

Group management report 2015

ECONOMIC ENVIRONMENT

Global economic performance remained significantly below the expectations of most experts at the beginning of the year, however, during the year, some aspects of the economy stabilised. According to information from the International Monetary Fund (IMF) the level of global economic growth was almost 3.1% in October 2015, which was still 0.7 percentage points below the forecasts of October 2014. US growth was comparatively strong, at 2.6%, while the euro zone was considerably below average at 1.5%.

The largest emerging markets also developed weaker than forecasted. This is true in particular for China, Russia, South Africa and Brazil. India, on the other hand, was still able to increase its GDP in 2015 by over 7%. The past year was a difficult one for the Austrian economy, with a growth of 0.8%. The insurance industry was able to achieve an above average sector result, of 1.8%, but was not able to meet the expectations of the original forecasts as a result of the generally weak economic conditions.

Central and Eastern Europe (CEE) recorded an average growth adjusted for purchasing power of 2.9% (-0.7 percentage points in comparison with 2014). In particular, the markets of Czech Republic, Poland, Slovakia, Slovenia and Hungary were able to further secure their positions as growth markets with average GDP growth of 3.5%. In addition, the Baltic region's economy performed better than the EU average in 2015.

In 2015, Ukraine reached the low point in its crisis, with a 9% decline. Bulgaria, on the other hand recorded stable development of 1.7%, Croatia and Serbia were able to record growth again for the first time, with 0.8% and 0.5%, respectively. In Romania, the economy grew at a rate of 3.4%, a 0.6 percentage point improvement to the previous year. In retrospect, both the crisis in Ukraine and the sanc-

tions against Russia had a less negative effect on the other CEE countries than had been feared.

The weak global growth is connected to the policies of the central banks in the USA and the EU. While the Fed was not willing to raise interest rates as early as expected, despite good economic data, the ECB stuck to a comprehensive bond purchasing programme. In the insurance industry, the low interest rate environment represented a particular challenge for life insurance companies.

On the positive side, the low oil price provided the economy with significant support during the past year, particularly as it had the effect of a tax reduction.

LEGAL ENVIRONMENT

Solvency II

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

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

The interim measures published by the European Insurance and Occupational Pensions Authority (EIOPA) became binding in 2014 for the staged introduction of the insurance companies to Solvency II and were extensively applied by all national supervisory authorities in the EU in 2015.

Preparatory modifications were made to the previous VAG on 1 July 2014, making extensive reference to EIOPA's interim measures, specifying the requirements of Solvency II on the core areas and concerning the following points:

- The system of governance
- Reporting to national supervisory authorities
- Forward-looking assessment of own risks (FLAOR) in preparation for the Own Risk and Solvency Assessment (ORSA) demanded under Solvency II
- The approval of (partial) internal models under Solvency II

VIG is well prepared to fulfil the extensive requirements placed on the Company by Solvency II starting in 2016 and the VAG amendment since the middle of 2014. The Group-wide project "Solvency II" was successfully completed after nearly seven years. In the course of this project, which was managed centrally from Austria, legal developments were followed closely and the necessary measures taken promptly so that all of the individual companies and the Group were adequately prepared for the introduction of Solvency II.

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

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

eters to be determined both at the Group and individual-company levels. The parameters calculated by the model are used in corporate management.

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

With respect to qualitative risk management requirements, Vienna Insurance Group has established a uniform governance system appropriate for Solvency II that includes all necessary key functions and clearly defines responsibilities and processes. Uniform Group-wide standards and methods for risk inventories and ORSA (for 2014 and FLAOR for 2015) were also developed and successfully implemented at the local and Group levels, thereby ensuring timely FLAOR reporting to the supervisory authority at the end of 2015. A Group-wide unified internal control system helps to ensure compliance with the guidelines and requirements resulting from the risk management system.

In 2015, in addition to the final preparations for the approval procedure and the application for the partial internal model of Vienna Insurance Group, the focus was mainly on fulfilling the quantitative and qualitative reporting obligations under the EIOPA interim measures. This includes the first legally prescribed calculation of Group solvency under Solvency II as of 31 December 2014 and compliance with quantitative and qualitative regulatory reporting requirements as of the dates 31 December 2014 and 30 September 2015. VIG was able to send the needed reports completely and on time, both for the Group and for the relevant individual companies.

BUSINESS DEVELOPMENT OF THE GROUP IN 2015

General information

Vienna Insurance Group includes around 50 insurance companies in the property and casualty and life insurance business and, in some countries, in the health insurance business as well. These three insurance lines of business are discussed in the Group report, which is broken down by lines of business.

The Montenegro and Belarus markets were not included in the VIG consolidated financial statements in 2015 due to immateriality. More information on the scope of consolidation and consolidation methods is provided on page 96 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 97.

VIG operates with more than one company and brand in most of its markets. The market presence of each company in a country is also aimed at different target groups, and their product portfolios differ accordingly. Use of this multi-brand strategy does not mean, however, that potential synergies are not exploited. Structural efficiency and the cost-effective use of resources are examined regularly. Back offices that perform administrative tasks for more than one company are already being used successfully in many countries. Specific country responsibilities also exist at the Managing Board level to ensure uniform management of each country. Mergers of Group companies are considered if the additional synergies that can be achieved outweigh the benefits of multiple market presences. This took place in Poland in 2015 with the merger of the two property and casualty insurance companies Compensa and Benefia to form Compensa.

To improve readability, company names have been shortened throughout the entire report. A list of full company names is provided on pages 207 and 208.

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 reporting and the notes to the financial statements. Additional dis-

closures 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 VIG's business development are presented below.

KEY FIGURES FROM THE CONSOLIDATED INCOME STATEMENT

	2015	2014	Change in %
in EUR million			
Premiums written – gross	9,019.76	9,145.73	-1.4%
Net earned premiums – retained	8,180.54	8,353.74	-2.1%
Expenses for claims and insurance benefits	-6,748.87	-6,919.93	-2.5%
Acquisition and administrative expenses	-1,847.57	-1,874.77	-1.5%
Financial result excl. at equity consolidated companies	999.99	1,052.30	-5.0%
Result from shares in at equity consolidated companies	74.91	64.56	16.0%
Other income and expenses	-486.89	-157.53	209.1%
Profit before taxes	172.10	518.37	-66.8%

Premium volume

A brief presentation of premium development is included under Note 28 “Net earned premiums” of the notes to the consolidated financial statements.

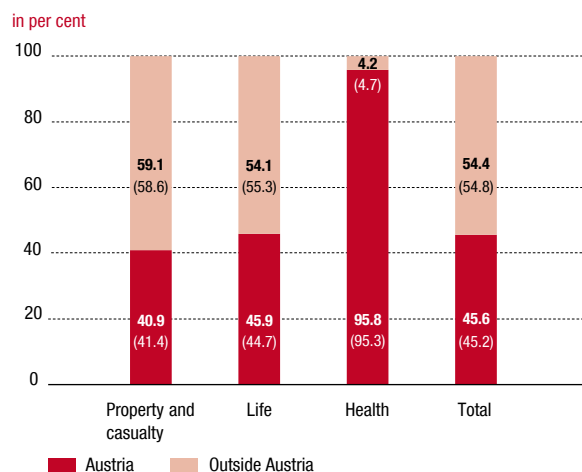
In 2015, Vienna Insurance Group generated stable premium volume of EUR 9,019.76 million despite the continuing low level of interest rate and its consistent earnings-oriented underwriting policy. In comparison with the previous year, this corresponds to a decrease of 1.4%. Adjusted for single premium products, the Group recorded a solid 2.2% increase in premiums. Vienna Insurance Group retained EUR 8,219.94 million of the gross premiums written. EUR 799.82 million was ceded to reinsurance companies (2014: EUR 808.55 million).

Total premium growth was particularly strong in the Remaining Markets, such as the CEE countries of the Baltic States (+15.0%), Bulgaria (+14.6%), Serbia (+14.1%), Turkey (+12.3%) and Hungary (+13.5%), which recorded double-digit growth rates.

Overall, the Group generated 54.4% of its premiums outside Austria in 2015. For property and casualty insurance, the share contributed by companies outside Austria was 59.1%. In the area of life insurance 54.1% of premiums were generated outside of Austria, and 4.2% of health insurance premiums were generated outside of Austria by the Georgian companies.

Net earned premiums fell by 2.1% from EUR 8,353.74 million in 2014 to EUR 8,180.54 million in 2015. Net reinsurance cessions were EUR 801.00 million (2014: EUR 804.63 million).

PREMIUM PERCENTAGE BY LINES OF BUSINESS AND REGION (FIGURES FOR 2014 IN PARENTHESES)



Expenses for claims and insurance benefits

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

Expenses for claims and insurance benefits less reinsurers' share of EUR 358.70 million (2014: EUR 448.12 million) were reduced in 2015 by 2.5% to EUR 6,748.87 million. The decline can mainly be attributed to lower allocations to the actuarial reserve due to the decline in single premium business in the Czech Republic as a result of the low level of interest rate, as well as the targeted reduction in single premium products in life insurance in Poland.

Acquisition and administrative expenses

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

Acquisition and administrative expenses for all consolidated companies in the VIG Group were reduced in 2015 to EUR 1,847.57 million. This corresponds to a drop of 1.5% in comparison with the previous year.

Financial result

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

VIG earned a financial result (incl. the result from at equity consolidated companies) of EUR 1,074.90 million in 2015. This year-on-year decrease of 3.8% was primarily due to the lower ordinary financial result due to the current low interest rates.

Profit before taxes

The achieved profit before taxes generated in 2015 was primarily negatively affected by the impairment of IT systems of EUR 195.00 million (2014: EUR 50.00 million) and the impairment of goodwill in Romania in the amount of EUR 52.02 million. In addition, goodwill was reduced by EUR 14.20 million due to a change in segment reporting and insurance portfolios were reduced by EUR 18.74 million as a result of impairments mainly in Poland. The significantly lower financial result also affected the Group's profits before taxes, which totalled EUR 172.10 million in 2015. This represents a decrease of 66.8% in comparison with 2014.

