VIG
VIENNA INSURANCE GROUP


# Group Annual Report 2019

| | | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Premiums written | EUR millions | 10,399.4 | 9,657.3 | 9,386.0 | 9,051.0 |
| Net earned premiums – retention | EUR millions | 9,317.9 | 8,729.4 | 8,509.6 | 8,191.3 |
| Financial result | EUR millions | 1,010.8 | 1,037.5 | 924.3 | 958.8 |
| Expenses for claims and insurance benefits – retention | EUR millions | -7,262.7 | -6,947.0 | -6,872.6 | -6,753.4 |
| Acquisition and administrative expenses | EUR millions | -2,293.2 | -2,140.7 | -2,040.3 | -1,907.8 |
| Result before taxes | EUR millions | 521.6 | 485.4 | 442.5 | 406.7 |
| Net result of the period after taxes and non-controlling interest | EUR millions | 331.3 | 268.9 | 297.6 | 287.8 |
| Combined ratio | % | 95.4 | 96.0 | 96.7 | 97.3 |
| Claims ratio | % | 63.7 | 64.7 | 66.3 | 66.9 |
| Cost ratio | % | 31.7 | 31.3 | 30.4 | 30.4 |
| **Balance sheet** | | | | | |
| Investments[1] | EUR millions | 43,076.1 | 44,336.9 | 44,994.0 | 43,195.8 |
| Shareholders' equity (including non-controlling interests) | EUR millions | 5,190.7 | 5,835.7 | 6,043.9 | 5,711.3 |
| Underwriting provisions | EUR millions | 40,002.1 | 38,115.3 | 38,780.9 | 37,350.0 |
| Total assets | EUR millions | 50,344.9 | 51,163.5 | 51,714.0 | 50,008.1 |
| Return on Equity (RoE)[2] | % | 10.5 | 8.9 | 8.3 | 8.9 |
| **Share** | | | | | |
| Number of shares | Piece | 128,000,000 | 128,000,000 | 128,000,000 | 128,000,000 |
| Market capitalisation | EUR millions | 3,251.2 | 2,595.8 | 3,297.9 | 2,726.4 |
| Average number of shares traded by day | Piece | ~65,000 | ~86,000 | ~104,000 | ~161,000 |
| Book value per share[3] | EUR | 33.67 | 32.64 | 31.93 | 29.99 |
| End-of-period price | EUR | 25.400 | 20.280 | 25.765 | 21.300 |
| High | EUR | 25.850 | 28.740 | 26.520 | 24.790 |
| Low | EUR | 20.000 | 19.900 | 21.590 | 16.095 |
| Share performance for the year (excluding dividends) | % | 25.25 | -21.29 | 20.96 | -15.78 |
| Dividend per share | EUR | 1.15[4] | 1.00 | 0.90 | 0.80 |
| Dividend yield | % | 4.53 | 4.93 | 3.49 | 3.76 |
| Result per share[5] | EUR | 2.59 | 2.04 | 2.23 | 2.16 |
| Price-earnings ratio as of 31 December | | 9.81 | 9.94 | 11.55 | 9.86 |
| **Employees** | | | | | |
| Number of employees (average for the year) | | 25,736 | 25,947 | 25,059 | 24,601 |

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

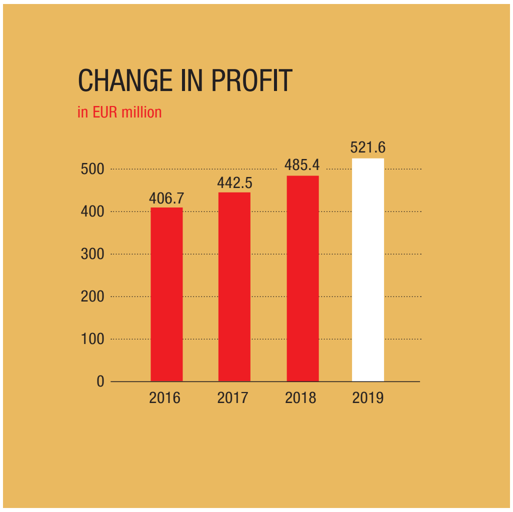
[1] Incl. unit-linked and index-linked life insurance investments and excl. cash and cash equivalents

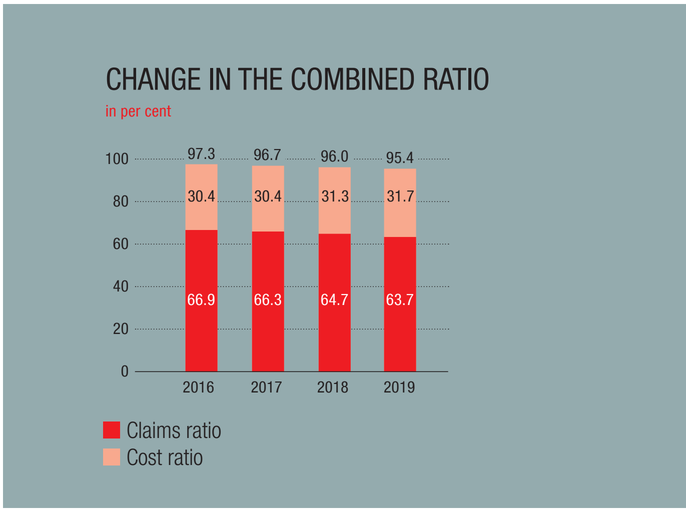
[2] RoE is the ratio of Group result before taxes to total average shareholders' equity.

[3] The value is calculated using shareholders' equity less non-controlling shares and revaluation reserve as well as hybrid bonds in the previous years.

[4] Planned dividend

[5] The calculation of this figure includes the proportional interest expenses for hybrid capital in previous years. The undiluted result per share equals the diluted result per share (in EUR).



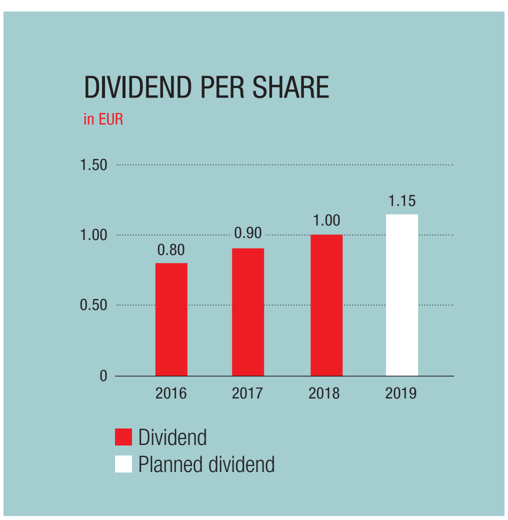
## VIG INSURANCE GROUP BY SEGMENTS IN THE YEAR 2019

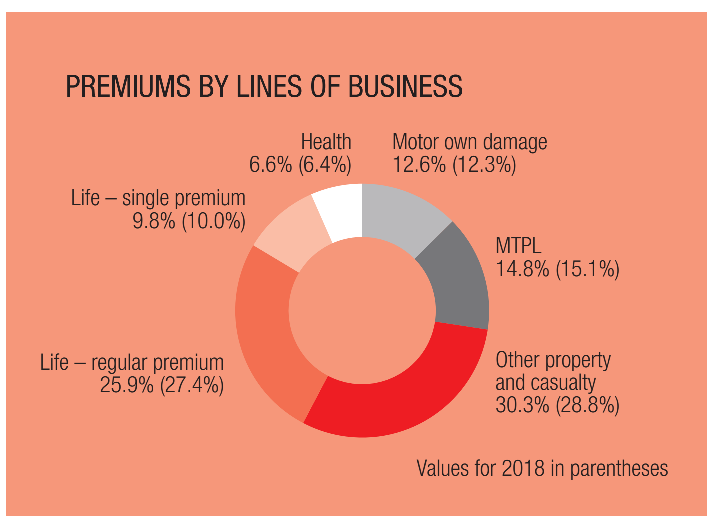
| Country | Premium volume | Result before taxe | Combined ratio | Employees |
|---|---|---|---|---|
| | in EUR '000 | in EUR '000 | in % | Number |
| Austria | 3,943,276 | 207,327 | 93.5 | 5,077 |
| Czech Republic | 1,745,827 | 172,450 | 92.0 | 4,889 |
| Slovakia | 798,860 | 48,884 | 97.1 | 1,707 |
| Poland | 1,131,979 | 69,203 | 94.8 | 2,450 |
| Romania | 468,237 | -101,830 | 100.9 | 1,886 |
| Baltic states | 500,284 | 7,655 | 97.7 | 1,944 |
| Hungary | 289,520 | 8,665 | 97.6 | 512 |
| Bulgaria | 223,905 | 15,763 | 95.8 | 854 |
| Turkey/Georgia | 234,902 | 6,661 | 96.5 | 1,159 |
| Remaining CEE[1] | 446,910 | 27,066 | 93.9 | 4,508 |
| Other Markets[2] | 380,402 | 22,561 | 82.4 | 133 |
| Central Functions[3] | 1,623,491 | 36,461 | – | 617 |

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

[2] Other Markets: Germany, Liechtenstein

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

# DIVERSITY PAYS OFF

## FACTS & FIGURES 2019

**Group premiums of EUR 10.4 billion (+7.7%)**
More than half of the premium volume comes from the CEE region. **Page 49**

**Result before taxes of EUR 521.6 million**
The result before taxes rose significantly by 7.4%. More than half of the profit was generated by CEE markets. **Page 50**

**Dividend per share of EUR 1.15**
A dividend of EUR 1.15 per share will be proposed at the Annual General Meeting under the dividend policy which foresees a distribution in the range of 30% to 50% of Group net profits to shareholders. **Page 23**

**Combined ratio (net) of 95.4%**
The combined ratio could thus be further improved in 2019. **Page 51**

**Solvency ratio of 210%**
VIG Insurance Group solvency was at an excellent international level in 2019.

**A+ with a stable outlook**
Rating of A+ with stable outlook confirmed again by Standard & Poor's. VIG Insurance Group continues to have the best rating of all companies listed in the Austrian index ATX. **Page 24**

# DIVERSE **TOGETHER**

**Dear Shareholders,**
**Ladies and Gentlemen!**

Visitors to our headquarters in the Ringturm building in Vienna encounter employees from 26 different nations. Our corporate culture and business strategy are shaped by this diversity of nations, languages and perspectives and our around 50 insurance companies. Diverse is therefore more than just the keyword on the cover page of this Group Annual Report. We see our lived diversity as an important competitive factor that pays off for us and our stakeholders.

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**“In 2019, we exceeded the 10 billion premium threshold for the first time and achieved a top result.”**

Elisabeth Stadler

The figures confirm this, as shown by the top results we achieved in the financial year 2019. We were able to substantially increase our result by 7.4% to EUR 521.6 million, thus generating more than half a billion in profit (before taxes). With a significant increase of 7.7% to EUR 10.4 billion, our premium volume exceeded the 10 billion threshold for the first time. The VIG companies remain very successful on their growth path, which was reflected in a highly satisfying stock price performance of VIG shares achieved in 2019. We also celebrated our 25th anniversary on the Vienna Stock Exchange in 2019. A dividend has been paid each year without interruption since 1994 – a total of around EUR 1.8 billion. For me, this is an important sign of reliability and stability, and we want to be seen as a reliable, stable partner.

In addition to our key figures, we are also focusing on keeping our business model fit for the future. Under our Agenda 2020, we are working steadily on the preconditions for our future success. The VIG insurance companies continue to develop their business models based on our values – diversity, customer proximity and responsibility – to create value for all stakeholder groups. We are taking advantage of the opportunities of digitalisation and offer insurance solutions for new risks and innovative services. Our insurance companies are also making an important contribution in this way to the economies of the countries in which we operate. This report includes descriptions of the many initiatives we are implementing under Agenda 2020.

The preparations for the next strategic programme for the period until 2025 are underway. So that, even in a world of continuous change, in which we also have to learn to deal with new challenges – such as the fight against the coronavirus pandemic – we can continue to fulfil our core promise as a reliable partner: protecting what matters.

**Elisabeth Stadler**
General Manager, CEO

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INHALT TARTALOM შინაარსი СОДРЖИНА SOMMAIRE СОДЕРЖАНИЕ TREŚĆ

## COMPANY



## ONLINE ANNUAL REPORT

An online version of the Group Annual Report optimised for mobile devices is available at **www.annual-report.vig/2019**

All VIG Holding publications are available via **www.vig.com/annual-reports**

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

## GROUP MANAGEMENT REPORT




The current **Sustainability Report 2019** is being published under the motto “together”. Community and solidarity are the logical complement to diversity. For more information, please see **www.vig.com/corporate-responsibility**

## CONSOLIDATED FINANCIAL STATEMENTS



## SERVICE INFORMATION

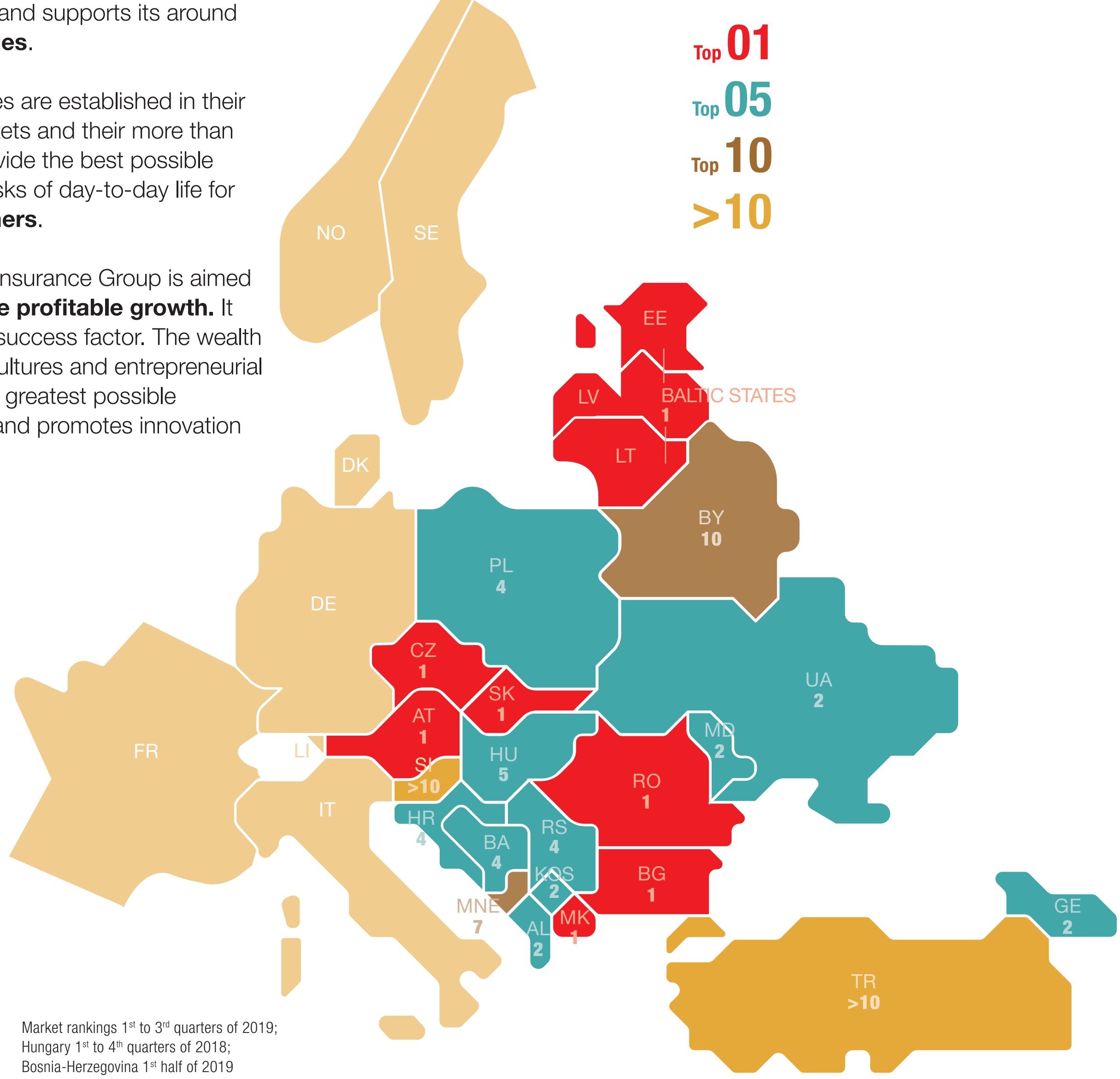
# THE VIG COMPANIES IN ALL THEIR **DIVERSITY**

Together, the VIG companies form **the leading insurance group** in Austria and Central and Eastern Europe. The VIG Holding is headquartered in Vienna and manages and supports its around **50 insurance companies**.

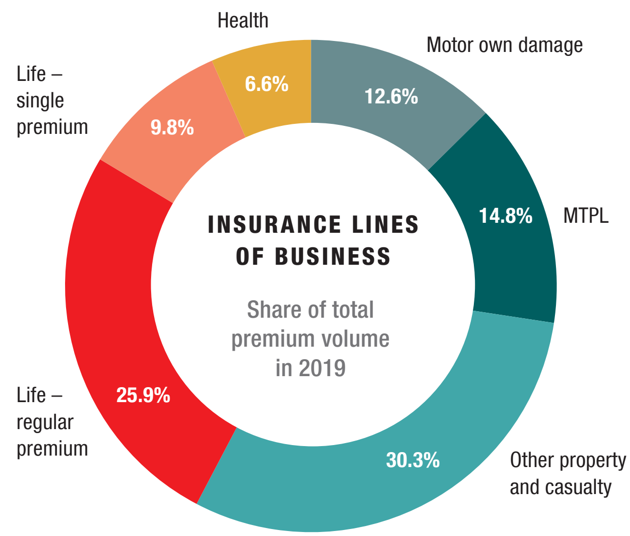
The insurance companies are established in their respective regional markets and their more than **25,000 employees** provide the best possible protection against the risks of day-to-day life for over **22 million customers**.

The strategy of the VIG Insurance Group is aimed at achieving **sustainable profitable growth.** It relies on **diversity** as a success factor. The wealth of different languages, cultures and entrepreneurial approaches ensures the greatest possible proximity to customers and promotes innovation and creativity.

**MARKET POSITIONS:**
Clear market leader in Austria and the CEE region




Market rankings 1st to 3rd quarters of 2019;
Hungary 1st to 4th quarters of 2018;
Bosnia-Herzegovina 1st half of 2019




conservative investment policy

1990 first expansion step into the former Czechoslovakia

more than 22,000,000 customers

dual listing on the Prague stock exchange since 2008

operating in 30 countries

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

local entrepreneurship

number 1 in Austria and the CEE region

more than 25,000 employees

multi-channel distribution

free float of around 30%

multi-brand policy

more than 50% of the premiums and result before taxes are from CEE

on the Vienna Stock Exchange since 1994

around 50 insurance companies

around 70% of the shares are held by Wiener Städtische Versicherungsverein

# OUR GUIDING VALUES: THE VIG **GROUP STRATEGY**

**In addition to the values of customer proximity and responsibility, VIG Insurance Group's strategy is based on diversity as a key success factor. It also guides the creativity and expertise of the insurance companies in a common direction. This ensures that the wealth of different cultures and perspectives is optimally used – and contributes to sustainable profitability and continuous earnings growth.**

## Primary strategic objectives

- **Consolidation of market leadership in Austria**
- **Taking advantage of the growth potential, particularly in the CEE region**

## Key strategic elements

### Core business insurance

VIG insurance companies concentrate on their core business, namely providing insurance solutions and other services that best address the security and future provision needs of people.

### Focus on Austria and the CEE region

The Group focuses on Austria and the CEE region, with the aim of exploiting growth opportunities, particularly in Central and Eastern Europe. The economic and insurance-related differences between the markets also ensure broad risk diversification.

## Non-financial objectives

# Management principles

## Local entrepreneurship

VIG Insurance Group's decentralised organisational structure gives local management and employees the flexibility needed for their business operations. In the end, they know best about the needs of the local population and the specifics of their markets. This allows products and distribution to be adjusted optimally to meet local circumstances. VIG Holding is responsible for steering the insurance group.

## Multi-brand policy

VIG Insurance Group relies on regionally established brands, as this allows it to address different target groups directly and personally with its 50 insurance companies in 30 markets. This also strengthens its regional identity and creates greater customer and employee loyalty to the company. In addition to the local brand names, "Vienna Insurance Group" conveys the internationality and strength of the Group.

## Multi-channel distribution

VIG insurance companies use their own employed sales force, brokers and agents, multi-level marketing, direct and digital sales. Bancassurance is also very important. The cooperation agreement with Erste Group, which is also firmly established in the CEE region, has existed since 2008.

## Conservative investment and reinsurance policies

The consolidated VIG companies are responsible for EUR 35,899.1 million in total investments (incl. cash and cash equivalents and excl. investments for unit-linked and index-linked life insurance). Security and sustainability are at the focus of the investment strategy. Most of the investments are therefore in bonds. Diligence also guides the reinsurance policy. To obtain the optimal risk balance, risks are bundled at the Group level and partially placed on the international reinsurance market.

# Strategic measures

Agenda 2020 is the strategic work programme for the period from 2017 to 2020. It focuses on three areas:

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

## Corporate social responsibility

Diversity and community go hand in hand. In addition to economic objectives, VIG Insurance Group therefore also has social and environmental objectives. Detailed information on VIG companies' sustainability strategy is provided on pages 8 and 9 of the Sustainability Report.

## Employer of choice

VIG Insurance Group also relies on diversity as an employer. The appreciation of different experiences and expectations creates a work environment that allows every employee to follow their ideal development path. Further information on VIG Insurance Group's position as an attractive employer with an international background is provided in the Sustainability Report starting on page 30.

# AGENDA 2020: A PLAN FOR SUSTAINABLE SUCCESS

**A changing world requires continuous further development. The Agenda 2020 strategic work programme is being used to create a foundation for future success. A broad range of concrete measures focuses on three areas.**

## 1.

### Business model optimisation

VIG Insurance Group is improving its operating performance, increasing cost efficiency and reducing its combined ratio.

**Shared services and mergers**
Back office functions are combined in a country or region to create cost benefits. Group companies are also merged if the resulting synergies outweigh the benefits of a separated market presence in the long term.

**Optimising the profitability of motor insurance**
Use of a selective underwriting policy and advanced analytics for setting prices is increasing earnings in the motor line of business. Targeted measures for claims management and the establishment of a central foreign claims team are improving profitability.

**Antifraud management**
A Group-wide best practice approach prevents unjustified claims.

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

# 2.
## Ensuring future viability

Demographic change, social trends and technological innovations are changing the economic rules of the game. VIG insurance companies ensure that their business models change with the times, allowing them to make use of future opportunities.

**Expansion of business areas**
Promotion of particularly promising areas such as:
- Bancassurance
- Health insurance
- Reinsurance
- SME business

**Insurance of the future**
Technological developments are changing the business model for insurance. Traditional motor insurance, for example, could change into a solution for mobility risks due to autonomous vehicles, and traditional life insurance could transform into a comprehensive pension instrument. In addition to protecting against risks, VIG insurance companies also want their products to offer added value.

**Digitalisation**
Based on its digital vision VIG Holding is assisting its insurance companies with the digital transformation of their business models. According to the motto "anywhere, anytime, any way" the customer experience is being improved and processes are being automated, when reasonable. A Group-wide culture of innovation helps to better meet challenges. *(For more information on digitalisation, see the information box on page 20.)*

**Assistance**
Internal Group assistance services are being expanded. The business model for traditional insurance products is being expanded with suitable supplementary services, while at the same time forming a basis for future digital additions. With this, the insurance companies are creating competitive advantages.

# 3.
## Organisation and cooperation

Clear rules and targets, an effective management model and an efficient infrastructure for the exchange of best practices and innovations ensure efficient and effective collaboration within the Group, thereby ensuring the future success of all VIG companies.

# HIGHLIGHTS 2019

## Personnel changes

### NEW MANAGING BOARD MEMBERS

Three new members joined the VIG Holding Managing Board at the beginning of 2020. **Gerhard Lahner** was previously a Managing Board member for the Czech companies Kooperativa and ČPP. **Gábor Lehel** was General Manager of the Hungarian company Union Biztosító since 2011. **Harald Riener** moved from his position on the Managing Board of Donau Versicherung.

In recognition of his many years of dedication and outstanding management of the VIG companies in Poland, Romania, Ukraine, Moldova and the Baltic states, VIG Holding Managing Board member **Franz Fuchs** was appointed Deputy General Manager on 1 October 2019. He will leave the VIG Holding Managing Board in the middle of 2020. **Judit Havasi** left the Managing Board of the VIG Holding at the end of 2019 and has been General Manager of Donau Versicherung since 1 January 2020.

Gerhard Lahner

Gábor Lehel

Harald Riener

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## Strengthening of market positions

### POLAND

VIG Holding concluded the acquisition of **Gothaer TU** at the beginning of 2019, thereby strengthening its market position for property and casualty insurance in Poland. The company was renamed "Wiener Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group" (short form: **Wiener TU**) in July. The Polish VIG insurance company InterRisk also invested in the Towarzystwo Ubezpieczeń Wzajemnych "TUW" (short form: **TUW "TUW"**) mutual insurance association. This increased the market share of the VIG insurance companies in the non-life business in Poland.

### NORDICS

VIG Holding has operated its own branches in Sweden, Norway and Denmark since September and October 2019. Finnish customers are served under the EU freedom to provide services. The focus is on the traditional industrial insurance business. A locally established underwriter team is used to offer insurance solutions for corporate customers via brokers.

# Agenda 2020

## Business model optimisation

### MORE EFFECTIVE BANCASSURANCE

The local composite insurer in the Czech Republic and the life insurance company specialising in bancassurance were merged at the beginning of 2019. Following the mergers performed in Hungary, Slovakia, Croatia and Austria, this successfully concluded an important part of the Group project for strengthening the bancassurance business.

### VIG QUALITY MANAGEMENT IS CERTIFIED BY TÜV

The VIG Holding Data Management and Processes area has been certified by TÜV since July 2019. This means that it satisfies the stringent requirements of the ISO 9001 quality management standard. The area includes, among other things, process management and reporting, which are responsible for Solvency II.

## Ensuring future viability

### VIG HOLDING ESTABLISHES ITS OWN CORPORATE BUILDER

VIG Holding is establishing its own corporate start-up in the Group, the “viesure innovation center”. The new company focuses on future trends in digital customer service, under the management of the largest insurance company, Wiener Städtische. Among other things, it aims to develop a digital ecosystem, digitalise processes and create innovative services that provide additional benefits.

### NEW ASSISTANCE SERVICES

VIG Insurance Group is expanding its assistance services and is using the EPAS software system, for example, which was developed specifically for the digitalisation of assistance, to assist customers in the motor line of business with their claims. Customers with a breakdown or accident receive a text message with a link. By opening the link, the customer’s location is automatically recorded and the nearest towing company is notified.

### VIG XCELERATE: A COMPETITION OF IDEAS

The internal Group competition VIG Xcelerate honours particularly innovative concepts for digital transformation of the Group. Two rounds took place in 2019. A total of eleven projects received awards, along with a total of more than EUR 1 million in support for implementation. The competition is also planned to take place in 2020.

### WORLDWIDE COOPERATION WITH START-UPS

VIG Holding has been a partner of the leading worldwide innovation platform Plug and Play Tech Center in Silicon Valley since autumn 2019. The partnership allows VIG insurance companies to access a network of more than 15,000 reviewed start-ups – thereby combining their own innovation know-how with that of the entire world.

### BLOCKCHAIN INITIATIVE

The reinsurance company VIG Re, headquartered in Prague, made a strategic investment in B3i Services in February 2019. This initiative of the global insurance industry operates a blockchain platform that allows insurers to place reinsurance. The peer-to-peer solution is aimed at making business processes more efficient and information exchange easier and quicker.

### NEW CLIMATE CHANGE STRATEGY

VIG Insurance Group published its climate change strategy in May 2019 with strict investment and underwriting guidelines for the coal sector that are aimed at promoting the transition to an environmentally-friendly low-carbon future. The new guidelines are mandatory for all VIG insurance companies and will significantly reduce exposure to the coal sector. On the one hand, direct investments in companies in the coal sector – especially mining companies and power plants – will be reduced. On the other hand, the new underwriting rules also stipulate that from now on no insurance will be provided for new projects in these areas.

## Organisation and cooperation

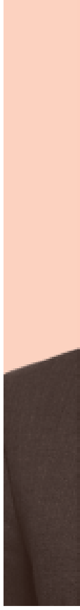
### EFFICIENT MANAGEMENT

The steady increase in statutory and regulatory requirements necessitate a more centralised structure for the Group and a more intense management by VIG Holding. Further development of the management function continued in 2019 and collaboration was improved using innovative solutions, such as the VIG Digital Base.

# “WE ACHIEVED **TOP RESULTS**”

**In 2019, numerous projects were implemented and efficiency increased within the framework of Agenda 2020. The leading insurance group in Austria and the CEE region also made massive investments in digitalisation and worked on relevant ESG topics at the same time.**

**“Closed file reviews allowed us to identify potential savings equal to around 4% of claim payments.”** Peter Thirring



**“We combine two important factors: local responsibility and central support and management.”** Franz Fuchs

**“IFRS 17 will fundamentally change our consolidated financial statements and we continue our intensive preparation work.”** Liane Hirner

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“Using innovative digital tools in assistance is important to us.” Harald Riener

“We are also adjusting our business model for long-term demographic changes.” Gábor Lehel

“I am firmly convinced that diversity makes VIG Insurance Group more successful.”

Elisabeth Stadler

“We have around 180 digitalisation projects underway.”

Peter Höfinger

“We prepared a climate change strategy in 2019 in consultation with our local companies and NGOs, such as Greenpeace.” Gerhard Lahner

>

**The current Group Annual Report is published under the keyword “diverse”. Why is this so close to your heart?**
**ELISABETH STADLER:** Diversity is the core value of the VIG Insurance Group, along with customer proximity and responsibility. It dominates our corporate culture and implementation of our strategy and is especially apparent in the local entrepreneurship in our companies. I am firmly convinced that diversity makes us as VIG Insurance Group more successful. Broad diversification across markets, products, distribution channels and brands makes us less sensitive to volatilities in individual areas. Our decentralised structure brings us close to our customers and their needs. We can take quick flexible decisions. Different perspectives and a spirit of openness fuel innovation. This creates an attractive work environment for everyone.

**The VIG Managing Board team of the VIG Holding is also diverse and has had eight members since 1 January 2020. Why was it expanded?**
**STADLER:** The Managing Board includes an excellent mix of external know-how and many years of in-depth knowledge of the Group and its companies. In addition to the professional expertise indicated by their areas of responsibility, Gerhard Lahner and Gábor Lehel, previously substitute members of the VIG Holding Managing Board, and Harald Riener also bring their experience as managing board members in the Czech Republic, Hungary and Croatia. Diversity and a decentralised structure require a common framework, in part because of the statutory and regulatory requirements imposed on us as an insurance group. The Managing Board was expanded to take account of the growth of the Group and increasing regulation.

**Does it also have to do with IFRS 17? What is new in that area?**
**LIANE HIRNER:** Yes, among other things. The debate over the precise development of IFRS 17 continues. We hope that by mid-2020 we will have more clarity concerning the regulations that will apply in the future. What is already clear today is that IFRS 17 will fundamentally change our consolidated financial statements and we continue the intensive preparation work. In addition to further development of content-related topics, the main focus in 2019 was on the implementation and roll-out of Group-wide IT tools.

**Aside from the preparations for IFRS 17, what other challenges were there in 2019?**
**STADLER:** Generally speaking, the low interest rate environment naturally presents a challenge for insurance companies. This is particularly the case in Austria. We have, however, made appropriate adjustments for this situation in the meantime. The focus is currently on unit-linked and index-linked life insurance and pure risk-based products. The growth rates in these areas are considerably higher than for traditional life insurance. This is especially apparent in Central and Eastern Europe.
**FRANZ FUCHS:** There were, however, other issues in the CEE region. The Romanian market, for example, continues to be challenging. The government set reference tariffs for motor third-party liability insurance. Thus our companies are acting very cautiously and intentionally reduced the premium volume substantially in this line of business. During the annual goodwill impairment test, we decided to lower our earnings expectations for Romania. This led to a complete goodwill impairment.

**“I am convinced of the great potential of the CEE countries in the long term.”**
Elisabeth Stadler

**EXPANSION OF PROMISING BUSINESS AREAS**

## Targeted use of growth opportunities

VIG insurance companies take advantage of growth opportunities in particularly promising areas of the insurance market. In addition to the expansion of bancassurance *(see the information box on page 18)*, these primarily include the following:

**Health insurance:** around 12% increase in premium volume for the Group as a whole, 32% increase in the CEE region, 42% in the five key countries of Bulgaria, Poland, Romania, Turkey and Hungary

**Reinsurance:** around 15% increase in VIG Re premium volume, mainly through an expansion of third-party business. VIG Re has also been pooling life reinsurance for the Group since 2019, which will generate considerable potential savings in coming years.

**SME initiative:** increase of around 13% in premium volume to EUR 385 million in the small and medium-sized enterprise segment

**HARALD RIENER:** We are happy, however, that the decrease in premiums in Romania was compensated by growth in other segments. Here our diversity pays off. We continue to believe in Romania, which would benefit from a more stable political environment for further development.
**GERHARD LAHNER:** There was also an unexpected development in the Czech Republic. A new tax of 19% will be levied on underwriting provisions there starting in 2020. Insurance companies collect these provisions for bad times. They are not company profits, but money that belongs to customers and is often paid out after decades. The new tax has no effect on the local or Group result, but does lead to an early cash outflow.

**Is CEE still considered to be the region of the future? Are you generating the growth you hoped for there?**
**STADLER:** Yes, without a doubt. We are very satisfied with the double-digit growth in the CEE region of around 11% in 2019. A further development due to the coronavirus pandemic cannot be estimated at present. Nevertheless, I am convinced of the great potential of the CEE countries in the long term, as it is precisely these markets that have proven to be masters in dealing with difficult situations in the past.

**VIG Holding is now operating in the Nordics. What made you take this step?**
**STADLER:** We are still following our long-term strategy of growing organically and by acquisitions or by founding new companies in Central and Eastern Europe. It makes sense, however, to opportunistically take chances in specific lines of business. Our presence in the Nordics also creates a geographical bridge to Estonia, Latvia and Lithuania. Scandinavian and Finnish companies in particular are increasingly operating in the Baltic states, where we are the clear market leader.
**PETER HÖFINGER:** We are already successfully serving industrial customers in around 90 countries worldwide, including the Nordics. We now want to create added value for our existing customers in these Nordic countries, while we also want to win new corporate customers in these profitable markets. We operate our own branches in Stockholm, Oslo and Copenhagen and the EU freedom to provide services allows customers to also be served in Finland.

**What events were also relevant in 2019?**
**STADLER:** We worked hard in 2019 on further strengthening the basis for our future success under the Agenda 2020 and are now in the final year of this work programme. One special highlight in this connection is that at the beginning of 2019 we concluded our mergers of local composite insurers with life insurance companies specialising in bancassurance. Our good cooperation over many years with Erste Group plays an important role in our business activities and we therefore intend to intensify it even further in the future. *(For more information on bancassurance, see the information box on page 18.)*

**Looking back, how satisfied are you overall with the financial year 2019?**
**STADLER:** We can be very satisfied. After all, we have top results to show at the end of the year. We exceeded the 10 billion premium threshold for the first time, and also recorded a >

**ERSTE GROUP COOPERATION**

## Bancassurance offers great potential

**VIG insurance companies and Erste Group cooperate in eleven countries and make use of each other's strengths as leading financial service providers. Expansion of bancassurance is one of the objectives of Agenda 2020.**

**The mergers of local composite insurers and life insurance companies specialising in bancassurance was a prerequisite for this. Developments in 2019 show that it was a success. Bancassurance generated a total premium volume of EUR 1.3 billion. That corresponds to an increase of 5% and equals around 13% of Group premiums. This area is even more important in Austria, where Wiener Städtische generated close to a quarter of its premium volume through its cooperation with Erste Group. The primary focus in bancassurance is on expanding non-life insurance. This area already recorded above-average growth of slightly more than 10% in 2019.**

**A shared digital hub focusing on bancassurance was also established in the spring of 2019. The employees are developing viable online solutions for Erste Group's George web platform. The greater frequency of customer interaction in banks also offers good growth potential for policy sales. VIG Insurance Group and Erste Group are currently working on a separate strategy to take advantage of this potential. The goal is to provide even better service for each other's shared customers.**

significant increase in our result before taxes, which rose to EUR 521.6 million. We will therefore be proposing to the Annual General Meeting that the dividend be increased to EUR 1.15.
**HIRNER:** With respect to the consolidated financial statements, it should be noted that the Managing Board decided on a change to the accounting method for the non-profit housing societies due to the new legal situation. They were deconsolidated as of 31 July 2019 and are now accounted for using the equity method. This increases transparency, as fluctuations between the result before and after taxes are reduced. The change does not, however, affect the result after taxes and minority interests and therefore also does not affect the earnings per share. The Group remains committed to affordable housing, which is also an important topic for the European Commission as part of the EU sustainability agenda.

**The demand for affordable housing addresses one of the factors in the "ESG" topic areas, that is, environmental, social and governance-related factors. What specific measures did VIG Insurance Group take in 2019?**
**LAHNER:** Climate change affects the entire economy and has a great effect on us as an insurance company. We therefore prepared a climate change strategy in 2019 in consultation with the local companies and also NGOs, such as Greenpeace. The Managing Board approved it in May 2019 and it is already being implemented. This is special for us as a Group, as this is the first time we have set binding Group-wide standards for asset management and underwriting in a specific area for the local companies. This allows us to withdraw from the coal sector and assist with the transition to a low-carbon future. *(For more information, see the information box on page 19.)*

**What other trends are you addressing?**
**GÁBOR LEHEL:** We are also adjusting our business model for long-term demographic change – that is, the increase in the average age of people. Although this puts pressure on social systems, so far politicians have more or less avoided dealing with the issue. We are offering, for example, products in the area of nursing care insurance. This also helps to close potential gaps in future provisions. At the same time, more and more of our customers belong to the millennial generation, which are in some ways more demanding. Simply taking responsibility for costs is not enough, they value services ranging from organising appointments for doctors and treatments to preventative medicine. We can satisfy their need to deal with matters quickly and easily by providing a variety of apps.
**RIENER:** Assistance services are also in the spirit of the times and create a positive customer experience. We already have five Group assistance companies, in the Czech Republic, Slovakia, Poland, Romania and Bulgaria. The North Macedonia and Serbia markets are served from Bulgaria. Assistance is also being expanded to the Baltic states, starting with Latvia, in 2020. We handled around 400,000 assistance cases in 2019. By insourcing these services, we were able to achieve major savings, while at the same time earning a profit in the assistance companies. At the same time, we attach great importance to taking innovative, digital paths in supporting our customers. One example is a software created specifically for

## "Financial magazine 'Börsianer' named VIG Insurance Group the 'most innovative insurance company 2019'."

Peter Höfinger

**CLIMATE CHANGE STRATEGY**

## VIG Insurance Group is withdrawing from coal

VIG Insurance Group has a goal of achieving sustainable profitable growth – while also assuming responsibility for its prerequisites: a clean environment and a society based on solidarity. In May 2019, the Managing Board approved a climate change strategy in coordination with the insurance companies that is mandatory for the entire Group. VIG Insurance Group will significantly reduce its investments in the coal sector as a result.

