VIG
VIENNA INSURANCE GROUP

THERE ARE PEOPLE BEHIND EVERY NUMBER

ANNUAL FINANCIAL REPORT 2012 | VIENNA INSURANCE GROUP

pursuant to § 82 sec. 4 of the Austrian Stock Exchange Act

TABLE OF CONTENT

GROUP MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT REPORT TO THE SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS

Note: Our goal was to make the annual report quick and easy to read. For this reason we have not used phrasing such as "he/she", "his/her", etc. It should be understood that the text always refers to women and men equally without discrimination.

GROUP MANAGEMENT REPORT

2012 GROUP MANAGEMENT REPORT

ECONOMIC ENVIRONMENT

Given the challenging global and national economic situation, the performance of the Austrian insurance market should not be interpreted as a sign of a weakness specific to the insurance sector. The Austrian market as a whole recorded a small decline of -0.9% in 2012, primarily because of the fall in the life insurance area (-6.7%).

Austrian gross domestic product recorded real growth of only +0.6%, with particularly poor performance of +0.1% and -0.1% in the 2nd and 4th quarter, respectively. As a small open economy, Austria was hit in a particular way by the sovereign debt crisis and accompanying slowdown in global trade. However, government budget cutbacks and the modernised structure of the economy provided protection against a deep recession.

Although the growth in gross domestic product of the ten newest EU member states (NMS-10) was low, at 1.1%, it was nevertheless considerably higher than the growth for the EU-27, which recorded a fall of 0.3%. Unemployment in the NMS-10 was 9.8% in 2012, 0.7 percentage points lower than the EU-27. Due to muted demand from the EU-15, the current accounts of these countries only recovered slightly by 0.6 percentage points.

At the European level, the EU demonstrated that it was able to act quickly, which was instrumental in bringing temporary calm to the financial markets, and the ECB took a stronger position than it had in the past.

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. Uncertainty about the actual effective date and final detailed formulation of Solvency II makes it necessary for companies to provide a great deal of flexibility in their implementation plans. In addition, based on the current situation, this fundamental reform of insurance supervision law is expected to lead to higher capital requirements for many companies.

In order to satisfy the extensive requirements resulting from Solvency II, in financial year 2009 the Vienna Insurance Group Managing Board established a Group-wide project managed centrally from Austria to implement Solvency II at the individual company and Group levels. Group guidelines and methods are being developed in the Group and implemented locally in Group companies in order to ensure consistent and timely implementation of Solvency II at the individual company and Group levels. In addition, the involvement of expert groups from the individual companies promotes the exchange of knowledge and experience and full acceptance of these guidelines within the Group as a whole. Based on current regulatory requirements and the analyses and test calculations that have been performed, VIG is well prepared for Solvency II at both the Group and individual company levels.

Intensive work on the development and implementation of a partial internal model is continuing at both the Group and individual company levels as part of the Solvency II project. Care is being taken to ensure that the necessary calculation models and processes are set up in the Group companies, so that consistent values can be calculated at both the individual company level and Group level. Regular consultations are being held with supervisory authorities in the individual VIG countries in order to ensure approval of the partial internal model when Solvency II comes into effect.

With respect to future qualitative risk management requirements, Vienna Insurance Group is establishing a uniform governance system appropriate for Solvency II that includes all necessary key functions and clearly defines responsibilities and processes. In addition, Group-wide uniform standards and methods for risk inventory and the Own Risk and Solvency Assessment (ORSA) were developed and checked using test runs at the local and Group levels. A Group-wide internal control system ensures compliance with the guidelines and requirements resulting from the risk management system.

While the focus in 2012 was on actual development and implementation of the models and processes, in 2013 the focus is on further fine-tuning and harmonisation of functional and technical calculation and reporting processes,

and preparations for the approval procedure with supervisory authorities for the partial internal model.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (FATCA) is part of the tax legislation package that came into effect in the United States (US) in 2010. FATCA is aimed at preventing tax evasion by US taxpayers receiving income from foreign financial institutions. FATCA requires foreign financial institutions to enter into an agreement with the US tax authorities that obligates them to disclose all material data on their US clients to the US tax authorities. FATCA comes into effect on 1 January 2014. FATCA affects VIG and some of its Group companies because they are considered to be foreign financial institutions based on their company object or product portfolio. VIG is aware of this. Measures are being prepared to implement a Group-wide FATCA compliance strategy that takes into account the different statutory frameworks in the VIG markets concerned.

Unisex rates

The equal treatment or Gender Directive of 2004 governs the use of gender-specific actuarial factors in the insurance industry and for related financial services. It stipulates that the use of gender as a factor may not lead to a difference in premiums or benefits for policies purchased after 21 December 2007. EU member states may, however, continue to allow proportional differences in premiums and benefits if gender is a determining factor in a risk assessment that is based on relevant and precise actuarial and statistical data.

In its ruling of 1 March 2011, the Court of Justice of the European Union declared this exception invalid. Local legal requirements had to be adjusted to take account of this change by 21 December 2012 at the latest. New policies since this date may only be issued based on the unisex rates. The ruling in general has no effect on pre-existing policies. This change affects all insurance products whose rates were calculated taking gender into account, i.e. primarily the personal insurance lines of business (life, health and casualty insurance).

All Vienna Insurance Group companies operating in member states of the European Union and the EEA have made adjustments to their rates and necessary administrative and distribution processes, while incurring the additional costs for personnel and technical resources required to do so. In life insurance alone, around 700 rates were converted to unisex premiums and implemented before the 21 December 2012 deadline.

Revision of IFRS 4

A new draft IFRS for insurance policies was published in July 2010 to replace the existing IFRS 4. IFRS 4 contains International Financial Reporting Standards (IFRS) provisions concerned with the accounting for insurance policies. The draft provides for recognition of obligations at their settlement value, which is calculated by discounting the expected future cash flows from the policy. Insurance companies will face major challenges implementing these provisions.

The IASB and the US standard setter, the FASB, have had joint consultations since the beginning of 2011 to deal with the comment letters received. Due to the criticism contained in these letters about the proposals in the draft, the IASB has decided to revise the draft and present it to the public again for comments. This should happen in the first half of 2013. The final standard is expected to be published in the second half of 2014. It is expected that insurance companies will have a preparatory period of three years, which means the standard is likely to come into effect on 1 January 2018.

The Vienna Insurance Group Managing Board is monitoring these developments and will begin preparations to implement the final version of the standard promptly after publication.

Revision of IFRS 9

IFRS 9 "Financial instruments" is concerned with the classification, recognition and measurement of financial assets and liabilities. IFRS 9 was published in November 2009, followed by a number of amendments, the last of which was published on 16 December 2011. It has not yet been adopted into European law.

The original version of IFRS 9 would have made it considerably more difficult for insurance companies to classify assets at "amortised cost". The new standard would have led to competitive distortions within economic sectors.

The IASB published a draft of amendments to IFRS 9 "Financial instruments" in November 2012 that include in particular the introduction of a new measurement category for debt instruments, "fair value through other comprehensive income". The intent is to make it possible to recognise debt instruments at fair value through other comprehensive income in the future. The proposal would allow insurance companies with financial assets recognised at fair value through other comprehensive income to show information at amortised cost in the income statement, while reporting the assets at fair value in the balance sheet. Moreover, debt instruments recognised at fair value through other comprehensive income would be subject to the same impairment model as assets recognised at amortised cost.

The IASB further amended the standard during completion of the various phases of its comprehensive project on financial instruments in order to produce a full replacement for IAS 39 Financial instruments "Recognition and measurement".

The IASB also deferred the date of mandatory initial application of IFRS 9 Financial instruments to reporting periods beginning on or after 1 January 2015. Early application is permitted. The effects of IFRS 9 on the presentation, net assets, financial position and results of operations of the Group are being monitored continuously by the Vienna Insurance Group Managing Board.

BUSINESS DEVELOPMENT OF THE GROUP IN 2012

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

The presentation used for segment reporting by region was changed in the 2012 annual financial statements. For the first time, Group companies with management and coordination functions that cross regional boundaries were combined in their own "Central Functions" segment. This segment includes the following companies: BIAC, Central Point, ELVP, LVP, Neue Heimat Holding, Progress, TBIH, VIG Fund, VIG Holding, VIG RE and the non-profit housing societies.

In addition, consolidation stages performed when preparing the annual and quarterly financial statements are now presented in a separate consolidation column in the segment report by region. This has no effect on the Group result.

The modified presentation of geographic regions creates more transparency. The country segments for Austria, the Czech Republic, Slovakia, Poland, Romania and Remaining Markets now show the performance of the operating companies in these countries, because the effects of measures that affect the Group as a whole or cross segment boundaries, such as reinsurance activities, are now shown in the consolidation column. For better comparability, Vienna Insurance Group has modified its regional segment reports retroactively for financial years 2011 and 2010.

The Montenegro and Belarus markets were not included in the VIG consolidated financial statements in 2012 due to immateriality. The notes to the consolidated financial statements provide detailed information on changes in the scope of consolidated companies starting on page 47.

Vienna Insurance Group operates with multiple companies and brands in most of its markets. The market presence of each company in a country may also be aimed at different target groups, and their product portfolios will differ accordingly. Group companies can, however, be merged when the advantages of a diversified market presence are clearly outweighed by significant potential synergies. This happened in Poland, Romania and Bulgaria in 2012, and a merger is currently being prepared in Croatia. Please see the segment report by region for more information.

To improve readability, company names have been shortened throughout the entire report. A list of full company names is provided on pages 190 and 191.

In order to avoid duplicate information, reference will be made below to appropriate information in the notes. Changes in significant balance sheet and income statement items are presented in both the segment report and the notes to the financial statements. Additional disclosures in the management report below are intended to explain these data in more detail.

KEY FIGURES FROM THE CONSOLIDATED INCOME STATEMENT

in EUR million	2012	2011	YoY %
Premiums written – gross	**9,685.67**	**8,883.67**	**9.0%**
Net earned premiums	8,996.81	8,122.82	10.8%
Expenses for claims and insurance benefits	-7,590.36	-6,535.97	16.1%
Acquisition and administrative expenses	-1,814.89	-1,752.65	3.6%
Financial result excl. at equity consolidated companies	1,219.15	920.61	32.4%
Result from shares in at equity consolidated companies	21.37	11.00	94.2%
Other income and expenses	-244.68	-206.80	18.3%
Profit before taxes	**587.41**	**559.01**	**5.1%**

Premium volume

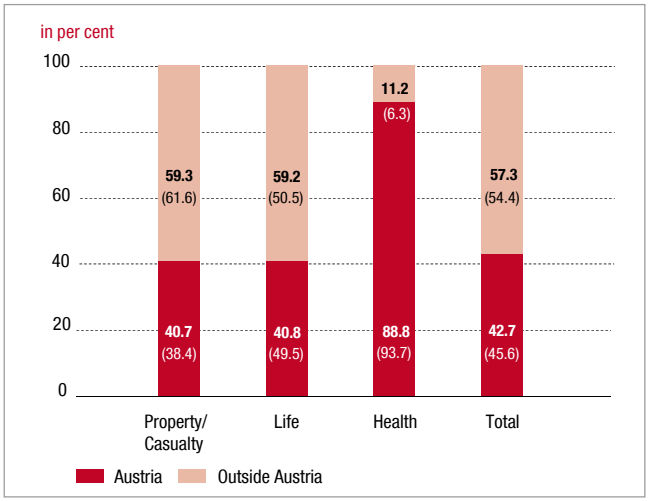
A brief presentation of the premium development is included under item 28 (Net earned premiums) of the notes to the consolidated financial statements.

VIG earned EUR 9,685.67 million in premiums in 2012, representing an increase of 9.0% over the previous year. Vienna Insurance Group retained EUR 8,975.86 million of the gross premiums written, and ceded EUR 709.81 million to reinsurers. Strong premium development in Poland (+68.9%) made a major contribution to this increase. Premium income also recorded a two digit increase in the Remaining Markets segment (+13.8%).

Overall, the Group generated 57.3% of its premiums outside Austria in 2012. For property and casualty insurance, the share contributed by companies outside Austria was 59.3%. In life insurance, 59.2% of premiums were generated outside of Austria, and in health insurance the Georgian companies contributed 11.2% of the premium volume outside of Austria.

Net earned premiums rose 10.8%, from EUR 8,122.82 million in 2011 to EUR 8,996.81 million in 2012. Reinsurance cessions were EUR 683.90 million.

PREMIUM PERCENTAGE BY LINES OF BUSINESS AND REGION (FIGURES FOR 2011 IN PARENTHESES)



Expenses for claims and insurance benefits

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

Expenses for claims and insurance benefits were EUR 7,590.36 million in 2012 after deducting the share attributable to reinsurance (EUR 221.28 million). This was an increase of 16.1% over the previous year, and was due to an increase in storm events in 2012, and growth in the life insurance business.

Acquisition and administrative expenses

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

Acquisition and administrative expenses were EUR 1,814.89 million for all consolidated VIG companies in 2012, representing an increase of 3.6% compared to the previous year. Acquisition expenses were EUR 1,586.25 million in 2012, an increase of 4.3% over 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.

Vienna Insurance Group generated a financial result of EUR 1,240.52 million in 2012. In spite of a slight decrease in income, the result rose by 33.2% due to the rise in stock markets. Smaller impairment losses than 2011 and selective realisation of increases in market value also contributed to the rise.

Profit before taxes
Vienna Insurance Group achieved a profit before taxes of EUR 587.41 million in 2012, corresponding to an increase of EUR 28.40 million or 5.1% compared to 2011. Profit increased in the Austria, Czech Republic, Slovakia and Poland regions, and in the Remaining Markets segment.

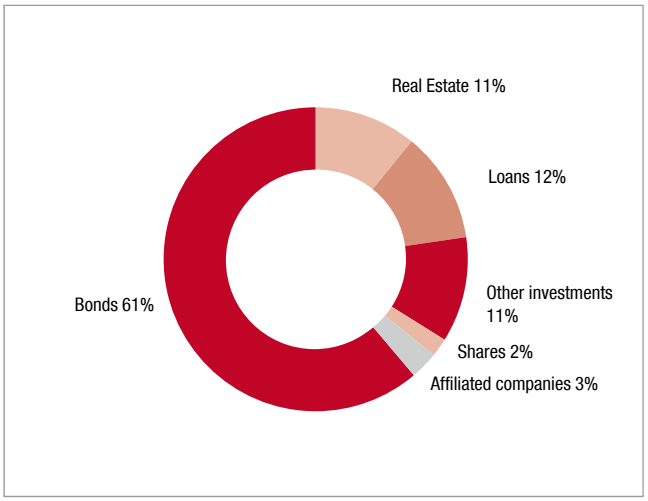
The increase of 9.7% in profit after taxes and minority interests was even larger and even exceeded the growth in premiums.

Investments
A brief presentation of the investments is included on page 70 of the notes to the consolidated financial statements.

Total investments (including cash and cash equivalents) were EUR 30,235.06 million as of 31 December 2012. Compared with the previous year, this represents an increase of EUR 1,581.55 million, or 5.5%.

The investments include all Vienna Insurance Group land and buildings, all shares in at equity consolidated companies and all financial instruments. Investments for unit-linked and index-linked life insurance are not included. These increased in 2012 primarily due to strong demand for single-premium products in Liechtenstein, and a 17.1% increase in investments in Austria, which rose from EUR 5,502.79 million to EUR 6,443.78 million.

BREAKDOWN OF INVESTMENTS 2012



Shareholders' equity
Vienna Insurance Group's capital base increased by 13.9% to EUR 5,751.87 million in 2012 (2011: EUR 5,049.64 million). The increase was primarily due to the net profit for the period (EUR 467.32 million) and unrealised gains from the disposal of financial instruments available for sale (EUR 431.43 million).

Underwriting provisions
Underwriting provisions (excluding underwriting provisions for unit-linked and index-linked life insurance) were EUR 25,815.47 million as of 31 December 2012, representing an increase of 7.6% over the previous year (2011: EUR 23,992.54 million).

Cash flow
Cash flow from operating activities was EUR 1,591.21 million in 2012, compared to EUR 1,538.26 million in 2011. Cash flow from investing activities was EUR -1,179.67 million (2011: EUR -1,132.11 million). VIG financing activities produced a cash flow of EUR -170.14 million in 2012 (2011: EUR -244.00 million). This improvement was due to

a spin-off of four non-profit housing societies to Wiener Städtische Versicherungsverein and the associated reduction in financing. The Group had cash and cash equivalents of EUR 772.24 million at the end of 2012. Vienna Insurance Group received a total of EUR 1,017.15 million in interests and dividends in 2012.

KEY FIGURES FOR VIENNA INSURANCE GROUP

	2012	2011	2010
Earnings per share	EUR 3.17	EUR 2.87	EUR 2.65
Return on Equity	10.9%	11.1%	10.5%
Combined Ratio	96.7%	96.8%	98.4%
Loss ratio	65.9%	65.8%	66.9%
Cost ratio	30.8%	31.0%	31.5%

Earnings per share
Earnings per share is a key figure equal to consolidated net income (less non-controlling interests and interest on hybrid capital) divided by the average number of shares outstanding. Earnings per share were EUR 3.17 in 2012 (2011: EUR 2.87).

RoE (Return on Equity)
RoE is the ratio of consolidated profits to total average equity of Vienna Insurance Group. The Group generated a return on equity (RoE) of 10.9% in 2012 (2011: 11.1%).

Combined ratio significantly below 100%
The Group had a combined ratio (after reinsurance, not including investment income) of 96.7% in 2012. This means that Vienna Insurance Group not only held its combined ratio below the 100% mark, but even achieved a small reduction of 0.1 percentage points compared to the previous year. The combined ratio was still at 96.8% in 2011.

This was possible due to efforts taken to optimise back-office functions. The underwriting business became more profitable in many regions. The segment reporting by region provides a detailed discussion of the reasons for these developments.

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.

Employees
Vienna Insurance Group had an average of 24,086 employees in 2012, a decrease of 816 compared to the previous year. This decrease was mainly due to the change in consolidation methods (from fully consolidated to at equity) for four non-profit housing societies in Austria (due to a loss of control) and business development in Romania.

EMPLOYEES BY REGION

	2012	2011	2010
Austria	5,405	5,364	5,407
Czech Republic	4,814	4,892	4,903
Slovakia	1,572	1,596	1,572
Poland	1,751	1,945	1,900
Romania	3,480	3,991	4,383
Remaining markets*	6,344	6,022	5,741
Central functions**	720	1,092	1,100
Total	**24,086**	**24,902**	**25,006**

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

** Central Functions include the following companies: BIAC, Central Point, ELVP, LVP, Neue Heimat Holding, Progress, TBIH, VIG Fund, VIG Holding, VIG RE and the non-profit housing societies

DEVELOPMENT BY LINES OF BUSINESS

PREMIUMS WRITTEN BY LINES OF BUSINESS

in EUR million	2012	2011	2010
Property/Casualty insurance	4,673.44	4,579.30	4,350.04
Life insurance	4,620.72	3,944.22	3.904.81
Health insurance	391.51	360.15	338.16
Total	**9,685.67**	**8,883.67**	**8,593.01**

PROFIT BEFORE TAXES BY LINES OF BUSINESS

in EUR million	2012	2011	2010
Property/Casualty insurance	330.48	271.51	222.72
Life insurance	225.71	239.81	248.46
Health insurance	31.22	47.69	36.61
Total	**587.41**	**559.01**	**507.79**

Premium volume

Property and casualty contributed 48.3% of total premium volume in 2012. Life insurance premiums primarily rose as a result of greater demand for single-premium products in Poland, raising the share of life insurance to total premiums to 47.7% for the financial year. Health insurance contributed 4.0% of premiums, a level unchanged from the previous year.

In the property and casualty area, Vienna Insurance Group companies generated Group premiums of EUR 4,673.44 million in 2012 (2011: EUR 4,579.30 million), representing an increase of 2.1%. Austria and some countries in the Remaining Markets segment made particularly large contributions to this increase. Austria recorded an increase of 8.4%. Georgia, Macedonia, Turkey, Ukraine and Hungary even achieved growth rates in the double-digit percentage range. 59.3% of property and casualty premiums were generated outside Austria.

Life insurance rose by a highly significant 17.2% to EUR 4,620.72 million due to strong demand in the single-premium area, particularly in Poland. VIG companies in Poland, for example, generated EUR 1,024.98 million in premiums, a significant increase of close to 200%. Romania also contributed to this development with a 13.1% increase in life insurance premiums to EUR 114.21 million. The Baltic States, Bulgaria, Ukraine and Lichtenstein also recorded growth rates in the double-digit percentage range. This further increased the share of Group life insurance premiums generated outside Austria to 59.2% in 2012.

The increase to 15 years in the minimum tax lock-in period for single-premium products continues to have a negative effect in Austria, slowing the growth of the entire line of business.

Vienna Insurance Group wrote EUR 391.51 million in premiums in the health insurance segment, an increase of 8.7%. This growth was primarily due to a large increase in premiums written in Georgia. Only Austria and Georgia generate enough health insurance premiums to make a significant contribution to total premiums.

Expenses for claims and insurance benefits

Vienna Insurance Group recorded EUR 2,656.18 million in expenses for claims and insurance benefits in the property and casualty area in 2012, representing a slight increase of 4.9%. Expenses in the life insurance segment were EUR 4,613.57 million, 24.8% greater than the previous year due to the increase in premiums. In the health insurance segment, expenses for claims and insurance benefits were EUR 320.61 million (2011: EUR 308.91 million).

Acquisition and administrative expenses

Vienna Insurance Group recorded acquisition and administrative expenses of EUR 1,130.95 million in the property and casualty business in 2012 (2011: EUR 1,080.68 million). In life insurance, these expenses rose by 1.6% to EUR 638.69 million. In health insurance, acquisition and administrative expenses were EUR 45.25 million, a 4.0% increase over the previous year's value of EUR 43.51 million.

Profit before taxes

Property and casualty contributed EUR 330.48 million or 56.3% of Vienna Insurance Group profits, which were a total of EUR 587.41 million.

In the life insurance area, the Group generated a profit before taxes of EUR 225.71 million, representing a decrease of 5.9% compared to 2011. This reduction is due to a decrease in policy surrenders and the portfolio

changeover in the Czech Republic, which is close to completion. As a result, life insurance accounts for 38.4% of total profits.

Health insurance contributed EUR 31.22 million to Vienna Insurance Group profits.

Investments

In the property and casualty business, investments (including cash and cash equivalents) were EUR 8,084.06 million (-6.1%) as of 31 December 2012. In life insurance, investments were EUR 21,081.94 million (+10.7%), and in the area of health insurance Vienna Insurance Group investments rose by 7.4% to EUR 1,069.05 million.

Underwriting provisions

Underwriting provisions rose 4.2% to EUR 4,998.93 million compared to 2011 in the property and casualty area. In life insurance, underwriting provisions were EUR 19,769.43 million as of 31 December 2012, 8.5% above the figure for the previous year. In health insurance, underwriting provisions rose by 6.8%, to EUR 1,047.11 million.

Due to the increase in premiums, underwriting provisions for unit-linked and index-linked life insurance increased by 17.2%, from EUR 5,329.38 million in 2011 to EUR 6,245.42.

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

COMPOSITION ACTUARIAL RESERVE

in EUR million	31.12.2012	31.12.2011
Property/Casualty insurance	0.15	0.14
Life insurance	18,052.64	17,434.23
for guaranteed policy benefits	16,855.19	16,127.48
for allocated and committed profit shares	1,197.44	1,306.75
Health insurance	961.37	905.24
Total	**19,014.16**	**18,339.61**

MATURITY STRUCTURE ACTUARIAL RESERVE

in EUR million	31.12.2012	31.12.2011
up to one year	2,043.12	1,738.69
more than one year up to five years	5,830.62	6,182.49
more than five years up to ten years	3,143.95	3,260.25
more than ten years	7,996.47	7,158.18
Total	**19,014.16**	**18,339.61**

COMPOSITION PROVISION FOR OUTSTANDING CLAIMS

in EUR million	31.12.2012	31.12.2011
Property/Casualty insurance	3,760.57	3,652.37
Life insurance	274.54	239.80
Health insurance	47.32	46.25
Total	**4,082.42**	**3,938.42**

MATURITY STRUCTURE PROVISION FOR OUTSTANDING CLAIMS

in EUR million	31.12.2012	31.12.2011
up to one year	1,585.22	1,602.98
more than one year up to five years	1,082.46	1,177.49
more than five years up to ten years	416.62	345.98
more than ten years	998.13	811.97
Total	**4,082.42**	**3,938.42**

SEGMENT REPORTING BY REGION

Developments in the Austria, Czech Republic, Slovakia, Poland, Romania, Remaining Markets and Central Functions segments 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. Short portraits of VIG companies provide a look at the most important activities undertaken by the companies in 2012.

PREMIUMS WRITTEN BY REGION

in EUR million	2012	2011	2010
Austria	4,122.53	4,037.50	4,049.30
Czech Republic	1,795.58	1,823.89	1,725.07
Slovakia	704.11	684.26	652.79
Poland	1,611.74	954.22	747.91
Romania	448.25	503.08	532.48
Remaining markets*	975.56	857.19	871.72
Central functions**	1,341.44	993.67	733.75
Consolidation	-1,313.53	-970.15	-720.00
Total	**9,685.67**	**8,883.67**	**8,593.01**

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

** Central Functions include the following companies: BIAC, Central Point, ELVP, LVP, Neue Heimat Holding, Progress, TBIH, VIG Fund, VIG Holding, VIG RE and the non-profit housing societies

PROFIT BEFORE TAXES BY REGION

in EUR million	2012	2011	2010
Austria	295.28	291.88	292.65
Czech Republic	194.97	187.11	152.64
Slovakia	56.89	54.12	35.83
Poland	41.57	36.41	19.22
Romania	-20.45	-12.99	30.94
Remaining markets*	39.13	23.15	2.15
Central functions**	-20.08	-20.49	-25.74
Consolidation	0.10	-0.20	0.09
Total	**587.41**	**559.01**	**507.79**

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

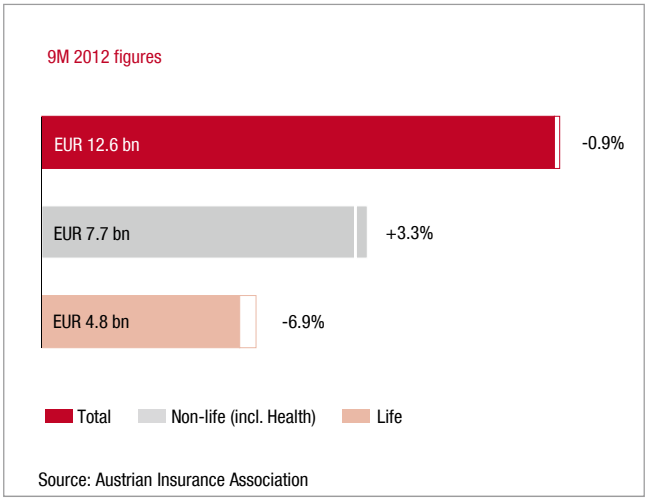
** Central Functions include the following companies: BIAC, Central Point, ELVP, LVP, Neue Heimat Holding, Progress, TBIH, VIG Fund, VIG Holding, VIG RE and the non-profit housing societies

AUSTRIA

Austrian insurance market

Unlike other Western European insurance markets, the ratio of non-life insurance to total premiums is relatively high, around 60%, in Austria. This means that the life insurance segment still has considerable growth potential.

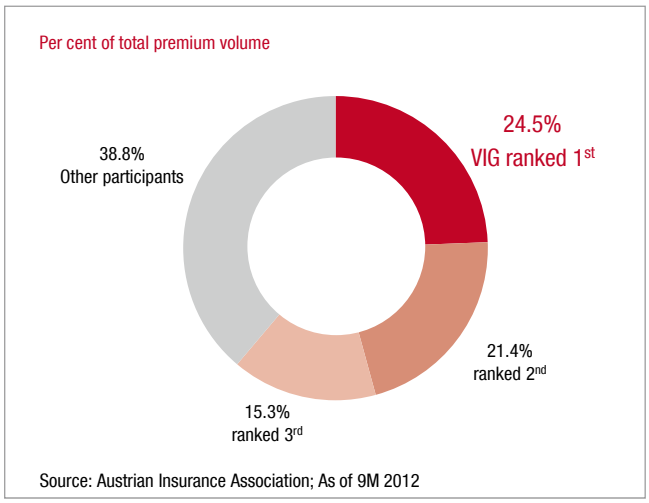
MARKET GROWTH IN 2012 COMPARED TO THE PREVIOUS YEAR



Government cutbacks had a negative effect on growth in the life insurance segment of the Austrian insurance market in 2012. Due to a statutory change increasing the minimum lock-in period from ten to 15 years for single premium policies, and a reduction in government premiums for government-sponsored pension plans, premiums declined by 6.9% in the life insurance segment during the 1st-3rd quarter of 2012. In addition, the ongoing low interest rate environment also affected total interest earned, with the guaranteed interest rate being reduced to 1.75% at the end of 2012. Unlike the life insurance segment, property and casualty premiums recorded very good growth of 3.3%. Motor vehicle insurance also contributed to this growth as a result of rising registrations and an increase in the minimum amount insured. Health insurance premiums written also rose by 3.3% in the 1st-3rd quarter of 2012.

The average insurance density in Austria (average per capita premiums) was EUR 1,952 in 2011, of which EUR 1,121 was for non-life insurance and EUR 831 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



VIG companies in Austria

Vienna Insurance Group is represented in Austria by Wiener Städtische, Donau Versicherung and s Versicherung. Although VIG Holding operates out of Austria as an international reinsurer and an insurer in the cross-border corporate business, it is assigned to the "Central Functions" segment.

Vienna Insurance Group's total market share at the end of the 3rd quarter of 2012 was 24.5%, making it the largest insurance group in Austria. It holds first place in both property and casualty insurance with a market share of 21.7%, and life insurance with a market share of 29.3%. VIG holds second place in the area of health insurance.

Wiener Städtische

Area of operations:	Life and Non-life
Employees:	approx. 3,490
Market position:	2nd place
Market share:	approx. 14%
Offices:	approx. 140

With a premium volume of approximately EUR 2.3 billion, Wiener Städtische is the largest single company in Vienna Insurance Group. In addition to its home market of Austria, it is also represented by branches in the southern neighbouring countries of Italy and Slovenia. Wiener Städtische is active in property and casualty insurance, as well as life and health insurance. It offers custom-tailored insurance solutions to satisfy every need in private life and in the commercial and corporate customer area.

Together with Wiener Städtische Versicherungsverein, Wiener Städtische drew attention to the great importance of private pension plans in 2012 with its "Encourage Private Provision – Ensure Future Security" initiative. As part of this initiative, Wiener Städtische added 3.5% to the government pension subsidy to increase it to a total of 7.75%, thereby significantly offsetting the 50% reduction of government subsidies in 2012.

At the same time, the Company focused attention more strongly on the necessity for private nursing care provisions, and offered attractive discounts in awareness-raising product campaigns. For example, in 2012 Wiener Städtische provided private nursing care insurance free of charge for one year to all customers who showed high awareness of their responsibility for retirement provisions by taking full advantage of pension plan premium discounts.

Donau Versicherung

Member of VIG since:	1971
Area of operations:	Life and Non-life
Employees:	approx. 1,430
Market position:	5th place
Market share:	approx. 5%
Offices:	approx. 70

Since its formation in 1867, Donau Versicherung has grown to become one of the leading insurance companies in Austria, and is now the fifth largest provider of property and casualty insurance in the country. Donau Versicherung has traditionally focused on the private customer, agricultural and commercial areas. Donau Versicherung also has a branch in Italy. Johanna Stefan has been the head of Donau Versicherung since June 2012. She replaced former Managing Board Chairman Franz Kosyna, who has held the position of Deputy General Manager of Vienna Insurance Group since then.

