, the introduction of laws to reduce the tax advantages of the VIG Insurance Group's retirement benefit products or other life insurance products could considerably diminish the attractiveness of those products.

Regulatory environment

VIG Insurance Group 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 insurance companies of VIG Insurance Group
- Marketing activities and the sale of insurance policies and
- Cancellation rights of policyholders

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 Holding’s strategy. It has a very strong presence in these countries through its subsidiaries. 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 Insurance Group 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 Holding acquired directly and indirectly a number of companies in Central and Eastern Europe or acquired participations in these companies. Mergers of subsidiaries 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.

Sustainability risks

Events or changes in conditions in the environmental or social areas could potentially have a negative effect on VIG Insurance Group’s net assets, financial position and results of operations, as well as its reputation. These include, among other things, climate change, potentially stricter requirements for sustainability in the environmental protection area, political measures to promote sustainable investments and stricter requirements with respect to a sustainable social environment (labour law standards, occupational safety and working conditions, remuneration, etc.). VIG Insurance Group implicitly includes sustainability risks in its regular risk management processes.

Current risks associated with the coronavirus pandemic

Information on current risks in connection with the coronavirus pandemic can be found on page 160 in section 29. Significant events after the balance sheet date.

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 31.12.2018	1,976,955	22,790,291	1,925,766	71,729,174	547,523	12,127,867
Exchange rate differences		18,045		-11,846		499
As of 1.1.2019	1,976,955	22,808,336	1,925,766	71,717,328	547,523	12,128,366
Additions	132,148	2,505,426	658,287	104,918,143	25,553	860,375
New business	132,148	2,401,554	658,287	103,115,742	25,553	737,809
Increases		103,872		1,802,401		122,566
Changes	3,553	-147,964	-56,652	-1,510,935	-253	-37,075
Changes in additions	23,770	971,078	18,935	1,099,232	5,516	259,127
Changes in disposals	-20,217	-1,119,042	-75,587	-2,610,167	-5,769	-296,202
Disposals due to maturity	-83,835	-1,093,915	-185,802	-66,386,382	-20,473	-275,501
Due to expiration	-63,869	-972,018	-181,311	-66,295,529	-19,129	-246,120
Due to death	-19,966	-121,897	-4,491	-90,853	-1,344	-29,381
Premature disposals	-76,095	-954,011	-367,664	-5,236,650	-20,456	-748,855
Due to non-redemption	-2,622	-28,594	-29,255	-226,542	-554	-22,141
Due to lapse without payment	-17,424	-193,828	-210,249	-3,568,374	-2,158	-355,844
Due to redemption	-55,949	-680,502	-128,064	-1,391,384	-17,744	-287,889
Due to waiver of premium	-100	-51,087	-96	-50,350	0	-82,981
As of 31.12.2019	1,952,726	23,117,872	1,973,935	103,501,504	531,894	11,927,310

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 31.12.2018	1,971,339	18,115,911	500,019	9,667,217	6,921,602	134,430,460
Exchange rate differences		125,818		-7,139		125,377
As of 1.1.2019	1,971,339	18,241,729	500,019	9,660,078	6,921,602	134,555,837
Additions	193,444	2,565,325	23,270	581,103	1,032,702	111,430,372
New business	193,444	2,433,504	23,270	339,050	1,032,702	109,027,659
Increases		131,821		242,053		2,402,713
Changes	-105	-105,852	1,796	-73,637	-51,661	-1,875,463
Changes in additions	14,521	514,227	12,701	163,198	75,443	3,006,862
Changes in disposals	-14,626	-620,079	-10,905	-236,835	-127,104	-4,882,325
Disposals due to maturity	-50,402	-412,431	-2,174	-34,370	-342,686	-68,202,599
Due to expiration	-42,355	-357,691	-1,288	-25,545	-307,952	-67,896,903
Due to death	-8,047	-54,740	-886	-8,825	-34,734	-305,696
Premature disposals	-167,610	-1,397,989	-38,878	-457,142	-670,703	-8,794,647
Due to non-redemption	-27,183	-106,539	-432	-13,652	-60,046	-397,468
Due to lapse without payment	-62,751	-339,169	-1,039	-4,839	-293,621	-4,462,054
Due to redemption	-77,548	-703,411	-29,119	-281,836	-308,424	-3,345,022
Due to waiver of premium	-128	-248,870	-8,288	-156,815	-8,612	-590,103
As of 31.12.2019	1,946,666	18,890,782	484,033	9,676,032	6,889,254	167,113,500

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 2019:

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	1,662,607		1,976,623		3,639,229	
Increase in yield curve 1%	677,295	40.7	73,807	3.7	751,102	20.6
Decrease in yield curve 1%	-1,175,495	-70.7	-119,589	-6.1	-1,295,084	-35.6
Decrease in share and real estate values 10% as of the reporting date	-111,042	-6.7	-15,658	-0.8	-126,700	-3.5
Increase in share and real estate volatility 25%	-24,785	-1.5	-14,608	-0.7	-39,393	-1.1
Increase in yield curve volatility 25%	-129,603	-7.8	-16,525	-0.8	-146,128	-4.0
Decrease in administrative expenses 10%	99,596	6.0	53,612	2.7	153,207	4.2
Decrease in lapse rates 10%	4,909	0.3	38,789	2.0	43,698	1.2
Decrease in mortality 5% for endowment and risk insurance	8,681	0.5	23,814	1.2	32,495	0.9
Decrease in mortality 5% for annuities	-65,801	-4.0	-1,259	-0.1	-67,060	-1.8
No volatility adjustment	-93,734	-5.6	0	0.0	-93,734	-2.6

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	36,773		66,800		103,573	
Increase in yield curve 1%	15,668	42.6	5,503	8.2	21,171	20.4
Decrease in yield curve 1%	-34,384	-93.5	-9,469	-14.2	-43,853	-42.3
Decrease in administrative expenses 10%	4,877	13.3	5,394	8.1	10,271	9.9
Decrease in lapse rates 10%	1,790	4.9	6,381	9.6	8,171	7.9
Decrease in mortality 5% for endowment and risk insurance	1,467	4.0	2,791	4.2	4,258	4.1
Decrease in mortality 5% for annuities	-3,165	-8.6	-143	-0.2	-3,308	-3.2
No volatility adjustment	-2,535	-6.9	0	0.0	-2,535	-2.4

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 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". The companies of the VIG Insurance Group have formed provisions by lines of business, extent of cover and year to pay for losses and claims settlement expenses due to claims under 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 the companies of VIG Insurance 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 insurance 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 VIG Insurance 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. The conservative policy toward provisions of VIG Insurance Group is shown, for example, by the fact that liquidation of loss reserves has generally led to a profit. Based on the VIG Insurance Group's internal procedures and the information currently available to it, management believes that the VIG Insurance 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 initial estimates.

CHANGES IN CLAIMS PAYMENTS AND GROSS LOSS RESERVE

The following tables show claims payments for individual years of occurrence and VIG Insurance Group'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									
	≤2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
in EUR '000										
2010 and before	2,731,503	1,056,650	342,905	206,694	139,425	113,597	98,825	63,021	70,308	51,397
2011		1,616,214	651,472	101,100	107,425	52,275	43,849	33,054	25,382	13,963
2012			1,711,639	775,993	194,023	93,221	84,701	44,606	28,075	24,448
2013				1,811,908	705,274	179,122	130,960	70,628	36,587	26,229
2014					1,545,509	773,664	192,081	101,832	54,209	66,232
2015						1,565,072	734,971	212,354	91,806	60,484
2016							1,619,590	806,055	204,162	108,102
2017								1,827,020	885,844	237,052
2018									1,816,053	877,898
2019										2,069,673
Total	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	3,535,478

*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									
	≤2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
in EUR '000										
2010 and before	3,538,967	2,086,918	1,434,304	1,065,138	911,253	764,724	678,117	628,520	549,812	540,835
2011		1,608,789	768,190	412,251	270,822	194,945	157,931	122,216	101,006	86,223
2012			1,602,011	767,831	440,116	286,807	212,221	169,230	142,029	109,382
2013				1,695,511	789,978	480,548	280,509	197,735	154,313	109,965
2014					1,749,247	813,249	468,519	313,557	234,036	158,058
2015						1,687,291	787,903	467,615	299,946	216,863
2016							1,757,426	803,864	497,502	329,162
2017								1,903,463	863,161	512,025
2018									1,999,997	957,118
2019										2,156,013
Total	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	5,175,644

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

Reinsurance

VIG Insurance Group 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 insurance companies are reinsured within VIG Insurance Group 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 insurance 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 15 million.

Selection of reinsurers – diversification

VIG Holding and its subsidiaries divide their reinsurance coverage among many different international reinsurance companies that VIG Holding 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 Insurance Group 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 subsidiary can purchase reinsurance coverage individually from external reinsurers. If individual reinsurance policies can only be purchased by a subsidiary at uneconomical terms, VIG Insurance Group 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 insurance companies 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 Insurance Group 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 parent company, VIG Holding is responsible for allocating capital for the VIG Insurance Group as a whole. This allows capital to be efficiently distributed within the VIG Insurance Group. It also allows VIG Holding to ensure that the target levels of liquidity and capital resources are available both at the VIG Insurance 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 Insurance Group guarantees insurance coverage for a certain period of time, and no cash outflow occurs during this period until an insured event occurs. The liquidity buffer is invested during this period and generates investment income. A portion is held in the form of liquid investments to ensure that it can be quickly converted into cash to pay claims. In addition, the bond portfolio, in particular, is structured so that the proceeds from maturing bonds are received on the dates it is anticipated they will be needed. External influence factors, such as capital market developments and the interest rate level, affect the liquidity situation by improving or restricting the ability to sell the investment portfolio at market value.

The time, frequency and size of insured claims are also important for the liquidity situation of property and casualty insurance. The number of policy extensions also plays a role.

The liquidity needs for life insurance are generally affected by the difference between actual mortality experience and the assumptions used to calculate underwriting provisions. Market returns or minimum interest rates and the behaviour of life insurance customers, such as the number of policies surrendered or terminated, also have an effect on liquidity needs.

CAPITAL MANAGEMENT

In the interests of our shareholders and insurance customers, our goal is to ensure that VIG Holding 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 Holding 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 Holding also places great importance on permanently maintaining a strong credit rating with Standard & Poor's (S&P). VIG Holding is regularly rated by S&P. S&P has its own capital model for assessing the relationship between the risk capital required by a company and the capital resources available to it. In July 2019, S&P confirmed VIG Holding'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. According to the S&P publication of 30 July 2019, the Group's capital resources exceed the requirements for the AAA level. This means that VIG Holding has a very good credit rating when compared to similar insurance companies and outstanding capital resources. When performing regular capital planning, VIG Holding takes account of the effects on its rating, with the goal of strengthening it over the long term.

Active capital management

VIG Holding 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 Holding 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% to 230% at the Group level has been specified by VIG Holding.

Capital management focuses on subordinated long-term liabilities with equity-like characteristics. The Treasury/Capital Market area 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 Holding.

Capital resources

As of 31 December 2019, 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 2019 (2018: 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 9. Consolidated shareholders' equity starting on page 119.

VIG Insurance Group had a reviewed solvency ratio of 209.7% as of 31 December 2019 (31 December 2018: 238.6%).

Long-term debt financing

VIG Insurance Group had subordinated bonds with a wide range of maturities outstanding as of 31 December 2019. Detailed information on the VIG Insurance Group bond programme is provided in Note 10. Subordinated liabilities starting on page 122. As shown by the maturities, VIG Insurance Group'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 VIG Insurance Group in particular could have an adverse effect on the cost and availability of debt financing. The goal, therefore, is to actively manage the capital structure to keep refinancing risks as low as possible.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS

Composition	31.12.2019	31.12.2018
in EUR '000		
Goodwill	1,382,535	1,475,206
Purchased insurance portfolios	38,191	33,311
Other intangible assets	**518,853**	**452,362**
Purchased software	423,377	362,838
Other	95,476	89,524
Total	**1,939,579**	**1,960,879**

1.1. Goodwill

Development goodwill	2019	2018
in EUR '000		
Acquisition costs	1,899,957	1,906,517
Cumulative depreciation as of 31.12. of the previous year	-424,751	-368,823
Book value as of 31.12. of the previous year	**1,475,206**	**1,537,694**
Exchange rate differences	3,667	-8,077
Book value as of 1.1.	**1,478,873**	**1,529,617**
Additions	12,483	808
Impairments	-108,821	-55,219
Book value as of 31.12.	**1,382,535**	**1,475,206**
Cumulative impairment as of 31.12.	524,458	424,751
Acquisition costs	**1,906,993**	**1,899,957**

Additions mainly result from the acquisition of the subsidiaries indicated in the section titled “Scope and methods of consolidation” starting on page 68.

The impairments for the current reporting period concern the Romania CGU group.

Following the goodwill impairment in Romania in the previous year, the plan values, which were already reduced in 2018, were once again not achieved in 2019. The expected value of the cash flows for the Romania CGU group was therefore reduced, which led to a need for impairment of the full amount of goodwill in Romania.

The impairments in the previous year concerned the Romania and Turkey CGU groups.

Goodwill of cash-generating units (book values)	31.12.2019	31.12.2018
in EUR '000		
Austria	301,716	301,716
Czech Republic	444,212	438,754
Slovakia	111,257	111,257
Poland	154,447	140,767
Romania	0	110,731
Baltic states	75,301	75,301
Hungary	15,543	16,005
Bulgaria	184,154	184,154
Georgia	13,879	14,510
Albania incl. Kosovo	13,307	13,125
Croatia	45,615	45,782
North Macedonia	12,579	12,579
Central Functions	10,525	10,525
Total	**1,382,535**	1,475,206

Please see the section titled "Impairment of non-financial assets" on page 52 for information on the assumptions used for impairment testing.

1.2. Other intangible assets

Development purchased software	2019	2018
in EUR '000		
Acquisition costs	1,116,067	1,055,450
Cumulative depreciation as of 31.12. of the previous year	-753,229	-720,629
Book value as of 31.12. of the previous year	**362,838**	334,821
Exchange rate differences	161	-902
Book value as of 1.1.	**362,999**	333,919
Reclassifications	-5,061	-673
Additions	125,991	71,755
Disposals	-5,729	-4,147
Changes in scope of consolidation	1,144	2,101
Scheduled depreciation	-55,967	-40,117
Impairments	0	0
Book value as of 31.12.	**423,377**	362,838
Cumulative depreciation as of 31.12.	802,311	753,229
Acquisition costs	**1,225,688**	1,116,067

Corporate assets were included in the impairment testing for 31 December 2019. This is discussed starting on page 52.

The change in the scope of consolidation is the result of first-time consolidation of the company Wiener TU (formerly Gothaer TU) in Poland and the change of consolidation method for the non-profit societies.

2. RIGHT-OF-USE ASSETS

Development Right-of-Use Assets	2019					
	Real estate	Motor vehicles	Computer & office furniture	IT equipment	Other	Total
in EUR '000						
Book value as of 1.1.	0	0	0	0	0	0
Additions	223,465	12,458	2,062	3,522	2,866	244,373
Reclassifications	6	0	0	0	-6	0
Disposals	-54	0	0	0	0	-54
Change in the scope of consolidation	-17,610	464	0	-21	-226	-17,393
Appreciation	2	7	0	0	0	9
Scheduled depreciation	-23,892	-3,168	-436	-1,233	-550	-29,279
Book value as of 31.12.	**181,917**	**9,761**	**1,626**	**2,268**	**2,084**	**197,656**
Cumulative appreciation/depreciation as of 31.12.	23,088	3,080	435	1,187	480	28,270
Acquisition costs	**205,005**	**12,841**	**2,061**	**3,455**	**2,564**	**225,926**

Further information in connection with IFRS 16 is provided in Note 3.1. Land and buildings starting on page 105, Note 14. Liabilities starting on page 129 and Note 28. Leases starting on page 159. For information on accounting policies for leases, please see page 54.

3. INVESTMENTS

Composition	31.12.2019	31.12.2018
in EUR '000		
Land and buildings	**2,414,258**	5,965,666
Self-used land and buildings	488,701	458,981
Investment property including the right of use for building rights	1,925,557	5,506,685
Shares in at equity consolidated companies	321,276	221,312
Financial instruments	**31,720,206**	30,101,348
Loans and other investments	3,475,405	3,356,069
Other securities	28,244,801	26,745,279
Total	**34,455,740**	36,288,326

3.1. Land and buildings

Self-used land and buildings

Development	2019	2018
in EUR '000		
Acquisition costs	698,852	657,111
Cumulative depreciation as of 31.12. of the previous year	-239,871	-226,205
Book value as of 31.12. of the previous year	**458,981**	**430,906**
Exchange rate differences	195	-1,959
Book value as of 1.1.	**459,176**	**428,947**
Reclassifications	41,786	4,420
Additions	15,278	41,545
Disposals	-1,310	-423
Changes in scope of consolidation	-10,027	0
Appreciation	71	114
Scheduled depreciation	-15,787	-14,392
Impairments	-486	-1,230
Book value as of 31.12.	**488,701**	**458,981**
Cumulative depreciation as of 31.12.	269,257	239,871
Acquisition costs	**757,958**	**698,852**
thereof land	54,272	52,092

The changes in the scope of consolidation are due to first-time inclusion of Camelot Informatik und Consulting Gesellschaft m.b.H. and the change in the consolidation method used for the non-profit societies.

The impairment is primarily due to fair value lying below book value of land and buildings, as shown by appraisal reports.

Investment property (including the right of use for building rights)

Development	2019			2018
	Investment property	Building rights	Total	Total
in EUR '000				
Acquisition costs	7,952,624		7,952,624	7,577,673
Cumulative depreciation as of 31.12. of the previous year	-2,445,939		-2,445,939	-2,323,981
Book value as of 31.12. of the previous year	**5,506,685**		**5,506,685**	5,253,692
Exchange rate differences	523		523	-562
Book value as of 1.1.	**5,507,208**	**67,960**	**5,575,168**	5,253,130
Reclassifications	-41,736	0	-41,736	-4,094
Additions	304,429	0	304,429	391,043
Disposals	-56,114	0	-56,114	-51,418
Changes in scope of consolidation	-3,688,558	-67,130	-3,755,688	73,472
Appreciation	11,253	0	11,253	433
Scheduled depreciation	-107,281	-830	-108,111	-146,889
Impairments	-3,644	0	-3,644	-8,992
Book value as of 31.12.	**1,925,557**	**0**	**1,925,557**	5,506,685
Cumulative depreciation as of 31.12.	776,647	0	776,647	2,445,939
Acquisition costs	**2,702,204**	**0**	**2,702,204**	7,952,624
thereof land	521,397			1,174,079
Rental income	**396,891**			555,708
Contingent rental income from operating lease	0			69
From investment property	396,891			555,639
Operating expenses for rented investment property	115,294			156,548
Operating expenses for vacant investment property	7,365			7,271
Operating expenses for building rights		519		

The changes in the scope of consolidation are primarily the result of the change in consolidation method for the non-profit societies and first-time inclusion of MC EINS Investment GmbH (EUR +61,171,000), WIBG Projektentwicklungs GmbH & Co KG (EUR +72,212,000) and WINO GmbH (EUR +29,226,000).

The impairment is primarily due to fair value lying below book value of land and buildings, as shown by appraisal reports.

Use of land and buildings

Detail land and buildings	31.12.2019
in EUR '000	
Self-used land and buildings	**488,701**
self-used	477,768
rented (operating lease)	10,933
Investment property excl. RoU-asset for building-rights	**1,925,557**
self-used	3,005
rented (operating lease)	1,922,552

3.2. Shares in at equity consolidated companies

Development in EUR '000	2019	2018
Book value as of 31.12. of the previous year	221,312	298,149
Book value as of 1.1.	221,312	298,149
Retrospective adjustment due to application of new standards	-3,181	0
Additions	0	706
Disposals	-5.000	0
Changes in scope of consolidation	153	-95,361
Additions due to loss of control of previously fully consolidated companies	99,836	0
Share of changes in OCI	-1,394	-439
Pro rata result of the period of at equity consolidated companies	26,448	37,859
Dividend payment	-16,898	-19,602
Book value as of 31.12.	321,276	221,312
thereof segment Austria	183,232	179,094
thereof segment Czech Republic	25,739	30,345
thereof segment Poland	153	0
thereof segment Central Functions	112,152	11,873

The additions due to loss of control of previously fully consolidated companies item concerns the change to the consolidation method used for the non-profit societies. Associated companies are measured at equity.

Shares in significant associated companies	2019				
	Beteiligungs- und Wohnungs-anlagen GmbH	Gewista-Werbe-gesellschaft m.b.H.	Österreichisches Verkehrsbüro	Erste Heimstätte GmbH	VBV - Betriebliche Altersvorsorge AG
in EUR '000					
Group interest in %	**25.00%**	**33.00%**	**36.58%**	**99.77%**	**23.71%**
Income	0	87,558	615,871	98,454	65,148
Expenses	-192	-77,939	-594,212	-54,166	-41,162
Financial result	14,397	13,259	-2,177	-19,964	5,425
Taxes	2,166	-2,784	-3,791	-481	-10,005
Result of the period	**16,371**	**20,094**	**15,691**	**23,843**	**19,406**
Parent company minority interest	0	0	-202	0	0
Adjustment item due to protective provisions of the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz – WGG)	0	0	0	-23,843	0
Result of the period less non-controlling interests	**16,371**	**20,094**	**15,489**	**0**	**19,406**
thereof non-controlling interests	368	6,345	353	0	437
thereof shares of associated companies held by shareholders	16,003	13,749	15,338	0	18,969
Share of result	**4,093**	**6,631**	**5,666**	**0**	**4,601**
Fixed assets	340,336	67,894	375,514	919,682	359,417
Current assets (incl. other assets)	27,613	109,435	175,406	32,281	11,807,046
Borrowings	-243,446	-71,692	-466,977	-663,920	-11,937,730
Net assets	**124,503**	**105,637**	**83,943**	**288,043**	**228,733**
thereof non-controlling interests	2,801	33,355	1,889	80,896	5,146
thereof shares of associated companies held by shareholders	121,702	72,282	82,054	207,147	223,587
Share of net assets	**31,126**	**34,860**	**30,704**	**287,389**	**54,233**
Goodwill	0	0	24,460	0	0
Adjustment item due to protective provisions of the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz – WGG)	0	0	0	-238,956	0
Book value of shares in associated companies	**31,126**	**34,860**	**55,164**	**48,433**	**54,233**

Materiality of associated companies is generally determined based on the amount of the at equity book value.

Beteiligungs- und Immobilien GmbH and Beteiligungs- und Wohnungsanlagen GmbH were included in the consolidated financial statements with a different balance sheet date (30 September).

3.3. Loans and other investments

Composition of loans and other investments	31.12.2019	31.12.2018
in EUR '000		
Loans	1,461,846	1,349,605
Reclassified loans	139,584	179,522
Bonds classified as loans	814,678	926,137
Subtotal	**2,416,108**	2,455,264
Other investments	1,059,297	900,805
thereof bank deposits	973,247	810,286
thereof deposits on assumed reinsurance business	86,032	90,503
Total	**3,475,405**	3,356,069

Composition of total loans	31.12.2019	31.12.2018
in EUR '000		
Loans	**1,461,846**	1,349,605
Loans to non-consolidated affiliated companies	65,779	125,215
Loans to participations	32,016	35,577
Mortgage loan	547,857	416,336
Policy loans and prepayments	20,278	22,390
Other loans	795,916	750,087
to public authorities	194,314	161,478
to financial institutions	164,675	170,720
to other commercial borrowers	435,739	416,574
to private persons and others	1,188	1,315
Reclassified loans	**139,584**	179,522
Bonds classified as loans	**814,678**	926,137
to public authorities	110,071	110,293
to financial institutions	668,645	777,874
to other commercial borrowers	35,962	37,970
Total	**2,416,108**	2,455,264

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 57.16% of the total loans reported.

Development of total loans	2019	2018
in EUR '000		
Acquisition costs	2,486,253	2,619,873
Cumulative depreciation as of 31.12. of the previous year	-30,989	-31,194
Book value as of 31.12. of the previous year	**2,455,264**	**2,588,679**
Exchange rate differences	-170	-475
Book value as of 1.1.	**2,455,094**	**2,588,204**
Reclassifications	0	-10.000
Additions	1,721,177	142,905
Disposals	-1,690,309	-266,809
Changes in scope of consolidation	-66,840	1,325
Appreciation	43	85
Impairments	-3,057	-446
Book value as of 31.12.	**2,416,108**	**2,455,264**
Cumulative depreciation as of 31.12.	33,772	30,989
Acquisition costs	**2,449,880**	**2,486,253**

Maturity structure of loans	31.12.2019	31.12.2018
in EUR '000		
Loans	1,461,846	1,349,605
up to one year	34,843	46,280
more than one year up to five years	443,462	225,099
more than five years up to ten years	259,694	387,204
more than ten years	723,847	691,022
Bonds classified as loans	814,678	926,137
up to one year	45,164	122,085
more than one year up to five years	305,499	271,311
more than five years up to ten years	267,658	248,441
more than ten years	196,357	284,300

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.