1. Direct investments in companies in the coal sector will be reduced. This affects, for instance, bonds issued by mining companies or coal power companies. These investments will be considerably reduced by more than half by 2025 and entirely eliminated from the portfolio by 2035. Investments will be made in environmentally friendly projects instead. Around EUR 154 million was invested in green bonds at the end of 2019, more than twice the amount of the previous year. Projects like wind parks are, among other things, supported.

2. The new climate change strategy also includes clear underwriting requirements. Since it entered into effect, VIG insurance companies have not provided any insurance for new coal mining or coal power plant projects. Existing policies will not be renewed, with transitional arrangements for countries whose economies and labour markets are highly dependent on the coal sector.

Further information on the new climate change strategy is available in the Sustainability Report and at www.vig.com/climate-change-strategy

digitalisation of road assistance that is used for accidents and breakdowns. The customer simply dials the number of the assistance company and receives a link by text message. When the link is opened, the customer's location is determined and the nearest towing company is contacted. The customer can then see on the smartphone in real time when the towing company will arrive and what vehicle they will be driving. This digital tool is currently available in the Czech Republic, Slovakia, Poland and Romania, and will soon also be available in the Baltic states.

**VIG Insurance Group has dealt intensively with the digitalisation megatrend in previous years. What happened in this respect in 2019?**

**HÖFINGER:** The digital transformation is one of the trends that is having a great effect on the economy and society. We therefore have around 180 digitalisation projects underway, so that we can take advantage of the opportunities in the best way possible. There are good reasons why the "Börsianer" financial magazine named VIG Insurance Group the "most innovative insurance company in 2019".

**STADLER:** It is becoming increasingly important for insurance companies to provide additional benefits other than pure risk protection. Digitalisation offers many opportunities for innovative business ideas in this area. I see this as an opportunity to become a part of the things that will be important in our customers' lives in the future. *(For more information on digitalisation, see the information box on page 20.)*

**In addition to adjusting the business model for trends and developments, another Agenda 2020 priority is improving VIG** >

DIGITALISATION

# The future is taking shape

**VIG Insurance Group is pushing ahead with digitalisation to allow it to communicate better with its customers, offer them additional benefits and make internal processes more efficient.**

VIG companies are currently working on around **180 projects** dealing with the digital transformation of the Group. VIG Insurance Group is investing around EUR 200 million in digitalisation during the course of Agenda 2020. Diversity is particularly important in the area of innovation, as diverse perspectives lead to a diversity of ideas. A shared understanding was ensured across the Group, with a **"digital vision"** specifying the topics (e.g. automation, intelligent data use, digital product range) where digitalisation can make a difference. Based on this, digital transformation plans that permit targeted measures are being developed by the individual companies together with VIG Holding. In addition, the **"Digital Base"**, a web platform promoting Group-wide cooperation and the exchange of best practice examples in the area of digital transformation, was expanded again in November and has been operating since February 2019. VIG Insurance Group is also using the internal Group innovation competition **VIG Xelerate** to promote digitalisation. Two rounds took place in 2019, and the best projects from the insurance companies were honoured.

In 2019, VIG Holding and Wiener Städtische jointly established the Group's own corporate start-up, **viesure**, whose innovative solutions can be used throughout the Group. A highly qualified team of experts is working on transparent user-friendly customer services and digitalisation of internal processes. VIG also expanded its digital understanding in 2019 by becoming a "Founding Partner" of the leading worldwide innovation platform **Plug and Play Tech Center** in Silicon Valley. The partnership allows topics related to its specific interests to be developed with start-ups in Vienna, Munich and Silicon Valley. The investment in the blockchain initiative **B3i Services** is also paying off. In addition to the possibility of using blockchain technology to realise potential cost savings in reinsurance, it also allows VIG companies to exchange information with other leading reinsurers on the topic of digitalisation and the use of blockchain technology. The collaboration with **Digital Impact Labs Leipzig,** formerly Insurance Innovation Lab, is continuing. Numerous digital product ideas were generated in a workshop with Compensa Non-Life (Lithuania). The Digital Impact Labs Leipzig is also assisting with innovation projects in the motor insurance area, among other things.

### HOW DIGITALISATION IS USED IN PRACTICE

**The Wiener Städtische Gesundheit (health care) app**

**Wiener Städtische has offered a Gesundheit (health care) app for its customers since autumn 2019. It is available in both the Apple App Store and Google Play Store and has already received excellent reviews. Customers with health insurance can submit invoices from doctors or for medication quickly and easily by photographing them and using the app to send them to the insurance company. Artificial intelligence is used in the background to automatically identify the data on the invoice. Valuable time is saved and the customers receive their money faster. The Gesundheit app was developed by the Group's own start-up viesure.**

**The Union Biztosító Fitpuli app**
**The Fitpuli health care and lifestyle app was developed by the Hungarian company Union Biztosító. It is currently available for corporate customers and has been integrated into group health insurance. The app can be used with most of the armbands, fitness trackers and smart watches that are available, but also works without them. It improves health awareness and provides feedback on daily performance. Gamification elements motivate users to adopt a healthier lifestyle.**

**The Bulstrad Life chatbot**
**The Bulgarian insurance company Bulstrad Life and the consulting company TBI Info developed a chatbot that is available to all VIG companies. It allows customer interaction around the clock on all channels, such as websites, Facebook, Skype and Viber. Call centre integration allows a human advisor to be brought into the conversation if needed. The chatbot tool, which received support under the VIG Xelerate programme, will soon be used in at least two other VIG insurance companies.**

**companies' operating performance. What successes can you report for 2019 in this area?**
**STADLER:** The motor line of business had a combined ratio of 95.4% in 2019 due to the positive effects of the initiatives implemented under Agenda 2020. We are on course to achieving a sustainable reduction in the ratio for the Group as a whole to around 95% in 2020. We are still pursuing our multi-brand strategy, but are also implementing cost-reduction measures in the background. One example of this is the merger of companies that was previously mentioned, and another is the use of shared back office services. Our antifraud management is another initiative for increasing cost efficiency. It was already rolled out in 21 companies in 14 countries by the end of 2019. We are currently working on process automation.
**FUCHS:** We also reduced our unprofitable truck portfolio by another 8%. The claims ratio in the motor line of business was improved by 2.8 percentage points. We are using a selective underwriting policy, advanced analytics tools and proactive claims management both domestically and abroad. This all contributed to profitable growth in 2019.

**What progress was made with the closed file review?**
**PETER THIRRING:** We expanded our closed file review to other countries and lines of business in 2019. We are now using it in nine countries and in the corporate business as well. Reviewing old insurance cases allows us to identify possibilities for improvements in claims management. In Austria, for example, we also analyse customer satisfaction and the satisfaction of garage workers as this has a measurable effect on process efficiency. Potential cost savings equal to around 4% of claim payments have been identified in the countries where closed file review has already been introduced. We will therefore be implementing these measures in additional countries in 2020.
**FUCHS:** And to return to the start of this interview, the closed file review is another example of the practical advantages of diversity as lived by the VIG Insurance Group. Claims management is a local responsibility, which ensures that specific requirements are addressed locally. The external perspective gained from the centrally managed review initiative provides additional inputs and strengthens the culture of knowledge transfer, with best practice examples from other countries providing new suggestions for improvements. We combine two important factors: local responsibility and central support and management.

**What do you have planned for 2020?**
**STADLER:** Due to the coronavirus pandemic, the priorities for all of us in 2020 have changed significantly. We have taken all appropriate measures within the Group to protect our employees and ensure the continuation of our business operations. Of course we are constantly adapting these measures to the current situation. True to our motto "protecting what matters", we want to be a reliable, stable partner for our stakeholders even in these challenging times.

# RELIABLY INTO THE FUTURE

**Four good reasons to invest in the leading insurance group in the growth region of Central and Eastern Europe.**

## 1. Growth: from a position of strength

VIG Insurance Group is operating from a position of strength. It is the leading insurance group in Central and Eastern Europe. It also has solid capital resources and the best rating of all companies in the Austrian ATX index. That puts it in an optimal position to take advantage of growth opportunities associated with the economic catch-up process in the former Eastern Bloc, Baltic states and Balkan countries. This growth potential is shown, for example, by their insurance density. The people in this region spend less than a tenth of the amount on insurance premiums that the average Austrian invests in his risk provision. VIG Insurance Group is growing organically in its insurance companies, and by company acquisitions, provided they are economically viable. These are generally supplementary acquisitions, also referred to as bolt-on acquisitions.

## 2. Vision: focus on the trends

VIG Insurance Group strives to continuously improve. It keeps track of social and technological developments and adapts to changes with foresight. VIG Insurance Group is implementing many measures to ensure that it can take advantage of future opportunities – such as systematically digitalising all areas of the Company, creating suitable solutions for new risks, and using assistance services to create added value for customers. In this way, VIG Insurance Group is gradually transforming itself from a claims handler to a service-oriented provider of loss prevention services.

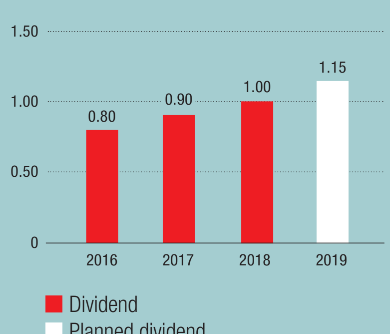
# 3.

## Responsibility: sustainable diversity

VIG Insurance Group combines economic objectives with social and environmental goals. The investment and underwriting guidelines approved in 2019, for example, provide for a gradual withdrawal from the coal sector, while continuing investments in non-profit housing. VIG's basic social values are reflected in the Group by its high regard for cultural differences and different perspectives. Local management, which guarantees Group insurance companies a high level of autonomy, is combined with effective management of the companies by VIG Holding. In addition to promoting innovation and customer proximity, the diversity in the Group also helps to balance risk, since a wide diversity of brands ensures that all target groups are addressed. As a composite insurer, VIG insurance companies offer products and services for all needs. And they use all distribution channels, with Erste Group given priority for bancassurance.

DIVIDEND PER SHARE

in EUR




# 4.

## Reliability: for all stakeholders

It is no accident that the insurance group can look back on almost 200 years of company history, since thinking in terms of generations is at the core of insurance. The business model is continuously optimised at the same time, with the aim of making the entire Group more efficient and increasing its operating performance. VIG Insurance Group wants to be successful and profitable in the long term for all of its stakeholders: For its customers, so that it can satisfy all of its commitments at any time. For society as a whole, since companies can only be successful in the long term in an intact social and ecological environment. And for its shareholders, as shown by the fact that a dividend has been reliably paid every year during the 25 years it has been listed on the stock market.The dividend policy adopted in March 2019 provides for a distribution in the range of 30% to 50% of the Group result after taxes and non-controlling interests.

**DO YOU HAVE ANY QUESTIONS?**

For further information about VIG Holding as a capital market participant and on current dates, please contact our Investor Relations team, headed by Nina Higatzberger-Schwarz, at any time:

**www.vig.com/investor-relations**

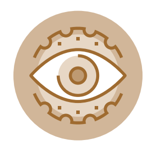
Email: investor.relations@vig.com

Tel.: +43 50390 21919

**AT A GLANCE: VIG INSURANCE GROUP'S EQUITY STORY**

### Growth

VIG Insurance Group relies on its leading market position and solid capital base to exploit growth opportunities, especially in Central and Eastern Europe.



### Vision

VIG Insurance Group keeps track of technological and social developments and prepares early for the resulting changes.

### Responsibility

The VIG Insurance Group acts with responsibility towards the environment and society and with respect for different cultures and perspectives.

### Reliability

VIG Insurance Group thinks in terms of generations. Based on its values, it takes the interests of all stakeholders into account.

# Still the best rating in the ATX index

**Standard & Poor's again confirms the "comfortable capital buffer" of the VIG Insurance Group.**

The international rating agency Standard & Poor's reconfirmed its A+ rating with a stable outlook for VIG Insurance Group in July 2019. According to the analysis, the "comfortable capital buffer" is at the AAA-level. As a result, VIG Insurance Group continues to enjoy the best rating of all companies in the ATX Index. The favourable rating is based, among other things, on the company's leading market position in Austria and the CEE region and its consistently positive operating performance. Standard & Poor's also stresses the value of the multi-brand strategy, diversity of distribution channels and broad diversification across countries and lines of business.

# VIG shares record strong performance in 2019

**With a 25.2% gain VIG shares leaves the Vienna ATX index far behind.**

VIG shares closed the year 2019 at a price of EUR 25.40. This represents a year-on-year increase of 25.2%.The share reached its peak with a price of EUR 25.85 on 23 December. The increase of around one quarter versus the closing price in 2018 was similar to the gains recorded by the industry. The two insurance indices, MSCI Europe Insurance and STOXX® Europe 600 Insurance, recorded increases of 26.2% and 24.4%, respectively. The insurance industry therefore once again achieved a very good price performance in a generally positive stock market environment. VIG shares were one of the clear price winners ($6^{th}$ place out of 20) in the Austrian index ATX, which recorded a gain of 16.1%.

# Committed to sustainability

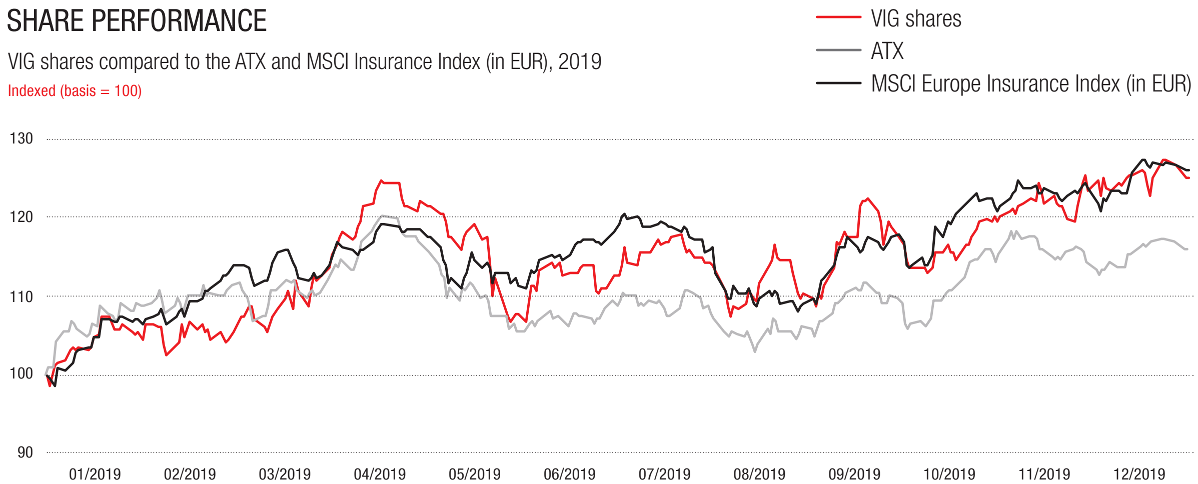
**VIG shares was once again included in the VÖNIX and FTSE4Good sustainability indices in 2019.**

Since 2005, the sustainability index VÖNIX has identified those Austrian companies that are leaders in terms of their social and ecological performance. VIG shares was included in the index right from the start. VIG shares was also included in its international counterpart again in 2019, the FTSE4Good index. Both listings confirm the Group's sustainability strategy.

## SHARE PERFORMANCE

VIG shares compared to the ATX and MSCI Insurance Index (in EUR), 2019

Indexed (basis = 100)




## KEY FIGURES

| Key Share information | | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Market capitalisation | EUR millions | 3,251.20 | 2,595.84 | 3,297.92 | 2,726.40 |
| Average number of shares traded by day | Piece | ~65,000 | ~86,000 | ~104,000 | ~161,000 |
| Book value per share[1] | EUR | 33.67 | 32.64 | 31.93 | 29.99 |
| End-of-period price | EUR | 25.400 | 20.280 | 25.765 | 21.300 |
| High | EUR | 25.850 | 28.740 | 26.520 | 24.790 |
| Low | EUR | 20.000 | 19.900 | 21.590 | 16.095 |
| Share performance for the year (excluding dividends) | % | 25.25 | -21.29 | 20.96 | -15.78 |
| Dividend per share | EUR | 1.15[2] | 1.00 | 0.90 | 0.80 |
| Dividend yield | % | 4.53 | 4.93 | 3.49 | 3.76 |
| Earnings per share[3] | EUR | 2.59 | 2.04 | 2.23 | 2.16 |
| Price-earnings ratio as of 31 December | | 9.81 | 9.94 | 11.55 | 9.86 |

[1] The value is calculated using shareholders' equity less non-controlling shares and revaluation reserve as well as hybrid bonds in the previous years.

[2] Planned dividend

[3] The calculation of this figure includes the proportional interest expenses for hybrid capital in previous years. The undiluted result per share equals the diluted result per share (in EUR).

# 25 YEARS ON THE STOCK MARKET – **A SUCCESS STORY**

**The IPO raised the capital for the successful expansion into Central and Eastern Europe. Shareholders have received a dividend each year without interruption – a total of around EUR 1.8 billion.**

The Company – Wiener Städtische at the time – was first listed on the Vienna Stock Exchange on 17 October 1994. The start of a success story, on the one hand for the shareholders: the Group has paid dividends to its shareholders every year without interruption since its stock market listing 25 years ago and also for 2019 a dividend of EUR 1.15 will be proposed to the Annual General Meeting. On the other hand, the Company itself has benefited, as the IPO was closely connected with the successful CEE expansion, which also began in the early 1990s. 25 years of stock market listing have shown that sustainable profitable growth is best realised with strong capital resources. This was also confirmed by the Standard & Poor's rating agency, which gave VIG Holding an A+ rating with stable outlook since 2005. That means VIG Holding has the best rating of all companies in the ATX.

## STOCK EXCHANGE HISTORY AT A GLANCE

**VIG shares 1994–2019**

### 1994

- **The preferred shares of the Company – Wiener Städtische at the time – were listed for the first time on 17 October at an issuing price of 1,030 Austrian schillings (EUR 74.85) on the Vienna Stock Exchange*. The free float was 11% at that time.**

### 2005

- **The major stock market offensive with the access to the international capital market began. The preferred shares were converted into ordinary shares with voting rights.**
- **The shares were included in the ATX in September.**
- **The first capital increase took place in December, with proceeds of around EUR 910 million. The free float increased to around 29%.**

*values without consideration of capital measures

**Dividends even during the financial crisis**
VIG Holding has also shown that a solid capital buffer and attractive dividend yield make a good combination. The dividend policy provides for a distribution in a range of 30% to 50% of the Group result after taxes and non-controlling interests. The Group has also shown reliability during economically difficult times, such as the financial crisis in 2007 and 2008, when shareholders continued to receive dividends as in all the previous years since the initial listing. “Our goal is to continue aligning the dividend per share to the development of the company’s success”, according to General Manager Elisabeth Stadler. Günter Geyer, Chairman of the VIG Holding Supervisory Board today, who actively pursued both the expansion into the CEE region and the IPO, looks back positively: “The additional responsibility towards investors and analysts enriched our traditional corporate culture. Today, as back then, all stakeholders should be able to participate in the Group’s sustainable long-term growth.”

## 2008

- **From February onwards, the shares are traded under the name VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.**
- **The shares were also listed on the Prague Stock Exchange in February.**
- **VIG Holding performed its second capital increase in May, with proceeds of EUR 1.1 billion. The proceeds funded the acquisition of Erste Group’s insurance business in Austria and CEE, and the newly concluded mutual distribution partnership.**

## 2010

- **In August, the operative insurance business in Austria was separated from the holding functions of the Group. VIG Holding as the listed Group holding company focuses on management of the Group, international corporate business and reinsurance.**

## 2019

- **Wiener Städtische Versicherungsverein currently holds around 70% of VIG Holding’s 128 million ordinary shares, the free float amounts to around 30%. 25% of the investors are from Austria, 27% from the rest of continental Europe, 34% from North America, 12% from the United Kingdom and Ireland and 2% from other countries.**

# Corporate governance report

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

The Austrian Code of Corporate Governance was introduced in 2002 and is regularly updated according to legislation and current trends. It is the standard for proper corporate governance and control in Austria. Provisions of the Code contribute to strengthening the trust in the Austrian capital market. The report that companies are required to publish on compliance with these provisions requires a high level of transparency.

VIG Holding is committed to the application of and compliance with the January 2020 version of the Austrian Code of Corporate Governance. § 243c UGB and § 267b UGB (Consolidated Corporate Governance Report) were also applied when preparing this report.

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

VIG Holding sees corporate governance as a continuously changing process that responds to new conditions and current trends for the benefit of the insurance group as well as for its stakeholders. The goal of all corporate governance measures is to ensure responsible corporate management aimed at long-term growth while simultaneously maintaining effective corporate control.

The Managing Board, Supervisory Board and employees consider observance of and compliance with the rules of the Austrian Code of Corporate Governance to be highly important for the practical implementation of corporate governance. All information on the members, procedures and remuneration of the Managing Board and Supervisory Board are clearly organised and presented below.

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

- Rules based on mandatory legal requirements ("Legal Requirement")
- Rules that must be observed. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or Explain")
- Non-compliance with rules which are merely recommendations do not need to be disclosed or explained ("Recommendation")

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

The Group's scope of consolidation also includes capital market-oriented subsidiaries that are required by the legal systems applicable to them to prepare and publish corporate governance reports. These include: Ray Sigorta (Turkey) and Makedonija Osiguruvanje (North Macedonia). The corporate governance reports are included in the annual reports of these companies and can be accessed through their respective websites: www.raysigorta.com.tr (About > Investor Relations), www.insumak.mk (website link: https://www.insumak.mk/about-us/financial-reports/?lang=en). Reference is made to the information in this regard.

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

## MEMBERS OF THE MANAGING BOARD AND THEIR RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

Country responsibilities: Austria, Czech Republic

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

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

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

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

Franz Fuchs began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in the life insurance area and pension funds before joining VIG Insurance Group. From 2003 until early 2014, Franz Fuchs was Chairman of the Managing Board of Compensa Non-Life and Compensa Life in Poland. He has been Chairman of the Managing Board of VIG Polska since 2003. He was first appointed to the VIG Holding Managing Board on 1 October 2009. In recognition of his many years of dedication and outstanding service for Poland, Romania, the Baltic states, Ukraine and Moldova, Franz Fuchs was appointed Deputy General Manager effective 1 October 2019.

Areas of responsibility: Motor and Property Insurance

Country responsibilities: Moldova, Poland, Romania, Ukraine

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

Franz Fuchs is also active in the Supervisory Boards of significant* Vienna Insurance Group companies: Compensa Life (Poland), Compensa Non-Life (Poland), InterRisk (Poland), Omniasig (Romania).

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

Liane Hirner studied business administration in Graz. Before joining VIG Insurance Group, she worked at PwC Austria's audit department where she started in 1993, and when she left, Liane Hirner was partner in the insurance area. In addition to her work as an auditor, Liane Hirner has also been involved in many professional associations, such as the IFRS Working Group of the Austrian Insurance Association and the Insurance Working Party of Accountancy Europe in Brussels. Liane Hirner was appointed to the VIG Holding Managing Board on 1 February 2018. She assumed the position of CFO on 1 July 2018. In 2019, EIOPA appointed Liane Hirner as a new member of the Insurance & Reinsurance Stakeholder Group (IRSG).

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

Country responsibilities: Germany, Belarus

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

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

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

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

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

Country responsibilities: Albania, Baltic states, Bulgaria, Kosovo, Montenegro, Nordics, Serbia

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

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

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

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

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

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

**Areas of responsibility:** Actuarial Department, Personal Insurance

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

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

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

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

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

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

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

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

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

Country responsibilities: Georgia, Liechtenstein, Slovakia, Turkey

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

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

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

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

## MEMBERS OF THE SUPERVISORY BOARD

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

**Günter Geyer**
**Chairman**
Year of birth: 1943
Date first appointed: 2014
End of current term of office: 2024
Günter Geyer joined Wiener Städtische in 1974 and was appointed to the Managing Board in 1988. In 2001, he became General Manager and Chairman of the Managing Board of Wiener Städtische. The insurance group's entry into the CEE market, with the establishment of the Kooperativa insurance companies in Bratislava and Prague and expansion into other CEE countries to become a major international insurance group, began under his leadership. Günter Geyer received many national and international awards for his involvement in these countries. For example, he received an honorary doctorate degree from the University of Economics in Bratislava for his contribution to the development of the insurance industry in the Republic of Slovakia. Günter Geyer resigned from his position as Chairman of the Managing Board of VIG Holding on 31 May 2012. He has held the position of Chairman of the Supervisory Board of Wiener Städtische since 2009 and Chairman of the Supervisory Board of VIG Holding since 2014. He is also the Chairman of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group AG Wiener Versicherung Gruppe.

**Rudolf Ertl**
**1st Deputy Chairman**
Year of birth: 1946
Date first appointed: 2014
End of current term of office: 2024
Rudolf Ertl is Doctor of Laws and has been with the insurance group since 1972. He was a Member of the Managing Board of Wiener Städtische until the end of 2008 and a Member of the Managing Board of Donau Versicherung until June 2009. He is a Member of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the

principal shareholder of VIG Holding. The insurance expertise he has accumulated over many years, and his knowledge of the CEE region make Rudolf Ertl a major asset to the Company as 1st Deputy Chairman of the Supervisory Board.

**Maria Kubitschek**
**2nd Deputy Chairwoman**
Year of birth: 1962
Date first appointed: 2014
End of current term of office: 2024
After completing her studies in social sciences and economics at the University of Vienna, Maria Kubitschek began working for the Vienna Chamber of Labour in 1988. After holding a variety of management positions, she was head of the Economic Division at the Vienna Chamber of Labour starting in 2001, with an interruption from 2011 until 2013 as head of the cabinet for the Austrian Federal Ministry for Transport, Innovation and Technology. She has been Deputy Director of the Vienna Federal Chamber of Labour since 2016, responsible, among other things, for coordinating the digitalisation strategy of the Federal Chamber of Labour and the digitalisation fund of the Vienna Chamber of Labour, and head of the European office in Brussels. She is also a member of the managing board of the Austrian Institute of Economic Research (WIFO).

**Martina Dobringer**
Year of birth: 1947
Date first appointed: 2011
End of current term of office: 2024
Martina Dobringer held various management positions in the Coface group starting in 1989 and brings her extensive knowledge of the international insurance industry with her. As Chairwoman of the Managing Board of Coface Central Europe Holding AG, she laid the cornerstone for Coface's successful expansion into this region. From 2001 to 2011, she was General Manager and Chairwoman of the Managing Board of Coface Austria Holding AG. In 2011, she was awarded the Grand Decoration of Honour in Silver for Services to the Republic of Austria, and in 2006 she became the first Austrian businesswoman to receive the highest French honour ("Chevalier dans l'ordre de la Légion").

**Gerhard Fabisch**
Year of birth: 1960
Date first appointed: 2017
End of current term of office: 2024
Gerhard Fabisch studied business administration and economics. He joined the Steiermärkische Bank und Sparkassen AG in 1985 and was made a member of the Managing Board in 2001 and Chairman of the Managing Board in 2004. Steiermärkische Bank und Sparkassen AG has a number of affiliated companies abroad, including in Croatia, Serbia and Bosnia-Herzegovina. Gerhard Fabisch is a member of the Board of Directors of ESBG (European Savings and Retail Banking Group) and WSBI (World Savings Banks Institute). He has been President of the Austrian Sparkassenverband since 2014.

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

**Heinz Öhler**
Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2024
Heinz Öhler joined the Tiroler Gebietskrankenkasse in 1970, where he initially held a position as head of the Finance Department and later held an executive position until 2011. In this position he managed country-wide projects and represented regional health insurance funds in a variety of ministerial committees, among other things. In March 2007, he was awarded the Grand Decoration of Honour in Gold for Services to the Republic of Austria for his work related to Austrian social security. He has held many positions in the sports world, including being appointed as a Member of the Tyrolean State Sports Council in November 2016.

**Georg Riedl**
Year of birth: 1959
Date first appointed: 2014
End of current term of office: 2024
After completing his legal studies at the University of Vienna, Georg Riedl has worked as an independent lawyer since 1991. His areas of expertise include company and tax law, mergers & acquisitions, as well as private foundation law and contract law, at which his activities cover national and international transactions.

**Gabriele Semmelrock-Werzer**
Year of birth: 1958
Date first appointed: 2017
End of current term of office: 2024
After holding positions at the Austrian branches of Chase Manhattan Bank AG and Crèdit Lyonnais AG, Gabriele Semmelrock-Werzer worked for Erste Group Bank AG in a variety of areas starting in 1995. She headed the Group Investor Relations department from 1999 to 2010, and in addition to international communications also actively assisted the expansion of the Erste Group into the CEE region and spent time in Prague and Bucharest. Since 2011, she has been Chairwoman of the Managing Board of Kärntner Sparkasse AG, which also holds a 70% interest in Sparkasse d.d. in Slovenia.

**Gertrude Tumpel-Gugerell**
Year of birth: 1952
Date first appointed: 2012
End of current term of office: 2024
Gertrude Tumpel-Gugerell was Vice Governor of the National Bank of Austria (OeNB) from 1998 to 2003 and member of the Board of Directors from 1997 to 2003. She also has many years of international experience, at the European level in particular. She was the Austrian Vice Governor to the International Monetary Fund and a member of the Economic and Financial Committee – the most important economic policy advisory committee of the European Union. Gertrude Tumpel-Gugerell was responsible for the Economics and Financial Markets divisions at the National Bank of Austria. From 2003 to 2011, she was a member of the Executive Board of the European Central Bank.

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

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

## SUPERVISORY BOARD INDEPENDENCE

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

- The Supervisory Board Member has not been a Member of the Managing Board or a senior manager of the Company or subsidiary of the Company in the last five years.
- The Supervisory Board member does not have a business relationship with the Company or a subsidiary of the Company that is of such significant scope for the Supervisory Board member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies in which the Supervisory Board Member has a considerable economic interest. The approval of individual transactions by the Supervisory Board in accordance with § 95 (5) (12) of the Austrian Stock Corporation Act (AktG) or § 15 (2) (l) of the Articles of Association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that purchase or existence of insurance policies with the Company has no adverse effect on independence.
- The Supervisory Board Member has not been an auditor of the Company's financial statements, or held an ownership interest in or been an employee of the auditing company executing such audits in the last three years.
- The Supervisory Board Member is not a member of the Managing Board of another company that has a member of the Company's Managing Board on its Supervisory Board.
- The Supervisory Board Member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a Member of the Managing Board or individuals holding one of the positions described above.

The Supervisory Board as a whole is considered to be independent if at least 50% of the members elected by the

Annual General Meeting satisfy the criteria above for the independence of a Supervisory Board Member.

Each Member of the Supervisory Board has declared whether they can be considered independent based on the criteria specified by the Supervisory Board. Peter Mihók has stated that he is not independent based on the independence criteria specified by the Supervisory Board. All other Supervisory Board Members were independent based on the criteria indicated.

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

The following Supervisory Board Members exercised supervisory mandates or comparable positions in other Austrian or foreign listed companies as of 31 December 2019:

**Georg Riedl**
AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

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

**Maria Kubitschek**
voestalpine AG

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

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

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

**Supervisory Board**
The Supervisory Board performs all activities defined under the law, articles of association and the procedural rules of the Supervisory Board. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory Board examines its procedures regularly, but at least once a year in the form of a self-evaluation. The Supervisory Board's evaluation of its activities in 2019 found that its organisational structure and procedures were satisfactory in terms of efficiency and in compliance with the law. It found no need for change or desire for change in the practices followed to date.

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

The Supervisory Board and the Audit Committee also directly engage with the financial statements auditor and the consolidated financial statements auditor in order to familiarise themselves with the accounting process and audit progress, and to inquire whether the audit has produced any important findings. Provision was made for exchanges between the Members of the Audit Committee and the (consolidated) financial statements auditor in such meetings without the presence of the Managing Board, but no Member of the Audit Committee took advantage of this opportunity during the reporting year. During the meetings about annual and consolidated financial statements, the audit reports are discussed and debated with the audit managers in detail both with the Audit Committee and with the entire Supervisory Board. The Audit Committee examined the Company's Solvency and Financial Condition Report (SFCR) and reported its findings to the Supervisory

Board. The Supervisory Board found no grounds for objection.

The internal audit department provides quarterly reports to the Audit Committee. If necessary, the head of internal audit provides detailed explanations of individual issues and audit focal points. The head of internal audit also submits the annual audit plan to the Audit Committee for approval. The Managing Board explains the organisation and effectiveness of the internal control system, internal audit and the risk management system to the Audit Committee at least once a year, and provides the Audit Committee with a written report on this subject so that it can confirm the efficiency of the systems. The Audit Committee also examines the report and assessment of the functioning of the risk management system prepared by the (consolidated) financial statements auditor and reports its findings to the Supervisory Board.

The Audit Committee and Supervisory Board as a whole also received the 2019 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined it.

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

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

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

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

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

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

## SUPERVISORY BOARD COMMITTEES

### COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

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

**Günter Geyer** (Chairman)
Substitute: Gertrude Tumpel-Gugerell

**Rudolf Ertl**
Substitute: Martina Dobringer

**Georg Riedl**
Substitute: Maria Kubitschek

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

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

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

3. To monitor the audit of the financial statements and consolidated financial statements taking into account findings and conclusions in reports published by the supervisory authority for financial statement auditors in accordance with § 4 (2)(12) of the Austrian Auditor Supervision Act (APAG);

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

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

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

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

8. To perform the procedure to elect the financial statement auditor (consolidated financial statement auditor) taking into account the appropriateness of the fees in accordance with Art. 4 of Regulation (EU) No. 537/2014 and the rotation periods in Art. 17 of Regulation (EU) No. 537/2014, and recommend appointment of a financial statements auditor (consolidated financial statements auditor) to the Supervisory Board in accordance with Art. 16 of Regulation (EU) No. 537/2014.

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

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

**Gertrude Tumpel-Gugerell** (Chairwoman)
1st substitute: Gabriele Semmelrock-Werzer
2nd substitute: Heinz Öhler

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

**Martina Dobringer**
Substitute: Heinz Öhler

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

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

**Maria Kubitschek**
Substitute: Heinz Öhler

**Peter Mihók**
Substitute: Heinz Öhler

**COMMITTEE FOR MANAGING BOARD MATTERS (PERSONNEL COMMITTEE)**

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

**Günter Geyer** (Chairman)
**Rudolf Ertl**
**Georg Riedl**

**STRATEGY COMMITTEE**

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

**Günter Geyer** (Chairman)
Substitute: Gertrude Tumpel-Gugerell

**Rudolf Ertl**
Substitute: Martina Dobringer

**Georg Riedl**
Substitute: Gabriele Semmelrock-Werzer

**Peter Mihók**
Substitute: Maria Kubitschek

**NOMINATION COMMITTEE**

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

**Günter Geyer** (Chairman)
**Rudolf Ertl**
**Georg Riedl**
**Martina Dobringer**

The Supervisory Board gave its consent to VIG Holding and other companies of the VIG Insurance Group that allowed them to use the legal services of Georg Riedl, Supervisory Board Member, and engage him or his law firm to act as a representative and provide advisory services on a project-related basis under normal market terms. Georg Riedl provided consultancy services as a lawyer, for which he received total (net) fees of EUR 11,229.17 plus cash expenses and 20% value added tax in financial year 2019 (of which EUR 2,625 plus cash expenses and 20% VAT were for VIG Holding). Supervisory Board Members Gerhard Fabisch and Gabriele Semmelrock-Werzer are members of the managing boards of companies with which distribution agreements were concluded under normal market and industry terms and conditions. The Company did not enter into any other agreements with Supervisory Board Members in 2019 that would have required the approval of the Supervisory Board.

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

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

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

## MANAGING BOARD AND SUPERVISORY BOARD COMPENSATION

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

**Compensation plan for Managing Board Members of the Company**

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

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

The performance-related compensation is limited. The maximum performance-related compensation that the Managing Board can receive by achieving the traditional targets in financial year 2019 is around 40% to around 50% of fixed salary. Special bonus compensation can also be earned for appropriate target achievement, as well as compensation for overachievement in certain target areas. In total, the Members of the Managing Board can earn variable compensation equal to a maximum of around 80% to to around 105% of their fixed compensation in this way.

Large parts of performance-related compensation are only paid after a delay. The delay for the 2019 financial year extends to 2023. The deferred portions are awarded based on the sustainable performance of the Group.

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

The main performance criteria (targets) for variable compensation in 2019 were the combined ratio, premium growth, result before taxes and – as a non-financial objective – the promotion of social responsibility in practice, for special bonus compensation there were strategic objectives, such as achievements in the area of bancassurance or market share, and compensation could also be earned from overachievement of targets in certain areas.

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

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

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

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

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

The standard employment contract for a member of the Managing Board of the Company includes – depending, among other things, on the length of employment – a pension equal to a maximum of 40% of the measurement base if the member remains on the Managing Board until the age of 65 (the measurement base is equal to the standard fixed compensation). This pension amount can be increased in individual cases if work continues past the maximum pension age, since a pension is not drawn during this period.

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

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

Only the contracts for Managing Board members who have been active in the insurance group for a long time provide for a severance payment structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), in the version prior to 2003, in combination with applicable industry-specific provisions. This allows these Managing Board Members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board Member who leaves by their own choice, without agreement with the Company, before retirement is possible, or leaves due to their own fault, is not entitled to severance payment.

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

**Compensation plan for the Supervisory Board Members**

In accordance with the resolutions adopted by the 27th ordinary General Meeting on 25 May 2018, the Supervisory Board Members elected by the General Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Supervisory Board Members who withdraw from their positions before the end of a month still receive full compensation for the month in question. In addition to this compensation, Supervisory Board Members are entitled to receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (remitted after participating in the meeting). The total compensation paid to Supervisory Board Members in 2019 was EUR 506,000.

Supervisory Board Members received the following amounts:

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

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

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

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

## DIVERSITY CONCEPT

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

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

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

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

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

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

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

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

**Level of the VIG insurance companies**
Based on the principle of local entrepreneurship, the VIG insurance companies choose their own priorities against the background of priorities set for diversity at VIG Holding and at Group level. Further information on implementation of the diversity concept is available on page 34 of the insurance group's sustainability report.

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

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

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

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

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

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

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

## GENERATIONS AND INTERNATIONALITY

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

## EXTERNAL EVALUATION REPORT

C-Rule 62 of the Austrian Code of Corporate Governance provides voluntary external evaluation of compliance with the C-Rules of the Code at least every three years. This evaluation was last performed in 2018 for the consolidated Corporate Governance Report for 2017. All of the evaluations came to the conclusion that all requirements in the Code had been observed. The summarised information on these evaluations is available on the website of VIG Insurance Group.

Vienna, 23 March 2020

The Managing Board:

**Elisabeth Stadler**
General Manager,
Chairwoman of the
Managing Board

**Franz Fuchs**
Deputy General Manager,
Member of the Managing Board

**Liane Hirner**
CFO,
Member of the Managing Board

**Peter Höfinger**
Member of the Managing Board

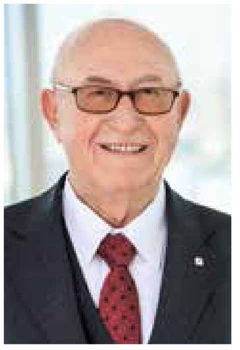
**Gerhard Lahner**
Member of the Managing Board

**Gábor Lehel**
Member of the Managing Board

**Harald Riener**
Member of the Managing Board

**Peter Thirring**
Member of the Managing Board

# Supervisory Board report



The Supervisory Board and its committees, Chair and Deputy Chairs periodically and repeatedly monitored in detail the management of the Company and the activities of the Managing Board in connection with its management and monitoring of the Group. This purpose was served by detailed presentations and discussions during meetings of the Supervisory Board and its committees as well as by detailed discussions on individual topics with Managing Board members who provided comprehensive explanations and evidence relating to management, the financial position of the Company and that of the Group. Among other things, strategy, business development (overall and in individual regions), risk management, the internal control system, internal audit activities, the compliance function and reinsurance, both at VIG Holding and Group level, and other important topics for the Company and the Group were discussed at these meetings.