Donau Versicherung introduced an exceptional business insurance product "BetriebsAllRisk" for small and medium-sized companies in 2012 that offers comprehensive, appropriate coverage for businesses of all sizes. It includes practically all risks that can be covered in the non-life insurance line of business – without explicitly listing them. Anything that is not definitively excluded from the policy is automatically covered. This means that the company has developed a flexible custom-tailored solution based on the motto "As flexible as life" that provides risk management to meet the individual needs of each company.

Donau Versicherung's new website also remains true to the guiding principle of customer- and partner-orientation. The website is better organised and more user-friendly and is also available in a version for mobile devices. Users require only one or two clicks to arrive at the detailed information important to them.

s Versicherung

S-VERSICHERUNG
VIENNA INSURANCE GROUP

Member of VIG since:	2008
Area of operations:	Life and non-life
Employees:	approx. 170
Market position life:	1st place
Market share life:	approx. 13%

s Versicherung was established in 1985 and is the leading life insurance company in the Austrian market. Its product range includes all forms of private and business pension plans.

In addition to its successful distribution concept of selling insurance products through Erste Bank and Sparkasse branches, s Versicherung also stands out for its customer-oriented product solutions. In recognition of this, the company received the "Recommender 2012" award in the category of "Regional and Special Insurance". The readiness of customers to recommend their bank, insurance company or home loan savings association was measured. The Recommender award is considered the standard for customer loyalty and satisfaction.

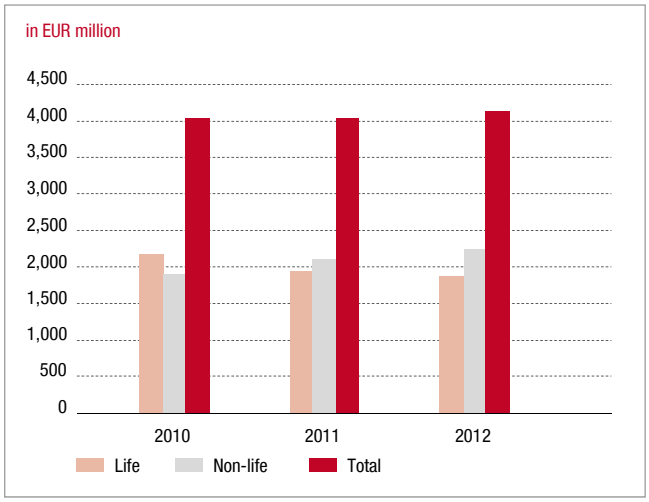
Business development in Austria in 2012

Premium development

The Austrian VIG companies wrote gross premiums of EUR 4,122.53 million in 2012, representing an increase of 2.1% over the previous year. Wiener Städtische contributed EUR 2,253.49 million of this premium volume, Donau Versicherung EUR 1,025.31 million and s Versicherung EUR 843.73 million. Net earned premiums rose by 1.5% in 2012, from EUR 3,283.11 million to EUR 3,333.79 million.

EUR 1,896.65 million of the premiums, or 46.0%, were written in the property and casualty area. In addition to the good performance achieved in Austria, this increase of 8.4% compared to 2011 was also due to good business development in the corporate business and contributions from the Wiener Städtische branch in Slovenia and Donau Versicherung branch in Italy.

PREMIUMS WRITTEN AUSTRIA



Life insurance contributed EUR 1,878.33 million, or 45.6%, of the premium volume, representing a decrease of 3.7% for the Group in Austria in 2012. The unattractive investment horizon resulting from extension of the minimum tax lock-in period to 15 years for single-premium products continues to have a negative effect in this area, thereby slowing the growth of the entire line of business.

Health insurance generated EUR 347.55 million in premiums. This was equivalent to an increase of 3.0% compared to 2011, when premium income from health insurance was EUR 337.52 million.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits rose compared to the previous year from EUR 3,063.93 million to EUR 3,289.17 million in 2012. This represents an increase of 7.4% in expenses.

Acquisition and administrative expenses

The Austrian Vienna Insurance Group companies had acquisition and administrative expenses of EUR 578.23 million in 2012, representing an increase of 7.6% compared to 2011.

Profit before taxes of EUR 295.28 million
Profit before taxes rose by 1.2% in Austria to EUR 295.28 million in 2012 (2011: EUR 291.88 million).

Combined ratio of 94.7%
The combined ratio (after reinsurance, not including investment income) was 94.7% in Austria in 2012 (2011: 93.7%).

VIENNA INSURANCE GROUP IN AUSTRIA

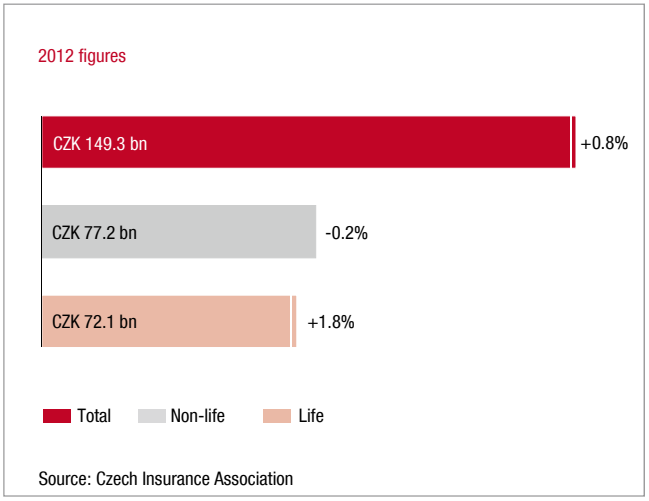
	2012	2011	2010
in EUR million			
Premiums written	**4,122.53**	**4,037.50**	**4,049.30**
Life	1,878.33	1,949.66	2,155.43
Non-life	2,244.20	2,087.84	1,893.87
Profit before taxes	**295.28**	**291.88**	**292.65**

CZECH REPUBLIC

Czech insurance market

The Czech insurance market shows a high level of market concentration. The three leading insurance groups have a combined market share of around 70%.

MARKET GROWTH IN 2012 COMPARED TO THE PREVIOUS YEAR

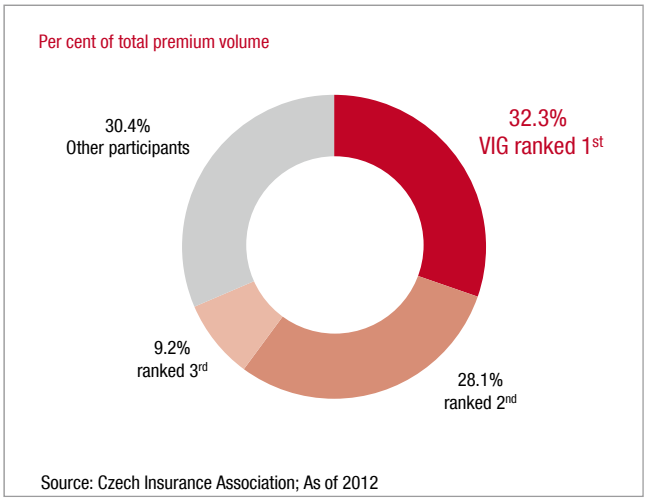


The Czech insurance market recorded a slight increase of 0.8% in 2012, based on the local currency. Due to continuing strong competition in the motor vehicle business, premiums written decreased somewhat in the non-life area (-0.2%). The non-life segment excluding motor vehicle insurance showed stable growth, with an increase of 3.0%. Life insurance premium volume rose by 1.8%, with products with regular premiums in particular gaining in popularity.

The Czech government is currently preparing further pension reforms. This creates additional potential for life and health insurance over the medium term.

Insurance density was EUR 548 in 2011, of which EUR 275 was for non-life insurance and EUR 273 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



VIG companies in the Czech Republic

The Czech Group companies of VIG include Kooperativa, ČPP and PČS. Although VIG RE, the Group's reinsurance company, is also based in the Czech Republic, it is assigned to the "Central Functions" segment.

VIG is the market leader in the Czech Republic with a market share of 32.3%. In addition to holding first place in life insurance, it has also been number one in non-life

insurance since the middle of 2012. The Czech companies contribute 18.5% of VIG's total premium volume, the largest share outside of Austria.

Kooperativa

Member of VIG since:	1990
Area of operations:	Life and Non-life
Employees:	approx. 3,770
Market position:	2nd place
Market share:	approx. 21%
Offices:	approx. 260

Kooperativa was established in 1990, and with a market share of 21% is now the second largest insurance company in the Czech Republic and the largest VIG company outside of Austria. The company offers comprehensive insurance solutions in both the life and non-life segments – whether for individuals or corporate customers, ranging from small to large industrial companies.

Kooperativa once again received the award for the best financial services company in the country in the renowned 2012 "Czech 100 Best" competition. In the total rating across all sectors, Kooperativa moved up from its position in the previous year (fourth place) to an outstanding third place. Since 1996, the Pan European Society for Culture, Education, Scientific & Technical Co-operation "Comenius" has awarded Czech companies for outstanding performance. The ranking of the top 100 companies is based on responses from more than 20,000 survey participants.

In addition Kooperativa received the "Zlatá koruna" ("Golden Crown") award for its "OPTIMUM" homeowner and household insurance in the categorie "Product innovation of the year".

ČPP

Member of VIG since:	2005
Areas of operations:	Life and Non-life
Employees:	approx. 780
Market position:	7th place
Market share:	approx. 5%
Offices:	approx. 320

ČPP has more than 780 employees in approximately 320 branch offices serving the life and non-life insurance needs of its customers. The company is an expert in motor vehicle insurance and is the third-largest provider of liability insurance in the Czech market.

In order to counter rising losses due to weather events, ČPP expanded the base coverage of its "DOMEX" property and liability insurance product to cover storms and hail in 2012. Customers also benefited from a special bonus: a discount of 5% is provided for every claims-free year, up to a maximum bonus of 30%.

In addition, smartphone and tablet owners benefit from a new service app, "ČPP Smart", a helper for all drivers in need that ensures rapid assistance in the event of a traffic accident, ranging from quick localisation of the driver in need all the way to assistance with claims processing, such as submission of supporting records or photographic material directly from the site of the accident.

PČS

Member of VIG since:	2008
Area of operations:	Life and Non-life
Employees:	approx. 230
Market position:	5th place
Market share:	approx. 7%

PČS was established in 1992, and has been a part of Vienna Insurance Group since the acquisition of all Erste Group insurance activities in 2008. Its business focuses on the area of life insurance, where it holds the second position in the market. PČS uses the extensive, nationwide branch banking network of Česká Spořitelna, the largest bank in the Czech Republic, as a distribution channel.

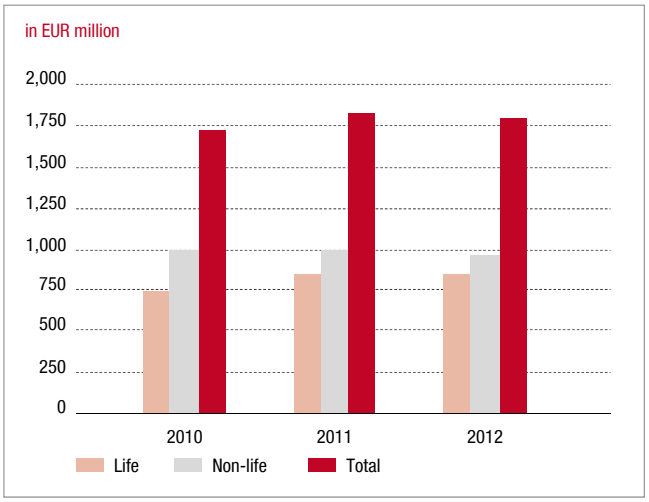
The fact that PČS offers outstanding products in the life insurance area is shown, for example, by the results of the "Zlatá koruna" (Golden Crown) awards. The "Flexi" life insurance product received first place for the fourth time in a row in the "Life Insurance Product of the Year" category in 2012. The "Zlatá koruna" has been awarded to financial service providers for outstanding product solutions since 2003. The awards are based on the most popular financial products chosen by more than 300 business experts and around 150,000 other interested individuals.

Business development in the Czech Republic in 2012

Premium volume of EUR 1,795.58 million
Vienna Insurance Group companies in the Czech Republic wrote EUR 1,795.58 million in premiums in 2012 (2011: EUR 1,823.89 million), which was 1.6% below the previous year value. Net earned premiums were EUR 1,453.99 million in 2012.

The non-life sector generated premium income of EUR 958.46 million in 2012 (2011: EUR 986.85 million), representing a decrease of 2.9% compared to the previous year. This decrease is primarily due to increased competition in motor vehicle liability insurance. Kooperativa generated approximately 76.8% of premiums in the non-life area.

PREMIUMS WRITTEN IN THE CZECH REPUBLIC



Life insurance generated EUR 837.11 million in premiums in 2012, approximately the same level as the previous year. Expirations in the mixed life insurance portfolio were compensated by good growth in unit-linked life insurance.

Expenses for claims and insurance benefits
The Czech companies had expenses for claims and insurance benefits of EUR 1,001.92 million in 2012. This was EUR 28.84 million less than 2011, or a drop of 2.8%.

Acquisition and administrative expenses
Vienna Insurance Group reported EUR 343.26 million in acquisition and administrative expenses in the Czech Republic in 2012. This represents a decrease of 2.4% over the acquisition and administrative expenses of EUR 351.71 million reported in 2011.

Increase of 4.2% in profit before taxes
The Czech companies contributed EUR 194.97 million to total profits in 2012 (2011: EUR 187.11 million). This raised the profit before taxes by 4.2% over the previous year. The increase clearly shows the success achieved by focusing on profitable growth in a difficult market environment.

Combined ratio of 87.3%
The combined ratio of 87.3% was below the figure of 88.4% in the previous year.

VIENNA INSURANCE GROUP IN THE CZECH REPUBLIC

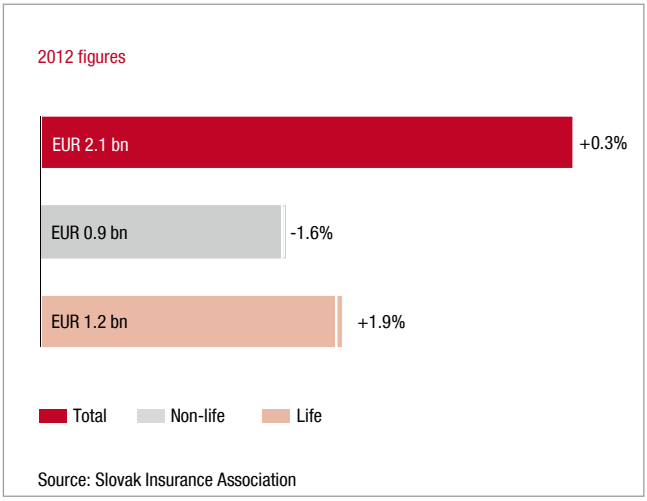
in EUR million	2012	2011	2010
Premiums written	**1,795.58**	**1,823.89**	**1,725.07**
Life	837.11	837.04	738.38
Non-life	958.46	986.85	986.68
Profit before taxes	**194.97**	**187.11**	**152.64**

SLOVAKIA

Slovakian insurance market

The Slovakian insurance market is dominated by two large players that account for more than half of the total premium volume in the country.

MARKET GROWTH IN 2012 COMPARED TO THE PREVIOUS YEAR

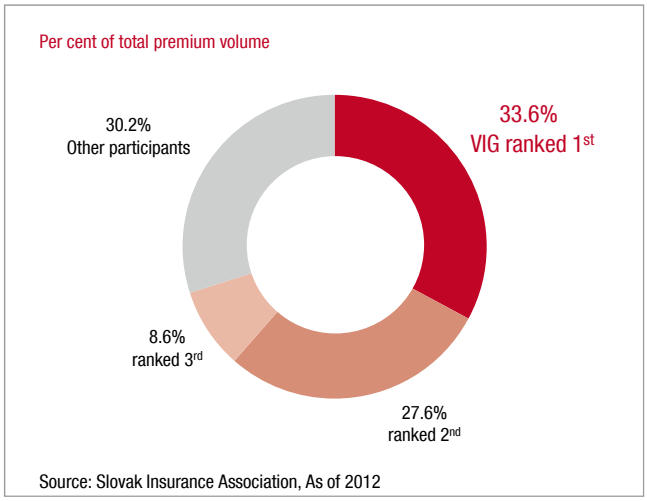


Source: Slovak Insurance Association

Premiums written rose slightly by 0.3% in 2012. In the non-life area, Slovakia recorded a drop of 1.6% during this period. This decline was due performance in the motor vehicle segment, where strong competition exists due to a large number of new entries into the market. As before, however, the demand for non-life insurance products outside of the motor vehicle segment remains high. Due to a wide range of attractive products, premiums rose by 1.9% in the life insurance segment.

Average per capita expenditures for insurance were EUR 388 in Slovakia in 2011, of which EUR 177 was for non-life insurance and EUR 211 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Slovak Insurance Association, As of 2012

VIG companies in Slovakia

The Slovakian Vienna Insurance Group companies include Kooperativa, Komunálna and PSLSP.

The Vienna Insurance Group market share of 33.6% makes it the largest insurance group in Slovakia. It also holds first place in the life insurance and motor vehicle segments.

Kooperativa

Member of VIG since:	1990
Area of operations:	Life and Non-life
Employees:	approx. 1,170
Market position:	2nd place
Market share:	approx. 23%
Offices:	approx. 420

In terms of individual companies, Kooperativa is the second largest insurance company in the country, making it the largest Slovakian Group company in Vienna Insurance Group. In 2012, it further expanded its offer to customers to make easy, secure, non-cash payments of premiums at banking terminals of its strategic banking cooperation partner Slovenská sporiteľňá. 60 terminals are now available across the country.

Kooperativa is also an example of the fact that the doors to top management positions are open to women in Vienna Insurance Group. Klaudia Volnerová, for example, Member of the Kooperativa Managing Board, was included in the Forbes Magazine list of the top 20 female managers.

Komunálna

Member of VIG since:	2001
Area of operations:	Life and Non-life
Employees:	approx. 340
Market position:	4th place
Market share life:	approx. 8%
Offices:	approx. 80

As all other insurance companies in the European Union, Komunálna had to react to the Gender Directive in 2012, which prohibits policies from having different premiums and benefits based on gender. Komunálna took this as an opportunity to further improve its products and widen the range of supplementary products offered. The company also developed several attractive new products, and made it possible to obtain travel insurance quickly and easily online.

PSLSP

Member of VIG since:	2008
Area of operations:	Life
Employees:	approx. 50
Market position life:	8th place
Market share life:	approx. 5%

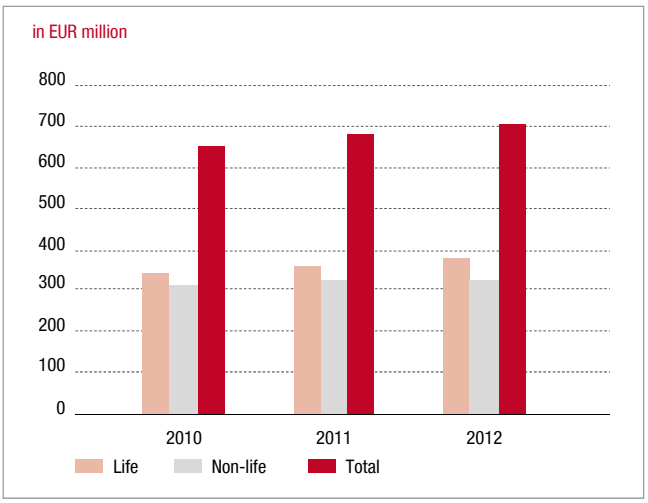
PSLSP is one of the top ten life insurance companies in the Slovakian insurance market. Its products continued to be very popular in 2012, including the new life insurance product "Život". This product can be flexibly tailored to a customer's individual level of risk aversion. The policyholder decides on the division between guaranteed capital and unit-linked life insurance offering the opportunity to earn higher profits. In addition, a number of life insurance products were adjusted for online sales in 2012, so that customers could easily perform the entire purchasing process from their homes.

Business development in Slovakia in 2012

Premium development

Vienna Insurance Group wrote EUR 704.11 million in premiums in Slovakia in 2012 (2011: EUR 684.26 million), thereby achieving an increase of 2.9%. Net earned premiums were EUR 581.88 million, which represented an increase of 3.9%.

PREMIUMS WRITTEN IN SLOVAKIA



The non-life sector generated a premium volume of EUR 324.16 million in 2012, approximately the same level as the previous year. The greatest increase was recorded by motor vehicle liability insurance, with slower growth in the fire and natural perils line of business due to selective underwriting. Premium volume in the other lines of business was close to the level of the previous year. Kooperativa contributed the largest share of premiums, EUR 261.17 million, or approximately 80.6% of total VIG non-life premiums in Slovakia.

In the life insurance sector, the Slovakian VIG companies increased their premium income by 5.6% to EUR 379.95 million (2011: EUR 359.76 million). Bank distribution via the local Erste Group subsidiary showed particularly good growth of 19.8%.

Expenses for claims and insurance benefits
Expenses for claims and insurance benefits (less reinsurance) were EUR 459.49 million in 2012. This was an increase of 5.2% over the previous year.

Acquisition and administrative expenses
VIG recorded EUR 90.07 million in acquisition and administrative expenses in Slovakia in 2012 (2011: EUR 83.97 million).

Another increase in profit before taxes
The Slovakian Group companies raised their profit before taxes from EUR 54.12 million in 2011 to EUR 56.89 million in 2012, i.e. by 5.1%, thereby achieving another significant increase in the profit earned in Slovakia.

Combined ratio of 91.6%
The Vienna Insurance Group combined ratio of 91.6% achieved in Slovakia in 2012 was at the same level as the previous year.

VIENNA INSURANCE GROUP IN SLOVAKIA

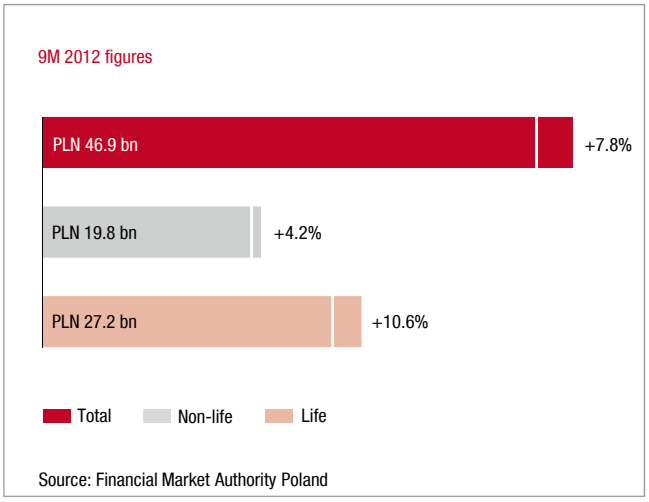
	2012	2011	2010
in EUR million			
Premiums written	**704.11**	**684.26**	**652.79**
Life	379.95	359.76	340.89
Non-life	324.16	324.50	311.90
Profit before taxes	**56.89**	**54.12**	**35.83**

POLAND

Polish insurance market

The good macroeconomic indicators in Poland are also having a positive effect on the insurance industry. In terms of local currency, premium volume rose by 7.8% year-on-year in the 1st-3rd quarter of 2012. Premiums written in the non-life insurance segment rose by 4.2%. Life insurance achieved a major increase of 10.6%, and already represents far more than 50% of the total premium volume of the country. This increase was driven by strong demand for single-premium products.

MARKET GROWTH IN 2012 COMPARED TO THE PREVIOUS YEAR



Average per capita expenditures for insurance premiums were EUR 364 in Poland in 2011, of which EUR 161 was for non-life insurance and EUR 203 for life insurance.

VIG companies in Poland

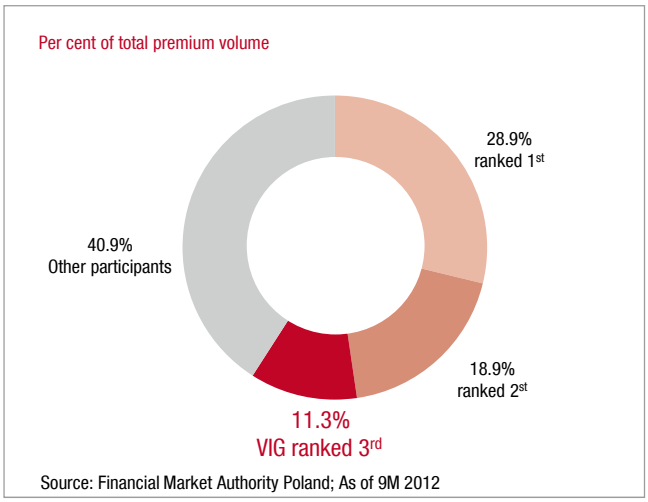
Vienna Insurance Group is represented by six companies and four different brands in Poland. The Group companies include Compensa Life and Non-life, InterRisk, Polisa and Benefia Life and Non-life. Compensa Non-life also has branches in Latvia and Lithuania.

Aside from the acquisition of Polisa in 2012, the two non-life insurers InterRisk and PZM were merged and have operated as a single company under the InterRisk brand since then. Combining the market presence of the two companies created distribution and back office synergies that are being used to intensify customer support.

Vienna Insurance Group's market share in Poland increased significantly to 11.3% in the 1st-3rd quarter of 2012. This moves the Group up to third place in Poland.

In 2012, the three non-life insurers Compensa Non-life, Benefia Non-life and InterRisk formed a jointly owned company for claims processing. The company, VIG Ekspert, combines the expertise of three companies in this area and ensures that customers receive efficient claims processing.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Compensa Non-life
Compensa Life

Member of VIG since:	2001
Area of operations:	Life and Non-life
Employees:	approx. 780
Market position:	11th place
Market share:	approx. 3%
Offices:	approx. 90

The two companies Compensa Life and Compensa Non-life have belonged to Vienna Insurance Group since 2001.

Compensa Non-life was established in 1990 and offers a full range of insurance products for private and business customers. Its portfolio includes products ranging all the way from motor vehicle and property insurance to health and liability insurance. In order to satisfy the expectations and needs of its customers, Compensa Non-life continuously develops and modernises its range of products. Its "Compensa Mój Dom" household insurance product was launched in 2012, covers all risks and can be supplemented with coverage in other areas, such as legal expenses or casualty insurance.

Compensa Life has been active in the Polish market since 1997 and offers a wide range of life insurance products for private and corporate customers. In addition to customer satisfaction, fair treatment of its insurance brokers is also important to Compensa Life. Its commitment paid off in 2012, when Compensa Life became the clear winner in the "Life Insurance" segment of the annual "Fair Play Awards". The winners are determined based on an anonymous questionnaire sent to insurance brokers that evaluates the product range, sales service and provision of payments by insurance companies.

InterRisk

Member of VIG since:	2005
Area of operations:	Non-life
Employees:	approx. 820
Market position non-life:	5th place
Market share non-life:	approx. 5%
Offices:	approx. 60

InterRisk operates in the non-life insurance segment of the Polish insurance market. The merger with PZM in 2012

combined the distribution power of the two companies and strengthened their market presence.

The electronic distribution platform "iPortal" was continuously improved during the course of 2012 and expanded with new products, such as an online tool for the "MediCare" product. The new tool is used for customer acquisition – and an associated improvement in sales figures – and is designed to make it easier for agents to close policy sales.

In addition, InterRisk received the "Large Pearl" award for outstanding performance for the sixth time in a row in the "Pearl of the Polish Economy" rankings. The ranking is one of the most objective barometers of the Polish economy, and is awarded each year by the English-language financial magazine "Polish Market".

Benefia Non-life
Benefia Life

Member of VIG since:	2005
Area of operations:	Life and Non-life
Employees:	approx. 160
Market position:	3rd place
Market share:	approx. 6%

The two Benefia companies have been a part of Vienna Insurance Group since 2005, and offer comprehensive service in both the life insurance and non-life insurance segments of the Polish market.

Benefia Life was established in 1996, specialises in bank insurance and offers a broad range of individually tailored life insurance products. Since Erste Group is not represented in Poland, distribution is mainly performed via other bank cooperation partners and brokers. Benefia Life works continuously on optimising products and processes to the benefit of its customers. For example, bank customers can use their online accounts to view and personally manage their insurance policies.

Benefia Non-life primarily operates in the motor vehicle line of business, and uses distribution cooperations with a number of automobile dealers, brokers and agents to distribute its products.

Polisa

Member of VIG since:	2012
Area of operations:	Life
Employees:	approx. 110
Market position:	22nd place
Market share:	0.3%

Polisa was established in 1995 in Warsaw, and is one of the newest members of Vienna Insurance Group. The company will be integrated in the scope of consolidation in 2013. VIG's acquisition of this life insurance company in 2012 provided the Group with a specialist in the area of group insurance.

Polisa launched an attractive new product, "SUPER Gwarancja", in 2012. The product is a group policy in the life and health care segment that provides insurance coverage for both employees and their family members.

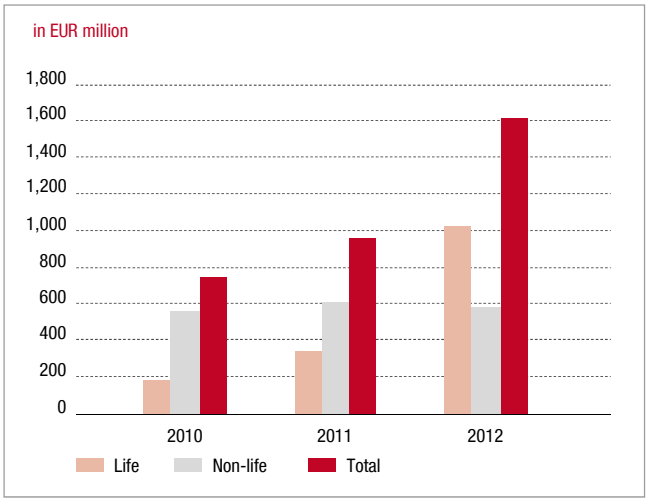
Business development in Poland in 2012

Outstanding premium growth of 68.9%
Vienna Insurance Group wrote total premiums of EUR 1,611.74 million in Poland in 2012 (2011: EUR 954.22 million). This represents an increase of 68.9% over the previous year. Net earned premiums were EUR 1,323.15 million in 2012, 74.0% higher than in 2011.

Non-life insurance generated a premium volume of EUR 586.76 million in 2012 (2011: EUR 611.70 million). This decrease of 4.1% compared to the previous year was primarily due to profitability measures.

Vienna Insurance Group companies in Poland increased their life insurance premium income from EUR 342.52 million in 2011 to EUR 1,024.98 million in 2012. This outstanding growth was driven by a strong demand for life insurance, particularly in the single-premium area.

PREMIUMS WRITTEN POLAND



Expenses for claims and insurance benefits
Vienna Insurance Group had expenses for claims and insurance benefits of EUR 1,126.50 million in Poland in 2012 (2011: EUR 552.07 million). This was an increase of EUR 574.43 million in expenses for claims and insurance expenses (less reinsurance). The increase was due to the strong growth recorded in the life insurance segment.

Acquisition and administrative expenses
The Polish companies had acquisition and administrative expenses of EUR 205.50 million in 2012, 2.6% below the previous year value of EUR 211.00 million. This decrease was partly due to higher reinsurance commissions resulting from an improvement in claims processing.

Profit before taxes of EUR 41.57 million
The Polish companies earned a profit before taxes of EUR 41.57 million in 2012. This corresponds to an outstanding increase of 14.2%.