3.4. Other securities

Development	Held to maturity (incl. reclassified)		Available for sale		Recognised at fair value through profit and loss*	
	2019	2018	2019	2018	2019	2018
in EUR '000						
Acquisition costs	2,937,383	3,127,710				
Cumulative depreciation as of 31.12. of the previous year	-1,382	-261				
Book value as of 31.12. of the previous year	**2,936,001**	3,127,449	**23,481,693**	23,220,303	**327,585**	335,341
Exchange rate differences	27,618	-21,564	-1,509	-20,310	525	-4,457
Book value as of 1.1.	**2,963,619**	3,105,885	**23,480,184**	23,199,993	**328,110**	330,884
Reclassifications	0	0	-5,646	-720	-20,528	13,811
Additions	60,613	98,527	3,424,353	3,392,352	313,741	372,993
Disposals/repayments	-260,531	-280,313	-2,848,101	-2,270,603	-303,948	-390,045
Changes in scope of consolidation	0	11,902	31,218	-40,789	128	0
Changes in value recognised in profit and loss	0	0	195	0	15,494	-58
Changes recognised directly in equity	0	0	1,087,225	-791,865	0	0
Impairments	0	0	-21,325	-6,675	0	0
Book value as of 31.12.	**2,763,701**	2,936,001	**25,148,103**	23,481,693	**332,997**	327,585
Cumulative appreciation/depreciation as of 31.12.	2,486	1,382				
Acquisition costs	2,766,187	2,937,383				

*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 reclassifications from and to investments for unit-linked and index-linked life insurance.

Composition government bonds[1] (book values)	Held to maturity (incl. reclassified)		Available for sale		Recognised at fair value through profit and loss[2]	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in %						
Austria	0.65	0.57	13.44	15.65	0.00	0.00
Germany	0.12	0.11	1.49	2.04	24.51	68.52
Czech Republic	69.31	70.00	5.82	5.78	0.00	0.00
Slovakia	3.35	4.95	7.71	7.53	0.00	0.00
Poland	12.26	10.72	13.28	12.10	75.06	22.58
Romania	0.11	0.11	5.28	5.45	0.00	0.00
Other countries	14.20	13.54	52.98	51.45	0.43	8.90

[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	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000				
Financial instruments held to maturity	2,195,001	2,371,009	2,472,357	2,577,282
Government bonds	1,922,748	2,098,103	2,130,871	2,246,731
Covered bonds	206,930	205,878	271,484	258,883
Corporate bonds	50,766	50,405	55,310	55,167
Bonds from banks	14,557	16,623	14,692	16,501
Financial instruments reclassified as held to maturity	568,700	564,992	648,635	644,443
Government bonds	552,572	548,990	631,230	626,859
Covered bonds	2,098	2,092	2,260	2,323
Bonds from banks	14,030	13,910	15,145	15,261

Maturity structure	Amortised cost		Fair value	
Financial instruments held to maturity	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000				
Financial instruments held to maturity	2,195,001	2,371,009	2,472,357	2,577,282
up to one year	162,579	251,978	164,876	254,896
more than one year up to five years	694,185	544,904	759,296	582,334
more than five years up to ten years	619,859	810,828	695,164	911,409
more than ten years	718,378	763,299	853,021	828,643
Financial instruments reclassified as held to maturity	568,700	564,992	648,635	644,443
up to one year	266,679	3,435	271,551	3,614
more than one year up to five years	163,032	416,517	177,555	449,361
more than five years up to ten years	2,098	10,142	2,260	11,426
more than ten years	136,891	134,898	197,269	180,042

Rating categories	Amortised cost	
Financial instruments held to maturity (incl. reclassified)	31.12.2019	31.12.2018
in EUR '000		
AAA	64,997	69,916
AA	1,965,661	2,086,919
A	451,115	488,488
BBB	162,413	58,735
BB and lower	102,750	213,442
No rating	16,765	18,501
Total	2,763,701	2,936,001

Financial instruments in the Financial instruments held to maturity category that were reclassified from the financial instruments available for sale category in 2008 had a fair value of EUR 1,393,784,000 as of the reclassification date. The VIG Insurance 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	31.12.2019	31.12.2018
in EUR '000		
Bonds	**22,300,441**	**21,011,150**
Government bonds	10,699,611	10,232,590
Covered bonds	1,473,214	1,456,623
Corporate bonds	5,658,518	5,135,065
Bonds from banks	3,606,210	3,363,881
Subordinated bonds	862,888	822,991
Shares and other participations*	**666,017**	**670,377**
Investment funds	**2,181,645**	**1,800,166**
Equity funds	1,039,065	824,276
Pension funds	812,627	694,327
Alternative funds	10,135	5,670
Real estate funds	88,476	77,278
Balanced funds	231,342	198,615
Total	**25,148,103**	**23,481,693**

*Includes shares in non-consolidated subsidiaries and other participations of EUR 217,494,000 (EUR 203,314,000).

Unrealised gains and losses	31.12.2019			31.12.2018		
Financial instruments available for sale	Fair value	Unrealised gains	Unrealised losses	Fair value	Unrealised gains	Unrealised losses
in EUR '000						
Bonds	22,300,441	2,593,329	-52,161	21,011,150	1,962,804	-163,389
Shares and other participations	666,017	107,787	-20,271	670,377	144,066	-30,084
Investment funds	2,181,645	230,442	-40,505	1,800,166	82,457	-162,621
Total	**25,148,103**	**2,931,558**	**-112,937**	**23,481,693**	**2,189,327**	**-356,094**

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	31.12.2019			31.12.2018		
Financial instruments available for sale	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
in EUR '000						
Bonds	**22,309,470**	**9,029**	**22,300,441**	**21,024,950**	**13,800**	**21,011,150**
not adjusted	22,300,438	0	22,300,438	21,011,141	0	21,011,141
adjusted	9,032	9,029	3	13,809	13,800	9
Shares*	**485,484**	**36,961**	**448,523**	**504,142**	**37,079**	**467,063**
not adjusted	382,023	0	382,023	417,485	0	417,485
adjusted	103,461	36,961	66,500	86,657	37,079	49,578
Investment funds	**2,230,276**	**48,631**	**2,181,645**	**1,846,292**	**46,126**	**1,800,166**
not adjusted	2,135,880	0	2,135,880	1,751,688	0	1,751,688
adjusted	94,396	48,631	45,765	94,604	46,126	48,478
Total	**25,025,230**	**94,621**	**24,930,609**	**23,375,384**	**97,005**	**23,278,379**

*Not including impairment of shares in affiliated companies and other participations

Maturity structure	Fair value	
Financial instruments available for sale	31.12.2019	31.12.2018
in EUR '000		
no maturity	2,938,675	2,405,636
up to one year	1,044,476	1,100,850
more than one year up to five years	6,810,127	5,702,639
more than five years up to ten years	8,680,671	8,577,142
more than ten years	5,674,154	5,695,426
Total	25,148,103	23,481,693

Rating categories	Fair value	
Fixed-interest financial instruments available for sale	31.12.2019	31.12.2018
in EUR '000		
AAA	2,187,356	2,293,664
AA	5,856,128	5,646,679
A	8,733,258	7,976,565
BBB	4,660,993	4,041,480
BB and lower	727,385	944,412
No rating	135,321	108,350
Total	22,300,441	21,011,150

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*	31.12.2019	31.12.2018
in EUR '000		
Bonds	203,477	185,874
Government bonds	138,367	59,367
Covered bonds	1,471	111
Corporate bonds	3,675	7,551
Bonds from banks	53,573	109,508
Subordinated bonds	6,391	9,337
Shares and other non-fixed-interest securities	21,955	27,097
Investment funds	72,768	87,091
Equity funds	11,329	26,501
Pension funds	28,033	32,537
Alternative funds	86	2,856
Real estate funds	11,284	5,122
Balanced funds	22,036	20,075
Derivatives	34,797	27,523
Total	332,997	327,585

*Including held for trading

4. INVESTMENTS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Composition	31.12.2019			31.12.2018
	Unit-linked	Index-linked	Total	Total
in EUR '000				
Investment funds	6,460,902	4,614	6,465,516	5,840,818
Bonds	0	2,053,153	2,053,153	2,109,095
Shares	0	1,195	1,195	4,562
Bank deposits	53,609	37,413	91,022	89,389
Deposit receivables	8,500	0	8,500	4,409
Net of receivables and liabilities	941	0	941	349
Total	**6,523,952**	**2,096,375**	**8,620,327**	8,048,622

Maturity structure	31.12.2019	31.12.2018
in EUR '000		
no maturity	6,526,937	5,934,770
up to one year	691,873	132,734
more than one year up to five years	975,529	1,567,536
more than five years up to ten years	385,384	346,280
more than ten years	40,604	67,302
Total	**8,620,327**	8,048,622

5. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Development	Book value as of 1.1.	Exchange rate differences	Additions	Amount used/released	Changes in scope of consolidation	Book value as of 31.12.2019
in EUR '000						
Provision for unearned premiums	167,642	-3,421	175,322	-143,761	12,027	207,809
Mathematical reserve	36,966	9	4,497	-9,869	0	31,603
Provision for outstanding claims	913,266	-2,274	664,204	-649,288	100,097	1,026,005
Provision for profit-unrelated premium refunds	15,246	79	11,644	-12,112	0	14,857
Other underwriting provisions	2,506	-90	2,244	-1,500	0	3,160
Total	**1,135,626**	**-5,697**	**857,911**	**-816,530**	**112,124**	**1,283,434**

Maturity structure	31.12.2019	31.12.2018
in EUR '000		
up to one year	726,635	633,454
more than one year up to five years	329,763	294,929
more than five years up to ten years	119,934	115,233
more than ten years	107,102	92,010
Total	**1,283,434**	1,135,626

6. RECEIVABLES

Composition	31.12.2019	31.12.2018
in EUR '000		
Underwriting	1,003,123	850,404
Receivables from direct insurance business	790,293	713,727
from policyholders	624,956	558,368
from insurance intermediaries	127,731	106,059
from insurance companies	37,606	49,300
Receivables from reinsurance business	212,830	136,677
Non-underwriting	714,226	712,145
Other receivables	714,226	712,145
Total	1,717,349	1,562,549

Composition of other receivables	31.12.2019	31.12.2018
in EUR '000		
Receivables from finance lease	49,231	
Receivables from recourse claims	27,787	22,038
Pro rata and outstanding interest and rent	381,464	406,808
Receivables from tax authority (excl. income tax) and from fees of all kinds	46,100	36,274
Receivables from sales of investments	8,750	7,228
Receivables from property management	15,244	13,716
Receivables from third party claims settlement	27,060	28,917
Receivables from green card deposits and surety	63,777	41,047
Receivables from pre-payments	21,174	15,960
Other receivables	73,639	140,157
thereof receivables from charges for services	21,503	77,725
thereof receivables from charges for pensions	10,975	13,690
Total	714,226	712,145

Maturity structure	31.12.2019			31.12.2018
	Premium receivables due	Non-underwriting	Total	Total
in EUR '000				
up to one year	266,251	592,087	858,338	904,665
more than one year up to five years	13,448	47,391	60,839	53,298
more than five years up to ten years	0	45,302	45,302	5,127
more than ten years	0	29,446	29,446	19,197
Subtotal	279,699	714,226	993,925	982,287
Premium receivables not yet due			418,698	339,488
Receivables from reinsurance business			212,830	136,677
Other underwriting receivables			91,896	104,097
Total			1,717,349	1,562,549

The gross receivables are offset by impairments (directly reducing the asset item) of EUR 91,040,000 (EUR 86,529,000) and provisions for cancellations of EUR 12,628,000 (EUR 15,044,000).

Ageing analysis			31.12.2019		
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	145,271	58,831	19,582	64,446	288,130
not adjusted	76,190	30,728	6,512	39,732	153,162
adjusted	69,081	28,103	13,070	24,714	134,968
Non-underwriting receivables	5,305	8,737	2,216	26,023	42,281
not adjusted	4,380	8,557	2,147	14,502	29,586
adjusted	925	180	69	11,521	12,695

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

7. 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	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
in EUR '000				
Intangible assets	7,886	16,315	10,475	11,902
Right-of-Use Assets	0	65,353		
Investments	98,089	358,554	91,960	252,862
Receivables and other assets	41,794	28,065	29,752	16,316
Accumulated losses carried forward	42,364	0	47,777	0
Tax-exempt reserves	0	11,288	0	12,142
Underwriting provisions	131,429	168,943	110,891	167,919
Non-underwriting provisions	103,614	1,924	91,075	4,339
Liabilities and other liabilities	93,094	30,689	18,654	26,534
Sum before valuation allowance	**518,270**	**681,131**	400,584	492,014
Valuation allowance for DTA	-30,616		-17,205	
Total before netting	**487,654**	**681,131**	383,379	492,014
Netting	-418,929	-418,929	-288,180	-288,180
Net balance	**68,725**	**262,202**	95,199	203,834

Deferred tax assets from seven-year amortisation of participations to going concern value were recognised in the amount of EUR 15,477,000 (EUR 20,123,000) 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 148,358,000 (EUR 91,125,000). 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 2,043,083,000 (EUR 1,781,957,000). Deferred taxes for undistributed subsidiary profits of EUR 20,146,000 (EUR 13,496,000) were also not reported, because a decision to distribute the profits had not yet been made.

EUR 29,368,000 (EUR 22,968,000) in deferred taxes on loss carry-forwards was not recognised.

8. OTHER ASSETS

Composition	31.12.2019	31.12.2018
in EUR '000		
Tangible assets* and inventories	128,950	155,514
Prepayments for projects	58	302
Other assets	47,548	57,706
Asset-side accruals	215,355	213,966
Total	**391,911**	427,488

*amount of reported balance sheet value leased as of 31.12.2019: 7.44%

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

9. CONSOLIDATED SHAREHOLDERS' EQUITY

The share capital and other capital reserves items include contributions to share capital made by VIG Holding 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 subsidiaries have earned since joining VIG Insurance Group. These are reduced by the dividends distributed by the VIG Holding. Amounts resulting from changes in the scope of consolidation are also recognised here. 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.

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 Holding.

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		2019	2018
Result of the period	EUR '000	413,088	367,952
Other non-controlling interests in net result of the period	EUR '000	-13,698	-7,560
Non-controlling interests in the result of the period of non-profit societies	EUR '000	-68,113	-91,468
Result of the period less non-controlling interests	**EUR '000**	**331,277**	**268,924**
Interest expenses for hybrid capital	EUR '000		8,300
Number of shares at closing date	units	128,000,000	128,000,000
Earnings per share*	**EUR**	**2.59**	**2.04**

*The calculation of these figures in the previous year 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 provided on page 100.

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 eight members. The Supervisory Board has at least three and at most ten members (shareholder representatives). Wiener Städtische Versicherungsverein, which directly and indirectly holds around 71.54% (71.49%) 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 24 May 2019 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 ten 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 24 May 2019 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 2019 for the financial year 2018	Per share	Total
in EUR		
Ordinary shares	1.00	128,000,000

Proposed appropriation of profits

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Holding) ended financial year 2019 with a net retained profit of EUR 300,950,530.64. The following allocation of profits will be proposed in the Annual General Meeting:

The 128 million shares shall receive a dividend of EUR 1.15 per share. The payment date for this dividend will be 20 May 2020, the record date 19 May 2020, and the ex-dividend date 18 May 2020.*

A total of EUR 147,200,000.00 will therefore be distributed. The net retained profit of EUR 153,750,530.64 remaining for financial year 2019 after distribution of the dividend is to be carried forward.

*Editorial changes that have occurred between the date of preparation of the consolidated financial statements and the date of printing: In view of the decision of the Managing Board on March 30, 2020 to postpone the General Meeting for an indefinite period of time, the dates stated are no longer current. The dates for the payment day, the record date (dividend record date) and the ex-dividend day will be determined and redefined on the basis of the date of the General Meeting, which is still to be specified.

10. SUBORDINATED LIABILITIES

Subordinated liabilities of the Group

Issuing company	Issue date	Outstanding volume	Maturity	Interest	Fair value
		in EUR '000	in years	in %	in EUR '000
VIG Holding	9.10.2013	500.000	30[1]	First 10 years: 5.5% p.a.; thereafter variable	593,710
VIG Holding	2.3.2015	400.000	31[2]	First 11 years: 3.75% p.a.; thereafter variable	461,708
VIG Holding	13.4.2017	200.000	30[3]	First 10 years: 3.75% p.a.; thereafter variable	223,094
Donau Versicherung	15.4. + 21.5.2004	9,500	unlimited [4]	4.95% p.a.	10,374
Donau Versicherung	1.7.1999	1,500	unlimited [5]	4.95% p.a.	1,614
Wiener Städtische	1.3.1999	12.000	unlimited [6]	4.90% p.a.	13,715
Wiener Städtische	2.7.2001	16,100	unlimited [7]	6.10% p.a.	18,970
Wiener Städtische	15.11.2003	19,150	unlimited [8]	4.95% p.a.	21,793
Wiener Städtische	30.6.2006	34,700	unlimited [9]	4.75% p.a.	38,872
Wiener Städtische	11.5.2017	250.000	10 [10]	3.50% p.a.	279,468
Kooperativa (Czech Republic)	22.12.2010	21,647	unlimited [11]	5.05% p.a.	21,317
Total		1,464,597			1,684,635

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 terminated, in whole or in part, with 5 years' notice effective as of 1 July 2009 by the holders and by Donau Versicherung, and effective as of 31 December of each following year.

5 This may be terminated, in whole or in part, with 5 years' notice effective as of 1 July 2009 by the holders and by Donau Versicherung, and effective as of 1 July of each following year.

6 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 3,750,000 will be repaid starting with 2021 and EUR 8,250,000 will be repaid starting with 2025.

7 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 16,100,000 will be repaid starting with 2024.

8 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 19,150,000 will be repaid between 2021 and 2024.

9 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 34,700,000 will be repaid starting with 2024.

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 5 years' notice.

VIG Holding subordinated liabilities

Interest on supplementary capital bonds is only paid out to the extent that the interest is covered by the company's national annual profit. The interest is, however, always included as an expense.

On 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 Holding can call it for the first time after ten 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.

11. UNDERWRITING PROVISIONS – GROSS

Composition	31.12.2019	31.12.2018
in EUR '000		
Provision for unearned premiums	1,707,175	1,502,697
Mathematical reserve	**22,497,943**	**22,106,049**
Guaranteed policy benefits	21,034,685	20,775,376
Allocated and committed profit shares	729,776	710,143
Deferred mathematical reserve	733,482	620,530
Provision for outstanding claims	5,839,838	5,439,941
Provision for premium refunds	**1,792,151**	**1,386,197**
Profit-related premium refunds	351,412	353,832
Profit-unrelated premium-refunds	71,105	70,181
Deferred profit participation recognised through profit and loss*	412,373	336,676
Deferred profit participation recognised directly in equity*	957,261	625,508
Other underwriting provisions	48,969	71,025
Total	**31,886,076**	**30,505,909**

*The deferred profit participation is solely due to the profit-related premium refund.

11.1. Provision for unearned premiums

Development	2019	2018
in EUR '000		
Book value as of 31.12. of the previous year	**1,502,697**	**1,395,073**
Exchange rate differences	-1,329	-28,712
Book value as of 1.1.	**1,501,368**	**1,366,361**
Additions	1,403,136	1,170,748
Amount used/released	-1,278,058	-1,061,316
Changes in scope of consolidation	80,729	26,904
Book value as of 31.12.	**1,707,175**	**1,502,697**

Maturity structure	31.12.2019	31.12.2018
in EUR '000		
up to one year	1,511,601	1,335,789
more than one year up to five years	168,335	136,442
more than five years up to ten years	20,245	26,123
more than ten years	6,994	4,343
Total	**1,707,175**	**1,502,697**

11.2. Mathematical reserve

Development	2019	2018
in EUR '000		
Book value as of 31.12. of the previous year	**22,106,049**	21,962,632
Exchange rate differences	17,560	-16,167
Book value as of 1.1.	**22,123,609**	21,946,465
Additions	2,316,162	2,498,778
Amount used/released	-1,977,366	-2,432,239
Transfer from provisions for premium refunds	35,538	33,723
Changes in scope of consolidation	0	59,322
Book value as of 31.12.	**22,497,943**	22,106,049

Maturity structure	31.12.2019	31.12.2018
in EUR '000		
up to one year	1,892,253	1,799,737
more than one year up to five years	5,489,988	5,664,642
more than five years up to ten years	4,454,134	4,401,597
more than ten years	10,661,568	10,240,073
Total	**22,497,943**	22,106,049

11.3. Provision for outstanding claims

Development	2019	2018
in EUR '000		
Book value as of 31.12. of the previous year	**5,439,941**	5,141,400
Exchange rate differences	2,212	-43,330
Book value as of 1.1.	**5,442,153**	5,098,070
Changes in scope of consolidation	153,507	41,600
Allocation of provision	**4,729,151**	4,127,116
for claims paid occurred in the reporting period	4,188,356	3,543,781
for claims paid occurred in previous periods	540,795	583,335
Use/release of provision	**-4,484,590**	-3,826,845
for claims paid occurred in the reporting period	-1,681,198	-1,771,237
for claims paid occurred in previous periods	-2,803,392	-2,055,608
Other changes	-383	0
Book value as of 31.12.	**5,839,838**	5,439,941

Maturity structure	31.12.2019	31.12.2018
in EUR '000		
up to one year	2,613,910	2,605,575
more than one year up to five years	1,891,060	1,812,110
more than five years up to ten years	721,052	488,043
more than ten years	613,816	534,213
Total	**5,839,838**	5,439,941

EUR 170,426,000 (EUR 152,307,000) 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 98.

11.4. Provision for premium refunds

Development	2019	2018
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	424,013	380,801
Exchange rate differences	131	-754
Book value as of 1.1.	424,144	380,047
Additions	117,766	374,880
Amount used/released	-83,855	-300,591
Changes in scope of consolidation	0	3,400
Transfer to mathematical reserve	-35,538	-33,723
Book value as of 31.12.	422,517	424,013
Deferred profit participation		
Book value as of 31.12. of the previous year	962,184	1,238,467
Book value as of 1.1.	962,184	1,238,467
Unrealised gains and losses on financial instruments available for sale	361,614	-364,034
Underwriting gains and losses from provisions for employee benefits	-29,861	-17,075
Revaluations recognised through profit and loss	75,697	104,826
Book value as of 31.12.	1,369,634	962,184
Provision for premium refunds incl. deferred profit participation	1,792,151	1,386,197

Maturity structure for profit-related premium refunds incl. deferred profit participation	31.12.2019	31.12.2018
in EUR '000		
up to one year	161,339	131,269
more than one year up to five years	478,219	362,390
more than five years up to ten years	314,200	239,590
more than ten years	767,288	582,767
Total	1,721,046	1,316,016

Maturity structure for profit-unrelated premium refunds	31.12.2019	31.12.2018
in EUR '000		
up to one year	59,725	60,467
more than one year up to five years	1,824	1,327
more than five years up to ten years	1,713	1,559
more than ten years	7,843	6,828
Total	71,105	70,181

11.5. Other underwriting provisions

Development	2019	2018
in EUR '000		
Book value as of 31.12. of the previous year	**71,025**	49,800
Exchange rate differences	-509	-463
Book value as of 1.1.	**70,516**	49,337
Reclassifications	0	18,266
Additions	13,408	17,257
Amount used/released	-34,955	-13,835
Book value as of 31.12.	**48,969**	71,025

Other underwriting provisions are primarily a provision for guaranteed interest for the PAC Doverie in Bulgaria and the provision for cancellations.

Maturity structure	31.12.2019	31.12.2018
in EUR '000		
up to one year	14,612	23,412
more than one year up to five years	5,119	6,135
more than five years up to ten years	2,084	0
more than ten years	27,154	41,478
Total	**48,969**	71,025

12. UNDERWRITING PROVISIONS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Composition	31.12.2019	31.12.2018
in EUR '000		
Unit-linked life insurance	6,240,935	5,615,138
Index-linked life insurance	1,875,064	1,994,268
Total	**8,115,999**	7,609,406

Development	2019	2018
in EUR '000		
Book value as of 31.12. of the previous year	**7,609,406**	8,612,749
Exchange rate differences	28,545	-6,489
Book value as of 1.1.	**7,637,951**	8,606,260
Additions	1,364,571	643,128
Amount used/released	-886,523	-1,639,982
Book value as of 31.12.	**8,115,999**	7,609,406

Maturity structure	31.12.2019	31.12.2018
in EUR '000		
up to one year	801,276	379,504
more than one year up to five years	1,859,532	2,215,231
more than five years up to ten years	1,265,590	1,230,532
more than ten years	4,189,601	3,784,139
Total	8,115,999	7,609,406

13. NON-UNDERWRITING PROVISIONS

Composition	31.12.2019	31.12.2018
in EUR '000		
Provisions for pensions and similar obligations	**611,114**	**539,241**
Provision for pension obligations	506,360	426,212
Provision for severance obligations	104,754	113,029
Provisions for other employee benefits	69,515	59,737
Other non-underwriting provisions	250,930	268,515
Total	931,559	867,493

Provision for pension obligations

Development of DBO	2019	2018
in EUR '000		
Present value of obligations (DBO) as of 1.1.	**854,166**	**811,237**
Current service costs	13,731	12,820
Past service costs	0	418
Interest expense	12,245	11,957
Remeasurement	**99,598**	**49,756**
Actuarial gain/loss demographic	1,174	50,118
Actuarial gain/loss financial	102,503	13
Experience adjustment	-4,079	-375
Exchange rate differences	3	-4
Settlement payments	-36	-226
Benefits paid	-31,399	-31,810
Changes in scope of consolidation	-28,306	18
Present value of the obligations (DBO) as of 31.12.	**920,002**	**854,166**
thereof DBO employees	341,490	298,604
thereof DBO retirees	578,512	555,562

Development of plan assets	2019	2018
in EUR '000		
Plan assets as of 1.1.	**427,954**	436,183
Interest income	6,249	6,443
Remeasurement	**523**	-1,342
Net return on assets	523	-1,342
Contributions	14,031	15,184
Benefits paid	-27,893	-28,514
Changes in scope of consolidation	-7,222	0
Plan assets as of 31.12.	**413,642**	427,954

Development provision	2019	2018
in EUR '000		
Book value as of 1.1.	**426,212**	375,054
Current service costs	13,731	12,820
Past service costs	0	418
Interest expense	5,996	5,514
Remeasurement	**99,075**	51,098
Net return on assets	-523	1,342
Actuarial gain/loss demographic	1,174	50,118
Actuarial gain/loss financial	102,503	13
Experience adjustment	-4,079	-375
Exchange rate differences	3	-4
Contributions	-14,031	-15,184
Settlement payments	-36	-226
Benefits paid	-3,506	-3,296
Changes in scope of consolidation	-21,084	18
Book value as of 31.12.	**506,360**	426,212

The plan assets consist of the following:

Structure of investments in the mathematical reserve for occupational group insurance	31.12.2019	31.12.2018
in %		
Wiener Städtische and VIG Holding	**100.00**	100.00
Fixed-interest securities	88.33	89.87
Loans	1.57	1.59
Bank deposits	8.26	6.80
Shares, supplementary capital, profit participation rights, participation capital	1.84	1.74
Donau Versicherung	**100.00**	100.00
Fixed-interest securities	98.06	98.03
Bank deposits	0.00	0.09
Shares, supplementary capital, profit participation rights, participation capital	1.94	1.88

The asset allocation of the mathematical reserve for occupational group insurance is structured according to the maturity of the liabilities.

