Protecting what matters.

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Annual Financial Statements 2020

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FOR VIENNA INSURANCE GROUP AG
WIENER VERSICHERUNG GRUPPE

Annual financial statements in accordance with the Austrian Commercial Code (UGB) and Austrian Insurance Supervision Act (VAG)

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NOTE:

To improve readability, company names have been shortened in the text below. A list of full company names is provided on page 47

Company profile

PROTECTING WHAT MATTERS

30 years ago, the former Wiener Städtische Versicherung AG laid the cornerstone for a successful expansion into Central and Eastern Europe (CEE). VIG Insurance Group now operates in 30 countries. Its market share of around 18 % makes it the leading insurance group in Central and Eastern Europe. The Group is one of the top 5 in a large number of the countries in this region, and is even market leader in 7 markets.

VIG Insurance Group differs in two important ways from other international insurance groups: its local multi-brand strategy and local entrepreneurship. These create diversity in the Group and increase risk diversification. Local decisions are made by local management, and strategic considerations are collectively implemented in the Group.

VIG Insurance Group also stands for stability, conservative investments and sustainability, with innovation playing an important role in maintaining and further expanding its leading position in the CEE region.

This sustainable long-term business orientation of the Group is seen as a reason for the success of its 30-year expansion strategy. The Group also feels that its diversity gives it a clear competitive advantage, as shown during the COVID-19 pandemic.

As the holding company for the Group insurance companies, VIG Holding uses these approaches and objectives to achieve the best possible benefits for its investors, customers, employees, society and the environment, as expressed by the motto: “Protecting what matters”.

ORGANISATION AND OBJECTIVES

VIG Holding uses a number of control units, e.g. Risk Management, Asset Management, Planning and Controlling, and Strategy, to maintain close contact with the Group companies and acts as an interface and promoter for the implementation of local entrepreneurship.

The focus is on maintaining an intensive collaborative exchange between all 50 Group companies and their around 25,000 employees in 30 countries that allows both the interests of the individual companies and the Group as a whole to be pursued. In addition to international collaboration, profitability and sustainable growth are also important objectives for VIG Holding and the Group as a whole. To achieve these objectives, a clear sustainability strategy based on the five areas of core business, customers, employees, society and the environment is used with a regional focus on Central and Eastern Europe, with the aim of further expanding the Group’s leading position in the insurance market in the CEE region.

The combination of these strategies has paid off even in difficult times, with VIG Insurance Group managing to increase its premium volume to around EUR 10.4 billion and improve its combined ratio to 95.0 % in spite of the COVID-19 pandemic.

STRONG CAPITAL RESOURCES

Another important asset of VIG Insurance Group is its strong capital base, which helps drive sustainable profitable growth. The VIG Insurance Group solvency ratio of 238 % and VIG Holding solvency rate of 397 % at the end of 2020 show that their solvency is stable in turbulent times. This large capital buffer can be used to invest in the organic growth of VIG Insurance Group and to acquire other companies.

In addition, VIG Holding once again received an A+ rating with stable outlook from the internationally recognised rating agency Standard & Poor’s (S&P) and continues to be the best-rated company in the Austrian ATX equities index.

S&P based its decision on the Group’s leading market position in the CEE region, its multi-brand strategy, established distribution network and broad geographical and product-related diversification. As in the previous year, the rating agency also feels that VIG Holding has a very strong financial risk profile and the Group has excellent capital resources.

Management report 2020

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 2020 (and in the same period in 2019):

			2020			2019
	Direct business	Indirect business	Total	Direct business	Indirect business	Total
in EUR '000						
Premiums written	132,753	1,012,385	1,145,138	98,276	1,001,750	1,100,026
Net earned premiums	129,610	999,029	1,128,639	99,738	989,784	1,089,522
Expenses for claims and insurance benefits	111,982	576,530	688,512	86,664	616,490	703,154
Administrative expenses	13,983	398,674	412,657	11,196	345,389	356,585
Reinsurance balance	-282	-10.752	-11.034	978	-16.710	-15.732

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 1,145.14 million in 2020, representing a year-on-year increase of 4.1 %. Direct premiums written (corporate business) increased 35.08 % year-on-year to EUR 132.75 million. Premium income from indirect business (assumed reinsurance) was EUR 1,012.39 million, 1.1 % higher than the previous year.

VIG Holding retained EUR 1,073.20 million (2019: EUR 1,042.81 million) of the premiums written. EUR 71.94 million was ceded to reinsurers in 2020 (2019: EUR 57.21 million). Gross earned premiums were EUR 1,128.64 million (2019: EUR 1,089.52 million). Net earned premiums increased EUR 25.33 million to EUR 1,058.58 million.

Expenses for claims and insurance benefits

Gross expenses for claims and insurance benefits were EUR 688.51 million in 2020 (2019: EUR 703.15 million). EUR 111.98 million of this amount was attributable to corporate business (2019: EUR 86.66 million), EUR 25.32 million more than the previous year.

The gross claims ratio for direct business declined from 85.5 % to 85.4 %. Expenses for claims and insurance benefits for assumed reinsurance fell 6.5 % to EUR 576.53 million. The gross claims ratio for indirect business was 57.7 % (2019: 62.3 %). After deducting reinsurance of 55.87 million (2019: EUR 38.78 million), expenses for claims and insurance benefits were EUR 632.65 million (2019: EUR 664.37 million).

Administrative expenses

Administrative expenses were EUR 412.66 million in 2020, or 15.7 % higher than the previous year (2019: EUR 356.59 million). This change was primarily due to an increase in commissions for indirect business. EUR 13.98 million of the administrative expenses were for the corporate business and EUR 398.67 million for the reinsurance business. After reinsurance commissions for ceded reinsurance business, EUR 409.50 million in administrative expenses remained for VIG Holding. This was an increase of EUR 54.67 million compared to the previous year.

Combined ratio

VIG Holding's combined ratio was 98.5 % in 2020 (2019: 98.8 %), and 96.3 % for direct business (corporate business) (2019: 97.0 %). 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 22.68 million (2019: EUR 186.20 million). Impairment of shares in affiliated companies was EUR 173.67 million (2019: EUR 145.47 million). The decrease was partly due to lower accounting profits compared to the previous year from the disposal in the area of participations.

	2020	2019
in EUR '000		
Land and buildings	11,102	8,483
Investments in affiliated companies and participations	194,888	295,970
Other investments	3,318	26,322
Total income (net)	209,308	330,775
Other investment and interest income	11,673	18,442
Expenses for asset management	-90.146	-92.057
Interest expenses	-72.488	-70.061
Other investment expenses	-35.668	-899
Investment profit according to income statement	22,679	186,200

Result from ordinary activities

VIG Holding earned a result from ordinary activities of EUR 61.38 million in 2020 (2019: EUR 202.52 million). This decrease was mainly due to the smaller financial result.