Combined ratio reduced to 97.6%
The combined ratio of 97.6% in Poland was significantly below the important 100% mark. The Polish companies still had a combined ratio of 101.4% in 2011.

VIENNA INSURANCE GROUP IN POLAND

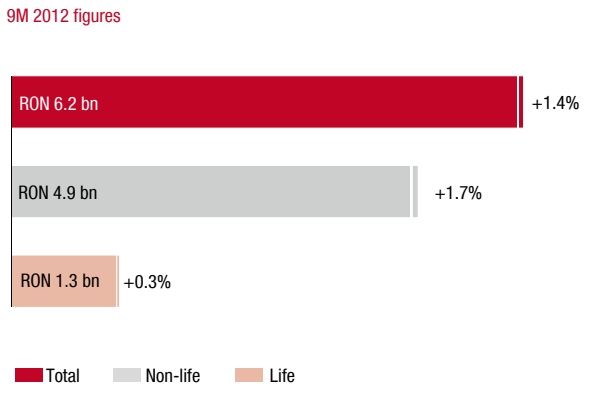
in EUR million	2012	2011	2010
Premiums written	**1,611.74**	**954.22**	**747.91**
Life	1,024.98	342.52	188.25
Non-life	586.76	611.70	559.66
Profit before taxes	**41.57**	**36.41**	**19.22**

ROMANIA

Romanian insurance market

The difficult economic situation in Romania primarily affects motor vehicle own-damage insurance, as considerable decreases were recorded in the new car and leasing markets. The motor vehicle liability segment, in turn, is dominated by extremely high competitive pressure. At more than 60%, the ratio of motor vehicle to total non-life premium volume is still very high. On the other hand, at around 20%, the ratio of life insurance to total premium income is very low, which means there is high growth potential in this segment over the long term.

MARKET GROWTH IN 2012 COMPARED TO THE PREVIOUS YEAR

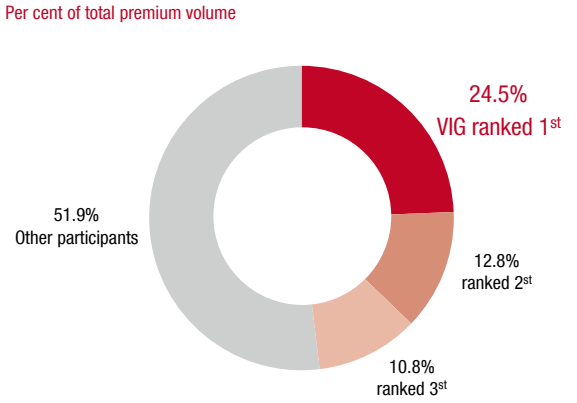


Source: Journal "Insurance Profile No. 4/2012" and insurance supervisory authority CSA

In terms of local currency, premiums written rose by 1.4% year-on-year in the 1st-3rd quarter of 2012. An increase of 1.7% was recorded in the non-life segment, and 0.3% in the life segment.

Average per capita expenditures for insurance in Romania were EUR 86 in 2011. EUR 67 of this amount was for non-life insurance and EUR 19 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Journal „Insurance Profile No. 4/2012" and insurance supervisory authority CSA; As of 9M 2012

VIG companies in Romania

Vienna Insurance Group is represented by three insurance companies in the Romanian market. In addition to Omniasig Non-life and Asirom, BRC Life is also a member of Vienna Insurance Group.

The merger of Omniasig Non-life and BCR Non-life was successfully completed in 2012. The merged company has offered its products in the Romanian market under the Omniasig Non-life brand since then.

VIG has an overall market share of 24.5% in Romania. VIG occupies first place in both the overall market and non-life segment, and holds second place in life insurance.

Omniasig Non-life

Member of VIG since:	2005
Area of operations:	Non-life
Employees:	approx. 2,060
Market position non-life:	1st place
Market share non-life:	approx. 13%
Offices:	approx. 220

Omniasig operates in the non-life segment and offers a broad portfolio of property and casualty products that is primarily focused on motor vehicle insurance. The merger with BCR Non-life that was completed in May 2012 combined the distribution power of the two companies.

In 2012, Omniasig introduced a new insurance product to the market specifically for small and medium-sized companies (SMEs) that is aimed at satisfying the requirements of service and commercial businesses. The product offers comprehensive insurance coverage ranging all the way from building, business interruption, machinery and casualty insurance to general liability insurance. Policy writing was also optimised and greatly simplified for the customer, and policies can be easily viewed using an online service portal.

Asirom

Member of VIG since:	2007
Area of operations:	Life and Non-life
Employees:	approx. 1,310
Market position:	5th place
Market share:	approx. 7%
Offices:	approx. 150

Asirom has been a member of Vienna Insurance Group since 2007 and operates in the life and non-life segments of the Romanian insurance market. It has an outstanding regional distribution network of 150 branch offices. Its market share of approximately 7.3% makes Asirom one of the top five companies in the market.

In addition to introducing many new products in 2012, Asirom also modified its motor vehicle own-damage insurance to meet changes in market conditions and, therefore, customer needs. Basic coverage was expanded to include expense reimbursement for towing and breakdown service, and a replacement vehicle.

Asirom received an award for the best insurance company in the non-life segment in 2012. Granted by the insurance magazine "PRIMM – Insurance & Pensions Magazine", the award is confirmation of the company's commitment, and strengthens Asirom's image for the long term.

BCR Life

Member of VIG since:	2008
Area of operations:	Life
Employees:	approx. 110
Market position life:	2nd place
Market share life:	approx. 21%

BCR Life has been a member of VIG since the purchase of all of the insurance activities of Erste Group in 2008. The company offers innovative life insurance products for private persons and group insurance on the Romanian market.

Its outstanding position in the market was once again confirmed by the "Piata Financiara Gala Awards" in Bucharest, where the company received an award for "Insurer of the Year 2012" in the area of life insurance. This was the fourth time in a row that BCR Life was able to excel over its competitors. The jury decision stressed the company's dynamic business development and its high-quality range of products carefully designed to meet market requirements.

Business development in Romania in 2012

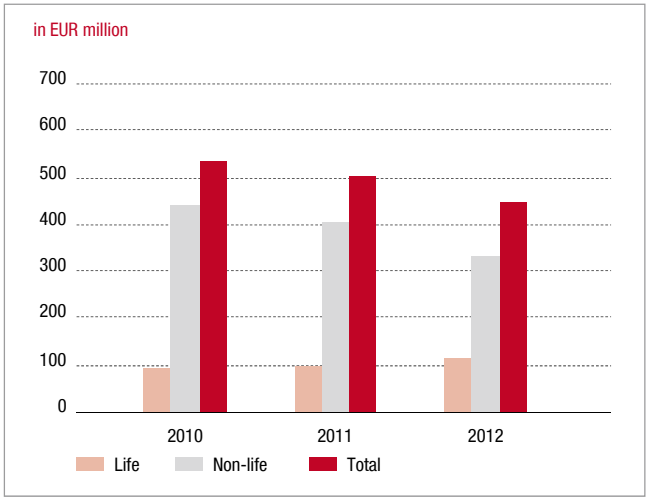
Premium development

Premiums written declined by 10.9% in Romania to EUR 448.25 million in 2012 (2011: EUR 503.08 million). Net earned premiums were EUR 371.25 million in 2012.

In the non-life line of business, premium income was EUR 334.05 million (2011: EUR 402.11 million), a decrease of 16.9%. The Romanian insurance market is currently experiencing intensive price competition. Vienna Insurance Group, on the other hand, continues to follow a risk/return-based price policy aimed at restructuring its portfolio.

The Romanian Vienna Insurance Group companies increased their life insurance premium income by 13.1% to EUR 114.21 million in 2012 (2011: EUR 100.97 million). Our outstanding cooperation with the Erste Group subsidiary BCR continues here, with BCR Life recording an increase in premiums of 17.3% via this distribution channel.

PREMIUMS WRITTEN IN ROMANIA



Expenses for claims and insurance benefits

The Romanian companies had EUR 308.92 million in expenses for claims and insurance benefits (2011: EUR 306.04 million).

Acquisition and administrative expenses

Vienna Insurance Group had acquisition and administrative expenses of EUR 111.32 million in Romania in 2012 (2011: EUR 136.18 million). This is 18.3% less than the previous year. This change was due both to the decrease in premiums, and the resulting decrease in acquisition costs, as well as the effects of a cost-cutting programme.

Loss of EUR 20.45 million

Due to a decrease in non-life premiums, combined with an adverse change in the level of motor vehicle claims, a loss of EUR 20.45 million was recorded in Romania in 2012.

Combined ratio of 119.2%

Due to an increase in the claims ratio, the combined ratio for Romania was 119.2% in 2012 (2011: 112.1%).

VIENNA INSURANCE GROUP IN ROMANIA

	2012	2011	2010
in EUR million			
Premiums written	**448.25**	**503.08**	**532.48**
Life	114.21	100.97	93.16
Non-life	334.05	402.11	439.32
Profit before taxes	**-20.45**	**-12.99**	**30.94**

REMAINING MARKETS

The Remaining Markets segment includes Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey and Ukraine. The Remaining Markets segment generated 10.1% of Group premiums.

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

Albania

The ratio of non-life insurance to total premium volume is around 90% in Albania, with approximately 60% due to mandatory insurance. In terms of local currency, premium volume in the overall market rose by 7.0% year-on-year in 2012, with the non-life segment recording an increase of 10.6%. After showing a burst of growth in 2011, life insurance suffered another decline in 2012. The decrease is due to the challenging economic conditions, which are causing both private households and companies to save.

Vienna Insurance Group is represented by the non-life insurance companies Sigma, Interalbanian and Intersig in Albania. Sigma also has a branch in Kosovo. VIG's market share increased in 2012 over the previous year to a current level of 29.7%, putting it into the lead in the non-life insurance segment. It holds second place in the overall market.

Bosnia-Herzegovina

The market data here illustrate the potential that exists in the insurance market in Bosnia-Herzegovina. The insurance density in Bosnia-Herzegovina (annual per capita premiums) was around EUR 64 in 2011, compared to around EUR 76 in Serbia and more than EUR 2,500 in the EU-15 countries. The overall market recorded an increase of 3.5% in terms of local currency in 2012.

VIG has been represented by Jahorina in Bosnia-Herzegovina since 2011. The company was established in 1992 as a non-life insurer, and has now also been offering life insurance for a few years. The focus of its activities is, however, on the distribution of motor vehicle insurance. Jahorina is the market leader in Republika Srpska, and seventh in the overall market.

Bulgaria

Life insurance still represents a very small share of total premium volume in the Bulgarian insurance market, which is dominated by the motor vehicle lines of business. It is precisely this segment, however, that is being negatively affected by competitive pressure in the motor vehicle liability line of business and declining new vehicle registrations in the motor vehicle own-damage line of business. The overall market experienced slightly negative growth of -1.1% in terms of local currency in the 1st-3rd quarter of 2012.

Vienna Insurance Group is represented by Bulstrad Life and Bulstrad Non-life in Bulgaria. Bulgarski Imoti was merged with Bulstrad Non-life to form a powerful company in 2012. VIG holds second place in the overall market with a market share of 13.8%, and is the leader in non-life insurance.

Germany

Even in the fifth year of the financial market crisis, business development in the German insurance market continued to show stable growth in 2012. Property and casualty premiums are forecast to rise by 3.7%, the strongest growth recorded since 1994. Due to moderate growth in regular premium products and a slight increase in the single-premium business, life insurance is expected to increase by approximately 1%.

VIG operates two companies in Germany, InterRisk Non-life and InterRisk Life. The InterRisk companies distribute exclusively through brokers. InterRisk Non-life specialises in casualty and third-party liability insurance, as well as selected property insurance products. InterRisk Life focuses on retirement provision and occupational disability solutions, as well as protection for surviving dependants. The VIG companies operate successfully in the German market as profitable niche providers.

Estonia, Latvia and Lithuania

Growth in the Latvian insurance market was particularly strong in the areas of health insurance and life insurance with guaranteed interest in 2012. Estonia also saw growth stabilise in the life insurance segment compared to 2011. In Lithuania, growth was recorded in life insurance products with regular premium payments.

VIG is represented in the Baltic States by Compensa Life and by branches of the Polish Compensa Non-life in Latvia and Lithuania. In the life insurance segment, VIG is fourth in the market in Estonia. In Latvia, the market share in this segment rose to 11.8% in 2012, compared to 9.4% in the previous year. In Lithuania, VIG ranks sixth in life insurance and seventh in the non-life segment.

Georgia

Development of the Georgian insurance market was dominated by an expansion of the government health insurance programme and the accompanying significant increase in this line of business. Health insurance represents more than 70% of total premium volume. In total, premiums written rose by 74.9% in terms of local currency in the 1st-3rd quarter of 2012.

The two Georgian VIG companies GPIH and IRAO have a market share of 23.3%. Together, they hold second place in the market, following the merger of two competitors in April 2012. Both GPIH and IRAO focus on the distribution of health insurance products and are benefiting from the developments taking place in the market.

Croatia

The ongoing difficult economic situation led to a 1.2% year-on-year decrease in total premiums in Croatia in 2012, based on local currency. Competitive pressures and a decrease in new registrations caused a decline in motor vehicle insurance. Non-life insurance fell by 2.0% in total, while life insurance recorded an increase of 1.2%.

VIG is currently represented by three Group companies in Croatia: Kvarner, Helios and Erste Osiguranje. There are plans, however, to merge Kvarner and Helios. VIG holds a total market share of 7.8%, putting it in fourth place in the overall market. It holds second place in the life insurance market with a 16.3% share of total premium volume.

Liechtenstein

The companies based in Liechtenstein offer insurance solutions aimed at the international market, with a particular focus on the area of index-linked life insurance. Unique access to both the European Economic Area and the Swiss market is a key benefit of the location. The overall market recorded premium income at the same level as the previous year in 2012.

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

Macedonia

Even though the Macedonian insurance market is dominated by non-life insurance, the life insurance segment is recording double-digit growth rates. In terms of local currency, life insurance grew by 20.6% year-on-year in the 1st-3rd quarter of 2012. The increase recorded in the non-life segment was considerably smaller, at 1.4%.

VIG is currently represented in Macedonia by Winner Non-life and Winner Life, and holds fourth place in the market with a market share of 9.9%. The acquisition of QBE Makedonija, which is subject to official approval, will put VIG in first place in the Macedonian insurance market. QBE Makedonija has a broad product portfolio, with a focus on motor vehicle and casualty insurance, and a strong nationwide sales network.

Serbia

The Serbian insurance market showed solid premium growth of 6.7% in terms of local currency in the 1st-3rd quarter of 2012. The non-life segment, which is much greater than the life segment, recorded an increase of 4.4%. Sales of life insurance products, however, showed much stronger growth of 18.9%.

Wiener Städtische Osiguranje, which represents VIG in Serbia, holds fourth place in the market with a market share of 8.7%. The company is second in the life insurance segment, where it generated 22.8% of total premium income in the market.

Turkey

The Turkish insurance market continued to show double-digit growth in spite of the slowdown in economic growth. In terms of local currency, total premium volume rose 15.5% year-on-year in 2012. In addition, the market has changed since the 2nd half of 2012 from price competition to pricing that is more risk based.

VIG's Group company Ray Sigorta holds 14th position in the overall market, with a market share of 1.5%. The company sells non-life insurance, with a focus on motor vehicle insurance products.

Ukraine
The top ten insurers in the Ukraine only generate approximately 30% of total premium volume. The market is highly fragmented, with 442 insurance companies registered at the beginning of 2012. As in many other countries in the Remaining Markets segment, the Ukrainian market is dominated by the non-life insurance business, which generates approximately 95% of total premium volume. In terms of local currency, total premium income decreased 3.8% year-on-year in the 1st-3rd quarter of 2012.

VIG is represented by four insurance companies in the Ukraine. These include the three non-life insurers UIG, Kniazha and Globus, and the life insurance company Jupiter. VIG increased its total market share to 3.6% in the 1st-3rd quarter of 2012, and holds fifth place in the market.

Hungary
In terms of local currency, the Hungarian insurance market suffered a year-on-year decrease of 6.5% in 2012. In addition, a new tax was introduced on insurance premiums in January 2013. The tax consists of a 15% tax on gross premiums for motor vehicle own-damage insurance, and a 10% tax on gross premiums for property and casualty insurance. The new tax is an addition to the existing tax on premiums for motor vehicle liability insurance, which continues to remain in effect.

VIG is represented by Union Biztosító and Erste Biztosító in Hungary. These two companies performed very well, in spite of the difficult conditions, and hold eighth place in the market in 2012 with a market share of 5.5%.

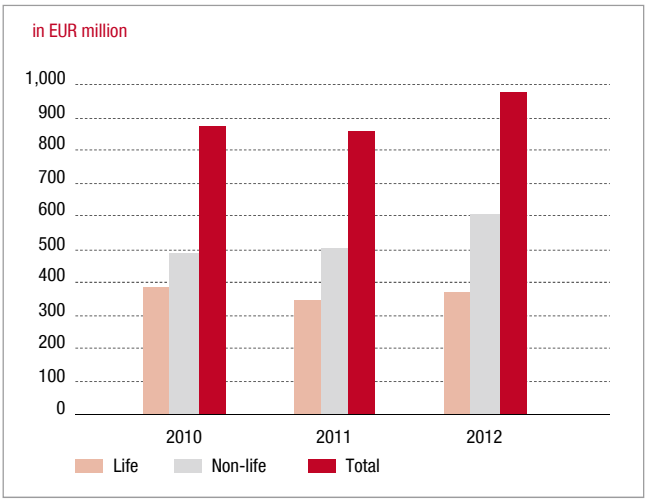
Business development in the Remaining Markets segment in 2012

Premium growth of 13.8%
Vienna Insurance Group wrote a total of EUR 975.56 million in premiums written in the Remaining Markets segment in 2012 (2011: EUR 857.19 million). This represents an increase of 13.8%. Net earned premiums were EUR 716.65 million (2011: EUR 642.86 million), an increase of 11.5% compared to the previous year.

The non-life area of the Remaining Markets segment generated EUR 604.91 million in premiums in 2012 (2011: EUR 506.47 million), representing an increase of 19.4% over the previous year. This was primarily due to very strong premium development in Georgia, Macedonia, Turkey, the Ukraine and Hungary.

Life insurance premium income from Vienna Insurance Group companies in the Remaining Markets segment rose by 5.7% to EUR 370.64 million in 2012 (2011: EUR 350.72 million). This segment recorded particularly good growth in the Baltic States, Bulgaria and Liechtenstein.

PREMIUMS WRITTEN IN THE REMAINING MARKETS SEGMENT



Expenses for claims and insurance benefits
Expenses for claims and insurance benefits were EUR 512.04 million in 2012 (2011: EUR 464.55 million). This corresponds to an increase of 10.2% in expenses for claims and insurance benefits (less reinsurance) compared to the previous year.

Acquisition and administrative expenses
Vienna Insurance Group recorded an increase from EUR 176.56 million to EUR 201.44 million in acquisition and administrative expenses in the Remaining Markets segment in 2012.

Profit before taxes increases to EUR 39.13 million
As a result of the good growth recorded in this segment, both in life and non-life insurance, the Vienna Insurance

Group companies increased their profit from EUR 23.15 million to EUR 39.13 million.

Combined ratio of 98.2%
Vienna Insurance Group had a combined ratio of 98.2% in the Remaining Markets segment (2011: 101.1%).

VIENNA INSURANCE GROUP IN THE REMAINING MARKETS SEGMENT*

	2012	2011	2010
in EUR million			
Premiums written	**975.56**	**857.19**	**871.72**
Life	370.64	350.72	383.63
Non-life	604.91	506.47	488.10
Profit before taxes	**39.13**	**23.15**	**2.15**

* Bosnia-Herzegovina included since 2012.

CENTRAL FUNCTIONS

The newly created "Central Functions" segment includes the following companies: BIAC, Central Point, ELVP, LVP, Neue Heimat Holding, Progress, TBIH, VIG Fund, VIG Holding, VIG RE and the non-profit housing societies

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

The Group's own reinsurance company, VIG RE, which was founded in 2008, has already completed its fourth successful year providing insurance for both Group companies and external partners. In this short period of time, it has established itself as a recognised and important company in the CEE region, and currently has more than 180 customers. A conservative underwriting and investment strategy contributed to the stable performance of the company in 2012. Standard & Poor's confirmed VIG RE's A+ rating with a stable outlook in October 2012.

Business development in the Central Functions segment in 2012

The companies in the new Central Functions segment generated EUR 1,341.44 million in premiums in 2012. This corresponds to an increase of 35.0% over the previous year. The segment recorded a loss of EUR 20.08 million in 2012.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Other information

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 64.

Research and development

Vienna Insurance Group is providing professional assistance for the development of insurance-specific software.

Risk management

The Vienna Insurance Group 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-related Managing Board decisions.

The detailed risk report for Vienna Insurance Group is provided in the notes to the consolidated financial statements on pages 64-82.

Internal control and risk management system in the accounting process

Work is being done with a consultancy on the documentation for the annual financial statements preparation process as part of the Solvency II project that is currently under way. A summary of significant controls was prepared, together with a description of the links between the process and controls and the risks identified during risk management.

The process uses the documented controls to ensure that potential reporting errors are avoided, or are identified and corrected.

The objectives of the annual financial statements process are:

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

The financial statements process includes the aggregation of all data from accounting and upstream processes for the annual financial statements.

The Group has established an internal reporting system for the subsidiaries included in the consolidated financial statements. The processes and controls that have been implemented ensure that all necessary data are recorded and processed.

In addition, the auditors periodically assess the operation of the internal Group company control systems as part of their auditing activities. Their findings are reported to the Supervisory Board Audit Committee.

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

1. The Company has EUR 132,887,468.20 in share capital that is divided into 128,000,000 no-par value bearer shares with voting rights, with each share participating equally in the 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 compulsory by law.

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 28 June 2015 against cash or in-kind contributions. The rights of the shares, the exclusion of shareholder subscription rights, and the other terms of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Non-voting preference shares may also be issued with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

b) The General Meeting of 29 June 2010 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 28 June 2015, 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 raised in accordance with Section 159 (2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value bearer shares with voting rights.

The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the general meeting resolution of 29 June 2010 exercise the subscription or exchange rights they were granted. The Managing Board did not adopt any resolutions in financial year 2012 regarding the issuance of convertible bonds based on the authorisation granted on 29 June 2010.

d) The General Meeting of 29 June 2010 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, with or without exclusion of shareholder pre-emptive rights. The Managing Board did not adopt any resolutions in financial year 2012 regarding the issuance of income bonds based on this authorisation.

As at 31 December 2012, no authorisation of the Managing Board under Section 65 of the AktG (acquisition of own shares) was in effect, and the Company held none of its own shares.

8. As of 31 December 2012, 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, nor, in particular, to any 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 concern 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 2013

Austria

As a small open market economy and member of the Eurozone, Austria was affected by some of the problems existing in Central and Western Europe. Compared internationally, however, the country did well in 2012, which is generally considered to have been an economically difficult year.

Financial markets continue to further refine their assessments of public budget risks. This previously resulted in a reduction in Austria's credit rating from AAA to AA+ by the rating agency Standard and Poor's at the beginning of 2012. However, Standard & Poor's improved Austria's outlook from negative to stable in January 2013, primarily because Austria is expected to benefit from its strict budgetary policy and specialisation in knowledge-intensive export sectors. The Austrian economy is expected to overcome the temporary low of 2012 in coming years, and continue to grow slightly faster than the Eurozone.

It was not until November that the WIFO (Austrian Institute for Economic Research) leading indicator, a monthly composite indicator that provides an early indication of turning points for the Austrian economy, rose once again. Many factors are now pointing to a stabilisation of the economic situation in the Central European region. However, WIFO and IHS (Austrian Institute for Advanced Studies) forecast only small positive real economic growth for Austria in 2013 (+1.0% and +0.8%, respectively), and even in 2014 both expect gross domestic product to grow by only +1.8%, still 0.5 percentage points below the OECD (Organisation for Economic Cooperation and Development) average.

The Austrian banking system continues to be viewed as stable in 2013. There is no danger of insufficient lending to companies and private creditors, which is likely to benefit the non-life segment in particular.

In the life insurance segment, the entire industry will continue to be confronted by low interest rates and tax-law difficulties in 2013. The demographic situation is worsening slowly but steadily and the challenges this brings continue to be acute, in particular with respect to funding for the pension system, health care and nursing care.

Statutory changes in the Austrian Maximum Interest Regulation (*Höchstzinsverordnung*), which currently stipulates a maximum of 1.75% for the guaranteed minimum interest rate, could create additional challenges.

The Austrian Association of Insurance Companies (VVO) expects total premium growth of 0.2% for 2013. The decrease in life insurance (-2.6%) will be outweighed by growth in the healthcare (+3.0%) and property and casualty (+1.8%) areas.

CEE region

Over the coming years, the CEE region will continue to be a region that is economically heterogeneous, in the sense of showing a North-South divide, and dependent on the strength of the Eurozone. The negative effects of this are less serious for countries with strong domestic demand, such as Poland, than countries that are small and export-oriented. From an economic point of view, the greatest risks facing these markets are a too small rate of growth in the Eurozone and a failure to make important reforms.

With respect to global competition, an economic slowdown in China and the USA is quite possible. Due to close trading relationships with these economic driver countries, this would have a direct impact on regions like Brazil and India. The CEE region, on the other hand, would become comparatively more attractive for foreign investors.

All of the CEE countries essentially offer enormous long-term potential with respect to income growth and insurance density. With regard to Poland in particular, the middle class of people with purchasing power will be larger in absolute terms than in Austria by 2015 at the latest. Growth also did not suffer as much in this country as elsewhere during the crisis, thanks to the strong domestic market.

In many countries, such as Romania, future development of the insurance market still depends greatly on the implementation of national reforms. Reforms of the social, healthcare and pension insurance systems are being planned in many CEE countries.

Ukraine, a country with great potential but also a great need for reforms, shows particularly good growth in the agricultural industry and related production sectors. Rising purchasing power and a related increase in demand for insurance by private households is seen as an attractive long-term scenario for this country.

In the highly export-dependent Southern Balkan region, the imminent risk of a Greek exit from the European Monetary Union with an accompanying total collapse of demand from the Eurozone has diminished. Whether the small recovery in export demand in the EU countries in 2013 will also be sufficient to help growth in the Balkan region is questionable. In any case, the CEE region offers sufficient growth potential for insurance companies in the region.

Regulatory environment

The introduction of a European bank supervisory authority appears to be a political certainty and is viewed positively by a majority of the affected parties or seen as a reality. With respect to the introduction of Solvency II, a number of deadlines were deferred during the course of 2012. Some points related to reporting requirements and deadlines are still the topic of lively, ongoing discussion at the international level. Insurance companies expect considerable additional effort for reporting.

Vienna Insurance Group – outlook

Vienna Insurance Group will continue to follow its current strategy and also commits to sticking to its proven principles in the future. This means that the Group will continue to concentrate on its insurance business and follow a very conservative investment strategy. The multi-brand strategy will also be maintained. Mergers will, however, be considered when clear potential synergies outweigh the benefits of a diversified market presence. In addition, the collaboration with the strong bank partner, Erste Group, will continue to be of great importance.

There will also be no change to the regional focus. VIG is, and remains, at home in Austria and Central and Eastern Europe. This economic area has enormous potential and the Group is optimally positioned to take advantage of this potential and continue its profitable growth in coming decades.

On the one hand, Vienna Insurance Group will remain true to its principles. On the other hand, however, rapidly changing conditions make it necessary to react immediately. VIG therefore monitors market developments carefully and meets new challenges with the necessary speed and flexibility.

Vienna Insurance Group has significantly strengthened its market leadership in Austria and the CEE region and occupies first place in its core markets. It wants to continue to increase its lead over international competitors in this region in the future, and grow faster than the market. This will mainly be accomplished by means of organic growth, i.e. the growth of existing companies. VIG may, however, make acquisitions that are a good fit for its portfolio, particularly in the growth regions, which include Bulgaria, Poland, Romania, Ukraine and the Baltic States.

CONSOLIDATED FINANCIAL STATEMENTS

VIENNA INSURANCE GROUP

Consolidated financial statements in accordance with IFRS	31.12.2012
Reporting period	1.1.2012 - 31.12.2012
Balance sheet comparison date	31.12.2011
Income statement comparison period	1.1.2011 - 31.12.2011
Currency	EUR

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012

ASSETS	Notes	31.12.2012	31.12.2011
in EUR '000			
A. Intangible assets	**1**		
I. Goodwill	A	1,723,207	1,762,284
II. Purchased insurance portfolios	B	57,511	75,320
III. Other intangible assets	C	629,247	544,820
Total intangible assets		**2,409,965**	**2,382,424**
B. Investments			
I. Land and buildings	2,D	3,219,908	4,416,954
II. Shares in at equity consolidated companies	3+4	368,461	120,878
III. Financial instruments	E	25,874,450	23,547,560
a) Loans and other investments	5	4,883,784	4,602,417
b) Other securities	6	20,990,666	18,945,143
Financial instruments held to maturity		3,180,823	3,110,720
Financial instruments available for sale		17,111,825	15,188,119
Financial instruments recognised at fair value through profit and loss*		698,018	646,304
Total investments		**29,462,819**	**28,085,392**
C. Investments for unit- and index-linked life insurance	**7, F**	**6,443,775**	**5,502,790**
D. Reinsurers' share in underwriting provisions	**8, G**	**1,034,364**	**1,117,063**
E. Receivables	**9, H**	**1,656,642**	**1,581,517**
F. Tax receivables and advance payments out of income tax	**10, I**	**80,572**	**80,447**
G. Deferred tax assets	**11, J**	**136,956**	**123,519**
H. Other assets	**12, K**	**339,054**	**328,382**
I. Cash and cash equivalents	**13**	**772,238**	**568,117**
Total ASSETS		**42,336,385**	**39,769,651**

* Including assets held for trading

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2012	31.12.2011
in EUR '000			
A. Shareholders' equity	**14**		
I. Share capital		132,887	132,887
II. Other capital reserves		2,109,003	2,109,003
III. Capital reserves from additional payments on hybrid capital		495,602	495,602
IV. Retained earnings		2,258,979	1,961,997
V. Other reserves		409,369	-68,847
VI. Non-controlling interests		346,027	419,001
Total shareholders' equity		**5,751,867**	**5,049,643**
B. Subordinated liabilities	**15**	**537,508**	**531,232**
C. Underwriting provisions			
I. Provision for unearned premiums	16, L	1,265,340	1,232,400
II. Actuarial reserve	17, M	19,014,157	18,339,607
III. Provision for outstanding claims	18, N	4,082,424	3,938,416
IV. Provision for profit-unrelated premium refunds	19, O	63,185	58,565
V. Provision for profit-related premium refunds	19, P	1,295,978	397,039
VI. Other underwriting provisions	20, Q	94,387	26,510
Total underwriting provisions		**25,815,471**	**23,992,537**
D. Underwriting provisions for unit- and index-linked life insurance	**21, R**	**6,245,423**	**5,329,381**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	22, S	248,570	302,002
II. Other provisions	23, T	183,412	257,324
Total non-underwriting provisions		**431,982**	**559,326**
F. Liabilities	**24, U**	**3,027,629**	**3,904,355**
G. Tax liabilities out of income tax	**25**	**92,712**	**62,818**
H. Deferred tax liabilities	**11**	**226,634**	**124,117**
I. Other liabilities	**26**	**207,159**	**216,242**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**42,336,385**	**39,769,651**

CONSOLIDATED SHAREHOLDERS' EQUITY

Change in consolidated shareholders' equity in financial years 2012 and 2011

in EUR '000	Share capital	Other capital reserves	Capital reserves from additional payments on hybrid capital	Retained earnings	Other reserves	Sub-total	Non-controlling interests	Share-holders' equity
As of 1 January 2011	**132,887**	**2,109,003**	**495,602**	**1,723,519**	**172,401**	**4,633,412**	**396,235**	**5,029,647**
Changes in scope of consolidation / ownership interests	0	0	0	-268	0	-268	-249	-517
Total profit for the period including other comprehensive income after taxes	0	0	0	406,746	-241,248	165,498	32,680	198,178
Dividend payment*	0	0	0	-168,000	0	-168,000	-9,665	-177,665
As of December 2011	**132,887**	**2,109,003**	**495,602**	**1,961,997**	**-68,847**	**4,630,642**	**419,001**	**5,049,643**
As of 1 January 2012	**132,887**	**2,109,003**	**495,602**	**1,961,997**	**-68,847**	**4,630,642**	**419,001**	**5,049,643**
Changes in scope of consolidation / ownership interests	0	0	0	31,588	0	31,588	-91,861	-60,273
Total profit for the period including other comprehensive income after taxes	0	0	0	446,194	478,216	924,410	29,839	954,249
Dividend payment*	0	0	0	-180,800	0	-180,800	-10,952	-191,752
As of December 2012	**132,887**	**2,109,003**	**495,602**	**2,258,979**	**409,369**	**5,405,840**	**346,027**	**5,751,867**

* Including payment for servicing the hybrid capital

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

The shareholders' share of changes recognised directly in the equity of at equity consolidated companies is EUR 21,370,000 (EUR 11,004,000).