Pension contributions are expected to be EUR 21,910,000 in financial year 2020 (actual value in 2019: EUR 14,031,000 incl. transfers).

Sensitivity analysis

Pension sensitivity analysis	Variation	DBO	Change
	in %	in EUR '000	in %
Base parameters		920,002	
Interest rate	+0.5	840,353	-7.73
	-0.5	991,089	8.82
Future salary increases	+0.5	922,462	1.28
	-0.5	899,723	-1.22
Future pension increases	+0.5	976,095	7.17
	-0.5	851,649	-6.49
Employee turnover	+2.5	872,443	-4.21
	-2.5	916,501	0.63
Mortality	+5.0	892,718	-1.98
	-5.0	928,288	1.92

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	32,640
2	33,144
3	33,649
4	34,341
5	34,432
6–10	174,214
11–15	170,596
16–20	157,516
21–30	251,927
31–40	162,342
41+	101,553

14. LIABILITIES

Composition	31.12.2019	31.12.2018
in EUR '000		
Underwriting	**1,108,477**	876,824
Liabilities from direct business	836,074	683,409
to policyholders	538,894	463,218
to insurance intermediaries	232,177	191,828
to insurance companies	63,776	28,363
arising from financial insurance policies	1,227	0
Liabilities from reinsurance business	208,747	124,962
Deposits from ceded reinsurance business	63,656	68,453
Non-underwriting	**986,095**	3,399,838
Liabilities to financial institutions	215,418	1,230,601
Other liabilities	770,677	2,169,237
Total	**2,094,572**	4,276,662

Composition of other liabilities	31.12.2019	31.12.2018
in EUR '000		
Tax liabilities (excl. income taxes), levies and fees	90,154	92,104
Liabilities for social security	19,241	17,152
Property management, building contract and property transfer liabilities	11,137	34,596
Liabilities to employees and employee-related liabilities	114,539	101,679
Liabilities for unpaid incoming invoices	109,957	88,929
Interest payable for subordinated liabilities	32,374	32,158
Lease liabilities	199,332	
Liabilities from sureties	36,495	33,334
Financing liabilities*	75,850	1,521,880
Liabilities from public funding	0	105,143
Other liabilities	81,598	142,262
Total	770,677	2,169,237

*Includes derivative liabilities, other financing liabilities and in the previous year lease liabilities IAS 17

The financing liabilities reported in the previous year are primarily from the non-profit societies and mainly consist of municipal financing loans for non-profit housing projects.

Maturity structure	31.12.2019			31.12.2018
	Underwriting	Non-underwriting*	Total	Total
in EUR '000				
up to one year	1,090,663	612,916	1,703,579	1,497,629
more than one year up to five years	5,887	54,176	60,063	569,913
more than five years up to ten years	10,137	70,101	80,238	521,844
more than ten years	1,790	49,570	51,360	1,687,276
Total	1,108,477	786,763	1,895,240	4,276,662

*Excluding lease liabilities

Maturity structure lease liabilities	31.12.2019
in EUR '000	
up to one year	28,882
more than one year up to five years	57,413
more than five years up to ten years	35,692
more than ten years	77,345
Total	199,332

NOTES TO THE CONSOLIDATED INCOME STATEMENT

15. PREMIUMS WRITTEN

Premiums written	2019						
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	295,254	319,378	1,384,503	1,238,776	271,928	433,437	3,943,276
Czech Republic	246,636	305,630	498,543	633,737	44,527	16,754	1,745,827
Slovakia	106,251	152,870	110,927	188,411	226,454	13,947	798,860
Poland	193,203	278,425	372,367	174,443	88,650	24,891	1,131,979
Romania	161,828	85,827	114,062	50,189	48,315	8,016	468,237
Baltic states	97,615	129,186	135,206	61,517	22,513	54,247	500,284
Hungary	18,692	46,184	59,932	87,982	58,502	18,228	289,520
Bulgaria	60,637	33,894	50,352	27,910	10,791	40,321	223,905
Turkey/Georgia	45,530	49,329	111,470	0	0	28,573	234,902
Remaining CEE	52,883	106,717	117,949	78,548	61,859	28,954	446,910
Other Markets	0	0	128,891	85,614	165,897	0	380,402
Central Functions	0	0	1,574,685	22,925	0	25,881	1,623,491
Consolidation							-1,388,186
Total	**1,278,529**	**1,507,440**	**4,658,887**	**2,650,052**	**999,436**	**693,249**	**10,399,407**

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

16. FINANCIAL RESULT EXCL. RESULT FROM SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Composition	2019						
	Austria	Czech Republic	Slovakia	Poland	Romania	Baltic states	Hungary
in EUR '000							
Current income	743,222	82,399	45,281	26,435	21,082	8,760	4,542
Income from appreciation	8,464	5,336	739	5,381	315	1,174	0
of which a reduction in impairment	383	0	0	7	0	0	0
Gains from disposal of investments	176,473	15,876	6,284	7,625	1,646	3,753	1,316
Other income	54,411	9,394	1,291	7,642	603	160	1,377
Total income	**982,570**	**113,005**	**53,595**	**47,083**	**23,646**	**13,847**	**7,235**
Depreciation of investment	57,116	11,221	1,430	2,710	4,752	513	256
of which impairment of investments	13,979	6,701	0	0	3,075	34	215
Exchange rate differences	59	960	-15	-81	-1,566	-19	146
Losses from disposal of investments	6,268	10,186	159	593	2	65	648
Interest expenses	**59,689**	**8,443**	**1,134**	**4,322**	**5,169**	**982**	**205**
Interest expenses for personnel provisions	6,613	0	0	0	0	0	0
Interest expenses for liabilities to financial institutions	1,811	0	0	0	0	0	0
Interest expenses for financing liabilities	1,404	0	0	0	0	0	0
Interest expenses for subordinate liabilities	35,997	1,082	0	526	109	770	0
Interest expenses for lease liabilities	2,006	1,377	92	224	57	162	86
Other interest expenses	11,858	5,984	1,042	3,572	5,003	50	119
Other expenses	**120,493**	**11,432**	**1,337**	**8,780**	**1,792**	**933**	**1,115**
Managed Portfolio Fees	4,623	1,815	119	1,806	678	52	416
Asset management expenses	53,815	2,081	1,217	3,936	877	714	699
Other expenses	62,055	7,536	1	3,038	237	167	0
Total expenses	**243,625**	**42,242**	**4,045**	**16,324**	**10,149**	**2,474**	**2,370**

Composition	2019						
	Bulgaria	Turkey/-Georgia	Remaining CEE	Other Markets	Central Functions	Consolidation	Total
in EUR '000							
Current income	3,760	15,421	41,610	19,919	278,602	-74,450	1,216,583
Income from appreciation	885	0	653	24	11,922	0	34,893
of which a reduction in impairment	0	0	568	24	10,580	0	11,562
Gains from disposal of investments	568	0	3,547	1,216	21,970	0	240,274
Other income	21,213	336	544	482	3,998	0	101,451
Total income	**26,426**	**15,757**	**46,354**	**21,641**	**316,492**	**-74,450**	**1,593,201**
Depreciation of investment	1,223	104	2,474	3,718	75,202	-92	160,627
of which impairment of investments	0	0	1,253	534	2,721	0	28,512
Exchange rate differences	-48	-284	3,207	46	2,858	126	5,389
Losses from disposal of investments	239	3,648	160	181	6,299	0	28,448
Interest expenses	**453**	**3,281**	**976**	**169**	**101,623**	**-70,447**	**115,999**
Interest expenses for personnel provisions	0	0	0	0	841	0	7,454
Interest expenses for liabilities to financial institutions	0	0	0	0	8,539	0	10,350
Interest expenses for financing liabilities	142	65	0	0	37,826	-27,473	11,964
Interest expenses for subordinate liabilities	160	0	0	0	49,934	-23,224	65,354
Interest expenses for lease liabilities	53	98	600	2	1,064	-686	5,135
Other interest expenses	98	3,118	376	167	3,419	-19,064	15,742
Other expenses	**12,885**	**1,135**	**1,946**	**926**	**133,318**	**-120**	**295,972**
Managed Portfolio Fees	226	0	412	0	220	0	10,367
Asset management expenses	12,566	1,007	1,102	897	131,902	0	210,813
Other expenses	93	128	432	29	1,196	-120	74,792
Total expenses	**14,752**	**7,884**	**8,763**	**5,040**	**319,300**	**-70,533**	**606,435**

Information on operating expenses for investment property is provided in Note 3.1. Land and buildings on page 105.

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
Depreciation of investment	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
Interest expenses for 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
Interest expenses for 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

Composition	2019			2018		
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	284,323	11,324	15,531	411,726	547	42,589
Loans	**95,333**	**43**	**1,118**	91,089	85	783
Loans	40,586	43	1,020	41,025	85	777
Reclassified loans	8,266	0	41	9,431	0	3
Bonds classified as loans	46,481	0	57	40,633	0	3
Financial instruments held to maturity - bonds	**73,722**	**0**	**2**	81,137	0	0
Financial instruments reclassified as held to maturity - bonds	**27,443**	**0**	**0**	30,630	0	61
Financial instruments available for sale	**651,872**	**195**	**214,511**	668,850	0	86,482
Bonds	574,808	195	51,811	573,892	0	15,998
Shares and other participations	29,102	0	137,242	49,520	0	22,206
Investment funds	47,962	0	25,458	45,438	0	48,278
Financial instruments recognised at fair value through profit and loss*	**5,648**	**23,331**	**7,706**	5,117	12,422	16,575
Bonds	4,356	6,712	289	3,958	2,861	405
Shares and other non-fixed-interest securities	492	2,323	1,490	396	1,940	1,547
Investment funds	676	4,637	1,270	641	2,348	269
Derivatives	124	9,659	4,657	122	5,273	14,354
Other investments	29,998	0	1,406	22,947	0	1,645
Unit-linked and index-linked life insurance	48,244	0	0	46,696	0	0
Total	**1,216,583**	**34,893**	**240,274**	1,358,192	13,054	148,135
thereof participations	9,153		1,788	7,699		169

*Including held for trading

EUR 105,309,000 (EUR 94,366,000) for financial instruments available for sale was reclassified from shareholders' equity to the income statement in the current reporting period.

Composition Expenses	2019 Depreciation of investments	2019 Exchange rate differences	2019 Losses from disposal of investments	2018 Depreciation of investments	2018 Exchange rate differences	2018 Losses from disposal of investments
in EUR '000						
Land and buildings	128,028	0	2,122	171,503	0	910
Loans	**3,057**	**804**	**611**	446	-147	62
Loans	3,057	991	70	446	-83	0
Reclassified loans	0	0	541	0	0	62
Bonds classified as loans	0	-187	0	0	-64	0
Financial instruments held to maturity - bonds	**0**	**1,168**	**0**	0	815	0
Financial instruments reclassified as held to maturity - bonds	**0**	**-187**	**0**	0	736	0
Financial instruments available for sale	**21,325**	**39**	**11,073**	6,675	-5,380	14,573
Bonds	0	-523	1,014	15	-321	1,763
Shares and other participations	11,310	115	3,803	5,816	-151	401
Investment funds	10,015	447	6,256	844	-4,908	12,409
Financial instruments recognised at fair value through profit and loss*	**8,217**	**837**	**12,757**	12,418	1,962	26,649
Bonds	1,590	-15	172	5,404	35	1,073
Shares and other non-fixed-interest securities	1,802	-7	305	2,431	-3	3,174
Investment funds	3,469	-33	383	4,532	-76	1,334
Derivatives	1,356	892	11,897	51	2,006	21,068
Other investments	0	2,728	1,885	0	13,535	2,077
Total	**160,627**	**5,389**	**28,448**	191,042	11,521	44,271
thereof impairment	28,512			17,343		
thereof participations	5,111		3,767	3,665		21

*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	2019	2018
in EUR '000		
Income	**24,074**	34,453
Current result	24,074	34,453

18. OTHER INCOME AND EXPENSES

Composition	2019	2018
in EUR '000		
Other income	193,203	131,493
Underwriting	117,570	60,730
Non-underwriting	75,633	70,763
Other expenses	444,433	325,204
Underwriting	266,487	192,759
Non-underwriting	177,946	132,445

Details of other income	2019	2018
in EUR '000		
Other income	193,203	131,493
thereof compensation for services performed	12,637	8,723
thereof release of other provisions	15,267	15,991
thereof fees of all kinds	40,185	20,087
thereof exchange rate gains	20,584	30,852
thereof income related to leases	8,415	
thereof reversal of allowances for receivables and receipt of payment for written-off receivables	36,059	13,427

Details of other expenses	2019	2018
in EUR '000		
Other expenses	444,433	325,204
thereof adjustments (not including investments)	59,268	38,918
thereof write-downs of insurance portfolio and customer base	15,034	7,081
thereof brokering expenses	2,198	20,832
thereof underwriting taxes	38,054	31,040
thereof exchange rate losses	19,078	45,940
thereof expenses related to leases	30,473	
thereof other contributions and fees	11,257	15,244
thereof expenses for government-imposed contributions	40,714	26,091
thereof impairment of goodwill and trademarks*	111,321	55,222

*The impairment in the current reporting year concern the CGU group of Romania and the Seesam trademark. The impairment in the previous year concerns the CGU groups Romania and Turkey.

The decrease in exchange rate losses 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.

19. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Composition	2019	2018
in EUR '000		
Expenses for claims and insurance benefits – gross	**7,764,264**	**7,374,913**
Payments for claims and insurance benefits	7,282,818	6,953,408
Changes in the provision for outstanding claims	307,945	271,254
Change in mathematical reserve	-208	-92,942
Change in other underwriting provisions	-23,798	2,738
Expenses for profit-related and profit-unrelated premium refunds	197,507	240,455
Expenses for claims and insurance benefits – reinsurers´ share	**-501,520**	**-427,906**
Payments for claims and insurance benefits	-452,658	-368,010
Changes in the provision for outstanding claims	-36,265	-55,291
Change in mathematical reserve	3,065	870
Change in other underwriting provisions	-745	-1,035
Expenses for profit-unrelated premium refunds	-14,917	-4,440
Expenses for claims and insurance benefits – retention	**7,262,744**	**6,947,007**
Payments for claims and insurance benefits	6,830,160	6,585,398
Changes in the provision for outstanding claims	271,680	215,963
Change in mathematical reserve	2,857	-92,072
Change in other underwriting provisions	-24,543	1,703
Expenses for profit-related and profit-unrelated premium refunds	182,590	236,015

20. ACQUISITION AND ADMINISTRATIVE EXPENSES

Composition	2019	2018
in EUR '000		
Acquisition expenses	**2,019,325**	**1,866,305**
Commission expenses*	1,411,039	1,273,920
Pro rata personnel expenses	356,741	341,739
Pro rata material expenses	251,545	250,646
Administrative expenses	**436,257**	**423,560**
Pro rata personnel expenses	217,655	196,656
Pro rata material expenses	218,602	226,904
Reinsurance commissions	-162,356	-149,172
Total	**2,293,226**	**2,140,693**

*Includes commissions of EUR 1,315,958,000 (EUR 1,214,330,000) for direct insurance business

21. TAXES

Composition	2019	2018
in EUR '000		
Actual taxes	**114,404**	**127,837**
from the current period	108,062	125,078
from previous periods	6,342	2,759
Deferred taxes	**-5,923**	**-10,360**
Change of deferred taxes in the current year	23,180	-23,142
Deferred taxes due to temporary differences relating to other periods	-32,572	-6,059
Deferred taxes due to loss carry forwards relating to other periods	3,469	18,841
Total	**108,481**	**117,477**

Reconciliation	2019	2018
in EUR '000		
Expected tax rate in %	25.0%	25.0%
Result before taxes	521,569	485,429
Expected tax expenses	**130,392**	**121,357**
Adjusted for tax effects due to:		
Different local tax rate	-23,144	-18,596
Change of tax rates	354	1,136
Non-deductible expenses	84,629	42,658
Income not subject to tax	-82,906	-48,843
Taxes from previous years	-22,760	18,245
Non-recognition/reduction of deferred tax assets due to temporary differences	-260	605
Non-recognition/reduction of deferred tax assets due to loss carry forwards	6,986	-16,999
Effects due to group taxation/profit transfers	5,452	-2,317
Tax effects due to deferred profit participation	2,647	18,995
Others	7,091	1,236
Effective tax expenses	**108,481**	**117,477**
Effective tax rate in %	20.8%	24.2%

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 80.

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	31.12.2019				
	Book value	Level 1	Level 2	Level 3	Fair value
in EUR '000					
Land and buildings excluding non-profit societies	2,414,258	0	62,027	3,801,084	3,863,111
Self-used land and buildings	488,701	0	25,815	771,602	797,417
Investment property excl. RoU-asset for building-rights	1,925,557	0	36,212	3,029,482	3,065,694
Shares in at equity consolidated companies	321,276				
Loans	2,416,108	157,229	2,504,730	60,170	2,722,129
Loans	1,461,846	0	1,520,534	49,716	1,570,250
Reclassified loans	139,584	61,764	108,264	0	170,028
Bonds classified as loans	814,678	95,465	875,932	10,454	981,851
Other securities	28,244,801	23,908,755	3,947,383	745,954	28,602,092
Financial instruments held to maturity	2,195,001	2,065,196	384,538	22,623	2,472,357
Financial instruments reclassified as held to maturity	568,700	631,230	17,405	0	648,635
Financial instruments available for sale	25,148,103	21,011,483	3,476,413	660,207	25,148,103
Financial instruments recognised at fair value through profit and loss*	332,997	200,846	69,027	63,124	332,997
Other investments	1,059,297				1,059,297
Investments for unit-linked and index-linked life insurance	8,620,327	8,620,327			8,620,327
Subordinated liabilities	1,464,597	0	1,663,318	21,317	1,684,635

*Including held for trading

Fair values and book values of financial instruments and other investments			31.12.2018		
	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 excl. RoU-asset for building-rights	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				
Shares in at equity consolidated companies	221,312				
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*	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

* Including held for trading

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.

Land and buildings excluding non-profit societies (fair values)	31.12.2019	31.12.2018
in EUR '000		
Self-used land and buildings	797,417	698,243
evaluated by an independent expert	301,833	279,907
evaluated by an internal expert	495,584	418,336
Investment property excl. RoU-asset for building-rights	3,065,694	2,784,805
evaluated by an independent expert*	916,420	879,367
evaluated by an internal expert	2,149,274	1,905,438

*This corresponds to 29.89% (31.58%) 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 VIG Insurance 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 VIG Insurance 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 companies of the VIG Insurance Group, 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 VIG Insurance 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 VIG Insurance 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 shares in at equity consolidated companies starting on page 132 or Note 18. Other income and expenses on page 138.

Reclassification of financial instruments

The companies of the VIG Insurance Group 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 that 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 VIG Insurance 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 financial instruments	2019				
	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 recognised at fair value through profit and loss*	0	0	2	1	0

*Including held for trading

The reclassifications from level 1 to level 3 are based on the change in liquidity estimates. The reclassifications were due to improvements in measurement methods and greater use of market-related parameters.

Reclassification 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 recognised at fair value through profit and loss*	5	0	0	0	9

*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.

Sensitivities

With respect to the value of shares measured using a Level 3 method (multiples approach), the VIG Insurance 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 31.12.2019	337,198
Rating-dependent spread +50bp	-6,172
Effect on the statement of comprehensive income	-6,172

The following sensitivities result from calculations using the Solvency II partial internal model:

Real estate	Fair Value
in EUR '000	
Fair value at 31.12.2019	3,489,270
Rental income -5%	3,368,915
Rental income +5%	3,615,298
Capitalisation rate -50bp	3,699,636
Capitalisation rate +50bp	3,310,675
Land prices -5%	3,455,139
Land prices +5%	3,528,161

Since real estate is measured at cost, negative sensitivities would only affect profit or loss if property value fell below book value. Other comprehensive income was therefore unaffected.

Hierarchy for financial instruments measured at fair value

Measurement hierarchy	Level 1		Level 2		Level 3	
Financial instruments recognised at fair value	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
in EUR '000						
Financial assets						
Financial instruments available for sale	21,011,483	19,451,543	3,476,413	3,396,763	660,207	633,387
Bonds	18,569,199	17,352,412	3,387,820	3,327,159	343,422	331,579
Shares and other participations	391,778	413,903	4,507	35	269,732	256,439
Investment funds	2,050,506	1,685,228	84,086	69,569	47,053	45,369
Financial instruments recognised at fair value through profit and loss*	200,846	127,799	69,027	85,578	63,124	114,208
Bonds	122,119	51,637	53,159	62,252	28,199	71,985
Shares and other non-fixed-interest securities	19,176	15,715	404	162	2,375	11,220
Investment funds	59,551	60,447	10,749	21,642	2,468	5,002
Derivatives	0	0	4,715	1,522	30,082	26,001
Investments for unit-linked and index-linked life insurance	8,620,327	8,048,622				

*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 profit or loss was EUR 2,864,000 during the reporting year (EUR 5,917,000).

Unobservable input factors

Asset class	Measurement methods	Unobservable input factors	Range
Real estate	Market value	Capitalisation rate	1%–7.5%
		Rental income	EUR 3,000–EUR 3,765,000
		Land prices	EUR 0–EUR 6,500
	Discounted Cash flow	Capitalisation rate	3.41%–8.50%
		Rental income	EUR 108,000–EUR 6,893,000
Financial instruments available for sale	Hull-White present value method	Rating-dependent spreads	-0.08%–4.13%

Reconciliation of financial assets and liabilities

Development	2019			2018		
Financial instruments available for sale	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in EUR '000						
Fair value at 31.12 of the previous year	**19,451,543**	**3,396,763**	**633,387**	20,259,701	2,696,134	264,468
Exchange rate differences	-3,260	1,707	44	-16,756	-2,583	-971
Fair value at 1.1.	**19,448,283**	**3,398,470**	**633,431**	20,242,945	2,693,551	263,497
Reclassification between securities categories	-5,646	0	0	8,467	456	-9,643
Reclassification to Level	14,698	56,361	7,855	0	869,556	451,791
Reclassification from Level	-46,430	-15,374	-17,110	-853,697	-446,525	-21,125
Additions	2,947,006	282,522	194,825	2,817,914	476,373	98,065
Disposals	-2,456,288	-343,821	-47,992	-2,034,200	-164,112	-72,291
Change in the scope of consolidation	135,562	0	-104,344	7,048	35	-47,872
Changes in value recognised in profit and loss	195	0	0	0	0	0
Changes recognised directly in equity	986,115	98,422	2,688	-735,540	-32,571	-23,754
Impairments	-12,012	-167	-9,146	-1,394	0	-5,281
Fair value at 31.12.	**21,011,483**	**3,476,413**	**660,207**	19,451,543	3,396,763	633,387

Development Financial instruments	2019			2018		
recognised at fair value through profit and loss*	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
in EUR '000						
Fair value at 31.12 of the previous year	**127,799**	**85,578**	**114,208**	161,289	134,613	39,439
Exchange rate differences	490	277	-242	-3,480	-998	21
Fair value at 1.1.	**128,289**	**85,855**	**113,966**	157,809	133,615	39,460
Reclassification between securities categories	-4,418	-20,002	3,892	-7,484	20,678	617
Reclassification to Level	0	3,573	0	0	13,771	58,245
Reclassification from Level	-178	0	-3,395	-13,771	-58,245	0
Additions	262,278	31,243	20,220	277.000	12,171	83,822
Disposals	-219,784	-27,454	-56,710	-279,976	-36,722	-73,347
Change in the scope of consolidation	28,274	-10,501	-17,645	0	0	0
Changes in value recognised in profit and loss	6,385	6,313	2,796	-5,779	310	5,411
Changes recognised directly in equity	0	0	0	0	0	0
Fair value at 31.12.	**200,846**	**69,027**	**63,124**	127,799	85,578	114,208

*Including held for trading

For information on the effects of changes in value recognised in profit or loss, please refer to Note 16. Financial result excl. result from shares in at equity consolidated companies on page 132.