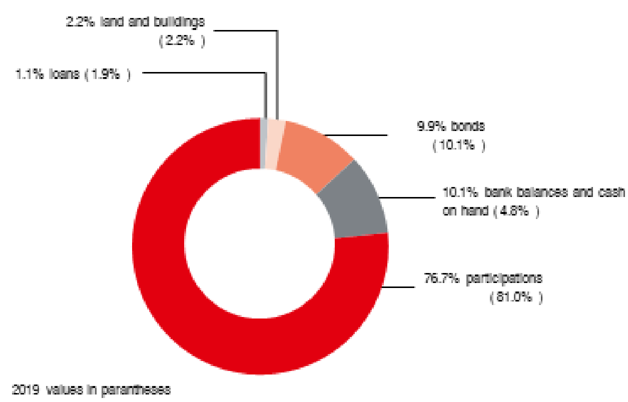
Investments

Investments, including liquid assets, were EUR 5,675.59 million as of 31 December 2020 (2019: EUR 5,364.37 million).

Deposits were EUR 1,025.96 million in 2020 (2019: EUR 1,114.3 million). 76.7 % (2019: 81.0 %) of the investments at the end of 2020 were participations, 9.9 % (2019: 10.1 %) were bonds (including pension funds), 1.1 % (2019: 1.9 %) were loans, 2.2 % (2019: 2.2 %) were land and buildings, and 10.1 % (2019: 4.8 %) were bank balances and cash on hand.

Detailed information is provided on pages 24 and 25 of the annual financial statements.

BREAKDOWN OF INVESTMENTS IN 2020



VIG Holding acquires Aegon N.V. companies

On 29 November 2020, VIG Holding signed a purchase agreement with the Dutch company Aegon N.V. to acquire its companies in Hungary, Poland, Romania and Turkey. In addition to the insurance companies, which generated a premium volume of around EUR 600 million in 2019, the acquisition also includes pension funds with around EUR 5 billion in assets under management and asset management and service companies. The acquisition expands VIG Insurance Group's market position in the CEE region and adds 4.5 million customers to its customer base. The companies being acquired have around 1,650 employees and generated around EUR 50 million in net profits in 2019. The purchase price is EUR 830 million. The transaction is subject to the approvals required under supervisory and competition law. The acquisition of the Aegon N.V. companies is expected to be formally concluded in the 2nd half of 2021. Due to the lack of closing for the purchase transaction and lack of control over the companies, they had not yet been added to the scope of consolidation as of the balance sheet date.

Underwriting provisions

Underwriting provisions were EUR 1308.74 million as of 31 December 2020 (2019: EUR 1,244.14 million). This corresponds to a year-on-year increase of 5.2 %, which was primarily due to provisions for outstanding claims arising from direct business. The reinsurers' share was EUR 124.02 million (2019: EUR 80.36 million).

Solvency ratio

VIG Holding's solvency ratio of 397 % 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 2020 reporting year, VIG Holding is publishing its fourth sustainability report that addresses the corporate social responsibility (CSR) strategy for the Group. This strategy and much more information on CSR in the Group 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. The COVID-19 pandemic, however, also changed a few things for Social Active Day in 2020. Popular activities, such as visiting retirement homes, were not possible due to measures taken against the pandemic. VIG companies tried to continue the initiative, however, in spite of the difficult conditions. In Austria, for example, employees could divide the time available for the Social Active Day into multiple periods. That allowed employees to provide shorter forms of assistance, such as shopping for vulnerable individuals. 72 VIG Holdings employees took part in this Group-wide initiative in 2020.

Cultural involvement – Example: Gustav Mahler Youth Orchestra

VIG Holding 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 European orchestra musicians play music together. It stands for music without borders, for 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 orchestra was seriously affected by the COVID-19 pandemic in 2020, and a number of projects had to be cancelled. But at least some of the musicians who passed the auditions for 2020 were able to perform. A CD is even going to be produced for the special project that took place in the summer of 2020 in spite of the COVID-19 pandemic. VIG Holding has been a main sponsor of the Gustav Mahler Youth Orchestra for many years and continued its support in the 2020 reporting period.

VIG Holding promotes peace – Example: Children's Peace Image of the Year

The Global Peace Photo Award (formerly the Alfred Fried Photography Award) was launched in 2013 to honour photographers from around the world each year for photographs showing the many aspects and interpretations of peace and beauty on our earth. There is a separate international photo competition for young participants up to 14 years of age, the "Children's Peace Image of the Year". The young participants are given the opportunity to give free rein to their creativity and use their photographs to express what peace looks like to them. In previous years, the competition was combined with the VIG Kids Camp, which could not be offered in 2020 due to the COVID-19 pandemic. The children of employees of VIG insurance companies were nevertheless once again informed that the Children's Peace Image of the Year competition was taking place and were encouraged to participate. The photo competition offers a prize of EUR 1,000 and continued to receive support from VIG Holding in 2020.

Employees

VIG Holding offers many 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 option offered to employees as an alternative to management careers.

In addition, a new diversity concept was developed in 2017 that focuses on the criteria of gender, internationality and generations. More information on this concept is available in the Corporate Governance Report. Flexible working hours, a company cafeteria, company kindergarten and internal company sports and health programmes and other medical services increase the attractiveness of the work environment. 2020 was particularly challenging due to the COVID-19 pandemic and also led to some changes for employees.

Since March 2020, the motto has been "home office before office" and many employees have been working primarily from home since then. This allowed us to minimise the risk of infection. The transition to home offices represented a major change in the way we work. Human Resources quickly developed measures to help employees better cope with this new work situation. A variety of online seminars provided opportunities for employees to think about the new form of working and discuss it with their fellow employees. They could learn technical information about communication tools and gain know-how with respect to decentralised collaboration, teamwork and the work/life balance.

VIG Holding's presence at career events (which predominantly took place virtually during the reporting period), Internet career webpages and its candidate management service once again received an award in the BEST RECRUITERS study for 2020. For the fourth time in a row, VIG Holding was named "Best Recruiter" for the insurance companies in 2020/21 and received an overall 10th place among the 500 companies studied in Austria. In addition, "Forbes" magazine ranked VIG Insurance Group as one of the World's 750 Best Employers. It is also the only Austrian financial services provider in the list. The ranking included companies in a total of 58 countries. The Group was included in the list of "Financial Times Diversity Leaders 2021", which is reserved for companies with outstanding achievements in the area of diversity and inclusion in the workplace.

In 2020, VIG Holding also received first place in Austria in the 2019 Gender Diversity Index ranking by the Boston Consulting Group.

The current human resources strategy has three main objectives: VIG Insurance Group 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 296 employees, including Managing Board members, in 2020.