Composition Other reserves	31.12.2012	31.12.2011
Unrealised gains and losses	382,255	-40,920
Currency reserve	27,114	-27,927
Total	**409,369**	**-68,847**

Unrealised gains and losses from investments	31.12.2012	31.12.2011
Bonds	1,322,968	8,931
Shares and other participations	83,712	56,672
Investment funds	445	-78,095
	1,407,125	**-12,492**
less:		
Deferred profit participation	-929,085	-48,195
Deferred taxes	-103,630	19,355
Non-controlling interests	7,845	412
Total	**382,255**	**-40,920**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

in EUR '000	Notes	2012	2011
Premiums	**28**		
Premiums written – gross		**9,685,667**	**8,883,665**
Premiums written - reinsurers´ share		-709,812	-738,644
Premiums written – retention		**8,975,855**	**8,145,021**
Change in unearned premiums - gross		-4,956	-32,959
Change in unearned premiums - reinsurers' share		25,911	10,755
Net earned premiums – retention		**8,996,810**	**8,122,817**
Financial result excluding at equity consolidated companies	**29**		
Income from investments		1,749,497	1,676,144
Expenses for investments and interest expenses		-530,348	-755,539
Total financial result excluding at equity consolidated companies		**1,219,149**	**920,605**
Result from shares in at equity consolidated companies	**30**	**21,370**	**11,004**
Other income	**31**	**115,331**	**115,360**
Expenses for claims and insurance benefits	**32**		
Expenses for claims and insurance benefits - gross		-7,811,631	-6,920,004
Expenses for claims and insurance benefits - reinsurers' share		221,276	384,039
Total expenses for claims and insurance benefits		**-7,590,355**	**-6,535,965**
Acquisition and administrative expenses	**33**		
Acquisition expenses		-1,586,254	-1,521,130
Administrative expenses		-347,134	-349,903
Reinsurance commissions		118,501	118,381
Total acquisition and administrative expenses		**-1,814,887**	**-1,752,652**
Other expenses	**34**	**-360,011**	**-322,161**
Profit before taxes		**587,407**	**559,008**
Tax expenses	**35**	**-120,083**	**-117,099**
Profit for the period		**467,324**	**441,909**
thereof attributable to Vienna Insurance Group shareholders		*446,194*	*406,746*
thereof non-controlling interests in net profit for the period	*14*	*21,130*	*35,163*
Earnings per share*	14		
Undiluted = diluted earnings per share (in EUR)		3.17	2.87

* The calculation of EPS includes accrued interest expenses for hybrid capital

OTHER COMPREHENSIVE INCOME

in EUR '000	31.12.2012	31.12.2011
Profit for the period	**467,324**	**441,909**
+/- Exchange rate changes through equity	55,494	-56,184
+/- Unrealised gains and losses from financial instruments available for sale	542,291	-237,244
Taxes on other comprehensive income*	-110,860	49,697
Other comprehensive income after taxes (total)	**954,249**	**198,178**
thereof attributable to Vienna Insurance Group shareholders	*924,410*	*165,498*
thereof non-controlling interests	*29,839*	*32,680*

* The taxes result exclusively from unrealised gains and losses on financial instruments available for sale.

CONSOLIDATED STATEMENT OF CASH FLOWS FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

in EUR '000	2012	2011
Profit for the period	**467,324**	**441,909**
Change in underwriting provisions net	1,366,130	464,526
Change in underwriting receivables and liabilities	32,038	338
Change in deposit receivables and liabilities, as well as in reinsurance receivables and liabilities	89,479	53,421
Change in other receivables and liabilities	-35,314	-18,070
Change in securities held for trading	-80,789	50,092
Gain/loss from disposal of investments	-196,669	-79,725
Depreciation/appreciation of all other investments	170,704	312,519
Change in pension, severance and other personnel provisions	-44,198	-7,797
Change in deferred tax asset/liability excl. tax liabilities	-35,580	53,658
Change in other balance sheet items	-88,287	23,028
Change in goodwill and other intangible assets	-2,006	33,373
Other cash-neutral income and expenses and adjustments to the result of the period	-51,623	210,985
Cash flow from operating activities	**1,591,209**	**1,538,257**
Payments for the acquisition of fully and at equity consolidated companies	-71,861	-26,015
Cash inflow from the sale of securities available for sale	3,848,536	3,203,241
Payments for the acquisition of available for sale securities	-4,329,953	-3,465,122
Cash inflow from the sale of securities held to maturity	336,619	356,298
Payments for the addition of securities held to maturity	-327,274	-411,498
Cash inflow from the sale of land and buildings	93,107	43,519
Payments for the acquisition of land and buildings	-173,916	-482,064
Change in unit- and index-linked life insurance items	-351,228	-279,711
Change in other investments	-203,700	-70,755
Cash flow from investing activities	**-1,179,670**	**-1,132,107**
Decrease of subordinated liabilities	-150	-7,500
Dividend payments	-191,752	-177,664
Cash inflow from other financing activities	21,760	5,740
Cash outflow from other financing activities	0	-64,579
Cash flow from financing activities	**-170,142**	**-244,003**
Change in cash and cash equivalents	**241,397**	**162,147**
Cash and cash equivalents at beginning of period	**568,117**	**396,030**
Change in cash and cash equivalents	241,397	162,147
Change in scope of consolidation	-35,442	6,537
Effects of foreign currency exchange differences on cash and cash equivalents	-1,834	3,403
Cash and cash equivalents at end of period	**772,238**	**568,117**
thereof non-profit housing societies	*77,768*	*117,480*
Additional information		
Received interest	864,886	775,015
Received dividends	152,266	177,083
Interest paid*	53,926	67,168
Income taxes paid	79,817	84,444
Expected cash flow from reclassified securities	**47,729**	**47,905**
Effective interest rate of reclassified securities	**5.35%**	**5.07%**

* The interest paid is primarily attributable to financing activities.

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY LINES OF BUSINESS

ASSETS	Property/Casualty		Life		Health		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000								
A. Intangible assets	1,396,415	1,346,322	1,013,515	1,036,048	35	54	**2,409,965**	**2,382,424**
B. Investments	7,501,209	8,311,376	20,897,788	18,812,966	1,063,822	961,050	**29,462,819**	**28,085,392**
C. Investments for unit- and index-linked life insurance	0	0	6,443,775	5,502,790	0	0	**6,443,775**	**5,502,790**
D. Reinsurers' share in underwriting provisions	877,855	995,257	154,611	120,132	1,898	1,674	**1,034,364**	**1,117,063**
E. Receivables	1,036,843	986,317	574,125	565,248	45,674	29,952	**1,656,642**	**1,581,517**
F. Tax receivables and advance payments out of income tax	60,044	62,616	20,528	17,831	0	0	**80,572**	**80,447**
H. Other assets	157,812	153,902	176,157	164,593	5,085	9,887	**339,054**	**328,382**
I. Cash and cash equivalents	582,852	298,216	184,156	235,706	5,230	34,195	**772,238**	**568,117**
Subtotal	**11,613,030**	**12,154,006**	**29,464,655**	**26,455,314**	**1,121,744**	**1,036,812**	**42,199,429**	**39,646,132**
Deferred tax assets							136,956	123,519
Total ASSETS							**42,336,385**	**39,769,651**

LIABILITIES AND SHAREHOLDERS' EQUITY	Property/Casualty		Life		Health		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000								
B. Subordinated liabilities	316,014	312,777	220,994	217,955	500	500	**537,508**	**531,232**
C. Underwriting provisions	4,998,926	4,796,718	19,769,434	18,215,473	1,047,111	980,346	**25,815,471**	**23,992,537**
D. Underwriting provision for unit- and index-linked life insurance	0	0	6,245,423	5,329,381	0	0	**6,245,423**	**5,329,381**
E. Non-underwriting provisions	285,018	387,065	126,102	144,428	20,862	27,833	**431,982**	**559,326**
F. Liabilities	2,469,319	3,443,246	542,353	438,989	15,957	22,120	**3,027,629**	**3,904,355**
G. Tax liabilities out of income tax	68,555	52,099	24,157	10,719	0	0	**92,712**	**62,818**
I. Other liabilities	58,331	54,158	147,813	160,349	1,015	1,735	**207,159**	**216,242**
Subtotal	**8,196,163**	**9,046,063**	**27,076,276**	**24,517,294**	**1,085,445**	**1,032,534**	**36,357,884**	**34,595,891**
Deferred tax liabilities							226,634	124,117
Shareholders' equity							5,751,867	5,049,643
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**42,336,385**	**39,769,651**

The amounts indicated for each business segment have been adjusted for internal segment transactions. As a result, the difference between segment assets and liabilities cannot be used to infer the shareholders' equity allocated to each line of business.

SEGMENT REPORTING

CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS AND REGIONS

LINES OF BUSINESS	Property/Casualty		Life		Health		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
in EUR '000								
Premiums written – gross	4,673,441	4,579,297	4,620,717	3,944,217	391,509	360,151	**9,685,667**	**8,883,665**
Net earned premiums	4,033,963	3,844,750	4,581,610	3,916,099	381,237	361,968	**8,996,810**	**8,122,817**
Financial result excl. at equity consolidated companies	252,593	193,939	949,924	687,443	16,632	39,223	**1,219,149**	**920,605**
Result from shares in at equity consolidated companies	19,077	8,100	2,293	2,904	0	0	**21,370**	**11,004**
Other income	72,746	72,128	40,687	43,206	1,898	26	**115,331**	**115,360**
Expenses for claims and insurance benefits	-2,656,178	-2,531,267	-4,613,566	-3,695,786	-320,611	-308,912	**-7,590,355**	**-6,535,965**
Acquisition and administrative expenses	-1,130,946	-1,080,679	-638,694	-628,468	-45,247	-43,505	**-1,814,887**	**-1,752,652**
Other expenses	-260,774	-235,463	-96,549	-85,587	-2,688	-1,111	**-360,011**	**-322,161**
Profit before taxes	**330,481**	**271,508**	**225,705**	**239,811**	**31,221**	**47,689**	**587,407**	**559,008**

REGIONS	Austria		Czech Republic		Slovakia		Poland	
	2012	2011	2012	2011	2012	2011	2012	2011
in EUR '000								
Premiums written – gross	4,122,526	4,037,503	1,795,576	1,823,888	704,107	684,259	1,611,739	954,219
Net earned premiums	3,333,794	3,283,110	1,453,993	1,495,646	581,880	559,879	1,323,151	760,345
Financial result excl. at equity consolidated companies	838,975	622,236	128,758	112,268	58,412	43,672	63,483	46,448
Result from shares in at equity consolidated companies	3,669	3,543	2,061	2,006	0	0	0	0
Other income	20,449	16,604	34,708	37,688	3,971	6,964	6,839	8,307
Expenses for claims and insurance benefits	-3,289,169	-3,063,929	-1,001,921	-1,030,761	-459,489	-436,654	-1,126,496	-552,067
Acquisition and administrative expenses	-578,233	-537,600	-343,259	-351,713	-90,068	-83,971	-205,498	-210,998
Other expenses	-34,210	-32,081	-79,366	-78,020	-37,819	-35,769	-19,909	-15,623
Profit before taxes	**295,275**	**291,883**	**194,974**	**187,114**	**56,887**	**54,121**	**41,570**	**36,412**

REGIONS	Romania		Remaining markets		Central functions		Consolidation		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
in EUR '000										
Premiums written – gross	448,253	503,084	975,557	857,194	1,341,440	993,671	-1,313,531	-970,153	**9,685,667**	**8,883,665**
Net earned premiums	371,245	413,825	716,652	642,860	1,215,217	946,247	878	20,905	**8,996,810**	**8,122,817**
Financial result excl. at equity consolidated companies	22,588	22,837	84,431	65,540	21,664	19,159	838	-11,555	**1,219,149**	**920,605**
Result from shares in at equity consolidated companies	0	0	0	0	15,640	5,455	0	0	**21,370**	**11,004**
Other income	28,416	17,383	18,729	15,686	7,831	11,888	-5,612	840	**115,331**	**115,360**
Expenses for claims and insurance benefits	-308,917	-306,035	-512,036	-464,546	-890,935	-666,954	-1,392	-15,019	**-7,590,355**	**-6,535,965**
Acquisition and administrative expenses	-111,315	-136,176	-201,435	-176,561	-288,515	-247,135	3,436	-8,498	**-1,814,887**	**-1,752,652**
Other expenses	-22,463	-24,823	-67,211	-59,827	-100,983	-89,148	1,950	13,130	**-360,011**	**-322,161**
Profit before taxes	**-20,446**	**-12,989**	**39,130**	**23,152**	**-20,081**	**-20,488**	**98**	**-197**	**587,407**	**559,008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

Vienna Insurance Group is the leading Austrian insurance company in Central and Eastern Europe and thus is also the largest listed insurance group in Austria. Its registered office is located at Schottenring 30, 1010 Vienna. The ultimate parent company, Wiener Städtische Versicherungsverein, includes Vienna Insurance Group in its consolidated financial statements.

The insurance companies of Vienna Insurance Group offer high-quality insurance services in both the life and non-life segments in 24 countries of Central and Eastern Europe.

Vienna Insurance Group operates in the property and casualty, life and health insurance lines of business. Vienna Insurance Group's regions are Austria (including the Wiener Städtische branch offices in Slovenia and those of Wiener Städtische and Donau Versicherung in Italy), the Czech Republic, Slovakia, Poland (including the Compensa Non-life branch office in Lithuania and Latvia), Romania, Remaining Markets and Central Functions. The Central Functions region consists of BIAC, Central Point, ELVP, LVP Holding, Neue Heimat Holding, Progress, TBIH, VIG Fund, VIG Holding, VIG RE and the non-profit housing societies.

Business segment reports are prepared in a manner consistent with the internal reporting for the principal decision-maker. The principal decision maker is responsible for decisions about the allocation of resources to business segments and for assessing their earning power. The Managing Board is the principal decision-maker for strategic decisions.

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

Summary of significant accounting policies

The consolidated financial statements as of 31 December 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the applicable corporate law provisions of Section 245a of the Austrian Corporate Code (Unternehmensgesetzbuch — UGB).

The consolidated financial statements were prepared using historical cost accounting, with the exception of financial instruments available for sale, and financial assets and certain financial liabilities (including derivatives) measured at fair value.

Preparing consolidated financial statements in accordance with the IFRS as adopted in the European Union requires that estimates be made. In addition, application of the Company's accounting policies requires management to make assumptions. Areas with greater leeway for discretion, highly complex areas, or areas involving assumptions and estimates that are of critical importance to the consolidated financial statements are listed in the notes on page 54.

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

New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the financial year

The newly applicable rules (amended standards, new and amended interpretations) that are required to be applied for the first time in the financial year had no effect, or no material effect, on the consolidated financial statements.

Standards, interpretations and amendments to published standards whose application is not mandatory for 2012 and which have not been applied early

IAS 19, "Employee Benefits", was amended in June 2011. This will have the following effects on the Group. The corridor method is abolished and all actuarial gains and losses are henceforth recognised in other comprehensive income as they occur. Past service cost is recognised immediately. Interest cost and the expected return on plan assets are calculated as a net amount governed by the interest rate underlying the defined benefit obligation. Application is mandatory for financial years beginning on or after 1 January 2013. If applying this calculation method to the reporting period from 1 January 2012 to 31 December 2012, accumulated actuarial gains and losses of EUR -77,498,000 (EUR 11,638,000) would have to be presented in other comprehensive income as part of total comprehensive income.

IFRS 9, "Financial Instruments", is the first published standard to emerge from a comprehensive project to replace IAS 39. Financial instruments are henceforth classified on initial recognition as measured either "at fair value" or "at amortised cost". The designation takes place on initial recognition. The designation is governed by the method the Group uses to manage its financial instruments and by which contractual cash flows are linked to the financial instruments. For financial liabilities, most of the current rules of IAS 39 are retained. The principal change here is that when a financial liability is measured at fair value, the changes in value attributable to the entity's own credit risk are presented in other comprehensive income, rather than in the income statement, as long as this does not lead to an inappropriate presentation. The new rules shall be applied for financial years beginning on or after 1 January 2015. It has not yet been adopted into European law. The effects of IFRS 9 on the presentation, net assets, financial position and results of operations of the Group are being monitored continuously by the Vienna Insurance Group Managing Board.

IFRS 10, "Consolidated Financial Statements", is based on existing principles. At the heart of IFRS 10 is the introduction of a uniform consolidation model for all entities that is derived from the control by a parent of a subsidiary. The standard also contains additional guidance to assist in the determination of the existence of control, in particular in complex situations. The Group has not yet evaluated the full impact of IFRS 10, and will not apply IFRS 10 until the financial year beginning on 1 January 2014.

IFRS 13, "Fair Value Measurement", seeks to improve continuity in fair value measurement and to reduce the complexity of the topic. It describes how fair value should be defined, how to determine fair value and what disclosures must be made. The provisions of IFRS 13, which represent a convergence of IFRS with U.S. GAAP, do not expand the scope of fair value measurement; rather, they explain how to apply fair value measurement in those cases where it is already required or permitted under current standards. The Group will not apply IFRS 13 until the financial year beginning after 1 January 2013.

For all other standards or interpretations and their respective amendments whose application is not yet mandatory, no material effect on the consolidated financial statements is expected.

Scope and methods of consolidation

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, is the parent company of Vienna Insurance Group. All companies that are under the control ("control principle") of Vienna Insurance Group ("subsidiaries") are fully consolidated. Control exists when VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is directly or indirectly in a position to determine the financial and business policy of a subsidiary. Inclusion of a subsidiary begins when control is gained and ends when control is lost. The consolidated financial statements include a total of 49 Austrian and 72 foreign companies. Subsidiaries that were not of material importance were not included within the scope of consolidation. 23 Austrian companies and ten foreign companies were excluded for this reason.

Associated companies are companies over which Vienna Insurance Group has a significant influence, but does not exercise control. These companies are accounted for using the equity method. The consolidated financial statements include eight Austrian companies and 13 foreign companies consolidated at equity, of which twelve are foreign affiliated companies that are immaterial for the Group's results of operations. In accordance with the requirements of IAS 39 "Financial instruments", 33 companies that are not of material importance were treated as financial instruments available for sale and measured accordingly at fair value.

Fully controlled investment funds ("special funds") were fully consolidated in accordance with the requirements of SIC-12. Mutual funds in which Vienna Insurance Group holds the majority of units are not fully consolidated, since Vienna Insurance Group does not have control over such mutual funds.

The amount reported as goodwill is the amount by which the acquisition costs, the value of the non-controlling shares of the acquired company and the fair value of any previously held equity interests as at the acquisition date exceeds the value of the Group's share of the net assets measured at fair value. If the acquisition costs are less than the net assets of the acquired subsidiary measured at fair value, the difference is recognised directly in the income statement.

In 2012, the following changes occurred in the scope of consolidation:

During the reporting period from 1 January 2012 to 31 December 2012, Vienna Insurance Group acquired control over the following subsidiaries and included the following companies in the consolidated financial statements:

Expansion of the scope of consolidation	% share	Date of first consolidation	Goodwill
in EUR million			
ELVP	100.00	01.01.2012	0.00
Intersig	75.00	01.01.2012	4.28
Jahorina	97.56	01.01.2012	6.10
WSV Immoholding	100.00	01.01.2012	0.00

It should be noted that all company acquisitions were performed with cash or cash equivalents.

Change of consolidation method to at equity consolidation	% share	Date of change
in EUR million		
Erste Heimstätte GmbH	99.77	01.01.2012
Neuland GmbH	50.12	01.01.2012
Sozialbau AG	50.12	01.01.2012
Urbanbau GmbH	50.12	01.01.2012

Please refer to the section entitled "Non-profit housing societies" on page 50 for information on changes in consolidation methods.

Companies formed	% share	Date of foundation
WGPV Holding GmbH	100.00	30.06.2012

In May, Omniasig Non-life was merged into BCR Non-life. The merger of these two companies is a continuation of the restructuring measures being performed by Vienna Insurance Group to increase efficiency in Romania. The merged company has operated under the Omniasig Non-life brand since then. In the summer, PZM was merged into Interrisk. This non-life insurance company has operated under the InterRisk name since that time. The merger of InterRisk and PZM created a strong non-life insurer in Poland. The merger resulted in synergies that are being used to intensify customer support in the highly competitive Polish insurance market. In Bulgaria, Bulgarski Imoti Non-life was merged into Bulstrad Non-life in November. The merger of these two non-life insurance companies under the Bulstrad Non-life name strengthens Vienna Insurance Group's market presence in Bulgaria. It also increases efficiency and allows synergies to be used. WPWS Vermögensverwaltung GmbH was merged with Wiener Städtische.

Information on the companies that are fully consolidated and included at equity in the consolidated financial statements of 31 December 2012 is provided in Note 4 "Participations" in the notes to the consolidated financial statements.

The following additions to assets and liabilities were recognised due to first-time consolidation of the listed companies:

Balance sheet

in EUR '000	
Intangible assets	13,317
Investments	65,509
Receivables (incl. tax receivables and advance payments out of income tax)	6,006
Other assets (incl. deferred tax assets)	2,306
Cash and cash equivalents	755
Underwriting provisions	-17,087
Non-underwriting provisions	-98
Liabilities (incl. tax liabilities out of income tax)	-2,679
Other liabilities (incl. deferred tax liabilities)	-51

Income statement

in EUR '000	
Net earned premiums	17,503
Financial result	797
Other income	709
Expenses for claims and insurance benefits	-6,045
Operating expenses	-10,114
Other expenses	-1,349
Profit before taxes	**1,501**

The figures shown above reflect the actual dates of first consolidation, as indicated in the "Expansion of the scope of consolidation" table on page 48.

The following disposals of assets and liabilities were recognised due to changes in the consolidation methods used for the non-profit housing societies:

Balance sheet

in EUR '000	
Investments	-1,247,536
thereof investment property	*-1,230,025*
Other assets	-66,955
Provisions	18,053
Liabilities	1,019,006

Income statement

in EUR '000	
Income	142,320
Expenses	-99,696
Financial result	-8,838
Profit before taxes	**33,786**

Non-profit housing societies

The following non-profit housing societies are fully consolidated in the Vienna Insurance Group consolidated financial statements:

- Alpenländische Heimstätte GmbH
- Gemeinnützige Industrie-Wohnungsaktiengesellschaft
- Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH
- Neue Heimat Oberösterreich GmbH
- Schwarzatal GmbH

Due to a loss of contractual control, the following non-profit housing societies have been included at equity in the consolidated financial statements since 1 January 2012.

- Neuland GmbH
- Sozialbau AG
- Urbanbau GmbH
- Erste Heimstätte GmbH

The non-profit housing societies were fully consolidated due to the existence of control based partly on the holding of majority interests and partly on extensive contractual agreements. Annual profit distributions and access to the assets of the companies are both subject to statutory restrictions. The total profit before taxes of all fully consolidated non-profit housing societies was EUR 38,885,000 (EUR 57,245,000).

The share of all non-profit housing societies in the real estate portfolio of Vienna Insurance Group is EUR 1,749,076,000 (EUR 2,911,184,000).

Classification of insurance policies

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

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

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

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

Policies with profit-related net income participation exist in all markets in Vienna Insurance Group, primarily in the life insurance area, and to a secondary extent in the property and casualty and health insurance areas as well, and are treated as insurance policies in accordance with IFRS 4.

The net income participation in life insurance exists essentially in the form of participation in the adjusted net income of the balance sheet unit in question calculated according to national accounting requirements. Net income or profit participation amounts that have already been allocated or committed to policyholders are reported in the actuarial reserve. Amounts reported in the local annual financial statements that are committed or allocated to policyholders in the future by means of net income participation are reported on the balance sheet in the provision for profit-related premium refunds. In addition, the profit-related portion resulting from IFRS measurement differences as compared to local measurement requirements ("deferred profit participation") is reported in the provision for profit-related premium refunds. The rate used in Austria for calculating deferred profit participation is approximately 80% of the difference between the value recognised in the local financial statements and the value recognised in the IFRS financial statements.

As permitted by IFRS 4, the option to present unrealised gains and losses with the same effects on balance sheet measurements of underwriting provisions, capitalised acquisition costs and purchased insurance portfolios as realised gains and losses has been applied. Consequently, net unrealised gains result in a "provision for deferred profit participation" in the Group company in question. Any remaining asset balance is reported as "deferred policyholder profit participation resulting from measurement differences". This deferred item is only recognised if it is highly probable, at the Group company level, that the item can be offset by future profits in which the policyholders participate.

Recognition and accounting methods for insurance policies

Vienna Insurance Group fully applies the rules of IFRS 4 with respect to the valuation of insurance policies. Accordingly, the values recognised in the consolidated financial statements prepared in accordance with applicable national law are carried over to the IFRS consolidated financial statements. Equalisation and catastrophe provisions are not recognised. In principle, accounting rules were not changed to differ from national accounting requirements, except when parameters used to calculate underwriting provisions were not consistent with the "true and fair view" of the IFRS principles. In such cases, Vienna Insurance Group uses its own parameters which are consistent with

these principles. In individual cases, the provisions formed locally by an insurance company for outstanding claims are increased in the consolidated financial statements based on corresponding analysis.

The provisions of IFRS 4.31 were applied as of 1 July or 1 October 2008, respectively, for the first-time consolidation of s Versicherungsgruppe in 2008. Vienna Insurance Group made use of the disclosure option in the life insurance area when preparing the opening balance sheet, and recognised the underwriting provision at fair value, as provided for in IFRS 3. Since underwriting provisions are not calculated prospectively in the casualty insurance area, the fair value of existing policies is recognised as an asset.

Detailed information on the valuation of underwriting items is available in the remarks for each item.

Adequacy test for liabilities arising from insurance policies
Liabilities from insurance policies and financial insurance policies are tested at each reporting date for adequacy of the insurance liabilities recognised in the financial statements. During this process, up-to-date estimates of current valuation parameters are examined, taking into account all future cash flows associated with the insurance policies, to determine whether the recognised liabilities are adequate. If these tests determine that the carrying amount of the insurance liabilities is negative, taking into account capitalised acquisition costs and/or capitalised policy portfolio values, the entire shortfall is immediately recognised in profit or loss.

Foreign currency translation

Transactions in foreign currency
The individual Group companies recognise transactions in foreign currency using the mean rate of exchange on the date of each transaction. Monetary assets and liabilities in foreign currency existing on the balance sheet date are translated to euros using the mean rate of exchange on the balance sheet date. Any resulting foreign currency gains and losses are recognised in profit or loss during the reporting period.

Foreign currency translation of separate financial statements
As a rule, for purposes of the IFRS, the functional currency of Vienna Insurance Group subsidiaries located outside the Eurozone is the currency of their respective country. All assets and liabilities reported in separate financial statements are translated to euros using the mean rate of exchange on the balance sheet date. Items in the income statement are translated using the average month-end mean rate of exchange during the reporting period. Foreign exchange gains and losses arising since 1 January 2004 have been recognised directly in equity under the “Differences arising from foreign exchange translation” item.

The following table shows the relevant exchange rates for the consolidated financial statements:

Name	Currency	Reporting date exchange rate 2012	Average exchange rate 2012
		1 EUR ≙	1 EUR ≙
Albanian lek	ALL	139.5900	139.0137
Bosnian Convertible Marka	BAM	1.9558	1.9558
British pound	GBP	0.8161	0.8109
Bulgarian lev	BGN	1.9558	1.9558
Georgian lari	GEL	2.1825	2.1219
Croatian kuna	HRK	7.5575	7.5217
Latvian lats	LVL	0.6977	0.6973
Lithuanian litas	LTL	3.4528	3.4528
Macedonian denar	MKD	61.5000	61.5277
Turkish new lira	TRY	2.3551	2.3135
Polish zloty	PLN	4.0740	4.1847
Romanian leu	RON	4.4445	4.4593
Swiss franc	CHF	1.2072	1.2053
Serbian dinar	RSD	113.7183	113.5707
Czech koruna	CZK	25.1510	25.1491
Ukraine hryvnia	UAH	10.5372	10.2718
Hungarian forint	HUF	292.3000	289.2494
U.S. dollar	USD	1.3194	1.2848
Belarusian ruble	BYR	11,340.0000	10,717.6230

Impairments

Assets are tested for indications of impairment when circumstances indicate and, at a minimum, on each balance sheet date. Intangible assets with an indefinite useful life (primarily goodwill) are tested annually. Under Group guidelines, an impairment of equity instruments is to be recognised, as a rule, if the average market value during the last six months was consistently less than 80% of the historical cost of acquisition and/or if the market value as of the reporting date is less than 50% of the historical cost of acquisition. Since amortisation of goodwill resulting from business combinations is not permitted under IFRS 3 “Business Combinations”, Vienna Insurance Group performs impairment tests at least once a year. For this reason, the subsidiaries are combined into cash-generating units (CGU) at the regional level, separated into life and non-life. An impairment arises only if there is a need to write down the cash-generating unit as a whole. The value in use of the cash-generating units is calculated using the earnings-based discounted cash flow method. The capitalised earnings value is calculated using budget projections for the next three years. Earnings following the three-year period are extrapolated using an annual growth rate. Discount rates are calculated using a base rate equal to the average annual yield on Austrian government bonds adjusted for sector and market risk.

Cash-Generating Units	Discount rates		Long-term growth rate	
	2012	2011	2012	2011
in %				
Austria	9.58	7.83	3	3
Czech Republic	10.03	8.53	2-3	2-3
Slovakia	10.33	8.68	3	3
Poland	10.48	8.98	3	3
Romania	11.73	10.23	4	4-7
Remaining markets	11.71	10.49	3-7	3-7
Central functions	9.81	8.18	2-3	2-3

Information on the impairment testing of financial assets is provided in the section entitled "General information on the accounting and valuation of investments".

Estimates

Preparation of the IFRS consolidated financial statements requires that management make discretionary assessments and specify assumptions regarding future developments which could have a material effect on the recognition and value of assets and liabilities, the disclosure of other obligations on the balance sheet date, and the reporting of income and expenses during the financial year. There is a not insignificant risk that the following items could lead to a material adjustment of assets and liabilities in the next financial year:

- Underwriting provisions
- Pension provisions and similar obligations
- Other non-underwriting provisions
- Fair values of investments not based on stock exchange values or other market prices
- Goodwill
- Valuation allowances for receivables and other (accumulated) impairment losses
- Deferred tax assets from the capitalisation of tax loss carry-forwards

Please refer to the risk report for information on sensitivity analyses for assets and liabilities from insurance operations.