Development of financial instruments assigned to Level 3 – Subordinated liabilities	2019	2018
in EUR '000		
Fair value at 31.12 of the previous year	21,119	21,732
Exchange rate differences	262	-158
Fair value at 1.1.	21,381	21,574
Reclassification to Level 3	0	0
Reclassification from Level 3	0	0
Changes in value recognised in profit and loss	-64	-455
Changes recognised directly in equity	0	0
Fair value at 31.12.	21,317	21,119

23. NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES

Employee statistics	2019	2018
Number		
Field staff	13,667	13,885
Office staff	12,069	12,062
Total	25,736	25,947

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

Personnel expenses	2019	2018
in EUR '000		
Wages and salaries	593,731	560,386
Expenses for severance benefits and payments to company pension plans	7,686	5,688
Expenses for retirement provisions	27,565	18,423
Mandatory social security contributions and expenses	160,533	157,876
Other social security expenses	21,883	20,070
Total	811,398	762,443
thereof field staff	351,328	337,858
thereof office staff	460,070	424,585

Supervisory board and managing board compensation (gross)	2019	2018
in EUR '000		
Compensation paid to Supervisory Board members	506	461
Total payments to former members of the Managing Board or their survivors	790	1,650
Provision for future pension and severance obligations of Managing Board members	3,288	2,746
Provision for other future long-term claims of Managing Board members	4,957	4,430
Compensation paid to active Managing Board members	5,480	5,031
Total	15,021	14,318

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 achieving the traditional targets in financial year 2019 is around 40% to around 50% of the fixed salary. Special bonus compensation can also be earned for appropriate target achievement, and compensation for overachievement in certain target areas. 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 financial year 2019 extends to 2023. 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 (targets) for variable compensation in 2019 were the combined ratio, premium growth, result before taxes and – as a non-financial objective – the promotion of social responsibility in practice, for special bonus compensation there were strategic objectives, such as achievements in the area of bancassurance or market share, and compensation could also be earned from overachievement of targets in certain areas.

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 VIG Insurance 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 provisions of the Austrian Employee and Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) ("new severance") apply to the contracts of the Managing Board members.

Only the contracts for 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), in the version prior to 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.

Managing Board Members are provided with a company car for both business and personal use. The members of the Managing Board received EUR 5,480,000 (EUR 5,031,000) from the Company during the reporting period for their services. The members of the Managing Board received EUR 556,000 (EUR 803,000) from subsidiaries during the reporting period.

Former members of the Managing Board received EUR 790,000 (EUR 1,650,000).

The Managing Board had six members in financial year 2019.

24. AUDITING FEES AND AUDITING SERVICES

Composition	2019	2018
in EUR '000		
Audit of consolidated financial statements	251	251
Audit of parent company financial statements	56	66
Other audit services	369	343
Tax advisory fees	119	4
Other fees	664	532
Total	**1,459**	1,196

25. BODIES OF THE COMPANY

The bodies of the Company had the following members:

Supervisory Board	
Chairman	Günter Geyer
1st Deputy Chairman	Rudolf Ertl
2nd Deputy Chairwoman	Maria Kubitschek
Members	Bernhard Backovsky (until 24 May 2019)
	Martina Dobringer
	Gerhard Fabisch
	Peter Mihók (since 24 May 2019)
	Heinz Öhler
	Georg Riedl
	Gabriele Semmelrock-Werzer
	Gertrude Tumpel-Gugerell

Management Board	
Chairwoman	Prof. Elisabeth Stadler
Members	Franz Fuchs
	Judit Havasi (until 31 December 2019)
	Liane Hirner
	Peter Höfinger
	Gerhard Lahner (since 1 January 2020)
	Gábor Lehel (since 1 January 2020)
	Harald Riener (since 1 January 2020)
	Peter Thirring
Substitute member of the Managing Board in financial year 2019	Gerhard Lahner (until 31 December 2019)
	Gábor Lehel (until 31 December 2019)

26. AFFILIATED COMPANIES AND PARTICIPATIONS

Company	Country of domicile	Equity interest 2019[1]	Equity interest 2018[1]	Equity 2019[2]	Equity 2018[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	23,405	15,043
"Compensa Services" SIA, Riga	Latvia	100.00	100.00	-266	-387
"Compensa Vienna Insurance Group", ADB, Vilnius	Lithuania	100.00	100.00	34,892	27,060
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00	100.00	39,949	39,826
AB "Compensa Services", Vilnius	Lithuania	100.00	100.00	922	861
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00	100.00	27,237	26,682
Anif-Residenz GmbH & Co KG, Vienna	Austria	100.00	100.00	14,868	14,944
arithmetica Consulting GmbH, Vienna	Austria	100.00	100.00	-13	479
Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest	Romania	99.70	99.65	86,455	61,517
ATBIH GmbH, Vienna	Austria	100.00	100.00	161,487	152,496
BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest	Romania	93.98	94.00	48,037	41,761
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00	100.00	5,143	4,508
BTA Baltic Insurance Company AAS, Riga	Latvia	90.83	90.83	65,536	51,196
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00	100.00	-571	-561
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	100.00	33,936	33,889
CAL ICAL "Globus", Kiev	Ukraine	100.00	100.00	4,447	3,403
Camelot Informatik und Consulting Gesellschaft m.b.H., Vienna	Austria	95.00	92.86	1,093	1,112
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100.00	100.00	1,220	948
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00	80.00	-442	-479
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00	100.00	16,900	9,635
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00	100.00	106,337	103,670
Compania de Asigurări "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chișinău	Moldova	99.99	99.99	4,829	4,556
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00	100.00	45,259	34,479
Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	99.97	99.97	71,350	61,848
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.94	99.94	118,251	102,112
CP Solutions a.s., Prague	Czech Republic	100.00	100.00	12,247	15,705
DBLV Immobesitz GmbH, Vienna	Austria	100.00	100.00	26	42
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00	100.00	2,337	2,080
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	100.00	9,174	10,496
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	100.00	20	21
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00	100.00	3,015	2,996
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00	100.00	95,082	93,630
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	100.00	100.00	100,454	91,072
DVIB GmbH, Vienna	Austria	100.00	100.00	93,709	92,601
ELVP Beteiligungen GmbH, Vienna	Austria	100.00	100.00	23,318	23,315
Floridsdorf am Spitz 4 Immobilienverwertungs GmbH, Vienna	Austria	100.00	100.00	18,708	18,743
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	30,231	30,110
Insurance Company Nova Ins EAD, Sofia	Bulgaria	100.00	100.00	5,090	5,163
Insurance Company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo	Bosnia-Herzegovina	100.00	100.00	9,670	8,550
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	100.00	100.00	50,732	41,639
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	100.00	23,518	23,518

Company	Country of domicile	Equity interest 2019[1]	Equity interest 2018[1]	Equity 2019[2]	Equity 2018[2]
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	100,159	90,334
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	100.00	54,270	51,370
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.98	89.98	5,447	4,873
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90.00	90.00	14,632	15,973
Joint Stock Company International Insurance Company IRAO, Tbilisi	Georgia	100.00	100.00	4,289	5,545
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	North Macedonia	100.00	100.00	6,605	6,300
Kaiserstraße 113 GmbH, Vienna	Austria	100.00	100.00	2,536	2,445
KÁLVIN TOWER Ingatlanfejlesztési és Beruházási Korlátolt Felelősségű Társaság, Budapest	Hungary	100.00	100.00	2,738	2,463
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00	100.00	3,828	3,226
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	100.00	70,097	41,844
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	98.47	98.47	372,351	329,936
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	97.28	97.28	773,635	1,208,917
LD Vermögensverwaltung GmbH, Vienna	Austria	100.00	100.00	73	37
Limited Liability Company "UIG Consulting", Kiev	Ukraine	100.00	100.00	7,352	6,124
LVP Holding GmbH, Vienna	Austria	100.00	100.00	654,028	635,223
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	187,153	128,681
MC EINS Investment GmbH, Vienna	Austria	100.00	50.00	17,873	14,876
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00	100.00	26,431	26,442
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG, Vienna	Austria	100.00	100.00	38,882	37,248
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.50	99.50	135,599	145,853
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55	56.55	18,764	19,732
Passat Real Sp. z o.o., Warsaw	Poland	100.00	100.00	-241	-118
Pension Assurance Company Doverie AD, Sofia	Bulgaria	92.58	92.58	27,582	26,539
PFG Holding GmbH, Vienna	Austria	89.23	89.23	124,315	123,732
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88	92.88	17,042	13,196
Porzellangasse 4 Liegenschaftsverwaltung GmbH & Co KG, Vienna	Austria	100.00	100.00	12,009	11,879
PRIVATE JOINT-STOCK COMPANY "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80	97.80	2,251	1,674
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100.00	100.00	20,657	9,723
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99	99.99	7,940	4,750
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	70.00	70.00	18,659	18,112
Projektbau GesmbH, Vienna	Austria	100.00	100.00	15,553	15,785
Projektbau Holding GmbH, Vienna	Austria	90.00	90.00	7,988	8,007
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100.00	100.00	1,401	1,340
Ray Sigorta A.Ş., Istanbul	Turkey	94.96	94.96	39,219	37,737
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00	100.00	7,736	7,726
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	100.00	7,198	7,443
Seesam Insurance AS, Tallinn	Estonia	100.00	100.00	55,240	50,646
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	Austria	100.00	100.00	-6,171	-5,967
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	66.70	8,430	8,607
SIA Urban Space, Riga	Latvia	100.00		470	
Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana	Albania	89.05	89.05	13,481	13,240

Company	Country of domicile	Equity interest 2019[1]	Equity interest 2018[1]	Equity 2019[2]	Equity 2018[2]
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group, Skopje	North Macedonia	94.26	94.26	25,624	25,776
SVZ GmbH, Vienna	Austria	100.00	100.00	161,771	154,635
SVZD GmbH, Vienna	Austria	100.00	100.00	63,081	54,732
SVZI GmbH, Vienna	Austria	100.00	100.00	157,019	158,974
T 125 GmbH, Vienna	Austria	100.00	100.00	9,210	9,252
TBI BULGARIA EAD in liquidation, Sofia	Bulgaria	100.00	100.00	40,501	40,528
TECHBASE Science Park Vienna GmbH, Vienna	Austria	100.00	100.00	18,125	12,649
twinformatics GmbH, Vienna	Austria	100.00	100.00	1,957	1,564
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	98.64	98.64	53,484	53,600
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00	100.00	11,254	11,041
Vienibas Gatve Investments OÜ, Tallinn	Estonia	100.00	100.00	-109	-212
Vienibas Gatve Properties SIA, Riga	Latvia	100.00	100.00	1,602	1,711
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	100.00	8,684	11,609
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	3,575	750
VIG-AT Beteiligungen GmbH, Vienna	Austria	100.00	100.00	333,751	352,849
VIG FUND, a.s., Prague (Consolidated Financial Statements)[3]	Czech Republic	100.00	100.00	196,827	170,635
V.I.G. ND, a.s., Prague	Czech Republic	100.00	100.00	93,792	92,049
VIG Offices 1, s.r.o., Bratislava	Slovakia	100.00		30,332	
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97	99.97	3,880	3,883
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00	100.00	178,936	168,887
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00	100.00	10,626	10,371
VIG Real Estate GmbH, Vienna	Austria	100.00	100.00	140,026	129,810
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00	100.00	39	142
VITEC Vienna Information Technology Consulting GmbH, Vienna	Austria	51.00	51.00	589	381
WGPV Holding GmbH, Vienna	Austria	100.00	100.00	108,441	106,570
WIBG Holding GmbH & Co KG, Vienna	Austria	100.00	100.00	77,212	26,705
WIBG Projektentwicklungs GmbH & Co KG, Vienna	Austria	100.00	100.00	76,635	26,674
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosnia-Herzegovina	100.00	100.00	9,330	8,871
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	97.82	97.82	113,778	92,621
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00	100.00	7,139	7,285
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00	100.00	62,819	50,746
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	97.75	97.75	539,292	501,900
Wiener TU S.A. Vienna Insurance Group, Warsaw	Poland	100.00		35,240	
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100.00	100.00	1,245	1,151
WILA GmbH, Vienna	Austria	100.00	100.00	8,794	4,733
WINO GmbH, Vienna	Austria	100.00	100.00	14,244	4,103
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00	100.00	4,383	4,383
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00	100.00	9,453	5,328
WSV Beta Immoholding GmbH, Vienna	Austria	100.00	100.00	41,300	30,460
WSV Immoholding GmbH, Vienna	Austria	100.00	100.00	356,423	284,305
WSV Triesterstraße 91 Besitz GmbH & Co KG, Vienna	Austria	100.00	100.00	78,023	27,505
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00	100.00	4,412	4,379
WWG Beteiligungen GmbH, Vienna	Austria	87.07	87.07	88,606	86,157

Company	Country of domicile	Equity interest 2019[1]	Equity interest 2018[1]	Equity 2019[2]	Equity 2018[2]
		in %	in %	in EUR '000	in EUR '000
At equity consolidated companies					
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	100.00	100.00	149,695	143,595
AB Modřice, a.s., Prague	Czech Republic	100.00	100.00	388	383
AIS Servis, s.r.o., Brno	Czech Republic	100.00	100.00	2,418	2,320
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.84	94.84	198,680	184,226
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	25.00	18,642	17,172
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00	25.00	211,593	204,104
ČPP servis, s.r.o., Prague	Czech Republic	100.00	100.00	115	90
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	30.00	9,451	10,999
ERSTE d.o.o. - za upravljanje obveznim i dobrovljnim mirovinskim fondovima, Zagreb	Croatia	25.30	25.30	14,414	15.000
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77	99.77	300,881	281,985
FinServis Plus, s.r.o, Prague	Czech Republic	100.00	100.00	24	12
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00	55.00	302,072	288,382
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	99.92	99.92	134,869	128,184
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	33.00	105,637	100,200
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100.00	100.00	5,600	4,567
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	100.00	430	392
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00	100.00	13,498	8,019
Main Point Karlín II., a.s., Prague	Czech Republic	100.00	100.00	367	370
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz	Austria	99.82	99.82	183,568	185,707
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	61.00	61.00	107,674	105,218
Pražská softwarová s.r.o., Prague	Czech Republic	100.00	100.00	73	40
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Consolidated Financial Statements)	Austria	36.58	36.58	84,423	91,077
S - budovy, a.s., Prague	Czech Republic	100.00	100.00	2,989	2,950
Sanatorium Astoria, a.s., Karlsbad	Czech Republic	100.00	100.00	5,103	5,084
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	54.17	54.17	329,640	324,188
SURPMO, a.s., Prague	Czech Republic	100.00	100.00	628	0
Towarzystwo Ubezpieczeń Wzajemnych „TUW", Warsaw	Poland	52.16		62,204	
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	51.46	51.46	131,588	125,363
VBV - Betriebliche Altersvorsorge AG, Vienna (Consolidated Financial Statements)	Austria	23.71	23.71	254,506	218,660

Company	Country of domicile	Equity interest 2019[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
"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
AQUILA Hausmanagement GmbH, Vienna	Austria	97.75
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	48.87
Autosig SRL, Bucharest	Romania	99.50

Company	Country of domicile	Equity interest 2019[1]
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
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	98.18
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	98.18
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	98.18
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	97.75
Compensa Dystrybucja Sp. z o. o., Warsaw	Poland	99.98
DV Asset Management EAD, Sofia	Bulgaria	100.00
DV CONSULTING EOOD, Sofia	Bulgaria	100.00
DVIB alpha GmbH, Vienna	Austria	100.00
DV Immoholding GmbH, Vienna	Austria	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 Biztosítási Alkusz Kft, Budapest	Hungary	98.64
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	100.00
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
GGVier Projekt-GmbH, Vienna	Austria	53.76
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	28.51
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
Hotel Voltino in Liquidation, Zagreb	Croatia	97.82
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
Jahorina Konseko Progres a.d. in Liquidation, Pale	Bosnia-Herzegovina	28.00
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	28.51
Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvéntársaság, Budapest	Hungary	98.64
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	73.96
POLISA - ŻYCIE Ubezpieczenia Sp.z.o.o., Warsaw	Poland	99.97
Privat Joint-stock company "OWN SERVICE", Kiev	Ukraine	100.00

Company	Country of domicile	Equity interest 2019[1]
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	68.15
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	99.72
S.C. Risk Consult & Engineering Romania S.R.L., Bucharest	Romania	51.00
S.C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest	Romania	98.46
serviceline contact center dienstleistungs-GmbH, Vienna	Austria	97.75
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	28.51
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	97.75
Spółdzielnia Usługowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	99.97
TAUROS Capital Investment GmbH & Co KG, Vienna	Austria	19.55
TAUROS Capital Management GmbH, Vienna	Austria	24.93
TBI Info OOD, Sofia	Bulgaria	20.00
TOGETHER GmbH, Vienna	Austria	24.71
twinfaktor GmbH, Vienna	Austria	74.16
UAB "Compensa Life Distribution", Vilnius	Lithuania	100.00
UNION-Erted Ellatasszervezö Korlatold Felelössegü Tarsasag, Budapest	Hungary	67.33
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	47.90
Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw	Poland	99.99
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	98.46
VIG Offices, s.r.o., Bratislava	Slovakia	98.47
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
Wien 3420 Aspern Development AG, Vienna	Austria	23.92
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	97.75
WOFIN Wohnungsfinanzierungs GmbH, Vienna	Austria	20.72
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	97.75
WSVA Liegenschaftbesitz GmbH, Vienna	Austria	97.75
WSVB Liegenschaftbesitz GmbH, 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, KKB Real Estate SIA, Riga and SK BM s.r.o., Bratislava.

Merged companies	Country of domicile	Merger date	Absorbing company
Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice	Czech Republic	1.1.2019	Kooperativa (Czech Republic)*
Benefita, a.s., Prague	Czech Republic	1.1.2019	Kapitol pojišťovací a finanční poradenství, a.s., Brno
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	1.1.2019	SVZD GmbH, Vienna
VIG-CZ Real Estate GmbH, Vienna	Austria	1.1.2019	VIG Real Estate GmbH, Vienna
KIP, a.s., Prague	Czech Republic	1.1.2019	HOTELY SRNÍ, a.s., Prague

* 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 the section titled "Scope and methods of consolidation" starting on page 68 for information on changes in the scope of consolidation.

The information required under § 265(2) no. 4 of the Austrian Corporation 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. Affiliated companies and participations starting on page 151. 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 71.54% (around 71.49%), and therefore a majority of the voting rights of VIG Holding. Based on this controlling interest, it and the members of its managing board and supervisory board are therefore also related parties.

Compensation for Supervisory Board and Managing Board members and notes on the compensation plan for Managing Board members are provided in Note 23. Number of employees and personnel expenses starting on page 148.

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 Holding'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 VIG Insurance Group are of minor importance. They are based on service agreements between VIG Insurance Group and Wiener Städtische Versicherungsverein for intercompany charges for internal audit services, finance and accounting, provision of staff and office leases based on the arm's length principle.

Open items with related companies	31.12.2019	31.12.2018
in EUR '000		
Loans	**156,210**	**122,754**
Associated companies	95,057	1,257
Subsidiaries not included in the consolidated financial statements	61,153	121,497
Receivables	**211,134**	**278,296**
Parent company	195,433	238,414
Associated companies	3,931	2,580
Subsidiaries not included in the consolidated financial statements	11,770	37,302
Liabilities	**230,544**	**234,610**
Parent company	206,347	214,125
Associated companies	2,548	1,899
Subsidiaries not included in the consolidated financial statements	21,649	18,586

Transactions with related companies	2019	2018
in EUR '000		
Loans	**21,233**	**54,481**
Associated companies	14,660	492
Subsidiaries not included in the consolidated financial statements	6,573	53,989
Receivables	**70,372**	**74,216**
Parent company	26,344	24,296
Associated companies	3,410	6,858
Subsidiaries not included in the consolidated financial statements	40,618	43,062
Liabilities	**183,006**	**194,323**
Parent company	21,623	58,463
Associated companies	47,167	46,675
Subsidiaries not included in the consolidated financial statements	114,216	89,185

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

Open items with related persons	31.12.2019	31.12.2018
in EUR '000		
Loans	12	12
Receivables	32	3
Liabilities	118	173

Transactions with related parties	2019	2018
in EUR '000		
Receivables	153	693
Liabilities	1,228	938

The related party items in the income statement do not exceed EUR 2,000,000 and primarily consist of Payments to Supervisory Board members.

28. LEASES

Detailed information on depreciation, additions and book values of the right-of-use assets at the end of the reporting period by class of underlying asset is provided starting on page 104 and page 105. The interest expenses for leases recognised in the reporting period are shown in Note 16. Financial result excl. result from shares in at equity consolidated companies starting on page 132. And the cash outflows for leases are shown in the consolidated cash flow statement starting on page 37.

IFRS 16 was applied for the first time in the VIG Insurance Group on 1 January 2019. Due to use of the modified retrospective method, no comparative figures are available. The figures published in the Annual Report for 2018 were calculated in accordance with IAS 17. Further information on the different accounting policies for IAS 17 and IFRS 16 is provided in this Annual Report in the section titled "Effects of first-time application of IFRS 16 Leases" starting on page 40.

28.1. Lessee

Lessee – Amounts recognised through profit or loss	2019
in EUR '000	
Expenses related to short-term leases 1–12 months	-3,660
Expenses related to leases max. term of 1 months	-54
Expenses relating to leases of low-value asses	-64
Variable lease payments not included in the measurement of lease liabilities	-16,122
Income from sub-leasing right-of-use assets	663

Future reasonably certain variable lease payments not included in the measurement of lease liabilities	
in EUR '000	
Variable lease payments	-92,101
Contracted leases with future starting date	-1,657

28.2. Lessor – finance leases

Other Notes – Lessor Finance Lease	2019
in EUR '000	
Finance income on the net investment in the lease	698
Income of variable lease payments, not included in the valuation of the net investment	14
Selling profit or loss	7,807

Maturity analysis of lease payments finance lease	31.12.2019
in EUR '000	
up to one year	743
one to two years	648
two to three years	648
three to four years	648
four to five years	648
more than five years	45,896
Total undiscounted lease payments	**49,231**
Unearned interest	-33,918
Net investment in the lease (book value)	**15,313**

28.3. Lessor – operating leases

Maturity analysis of lease payments operating leasing	31.12.2019
in EUR '000	
up to one year	106,710
one to two years	99,447
two to three years	94,176
three to four years	86,529
four to five years	79,302
more than five years	2,209,319
Total undiscounted lease payments	**2,675,483**

Lessor – Payments operating leasing	2019
in EUR '000	
Fixed lease income	249,266
Lease income of variable lease payments	45,589
Total lease income	**294,855**

29. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Current risks in connection with the coronavirus pandemic

The coronavirus pandemic that began at the beginning of 2020 has affected the business world worldwide. It has also exposed the VIG Insurance Group to a number of risks that are being addressed and handled as part of our sustainable risk management. In addition to operational risks, mainly due to the possibility of employees becoming ill and subsequent quarantine measures, it is also having a negative impact on our insurance business and associated investments whose effects cannot yet be estimated at this time.

The high level of volatility exhibited by all financial asset classes and the downward potential that still exists in the interest rate environment are working hand-in-hand with the underwriting risks due to the pandemic to adversely affect our solvency. We are closely monitoring financial market developments so that we can implement the measures needed in accordance with our risk-bearing capacity and established limits.

The VIG Insurance Group has initiated preventative measures at both the Holding level and the level of its subsidiaries in order to mitigate significant risks affecting our ability to maintain our business operations. In addition to clear communication of hygiene and conduct measures, emergency plans for maintaining business operations in the event of a loss of employees or location closures were tested and preliminary IT and organisational measures have been introduced.

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 must be at least 85% of the measurement basis. The measurement basis within the meaning of § 4(1) LV-GBV is calculated as follows for life insurance policies eligible for profit participation:

Life measurement basis	2019	2018
in EUR '000		
Net earned premiums – retention	854,768	866,142
Income and expenses from investments and interest expenses	417,847	394,413
Expenses for claims and insurance benefits – retention	-1,053,896	-1,023,601
Acquisition and administrative expenses	-134,268	-130,316
Other underwriting and non-underwriting income and expenses	-2,295	-8,259
Taxes on income	1,489	-6,641
Total	**83,645**	91,738

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	2019	2018
in EUR '000		
Net earned premiums – retention	8,320	8,339
Income and expenses from investments and interest expenses	830	651
Expenses for claims and insurance benefits – retention	-7,577	-7,861
Acquisition and administrative expenses	-990	-1,018
Other underwriting and non-underwriting income and expenses	-27	-198
Taxes on income	-478	-3
Total	**78**	-90

GROSS PREMIUMS WRITTEN PER BALANCE SHEET UNIT (INCL. CONSOLIDATION EFFECTS)

Property and casualty insurance	2019	2018
in EUR '000		
Direct business	**5,881,023**	5,385,778
Casualty insurance	429,607	397,459
Health insurance	121,712	85,496
Motor own damage insurance (Casco)	1,278,529	1,162,011
Rail vehicle own-damage	3,288	3,693
Aircraft own-damage insurance	6,258	5,682
Sea, lake and river shipping own-damage insurance	13,685	10,450
Transport insurance	54,875	56,338
Fire and natural hazards insurance	1,077,116	964,613
Other property	551,566	509,505
Third party liability insurance for self-propelled land vehicles	1,507,440	1,428,982
Carrier insurance	22,460	15,011
Aircraft liability insurance	6,690	5,833
Sea, lake and river shipping liability insurance	4,037	3,612
General liability insurance	489,710	454,455
Credit insurance	2,251	4,491
Guarantee insurance	48,719	41,896
Insurance for miscellaneous financial losses	99,380	89,934
Legal expenses insurance	60,680	57,503
Assistance insurance, travel health insurance	103,020	88,814
Indirect business	**334,464**	215,932
Marine, aviation and transport insurance	14,122	13,034
Other insurance	294,461	179,652
Health insurance	25,881	23,246
Total	**6,215,487**	5,601,710

A portion of the net earned premiums of EUR 802,000 (EUR 985,000) from indirect property and casualty insurance business was deferred one year before being recognised in the income statement. Of the EUR 456,000 (EUR 428,000) in net earned premiums from indirect life insurance business, EUR 343,000 (EUR 323,000) was deferred for one year before being shown in the income statement.