In accordance with the Solvency II requirements, starting in 2016 non-financial aspects must be part of the performance expectations for variable remuneration of Managing Board Members. VIG Holding is committed to social responsibility and the importance of having employees drive forward performance, innovation and expertise. Goal fulfilment for Managing Board Members also depended on both financial and non-financial criteria in the 2019 reporting year. The 2019 consolidated corporate governance report presents detailed information on the principles underlying the remuneration system, and we refer to this information in the 2019 consolidated corporate governance report.

The Supervisory Board has formed five committees from its Members. Information on the responsibilities and composition of these committees is available on the Company's website and in the 2019 consolidated corporate governance report.

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

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

No Member of the Supervisory Board attended less than half of the Supervisory Board meetings. In order to ensure the effectiveness and efficiency of its activities and procedures, the Supervisory Board performed a self-evaluation of its procedures. The Supervisory Board's evaluation of its activities found that its organisational structure and procedures were satisfactory in terms of efficiency and in compliance with the law. It found no need for change or desire for change in the practices followed to date.

Acting upon the proposal and motion of the Supervisory Board, the general meeting of 25 May 2018 selected KPMG to be the financial statements auditor and consolidated financial statements auditor for financial year 2019, and KPMG consequently performed these duties in financial year 2019.

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

During one meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor on specification of two-way communications and audit planning.

By inspecting relevant documents, meeting with the Managing Board and discussions with the (consolidated) financial statements auditor, the Audit Committee was able to monitor the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no facts or circumstances providing grounds for objection. The Audit Committee also discussed and debated in detail the possibilities of providing recommendations or suggestions to ensure the reliability of the accounting process and, based on the comprehensive information and documents obtained by the Audit Committee during its review, found that the processes that had been established were adequate. The Supervisory Board Audit Committee also reviewed and monitored the independence of the auditor of the financial statements and consolidated financial statements, and after reviewing suitable documents and supporting records submitted to the Committee, particularly with respect to the appropriateness of the fee and the additional services provided to the Company, was satisfied with the auditor's independent status. While reviewing and monitoring the independence of the financial statements auditor and consolidated financial statements auditor, the Audit Committee did not find any circumstances that would raise doubts about its independence and impartiality.

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

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

In 2019, the Audit Committee also dealt with the selection of the financial statements and consolidated financial statements auditor for financial year 2020. It was determined that there were no grounds for exclusion of KPMG or circumstances that would give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. The Audit Committee reported to the Supervisory Board on the insights of these evaluations and proposed to the Supervisory Board and subsequently to the general meeting that KPMG be selected as auditor of the financial statements and consolidated financial statements. The General Meeting selected KPMG as auditor of the financial statements and consolidated financial statements for 2020.

The Audit Committee also received the 2019 annual financial statements, management report, 2019 consolidated corporate governance report and 2019 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined them. The Managing Board's proposal for appropriation of profits was also reviewed with respect to capital adequacy and its effects on the solvency and financial position of the Company during the course of this examination. The Supervisory Board Audit Committee also examined the 2019 consolidated financial statements and Group management report. In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2019 annual financial statements and management report and the 2019 consolidated financial statements and Group management report were reviewed by the Audit Committee and examined. As a result of this examination, a unanimous resolution was adopted to recommend to the Supervisory Board that they be accepted without qualification. The Supervisory Board found no grounds for objection.

The (consolidated) financial statements auditor provided the Audit Committee with an additional report in accordance with Art. 11 of Regulation (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities that explained the results of the financial statements audit and consolidated financial statements audit. This additional report prepared by the financial statements auditor was also provided to the Supervisory Board.

The audit results and all resolutions adopted by the Audit Committee were reported to the Supervisory Board in its next meeting, along with an explanation of how the financial statement audit had contributed to the reliability of the financial reporting and what role the Audit Committee had played.

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

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

The 2019 annual financial statements together with the management report and 2019 consolidated corporate governance report, the 2019 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were taken up and examined in detail by the Supervisory Board. The appropriation of profits proposal was checked, in particular, to ensure that it was reasonable when capital requirements were taken into account.

The Supervisory Board also received the 2019 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined it. As a result of this examination, it found that the 2019 sustainability report (consolidated non-financial report) had been prepared properly and was appropriate. The Supervisory Board found no grounds for objection.

In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2019 annual financial statements and management report and the 2019 consolidated financial statements and Group management report were reviewed by the Supervisory Board and examined. KPMG's audit of the 2019 annual financial statements and management report and the 2019 consolidated financial statements and Group management report did not lead to any reservations. KPMG determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December 2019, and of the results of operations of the Company for financial year 2019 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. The disclosures pursuant to § 243a UGB (Austrian Commercial Code) are appropriate. KPMG further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2019, and of the results of operations and cash flows of the Group for financial year 2019 in accordance with the IFRS as adopted by the EU and § 138 of the Austrian Insurance Supervision Act (VAG) in combination with § 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements. KPMG also reviewed the 2019 sustainability report (consolidated non-financial report) and determined in accordance with § 269 (3) UGB that the 2019 consolidated corporate governance report had been prepared.

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

After thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the 2019 annual financial statements prepared by the Managing Board, not to raise any objections to the management report, the 2019 consolidated financial statements and Group management report, the 2019 consolidated corporate governance report and the 2019 sustainability report (consolidated non-financial report) and to agree with the Managing Board proposal for appropriation of profits.

The 2019 annual financial statements have therefore been approved in accordance with § 96 (4) AktG (Austrian Stock Corporation Act).

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

Vienna, April 2020

The Supervisory Board:

Günter Geyer (Chairman)

# Group management report 2019

## Business development and economic position

### ECONOMIC ENVIRONMENT

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

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

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

### LEGAL ENVIRONMENT

#### SHAREHOLDER RIGHTS DIRECTIVE

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

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

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

# GROUP BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE INDICATORS

## GENERAL INFORMATION

The around 50 VIG insurance companies operate in the following reporting segments: Austria, Czech Republic, Slovakia, Poland, Romania, Baltic states, Hungary, Bulgaria, Turkey/Georgia, Remaining CEE, Other Markets and Central Functions. These twelve segments are explained in the segment reporting section.

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

The Montenegro and Belarus markets were not included in the scope of consolidation in 2019 due to immateriality. More information on the scope of consolidation and consolidation methods is provided on page 112 of the notes to the consolidated financial statements. The notes to the consolidated financial statements provide detailed information on changes in the scope of consolidation starting on page 113.

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

To improve readability, company names have been shortened throughout the entire report. A list of full company names is provided starting on page 215. In order to avoid duplicate information, reference will be made below to appropriate information in the notes. Changes in significant balance sheet and income statement items are presented in both the segment report and the notes to the financial statements. Additional disclosures in the management report below are intended to explain these data in more detail.

## FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators that form the basis for assessing the business development are presented below.

### KEY FIGURES FROM THE CONSOLIDATED INCOME STATEMENT

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

**Premium volume**

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

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

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

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

**Expenses for claims and insurance benefits**

A detailed disclosure of expenses for claims and insurance benefits is included in Note 19 Expenses for claims and insurance benefits in the notes to the consolidated financial statements.

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

**Acquisition and administrative expenses**

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

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

**Financial result**

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

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

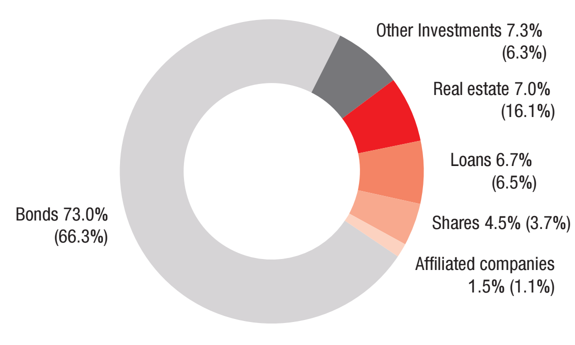
**Result before taxes**

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

**Investments**

A brief presentation of the investments is included in the notes to the consolidated financial statements starting on page 125.

BREAKDOWN OF INVESTMENTS 2019




2018 values in parentheses

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

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

**Shareholders' equity**

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

**Underwriting provisions**

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

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

**Cash flow**

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

**Significant improvement in earnings per share**

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

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

**Return on equity (RoE) substantially improved**

Return on equity (RoE) measures the profitability of the Group by expressing the result before taxes as a ratio of the capital employed. This ratio is calculated by dividing the result before taxes and non-controlling interests by the average shareholders' equity. Shareholders' equity adjusted for a provision for unrealised gains and losses is used for this purpose.

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

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

**Combined ratio significantly below 100%**

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

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

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

## BRANCH OFFICES

VIG insurance companies have branch offices in Germany, France, Italy, Kosovo, Slovenia, the Baltic countries of Estonia, Latvia and Lithuania, and the Northern European countries of Sweden, Norway and Denmark. Information on existing branch offices and any significant changes compared to the previous year are discussed in more detail for the applicable regional segments in the section below. A list of the addresses of the insurance companies and branch offices is also provided on page 224.

## BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE INDICATORS BY SEGMENT

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

A detailed presentation of the consolidated income statement by regional segments and premiums written by regional segments and lines of business is provided on page 122 in the notes to the consolidated financial statements and in Note 15 Premiums written on page 175.

### PREMIUMS WRITTEN BY SEGMENT

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

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

[2] Other Markets: Germany, Liechtenstein

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

### RESULT BEFORE TAXES BY SEGMENT

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

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

[2] Other Markets: Germany, Liechtenstein

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

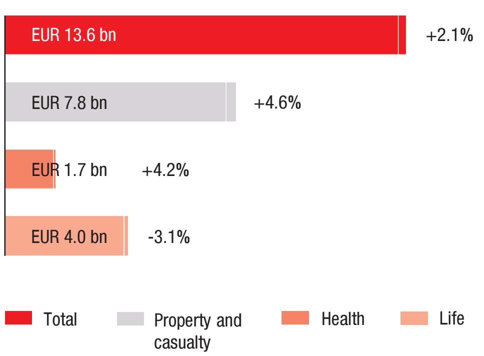
## AUSTRIA

### AUSTRIAN INSURANCE MARKET

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

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

9M 2019 figures




Source: Austrian Insurance Association

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

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

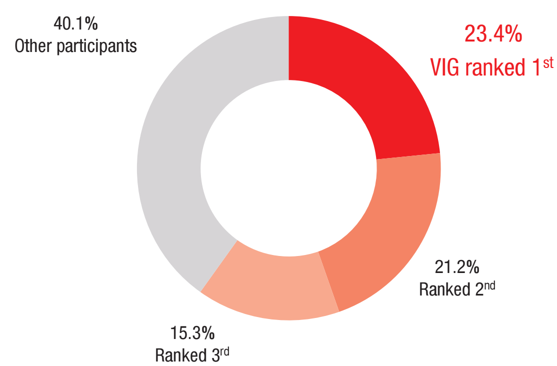
The downward trend in life insurance continued as a result of the ongoing low interest rate environment.

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

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

#### MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume




Source: Austrian Insurance Association; as of 9M 2019

### VIG COMPANIES IN AUSTRIA

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

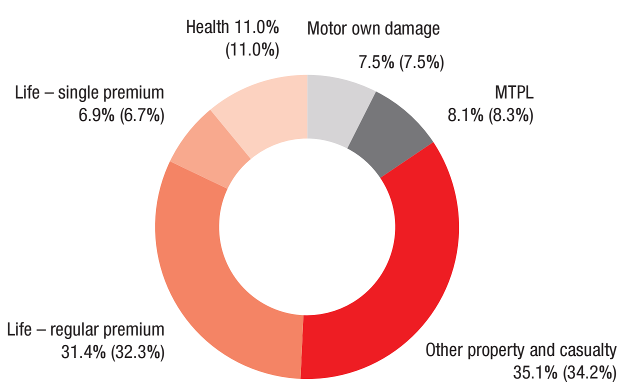
Since 2019, it has also been active in the traditional industrial insurance business through branch offices in the Northern European countries of Sweden, Norway and Denmark. VIG Holding is assigned to the Central Functions segment.

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

## FINANCIAL PERFORMANCE INDICATORS IN THE AUSTRIA SEGMENT

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

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

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

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

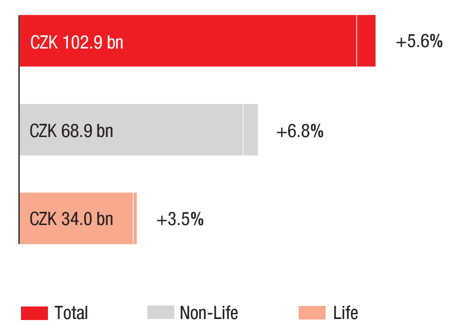
## CZECH REPUBLIC

## CZECH INSURANCE MARKET

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

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

9M 2019 figures




Source: Czech Insurance Association

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

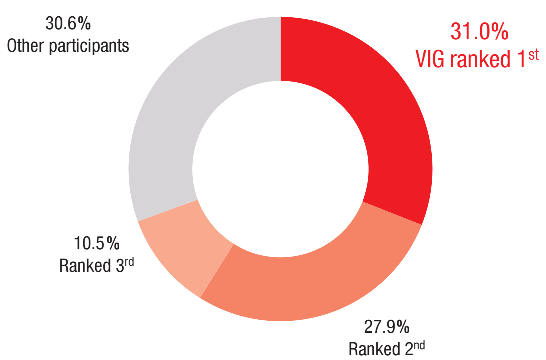
Premiums rose 6.8% in the non-life sector. The increase was primarily due to motor own damage insurance, which recorded a major gain of 10.5%. Motor third party liability insurance also rose 8.0% due to the steady increase in newly insured vehicles. The non-motor lines of business increased by 4.3%.

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

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

### MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume




Source: Czech Insurance Association; as of 9M 2019

## VIG COMPANIES IN THE CZECH REPUBLIC

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

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

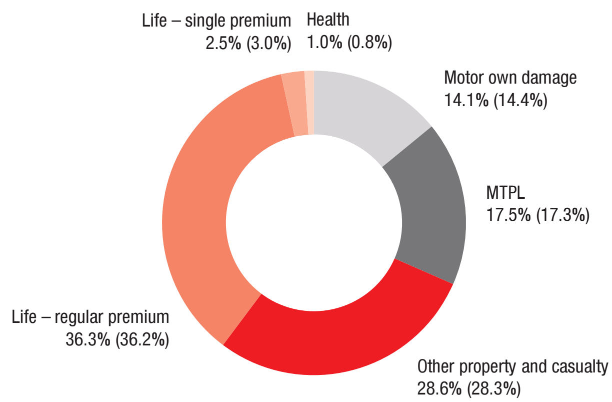
VIG Insurance Group's own reinsurance company, VIG Re which is headquartered in Prague and operates branch offices in Germany and France, is assigned to the Central Functions segment.

## FINANCIAL PERFORMANCE INDICATORS IN THE CZECH REPUBLIC SEGMENT

**Premium development**

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

### PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

**Result before taxes**

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

**Combined Ratio**

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

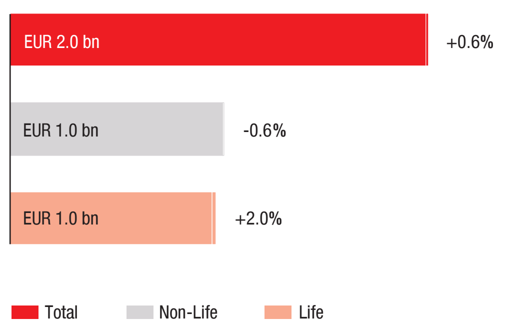
## SLOVAKIA

### SLOVAKIAN INSURANCE MARKET

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

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

9M 2019 figures




Source: Slovak Insurance Association

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

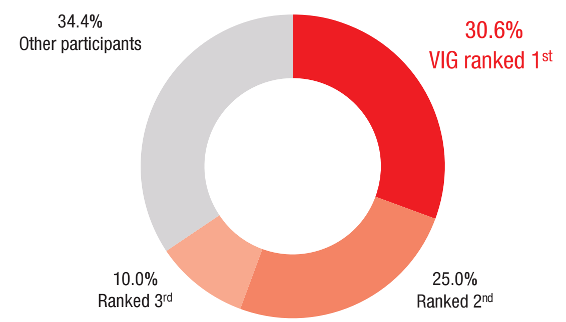
The decrease in the non-life sector was, among other things, due to a drop in premiums from health insurance (-7.1%) and general liability insurance (-12.1%). The motor lines of business, on the other hand, were the growth drivers, with both motor third party liability (+4.6%) and motor own damage insurance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

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

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

#### MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume




Source: Slovak Insurance Association; as of 9M 2019

### VIG COMPANIES IN SLOVAKIA

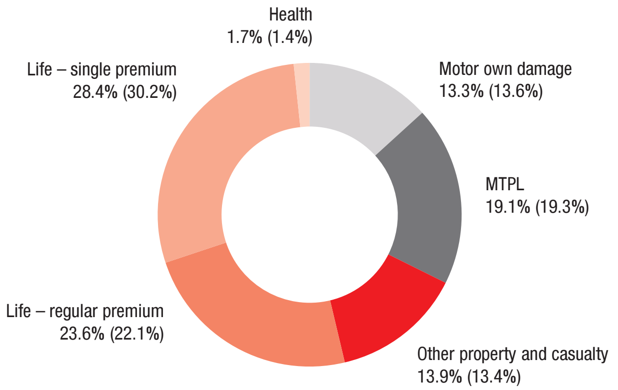
Two VIG insurance companies, Kooperativa and Komunálna, are represented in the Slovakian insurance market. Their market share of 30.6% puts them in first place in Slovakia. They hold second place for non-life insurance and first place for life insurance.

### FINANCIAL PERFORMANCE INDICATORS IN THE SLOVAKIA SEGMENT

**Premium development**

Premiums written in the Slovakia segment remained almost unchanged at EUR 798.9 million in 2019 (2018: EUR 799.6 million). After adjusting for single premiums in life insurance business, however, an increase of 2.6% was recorded. Net earned premiums were EUR 671.6 million in 2019 (2018: EUR 670.2 million).

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

### Result before taxes

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

### Combined ratio

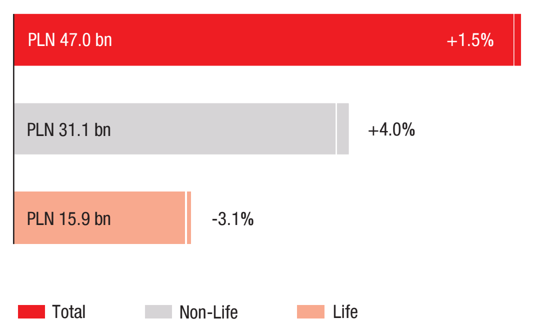
The combined ratio for the VIG insurance companies in Slovakia improved to 97.1% in 2019 (2018: 97.3%).

## POLAND

## POLISH INSURANCE MARKET

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

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




Source: Financial Market Authority Poland

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

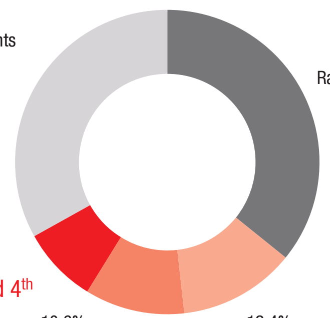
In the non-life sector, premiums grew 4.0%. On the one hand, this was due to the good performance achieved in the non-motor lines of business (+8.4%), with private health insurance recording one of the highest growth rates of 11.4%. On the other hand, the increase in the non-life sector was due to an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

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

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

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume




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

## VIG COMPANIES IN POLAND

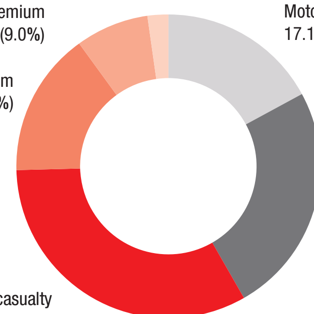
VIG Insurance Group is represented by Compensa Life and Non-Life, InterRisk, Vienna Life and Wiener TU (formerly Gothaer TU) in the Polish market. InterRisk also invested in the mutual insurance association TUW "TUW" in 2019. In addition to creating a strategic partnership, it also represented another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

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

## FINANCIAL PERFORMANCE INDICATORS IN THE POLAND SEGMENT

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

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

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

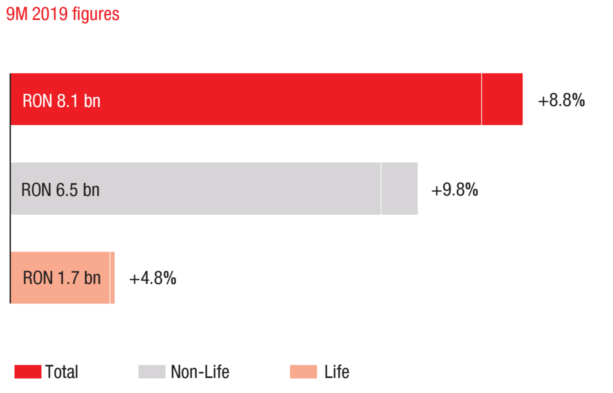
**Combined Ratio**
The combined ratio continued to be at a very good level of 94.8% in 2019 (2018: 92.6%).

# ROMANIA

## ROMANIAN INSURANCE MARKET

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

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




Source: Financial Supervisory Authority ASF

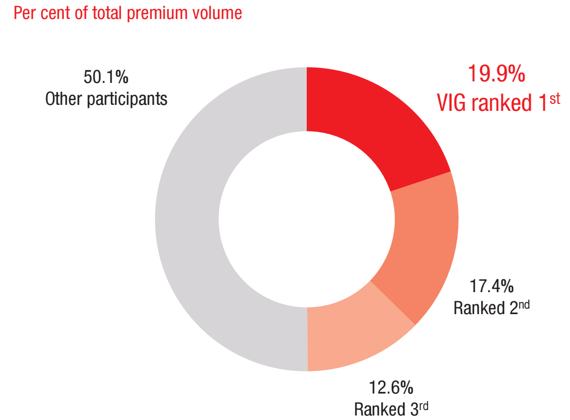
The Romanian insurance market recorded an 8.8% year-on-year increase in premium volume in local currency terms. Both the non-life and life sectors contributed to this performance.

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

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

According to Axco Global Statistics, the insurance density in Romania was at EUR 112 per capita in 2018. EUR 90 of this amount was for non-life insurance and EUR 22 for life insurance.

### MARKET SHARES OF THE MAJOR INSURANCE GROUPS




Source: Financial Supervisory Authority ASF; as of 9M 2019

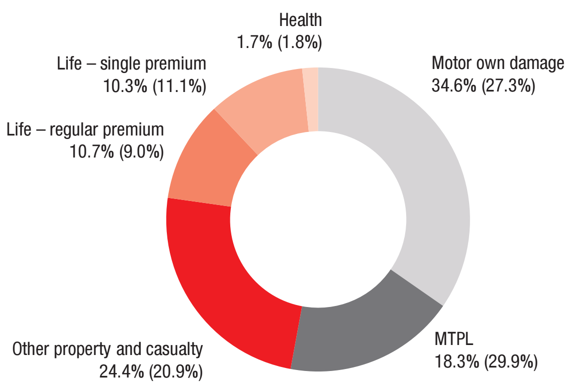
## VIG COMPANIES IN ROMANIA

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

## FINANCIAL PERFORMANCE INDICATORS IN THE ROMANIA SEGMENT

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

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

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

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

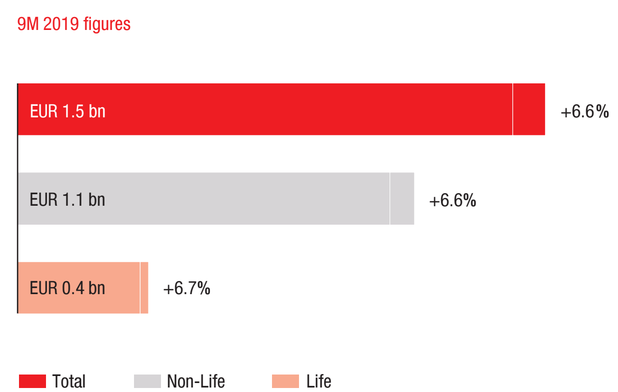
## BALTIC STATES

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

### THE BALTIC INSURANCE MARKET

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

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




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

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

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

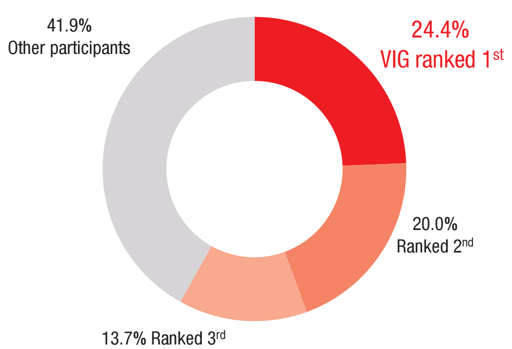
Life insurance premium volume also rose in the first nine months of 2019, with a gain of 6.7%. Within the Baltic states Lithuania recorded the largest increase in life insurance premiums, with a gain of 8.5%, followed by Latvia (+7.5%) and Estonia (+0.5%).

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

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

### MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume




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

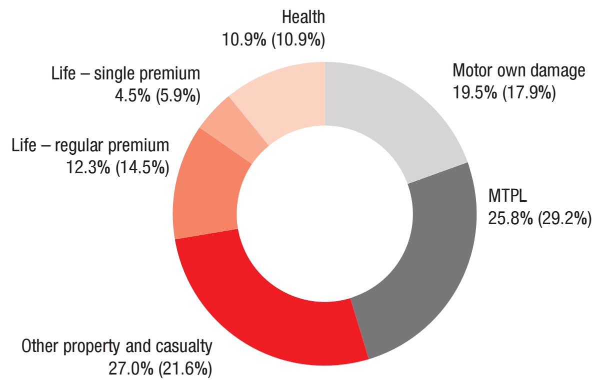
## VIG COMPANIES IN THE BALTIC STATES

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

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

## FINANCIAL PERFORMANCE INDICATORS IN THE BALTIC STATES SEGMENT

### PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

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

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

### Combined Ratio

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

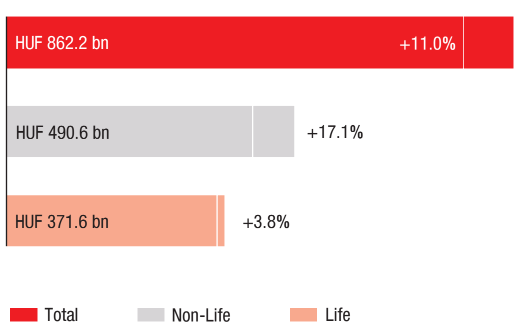
## HUNGARY

### HUNGARIAN INSURANCE MARKET

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

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

9M 2019 figures




Source: National Bank of Hungary (MNB)

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

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

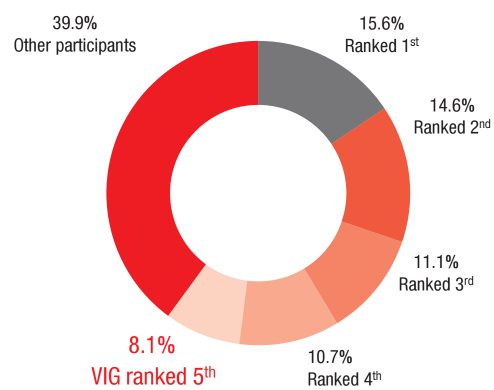
The Hungarian market continues to show massive interest in health insurance, which recorded an increase of 42.1%.

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

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

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume




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

### VIG COMPANIES IN HUNGARY

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

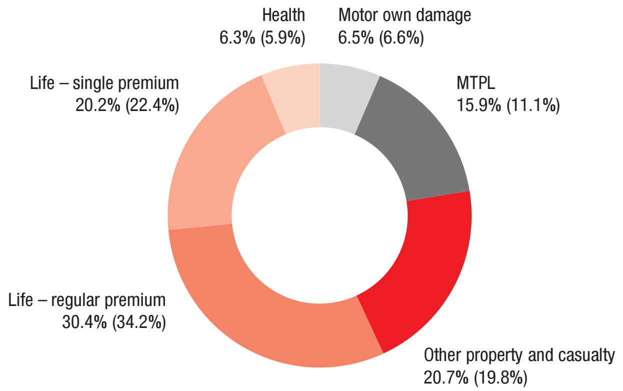
### FINANCIAL PERFORMANCE INDICATORS IN THE HUNGARY SEGMENT

#### Premium development

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

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

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

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

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

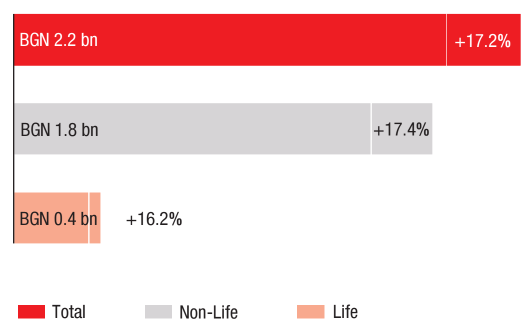
## BULGARIA

### BULGARIAN INSURANCE MARKET

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

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

9M 2019 figures




Source: Bulgarian Financial Supervision Commission (FSC)

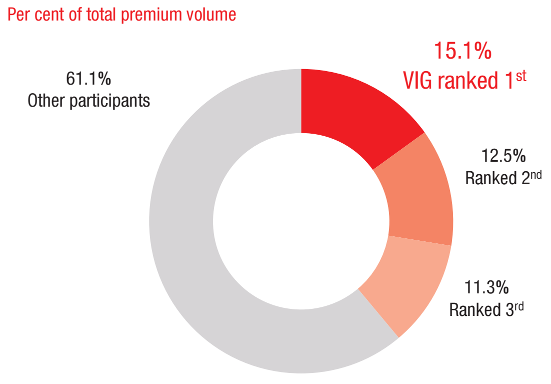
The Bulgarian insurance market continued to grow rapidly in the first three quarters of 2019, recording a double-digit year-on-year increase of 17.2% in local currency terms. Growth in both the non-life (+17.4%) and life (+16.2%) sectors contributed to this respectable increase.

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

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

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

MARKET SHARES OF THE MAJOR INSURANCE GROUPS




Source: Bulgarian Financial Supervision Commission (FSC); as of 9M 2019

## VIG COMPANIES IN BULGARIA

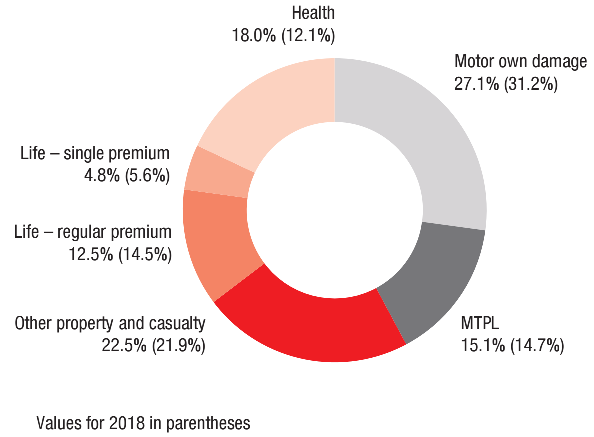
The three insurance companies Bulstrad Life, Bulstrad Non-Life and Nova are represented in the Bulgarian insurance market. Together they have a market share of 15.1%. That makes the VIG insurance companies the leading insurance group in Bulgaria. It holds second place in the non-life sector and first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

## FINANCIAL PERFORMANCE INDICATORS IN THE BULGARIA SEGMENT

**Premium development**

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

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

**Result before taxes**

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

**Combined ratio**

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

## TURKEY/GEORGIA

**Turkey**

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

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

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

**Georgia**

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

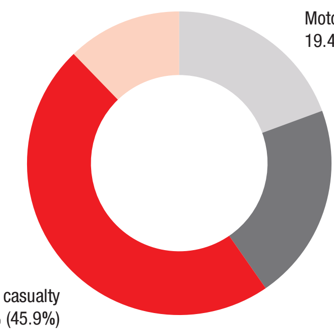
The VIG insurance companies GPIH and IRAO operate in Georgia. Its market share of 22.9% puts it in second place in the Georgian insurance market.

## FINANCIAL PERFORMANCE INDICATORS IN THE TURKEY/GEORGIA SEGMENT

**Premium development**

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

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

**Result before taxes**

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

**Combined Ratio**

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

## REMAINING CEE

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

**Albania including Kosovo**

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

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

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

**Bosnia-Herzegovina**

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

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

**Croatia**

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

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

**North Macedonia**

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

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

**Moldova**

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

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

**Serbia**

Premium volume for the insurance companies operating in Serbia rose 5.9% based on the local currency in the first three quarters of 2019. This growth was mainly due to the positive performance achieved in the non-life sector (+6.4%), which represents around 78% of the overall portfolio. The growth in non-life insurance was due to contributions from both the non-motor lines of business, which saw premium volume rise 6.8% year-on-year, and motor lines of business (motor third party liability +4.1%, motor own damage +13.3%). Life insurance recorded an increase of 4.5% in the 1st to 3rd quarters of 2019. Health insurance also achieved double-digit growth of 29.4%.

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

**Ukraine**

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

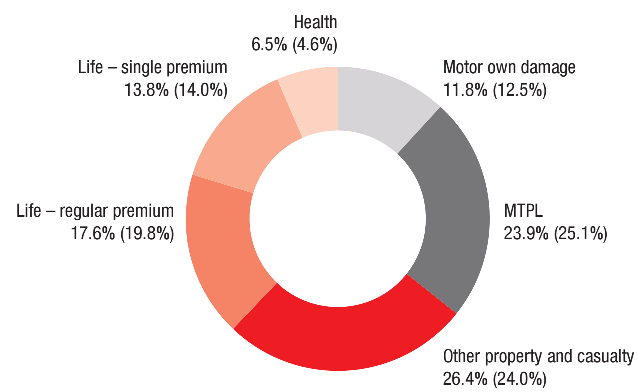
The Group is represented in Ukraine by the non-life insurers Globus, Kniazha and UIG, and the life insurer Kniazha Life. Globus was merged with UIG and the merger is expected to be concluded in 2020. The VIG insurance companies hold second place in the overall market, with a market share of 6.9%. They are in first place in the non-life sector and seventh place in the life sector.

## FINANCIAL PERFORMANCE INDICATORS IN THE REMAINING CEE SEGMENT

**Premium development**

The VIG insurance companies in the Remaining CEE segment wrote EUR 446.9 million in premiums in 2019 (2018: EUR 374.7 million). The year-on-year increase of 19.3% was due to generally positive performance in all lines of business, especially in Ukraine, which recorded impressive growth rates in motor third party liability, other property and casualty and health insurance. Serbia also saw an increase in premiums, for both other property and casualty insurance and single-premium life insurance. Net earned premiums were EUR 328.8 million in 2019 (2018: EUR 285.7 million), an increase of 15.1% compared to the previous year.

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

**Result before taxes**

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

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

**Combined Ratio**

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

## OTHER MARKETS

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

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

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

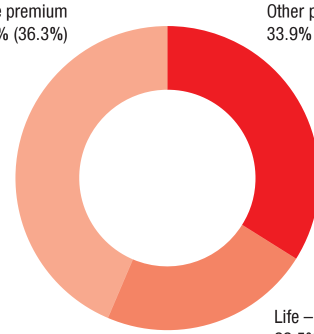
**Liechtenstein**
As a member of the European Economic Area, the Principality of Liechtenstein has offered insurance companies direct market access to 31 countries and around 500 million people in Europe since 1995. The life insurance companies domiciled in Liechtenstein primarily offer unit-linked and equity-linked (anteilsgebunden) retirement and insurance solutions for high net worth individuals. The property and casualty insurers cover all of the corresponding lines of business. At the end of 2019, 37 insurance companies, including 21 life insurance companies, had registered offices in Liechtenstein. Premium volume in the first three quarters of 2019 was around the same level as the previous year.

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

### FINANCIAL PERFORMANCE INDICATORS IN THE OTHER MARKETS SEGMENT

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

PREMIUMS BY LINE OF BUSINESS




Values for 2018 in parentheses

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

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

## CENTRAL FUNCTIONS

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

The reinsurance company VIG Re was formed in Prague in 2008 and is a successful reinsurance provider for both VIG insurance companies and external partners. It has established itself as an important company in the CEE region and follows a conservative underwriting and investment strategy. Standard & Poor's confirmed VIG Re's A+ rating with a stable outlook in the autumn of 2019.

### FINANCIAL PERFORMANCE INDICATORS IN THE CENTRAL FUNCTIONS SEGMENT

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

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

### BUSINESS DEVELOPMENT BY BALANCE SHEET UNIT

Further information on business development by balance sheet units is provided in the additional disclosures in accordance with the Austrian Insurance Supervision Act (VAG) in the notes to the consolidated financial statements starting on page 205.

## Other mandatory disclosures

### RESEARCH AND DEVELOPMENT

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

### HOLDINGS, PURCHASE AND SALE OF OWN SHARES

Detailed information on § 243 (3)(3) UGB is available in Note 9 Consolidated shareholders' equity starting on page 163 of the notes to the consolidated financial statements.

### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ACCOUNTING PROCESS

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

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

**Control environment**

The organisational structure consists of the local accounting departments of the individual companies and the Group accounting department at the VIG Holding headquarters in Vienna. The accounting departments of the VIG companies prepare both local GAAP and IFRS financial statements and then send the IFRS figures to the Group accounting department.

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

Standardised software is used to prepare the consolidated financial reports. VIG companies mainly use this software to report their data, most of which is imported into the system as an upload or directly entered on site. The Group accounting department consolidates the data and prepares the consolidated financial statements.

**Risk assessment**
The annual financial statement process has been documented in order to identify risks in the accounting process and eliminate them as far as possible. The documentation covers the entire process all the way from data entry by the employees of VIG companies and automatic and manual controls and analyses during the consolidation process, to publication of the final annual report.

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

Both automatic (using validations) and manual checks (performance analyses and plausibility checks by employees in the Group accounting department) are performed for the financial statement data that is received. Additional checks in the form of control calculations and reconciliation of intragroup transactions – in particular reinsurance and financing balances – are performed to identify and, if necessary, eliminate potential errors.

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

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

In order to ensure that the annual report is completed correctly and on time by the publication deadline, strict deadlines are set for the quarterly and annual financial statements and the VIG companies are already informed of these deadlines at the beginning of the 4$^{th}$ quarter for the coming reporting year. In this way, the employees in the Group accounting department ensure in advance that the VIG companies can send their data on time.

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

In addition to the annual report at the end of each financial year, a half-year report was published in accordance with IAS 34 and statutory provisions.

The Investor Relations department is responsible for reporting to VIG Holding shareholders. This takes place both in personal meetings and via the Company website. Shareholders and other interested parties are provided with access to annual and interim reports, and to regularly updated information on key figures, share prices, the financial calendar, ad hoc news and other relevant topics.