Many countries, however, achieved very large increases in profit development, such as Austria (+25.5%), Macedonia (+138.6%), Serbia (+24.4%), and Hungary (+18.0%).

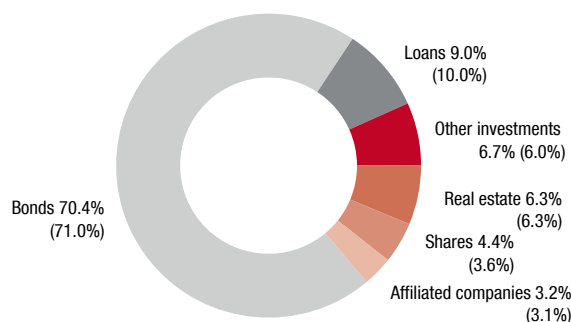
Investments

A brief presentation of the investments is included on page 113 of the notes to the consolidated financial statements. Total Vienna Insurance Group investments (including cash and cash equivalents) were EUR 31,812.46 million

as of 31 December 2015. Compared with the previous year, this represents an increase of EUR 670.93 million, or 2.2%. The main reasons for this rise were the increase in the investment volume from the inflow of liquidity resulting from the issuing of supplementary capital totalling EUR 400 million, as well as positive operating cash flow.

The investments include all Vienna Insurance Group land and buildings, all shares in at equity consolidated companies and all financial instruments, with fund overviews for consolidated institutional funds, as well as other fund investments allocated to the asset classes. Investments for unit-linked and index-linked life insurance are not included. These rose by 5.2% in 2015 from EUR 7,742.18 million to EUR 8,144.14 million due to a satisfying increase in unit-linked life insurance premiums.

BREAKDOWN OF INVESTEMENTS 2015



2014 values in parentheses

Shareholders' equity

Vienna Insurance Group's capital base decline by 4.3% to EUR 5,057.80 million in 2015 (2014: EUR 5,283.43 million). This development is on the one hand a result of the decrease in the unrealised gains and losses of EUR 118.36 million, and secondly the redemption of hybrid capital. Furthermore, in 2015, a dividend of EUR 1.40 per share was paid out, which decreased the shareholders' equity by EUR 179.20 million.

Underwriting provisions

Underwriting provisions (excluding underwriting provisions for unit-linked and index-linked life insurance) were EUR 28,145.12 million as of 31 December 2015, representing an increase of 0.9% in comparison with the previous year (2014: EUR 27,889.95 million).

Cash flow

Cash flow from operating activities was EUR 1,118.61 million in 2015, compared with EUR 1,543.28 million in 2014. The decrease results primarily from the reduction of single premium products in Poland and the Czech Republic. The cash flow from investing activities improved to EUR -887.67 million (2014: EUR -1,145.79 million), but this is mainly due to much lower investment in bonds and land and buildings. Vienna Insurance Group's financing activities in 2015 generated a cash flow of EUR 91.73 million. (2014: EUR -318.73 million). The increase in comparison with 2014 results from the issuing of a subordinated bond of EUR 400 million. The Group had cash and cash equivalents of EUR 1,103.23 million at the end of 2015 (2014: EUR 781.99 million). Vienna Insurance Group received a total of EUR 950.65 million in interest and dividends in 2015 (2014: EUR 970.66 million).

KEY FIGURES FOR VIENNA INSURANCE GROUP

	2015	2014	2013
Earnings per share	EUR 0.66	EUR 2.75	EUR 1.57
Return on Equity	3.7%	11.0%	7.2%
Combined Ratio	97.3%	96.7%	100.6%
Loss ratio	66.7%	65.8%	69.4%
Cost ratio	30.6%	30.9%	31.2%

Earnings per share

Earnings per share is a key figure equal to annual profit for the Group (less non-controlling interests and interest on hybrid capital) divided by the average number of shares outstanding. In 2015 earnings per share fell to EUR 0.66, a decrease of 75.9% compared with the previous year (2014: EUR 2.75). The earnings per share were negatively affected by both the impairment on IT systems of EUR 195.00 million (2014: EUR 50.00 million) and also by the impairment in goodwill and insurance portfolios, as well as a significantly lower financial result.

RoE (Return on Equity)

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

According to this, the Group achieved return on equity of 3.7% (2014: 11.0%).

Combined ratio significantly below 100%

The Group had a combined ratio (after reinsurance, not including investment income) of 97.3% in 2015. This is due to the fact that Vienna Insurance Group was able to continue to keep the combined ratio below the 100% mark as a result of its solid technical result.

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

DEVELOPMENT BY LINES OF BUSINESS**PREMIUMS WRITTEN BY LINES OF BUSINESS**

	2015	2014	2013
in EUR million			
Property and casualty insurance	4,599.04	4,560.39	4,618.38
Life insurance	4,022.75	4,199.04	4,202.37
Health insurance	397.97	386.30	397.82
Total	9,019.76	9,145.73	9,218.57

PROFIT BEFORE TAXES BY LINES OF BUSINESS

	2015	2014	2013
in EUR million			
Property and casualty insurance	-41.31	309.64	53.58
Life insurance	162.92	161.57	266.00
Health insurance	50.48	47.16	35.57
Total	172.10	518.37	355.15

Premium volume

Property and casualty contributed 51.0% of total premium volume in 2015. Life insurance represented 44.6% of total premium volume and 4.4% of the premiums came from health insurance.

VIG companies generated EUR 4,599.04 million in Group premiums from property and casualty insurance in 2015 (2014: EUR 4,560.39 million). Premiums therefore increased by 0.8% in this line of business in spite of the continuing restrictive underwriting policy implemented in Italy and the earnings-oriented underwriting policy that was maintained in the motor business in Poland. The

increases in Romania (+21.4%) and the Remaining Markets (+7.3%) are particularly noteworthy.

In life insurance, the VIG Group companies generated premium volume of EUR 4,022.75 million, 4.2% less than in the previous year. The decrease is solely due to restraint in single premium business. Adjusted for single premium products, premiums rose by 4.9%.

VIG wrote EUR 397.97 million in premiums in the health insurance segment, an increase of 3.0%. Only Austria and Georgia generate health insurance premiums that make a significant contribution to total premiums.

Expenses for claims and insurance benefits

Vienna Insurance Group recorded EUR 2,534.62 million in expenses for claims and insurance benefits in property and casualty insurance in 2015 (2014: EUR 2,495.27 million). In life insurance, EUR 3,887.59 million in expenses was incurred. The decrease of 5.1% is based on lower allocations to actuarial reserves as a result of the lower amount of single premium business in the Czech Republic, as well as the targeted reduction in single premium products in Poland. In the health insurance segment, expenses for claims and insurance benefits were EUR 326.66 million (2014: EUR 330.27 million).

Acquisition and administrative expenses

Vienna Insurance Group recorded acquisition and administrative expenses of EUR 1,115.84 million in the property and casualty business in 2015 (2014: EUR 1,120.46 million). In life insurance, it was possible to decrease acquisition and administrative expenses by 2.8% to EUR 683.23 million. In health insurance, these totalled EUR 48.50 million, 5.2% below the previous year's value of EUR 51.13 million.

Profit before taxes

Profit before taxes in property and casualty insurance was negatively affected by the impairment of IT systems, the impairments of goodwill, as well as by the significantly lower financial result. For these reasons, a loss of EUR 41.31 million was recorded in 2015 in this line of business. In life insurance, the Group generated profit before taxes of EUR 162.92 million, an increase of 0.8% in comparison with the previous year. At EUR 50.48 million, health insurance increased its contribution to the Group profits of VIG by 7.1%.

Investments

In the property and casualty business, investments (including cash and cash equivalents) were EUR 6,904.36 million (+4.1%) as of 31 December 2015. In life insurance, investments (excluding unit-linked and index-linked life insurance investments) totalled EUR 23,631.55 million (+1.7%). In the area of health insurance Vienna Insurance Group increased its investments by 1.2% to EUR 1,276.55 million.

Underwriting provisions

Underwriting provisions in the property and casualty area rose compared with 2014 by 1.6% to EUR 5,308.31 million. In life insurance, underwriting provisions were EUR 21,610.85 million (excluding underwriting provisions for unit-linked and index-linked life insurance) as of 31 December 2015, 0.5% above the figure for the previous year. In health insurance, underwriting provisions rose by 5.9%, to EUR 1,225.96 million.

Underwriting provisions for unit-linked and index-linked life insurance increased by 5.2% from EUR 7,392.42 million in 2014 to EUR 7,776.60 million in 2015.

The actuarial reserve and provision for outstanding claims are broken down by lines of business and maturities as follows:

COMPOSITION OF ACTUARIAL RESERVE

	31.12.2015	31.12.2014
in EUR million		
Property and casualty insurance	0.12	0.13
Life insurance	19,919.06	19,772.24
for guaranteed policy benefits	18,155.09	17,728.65
for allocated and committed profit shares	932.81	1,045.35
for deferred actuarial reserve	831.16	998.24
Health insurance	1,149.21	1,082.47
Total	21,068.39	20,854.84

MATURITY STRUCTURE OF ACTUARIAL RESERVE

	31.12.2015	31.12.2014
in EUR million		
up to one year	1,880.72	2,290.01
more than one year up to five years	5,628.95	5,581.75
more than five years up to ten years	4,427.30	4,353.77
more than ten years	9,131.42	8,629.31
Total	21,068.39	20,854.84

COMPOSITION OF PROVISION FOR OUTSTANDING CLAIMS

	31.12.2015	31.12.2014
in EUR million		
Property and casualty insurance	4,168.62	4,103.53
Life insurance	383.70	334.22
Health insurance	51.32	51.20
Total	4,603.65	4,488.94

MATURITY STRUCTURE OF PROVISION FOR OUTSTANDING CLAIMS

	31.12.2015	31.12.2014
in EUR million		
up to one year	2,093.22	1,766.76
more than one year up to five years	1,499.43	1,328.26
more than five years up to ten years	495.66	404.28
more than ten years	515.34	989.65
Total	4,603.65	4,488.94

DEVELOPMENT BY REGION

Developments in the regions of Austria, Czech Republic, Slovakia, Poland, Romania, the Remaining Markets and Central Functions are discussed below. The discussion focuses on a presentation of Vienna Insurance Group business development in the different regions and outlines areas of change in the various insurance markets.