Life insurance	2019	2018
in EUR '000		
Regular premium - direct business	2,625,257	2,596,901
Single-premium - direct business	993,954	956,794
Direct business	**3,619,211**	3,553,695
thereof policies with profit participation	1,504,455	1,533,161
thereof policies without profit participation	456,643	450,672
thereof unit-linked life insurance portfolio	1,618,067	1,535,737
thereof index-linked life insurance portfolio	40,046	34,125
Indirect business	**23,311**	16,847
Total	**3,642,522**	3,570,542

Investments for unit-linked and index-linked life insurance are shown in the respective separate financial statements.

Health insurance	2019	2018
in EUR '000		
Direct business	541,398	485,013
Indirect business	0	54
Total	541,398	485,067

KEY FIGURES PER BALANCE SHEET UNIT

	2019				2018			
	Property/ Casualty	Life	Health	Total	Property/ Casualty	Life	Health	Total
in %								
Cost ratio	31.68	19.78	15.48	26.21	31.28	20.49	14.90	26.04
Claims ratio	63.69				64.73			
Combined ratio	95.37				96.01			

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.

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.

VIG Holding is committed to the application of and compliance with the January 2020 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 Insurance Group website at www.vig.com/ir and the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

VIG Holding sees corporate governance as a continuously changing process that responds to new conditions and current trends for the benefit of the insurance 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 simultaneously maintaining effective corporate control.

The 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")

All of the rules of the Austrian Code of Corporate Governance were observed.

The Group'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 Osiguruvanje (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: https://www.insumak.mk/about-us/financial-reports/?lang=en). Reference is made to the information in this regard.

The shareholder structure is available at www.vig.com/ir.

MEMBERS OF THE MANAGING BOARD AND THEIR RESPONSIBILITIES

The VIG Holding Managing Board had the following six members as of 31 December 2019:

- Elisabeth Stadler (General Manager, Chairwoman of the Managing Board)
- Franz Fuchs (Deputy General Manager)
- Judit Havasi
- Liane Hirner
- Peter Höfinger
- Peter Thirring

Gábor Lehel and Gerhard Lahner were also appointed as substitute members of the Managing Board for financial year 2019.

Changes during and after the end of the financial year:
Judit Havasi assumed the position of Chairwoman of the Managing Board and General Manager of Donau Versicherung as of 1 January 2020, and left her position on the Managing Board of VIG Holding effective 31 December 2019. Gábor Lehel, Gerhard Lahner and Harald Riener were appointed to the Managing Board of VIG Holding effective 1 January 2020.

Deputy General Manager Franz Fuchs will leave his position on the Managing Board at the end of his term of office on 30 June 2020.

Further information on the members of the Managing Board, including their employment history, is presented below.

Prof. 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 a Managing 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 VIG Holding since 2016.

Areas of responsibility: Management and Strategic Questions, Group Development and Strategy, Planning and Controlling, General Secretariat and Legal department, Corporate Social Responsibility, Affiliated companies department, European Affairs, Group Communications & Marketing, Group Sponsoring, Bancassurance and international partnerships, Human Resources

Country responsibilities: Austria, Czech Republic

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

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

*All companies that contribute at least 2% of written premiums and at least 2% of profit before taxes are considered to be “significant”.

Franz Fuchs
Deputy General Manager
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 Insurance Group. 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 VIG Holding Managing Board on 1 October 2009. In recognition of his many years of dedication and outstanding service for Poland, Romania, the Baltic states, Ukraine and Moldova, Franz Fuchs was appointed Deputy General Manager effective 1 October 2019.

Areas of responsibility: Motor and Property 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* Vienna Insurance Group companies: Compensa Life (Poland), Compensa Non-Life (Poland), InterRisk (Poland), Omniasig (Romania).

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

Liane Hirner studied business administration in Graz. Before joining VIG 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 VIG Holding Managing Board on 1 February 2018. She assumed the position of CFO on 1 July 2018. In 2019, EIOPA appointed Liane Hirner as a new member of the Insurance & Reinsurance Stakeholder Group (IRSG).

Areas of responsibility: Finance and accounting, Enterprise Risk Management, Asset-Risk Management, Data Management and Processes

Country responsibilities: Germany, Belarus

Liane Hirner is also active in the Supervisory Boards of significant* Vienna Insurance Group companies: Kooperativa (Czech Republic), ČPP (Czech Republic)

*All companies that contribute at least 2% of written premiums and at least 2% of profit before taxes are considered 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 University of Louvain-la-Neuve (Belgium). Peter Höfinger has been a member of the VIG Holding 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 insurance 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, Baltic states, Bulgaria, Kosovo, Montenegro, Nordics, Serbia

Gerhard Lahner
Year of birth: 1977
Date first appointed: 1 Janury 2020
End of current term of office:
30 June 2023

Gerhard Lahner studied business administration at the Vienna University of Economics and Business and has held a variety of positions for VIG Insurance Group since 2002. He was a member of the Managing Boards of Austrian insurance companies Donau Versicherung and Wiener Städtische and Czech companies Kooperativa and ČPP. Gerhard Lahner was also a substitute member of the VIG Holding Managing Board from 1 January 2019 to 31 December 2019.

Areas of responsibility: Asset Management, Asset Liability Management, Treasury/Capital market

Supervisory board positions or comparable positions in other Austrian and foreign companies outside the Group: CEESEG Aktiengesellschaft, Vienna 3420 Aspern Development AG, Wiener Börse AG

Gábor Lehel
Year of birth: 1977
Date first appointed: 1 January 2020
End of current term of office:
30 June 2023

Gábor Lehel studied business administration with a major in finance in Tatabánya and Budapest (Hungary). He joined VIG Insurance Group in 2003, where he worked in Group Controlling and as head of the General Secretariat before being appointed to the VIG Holding Managing Board of the Hungarian insurance company UNION Biztosító in 2008. He was General Manager of UNION Biztosító from mid-2011 to 31 December 2019. From 1 January 2016 to 31 December 2019, he was also a substitute member of the Managing Board of VIG Holding.

Areas of responsibility: Actuarial Department, Personal Insurance

Country responsibilities: Bosnia-Herzegovina, Croatia, North Macedonia, Hungary

Harald Riener
Year of birth: 1969
Date first appointed: 1 January 2020
End of current term of office:
30 June 2023

Harald Riener studied social and economic sciences at the Vienna University of Economics and Business and joined the insurance group in 1998, where he worked in the marketing area for Donau Versicherung and Wiener Städtische until 2001. After working for a media publishing company, he returned to the insurance group in 2006 as Marketing Manager of VIG Holding. He became a member of the Managing Board in Croatia in 2010, and was appointed CEO in 2012. From 2014 to 2019, Harald Riener was a member of the Managing Board of Donau Versicherung where he was responsible for distribution and marketing.

Areas of responsibility: Private Customer and SME Distribution Initiatives, Assistance

Harald Riener is also active in the Supervisory Boards of significant* Vienna Insurance Group companies: Omniasig (Romania).

*All companies that contribute at least 2% of written premiums and at least 2% of profit before taxes are considered to be “significant”.

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 VIG Holding Managing Board on 1 July 2018.

Areas of responsibility: Group external active reinsurance, Group IT, Business Organisation

Country responsibilities: Georgia, Liechtenstein, Slovakia, Turkey

Peter Thirring is also active in the Supervisory Boards of significant* Vienna Insurance Group companies: Kooperativa (Slovakia), Donau Versicherung (Austria).

The Managing Board as a whole is responsible for Group Compliance, Internal Audit and Investor Relations.

The curriculum vitae of the members of the Managing Board are available online on the website at www.vig.com/management.

*All companies that contribute at least 2% of written premiums and at least 2% of profit before taxes are considered to be "significant".

MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board had the following ten members as of 31 December 2019:

Günter Geyer
Chairman
Year of birth: 1943
Date first appointed: 2014
End of current term of office: 2024
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 insurance group'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 received 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 VIG Holding 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 VIG Holding since 2014. He is also the Chairman of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group AG Wiener Versicherung Gruppe.

Rudolf Ertl
1st Deputy Chairman
Year of birth: 1946
Date first appointed: 2014
End of current term of office: 2024
Rudolf Ertl is Doctor of Laws and has been with the insurance 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 Holding. 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: 2024
After completing her studies in social sciences and economics at the University of Vienna, Maria Kubitschek began working for the Vienna Chamber of Labour in 1988. After holding a variety of management positions, she was 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).

Martina Dobringer
Year of birth: 1947
Date first appointed: 2011
End of current term of office: 2024
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: 2024
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.

Peter Mihók
Year of birth: 1948
Date first appointed: 2019
End of current term of office: 2024
Since 1992, Peter Mihók has been Chairman of the Slovakian Chamber of Trade and Industry, Chairman of the World Chambers Federation of the International Chamber of Commerce in Paris and advisor in the EU Economic and Social Committee in Brussels, among other things. He studied at the University of Economics in Bratislava and received a Ph.D. degree in the area of East-West economic relations and an honorary doctorate from the University of Economics in Bratislava. In addition to numerous other awards, he received the Grand Decoration of Honour in Gold for Services Rendered to the Republic of Austria in 2013 from Heinz Fischer, the President of Austria at that time.

Heinz Öhler
Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2024
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: 2024
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: 2024
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: 2024
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. She 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.

The curriculum vitae of the members of the Supervisory Board are available online on the website at www.vig.com/management.

Changes during the reporting year
Bernhard Backovsky (year of birth 1943) was a Member of the Supervisory Board in financial year 2019 from 1 January 2019 to 24 May 2019 and left the Supervisory Board at the end of his term of office on 24 May 2019.

SUPERVISORY BOARD INDEPENDENCE

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of VIG Holding 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 significant scope for the Supervisory Board member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies in which the Supervisory Board Member has a 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. Peter Mihók has stated that he is not independent based on the independence criteria specified by the Supervisory Board. All other Supervisory Board Members were independent 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 2019:

Georg Riedl
AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

Gertrude Tumpel-Gugerell
AT & S Austria Technologie & Systemtechnik Aktiengesellschaft
Commerzbank AG
OMV Aktiengesellschaft

Maria Kubitschek
voestalpine 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 2019 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, the compliance function 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 statements 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 2019 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 VIG companies 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 for under the law and Austrian Code of Corporate Governance are fully satisfied when preparing the general meeting proposal on selection of the (consolidated) financial statements auditor. As a public-interest entity, the special additional rules for external and internal rotation applicable to insurance companies and the special tendering process are observed. 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 and the members of the network to which the consolidated financial statements auditor pertains. The same goes for other financial statements 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.

The Supervisory Board also dealt with the topic of remuneration policy.

The Nomination Committee and Supervisory Board also dealt intensively with the future-oriented composition of the Managing Board. Judit Havasi's move to the Managing Board of Donau Versicherung as Chairwoman of the Managing Board starting 1 January 2020, and the upcoming end of the term of office of Deputy General Manager Franz Fuchs in 2020 also had to be considered. In 2019, the Supervisory Board appointed Gerhard Lahner, Gábor Lehel and Harald Riener to the Managing Board starting 1 January 2020. Gerhard Lahner and Gábor Lehel were previously already substitute members of the Managing Board and, like Harald Riener, had already held positions nationally and abroad for many years in the VIG Insurance Group.

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. To 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. To 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. To 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 statements auditor (consolidated financial statements 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

Peter Mihók
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

Peter Mihók
Substitute: Maria Kubitschek

NOMINATION COMMITTEE
The Nomination Committee submits proposals to the Supervisory Board for filling positions that become available on the Managing Board and handles issues of successor planning.

Günter Geyer (Chairman)
Rudolf Ertl
Georg Riedl
Martina Dobringer

The Supervisory Board gave its consent to VIG Holding and other companies of the VIG Insurance 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 provided consultancy services as a lawyer, for which he received total (net) fees of EUR 11,229.17 plus cash expenses and 20% value added tax in financial year 2019 (of which EUR 2,625 plus cash expenses and 20% VAT were for VIG Holding). 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 2019 that would have required the approval of the Supervisory Board.

NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN THE FINANCIAL YEAR 2019

One Annual General Meeting and five Supervisory Board meetings distributed across the financial year were held in 2019. Four meetings of the Audit Committee were also held. The financial statements and consolidated financial statements auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended three Audit Committee meetings and the Supervisory Board meeting in 2019 that addressed the audit of the 2018 annual financial statements and the 2018 consolidated financial statements as well as formal approval of the 2018 annual financial statements, and also attended the Annual General Meeting. Three meetings of the Committee for Managing Board Matters (Personnel Committee) were held in 2019. The Nomination Committee held one meeting in 2019. The Committee for Urgent Matters (Working Committee) and Strategy Committee did not meet in 2019. 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. Corresponding Group guidelines apply to all insurance and reinsurance companies within the insurance 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 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 achieving the traditional targets in financial year 2019 is around 40% to around 50% of fixed salary. Special bonus compensation can also be earned for appropriate target achievement, as well as compensation for overachievement in certain target areas. In total, the Members of the Managing Board can earn variable compensation equal to a maximum of around 80% to 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 2019 financial year extends to 2023. 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 (targets) for variable compensation in 2019 were the combined ratio, premium growth, result before taxes and – as a non-financial objective – the promotion of social responsibility in practice, for special bonus compensation there were strategic objectives, such as achievements in the area of bancassurance or market share, and compensation could also be earned from overachievement of targets in certain areas.

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

In 2019, active Managing Board Members received the following for their services to the Company and as managers of affiliated companies during the reporting period:

	2019						
	Stadler	Fuchs	Havasi	Hirner	Höfinger	Thirring	Total
in EUR '000							
VIG Holding remuneration	**1,450**	**868**	**868**	**764**	**868**	**663**	**5,480**
Fixed	784	542	542	542	542	542	3,492
Variable remuneration for 2018	539	242	242	222	242	121	1,609
Variable remuneration for previous years	127	84	84	0	84	0	379

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

The standard employment contract for a member of the Managing Board of the Company includes – depending, among other things, on the length of employment – 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 provisions of the Austrian Employee and Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) ("new severance") apply to the contracts of the Managing Board Members.

Only the contracts for Managing Board members who have been active in the insurance group for a long time provide for a severance payment structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), in the version prior to 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.

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 2019 was EUR 506,000.

Supervisory Board Members received the following amounts:

	2019	2018
in EUR '000		
Günter Geyer	85	76
Rudolf Ertl	58	54
Maria Kubitschek	56	51
Bernhard Backovsky[1]	15	37
Martina Dobringer	46	43
Gerhard Fabisch	38	34
Peter Mihok[2]	30	
Heinz Öhler	43	39
Georg Riedl	50	46
Gabriele Semmelrock-Werzer	38	36
Gertrude Tumpel-Gugerell	47	43
Total	**506**	461

[1] As of the end of the General Meeting on 24 May 2019, Bernhard Backovsky is no longer a member of the Supervisory Board.

[2] Elected to the Supervisory Board in the General Meeting of 24 May 2019.

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

DIVERSITY CONCEPT

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

VIG 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 insurance group expects to generate corresponding diversity in the candidate pool for internal successor planning in the long term.

For VIG 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. VIG companies include 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 diversity concept focuses on the criteria of gender, generations and internationality at the Group and VIG Holding level, and refined and developed measures for the following criteria:

- Gender: Ensure equal gender treatment 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 the internal Group 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.

VIG 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.

Level of the VIG insurance companies
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. Further information on implementation of the diversity concept is available on page 34 of the insurance group's sustainability report.

Diversity Advisor
As Diversity Advisor, 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

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

Nomination procedures for Group-wide training programmes for management, high potentials and experts are also required to have as balanced a gender representation as possible, with the local human resources department bearing ultimate responsibility.

Female Supervisory Board Members
Women hold 19.6% of the positions in the Supervisory Boards of the consolidated insurance companies across Europe (as at 31 December 2019) and 40.0% of the positions in VIG Holding.

Female Managing Board Members

Women hold around 25.7% of the positions on the Managing Boards of consolidated VIG insurance companies and around 22.0% of the Managing Board chairs are women. In VIG Holding, 50.0% of the Managing Board members were women as of 31 December 2019, including Elisabeth Stadler as Chairwoman.

Females in management positions

Including distribution, women hold around 46.3% of the management positions at the level directly below the managing board of consolidated VIG insurance companies across Europe (not including distribution: around 52.2%).

GENERATIONS AND INTERNATIONALITY

The average age of all Managing Board Members of the consolidated insurance companies is around 49.1 years (as of 31 December 2019), and the average age of Supervisory Board Members is around 55.9 years. 21 different nationalities (based on citizenship) are represented in the Managing Boards of the consolidated VIG insurance companies, and 19 different nationalities in the Supervisory Boards. Further information is provided in the sustainability report on page 35.

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. This evaluation was last performed in 2018 for the consolidated Corporate Governance Report for 2017. All of the evaluations came to the conclusion that all requirements in the Code had been observed. The summarised information on these evaluations is available on the website of VIG Insurance Group.

Vienna, 23 March 2020

The Managing Board:

Elisabeth Stadler General Manager, Chairwoman of the Managing Board	**Franz Fuchs** Deputy General Manager, Member of the Managing Board	**Liane Hirner** CFO, Member of the Managing Board	**Peter Höfinger** Member of the Managing Board
Gerhard Lahner Member of the Managing Board	**Gábor Lehel** Member of the Managing Board	**Harald Riener** Member of the Managing Board	**Peter Thirring** Member of the Managing Board

Supervisory Board report

The Supervisory Board and its committees, Chair and Deputy Chairs periodically and repeatedly monitored in detail the management of the Company and the activities of the Managing Board in connection with its management and monitoring of the Group. 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 Managing 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, the compliance function 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 Holding 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 2019 reporting year. The 2019 consolidated corporate governance report presents detailed information on the principles underlying the remuneration system, and we refer to this information in the 2019 consolidated corporate governance report.

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 2019 consolidated corporate governance report.

One Annual General Meeting and five Supervisory Board meetings distributed across the financial year were held in 2019. Four meetings of the Audit Committee (Accounts Committee) were also held. The financial statements and consolidated financial statements auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, company number FN 269873y (KPMG), attended three Audit Committee meetings and the Supervisory Board meeting in 2019 that addressed the audit of the 2018 annual financial statements and the 2018 consolidated financial statements as well as formal approval of the 2018 annual financial statements, and also attended the Annual General Meeting. KPMG also informed the Audit Committee about the planning and procedure used to audit the financial statements and consolidated financial statements. Three meetings of the Committee for Managing Board Matters (Personnel Committee) were held in 2019. The Nomination Committee held one meeting in 2019. The Committee for Urgent Matters (Working Committee) and Strategy Committee did not meet in 2019. Strategic matters were handled by the Supervisory Board as a whole.

No agenda items were discussed in Supervisory Board meetings in 2019 without the participation of members of the Managing Board.

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 of 25 May 2018 selected KPMG to be the financial statements auditor and consolidated financial statements auditor for financial year 2019, and KPMG consequently performed these duties in financial year 2019.

The Supervisory Board Audit Committee mainly dealt with the following topics in 2019:

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 and audit planning.

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 facts or circumstances providing grounds for objection. The Audit Committee also discussed and debated in detail the possibilities of providing recommendations or suggestions to ensure the reliability of the accounting process and, based on the comprehensive information and documents obtained by the Audit Committee during its review, found that the processes that had been established were adequate. 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. While reviewing and monitoring the independence of the financial statements auditor and consolidated financial statements auditor, the Audit Committee did not find any circumstances that would raise doubts about its independence and impartiality.

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 or his substitute. 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.

In 2019, the Audit Committee also dealt with the selection of the financial statements and consolidated financial statements auditor for financial year 2020. 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 2020.

The Audit Committee also received the 2019 annual financial statements, management report, 2019 consolidated corporate governance report and 2019 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 examined the 2019 consolidated financial statements and Group management report. In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2019 annual financial statements and management report and the 2019 consolidated financial statements and Group management report were reviewed by the Audit Committee and examined. As a result of this examination, 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 of Regulation (EU) No. 537/2014 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 additional report prepared by the financial statements auditor was also 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 Supervisory Board also dealt with the topic of remuneration policy.

The Nomination Committee and Supervisory Board also dealt intensively with the future-oriented composition of the Managing Board. Judit Havasi's move to the Managing Board of Donau Versicherung as Chairwoman of the Managing Board starting 1 January 2020, and the upcoming end of the term of office of Deputy General Manager Franz Fuchs in 2020 also had to be considered. In 2019, the Supervisory Board appointed Gerhard Lahner, Gábor Lehel and Harald Riener to the Managing Board starting 1 January 2020. Gerhard Lahner and Gábor Lehel were previously already substitute members of the Managing Board and, like Harald Riener, had already held positions nationally and abroad for many years in the VIG Insurance Group.

The 2019 annual financial statements together with the management report and 2019 consolidated corporate governance report, the 2019 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were taken up and examined in detail 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 2019 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined it. As a result of this examination, it found that the 2019 sustainability report (consolidated non-financial report) had been prepared properly and was appropriate. The Supervisory Board found no grounds for objection.

In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2019 annual financial statements and management report and the 2019 consolidated financial statements and Group management report were reviewed by the Supervisory Board and examined. KPMG's audit of the 2019 annual financial statements and management report and the 2019 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 2019, and of the results of operations of the Company for financial year 2019 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 2019, and of the results of operations and cash flows of the Group for financial year 2019 in accordance with the IFRS as adopted by the EU and § 138 of the Austrian Insurance Supervision Act (VAG) in combination with § 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements. KPMG also reviewed the 2019 sustainability report (consolidated non-financial report) and determined in accordance with § 269 (3) UGB that the 2019 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 2019 annual financial statements prepared by the Managing Board, not to raise any objections to the management report, the 2019 consolidated financial statements and Group management report, the 2019 consolidated corporate governance report and the 2019 sustainability report (consolidated non-financial report) and to agree with the Managing Board proposal for appropriation of profits.

The 2019 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 2020

The Supervisory Board:

Günter Geyer (Chairman)

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 2019 were approved for publication by a resolution of the Managing Board on 23 March 2020.

Vienna, 23 March 2020

Elisabeth Stadler General Manager, Chairwoman of the Managing Board	**Franz Fuchs** Deputy General Manager, Member of the Managing Board	**Liane Hirner** CFO, Member of the Managing Board	**Peter Höfinger** Member of the Managing Board
Gerhard Lahner Vorstandsmitglied	**Gábor Lehel** Vorstandsmitglied	**Harald Riener** Vorstandsmitglied	**Peter Thirring** Vorstandsmitglied

Managing Board areas of responsibility:

Elisabeth Stadler:	Management and Strategic Questions, Group Development and Strategy, Planning and Controlling, General Secretariat and Legal department, Corporate Social Responsibility, Affiliated companies department, European Affairs, Group Communications & Marketing, Group Sponsoring, Bancassurance and international partnerships, Human Resources; Country responsibilities: Austria, Czech Republic
Franz Fuchs:	Motor and Property Insurance; Country responsibilities: Moldova, Poland, Romania, Ukraine
Liane Hirner:	Finance and accounting, Enterprise Risk Management, Asset Risk Management, Data Management and Processes; Country responsibilities: Germany, Belarus
Peter Höfinger:	Corporate and large customer business, Vienna International Underwriters (VIU), Group Reinsurance; Country responsibilities: Albania, Baltic states, Bulgaria, Kosovo, Montenegro, Nordics, Serbia
Gerhard Lahner:	Asset Management, Asset Liability Management, Treasury/Capital market
Gábor Lehel:	Actuarial Department, Personal Insurance; Country responsibilities: Bosnia-Herzegovina, Croatia, North Macedonia, Hungary
Harald Riener:	Private Customer and SME Distribution Initiatives, Assistance
Peter Thirring:	Group external active reinsurance, Group IT, Business Organisation; Country responsibilities: Georgia, Liechtenstein, Slovakia, Turkey

The Managing Board as a whole is responsible for 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 2019, 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 2019, 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 audit matters:

- Recoverability of goodwill
- Treatment of non-profit housing societies
- Liability Adequacy Test – "LAT"

RECOVERABILITY OF GOODWILL
Refer to consolidated financial statements pages 49, 52 to 54

Risk for the Consolidated Financial Statements
The recoverability of goodwill recognized in the Consolidated Financial Statements of the Vienna Insurance Group amounting to EUR 1,382.5 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.

TREATMENT OF NON-PROFIT HOUSING SOCIETIES

Refer to consolidated financial statements pages 71 and 72

Risk for the Consolidated Financial Statements

Since the third quarter 2016 the non-profit housing societies have been fully consolidated in the Consolidated Financial Statements of Vienna Insurance Group. Due to the amendment of the Austrian non-profit housing act (Wohnungsgemeinnützigkeitsgesetz – "WGG") during financial year 2019, changes came into effect, which materially impaired the possibilities of control over these societies. After analysing the changed legal position, the managing board decided, that in an overall view, the control over the non-profit housing societies according to IFRS can no longer be assumed.

Consequently, the non-profit housing societies were deconsolidated as of 31 July 2019 and their accounting treatment was changed to the at equity method.