**Monitoring**
The Group accounting department is responsible for preparing the Group annual report. Quarterly reports are provided to the Managing Board and Supervisory Board to ensure regular monitoring of the internal control system. Risks are continuously monitored by internal cross-departmental Group controls (e.g. Group accounting department, Controlling).

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

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

The auditor takes the internal control system into account during the financial statement audit to the extent that it is relevant to preparation of the consolidated financial statements. The auditor also assesses the effectiveness of the risk management system in accordance with Rule 83 of the Austrian Corporate Governance Code.

## CAPITAL, SHARE, VOTING AND CONTROL RIGHTS AND ASSOCIATED AGREEMENTS

The Company has share capital of EUR 132,887,468.20. It is divided into 128,000,000 no-par value ordinary bearer shares with voting rights, with each share representing an equal portion of the share capital. The number of shares issued remains unchanged since the previous financial year.

Further information on the anticipatory resolutions and authorisations of the Managing Board in general meetings in accordance with § 267 (3a) in conjunction with § 243a (1) UGB is provided in Note 9 Consolidated shareholders' equity starting on page 163 of the notes to the consolidated financial statements.

## CONSOLIDATED NON-FINANCIAL REPORT

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

## CORPORATE GOVERNANCE

VIG Holding is committed to application and compliance with the January 2020 version of the Austrian Code of Corporate Governance and publishes a consolidated corporate governance report on the website at www.vig.com under "Investor Relations".

## OUTSOURCING DISCLOSURES

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

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

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

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

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

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

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

## Expected development and risks of the Group

### SIGNIFICANT RISKS AND UNCERTAINTIES

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

The detailed risk report for VIG Insurance Group is provided in the notes to the consolidated financial statements starting on page 127. For information on the financial instruments used, please see the notes to the consolidated financial statements (Summary of significant accounting policies) and the risk report (starting on page 127).

### EXPECTED DEVELOPMENT – OUTLOOK FOR 2020

#### AUSTRIA

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

#### CEE

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

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

#### VIG INSURANCE GROUP

As a market leader in Austria and the CEE region, VIG Insurance Group with its more than 25,000 employees is in an excellent position to take advantage of the opportunities available in this region and the long-term growth options they offer. It remains committed to its proven business strategy of profitable growth. Based on the values of diversity, customer proximity and responsibility, VIG insurance companies want to use their successful management principles to strengthen and further increase their market shares. This includes both organic growth and growth by acquisitions, particularly if an opportunity arises to strategically expand the existing portfolio or to take advantage of economies of scale. The goal is to increase market share to a minimum of 10% in Poland, Hungary, Croatia and Serbia in the medium term. This goal was already achieved in one of these countries, Serbia, in 2016. The acquisition of Gothaer TU in 2019 – which was subsequently renamed Wiener TU – increased the market share to around 8% in Poland.

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

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

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

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

# Consolidated financial statements 2019 (page 76–214)

## CONSOLIDATED FINANCIAL STATEMENTS



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS



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



## NOTES TO THE CONSOLIDATED INCOME STATEMENT

## ADDITIONAL DISCLOSURES



CONSOLIDATED FINANCIAL STATEMENTS

KONSOLIDIRANI FINANCIJSKI IZVJEŠTAJ

ÅRSBOKSLUT

KONZERNABSCHLUSS

SITUAȚIA FINANCIARĂ CONSOLIDATĂ

РІЧНИЙ ЗВІТ КОНЦЕРНУ

# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) 31.12.2019

| | |
|---|---|
| Reporting period | 1.1.2019–31.12.2019 |
| Balance sheet as of previous reporting date | 31.12.2018 |
| Income statement as of previous reporting period | 1.1.2018–31.12.2018 |
| Currency | EUR |

## CONSOLIDATED BALANCE SHEET

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

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

The references (numbers and letters) shown for individual items in the consolidated balance sheet and consolidated income statement refer to detailed disclosures for those items in the notes to the consolidated financial statements. The numbers refer to the detailed disclosures in the “Notes to the consolidated balance sheet” starting on page 146. The letters refer to the explanatory text in the section titled “Principles of significant accounting policies” starting on page 84.

# CONSOLIDATED INCOME STATEMENT

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

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONSOLIDATED SHAREHOLDERS' EQUITY

| Development | Share capital | Capital reserves | | Retained earnings | Other reserves | | Subtotal* |
|---|---|---|---|---|---|---|---|
| | | Others | payments hybrid capital | | Currency reserve | Others | |
| in EUR '000 | | | | | | | |
| As of 1 January 2018 | 132,887 | 2,109,003 | 193,619 | 2,108,029 | -121,616 | 410,089 | 4,832,011 |
| Changes in scope of consolidation/ownership interests | 0 | 0 | 0 | -3,209 | 0 | -142 | -3,351 |
| Other comprehensive income | 0 | 0 | 0 | 268,924 | -21,095 | -207,222 | 40,607 |
| Other comprehensive income excluding currency changes | 0 | 0 | 0 | 0 | 0 | -207,222 | -207,222 |
| Currency change | 0 | 0 | 0 | 0 | -21,095 | 0 | -21,095 |
| Result of the period | 0 | 0 | 0 | 268,924 | 0 | 0 | 268,924 |
| Repurchase of hybrid capital | 0 | 0 | -193,619 | -4,675 | 0 | 0 | -198,294 |
| Dividend payment | 0 | 0 | 0 | -123,500 | 0 | 0 | -123,500 |
| As of 31 December 2018 | 132,887 | 2,109,003 | 0 | 2,245,569 | -142,711 | 202,725 | 4,547,473 |
| As of 1 January 2019 | 132,887 | 2,109,003 | 0 | 2,245,569 | -142,711 | 202,725 | 4,547,473 |
| Changes in scope of consolidation/ownership interests | 0 | 0 | 0 | -22,081 | 0 | 0 | -22,081 |
| Other comprehensive income | 0 | 0 | 0 | 331,277 | 9,623 | 335,822 | 676,722 |
| Other comprehensive income excluding currency changes | 0 | 0 | 0 | 0 | 0 | 335,822 | 335,822 |
| Currency change | 0 | 0 | 0 | 0 | 9,623 | 0 | 9,623 |
| Result of the period | 0 | 0 | 0 | 331,277 | 0 | 0 | 331,277 |
| Dividend payment | 0 | 0 | 0 | -128.000 | 0 | 0 | -128.000 |
| As of 31 December 2019 | 132,887 | 2,109,003 | 0 | 2,426,765 | -133,088 | 538,547 | 5,074,114 |

| Development | Subtotal* | Non-controlling interests | | Shareholders' equity |
|---|---|---|---|---|
| | | Other | Non-profit societies | |
| in EUR '000 | | | | |
| As of 1 January 2018 | 4,832,011 | 115,944 | 1,095,994 | 6,043,949 |
| Changes in scope of consolidation/ownership interests | -3,351 | -2,844 | -165 | -6,360 |
| Other comprehensive income | 40,607 | 3,007 | 89,742 | 133,356 |
| Other comprehensive income excluding currency changes | -207,222 | -4,662 | -1,726 | -213,610 |
| Currency change | -21,095 | 109 | 0 | -20,986 |
| Result of the period | 268,924 | 7,560 | 91,468 | 367,952 |
| Repurchase of hybrid capital | -198,294 | 0 | 0 | -198,294 |
| Dividend payment | -123,500 | -8,395 | -5,060 | -136,955 |
| As of 31 December 2018 | 4,547,473 | 107,712 | 1,180,511 | 5,835,696 |
| As of 1 January 2019 | 4,547,473 | 107,712 | 1,180,511 | 5,835,696 |
| Changes in scope of consolidation/ownership interests | -22,081 | -2,138 | -1,242,012 | -1,266,231 |
| Other comprehensive income | 676,722 | 19,836 | 67,243 | 763,801 |
| Other comprehensive income excluding currency changes | 335,822 | 6,156 | -870 | 341,108 |
| Currency change | 9,623 | -18 | 0 | 9,605 |
| Result of the period | 331,277 | 13,698 | 68,113 | 413,088 |
| Dividend payment | -128.000 | -8,831 | -5,742 | -142,573 |
| As of 31 December 2019 | 5,074,114 | 116,579 | 0 | 5,190,693 |

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

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

| Composition of other reserves | 31.12.2019 | | | | | |
|---|---|---|---|---|---|---|
| | Unrealised gains and losses | Cash flow hedge reserve | Underwriting gains and losses from provisions for employee benefits | Share of other reserves of associated companies | Currency reserve | Total |
| in EUR '000 | | | | | | |
| Gross | 2,818,621 | 37 | -436,695 | -1,219 | -134,267 | 2,246,477 |
| +/- Exchange rate changes from financial instruments available for sale | 7,963 | | | | | 7,963 |
| +/- Deferred mathematical reserve | -733,482 | | | | | -733,482 |
| +/- Deferred profit participation | -1,091,172 | 0 | 133,911 | 0 | 0 | -957,261 |
| +/- Deferred taxes | -224,720 | 0 | 74,516 | 0 | 0 | -150,204 |
| +/- Other non-controlling interests | -12,889 | 0 | 3,630 | 46 | 1,179 | -8,034 |
| +/- Non-controlling interests in non-profit societies | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | 764,321 | 37 | -224,638 | -1,173 | -133,088 | 405,459 |

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

# CONSOLIDATED CASH FLOW STATEMENT

| in EUR '000 | 2019 | 2018 |
|---|---|---|
| **Result of the period** | **413,088** | 367,952 |
| Change in underwriting provisions net | 697,415 | 111,856 |
| Change in underwriting receivables and liabilities | 50,372 | 19,778 |
| Change in other receivables and other liabilities (excl. leases) | 96,646 | 78,313 |
| Change in financial instruments recognised at fair value through profit and loss (incl. held for trading) | -14,292 | 7,008 |
| Gain/loss from disposal of investments | -211,826 | -111,379 |
| Appreciation/depreciation of investments | 125,734 | 177,991 |
| Change in provisions for pensions and similar obligations and other personnel provisions | 111,061 | 56,736 |
| Change in deferred taxes | -4,081 | -33,573 |
| Change in intangible assets | 189,028 | 106,661 |
| Change in right-of-use assets and lease receivables and liabilities | 44,995 | |
| Change in other balance sheet items | 51,974 | -29,076 |
| Other cash-neutral income and expenses[1] | -251,350 | 309,285 |
| **Cash flow from operating activities** | **1,298,764** | 1,061,552 |
| Cash inflow from the sale of associated companies | 0 | 110,392 |
| Payments for the acquisition of subsidiaries | -68,631 | -11,061 |
| Payments for the acquisition of associated companies | -153 | 0 |
| Cash inflow from the sale of available for sale securities | 2,946,231 | 2,248,144 |
| Payments for the acquisition of available for sale securities | -3,420,012 | -3,388,440 |
| Cash inflow from disposals/repayments of held to maturity securities | 260,575 | 280,454 |
| Payments for the acquisition of held to maturity securities | -64,117 | -102,939 |
| Cash inflow from the sale of land and buildings | 70,834 | 93,521 |
| Payments for the acquisition of land and buildings | -387,667 | -432,587 |
| Cash inflow for the sale of intangible assets | 6,088 | 4,241 |
| Payments for the acquisition of intangible assets | -170,239 | -81,690 |
| Change in investments for unit-linked and index-linked life insurance | 120,203 | 489,786 |
| Change of loans | -19,252 | 139,108 |
| Change in other investments | -159,864 | -199,423 |
| **Cash flow from investing activities** | **-886,004** | -850,494 |
| Corporate actions, incl. hybrid capital | 0 | -198,017 |
| Cash outflow from subordinated liabilities | -64,917 | -64,266 |
| Dividend payments | -142,573 | -139,722 |
| Cash inflow from other financing activities | 131,142 | 292,815 |
| Cash outflow from other financing activities | -130,335 | -248,818 |
| Cash outflow from lease liabilities | -33,615 | |
| **Cash flow from financing activities** | **-240,298** | -358,008 |
| **Change in cash and cash equivalents** | **172,462** | -146,950 |
| | | |
| Cash and cash equivalents at beginning of period[2] | 1,347,279 | 1,497,731 |
| Change in cash and cash equivalents | 172,462 | -146,950 |
| Change in the scope of consolidation | -77,478 | 2,574 |
| Effects of foreign currency exchange differences on cash and cash equivalents | 1,095 | -6,076 |
| **Cash and cash equivalents at end of period[2]** | **1,443,358** | 1,347,279 |
| thereof non-profit societies | 0 | 122,341 |

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

[2] The amount of cash and cash equivalents at the beginning and the end of period correlates with position cash and cash equivalents on the asset side and consists of cash on hand and overnight deposits.

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

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

2 Interest paid result primarily from financing activities.

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

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

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

The lease liabilities column shows the lease liabilities reported in accordance with IFRS 16 starting as of 1 January 2019. Further information is available in the section titled “Changes in accounting policies” on page 84, in “Estimates and discretionary decisions” starting on page 92, and under “Leases” in “Accounting policies” starting on page 98.

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

| Reconciliation of liabilities from financing activities | 31.12.2018 | | | |
|---|---|---|---|---|
| | Subordinated liabilities (including interest)[1] | Liabilities to financial institutions | Liabilities from public funding | Financing liabilities[2] |
| in EUR '000 | | | | |
| Book value as of 31.12. of the previous year | 1,490,999 | 1,201,031 | 100,018 | 1,480,417 |
| **Cash changes** | **-64,266** | **15,038** | **4,753** | **24,206** |
| Cash inflows | 0 | 187,983 | 8,060 | 96,772 |
| Payments | 0 | -158,090 | -3,255 | -58,027 |
| Interest paid | -64,266 | -14,855 | -52 | -14,539 |
| **Non-cash changes** | **64,106** | **14,532** | **372** | **15,619** |
| Additions | 64,263 | 14,532 | 372 | 22,396 |
| Disposals | 0 | 0 | 0 | -9,844 |
| Change in the scope of consolidation | 0 | 0 | 0 | 4,613 |
| Reclassifications | 0 | 0 | 0 | -1,176 |
| Measurement changes | 0 | 0 | 0 | -333 |
| Exchange rate differences | -157 | 0 | 0 | -37 |
| Book value as of 31.12. | 1,490,839 | 1,230,601 | 105,143 | 1,520,242 |

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

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

# Notes to the consolidated financial statements

## PRINCIPLES OF SIGNIFICANT ACCOUNTING POLICIES

### GENERAL INFORMATION

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

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

### PRINCIPLES OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Preparing consolidated financial statements in accordance with the IFRS requires that estimates be made. In addition, application of the accounting policies requires the Managing Board to make assumptions. Areas with greater leeway for discretion, highly complex areas, or areas involving assumptions and estimates that are of critical importance to the consolidated financial statements are listed in the notes on page 92.

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

**Changes in accounting policies**

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

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

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

#### EFFECTS OF FIRST-TIME APPLICATION OF IFRS 16 LEASES

The new standard supersedes the previous requirements of IAS 17 Leases and associated interpretations IFRIC 4, SIC 15 and SIC 27. The new requirements primarily concern the accounting presentation of leases by the lessee. The lessee now recognises a liability for the future lease payments to be made for each lease. At the same time, a right-of-use asset is recognised in the amount of the present value of the future lease payments and amortised linearly over the contractually stipulated useful life. As a result, the previous distinction between operating and finance leases no longer applies. The distinction between an operating lease and finance lease remains for the lessor, and the list of criteria for deciding which kind of lease one is dealing with has been taken from IAS 17 without change.

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

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

#### Elections for first-time application of IFRS 16

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

#### Reconciliation from IAS 17 to IFRS 16

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

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

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

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

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

### Effect on the balance sheet and income statement

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

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

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

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

### Effect on the consolidated cash flow statement

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

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

| New standards and changes to current reporting standards | | Applicable as of[1] |
|---|---|---|
| **Those already adopted by the EU** | | |
| IFRS 9 | Financial instruments | 1.1.2018[2] |
| Amendments to IFRS 9 | Prepayment features with negative compensation | 1.1.2019[2] |
| Amendments to IAS 1 and IAS 8 | Standardisation and clarification of the definition of materiality | 1.1.2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform | 1.1.2020 |
| Amendments to various standards | Changes to the references to the framework concept in the IFRS standards | 1.1.2020 |
| **Those not yet adopted by the EU** | | |
| IFRS 14 | Regulatory Deferral Accounts | EU decided this standard shall not be transferred into EU law |
| IFRS 17 | Insurance contracts | 1.1.2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | First-time application deferred for an indefinite period |
| Amendments to IFRS 3 | Definition of a business operation | 1.1.2020 |
| Amendments to IAS 1 | Classification of liabilities as current or non-current | 1.1.2022 |

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

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

### IFRS 9 FINANCIAL INSTRUMENTS

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

IFRS 9 includes requirements for the recognition, measurement and derecognition of financial instruments, and for hedge accounting, and supersedes IAS 39, which was previously relevant in these areas. The revision primarily concerns the classification and recognition of financial instruments. Financial assets are to be classified and measured in only two groups in the future – at amortised cost and at fair value. Classification and measurement depends on the business model and contractual cash flows (SPPI criterion). The new provisions also concern the accounting for impairment of financial assets. In addition to incurred losses (incurred loss model), expected losses are also recognised (expected credit loss model). Simplifications exist for trade receivables and lease receivables. New requirements were also provided for hedge accounting. The objective is to orient hedge accounting more to the economic risk management of the entity.

When IFRS 9 is applied, the previous classification for financial assets available for sale is no longer needed. In this category, fair value changes were recognised directly in equity in other comprehensive income. Unrealised gains and losses are primarily recognised in other comprehensive income and, in the case of disposals, reclassified to profit or loss. IFRS 9 makes a distinction between equity and debt instruments in the fair value measurement class. Equity instruments held for trading are measured at fair value through profit or loss for the period. For equity instruments that are not held for trading, the irrevocable election to perform measurement through other comprehensive income can be used at the time of first application. Unlike debt instruments, equity instruments measured through other comprehensive income cannot be included in the profit for the period and are therefore presented in a separate item under equity. In the case of debt instruments (e.g. bonds, loans), the provisions in IAS 39 “Financial instruments available for sale” apply analogously. Upon first-time application of IFRS 9, it can be assumed that the new classification rules and the new impairment model – ECL model (entry of risk provisions) – will lead to fluctuations in the profit or loss for the period. Interactions with IFRS 17 will also occur.

The amendments to IFRS 4 Insurance contracts allow insurance companies to defer application of the new IFRS 9 Financial instruments until IFRS 17 Insurance contracts comes into force (subject to endorsement of the standard by the EU). Business activities must primarily be connected with the insurance business in order to use the deferral. This is only the case if the share of the book value of all insurance liabilities exceeds 90% of the total liabilities of the VIG Insurance Group, or the share is between 80% and 90% and the VIG Insurance Group does not pursue any other significant activities other than the insurance business.

The VIG Insurance Group performed the required calculations on the basis of 31 December 2015 and satisfies the criteria for deferral of IFRS 4 with a result of more than 90%. As a result, IFRS 9 will be applied at the same time as IFRS 17. In March 2020, the IASB decided to postpone the first-time application of IFRS 17 until 1 January 2023. For associated companies and joint ventures that have applied IFRS 9 since 1 January 2018, the VIG Insurance Group has chosen in accordance with IFRS 4 to include them in the consolidated financial statements without adjustment. IFRS 4 does not require periodic evaluation of the predominant business activity, an evaluation should only be performed if there is a change in the entity’s business activities. If the deferral is used, the change to IFRS 4 requires additional notes disclosures to be published during the period until application of IFRS 9.

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

| Fair value | 31.12.2019 | | 31.12.2018 | | Fair value changes | |
|---|---|---|---|---|---|---|
| Financial assets | SPPI | Other* | SPPI | Other* | SPPI | Other* |
| in EUR '000 | | | | | | |
| Loans | 2,177,866 | 544,263 | 2,057,295 | 674,524 | 9,806 | -10,594 |
| Bank deposits | 973,247 | 0 | 810,286 | 0 | 0 | 0 |
| **Other securities** | **24,175,017** | **4,427,075** | 22,955,884 | 4,075,119 | **845,750** | **334,039** |
| Bonds | 24,175,017 | 1,449,893 | 22,955,884 | 1,462,865 | 845,750 | 53,896 |
| Shares and other participations and other non-fixed-interest securities | 0 | 687,972 | 0 | 697,474 | 0 | 26,220 |
| Investment funds | 0 | 2,254,413 | 0 | 1,887,257 | 0 | 245,148 |
| Derivatives | 0 | 34,797 | 0 | 27,523 | 0 | 8,775 |
| Non-underwriting receivables | 712,649 | 954 | 711,068 | 489 | 0 | 0 |
| Cash and cash equivalents | 1,443,358 | 0 | 1,347,278 | 0 | 0 | 0 |

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

| Book values | 31.12.2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| SPPI financial instrument rating categories | AAA | AA | A | BBB | BB and lower | No rating | Total |
| in EUR '000 | | | | | | | |
| Loans and bank deposits | 50,784 | 382,768 | 799,572 | 1,009,734 | 471,724 | 221,928 | 2,936,510 |
| Other securities | 2,195,120 | 7,663,175 | 8,580,015 | 4,496,988 | 681,046 | 151,974 | 23,768,318 |
| Non-underwriting receivables | 400 | 3,581 | 14,171 | 1,054 | 17,892 | 676,174 | 713,272 |
| Cash and cash equivalents | 1,798 | 6,644 | 686,069 | 389,726 | 150,758 | 208,363 | 1,443,358 |

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

| SPPI financial instruments with a significant risk of default | 31.12.2019 | | 31.12.2018 | |
|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value |
| in EUR '000 | | | | |
| Loans and bank deposits | 482,328 | 494,767 | 493,304 | 505,212 |
| Other securities | 738,373 | 746,982 | 1,089,691 | 1,108,577 |
| Non-underwriting receivables | 84,265 | 84,265 | 60,023 | 60,036 |
| Cash and cash equivalents | 207,873 | 207,873 | 199,344 | 199,344 |

### IFRS 17 INSURANCE CONTRACTS

The International Accounting Standards Board (IASB) issued IFRS 17, the accounting standard for insurance contracts, on 18 May 2017. Various international bodies have discussed numerous interpretation and implementation issues since the standard was issued. On 17 March 2020, the IASB decided to postpone the date of first-time application of IFRS 17 by two years from 1 January 2021 to 1 January 2023. In addition, the Board decided to align the effective date of first-time application of IFRS 9 for insurance companies with IFRS 17 to 1 January 2023. In a next step EFRAG will work on a recommendation to the EU Commission concerning endorsement of IFRS 17 in EU law.

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

IFRS 17 provides three measurement models for measuring insurance contracts:

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

Measurement units are determined using the following steps:

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

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

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

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

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

- the use of current assumptions for measuring underwriting provisions,
- introduction of CSM for the unrealised future profits of a group of insurance contracts that is distributed over the term of the contract,
- introduction of a risk adjustment to take account of the uncertainty in the cash flows from insurance contracts,
- elimination of savings components (investment component) as income, and
- fair value measurement of cash flows.

A preliminary study of the technical and substantive requirements of IFRS 17 was performed before the start of the Group-wide IFRS 17 project. After analysing the results of the preliminary study, a Group-wide project structure was established. The IFRS 17 standard has been specifically addressed in a variety of methodological working groups since the start of the programme. The Group project is also focusing on revising the actuarial model and implementing an underwriting subledger.

Due to existing substantive uncertainties, it is not currently possible to quantify the effect on individual balance sheet and income statement items.

## FOREIGN CURRENCY TRANSLATION

**Foreign currency transactions**

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

Transactions not concluded in the functional currency are recognised using the mean rate of exchange on the date of the transaction. Monetary assets and liabilities in foreign currency existing on the balance sheet date are translated to euros using the mean rate of exchange on the balance sheet date. Any resulting foreign currency gains and losses are recognised through profit or loss during the reporting period.

**Translation of separate financial statements in foreign currencies**

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

| Currency | | End-of-period exchange rate | | Average exchange rate | |
|---|---|---|---|---|---|
| | | 31.12.2019 | 31.12.2018 | 2019 | 2018 |
| 1 EUR ≙ | | | | | |
| Albanian lek | ALL | 121.7700 | 123.4200 | 122.9982 | 127.5752 |
| Bosnian convertible marka | BAM | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Bulgarian lev | BGN | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Georgian lari | GEL | 3.2095 | 3.0701 | 3.1585 | 2.9903 |
| Croatian kuna | HRK | 7.4395 | 7.4125 | 7.4180 | 7.4182 |
| Macedonian denar | MKD | 61.4855 | 61.4950 | 61.5052 | 61.5111 |
| Moldovan leu | MDL | 19.2605 | 19.5212 | 19.6742 | 19.8442 |
| Turkish new lira | TRY | 6.6843 | 6.0588 | 6.3578 | 5.7077 |
| Polish zloty | PLN | 4.2568 | 4.3014 | 4.2976 | 4.2615 |
| Romanian leu | RON | 4.7830 | 4.6635 | 4.7453 | 4.6540 |
| Swiss franc | CHF | 1.0854 | 1.1269 | 1.1124 | 1.1550 |
| Serbian dinar | RSD | 117.5931 | 118.1946 | 117.8592 | 118.2752 |
| Czech koruna | CZK | 25.4080 | 25.7240 | 25.6704 | 25.6470 |
| Ukraine hryvnia | UAH | 26.4220 | 31.7141 | 28.6605 | 32.1289 |
| Hungarian forint | HUF | 330.5348 | 320.9800 | 325.2985 | 318.8897 |

## ESTIMATES AND DISCRETIONARY DECISIONS

Preparation of the IFRS consolidated financial statements requires that the Managing Board makes discretionary assessments and specifies assumptions regarding future developments which could have a material effect on the recognition and value of assets and liabilities, the disclosure of other obligations on the balance sheet date and the reporting of income and expenses during the financial year. The book values of the items on the balance sheet date are shown in the consolidated balance sheet on page 76 or the corresponding disclosures in the notes. Sensitivity analyses for assets and liabilities from insurance operations are presented in the risk report starting on page 140.

| Estimation uncertainties | | Discretionary decisions | |
|---|---|---|---|
| Underwriting provisions | Details on page 107 | Method of consolidation | Details on page 95 and starting page 112 |
| Non-underwriting provisions | Details on page 93 and starting page 110 | Materiality | Details on page 95 |
| Financial instruments measured at fair value not based on stock market prices or other marked prices (Level 3) | Details on page 93 and starting page 185 | | |
| Impairment of goodwill | Details on page 93 | | |
| Valuation allowances for receivables and other (accumulated) impairment losses | Details on page 93 and on page 105 | | |
| Value of defered tax assets | Details on page 94 | | |
| Leases | Details on page 95 | | |

**Non-underwriting provisions**

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

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

Other important assumptions used to calculate obligations are based on market conditions. Further information on sensitivity analyses is provided in Note 13. Non-underwriting provisions starting on page 171. Details on the underlying assumptions can be found in the section titled "Accounting policies for specific items in the consolidated financial statements – Provisions for pensions and similar obligations" on page 110.

**Financial instruments recognised at fair value**

Suitable valuation methods are used to calculate the fair value of financial instruments that are not traded in active markets. The assumptions used are based on market data available on the balance sheet date. To determine the fair value of many financial assets that are not traded in active markets, the VIG Insurance Group uses present value methods based on appropriate interest rate models. Note 22. Financial instruments and fair value measurement hierarchy on page 185 provides further information on the valuation process. Information on the impairment of financial instruments is provided on page 104.

**Impairment of goodwill**

The VIG Insurance Group tests goodwill for impairment at least once a year in accordance with the method explained on page 96 in the section titled "Impairment of non-financial assets". Estimates in this area primarily concern the projected earnings of the CGUs that the calculations are based on, and specific parameters, in particular the growth rates and discount rates.

| Sensitivities<br>Additional impairment needed | Cash flows | Growth rate | Discount rate | Cash flows and discount rate |
|---|---|---|---|---|
| | -10% | -1%p | +1%p | -10% and +1%p |
| in EUR millions | | | | |
| Bulgaria | | | | 0.2 |
| Bosnia-Herzegovina | | | | 0.3 |
| Croatia | 7.9 | 4.6 | 15.1 | 30.1 |

**Valuation allowances for receivables**

The collectability of receivables is based on experience and is therefore subject to estimation uncertainty. Information on the recognition of potential impairment losses is provided on page 105.

**Value of deferred tax assets**

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

The amount of the expected current and deferred tax liability or asset reflects the best estimate taking into account tax uncertainties and, consequently, under application of IFRIC 23.

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

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

Information on the existing group agreement for Austrian companies and some foreign companies is provided on page 106.

If actual events diverge from the estimates or the estimates must be adjusted in future periods, this could have an adverse effect on net assets, financial position and results of operations. If the assessment of the recoverability of deferred tax assets changes, the book value must be reduced or increased and the change recognised in the income statement or charged or credited to equity, depending on the treatment used when the deferred tax asset was originally recognised. Further information can be found in the section titled “Accounting policies for specific items in the consolidated financial statements – Taxes” starting on page 105 and in Note 7. Deferred taxes on page 161.

**Leases**

Leases, particularly in connection with real estate as the underlying asset, can include extension and termination options. Options like these give the VIG Insurance Group and its subsidiaries a great deal of flexibility. All of the facts and circumstances available to the management of the company concerned that provide an economic incentive to exercise or not exercise the options are taken into account when determining the term of a lease. If management feels that exercise of an extension option or non-exercise of a termination option is sufficiently probable, these options are taken into account when determining the lease term. These assessments may differ from actual future circumstances. A discussion of the accounting policies used is provided starting on page 98.

**Method of consolidation**

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

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

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

**Materiality**

Under IAS 1.31 only material information is to be presented in the financial statements, even if a standard specifies certain requirements or minimum requirements. The IASB's aim in this paragraph was to create the foundation for clear, understandable financial reporting based on the most important information. Discretionary leeway exists when deciding whether information concerns material or immaterial disclosures. The Managing Board of the VIG Holding introduced the use of a threshold for determining the materiality of notes disclosures in this Annual Report. If the threshold is not exceeded, information is only published in the Annual Report if the information is judged during the approval process based on qualitative criteria to be material for the financial statement reader.

## INTANGIBLE ASSETS (A)

**Goodwill**

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

**Other intangible assets**

Purchased intangible assets are recognised on the balance sheet at cost less accumulated amortisation and impairment losses. No intangible assets were created by the companies in the scope of consolidation. Corporate asset SAP also essentially consists of a bundle of purchased software modules that are prepared for future use by in-house and third-party development work. Regular monitoring and assessment of the project ensures that the recognition criteria for capitalising these expenses are satisfied. With the exception of trademarks, all intangible assets have a finite useful life. The intangible assets are therefore amortised over their period of use. The useful lives of significant intangible assets are as follows:

| Average useful life in years | from | to |
|---|---|---|
| Software | 6 | 12 |

Software is amortised using the straight-line method. Software components are also checked on an event-driven basis to see whether they can still be used. If there is a high probability that certain IT systems or programme sections can no longer be used or no longer be fully used, a write-down must be performed. Further information is provided in the notes to the consolidated balance sheet 1. Intangible assets starting on page 146.

Trademarks with unlimited useful lives were identified as part of the purchase price allocation during acquisition of the companies Asirom, BTA Baltic and Seesam Insurance. The unlimited useful life results from the fact that there is no foreseeable end to their economic life. The fair value of the Asirom trademark at the time was calculated as the average of the trademark values from the relief-from-royalty method and incremental cash flow method, and the fair value of the BTA Baltic and Seesam Insurance trademarks was calculated using the relief-from-royalty method. A “tax amortisation benefit” was taken into account in the relief-from-royalty method. The Asirom trademark had a book value of EUR 16,564,000 (EUR 16,989,000), the BTA Baltic trademark had a book value of EUR 37,000,000 (EUR 37,000,000) and the Seesam Insurance trademark had a book value of EUR 10,500,000 (EUR 13,000,000) on 31 December 2019.

**Impairment of non-financial assets**

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

As a rule, the value in use calculated using the discounted cash flow method is used as the recoverable amount for the CGU group. In cases where the value in use is less than book value, fair value less selling costs is also calculated. Fair value less selling costs is calculated using trailing stock exchange multipliers for the property and casualty and health lines of business in all regions and for the life business outside Austria. For the life business in Austria the Market Consistent Embedded Value is used.

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

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

To calculate the discount rates, the capital asset pricing model (CAPM) is used to calculate a cost of equity capital. This is done by adding country-specific inflation differentials, risk premiums and sector-specific market risk to the risk-free interest rate (equal to the yield on German government bonds on the reporting date calculated using the Svensson method). The base rate before inflation differentials was 0.34% (0.95%). The market risk of 7.66% (6.55%) was multiplied by a beta factor of 0.83 (0.80) that was calculated based on a specified peer group.

The long-term growth rates are calculated during the financial year based on the compound annual growth rate (CAGR) assuming that insurance penetration in the countries concerned starting in 2013 will converge in 50-70 years with the current situation in Germany. An inflation adjustment equal to half of the inflation included in the cost of equity was added to the CAGR.

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

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

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

## LEASES (B)

**Lessee**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For a finance lease, the VIG Insurance Group reports a receivable and accrued interest in the balance sheet. The net investment under the lease is indicated in Note 28. Leases starting on page 203.

**Deferred taxes**

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

## INVESTMENTS (C)

**General information**

In accordance with the relevant IFRS requirements, some VIG Insurance Group assets and liabilities are carried at fair value in the consolidated financial statements. This concerns a significant portion of investments. The VIG Insurance Group assigns all financial instruments measured at fair value, and assets and financial liabilities not measured at fair value – whose fair values are to be published in the notes to the financial statements – to one of the levels of the IFRS 13 measurement hierarchy. As a result of the decentralised organisational structure of the VIG Insurance Group, the individual subsidiaries are responsible for this fair value categorisation. This takes account, in particular, of local knowledge of the quality of the individual fair values and any input parameters needed for model valuation.

Fair values are determined using the following hierarchy specified in IFRS 13:

- The determination of fair value for financial assets and liabilities is generally based on price quotations in active markets for identical assets or liabilities (Level 1).

- If a financial instrument is not listed and no market price quotations are available in active markets, fair value is determined using market price quotations for similar assets or market price quotations in inactive markets (Level 2). Standard valuation models with inputs that are observable in the market are used for Level 2 measurements. These models are primarily used for illiquid bonds (present value method) and structured securities.

- The fair value of certain financial instruments, in particular bonds from countries without active capital markets, and land and buildings, is determined using valuation models with input factors that are generally unobservable in the market. These models use, for example, transactions in inactive markets, expert reports and the structure of cash flows (Level 3).

The table below lists the methods used and most important input factors for Levels 2 and 3. The calculated fair values can be used for recurring and non-recurring measurements.

| Pricing method | Used for | Fair Value | Input parameters |
|---|---|---|---|
| Level 2 | | | Observable |
| Present value method | Bonds; borrower's note loans; loans; securitised liabilities and subordinated liabilities | Theoretical price | Issuer, sector and rating-dependent yield curves |
| Hull-White present value method | Bonds; borrower's note loans; loans; securitised liabilities and subordinated liabilities with call options | Theoretical price | Maturity dependent implied volatilities; issuer, sector and rating-dependent yield curves |
| Libor market model present value method | Bonds and borrower's note loans with other embedded derivates | Theoretical price | Money market and swap curves; implied volatility surface; cap & floor volatilities; issuer, sector and rating-dependent yield curves |
| Present value method | Currency futures contracts | Theoretical price | Exchange rates; money market curves for the currencies concerned |
| Present value method | Interest rate/currency swaps | Theoretical price | Exchange rates; money market and swap curves for the currencies concerned |
| Option pricing models | Stock options | Theoretical price | Share prices on the valuation date; implied volatilities; yield curve |
| Level 3 | | | (Un-)observable |
| Option pricing models | Stock options | Theoretical price | Share prices on the valuation date; volatilities; yield curve |
| Market value method | Real estate | Appraisal value | Real estate-specific income and expense parameters; capitalisation rate; data on comparable transactions |
| Discounted cash flow-model | Real estate | Appraisal value | Real estate-specific income and expense parameters; discount rate; indexes |
| Multiples approach | Shares | Theoretical price | Company-specific earnings figures; typical industry multipliers |
| Discounted cash flow-model | Shares | Theoretical price | Company-specific earnings figures; discount rate |
| Share of capital | Shares | Book value | Company-specific equity according to separate financial statements |
| Amortised cost | Fixed income instruments (illiquid bonds, policy loans, loans) with no observable input data for comparable assets | Book value | Cost-price; redemption price; effective yield |

For further information, please see Note 22. Financial instruments and fair value measurement hierarchy on page 185.

The following table presents the relationships between balance-sheet items and classes of financial instruments according to IFRS 7, incl. the basis of the measurements:

| Balance sheet items, IAS 39 Categories and classes of financial instruments according to IFRS 7 | Measurement method |
|---|---|
| Financial assets | |
| Loans and other investments | At amortised costs |
| Financial instruments held to maturity | At amortised costs |
| Financial instruments available for sale | At fair value |
| Financial instruments recognised at fair value through profit and loss* | At fair value |
| Investments for unit-linked and index-linked life insurance | At fair value |
| Financial liabilities | |
| Subordinated liabilities (other liabilities) | At amortised costs |
| Liabilities to financial institutions (other liabilities) | At amortised costs |
| Financing liabilities (other liabilities) | At amortised costs |
| Derivative liabilities (other liabilities) | At fair value |

*Including held for trading

**Land and buildings**

Both self-used and investment properties are reported under land and buildings. Property that is both self-used and investment property is divided as soon as the self-used or investment portion exceeds 20%. If the 20% limit is not exceeded, the entire property is reported in the larger category (80:20 rule).

Costs incurred in later periods are only capitalised if they lead to a significant increase in future opportunities for use of the building (e.g. through building expansion or new building construction).

Self-used and investment buildings are both depreciated using the straight-line method over the expected useful life. The following useful lives are assumed when determining depreciation rates:

| Average useful life in years | from | to |
|---|---|---|
| Buildings | 20 | 50 |

SELF-USED LAND AND BUILDINGS

Self-used real estate is measured at cost minus accumulated depreciation and impairment losses. Cost comprises all costs incurred in putting the asset into its present location in its present condition.

INVESTMENT PROPERTY

Investment property consists of real estate that is held to earn rental income or for capital appreciation and not for the provision of services, administrative purposes or for sale in the ordinary course of business. Investment property is measured at cost minus accumulated depreciation and impairment.

IMPAIRMENT OF LAND AND BUILDINGS

Real estate appraisals are performed at regular intervals for self-used real estate and investment property by sworn and judicially certified building construction and real estate appraisers. Market value is determined based on the capitalised earnings method, with the asset value method generally only being used for undeveloped property – provided it is not leased. The discounted cash flow method is used in exceptional cases.

If the fair value is below the book value (cost minus accumulated depreciation and write-downs), the asset is impaired. In this case, the book value is written down to fair value through profit or loss. The method used to test for impairment is also used to test for a reversal of impairment. On each balance sheet date, a test is performed for indications that a reversal of impairment has taken place. The book value after the reversal may not exceed the book value that would have existed (taking into account amortisation or depreciation) if no impairment had been recognised.

Impairment is reported in the financial result in the income statement and is shown starting on page 176. The fair values and level hierarchy according to IFRS 13 are shown in 22. Financial instruments and fair value measurement hierarchy starting on page 185.

**Financial instruments**

Financial instruments are divided into the following categories in accordance with the requirements of IAS 39:

- Loans and other receivables,
- Financial instruments held to maturity,
- Financial instruments available for sale,
- Financial instruments recognised at fair value through profit and loss and
- Financial instruments held for trading.