Research and development

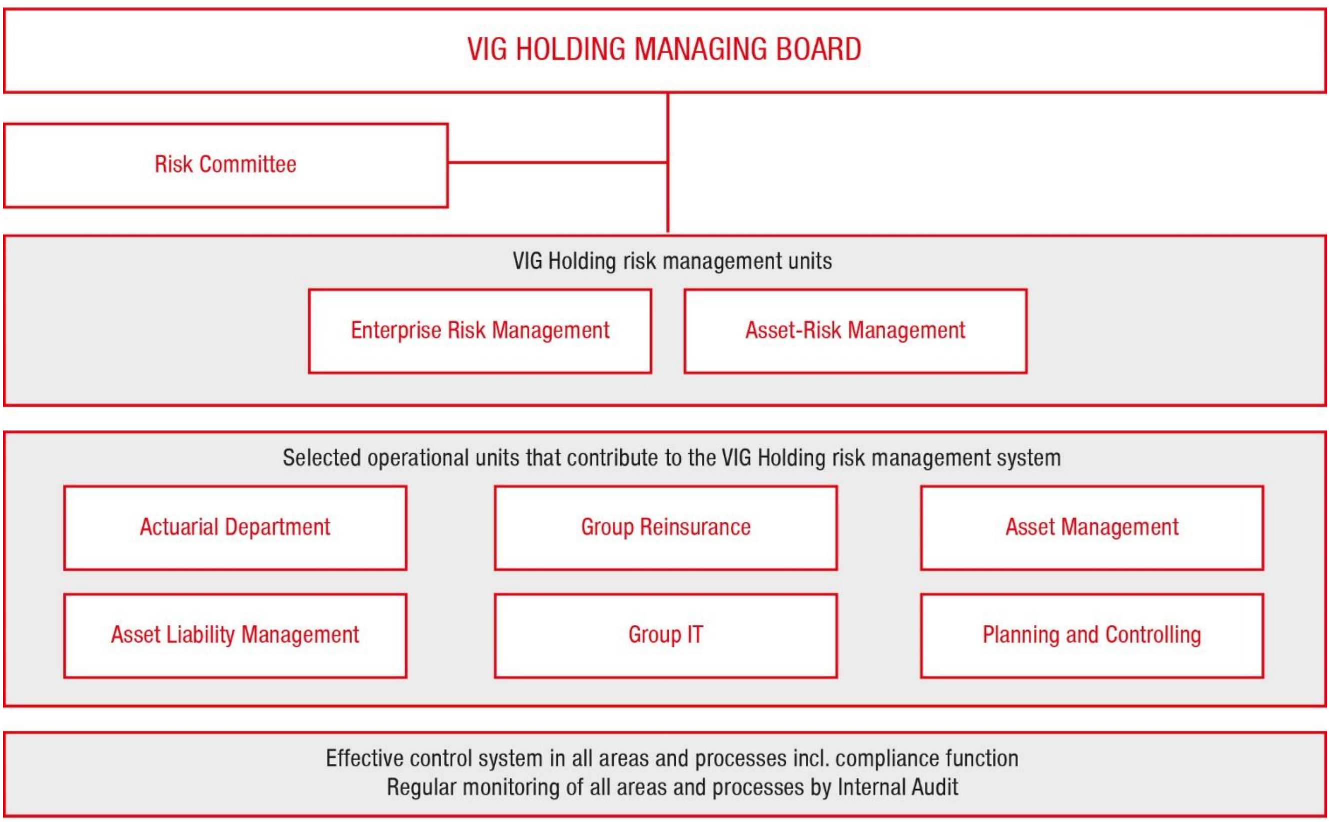
Although VIG companies do not perform any research activities as defined in § 243 (3) (2) UGB, they contribute their expertise to the development of insurance-specific software models. VIG Holding and – for projects – the VIG companies also cooperate with Digital Impact Labs Leipzig, Plug & Play and an (investment and corporate building) start-up initiative that is located in Germany and jointly funded with other insurance companies in order to identify technological developments in the market more quickly and internalise them if necessary. viesure was also established for this purpose as an internal "innovation hub" focusing mainly on Austria.

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 therefore 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.

The risk management system is well integrated into VIG Holding's organisational structure. The following chart shows the units that play an important role in the risk management system.



The Managing Board as a whole is responsible for the risk management system, in particular for the following areas:

- Set up and promote the risk management system
- 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

Both the Enterprise Risk Management and Asset Risk Management units have reported directly to Managing Board member Liane Hirner since the beginning of 2020.

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 and the Managing Board. The Risk Committee meetings take place at least quarterly and are chaired by Managing Board member responsible for this area. The Risk Committee reports to the Managing Board after its meetings.

ENTERPRISE RISK MANAGEMENT

The department has reported to Managing Board member Liane Hirner since the beginning of 2020. The head of the department performs the risk management function required under Solvency II at the Group and solo level.

The main responsibilities of the 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 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

The department has reported to 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 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 department has reported to Managing Board member Gerhard Lahner since the beginning of 2020. One of the main responsibilities of the department is to define a strategic orientation for the investments of each insurance company and for 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 department has reported to Managing Board member Gábor 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.

GROUP REINSURANCE

The department reports to Managing Board member Peter Höfinger. The department coordinates and assists all companies in 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 VIG Insurance Group against the negative effects of catastrophes, individual large losses and negative changes in entire insurance portfolios.

PLANNING AND CONTROLLING

The department is an important part of the integrated risk management approach. It was the responsibility of Managing Board Chairwoman Elisabeth Stadler up to the end of the financial year and has been the responsibility of Managing Board member Hartwig Löger since the beginning of 2021. 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 Vienna Insurance Group level) and cost reports are prepared.

GROUP IT

The department has reported to 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 companies in 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.

ASSET LIABILITY MANAGEMENT

The department reports to Gerhard Lahner and was established during the financial year just ended. The observation, measurement and optimisation of future cash flows on the asset and liabilities sides are the main responsibilities of the Asset Liability Management unit. It is also responsible for the exchange of knowledge and improvements in the Group in this area.

CORPORATE AND LARGE CUSTOMER BUSINESS

The 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.

INTERNAL AUDIT

The 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.

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 policy holders 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 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.

Risks related to the coronavirus pandemic
A further lengthening or worsening of the coronavirus pandemic, and the effects this could have on capital markets and the insurance business, could have a negative effect on the net assets, financial position and results of operations of VIG Insurance Group.

These include, in particular, risks related to possible fluctuations in bond and capital markets that were also observed in the early phase of the coronavirus pandemic. If the coronavirus pandemic continues or worsens again, there are also risks on a smaller scale of an increase in claims and reduction of premium volume.

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 31.

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 2020 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

Economic outlook
Subject to considerable uncertainty, and taking into account the extension of containment measures in the 1st quarter of 2021, on the one hand, and the hoped-for effects of the vaccination campaign on the other, the IMF expects a global recovery of 5.5 % in 2021, with the developed economies expected to grow 4.3 % and the emerging markets by 6.3 %. With respect to the eurozone, Erste Group expects growth of 4.0 % in 2021. In Austria, Erste Group analysts see another recession in the 1st quarter of 2021. A recovery is not expected to start until the 2nd quarter of 2021. Based on these forecasts, Erste Group reduced its GDP forecast for 2021 slightly downwards from 3.4 % to 3.0 %. It expects GDP growth to increase to 3.4 % in 2022. In spite of the gradual opening of the economy, unemployment is expected to rise (5.6 %), partly due the phase-out of short-time work schemes.