The evaluation whether, due to the legal changes, there is a loss of control and a reduction in co-determination to an extent that represents significant influence, is complex and requires the assessment of the managing board. There is a risk for the consolidated financial statements that the consolidation method used is not in line with the relevant standards.

Our Response

Together with our specialists we have examined the changes to the WGG and its implications to the matters of control.

We have evaluated the assessment of the managing board, that the WGG amendment 2019 resulted in a loss of control over the non-profit housing societies and that from then on only significant influence can be exerted on these companies.

Furthermore, we examined the accounting and the disclosure of the change in consolidation method in the consolidated financial statements.

LIABILITY ADEQUACY TEST – "LAT"
Refer to consolidated financial statements pages 64, 95 to 96

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 the 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 kind of 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 25 May 2018, we were elected as group auditors. We were appointed by the Supervisory Board on 18 June 2018.

In addition, we have already been elected as group auditors for the following financial year by the Annual General Meeting dated 24 May 2019 and appointed by the Supervisory Board on 24 June 2019.

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, 23 March 2020

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.

MANAGEMENT REPORT TO THE SEPARATE FINANCIAL STATEMENTS

Company profile

OUR DIVERSITY IS UNIQUE

The VIG Insurance Group differs from other international groups in its use of a multi-brand strategy and local entrepreneurship. As a result, VIG Holding's business strategy consciously takes into account local differences in individual markets and promotes diversity within the Group, allowing the individual strengths of the VIG insurance companies to be used in the best way possible.

ORGANISATION

Headquartered in Vienna the VIG Holding manages and assists around 50 insurance companies with more than 25,000 employees in 30 countries as leading insurance group in Austria and Central and Eastern Europe. VIG Holding has around 285 employees in important management areas, such as the Actuarial department, Risk Management, Asset Management, Reinsurance and Planning and Controlling, who are working to continue the close to 200 years of success achieved by the Group. They focus on working as partners with the 50 insurance companies and maintaining continuous contact to ensure that both the interests of the companies and the Group as a whole are safeguarded.

FOCUS ON PROFITABLE GROWTH

The VIG Insurance Group strategy is aimed at achieving sustainable profitable growth. The core of the strategy is the insurance business, with a regional focus on Austria and the growth region of Central and Eastern Europe. The Group also pursues a clear sustainability strategy based on the five areas of core business, customers, employees, society and the environment. The interaction of these strategies has paid off, allowing the Vienna Insurance Group to steadily improve its results in previous years. In 2019, premium volume increased to around EUR 10.4 billion, profit (before taxes) rose to around EUR 521.6 million and the combined ratio improved significantly to 95.4 %.

FINANCIAL STRENGTH AND TOP CREDIT RATING

Sustainable profitable growth is best realised with good capital resources. The insurance companies of the VIG Insurance Group are highly risk-conscious, as shown by the Group solvency ratio of 210 % at the end of 2019. VIG Holding's A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor's (S&P) represents the best rating in the Austrian ATX equities index. Its large capital buffer can be used to invest in the organic growth of the VIG Insurance Group or to acquire other companies.

Management report 2019

VIG HOLDING BUSINESS DEVELOPMENT

Premiums written, net earned premiums, expenses for claims and insurance benefits, administrative expenses and reinsurance balance had the following breakdown for property and casualty insurance in 2019 (and in the same period in 2018):

			2019			2018
	Direct business	Indirect business	Total	Direct business	Indirect business	Total
in EUR '000						
Premiums written	98,276	1,001,750	1,100,026	85,053	1,082,224	1,167,277
Net earned premiums	99,738	989,784	1,089,522	85,185	1,072,116	1,157,301
Expenses for claims and insurance benefits	86,664	616,490	703,154	61,089	727,762	788,851
Administrative expenses	11,196	345,389	356,585	12,399	335,817	348,216
Reinsurance balance	978	-16,710	-15,732	-6,392	-2,155	-8,547

The reinsurance balance is composed of net earned reinsurance premiums, effective reinsurance claims and reinsurance commissions.

FINANCIAL PERFORMANCE INDICATORS

Premium income

VIG Holding generated a total premium volume of EUR 1,100.03 million in 2019, representing a year-on-year decrease of 5.8 %. Direct premiums written (corporate business) increased 15.55 % year-on-year to EUR 98.28 million. Premium volume from indirect business (assumed reinsurance) was EUR 1,001.75 million, 7.4 % less than the previous year. VIG Holding retained EUR 1,042.81 million (2018: EUR 1,131.70 million) of the premiums written. EUR 57.21 million was ceded to reinsurers in 2019 (2018: EUR 35.58 million). Gross earned premiums were EUR 1,089.52 million (2018: EUR 1,157.30 million). Net earned premiums decreased EUR 87.87 million to EUR 1,033.25 million.

Expenses for claims and insurance benefits

Gross expenses for claims and insurance benefits were EUR 703.15 million in 2019 (2018: EUR 788.85 million). EUR 86.66 million of this amount was attributable to corporate business (2018: EUR 61.09 million), EUR 25.58 million more than the previous year.

The gross claims ratio for direct business rose from 69.8 % to 85.5 %, mainly due to the fire insurance line of business. Expenses for claims and insurance benefits for assumed reinsurance fell 15.3 % to EUR 616.49 million. The gross claims ratio for indirect business was 62.3 % (2018: 67.9 %). After deducting reinsurance of EUR 38.78 million (2018: EUR 26.11 million), expenses for claims and insurance benefits were EUR 664.37 million (2018: EUR 762.74 million).

Administrative expenses

Administrative expenses were EUR 356.59 million in 2019, or 2.4 % higher than the previous year (2018: EUR 348.22 million). This change was due to an increase in commissions for indirect business. EUR 11.20 million of the administrative expenses were for the corporate business and EUR 345.39 million for the reinsurance business. After reinsurance commissions for ceded reinsurance business, EUR 354.83 million in administrative expenses remained for VIG Holding. This was an increase of EUR 8.13 million compared to the previous year.

Combined ratio
VIG Holding's combined ratio was 98.8 % in 2019 (2018: 99.0 %), and 97.0 % for direct business (corporate business) (2018: 94.2 %).

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

Financial result
VIG Holding had a financial result of EUR 186.20 million (2018: EUR 162.82 million).

Impairment of shares in affiliated companies was EUR 145.47 million (2018: EUR 112.15 million).

in EUR '000	2019	2018
Land and buildings	8,483	9,780
Investments in affiliated companies and participations	295,970	312,011
Other investments	26,322	15,381
Total income (net)	**330,775**	337,172
Other investment and interest income	18,442	13,053
Expenses for asset management	-92,057	-86,076
Interest expenses	-70,061	-80,513
Other investment expenses	-899	-20,819
Investment profit according to income statement	**186,200**	162,817

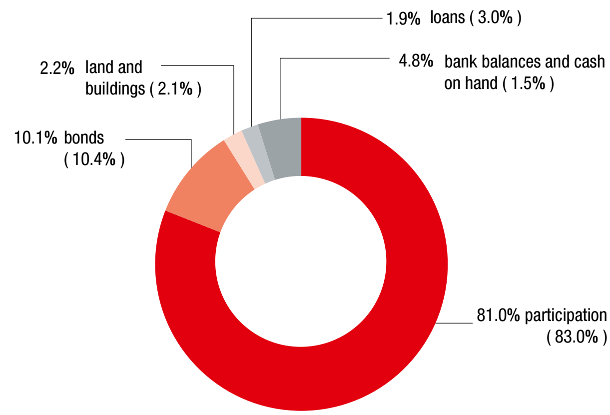
Result from ordinary activities
VIG Holding earned a result from ordinary activities of EUR 202.52 million in 2019 (2018: EUR 188.25 million). The increase was due to an increase in the underwriting result and a higher financial result.

Investments
Investments, including liquid assets, were EUR 5,364.37 million as of 31 December 2019 (2018: EUR 5,231.78 million).

Deposits were EUR 1,114.33 million in 2019 (2018: EUR 1,116.05 million). 81.0 % (2018: 83.0 %) of the investments at the end of 2019 were participations, 10.1 % (2018: 10.4 %) were bonds (including bond funds), 1.9 % (2018: 3.0 %) were loans, 2.2 % (2018: 2.1 %) were land and buildings, and 4.8 % (2018: 1.5 %) were bank balances and cash on hand.

Detailed information is provided on pages 213 and 214 of the annual financial statements.

BREAKDOWN OF INVESTMENTS IN 2019



2018 values in parentheses

Underwriting provisions
Underwriting provisions were EUR 1,244.14 million as of 31 December 2019 (2018: EUR 1,238.29 million). This corresponds to a year-on-year increase of 0.5 %, which was primarily due to provisions for outstanding claims arising from assumed reinsurance business. The reinsurers' share was EUR 80.36 million (2018: EUR 80.46 million).

Solvency ratio
VIG Holding's solvency ratio of 391 % is high due to an outstanding endowment of capital resources combined with a low capital requirement, and also includes its function as a holding company in the Group.

NON-FINANCIAL PERFORMANCE INDICATORS

For the 2019 reporting year, VIG Holding is publishing its third sustainability report that addresses the corporate social responsibility (CSR) strategy for the Vienna Insurance Group. This strategy and much more information on CSR in the VIG insurance companies can be read in this report, which is available for download free of charge at www.vig.com/Nachhaltigkeitsberichte. A few examples of the VIG Holding's own initiatives are presented below.

Social involvement –
Example: Social Active Day

Since 2011, VIG Insurance Group employees have been allowed to use one day per year to volunteer for a good cause. The Social Active Day initiative was brought to life by VIG Holding's principal shareholder Wiener Städtische Versicherungsverein. A wide variety of activities are performed, ranging from renovation work in social aid organisations and nursing care facilities, collecting food, serving soup, helping in social supermarkets, working with socially disadvantaged people and people in need, all the way to accompanying elderly people on trips. VIG Holding employees also take part in this Group-wide initiative. 169 of them participated in 2019.

Cultural involvement –
Example: Gustav Mahler Youth Orchestra

The Group considers art and culture as an important contribution to the quality of life in a society and wants to give artists greater freedom to develop artistically. VIG Holding has therefore provided support for the Gustav Mahler Youth Orchestra for many years. It is considered the best youth orchestra in the world and is a place of learning that helps talented young Austrian musicians play music with their colleagues from all over the world, traditionally including many participants from the CEE region. It stands for music without borders, dedication and enthusiasm, and offers highly talented musicians up to the age of 26 the opportunity to work together with the great conductors and soloists of our time. This promotes cross-border cultural exchange, mutual understanding and equal opportunity.

The VIG Insurance Group promotes peace –
projects focusing on children and youth

VIG Kids Camp took place for the tenth time in the summer of 2019 at the initiative of Wiener Städtische Versicherungsverein. Around 500 children of VIG company employees from 23 European countries took part. In order to visit VIG Kids Camp, the children have to win a group-wide contest. In 2019, the contest was once again held under the motto "Photograph a picture of peace".

In addition to being rewarded with an invitation to the 2019 VIG Kids Camp, the most creative submissions from children of VIG Insurance Group employees were also entered in the 2019 Alfred Fried photography award for children (Children Peace Image of the Year), which once again received support from VIG Holding.

Twelve of the around 500 submissions in 2019 made it onto the short list for the "Alfred Fried photography award for children", which is endowed with EUR 1,000 in prize money.

Employees

VIG Holding offers attractive prospects and development opportunities for its employees. It offers a broad range of training and advanced training courses, the opportunity to gather international experience by participating in mobility programs, and an attractive working environment. Expert careers are another development opportunity offered to employees. In addition, a new diversity concept was developed in 2017 that focuses on the criteria of gender, internationality and generations.

This concept is discussed in more detail in the VIG Group Annual Report 2019 (as part of the corporate governance report).

Flexible working hours, a company cafeteria, company kindergarten and internal company healthcare services, such as physical treatments and other medical services, increase the attractiveness of the work environment.

VIG Holding's presence at career events, Internet career webpages and its candidate management service once again received an award in the BEST RECRUITERS study for 2019. This is the third time in a row that VIG Holding has been awarded the gold certificate. According to the annual "Forbes" magazine ranking, VIG Holding is also of the world's 500 best employers and one of just two Austrian companies to make it onto this list of top global companies.

The current human resources strategy has three main objectives: VIG Holding should be seen as a diverse, innovative, learning organisation, empowering managers to create a positive working environment and support employees with future challenges, and an appropriate feedback culture should exist. These objectives are pursued using strategic HR partnerships, a value-driven working environment, and management and employees who are fit for the future.

There were an average of 285 employees in the VIG Holding in 2019. Women held 50.0 % of the positions in the Managing Board and 24.0 % of the management positions directly below the Managing Board.

Research and development

Although the VIG companies do not perform any research activities as defined in § 243 (3)(2) UGB, they contribute their expertise to the development of insurance-specific software models. The Vienna Insurance Group also cooperates with Digital Impact Labs Leipzig (formerly Insurance Innovation Lab) and Plug & Play to identify technological developments in the market more quickly and internalise them if necessary. VIG Holding also established the Group's own start-up viesure for this purpose.

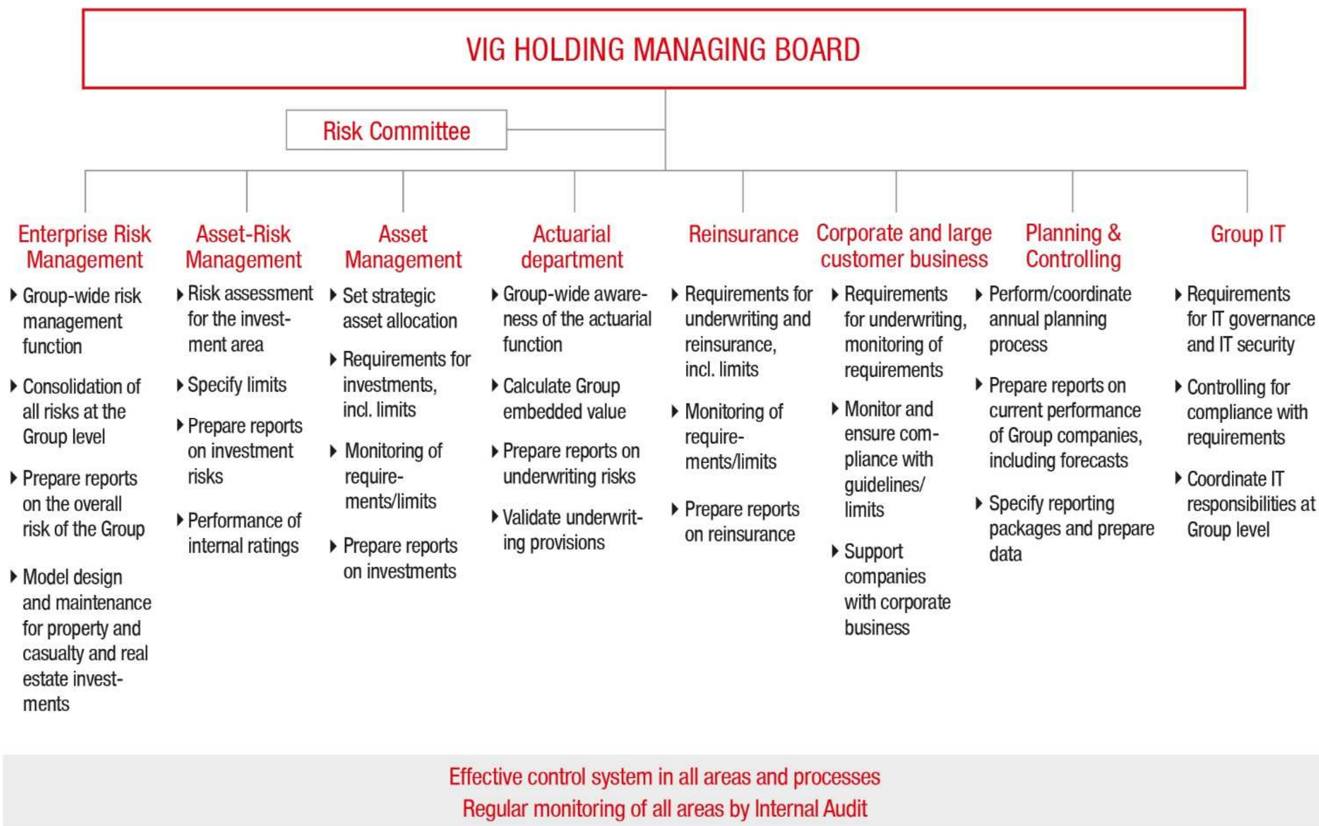
Other information

VIG Holding established three branch offices in financial year 2019, extending the business operations of the VIG Insurance Group into Northern Europe. The Group now operates branches located in Copenhagen, Oslo and Stockholm.

Please see the notes to the financial statements (I. Summary of significant accounting policies) for information on the financial instruments used.

RISK REPORT

Risk management is well integrated into VIG Holding's organisational structure. The chart below shows part of the organisational structure, including the Enterprise Risk Management and Asset-Risk Management departments.



MANAGING BOARD

The Managing Board as a whole was responsible for Enterprise Risk Management until 31/12/2019. Enterprise Risk Management and Asset-Risk Management have been the responsibility of Managing Board member Liane Hirner since the beginning of 2020.

The Managing Board as a whole is 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 Holding Managing Board established the Risk Committee to ensure regular discussions of current matters relating to risk management across functional areas within the organisation. Further it ensures 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 responsibly member of Managing Board. The Risk Committee reports to the Managing Board after its meetings.

ENTERPRISE RISK MANAGEMENT (ERM)

The head of this department performs the Risk Management function. The Managing Board as a whole was responsible for the Enterprise Risk Management department until the end of the financial year. The department has been the responsibility of Managing Board member Liane Hirner since the beginning of 2020.

The main responsibilities of the ERM department include determining the overall risk profile of the Group and VIG Holding and calculating solvency. The department provides a Group-wide risk aggregation solution for this purpose with extensive reporting and partial modelling approaches.

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 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)

Until the end of the year, Managing Board member Judit Havasi was responsible for the ARM department. The department has been the responsibility of Managing Board member Liane Hirner since the beginning of 2020.

The primary responsibility of the department is to analyse, assess and monitor risks associated with investments, in particular with respect to Vienna Insurance Group solvency and financial results. 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 was in responsibility of Chairwomen Elisabeth Stadler until the end of the financial year. The department has been the responsibility of Managing Board member Gerhard Lahner since the beginning of 2020.

One of the key responsibilities of the department is to define a strategic orientation for the investments of each insurance company in the Group and for the Vienna Insurance 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. Regular reports are also provided for investments, limits and income.

ACTUARIAL DEPARTMENT

The Actuarial department was the responsibility of the Managing Board as a whole until the end of the financial year and Franz Fuchs was the contact person in the Managing Board. The department has been the responsibility of Managing Board member Gabor Lehel since the beginning of 2020.

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. In addition, the Actuarial department 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 companies in the Vienna Insurance Group 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 Vienna Insurance Group companies that perform such business.

PLANNING AND CONTROLLING

The Planning and Controlling department is an important part of the integrated risk management approach and reported to Managing Board member Judit Havasi until the end of the financial year. The department has been the responsibility of Chairwoman Elisabeth Stadler since the beginning of 2020. 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 insurance companies. Regular monthly premium reports, quarterly reports for each company (aggregated at the country and VIG Insurance 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 reported to Managing Board member Judit Havasi until the end of the financial year. The department has been the responsibility of Managing Board member Peter Thirring since the beginning of 2020.

The department is responsible for IT management at the VIG Insurance Group level (IT strategy, IT governance, IT security, IT Group projects, etc.), for assisting Vienna Insurance 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.

VIG Holding's overall risk can be divided into the following risk categories:

Market risk: Market risk is the risk of losses due to changes in market prices. Changes in value occur, for example, due to changes in yield curves, share prices, exchange rates and the value of real estate and participations.

Credit risk: Credit risk quantifies the potential loss due to a deterioration of the situation of a counterparty against which claims exist.

Liquidity risk: This category includes risks of the Vienna Insurance Group not being able to satisfy its payment obligations by liquidating assets at short notice.

Underwriting risks: The core business of the Vienna Insurance Group consists of the transfer of risk from policyholders to the insurance company. Underwriting risks in the areas of reinsurance and non-life insurance are primarily the result of changes in insurance-specific parameters, such as loss frequency, loss amount, lapse rates and lapse costs.

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

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

Strategic risks: Strategic risks can arise due to changes in the economic environment, case law, or the regulatory environment. Established risk management processes are used to regularly identify, analyse, evaluate, report, control and monitor all the risks to which VIG Holding is exposed.

The risk control measures used are avoidance, reduction, diversification, transfer and acceptance of risks and opportunities. A Group-wide unified internal control system also helps to ensure compliance with the guidelines and requirements resulting from risk management. VIG Holding is primarily exposed to market risk due to its activities as an insurance holding company. A conservative investment policy is used to limit other market risk due to investments. Market risk is monitored using fair value measurement, value-at-risk (VaR) calculations, sensitivity analysis and stress tests.

Market risk is by far VIG Holding's most important risk exposure, in particular the equity and currency risk resulting from its primary activity, holding participations in insurance companies.

VIG Holding is also exposed to underwriting risks as a result of its international corporate business and reinsurance business. Appropriate underwriting provisions are determined using recognised actuarial methods and assumptions and managed by means of guidelines concerning the assumption of insurance risks. VIG Holding also limits the potential liability from its insurance business/active reinsurance business by ceding part of the risk it has assumed to the external reinsurance market through the VIG Insurance Group reinsurance company VIG Re. With respect to credit risk, consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by VIG Holding, whether on the basis of an in-house analysis, credit assessments/ ratings from recognised sources, provision of security or the possibility of recourse to reliable mechanisms for safeguarding investments. 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. Limits are used to keep concentrations within the desired margin of safety.

Investments

VIG Holding's investments consist primarily of participations and deposits. Additional investments are mainly made in fixed-interest securities (bonds, loans) and real estate, and only to a small extent in shares and other investments. VIG Holding aligns its investments to its liability profile and aims to achieve sustainable increases in value in accordance with VIG Insurance Group investment guidelines, which are based on a long-term conservative investment policy.

Use of forward exchange transactions

VIG Holding uses forward exchange transactions and currency swaps to hedge expected dividend payments in the most important currencies, CZK and PLN, and planned distributions of Company earnings in the same currencies for the current financial year.

The expected and planned amounts are checked regularly and used to make any needed adjustments to the hedge amounts.

Current risks in connection with the coronavirus pandemic

The coronavirus pandemic that began at the beginning of 2020 has affected the business world worldwide. It has also exposed the VIG Insurance Group to a number of risks that are being addressed and handled as part of our sustainable risk management.

In addition to operational risks, mainly due to the possibility of employees becoming ill and subsequent quarantine measures, it is also having a negative impact on our insurance business and associated investments whose effects cannot yet be estimated at this time.

The high level of volatility exhibited by all financial asset classes and the downward potential that still exists in the interest rate environment are working hand-in-hand with the underwriting risks due to the pandemic to adversely affect our solvency and thus also on the investment values of VIG Holding. Due to the simultaneous effects on the capital requirement no significant effect on the overall solvency of the VIG Holding is expected, but we are closely monitoring financial market developments so that we can implement the measures needed in accordance with our risk-bearing capacity and established limits.

The VIG Insurance Group has initiated preventative measures at both the Holding level and the level of its subsidiaries in order to mitigate significant risks affecting our ability to maintain our business operations.

In addition to clear communication of hygiene and conduct measures, emergency plans for maintaining business operations in the event of a loss of employees or location closures were tested and preliminary IT and organisational measures have been introduced.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ACCOUNTING PROCESS

General structure and organisation

The internal control and risk management system (ICS) plays an important role in VIG Holding and is firmly anchored in the organisational structural and process organisation of the Company.

Responsibilities are clearly defined in the ICS by ICS Group guidelines and extend from the overall responsibility of the Managing Board to establish an effective control system and appropriate risk management, to the responsibility of middle management to ensure adequate risk control infrastructure in the various areas, all the way to the individual employees, who are expected to perform their work responsibly and pro-actively report and/or remedy potential risks, deficiencies and sources of errors.

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.

Important control elements in the accounting process

The documentation for the annual financial statement preparation process includes the important elements of the internal control and risk management system that are present in the accounting process.

The controls documented there are used during the process to ensure that potential errors whose occurrence cannot be completely ruled out in spite of the many additional functional and technical controls in existing IT systems (e.g. SAP) are identified and corrected at an early stage in the reporting process.

This allows the following objectives of the annual financial statement process to be achieved:

- Completeness: all transactions during the reporting period are recorded in full.
- Existence: all reported assets and liabilities exist on the balance sheet date.
- Accuracy: all transactions recorded in the financial statements apply to the same period as the financial statements.
- Measurement: all asset, liability, income and expense items were recognised at fair value in accordance with accounting requirements.
- Ownership: proper presentation of rights and obligations.
- Presentation: all financial statement items are correctly presented and disclosed.

The financial statement process includes the aggregation of all data from accounting and upstream processes for the annual financial statements. The financial statements are submitted to the appropriate area head for review and further consultation with the Managing Board. The Managing Board provides final approval of the financial statements. 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 annual financial statements.

Effectiveness and controls

To ensure the effectiveness of the internal control system, VIG Holding established an annual evaluation and documentation process for the ICS with the professional assistance of external auditors. This process identifies, analyses, assesses, documents and reports risks and controls existing for VIG Holding to the Managing Board, particularly those in the areas of accounting and compliance.

Optimisation measures are introduced into the control environment based on the findings, and their implementation is also monitored and reported by the responsible units.