PREMIUMS WRITTEN BY REGION

	2015	2014	2013
in EUR million			
Austria	4,055.53	4,076.99	4,073.88
Czech Republic	1,554.82	1,683.41	1,762.08
Slovakia	716.49	726.99	744.67
Poland	838.86	1,034.05	1,142.30
Romania	428.64	339.67	361.80
Remaining Markets*	1,294.18	1,155.64	1,061.64
Central Functions**	1,248.91	1,289.84	1,303.85
Consolidation	-1,117.67	-1,160.86	-1,231.64
Total	9,019.76	9,145.73	9,218.57

* Remaining Markets Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Moldova, Serbia, Turkey, Ukraine

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

PROFIT BEFORE TAXES BY REGION

	2015	2014	2013
in EUR million			
Austria	212.97	169.73	235.09
Czech Republic	162.99	177.87	197.82
Slovakia	51.87	59.46	55.26
Poland	43.40	55.16	50.22
Romania	5.65	6.08	-98.70
Remaining Markets*	42.79	51.66	49.00
Central Functions**	-347.24	-2.24	-133.31
Consolidation	-0.32	0.67	-0.23
Total	172.10	518.37	355.15

* Remaining Markets Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Moldova, Serbia, Turkey, Ukraine

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

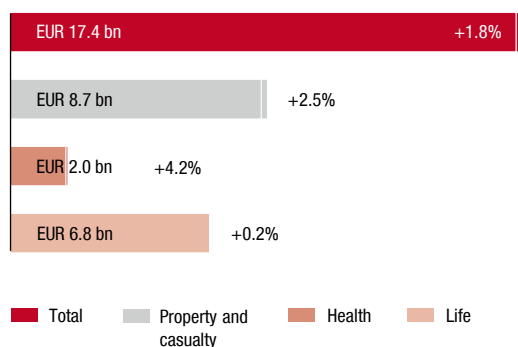
AUSTRIA

Austrian insurance market

In comparison with other Western European insurance markets, the share of total premium volume accounted for by non-life insurance is relatively high, in Austria at just over 60%. There is therefore still significant potential for growth in life insurance.

MARKET GROWTH IN 2015 COMPARED TO THE PREVIOUS YEAR

2015 preliminary figures



Source: Austrian Insurance Association

In 2015, premium income of Austrian insurance companies increased by 1.8%. The highest level of growth was in health insurance, with a rise of 4.2%, followed by property and casualty insurance (+2.5%) and life insurance (+0.2%).

The premium growth in property and casualty insurance results primarily from the positive performance of casualty insurance, which recorded an increase of 3.9% in comparison with the previous year.

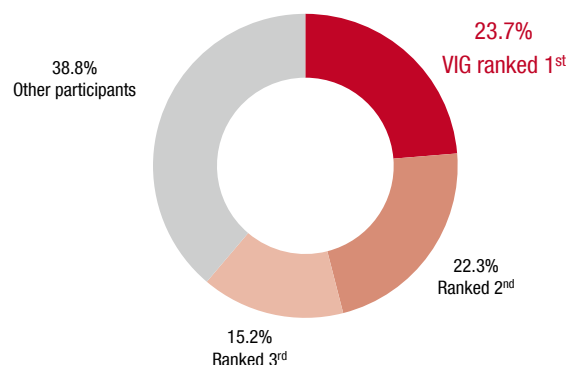
In the area of life insurance, provisions remain an important topic in Austria. In 2015, pension insurance increased by 7.7%. Nursing care insurance is increasing in importance each year and achieved significant growth of 24.6% in 2015.

The trend towards decreasing interest rate levels continued in 2016. The guaranteed interest rate (the maximum that may be guaranteed to policy holders) was therefore reduced from 1.5% to 1.0% for new life insurance policies at the beginning of 2016.

In Austria in 2014, the average premiums per capita totalled EUR 2,007. Of this, EUR 1,216 was accounted for non-life insurance and EUR 791 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Austrian Insurance Association; as of 2015

VIG companies in Austria

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

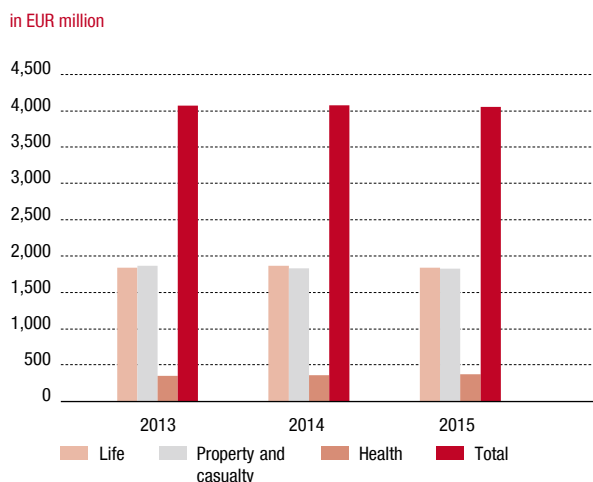
VIG's total market share of 23.7% in 2015 makes it the leading insurance group in Austria. VIG is also the market leader in property and casualty insurance with a market share of 21.8%, and in life insurance with 27.3%. VIG holds a second place in the area of health insurance.

Business development in Austria in 2015

Premium development

The Austrian Group companies generated gross written premiums totalling EUR 4,055.53 million. In comparison with the previous year, this represents a slight decrease of 0.5%. EUR 2,386.03 million of the premium volume was contributed by Wiener Städtische, EUR 811.71 million by Donau Versicherung and EUR 857.79 million by s Versicherung. Net earned premiums in 2015 were at the same level as the previous year, at EUR 3,370.00 million.

PREMIUMS WRITTEN IN AUSTRIA



EUR 1,830.43 million of the premiums written, or 45.1% were generated in property and casualty insurance. This was a decrease of 0.4% compared with 2014, due to further optimisation measures in the motor insurance business of the Donau branch in Italy.

Life insurance contributed EUR 1,843.91 million and a share of 45.5% in premium volume, although in Austria

the Group generated 1.4% less than in the previous year as a result of the restraint in the single premium business.

Health insurance generated 9.4% of the premium volume, or EUR 381.19 million. This corresponds to an increase of 3.5% compared to the health insurance premium income of EUR 368.16 million in 2014.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance totalled EUR 3,361.95 million in 2015. This corresponds to an increase in expenses of 1.3%.

Acquisition and administrative expenses

The acquisition and administrative expenses for the Austrian VIG companies in 2015 were reduced by 4.5% to EUR 599.24 million.

Profit before taxes

Profit before taxes increased in 2015 in Austria by 25.5% to EUR 212.97 million (2014: EUR 169.73 million). A significant factor in this considerable increase was the sale of an indirect participation.

Combined ratio

The combined ratio in Austria (after reinsurance, not including investment income) improved to 97.5% in 2015 (2014: 99.9%) despite higher levels of weather-related claims.

VIENNA INSURANCE GROUP IN AUSTRIA

	2015	2014	2013
in EUR million			
Premiums written	4,055.53	4,076.99	4,073.88
Life	1,843.91	1,870.74	1,844.52
Property and casualty	1,830.43	1,838.09	1,871.93
Health	381.19	368.16	357.43
Profit before taxes	212.97	169.73	235.09

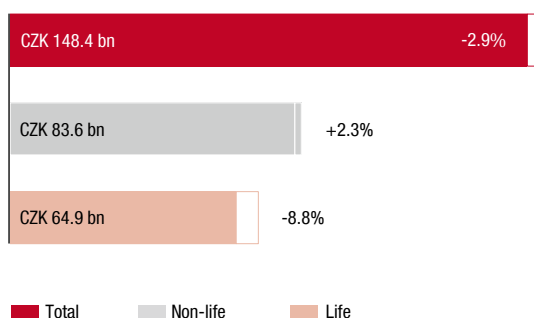
CZECH REPUBLIC

Czech insurance market

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

MARKET GROWTH IN 2015 COMPARED TO THE PREVIOUS YEAR

2015 figures



Source: Czech Insurance Association

In local currency terms, the Czech insurance market recorded a decline in premiums written of 2.9% in comparison with the previous year. This development is primarily the result of a major decrease (-26.7%) in single premium life insurance business. Life insurance with regular premiums was also down by 2.1%. The decrease results, among other things, from legislative and tax changes that have been in force since the start of 2015 and have a negative effect on the volume of contributions made by employers.

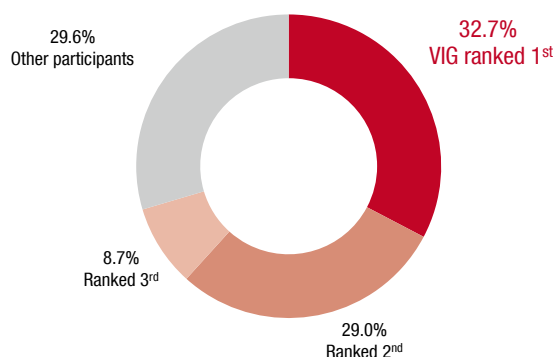
On the other hand, non-life insurance premiums rose by 2.3% in local currency terms in 2015. Irrespective of the fact that there is still severe price competition in the area of motor insurance, it was possible to achieve an increase of 3.6% in this segment. Premium income from motor third

party liability insurance increased by 1.9%, with average premiums falling, however, as a result of the disproportionate increase in contracts acquired. Motor own-damage insurance benefited from good economic development, rising by 6.1%.