Central and Eastern Europe is expected to record average regional growth of 3.6 % in 2021, naturally including support from base effects. In spite of this recovery, wealth losses due to the COVID-19 pandemic are not expected to be recovered until 2022 at best. The Erste Group scenario forecasts GDP growth rates ranging from 6.0 % in Slovakia to 2.7 % in Romania. Inflationary trends should continue to weaken in the region and remain comfortably within central bank tolerance intervals in all markets. Central and Eastern Europe is expected to record overall inflation of 2.3 %, with the lowest rate in Croatia (0.8 %), while Hungary is expected to be at the upper end with 3.3 %. The increase in the unemployment rate expected for Central and Eastern Europe in 2021 (6.1 %) should contribute to the moderate inflationary pressure before the employment situation improves in 2022.

Outlook for VIG Insurance Group

As a market leader in Central and Eastern Europe, 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 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. In November 2020, VIG Insurance Group signed a purchase agreement with the Dutch company Aegon N.V. to acquire its companies in Hungary, Poland, Romania and Turkey for EUR 830 million. The transaction includes insurance companies, pension funds and asset management and service companies. The acquisition will give VIG Insurance Group a market share of more than 19 %, making it the market leader in Hungary for the first time. It will also enter the life insurance business in Turkey, and acquisition of the pension fund companies in Hungary, Poland and Romania will strengthen its activities in the area of retirement provisions. The acquisition will increase our customer base by 4.5 million. The transaction is subject to the approvals required under supervisory and competition law and is expected to be formally concluded in the 2nd half of 2021.

The strategic measures and initiatives set by the Agenda 2020 work programme – business model optimisation, ensuring future viability and organisation and cooperation – contributed to the solid performance achieved in 2020. The next strategic programme for the period until 2025 is currently being prepared and will continue to focus on efficiency and potential synergies. It will be presented in the 2nd quarter of 2021.

Based on the current interest rate situation and long-term capital planning of the Group, the Managing Board initiated measures to optimise the capital of the Group, focusing on increasing investments in socially and environmentally sustainable projects. Depending on market conditions, a senior sustainability bond will be issued in the 1st half of the year with a volume EUR 500 million. A subordinated bond with a volume of EUR 300 million was also placed as a restricted tier 1 instrument with the principal shareholder of Vienna Insurance Group, Wiener Städtische Versicherungsverein.

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 fact that there is still no foreseeable end to the COVID-19 pandemic, estimates of business development for financial year 2021 are still highly uncertain. Although VIG Insurance Group has so far managed very well during this exceptional period and is in a position to continue managing its operations well, negative effects due to economic developments have to be expected based on the current situation. Taking this and current parameters into account, VIG Insurance Group expects premium volume to remain stable at the level of 2020 and profit before taxes to be in the range of EUR 450 to 500 million. As the closing has not yet taken place, the Aegon companies are not included in the outlook for 2021. The combined ratio is expected to remain at a sustainable level of around 95 %. In accordance with its dividend policy, the Managing Board of Vienna Insurance Group will propose a dividend of EUR 0.75 for financial year 2020. This corresponds to a dividend payout ratio of 41.5 %.

Outlook for VIG Holding
VIG Holding has set a goal for financial year 2021 of increasing its premium volume from international reinsurance and cross-border corporate business. VIG Holding will also work with the insurance companies to further focus the strategic priorities and optimise processes and earning power.

Appropriate measures will be implemented and coordinated to achieve these goals.

In addition, the Group's attractiveness as an employer with an international background will be increased and sustainable business operations for people and the environment will be further expanded.

Vienna, 17 March 2021

The Managing Board:

Pr Elisabeth Stadler
General Manager, Chairwoman 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

Hartwig Löger
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 2020

Assets	31.12.2020	31.12.2019
	in EUR	in EUR '000
A. Intangible assets	16,058,938.05	17,439
I. Other intangible assets	16,058,938.05	17,439
B. Investments	6,136,576,683.64	6,275,709
I. Land and buildings	125,069,948.90	117,122
II. Investments in affiliated companies and participations	4,763,484,192.75	4,795,028
1. Shares in affiliated companies	4,328,867,121.56	4,318,956
2. Bonds and other securities of affiliated companies and loans to affiliated companies	409,700,000.00	451,856
3. Participations	24,417,071.19	24,216
4. Bonds and other securities of and loans to companies in which an ownership interest is held	500,000.00	0
III. Other investments	222,066,186.15	249,233
1. Shares and other non-fixed-interest securities	128,085,163.70	120,378
2. Bonds and other fixed-interest securities	80,890,936.00	70,700
3. Mortgage receivables	2,178,000.01	2,252
4. Other loans	912,086.44	903
5. Bank deposits	10,000,000.00	55,000
IV. Deposits on assumed reinsurance business	1,025,956,355.84	1,114,326
C. Receivables	214,795,081.02	196,987
I. Receivables from direct insurance business	19,596,788.50	7,742
1. from policyholders	6,998,356.53	2,927
2. from insurance intermediaries	82,158.93	82
3. from insurance companies	12,516,273.04	4,733
II. Receivables from reinsurance business	39,757,559.21	55,958
III. Other receivables	155,440,733.31	133,287
D. Pro rata interest	7,400,821.44	7,213
E. Other assets	566,868,214.83	204,341
I. Tangible assets (not incl. land and buildings)	1,898,428.14	1,351
II. Current bank balances and cash on hand	564,969,786.69	202,989
III. Other assets	0.00	1
F. Deferred charges	5,618,198.00	1,239
Total ASSETS	6,947,317,936.98	6,702,928

BALANCE SHEET AS OF 31 DECEMBER 2020

Liabilities and shareholders' equity	31.12.2020	31.12.2019
	in EUR	in EUR '000
A. Shareholders' equity	3,440,911,068.45	3,502,631
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	756,716
IV. Risk reserve	44,845,010.00	44,845
V. Net retained profits	239,230,814.01	300,951
of which brought forward	153,750,530.64	105,117
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	1,308,738,101.53	1,244,140
I. Unearned premiums	114,010,884.07	100,447
1. Gross	118,049,618.59	102,607
2. Reinsurers' share	-4,038,734.52	-2.160
II. Provision for outstanding claims	1,177,741,466.46	1,129,041
1. Gross	1,297,726,300.63	1,207,240
2. Reinsurers' share	-119,984,834.17	-78.199
VI. Equalisation provision	14,753,751.00	12,745
III. Other underwriting provisions	2,232,000.00	1,907
1. Gross	2,232,000.00	1,907
D. Non-underwriting provisions	167,630,434.60	183,909
I. Provision for severance pay	845,502.00	667
II. Provision for pensions	56,554,922.00	52,130
III. Tax provisions	3,500,357.14	3,500
IV. Other provisions	106,729,653.46	127,612
E. Other liabilities	928,233,548.71	671,545
I. Liabilities from direct insurance business	112,485,230.89	54,111
1. to policyholders	31,894,725.45	22,389
2. to insurance intermediaries	777,008.52	495
3. to insurance companies	79,813,496.92	31,227
II. Liabilities from reinsurance business	18,387,948.88	6,709
III. Liabilities to financial institutions	192,751,122.65	75,101
IV. Other liabilities	604,609,246.29	535,624
F. Deferred charges	1,804,783.69	703
Total LIABILITIES AND SHAREHOLDERS' EQUITY	6,947,317,936.98	6,702,928