The results of this process are also used later by the internal audit department as a basis for its subsequent audit of the accounting process and the control environment established there.

DISCLOSURES IN ACCORDANCE WITH § 243A AND § 243(3)(3) UGB

Detailed information on the disclosures in accordance with § 243a and § 243(3)(3) UGB is available in the notes to the financial statements on page 220.

DISCLOSURES ON OUTSOURCING IN ACCORDANCE WITH § 156(1)(1) IN CONJUNCTION WITH § 109 VAG

A resolution was adopted allowing Group-internal and external service providers to provide IT services for VIG Holding. Outsourcing agreements that had been approved by the supervisory authority existed in 2019 with IBM Austria (Internationale Büromaschinen Ges. m.b.H.) and the internal Group IT system provider twinformatics GmbH, both headquartered in Austria. twinformatics GmbH has also assumed full responsibility for all IT services for the Austrian VIG insurance companies and concludes any sub-outsourcing required for this purpose while observing statutory and regulatory requirements and after consulting with the VIG insurance companies. In addition to these outsourcing agreements, VIG Holding has not outsourced any critical or important functions or business activities.

OUTLOOK

Austria

Due to the outbreak of the coronavirus pandemic at the beginning of 2020 and in particular its spread outside China, the eurozone is expected to grow around -0.5 % in 2020.

For Austria the Erste Group research department also expects further slowing of real GDP growth to 0.9 % in 2020, before a potential recovery in 2021. Overall, export demand is expected to remain weak, so that domestic demand continues to be the main driver of growth, even though a slowdown in the labour market could become apparent.

Inflation is expected to remain below the European Central Bank (ECB) target and reach 1.4 % for Austria and 0.9 % for the eurozone as a whole in 2020.

CEE region

The Erste Group analysts also see the development of growth in Central and Eastern Europe as significantly affected by the coronavirus pandemic.

Whereas political uncertainties and the tendency towards weaker export markets and domestic demand had previously led to an expected slowdown, this slowdown has only been compounded by the coronavirus pandemic. At an expected unemployment rate of 4.9 % in 2020 (2019: 4.6 %, 2018 still 5.2 %), real GDP growth should then average only 0.8 % for the region. Hungary and Poland should continue to show relatively good growth by regional standards, surpassed only by Romania and Serbia with real GDP growth of 1.8 % and 1.5 % respectively in 2020.

A key factor for economic development, under the current influence of the virus and beyond, should be government support measures. EU funding in upcoming budget periods should also contribute to the growth of the region.

Outlook for the VIG Insurance Group

As a market leader in Austria and the CEE region, VIG 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. It remains committed to its proven business strategy of profitable growth.

Based on the values of diversity, customer proximity and responsibility, VIG insurance companies want to use their successful management principles to strengthen and further increase their market shares. This includes both organic growth and growth by acquisitions, particularly if an opportunity arises to strategically expand the existing portfolio or to take advantage of economies of scale. The goal is to increase 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. The acquisition of Gothaer TU in 2019 – which was subsequently renamed Wiener TU – increased the market share to around 8 % in Poland.

The strategic measures and initiatives set by the Agenda 2020 work programme – business model optimisation, ensuring future viability and organisation and cooperation – helped accelerate the development of the Group in 2019.

The focus continues to be on efficiency improvements, making use of synergies and the systematic reduction of both losses and expenses to improve the combined ratio. In life insurance, efforts will also be made to further promote biometric risk coverage and the regular premium business.

Under its dividend policy which foresees a distribution in the range of 30 to 50 % of Group net profits, the dividend per share will continue to be aligned with the Company's performance.

Due to the coronavirus pandemic dominating the news at the time of the editorial deadline, VIG Insurance Group has taken all appropriate measures to protect its employees and ensure that business operations can continue. These measures will be continuously adjusted as the situation changes. We are also continuously monitoring capital market developments.

The far-reaching measures implemented around the world to prevent further spread and the associated uncertainty concerning its progression will lead to a slowdown in economic growth. At the current time, the effects on the business development of the insurance group cannot yet be estimated.

Outlook for VIG Holding

VIG Holding will continue to pursue its fundamental goal of strengthening the international reinsurance business and cross-border corporate business and further increasing premium volume in 2020.

In addition to the operational functions, VIG Holding strives to use its management responsibilities to optimise process organisation and earnings power. To this end, it focuses on initiating and coordinating measures that promote this optimisation.

Establishing itself as an outstanding employer is another important objective for VIG Holding. It aims to challenge and develop all employees in the best way possible and satisfy all the requirements needed to enable VIG Holding to take a top position at the international level and become the number one choice for young talented employees and experts.

Vienna, 23 March 2020

The Managing Board:

Elisabeth Stadler
General Manager, Chairwoman of the Managing Board

Franz Fuchs
Deputy General Manager, Member of the Managing Board

Liane Hirner
CFO,
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Gerhard Lahner
Member of the Managing Board

Gábor Lehel
Member of the Managing Board

Harald Riener
Member of the Managing Board

Peter Thirring
Member of the Managing Board

SEPARATE FINANCIAL STATEMENTS

BALANCE SHEET AS OF 31 DECEMBER 2019

Assets	31.12.2019	31.12.2018
	in EUR	in EUR '000
A. Intangible assets	**17,438,475.96**	22,241
I. Other intangible assets	17,438,475.96	22,241
B. Investments	**6,275,709,165.32**	6,269,808
I. Land and buildings	117,122,227.07	110,817
II. Investments in affiliated companies and participations	4,795,027,615.40	4,848,394
1. Shares in affiliated companies	4,318,955,352.95	4,316,974
2. Bonds and other securities of affiliated companies and loans to affiliated companies	451,856,191.26	507,204
3. Participations	24,216,071.19	24,216
III. Other investments	249,233,273.33	194,552
1. Shares and other non-fixed-interest securities	120,378,292.70	119,967
2. Bonds and other fixed-interest securities	70,700,171.00	71,371
4. Mortgage receivables	2,252,000.01	2,322
3. Other loans	902,809.62	892
4. Bank deposits	55,000,000.00	0
IV. Deposits on assumed reinsurance business	1,114,326,049.52	1,116,045
C. Receivables	**196,987,211.00**	170,233
I. Receivables from direct insurance business	7,741,566.56	18,038
1. from policyholders	2,926,971.11	429
2. from insurance intermediaries	81,784.60	85
3. from insurance companies	4,732,810.85	17,524
II. Receivables from reinsurance business	55,958,026.95	17,023
III. Other receivables	133,287,617.49	135,172
D. Pro rata interest	**7,213,403.92**	7,442
E. Other assets	**204,341,106.99**	79,115
I. Tangible assets (not incl. land and buildings)	1,351,716.50	1,096
II. Current bank balances and cash on hand	202,988,889.96	78,019
III. Other assets	500.53	0
F. Deferred charges	**1,239,371.46**	1,438
G. Deferred tax assets	**0.00**	4,387
Total ASSETS	6,702,928,734.65	6,554,664

BALANCE SHEET AS OF 31 DECEMBER 2019

Liabilities and shareholders' equity	31.12.2019	31.12.2018
	in EUR	in EUR '000
A. Shareholders' equity	**3,502,630,785.08**	3,407,798
I. Share capital		
Par value	132,887,468.20	132,887
II. Capital reserves		
Committed reserves	2,267,232,422.07	2,267,232
III. Retained earnings		
Free reserves	756,715,354.17	729,716
IV. Risk reserve	44,845,010.00	44,846
V. Net retained profits	300,950,530.64	233,117
of which brought forward	105,117,387.05	41,928
B. Subordinated liabilities	**1,100,000,000.00**	1,100,000
I. Supplementary capital bond	1,100,000,000.00	1,100,000
C. Underwriting provisions – retention	**1,244,140,237.12**	1,238,290
I. Unearned premiums	100,447,329.74	95,214
1. Gross	102,607,383.52	96,429
2. Reinsurers' share	-2,160,053.78	-1,215
II. Provision for outstanding claims	1,129,040,538.38	1,125,705
1. Gross	1,207,239,447.10	1,204,949
2. Reinsurers' share	-78,198,908.72	-79,244
VI. Equalisation provision	12,745,494.00	15,896
III. Other underwriting provisions	1,906,875.00	1,475
1. Gross	1,906,875.00	1,475
D. Non-underwriting provisions	**183,908,950.84**	193,399
I. Provision for severance pay	667,136.00	792
II. Provision for pensions	52,129,418.00	45,278
III. Tax provisions	3,500,357.14	3,500
IV. Other provisions	127,612,039.70	143,829
E. Other liabilities	**671,545,410.89**	614,616
I. Liabilities from direct insurance business	54,111,168.21	36,675
1. to policyholders	22,389,039.44	20,834
2. to insurance intermediaries	495,060.64	611
3. to insurance companies	31,227,068.13	15,230
II. Liabilities from reinsurance business	6,709,590.72	26,407
III. Liabilities to financial institutions	75,101,082.51	76,353
IV. Other liabilities	535,623,569.45	475,181
F. Deferred income	**703,350.72**	561
Total LIABILITIES AND SHAREHOLDERS' EQUITY	6,702,928,734.65	6,554,664

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

Underwriting account	2019	2018
	in EUR	in EUR '000
1. Net earned premiums	**1,033,253,334.33**	1,121,125
Premiums written	1,042,813,038.97	1,131,700
Gross	1,100,025,990.71	1,167,277
Ceded reinsurance premiums	-57,212,951.74	-35,577
Change in unearned premiums	-9,559,704.64	-10,575
Gross	-10,504,424.02	-9,976
Reinsurers' share	944,719.38	-599
2. Investment income from underwriting business	**18,046,859.19**	13,024
3. Other underwriting income	**66,572.99**	34
4. Expenses for claims and insurance benefits	**-664,372,323.32**	-762,737
Payments for claims and insurance benefits	-646,149,931.03	-637,446
Gross	-686,058,024.35	-665,954
Reinsurers' share	39,908,093.32	28,508
Change in provision for outstanding claims	-18,222,392.29	-125,291
Gross	-17,095,833.24	-122,896
Reinsurers' share	-1,126,559.05	-2,395
5. Increase in underwriting provisions	**-431,775.00**	-210
Other underwriting provisions	-431,775.00	-210
Gross	-431,775.00	-210
6. Administrative expenses	**-354,831,168.79**	-346,700
Acquisition expenses	-355,332,848.65	-347,289
Other administrative expenses	-1,252,444.04	-927
Reinsurance commissions and profit commissions from reinsurance cessions	1,754,123.90	1,516
7. Other underwriting expenses	**-850,718.40**	-1,687
8. Change in the equalisation provision	**3,150,658.00**	6,522
Underwriting result	34,031,439.00	29,371

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	2019	2018
	in EUR	in EUR '000
Underwriting result	34,031,439.00	29,371
Non-underwriting account:		
1. Income from investments and interest income	501,586,330.60	487,748
Income from participations	304,084,958.79	297,229
Income from land and buildings	12,574,900.03	13,420
Income from other investments	27,024,122.01	28,614
Income from appreciations	72,408,051.62	129,649
Income from the disposal of investments	67,052,238.01	5,783
Other investment and interest income	18,442,060.14	13,053
2. Expenses for investments and interest expenses	-315,386,607.72	-324,931
Expenses for asset management	-92,057,075.49	-86,076
Depreciation of investments	-149,559,616.63	-136,988
Interest expenses	-70,061,329.38	-80,513
Losses from the disposal of investments	-2,809,288.17	-535
Other investment expenses	-899,298.05	-20,819
3. Investment income transferred to the underwriting account	-18,046,859.19	-13,024
4. Other non-underwriting income	6,268,682.69	14,197
5. Other non-underwriting expenses	-5,936,472.88	-5,113
6. Result from ordinary activities	202,516,512.50	188,248
7. Taxes on income	20,316,631.09	18,525
8. Increase of net assets through absorption due to de-merger	0.00	90,704
9. Profit for the period	222,833,143.59	297,477
10. Transfer to reserves	-27,000,000.00	-106,288
Transfer to free reserves	-27,000,000.00	-100,000
Transfer to risk reserve	0.00	-6,288
11. Profit for the year	195,833,143.59	191,189
12. Retained profits brought forward	105,117,387.05	41,928
Net retained profits	300,950,530.64	233,117

NOTES TO THE FINANCIAL STATEMENTS FOR 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements as of 31 December 2019 were prepared in accordance with the accounting provisions of the Austrian Commercial Code (UGB) and the special provisions of the Austrian Insurance Supervision Act (VAG), as amended, and in accordance with Austrian generally accepted accounting principles and the general standard of presenting a true and fair view of the net assets, financial position and results of operations of the Company. Measurement was performed assuming the Company would continue as a going concern.

The measurement methods that were previously used were also used in financial year 2019.

The precautionary principle was satisfied in that only profits that had been realised as of the balance sheet date were reported and all identifiable risks and impending losses were recorded in the balance sheet.

Figures are generally shown in thousands of euros (EUR '000). Figures from the previous year are indicated as such or shown in brackets.

Intangible assets were reported at cost less amortisation based on a useful life of three to ten years.

Land is measured at cost, buildings at cost less depreciation and any write-downs. As a rule, repair costs for residential buildings are spread over 15 years starting as of 2016.

Equities and other non-fixed interest securities and shares in affiliated companies are valued according to the strict lower-of-cost-or-market principle (*strenges Niederstwertprinzip*). Bonds, other fixed-income securities and participations are valued using the less strict lower-of-cost-or-market principle (*gemildertes Niederstwertprinzip*) provided for in § 149(1) VAG.

Valuation using the less strict lower-of-cost-or-market principle resulted in write-downs of EUR 0 (EUR 1,116) not being performed.

The Company takes into account the overall risk position of the Company and the investment strategy provided for this purpose when making investments in fixed-interest securities, real estate, participations and shares. The risk inherent in the specified categories and the market were taken into account when determining exposure volumes and limits.

The investment strategy is laid down in the form of investment guidelines that are continuously monitored for compliance by the corporate risk controlling and internal audit departments. The corporate risk controlling department reports regularly to the tactical and strategic investment committee. The internal audit department reports regularly to the Managing Board.

As a rule, investments are generally low-risk. The strategic investment committee decides on potential high-risk investments based on the inherent risk of each individual investment after performing a full analysis of all related risks and liquidity at risk, and considering all assets currently in the portfolio and the effects of the individual investments on the overall risk position. All known financial risks are assessed regularly and specific limits or reserves are used to limit exposure. Security price risk is reviewed periodically using value-at-risk and stress tests. Default risk is measured using both internal and external rating systems.

An important goal of investment and liquidity planning is to maintain adequate amounts of liquid, value-protected financial investments. Liquidity planning therefore takes into account the trend in insurance benefits and the majority of investment income is generally reinvested.

Eight forward exchange transactions in the CZK and PLN currencies with terms limited to 12/05/2020 existed as of the 31 December 2019 balance sheet date. The transactions are being used to hedge future dividends in foreign currency. A provision for expected losses in the amount of EUR 613,000 (EUR 451,000) was formed for the six forward exchange transactions whose market values were negative as of the reporting date.

The remaining two forward exchange transactions had a positive market value of EUR 26,000 on the reporting date (EUR 3,000).

Amounts denominated in foreign currencies are translated to euros using the appropriate mean rate of exchange.

As a rule, mortgage receivables and other loans, including those to affiliated companies and companies in which a participation is held, are measured at the nominal value of the outstanding receivables. Discounts deducted from loan principal are spread over the term of the loan and shown under deferred income.

Specific valuation allowances of adequate size are formed for doubtful receivables and deducted from their nominal values.

Tangible assets (not including land and buildings) are measured at cost less accumulated depreciation. Low-cost assets are fully written off in the year of purchase.

Unearned premiums were essentially calculated by prorating over time after applying a deduction for expenses (15 %) of EUR 969,000 (EUR 1,227,000).

The provision for outstanding claims for direct business is calculated for claims reported by the balance sheet date by individually assessing claims that have not yet been settled and adding lump-sum safety margins for large unexpected losses. Lump-sum provisions based on past experience are formed for claims incurred but not reported. Recourse claims of EUR 9,322,000 (EUR 8,250,000) were included.

In indirect business, provisions for outstanding claims are primarily based on reports from ceding companies as of the 31 December 2019 balance sheet date. The reported amounts were increased where this was considered necessary in light of past experience.

The underwriting items for assumed reinsurance business and associated retrocessions are included immediately in the annual financial statements.

The equalisation provision is calculated in accordance with the directive of the Austrian Federal Minister of Finance, BGBl. (Federal Gazette) No. 315/2015.

The provisions for severance pay, pensions, and anniversary bonuses are based on the pension insurance calculation principles of the Actuarial Association of Austria (AVÖ), AVÖ 2018-P (Employees), assuming a wage growth rate of 2.00 % (2.00 %) and a discount rate of 1.28 % (1.66 %) p.a. for the severance provision, 2.06 % (2.42 %) for the pension provision and 1.51 % (1.85 %) for the anniversary bonus provision. The discount rate used was based on the 7-year average interest rate as published by the German Bundesbank. The severance pay, pension and anniversary bonus obligations were valued using the projected unit credit method. The retirement age used to calculate the provisions for anniversary bonuses and severance pay is the statutory minimum retirement age as stipulated in the Austrian General Social Security Act (ASVG) (2004 reform), subject to a maximum age of 62 years. The retirement age used to calculate the provision for pensions is based on each individual agreement, or the statutory minimum retirement age as stipulated in the Austrian General Social Security Act (ASVG) (2004 reform). The following percentages were used for employee turnover based on age: <31 4.0 %, 31–35 2.0 %, 36–40 2.0 %, 41–50 1.5 %, 51–55 0.5 % and 56–65 0 %. The severance entitlement used to calculate the provision for severance obligations is based on each individual agreement or on the collective agreement. The following percentages were used for employee turnover based on age: <30 5.5 %, 30–39 2.0 %, 40–50 1.5 %, 51–59 1.0 % and 60–65 0.5 %.

EUR 3,211,000 (EUR 3,136,000) in provisions have been formed for direct pension obligations. A portion of the direct benefits equal to EUR 250,000 (EUR 244,000) will be administered as an occupational group insurance plan after an insurance contract has been concluded in accordance with §§ 93-98 VAG, so that the provision will equal the overall obligation less the outsourced plan assets. The severance pay provision required under Austrian commercial law for 2019 was EUR 2,432,000 (EUR 2,418,000).

The amount earmarked for satisfying the outsourced severance pay obligations that was held by the outside insurance company was EUR 1,765,000 (EUR 1,627,000).

The difference of EUR 667,000 (EUR 792,000) between the size of the severance pay provisions to be formed under Austrian commercial law and the deposit held by the outside insurance company is reported under provisions for severance pay in the balance sheet.

II. NOTES TO THE BALANCE SHEET

The book values of intangible assets, land and buildings, investments in affiliated companies and ownership interests have changed as follows:

in EUR '000	Intangible assets	Land and buildings	Shares in affiliated companies	Bonds and other securities of affiliated companies and loans to affiliated companies	Participations
As of 31 December 2018	22,241	110,817	4,316,974	507,204	24,216
Additions	228	10,397	98,070	11,988	0
Disposals	0	0	21,423	67,948	0
Appreciation	0	0	70,802	612	0
Depreciation	5,031	4,092	145,468	0	0
As of 31 December 2019	17,438	117,122	4,318,955	451,856	24,216

Intangible assets with a value of EUR 20,000 (EUR 2,826,000) were acquired from affiliated companies during the financial year.

The value of developed and undeveloped properties was EUR 29,895,000 (EUR 29,895,000) as of 31 December 2019. The carrying amount of self-used property was EUR 19,677,000 (EUR 19,897,000).

The investments have the following carrying amounts and fair values:

Items under § 144 Abs. 2 VAG	Book Value 2019	Fair value 2019	Book Value 2018	Fair value 2018
in EUR '000				
Land and buildings	117,122	543,850	110,817	495,575
thereof appraisal reports 2016	1,888	2,890	46,464	231,255
thereof appraisal reports 2017	49,750	116,970	50,871	116,970
thereof appraisal reports 2018	13,886	147,350	13,482	147,350
thereof appraisal reports 2019	51,598	276,640	0	0
Shares in affiliated companies	4,318,955	9,055,970	4,316,974	9,477,956
Bonds and other securities of affiliated companies and loans to affiliated companies	451,856	565,040	507,204	583,316
Participations	24,216	27,340	24,216	28,247
Shares and other non-fixed-interest securities	120,378	127,586	119,967	119,967
Bonds and other fixed-interest securities	70,700	80,025	71,371	76,576
Mortgage receivables	2,252	2,445	2,322	2,956
Other loans	903	1,142	892	855
Bank balances	55,000	55,000	0	0
Deposits receivables	1,114,326	1,114,326	1,116,045	1,116,045
Total	**6,275,708**	**11,572,724**	**6,269,808**	**11,901,493**

Hidden reserves fell by EUR 334,669,000 to a total of EUR 5,297,016,000 (EUR 5,631,685,000).

The fair values of land and buildings were determined in accordance with the recommendations of the Austrian Association of Insurance Companies. The values are based on appraisal reports.

The fair values of shares in affiliated companies and shares in companies in which a participation is held correspond to available market values. If no such value exists, the purchase price is used as the fair value, if necessary reduced by any write-downs, or a proportionate share of the publicly reported equity capital, whichever is greater.

To test for impairment, the individual book values are first compared with the fair value or a proportionate share of the equity capital of the affiliated company. The fair values of shares in affiliated companies are either based on valuation reports obtained from external parties or internal valuations.

Stock exchange values were used as far as possible for the fair value of shares and other non-fixed interest securities, and of bonds and other fixed interest securities (including those from affiliated companies). The Company uses purchased software to calculate the fair value of securities that do not have public market or stock market values based on discounted cash flows.

The remaining investments were valued at their nominal values, reduced by write-downs where necessary.

Recognised mathematical models (discounted cash flows) were used to calculate the market values of mortgage loans and other loans.

The other loans not secured by insurance contracts are loans of EUR 898,000 (EUR 885,000) to the Republic of Austria and loans of EUR 5,000 (EUR 7,000) to other borrowers. The other loans do not include any loans (EUR 0) with remaining terms of up to one year.

The subordinated liabilities balance sheet item consists of the bonds listed in the table below, which were issued in the form of securities.

Name	2019	2018
in TEUR		
Supplementary capital bond 2013 - 2043	500,000	500,000
Supplementary capital bond 2015 - 2046	400,000	400,000
Supplementary capital bond 2017 - 2047	200,000	200,000
Total	1,100,000	1,100,000

The following balance sheet items are attributable to affiliated companies and companies in which a participation is held:

	Affiliated companies		Companies in which an ownership interest is held	
	2019	2018	2019	2018
in EUR '000				
Mortgage receivables	2,252	2,322	0	0
Deposits receivables	1,114,326	1,116,045	0	0
Receivables from direct insurance business	2,820	16,142	0	0
Receivables from reinsurance business	33,664	7,607	0	0
Other receivables	118,958	124,703	0	0
Liabilities from direct insurance business	1,443	620	0	0
Liabilities from reinsurance business	2,141	23,192	0	0
Other liabilities	498,310	436,727	0	0

The change in the personnel provision was recognised in personnel expenses. The interest expenses for personnel provisions of EUR 4,663,000 (EUR 5,043,000) are reported under investment and interest expenses.

The other provisions of EUR 127,612,000 (EUR 143,829,000) mainly consist of IT provisions of EUR 93,792,000 (EUR 120,503,000), provisions for unused vacation time of EUR 1,861,000 (EUR 1,773,000), provisions for customer support and marketing of EUR 874,000 (EUR 822,000) and provisions for anniversary bonuses of EUR 929,000 (EUR 813,000).

The amount shown under other liabilities includes EUR 5,000 (EUR 1,052,000) in tax liabilities and EUR 485,000 (EUR 391,000) in social security liabilities.

The following disclosures are provided for off-balance sheet contingent liabilities: Letters of comfort and liability undertakings totalling EUR 44,103,000 (EUR 44,103,000) have been issued for affiliated companies in connection with borrowing.

VIG Holding issued a guarantee to its subsidiary Wiener Städtische in December 2019 that obligates it to subscribe to up to EUR 350,000,000 in deeply subordinated bonds upon demand by Wiener Städtische. The guarantee has a term of 10 years.

Liabilities arising from the use of off-balance sheet tangible assets were EUR 2,057,000 (EUR 1,908,000) for the following financial year and EUR 10,919,000 (EUR 10,129,000) for the following five years.

III. NOTES TO THE INCOME STATEMENT

Premiums written, net earned premiums, expenses for insurance claims and benefits, administrative expenses and reinsurance balance had the following breakdown for property and casualty insurance in 2019:

Gross	Premiums written	Net earned premiums	Expenses for claims and insurance benefits	Administrative expenses	Reinsurance balance
in EUR '000					
Direct business					
Fire and fire business interruption insurance	84,440	85,893	83,647	9,658	3,769
Liability insurance	1,142	1,158	343	166	-442
Marine, aviation and transport insurance	842	848	936	152	-156
Other non-life insurance	11,852	11,839	1,738	1,220	-2,193
Total direct business	**98,276**	**99,738**	**86,664**	**11,196**	**978**
(Previous year values)	85,053	85,185	61,089	12,399	-6,392
Indirect business					
Marine, aviation and transport insurance	0	0	59	4	55
Other insurance	1,001,750	989,784	616,431	345,385	-16,765
Total indirect business	**1,001,750**	**989,784**	**616,490**	**345,389**	**-16,710**
(Previous year values)	1,082,224	1,072,116	727,762	335,817	-2,155
Total direct and indirect business	**1,100,026**	**1,089,522**	**703,154**	**356,585**	**-15,732**
(Previous year values)	1,167,277	1,157,301	788,851	348,216	-8,547

The reinsurance balance is composed of net earned reinsurance premiums, effective reinsurance claims and reinsurance commissions.