On initial recognition, the corresponding investments are measured at cost, which equals fair value at the time of acquisition. For subsequent measurement of financial instruments, two measurement methods are used.

LOANS, OTHER RECEIVABLES AND FINANCIAL INSTRUMENTS HELD TO MATURITY

Loans and other receivables and financial instruments held to maturity are subsequently measured at amortised cost. The amortised cost is determined using the effective interest rate of the asset in question. A write-down is recognised in profit or loss in the case of permanent impairment.

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

FINANCIAL INSTRUMENTS AVAILABLE FOR SALE

These financial instruments are non-derivative financial assets that are designated as available for sale and are not classified as loans and other receivables, held-to-maturity financial instruments or financial assets at fair value through profit or loss.

Financial instruments available for sale are measured at fair value. Fluctuations in value are recognised in other comprehensive income and reported in equity in other reserves. This does not include impairment, which is recognised in profit and loss. Upon disposal, the cumulative gains and losses recognised in other reserves in previous periods are transferred to the result for the period (recycling).

Spot transactions are accounted for at the settlement date.

FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH PROFIT AND LOSS

Changes in fair value are recognised in profit or loss. The financial instruments assigned to this category are predominantly structured investments (“hybrid financial instruments”) that the VIG Insurance Group has elected under IAS 39.11A and IAS 39.12 to assign to the category of “financial instruments at fair value through profit or loss”. Structured investments are assigned to this category if the derivatives embedded in the host contract (as a rule securities or loans) are not closely related to the host contract so that otherwise the requirement under IAS 39 of isolating them from the host contract and measuring them separately at fair value would apply.

### AMENDMENTS TO IAS 39 AND IFRS 7 – "RECLASSIFICATION OF FINANCIAL ASSETS"

In October 2008, the IASB published amendments to IAS 39 and IFRS 7 under the title "Reclassification of financial assets". The adjusted version of IAS 39 permits reclassification of non-derivative financial assets (except for financial instruments that were measured using the fair value option upon initial recognition) in the "held-for-trading" and "available-for-sale" categories.

The amendments to IAS 39 and IFRS 7 went into effect retroactively to 1 July 2008 and were applied prospectively from the time of reclassification. Reclassifications performed in VIG Insurance Group before 1 November 2008 used fair values as of 1 July 2008. Further details are provided on page 154 and page 156.

Derecognition of financial instruments is performed when contractual rights to their cash flows expire.

### IMPAIRMENT OF FINANCIAL INSTRUMENTS

On each balance sheet date, the book values of financial assets not measured at fair value through profit or loss are tested for objective evidence of impairment. Such evidence could be, for example, the debtor experiencing significant financial difficulties, a high probability of insolvency proceedings against the debtor, the loss of an active market for the financial asset, a significant change in the technological, economic, legal or market environment of the issuer, or a permanent decrease in the fair value of the financial asset below amortised cost. The Managing Board has considerable discretion when quantifying the influence of information that could affect the creditworthiness, rating and/or earning power of a debtor.

Any impairment losses due to fair value lying below the book value are recognised in profit or loss. If any changes to the fair value of available for sale financial instruments were previously recognised directly in equity, these changes must be eliminated from equity and recognised in profit or loss on the income statement. As a rule, impairment of equity instruments is to be recognised if the average fair value during the last six months was consistently less than 80% of the historical cost of acquisition and/or if the fair value as of the reporting date is less than 50% of the historical cost of acquisition.

## INVESTMENTS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE (D)

Investments for unit-linked and index-linked life insurance provide cover for unit-linked and index-linked life insurance underwriting provisions. The survival and surrender payments for these policies are linked to the performance of the associated investments for unit-linked and index-linked life insurance. The income from these investments are also credited in full to the policyholders. As a result, policyholders bear the risk associated with the performance of the investments for unit-linked and index-linked life insurance.

These investments are held in separate cover funds, and managed separately from the other investments of the VIG Insurance Group. Since the changes in value of the investments for unit-linked and index-linked life insurance are occasionally equal to the changes in value of the underwriting provisions, these investments are valued in accordance with the requirements of IAS 39.9b. Investments for unit-linked and index-linked life insurance are therefore measured at fair value, and changes in value are recognised in the income statement.

## REINSURERS' SHARE IN UNDERWRITING PROVISIONS (E)

The reinsurers' share in underwriting provisions is measured in accordance with contractual provisions.

The credit quality of each counterparty is taken into account when the reinsurers' share is measured. As a result of the good credit quality of the VIG Insurance Group's reinsurers, no valuation allowances were needed for reinsurer shares as of the 31 December 2019 and 31 December 2018 balance sheet dates.

Information on the selection of reinsurers is provided in the section titled "Financial instruments and risk management" starting on page 124.

## RECEIVABLES (F)

The receivables shown in the balance sheet relate in particular to the following receivables:

- Receivables from direct insurance business
  - from policyholders
  - from insurance intermediaries
  - from insurance companies
- Receivables from reinsurance business
- Other receivables

As a rule, receivables are reported at cost less impairment losses for losses already incurred but not yet known (e.g. death that is not yet known). Impairment is necessary if there is material evidence of financial difficulties, such as default or delay in payment and the items therefore cannot be considered collectable or not fully collectable. In the case of receivables from policyholders, expected impairment losses from non-collectable premium receivables are shown on the liabilities side of the balance sheet under "Other underwriting provisions" (provisions for cancellations) or deducted from the premium receivable using a valuation allowance. The amounts included are shown in Note 6. Receivables on page 160.

## TAXES (G)

Income tax expenses comprise actual taxes and deferred taxes. The income tax associated with transactions recognised directly in equity is also recognised directly in equity. The actual taxes for the individual VIG Insurance Group companies are calculated using the company's taxable income and the tax rate applicable in the country in question.

Deferred taxes are calculated using the balance sheet liability method for all temporary differences between the asset and liability values recognised in the IFRS consolidated financial statements and the individual company tax bases for these assets and liabilities. Under IAS 12.47, deferred taxes are measured using the tax rates applicable at the time of realisation. In addition, any probable tax benefits realisable from existing loss carryforwards are included in the calculation. Exceptions to this deferral calculation are differences from non-tax-deductible goodwill and any deferred tax differences linked to participations.

Deferred tax assets are not recognised if it is not probable that the tax benefits they contain can be realised. Deferred taxes are calculated using the following tax rates:

| Tax rates | 31.12.2019 | 31.12.2018 |
|---|---|---|
| in % | | |
| Albania | 15.0 | 15.0 |
| Bosnia-Herzegovina | 10.0 | 10.0 |
| Bulgaria | 10.0 | 10.0 |
| Germany[1] | 30.0 | 30.0 |
| Estonia[2] | 0.0 | 0.0 |
| Georgia[3] | 15.0 | 15.0 |
| Kosovo[4] | 10.0 | 0.0 |
| Croatia | 18.0 | 18.0 |
| Latvia | 0.0 | 0.0 |
| Liechtenstein | 12.5 | 12.5 |
| Lithuania | 15.0 | 15.0 |
| North Macedonia | 10.0 | 10.0 |
| Moldova | 12.0 | 12.0 |
| Austria | 25.0 | 25.0 |
| Poland | 19.0 | 19.0 |
| Romania | 16.0 | 16.0 |
| Serbia | 15.0 | 15.0 |
| Slovakia | 21.0 | 21.0 |
| Czech Republic | 19.0 | 19.0 |
| Turkey | 22.0 | 20.0 |
| Ukraine | 18.0 | 18.0 |
| Hungary | 11.3 | 11.3 |

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

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

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

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

**Group taxation**

With Wiener Städtische Versicherungsverein as the parent company there is a corporate group of companies within the meaning of § 9 of the Austrian Corporate Income Tax Act (KStG). The taxable earnings of group members are attributed to the head of the tax group. The head of the tax group has entered into agreements with each group member governing the allocation of positive and negative tax amounts for the purpose of allocating corporate income tax charges according to origin. If a group member earns positive income, 25% is allocated to the head of the tax group. In case of negative income, the group member receives lump-sum compensation equal to 22.5% of the tax loss. Since the tax allocation is 25% in the case of positive income, the group member should provide 10% of the tax benefit from group taxation resulting from inclusion of that group member in the group. Cash settlement of tax benefits is performed for a period of three years.

## OTHER ASSETS (H)

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

## UNDERWRITING PROVISIONS (I)

**Classification of insurance policies**

Contracts under which an insurance company assumes a significant insurance risk from another party (the policyholder), by agreeing to provide compensation to the policyholder if a specified uncertain future event (the insured event) negatively affects the policyholder are treated as insurance policies for the purposes of IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, credit indices, or some other variable, provided that the variable is not specific to one counterparty in the case of a non-financial variable. In many cases, particularly in the life insurance area, insurance policies as defined in IFRS also transfer financial risk.

Policies under which only an insignificant insurance risk is transferred from the policyholder to the insurance company are treated as financial instruments (“financial insurance policies”) for IFRS reporting purposes. Such policies exist only to a minor extent in the personal insurance area.

Both insurance contracts and financial insurance policies can have contract terms that qualify as discretionary participation in net income (“profit participation”, “profit-dependent premium refund”). Contractual rights are considered discretionary participation in net income if in addition to guaranteed benefits the policyholder also receives additional payments that are likely to constitute a significant portion of the total contractual payments and are contractually based on:

- the profit from a certain portfolio of policies or a certain type of policy, or
- the realised and/or unrealised investment income from a certain portfolio of assets held by the insurance company, or
- the profit or loss of the company, investment fund, or business unit (e.g. balance sheet unit) holding the contract.

Policies with discretionary net income participation exist in all VIG Insurance Group countries, primarily in the life insurance balance sheet unit, and to a secondary extent in the property and casualty and health insurance areas as well, and are treated as insurance policies in accordance with IFRS 4. The net income participation in life insurance usually exists in the form of participation in the net income or net interest income of the balance sheet unit in question calculated according to national accounting requirements. Net income or profit participation amounts that have already been allocated or committed to policyholders are reported in the mathematical reserve. Amounts reported in the local annual financial statements which have been committed or allocated to policyholders in the future by means of net income participation are reported in the balance sheet in the provision for performance-based premium refunds.

In addition, the profit-related portion resulting from IFRS measurement differences as compared to local measurement requirements (deferred profit participation) is also reported in the provision for profit-related premium refunds. This primarily concerns Austrian and German policies that are eligible for profit participation, as the profit participation in these countries is governed by regulations. Deferred profit participation is not recognised in balance sheets in other countries, since policyholder participation is at the sole discretion of the company concerned. The rate used for calculating deferred profit participation is 80% of the difference between the value recognised in the local financial statements and the value recognised in the IFRS financial statements.

As permitted by IFRS 4, the option to present unrealised gains and losses with the same effects on balance sheet measurements of underwriting provisions, capitalised acquisition costs and purchased insurance portfolios as realised gains and losses has been applied (shadow accounting). The first step is to allocate unrealised gains on available-for-sale financial instruments to a deferred mathematical reserve to serve as security for contractually agreed insurance payments. The policyholder's share of the surplus from the remaining unrealised gains is then allocated to a provision for deferred profit participation. Any remaining asset balance is reported as deferred policyholder profit participation resulting from measurement differences. This deferred item is only recognised if it is highly probable, at company level, that the item can be satisfied by future profits in which the policyholders participate.

RECOGNITION AND ACCOUNTING METHODS FOR INSURANCE POLICIES
Based on the election provided in IFRS 4, the values recognised in the consolidated financial statements prepared in accordance with applicable national law are carried over to the IFRS consolidated financial statements. The national provisions are only carried over, however, if they satisfy the minimum requirements of IFRS 4. Equalisation and catastrophe provisions are therefore not recognised. In principle, accounting rules were not changed to differ from national accounting requirements, except when parameters used to calculate underwriting provisions did not lead to adequate funding for future provisions. In such cases, the VIG Insurance Group uses its own parameters, which are consistent with these principles. In individual cases, the provisions formed locally by an insurance company for outstanding claims are adjusted in the consolidated financial statements based on the corresponding analysis. Detailed information on the valuation of underwriting items is available in the remarks for each item.

ADEQUACY TEST FOR LIABILITIES ARISING FROM INSURANCE POLICIES
Liabilities from insurance policies are tested at each balance sheet date for adequacy of the provisions recognised in the financial statements.

If the value calculated based on up-to-date estimates of current valuation parameters, taking into account all future cash flows associated with the insurance policies, is higher than the provisions formed for liabilities from insurance policies, an increase in the provisions is recognised in profit or loss to eliminate the shortfall.

**Provision for unearned premiums**
Under the current version of IFRS 4, figures in annual financial statements prepared in accordance with national requirements may be used for the presentation of figures relating to insurance policies in the consolidated financial statements. In Austria, a cost discount of 15% (15%) is used when calculating unearned premiums in the property and casualty balance sheet unit (10% for motor third party liability insurance (10%)), corresponding to EUR 28,312,000 (EUR 28,534,000). Acquisition expenses in excess of this figure are not capitalised in Austria. For foreign companies in the property and casualty balance sheet unit a portion of the acquisition expenses is generally recognised in the same proportion as the ratio of net earned premiums to written premiums. To ensure uniform presentation, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in the provision for unearned premiums: EUR 355,679,000 (EUR 301,880,000).

**Mathematical reserve**
Life insurance mathematical reserves are calculated using the prospective method as the actuarial present value of obligations (including declared and allocated profit shares and an administrative cost reserve) minus the present value of all future premiums received. The calculation is based on such factors as expected mortality, costs and the discount rate.

The mathematical reserve and related premium rate are essentially calculated using the same basis, which is applied uniformly for the entire rate and during the entire term of the policy. The appropriateness of the calculation basis is reviewed each year in accordance with IFRS 4 and applicable national accounting requirements. Please refer to section "Adequacy test for liabilities arising from insurance policies" on page 108. For information on the use of shadow accounting, please see page 108. Basically, the official mortality tables of each country are used for the life balance sheet unit. If current mortality expectations differ to the benefit of policyholders from the calculation used for the rate, leading to a corresponding insufficiency in the mathematical reserves, the reserves are increased appropriately in connection with the adequacy test of insurance liabilities.

In the life insurance balance sheet unit acquisition costs are taken into account through zillmerisation or another actuarial method as a reduction of mathematical reserves. The resulting negative mathematical reserves are either set to zero in accordance with national requirements or reported in the mathematical reserve item in the consolidated financial statements. The following average discount rates are used to calculate mathematical reserves:

As of 31 December 2019: 1.96%
As of 31 December 2018: 2.07%

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

In addition, the share of unrealised gains and losses from available-for-sale financial instruments serving as security for contractual obligations is shown in the mathematical reserve as part of the shadow accounting performed according to IFRS 4. Further information is provided in the section titled "Classification of insurance policies" beginning on page 107.

In the health insurance balance sheet unit, mathematical reserves are also calculated according to the prospective method as the difference between the actuarial present value of future policy payments minus the present value of future premiums. The loss frequencies used to calculate the mathematical reserve derive primarily from analyses conducted on the Group's own insurance portfolio. As a rule, the mortality tables used correspond to published mortality tables. The following discount rates are used for the great majority of transactions when calculating mathematical reserves:

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

**Provision for outstanding claims**

National insurance law and national regulations (in Austria, the Austrian Insurance Supervision Act (VAG)) require VIG Insurance Group companies to form provisions for outstanding claims. The provisions are calculated for payment obligations arising from claims, which have occurred up to the balance sheet date but whose basis or size has not yet been established, as well as all related claims settlement expenses expected to be incurred after the balance sheet date, and, as a rule, are formed at the individual policy level. These policy-level provisions are marked up by a flat-rate allowance for unexpected additional losses. Except for the provisions for pension obligations, no discounting is performed. Insurance losses that have occurred up to the balance sheet date but were not known at the time that the balance sheet was prepared ("IBNR"), and losses that have occurred but have not been reported in the correct amount ("IBNER"), are to be included in the provision (incurred but not reported claims provisions and provisions for as yet unidentified large losses). Separate provisions for claims settlement expenses are formed for internally incurred expenses attributable to claims settlement under the allocation according to origin principle. Collectable recourse claims are deducted from the provision. Where necessary, actuarial estimation methods are used to calculate the provisions. The methods are applied consistently, with both the methods and calculation parameters tested continuously for adequacy and adjusted if necessary. The provisions are affected by economic factors (e.g. inflation rate) and by legal and regulatory developments, which may be subject to change over time.

**Provision for profit-unrelated premium refunds**
The provisions for profit-unrelated premium refunds relate, in particular, to the property and casualty and health balance sheet units, and pertain to premium refunds in certain insurance classes that are contractually guaranteed to policyholders in the event that there are no claims or a low level of claims. These provisions are formed at the individual policy level. Since the provisions are predominantly short-term provisions, no discounting has been performed.

**Provision for profit-related premium refunds**
Profit shares that were dedicated to policyholders in local business plans, but have not been allocated or committed to individual policyholders as of the balance sheet date, are shown in the provision for profit-related premium refunds ("discretionary net income participation"). In addition, both the portion realised through profit and loss and the portion realised directly in equity that results from measurement differences between IFRS and local measurement requirements ("deferred profit participation") are reported in this item. Please see the section "Classification of insurance policies" starting on page 107.

**Other underwriting provisions**
The other underwriting provisions item primarily includes provisions for cancellations. Cancellation provisions are formed for the cancellation of premiums that have been written but not yet paid by the policyholder, and therefore represent a liabilities-side allowance for receivables from policyholders. These provisions are formed based on the application of certain percentage rates to overdue premium receivables.

## UNDERWRITING PROVISIONS FOR UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE (J)

Underwriting provisions for unit-linked and index-linked life insurance represent obligations to policyholders that are linked to the performance and income of the corresponding investments. The measurement of these provisions corresponds to the measurement of the investments for unit-linked and index-linked life insurance, and is based on the fair value of the investment unit or index serving as a reference.

## NON-UNDERWRITING PROVISIONS (K)

**Provisions for pensions and similar obligations – pension obligations**
Pension obligations are based on individual contractual obligations and collective agreements. The obligations are defined benefit obligations. The plans are based on average salary and/or the number of years of service with the company.

These obligations are accounted for in accordance with IAS 19. The present value of the defined benefit obligation (DBO) is calculated. Calculation of the DBO is performed using the projected unit credit method. In this method future payments calculated based on realistic assumptions are accrued linearly over the period in which the beneficiary acquires these entitlements. The necessary provision amount is calculated for the relevant balance sheet date using actuarial reports that have been provided for 31 December 2018 and 31 December 2019.

The calculations are based on the following assumptions:

| Pension assumptions | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Interest rate | 0.75% | 1.50% |
| Pension increases | 2.00% | 2.00% |
| Salary increases | 2.00% | 2.00% |
| Employee turnover rate (age-dependent) | 0%–4% | 0%–4% |
| Retirement age, women (transitional arrangement) | 62+ | 62+ |
| Retirement age, men (transitional arrangement) | 62+ | 62+ |
| Life expectancy (for employees, in accordance with) | (AVÖ 2018-P) | (AVÖ 2018-P) |

The weighted average length of the DBO for pensions was 16.47 years in financial year 2019 (15.88 years). A portion of the direct pension obligations are administered as an occupational group insurance plan following conclusion of an insurance contract in accordance with § 93–98 VAG.

## (SUBORDINATED) LIABILITIES (L)

As a rule, liabilities are measured at amortised cost. This also applies to liabilities arising from financial insurance policies. The fair value of financial liabilities is shown in 22. Financial instruments and fair value measurement hierarchy starting on page 185.

## NET EARNED PREMIUMS (M)

As a rule, unearned premiums (provision for unearned premiums) are determined on a pro rata basis over time. No deferral of unit-linked and index-linked life insurance premiums is performed, since the full amount of the premiums written in the reporting period is included in the calculation of the underwriting provisions for unit-linked and index-linked life insurance.

## EXPENSES FOR CLAIMS AND INSURANCE BENEFITS (N)

All payments to policyholders arising from loss events, claims settlement expenses directly related to loss events, and internal costs attributable to claims settlement under the allocation according to origin principle, are shown as expenses for claims and insurance benefits. Expenses for loss prevention are also reported in this item. Expenses for claims and insurance benefits are reduced by the income gained from using existing contractual and statutory avenues of recourse (this applies in particular to property and casualty insurance). Changes in the underwriting provisions are also reported in expenses for claims and insurance benefits.

## ACQUISITION AND ADMINISTRATIVE EXPENSES (O)

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

## SCOPE AND METHODS OF CONSOLIDATION

Full consolidation of a subsidiary begins when control is gained and ends when control is lost. The consolidated financial statements include a total of 73 Austrian and 81 foreign companies.

Associated companies are companies over which the VIG Holding has directly or indirectly a significant influence but does not exercise control. These companies are accounted for at equity. These consolidated financial statements include 14 Austrian and 15 foreign companies accounted for at equity. 109 companies that have no material effect on the net assets, financial position and results of operations when considered individually or in aggregate have essentially been measured at fair value.

The materiality or immateriality of subsidiaries, associated companies and joint arrangements for the consolidated financial statements is checked using a variety of thresholds defined at the VIG Holding level. Qualitative assessment criteria are also used. Profit before taxes or total assets, for example, could be checked for this purpose. If a company does not satisfy any size criteria, a second step is performed to check whether the companies that are not included are material when taken as a whole. If this is not the case, these companies are not included in the scope of consolidation.

Fully controlled investment funds ("special funds") were fully consolidated in accordance with the requirements of IFRS 10. These consolidated institutional funds are not separate corporate entities and therefore not structured entities as defined in IFRS 12. They are investment funds that have not been designed for public capital markets.

Due to a lack of control, mutual funds are not consolidated, even if a majority of voting rights are held. The ability of subsidiaries to transfer funds (in the form of dividends) to parent companies can be restricted by corporate law and regulations.

### BUSINESS COMBINATIONS (IFRS 3)

Business combinations are recognised using the purchase method. Goodwill is recognised as the value of the consideration transferred and all non-controlling interests in the acquired company less the identifiable assets acquired and liabilities assumed. In any business combination, present non-controlling interests that entitle holders to a proportionate share of the entity's net assets in the event of a liquidation can be measured either at fair value or as part of the identifiable net assets. Unless another IFRS provides a different measurement method, all other components of non-controlling interests are measured at the corresponding share of the identifiable net assets. If the consideration is less than the net assets of the acquired subsidiary measured at fair value, the difference is checked again and recognised directly in the income statement. As a rule, the fair values calculated in accordance with IFRS 13 of all assets (incl. goodwill and other intangible assets) and liabilities are allocated to the country to which the purchased company is assigned.

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

The VIG Insurance Group considers the reported goodwill to reflect the value of the ability to make use of the insurance-specific expertise of the employees of the acquired companies. When a market is entered, it represents the ability to offer insurance products in a country and take advantage of the opportunities that exist there. In countries where the VIG Insurance Group is already represented by one or more companies, the goodwill also represents the possibility of making use of potential synergies.

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

All company acquisitions were performed with cash and cash equivalents. A list of companies that are fully consolidated and included at equity is provided on page 195 in Note 26. Affiliated companies and participations.

## CHANGES IN THE SCOPE OF CONSOLIDATION

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

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

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

Further information on the table and change in consolidation method is provided on page 115.

**Effect of the changes in the scope of consolidation**

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

The figures shown in the table above reflect the actual dates of first consolidation, as indicated in the section titled "Changes in the scope of consolidation" on page 113.

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

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

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

## NON-PROFIT SOCIETIES

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

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

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

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

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

**Accounting for non-profit societies**

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

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

1 Incl. their subsidiaries

2 Intragroup transactions are not eliminated

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

1 Incl. their subsidiaries

2 Intragroup transactions are not eliminated

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

*Incl. their subsidiaries

## SEGMENT REPORTING

### DETERMINATION OF REPORTABLE SEGMENTS

The segments were determined in accordance with IFRS 8 Operating segments based on internal reporting to the principal decision-maker. The individual markets, in which the VIG Insurance Group operates, were identified as the operating segments. The VIG Holding Managing Board, as principal decision-maker, regularly evaluates earning power based on the segments and decides on the allocation of resources to the segments. The focus on countries is also reflected in the country responsibilities of the members of the VIG Holding Managing Board. The countries Estonia, Latvia and Lithuania are combined in the Baltic States operating segment, and Albania and Kosovo are combined in the Albania incl. Kosovo operating segment when reporting to the Managing Board. The countries of Turkey and Georgia are also combined into one reporting segment.

The reportable segments were determined using the aggregation criteria in IFRS 8.12 and IFRS 8.14 and the quantitative thresholds defined in IFRS 8.13.

The following were identified as reportable segments:

- Austria (incl. the Wiener Städtische branches in Slovenia and Italy),
- Czech Republic,
- Slovakia,
- Poland,
- Romania,
- Baltic states,
- Hungary,
- Bulgaria,
- Turkey/Georgia,
- Remaining CEE,
- Other Markets and
- Central Functions (incl. the VIG Holding branches in Sweden, Norway and Denmark and VIG Re branches in Germany and France).

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

The Managing Board also feels that important information is provided by separately publishing financial information for Romania, the Baltic states, Hungary, Bulgaria and Turkey/Georgia in the segment reports, even though they fall below the thresholds. VIG Insurance Group's focus on the CEE region and the strong growth recorded in individual countries led to this decision.

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

Companies with management and coordination functions for the VIG Insurance Group that cross regional boundaries are included in the "Central Functions" segment.

## BASIS OF THE REVENUES OF THE REPORTABLE SEGMENTS

**Reportable segments (excl. Central Functions)**

The scope of business operations includes private and corporate customer insurance business. The range of products includes, among other things, motor third party liability and own damage, accident, third party liability, fire and natural hazards, and travel insurance.

A large number of life and health insurance products are offered for individuals and groups. These include, for example, supplementary health insurance, nursing care insurance, endowment insurance, term life insurance and investment-oriented products. In accordance with the cornerstones of VIG Insurance Group, products are sold through all distribution channels in all markets. This means that insurance products are distributed, among others, by sales employees, banks, brokers and agents.

**Central Functions**

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

VIG Holding primarily focuses on managerial tasks for the VIG Insurance Group. It also operates as the reinsurer for the VIG Insurance Group and in the international corporate business. The Group's own reinsurance company, VIG Re, is a successful provider of reinsurance for both insurance companies of VIG Insurance Group and external partners.

**Information on major customers**

The VIG Insurance Group does not depend to a great extent on one single customer, as defined in IFRS 8.34. The 10 largest customer groups are responsible for 2.1% of the premiums written by the Group. Corporate customers that are under common control according to the information available to VIG Insurance Group are combined into customer groups.

## GENERAL INFORMATION ON SEGMENT REPORTING

Like transactions with third parties, transfer prices between reportable segments are determined using market prices. Intragroup transactions between segments are eliminated in the consolidation column. The only exceptions are dividends and intercompany profits, which are eliminated in each segment.

## PERFORMANCE MEASUREMENT FOR REPORTABLE SEGMENTS

A variety of performance indicators are used to determine the financial performance of the reportable segments. The IFRS contribution to earnings is used as an indicator in all cases. In the interests of comparability, the income statement by segments is appropriately reconciled with the consolidated income statement and only the main items are presented. The same applies to the balance statement by segments and consolidated balance sheet.

## CONSOLIDATED BALANCE SHEET BY SEGMENT

| Assets | Austria | | Czech Republic | | Slovakia | |
|---|---|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| in EUR '000 | | | | | | |
| Intangible assets | 455,579 | 384,629 | 505,065 | 496,509 | 123,905 | 121,895 |
| Right-of-Use Assets | 80,466 | | 63,343 | | 7,372 | |
| Investments | 23,572,424 | 22,507,494 | 3,088,224 | 3,079,349 | 1,455,389 | 1,345,968 |
| Investments for unit-linked and index-linked life insurance | 5,484,384 | 5,186,277 | 389,107 | 327,566 | 193,217 | 179,009 |
| Reinsurers' share in underwriting provisions | 400,137 | 398,611 | 134,935 | 112,384 | 31,904 | 33,809 |
| Receivables | 559,902 | 579,005 | 169,866 | 157,109 | 62,780 | 63,245 |
| Tax receivables and advance payments out of income tax | 18,451 | 51,958 | 9,548 | 13,717 | 103 | 1,997 |
| Deferred tax assets | 6,014 | 4,961 | 2,081 | 3,811 | 7,156 | 10,359 |
| Other assets | 111,248 | 128,613 | 158,364 | 166,730 | 11,149 | 12,109 |
| Cash and cash equivalents | 656.000 | 528,511 | 125,717 | 159,640 | 78,331 | 65,970 |
| Total | 31,344,605 | 29,770,059 | 4,646,250 | 4,516,815 | 1,971,306 | 1,834,361 |

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

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

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

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

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

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

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

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

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

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

## CONSOLIDATED INCOME STATEMENT BY SEGMENT

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

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

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

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

# FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

## FINANCIAL INSTRUMENTS

The Group invests in fixed-income securities (bonds, loans/credits), shares, real estate, participations and other investments, taking into account the overall risk position and the investment strategy provided for this purpose.

The investment strategy is laid down in the investment guidelines for each of the insurance companies. Compliance is continuously monitored by the Asset Management and Asset Risk Management (ARM) departments and by the Internal Audit department on a sample basis. Investment guidelines are laid down centrally and must be followed by all Group companies. When determining exposure volumes and limits as part of establishing the strategic orientation of investments, the risk inherent in the specified categories and market risks are of fundamental importance.

The investment strategy principles may be summarised as follows:

- VIG Insurance Group practices a conservative investment policy designed for the long term.
- VIG Insurance Group focuses on its asset mix as a way to ensure that cash flows match its long-term liability profile and to create sustainable increases in value through the use of correlation and diversification effects of the individual asset classes.
- Investment management depends on the asset class in question or on the objective within asset classes and is performed internally or by an outside manager.
- The currency profile of the investments should match as closely as possible the obligations to policyholders and other liabilities (currency matching).
- Risk management for securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate and currency fluctuations as they affect profitability and the value of investments, and at limiting these risks. Risks are limited by a limit system at position level and by a value-at-risk limit system for risk exposure at the portfolio level.
- Market developments are monitored continuously and the structure of the portfolio is actively managed, if necessary.

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

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

[1] Includes shares in non-consolidated subsidiaries and other participations.

[2] Including held for trading

## Land and buildings

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

The portfolio of directly held real estate and real estate held in the form of participations is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create hidden reserves. The real estate portfolio represents 6.97% (16.07%) of the total investment portfolio. The decrease in direct holdings is due to the change in consolidation method used for the non-profit societies – further information is available starting on page 115 of this Annual Report.

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

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

*Mainly held as investment property

### At equity consolidated companies

Shares in at equity consolidated companies had a book value of EUR 321.3 million as of 31 December 2019 and a book value of EUR 221.3 million as of 31 December 2018. Shares in at equity consolidated companies therefore represented 0.93% (0.61%) of the book value of the total investment portfolio as of 31 December 2019. The increase in the book value of shares in at equity consolidated companies is due to the change in consolidation method for the non-profit societies – further information is available starting on page 115 of this Annual Report.

### Loans

Loans had a book value of EUR 2,416.1 million as of 31 December 2019 and a book value of EUR 2,455.3 million as of 31 December 2018. Investments in loans are less important in the CEE region. A portfolio analysis and maturity structure of loans are presented in Note 3.3. Loans and other investments starting on page 153.

### Bonds

Bonds represented 73.05% of total investments as of 31 December 2019 (66.34%). VIG Insurance Group manages its bond portfolio using estimates of changes in interest rates, spreads and credit quality, taking into account limits related to individual issuers, credit quality, maturities, countries, currencies and issue volume. VIG Insurance Group is currently not planning any investment strategy changes with respect to its bond portfolio. In the investment model, the bonds serve primarily to ensure stable earnings over the long term. Derivative products are only used to reduce risks or make efficient portfolio management easier. Relevant investment guidelines expressly govern the use of derivatives for bond portfolios managed by third parties such as investment funds.

### Shares

As of 31 December 2019, share investments (including those contained in the funds) represented 4.46% (3.70%) of the book value of the total investment portfolio. In accordance with the investment guidelines for Austria, management is carried out using a top-down approach, subject to the constraint that diversification be used to minimise the market risk of the shares. The overall proportion of shares is very small for companies of VIG Insurance Group in the CEE countries.

## RISK MANAGEMENT

VIG Insurance Group's core competence is dealing professionally with risk. The VIG Insurance Group's primary business is assuming risks from its customers using a variety of insurance policies. The insurance business consists of consciously assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under insurance policies can be satisfied at all times.

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

The primary requirement for effective risk management is a risk management system that is consistent throughout the Group and a risk policy and risk strategy set by management. The objective of such risk management is not complete avoidance of risk but rather a conscious acceptance of desired risks and the implementation of measures to monitor and possibly even reduce existing risks based on economic factors. The risk-return ratio is therefore a key measure that must be optimised in order to guarantee adequate security for the policyholder and the insurer itself while giving due consideration to the need to create value.

Risk management responsibilities in VIG Holding are bundled together in independent organisational units and by a well-established risk and control culture, each individual employee contributes to successful management of risk. Transparent, verifiable decisions and processes within a company are very important aspects of its risk culture.

### Risk strategy

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

#### RISKS THAT ARE NOT ACCEPTED

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

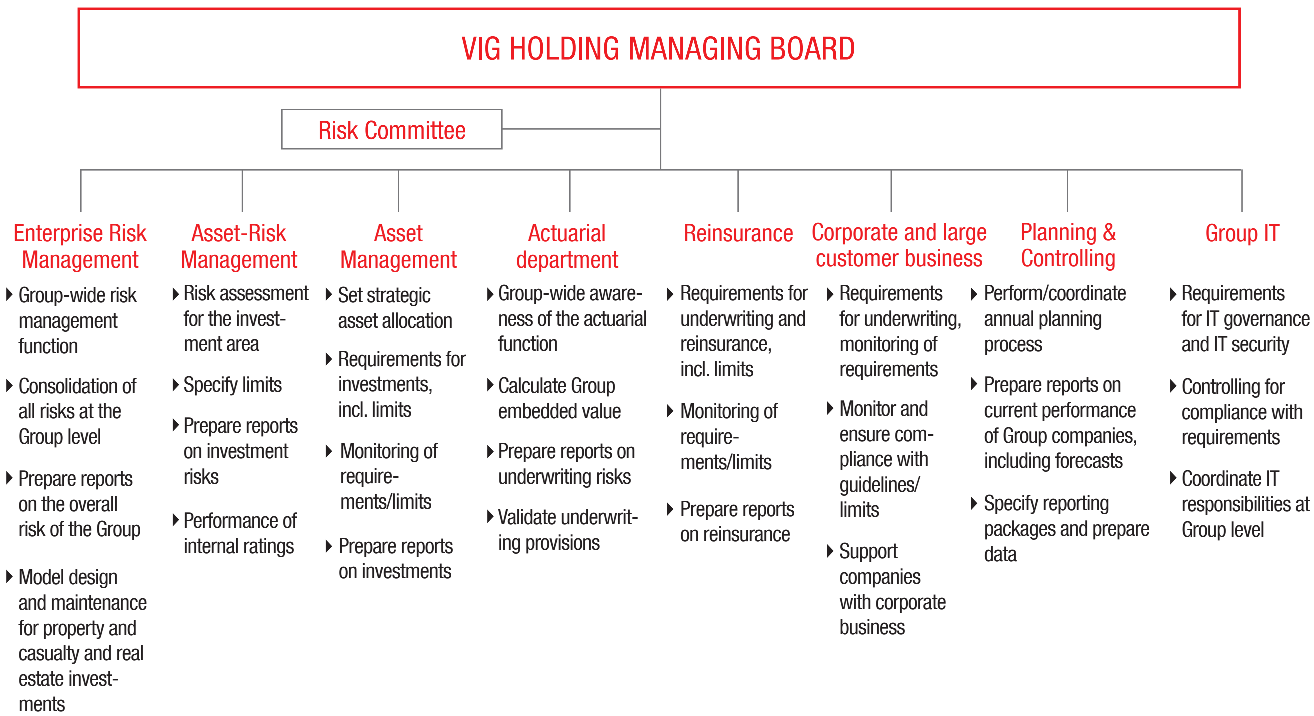
#### RISKS ACCEPTED WITH RESTRICTIONS

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

#### RISK-MINIMISING MEASURES

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

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




Effective control system in all areas and processes
Regular monitoring of all areas by Internal Audit

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

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

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

RISK COMMITTEE
The VIG Holding Managing Board established the Risk Committee to ensure regular discussions of current matters relating to risk management across functional areas within the organisation and an exchange of information on the risk situation between the members of the committee (representatives of the units involved in risk management and the Compliance function) and the Managing Board. The Risk Committee meetings take place at least quarterly and are chaired by the Managing Board member responsible for the area who acts as the contact person for matters related to risk management. The Risk Committee reports to the Managing Board after its meetings.

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

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

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

ASSET-RISK MANAGEMENT (ARM)
The ARM department was in Judit Havasi's area of responsibility up to the end of the financial year and has been in Liane Hirner's area of responsibility since the beginning of 2020. The primary responsibility of the department is to analyse, assess and monitor risks associated with investments, in particular with respect to the VIG Insurance Group's solvency result and financial result. For this purpose, the department specifies Group-wide requirements for risk assessment and implements a central system for investment management and risk monitoring. The department is also responsible for maintaining an internal rating approach for banks.

ASSET MANAGEMENT
The Asset Management department was the responsibility of Managing Board Chairwoman Elisabeth Stadler up to the end of the financial year and has been in the area of responsibility of Managing Board Member Gerhard Lahner since the beginning of 2020. One of the key responsibilities of the department is to define a strategic orientation for the investments of each insurance company of VIG Insurance Group and for the VIG Insurance Group as a whole, and to specify an investment strategy and investment process aimed at ensuring that current income is as high as possible, but also as secure as possible, while simultaneously taking advantage of opportunities to increase the value of investments. Guidelines and limits are used to manage investments. Regular reports are also provided for investments, limits and income.

ACTUARIAL DEPARTMENT
The Actuarial department was the responsibility of the Managing Board as a whole up to the end of the financial year and Franz Fuchs was the contact person in the Managing Board. The department has been the responsibility of Managing Board Member Gabor Lehel since the beginning of 2020. The head of the department performs the Actuarial function required by Solvency II. The department is therefore responsible, in particular, for the duties related to the Actuarial function. The Actuarial department also calculates the embedded value for the life and health insurance businesses and prepares profitability analyses and company valuations. The department assists actuarial collaboration and functional networking.

#### REINSURANCE
The Reinsurance department reports to Managing Board member Peter Höfinger. The department coordinates and assists all companies in the VIG Insurance Group and their reinsurance departments with reinsurance matters in the non-life business (property and casualty, third party liability and accident insurance) by preparing and applying guidelines. The department also administers Group-wide reinsurance programmes in the non-life lines of business. The primary objective is to create a safety net to provide continuous protection for all of the companies in the VIG Insurance Group against the negative effects of catastrophes, individual large losses and negative changes in entire insurance portfolios.

#### CORPORATE AND LARGE CUSTOMER BUSINESS
The Corporate and Large Customer Business department reports to Managing Board member Peter Höfinger and underwrites insurance contracts for large Austrian and international customers. The department also assists subsidiaries with resources and know-how. The aim is to achieve a uniform underwriting philosophy and approach in all companies of VIG Insurance Group that perform such business.