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

Underwriting account	2020	2019
	in EUR	in EUR '000
1. Net earned premiums	**1,058,581,502.49**	1,033,253
Premiums written	1,073,201,430.21	1,042,813
Gross	1,145,138,175.96	1,100,026
Ceded reinsurance premiums	-71,936,745.75	-57.213
Change in unearned premiums	-14,619,927.72	-9.560
Gross	-16,498,608.46	-10.505
Reinsurers' share	1,878,680.74	945
2. Investment income from underwriting business	**11,364,339.98**	18,047
3. Other underwriting income	**453,568.47**	66
4. Expenses for claims and insurance benefits	**-632,645,934.97**	-664.372
Payments for claims and insurance benefits	-561,102,495.02	-646.150
Gross	-573,924,698.61	-686.058
Reinsurers' share	12,822,203.59	39,908
Change in provision for outstanding claims	-71,543,439.95	-18.222
Gross	-114,586,831.26	-17.096
Reinsurers' share	43,043,391.31	-1.126
5. Increase in underwriting provisions	**-325,125.00**	-432
Other underwriting provisions	-325,125.00	-432
Gross	-325,125.00	-432
6. Administrative expenses	**-409,499,172.27**	-354.831
Acquisition expenses	-410,403,963.09	-355.333
Other administrative expenses	-2,253,630.34	-1.252
Reinsurance commissions and profit commissions from reinsurance cessions	3,158,421.16	1,754
7. Other underwriting expenses	**-866,937.32**	-851
8. Change in the equalisation provision	**-2,008,257.00**	3,151
Underwriting result	25,053,984.38	34,031

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

	2020	2019
	in EUR	in EUR '000
Underwriting result	25,053,984.38	34,031
Non-underwriting account:		
1. Income from investments and interest income	432,011,642.11	501,586
Income from participations	315,881,564.06	304,085
Income from land and buildings	13,415,052.06	12,575
Income from other investments	26,434,024.64	27,024
Income from appreciations	53,297,627.49	72,408
Income from the disposal of investments	11,310,126.78	67,052
Other investment and interest income	11,673,247.08	18,442
2. Expenses for investments and interest expenses	-409,333,368.08	-315.386
Expenses for asset management	-90,146,195.10	-92.057
Depreciation of investments	-208,435,395.85	-149.560
Interest expenses	-72,487,824.65	-70.061
Losses from the disposal of investments	-2,595,580.64	-2.809
Other investment expenses	-35,668,371.84	-899
3. Investment income transferred to the underwriting account	-11,364,339.98	-18.047
4. Other non-underwriting income	30,571,470.73	6,269
5. Other non-underwriting expenses	-5,555,008.00	-5.936
6. Result from ordinary activities	61,384,381.16	202,517
8. Taxes on income	24,095,902.21	20,317
8. Profit for the period	85,480,283.37	222,834
9. Transfer to reserves	0.00	-27.000
Transfer to free reserves	0.00	-27.000
10. Profit for the year	85,480,283.37	195,834
11. Retained profits brought forward	153,750,530.64	105,117
Net retained profits	239,230,814.01	300,951

NOTES TO THE FINANCIAL STATEMENTS FOR 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements as of 31 December 2020 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 2020.

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). Calculation differences may arise when rounded amounts are summed automatically. Figures from the previous year are indicated as such or shown in parentheses.

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 24 (EUR 0) 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 19/05/2021 existed as of the 31 December 2020 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 1,069,000 (EUR 613,000) was formed for the five forward exchange transactions whose market values were negative as of the reporting date.

The remaining four forward exchange transactions had a positive market value of EUR 515,000 on the reporting date (EUR 26,000).

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 1,524,000 (EUR 969,000).

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 783,000 (EUR 9,322,000) were included.

In **indirect business**, provisions for outstanding claims are primarily based on reports from ceding companies as of the 31 December 2020 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 calculation has been performed for direct and indirect business combined since financial year 2016.

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 0.97 % (1.28 %) p.a. for the severance provision, 1.68 % (2.06 %) for the pension provision and 1.21 % (1.51 %) 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 3,108,000 (EUR 3,211,000) in provisions have been formed for direct pension obligations. A portion of the direct benefits equal to EUR 252,000 (EUR 250,000) 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 2020 was EUR 2,520,000 (EUR 2,432,000).

The amount earmarked for satisfying the outsourced severance pay obligations that was held by the outside insurance company was EUR 1,675,000 (EUR 1,765,000).

The difference of EUR 846,000 (EUR 667,000) 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	Bonds and other securities of and loans to companies in which an ownership interest is held
As of 31 December 2019	17,438	117,122	4,318,955	451,856	24,216	0
Additions	2,738	12,562	205,224	0	2,292	500
Disposals	0	392	74,318	12,530	2,091	0
Appreciation	0	0	52,679	374	0	0
Depreciation	4,117	4,222	173,673	30,000	0	0
As of 31 December 2020	16,059	125,070	4,328,867	409,700	24,417	500

Intangible assets with a value of EUR 827,000 (EUR 20,000) were acquired from affiliated companies during the financial year. The value of developed and undeveloped properties was EUR 30,134,000 (EUR 29,895,000) as of 31 December 2020. The **carrying amount of self-used property** was EUR 22,501,000 (EUR 19,677,000). The following company was merged in financial year 2020: SEESAM INSURANCE AS into Compensa Vienna Insurance Group, akcine draudimo bendrove. The book values of the absorbed company were transferred to the book values of the absorbing company.

The investments have the following carrying amounts and fair values:

Items under § 144 Abs. 2 VAG	Book Value	Fair value	Book Value	Fair value
	2020	2020	2019	2019
in EUR '000				
Land and buildings	125,070	561,474	117,122	543,850
thereof appraisal reports 2016	1,880	2,890	1,888	2,890
thereof appraisal reports 2017	301	2,420	49,750	116,970
thereof appraisal reports 2018	15,511	147,350	13,886	147,350
thereof appraisal reports 2019	40,149	219,200	51,598	276,640
thereof appraisal reports 2020	67,229	189,614	0	0
Shares in affiliated companies	4,328,867	8,448,271	4,318,955	9,055,970
Bonds and other securities of affiliated companies and loans to affiliated companies	409,700	514,241	451,856	565,040
Participations	24,417	28,297	24,216	27,340
Bonds and other securities of and loans to companies in which an ownership interest is held	500	553	0	0
Shares and other non-fixed-interest securities	128,086	136,274	120,378	127,586
Bonds and other fixed-interest securities	80,891	92,340	70,700	80,025
Mortgage receivables	2,178	2,396	2,252	2,445
Other loans	912	1,371	903	1,142
Bank balances	10,000	10,000	55,000	55,000
Deposits receivables	1,025,956	1,025,956	1,114,326	1,114,326
Total	6,136,577	10,821,173	6,275,708	11,572,724

Hidden reserves fell by EUR 612,420,000 to a total of EUR 4,684,596,000 (EUR 5,297,016,000).