The run-off result for property and casualty insurance was EUR 13,751,000 (EUR 18,848,000) for financial year 2019.

The result from indirect business was EUR 45,951,000 (EUR 21,561,000). The net earned premiums of EUR 989,784,000 (EUR 1,072,116,000) from indirect business were included immediately in the income statement.

Of the income from participations, land and buildings and other investments shown in the income statement, affiliated companies accounted for the following amounts:

	2019	2018
in EUR '000		
Income from participations	302,402	296,913
Income from other investments	23,525	21,230
Income from land and buildings	929	1,107

The funds in the portfolio distributed EUR 1,754,000 (EUR 3,761,000) during the financial year.

The deposit interest income for indirect business was transferred to the underwriting account.

Losses on disposals of investments were EUR 2,809,000 (EUR 535,000) in financial year 2019.

The expenses for insurance claims and benefits, administrative expenses, other underwriting expenses and investment expenses include:

in EUR '000	2019	2018
Wages and salaries	25,876	23,678
Expenses for severance benefits and payments to company pension plans	368	-35
Expenses for retirement provisions	2,864	3,430
Expenses for statutory social contributions and income-related contribution and mandatory contributions	4,935	4,365
Other social security expenses	245	219

Commissions of EUR 8,334,000 (EUR 9,582,000) were incurred for direct business in financial year 2019.

A summary of auditing fees is provided in the notes to the consolidated financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna.

Deferred profit taxes of EUR 0 (EUR 4,387,000) were recognised due to temporary differences between earnings under commercial law and taxable earnings. A tax rate of 22.5 % was chosen for deferred taxes based on the provisions of the tax allocation agreement with the parent company.

Deferred taxes

in EUR '000	31.12.2019	31.12.2018
Shares in affiliated companies	48,119	64,524
Investments	-681	-4,510
Tangible assets (not incl. land and buildings) and inventories	20	19
Valuation reserve	-21,100	-21,662
Subordinated liabilities	4,694	4,887
Underwriting provision – retention	74,497	75,785
Long-term personnel provisions	32,004	27,581
Other provisions	79,514	101,775
Temporary differences	**217,067**	248,399
Not subject to tax	-217,067	-228,900
Total differences	0	19,499
Resulting deferred taxes as at 31 December (22.5 %)	0	4,387
Deferred taxes changed as follows:		
As of 1 January	4,387	3,563
Changes recognised in the income statement	-4,387	824
As of 31 December	**0**	4,387

IV. SIGNIFICANT PARTICIPATIONS

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Share of Capital (EUR '000)	Result of the year (EUR '000)	Share of profit for the year (EUR '000)	Last annual financial statements
Affiliated companies						
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A.	88.7	86,455	76,668	-7,642	-6,777	2019
ATBIH GmbH	69.0	161,487	111,378	8,990	6,200	2019
BCR Asigurari de Viata Vienna Insurance Group S.A.	94.0	48,037	45,145	7,377	6,933	2019
BTA Baltic Insurance Company AAS	90.8	65,536	59,526	10,649	9,672	2019
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni	100.0	4,829	4,829	338	338	2019
Compensa Life Vienna Insurance Group SE	100.0	45,259	45,259	3,048	3,048	2019
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group	84.1	71,350	60,034	11,127	9,362	2019
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	70.7	118,251	83,568	21,934	15,501	2019
Compensa Vienna Insurance Group, akcine draudimo bendrove	100.0	34,892	34,892	377	377	2019
DONAU Versicherung AG Vienna Insurance Group	74.2	100,454	74,577	9,382	6,965	2019
ELVP Beteiligungen GmbH	100.0	23,318	23,318	3	3	2019
Foreign limited liability company "InterInvestUchastie"	100.0	281	281	10	10	2018
GLOBAL ASSISTANCE SERVICES SRL	40.0	76	30	-66	-27	2018
GLOBAL ASSISTANCE SERVICES s.r.o.	100.0	209	209	15	15	2018
GLOBAL ASSISTANCE SLOVAKIA s.r.o.	40.0	24	10	-6	-2	2018
GLOBAL ASSISTANCE, a.s.	60.0	4,624	2,775	2,039	1,223	2018
Global Assistance Polska Spolka z ograniczona odpowiedzialnoscia	40.0	117	47	-117	-47	2018
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP"	14.2	50,732	7,204	5,530	785	2019
INTERSIG VIENNA INSURANCE GROUP Sh.A.	90.0	5,447	4,901	707	636	2019
Insurance Company Vienna osiguranje d.d., Vienna Insurance Group	100.0	9,670	9,670	707	707	2019
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group	94.3	25,624	24,153	1,572	1,482	2019
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	100.0	100,159	100,159	18,919	18,919	2019
InterRisk Versicherungs-AG Vienna Insurance Group	100.0	54,270	54,270	16,400	16,400	2019
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje	100.0	3,778	3,778	73	73	2018
KOMUNALNA poistovna, a.s. Vienna Insurance Group*	18.9	70,097	13,220	1,106	209	2019
KOOPERATIVA poist'ovna, a.s. Vienna Insurance Group	94.4	372,351	351,388	36,486	34,432	2019
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company	52.3	8,949	4,684	1,991	1,042	2018
Kooperativa, pojist'ovna, a.s. Vienna Insurance Group	95.8	773,635	741,452	148,036	141,878	2019

* VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe acquired an additional interest of 20.09 % on 09/01/2020

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Share of Capital (EUR '000)	Result of the year (EUR '000)	Share of profit for the year (EUR '000)	Last annual financial statements
Affiliated companies						
LVP Holding GmbH	100.0	654,028	654,028	18,805	18,805	2019
OMNIASIG VIENNA INSURANCE GROUP S.A.	99.5	135,599	134,921	-1,664	-1,656	2019
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP"	90.6	7,940	7,190	-241	-218	2019
Private Joint-Stock Company "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP"	97.8	2,251	2,201	168	164	2019
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H.	41.0	738	302	446	183	2018
Ray Sigorta Anonim Sirketi	12.7	39,219	4,969	7,877	998	2019
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A.	89.1	13,481	12,005	681	606	2019
Seesam Insurance AS	100.0	55,240	55,240	3,310	3,310	2019
TBI BULGARIA EAD in Liquidation	100.0	40,501	40,501	-28	-28	2019
UNION Vienna Insurance Group Biztositó Zrt.	98.6	53,484	52,757	6,744	6,652	2019
VIG Asset Management, a.s.	100.0	520	520	24	24	2018
VIG Properties Bulgaria AD	100.0	3,880	3,879	-1	-1	2019
VIG RE zajist'ovna, a.s.	55.0	178,936	98,415	20,803	11,442	2019
VIG Real Estate GmbH	90.0	140,026	126,023	23	21	2019
VIG Services Ukraine, LLC	20.9	39	8	-135	-28	2019
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia	51.4	19,915	10,242	35	18	2018
Vienna International Underwriters GmbH	100.0	310	310	42	42	2018
Vienna Life Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group	100.0	3,575	3,575	3,080	3,080	2019
Vienna-Life Lebensversicherung AG Vienna Insurance Group	100.0	8,684	8,684	-3,287	-3,287	2019
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje Beograd	100.0	62,819	62,819	8,581	8,581	2019
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	90.8	539,292	489,785	117,392	106,615	2019
Joint Stock Insurance Company WINNER-Vienna Insurance Group	100.0	6,605	6,605	723	723	2019
Wiener Osiguranje Vienna Insurance Group ad	100.0	9,330	9,330	155	155	2019
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group	100.0	4,415	4,415	298	298	2018
Wiener Towarzystwo Ubezpiezen Spolka Akcyjna Vienna Insurance Group	100.0	35,240	35,240	6,531	6,531	2019
Wiener osiguranje Vienna Insurance Group dionicko drustvo za osiguranje	97.8	113,778	111,298	7,091	6,936	2019
twinformatics GmbH	20.0	1,957	391	394	79	2019
Participations						
CEESEG Aktiengesellschaft	8.5	372,063	31,625	21,474	1,825	2018
Erste Asset Management GmbH	0.8	104,716	796	39,397	299	2018

V. OTHER DISCLOSURES

The Company has total share capital of EUR 132,887,468.20. It is divided into 128,000,000 no-par value bearer shares with voting rights, each share representing an equal portion of share capital. The number of shares issued remains unchanged since the previous finacial year.

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

Wiener Städtische Versicherungsverein holds (directly or indirectly) approximately 71.54 % of the share capital.

No shares have special rights of control. See the following paragraph for information on the rights of the shareholder Wiener Städtische Versicherungsverein.

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

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

The Managing Board is authorised to increase the Company's share capital by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares in one or more tranches on or before 11 May 2022 against cash or in-kind contributions. The terms of the shares, the exclusion of shareholder preemption 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 24 May 2019 authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65(1) no. 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 ten 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 24 May 2019 also authorised the Managing Board to use own shares

a. 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;

b. for servicing convertible bonds issued based on the resolution adopted by the General Meeting of 12 May 2017;

c. 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 at most 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 this authorisation to date. The Company held no own shares as of 31 December 2019. 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 for the case of a public takeover bid.

On 9 October 2013 the Company issued a subordinated bond with a nominal value of EUR 500,000,000.00 and a maturity of 30 years. The Company can call the bond in full for the first time on 9 October 2023 and on each following coupon date.

The subordinated bond bears interest at a fixed rate of 5.5 % p.a. during the first ten years of its term and variable interest after that. The subordinate bond satisfies the tier 2 requirements of Solvency II. The bonds are traded on the Vienna Stock Exchange.

On 2 March 2015 the Company issued a subordinated bond with a nominal value of EUR 400,000,000.00 and a maturity of 31 years. The Company 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.

A EUR 200,000,000.00 subordinated bond with a term of 30 years was privately placed with international institutional investors on 6 April 2017. The subordinated bond can be called for the first time after 10 years by VIG Holding and satisfies the tier 2 requirements of Solvency II. Inclusion for trading in the Third Market of the Vienna Stock Exchange took place on 13 April 2017.

The interest rate is 3.75 % p.a. until 13 April 2027, after which the bond pays variable interest.

THE SUPERVISORY BOARD HAD THE FOLLOWING MEMBERS IN FINANCIAL YEAR 2019:

Chairman:
Günter Geyer

1st Deputy Chairman:
Rudolf Ertl

2nd Deputy Chairwoman:
Maria Kubitschek

Members:
Bernhard Backovsky (until 24 May 2019)
Martina Dobringer
Gerhard Fabisch
Peter Mihok (since 24 May 2019)
Heinz Öhler
Georg Riedl
Gabriele Semmelrock-Werzer
Gertrude Tumpel-Gugerell

THE MANAGING BOARD HAS THE FOLLOWING MEMBERS:

Chairwoman:
Elisabeth Stadler

Members:
Franz Fuchs
Judit Havasi (until 31 December 2019)
Liane Hirner (CFO)
Peter Höfinger
Gerhard Lahner (since 1 January 2020)
Gábor Lehel (since 1 January 2020)
Harald Riener (since 1 January 2020)
Peter Thirring

Substitute members of the Managing Board:
Gábor Lehel (until 31 December 2019)
Gerhard Lahner (until 31 December 2019)

The average number of employees was 285 (251). These employees were employed in the insurance business and resulted in personnel expenses of EUR 34,289,000 (EUR 31,657,000).

There were no loans outstanding to members of the Managing Board or members of the Supervisory Board as of 31 December 2019 (EUR 0). No guarantees were outstanding for members of the Managing Board or Supervisory Board as of 31 December 2019.

In 2019, the total expenses for severance pay and pensions of EUR 3,233,000 (EUR 3,395,000) included severance pay and pension expenses of EUR 2,315,000 (EUR 2,380,000) for members of the Managing Board and senior management in accordance with § 80(1) of the Austrian Stock Corporation Act (AktG).

The Managing Board manages the Company and is also responsible for management of the Group. In some cases, responsibility is also assumed for additional duties in affiliated or related companies. The members of the Managing Board received EUR 5,480,000 (EUR 5,031,000) from the Company during the reporting period for their services. Members of the Managing Board are provided a company car for both business and personal use. Former members of the Managing Board received EUR 790,000 (EUR 1,650,000).

The members of the Supervisory Board received EUR 506,000 (EUR 461,000) in remuneration for their services to the Company in 2019.

The Company is a group member within the meaning of § 9 of the Austrian Corporate Income Tax Act (KStG) of the Wiener Städtische Versicherungsverein, Vienna, group of companies.

The taxable earnings of group members are attributed to the parent company.

The parent company has entered into agreements with each group member governing the allocation of positive and negative tax amounts for the purpose of allocating corporate income tax charges according to origin.

If positive income is attributed to the parent company, the tax allocation equals 25 % of the positive income. If negative income is attributed to the parent company, the negative tax allocation equals 22.5 % of the current tax loss.

A receivable of EUR 93,495,000 (EUR 100,963,000) is owed by the parent company.

The Company is included in the consolidated financial statements prepared by Wiener Stadtische Versicherungsverein, which has its registered office in Vienna. The consolidated financial statements have been disclosed and are available for inspection at the business premises of this company located at Schottenring 30, 1010 Vienna.

VI. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Current risks in connection with the coronavirus pandemic
The coronavirus pandemic that began at the beginning of 2020 has affected the business world worldwide. It has also exposed the VIG Insurance Group to a number of risks that are being addressed and handled as part of our sustainable risk management.

In addition to operational risks, mainly due to the possibility of employees becoming ill and subsequent quarantine measures, it is also having a negative impact on our insurance business and associated investments whose effects cannot yet be estimated at this time.

The high level of volatility exhibited by all financial asset classes and the downward potential that still exists in the interest rate environment are working hand-in-hand with the underwriting risks due to the pandemic to adversely affect our solvency.

We are closely monitoring financial market developments so that we can implement the measures needed in accordance with our risk-bearing capacity and established limits.

The VIG Insurance Group has initiated preventative measures at both the Holding level and the level of its subsidiaries in order to mitigate significant risks affecting our ability to maintain our business operations.

In addition to clear communication of hygiene and conduct measures, emergency plans for maintaining business operations in the event of a loss of employees or location closures were tested and preliminary IT and organisational measures have been introduced.

PROPOSED APPROPRIATION OF PROFITS

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Holding) ended financial year 2019 with net retained profits of EUR 300,950,530.64. The following appropriation of profits will be proposed in the Annual General Meeting:

The 128 million shares shall receive a dividend of EUR 1.15 per share. The payment date for this dividend will be 20 May 2020, the record date 19 May 2020, and the ex-dividend date 18 May 2020.*

A total of EUR 147,200,000.00 will therefore be distributed. The net retained profits of EUR 153,750,530.64 remaining for financial year 2019 after distribution of the dividend is to be carried forward.

Vienna, 23 March 2020

The Managing Board:

Elisabeth Stadler
General Manager, Chairwoman of the Managing Board

Franz Fuchs
Deputy General Manager, Member of the Managing Board

Liane Hirner
CFO, Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Gerhard Lahner
Member of the Managing Board

Gábor Lehel
Member of the Managing Board

Harald Riener
Member of the Managing Board

Peter Thirring
Member of the Managing Board

* Editorial changes that have occurred between the date of preparation of the consolidated financial statements and the date of printing: In view of the decision of the Managing Board on March 30, 2020 to postpone the General Meeting for an indefinite period of time, the dates stated are no longer current. The dates for the payment day, the record date (dividend record date) and the ex-dividend day will be determined and redefined on the basis of the date of the General Meeting, which is still to be specified.

Auditor’s Report

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Audit opinion

We have audited the annual financial statements of

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, Austria,

which comprise the Balance Sheet as at 31 December 2019, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements for insurance companies.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 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 Company, 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 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

Recoverability of investments in affiliated insurance companies

Refer to notes chapter “I. Summary of significant accounting policies”, “II. Notes to the balance sheet” and “IV. Significant participations”.

Risk for the Financial Statements

Investments in affiliated insurance companies represent a significant part of Vienna Insurance Group AG assets.

In previous years certain investments in affiliated insurance companies were written down due to sustained impairments. For the financial year it has to be verified whether any changes in market, economic or legal conditions require a reversal of impairments or additional write downs.

An assessment of the recoverability is performed on an ad hoc basis. The impairment test of investments in affiliated insurance companies is complex and based on discretionary factors. Those factors include in particular the expected future cash flows of the subsidiary, 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

In cooperation with our valuation experts, we have assessed the appropriateness of key assumptions, of discretionary decisions and of the valuation method applied for investments in affiliated insurance companies. 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 analyzed the consistency of planning data using information from prior periods.

Given that minor changes in the applied costs of capital rate significantly impact the determined fair value, we have compared the parameters used for derivation of the applied costs of capital with those used by a group of comparable companies (Peer-Group).

Responsibilities of management and the Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements for insurance companies and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company'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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the 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 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 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 misstatements in the 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 the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates 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 Company'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 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 Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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

Management report
In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law and other legal or regulatory requirements for insurance companies.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

OPINION
In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

STATEMENT
Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Other information
Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report. Our opinion on the financial statements does not cover other information and we do not provide any kind of 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 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 EU Regulation

We were elected as auditors at the Annual General Meeting on 25 May 2018 and were appointed by the supervisory board on 18 June 2018 to audit the financial statements of Company for the financial year ending on that date. In addition, we have already been elected as auditors for the following financial year by the Annual General Meeting dated 24 May 2019 and appointed by the Supervisory Board on 24 June 2019.

We have been auditors of the Company, without interruption, since the financial statements at 31 December 2013.

We declare that our opinion expressed in the "Report on the 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 Company.

Engagement Partner

The engagement partner is Mr Michael Schlenk.

Vienna, 23 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Michael Schlenk
Austrian Chartered Accountant

Declaration by the Managing Board

We declare to the best of our knowledge that the annual financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe prepared in accordance with the requirements of Austrian commercial law and the Austrian Insurance Supervision Act (VAG) give a true and fair view of the Company's net assets, financial position and results of operations, the management report presents the business development, performance and position of the Company so as to give a true and fair view of its net assets, financial position and results of operations, and the management report provides a description of the principal risks and uncertainties to which the Company is exposed.

Vienna, 23 March 2020

The Managing Board:

Elisabeth Stadler
General Manager, Chairwoman of the Managing Board

Franz Fuchs
Deputy General Manager, Member of the Managing Board

Liane Hirner
CFO, Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Gerhard Lahner
Member of the Managing Board

Gábor Lehel
Member of the Managing Board

Harald Riener
Member of the Managing Board

Peter Thirring
Member of the Managing Board

Supervisory Board report

The Supervisory Board and its committees, Chair and Deputy Chairs periodically and repeatedly monitored in detail the management of the Company and the activities of the Managing Board in connection with its management and monitoring of the Group.

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 Managing 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, the compliance function 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 Holding 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 2019 reporting year.

The 2019 consolidated corporate governance report presents detailed information on the principles underlying the remuneration system, and we refer to this information in the 2019 consolidated corporate governance report.

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 2019 consolidated corporate governance report.

One Annual General Meeting and five Supervisory Board meetings distributed across the financial year were held in 2019. Four meetings of the Audit Committee (Accounts Committee) were also held. The financial statements and consolidated financial statements auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, company number FN 269873y (KPMG), attended three Audit Committee meetings and the Supervisory Board meeting in 2019 that addressed the audit of the 2018 annual financial statements and the 2018 consolidated financial statements as well as formal approval of the 2018 annual financial statements, and also attended the Annual General Meeting. KPMG also informed the Audit Committee about the planning and procedure used to audit the financial statements and consolidated financial statements. Three meetings of the Committee for Managing Board Matters (Personnel Committee) were held in 2019. The Nomination Committee held one meeting in 2019. The Committee for Urgent Matters (Working Committee) and Strategy Committee did not meet in 2019. Strategic matters were handled by the Supervisory Board as a whole.

No agenda items were discussed in Supervisory Board meetings in 2019 without the participation of members of the Managing Board.

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 of 25 May 2018 selected KPMG to be the financial statements auditor and consolidated financial statements auditor for financial year 2019, and KPMG consequently performed these duties in financial year 2019.

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The Supervisory Board Audit Committee mainly dealt with the following topics in 2019:

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 and audit planning.

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 facts or circumstances providing grounds for objection. The Audit Committee also discussed and debated in detail the possibilities of providing recommendations or suggestions to ensure the reliability of the accounting process and, based on the comprehensive information and documents obtained by the Audit Committee during its review, found that the processes that had been established were adequate. 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. While reviewing and monitoring the independence of the financial statements auditor and consolidated financial statements auditor, the Audit Committee did not find any circumstances that would raise doubts about its independence and impartiality.

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 or his substitute. 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.

In 2019, the Audit Committee also dealt with the selection of the financial statements and consolidated financial statements auditor for financial year 2020. 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 2020.

The Audit Committee also received the 2019 annual financial statements, management report, 2019 consolidated corporate governance report and 2019 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 examined the 2019 consolidated financial statements and Group management report.

In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2019 annual financial statements and management report and the 2019 consolidated financial statements and Group management report were reviewed by the Audit Committee and examined. As a result of this examination, 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 of Regulation (EU) No. 537/2014 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 additional report prepared by the financial statements auditor was also 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 Supervisory Board also dealt with the topic of remuneration policy.

The Nomination Committee and Supervisory Board also dealt intensively with the future-oriented composition of the Managing Board. Judit Havasi's move to the Managing Board of Donau Versicherung as Chairwoman of the Managing Board starting 1 January 2020, and the upcoming end of the term of office of Deputy General Manager Franz Fuchs in 2020 also had to be considered. In 2019, the Supervisory Board appointed Gerhard Lahner, Gábor Lehel and Harald Riener to the Managing Board starting 1 January 2020. Gerhard Lahner and Gábor Lehel were previously already substitute members of the Managing Board and, like Harald Riener, had already held positions nationally and abroad for many years in the VIG Insurance Group.

The 2019 annual financial statements together with the management report and 2019 consolidated corporate governance report, the 2019 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were taken up and examined in detail 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 2019 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined it. As a result of this examination, it found that the 2019 sustainability report (consolidated non-financial report) had been prepared properly and was appropriate. The Supervisory Board found no grounds for objection.

In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2019 annual financial statements and management report and the 2019 consolidated financial statements and Group management report were reviewed by the Supervisory Board and examined. KPMG's audit of the 2019 annual financial statements and management report and the 2019 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 2019, and of the results of operations of the Company for financial year 2019 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 2019, and of the results of operations and cash flows of the Group for financial year 2019 in accordance with the IFRS as adopted by the EU and § 138 of the Austrian Insurance Supervision Act (VAG) in combination with § 245a of the Austrian Commercial Code (UGB).

The Group management report is consistent with the consolidated financial statements.

KPMG also reviewed the 2019 sustainability report (consolidated non-financial report) and determined in accordance with § 269 (3) UGB that the 2019 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 2019 annual financial statements prepared by the Managing Board, not to raise any objections to the management report, the 2019 consolidated financial statements and Group management report, the 2019 consolidated corporate governance report and the 2019 sustainability report (consolidated non-financial report) and to agree with the Managing Board proposal for appropriation of profits. The 2019 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 2020

The Supervisory Board:

Günter Geyer
(Chairman)

Service information

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
BCR Life	BCR Asigurări de Viaţă Vienna Insurance Group S.A., Bucharest
BTA Baltic	BTA Baltic Insurance Company AAS, Riga
Bulstrad Life	BULSTRAD LIFE VIENNA INSURANCE GROUP JOINT STOCK COMPANY, Sofia
Bulstrad Non-Life	INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia
Compensa Life (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 Asigurări "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chișinău
Donau Versicherung	DONAU Versicherung AG Vienna Insurance Group, Vienna
Erste Group	Erste Group Bank AG, Vienna
Erste Heimstätte GmbH	Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna
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
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
n/a	not applicable
Neue Heimat Oberösterreich GmbH	NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz
Neuland GmbH	Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna
Nova	Insurance Company Nova Ins EAD, Sofia
Omniasig	OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest
Österreichisches Verkehrsbüro	Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Consolidated Financial Statements)
PAC Doverie	Pension Assurance Company Doverie AD, Sofia
PČS	Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice
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	Seesam Insurance AS, Tallinn
Sigma Interalbanian	Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana
Sozialbau AG	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna
TUW "TUW"	Towarzystwo Ubezpieczeń Wzajemnych "TUW", Warsaw
UIG	Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev

Abbreviation	Full company name
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 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 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 Insurance Group[2]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Holding[3]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Re	VIG RE zajišťovna, a.s., Prague
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
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 TU (formerly Gothaer TU)	Wiener TU S.A. Vienna Insurance Group, Warsaw
Winner Life	Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje
Winner Non-Life	Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje
WOFIN GmbH	WOFIN Wohnungsfinanzierungs GmbH, Vienna
WWG Beteiligungen GmbH	WWG Beteiligungen GmbH, Vienna

1 Country names in parentheses are added if there is more than one company with the same abbreviated name and it is not clear from the context which one is intended. The context is assumed to be clear, for example, if the name is used in a description of activities taking place within a country.

2 Used when referring to consolidated VIG (insurance) companies.

3 Used when referring to the individual company.

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.

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WEBSITE – ONLINE REPORT

The annual report is available in German and English on our Internet website (www.vig.com) under Investor Relations and can also be downloaded in both languages as a PDF file.

Service tip **Online annual report**

The VIG 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: 23 March 2020

VIG
VIENNA INSURANCE GROUP