#### PLANNING & CONTROLLING
The Planning & Controlling department is an important part of the integrated risk management approach. It was the responsibility of Managing Board Member Judit Havasi up to the end of the financial year and has been the responsibility of Managing Board Chairwoman Elisabeth Stadler since the beginning of 2020. The department coordinates business planning over a 3-year horizon. The standardised reports include key figure and variance analyses for planning, forecasts and ongoing performance of VIG Holding and other insurance companies. Regular monthly premium reports, quarterly reports for each company (aggregated at the country and VIG Insurance Group level) and cost reports are prepared.

#### INTERNAL AUDIT
The Internal Audit department reports to the Managing Board. Managing Board Chairwoman Elisabeth Stadler is the contact person in the Managing Board. The Internal Audit department systematically monitors operating and business processes, the internal control system of all operational business areas, including compliance with legal requirements, and the functionality and adequacy of risk management. The Internal Audit department operates continuously and reports directly to the Managing Board. The head of the department performs the Internal Audit function required by Solvency II.

#### GROUP IT
The Group IT department was the direct responsibility of Managing Board Member Judit Havasi up to the end of the financial year and has been the responsibility of Peter Thirring since the beginning of 2020. The department is responsible for IT management at the VIG Insurance Group level (IT strategy, IT governance, IT security, IT-Group projects, etc.), for assisting companies of the VIG Insurance Group with large IT projects, and for developing Group-wide guidelines and common standards. The Austrian business organisation assists Group IT with this by providing outside IT and telephony services.

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

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

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

### RISK CONTROL
The risk strategy, planning, reinsurance programme, risk budgets and risk-bearing capacity are the most important elements of risk control. The Managing Board reviews the risk strategy each year and makes any modifications needed. The ERM department assists the Managing Board with this.

The Group Controlling department is responsible for performance of an annual planning process and subsequently for monitoring day-to-day business development of the insurance companies of VIG Insurance Group. Regular reports are used for this purpose, including variance analyses and forecast accounts for the financial year. The planning horizon is three years. The planning data is used in Own Risk & Solvency Assessment (ORSA) and forms a starting basis for calculating future expected solvency.

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

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

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

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

Liquidity risk is managed and monitored by matching the investment portfolio to insurance obligations. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects, or changes in the business environment, are also continuously monitored by the internal control system.

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

**Risk categories**
Because of its activities, VIG Insurance Group is exposed to a large number of financial and non-financial risks. The overall risk of the VIG Insurance Group can be divided into the following risk categories:

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

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

UNDERWRITING RISKS
VIG Insurance Group's core business consists of the transfer of risk from policyholders to the insurance company. Underwriting risks in the areas of life insurance, health insurance and non-life insurance are primarily the result of changes in insurance-specific parameters, such as loss frequency, loss amount or mortality, as well as lapse rates and lapse costs.

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

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

LIQUIDITY RISK
This category includes the risk of VIG Insurance Group not having sufficient assets that can be liquidated at short notice to satisfy its payment obligations.

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

**Managing significant risks**
In addition to the risks in the property and casualty balance sheet unit and real estate investments that are modelled using the partial internal model, the following risks must be noted due to their great importance for VIG Insurance Group:

- the interest rate risk as part of market risk, which primarily results from sales of long-term guarantee products,
- the asset default risk inherent in investments, which can be assigned to credit risk and indirectly to market risk, and
- life insurance lapse risk, which can occur due to an increase in cancellation rates.

MARKET RISK
VIG Insurance Group is exposed to market risk, that is, the risk of suffering losses as a result of changes to market parameters. Interest rates, issuer spreads and share prices are the most relevant parameters for market risk. Ignoring investments held for the account of and at the risk of policyholders, investments in insurance business consist largely of fixed-income securities. The majority of these securities are denominated in euros and Czech crown. Consequently, interest

rate fluctuations and exchange rate changes in these currencies primarily have an effect on the value of these financial assets.

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

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

Depending on the purpose of the application, VIG Holding performs value-at-risk calculations for different sub-portfolios for the VIG Insurance Group. Confidence levels vary between 95.0% and 99.5%, and the holding period varies from 20 to 250 days. Due to the nature of the portfolio, interest rate and spread components make the largest contributions to value-at-risk. As a plausibility check of the calculations, the value-at-risk for the most important sub-portfolios is determined using both the parametric method described above and the historical calculation method.

The following table shows the value-at-risk (at a 99% confidence level) for financial instruments that are measured as available for sale or at fair value through profit or loss (incl. held for trading).

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

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

### Interest rate risk

The main source of interest rate risk is the sizeable portfolio of policies with guaranteed minimum interest rates, which includes pension and endowment insurance, and the resulting investments. For existing life insurance policies, VIG Insurance Group guarantees a minimum interest rate averaging around 1.96% p.a. (2.07% p.a.). If interest rates fall below the guaranteed average minimum rate for a longer duration of time, VIG Insurance Group could find itself forced in the future to use its capital to subsidise reserves for these products and consequently increase them through profit or loss as a result of the adequacy test.

The embedded value in life and health insurance consists of the adjusted net assets at market value (ANAV) and the value of the insurance portfolio (VIF). VIF is the present value of future profits (SPVFP), reduced by a risk margin. The SPVFP was EUR 2,929.0 million as of 31 December 2019. A 100 basis point drop in the yield curve would reduce the SPVFP to EUR 1,821.1 million, which means the IFRS reserves are also adequate in this scenario. Also see the embedded value sensitivity analysis on page 140.

### Spread risk

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

### Share price risk

Among other things, share investments include participations in a number of Austrian companies and equity positions in other companies whose shares trade primarily on the Vienna Stock Exchange or stock exchanges in the Eurozone or CEE region. A deterioration of the current economic situation could result in the share portfolio losing value.

Shares serve to increase earnings over the long term, provide diversification and compensate for long-term erosion in value due to inflation. VIG Insurance Group assesses share price risk by considering diversification within the overall portfolio and correlation with other securities exposed to price risk. Risk diversification within the share portfolio is mainly achieved by geographic diversification primarily in the home markets of the Group and in the Eurozone. Share investments are predominantly made by the Austrian companies.

### Currency risk

To diversify its portfolio, the investment area also makes use of international capital markets and, to a very small extent, foreign currencies. The high degree of involvement in the CEE region results in currency risks at the VIG Insurance Group level in spite of matching local currency investments made at the local level.

### Concentration risk

Internal guidelines and limit system are used to keep concentrations within the desired safety margin. Consultation across business lines provides for a comprehensive view of all significant risks.

## CAPITAL MARKET SCENARIO ANALYSIS

This analysis is carried out annually for all insurance companies of VIG Insurance Group in order to check the risk capacity of the investments. The following table shows the stress parameters and the effects on IFRS capital of each scenario for 31 December 2019 (not including deferred taxes, deferred profit participation or deferred mathematical reserve).

| Reduction in market value | Scenario 0 | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 | Scenario 5 |
|---|---|---|---|---|---|---|
| of shares | 0% | -20% | -10% | -20% | -20% | 0% |
| of bonds | 0% | -5% | -3% | -5% | 0% | -5% |
| of real estate | 0% | -5% | -10% | 0% | -10% | -10% |
| Market value of assets less liabilities (in EUR millions) | 7,301.5 | 5,204.4 | 5,802.4 | 5,402.1 | 6,546.8 | 5,366.1 |

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

## CREDIT RISK FROM INVESTMENTS

When managing risks related to credit quality, a distinction must be made between liquid and tradable risks (e.g. exchange-listed bonds) and bilateral risks, such as, for example, time deposits, OTC derivatives, loans, private placements and securities accounts/depositories. The risk is monitored by means of ratings and limited by diversification limits at the portfolio level.

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by VIG Insurance Group, whether on the basis of analyses performed by the Group, credit assessments/ratings from recognised sources, provision of security (e.g. guarantor's liability) or the possibility of recourse to reliable mechanisms for safeguarding investments.

Under the investment guidelines, bond investments (which represent the largest share of investments) are made almost entirely in the investment grade range. The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average creditworthiness, to control foreign currency effects and to make the majority of investments in mid to long-term maturities in order to reflect the maturity profile of the liabilities as efficiently as possible.

The book values of the investments as of 31 December 2019 are shown on page 125. Information on the securities and their ratings is provided in Note 3.4. Other securities starting on page 155.

#### Use of ratings

The "second best rating" method specified under Solvency II is used as a rating method. The latest (issue or issuer) rating from each of the three major rating agencies is used to determine the second best rating.

If the latest rating is an issuer rating, and this rating cannot be directly used due to a difference in quality of the security (e.g. senior unsecured debt rating and a lower tier 2 bond), the rating is adjusted downwards appropriately. The adjustment is one notch down for lower tier 2 bonds and two notches down for upper tier 2 or tier 1 bonds.

This results in up to three valid ratings for each bond. These ratings are then ranked according to increasing probability of default and the rating with the second-lowest probability of default taken as the "second best rating". If the ratings in first and second place have the same probability of default, these two ratings are the "second best rating". In cases where a rating has only been assigned by one rating agency, due to a lack of other information, this rating is used as the "second best rating".

### CREDIT RISK FROM REINSURANCE

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

### UNDERWRITING RISKS

Underwriting risks are divided into life insurance, non-life insurance and health insurance (incl. accident insurance) and are managed by the International Actuarial department, a team of actuaries. This department subjects all insurance solutions to in-depth actuarial analysis covering all lines of insurance business (life, health, and property and casualty).

The Actuarial function in the International Actuarial department coordinates the Group-wide determination of underwriting provisions to prepare the economic balance sheet in accordance with Solvency II.

### Life underwriting risk and health underwriting risk similar to life

Life underwriting risk includes lapse risk, cost risk, disability risk, morbidity risk, longevity risk, mortality risk, disaster risk and audit risk. The main risks in this area are lapse risk and cost risk, as well as biometric risks, such as life expectancy, occupational disability, illness and the need for nursing care.

To account for these underwriting risks, VIG Insurance Group has formed provisions for future insurance payments. VIG Insurance Group calculates its underwriting provisions using recognised actuarial methods and assumptions. These assumptions include estimates of the long-term interest rate trend, returns on investments, the allocation of investments between equities, interest-bearing instruments and other categories, net income participations, mortality and morbidity rates, lapse rates and future costs. The companies of VIG Insurance Group monitor actual experience relating to these assumptions and adjusts its long-term assumptions where changes of a long-term nature occur.

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

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

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

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

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

The environmental catastrophes that have been becoming increasingly common in recent years, such as floods, mudslides, landslides and storms may have been brought about by general climate change. The number of claims caused in this way may continue to rise in the future.

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

### LIQUIDITY RISK

Efficient asset liability management can be used to prevent liquidity shortages. Investments and obligations are analysed regularly to identify liquidity needs. These analyses, together with clear investment requirements (limit systems) and a conservative investment policy, help to appropriately manage liquidity risk. The treasury/capital market department is responsible for the ongoing monitoring of cash flows and quarterly reporting on the development of liquidity. The reports include the cash flows from operating activities, investing activities and financing activities. The department evaluates and analyses the data.

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

### OTHER RISKS

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

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

#### Aspects of the legal tax framework affecting earnings

Changes to tax law may negatively affect the attractiveness of certain products that currently enjoy tax advantages. For example, the introduction of laws to reduce the tax advantages of the VIG Insurance Group’s retirement benefit products or other life insurance products could considerably diminish the attractiveness of those products.

#### Regulatory environment

VIG Insurance Group is subject to domestic and foreign (insurance) supervisory regulations. These regulations govern such matters as:

- Capital requirements of insurance companies and groups
- Admissibility of investments as security for underwriting provisions
- Licences of the different insurance companies of VIG Insurance Group
- Marketing activities and the sale of insurance policies and
- Cancellation rights of policyholders

Changes to the statutory framework may make restructuring necessary, thus resulting in increased costs.

### Developments in Central and Eastern Europe

The expansion and development of business operations in the countries of Central and Eastern Europe is a core component of VIG Holding's strategy. It has a very strong presence in these countries through its subsidiaries. The prescribed risk guidelines ensure consistent risk management in all CEE countries in the Group.

### Concentration risk

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

### Risks due to mergers and acquisitions

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

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

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

### Sustainability risks

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

### Current risks associated with the coronavirus pandemic

Information on current risks in connection with the coronavirus pandemic can be found on page 204 in section 29. Significant events after the balance sheet date.

## Portfolio changes in the life line of business

| Portfolio changes in the life line of business | Endowment insurance (not incl. risk insurance) | | Risk insurance | | Annuity insurance | |
|---|---|---|---|---|---|---|
| | No. of policies | Amt. insured | No. of policies | Amt. insured | No. of policies | Amt. insured |
| | Quantity | in EUR '000 | Quantity | in EUR '000 | Quantity | in EUR '000 |
| As of 31.12.2018 | 1,976,955 | 22,790,291 | 1,925,766 | 71,729,174 | 547,523 | 12,127,867 |
| Exchange rate differences | | 18,045 | | -11,846 | | 499 |
| As of 1.1.2019 | 1,976,955 | 22,808,336 | 1,925,766 | 71,717,328 | 547,523 | 12,128,366 |
| Additions | 132,148 | 2,505,426 | 658,287 | 104,918,143 | 25,553 | 860,375 |
| New business | 132,148 | 2,401,554 | 658,287 | 103,115,742 | 25,553 | 737,809 |
| Increases | | 103,872 | | 1,802,401 | | 122,566 |
| Changes | 3,553 | -147,964 | -56,652 | -1,510,935 | -253 | -37,075 |
| Changes in additions | 23,770 | 971,078 | 18,935 | 1,099,232 | 5,516 | 259,127 |
| Changes in disposals | -20,217 | -1,119,042 | -75,587 | -2,610,167 | -5,769 | -296,202 |
| Disposals due to maturity | -83,835 | -1,093,915 | -185,802 | -66,386,382 | -20,473 | -275,501 |
| Due to expiration | -63,869 | -972,018 | -181,311 | -66,295,529 | -19,129 | -246,120 |
| Due to death | -19,966 | -121,897 | -4,491 | -90,853 | -1,344 | -29,381 |
| Premature disposals | -76,095 | -954,011 | -367,664 | -5,236,650 | -20,456 | -748,855 |
| Due to non-redemption | -2,622 | -28,594 | -29,255 | -226,542 | -554 | -22,141 |
| Due to lapse without payment | -17,424 | -193,828 | -210,249 | -3,568,374 | -2,158 | -355,844 |
| Due to redemption | -55,949 | -680,502 | -128,064 | -1,391,384 | -17,744 | -287,889 |
| Due to waiver of premium | -100 | -51,087 | -96 | -50,350 | 0 | -82,981 |
| As of 31.12.2019 | 1,952,726 | 23,117,872 | 1,973,935 | 103,501,504 | 531,894 | 11,927,310 |

| Portfolio changes in the life line of business | Unit-linked and index-linked insurance | | Government sponsored pension plans | | Total | |
|---|---|---|---|---|---|---|
| | No. of policies | Amt. insured | No. of policies | Amt. insured | No. of policies | Amt. insured |
| | Quantity | in EUR '000 | Quantity | in EUR '000 | Quantity | in EUR '000 |
| As of 31.12.2018 | 1,971,339 | 18,115,911 | 500,019 | 9,667,217 | 6,921,602 | 134,430,460 |
| Exchange rate differences | | 125,818 | | -7,139 | | 125,377 |
| As of 1.1.2019 | 1,971,339 | 18,241,729 | 500,019 | 9,660,078 | 6,921,602 | 134,555,837 |
| Additions | 193,444 | 2,565,325 | 23,270 | 581,103 | 1,032,702 | 111,430,372 |
| New business | 193,444 | 2,433,504 | 23,270 | 339,050 | 1,032,702 | 109,027,659 |
| Increases | | 131,821 | | 242,053 | | 2,402,713 |
| Changes | -105 | -105,852 | 1,796 | -73,637 | -51,661 | -1,875,463 |
| Changes in additions | 14,521 | 514,227 | 12,701 | 163,198 | 75,443 | 3,006,862 |
| Changes in disposals | -14,626 | -620,079 | -10,905 | -236,835 | -127,104 | -4,882,325 |
| Disposals due to maturity | -50,402 | -412,431 | -2,174 | -34,370 | -342,686 | -68,202,599 |
| Due to expiration | -42,355 | -357,691 | -1,288 | -25,545 | -307,952 | -67,896,903 |
| Due to death | -8,047 | -54,740 | -886 | -8,825 | -34,734 | -305,696 |
| Premature disposals | -167,610 | -1,397,989 | -38,878 | -457,142 | -670,703 | -8,794,647 |
| Due to non-redemption | -27,183 | -106,539 | -432 | -13,652 | -60,046 | -397,468 |
| Due to lapse without payment | -62,751 | -339,169 | -1,039 | -4,839 | -293,621 | -4,462,054 |
| Due to redemption | -77,548 | -703,411 | -29,119 | -281,836 | -308,424 | -3,345,022 |
| Due to waiver of premium | -128 | -248,870 | -8,288 | -156,815 | -8,612 | -590,103 |
| As of 31.12.2019 | 1,946,666 | 18,890,782 | 484,033 | 9,676,032 | 6,889,254 | 167,113,500 |

EMBEDDED VALUE SENSITIVITY ANALYSES FOR THE LIFE AND HEALTH INSURANCE BUSINESSES

The following table shows the sensitivities for changes in the assumptions used to calculate the embedded value for the life and health insurance businesses and value of new business as of 31 December 2019:

| Embedded value for the life and health insurance business | Austria/ Germany | Change | CEE | Change | Total | Change |
|---|---|---|---|---|---|---|
| | in EUR '000 | in % | in EUR '000 | in % | in EUR '000 | in % |
| **Base value** | **1,662,607** | | **1,976,623** | | **3,639,229** | |
| Increase in yield curve 1% | 677,295 | 40.7 | 73,807 | 3.7 | 751,102 | 20.6 |
| Decrease in yield curve 1% | -1,175,495 | -70.7 | -119,589 | -6.1 | -1,295,084 | -35.6 |
| Decrease in share and real estate values 10% as of the reporting date | -111,042 | -6.7 | -15,658 | -0.8 | -126,700 | -3.5 |
| Increase in share and real estate volatility 25% | -24,785 | -1.5 | -14,608 | -0.7 | -39,393 | -1.1 |
| Increase in yield curve volatility 25% | -129,603 | -7.8 | -16,525 | -0.8 | -146,128 | -4.0 |
| Decrease in administrative expenses 10% | 99,596 | 6.0 | 53,612 | 2.7 | 153,207 | 4.2 |
| Decrease in lapse rates 10% | 4,909 | 0.3 | 38,789 | 2.0 | 43,698 | 1.2 |
| Decrease in mortality 5% for endowment and risk insurance | 8,681 | 0.5 | 23,814 | 1.2 | 32,495 | 0.9 |
| Decrease in mortality 5% for annuities | -65,801 | -4.0 | -1,259 | -0.1 | -67,060 | -1.8 |
| No volatility adjustment | -93,734 | -5.6 | 0 | 0.0 | -93,734 | -2.6 |

| Value of new business | Austria/ Germany | Change | CEE | Change | Total | Change |
|---|---|---|---|---|---|---|
| | in EUR '000 | in % | in EUR '000 | in % | in EUR '000 | in % |
| **Base value** | **36,773** | | **66,800** | | **103,573** | |
| Increase in yield curve 1% | 15,668 | 42.6 | 5,503 | 8.2 | 21,171 | 20.4 |
| Decrease in yield curve 1% | -34,384 | -93.5 | -9,469 | -14.2 | -43,853 | -42.3 |
| Decrease in administrative expenses 10% | 4,877 | 13.3 | 5,394 | 8.1 | 10,271 | 9.9 |
| Decrease in lapse rates 10% | 1,790 | 4.9 | 6,381 | 9.6 | 8,171 | 7.9 |
| Decrease in mortality 5% for endowment and risk insurance | 1,467 | 4.0 | 2,791 | 4.2 | 4,258 | 4.1 |
| Decrease in mortality 5% for annuities | -3,165 | -8.6 | -143 | -0.2 | -3,308 | -3.2 |
| No volatility adjustment | -2,535 | -6.9 | 0 | 0.0 | -2,535 | -2.4 |

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

**Provisions in the property and casualty line of business**

GENERAL INFORMATION

If claims are asserted by or against policyholders, all amounts that a company in property and casualty line of business pays or expects to have to pay to the claimant are referred to as losses, and the costs of investigating, adjusting and processing these claims are referred to as “claims settlement expenses”. The companies of the VIG Insurance Group have formed provisions by lines of business, extent of cover and year to pay for losses and claims settlement expenses due to claims under property and casualty insurance policies.

Losses and claims settlement expenses can be divided into two categories: reserves for known but still outstanding claims, and reserves for claims that have been incurred but have not yet been reported, or the correct amount has not been reported (“IBNR”, “IBNER”). Provisions for outstanding claims are based on estimates of future payments, including claims settlement expenses, for these claims. These estimates are made on a case-by-case basis in accordance with facts and circumstances ascertainable at the time the provision is formed.

The estimates reflect the well-founded judgement of the companies of VIG Insurance Group adjusters based on general practices for forming insurance provisions and a knowledge of the nature and value of each type of claim. These provisions are adjusted regularly during normal processing and represent the expected eventual costs necessary to finally settle all pending reported claims, taking into account inflation, interest rates and other social and economic factors that could affect the amount of provisions that are required.

Historical developments in distribution patterns and claims payments, the level of reported and still outstanding claims and the nature of the extent of cover are also taken into account. In addition, court decisions and economic conditions can also affect the estimate of provisions and the eventual size of claims.

IBNR and IBNER provisions are formed to offset the expected costs of losses that have been incurred but not yet reported to the individual insurance companies. These provisions, just like the provisions for reported claims, are formed to pay the expected costs, including claims settlement expenses, necessary to finally settle these claims. Because, by definition, the extent of these losses is still unknown when the provisions are formed, the VIG Insurance Group calculates its IBNR and IBNER liabilities based on historical claims experience, adjusted for current developments in claims-related factors. These provisions are based on estimates made using actuarial and statistical forecasts of the expected costs to finally settle these claims. The analyses are based on the facts and circumstances known at the time and on expectations regarding changes in legal and/or economic factors that determine the level of loss, such as case law, the inflation rate and labour costs. These provisions are regularly reviewed and revised once additional information is known and claims are actually reported. The time needed to learn of these claims and settle them is an important factor that must be taken into account when forming provisions.

Claims which are easy to settle, such as property damage under motor insurance, are reported within a few days or weeks and are normally settled within a year.

More complicated claims, such as personal injury under motor or general liability insurance, typically require longer settlement times (on average four to six years, in some cases considerably longer). Difficult claims, where settlement regularly depends on the results of often protracted litigation, also lead to substantially longer settlement times, especially in the liability, casualty, building and professional liability lines of business.

The final costs of the claims and claims settlement expenses depend on a number of variable circumstances. Between the time a claim is reported and final settlement, changing circumstances may require that the provisions that were formed be revised upwards or downwards. For example, changes in the law, the outcome of litigation and changes in medical costs, costs for materials for car and house repair and hourly wage rates, loss frequency and loss amount can have a substantial effect on the costs of claims. These factors may result in actual developments differing from expectations — sometimes substantially. Loss reserve estimates are regularly reviewed and updated, using the most recent information available to the Managing Board.

Any changes to provision estimates are reflected in the operating result. The conservative policy toward provisions of VIG Insurance Group is shown, for example, by the fact that liquidation of loss reserves has generally led to a profit. Based on the VIG Insurance Group's internal procedures and the information currently available to it, management believes that the VIG Insurance Group's provisions in the property and casualty insurance area are adequate. However, forming loss reserves is by nature an uncertain process and therefore no guarantee can be given that in the end losses will not differ from initial estimates.

## CHANGES IN CLAIMS PAYMENTS AND GROSS LOSS RESERVE

The following tables show claims payments for individual years of occurrence and VIG Insurance Group's direct loss reserves at the end of each year indicated. The provisions reflect the amount of expected losses, based on claims that occurred in the current and all previous loss years and had not yet been paid as of the balance sheet date, including IBNR and IBNER. Interpreting the information contained in this table requires caution, because each amount contains the effects of all changes from the previous periods. The circumstances and trends that affected liability in the past could possibly recur in the future and therefore no conclusions can be drawn from the information given in this table as to future results.

Claim payments for each year of occurrence on the applicable balance sheet date (gross)

| Year of occurrence* | Calender year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ≤2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| in EUR '000 | | | | | | | | | | |
| 2010 and before | 2,731,503 | 1,056,650 | 342,905 | 206,694 | 139,425 | 113,597 | 98,825 | 63,021 | 70,308 | 51,397 |
| 2011 | | 1,616,214 | 651,472 | 101,100 | 107,425 | 52,275 | 43,849 | 33,054 | 25,382 | 13,963 |
| 2012 | | | 1,711,639 | 775,993 | 194,023 | 93,221 | 84,701 | 44,606 | 28,075 | 24,448 |
| 2013 | | | | 1,811,908 | 705,274 | 179,122 | 130,960 | 70,628 | 36,587 | 26,229 |
| 2014 | | | | | 1,545,509 | 773,664 | 192,081 | 101,832 | 54,209 | 66,232 |
| 2015 | | | | | | 1,565,072 | 734,971 | 212,354 | 91,806 | 60,484 |
| 2016 | | | | | | | 1,619,590 | 806,055 | 204,162 | 108,102 |
| 2017 | | | | | | | | 1,827,020 | 885,844 | 237,052 |
| 2018 | | | | | | | | | 1,816,053 | 877,898 |
| 2019 | | | | | | | | | | 2,069,673 |
| Total | 2,731,503 | 2,672,864 | 2,706,016 | 2,895,695 | 2,691,656 | 2,776,951 | 2,904,977 | 3,158,570 | 3,212,426 | 3,535,478 |

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

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

| Year of occurrence* | Calender year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ≤2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| in EUR '000 | | | | | | | | | | |
| 2010 and before | 3,538,967 | 2,086,918 | 1,434,304 | 1,065,138 | 911,253 | 764,724 | 678,117 | 628,520 | 549,812 | 540,835 |
| 2011 | | 1,608,789 | 768,190 | 412,251 | 270,822 | 194,945 | 157,931 | 122,216 | 101,006 | 86,223 |
| 2012 | | | 1,602,011 | 767,831 | 440,116 | 286,807 | 212,221 | 169,230 | 142,029 | 109,382 |
| 2013 | | | | 1,695,511 | 789,978 | 480,548 | 280,509 | 197,735 | 154,313 | 109,965 |
| 2014 | | | | | 1,749,247 | 813,249 | 468,519 | 313,557 | 234,036 | 158,058 |
| 2015 | | | | | | 1,687,291 | 787,903 | 467,615 | 299,946 | 216,863 |
| 2016 | | | | | | | 1,757,426 | 803,864 | 497,502 | 329,162 |
| 2017 | | | | | | | | 1,903,463 | 863,161 | 512,025 |
| 2018 | | | | | | | | | 1,999,997 | 957,118 |
| 2019 | | | | | | | | | | 2,156,013 |
| Total | 3,538,967 | 3,695,707 | 3,804,505 | 3,940,731 | 4,161,416 | 4,227,564 | 4,342,626 | 4,606,200 | 4,841,802 | 5,175,644 |

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

### Reinsurance

VIG Insurance Group limits its potential liability arising from the insurance business by passing on, to the extent necessary, a portion of the assumed risks to the international reinsurance market. Some of the risks of insurance companies are reinsured within VIG Insurance Group and these risks are in turn ceded to reinsurers at the Group level.

## REINSURANCE GUIDELINES

The reinsurance guidelines are jointly determined each year by the corporate Reinsurance department and the member of the Managing Board responsible for reinsurance during the development of the reinsurance strategy for the next financial year. They require each insurance company to provide, in consultation with the corporate Reinsurance department, reinsurance coverage that is appropriate for its local company. These guidelines govern the following points.

### Reinsurance is a prerequisite for the acceptance of insurance coverage

Underwriting departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage has already been assured.

### Retention

It is Group-wide policy that no more than EUR 50 million for the first two natural disaster events and EUR 20 million for each additional event can be placed at risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 15 million.

### Selection of reinsurers – diversification

VIG Holding and its subsidiaries divide their reinsurance coverage among many different international reinsurance companies that VIG Holding feels have appropriate credit quality, so as to minimise the risk arising from one reinsurer's inability to pay (credit risk). The monetary limit per reinsurer is set individually for each subsidiary.

### Selection of reinsurers – ratings

For lines of business where claims settlement takes a long time, in particular for motor third party liability, general liability and aviation, VIG Insurance Group uses reinsurers with outstanding ratings (at least a Standard & Poor's rating of A, preferably a rating of AA or higher), which in all likelihood will also continue to exist over the long term. Even for lines of business with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, motor own damage), where the number of reinsurers is greater, the preferred rating is Standard & Poor's A or higher. Only in a few cases – and for limited periods of time – are reinsurers with lower ratings accepted.

### Design of reinsurance programmes

If it can be justified economically, any subsidiary can purchase reinsurance coverage individually from external reinsurers. If individual reinsurance policies can only be purchased by a subsidiary at uneconomical terms, VIG Insurance Group strives, as far as possible, to jointly place reinsurance contracts covering risks from natural catastrophes, property lines of business, casualty, transport, aviation and motor liability. If necessary, intra-Group assumptions of reinsurance are also passed on as retrocession in the reinsurance market for safety reasons. The guidelines for Wiener Städtische reinsurance coverage are presented below. Retentions for all other insurance companies are below those of Wiener Städtische.

## REINSURANCE COVERAGE USING THE EXAMPLE OF WIENER STÄDTISCHE

### Natural catastrophes

Wiener Städtische provides insurance for damage caused by natural catastrophes such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retention for natural disasters to EUR 16.5 million for the first loss event and EUR 5.0 million for each additional event.

Private customer business

The private customer business consists of essentially stable insurance portfolios having calculable results that are characterised above all by a stable claims frequency. Thus, such recurrent claims are only reinsured in exposed lines of business, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on the retention. The effects on the retention of the small number of expected major losses are covered by non-proportional reinsurance. Even in this operating segment, Wiener Städtische's maximum net loss is between EUR 1 million and EUR 2 million, depending on the line of business.

**Management and control**

LIQUIDITY MANAGEMENT

VIG Insurance Group manages its liquidity using guidelines approved by the Managing Board of VIG Holding. As a rule, VIG Holding and each subsidiary are responsible for their own liquidity planning. As the parent company, VIG Holding is responsible for allocating capital for the VIG Insurance Group as a whole. This allows capital to be efficiently distributed within the VIG Insurance Group. It also allows VIG Holding to ensure that the target levels of liquidity and capital resources are available both at the VIG Insurance Group level and in the individual operating units.

Most of the liquidity for day-to-day operations comes from premiums received from primary insurance, regular income from investments and proceeds from the sale of investments. These inflows are offset by payments for property and casualty insurance claims, and benefit payments for life and health insurance. The remaining net liquidity is used to cover acquisition and operating costs.

The maturity pattern of the insurance business provides a natural liquidity buffer. Unlike the premiums received, VIG Insurance Group guarantees insurance coverage for a certain period of time, and no cash outflow occurs during this period until an insured event occurs. The liquidity buffer is invested during this period and generates investment income. A portion is held in the form of liquid investments to ensure that it can be quickly converted into cash to pay claims. In addition, the bond portfolio, in particular, is structured so that the proceeds from maturing bonds are received on the dates it is anticipated they will be needed. External influence factors, such as capital market developments and the interest rate level, affect the liquidity situation by improving or restricting the ability to sell the investment portfolio at market value.

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

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

CAPITAL MANAGEMENT

In the interests of our shareholders and insurance customers, our goal is to ensure that VIG Holding has adequate capital resources at all times and that all operating insurance companies fulfil their respective minimum regulatory capital requirements. Due to its successful business strategy, VIG Holding has traditionally had very good capital resources. Maintaining this good capital base in the future is also important to us, both to allow us to take advantage of profitable growth opportunities and to cushion the effects of large loss events.

### Standard & Poor's rating

VIG Holding also places great importance on permanently maintaining a strong credit rating with Standard & Poor's (S&P). VIG Holding is regularly rated by S&P. S&P has its own capital model for assessing the relationship between the risk capital required by a company and the capital resources available to it. In July 2019, S&P confirmed VIG Holding's A+ rating with a "stable" outlook.

The subordinated bonds issued in 2013 (EUR 500 million, tier 2, first call date 9 October 2023), 2015 (EUR 400 million, tier 2, first call date 2 March 2026) and 2017 (EUR 200 million, tier 2, first call date 13 April 2027) have been rated A- by S&P. According to the S&P publication of 30 July 2019, the Group's capital resources exceed the requirements for the AAA level. This means that VIG Holding has a very good credit rating when compared to similar insurance companies and outstanding capital resources. When performing regular capital planning, VIG Holding takes account of the effects on its rating, with the goal of strengthening it over the long term.

### Active capital management

VIG Holding uses the criteria above to monitor its capital positions and takes appropriate measures to further improve its capital structure and strengthen its capital and solvency situation over the long term. VIG Holding has set itself a goal of holding the solvency ratio at the current level in all of the insurance companies in the Group in spite of planned growth. A comfort zone of 170% to 230% at the Group level has been specified by VIG Holding.

Capital management focuses on subordinated long-term liabilities with equity-like characteristics. The Treasury/Capital Market area continuously monitors capital market developments, with particular attention to developments concerning bonds with equity-like characteristics from the European insurance sector. New capital instruments developing in the capital market for insurance companies are examined for applicability to VIG Holding.

### Capital resources

As of 31 December 2019, share capital of EUR 132,887,468.20 was registered in the commercial register, divided into 128,000,000 no-par value bearer ordinary shares with voting rights. VIG Holding held no own shares on 31 December 2019 (2018: none). In addition, VIG Holding can, according to the authorisation by the shareholders, increase its shareholders' equity by issuing common or preferred shares. The individual authorisations are listed in Note 9. Consolidated shareholders' equity starting on page 163.

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

### Long-term debt financing

VIG Insurance Group had subordinated bonds with a wide range of maturities outstanding as of 31 December 2019. Detailed information on the VIG Insurance Group bond programme is provided in Note 10. Subordinated liabilities starting on page 166. As shown by the maturities, VIG Insurance Group's focus is on subordinated liabilities that are eligible capital. General capital market conditions and other circumstances that affect the financial services sector as a whole or the VIG Insurance Group in particular could have an adverse effect on the cost and availability of debt financing. The goal, therefore, is to actively manage the capital structure to keep refinancing risks as low as possible.

## NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

### 1. INTANGIBLE ASSETS

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

### 1.1. Goodwill

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

Additions mainly result from the acquisition of the subsidiaries indicated in the section titled “Scope and methods of consolidation” starting on page 112.

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

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

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

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

Please see the section titled “Impairment of non-financial assets” on page 96 for information on the assumptions used for impairment testing.

## 1.2. Other intangible assets

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

Corporate assets were included in the impairment testing for 31 December 2019. This is discussed starting on page 96.

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

## 2. RIGHT-OF-USE ASSETS

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

Further information in connection with IFRS 16 is provided in Note 3.1. Land and buildings starting on page 149, Note 14. Liabilities starting on page 173 and Note 28. Leases starting on page 203. For information on accounting policies for leases, please see page 98.

## 3. INVESTMENTS

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

## 3.1. Land and buildings

### Self-used land and buildings

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

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

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

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

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

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

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

### Use of land and buildings

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

### 3.2. Shares in at equity consolidated companies

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

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

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

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

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

## 3.3. Loans and other investments

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

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

Public sector borrowers include national, state and local authorities. The loans included under other loans are generally loans that are not secured by insurance policies.

Collateral was provided for around 57.16% of the total loans reported.

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

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

Financial instruments in the “Financial instruments available for sale” category that were reclassified as loans in 2008 had a fair value of EUR 1,037,036,000 as of the reclassification date.

## 3.4. Other securities

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

*Including held for trading

The changes recognised directly in equity for the financial instruments available for sale category were mainly due to the effect of the yield curve on fixed-interest securities.

The reclassifications shown for the available for sale and recognised at fair value through profit and loss (incl. held for trading) categories are reclassifications from and to investments for unit-linked and index-linked life insurance.

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

[1] Government bonds also include bonds issued by supranational organisations, government agencies, federal or constituent states and municipal bonds.
[2] Including held for trading

### Financial instruments held to maturity

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

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

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

Financial instruments in the Financial instruments held to maturity category that were reclassified from the financial instruments available for sale category in 2008 had a fair value of EUR 1,393,784,000 as of the reclassification date. The VIG Insurance Group made use of the provisions on “reclassification of financial assets” in IAS 39.50 et seqq. due to financial market developments in the 2nd half of 2008. Since the required information is not available and the cost to obtain the information would be excessively high, it would not be possible to determine the book values if reclassification had not been performed.

## Financial instruments available for sale

| Composition<br>Financial instruments available for sale | Fair value 31.12.2019 | Fair value 31.12.2018 |
|---|---|---|
| in EUR '000 | | |
| **Bonds** | **22,300,441** | 21,011,150 |
| Government bonds | 10,699,611 | 10,232,590 |
| Covered bonds | 1,473,214 | 1,456,623 |
| Corporate bonds | 5,658,518 | 5,135,065 |
| Bonds from banks | 3,606,210 | 3,363,881 |
| Subordinated bonds | 862,888 | 822,991 |
| **Shares and other participations*** | **666,017** | 670,377 |
| **Investment funds** | **2,181,645** | 1,800,166 |
| Equity funds | 1,039,065 | 824,276 |
| Pension funds | 812,627 | 694,327 |
| Alternative funds | 10,135 | 5,670 |
| Real estate funds | 88,476 | 77,278 |
| Balanced funds | 231,342 | 198,615 |
| **Total** | **25,148,103** | 23,481,693 |

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

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

In the case of the financial instruments available for sale category, the balance sheet value equals fair value. Unrealised gains and losses represent the difference between amortised cost and fair value.

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

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

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

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

## Financial instruments recognised at fair value through profit and loss (incl. held for trading)

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

*Including held for trading

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

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

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

## 5. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

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

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

## 6. RECEIVABLES

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

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

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

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

| Ageing analysis<br>Overdue receivables | 31.12.2019<br>1–60 days overdue | 61–90 days overdue | 91–120 days overdue | more than 120 days overdue | Total |
|---|---|---|---|---|---|
| in EUR '000 | | | | | |
| Premium receivables | 145,271 | 58,831 | 19,582 | 64,446 | 288,130 |
| not adjusted | 76,190 | 30,728 | 6,512 | 39,732 | 153,162 |
| adjusted | 69,081 | 28,103 | 13,070 | 24,714 | 134,968 |
| Non-underwriting receivables | 5,305 | 8,737 | 2,216 | 26,023 | 42,281 |
| not adjusted | 4,380 | 8,557 | 2,147 | 14,502 | 29,586 |
| adjusted | 925 | 180 | 69 | 11,521 | 12,695 |

| Ageing analysis<br>Overdue receivables | 31.12.2018<br>1–60 days overdue | 61–90 days overdue | 91–120 days overdue | more than 120 days overdue | Total |
|---|---|---|---|---|---|
| in EUR '000 | | | | | |
| Premium receivables | 140,438 | 58,992 | 16,793 | 75,193 | 291,416 |
| not adjusted | 62,229 | 27,878 | 8,081 | 36,131 | 134,319 |
| adjusted | 78,209 | 31,114 | 8,712 | 39,062 | 157,097 |
| Non-underwriting receivables | 4,766 | 7,666 | 631 | 34,752 | 47,815 |
| not adjusted | 3,884 | 7,417 | 546 | 22,524 | 34,371 |
| adjusted | 882 | 249 | 85 | 12,228 | 13,444 |

## 7. DEFERRED TAXES

The deferred tax assets and liabilities reported relate to temporary differences in the balance sheet items listed in the table below. (The differences were measured using the applicable tax rates.) It should be noted that deferred taxes, as far as permissible, are offset at the taxpayer level, and, accordingly, the different balances are shown either as assets or liabilities on the balance sheet.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the deferred tax assets can be used. Deferred tax assets are examined each balance sheet date and reduced to the extent that it is no longer probable that the associated tax benefits can be realised.