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 912,000 (EUR 898,000) to the Republic of Austria and loans of EUR 0 (EUR 5,000) 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	2020	2019
in EUR '000		
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	
	2020	2019	2020	2019
in EUR '000				
Mortgage receivables	2,178	2,252	0	0
Deposits receivables	1,025,956	1,114,326	0	0
Receivables from direct insurance business	224	2,820	0	0
Receivables from reinsurance business	15,724	33,664	0	0
Other receivables	143,895	118,958	8	0
Liabilities from direct insurance business	2,348	1,443	0	0
Liabilities from reinsurance business	14,296	2,141	0	0
Other liabilities	532,646	498,310	0	0

The change in the **personnel provision** was recognised in personnel expenses. The interest expenses for personnel provisions of EUR 4,917,000 (EUR 4,663,000) are reported under investment and interest expenses.

The **other provisions** of EUR 106,730,000 (EUR 127,612,000) mainly consist of IT provisions of EUR 79,655,000 (EUR 93,792,000), provisions for unused vacation time of EUR 2,516,000 (EUR 1,861,000), provisions for variable salary components of EUR 8,550,000 (EUR 7,579,000), provisions for customer support and marketing of EUR 489,000 (EUR 874,000) and provisions for anniversary bonuses of EUR 1,088,000 (EUR 929,000).

The amount shown under **other liabilities** includes EUR 7,000 (EUR 5,000) in tax liabilities and EUR 552,000 (EUR 485,000) in social security liabilities.

The following disclosures are provided for **off-balance sheet contingent liabilities**: Letters of comfort totalling EUR 75,000,000 (EUR 0) and liability undertakings of 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 Versicherung AG Vienna Insurance Group 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 2,186,000 (EUR 2,057,000) for the following financial year and EUR 11,608,000 (EUR 10,919,000) 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 2020:

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	110,568	108,528	99,916	11,294	8,208
Liability insurance	3,449	3,181	715	665	-1.515
Marine, aviation and transport insurance	1,954	1,615	1,125	312	-413
Other non-life insurance	16,782	16,286	10,226	1,712	-6.562
Total direct business	132,753	129,610	111,982	13,983	-282
(Previous year values)	98,276	99,738	86,664	11,196	978
Indirect business					
Marine, aviation and transport insurance	0	0	8	-1	7
Other insurance	1,012,385	999,029	576,522	398,675	-10.759
Total indirect business	1,012,385	999,029	576,530	398,674	-10.752
(Previous year values)	1,001,750	989,784	616,490	345,389	-16.710
Total direct and indirect business	1,145,138	1,128,639	688,512	412,657	-11.034
(Previous year values)	1,100,026	1,089,522	703,154	356,585	-15.732

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 15,912,000 (EUR 13,751,000) for financial year 2020.

The result from **indirect business** was EUR 35,190,000 (EUR 45,951,000). The net earned premiums of EUR 999,029,000 (EUR 989,784,000) 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:

	2020	2019
in EUR '000		
Income from participations	313,837	302,402
Income from other investments	22,324	23,525
Income from land and buildings	672	929

The funds in the portfolio distributed EUR 2,029,000 (EUR 1,754,000) during the financial year.

The deposit interest income for indirect business was transferred to the underwriting account.

Losses on disposals of investments were EUR 2,596,000 (EUR 2,809,000) in financial year 2020.

The expenses for insurance claims and benefits, administrative expenses, other underwriting expenses and investment expenses include:

in EUR '000	2020	2019
Wages and salaries	30,807	25,876
Expenses for severance benefits and payments to company pension plans	664	368
Expenses for retirement provisions	1,814	2,864
Expenses for statutory social contributions and income-related contribution and mandatory contributions	6,020	4,935
Other social security expenses	126	245

Commissions of EUR 9,678,000 (EUR 8,334,000) were incurred for direct business in financial year 2020.

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 0) 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	31.12.2020	31.12.2019
Shares in affiliated companies	33,257	48,119
investments	1,161	-681
Tangible assets (not incl. land and buildings) and inventories	43	20
Valuation reserve	-20.533	-21.100
subordinated liabilities	4,501	4,694
Underwriting provision – retention	78,442	74,497
Long-term personnel provisions	35,323	32,004
other provisions	69,156	79,514
Temporary differences	201,350	217,067
Not subject to tax	-201.350	-217.067
Total differences	0	0
Resulting deferred taxes as at 31 December (22.5 %)	0	0
Deferred taxes changed as follows:		
As of 1 January	0	4,387
Changes recognised in the income statement	0	-4.387
As of 31 December	0	0

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., Bucharest	88.70	85,031	75,422	-2,433	-2,158	2020
ATBIH GmbH, Vienna	68.97	182,488	125,862	21,001	14,484	2020
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	93.98	47,537	44,675	6,198	5,825	2020
BTA Baltic Insurance Company AAS, Riga	100.00	71,897	71,897	12,603	12,603	2020
Beesafe Spolka z Ogranziczona Odpowiedzialnoscia, Warsaw *	80.00					
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chisinau	99.99	4,837	4,837	465	465	2020
Compensa Life Vienna Insurance Group SE, Tallinn	100.00	51,483	51,483	3,385	3,385	2020
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	84.14	72,226	60,771	4,277	3,599	2020
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	70.67	140,163	99,053	25,048	17,701	2020
Compensa Vienna Insurance Group, akcine draudimo bendrove, Vilnius	100.00	88,220	88,220	2,077	2,077	2020
DONAU Versicherung AG Vienna Insurance Group, Vienna	74.24	104,360	77,477	8,406	6,241	2020
ELVP Beteiligungen GmbH, Vienna	100.00	23,322	23,322	4	4	2020
Foreign limited liability company "InterInvestUchastie", Minsk	99.95	206	206	-4	-4	2019
GLOBAL ASSISTANCE SERVICES SRL, Bucharest	40.00	1	0	-75	-30	2019
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	100.00	229	229	26	26	2019
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	40.00	41	17	17	7	2019
GLOBAL ASSISTANCE, a.s., Prague	60.00	4,931	2,959	2,132	1,279	2019
Global Assistance Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	40.00	136	54	-198	-79	2019
INSHIFT GmbH & Co. KG, Cologne *	23.53					
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	14.20	59,540	8,455	7,767	1,103	2020
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	89.98	6,085	5,475	723	651	2020
Insurance Company Vienna osiguranje d.d., Vienna Insurance Group, Sarajewo	100.00	9,921	9,921	148	148	2020
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group, Skopje	94.26	25,925	24,437	885	834	2020
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	100.00	112,131	112,131	15,151	15,151	2020
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	53,770	53,770	14,500	14,500	2020
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	100.00	3,919	3,919	137	137	2019
KOMUNALNA poistovna, a.s. Vienna Insurance Group, Bratislava	100.00	76,662	76,662	2,251	2,251	2020
KOOPERATIVA poist'ovna, a.s. Vienna Insurance Group, Bratislava	94.37	408,100	385,124	38,546	36,376	2020
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	52.34	8,162	4,272	1,668	873	2019