Insurance density in the Czech Republic totalled EUR 527 in 2014. Of this, EUR 282 was accounted for non-life insurance and EUR 245 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Czech Insurance Association; as of 2015

VIG companies in the Czech Republic

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

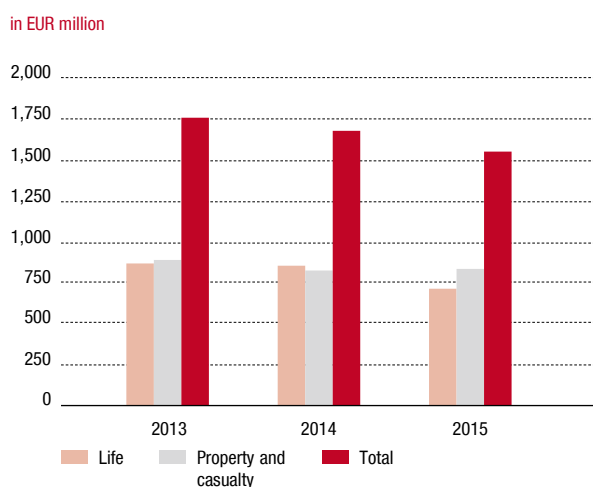
The market share of Vienna Insurance Group in the Czech Republic for 2015 was 32.7%. This makes VIG the leading insurance group in the Czech market. In the area of life insurance, VIG is the leader, with a market share of 30.1%. The Group is in second place in non-life.

Business development in the Czech Republic in 2015

Premium development

In 2015, the premium volume of the Czech insurance companies was EUR 1,554.82 million. (2014: EUR 1,683.41 million), a decrease of 7.6% on the previous year's level. Net earned premiums were EUR 1,204.78 million in 2015 (2014: EUR 1,366.04 million).

PREMIUMS WRITTEN IN THE CZECH REPUBLIC



In property and casualty insurance, an increase in premiums of 1.4% to EUR 838.15 million was recorded (2014: EUR 826.65 million).

As a result of the restrained in single premium business, the written premiums fell by 16.3% to EUR 716.67 million

Expenses for claims and insurance benefits

The Czech companies had expenses for claims and insurance benefits (less reinsurance) of EUR 817.14 million in

2015, or EUR 140.38 million less than in 2014. This corresponds to a reduction of 14.7% which is attributable to the lower allocations to the actuarial reserve as a result of the decline in single premium business in life insurance. In addition, in property and casualty insurance, it was possible to decrease the loss ratios in the area of motor third party liability insurance significantly.

Acquisition and administrative expenses

The acquisition and administrative expenses were reduced by the Czech companies in 2015 by 4.9% to EUR 316.28 million. In 2014, the acquisition and administrative expenses still totalled EUR 332.47 million. The main reason for the improvement is the lower loss ratio in the area of motor third party liability insurance mentioned above. Through that the Czech Group companies received significantly higher reinsurance commission.

Profit before taxes

In 2015, the Czech companies contributed EUR 162.99 million to the total profit (2014: EUR 177.87 million). A significant factor in this decline of 8.4% was the declining financial result.

Combined ratio

The combined ratio remained at an excellent level of 90.7% in 2015 (2014: 86.2%).

VIENNA INSURANCE GROUP IN THE CZECH REPUBLIC

	2015	2014	2013
in EUR million			
Premiums written	1,554.82	1,683.41	1,762.08
Life	716.67	856.75	870.13
Property and casualty	838.15	826.65	891.95
Profit before taxes	162.99	177.87	197.82

SLOVAKIA

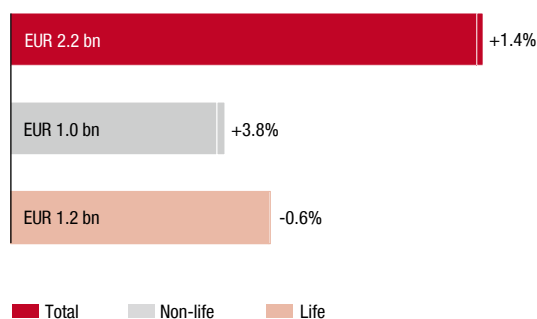
Slovakian insurance market

Due to the fact that Slovakia no longer publishes detailed market data, the market shares of the market participants relate to 2014. With regard to premium development, the values published for 2015 were used.

Around half of the Slovakian insurance market was covered by the two largest insurance companies in 2014. The top 5 insurance groups generated a total of around 80% of market premiums.

MARKET GROWTH IN 2015 COMPARED TO THE PREVIOUS YEAR

2015 figures



Source: Slovak Insurance Association

The Slovakian insurance market was able to achieve premium growth of 1.4% in 2015.

In 2015, in non-life insurance, premiums written increased by 3.8%. The increase is mainly a result of positive development in property and casualty insurance (+5.9%). The motor line of business was able to achieve a moderate growth of 2.1%. In the area of motor third party liability insurance, there is still a great deal of competition in the Slovakian insurance market.

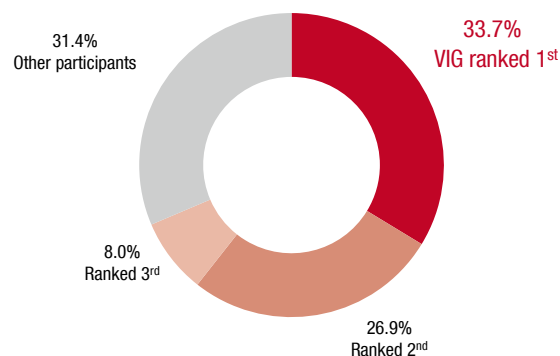
During 2015, as a result of the changes to the law on motor third party liability insurance, a “bonus/malus” system was introduced and regulated. Previously, the insurance companies active on the market offered the system only on a voluntary basis.

The area of life insurance experienced a 0.6% decrease in 2015. Here the demand for investment and capital products shifted toward pure risk life insurance.

Average per capita expenditure for insurance in Slovakia was EUR 403 in 2014. Of this EUR 178 was spent on non-life insurance and EUR 224 on life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Slovak Insurance Association; as of 2014

VIG companies in Slovakia

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

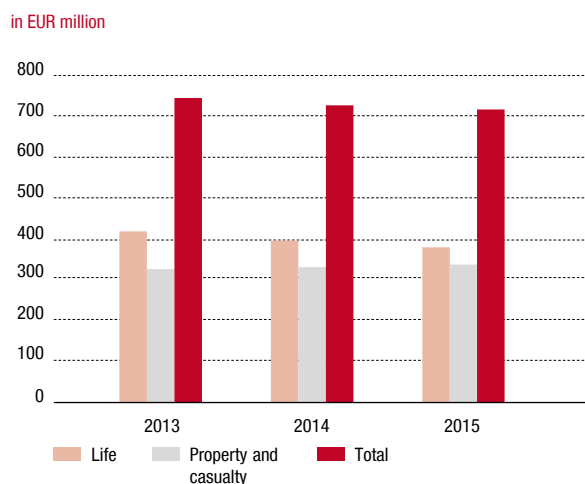
With a market share of 33.7% in 2014, Vienna Insurance Group is the largest insurance group in the country. The Group holds second place in Slovakia in the area of non-life insurance and first place in life insurance.

Business development in Slovakia in 2015

Premium development

Vienna Insurance Group recorded EUR 716.49 million in premiums written in Slovakia in 2015 (2014: EUR 726.99 million), a decrease of 1.4%. Net earned premiums were EUR 576.54 million, which represented a decrease of 3.4%.

PREMIUMS WRITTEN IN SLOVAKIA



In property and casualty insurance, the Slovakian VIG companies increased their premium income by 1.8% to EUR 336.95 million.

Although bank distribution through the local Erste Group subsidiary developed in a positive way with a growth of 7.7% in comparison with the previous year, the Slovakian Group companies overall recorded premiums written in the area of life insurance of EUR 379.54 million, 4.1% less than in the previous year (2014: EUR 395.89 million). This decline is the result of lower demand for single premium

products from the Slovakian Group company Kooperativa as a result of the low interest rate level.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits (less reinsurance) were EUR 469.97 million in 2015. This was a decrease of 2.3% over the previous year.

Acquisition and administrative expenses

VIG recorded EUR 98.65 million in acquisition and administrative expenses in Slovakia in 2015 (2014: EUR 91.44 million). The increase of 7.9% is mainly the result of significantly higher commission rates because of the changes in the product portfolio in the area of life insurance, as well as increased brokerage distribution in the area of property and casualty insurance.

Profit before taxes

Profit before taxes in the Slovakian companies totalled EUR 51.87 million. The decline of 12.8% is mainly the result of increased motor claims because of poor weather conditions and several major claims.

Combined ratio

The combined ratio of Vienna Insurance Group in Slovakia was 96.2% (2014: 91.3%) because of the increased motor claims and major claims, mentioned above.

VIENNA INSURANCE GROUP IN SLOVAKIA

	2015	2014	2013
in EUR million			
Premiums written	716.49	726.99	744.67
Life	379.54	395.89	418.57
Property and casualty	336.95	331.10	326.10
Profit before taxes	51.87	59.46	55.26

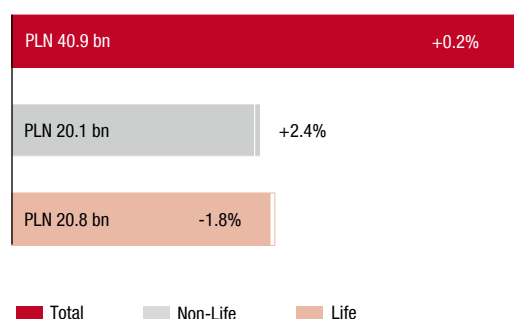
POLAND

Polish insurance market

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

MARKET GROWTH IN THE 1ST TO 3RD QUARTER OF 2015 COMPARED TO THE PREVIOUS YEAR

9M 2015 figures



Source: Financial Market Authority Poland

In the 1st–3rd quarter of 2015, the premiums written in the Polish insurance market increased based on local currency slightly by 0.2%.