Accounting policies for specific items in the consolidated financial statements

Intangible assets

GOODWILL (A)

The goodwill shown on the balance sheet is essentially the result of applying the purchase method for companies acquired since 1 January 2004 (date financial reporting was converted to IFRS). For companies acquired before 1 January 2004, the difference between the acquisition cost and the value of the net assets acquired was offset directly against equity. Using the option provided by IFRS 1, no adjustments were made to this accounting.

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

PURCHASED INSURANCE PORTFOLIOS (B)

Purchased insurance portfolios relate, in particular, to the values of policy holdings recognised as a result of corporate acquisitions subsequent to 1 January 2004, using purchase price allocation under the election provided in IFRS 4.31. The values recognised correspond to the differences between the fair value and book value of the underwriting assets and liabilities acquired. Depending on the measurement of the underwriting provisions, amortisation of these items is performed using the declining-balance or straight-line method over a maximum of ten years.

In addition, the value arising from the acquisition of an insurance portfolio before conversion of the accounting to IFRS is also reported in this item. It was possible to carry the portfolio value over to the IFRS financial statements without change. Straight-line amortisation is performed over a maximum of ten years.

OTHER INTANGIBLE ASSETS (C)

Purchased intangible assets are recognised on the balance sheet at cost less accumulated amortisation and impairment losses. No intangible assets were created by the companies within the scope of consolidation. With the exception of the "Asirom" trademark, all intangible assets have a finite useful life. The intangible asset is therefore amortised over its period of use. The useful lives of significant intangible assets are as follows:

Useful life in years	from	to
Software	3	15
Customer base (value of new business)	5	10

Software is amortised using the straight-line method. Customer bases ("value of new business") from corporate acquisitions recognised as intangible assets are also amortised using the straight-line method.

The fair value of capitalised trademark rights with indeterminate useful lives was calculated using two methods, the relief-from-royalty method and the incremental cash flow method. The relief-from-royalty method calculates the value of a trademark from future notional royalties that the company would have to pay if the trademark were licensed from another company at standard market terms. The royalties were calculated using the Knoppe formula used in practice in the tax area. The incremental cash flow method calculates the value of a trademark using future earnings contributions generated as a result of the trademark. The cash flows resulting from the two methods above were discounted using a standard market discount rate for Romania. The calculation was performed taking into account the 16% Romanian corporate income tax rate. The "tax amortisation benefit" was also taken into account in the relief-from-royalty method. The average of the trademark values from the two methods was recognised in the balance sheet as the fair value of the trademark.

Investments

GENERAL INFORMATION ON THE ACCOUNTING AND VALUATION OF INVESTMENTS

In accordance with the relevant IFRS requirements, some Group assets and liabilities are carried at fair value in the accounts for the consolidated financial statements. This relates, in particular, to a significant portion of investments. Fair value is determined according to the following hierarchy:

- The determination of fair value for financial assets and liabilities is generally based on an established market value or a price offered by brokers and dealers (level 1).
- In the case of non-listed financial instruments, or if a price cannot be immediately determined, fair value is determined either through the use of generally accepted valuation models based to the greatest extent possible on market data, or as the amounts that could be realised from an orderly sale under current market conditions (level 2).
- The fair value of certain financial instruments, in particular unlisted derivative financial instruments, is determined using pricing models which take into account factors including contract and market prices and their relation to one another, current value, counterparty creditworthiness, yield curve volatility, and early repayment of the underlying (level 3).

The use of different pricing models and assumptions can lead to differing results for fair value. Changes in the estimates and assumptions used to determine the fair value of assets in cases where no market price quotations are available may necessitate a write-up or write-down of the book value of the assets in question and recognition of the corresponding income or expense on the income statement.

Real estate appraisals are performed at regular intervals for both self-used and third-party used land and buildings, for the most part by sworn and judicially certified building construction and real estate appraisers. Market value here is determined based on asset value and capitalised earnings value, predominantly prorated capitalised earnings value as of the reporting date, with the net asset value method being used in exceptional cases. If fair value is below the book

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

Financial instruments shown as investments are regularly tested for impairment. If write-downs to fair value are necessary, they are recognised in profit or loss if the loss of value is permanent, and if the corresponding investment item is not anyway being measured at fair value with unrealised gains and losses recognised in profit or loss (financial instruments recognised at fair value through profit or loss and investments for unit- and index-linked life insurance). The assessment as to whether a loss of value is permanent is based on an assessment of market conditions, the financial position of the issuer, and other factors. Information on impairments is provided on page 53.

Information on the nature and extent of risks arising from financial instruments is provided in the section titled "Risk reporting" on page 64.

LAND AND BUILDINGS (D)

Both self-used and third-party used real estate are reported under land and buildings. Self-used and third-party used real estate is measured at cost less accumulated depreciation and impairment losses. Cost comprises all costs incurred in putting the asset into its present location in its present condition.

For self-used real estate, imputed arm's length rental income is generally recognised as income from the investment, and an equivalent amount of rental expenses is recognised as operating expenses.

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

Buildings are depreciated using the straight-line method over the expected useful life of the asset. The following useful lives are assumed when determining depreciation rates:

Useful life in years	from	to
Buildings	20	50

FINANCIAL INSTRUMENTS (E)

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

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

On initial recognition, the corresponding investments are measured at cost, which equals fair value at the time of acquisition. For subsequent measurement of financial instruments, two measurement methods are used. Subsequent measurement of loans and other receivables takes place at amortised cost. Amortised cost is determined using the effective interest rate of the loan in question. A write-down is recognised in profit or loss in the case of permanent impairment.

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

Financial instruments available for sale and financial instruments recognised at fair value through profit or loss are recognised at fair value on the balance sheet. If financial instruments available for sale are sold, the value fluctuations in fair value are recognised directly in other reserves, except for impairment, which is recognised in profit or loss. No separate calculation of acquisition cost carried forward is performed for financial instruments recognised at fair value through profit or loss. Changes in fair value are

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

In addition, shares in affiliated companies that are immaterial and therefore not included in consolidation are also reported in this item. These shares are measured analogously to the measurement of financial instruments available for sale. These measurement principles are also applied to shares in associated companies that were not significant enough to be consolidated under the equity method. Information on the measurement of financial instruments available for sale is provided in the notes below on the accounting for financial instruments.

Amendments to IAS 39 and IFRS 7 – "Reclassification of financial assets"

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

- Financial instruments in the "held-for-trading" or "available-for-sale" categories can be transferred to the "loans and other receivables" category if they would have satisfied the definition of the "loans and other receivables" category at the time of initial recognition, and the company intends and is able to hold the financial instrument for the foreseeable future or until maturity.
- Financial assets in the "held-for-trading" category that would not have satisfied the definition of "loans and other receivables" at the time of initial recognition can only be transferred to the "held-to-maturity" or "available-for-sale" categories under exceptional circumstances. The IASB indicated that the developments in the financial markets during the 2nd half of 2008 were a possible example of exceptional circumstances.

The amendments to IAS 39 and IFRS 7 went into effect retroactively to 1 July 2008 and were applied prospectively from the time of reclassification. Reclassifications performed in Vienna Insurance Group before 1 November 2008 used the fair values as of 1 July 2008.

Financial instruments must be measured at fair value at the time of reclassification. In the case of reclassifications of assets in the "held-for-trading" category, gains or losses recognised from previous periods may not be reversed. In the case of reclassification of assets in the "available-for-sale" category, earlier gains or losses recognised in the market valuation reserve are locked in at the time of reclassification. The market valuation reserve remains unchanged for financial instruments without a fixed maturity until derecognition and is only then recognised in profit or loss, while for financial instruments with a fixed maturity, it is amortised to profit or loss over the remaining life of the financial instrument using the effective interest method. This applies analogously to the deferred profit participation.

Derecognition of financial instruments is performed when the Group's contractual rights to cash flows from the financial instruments expire.

Information on the recognition of impairment losses is provided in the section titled "General information on the accounting and valuation of investments."

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

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

Reinsurers' share in underwriting provisions (G)
The reinsurers' share in underwriting provisions is measured in accordance with contractual provisions.

The credit quality of each counterparty is taken into account when the reinsurers' share is measured. As a result of the good credit quality of the Group's reinsurers, no valuation allowances were needed for reinsurer shares as of the 31/12/2012 and 31/12/2011 balance sheet dates.

Information on the selection of reinsurers is provided in the explanatory notes in the "Risk reporting" section.

Receivables (H)
The receivables shown in the balance sheet relate in particular to the following receivables:

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

Receivables are generally reported at cost less impairment losses for expected uncollectible amounts. In the case of receivables from policyholders, expected impairment losses from uncollectible premium receivables are shown on the liabilities side of the balance sheet under "Other underwriting provisions" (provisions for lapses), or deducted from the premium receivable using a valuation allowance.

Taxes (I)+(J)
Income tax expenses comprise actual taxes and deferred taxes. The income tax associated with transactions recognised directly in equity is also recognised directly in equity.

The actual taxes for the individual companies in Vienna Insurance Group are calculated using the company's taxable income and the tax rate applicable in the country in question.

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

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

Tax rates	31.12.2012	31.12.2011
in %		
Austria	25	25
Czech Republic	19	19
Slovakia[1)]	19	19
Poland	19	19
Romania	16	16
Albania	10	10
Bosnia-Herzegovina	10	10
Bulgaria	10	10
Germany	30	30
Estonia[2)]	0	0
Georgia	15	15
Croatia	20	20
Latvia	15	15
Liechtenstein	12.5	12.5
Lithuania	15	15
Macedonia[2)]	0	0
Netherlands[3)]	25	25
Serbia	10	10
Turkey	20	20
Ukraine[4)]	21	23
Hungary[5)]	19	19

[1)] The tax rate in Slovakia is 23% as of 1 January 2013.

[2)] The income of locally domiciled companies is not subject to income tax. Only certain payments of the Estonian and Macedonian companies are subject to tax at a rate of 21% and 10%, respectively.

[3)] As of 1 January 2011, the tax rate in the Netherlands is 20% for the first EUR 200,000 and 25% for amounts above this.

[4)] The tax rate in the Ukraine was 23% starting as of 1 April 2011, and was reduced to 21% as of 1 January 2012.
A further reduction to 19% will take place on 1 January 2013. This tax is only collected in the non-underwriting area.

[5)] As of 1 January 2011, the tax rate in Hungary is 10% for the first HUF 500 million, and 19% for amounts above this.

Other assets (K)

Other assets are valued at cost of acquisition less impairment losses.

TANGIBLE ASSETS AND INVENTORIES

The tangible assets are technical equipment and machinery, other equipment, vehicle fleet, operating and office equipment, and down payments on such goods. Inventories are primarily consumables and office supplies, down payments on such goods, and unbilled amounts of such goods. Tangible assets (not including land and buildings) are valued at cost less depreciation.

Useful life in years	from	to
Office equipment	5	10
EDP facilities	3	8
Motor vehicles	5	8

Underwriting provisions

PROVISION FOR UNEARNED PREMIUMS (L)

Under the current version of IFRS 4, figures in annual financial statements prepared in accordance with national requirements may be used for the presentation of figures relating to insurance policies in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating the provisions for unearned premiums in the property and casualty insurance area (10% for motor vehicle liability insurance), corresponding to an amount of EUR 35.643 million (EUR 34.673 million). No acquisition costs in excess of this figure are capitalised. For foreign companies, in the property and casualty insurance area, a portion of the acquisition commissions is generally recognised in the same proportion as the ratio of earned premiums to written premiums. To ensure uniform presentation within the Group, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in the provision for unearned premiums.

ACTUARIAL RESERVE (M)

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

As a rule, the actuarial reserve and related tariff are calculated on the same basis, which is applied uniformly for the entire tariff and during the entire term of the policy. An annual adequacy test of the calculation basis is performed in accordance with IFRS 4 and applicable national accounting requirements (see section titled “Adequacy test for liabilities arising from insurance policies”). As a rule, in

life insurance, the official mortality tables of each country are used. If current mortality expectations differ to the benefit of policyholders from the calculation used for the tariff, leading to a corresponding insufficiency in the actuarial reserves, the reserves are increased appropriately in connection with the adequacy test of insurance liabilities.

In life insurance, acquisition costs are taken into account through zillmerisation or another actuarial method as a reduction of actuarial reserves. In accordance with national requirements, negative actuarial reserves resulting from zillmerisation are set to zero for Austrian insurance companies. Negative actuarial reserves are not set to zero for Group subsidiaries with registered offices outside Austria. These negative actuarial reserves are recognised in the actuarial reserve item in the consolidated financial statements. The following average discount rates are used to calculate actuarial reserves:

As of 31 December 2012: 3.11%
As of 31 December 2011: 3.12%

In Austria, the average discount rate for life insurance was 2.87% during the reporting period (2.90%).

Please see the section entitled "Recognition and accounting methods for insurance policies" for information on the treatment of the actuarial reserve during first-time consolidation of s Versicherungsgruppe.

Health insurance actuarial reserves are also calculated using the prospective method as the difference between the actuarial present value of future insurance payments less the present value of future premiums. The loss frequencies used to calculate the actuarial reserve derive primarily from analyses conducted on the Group's own insurance portfolio. As a rule, the mortality tables used correspond to published mortality tables.

The following discount rates are used for the great majority of transactions when calculating actuarial reserves:

As of 31 December 2012: 3.00%
As of 31 December 2011: 3.03%

PROVISION FOR OUTSTANDING CLAIMS (N)

According to national insurance law and regulations in Austria, the Austrian Corporate Code and the Insurance Supervision Act (Versicherungsaufsichtsgesetz — VAG), companies in Vienna Insurance Group are required to form provisions for outstanding claims for each business segment. These provisions are calculated for payment obligations arising from claims which have occurred up to the balance sheet date but whose basis or size has not yet been established, as well as all related claims settlement expenses expected to be incurred after the balance sheet date, and as a rule, are formed at the individual policy level. These policy-level provisions are marked up by a flat-rate allowance for unexpected additional losses. Except for the provisions for pension obligations, no discounting is performed. Insurance losses that have occurred up to the balance sheet date but were not known at the time that the balance sheet was prepared, and losses that have occurred but have not been reported, or not reported in the correct amount, are included in the provision (incurred but not reported claims provisions, "IBNR", "IBNER"). Separate provisions for claims settlement expenses are formed for internally incurred expenses attributable to claims settlement under the allocation according to origin principle. Collectible recourse claims are deducted from the provision. Where necessary, actuarial estimation methods are used to calculate the provisions. The methods are applied consistently, with both the methods and calculation parameters tested continuously for adequacy and adjusted if necessary. The provisions are affected by economic factors, such as the inflation rate, and by legal and regulatory developments, which are subject to change over time. The current revision of IFRS 4 provides for provisions formed in accordance with applicable national requirements to be carried over into the consolidated financial statements.

PROVISION FOR PROFIT-UNRELATED PREMIUM REFUNDS (O)

The provisions for profit-unrelated premium refunds relate, in particular, to the "Property and Casualty insurance" and "Health insurance" segments, and pertain to premium refunds in certain lines of insurance business that are contractually guaranteed to policyholders in the event that there are no claims or a low level of claims. These provisions are formed at the individual policy level with no discounting.

PROVISION FOR PROFIT-RELATED PREMIUM REFUNDS (P)

Profit shares that were dedicated to policyholders in local policies based on business plans, but have not been allocated or guaranteed to policyholders as of the balance sheet date, are shown in the provision for profit-related premium refunds ("discretionary net income participation").

In addition, both the portion realised through profit and loss and the portion realised directly in equity that results from measurement differences between IFRS and local measurement requirements ("deferred profit participation") are reported in this item. Please see the section titled "Classification of insurance policies".

OTHER UNDERWRITING PROVISIONS (Q)

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

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

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

Provisions for pensions and similar obligations (S)

PENSION OBLIGATIONS

Pension obligations are based on individual contractual obligations and collective agreements. The obligations are defined-benefit obligations.

These obligations are recognised in accordance with IAS 19 by determining the present value of the defined benefit obligation (DBO). Calculation of the defined benefit obligation is performed using the projected unit credit method. In this method, future payments, calculated based on realistic assumptions, are accrued linearly over the period in which the beneficiary acquires these entitlements. The necessary provision amount is calculated for the relevant balance sheet date using actuarial reports that have been provided for 31 December 2011 and 31 December 2012.

Any difference between the provision amount calculated in advance based on the underlying assumptions and the value which actually occurs ("actuarial gain/loss") is not recognised as part of the provision while it remains within 10% of the DBO at the beginning of the period. When the 10% limit is exceeded, the excess amount which falls outside the limit is recognised, and distributed over the average remaining period of service of all employees ("corridor method").

The calculations for 31 December 2012 and 31 December 2011 are based on the following assumptions:

Pension assumptions	2012	2011
Interest rate	3.50%	4.50%
Pension and salary increases	2%	2%
Labour turnover rate	age-dependent 0.5%-7.5%	0.5%-7.5%
Retirement age, women	62+ Transitional arrangement	62+
Retirement age, men	62+ Transitional arrangement	62+
Life expectancy	for employees according to (AVÖ 2008-P)	(AVÖ 2008-P)

A portion of the direct pension obligations are administered as an occupational group insurance plan following conclusion of an insurance contract in accordance with Section 18f to 18j VAG.

SEVERANCE OBLIGATIONS

Vienna Insurance Group is required by law, supplemented by collective agreements, to make a severance payment to all employees in Austria whose contracts are terminated by their employer or who begin retirement, and whose employment started before 1 January 2003. The size of this payment depends on the number of years of service and on the earnings at the time employment ends, and is equal to between two and 18 months of earnings. A provision is formed for this obligation.

The provision is calculated using the projected unit credit method. Under this method, the sum of the present values of future payments is calculated up to the point in time when the claims reach their highest value. The calculation for the balance sheet date in question is based on an actuarial report.

Any difference between the provision amount calculated in advance based on the underlying assumptions and the value which actually occurs ("actuarial gain/loss") is not recognised as part of the provision while it remains within 10% of the DBO at the beginning of the period. When the 10% limit is exceeded, the excess amount which falls outside the limit is recognised, and is distributed over the average remaining period of service of all employees ("corridor method").

The calculations for 31 December 2012 and 31 December 2011 are based on the following assumptions:

Severance payment assumptions	2012	2011
Interest rate	3.50%	4.50%
Pension and salary increases	2.25%	2.25%
Labour turnover rate	age-dependent	
	0.5%-7.5%	0.5%-7.5%
Retirement age, women	62+	62+
	Transitional arrangement	
Retirement age, men	62+	62+
	Transitional arrangement	
Life expectancy	for employees according to	
	(AVÖ 2008-P)	(AVÖ 2008-P)

For all employment relationships in Austria which began after 31 December 2002, Vienna Insurance Group pays 1.53% of earnings into an occupational employee pension fund each month, where the contributions are invested in an employee account and paid out or passed on to the employee as a claim when employment ends. Vienna Insurance Group's obligations in Austria are strictly limited to the payment of these amounts. As a result, no provision needs to be set up for this defined contribution plan.

A portion of the severance obligations was outsourced to an insurance company. As a result of this outsourcing, part of the severance provision loses its character as a defined benefit obligation (DBO).

OTHER NON-UNDERWRITING PROVISIONS (T)

Other non-underwriting provisions are recognised if a present legal or constructive obligation to a third party resulting from a past event exists, if it is probable that this obligation will lead to an outflow of resources, and if a reliable estimate can be made of the amount of the obligation.

The provisions are recognised at the value representing the best possible estimate of the expenditure needed to fulfil the obligation. If the present value of the provision determined using a normal market rate of interest differs significantly from the nominal value, the present value of the obligation is recognised.

The other non-underwriting provisions item also includes personnel provisions other than provisions for pensions and similar obligations. These relate primarily to provisions for anniversary benefits. Anniversary benefit obligations are measured using the calculation method described for severance obligations and the same calculation parameters. The corridor method is not used.

(Subordinated) liabilities (U))

As a rule, liabilities are measured at amortised cost. This also applies to liabilities arising from financial insurance policies.

Net earned premiums*

As a rule, deferred premiums (provision for unearned premiums) are determined on a pro rata basis over time. No deferral of unit- and index-linked life insurance premiums is performed, since the full amount of the premiums written in the reporting period is included in the calculation of the underwriting provisions for unit- and index-linked life insurance. The change in the provision for lapses, primarily in Austria, is also recognised under net earned premiums.

* The exception in Section 81o(6) VAG was applied.

Expenses for claims and insurance benefits

All payments to policyholders arising from loss events, claims settlement expenses directly related to loss events, and internal costs attributable to claims settlement under the allocation according to origin principle, are shown as expenses for claims and insurance benefits. Expenses for

loss prevention are also reported in this item. Expenses for claims and insurance benefits are reduced by the income gained from using existing contractual and statutory avenues of recourse (this applies in particular to property and casualty insurance). Changes in underwriting provisions, except for the change in the provision for lapses, primarily in Austria, are also shown under expenses for claims and insurance benefits.

Acquisition and administrative expenses

The Group's personnel and materials expenditures are assigned to the following income statement items using the allocation according to origin principle:

- Expenses for claims and insurance benefits (claims settlement expenses)
- Expenses arising from investments (expenses for asset investment)
- Acquisition and administrative expenses
- Other underwriting expenses
- Other non-underwriting expenses

RISK REPORTING

Vienna Insurance Group's core competence is dealing professionally with risk. The Group's primary business is assuming risks from its customers using a variety of insurance packages. The insurance business consists of consciously assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under insurance policies can be satisfied at all times.

Vienna Insurance Group is exposed to a number of other risks in addition to the underwriting risks of its insurance policy portfolio. Established risk management processes are used to identify, analyse, evaluate, report, control and monitor these risks. The risk control measures used are avoidance, reduction, diversification, transfer and acceptance of risks and opportunities:

The overall risk of the Group can be divided into the following risk categories:

Underwriting risks
Vienna Insurance Group's core business consists of the transfer of risk from policyholders to the insurance company.

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

Market risk
Market risk is the risk of changes in the value of investments due to unforeseen fluctuations in yield curves, share prices and exchange rates, and the risk of changes in the market value of real estate and participations.

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

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

Liquidity risk
Liquidity risk arises from the need to match the investment portfolio to insurance obligations.

Concentration risk
Concentration risk is a single direct or indirect position, or a group of related positions, with the potential to significantly endanger the insurance company, its core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common holders, guarantors or managers, or by sector concentrations.

General information

In general, each company within Vienna Insurance Group is responsible for managing its own risks in line with framework guidelines defined for all Group companies by the Group's corporate risk management department. The requirements set in the investments and reinsurance areas are particularly strict.

Effective risk management requires a risk management system that is consistent throughout the Group, and a risk policy and risk strategy set by management. The objective of such risk management is not complete avoidance of risk, but rather a conscious acceptance of desired risks and the implementation of measures to monitor and possibly even reduce existing risks based on economic factors. These considerations are based on the assumption that higher returns can be achieved by accepting higher risk. The risk-return ratio is therefore a key measure that must be optimised in order to guarantee adequate security for the policyholder and the insurer itself while giving due consideration to the need to create value.

Risk management responsibilities within Vienna Insurance Group are bundled together in an independent organisational unit in which a well-established risk and control culture ensures that each individual employee contributes to successful management of risk. Transparent, verifiable decisions and processes within an enterprise are very important aspects of its risk culture. By continuously expanding and optimising its integrated risk management processes, Vienna Insurance Group will be prepared to meet any future developments.

Internal guidelines

Risk management is governed by a number of internal guidelines in Vienna Insurance Group. Property and casualty underwriting risks are primarily managed using actuarial models for setting tariffs and monitoring the progress of claims, as well as guidelines regarding the assumption of insurance risks. The most important underwriting risks in life and health insurance are primarily biometric risks, such as life expectancy, occupational disability, illness and the need for nursing care. To manage these underwriting risks, Vienna Insurance Group has formed provisions for future insurance payments.

Reinsurance

Vienna Insurance Group limits the potential liability from its insurance business by passing on some of the risks it assumes to the international reinsurance market. It spreads this reinsurance coverage over a large number of different international reinsurance companies that Vienna Insurance Group believes offer adequate credit quality, so as to minimise the risk (credit risk) due to the insolvency of one reinsurer. No significant reinsurer default has occurred in the history of Vienna Insurance Group. The monetary limit per reinsurer is set individually for each subsidiary.

For business segments where claims take a long time to be settled, especially for motor and general third-party liability, Vienna Insurance Group uses reinsurance companies with outstanding ratings (at least a Standard & Poor's rating of A, preferably a rating of AA or higher) that in all likelihood will also continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, piped water, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's "A" or higher. Only in a few cases – and for limited periods of time – are reinsurers with lower ratings accepted.

Other measures

Vienna Insurance Group monitors the various market risks of its security portfolio using fair value valuations, value-at-risk (VaR) calculations, sensitivity analyses and stress tests. Liquidity risk is limited by matching the investment portfolio to insurance obligations. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects, or changes in the business environment, are also continuously monitored.

Areas involved in risk monitoring and control

ENTERPRISE RISK MANAGEMENT (ERM)

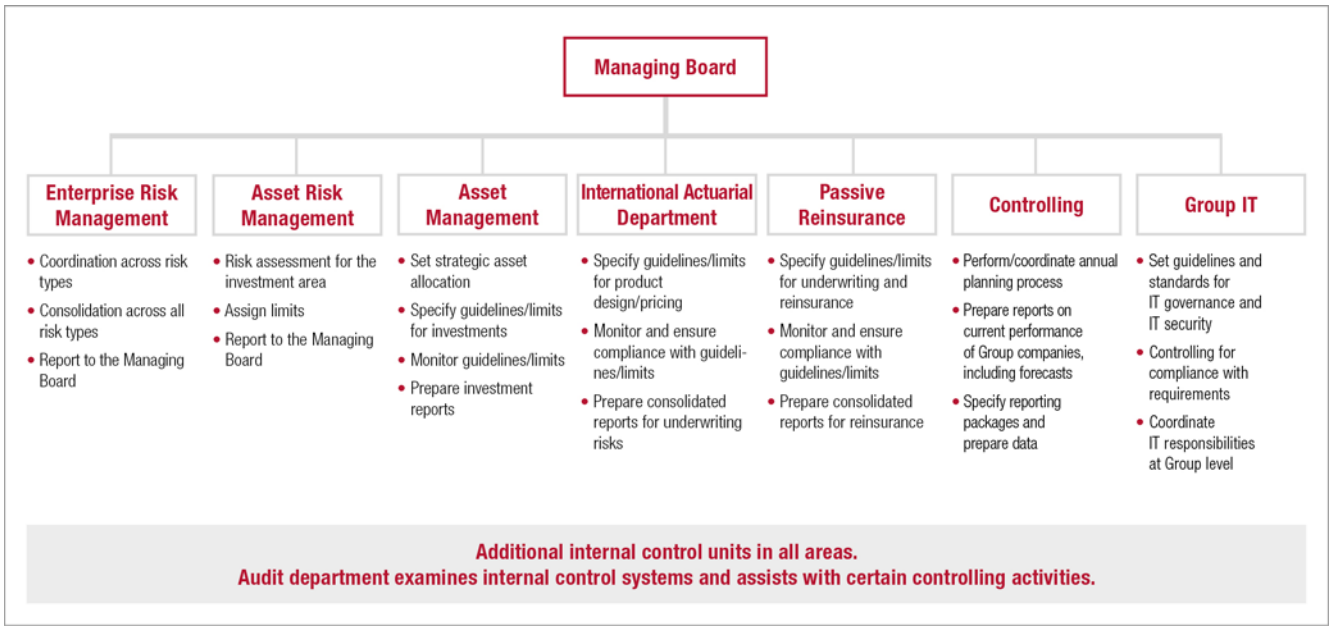
The enterprise risk management department (ERM) reports to the Managing Board and is responsible for Group-wide risk management and implementation of the European solvency regulations (Solvency II). ERM assists the Managing Board with updating the corporate risk strategy, risk organisation and other corporate risk management topics and documents. ERM also creates a framework for enterprise-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support.

INTERNATIONAL ACTUARIAL SERVICES

Underwriting risks are managed by the Group's international actuarial department. This department subjects all insurance solutions to in-depth actuarial analysis covering all lines of the insurance business (life, health, and property and casualty). Stochastic simulations are performed regularly as part of the ALM process.

REINSURANCE

Reinsurance for all Group companies is managed by the corporate reinsurance department established within Vienna Insurance Group.



ASSET RISK MANAGEMENT

The asset risk management department prepares a quarterly risk budget for the investment area. Compliance with the risk budget is reviewed regularly. Compliance with securities guidelines and the Company's own limit system is monitored on an ongoing basis. Periodic VaR calculations and analyses, as well as detailed stress tests, are performed for purposes of this monitoring. To satisfy the quantitative requirements of the new Solvency II framework, the asset risk management department determines solvency capital requirements for the market risks of the assets of material subsidiaries at regular intervals.

ASSET MANAGEMENT

One of the key responsibilities of the asset management department is to define a strategic orientation for the investments of each insurance company in Vienna Insurance Group and for the Group as a whole, and to specify an investment strategy and investment process aimed at ensuring regular earnings that are as high as possible, but also as secure as possible, while simultaneously taking advantage of opportunities to increase the value of investments. Guidelines and limits are used to manage investments in the Group. Regular reports are also provided on the investments, limits and income.

CONTROLLING

The Group's controlling department is responsible for performance of an annual planning process and subsequently for monitoring day-to-day business development of the Group insurance companies. Regular reports are used for this purpose, including variance analyses and forecast accounts for the financial year. The Group's controlling department also ensures that data is provided in timely fashion.

AUDIT

The audit department systematically monitors operating and business processes, the internal controlling system of all operational business areas and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the Managing Board.

GROUP IT / BACK OFFICE

The VIG Group IT department is responsible for coordinating IT responsibilities at the Group level (IT strategy, Group solutions and systems related to the IT environment, IT governance, IT procurement and controlling, IT security, etc.), for assisting VIG Group companies with large IT projects, and for developing Group-wide guidelines and common standards. The Austrian business organisation department assists Group IT with this by providing outside IT and telephony services.

Business risks

Vienna Insurance Group calculates its underwriting provisions using recognised actuarial methods and assumptions. These assumptions include estimates of the long-term interest rate trend, returns on investments, the allocation of investments among shares, interest-bearing instruments and other categories, net income participations, mortality and morbidity rates, lapse rates and future costs. The Group monitors actual experience relating to these assumptions and adjusts its long-term assumptions where changes of a long-term nature occur.

Guaranteed minimum interest rates

Vienna Insurance Group also has a considerable portfolio of policies with guaranteed minimum interest rates, including annuity and endowment insurance. On existing policies, Vienna Insurance Group guarantees a minimum interest rate averaging around 3.11% p.a. If interest rates fall below the guaranteed average minimum rate for any length of time, Vienna Insurance Group could find itself forced to use its equity capital to subsidise reserves for these products.

Loss reserves

In accordance with normal industry practice and accounting and supervisory requirements, the companies in Vienna Insurance Group work together with the Group's actuarial department to independently form reserves for claims and claims settlement expenses arising from the property and casualty insurance business. The reserves are based on estimates of the payments that will be made for these claims and the related claims settlement expenses. These estimates are made both on a case-by-case basis in light of the facts and circumstances available at the time the reserves are formed, as well as for losses that have already been incurred but which have not yet been, or not in the right dimension, reported to Vienna Insurance Group ("IBNR", "IBNER"). These reserves represent the expected costs required for final settlement of all known pending claims and IBNR and IBNER losses.