* wurde im Geschäftsjahr 2020 neu gegründet

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						
Kooperativa, pojist'ovna, a.s. Vienna Insurance Group, Prague	95.84	754,598	723,207	121,284	116,239	2020
LVP Holding GmbH, Vienna	100.00	591,192	591,192	-22,836	-22,836	2020
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	99.54	149,566	148,878	6,886	6,854	2020
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	6.90	17,594	1,214	2,123	146	2020
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	90.56	8,481	7,680	2,735	2,477	2020
Private Joint-Stock Company "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev	97.94	2,743	2,686	440	431	2020
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	41.00	678	278	381	156	2019
Ray Sigorta Anonim Sirketi, Istanbul	12.67	37,079	4,698	7,315	927	2020
SIA "Global Assistance Baltic", Riga	33.33	300	100	0	0	2020
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A., Tirana	89.05	14,918	13,284	1,561	1,390	2020
TBI BULGARIA EAD in Liquidation, Sofia	100.00	40,437	40,437	-64	-64	2020
UNION Vienna Insurance Group Biztosító Zrt., Budapest	98.64	50,254	49,571	7,216	7,118	2020
VIG Asset Management, a.s., Prague	100.00	597	597	94	94	2019
VIG Management Service SRL, Bucharest	52.08	8,087	4,212	137	71	2019
VIG Properties Bulgaria AD, Sofia	99.97	3,746	3,745	15	15	2020
VIG RE zajist'ovna, a.s., Prague	55.00	180,831	99,457	16,770	9,224	2020
VIG Services Ukraine, LLC, Kiev	6.98	1,461	102	-62	-4	2020
VIG-CZ Real Estate GmbH, Vienna	90.00	140,059	126,053	33	30	2020
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	51.43	18,639	9,586	48	25	2019
Vienna International Underwriters GmbH, Vienna	100.00	360	360	50	50	2019
Vienna Life Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group, Warsaw	100.00	4,167	4,167	-12,619	-12,619	2020
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	100.00	9,163	9,163	487	487	2020
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje Beograd, Belgrad	100.00	62,421	62,421	10,261	10,261	2020
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	90.82	545,874	495,763	86,582	78,634	2020
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	100.00	7,138	7,138	555	555	2020
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	100.00	9,088	9,088	115	115	2020
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	100.00	5,659	5,659	432	432	2019
Wiener Towarzystwo Ubezpiezen Spolka Akcyjna Vienna Insurance Group, Warsaw	100.00	44,171	44,171	8,609	8,609	2020
Wiener osiguranje Vienna Insurance Group dionicko drustvo za osiguranje, Zagreb	97.82	107,483	105,140	5,309	5,193	2020
twinformatics GmbH, Vienna	20.00	2,546	509	589	118	2020
Participations						
Wiener Börse AG, Vienna	8.50	30,669	2,607	18,801	1,598	2019
Erste Asset Management GmbH, Vienna	0.76	107,701	819	44,284	337	2019

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, 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.

Wiener Städtische Versicherungsverein holds (directly or indirectly) approximately 72.47 % 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 mandatory 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 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) 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

- 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 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 2020.

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.

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.

D THE SUPERVISORY BOARD HAD THE FOLLOWING MEMBERS IN FINANCIAL YEAR 2020:

Chairman:
Günter Geyer

1st Deputy Chairman:
Rudolf Ertl

2nd Deputy Chairperson:
Maria Kubitschek (until 25 September 2020)
Georg Riedl (since 5 October 2020)

Members:
Martina Dobringer
Gerhard Fabisch
Peter Mihók
Heinz Öhler
Georg Riedl (until 4 October 2020)
Gabriele Semmelrock-Werzer
Katarína Slezáková (since 25 September 2020)
Gertrude Tumpel-Gugerell

THE MANAGING BOARD HAS THE FOLLOWING MEMBERS:

Chairwoman:
Elisabeth Stadler

Members:
Franz Fuchs (until 30 June 2020)
Liane Hirner
Peter Höfinger
Gerhard Lahner
Gábor Lehel
Hartwig Löger (since 1 January 2021)
Harald Riener
Peter Thirring

There was **an average of 296 (274) employees, including Managing Board members.** These employees were employed in the insurance business and resulted in personnel expenses of EUR 39,431,000 (EUR 34,289,000).

There were no loans outstanding to **members of the Managing Board** or members of the Supervisory Board as of 31 December 2020 (EUR 0).

No **guarantees were outstanding for members of the Managing Board** or Supervisory Board as of 31 December 2020.

In 2020, the total expenses for severance pay and pensions of EUR 2,479,000 (EUR 3,233,000) included severance pay and pension expenses of EUR 2,369,000 (EUR 2,315,000) 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 6,279,000 (EUR 5,480,000) from the Company during the reporting period for their services. Managing Board members are provided with a company car for both business and personal use.

The ratio of the fixed and variable income of all VIG Holding employees versus the Managing Board as a whole was 1 to 11.5 in 2020.

Former members of the Managing Board received EUR 1,149,000 (EUR 790,000).

The **members of the Supervisory Board** received EUR 578,000 (EUR 506,000) in compensation for their services to the Company in 2020.

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 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 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 118,520,000 (EUR 93,495,000) is owed by the parent company.

The Company is included in the consolidated financial statements prepared by Wiener Städtische 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

Vienna Insurance Group plans to issue a senior sustainability bond and strengthen its capital structure

Based on the current interest rate situation and long-term capital planning of the Group, the Managing Board has initiated measures to issue a senior sustainability bond, with a focus on increasing investments in socially and environmentally sustainable projects.

Depending on market conditions, the senior sustainability bond will be issued in the 1st half of 2021 with a volume of EUR 500 million. The structuring and issue date have not yet been finalised. The details of the issue and the sustainability bond framework, incl. a second party opinion from an independent rating agency, will be published during the course of the issue.

Given its existing debt capacity and the current favourable environment, a subordinated bond with a volume of EUR 300 million was also placed as a restricted tier 1 instrument with the principal shareholder of Vienna Insurance Group, Wiener Städtische Versicherungsverein.

PROPOSED APPROPRIATION OF PROFITS

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Holding) ended financial year 2020 with net retained profits of EUR 239,230,814.01. The following appropriation of profits will be proposed in the Annual General Meeting:

The 128 million shares shall receive a dividend of EUR 0.75 per share. The payment date for this dividend will be 27 May 2021, the record date 26 May 2021, and the ex-dividend date 25 May 2021.

A total of EUR 96,000,000.00 will therefore be distributed. The net retained profits of EUR 143,230,814.01 remaining for financial year 2020 after distribution of the dividend is to be carried forward.