In the area of non-life insurance, in the 1st–3rd quarter of 2015, premium growth of 2.4% was recorded. This was mainly due to an increase in premiums in the non-motor lines of business of 4.2%. The motor lines of business were able to achieve a slight premium growth of 0.7% in the 1st–3rd quarter of 2015, however they were still affected by intense competition with regard to price. This price pressure affected the motor third party liability insurance and resulted in a decrease in premiums of 0.7%. The motor own-damage insurance, on the other hand, increased by 2.8% in comparison with the same period of the previous year.

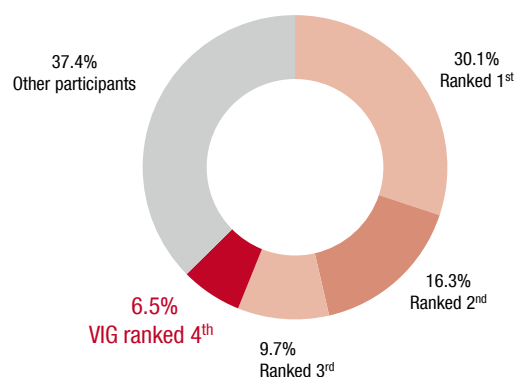
In the area of life insurance, premiums written fell slightly in comparison with the previous year by 1.8%. The reason

for this was the 5.0% decline in single premium products. Life insurance with regular premiums on the other hand developed in a stable manner, increasing by 0.6%.

Average per capita expenditure for insurance in Poland was EUR 341 in 2014. Of this, EUR 163 was accounted for non-life insurance and EUR 178 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Financial Market Authority Poland; as of 9M 2015

VIG companies in Poland

Vienna Insurance Group is represented in the Polish market by five Group companies: Compensa Life and Non-Life, InterRisk, and the two life insurance companies Polisa and Skandia.

At the end of October 2015, the two property and casualty insurance companies Compensa and Benefia were merged. The merged company operates under the name Compensa Towarzystwo Ubezpieczeń SA Vienna Insurance Group.

Vienna Insurance Group's market share was 6.5% for the 1st–3rd quarter of 2015. The Group holds fourth place in the Polish insurance market. In the non-life area, the Group is also in the top four. In life insurance, VIG is sixth in the market.

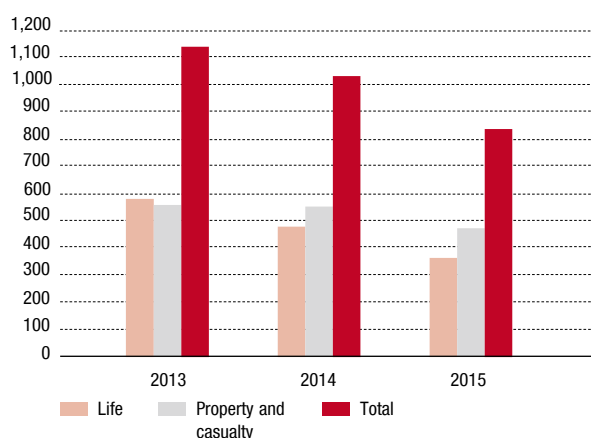
Business development in Poland in 2015

Premium development

Vienna Insurance Group generated total premiums written of EUR 838.86 million in Poland in 2015 (2014: EUR 1,034.05 million). This was a decrease of 18.9% compared with the previous year. Net earned premiums were EUR 716.26 million in 2015, 16.0% lower than in 2014.

PREMIUMS WRITTEN IN POLAND

in EUR million



The premiums written in property and casualty insurance decreased in comparison with the previous year by 14.3% and totalled EUR 474.49 million (2014: EUR 553.86 million). The reduction was due to intense price competition in the motor line of business.

In the area of life insurance as a result of the decrease in single premium products, a decrease in premiums written of 24.1% to EUR 364.37 million was recorded. Regular premiums in life insurance, on the other hand, achieved a significant increase of 33.8%, mainly resulting from the consolidation of Skandia Poland from the second half of 2014.

Expenses for claims and insurance benefits

Vienna Insurance Group had expenses for claims and insurance benefits (less reinsurance) of EUR 501.34 million in Poland in 2015 (2014: EUR 582.74 million). This was a decrease of EUR 81.40 million, or 14.0% in expenses for claims and insurance benefits (less reinsurance). This development was caused by the significantly lower single premium business in life insurance.

Acquisition and administrative expenses

In 2015, the Polish Group companies of Vienna Insurance Group were able to reduce acquisition and administrative expenses by 15.9% to EUR 218.95 million (2014: EUR 260.33 Million), which is due in part to lower commissions in the motor line of business, in which significantly lower premiums were achieved as a result of the intense price competition.

Profit before taxes

In 2015, the Polish companies recorded profit before taxes in the amount of EUR 43.40 million. The decrease of 21.3% can mainly be attributed to increased price competition in the motor insurance line of business in combination with the lower financial result due to the market conditions.

Combined ratio

In Poland, the combined ratio in 2015 was just below the 100% mark at 99.3% (2014: 96.3%) as a result of the increased price competition in the motor insurance line of business.

VIENNA INSURANCE GROUP IN POLAND

	2015	2014	2013
in EUR million			
Premiums written	838.86	1,034.05	1,142.30
Life	364.37	480.19	582.23
Property and casualty	474.49	553.86	560.07
Profit before taxes	43.40	55.16	50.22

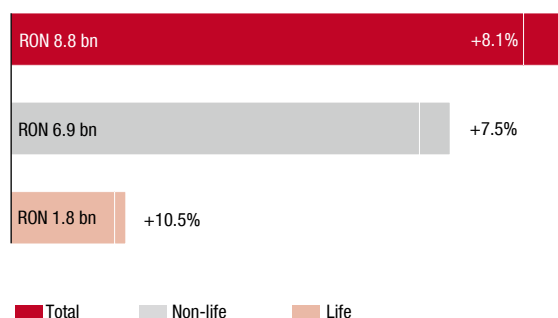
ROMANIA

Romanian insurance market

Compared with other insurance markets, Romania has a lower market concentration. The top 5 insurance groups generated just below 60% of total premiums in 2015.

MARKET GROWTH IN 2015 COMPARED TO THE PREVIOUS YEAR

2015 figures



Source: Journal "Insurance Profile" and insurance supervisory authority CSA

The premiums written in Romania increased by 8.1% in 2015 based on local currency in comparison with the same period of the previous year.

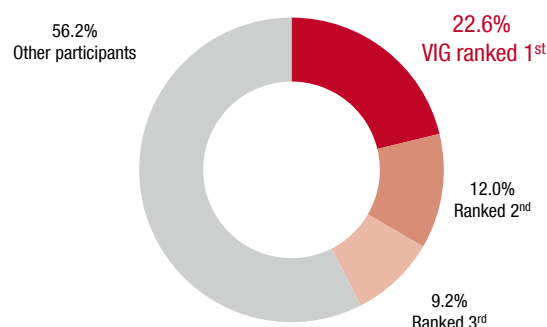
The area of non-life insurance saw a growth of 7.5% in comparison with the previous year. The growth is based mainly on an increase in motor third party liability insurance, which gained 17.6% as a result of rising average premiums. In addition, the premiums in property and casualty insurance rose slightly.

In 2015, the life insurance market grew by 10.5%. The significant increase in premiums results primarily from an increase in unit-linked and index-linked life insurance.

Insurance density in Romania in 2014 was just EUR 91. EUR 73 of this amount was for non-life insurance and EUR 19 for life insurance. A comparison with other countries in the CEE region, such as the Czech Republic, which had an insurance density of EUR 527 in 2014, shows the enormous potential of the Romanian insurance market.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Journal "Insurance Profile" and insurance supervisory authority CSA; as of 2015

VIG companies in Romania

VIG is represented by three insurance companies in the Romanian market. In addition to Omiasig and Asirom, BCR Life is also part of Vienna Insurance Group. Vienna Insurance Group's market share of 22.6% in 2015 makes it the leading insurance group in Romania. In non-life insurance, too, VIG has taken the top spot in the market. In life insurance, the Group holds second place.

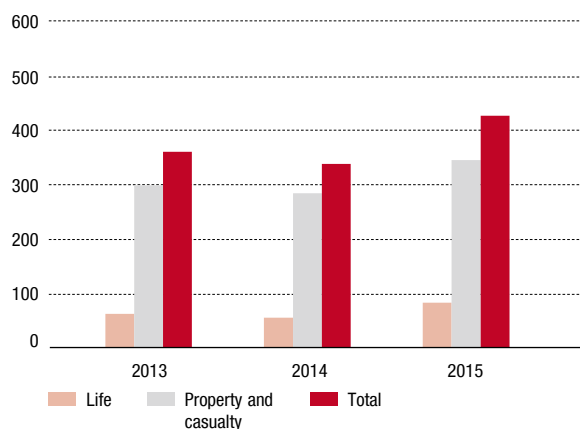
Business development in Romania in 2015

Premium development

Premiums written increased by 26.2% in Romania to EUR 428.63 million in 2015 (2014: EUR 339.67 million). In 2015, net earned premiums totalled EUR 265.02 million, 43.7% higher than the figure for the previous year.

PREMIUMS WRITTEN IN ROMANIA

in EUR million



As a result of increased new production, mainly due to increased average premiums in the motor lines of business, a significant rise was recorded in the area of property and casualty insurance from 21.4% of premiums written to EUR 346.44 million (2014: EUR 285.31 million).