Loss reserves, including IBNR and IBNER reserves, may vary depending on a number of variables that affect the total costs of a claim, such as changes in the statutory framework, the outcome of court proceedings, changes in medical costs, repair costs, loss frequency, claim size and other factors such as inflation and interest rates.

The debt crisis in Europe

The sovereign debt of several European countries was a key issue in capital markets in the first half of 2012. The assessment of the risk involved has declined considerably since the summer. Because of the continuing uncertainty regarding political solutions, it is expected that capital markets will continue to be volatile. Depending on further developments in this crisis, the market risk situation in general, and spread and share price risks in particular, may change.

Interest rate fluctuations

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

Share price risk

Vienna Insurance Group has a share portfolio which, even including shares held by funds, constitutes approximately 3% of investments. Among other things, Vienna Insurance Group's share investments include participations in a number of Austrian companies and equity positions in other companies whose shares trade primarily on the Vienna Stock Exchange or stock exchanges in the Central and Eastern European region. A deterioration of the current economic situation could result in the share portfolio losing value.

Aspects of tax law environment affecting earnings
Changes to tax law may negatively affect the attractiveness of certain Vienna Insurance Group products currently enjoying tax advantages. For example, the introduction of laws to reduce the tax advantages of the Group's retirement benefit products or other life insurance products could considerably diminish the attractiveness of those products.

Developments in Central and Eastern Europe
The expansion and development of business operations in the countries of Central and Eastern Europe is a core component of Vienna Insurance Group's strategy. It has a very strong presence in these countries. Prescribed risk guidelines create a uniform risk management philosophy in all CEE countries. The presence of the corporate risk management department in the holding company makes risk management more consistent within the Group.

Risks from acquisitions
In the past, Vienna Insurance Group acquired a number of companies in Central and Eastern European countries, or acquired participations in these companies.

Acquisitions often bring challenges in terms of corporate management and financing, such as:

- the need to integrate the infrastructure of the acquired company, including management information systems, and risk management and controlling systems;
- handling unsettled matters of a legal, supervisory, contractual or labour-law nature resulting from the acquisition;
- integration of marketing, customer support and product ranges; and
- integration of different corporate and management cultures.

Climate change
The environmental catastrophes that have been becoming increasingly common in recent years, such as floods, mudslides, landslides, storms, etc., may have been brought about by general climate change. The number of claims caused in this way may continue to rise in the future.

Credit risk from investments
When managing risks related to credit quality, a distinction must be made between "liquid" and "marketable" risks (exchange-listed bonds and shares) and "bilateral" risks, such as, for example, time deposits, OTC derivatives, loans, private placements and securities accounts/depositories. Risks relating to the former are limited at the portfolio level by means of rating and diversification limits.

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by Vienna Insurance Group, whether on the basis of an analysis performed by the Group, credit assessments/ratings from recognised sources, unambiguous guarantees or the possibility of recourse to reliable mechanisms for safeguarding investments.

Credit risk from reinsurance
Vienna Insurance Group follows a policy of ceding a portion of assumed risks to reinsurance companies. This transfer of risk to reinsurers does not, however, relieve Vienna Insurance Group of its obligations to policyholders. Vienna Insurance Group is therefore exposed to the risk of insolvency on the part of reinsurers.

Currency risks
To diversify its portfolio, the investment area also makes use of international capital markets and, to a very small extent, foreign currencies. Vienna Insurance Group's high degree of involvement in the CEE region results in currency risks at the Group level in spite of matching local currency investments made at the local level.

Concentration risk
Internal guidelines and Vienna Insurance Group's limit system are used to keep concentrations within the desired safety margin. Consultation across lines of business provides for a comprehensive view of all significant risks.

Regulatory environment

Vienna Insurance Group is subject to domestic and foreign (insurance) supervisory regulations. These regulations govern such matters as:

- capitalisation of insurance companies and groups;
- admissibility of investments as security for underwriting provisions;
- licences of the various companies of Vienna Insurance Group;
- marketing activities and the sale of insurance policies; and
- cancellation rights of policyholders.

Changes to the statutory framework may make restructuring necessary, thus resulting in increased costs.

Investments

The Group invests in fixed-income securities (bonds, loans/credits), shares, real estate, participations and other investment products, taking into account the overall risk position of the Group and the investment strategy provided for this purpose.

The investment strategy is laid down in the investment guidelines for each of the Group's insurance companies. Compliance is continuously monitored by the asset management and asset risk management departments and by the internal audit department on a sample basis. Investment guidelines are laid down centrally and must be followed by all Group companies. When determining exposure volumes and limits as part of establishing the strategic orientation of investments, the risk inherent in the specified categories and market risks are of fundamental importance.

The investment strategy principles may be summarised as follows:

- Vienna Insurance Group practices a conservative investment policy designed for the long term.
- Vienna Insurance Group focuses on its asset mix as a way to ensure that cash flows match its long-term liability profile and to create sustainable increases in value through the use of correlation and diversification effects of the individual asset classes.
- Investment management depends on the asset class in question or on the objective within asset classes, and is performed internally or by an outside manager.
- The currency profile of the investments should match as closely as possible the obligations to policyholders and other liabilities in foreign currency (currency matching).
- Risk management for securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate, and currency fluctuations as they affect profitability and the value of investments, and at limiting these risks. Risks are limited by a limit system at position level and by a two-level value-at-risk limit system for risk exposure.
- Market developments are monitored continuously and the allocation of portfolio assets is managed actively.

Around 72% of Vienna Insurance Group's investment portfolio consists of direct holdings of fixed-income securities and loans. Direct holdings of shares and real estate amount to approximately 2% and 11%, respectively, in each case relative to the book value of the total investment portfolio.

The table below shows the breakdown of Vienna Insurance Group investments as of 31 December 2012 and 31 December 2011 in thousands of euros, broken down by property and casualty, health and life insurance segments:

Composition Investments	31.12.2012				31.12.2011
	Property/ Casualty	Life	Health	Total	Total
in EUR '000					
Land and buildings	**2,383,494**	**746,886**	**89,528**	**3,219,908**	**4,416,954**
Self-used land and buildings	273,093	148,265	27,740	449,098	441,825
Third-party used land and buildings	2,110,401	598,621	61,788	2,770,810	3,975,129
Shares in at equity consolidated companies	**303,091**	**65,370**	**0**	**368,461**	**120,878**
Loans	**157,952**	**2,418,061**	**97,978**	**2,673,991**	**2,568,846**
Reclassified loans	**129,384**	**731,359**	**14,233**	**874,976**	**937,509**
Other securities	**4,077,487**	**16,076,424**	**836,755**	**20,990,666**	**18,945,143**
Financial instruments held to maturity	664,207	1,404,269	0	2,068,476	1,970,309
Government bonds	606,897	1,128,080	0	1,734,977	1,596,514
Covered bonds	11,088	149,847	0	160,935	145,105
Corporate bonds	28,528	75,302	0	103,830	124,528
Bonds from banks	17,694	49,269	0	66,963	102,366
Subordinated bonds	0	1,771	0	1,771	1,796
Financial instruments reclassified as held to maturity	259,816	852,531	0	1,112,347	1,140,411
Government bonds	224,087	716,719	0	940,806	909,665
Covered bonds	17,856	95,279	0	113,135	160,960
Corporate bonds	0	0	0	0	15,292
Bonds from banks	17,873	40,533	0	58,406	54,494
Financial instruments available for sale	2,793,546	13,500,688	817,591	17,111,825	15,188,119
Bonds	1,933,975	12,393,884	681,774	15,009,633	13,031,867
Shares and other participations*	427,449	576,019	12,615	1,016,083	1,146,591
Investment funds	432,122	530,785	123,202	1,086,109	1,009,661
Assets held for trading	229,706	47,458	0	277,164	168,325
Bonds	54,022	11,894	0	65,916	102,194
Shares and other non-fixed-interest securities	130,337	5,356	0	135,693	14,588
Investment funds	27,496	28,477	0	55,973	47,221
Derivatives	16,348	331	0	16,679	1,565
Others	1,503	1,400	0	2,903	2,757
Financial instruments recognised at fair value through profit and loss	130,212	271,478	19,164	420,854	477,979
Bonds	115,181	234,167	19,164	368,512	425,123
Shares and other non-fixed-interest securities	165	15,719	0	15,884	15,926
Investment funds	14,866	21,592	0	36,458	35,862
Others	0	0	0	0	1,068
Other investments	**449,800**	**859,688**	**25,329**	**1,334,817**	**1,096,062**
Bank deposits	444,568	746,674	25,329	1,216,571	978,403
Deposits on assumed reinsurance business	518	107,014	0	107,532	109,419
Other	4,714	6,000	0	10,714	8,240
Total	**7,501,208**	**20,897,788**	**1,063,823**	**29,462,819**	**28,085,392**

* Includes shares in non-consolidated subsidiaries and other participations.

Maturity structures and rating categories

Maturity structure Financial instruments held to maturity	Amortised cost		Fair value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000				
up to one year	218,235	201,626	220,825	200,475
more than one year up to five years	499,125	531,103	537,884	548,357
more than five years up to ten years	592,971	636,449	700,837	672,012
more than ten years	758,145	601,131	896,343	617,267
Total	**2,068,476**	**1,970,309**	**2,355,889**	**2,038,111**

Maturity structure Financial instruments reclassified as held to maturity	Amortised cost		Fair value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000				
up to one year	104,542	69,433	106,136	70,383
more than one year up to five years	320,115	322,967	352,133	336,412
more than five years up to ten years	540,655	472,219	648,438	498,416
more than ten years	147,035	275,792	188,760	297,568
Total	**1,112,347**	**1,140,411**	**1,295,467**	**1,202,779**

The composition of "Financial instruments held to maturity" is provided in Note 6, "Other securities".

The rating scale used here is derived from the Standard & Poor's system, but ratings of other international rating agencies and internal ratings are also used.

Rating categories Financial instruments held to maturity	Amortised cost	
	31.12.2012	31.12.2011
in EUR '000		
AAA	82,702	111,349
AA	2,238,622	2,177,644
A	569,998	509,372
BBB	196,792	258,426
BB and lower	80,520	46,712
No rating	12,189	7,217
Total	**3,180,823**	**3,110,720**

Maturity structure Financial instruments available for sale	Fair value 31.12.2012	 31.12.2011
in EUR '000		
no maturity	2,026,126	2,107,520
up to one year	664,187	565,777
more than one year up to five years	3,353,413	2,838,353
more than five years up to ten years	5,542,119	4,696,694
more than ten years	5,525,980	4,979,775
Total	**17,111,825**	**15,188,119**

Rating categories Fixed-interest financial instruments available for sale	Fair value 31.12.2012	 31.12.2011
in EUR '000		
AAA	3,203,248	2,798,705
AA	2,846,118	3,517,911
A	6,097,936	4,618,714
BBB	2,140,581	1,442,099
BB and lower	636,461	600,144
No rating	85,289	54,294
Total	**15,009,633**	**13,031,867**

In the case of "Financial instruments available for sale", the balance sheet value corresponds to the fair value.

The following table shows the maturity structure of assets recognised at fair value through profit or loss:

Maturity structure Financial instruments recognised at fair value through profit and loss*	Fair value 31.12.2012	 31.12.2011
in EUR '000		
no maturity	35,856	39,421
up to one year	23,661	77,618
more than one year up to five years	158,574	91,745
more than five years up to ten years	140,268	196,141
more than ten years	62,495	73,054
Total	**420,854**	**477,979**

* Excluding assets held for trading

Rating categories Non-fixed-interest financial instruments recognised at fair value through profit and loss	Fair value	
	31.12.2012	31.12.2011
in EUR '000		
AAA	60,219	55,439
AA	14,717	71,560
A	261,978	306,794
BBB	28,842	22,882
BB and lower	49,808	51,875
No rating	18,864	18,767
Total	**434,428**	**527,317**

The "second best rating" method specified under Solvency II is used as a rating method. The latest (issue or issuer) rating from each of the three major rating agencies is used to determine the second best rating.

If the latest rating is an issuer rating, and this rating cannot be directly used due to a difference in quality of the security (e.g. senior unsecured debt rating and a lower tier II bond), the rating is adjusted downwards appropriately. The adjustment is one notch down for lower tier II bonds and two notches down for upper tier II and tier I bonds.

This results in up to three valid ratings for each bond. These ratings are then ranked according to increasing probability of default, and the rating with the second-highest probability of default is taken as the "second best rating".

If the ratings in first and second place have the same probability of default, both of these ratings are simultaneously the "second best rating". In cases where a rating has only been assigned by one rating agency, due to a lack of other information, this rating is used as the "second best rating".

Bonds

The bond portion of Vienna Insurance Group's securities portfolio represents approximately 54% of total investments as of 31 December 2012. When the bond portion of institutional funds is included, bonds represent just over 63% of total investments. Vienna Insurance Group actively manages its bond portfolio using estimates of changes in interest rates, spreads and credit quality, taking into account limits related to individual issuers, credit quality, maturities, countries, currencies and issue volume. Vienna Insurance Group is currently not planning any investment strategy changes with respect to its bond portfolio.

Under the investment guidelines of the Austrian Group companies, bond investments are made almost entirely in investment grade bonds with a rating of AAA to BBB.* Investments in non-investment grade bonds are only made in individual cases and in accordance with decisions to this effect made by the managing board of the local company. The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average creditworthiness, to control foreign currency effects, and to make the majority of investments in mid to long-term maturities in order to reflect the maturity profile of the liabilities as efficiently as possible.

* The rating scale used here is derived from the Standard & Poor's system, but ratings of other international rating agencies and internal ratings are also used.

Shares

As of 31 December 2012, Vienna Insurance Group's share investments (including those contained in the mutual funds) represented around 3% of the book value of the total investment portfolio. In accordance with the investment guidelines for Austria, management is carried out using a top-down approach, subject to the constraint that diversification be used to minimise the market risk of the shares. The overall proportion of shares is very small for Group companies in the CEE countries.

Risk diversification within Vienna Insurance Group's share portfolio is achieved by geographic diversification. In addition to investments in sound international blue-chip securities, the portfolio also contains a variety of blocks of liquid shares in listed Austrian companies. The subsidiaries in the CEE-region are constrained by very restrictive investment rules, so that shares play only a secondary role, if any, in their portfolios.

Loans

Vienna Insurance Group loans had a book value of EUR 3,549.0 million as of 31 December 2012 and a book value of EUR 3,506.4 million as of 31 December 2011. In the CEE region, investments in loans and credits have much less importance.

Impairments of loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired loans	2,629,685	0	2,629,685
Impaired loans	158,577	114,271	44,306
Total	**2,788,262**	**114,271**	**2,673,991**

Impairments of reclassified loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired reclassified loans	874,976	0	874,976
Impaired reclassified loans	23	23	0
Total	**874,999**	**23**	**874,976**

A portfolio analysis and an analysis of remaining time to maturity for Vienna Insurance Group's loan portfolio are provided in Note 5, "Loans and other investments", in the notes to the consolidated financial statements.

Land and buildings

Vienna Insurance Group's real estate portfolio had a book value of EUR 3,219.9 million as of 31 December 2012 (market value of EUR 3,764.8 million), and a book value of EUR 4,417.0 million as of 31 December 2011 (market value of EUR 4,913.0 million).

The portfolio of directly held real estate and real estate held in the form of participations is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create hidden reserves. The real estate portfolio represents approximately 11% of Vienna Insurance Group's total investment portfolio.

The following table shows Vienna Insurance Group real estate investments as of 31 December 2012 and 31 December 2011, broken down by location and type of use of the properties:

Use of property	% of the real estate portfolio	
	31.12.2012	31.12.2011
Region Austria	**28.02**	**20.63**
Self-used	4.44	2.98
Used by third parties	23.58	17.65
Region Central Functions	**62.24**	**72.07**
Self-used	0.72	0.50
Used by third parties	61.52	71.57
Other Regions	**9.74**	**7.30**
Self-used	8.79	6.52
Used by third parties	0.95	0.78

Companies valued using the equity method

Vienna Insurance Group's shares in at equity consolidated companies had a book value of EUR 368.5 million as of 31 December 2012 and a book value of EUR 120.9 million as of 31 December 2011. Shares in companies valued using the equity method therefore represented around 1.3% of the book value of the total investment portfolio as of 31 December 2012.

Due to a loss of control, the consolidation method used for four non-profit housing societies was changed from full consolidation to at equity consolidation.

Market risk

Vienna Insurance Group divides market risk into interest rate, spread, share price, currency, real estate, and participation risks. For Vienna Insurance Group, interest rates, spreads and share prices are the most relevant parameters for market risk. Vienna Insurance Group uses fair value measurements, value-at-risk (VaR) calculations, sensitivity analyses and stress tests to monitor market risks.

The composition of investments is aimed at providing coverage for insured risks that is appropriate for the insurance business and the maturities of Vienna Insurance Group liabilities.

Interest rate and share price risk

In Vienna Insurance Group's investment model, the bond segment serves primarily to ensure stable earnings over the long term. Derivatives are only used to reduce investment risk. Relevant investment guidelines expressly govern the use of derivatives for bond portfolios managed by third parties such as investment funds.

The share segment serves to increase earnings over the long term, provide diversification and compensate for long-term erosion in value due to inflation. Vienna Insurance Group assesses share price risk by considering diversification within the overall portfolio and correlation with other securities exposed to price risk.

Market risk affecting earnings is controlled by calculating value-at-risk at regular intervals based on the "Investment and Risk Strategy" guidelines for securities and comparing it to the limit in relation to the risk budget. Value-at-risk is determined using a daily variance/covariance calculation. Vienna Insurance Group statistically estimates the variances and covariances from market data for a twelve-month period.

Depending on the purpose of the application, Vienna Insurance Group performs value-at-risk calculations for different sub-portfolios. Confidence levels range between 95% and 99.5%, and the holding period varies from 20 to 250 days. In each case, the average risk contribution from shares is somewhat smaller than the risk contribution from bonds. The foreign-currency risk contribution corresponds only to a few percentage points of the overall risk.

The following table shows Vienna Insurance Group's VaR for securities available for sale:

VaR Vienna Insurance Group	31.12.2012
in EUR million	
10-day holding period	189.9
20-day holding period	268.5
Total risk capacity	1,597.2
20-day VaR as % of risk capacity	17%

Capital market scenario analysis

This analysis is carried out annually for all Vienna Insurance Group companies in order to check the risk capacity of the investments. The following table shows the stress parameters and the effect on capital of each scenario for 31 December 2012:

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
of shares	-20%	-10%	-20%	-20%	0%
of bonds	-5%	-3%	-5%	0%	-5%
of real estate	-5%	-10%	0%	-10%	-10%
Market value of assets less liabilities (in EUR millions)	**4,802.73**	**5,154.39**	**4,990.97**	**5,744.47**	**4,790.30**

In scenario 1, the market value of shares, bonds and real estate decreases sharply at the same time. The market value of the assets is still considerably higher than the value of the liabilities after stress testing, which confirms the good rating given to Vienna Insurance Group by Standard & Poor's.

Life insurance

The following table shows the changes in endowment insurance (not including risk insurance), risk insurance, annuity insurance, unit- and index-linked insurance, government-sponsored pension plans and the total.

	Endowment insurance (not incl. risk insurance)		Risk-insurance		Annuity insurance		Unit-linked and index-linked insurance		Government sponsored pension plans		Total	
	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured
Amount insured in EUR '000												
As of 1.1.2012	**2,462,504**	**26,098,046**	**1,387,187**	**42,127,249**	**603,895**	**10,646,904**	**1,410,099**	**13,361,114**	**484,993**	**9,095,480**	**6,348,678**	**101,328,793**
Changes in scope of consolidation	489	5,088	2	44	0	0	0	0	0	0	491	5,132
Additions												
New business	225,052	2,743,642	421,447	9,726,092	40,317	447,574	301,233	2,997,521	21,362	408,339	1,009,411	16,323,169
Increases	4,891	191,770	6,066	1,366,988	29	86,127	6,695	151,472	0	183,502	17,681	1,979,859
Total additions	**229,943**	**2,935,412**	**427,513**	**11,093,081**	**40,346**	**533,701**	**307,928**	**3,148,993**	**21,362**	**591,841**	**1,027,092**	**18,303,028**
Changes												
Changes in additions	43,197	913,706	51,764	834,021	10,798	291,833	64,430	762,248	11,884	298,203	182,073	3,100,011
Changes in disposals	-47,718	-961,877	-42,408	-1,525,353	-7,666	-404,291	-5,072	-487,897	-14,815	-380,141	-117,679	-3,759,559
Total changes	**-4,521**	**-48,171**	**9,356**	**-691,332**	**3,132**	**-112,458**	**59,358**	**274,351**	**-2,931**	**-81,938**	**64,394**	**-659,548**
Disposals due to maturity												
Due to expiration	-87,291	-1,274,244	-235,612	-1,845,743	-18,248	-263,680	-3,004	-58,093	0	0	-344,155	-3,441,760
Due to death	-17,569	-104,360	-4,261	-62,236	-1,652	-26,425	-324	-19,604	-498	-6,972	-24,304	-219,597
Total disposals due to maturity	**-104,860**	**-1,378,604**	**-239,873**	**-1,907,979**	**-19,900**	**-290,105**	**-3,328**	**-77,697**	**-498**	**-6,972**	**-368,459**	**-3,661,357**
Premature disposals												
Due to non-redemption	-4,505	-129,078	-102,501	-3,862,955	-1,343	-36,997	-12,776	-77,682	-819	-26,276	-121,944	-4,132,988
Due to lapse without payment	-29,223	-126,662	-102,674	-1,104,401	-7,899	-57,511	-43,562	-499,938	-366	-6,527	-183,724	-1,795,039
Due to redemption	-127,751	-1,243,218	-9,191	-156,647	-31,198	-272,644	-15,936	-280,750	-31	-265	-184,107	-1,953,524
Due to waiver of premium	-1,460	-207,783	-135	-76,095	-5	-138,283	-3,125	-185,730	-299	-424,722	-5,024	-1,032,613
Total premature disposals	**-162,939**	**-1,706,741**	**-214,501**	**-5,200,098**	**-40,445**	**-505,435**	**-75,399**	**-1,044,100**	**-1,515**	**-457,790**	**-494,799**	**-8,914,164**
As of 31.12.2012	**2,420,616**	**25,905,030**	**1,369,684**	**45,420,965**	**587,028**	**10,272,607**	**1,698,658**	**15,662,661**	**501,411**	**9,140,621**	**6,577,397**	**106,401,884**

Market Consistent Embedded Value sensitivity analyses for the life and health insurance businesses

Market Consistent Embedded Value is determined in accordance with the Market Consistent Embedded Value Principles published by the CFO Forum in June 2008, and will be published on 3 April 2013 after a separate review is performed.

Market consistent embedded value consists of two components: the adjusted net assets at market value and the value of the insurance portfolio, which equals the present value of distributable after-tax profits minus the capital commitment costs on the solvency capital. Market consistent embedded value is thus an actuarial measurement of the value of a company, assuming continuation of current operations (going concern), but explicitly excluding the value of future new business. In addition to the market consistent embedded value, the increase in value due to new business written during the reporting period is also determined.

The estimated trend of future profits is based on "best estimate" assumptions, i.e. a realistic assessment of economic and operational conditions based on future expectations and historical data, in which future risk is taken into account using stochastic models and an explicit calculation of capital commitment costs. When calculating the market consistent embedded value, numerous assumptions are made regarding operational and economic conditions, as well as other factors, some of which lie outside the control of Vienna Insurance Group. Although Vienna Insurance Group considers these assumptions sound and reasonable, future developments may differ materially from expectations. Publication of the market consistent embedded value is therefore no guarantee or warranty that the expected future profits on which this value is based will be realised in this fashion.

The shareholder margin is calculated taking into account surpluses from all available income sources, with the profit participation regulation promulgated on 20 October 2006 being taken into account in the life insurance class for Austria. For the other sectors and markets, the amount of profit participation assumed is based on local practice and the respective regulatory provisions. The projections of future profits are based on realistic assumptions for investment income, inflation, costs, taxes, lapses, mortality and other key figures.

The yield rate curve used is governed by the capital market on the measurement date. In order to be able to make a statement on the impact of alternative yield curves, the market consistent embedded value as of 31 December 2012 and the increase in value resulting from new business in 2012 were calculated using a yield curve alternately increased and decreased by 1%. For interest rate sensitivities, a change of +/- 100 basis points is applied to capital market interest rate data. The extrapolation method proposed by EIOPA for the Long-Term Guarantee Assessment is used for interest rates that go past the last liquid market data (LLP). This extrapolation assumes that interest rates converge to a long-term interest rate level of 4.2% (ultimate forward rate) 10 years after the LLP. The long-term level is also held constant for the sensitivities. The sensitivities therefore do not represent a simple parallel shift.

Sensitivities are shown in the following table:

Sensitivities of the market consistent embedded value of life and health insurance in Austria as of 31 December 2012	Change in % of the base value
Market Consistent Embedded Value, Austria	
Decrease in level of equity and property values -10%	-4.32
Interest rate curve shift +1%	13.06
Interest rate curve shift -1%	-24.82
Administrative costs +10%	-5.30
Administrative costs -10%	5.27
Lapse rate improvement 10%	0.60
Lapse rate deterioration 10%	-0.41
Improvement in mortality and morbidity rates, endowment insurance +5%	0.33
Improvement in mortality rates for annuities +5%	-0.47
Value of new business, Austria	
Interest rate curve shift +1%	12.67
Interest rate curve shift -1%	-47.78
Administrative costs +10%	-14.43
Administrative costs -10%	13.20
Lapse rate improvement 10%	6.76
Lapse rate deterioration 10%	-8.95
Improvement in mortality and morbidity rates, endowment insurance +5%	2.54
Improvement in mortality rates for annuities +5%	-0.55

Property and casualty insurance provisions

General information

If claims are asserted by or against policyholders, all amounts that a company in Vienna Insurance Group's property and casualty segment pays or expects to have to pay to the claimant are referred to as losses, and the costs of investigating, adjusting and processing these claims are referred to as "claims settlement expenses". Vienna Insurance Group has formed provisions by class, extent of cover and year for each Group company, to pay for losses and claims settlement expenses due to claims under its property and casualty insurance policies.

Losses and claims settlement expenses can be divided into two categories: reserves for known but still outstanding claims, and reserves for claims that have been incurred but have not yet been reported, or the correct amount has not been reported ("IBNR", "IBNER"). Provisions for outstanding claims are based on estimates of future payments, including claims settlement expenses, for these claims. These estimates are made on a case-by-case basis in accordance with facts and circumstances ascertainable at the time the provision is formed.

The estimates reflect the well-founded judgement of Group adjusters based on general practices for forming insurance provisions and a knowledge of the nature and value of each type of claim. These provisions are adjusted regularly during normal processing and represent the expected eventual costs necessary to finally settle all pending reported claims, taking into account inflation and other social and economic factors that could affect the amount of provisions that are required.

Historical developments in distribution patterns and claims payments, the level of reported and still outstanding claims and the nature of the extent of cover are also taken into account. In addition, court decisions and economic conditions can also affect the estimate of provisions and the eventual size of claims.

IBNR and IBNER provisions are formed to offset the expected costs of losses that have been incurred but not yet reported to the individual Group companies. These provisions, just like the provisions for reported claims, are formed to pay the expected costs, including claims settlement expenses, necessary to finally settle these claims. Because, by definition, the extent of these losses is still unknown when the provisions are formed, the Group calculates its IBNR and IBNER liabilities based on historical claims experience, adjusted for current developments in claims-related factors. These provisions are based on estimates made using actuarial and statistical forecasts of the expected costs to finally settle these claims. The analyses are based on the facts and circumstances known at the time and on expectations regarding changes in legal and/or economic factors that determine the level of loss, such as case law, the inflation rate and labour costs. These provisions are regularly reviewed and revised once additional information is known and claims are actually reported. The time needed to learn of these claims and settle them is an important factor that must be taken into account when forming provisions.

Claims which are easy to settle, such as property damage under motor vehicle insurance, are reported within a few days or weeks and are normally settled within a year.

More complicated claims, such as personal injury under motor vehicle or general liability insurance, typically require longer settlement times (on average four to six years, in some cases considerably longer). Difficult claims, where settlement regularly depends on the results of often protracted litigation, also lead to substantially longer settlement times, especially in the liability, casualty, building and professional liability lines of business.

The final costs of the claims and claims settlement expenses depend on a number of variable circumstances. Between the time a claim is reported and final settlement, changing circumstances may require that the provisions that were formed be revised upwards or downwards. For example, changes in the law, the outcome of litigation and changes in medical costs, costs for materials for auto and house repair and hourly wage rates can have a substantial effect on the costs of claims. These factors may result in actual developments differing from expectations – sometimes substantially. Loss reserve estimates are regularly reviewed and updated, using the most recent information available to management. Any changes to provision estimates are reflected in the operating result. Vienna Insurance Group's conservative policy toward provisions is shown in part by the fact that liquidation of loss reserves regularly leads to a profit. Based on the Group's internal procedures and the information currently

available to it, management believes that the Group's provisions in the property and casualty insurance area are adequate. However, forming loss reserves is by nature an uncertain process, and therefore no guarantee can be given that in the end losses will not differ from the Group's initial estimates.

Change in gross loss reserve

The following table shows the changes in Vienna Insurance Group's loss reserve as of the end of each year indicated. The provisions reflect the amount of expected losses, based on claims that occurred in the current and all previous loss years and had not yet been paid as of the balance sheet date, including IBNR and IBNER.

Evaluating the information contained in this table requires caution, because each amount contains the effects of all changes from the previous periods. The circumstances and trends that affected liability in the past could possibly recur in the future and therefore no conclusions can be drawn from the information given in this table as to future results.

Claims payment for each year of occurrence (per calendar year, gross)

	Calendar year					
Year of occurance	**≤2007**	**2008**	**2009**	**2010**	**2011**	**2012**
in EUR '000						
2007 and before	1,996,429	895,726	255,513	155,935	96,762	75,176
2008		1,637,839	690,101	145,502	72,550	36,162
2009			1,684,024	711,419	180,206	68,886
2010				1,711,320	704,195	161,466
2011					1,613,263	650,154
2012						1,709,015
Total	**1,996,429**	**2,533,565**	**2,629,638**	**2,724,176**	**2,666,976**	**2,700,859**

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

	Calendar year					
Year of occurrance	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
in EUR '000						
2007 and before	2,902,298	1,752,019	1,245,157	936,221	808,131	629,621
2008		1,484,060	624,009	406,581	230,980	169,218
2009			1,409,440	652,041	387,413	234,166
2010				1,515,912	648,911	392,021
2011					1,576,933	759,900
2012						1,575,644
Total	**2,902,298**	**3,236,079**	**3,278,606**	**3,510,755**	**3,652,368**	**3,760,570**

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

Reinsurance

Vienna Insurance Group limits its liability arising from the insurance business by passing on, to the extent necessary, a portion of the assumed risks to the international reinsurance market. Only some of the risks of foreign Group companies are reinsured within Vienna Insurance Group. These risks are in turn ceded to reinsurers at Group level.

Reinsurance guidelines

Vienna Insurance Group reinsurance guidelines are jointly determined each year by the corporate reinsurance department and the member of the Managing Board responsible for reinsurance during the development of the reinsurance strategy for the next financial year. The reinsurance guidelines require each Group company to provide, in conjunction with the corporate reinsurance department, reinsurance coverage that is appropriate for its local company. The reinsurance guidelines govern the following issues:

REINSURANCE IS A PREREQUISITE FOR A COMMITMENT TO PROVIDE INSURANCE COVERAGE

Underwriting departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage has already been assured by external reinsurers.

RETENTION

It is Group-wide policy that no more than EUR 45 million for the first two natural catastrophe events and EUR 20 million for each additional event can be placed at risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 7 million.