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

Deferred tax assets from seven-year amortisation of participations to going concern value were recognised in the amount of EUR 15,477,000 (EUR 20,123,000) Deferred tax liabilities and deferred tax assets of consolidated taxable entities in the tax group collected by the same tax authority were netted, resulting in a deferred tax liability of EUR 148,358,000 (EUR 91,125,000). In accordance with IAS 12.39, deferred tax liabilities were not reported for temporary differences from interests in subsidiaries since they would not be reversed in the foreseeable future. The difference between the book value for tax purposes and the IFRS shareholders' equity is EUR 2,043,083,000 (EUR 1,781,957,000). Deferred taxes for undistributed subsidiary profits of EUR 20,146,000 (EUR 13,496,000) were also not reported, because a decision to distribute the profits had not yet been made.

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

## 8. OTHER ASSETS

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

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

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

## 9. CONSOLIDATED SHAREHOLDERS' EQUITY

The share capital and other capital reserves items include contributions to share capital made by VIG Holding shareholders. Other capital reserves report the share of contributions paid that is in excess of the share capital. The capital reserves are reduced by external costs directly related to corporate actions affecting equity after taking tax effects into account.

Retained earnings are the earnings that subsidiaries have earned since joining VIG Insurance Group. These are reduced by the dividends distributed by the VIG Holding. Amounts resulting from changes in the scope of consolidation are also recognised here. If changes are made to accounting policies, the adjustments for earlier periods that are not included in the financial statements are recognised in the opening balance sheet value of retained earnings for the earliest period presented.

Other reserves consist of unrealised gains and losses from the measurement of available for sale financial instruments, and actuarial gains and losses that are directly recognised in comprehensive income in accordance with IAS 19. Unrealised gains and losses from the at equity measurement of associated companies, and translation differences resulting from currency translation for foreign subsidiaries are also reported in other reserves.

Non-controlling interests are also shown as part of shareholders' equity. These consist of shares held by third parties in the equity of consolidated subsidiaries that are not directly or indirectly fully owned by VIG Holding.

**Earnings per share**

Under IAS 33.10, basic earnings per share are to be calculated by dividing profit or loss attributable to common shareholders of the parent entity (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period.

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

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

Since there were no potential dilution effects in either the current or previous reporting period, the basic earnings per share equal the diluted earnings per share.

Detailed information on capital management is provided on page 144.

**Consolidated shareholders' equity**

SHARE CAPITAL AND VOTING RIGHTS

The Company has share capital of EUR 132,887,468.20. It is divided into 128,000,000 no-par value ordinary bearer shares with voting rights, with each share representing an equal portion of the share capital. The number of shares issued remains unchanged since the previous financial year.

The Managing Board is not aware of any restrictions on voting rights or the transfer of shares. Employees who hold shares exercise their voting rights without a proxy during General Meetings.

The Managing Board must have at least three and no more than eight members. The Supervisory Board has at least three and at most ten members (shareholder representatives). Wiener Städtische Versicherungsverein, which directly and indirectly holds around 71.54% (71.49%) of the share capital, has the right to appoint up to one third of the members of the Supervisory Board if, and so long as, it holds 50% or less of the Company's voting shares. General Meeting resolutions are adopted by a simple majority, unless a different majority is required by law or the articles of association.

No shares have special rights of control. See the section indicated above for information on the rights of the shareholder Wiener Städtische Versicherungsverein.

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

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

ANTICIPATORY RESOLUTIONS

The Managing Board is authorised to increase the share capital of the Company by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares in one or more tranches on or before 11 May 2022 against cash or in-kind contributions. The terms of the shares, the exclusion of shareholder pre-emption rights, and other terms and conditions of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Preferred shares without voting rights may also be issued, with rights equivalent to those of existing preferred shares. The issue prices of common and preferred shares may differ.

The General Meeting of 12 May 2017 authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer convertible bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 11 May 2022, with or without exclusion of shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights for up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board.

The share capital has consequently been raised in accordance with § 159(2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36 through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the General Meeting resolution of 12 May 2017 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date concerning the issuance of convertible bonds based on the authorisation granted on 12 May 2017.

The General Meeting of 12 May 2017 further authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer income bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 11 May 2022, with or without exclusion of shareholder pre-emptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The General Meeting of 24 May 2019 authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65 (1) nos. 4 and 8 and (1a) and (1b) AktG to the maximum extent permissible by law during a period of 30 months following the date the General Meeting resolution was adopted. The amount paid upon repurchase of the Company's own shares may not be more than a maximum of 50% below, or more than a maximum of 10% above, the average unweighted stock exchange closing price on the ten stock exchange trading days preceding the repurchase. The Managing Board may choose to make the purchase on the stock exchange, through a public offer or in any other legally permissible and expedient manner.

The General Meeting of 24 May 2019 also authorised the Managing Board to use own shares

- for issuing shares to employees and senior management of the Company or to employees, senior management and managing board members of companies affiliated with the Company;
- for servicing convertible bonds issued based on the resolution adopted by the General Meeting of 12 May 2017;
- for sales in accordance with § 65 (1b) AktG on the stock market or through a public offer. The Managing Board is also authorised for a period of a maximum of five years after adoption of the resolution to dispose of the acquired own shares in some other way without or with partial or full exclusion of shareholder pre-emptive rights. The written report on the reasons for exclusion of shareholder pre-emptive rights was submitted to the General Meeting.

The Managing Board has not made use of these authorisations to date. The Company held none of its own shares on the balance sheet date.

| Payout 2019 for the financial year 2018 | Per share | Total |
|---|---|---|
| in EUR | | |
| Ordinary shares | 1.00 | 128,000,000 |

**Proposed appropriation of profits**

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

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

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

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

## 10. SUBORDINATED LIABILITIES

### Subordinated liabilities of the Group

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

1 The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 9 October 2023.
2 The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 2 March 2026.
3 The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed after 10 years.
4 This may be terminated, in whole or in part, with 5 years´ notice effective as of 1 July 2009 by the holders and by Donau Versicherung, and effective as of 31 December of each following year.
5 This may be terminated, in whole or in part, with 5 years´ notice effective as of 1 July 2009 by the holders and by Donau Versicherung, and effective as of 1 July of each following year.
6 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 3,750,000 will be repaid starting with 2021 and EUR 8,250,000 will be repaid starting with 2025.
7 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 16,100,000 will be repaid starting with 2024.
8 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 19,150,000 will be repaid between 2021 and 2024.
9 This can only be cancelled subject to not less than 5 years' notice, unless Austrian insurance regulators agree to repayment being made early. Due to cancellations, EUR 34,700,000 will be repaid starting with 2024.
10 The right to ordinary and extraordinary cancellation by the holder is excluded. No provision has been made for regular cancellation by the issuer.
11 This can only be cancelled subject to not less than 5 years' notice.

**VIG Holding subordinated liabilities**

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

On 9 October 2013 the Company issued a subordinated bond with a total nominal value of EUR 500,000,000.00 and a term of 30 years. VIG Holding can call the bond in full for the first time on 9 October 2023 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 5.50% p.a. during the first ten years of its term and variable interest after that. The subordinate bond satisfies the tier 2 requirements of Solvency II. The bonds are traded on the Vienna Stock Exchange.

On 2 March 2015 the Company issued a subordinated bond with a total nominal value of EUR 400,000,000.00 and a term of 31 years. VIG Holding can call the bond in full for the first time on 2 March 2026 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 3.75% p.a. during the first eleven years of its term and variable interest after that. The subordinate bond satisfies the tier 2 requirements of Solvency II. The bond is listed on the Luxembourg Stock Exchange.

The EUR 200,000,000.00 subordinated bond was privately placed with international institutional investors. The subordinated bond has a term of 30 years and VIG Holding can call it for the first time after ten years. It satisfies the tier 2 requirements of Solvency II and qualifies as capital based on the requirements of the S&P rating agency. The subordinated bond bears interest at a fixed rate of 3.75% p.a. during the first ten years of its term and variable interest after that. Inclusion for trading in the Third Market of the Vienna Stock Exchange took place on 13 April 2017.

## 11. UNDERWRITING PROVISIONS – GROSS

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

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

### 11.1. Provision for unearned premiums

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

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

## 11.2. Mathematical reserve

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

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

## 11.3. Provision for outstanding claims

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

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

EUR 170,426,000 (EUR 152,307,000) in recourse claims was deducted from the provision for outstanding claims. A detailed presentation of the change in gross loss reserve for the property and casualty line of business is provided on page 142.

## 11.4. Provision for premium refunds

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

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

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

## 11.5. Other underwriting provisions

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

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

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

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

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

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

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

## 13. NON-UNDERWRITING PROVISIONS

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

### Provision for pension obligations

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

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

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

The plan assets consist of the following:

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

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

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

### Sensitivity analysis

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

METHOD FOR PERFORMING SENSITIVITY ANALYSIS

Parameter variations were calculated. Mortality is increased or decreased proportionally.

| Pension cash flow | Expected payments |
|---|---|
| year(s) | in EUR '000 |
| 1 | 32,640 |
| 2 | 33,144 |
| 3 | 33,649 |
| 4 | 34,341 |
| 5 | 34,432 |
| 6–10 | 174,214 |
| 11–15 | 170,596 |
| 16–20 | 157,516 |
| 21–30 | 251,927 |
| 31–40 | 162,342 |
| 41+ | 101,553 |

## 14. LIABILITIES

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

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

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

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

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

*Excluding lease liabilities

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

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## 15. PREMIUMS WRITTEN

| Premiums written | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| Gross | Motor own damage insurance (Casco) | Motor third party liability insurance | Other property and casualty insurance | Life insurance – regular premium | Life insurance – single premium | Health insurance | Total |
| in EUR '000 | | | | | | | |
| Austria | 295,254 | 319,378 | 1,384,503 | 1,238,776 | 271,928 | 433,437 | 3,943,276 |
| Czech Republic | 246,636 | 305,630 | 498,543 | 633,737 | 44,527 | 16,754 | 1,745,827 |
| Slovakia | 106,251 | 152,870 | 110,927 | 188,411 | 226,454 | 13,947 | 798,860 |
| Poland | 193,203 | 278,425 | 372,367 | 174,443 | 88,650 | 24,891 | 1,131,979 |
| Romania | 161,828 | 85,827 | 114,062 | 50,189 | 48,315 | 8,016 | 468,237 |
| Baltic states | 97,615 | 129,186 | 135,206 | 61,517 | 22,513 | 54,247 | 500,284 |
| Hungary | 18,692 | 46,184 | 59,932 | 87,982 | 58,502 | 18,228 | 289,520 |
| Bulgaria | 60,637 | 33,894 | 50,352 | 27,910 | 10,791 | 40,321 | 223,905 |
| Turkey/Georgia | 45,530 | 49,329 | 111,470 | 0 | 0 | 28,573 | 234,902 |
| Remaining CEE | 52,883 | 106,717 | 117,949 | 78,548 | 61,859 | 28,954 | 446,910 |
| Other Markets | 0 | 0 | 128,891 | 85,614 | 165,897 | 0 | 380,402 |
| Central Functions | 0 | 0 | 1,574,685 | 22,925 | 0 | 25,881 | 1,623,491 |
| Consolidation | | | | | | | -1,388,186 |
| Total | 1,278,529 | 1,507,440 | 4,658,887 | 2,650,052 | 999,436 | 693,249 | 10,399,407 |

| Premiums written | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| Gross | Motor own damage insurance (Casco) | Motor third party liability insurance | Other property and casualty insurance | Life insurance – regular premium | Life insurance – single premium | Health insurance | Total |
| in EUR '000 | | | | | | | |
| Austria | 287,975 | 320,786 | 1,312,208 | 1,240,296 | 257,977 | 420,683 | 3,839,925 |
| Czech Republic | 243,121 | 290,543 | 476,913 | 609,355 | 50,198 | 14,021 | 1,684,151 |
| Slovakia | 108,930 | 153,958 | 106,846 | 176,696 | 241,910 | 11,306 | 799,646 |
| Poland | 162,604 | 208,583 | 240,791 | 187,615 | 80,395 | 17,802 | 897,790 |
| Romania | 140,704 | 154,112 | 107,530 | 46,618 | 57,189 | 9,187 | 515,340 |
| Baltic states | 67,375 | 109,928 | 81,140 | 54,322 | 22,284 | 40,782 | 375,831 |
| Hungary | 17,529 | 29,147 | 52,096 | 90,029 | 59,198 | 15,503 | 263,502 |
| Bulgaria | 53,411 | 25,115 | 37,595 | 24,878 | 9,622 | 20,692 | 171,313 |
| Turkey/Georgia | 33,503 | 42,826 | 90,952 | 0 | 0 | 31,020 | 198,301 |
| Remaining CEE | 46,859 | 93,984 | 89,979 | 74,337 | 52,280 | 17,250 | 374,689 |
| Other Markets | 0 | 0 | 122,582 | 81,933 | 116,477 | 0 | 320,992 |
| Central Functions | 0 | 0 | 1,541,916 | 19,110 | 0 | 23,246 | 1,584,272 |
| Consolidation | | | | | | | -1,368,433 |
| Total | 1,162,011 | 1,428,982 | 4,260,548 | 2,605,189 | 947,530 | 621,492 | 9,657,319 |

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

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

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

Information on operating expenses for investment property is provided in Note 3.1. Land and buildings on page 149.

| Composition | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Austria | Czech Republic | Slovakia | Poland | Romania | Baltic states | Hungary |
| in EUR '000 | | | | | | | |
| Current income | 755,768 | 94,791 | 44,079 | 22,024 | 19,390 | 7,711 | 5,458 |
| Income from appreciation | 6,213 | 3,479 | 1,216 | 784 | 10 | 192 | 0 |
| of which a reduction in impairment | 183 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gains from disposal of investments | 75,335 | 30,763 | 7,615 | 4,074 | 1,916 | 279 | 547 |
| Other income | 62,586 | 17,279 | 1,345 | 9,924 | 728 | 108 | 2,337 |
| Total income | 899,902 | 146,312 | 54,255 | 36,806 | 22,044 | 8,290 | 8,342 |
| | | | | | | | |
| Depreciation of investment | 42,281 | 7,788 | 2,226 | 4,166 | 1,906 | 1,575 | 485 |
| of which impairment of investments | 3,429 | 390 | 0 | 432 | 0 | 461 | 457 |
| Exchange rate differences | 296 | -5,745 | -16 | -1,126 | -233 | 81 | -8 |
| Losses from disposal of investments | 11,808 | 23,173 | 603 | 1,690 | 907 | 188 | 126 |
| Interest expenses | 56,453 | 4,389 | 119 | 3,934 | 3,582 | 439 | 81 |
| Interest expenses for personnel provisions | 5,923 | 0 | 0 | 0 | 0 | 0 | 4 |
| Interest expenses for liabilities to financial institutions | 40 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenses for financing liabilities | 3,095 | 0 | 0 | 0 | 0 | 25 | 0 |
| Interest expenses for subordinate liabilities | 35,987 | 1,083 | 0 | 533 | 109 | 367 | 0 |
| Other interest expenses | 11,408 | 3,306 | 119 | 3,401 | 3,473 | 47 | 77 |
| Other expenses | 78,284 | 21,891 | 1,020 | 5,037 | 2,389 | 806 | 957 |
| Managed Portfolio Fees | 4,405 | 1,877 | 148 | 1,554 | 683 | 50 | 307 |
| Asset management expenses | 58,959 | 2,435 | 897 | 3,483 | 1,694 | 635 | 650 |
| Other expenses | 14,920 | 17,579 | -25 | 0 | 12 | 121 | 0 |
| Total expenses | 189,122 | 51,496 | 3,952 | 13,701 | 8,551 | 3,089 | 1,641 |

| Composition | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Bulgaria | Turkey/-Georgia | Remaining CEE | Other Markets | Central Functions | Consolidation | Total |
| in EUR '000 | | | | | | | |
| Current income | 4,157 | 11,200 | 37,980 | 20,207 | 400,010 | -64,583 | 1,358,192 |
| Income from appreciation | 402 | 0 | 455 | 143 | 160 | 0 | 13,054 |
| of which a reduction in impairment | 0 | 0 | 426 | 24 | 0 | 0 | 633 |
| Gains from disposal of investments | 1,415 | 425 | 3,619 | 734 | 21,413 | 0 | 148,135 |
| Other income | 20,100 | 319 | 930 | 392 | 2,989 | 0 | 119,037 |
| Total income | 26,074 | 11,944 | 42,984 | 21,476 | 424,572 | -64,583 | 1,638,418 |
| Depreciation of investment | 1,708 | 115 | 1,798 | 809 | 126,185 | 0 | 191,042 |
| of which impairment of investments | 55 | 0 | 706 | 319 | 11,094 | 0 | 17,343 |
| Exchange rate differences | 295 | -251 | 4,155 | 126 | 13,947 | 0 | 11,521 |
| Losses from disposal of investments | 713 | 1,322 | 48 | 156 | 3,537 | 0 | 44,271 |
| Interest expenses | 355 | 2,179 | 456 | 180 | 114,377 | -64,510 | 122,034 |
| Interest expenses for personnel provisions | 0 | 0 | 0 | 0 | 750 | 0 | 6,677 |
| Interest expenses for liabilities to financial institutions | 0 | 0 | 0 | 0 | 12,287 | 0 | 12,327 |
| Interest expenses for financing liabilities | 144 | 82 | 33 | 0 | 44,968 | -28,385 | 19,962 |
| Interest expenses for subordinate liabilities | 160 | 0 | 0 | 0 | 50.000 | -22,969 | 65,270 |
| Other interest expenses | 51 | 2,097 | 423 | 180 | 6,372 | -13,156 | 17,798 |
| Other expenses | 11,873 | 815 | 1,924 | 993 | 140,536 | 0 | 266,525 |
| Managed Portfolio Fees | 170 | 9 | 391 | 0 | 213 | 0 | 9,807 |
| Asset management expenses | 11,549 | 757 | 1,132 | 967 | 138,564 | 0 | 221,722 |
| Other expenses | 154 | 49 | 401 | 26 | 1,759 | 0 | 34,996 |
| Total expenses | 14,944 | 4,180 | 8,381 | 2,264 | 398,582 | -64,510 | 635,393 |

| Composition | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| Income | Current income | Income from appreciation | Gains from disposal of investments | Current income | Income from appreciation | Gains from disposal of investments |
| in EUR '000 | | | | | | |
| Land and buildings | 284,323 | 11,324 | 15,531 | 411,726 | 547 | 42,589 |
| **Loans** | **95,333** | **43** | **1,118** | 91,089 | 85 | 783 |
| Loans | 40,586 | 43 | 1,020 | 41,025 | 85 | 777 |
| Reclassified loans | 8,266 | 0 | 41 | 9,431 | 0 | 3 |
| Bonds classified as loans | 46,481 | 0 | 57 | 40,633 | 0 | 3 |
| **Financial instruments held to maturity - bonds** | **73,722** | **0** | **2** | 81,137 | 0 | 0 |
| **Financial instruments reclassified as held to maturity - bonds** | **27,443** | **0** | **0** | 30,630 | 0 | 61 |
| **Financial instruments available for sale** | **651,872** | **195** | **214,511** | 668,850 | 0 | 86,482 |
| Bonds | 574,808 | 195 | 51,811 | 573,892 | 0 | 15,998 |
| Shares and other participations | 29,102 | 0 | 137,242 | 49,520 | 0 | 22,206 |
| Investment funds | 47,962 | 0 | 25,458 | 45,438 | 0 | 48,278 |
| **Financial instruments recognised at fair value through profit and loss*** | **5,648** | **23,331** | **7,706** | 5,117 | 12,422 | 16,575 |
| Bonds | 4,356 | 6,712 | 289 | 3,958 | 2,861 | 405 |
| Shares and other non-fixed-interest securities | 492 | 2,323 | 1,490 | 396 | 1,940 | 1,547 |
| Investment funds | 676 | 4,637 | 1,270 | 641 | 2,348 | 269 |
| Derivatives | 124 | 9,659 | 4,657 | 122 | 5,273 | 14,354 |
| Other investments | 29,998 | 0 | 1,406 | 22,947 | 0 | 1,645 |
| Unit-linked and index-linked life insurance | 48,244 | 0 | 0 | 46,696 | 0 | 0 |
| **Total** | **1,216,583** | **34,893** | **240,274** | 1,358,192 | 13,054 | 148,135 |
| thereof participations | 9,153 | | 1,788 | 7,699 | | 169 |

*Including held for trading

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

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

*Including held for trading

Interest expenses and other expenses result from items on the liabilities side of the balance sheet or from business operations and therefore cannot be directly allocated to an investment class.

## 17. RESULT FROM SHARES IN AT EQUITY CONSOLIDATED COMPANIES

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

## 18. OTHER INCOME AND EXPENSES

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

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

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

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

The decrease in exchange rate losses compared to the previous year was mainly caused by fluctuations in the Swiss franc and euro exchange rate. This exchange rate effect is neutral with respect to the Group result, since an offsetting change takes place in the underwriting result.

## 19. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

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

## 20. ACQUISITION AND ADMINISTRATIVE EXPENSES

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

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

## 21. TAXES

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

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

The income tax rate of the parent company VIG Holding is used as the Group tax rate.

# ADDITIONAL DISCLOSURES

## 22. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT HIERARCHY

Information on the nature and extent of risks arising from financial instruments is provided in the section titled “Financial instruments and risk management” on page 124.

**Fair values and book values of financial instruments and other investments**
The table below shows the book values and fair values of holdings of financial instruments and other investments:

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

*Including held for trading

| Fair values and book values of financial instruments and other investments | 31.12.2018 | | | | |
|---|---|---|---|---|---|
| | Book value | Level 1 | Level 2 | Level 3 | Fair value |
| in EUR '000 | | | | | |
| Land and buildings excluding non-profit societies | 2,192,347 | 0 | 67,794 | 3,415,254 | 3,483,048 |
| Self-used land and buildings | 454,459 | 0 | 36,498 | 661,745 | 698,243 |
| Investment property excl. RoU-asset for building-rights | 1,737,888 | 0 | 31,296 | 2,753,509 | 2,784,805 |
| Land and buildings non-profit societies | 3,773,319 | | | | |
| Self-used land and buildings | 4,522 | | | | |
| Investment property | 3,768,797 | | | | |
| Shares in at equity consolidated companies | 221,312 | | | | |
| Loans | 2,455,264 | 171,347 | 2,418,648 | 141,824 | 2,731,819 |
| Loans | 1,349,605 | 0 | 1,314,694 | 126,613 | 1,441,307 |
| Reclassified loans | 179,522 | 82,941 | 125,890 | 0 | 208,831 |
| Bonds classified as loans | 926,137 | 88,406 | 978,064 | 15,211 | 1,081,681 |
| Other securities | 26,745,279 | 22,413,671 | 3,861,053 | 756,279 | 27,031,003 |
| Financial instruments held to maturity | 2,371,009 | 2,207,471 | 361,127 | 8,684 | 2,577,282 |
| Financial instruments reclassified as held to maturity | 564,992 | 626,858 | 17,585 | 0 | 644,443 |
| Financial instruments available for sale | 23,481,693 | 19,451,543 | 3,396,763 | 633,387 | 23,481,693 |
| Financial instruments recognised at fair value through profit and loss* | 327,585 | 127,799 | 85,578 | 114,208 | 327,585 |
| Other investments | 900,805 | | | | 900,805 |
| Investments for unit-linked and index-linked life insurance | 8,048,622 | 8,048,622 | | | 8,048,622 |
| Subordinated liabilities | 1,458,681 | 0 | 1,534,579 | 21,119 | 1,555,698 |

* Including held for trading

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

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

*This corresponds to 29.89% (31.58%) of the fair value of investment property.

**Measurement process**

The measurement process aims to determine fair value using price quotations that are publicly available in active markets or valuations based on recognised economic models using observable inputs. If public price quotations and observable market data are not available for a financial asset, the asset is generally measured using valuation reports prepared by appraisers (e.g. expert reports). The organisational units responsible for appraisal of investments are independent of the units that assume the risk exposure of the investments, thereby ensuring separation of functions and responsibilities.

As a rule, the aim is to use the same price within the VIG Insurance Group to value a particular security on each valuation date. In practice, however, situations occur when the cost of process compliance would be inappropriate. For example, the local provisions in some countries (in which the VIG Insurance Group operates) require the insurance companies there to use prices on the local stock exchange to value certain investments. In this case, if the same security is held by other companies of the VIG Insurance Group, these companies might use another price source for valuation.

Institutional funds are another example where uniform valuation can only be achieved at an inordinately high cost. The Austrian companies hold varying amounts of institutional funds that are required under the IFRS to be included in the consolidated financial statements. However, the valuation logic of an institutional fund requires the fund value (NAV) on a particular date to be calculated using the (in general, closing) prices on the previous day. In this case, a security that is both held in an institutional fund and directly held will be valued using different prices.

The following items are measured at fair value:

- Financial instruments available for sale,
- Financial instruments recognised at fair value through profit and loss (incl. held for trading),
- Derivative financial instruments (assets/liabilities), and
- Investments for unit-linked and index-linked life insurance.

Balance sheet items that are not reported at fair value are subject to non-recurring measurement at fair value. These items are measured at fair value when events occur that indicate that the book value might no longer be recoverable (impairment). The following items are not reported at fair value:

- Financial instruments held to maturity,
- Shares in at equity consolidated companies,
- Land and buildings (self-used and investment property),
- Loans, and
- Receivables.

REAL ESTATE VALUATION

The following valuation methods are used to calculate the fair value of real estate in the VIG Insurance Group:

- the capitalised earnings method,
- asset value method (only for property and to determine maintenance expenses), and
- discounted cash flow method.

Each time valuation is performed, the methods are verified, which allows the fair value of a property to be calculated. The VIG Insurance Group mainly uses the capitalised earnings method. In rare cases, the asset value method or discounted cash flow method is also used, provided it can be used to determine the highest and best use value for the property type.

#### Capitalised earnings method

In this method, the value of a property is determined by using an appropriate interest rate to capitalise expected or received future gross profits over the expected useful life. The net operating income is calculated by deducting actual operating, maintenance and administrative expenses (management expenses). An allowance for lost rental income and any liquidation proceeds and costs are also taken into account. The rate used to calculate capitalised earnings is based on the achievable return on investment. Net operating income minus the return on the land is capitalised at this rate over the remaining useful life to calculate the capitalised earnings value of the physical facilities. This is added to the land value to calculate the total capitalised earnings value of the property.

#### Asset value method

The asset value method is comprised of the land value, building value, the value of outdoor facilities and the value of existing annexes and represents a market-oriented method. This method is, as a rule, used to determine the value of undeveloped property. Land value is generally determined using the residual value method, with a premium or discount for overuse/underuse applied since 2018 instead of a development discount. A usable area study is performed to determine whether overuse or underuse exists.

#### Discounted cash flow method

The discounted cash flow method is a valuation method that discounts cash flows during the forecast phase (phase I) back to the valuation date. Discounting is performed using a rate for a comparable risky investment with property- and market-specific premiums. The gross profit for the year plus vacancy rental (at current market rent) minus non-allocable management costs equals the net operating income for the year. The method allows precise analysis of the individual years of the initial forecast phase so that investments and vacancies can be assigned to individual years and accounted for in advance. In phase II, the proceeds from a fictitious disposal at the end of the forecast phase (max. 10 years) are calculated by capitalising future cash flows. The rate used for this calculation is the rate for a comparably risky investment plus market- and property-specific premiums, less the expected increase in value.

### OTHER DISCLOSURES ABOUT THE VALUATION PROCESS

The use of different pricing models and assumptions can lead to differing results for fair value. Changes in the estimates and assumptions used to determine the fair value of assets in cases where no market price quotations are available may necessitate a write-up or write-down of the book value of the assets in question and recognition of the corresponding income or expense on the income statement.

Certain investments whose fair value is normally not measured repeatedly are measured a single time at fair value when events or changes in circumstances indicate that the book value might no longer be recoverable. If financial assets are measured at fair value when impairment is recognised or fair value minus selling costs is used as a measurement basis in accordance with IFRS 5, a disclosure to this effect is included in Note 16. Financial result excl. result from shares in at equity consolidated companies starting on page 176 or Note 18. Other income and expenses on page 182.

**Reclassification of financial instruments**

The companies of the VIG Insurance Group regularly review the validity of the last fair value classification performed on each valuation date. A reclassification is performed, for example, if needed inputs are no longer directly observable in the market.

Reclassifications between Level 1 and 2 primarily occur if liquidity, trading frequency or trading activity of the particular financial instrument once again, or no longer allows one to conclude that an active market exists. For example, the market maker for a security changes frequently, with corresponding changes on liquidity. A similar example is when shares are included in (or removed from) an index that acts as a benchmark for many funds. The classification can also change in this case. As a result of the decentralised organisation of the VIG Insurance Group, the classifications are generally reviewed by the local companies at the end of the period. Any reclassifications are presented as if they had taken place at the end of the period.

| Reclassification financial instruments | 2019 | | | | |
|---|---|---|---|---|---|
| | Between Level 1 and Level 2 | Level 3 to Level 1 | Level 1 to Level 3 | Level 3 to Level 2 | Level 2 to Level 3 |
| Number | | | | | |
| Financial instruments recognised at fair value through profit and loss* | 0 | 0 | 2 | 1 | 0 |

*Including held for trading

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

| Reclassification financial instruments | 2018 | | | | |
|---|---|---|---|---|---|
| | Between Level 1 and Level 2 | Level 3 to Level 1 | Level 1 to Level 3 | Level 3 to Level 2 | Level 2 to Level 3 |
| Number | | | | | |
| Financial instruments recognised at fair value through profit and loss* | 5 | 0 | 0 | 0 | 9 |

*Including held for trading

The reclassifications between Level 1 and Level 2 are primarily due to changes in liquidity, trading frequency and trading activity. The reclassifications to Level 3 were performed due to consolidation effects between the measurement hierarchies.

**Sensitivities**

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

The most important bonds measured using a level 3 method in the financial instruments available for sale category are held by the Austrian, Czech and Polish companies and show the following sensitivities:

| Financial instruments available for sale – loans | Fair Value |
|---|---|
| in EUR '000 | |
| Fair value at 31.12.2019 | 337,198 |
| Rating-dependent spread +50bp | -6,172 |
| Effect on the statement of comprehensive income | -6,172 |

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

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

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

### Hierarchy for financial instruments measured at fair value

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

*Including held for trading

The unrealised effect on the result (net profit or loss) from level 3 financial instruments that are still in the portfolio and whose fair value is recognised in profit or loss was EUR 2,864,000 during the reporting year (EUR 5,917,000).

### Unobservable input factors

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

### Reconciliation of financial assets and liabilities

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

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

*Including held for trading

For information on the effects of changes in value recognised in profit or loss, please refer to Note 16. Financial result excl. result from shares in at equity consolidated companies on page 176.

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

## 23. NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES

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

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

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

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

**Compensation plan for members of the Managing Board**

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

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

The performance-related compensation is limited. The maximum performance-related compensation that the Managing Board can receive by achieving the traditional targets in financial year 2019 is around 40% to around 50% of the fixed salary. Special bonus compensation can also be earned for appropriate target achievement, and compensation for overachievement in certain target areas. In total, the members of the Managing Board can earn variable compensation equal to a maximum of around 80% to 105% of their fixed compensation in this way.

Large parts of performance-related compensation are only paid after a delay. The delay for financial year 2019 extends to 2023. The deferred portions are awarded based on the sustainable performance of the Group.

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

The main performance criteria (targets) for variable compensation in 2019 were the combined ratio, premium growth, result before taxes and – as a non-financial objective – the promotion of social responsibility in practice, for special bonus compensation there were strategic objectives, such as achievements in the area of bancassurance or market share, and compensation could also be earned from overachievement of targets in certain areas.

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

The standard employment contract for a member of the Managing Board of the Company includes – depending, among other things, on the length of time with the VIG Insurance Group – a pension equal to a maximum of 40% of the measurement base if the member remains on the Managing Board until the age of 65 (the measurement base is equal to the standard fixed compensation). This pension amount can be increased in individual cases if work continues past the maximum pension age, since a pension is not drawn during this period.

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

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

Only the contracts for Managing Board members who have been active in the Group for a long time provide for a severance payment structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), in the version prior to 2003, in combination with applicable industry-specific provisions. This allows these Managing Board Members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board Member who leaves by their own choice, without agreement with the Company, before retirement is possible, or leaves due to their own fault, is not entitled to severance payment.

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

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

The Managing Board had six members in financial year 2019.

## 24. AUDITING FEES AND AUDITING SERVICES

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

## 25. BODIES OF THE COMPANY

The bodies of the Company had the following members:

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

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

## 26. AFFILIATED COMPANIES AND PARTICIPATIONS

| Company | Country of domicile | Equity interest 2019[1] | Equity interest 2018[1] | Equity 2019[2] | Equity 2018[2] |
|---|---|---|---|---|---|
| | | in % | in % | in EUR '000 | in EUR '000 |
| **Fully consolidated companies** | | | | | |
| "BULSTRAD LIFE VIENNA INSURANCE GROUP" JOINT STOCK COMPANY, Sofia | Bulgaria | 100.00 | 100.00 | 23,405 | 15,043 |
| "Compensa Services" SIA, Riga | Latvia | 100.00 | 100.00 | -266 | -387 |
| "Compensa Vienna Insurance Group", ADB, Vilnius | Lithuania | 100.00 | 100.00 | 34,892 | 27,060 |
| "Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna | Austria | 100.00 | 100.00 | 39,949 | 39,826 |
| AB "Compensa Services", Vilnius | Lithuania | 100.00 | 100.00 | 922 | 861 |
| Anděl Investment Praha s.r.o., Prague | Czech Republic | 100.00 | 100.00 | 27,237 | 26,682 |
| Anif-Residenz GmbH & Co KG, Vienna | Austria | 100.00 | 100.00 | 14,868 | 14,944 |
| arithmetica Consulting GmbH, Vienna | Austria | 100.00 | 100.00 | -13 | 479 |
| Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest | Romania | 99.70 | 99.65 | 86,455 | 61,517 |
| ATBIH GmbH, Vienna | Austria | 100.00 | 100.00 | 161,487 | 152,496 |
| BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest | Romania | 93.98 | 94.00 | 48,037 | 41,761 |
| Blizzard Real Sp. z o.o., Warsaw | Poland | 100.00 | 100.00 | 5,143 | 4,508 |
| BTA Baltic Insurance Company AAS, Riga | Latvia | 90.83 | 90.83 | 65,536 | 51,196 |
| Bulgarski Imoti Asistans EOOD, Sofia | Bulgaria | 100.00 | 100.00 | -571 | -561 |
| Businesspark Brunn Entwicklungs GmbH, Vienna | Austria | 100.00 | 100.00 | 33,936 | 33,889 |
| CAL ICAL "Globus", Kiev | Ukraine | 100.00 | 100.00 | 4,447 | 3,403 |
| Camelot Informatik und Consulting Gesellschaft m.b.H., Vienna | Austria | 95.00 | 92.86 | 1,093 | 1,112 |
| CAPITOL, akciová spoločnosť, Bratislava | Slovakia | 100.00 | 100.00 | 1,220 | 948 |
| CENTER Hotelbetriebs GmbH, Vienna | Austria | 80.00 | 80.00 | -442 | -479 |
| Central Point Insurance IT-Solutions GmbH, Vienna | Austria | 100.00 | 100.00 | 16,900 | 9,635 |
| Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague | Czech Republic | 100.00 | 100.00 | 106,337 | 103,670 |
| Compania de Asigurări "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chișinău | Moldova | 99.99 | 99.99 | 4,829 | 4,556 |
| Compensa Life Vienna Insurance Group SE, Tallinn | Estonia | 100.00 | 100.00 | 45,259 | 34,479 |
| Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw | Poland | 99.97 | 99.97 | 71,350 | 61,848 |
| Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw | Poland | 99.94 | 99.94 | 118,251 | 102,112 |
| CP Solutions a.s., Prague | Czech Republic | 100.00 | 100.00 | 12,247 | 15,705 |
| DBLV Immobesitz GmbH, Vienna | Austria | 100.00 | 100.00 | 26 | 42 |
| DBLV Immobesitz GmbH & Co KG, Vienna | Austria | 100.00 | 100.00 | 2,337 | 2,080 |
| DBR-Liegenschaften GmbH & Co KG, Stuttgart | Germany | 100.00 | 100.00 | 9,174 | 10,496 |
| DBR-Liegenschaften Verwaltungs GmbH, Stuttgart | Germany | 100.00 | 100.00 | 20 | 21 |
| Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna | Austria | 100.00 | 100.00 | 3,015 | 2,996 |
| Donau Brokerline Versicherungs-Service GmbH, Vienna | Austria | 100.00 | 100.00 | 95,082 | 93,630 |
| DONAU Versicherung AG Vienna Insurance Group, Vienna | Austria | 100.00 | 100.00 | 100,454 | 91,072 |
| DVIB GmbH, Vienna | Austria | 100.00 | 100.00 | 93,709 | 92,601 |
| ELVP Beteiligungen GmbH, Vienna | Austria | 100.00 | 100.00 | 23,318 | 23,315 |
| Floridsdorf am Spitz 4 Immobilienverwertungs GmbH, Vienna | Austria | 100.00 | 100.00 | 18,708 | 18,743 |
| Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna | Austria | 100.00 | 100.00 | 30,231 | 30,110 |
| Insurance Company Nova Ins EAD, Sofia | Bulgaria | 100.00 | 100.00 | 5,090 | 5,163 |
| Insurance Company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo | Bosnia-Herzegovina | 100.00 | 100.00 | 9,670 | 8,550 |
| INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia | Bulgaria | 100.00 | 100.00 | 50,732 | 41,639 |
| InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden | Germany | 100.00 | 100.00 | 23,518 | 23,518 |