Vienna, 17 March 2021

The Managing Board:

Elisabeth Stadler
General Manager, Chairwoman 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

Hartwig Löger
Member of the Managing Board

Harald Riener
Member of the Managing Board

Peter Thirring
Member of the Managing Board

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion
We have audited the financial statements of

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, Austria,
which comprise the Balance Sheet as at 31 December 2020, 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 2020 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 up to the date of the auditor’s report is sufficient and appropriate to provide a basis for our audit opinion on this date.

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.

To assess the recoverability or value recovery, the book values are compared with the proportionate equity and fair values of the companies. The determination of the fair values 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 and the effects of the Covid 19 pandemic on the future business development. Other factors are the assumed long-term growth rate as well as the underlying region-specific costs of capital.

Our response

We have carried out the following main audit procedures in connection with the recoverability of investments in affiliated insurance companies:

- We have compared the respective book values with the proportionate equity of the companies.
- We have assessed the appropriateness of key assumptions, of discretionary decisions and of the valuation method applied for investments in affiliated companies.
- We have reconciled the expected future cash flows used in the calculation with the strategic business planning approved by the management.
- Furthermore, we have dealt with the key planning assumptions, in particular the effects of the Covid 19 pandemic on the future business development and 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 cost of capital rate significantly impact the determined fair value, we have, together with our valuation specialists, assessed the determination of the applied cost of capital rate and comprehended the derivation of the underlying parameters.

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.

Responsibilities of Management 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.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 24 May 2019 and were appointed by the supervisory board on 24 June 2019 to audit the financial statements of Company for the financial year ending on that date.

In addition, during the Annual General Meeting on 25 September 2020, we have been elected as auditors for the following financial year and appointed by the supervisory board on 22 October 2020.

We have been auditors of the Company, without interruption, since the consolidated 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 Thomas Smrekar.

Vienna, 17 March 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Thomas Smrekar

Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

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, 17 March 2021

The Managing Board:

Elisabeth Stadler General Manager, Chairwoman 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	**Hartwig Löger** 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, actuarial 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 2020 reporting year. Detailed information on the principles underlying the remuneration system is available in the remuneration policy and 2020 remuneration report. Detailed information for financial year 2020 will be available in the remuneration report, which will be published on the Company website by the legally required deadline. Please refer to the remuneration policy and 2020 remuneration report for this information.

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 2020 consolidated corporate governance report.

One Annual General Meeting and five Supervisory Board meetings distributed across the financial year were held in 2020. Five meetings of the Audit Committee (Accounts Committee) were also held. The meetings of the Supervisory Board and Audit Committee were held without the physical presence of the participants in accordance with § 1 of the Austrian Corporate COVID-19 Act (COVID-19-GesG). The Annual General Meeting was held as a virtual Annual General Meeting on the basis of § 1 (2) COVID-19-GesG and the COVID-19-GesV. 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 2020 that addressed the audit of the 2019 annual financial statements and the 2019 consolidated financial statements as well as formal approval of the 2019 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. Five meetings of the Committee for Managing Board Matters (Personnel Committee) were held in 2020. The Nomination Committee held one meeting in 2020. The Committee for Urgent Matters (Working Committee) held three meetings. The Strategy Committee did not meet in 2020. Strategic matters were handled by the Supervisory Board as a whole.

No agenda items were discussed in Supervisory Board meetings in 2020 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 24 May 2019 selected KPMG to be the financial statements auditor and consolidated financial statements auditor for financial year 2020, and KPMG consequently performed these duties in financial year 2020.

The Audit Committee mainly dealt with the following topics in 2020:

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 reviewed 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 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. Due to the current situation in connection with COVID-19, the Audit Committee also dealt with the report on the ad hoc ORSA 2020 and reported on this to the Supervisory Board in 2020. The Audit Committee reported on these monitoring activities to the Supervisory Board and stated that no deficiencies had been identified. The Supervisory Board was also given the opportunity during Supervisory Board meetings to verify the functional adequacy of the existing control and auditing systems. In addition, the audit plan and the quarterly reports prepared by the internal audit department were debated by the Audit Committee and the Supervisory Board and discussed with the head of the internal audit department and the Group internal audit department.

The 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 2020, the Audit Committee also dealt with the selection of the financial statements and consolidated financial statements auditor for financial year 2021. 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 2021.

The Audit Committee also received the 2020 annual financial statements, management report, 2020 consolidated corporate governance report and 2020 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 Audit Committee also examined the 2020 consolidated financial statements and Group management report. In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2020 annual financial statements and management report and the 2020 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 the annual financial statements be accepted. 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 IT security issues in financial year 2020.

The Supervisory Board also dealt with the topic of remuneration policy. The Managing Board and Supervisory Board prepared a remuneration report for financial year 2020.

During the reporting period, the Nomination Committee and Supervisory Board also dealt with the appointment of a new member of the Managing Board. In 2020, the Supervisory Board appointed Hartwig Löger to the Managing Board starting 1 January 2021.

The 2020 annual financial statements together with the management report and 2020 consolidated corporate governance report, the 2020 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 proposal complies with applicable legal requirements and proactively considers the macroeconomic and financial situation and its impact on the company's solvency and financial position in light of the COVID-19 pandemic. The proposal is in line with the continuously pursued prudent and sustainable capital planning to ensure a solid solvency and liquidity position in the long term.

The Supervisory Board also dealt with sustainability issues. Topics such as the further integration of social and ecological aspects into the core business as well as environmental and employee issues and the importance of diversity and the Group's social commitment were covered. The Supervisory Board also received the 2020 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 2020 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 2020 annual financial statements and management report and the 2020 consolidated financial statements and Group management report were reviewed by the Supervisory Board and examined. KPMG’s audit of the 2020 annual financial statements and management report and the 2020 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 2020, and of the results of operations of the Company for financial year 2020 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 2020, and of the results of operations and cash flows of the Group for financial year 2020 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 2020 sustainability report (consolidated non-financial report) and determined in accordance with § 269 (3) UGB that the 2020 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 2020 annual financial statements prepared by the Managing Board, not to raise any objections to the management report, the 2020 consolidated financial statements and Group management report, the 2020 consolidated corporate governance report and the 2020 sustainability report (consolidated non-financial report) and to agree with the Managing Board proposal for appropriation of profits.

The 2020 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 2021

The Supervisory Board:

Günter Geyer (Chairman)

Service

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ABBREVIATIONS USED IN THE TEXT

Abbreviations	Full company name
Erste Group	Erste Group Bank AG
VIG Insurance Group)	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Wien
VIG Holding / Vienna Insurance Group AG[2)]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Wien
VIG Re	VIG Re zajišťovna, a.s., Prag
Wiener Städtische	Wiener Städtische Versicherung AG Vienna Insurance Group
Wiener Städtische Versicherungsverein	Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group, Wien

[1)] Refers to all consolidated VIG (insurance-) companies

[2)] Used when referring to the company itself

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..

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Data Processing Register No. (DVR): 0016705

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

The annual report was prepared with great care to ensure that all information was complete and accurate. The possibility of rounding, type-setting or printing errors, however, cannot be ruled out completely.

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

Editorial deadline: 15 March 2021

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In case of doubt, the German version is authoritative.