SELECTION OF REINSURERS – DIVERSIFICATION

Vienna Insurance Group and its Group companies divide their reinsurance coverage among many different international reinsurance companies of appropriate credit quality, so as to minimise the risk arising from one reinsurer's inability to pay. No significant reinsurer default has occurred in the history of Vienna Insurance Group.

SELECTION OF REINSURERS – RATINGS

For business segments where claims settlement takes a long time, in particular for motor vehicle liability, general liability and aviation, Vienna Insurance Group uses reinsurers with outstanding ratings (at least a Standard & Poor's rating of A, preferably a rating of AA or higher), which in all likelihood will also continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, piped water, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's "A" or higher. Only in a few cases – and for limited periods of time – are reinsurers with lower ratings accepted.

DESIGN OF REINSURANCE PROGRAMMES

If it can be justified economically, any Group company can purchase reinsurance coverage individually from external reinsurers. If individual reinsurance policies can only be purchased by a Group company at uneconomical terms, Vienna Insurance Group strives, as far as possible, to jointly place reinsurance policies covering risks from natural catastrophes, property lines of business, casualty, transport, aviation and motor vehicle liability under the Green Card [international motor vehicle insurance certificate] agreement. Vienna Insurance Group, at times, acts as its own reinsurer when a Group company is unable to purchase reinsurance policies at economical terms in the reinsurance market. If necessary, these intra-Group assumptions of reinsurance are also passed on as retrocession in the reinsurance market for safety reasons. The guidelines for Wiener Städtische reinsurance coverage are presented below. Retentions for all other companies in the Group are below those of Wiener Städtische.

Reinsurance coverage using the example of Wiener Städtische

NATURAL CATASTROPHES

Wiener Städtische provides insurance for damages caused by natural catastrophes such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retention for natural catastrophes to EUR 20 million for the first loss event and EUR 4 million for each additional event.

CORPORATE CUSTOMER BUSINESS

In the corporate customer business, the use of predominantly proportional reinsurance cessions limits the maximum net loss for Wiener Städtische to EUR 2 million. This reinsurance structure can insure both the effects of certain major losses, for example as a result of fire, and an increased frequency of claims.

PRIVATE CUSTOMER BUSINESS

The private customer business consists of essentially stable insurance portfolios having calculable results that are characterised above all by a stable claims frequency. Thus, such recurrent claims are only reinsured in exposed lines of business, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on the retention. The effects on the retention of the small number of expected major losses are covered by non-proportional reinsurance. Even in this business segment, Wiener Städtische's maximum net loss is between EUR 1 million and EUR 2 million, depending on the line of business.

Solvency II is discussed in detail in the "Legal environment" section of the management report.

EXPLANATORY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTANGIBLE ASSETS

Composition	31.12.2012	31.12.2011
in EUR '000		
Goodwill	1,723,207	1,762,284
Purchased insurance portfolios	57,511	75,320
Other intangible assets	629,247	544,820
Purchased software	520,793	425,987
Other	108,454	118,833
Total	**2,409,965**	**2,382,424**

Development of goodwill	31.12.2012	31.12.2011
in EUR '000		
Acquisition costs	1,830,263	1,824,118
Cumulative depreciation as of 31.12. of previous years	-67,979	-27,426
Book value as of 31.12. of the previous year	**1,762,284**	**1,796,692**
Exchange rate changes	589	-689
Book value as of 1.1.	**1,762,873**	**1,796,003**
Additions	10,380	6,615
Impairments	-50,046	-40,334
Book value as of 31.12.	**1,723,207**	**1,762,284**
Cumulative depreciation as of 31.12.	118,218	67,979
Acquisition costs	**1,841,425**	**1,830,263**

Additions mainly result from the acquisition of the subsidiaries indicated in the section "Scope and methods of consolidation".

The decline in book values essentially results from impairments at the Romania Non-life cash-generating unit.

Book values of cash-generating units	Non-life		Life	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000				
Austria	0	3	301,716	301,716
Czech Republic	109,058	108,468	303,840	303,840
Slovakia	0	0	111,257	111,257
Poland	118,399	118,399	4,612	4,612
Romania	226,164	276,164	152,472	152,472
Remaining markets	303,379	293,043	82,025	82,025
Central functions	10,285	10,285	0	0
Total	**767,285**	**806,362**	**955,922**	**955,922**

Information on the assumptions used in impairment testing is provided under "Impairment" in the "Summary of significant accounting policies" section.

Development of purchased insurance portfolio	31.12.2012	31.12.2011
in EUR '000		
Acquisition costs	229,618	229,895
Cumulative depreciation as of 31.12. of previous years	-154,298	-118,866
Book value as of 31.12. of the previous year	**75,320**	**111,029**
Exchange rate changes	136	-163
Book value as of 1.1.	**75,456**	**110,866**
Additions	8,000	2,000
Scheduled depreciation	-25,945	-37,546
Book value as of 31.12.	**57,511**	**75,320**
Cumulative depreciation as of 31.12.	181,663	154,298
Acquisition costs	**239,174**	**229,618**

The purchased insurance portfolio results from the acquisition of existing portfolios and the assets acquired during acquisition of the insurance companies indicated in the section "Scope and methods of consolidation".

Development of purchased software	31.12.2012	31.12.2011
in EUR '000		
Acquisition costs	569,827	169,202
Cumulative depreciation as of 31.12. of previous years	-143,840	-110,585
Book value as of 31.12. of the previous year	**425,987**	**58,617**
Exchange rate changes	479	-651
Book value as of 1.1.	**426,466**	**57,966**
Reclassifications	66	0
Additions	131,415	88,211
Disposals	-420	-1,407
Changes in scope of consolidation	297	306,199
Scheduled depreciation	-37,031	-24,982
Book value as of 31.12.	**520,793**	**425,987**
Cumulative depreciation as of 31.12.	175,349	143,840
Acquisition costs	**696,142**	**569,827**

The change in the scope of consolidation is due to the first-time consolidation of the company Jahorina.

Development of other intangible assets	31.12.2012	31.12.2011
in EUR '000		
Acquisition costs	228,447	206,374
Cumulative depreciation as of 31.12. of previous years	-109,614	-68,553
Book value as of 31.12. of the previous year	**118,833**	**137,821**
Exchange rate changes	197	-193
Book value as of 1.1.	**119,030**	**137,628**
Additions	5,914	3,270
Disposals	-312	-484
Changes in scope of consolidation	-48	0
Scheduled depreciation	-16,130	-21,581
Book value as of 31.12.	**108,454**	**118,833**
Cumulative depreciation as of 31.12.	105,936	109,614
Acquisition costs	**214,390**	**228,447**

2. LAND AND BUILDINGS

Development	Used by third parties 31.12.2012	Self-used 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000				
Acquisition costs	5,521,385	583,903	6,105,288	5,643,351
Cumulative depreciation as of 31.12. of previous years	-1,546,256	-142,078	-1,688,334	-1,572,272
Book value as of 31.12. of the previous year	**3,975,129**	**441,825**	**4,416,954**	**4,071,079**
Exchange rate changes	3,377	-450	2,927	-8,174
Book value as of 1.1.	**3,978,506**	**441,375**	**4,419,881**	**4,062,905**
Reclassifications	-22,857	22,778	-79	9
Additions	152,212	21,740	173,952	484,083
Disposals	-38,498	-26,819	-65,317	-37,507
Changes in scope of consolidation	-1,224,611	4,492	-1,220,119	26,553
Appreciation	16,478	231	16,709	2,612
Scheduled depreciation	-90,272	-14,647	-104,919	-121,338
Impairments	-148	-52	-200	-363
Book value as of 31.12.	**2,770,810**	**449,098**	**3,219,908**	**4,416,954**
Cumulative depreciation as of 31.12.	1,185,962	156,320	1,342,282	1,688,334
Acquisition costs	**3,956,772**	**605,418**	**4,562,190**	**6,105,288**
thereof land	*507,701*	*47,225*	*554,926*	*719,012*
Fair value of the land and buildings as of 31.12.	3,159,730	605,073	3,764,803	4,912,959

The changes in the scope of consolidation are due to the change of the consolidation method from full consolidation to at equity consolidation for the non-profit housing societies Erste Heimstätte GmbH (EUR -558,310,000), Neuland GmbH (EUR -144,048,000), Sozialbau AG (EUR -309,935,000) and Urbanbau AG (EUR -217,731,000), and first-time inclusion of Jahorina (EUR 7,966,000) and Intersig (EUR 1,939,000).

Rental income from third-party used land and buildings was EUR 280,827,000 (EUR 341,266,000), while operating expenses were EUR 89,577,000 (EUR 110,264,000).

3. SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Development	31.12.2012	31.12.2011
in EUR '000		
Book value as of 31.12. of the previous year	**120,878**	**116,163**
Book value as of 1.1.	**120,878**	**116,163**
Additions	40,377	0
Disposals	-684	0
Changes in scope of consolidation	192,341	0
Pro rata result for the period of at equity consolidated companies	15,549	4,715
Book value as of 31.12.	**368,461**	**120,878**

The changes in the scope of consolidation result from the change in the consolidation method used for the non-profit housing societies. For further information, please see the section entitled "Non-profit housing societies" on page 50.

The Group's share of the assets, liabilities and profit or loss of its significant associated companies was as follows:

Shares in significant associated companies	Country of domicile	Assets	Liabilities	Income	Profit/Loss	% Participation
in EUR '000						
Erste Heimstätte GmbH	Austria	705,788	518,208	64,110	10,389	99.77
Neuland GmbH	Austria	160,400	129,475	15,493	2,590	50.12
S IMMO AG	Austria	2,014,741	1,514,681	146,299	20,383	10.04
Sozialbau AG	Austria	500,696	290,814	47,970	9,046	50.12
Urbanbau GmbH	Austria	239,546	191,180	25,980	6,184	50.12
Total		**3,621,171**	**2,644,358**	**299,852**	**48,592**	

Although Vienna Insurance Group only holds slightly more than 10% of the shares of S IMMO AG, Vienna, the Group has a significant influence over the company because it appoints the chairman of the supervisory board. This means that Vienna Insurance Group is able to take part in the financial and business decision-making of S IMMO AG, Vienna.

4. PARTICIPATIONS – DETAILS

Participations were held in the following companies as of 31 December 2012:

Affiliated companies and participations VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Country of domicile	Interest in capital (%)[1]	Equity capital (EUR '000)	Last annual financial statements
Fully consolidated companies				
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00	26,311	2012
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	55.00	104,423	2012
"WIENER RE" akcionarsko društvo ze reosiguranje, Belgrade	Serbia	100.00	6,515	2012
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko društvo za osiguranje, Belgrade	Serbia	100.00	12,375	2012
Alpenländische Heimstätte gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	94,954	2012
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00	26,747	2012
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	387	2012
Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest	Romania	99.10	75,265	2012
BCR Asigurări de Viaţă Vienna Insurance Group S.A., Bukarest	Romania	92.36	26,150	2012
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	23,021	2012
Benefia Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	100.00	18,973	2012
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00	1,675	2012
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	821,799	2012
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00	100	2012
BULSTRAD LIFE VIENNA INSURANCE GROUP JOINT STOCK COMPANY Sofia	Bulgaria	95.11	4,832	2012
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	2,172	2012
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	1,817	2012
CAL ICAL "Globus", Kiev	Ukraine	80.00	5,281	2012
CAME Holding GmbH, Vienna	Austria	100.00	28,318	2012
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100.00	637	2012
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00	-633	2012
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00	96,002	2012
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00	94,203	2012
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00	20,740	2012
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00	10,880	2012
Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	51,194	2012
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.89	72,247	2012
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	11,932	2012
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	23	2012
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00	3,203	2012
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00	27,004	2012
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24	155,842	2012
DVIB GmbH, Vienna	Austria	100.00	29,199	2012
ELVP Beteiligungen GmbH, Vienna	Austria	100.00	19,532	2012

Company	Country of domicile	Interest in capital (%)[1)]	Equity capital (EUR '000)	Last annual financial statements
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00	10,493	2012
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00	6,586	2012
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00	208,783	2012
Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00	90,005	2012
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	26,587	2012
GPIH B.V., Amsterdam	Netherlands	91.11	6,811	2012
Helios Vienna Insurance Group d.d., Zagreb	Croatia	100.00	26,987	2012
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	98.00	38,625	2012
Interalbanian Vienna Insurance Group Sh.a., Tirana	Albania	78.33	3,255	2012
International Insurance Company "Irao" LTD, Tiflis	Georgia	100.00	7,061	2012
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	25,338	2012
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.98	92,806	2012
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	43,460	2012
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	75.00	3,887	2012
Jahorina osiguranje Vienna Insurance Group Joint Stock Company, Pale	Bosnia-Herzegowina	97.56	11,937	2012
Joint Stock Insurance company WINNER - Vienna Insurance Group, Skopje	Macedonia	100.00	3,778	2012
Joint Stock Company Insurance Company GPI Holding, Tiflis	Georgia	90.00	9,427	2012
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	2,222	2012
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00	6,735	2012
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	42,025	2012
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	276,629	2012
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39	553,203	2012
KVARNER VIENNA INSURANCE GROUP dioničko društvo za osiguranje, Rijeka	Croatia	99.36	42,249	2012
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb	Croatia	100.00	381	2012
LVP Holding GmbH, Vienna	Austria	100.00	670,539	2012
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00	70,040	2012
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00	26,322	2012
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.81	110,107	2012
NEUE HEIMAT Oberösterreich Holding GmbH, Vienna	Austria	90.00	59,212	2012
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	98.56	42,595	2012
Passat Real Sp. z o.o., Warsaw	Poland	100.00	2,797	2012
PFG Holding GmbH, Vienna	Austria	89.23	113,271	2012
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88	53,704	2012
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00	30,353	2012
Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice	Czech Republic	95.00	133,417	2012
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100.00	13,138	2012
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80	3,736	2012
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP"; Kiev	Ukraine	99.99	11,572	2012
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	15,278	2012
Projektbau GesmbH, Vienna	Austria	100.00	19,558	2012
Projektbau Holding GmbH, Vienna	Austria	90.00	21,327	2012

Company	Country of domicile	Interest in capital (%)[1)]	Equity capital (EUR '000)	Last annual financial statements
Ray Sigorta A.Ş., Istanbul	Turkey	94.26	38,299	2012
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	9,400	2012
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	-4,356	2012
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	8,869	2012
SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01	11,000	2012
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00	529,787	2012
SVZ GmbH, Vienna	Austria	100.00	26,429	2012
SVZI GmbH, Vienna	Austria	100.00	26,429	2012
TBI BULGARIA EAD, Sofia	Bulgaria	100.00	41,089	2012
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100.00	259,092	2012
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00	33,168	2012
V.I.G. ND a.s., Prague	Czech Republic	100.00	124,209	2012
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	11,502	2012
VIG FUND uzavreny investicni fond, a.s, Prague (Consolidated Financial Statements)	Czech Republic	100.00	99,955	2012
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00	127,034	2012
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00	12,890	2012
VIG Real Estate GmbH, Vienna	Austria	100.00	71,494	2012
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00	71,431	2012
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	5,134	2012
WGPV Holding GmbH, Vienna	Austria	100.00	77,585	2012
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	853,823	2012
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	847,239	2012
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna	Austria	99.90	937,962	2012
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE GESELLSCHAFT M.B.H, VIENNA	Austria	100.00	1,624	2012
WSV Immoholding GmbH, Vienna	Austria	100.00	169,178	2012
At equity consolidated companies				
AIS Servis, s.r.o., Brno	Czech Republic	100.00	2,594	2012
Benefita, a.s., Prague	Czech Republic	100.00	619	2012
Česká Kooperativa Londýn Ltd., London	Great Britain	100.00	844	2012
ČPP servis, s.r.o., Prague	Czech Republic	100.00	31	2012
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	13,791	2012
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77	205,735	2012
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	56,024	2012
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	553	2012
HOTELY SRNÍ, a.s., Prague	Czech Republic	72.43	7,678	2012
KÁMEN OSTROMĚŘ, s.r.o., Ostroměř	Czech Republic	100.00	251	2012
KIP, a.s., Prague	Czech Republic	100.00	9,027	2012
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	33,482	2012
Mělnická Zdravotní a.s., Prague	Czech Republic	100.00	4,846	2012
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	50.12	62,129	2012
S IMMO AG, Vienna (Consolidated Financial Statements)	Austria	10.04	500,060	2012
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	75.06	4,031	2012
Sozialbau gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	50.12	264,687	2012
SURPMO, a.s., Prague	Czech Republic	100.00	1,034	2012

Company	Country of domicile	Interest in capital (%)[1]	Equity capital (EUR '000)	Last annual financial statements
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00	31,388	2012
UNIGEO, a.s., Ostrava-Hrabova	Czech Republic	100.00	6,586	2012
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	50.12	89,331	2012
Non-consolidated companies				
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	96.49	7,166	2011
Akcionarsko društvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica	Montenegro	100.00	1,130	2011
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	403	2011
BB C - Building C, s.r.o., Prague	Czech Republic	100.00	18,884	2012
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	14,085	2011
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00	136,081	2011
Health Insurance Company BULSTRAD HEALTH AD, Sofia	Bulgaria	97.00	998	2011
CAPITOL Sp. z o.o., Warsaw	Poland	100.00	668	2011
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	43	2011
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	99.99	24,281	2011
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00	853	2011
GEO HOSPITALS LLC, Tiflis	Georgia	100.00	25,289	2012
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	202	2011
Joint stock belarusian-austrian insurance company "Kupala", Minsk	Belarus	98.26	1,901	2011
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje	Macedonia	100.00	2,735	2011
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58	134,563	2011
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58	17,366	2011
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	43.26	16,120	2011
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64	47	2011
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00	-1,235	2011
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00	551	2011
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00	4,812	2011
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00	14	2011
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00	462	2011
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00	13	2011
Untere Donaulände 40 GmbH, Vienna	Austria	100.00	15	2011
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56	48,854	2011
Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw	Poland	100.00	5,914	2011
Vienna International Underwriters GmbH, Vienna	Austria	100.00	108	2011
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	100.00	231,852	2011
WILA GmbH, Vienna	Austria	100.00		Founded in 2012
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00		Founded in 2012
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00		Founded in 2012

[1] The share of equity equals the controlling interest before minority interests.

5. LOANS AND OTHER INVESTMENTS

Loans and other investments	31.12.2012	31.12.2011
in EUR '000		
Loans	2,673,991	2,568,846
Reclassified loans	874,976	937,509
Subtotal	**3,548,967**	**3,506,355**
Other investments	1,334,817	1,096,062
Total	**4,883,784**	**4,602,417**

Development of loans total	31.12.2012	31.12.2011
in EUR '000		
Acquisition costs	3,633,530	3,596,342
Cumulative depreciation as of 31.12. of previous years	-127,175	-127,990
Book value as of 31.12. of the previous year	**3,506,355**	**3,468,352**
Exchange rate changes	269	-1,686
Book value as of 1.1.	**3,506,624**	**3,466,666**
Reclassifications	63,905	-1,130
Additions	361,016	217,743
Disposals	-378,044	-163,877
Changes in scope of consolidation	26	0
Appreciation	199	7
Depreciation	-76	-139
Impairments	-4,683	-12,915
Book value as of 31.12.	**3,548,967**	**3,506,355**
Cumulative depreciation as of 31.12.	114,294	127,175
Acquisition costs	**3,663,261**	**3,633,530**

Information on impairments of loans is provided in the risk report on page 74.

Composition of loans	Amortised cost	
	31.12.2012	31.12.2011
in EUR '000		
Loans to non-consolidated affiliated companies	88,682	65,138
Loans to participations	37,412	51,574
Mortgage loan	396,430	365,618
Policy loans and prepayments	41,254	43,029
Other loans	2,110,213	2,043,487
to public authorities	217,291	164,511
to financial institutions	1,533,143	1,599,515
to other commercial debtors	334,349	262,095
to private persons	3,583	12,149
other	21,847	5,217
Total	**2,673,991**	**2,568,846**
Fair Value	2,826,725	2,484,949

The Other investments item primarily consists of bank balances of EUR 1,216,571,000 (EUR 978,403,000) and deposits on assumed reinsurance business of EUR 107,532,000 (EUR 109,418,000).

Composition of reclassfied loans	Amortised cost	
	31.12.2012	31.12.2011
in EUR '000		
Other loans		
to financial institutions	694,286	739,460
to other commercial debtors	36,367	36,119
other	144,323	161,930
Total	**874,976**	**937,509**
Fair Value	992,223	949,274

Maturity structure of loans	Amortised cost	
	31.12.2012	31.12.2011
in EUR '000		
up to one year	61,614	54,527
more than one year up to five years	316,497	321,364
more than five years up to ten years	697,509	490,284
more than ten years	1,598,371	1,702,671
Total	**2,673,991**	**2,568,846**

Maturity structure of reclassified loans	Amortised cost	
	31.12.2012	31.12.2011
in EUR '000		
up to one year	18,765	19,986
more than one year up to five years	217,743	148,122
more than five years up to ten years	205,210	276,483
more than ten years	433,258	492,918
Total	**874,976**	**937,509**

Financial instruments in the "Financial instruments available for sale" category that were reclassified as loans in 2008 had a fair value of EUR 1,037,036,000 as of the reclassification date.

6. OTHER SECURITIES

Development	Held to maturity total		Available for sale		Assets held for trading		Recognised at fair value through profit and loss	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000								
Acquisition costs	3,127,119	3,074,423						
Cumulative depreciation as of 31.12. of previous years	-16,399	-13,440						
Book value as of 31.12. of the previous year	**3,110,720**	**3,060,983**	**15,188,119**	**14,987,016**	**168,325**	**138,275**	**477,979**	**1,218,220**
Exchange rate changes	64,301	-78,999	47,794	-57,240	12,843	-14,862	1,205	-3,096
Book value as of 1.1.	**3,175,021**	**2,981,984**	**15,235,913**	**14,929,776**	**181,168**	**123,413**	**479,184**	**1,215,124**
Reclassifications	18,460	72,894	110,812	543,342	-14,189	1,415	-40,584	-635,981
Additions	326,283	411,499	4,288,793	3,460,122	1,186,811	919,676	118,161	188,490
Disposals	-334,850	-355,287	-3,872,396	-3,204,926	-1,118,700	-873,160	-170,293	-280,795
Change in scope of consolidation	1,145	0	-36,544	-28,344	267	0	0	0
Changes in value recognised in profit and loss	587	0	653	1	42,688	-3,019	34,386	-8,859
Changes recognised directly in equity	0	0	1,458,149	-332,029	0	0	0	0
Impairments	-5,823	-370	-73,555	-179,823	-881	0	0	0
Book value as of 31.12.	**3,180,823**	**3,110,720**	**17,111,825**	**15,188,119**	**277,164**	**168,325**	**420,854**	**477,979**
Cumulative appreciation/depreciation as of 31.12.	18,970	16,399						
Acquisition costs	**3,199,793**	**3,127,119**						

Composition Financial instruments held to maturity	Amortised cost		Fair value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000				
Government bonds	1,734,977	1,596,514	1,992,881	1,668,482
Covered bonds	160,935	145,105	180,484	138,809
Corporate bonds	103,830	124,528	111,190	128,076
Bonds from banks	66,963	102,366	69,558	100,990
Subordinated bonds	1,771	1,796	1,776	1,754
Total	**2,068,476**	**1,970,309**	**2,355,889**	**2,038,111**

Composition Financial instruments reclassified as held to maturity	Amortised cost		Fair value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000				
Government bonds	940,806	909,665	1,110,160	965,274
Covered bonds	113,135	160,960	123,717	168,109
Corporate bonds	0	15,292	0	15,372
Bonds from banks	58,406	54,494	61,590	54,024
Total	**1,112,347**	**1,140,411**	**1,295,467**	**1,202,779**

Financial instruments in the "Financial instruments held to maturity" category that were reclassified as financial instruments available for sale in 2008 had a fair value of EUR 1,393,784,000 as of the reclassification date.

Composition Financial instruments available for sale	Fair value	
	31.12.2012	31.12.2011
in EUR '000		
Bonds	**15,009,633**	**13,031,867**
Government bonds	7,216,673	6,079,824
Covered bonds	1,580,387	1,561,799
Corporate bonds	1,589,938	1,209,960
Bonds from banks	3,449,441	3,031,454
Subordinated bonds	1,173,194	1,148,830
Shares and other participations*	**1,016,083**	**1,146,591**
Investment funds	**1,086,109**	**1,009,661**
Equity funds	141,048	79,051
Pension funds	274,289	237,254
Alternative funds	141,954	129,426
Real estate funds	150,640	159,878
Balanced funds	378,178	404,052
Total	**17,111,825**	**15,188,119**

* Includes shares in non-consolidated subsidiaries and other participations of EUR 619,797,000 (EUR 607,312,000).

Unrealised gains and losses on Financial instruments available for sale	Fair value		unrealised		unrealised	
			gains	losses	gains	losses
	31.12.2012	31.12.2011	31.12.2012	31.12.2012	31.12.2011	31.12.2011
in EUR '000						
Bonds	15,009,633	13,031,867	1,472,510	-149,542	510,041	-501,110
Shares and other participations	1,016,083	1,146,591	101,988	-18,276	96,554	-39,882
Investment funds	1,086,109	1,009,661	31,300	-30,855	21,036	-99,131
Total	**17,111,825**	**15,188,119**	**1,605,798**	**-198,673**	**627,631**	**-640,123**

In the case of "Financial instruments available for sale", the balance sheet value corresponds to the fair value. Unrealised gains and losses represent the difference between amortised cost and fair value.

Composition Financial instruments recognised at fair value through profit and loss*	Fair value	
	31.12.2012	31.12.2011
in EUR '000		
Bonds	**434,428**	**527,317**
Government bonds	80,002	84,340
Covered bonds	28,066	26,107
Corporate bonds	29,435	55,832
Bonds from banks	246,193	316,310
Subordinated bonds	50,732	44,728
Shares and other non-fixed-interest securities	**151,577**	**30,514**
Investment funds	**92,431**	**83,083**
Equity funds	34,228	11,634
Pension funds	15,078	14,904
Alternative funds	113	1,397
Real estate funds	723	21,767
Balanced funds	42,289	33,381
Derivatives	**16,679**	**1,565**
Others	**2,903**	**3,825**
Total	**698,018**	**646,304**

* Including assets held for trading

Composition Book values of government bonds*	Held to maturity total		Available for sale		Recognised at fair value through profit and loss	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000						
Government bonds						
Austria	0.58%	0.96%	26.86%	27.41%	0.82%	1.81%
Germany	0.25%	0.87%	5.09%	7.06%	35.10%	28.95%
Czech Republic	74.59%	72.34%	9.26%	8.67%	0.00%	0.00%
Slovakia	6.85%	7.52%	10.93%	10.11%	0.00%	0.00%
Poland	6.08%	6.44%	13.79%	12.48%	60.83%	66.96%
Romania	0.99%	2.25%	2.13%	3.05%	0.00%	0.49%
Remaining markets	10.67%	9.62%	31.94%	31.22%	3.25%	1.79%

* Government bonds also include government-guaranteed bonds and bonds issued by supranational organisations and federal or constituent states.

Allocation of financial instruments measured at fair value through profit or loss to one level of the measurement hierarchy	Level 1		Level 2		Level 3	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000						
Financial instruments available for sale	**12,951,903**	**10,436,443**	**4,032,221**	**4,615,177**	**127,701**	**136,499**
Bonds	11,730,042	9,327,873	3,161,893	3,579,158	117,698	124,836
Shares and other participations	399,691	379,992	606,389	757,109	10,003	9,490
Investment funds	822,170	728,578	263,939	278,910	0	2,173
Assets held for trading	**243,873**	**132,253**	**16,827**	**1,560**	**16,464**	**34,512**
Bonds	58,184	68,061	0	0	7,732	34,132
Shares and other non-fixed-interest securities	126,773	14,019	188	189	8,732	380
Investment funds	55,973	47,222	0	0	0	0
Derivatives	40	194	16,639	1,371	0	0
Other securities	2,903	2,757	0	0	0	0
Financial instruments recognised at fair value through profit and loss	**77,683**	**107,823**	**307,215**	**350,725**	**35,956**	**19,431**
Bonds	40,892	70,563	291,676	335,142	35,944	19,419
Shares and other non-fixed-interest securities	333	331	15,539	15,583	12	12
Investment funds	36,458	35,861	0	0	0	0
Other securities	0	1,068	0	0	0	0
Total	**13,273,459**	**10,676,519**	**4,356,263**	**4,967,462**	**180,121**	**190,442**

Development of financial instruments assigned to level 3	Financial instruments available for sale		Financial instruments recognised at fair value through profit and loss		Assets held for trading	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
in EUR '000						
Book value as of 31.12. of the previous year	**136,499**	**406,376**	**19,431**	**10,486**	**34,512**	**17,406**
Exchange rate changes	1,617	-2,963	0	60	3,087	-1,772
Book value as of 1.1.	**138,116**	**403,413**	**19,431**	**10,546**	**37,599**	**15,634**
Reclassifications	0	-232,714	3,414	411	0	0
Additions	23,297	36,705	14,308	13,840	15,036	159,640
Disposals	-44,425	-62,653	-4,061	-4,403	-37,457	-140,756
Changes in value recognised in profit and loss	0	0	0	-963	1,286	-6
Changes recognised directly in equity	10,713	-7,514	2,864	0	0	0
Impairments	0	-738	0	0	0	0
Book value as of 31.12.	**127,701**	**136,499**	**35,956**	**19,431**	**16,464**	**34,512**

Fair value of derivative financial instruments	Fair value	
	31.12.2012	31.12.2011
in EUR '000		
Options	16,225	154
Swaps	230	0
Futures	27	0
Other structured products	197	1,411
Total	**16,679**	**1,565**

Fair values for derivative financial instruments include both rights and obligations under derivative transactions existing as of the balance sheet date. Derivative financial instruments are used to hedge existing currency risk and to hedge one share position.

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

Composition	Unit-linked 31.12.2012	Index-linked 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000				
Investment funds	4,390,200	69,794	4,459,994	3,853,002
Bonds	0	1,909,235	1,909,235	1,590,608
Shares	0	3,742	3,742	3,684
Bank deposits	61,804	9,000	70,804	55,496
Total	**4,452,004**	**1,991,771**	**6,443,775**	**5,502,790**

The balance sheet value corresponds to fair value.