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

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

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

| Company | Country of domicile | Equity interest 2019[1] |
|---|---|---|
| | | in % |
| **Non-consolidated companies** | | |
| "Assistance Company Ukrainian Assistance Service" LLC, Kiev | Ukraine | 100.00 |
| "Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H., Vienna | Austria | 20.13 |
| "JAHORINA AUTO" d.o.o., Banja Luka | Bosnia-Herzegovina | 100.00 |
| "Neue Heimat" Stadterneuerungsgesellschaft m.b.H., Linz | Austria | 79.51 |
| Akcionarsko društvo za životno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica | Montenegro (Rep.) | 100.00 |
| ALBA Services GmbH, Vienna | Austria | 48.87 |
| Amadi GmbH, Wiesbaden | Germany | 100.00 |
| AQUILA Hausmanagement GmbH, Vienna | Austria | 97.75 |
| AREALIS Liegenschaftsmanagement GmbH, Vienna | Austria | 48.87 |
| Autosig SRL, Bucharest | Romania | 99.50 |

| Company | Country of domicile | Equity interest 2019[1] |
|---|---|---|
| B&A Insurance Consulting s.r.o., Moravská Ostrava | Czech Republic | 48.45 |
| Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw | Poland | 99.94 |
| Brunn N68 Sanierungs GmbH, Vienna | Austria | 48.87 |
| Bulstrad Trudova Meditzina EOOD, Sofia | Bulgaria | 100.00 |
| CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest | Romania | 98.18 |
| CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest | Romania | 98.18 |
| CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest | Romania | 98.18 |
| CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna | Austria | 97.75 |
| Compensa Dystrybucja Sp. z o. o., Warsaw | Poland | 99.98 |
| DV Asset Management EAD, Sofia | Bulgaria | 100.00 |
| DV CONSULTING EOOD, Sofia | Bulgaria | 100.00 |
| DVIB alpha GmbH, Vienna | Austria | 100.00 |
| DV Immoholding GmbH, Vienna | Austria | 100.00 |
| DV Invest EAD, Sofia | Bulgaria | 100.00 |
| DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna | Austria | 100.00 |
| EBS Wohnungsgesellschaft mbH Linz, Linz | Austria | 24.44 |
| EBV-Leasing Gesellschaft m.b.H., Vienna | Austria | 72.32 |
| EGW Datenverarbeitungs-Gesellschaft m.b.H., Vienna | Austria | 71.92 |
| EGW Liegenschaftsverwertungs GmbH, Vienna | Austria | 71.92 |
| EGW Wohnbau gemeinnützige Ges.m.b.H., Wiener Neustadt | Austria | 71.92 |
| Erste Bank und Sparkassen Leasing GmbH, Vienna | Austria | 47.90 |
| ERSTE Biztosítási Alkusz Kft, Budapest | Hungary | 98.64 |
| European Insurance & Reinsurance Brokers Ltd., London | United Kingdom | 100.00 |
| EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna | Austria | 99.44 |
| Finanzpartner GmbH, Vienna | Austria | 48.87 |
| Foreign limited liability company "InterInvestUchastie", Minsk | Belarus | 100.00 |
| GELUP GmbH, Vienna | Austria | 32.58 |
| GGVier Projekt-GmbH, Vienna | Austria | 53.76 |
| Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna | Austria | 28.51 |
| Global Assistance Polska Sp.z.o.o., Warsaw | Poland | 99.99 |
| GLOBAL ASSISTANCE SERVICES s.r.o., Prague | Czech Republic | 100.00 |
| GLOBAL ASSISTANCE SERVICES SRL, Bucharest | Romania | 99.70 |
| GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava | Slovakia | 99.11 |
| Global Services Bulgaria JSC, Sofia | Bulgaria | 100.00 |
| Hausservice Objektbewirtschaftungs GmbH, Vienna | Austria | 20.72 |
| Hotel Voltino in Liquidation, Zagreb | Croatia | 97.82 |
| HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna | Austria | 98.29 |
| Immodat GmbH, Vienna | Austria | 20.72 |
| IMOVE Immobilienverwertung- und -verwaltungs GmbH, Vienna | Austria | 20.72 |
| InterRisk Informatik GmbH, Wiesbaden | Germany | 100.00 |
| ITIS Sp.z.o.o., Warsaw | Poland | 49.01 |
| Jahorina Konseko Progres a.d. in Liquidation, Pale | Bosnia-Herzegovina | 28.00 |
| Joint Stock Company "Curatio", Tbilisi | Georgia | 90.00 |
| Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje | North Macedonia | 100.00 |
| KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk | Belarus | 98.26 |
| KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt | Austria | 48.87 |
| Lead Equities II. Auslandsbeteiligungs AG, Vienna | Austria | 21.59 |
| Lead Equities II.Private Equity Mittelstandsfinanzierungs AG, Vienna | Austria | 21.59 |
| LiSciV Muthgasse GmbH & Co KG, Vienna | Austria | 28.51 |
| Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvéntársaság, Budapest | Hungary | 98.64 |
| PFG Liegenschaftsbewirtschaftungs GmbH, Vienna | Austria | 73.96 |
| POLISA - ŻYCIE Ubezpieczenia Sp.z.o.o., Warsaw | Poland | 99.97 |
| Privat Joint-stock company "OWN SERVICE", Kiev | Ukraine | 100.00 |

| Company | Country of domicile | Equity interest 2019[1] |
|---|---|---|
| Renaissance Hotel Realbesitz GmbH, Vienna | Austria | 40.00 |
| Risk Consult Bulgaria EOOD, Sofia | Bulgaria | 51.00 |
| Risk Consult Polska Sp.z.o.o., Warsaw | Poland | 68.15 |
| RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna | Austria | 51.00 |
| Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi, Istanbul | Turkey | 64.19 |
| Risk Experts Risiko Engineering GmbH, Vienna | Austria | 12.24 |
| Risk Experts s.r.o., Bratislava | Slovakia | 51.00 |
| Risk Logics Risikoberatung GmbH, Vienna | Austria | 51.00 |
| Rößlergasse Bauteil Drei GmbH, Vienna | Austria | 100.00 |
| Rößlergasse Bauteil Zwei GmbH, Vienna | Austria | 97.75 |
| SB Liegenschaftsverwertungs GmbH, Vienna | Austria | 40.26 |
| S.C. CLUB A.RO S.R.L., Bucharest | Romania | 99.72 |
| S.C. Risk Consult & Engineering Romania S.R.L., Bucharest | Romania | 51.00 |
| S.C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest | Romania | 98.46 |
| serviceline contact center dienstleistungs-GmbH, Vienna | Austria | 97.75 |
| S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb | Croatia | 100.00 |
| Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna | Austria | 97.75 |
| Slovexperta, s.r.o., Žilina | Slovakia | 98.51 |
| Soleta Beteiligungsverwaltungs GmbH, Vienna | Austria | 28.51 |
| Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna | Austria | 97.75 |
| Spółdzielnia Usługowa VIG EKSPERT W WARSZAWIE, Warsaw | Poland | 99.97 |
| TAUROS Capital Investment GmbH & Co KG, Vienna | Austria | 19.55 |
| TAUROS Capital Management GmbH, Vienna | Austria | 24.93 |
| TBI Info OOD, Sofia | Bulgaria | 20.00 |
| TOGETHER GmbH, Vienna | Austria | 24.71 |
| twinfaktor GmbH, Vienna | Austria | 74.16 |
| UAB "Compensa Life Distribution", Vilnius | Lithuania | 100.00 |
| UNION-Erted Ellatasszervezö Korlatold Felelössegü Tarsasag, Budapest | Hungary | 67.33 |
| Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna | Austria | 47.90 |
| Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw | Poland | 99.99 |
| Vienna International Underwriters GmbH, Vienna | Austria | 100.00 |
| viesure innovation center GmbH, Vienna | Austria | 98.87 |
| VIG Asset Management, a.s., Prague | Czech Republic | 100.00 |
| VIG AM Services GmbH, Vienna | Austria | 100.00 |
| VIG Management Service SRL, Bucharest | Romania | 98.46 |
| VIG Offices, s.r.o., Bratislava | Slovakia | 98.47 |
| VIG Services Bulgaria EOOD, Sofia | Bulgaria | 100.00 |
| VIG Services Shqiperi Sh.p.K., Tirana | Albania | 89.52 |
| VÖB Direkt Versicherungsagentur GmbH, Graz | Austria | 48.87 |
| WAG Wohnungsanlagen Gesellschaft m.b.H., Linz | Austria | 24.44 |
| Wien 3420 Aspern Development AG, Vienna | Austria | 23.92 |
| Wiener Städtische Donau Leasing GmbH, Vienna | Austria | 97.75 |
| WOFIN Wohnungsfinanzierungs GmbH, Vienna | Austria | 20.72 |
| WSBV Beteiligungsverwaltung GmbH, Vienna | Austria | 97.75 |
| WSVA Liegenschaftbesitz GmbH, Vienna | Austria | 97.75 |
| WSVB Liegenschaftbesitz GmbH, Vienna | Austria | 97.75 |

1 The share in equity equals the share in voting rights before non-controlling interests.

2 The capital value shown corresponds to the latest local annual financial statements available.

3 In addition to the parent company, the consolidated financial statements of VIG FUND, a.s., Prague, also include the following companies: Atrium Tower Sp.z.o.o, Warsaw, EUROPEUM Business Center s.r.o, Bratislava, HUN BM Korlátolt Felelősségű Társaság, Budapest, KKB Real Estate SIA, Riga and SK BM s.r.o., Bratislava.

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

* Country names in parentheses are added if there is more than one company with the same abbreviated name and it is not clear from the context which one is intended. The context is assumed to be clear, for example, if the name is used in a description of activities taking place within a country.

Please see the section titled "Scope and methods of consolidation" starting on page 112 for information on changes in the scope of consolidation.

The information required under § 265(2) no. 4 of the Austrian Corporation Code (UGB) is provided in the overview of participations in the separate financial statements.

## 27. RELATED PARTIES

**Related parties**

Related parties are the affiliated companies, joint ventures and associated companies listed in Note 26. Affiliated companies and participations starting on page 195. In addition, the members of the Managing Board and Supervisory Board of VIG Holding also qualify as related parties. Wiener Städtische Versicherungsverein directly and indirectly holds around 71.54% (around 71.49%), and therefore a majority of the voting rights of VIG Holding. Based on this controlling interest, it and the members of its managing board and supervisory board are therefore also related parties.

Compensation for Supervisory Board and Managing Board members and notes on the compensation plan for Managing Board members are provided in Note 23. Number of employees and personnel expenses starting on page 192.

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

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

**Transactions with related companies**

Transactions with non-consolidated affiliated and associated companies mainly relate to financing and charges for services.

**Transactions with Wiener Städtische Versicherungsverein**

Wiener Städtische Versicherungsverein is VIG Holding's principal shareholder. It has the legal form of a mutual insurance association that has spun off its insurance operations under the Austrian Insurance Supervision Act (VAG) and consequently has no insurance business operations. Due to the outsourcing to Wiener Städtische Versicherung AG that took place at that time, its only responsibilities are those as a majority shareholder of VIG Holding, so that intercompany charges within the VIG Insurance Group are of minor importance. They are based on service agreements between VIG Insurance Group and Wiener Städtische Versicherungsverein for intercompany charges for internal audit services, finance and accounting, provision of staff and office leases based on the arm's length principle.

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

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

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

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

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

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

## 28. LEASES

Detailed information on depreciation, additions and book values of the right-of-use assets at the end of the reporting period by class of underlying asset is provided starting on page 148 and page 149. The interest expenses for leases recognised in the reporting period are shown in Note 16. Financial result excl. result from shares in at equity consolidated companies starting on page 176. And the cash outflows for leases are shown in the consolidated cash flow statement starting on page 81.

IFRS 16 was applied for the first time in the VIG Insurance Group on 1 January 2019. Due to use of the modified retrospective method, no comparative figures are available. The figures published in the Annual Report for 2018 were calculated in accordance with IAS 17. Further information on the different accounting policies for IAS 17 and IFRS 16 is provided in this Annual Report in the section titled “Effects of first-time application of IFRS 16 Leases” starting on page 84.

### 28.1. Lessee

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

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

### 28.2. Lessor – finance leases

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

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

### 28.3. Lessor – operating leases

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

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

## 29. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

**Current risks in connection with the coronavirus pandemic**

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

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

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

## ADDITIONAL DISCLOSURES IN ACCORDANCE WITH THE AUSTRIAN INSURANCE SUPERVISION ACT (VAG)

### PROFIT PARTICIPATION IN AUSTRIA

**Life insurance**

Under the FMA regulation of 6 October 2015 on profit participation in the life insurance sector (LV-GBV), the expenses for profit-related premium refunds and policyholder profit participation plus any direct credits must be at least 85% of the measurement basis. The measurement basis within the meaning of § 4(1) LV-GBV is calculated as follows for life insurance policies eligible for profit participation:

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

**Health insurance**

According to § 1 of the FMA regulation on profit participation in the health insurance sector (KV-GBV) of 15 October 2015, the regulation is applicable to policies whose actuarial bases were submitted after 30 June 2007 and whose terms provide for profit participation. The expenses for profit-related premium refunds plus any direct credits have to be at least 85% of the measurement basis for the health insurance policies concerned. The measurement basis within the meaning of § 3(1) KV-GBV is calculated as follows for health insurance policies eligible for profit participation:

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

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

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

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

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

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

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

## KEY FIGURES PER BALANCE SHEET UNIT

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

## DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the consolidated financial statements prepared in accordance with applicable accounting standards give a true and fair view of the Group's net assets, financial position and results of operations, that the Group management report presents the business development, result and position of the Group so as to give a true and fair view of its net assets, financial position and results of operations, and that the Group management report provides a description of the principal risks and uncertainties to which the Group is exposed.

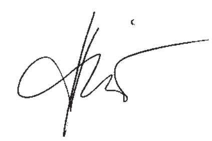
The declaration for the annual financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is issued in the Annual Report of this company.

The consolidated financial statements for financial year 2019 were approved for publication by a resolution of the Managing Board on 23 March 2020.

Vienna, 23 March 2020

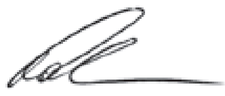
**Elisabeth Stadler**
General Manager, Chairwoman of the Managing Board

**Franz Fuchs**
Deputy General Manager, Member of the Managing Board



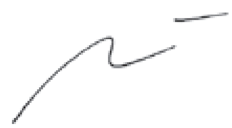
**Liane Hirner**
CFO, Member of the Managing Board

**Peter Höfinger**
Member of the Managing Board



**Gerhard Lahner**
Vorstandsmitglied

**Gábor Lehel**
Vorstandsmitglied



**Harald Riener**
Vorstandsmitglied

**Peter Thirring**
Vorstandsmitglied

**Managing Board areas of responsibility:**

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

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

# AUDITOR'S REPORT

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Audit Opinion**
We have audited the consolidated financial statements of

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe,
Vienna, Austria,

and its subsidiaries ("the Group"), which comprise the Consolidated Balance Sheet as at 31 December 2019, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to § 245a UGB (Austrian Commercial Code) as well as other legal or regulatory requirements.

**Basis for our Opinion**
We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Key Audit Matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

We have identified the following key audit matters:

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

### RECOVERABILITY OF GOODWILL
Refer to consolidated financial statements pages 93, 96 to 98

#### Risk for the Consolidated Financial Statements
The recoverability of goodwill recognized in the Consolidated Financial Statements of the Vienna Insurance Group amounting to EUR 1,382.5 million, is monitored separately at country level. At least once a year and in case of a triggering event on an ad hoc basis Vienna Insurance Group performs a recoverability test (the so-called impairment test) of the recorded goodwill amounts.

The impairment test of goodwill is complex and based on discretionary factors. Those factors include in particular the expected future cash flows of the individual countries (taking into account the development of future premiums, budgeted combined ratios and financial income), which are primarily based on past experience as well as on the management's assessment of the expected market environment. Other factors are the assumed long-term growth rate as well as the underlying region-specific costs of capital.

Our Response

Together with our valuation experts we have assessed the appropriateness of key assumptions, of discretionary decisions and of the valuation method applied for the impairment testing. We have reconciled the expected future cash flows used in the calculation with the strategic business planning approved by the management. We have reconciled the assumptions regarding the market development with general and sector-specific market expectations. We have analysed the consistency of planning data using information from prior periods.

Given that minor changes in the applied cost of capital rate significantly impact the recoverable amount of the cash generating units, we have compared the parameters used for derivation of the applied cost of capital with those used by a group of comparable companies (peer group).

By means of our own sensitivity analysis we have determined whether the tested book values are still sufficiently covered by the recoverable amounts in case of possible changes in the assumptions within a realistic range.

Additionally, we have assessed whether the disclosures in the notes with respect to the recoverability of goodwill are appropriate.

## TREATMENT OF NON-PROFIT HOUSING SOCIETIES

Refer to consolidated financial statements pages 115 and 116

Risk for the Consolidated Financial Statements

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

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

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

Our Response

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

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

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

LIABILITY ADEQUACY TEST – "LAT"

Refer to consolidated financial statements pages 108, 139 to 140

Risk for the Consolidated Financial Statements

With life and health insurance, Vienna Insurance Group holds a significant amount of long-term contracts for which premiums have been calculated using a high discount rate. As these interest rates are also used to measure the liabilities from insurance contracts, there is – due to the persistently low interest rates in the market – a risk that the insurance liabilities are not adequately measured.

At each balance sheet date Vienna Insurance Group uses current estimates of future cash flows from insurance contracts to determine whether the insurance liabilities are adequately accounted for in the balance sheet.

To ensure this, future cash flows from existing policies are calculated on a best estimate basis using actuarial methods. For life and health insurance the cash flow model used for this purpose is also used to calculate the Market Consistent Embedded Value ("MCEV"). The MCEV is determined according to the "Market Consistent Embedded Value Principles" published by the CFO Forum in June 2008 and last amended in April 2016.

The performance of the liability adequacy test is complex, and its underlying assumptions are based on a large number of estimates and discretionary factors.

Our Response

We have examined the appropriateness of key assumptions and discretionary decisions as well as the calculation models and methods applied. In order to assess the appropriateness of the assumptions and methods used, we gained an understanding of the methodology in discussions with the actuaries of Vienna Insurance Group and analysed the assumptions used as well as the resulting cash flows.

In particular, we assessed whether the applied methodology was consistent with the "Market Consistent Embedded Value Principles" published by the CFO Forum in June 2008 and last amended in April 2016. In addition, we assessed the appropriateness of the implementation of the methodology within the models, analysed the consistency of assumptions used on the basis of information from prior periods, and examined the completeness of the modeled portfolio.

Furthermore, we critically dealt with the sensitivity analysis prepared by the company.

**Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to § 245a UGB (Austrian Commercial Code) as well as other legal or regulatory requirements and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## REPORT ON OTHER LEGAL REQUIREMENTS

### Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

#### OPINION

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to § 243a UGB (Austrian Commercial Code) are appropriate.

#### STATEMENT

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

### Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

**Additional Information in accordance with Article 10 AP Regulation**
At the Annual General Meeting dated 25 May 2018, we were elected as group auditors. We were appointed by the Supervisory Board on 18 June 2018.

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

We have been the Group's auditors from the year ended 31 December 2013 without interruption.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

**Engagement Partner**
The engagement partner is Mr Michael Schlenk.

Vienna, 23 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Michael Schlenk
Wirtschaftsprüfer
(Austrian Chartered Accountant)

**This report is a translation of the original report in German, which is solely valid.**
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. § 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

# List of abbreviations

| Abbreviation | Full company name |
|---|---|
| Alpenländische Heimstätte GmbH | Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck |
| Asirom | Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest |
| BCR Life | BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest |
| BTA Baltic | BTA Baltic Insurance Company AAS, Riga |
| Bulstrad Life | BULSTRAD LIFE VIENNA INSURANCE GROUP JOINT STOCK COMPANY, Sofia |
| Bulstrad Non-Life | INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia |
| Compensa Life (Estonia)[1] | Compensa Life Vienna Insurance Group SE, Tallinn |
| Compensa Life (Poland)[1)] | Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw |
| Compensa Non-Life (Lithuania)[1] | "Compensa Vienna Insurance Group", ADB, Vilnius |
| Compensa Non-Life (Poland)[1] | Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw |
| ČPP | Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague |
| Donaris | Compania de Asigurări "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chișinău |
| Donau Versicherung | DONAU Versicherung AG Vienna Insurance Group, Vienna |
| Erste Group | Erste Group Bank AG, Vienna |
| Erste Heimstätte GmbH | Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna |
| Gemeinnützige Industrie-Wohnungsaktiengesellschaft | Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding |
| Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH | Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg |
| Gewista-Werbegesellschaft m.b.H. | Gewista-Werbegesellschaft m.b.H., Vienna |
| GPIH | Joint Stock Company Insurance Company GPI Holding, Tbilisi |
| InterRisk | InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw |
| InterRisk Life | InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden |
| InterRisk Non-Life | InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden |
| Intersig | INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana |
| IRAO | Joint Stock Company International Insurance Company IRAO, Tbilisi |
| Kniazha | PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev |
| Kniazha Life | PRIVATE JOINT-STOCK COMPANY "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev |
| Komunálna | KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava |
| Kooperativa (Slovakia)[1] | KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava |
| Kooperativa (Czech Republic)[1] | Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague |
| Health | Health insurance |
| Life | Life insurance |
| Makedonija Osiguruvanje | Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group, Skopje |
| n/a | not applicable |
| Neue Heimat Oberösterreich GmbH | NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz |
| Neuland GmbH | Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna |
| Nova | Insurance Company Nova Ins EAD, Sofia |
| Omniasig | OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest |
| Österreichisches Verkehrsbüro | Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Consolidated Financial Statements) |
| PAC Doverie | Pension Assurance Company Doverie AD, Sofia |
| PČS | Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice |
| Ray Sigorta | Ray Sigorta A.Ş., Istanbul |
| s Versicherung | Sparkassen Versicherung AG Vienna Insurance Group, Vienna |
| Property/Casualty | Property and casualty insurance |
| Schwarzatal GmbH | "Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna |
| Seesam | Seesam Insurance AS, Tallinn |
| Sigma Interalbanian | Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana |
| Sozialbau AG | SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna |
| TUW "TUW" | Towarzystwo Ubezpieczeń Wzajemnych "TUW", Warsaw |
| UIG | Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev |
| Union Biztosító | UNION Vienna Insurance Group Biztosító Zrt., Budapest |
| Urbanbau GmbH | Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna |

| Abbreviation | Full company name |
|---|---|
| VBV - Betriebliche Altersvorsorge AG | VBV - Betriebliche Altersvorsorge AG, Vienna (Consolidated Financial Statements) |
| Vienna International Underwriters or VIU | Vienna International Underwriters GmbH, Vienna |
| Vienna Life (Poland)[1] | Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw |
| Vienna osiguranje (Bosnia and Herzegowina)[1] | Insurance Company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo |
| Vienna-Life (Liechtenstein)[1] | Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern |
| viesure | viesure innovation center GmbH, Vienna |
| VIG Fund | VIG FUND, a.s., Prague (Consolidated Financial Statements) |
| VIG Insurance Group[2] | VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna |
| VIG Holding[3] | VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna |
| VIG Re | VIG RE zajišťovna, a.s., Prague |
| Wiener Osiguranje (Croatia)[1] | Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb |
| Wiener Osiguranje (Bosnia and Herzegowina)[1] | Wiener Osiguranje Vienna Insurance Group ad, Banja Luka |
| Wiener Re | "WIENER RE" akcionarsko društvo za reosiguranje, Belgrade |
| Wiener Städtische | WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna |
| Wiener Städtische Osiguranje (Serbia)[1] | WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Belgrade |
| Wiener Städtische Versicherungsverein | Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group, Vienna |
| Wiener TU (formerly Gothaer TU) | Wiener TU S.A. Vienna Insurance Group, Warsaw |
| Winner Life | Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje |
| Winner Non-Life | Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje |
| WOFIN GmbH | WOFIN Wohnungsfinanzierungs GmbH, Vienna |
| WWG Beteiligungen GmbH | WWG Beteiligungen GmbH, Vienna |

1 Country names in parentheses are added if there is more than one company with the same abbreviated name and it is not clear from the context which one is intended. The context is assumed to be clear, for example, if the name is used in a description of activities taking place within a country.

2 Used when referring to consolidated VIG (insurance) companies.

3 Used when referring to the individual company.

# Glossary

**Acquisition and administrative expenses**
Acquisition and administrative expenses are broken down into acquisition expenses, administrative expenses less reinsurance commissions and profit commissions for reinsurance cessions. Expenses for claims investigation, loss prevention and claims processing (claims handling expenses) or for making insurance payments (settlement costs) are shown in the expenses for insurance benefits item.

**Affiliated companies**
The parent company and its subsidiaries are considered to be affiliated companies if the parent company is able to exert control over the business policies of the subsidiary. Examples of this are where the parent company can affect variable returns from the subsidiary, a controlling agreement exists or it is possible to appoint the majority of the Members of the Managing Board or other executive bodies of the subsidiary.

**Asset and liability management (ALM)**
ALM refers to taking both assets and liabilities into account when implementing strategic decisions in order to achieve optimal company results and is therefore needed for determining and managing the risk capital required, matching assets and liabilities (duration, cash flow and income matching) and optimising investments and reinsurance.

**Austrian Commercial Code (UGB)**
Austrian Commercial Code: Unternehmensgesetzbuch (UGB) as of 1 January 2007, Handelsgesetzbuch (HGB) until 31 December 2006.

**Austrian Insurance Supervision Act (VAG)**
The Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG) includes provisions governing the organisation and supervision of insurance companies.

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

**Cash flow**
A key figure used in the analysis of shares and companies. It represents the inflow and outflow of liquid assets during a specific accounting period. Cash flow is essentially calculated by adding together the profit for the year, depreciation, changes in long-term provisions, and income taxes.

**Cash flow statement**
The cash flow statement presents the changes in cash and cash equivalents during a financial year, broken down into the three areas of ordinary activities, investing activities, and financing activities. The aim is to provide information on the financial strength of the company.

**Ceded reinsurance premiums**
Share of the premiums to which the reinsurer is entitled in return for covering certain risks.

**Central and Eastern Europe (CEE) or CEE markets**
The definition of "CEE" includes all of the growth markets in Central and Eastern Europe in which VIG Insurance Group is operating. This includes Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey and Ukraine. Note that differences may exist between this definition and the definition of CEE used by other companies, financial institutions (e.g. IMF, OECD, WIFO, IHS), etc.

**Claims incurred but not reported**
Losses that are reported in the current financial year but occurred in the previous year. Each year as of the balance sheet date, a reserve (= incurred but not reported reserve, IBNR) is formed for losses that relate to the financial statement year but are not reported until the following year.

**Combined ratio (net)**
When the total of all items in the income statement that contribute to the profit before taxes, except for income from capital assets, other non-underwriting income and expenses and the value of gross earned premiums itself, is divided by gross earned premiums, the result is called the combined ratio. If this ratio is less than 100%, the company is earning a profit from the underwriting portion of the business. This ratio is only calculated for property and

casualty insurance. If the reinsurers' share is taken into account in the calculation, the result is a net combined ratio.

**Consolidation**
The financial statements of the parent company and those of the subsidiaries are combined when the consolidated financial statements are prepared by the parent company. During this process, intragroup equity interests, interim results, receivables and payables and income and expenses are eliminated.

**Deposits on assumed and ceded reinsurance business**
Deposits on assumed reinsurance business are underwriting claims of the reinsurance company against the direct insurer. When business is ceded, the direct insurer retains a portion of the reinsurer's share of premiums and claims as security. This security portion is shown as a deposit on assumed reinsurance business in the reinsurer's balance sheet. The direct insurer recognises a deposit on ceded reinsurance business in the same amount.

**Derivative financial instruments (derivatives)**
Derivatives are financial instruments whose value depends on the price of an underlying asset. Derivatives can be classified systematically according to the nature of the underlying asset (interest rates, share prices, currency rates or commodity prices). Options, futures, forwards and swaps are examples of derivative financial instruments.

**Direct business**
Insurance business where a direct legal relationship exists between the insurer and policyholder.

**Earnings per share (undiluted/diluted)**
The ratio of consolidated profit for the year divided by the average number of shares issued. The diluted earnings per share include convertible securities that have been exercised, or are still available for exercise, in the calculation of the number of shares and profit for the year. The convertible securities consist of convertible bonds and stock options.

**Embedded value**
The embedded value represents the economic value of the insurance business and is comprised of future profits from the insurance portfolio. Profits from future new business are not included. It therefore corresponds to the distributable profits after taxes and takes into account the risks contained in the business.

**Enterprise Risk Management (ERM)**
The responsibilities of ERM are identification, assessment, analysis and management of opportunities and risks for the company.

**Equity method**
This method is used to account for shares in associated companies. As a rule, the value recognised corresponds to the Group's proportional share of the equity in these companies or groups of companies within the Group. For current valuation, the value recognised is adjusted using a proportional share of changes to equity with the shares in the result for the year being allocated to the Group result and disbursed profit distributions deducted.

**Erste Group**
An abbreviated version of the company name of Erste Group Bank AG.

**ESG (Environment Social Governance)**
ESG stands for the Environment, Social and (responsible) Governance sustainability criteria and describes the degree to which a company takes these factors into account, as well as an investment approach that can be used to select potential companies (investments).

**Expenses for claims and insurance benefits**
These are comprised of the payments for insurance claims, payments for claims investigation, claims settlement, and claims prevention, and from the change in the associated provisions.

**Fair value**
Value of a security calculated using a theoretical pricing model that takes into account factors on which the price depends.

**Financial instruments available for sale**
Available-for-sale financial instruments include securities that were not acquired with the intention of being held to maturity, or for short-term trading purposes. They are

recognised at market value as of the balance sheet date. Fluctuations in market value are recognised directly in equity.

**Financial result**
The financial result consists of income and expenses for investments, interest expenses and other expenses. This includes, for example, income from securities, loans, real estate and participations, as well as bank interest and expenses incurred in the financial area, such as depreciation of owned real estate, write-downs of securities to listed market prices, bank fees or interest expenses for financing.

**General Data Protection Regulation (GDPR)**
Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data entered into force on 25 May 2018 and was therefore immediately applicable in the European Union. The GDPR standardises the provisions applicable to the processing of personal data by private-sector companies and public bodies in the entire EU. The main objectives of the GDPR are data security and strengthening the fundamental rights and freedoms of natural persons. The GDPR was implemented in Austria by the Austrian Data Protection Amendment Act of 2018 (Datenschutz-Anpassungsgesetz 2018), which extensively amended the Austrian Data Protection Act of 2000 (Datenschutzgesetz 2000).

**Gross domestic product (GDP)**
GDP is a measure of the economic output of a country. All goods and services produced or provided within a country (by citizens or foreigners) during a specified period, are evaluated at current prices (market prices) or constant prices (prices in a certain base year). By using a constant price level in the calculations, price increases can be eliminated so that the figures presented over time are independent of inflation. GDP at constant prices is also known as real GDP.

**Gross/Net**
In insurance terminology, “gross/net” means before or after reinsurance has been deducted (“net” is also used to mean “for own account” or “retention”). In connection with income from participations, the term “net” is used when related expenses have already been deducted from income (e.g. write-offs and losses from disposals). Therefore, (net) income from participations equals the profit or loss from these interests.

**IAS**
International Accounting Standards.

**Income from investments and interest income**
Income from investments and interest income is comprised of income from participations (of which affiliated companies), income from land and buildings, income from other investments, income from write-ups, gains from the disposal of investments, and other income from investments and interest income.

**Indirect business**
Insurance business where the company acts as a reinsurer.

**Insurance density**
Annual per capita insurance premiums, used as an indicator for the state of development of a country’s insurance sector.

**Insurance Distribution Directive (IDD)**
Directive (EU) 2016/97 on insurance distribution has been applicable within the European Union since 1 October 2018. The IDD affects all aspects of the insurance business, including the recruiting of insurance distributors entailing training and advanced training, product development, the advisory process including wide-ranging duties to provide information, the distribution of standardised information sheets, the handling of conflicts of interest and remuneration.

**Insurance payments (net)**
(Net) insurance payments are expenses for claims and insurance benefits (after deducting reinsurance).

**Insurance supervisory authority**
The Austrian insurance supervisory authority is a part of the Austrian Financial Market Authority (FMA) that was established as an independent authority in April 2002. Its supervision extends to private-sector insurance companies with registered offices in Austria.

**International Financial Reporting Standards (IFRS)**
The IFRS are international financial reporting standards. Since 2002, the designation IFRS has stood for the overall framework of all standards adopted by the International Accounting Standards Board (IASB). Standards that were previously adopted, however, are still cited as IAS.

**Loss reserve**
A reserve for losses that have already been incurred but have not yet been settled. Claims and claims settlement expenses can be divided into two categories: reserves for reported but not yet settled claims ("RBNS"), and reserves for claims that have been incurred but have not yet been reported, or the correct amount has not been reported ("IBNR", "IBNER").

**Market capitalisation (stock market value)**
This equals the value of a stock corporation calculated by multiplying the current stock exchange price by the total number of shares issued.

**Market value**
The value of an asset on the balance sheet that can be realised by selling it in the market to a third party.

**Mathematical reserve**
A reserve calculated according to mathematical principles for future insurance payments in the life and health insurance balance sheet units. In the health insurance balance sheet unit, this is also referred to as an ageing reserve.

**Net earned premiums**
The portion of premiums written that is allocated to the reported financial year.

**New Business Value (NBV)**
The present value of profits in future years that can be generated from new policies concluded in the current financial year.

**Non-life**
Non-life insurance includes the property and casualty insurance and health insurance segments.

**Nordics**
Nordics includes the countries of Denmark, Norway, Sweden and Finland. VIG Holding is represented by its own branches in Denmark, Norway and Sweden. The EU freedom to provide services allows customers to also be served in Finland. Note that differences may exist between this definition and the definition of Nordics or Northern Europe used by other companies, financial institutions (e.g. IMF, OECD, WIFO, IHS), etc.

**Options**
Options are derivative financial instruments which entitle, but do not obligate the buyer to purchase (call option) or sell (put option) an underlying asset at a future point in time for a specified price. In contrast, the seller of the option is obligated to deliver or purchase the asset and receives a premium for providing the option.

**Organic growth**
Organic growth means the growth of a company resulting from the company's own financial strength. Such growth is therefore not the result of purchasing other companies.

**Own Risk and Solvency Assessment (ORSA)**
Under Article 45 of Directive 2009/138/EC, every insurance company must perform the Own Risk and Solvency Assessment (ORSA) as part of its risk management system.

**Personal insurance**
Personal insurance includes all insurance that covers personal risks (such as life insurance, health insurance and accident insurance).

**Premium**
Agreed fee paid in exchange for assumption of risk by an insurance company.

**Premiums written**
Direct business premiums written are comprised of set premiums, plus policyholder collateral payments, but not including insurance or fire service taxes, reduced by premiums cancelled during the financial year. In indirect business, the premiums written correspond to the premiums that the ceding insurer has indicated for offset.

**Present value**
Current value of future cash flows, calculated by discounting with a certain discount rate.

**Price-earnings ratio (PE ratio)**
A financial ratio for evaluating shares. The price-earnings ratio is the ratio of the share price to the earnings per share in a reference period, or to the expected earnings per share in a future period. If the reference period is defined as one year, the price-earnings ratio is the end-of-year price divided by the earnings per share in that year.

**Profit participation**
See profit-related premium refunds.

**Profit-related premium refunds**
The policyholder's profit participation in the profit of the insurance class in question (mandatory for traditional life insurance).

**Profit-unrelated premium refunds**
Contractually accorded refund of premiums to the policyholder.

**Provision for unearned premiums**
Unearned premiums are the portion of premiums written that were specified for the period following the balance sheet date and are therefore not included in the income for the financial year. These premiums are used to cover obligations arising after the balance sheet date.

**Rating**
A rating is an evaluation on a scale of the creditworthiness of a debtor (countries, companies, etc.) often carried out by a specialised rating agency. Also see Standard and Poor's.

**Reinsurance**
Reinsurance is when an insurance company insures a portion of its risk with another insurance company.

**Retained earnings**
Retained earnings are the profits generated by the company that have not been distributed as dividends.

**Return on equity (RoE)**
Profit before taxes divided by average shareholders' equity (less revaluation reserve), calculated using values at the beginning and end of the year.

**Securities held to maturity**
Held-to-maturity securities comprise debt securities that are intended to be held to maturity. They are measured initially at acquisition cost and are subsequently measured at amortised cost. In the case of permanent impairment, a write-down is recognised in profit or loss.

**Single premium**
A single premium is a special type of premium payment for life insurance in which a certain amount is paid as a single premium at the beginning of the policy.

**Solvency II**
Solvency II is a legal directive applicable in Europe for the capital adequacy of insurance companies. It concerns methods for risk-based management of the overall solvency of insurance companies and also includes qualitative elements (e.g. internal risk management).

**Standard & Poor's (S&P)**
S&P is an internationally recognised rating agency. It analyses and evaluates companies, countries and bonds, among other things. It uses its own rating scale, which ranges from AAA for the highest category to CC for the lowest when rating the financial strength of insurance companies. The ratings can be modified by adding a plus or minus sign.

**Stress test**
Stress tests are a special form of scenario analysis. The objective is to arrive at a quantitative assessment of the potential losses incurred by portfolios in the event of extreme market fluctuations.

**Underwriter**
Underwriters are responsible for evaluating risks in the insurance industry, and have the authority to underwrite risks. An underwriter estimates the probability and size of a loss as precisely as possible, calculates insurance premiums and establishes policy terms.

**Underwriting provisions**
Underwriting provisions consist of the provision for outstanding claims, mathematical reserve, unearned premiums, provisions for profit-related and profit-unrelated premium refunds, the equalisation provision and other underwriting provisions.

**Unit-linked and index-linked life insurance**
Insurance policies where the investment is made at the policyholder's risk. The investments in this area are valued at

fair value, with the underwriting reserves shown at the value of the investments.

**Value-at-risk (VaR)**
The VaR concept is a procedure used to calculate potential losses arising from changes in the price of a trading position. This loss potential is expressed using a specific confidence limit (e.g. 98%), and is calculated based on market-related price changes.

**VIG Insurance Group**
As a rule, this term refers to all consolidated VIG (insurance) companies. If a statement refers exclusively to the activities of the Holding, the term VIG Holding is used.

**Volatility**
Volatility refers to the fluctuations in securities prices, currency prices and interest rates.

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INTERSIG – VIENNA INSURANCE GROUP

**AUSTRIA**
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Donau – VIENNA INSURANCE GROUP

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КУПАЛА – VIENNA INSURANCE GROUP

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vienna osiguranje – VIENNA INSURANCE GROUP

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Life BULSTRAD – VIENNA INSURANCE GROUP
novains – VIENNA INSURANCE GROUP
PENSION ASSURANCE COMPANY DOVERIE – VIENNA INSURANCE GROUP

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COMPENSA – VIENNA INSURANCE GROUP
Seesam – VIENNA INSURANCE GROUP

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VIG Re

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WINNER – VIENNA INSURANCE GROUP
Life WINNER – VIENNA INSURANCE GROUP
ОСИГУРУВАЊЕ МАКЕДОНИЈА – VIENNA INSURANCE GROUP

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Vienna Life – VIENNA INSURANCE GROUP
wiener – VIENNA INSURANCE GROUP

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УКРАЇНСЬКА СТРАХОВА ГРУПА – VIENNA INSURANCE GROUP

Status: March 2020

# We are number 1 in Austria, Central and Eastern Europe.

VIG – VIENNA INSURANCE GROUP

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# Address · Notes · General information

## NOTICE

This annual report includes forward-looking statements based on current assumptions and estimates that were made by the management of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe to the best of its knowledge. Disclosures using the words "expected", "target" or similar formulations are an indication of such forward-looking statements. Forecasts related to the future development of the Company are estimates made on the basis of information available as of the date this report went to press. Actual results may differ from the forecasts if the assumptions underlying the forecast prove to be wrong or if unexpectedly large risks occur.

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

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

Our goal was to make the Annual Report as easy to read and as clear as possible. For this reason we have not used phrasing such as "he/she", "his/her", etc. It should be understood that the text always refers to women and men equally without discrimination.

## ADDRESS

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## WEBSITE – ONLINE REPORT

The annual report is available in German and English on our Internet website (www.vig.com) under Investor Relations and can also be downloaded in both languages as a PDF file.

**Service tip** **Online annual report**

The VIG Insurance Group website provides an online version of the annual report that is optimised for both the Internet and mobile devices. All sections may be downloaded in PDF form. You can also download the most important tables as Excel files. Other features such as links within the report and a comparison with the previous year create transparency and take you directly to the information being sought. The online version of the report also allows you to perform a full-text search quickly and easily. The search results are presented on an overview page, sorted by relevance. The term being searched for is highlighted in colour on this page and on the page in the report.

In case of doubt, the German version is authoritative.

Editorial deadline: 23 March 2020

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