In the area of life insurance, the premium income generated by the Romanian VIG companies increased to EUR 82.20 million. (2014: EUR 54.36 million). The significant growth of 51.2% came mainly from the positive performance of bank distribution of unit-linked and index-linked products via the local Erste Group subsidiary BCR.

Expenses for claims and insurance benefits

The Romanian companies had EUR 176.24 million in expenses for claims and insurance benefits (less reinsurance) in 2015 (2014: EUR 123.68 million). The increase of 42.5% in comparison with the previous year is due to the allocation of claims reserves in the motor business, and to allocations in the unit-linked and index-linked life insurance area due to the significantly increased business volume.

Acquisition and administrative expenses

The acquisition and administrative expenses of Vienna Insurance Group in Romania for 2015 totalled EUR 85.69 million (2014: EUR 74.29 million). This is 15.3% more than the previous year. This development results from higher commission expenses due to higher business volume in both the motor business and unit-linked and index-linked life insurance.

Profit before taxes

Profit before taxes fell during 2015 in comparison with the previous year by 7.1% to EUR 5.65 million. The drop results in particular from the decline in BCR Life's financial result.

Combined ratio

The combined ratio improved considerably compared with the previous year, although at a level of 102.4% it was still above the 100% mark (2014: 105.0%).

VIENNA INSURANCE GROUP IN ROMANIA

	2015	2014	2013
in EUR million			
Premiums written	428.63	339.67	361.80
Life	82.20	54.36	61.84
Property and casualty	346.44	285.31	299.95
Profit before taxes	5.65	6.08	-98.70

REMAINING MARKETS

The Remaining Markets include Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Moldova, Serbia, Turkey and Ukraine. The Remaining Markets generated 14.3% of Group premiums in 2015.

The Group companies in the Montenegro and Belarus markets were not included in the VIG consolidated financial statements.

Albania

The Albanian insurance market grew in 2015 by 21.4% on a local-currency basis. The 23.4% increase in premiums in the area of non-life insurance in comparison with the previous year is above all a result of a major increase in premiums in the motor insurance. This increase results from the corrective measures taken by the Albanian supervisory authority (AFSA) aimed at liberalising the motor tariffs. Consequently, the premiums in motor third party liability insurance increased by 22.5%, while those for motor own-damage insurance increased by 20.6%. Double-digit growth rates were also recorded in casualty and health insurance. Life insurance in 2015 remained at the same level as the previous year.

VIG is active in the Albanian market through two non-life insurance companies: Sigma InterAlbanian and Intersig. Sigma InterAlbanian also has a branch in Kosovo. VIG holds second place in the Albanian market, with a market share of 26.3%.

Bosnia-Herzegovina

The insurance market in Bosnia-Herzegovina grew by 4.7% in local currency in 2015. Premiums increased in the area of non-life insurance by 3.9%. This was primarily a result of positive development in motor third party liability insurance. Life insurance also developed in a dynamic way, reporting growth of 7.9% in 2015.

VIG is represented by the Group company Wiener Osiguranje in Bosnia-Herzegovina. VIG's 5.4% share of total premium volume places it in 7th place in the market.

In non-life insurance, it is in 4th place, and in 8th place for life insurance.

Bulgaria

The Bulgarian insurance market recorded premium growth in the 1st–3rd quarter of 2015 of 9.7% compared to the same period of the previous year on a local-currency basis. Premiums in non-life insurance rose by 6.9%. Overall, life insurance recorded an increase of 22.0%, with tax-privileged savings products, risk products, and unit-linked life insurance experiencing the most positive performance.

Vienna Insurance Group is represented by two Group companies in Bulgaria, Bulstrad Life and Bulstrad Non-Life. The Group occupies very safe 2nd place in the Bulgarian insurance market. In June 2015, Bulstrad Non-Life entered into an agreement to acquire a 100% stake in the company UBB-AIG and conclude a cooperation agreement with United Bulgarian Bank (UBB). After receiving regulatory approval in January 2016, the name of UBB-AIG was changed to Insurance Company Nova Ins EAD (Nova). In addition, Bulstrad Non-Life acquired the remaining shares of its subsidiary Bulstrad Life in December 2015, thereby gaining full control.

Germany

The premium volume in the German insurance market in 2015 remained at the same level as in 2014. Property and casualty insurance reported 2.7% higher premium income in 2015. Premiums specifically in life insurance were characterised by the effects of the continuing low interest rate environment on the single premium business. While regular premium products remained stable (+0.3%), single premium business declined by 8.8%. This resulted in an overall decline in the life insurance market by 2.6%.

VIG is represented by two Group companies in Germany, InterRisk Non-Life and InterRisk Life. Both companies operate purely as brokers insurers. InterRisk Non-Life specialises in casualty and liability insurance and selected property insurance products. InterRisk Life focuses on retirement provision and occupational disability solutions, as well as protection for surviving dependants. Both VIG companies are still successful in the German market as profitable niche providers.

Estonia, Latvia and Lithuania

The positive growth trend in the Baltic States continued in 2015. All three Baltic States displayed significant premium growth. Estonia reported an increase in 2015 of 9.7% compared with the same period last year. Growth in Latvia was similarly high in the 1st–3rd quarter of 2015, at 7.3% and in Lithuania at 6.9%. Life insurance reported particularly dynamic growth in all three markets.

In Estonia, the VIG is active via the Group company Compensa Life, which is also represented by branches in Latvia and Lithuania. In 2015, the non-life insurance company Compensa Vienna Insurance Group, UADB, known as Compensa Non-life, was also formed, which is headquartered in Lithuania and handles the business formerly controlled from Poland. It maintains branches in Latvia and Estonia. By purchasing the Latvian non-life insurer “Baltikums Vienna Insurance Group” AAS, abbreviated to “Baltikums”, VIG has acquired a majority stake in another company in Latvia. Baltikums operates a branch in Lithuania, whereas in Estonia, insurance products are sold through brokers. A majority interest was also acquired in BTA Baltic in Latvia towards the end of the year. The acquisition took place subject to necessary official approvals. The acquisition of BTA Baltic Insurance Company AAS, known as BTA Baltic, makes VIG one of the top 3 insurers in the non-life insurance market in the Baltic States.

Georgia

The insurance market in Georgia in the 1st–3rd quarter of 2015 recorded a significant increase of 29.4% in premium volume. Despite the dissolution of the national health insurance programme and a resulting decline in this class of insurance, the share of health insurance in the total premium volume totals around 45%. All lines of business were able to record positive growth in local currency compared with the same period of last year. The non-life area increased by 27.9%, the life area increased by 59.2% and health insurance increased by 17.2%.

A total of 14 insurance companies operate in the Georgian market. VIG is represented by two companies, IRAO and GPIH, which together, occupy the second place in the market, with a total market share of 27.7%.

Croatia

In 2015, the Croatian insurance market grew by 1.9% in local currency. Life insurance recorded an overall increase of 11.2%. This positive development was above all a contribution of the unit-linked products, with an increase of 77.1% in comparison with the previous year. In the area of non-life insurance, negative development in motor third party liability insurance resulted in a decline of 2.2%. Motor own-damage insurance, on the other hand, increased by 10.7% in 2015.

Vienna Insurance Group is represented by two companies in Croatia. Wiener Osiguranje is active both in life and non-life insurance while Erste Osiguranje specialises in life insurance business in cooperation with Erste Group. The Group ranks fourth in the Croatian insurance market with the share of 8.2%. In life insurance, it has a market share of 14.9%, putting it in the third place. In the area of non-life insurance, it is in the sixth place, with 4.8%.

Liechtenstein

Liechtenstein benefits from a central location that gives it unique access to the European Economic Area and Swiss market. As a result, the insurance companies located there offer international insurance solutions. At the end of 2015, 21 life insurance, 17 property and casualty insurance and 3 reinsurance companies had registered offices in Liechtenstein. The provisional figures for the market as a whole lead to an expectation of a slight decline in the level of premium income in 2015.

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

Macedonia

In comparison with the previous year, the Macedonian insurance market grew on a local-currency basis by 7.8%. With an 89.0% share in total premium volume and a 6.3% increase in premiums in comparison with the previous year, non-life insurance remains the major growth driver in this market. The life insurance area in Macedonia remains very underdeveloped, but the largest growth rate was achieved here, with an increase of 21.7%.

VIG is represented by three Group companies in the Macedonian market: Winner Non-Life, Winner Life, and Makedonija Osiguruvanje. It is the market leader, with a share of 21.3%. VIG holds the first place for non-life insurance and the third place for life insurance.

Moldova

A total of 15 insurance companies are active in the Moldovan insurance market. In the 1st–3rd quarter of 2015, total premium increase of 1.0% in local currency in comparison with the previous year was reported. The market is dominated by the non-life business, which achieved premium increases of 0.6% in 2015, with a share of 93.6% of total premium volume. In life insurance, premiums grew in comparison with the previous year by 7.4%.

VIG is represented by the Group company Donaris in Moldova. Its acquisition last year enabled VIG to open up the last country in the CEE region and extend its presence to 25 countries. In Moldova VIG is third in the market with a share of 13.6%.

Serbia

In local currency, the premium volume reported growth of 18.0% in the 1st–3rd quarter 2015 in comparison with the same period of the previous year. The 17.1% increase in premiums in non-life insurance is mainly a result of positive performance in the area of motor third party liability insurance. The life insurance area in Serbia has only a low level of market penetration. Nevertheless, it was possible to increase premiums in the first three quarters of 2015 by 21.3%, with bank cooperations performing particularly well.

In Serbia, the Vienna Insurance Group is represented by Wiener Städtische Osiguranje in the field of life and non-life insurance. With market share of 9.3%, VIG is the fourth largest insurer. In life insurance, it is in the second place, and in non-life insurance, in the fifth place.

Turkey

The Turkish insurance market achieved a premium increase of 19.4% on a local-currency basis in the year 2015. With a share of 87.9% of total premium volume and a strong increase of 20.1% compared with the previous year, the non-life sector dominates the Turkish insurance market. The growth results both from the dynamic development of the property and casualty line of business

(+17.6%) and from the sharp rise of 22.8% in motor insurance. Life insurance grew in 2015 by 14.7%.

VIG is represented by the non-life insurer Ray Sigorta in the Turkish insurance market. VIG's 1.4% share of total premium volume places it in 13th place on the market.

Ukraine

Premiums in the Ukrainian insurance market grew by 27.1% in local currency during the 1st–3rd quarter of 2015. This resulted primarily from a 29.7% increase in non-life insurance. The non-life insurance market is strongly characterised by price fights and commission dumping. The devaluation of the currency and rate increases in the area of the motor third party liability insurance resulted in an increase of 22.7% in motor insurance, although a decrease in the number of new policies was observed. Gross premiums in the area of life insurance in the first three quarters of 2015 remained at the same level as in the same period of the previous year.

Vienna Insurance Group is represented in Ukraine by four insurance companies, the three non-life insurance companies UIG, Kniazha and Globus and the life insurance company Jupiter. VIG has a market share of 4.3%, which puts it in the third place in the Ukrainian insurance market. In the area of non-life insurance, Vienna Insurance Group is in the second place, and in life insurance, it is in the ninth place.

Hungary

The total premiums in the Hungarian insurance market in 2015 in local currency displayed growth of 2.5% in comparison with the previous year. The 8.3% increase in premiums in non-life insurance mainly results from positive performance in motor insurance. With regard to life insurance, in contrast, a decrease of 2.6% was reported, which results mainly from a decrease in single premium business. On the other hand, positive trends can be seen in the area of pension insurance. The tax advantages are having an effect and led to an increase in premiums of 58.8% during 2015.

VIG's represented in Hungary by three companies: the life and non-Life insurance company Union Biztosító and the two life insurance companies Erste Biztosító and Vienna Life Biztosító. With a market share of 7.4%, VIG is in the sixth place in the Hungarian insurance market. In non-life

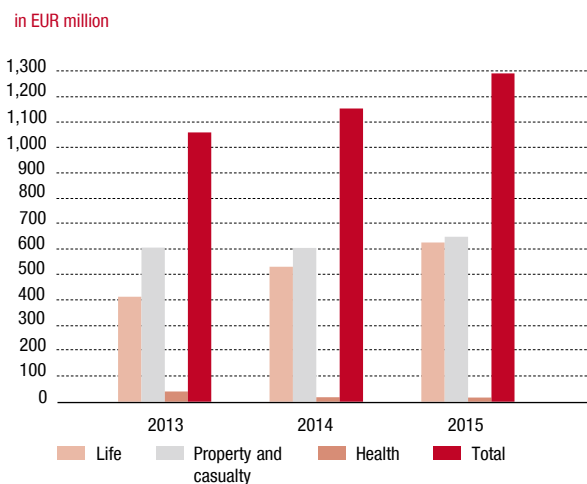
insurance, VIG has a 5.9% market share and an 8.8% market share in life insurance, putting it in the 6th place for each.

Business development in the Remaining Markets in 2015

Premium development

In the Remaining Markets, Vienna Insurance Group generated total premiums written of EUR 1,294.18 million in 2015 (2014: EUR 1,155.64 million), representing a significant increase of 12.0% compared with the previous year. Net earned premiums were EUR 981.70 million in 2015 (2014: EUR 880.13 million), an increase of 11.5% compared with the previous year.

PREMIUMS WRITTEN IN THE REMAINING MARKETS



Property and casualty insurance in the Remaining Markets increased premium volumes by 7.3% to EUR 650.44 million (2014: EUR 606.08 million). The countries in which development was particularly noteworthy are Turkey and Bulgaria which reported particularly dynamic growth rates in motor third party liability, motor own-damage, and fire insurance.

Life insurance premium income from Vienna Insurance Group companies in the Remaining Markets rose by 18.0% to EUR 626.95 million in 2015 (2014: EUR 531.42 million). In the CEE countries, the strong growth rates in the Baltic States, Bulgaria, and Hungary for regular premiums are particularly noteworthy.

In the area of health insurance, premiums written by the Georgian Group companies decreased by 7.5% to EUR 16.78 million. The decline is almost exclusively the result of the devaluation of the Georgian Lari.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits less reinsurance were EUR 697.28 million in 2015 (2014: EUR 653.14 million). In a comparison with the previous year, this means an increase in expenses for claims and insurance benefits (less reinsurance) of 6.8%, which resulted from the first-time consolidation of Vienna Life in Hungary (as of 1 July 2014) and of Donaris in Moldova (as of 31 December 2014).

Acquisition and administrative expenses

In 2015, acquisition and administrative expenses in the Remaining Markets of EUR 209.29 million in 2014 increased to EUR 215.45 million. This corresponds to an increase of 2.9% in comparison with the previous year, which above all results from the first inclusion of Vienna Life in Hungary (as of 1 July 2014) and Donaris in Moldova (as of 31 December 2014), as already mentioned.

Profit before taxes

Above all as a result of impairments on receivables in the area of property and casualty insurance in Bulgaria, profit before taxes in Remaining Markets decreased by 17.2% to EUR 42.79 million.

Combined ratio

In 2015, the VIG combined ratio in the Remaining Markets was 99.8% (2014: 97.6%). This is a result of higher loss ratios in the motor lines of business in Turkey and Albania.

VIENNA INSURANCE GROUP IN THE REMAINING MARKETS

	2015	2014	2013
in EUR million			
Premiums written	1,294.18	1,155.64	1,061.64
Life	626.95	531.42	414.16
Property and casualty	650.44	606.08	607.09
Health	16.78	18.13	40.39
Profit before taxes	42.79	51.66	49.00

CENTRAL FUNCTIONS

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

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

The Group's own reinsurance company, VIG Re, was formed in Prague in 2008 and is a successful reinsurance provider for both Vienna Insurance Group companies and external partners. VIG 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 July 2015.

Business development in the Central Functions in 2015

The companies in the Central Functions recorded premiums written of EUR 1,248.91 million in 2015. This represented a decrease in premium volume of 3.2% in comparison with the previous year, which resulted from a lower volume of reinsurance within the Group. The loss of EUR 347.24 million reported in the Central Functions (2014: EUR -2.24 million) is mainly a result of the impairment of IT systems in the amount of EUR 195.00 million (2014: EUR 50.00 million) and also of impairments of goodwill and insurance portfolios.

NON-FINANCIAL PERFORMANCE INDICATORS

Since the Beginnings of the Group more than 190 years ago, the ethical values that form the basis of the corporate development are deeply embedded in the Group's understanding of itself. Credibility and integrity, as well as appreciation and respect, form part of these values and underpin the corporate responsibility that is put into practice.

The VIG uses many measures and projects to provide a valuable contribution in many areas of society. The following provides some examples that represent the Group's wide range of commitments.

Social involvement

Children and the promotion of their development is an area of particular importance in the social activities of VIG.

VIG Kids Camp

Around 500 children from 22 nations – from Bulgaria and Ukraine to Slovakia and Poland, to name a few – spent two weeks of their summer holidays in 2015 at VIG Kids Camp. For the sixth time, the main shareholder of Vienna Insurance Group, Wiener Städtische Versicherungsverein, invited children of employees of VIG Group companies to Austria. They had three camps to choose from: the "City Camp" on the outskirts of Vienna, the "Country Camp" in Wagrain in Salzburg, and the "Mountain Camp" in Mariazell in Styria. This is a fun way for children to get to know the international environment in which their parents work. At the same time, the VIG kids camp promotes inter-cultural relations and diversity by opening up countless new horizons.

Language learning app

In autumn 2015, a new free app enabled children to learn essential German vocabulary independently. Various exercises and repetitions help them master a basic vocabulary of around 1,000 words. The app for smart phones and tablets is also backed up by printed learning materials. This way, teachers can also aid students with the project. The VIG Group company Wiener Städtische is one of the partners of this Austrian education initiative, which mainly benefits migrants and supports them by helping them adapt to their new environment.

Cultural commitment

Gustav Mahler Youth Orchestra

As a place of learning for talented European orchestra musicians, Gustav Mahler Youth Orchestra, which is considered the best youth orchestra in the world, helps young Austrian musicians play music with their colleagues from all over Europe, traditionally including many participants from Central and Eastern Europe. More than 2,000 musicians apply each year, and after the rigorous selection process, the best are invited to join the orchestra. Vienna Insurance Group has supported Gustav Mahler Youth Orchestra for many years.

Environmental factors

Taking care of the environment is also one of the key components of corporate responsibility. VIG demonstrates it in various ways: starting with energy-efficient air conditioning in the form of a district cooling system and the use of video conference rooms for international meetings at company headquarters to using sustainable construction methods for new construction projects. Furthermore, in 2014, a new printer concept was introduced in the Austrian companies, which led to a substantial reduction in paper consumption. Embracing the digital age, the Czech company Kooperativa has created an option for digital signature with biometric features. This not only makes processing convenient for clients, but also saves paper. The Romanian VIG company Omnisig also began a campaign intended to draw attention to environmental issues, in particular, protection of the Danube Delta nature reserve.

Employees

The diversity of the different Vienna Insurance Group companies is also a reflection of the diversity of its employees. This diversity is part of day-to-day life within Vienna Insurance Group. Respect for different cultures and the cross-border sharing of experience and know-how have played an important role in the sustained success of the Group. As an employer, VIG's goal in this respect is to promote the professional and personal development of its employees and support them in demonstrating and further developing their abilities.

In 2015, Vienna Insurance Group employed 22,995 people. Of these, 12,791 worked in field sales and 10,204 worked in administration. Overall, the Company employs 365 fewer people in comparison with the previous year. This decrease is the result of the merger in Poland, as well as the optimisation programme in Romania. In 2015, the proportion of women across the Group was approximately 60%. Women hold around 22% of the positions on the Managing Boards of VIG insurance companies and around 12% of the Managing Board chairs are women. Elisabeth Stadler has been managing the Group since 1 January 2016.

She is currently Austria's only female Managing Board chair of an ATX company. Including distribution, women hold around 40% of the management positions at the level directly below the Managing Board in Vienna Insurance Group insurance companies across Europe (not including distribution: around 45%).

EMPLOYEES BY REGION

	2015	2014	2013
Austria	5,133	5,202	5,235
Czech Republic	4,758	4,802	4,852
Slovakia	1,580	1,579	1,557
Poland	1,723	1,825	1,742
Romania	2,106	2,351	2,727
Remaining Markets*	7,258	7,168	6,706
Central Functions**	437	433	543
Total	22,995	23,360	23,362

* Remaining Markets Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Moldova, Serbia, Turkey, Ukraine

** Central Functions include VIG Holding, VIG Re, VIG Fund, corporate IT service providers and intermediate holding companies

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

VIG is specifically involved in events such as the "Business Riot" - the Festival for Women, Work & Entrepreneurship, in particular making contributions on the subject of "actively structuring female careers".

Corporate governance

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Significant events in accordance with the balance sheet date are presented on page 201 in the notes to the financial statements.

RESEARCH AND DEVELOPMENT

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

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

The detailed risk report for VIG is provided in the notes to the consolidated financial statements on page 106.

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 106).

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, consolidated statement of cash flows, segment reporting and all necessary disclosures in the notes. The financial statement process includes the aggregation of all data from accounting and upstream processes for the annual financial statements.

Risk management is implemented in the Vienna Insurance Group accounting process in accordance with the five elementary components of the COSO (Committee of

Sponsoring Organisations of the Treadway Commission) framework model for internal risk management.

Control environment

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

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

Risk assessment

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

Control measures

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

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

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

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

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

Information and communication

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

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

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

Monitoring

The Group accounting department is managed by the Vienna Insurance Group Chief Financial Officer and is responsible for preparing the Group Annual Report. Quarterly reports are provided to the Managing Board and Supervisory Board to ensure regular monitoring of the internal control system. Risks are continuously monitored

by internal cross-departmental Group controls (e.g. Group accounting department, Controlling).

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

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

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

Disclosures in accordance with § 267(3a) in combination with § 243a UGB

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

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

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

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

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

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

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

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

c) The share capital has consequently been increased in accordance with Section 159 (2) no. 1 of the Austrian Stock Corporation Act (AktG) on a contingent basis up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the general meeting resolution of 3 May 2013 exercise the subscription or exchange rights they were

granted. The Managing Board has not adopted any resolutions to date concerning the issuance of convertible bonds based on the authorisation granted on 3 May 2013.

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

As of 31 December 2015, no authorisation of the Managing Board under § 65 of the AktG (acquisition of own shares) was in effect, and the Company held none of its own shares as of 31 December 2015.

8. As of 31 December 2015, the Company was not party to any material agreements that would come into effect, change or terminate if control of the Company were to change due to a takeover bid, in particular, no agreements that would affect participations held in insurance companies. Existing agreements that would come into effect if control of the Company were to change due to a takeover bid relate to participations held in other (non-insurance) companies.

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

Outlook for 2016

AUSTRIA

The lack of economic dynamism in the Eurozone, the US and some major emerging markets has had a dampening effect on growth forecasts for the Austrian economy as a result of its traditionally strong foreign trade links. Notwithstanding the fact that the demand for exports and investment in equipment had an invigorating effect, private consumption decreased by the end of 2015. This is added to an increasingly tight job market with an unemployment rate of 9.1% in January 2016. The International Monetary Fund (IMF) sees no signs of a recovery and in its winter forecast maintains a growth rate of 1.7% for the Austrian gross domestic product for both 2016 and 2017.

The low oil price continued to provide relief to the budgets of companies and private households and helped to keep inflation low. However, no long-term fall in energy prices is expected. The positive trends expected in the first months of 2016 relate mainly to increased demand in purchasing and the intermediate input sections of the industry. The more positive expectations are not, however, expected to take immediate effect in the consumer goods industry.

As part of a slight recovery in the Austrian economy in the calendar year 2016 based on the manufacturing industry index, it is expected that it will be possible to achieve values again that correspond approximately to the average for the past few decades. At the beginning of the year, a tax reform came into force in Austria which it is hoped will somewhat reinvigorate private demand that has been moderate over the past few months.

The lasting low interest rates will continue to present a challenge for the life insurance business in both Austria and Europe, as well as in other parts of the world. The Austrian banking system is currently in a major restructuring phase. This involves firstly a reduction in the number of banks and branches, and secondly the further increasing of the capital base required by the international regulatory authorities.

The public budget deficit remained within the limits in 2015 at 2.0% of GDP. Despite the continuing high level of government debt of 86.7% and the doubts expressed by the EU commission as to whether the budget targets set can really be achieved, Austria still has an "AA+" rating on the international capital markets (Standard & Poor's). During the dismantling of HETA last year, initial steps were put into place that were intended to have a positive effect on government debt in years to come. Nevertheless, overcoming the burden of debt will remain one of Austria's main challenges, alongside unemployment and immigration issues.

The Austrian Insurance Association (VVO) expects premium volume to rise to EUR 17.5 billion in 2016, representing a year-on-year increase of 0.3%. While property and casualty insurance is expected to develop in a constant manner at 1.9%, life insurance business, which grew by only 0.2% in 2015, is expected to see a decline of 2.4% in the coming year. In health insurance in Austria, stable premium growth of 3.0% is expected for 2016.

CEE REGION

According to international forecasts, positive development is to be expected in Central and Eastern Europe this year. Almost all VIG markets can expect to see economic development at least remain stable or even grow. The forecasts for Romania are particularly positive for 2016 according to the Vienna Institute for International Economics (WIIW) which is anticipating GDP growth of 4.0%. Growth will remain solid in Poland also, at 3.4%. Particular growth is expected in the Baltic States. Economic growth in Estonia should rise by a percentage point to 2.2%. Both Latvia and Lithuania are expected to achieve a level of 3.0% in 2016, with Latvia increasing its growth by 0.3 percentage points in comparison with the previous year and Lithuania by 1.4 percentage points. The Czech Republic is expected to see growth of 2.4%, which is a very solid value for an economy that is already very well developed. Hungary expects economic growth in 2016 of 2.2%. A decline in GDP growth to 2.0% is forecasted in Slovenia for 2016.

The expiry of EU subsidy programmes from which Hungary in particular has been benefiting massively during the last phase will have the effect of slowing down growth. In the Czech Republic, the slow recovery in Germany and a restrictive fiscal policy will have a detrimental effect. In Slovenia the recovery is progressing slowly mainly because it is driven by private consumption. The trend remains positive, however. This applies to most countries in the West Balkan region also. In 2016, their overall growth remains at a moderate level but the development nevertheless tends towards solid growth.

It is difficult to estimate what the effect of the migration crisis on the CEE countries will be. The greater availability of additional workers is having a positive effect, as are the immediate expansive measures that governments are taking in response to the crisis. On the other hand, there will be medium to long-term negative effects of difficulties in integration into employment markets, as well as increased budget deficits.

Developments during 2015 made it possible to expect a certain amount of stabilisation in Greece in 2016. The unity of the European Union, however, is still repeatedly being questioned. It appears at the moment, however, that it will not be necessary for Greece to leave the EU and that there will be no dismantling of the Union. But this apparently stable state is not certain in the long-term.

It is expected that oil prices will continue to remain low, which will support global demand. One of the major challenges over the coming months and years will probably be a global switch to sustainable energies, as well as the cohesion or restructuring of the European Union. Both of these, however, also represent enormous economic and political potential.

In the insurance industry, the major challenges will remain the low interest rate environment and the severe price competition in particular in the area of motor insurance.

VIENNA INSURANCE GROUP – OUTLOOK

The new management team of VIG will continue to pursue the proven business strategy. In addition to the Group-wide management principles practised, the insurance business as the central core competence is as strongly anchored as is its regional focus. Vienna Insurance Group remains convinced of the great potential offered by the CEE region, and is firmly committed to Austria and Central and Eastern Europe as its home market.

VIG aims to generate healthy, properly considered growth and, based on this principle, will continue in the future to follow a growth policy focusing on earnings. In doing so, the Group will continue to rely on targeted strengthening of high-margin business areas by a calculated push of property and casualty insurance and life insurance with regular premiums. In addition, Vienna Insurance Group will pay attention to potential for insurance in small and medium-size companies and place a strong focus on the area of health insurance. Furthermore, on the product and service side, there will be a new focus on digitalisation.

Based on the proven multi-brand strategy and the many well-established regional sales channels - including the successful cooperation with Erste Group - the Group aims to strengthen its market share both by means of organic growth and through further acquisitions aimed at improving its position in the markets and strategically supplementing the existing portfolio. Acquisitions will be made in areas that make sense economically for VIG in order to achieve the target market position more quickly. Countries where VIG holds top market share should be secured.

These include the Czech Republic and Slovakia, in each of which Vienna Insurance Group holds a market share of over 30%, and Austria, where it holds almost 24%. In Poland, Hungary, Croatia, and Serbia, Vienna Insurance Group wants to increase its market share to a minimum of 10% in the medium term. Despite this aim, there will still be a focus on cost-effectiveness. Investigations will be done to determine where consolidations or bundling of services and processes would make sense.

With regard to the development of results of VIG, it is anticipated that the current low interest rate environment will again lead to a decline in the ordinary financial result in 2016. Vienna Insurance Group will continue to rule out boosting investment income by taking greater investment risks. While maintaining its conservative investment policy, the Group aims to at least double its profit before taxes to earn up to EUR 400 million in 2016. In addition, VIG will pursue a medium-term improvement in the combined ratio approaching 95%.