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
no maturity	4,232,912	3,616,831
up to one year	22,653	125,811
more than one year up to five years	357,057	219,079
more than five years up to ten years	1,489,001	1,058,225
more than ten years	342,152	482,844
Total	**6,443,775**	**5,502,790**

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Composition	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Provision for unearned premiums	132,207	5,836	6	138,049	110,380
Actuarial reserve	17	138,131	1,808	139,956	103,862
Provision for outstanding claims	726,848	10,601	84	737,533	888,731
Provision for profit-unrelated premium refunds	13,743	0	0	13,743	9,524
Other underwriting provisions	5,040	43	0	5,083	4,566
Total	**877,855**	**154,611**	**1,898**	**1,034,364**	**1,117,063**

Development	Book value as of 1.1.	Exchange rate changes	Allocations	Amount used/ released	Changes in scope of consolidation	Book value as of 31.12.
in EUR '000						
Provision for unearned premiums	110,380	1,596	90,685	-65,176	564	138,049
Actuarial reserve	103,862	767	51,753	-16,426	0	139,956
Provision for outstanding claims	888,731	16,015	361,349	-529,431	869	737,533
Provision for profit-unrelated premium refunds	9,524	159	10,102	-6,042	0	13,743
Other underwriting provisions	4,566	186	2,965	-2,634	0	5,083
Total	**1,117,063**	**18,723**	**516,854**	**-619,709**	**1,433**	**1,034,364**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	380,232	404,174
more than one year up to five years	264,029	421,280
more than five years up to ten years	142,317	124,537
more than ten years	247,786	167,072
Total	**1,034,364**	**1,117,063**

9. RECEIVABLES

Composition	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Underwriting	**743,332**	**151,155**	**23,848**	**918,335**	**925,044**
Receivables from direct insurance business	659,161	145,975	23,848	828,984	805,091
from policyholders	454,052	137,064	22,027	613,143	605,532
from insurance intermediaries	146,455	8,535	0	154,990	159,231
from insurance companies	58,654	376	1,821	60,851	40,328
Receivables from reinsurance business	84,171	5,180	0	89,351	119,953
Non-underwriting	**293,511**	**422,970**	**21,826**	**738,307**	**656,473**
Other receivables	293,511	422,970	21,826	738,307	656,473
Total	**1,036,843**	**574,125**	**45,674**	**1,656,642**	**1,581,517**

Composition Other receivables	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Receivables from financial services and leasing	220	4,004	0	4,224	5,384
Pro rata interest and rent	68,081	368,190	15,378	451,649	449,332
Receivables from tax authority (excl. income tax)	26,634	4,823	28	31,485	30,743
Receivables from employees	2,583	876	16	3,475	3,623
Receivables from sales of investments	20,111	2,088	4,059	26,258	1,587
Receivables from facility managers	11,481	199	33	11,713	11,020
Receivables from third party claims settlement	53,776	36	0	53,812	22,368
Outstanding interest and rent	5,267	11,572	559	17,398	17,179
Receivables from green card deposits	2,034	0	0	2,034	567
Receivables from surety	19,439	588	0	20,027	17,835
Receivables from pre-payments	5,636	3,158	87	8,881	9,184
receivables from public funding	2,411	0	0	2,411	3,760
receivables from funding of housing projects	5,418	0	0	5,418	10,510
receivables from fees of every kind	708	0	0	708	551
Receivables arising from social contributions	60	33	0	93	141
Other receivables	69,652	27,403	1,666	98,721	72,689
Total	**293,511**	**422,970**	**21,826**	**738,307**	**656,473**

Maturity structure	Premium receivables due 31.12.2012	Non-underwriting 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000				
up to one year	286,464	705,396	991,860	995,767
more than one year up to five years	41,558	6,552	48,110	69,230
more than five years up to ten years	0	3,733	3,733	4,175
more than ten years	0	22,626	22,626	20,481
Total	**328,022**	**738,307**	**1,066,329**	**1,089,653**
Premium receivables not yet due			337,505	230,990
Receivables from reinsurance business			89,351	119,953
Other underwriting receivables			163,457	140,921
Total			**1,656,642**	**1,581,517**

10. TAX RECEIVABLES AND ADVANCE PAYMENTS OUT OF INCOME TAX

Composition	31.12.2012	31.12.2011
in EUR '000		
Property/Casualty insurance	60,044	62,616
Life insurance	20,528	17,831
Total	**80,572**	**80,447**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	60,057	15,519
more than one year	20,515	64,928
Total	**80,572**	**80,447**

11. DEFERRED TAXES

The deferred tax assets and liabilities reported relate to temporary differences in the balance sheet items listed in the table below. (The differences were measured using the applicable tax rates.) It should be noted that deferred taxes, as far as permissible, are offset at the taxpayer level, and accordingly the different balances are shown either as assets or liabilities on the balance sheet.

Composition	Assets 31.12.2012	Liabilities 31.12.2012	Assets 31.12.2011	Liabilities 31.12.2011
in EUR '000				
Intangible assets	11,707	3,654	13,204	6,580
Investments	190,152	319,732	200,020	206,513
Receivables and other assets	83,678	12,074	44,770	24,722
Accumulated losses carried forward	11,018	0	27,032	0
Tax-exempt reserves	0	39,769	513	40,136
Underwriting provisions	75,466	122,590	69,047	119,938
Non-underwriting provisions	35,010	701	37,937	231
Liabilities and other liabilities	11,721	9,910	7,155	2,156
Total	**418,752**	**508,430**	**399,678**	**400,276**
Balance of deferred taxes		**89,678**		**598**

Maturity structure	Assets 31.12.2012	Liabilities 31.12.2012	Assets 31.12.2011	Liabilities 31.12.2011
in EUR '000				
up to one year	8,534	10,070	8,045	1,974
more than one year	128,422	216,564	115,474	122,143
Total	**136,956**	**226,634**	**123,519**	**124,117**

12. OTHER ASSETS

Composition	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Tangible assets and inventories	70,138	16,390	444	86,972	84,323
Down payments for projects	3,309	0	0	3,309	2,125
Other assets	38,807	107,052	4,128	149,987	162,645
Deferred charges	45,558	52,715	513	98,786	79,289
Total	**157,812**	**176,157**	**5,085**	**339,054**	**328,382**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	111,438	94,122
more than one year up to five years	66,885	70,690
more than five years up to ten years	48,490	48,419
more than ten years	112,241	115,151
Total	**339,054**	**328,382**

Development of tangible assets and inventories	31.12.2012	31.12.2011
in EUR '000		
Acquisition costs	277,028	280,116
Cumulative depreciation as of 31.12. of previous years	-192,705	-193,158
Book value as of 31.12. of the previous year	**84,323**	**86,958**
Exchange rate changes	602	-948
Book value as of 1.1.	**84,925**	**86,010**
Reclassifications	-66	0
Additions	42,375	30,379
Disposals	-14,105	-11,270
Changes in scope of consolidation	-3,278	264
Scheduled depreciation	-22,879	-21,060
Book value as of 31.12.	**86,972**	**84,323**
Cumulative depreciation as of 31.12.	187,112	192,705
Acquisition costs	**274,084**	**277,028**

13. CASH AND CASH EQUIVALENTS

Composition	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Current bank balances	582,178	183,894	5,230	771,302	567,391
Cash and cheques	674	262	0	936	726
Total	**582,852**	**184,156**	**5,230**	**772,238**	**568,117**

Cash and cash equivalents consist of cash on hand and demand deposits.

14. CONSOLIDATED SHAREHOLDERS' EQUITY

Hybrid bonds

Issue date	Outstanding volume (EUR '000)	Maturity in years	Interest in %	Fair value
12.06.2008	250,000	unlimited	until 12.09.2018 8% p.a., afterwards variable	273,050
22.04.2009	250,000	unlimited	until 12.09.2018 8% p.a., afterwards variable	273,050

Composition of non-controlling interests	31.12.2012	31.12.2011
in EUR '000		
Unrealised gains and losses	7,845	412
Share in the profit for the period including other comprehensive income after taxes	29,839	32,680
Other	308,343	385,909
Total	**346,027**	**419,001**

Earnings per share

Under IAS 33.10, basic earnings per share "shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period".

Earnings per share		2012		2011
Profit for the period	EUR '000	467,324	EUR '000	441,909
Profit for the period less non-controlling interests	EUR '000	446,194	EUR '000	406,746
Interest expenses for hybrid capital	EUR '000	40,000	EUR '000	40,000
Number of shares	units	128,000,000	units	128,000,000
Earnings per share	EUR	**3.17**	EUR	**2.87**

The calculation of this key figure includes the pro rata interest expenses for hybrid capital.

Since there were no potential dilution effects either in 2011 or in the current reporting period, the undiluted earnings per share equal the diluted earnings per share.

The Group's objectives with respect to capital management are to ensure the continued existence of the Company as a going concern in order to continue providing shareholders with earnings and other stakeholders, in particular policyholders, with the payments to which they are entitled. Another objective is to maintain an optimal capital structure in order to reduce the cost of capital.

In order to maintain or change the capital structure, the Group adjusts dividend payments to shareholders as needed, repays capital to shareholders, issues new shares or sells assets to pay back liabilities.

As is customary in the industry, the Group monitors its capital based on solvency, calculated as the ratio of Group capital to the capital requirement. The calculation of adjusted capital is performed in accordance with Section 86h(5) VAG based on the consolidated financial statements. Group capital is determined in accordance with the provisions of Section 73b

VAG and consists primarily of consolidated shareholders' equity less intangible assets. The Group capital requirement is determined in accordance with the provisions of Section 73b (1) Annex D VAG.

Consolidated shareholders' equity

The Company has EUR 132,887,468.20 in share capital that is divided into 128,000,000 no-par value ordinary bearer shares with voting rights, with each share participating equally in the share capital.

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 28 June 2015 against cash contributions or contributions in kind. The terms of the share rights, 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. Preference shares without voting rights may also be issued, with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

The General Meeting of 29 June 2010 authorised the Managing Board to issue, subject to the approval of the Supervisory Board, 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 28 June 2015, including the authorisation to exclude shareholder preemptive rights, and to grant the holders of convertible bonds conversion rights to up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board. The share capital has consequently been raised in accordance with Section 159(2) no. 1 of the Austrian Stock Corporation Act (Aktiengesetz – AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issuance of up to 30,000,000 no-par value ordinary 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 29 June 2010 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date regarding the issuance of convertible bonds based on the authorisation granted on 29 June 2010.

The General Meeting of 29 June 2010 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, including authorisation to exclude shareholder preemptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The Company held no treasury shares as of 31 December 2012.

Income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 1) were issued on 12 June 2008 and income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 2) were issued on 23 April 2009 based on the authorisation granted by the General Meeting of 16 April 2008. The income bonds are traded on the Vienna Stock Exchange. The interest rate is 8% p.a. until 12 September 2018 (fixed interest rate), after which the income bonds pay variable interest. The Company has the right to call the bonds each quarter after the start of the variable interest period.

On 12 January 2005, the Company issued supplementary capital bond 2005-2022 with a total nominal value of EUR 180,000,000.00 in accordance with Section 73c(2) VAG. The bond pays interest at 4.625% p.a. on its nominal value during the first twelve years of its term (fixed interest rate period), after which the bond pays variable interest.

On 12 January 2005, the Company also issued supplementary capital bond 2005, with a total nominal value of EUR 120,000,000.00 in accordance with Section 73c(2) VAG. This bond does not have a fixed term. The bond paid interest at 4.25% p.a. on its nominal value during the first year of its term, after which the bond pays variable interest. Interest was paid at 2.452% p.a. on the bond's nominal value during the period from 12 January 2012 to 11 January 2013.

The financial statements auditor has verified that the requirements under Section 73b(2) no. 4 VAG have been satisfied.

Payout	Per share 2012	Total 2012
in EUR		
Common shares	1.10	140,800,000

Proposed appropriation of profits

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ended financial year 2012 with net retained profits of EUR 255,754,319.44. The following appropriation of profits will be proposed during the general meeting: The 128 million shares shall receive a dividend of EUR 1.20 per share. The payment date and ex-dividend date for this dividend will be 13 May 2013. A total of EUR 153,600,000.00 will therefore be distributed. The net retained profits of EUR 102,154,319.44 remaining for financial year 2012 after distribution of the dividend is to be carried forward.

Adjusted capital

The adjusted capital to be disclosed under Section 86h(5) VAG was equal to EUR 4,620,522,000 as of 31 December 2012, without deduction of equalisation provisions, and EUR 4,340,903,000 when reduced by the equalisation provisions. The adjusted capital calculation was performed before taking minority interests into account.

15. SUBORDINATED LIABILITIES

Subordinated liabilities relate to supplementary capital loans of the following companies in the Group:

Issuing company	Issue date	Outstanding volume (EUR '000)	Maturity in years	Interest in %	Fair value
Vienna Insurance Group	12.01.2005	171,000	17	First 12 years: 4,625% p.a.; thereafter variable	167,495
Vienna Insurance Group	12.01.2005	120,000	unlimited [1]	First year: 4.25% p.a.; thereafter variable	106,800
Wiener Städtische	20.04.2009	100,000	unlimited [2]	12M EURIBOR + 300 Basis points	100,000
Donau Versicherung	15.04.+21.05.2004	10,500	unlimited [3]	4.95% p.a.	10,500
Donau Versicherung	01.07.1999	3,500	unlimited [4]	4.95% p.a.	3,500
s Versicherung	01.03.1999	16,490	unlimited [5]	4.90% p.a.	16,490
s Versicherung	02.07.2001	20,500	unlimited [5]	6.10% p.a.	20,500
s Versicherung	15.11.2003	28,200	unlimited [5]	4.95% p.a.	28,200
s Versicherung	30.06.2006	41,400	unlimited [5]	4.75% p.a.	41,400
Omniasig Non-life	24.04.2007	4,050	31.05.2013 [6]	ROBOR 6M + 6% p.a.	4,050
Kooperativa (Czech Republic)	22.12.2010	21,868	unlimited [7]	5.05% p.a.	21,868
Total		**537,508**			**520,803**

[1] The right to ordinary and extraordinary termination by the holder is excluded. Ordinary termination by the issuer is first allowed effective 12 January 2017.

[2] This may be terminated, in whole or in part, by the holders and by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe with five years' notice effective on or after 31 December 2027.

[3] This may be terminated, in whole or in part, by the holders and by DONAU with five years' notice effective 31 December 2009 or 31 December of any subsequent year. EUR 1,000,000 has already been terminated effective 31 December 2014.

[4] This may be terminated, in whole or in part, by the holders and by DONAU with five years' notice effective 1 July 2002 or 1 July of any subsequent year. EUR 1,000,000 has already been terminated effective 1 July 2015 and EUR 1,000,000 effective 1 July 2017.

[5] This can only be terminated with at least five years' notice, unless Austrian insurance regulators agree to repayment being made early.

[6] The right to ordinary and extraordinary termination is excluded for both parties.

[7] This can only be terminated with at least five years' notice.

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

16. PROVISION FOR UNEARNED PREMIUMS

Composition	31.12.2012	31.12.2011
in EUR '000		
Property/Casualty insurance	1,100,673	1,078,860
Life insurance	141,897	140,293
Health insurance	22,770	13,247
Total	**1,265,340**	**1,232,400**

Development	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Book value as of 31.12. of the previous year	**1,078,860**	**140,293**	**13,247**	**1,232,400**	**1,223,337**
Exchange rate changes	30,630	-273	-373	29,984	-49,049
Book value as of 1.1.	**1,109,490**	**140,020**	**12,874**	**1,262,384**	**1,174,288**
Allocations	892,015	52,462	23,237	967,714	1,048,384
Amount used/released	-907,760	-50,590	-13,341	-971,691	-992,342
Changes in scope of consolidation	6,928	5	0	6,933	2,070
Book value as of 31.12.	**1,100,673**	**141,897**	**22,770**	**1,265,340**	**1,232,400**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	1,134,854	1,133,691
more than one year up to five years	113,523	75,724
more than five years up to ten years	16,963	22,985
Total	**1,265,340**	**1,232,400**

17. ACTUARIAL RESERVE

Composition	31.12.2012	31.12.2011
in EUR '000		
Property/Casualty insurance	155	135
Life insurance	18,052,635	17,434,234
for guaranteed policy benefits	16,855,191	16,127,480
for allocated and committed profit shares	1,197,444	1,306,754
Health insurance	961,367	905,238
Total	**19,014,157**	**18,339,607**

Development	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Book value as of 31.12. of the previous year	**135**	**17,434,234**	**905,238**	**18,339,607**	**18,231,511**
Exchange rate changes	3	61,729	-9	61,723	-76,329
Book value as of 1.1.	**138**	**17,495,963**	**905,229**	**18,401,330**	**18,155,182**
Allocations	33	1,840,092	58,589	1,898,714	1,808,117
Amount used/released	-16	-1,345,500	-2,451	-1,347,967	-1,683,440
Transfer of provision for unearned premiums	0	61,843	0	61,843	59,748
Changes in scope of consolidation	0	237	0	237	0
Book value as of 31.12.	**155**	**18,052,635**	**961,367**	**19,014,157**	**18,339,607**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	2,043,118	1,738,687
more than one year up to five years	5,830,620	6,182,492
more than five years up to ten years	3,143,951	3,260,252
more than ten years	7,996,468	7,158,176
Total	**19,014,157**	**18,339,607**

Life insurance actuarial reserve	31.12.2012	31.12.2011
in EUR '000		
Direct business	17,954,426	17,333,516
Policy benefits	16,756,982	16,026,762
Allocated profit share	1,181,454	1,282,987
Committed profit shares	15,990	23,767
Indirect business	98,209	100,718
Policy benefits	98,209	100,718
Total	**18,052,635**	**17,434,234**

Health insurance actuarial reserve	31.12.2012	31.12.2011
in EUR '000		
Direct business	961,367	905,238
Individual insurance	739,007	703,512
Group insurance	222,360	201,726
Indirect business	0	0
Total	**961,367**	**905,238**

18. PROVISION FOR OUTSTANDING CLAIMS

Composition	31.12.2012	31.12.2011
in EUR '000		
Property/Casualty insurance	3,760,570	3,652,368
Life insurance	274,536	239,797
Health insurance	47,318	46,251
Total	**4,082,424**	**3,938,416**

Development Property/Casualty insurance	31.12.2012	31.12.2011
in EUR '000		
Book value as of 31.12. of the previous year	**3,652,368**	**3,509,228**
Exchange rate changes	52,691	-79,215
Book value as of 1.1.	**3,705,059**	**3,430,013**
Changes in scope of consolidation	13,474	4,766
allocation of provisions for outstanding claims	2,178,035	1,989,406
for claims paid occurred in the reporting period	2,142,468	1,830,502
for claims paid occurred in previous periods	35,567	158,904
Usage/dissolution of provisions for outstanding claims	-2,136,582	-1,759,447
for claims paid occurred in the reporting period	-781,700	-496,696
for claims paid occurred in previous periods	-1,354,882	-1,262,751
Other changes	584	-12,370
Book value as of 31.12.	**3,760,570**	**3,652,368**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	1,585,217	1,602,975
more than one year up to five years	1,082,456	1,177,486
more than five years up to ten years	416,617	345,981
more than ten years	998,134	811,974
Total	**4,082,424**	**3,938,416**

A detailed presentation of the gross loss reserve is provided under a heading by the same name in the "Risk reporting" section.

19. PROVISION FOR PROFIT-RELATED AND -UNRELATED PREMIUM REFUNDS

Composition	31.12.2012	31.12.2011
in EUR '000		
Property/Casualty insurance	46,665	42,486
thereof profit-related	197	197
thereof profit-unrelated	46,468	42,289
Life insurance	1,297,348	398,038
thereof profit-related	1,295,781	396,842
thereof profit-unrelated	1,567	1,196
Health insurance	15,150	15,080
thereof profit-unrelated	15,150	15,080
Total	**1,359,163**	**455,604**
thereof life insurance deferred profit participation	**1,057,620**	**161,782**
Recognised through profit and loss	128,535	113,586
Recognised directly in equity	929,085	48,196

Development of life insurance	31.12.2012	31.12.2011
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	**236,256**	**246,502**
Book value as of 1.1.	**236,256**	**246,502**
Addition/release	65,315	49,502
Transfer to actuarial reserve	-61,843	-59,748
Total	**239,728**	**236,256**
Deferred profit participation		
Book value as of 31.12. of the previous year	**161,782**	**456,264**
Book value as of 1.1.	**161,782**	**456,264**
Unrealised gains and losses on financial instruments available for sale	880,890	-114,587
Revaluations recognised through profit and loss	14,948	-179,895
Book value as of 31.12.	**1,057,620**	**161,782**
Provision for premium refunds incl. deferred profit participation	**1,297,348**	**398,038**

Development health insurance	31.12.2012	31.12.2011
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	**15,080**	**14,960**
Book value as of 1.1.	**15,080**	**14,960**
Addition/release	70	120
Total	**15,150**	**15,080**

Maturity structure for profit-related premium refunds	31.12.2012	31.12.2011
in EUR '000		
up to one year	411,426	19,739
more than one year up to five years	464,886	176,157
more than five years up to ten years	152,839	85,981
more than ten years	266,827	115,162
Total	**1,295,978**	**397,039**

Maturity structure for profit-unrelated premium refunds	31.12.2012	31.12.2011
in EUR '000		
up to one year	63,154	58,501
more than one year up to five years	31	64
Total	**63,185**	**58,565**

20. OTHER UNDERWRITING PROVISIONS

Composition	31.12.2012	31.12.2011
in EUR '000		
Property/Casualty insurance	90,863	22,869
Life insurance	3,018	3,111
Health insurance	506	530
Total	**94,387**	**26,510**

Other underwriting provisions are primarily provisions for previous claims and lapses.

Development	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Book value as of 31.12.	**22,869**	**3,111**	**530**	**26,510**	**27,975**
Exchange rate changes	123	92	0	215	-484
Book value as of 1.1.	**22,992**	**3,203**	**530**	**26,725**	**27,491**
Reclassifications	75,671	0	0	75,671	0
Additions	8,053	2,551	21	10,625	6,822
Amount used/released	-15,852	-2,736	-45	-18,633	-7,803
Changes in scope of consolidation	-1	0	0	-1	0
Book value as of 31.12.	**90,863**	**3,018**	**506**	**94,387**	**26,510**

The rebooking concerns the reclassification of a provision for previous claims from other non-underwriting provisions.

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	28,853	25,229
more than one year up to five years	96	1,095
more than five years up to ten years	135	186
more than ten years	65,303	0
Total	**94,387**	**26,510**

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

Composition	31.12.2012	31.12.2011
in EUR '000		
Unit-linked life insurance	4,272,486	3,696,527
Index-linked life insurance	1,972,937	1,632,854
Total	**6,245,423**	**5,329,381**

Development	31.12.2012	31.12.2011
in EUR '000		
Book value as of 31.12. of the previous year	**5,329,381**	**5,227,930**
Exchange rate changes	27,130	-36,114
Book value as of 1.1.	**5,356,511**	**5,191,816**
Additions	1,670,131	483,853
Amount used/released	-781,219	-346,288
Book value as of 31.12.	**6,245,423**	**5,329,381**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	80,398	81,531
more than one year up to five years	590,588	465,828
more than five years up to ten years	2,090,148	1,520,061
more than ten years	3,484,289	3,261,961
Total	**6,245,423**	**5,329,381**

22. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Composition	31.12.2012	31.12.2011
in EUR '000		
Provision for pension obligations	169,300	218,314
Provision for severance obligations	79,270	83,688
Total	**248,570**	**302,002**

Development of pension obligations	31.12.2012	31.12.2011
in EUR '000		
Present value of obligation (DBO) as of 31.12. of the previous year	**556,772**	**577,004**
Unrealised gains/losses	253	-12,020
Plan assets	-338,711	-340,172
Book value as of 1.1.	**218,314**	**224,812**
Withdrawal for pension payments	-8,280	-9,770
Addition to provision	18,597	17,678
Reduction of the obligation	-56,778	-14,406
Changes in scope of consolidation	-2,553	0
Book value as of 31.12.	**169,300**	**218,314**
Cumulative unrealised gains/losses	82,955	-253
Plan assets	380,588	338,711
Present value of obligation (DBO) as of 31.12.	**632,843**	**556,772**

Development of severance obligations	31.12.2012	31.12.2011
in EUR '000		
Present value of obligation (DBO) as of 31.12. of the previous year	**138,947**	**134,063**
Unrealised gains/losses	11,385	14,216
Plan assets	-66,644	-63,290
Book value as of 1.1.	**83,688**	**84,989**
Withdrawal for severance payments	-3,191	-5,581
Addition to provision	9,281	9,575
Reduction of the obligation	-3,728	-5,295
Changes in scope of consolidation	-6,780	0
Book value as of 31.12.	**79,270**	**83,688**
Cumulative unrealised gains/losses	-5,457	-11,385
Plan assets	71,293	66,644
Present value of obligation (DBO) as of 31.12.	**145,106**	**138,947**

The following amounts are included in the income statements for the reporting period and the comparative period from the previous year:

Composition of additions to pension provisions	2012	2011
in EUR '000		
Current service costs	7,950	7,783
Interest expense	24,193	23,380
Expected income on plan assets	-14,212	-13,592
Realised actuarial gains (-) and losses (+)	666	107
Total	**18,597**	**17,678**

Composition of additions to severance provisions	2012	2011
in EUR '000		
Current service costs	6,978	7,371
Interest expense	5,631	5,362
Expected income on plan assets	-3,332	-3,165
Realised actuarial gains (-) and losses (+)	4	7
Total	**9,281**	**9,575**

Current service cost and actuarial gains and losses are shown in the income statement analogous to current personnel expenses from salaries. Interest expenses are reported as part of investment expenses.

Plan assets	31.12.2012	31.12.2011
in EUR '000		
Provision for pension obligations	380,588	338,711
Provision for severance obligations	71,293	66,644

Development of plan assets of pension obligations	31.12.2012	31.12.2011
in EUR '000		
Plan assets of pension obligations as of 1.1.	**338,711**	**340,172**
Expected income on plan assets	14,212	13,592
Contributions	56,778	14,406
Payments out of plan assets	-24,002	-23,260
Expenses for plan assets	-2,838	-6,199
Changes in scope of consolidation	-2,273	0
Plan assets of pension obligations as of 31.12.	**380,588**	**338,711**

Development of plan assets of severance obligations	31.12.2012	31.12.2011
in EUR '000		
Plan assets of severance obligations as of 1.1.	**66,644**	**63,290**
Expected income on plan assets	3,332	3,165
Contributions	3,728	5,295
Payments out of plan assets	-7,272	-5,181
Expenses for plan assets	4,861	75
Plan assets of severance obligations as of 31.12.	**71,293**	**66,644**

The expected return on plan assets was calculated taking into account the expected return on the assets based on the current investment policy. The expected return on fixed-interest investments is based on the gross effective interest rate as of the balance sheet date. The expected return on equity securities and real estate reflects the long-term effective returns achievable in the market concerned based on experience.

Present value of the defined benefit obligation Fair value of plan assets As of 31 December	2012	2011	2010	2009	2008
in EUR '000					
Present value of the defined benefit obligation	777,949	695,719	711,067	699,975	708,175
Fair value of plan assets	451,881	405,355	403,462	392,769	340,884
Shortfall	**326,068**	**290,364**	**307,605**	**307,206**	**367,291**

The expected allocations to plans for payments following the end of employment were EUR 17,446,000 for the financial year ending 31 December 2013.

23. OTHER PROVISIONS

Composition	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Provision for anniversary benefits	9,388	6,357	1,879	17,624	17,821
Other personnel provisions	5,397	1,771	0	7,168	6,712
Provision for customer support and marketing	30,784	2,170	0	32,954	29,591
Provision for litigation	1,933	3,499	0	5,432	4,954
Provision for renewal commissions	0	507	0	507	237
Other provisions	109,270	10,457	0	119,727	198,009
Total	**156,772**	**24,761**	**1,879**	**183,412**	**257,324**

Development	Book value as of 1.1.	Changes in scope of consolidation	Exchange rate changes	Amount used	Release	Reclassi-fication	Additions	Book value as of 31.12.
in EUR '000								
Provision for anniversary benefits	17,821	-1,102	71	-2,336	-1,919	0	5,089	17,624
Other personnel provisions	6,712	0	188	-3,425	-418	0	4,111	7,168
Provision for customer support and marketing	29,591	0	75	-3,845	-12,800	0	19,933	32,954
Provision for litigation	4,954	-54	284	-782	-510	0	1,540	5,432
Provision for renewal commissions	237	0	13	-237	-2	0	496	507
Other provisions	198,009	-7,563	2,115	-24,394	-18,366	-75,671	45,597	119,727
Total	**257,324**	**-8,719**	**2,746**	**-35,019**	**-34,015**	**-75,671**	**76,766**	**183,412**

Other provisions consist primarily of provisions for government obligations of EUR 26,772,000, provisions for IT expenses of EUR 28,488,000 and provisions for advertising and sponsoring of EUR 2,943,000. The rebooking concerns the reclassification of a provision for previous claims into other underwriting provisions.

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	126,357	127,112
more than one year up to five years	33,655	33,877
more than five years up to ten years	8,008	8,021
more than ten years	15,392	88,314
Total	**183,412**	**257,324**

24. LIABILITIES

Composition	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Underwriting	**493,497**	**339,324**	**6,536**	**839,357**	**728,544**
Liabilities from direct business	372,855	194,364	3,408	570,627	516,073
to policyholders	237,926	140,745	3,114	381,785	335,267
to insurance intermediaries	115,751	52,307	0	168,058	162,146
to insurance companies	19,178	223	294	19,695	18,328
arising from financial insurance policies	0	1,089	0	1,089	332
Liabilities from reinsurance business	118,207	11,929	1,235	131,371	113,069
Deposits from ceded reinsurance business	2,435	133,031	1,893	137,359	99,402
Non-underwriting	**1,975,822**	**203,029**	**9,421**	**2,188,272**	**3,175,811**
Liabilities to financial institutions	911,193	99,539	25	1,010,757	1,428,948
Other liabilities	1,064,629	103,490	9,396	1,177,515	1,746,863
Total	**2,469,319**	**542,353**	**15,957**	**3,027,629**	**3,904,355**

Composition Other liabilities	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Tax liabilities (excl. income taxes)	50,969	9,013	817	60,799	58,946
Liabilities for social security	11,844	2,501	0	14,345	15,396
Liabilities to facility managers	2,700	1,287	265	4,252	4,624
Liabilities to employees	14,966	7,343	1,056	23,365	17,665
Bond liabilities	16	1,575	0	1,591	11,575
Liability for unused vacation entitlements	16,515	5,514	0	22,029	22,306
Liability for variable salary components	15,834	6,957	118	22,909	21,105
Liability for legal and consulting fees	2,599	422	0	3,021	4,113
Liability for unpaid incoming invoices	74,604	11,047	83	85,734	85,754
Liabilities for derivatives	22,248	1,407	0	23,655	14,493
Leasing liabilities	115	115	0	230	415
Liabilities from sureties	13,892	760	0	14,652	16,797
Liabilities from fees	15,305	96	0	15,401	14,172
Liabilities from construction projects	18,047	91	147	18,285	27,123
Liabilities from funding of housing projects	678,586	33,212	3,677	715,475	1,272,608
Liabilities from public funding	70,099	139	0	70,238	70,496
Liabilities from property transactions	3,471	1,737	0	5,208	10,965
Liabilities from purchase of capital investments	1,529	2,209	0	3,738	9,031
Other liabilities	51,290	18,065	3,233	72,588	69,279
Total	**1,064,629**	**103,490**	**9,396**	**1,177,515**	**1,746,863**

For information on the change in liabilities to financial institutions and other liabilities (financing liabilities) versus the previous year, please see the section entitled "Non-profit housing societies" on page 50.

Maturity structure	Underwriting 31.12.2012	Non-underwriting 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000				
up to one year	822,819	402,174	1,224,993	1,100,926
more than one year up to five years	9,039	310,183	319,222	304,608
more than five years up to ten years	7,235	279,709	286,944	374,938
more than ten years	264	1,196,206	1,196,470	2,123,883
Total	**839,357**	**2,188,272**	**3,027,629**	**3,904,355**

25. TAX LIABILITIES OUT OF INCOME TAX

Composition	31.12.2012	31.12.2011
in EUR '000		
Property/Casualty insurance	68,555	52,099
Life insurance	24,157	10,719
Total	**92,712**	**62,818**

Maturity structure	31.12.2012	31.12.2011
in EUR '000		
up to one year	51,739	21,689
more than one year up to five years	40,973	41,129
Total	**92,712**	**62,818**

26. OTHER LIABILITIES

Composition	Property/ Casualty 31.12.2012	Life 31.12.2012	Health 31.12.2012	Total 31.12.2012	Total 31.12.2011
in EUR '000					
Deferred income	51,703	147,251	70	199,024	209,381
Other liabilities	6,628	562	945	8,135	6,861
Total	**58,331**	**147,813**	**1,015**	**207,159**	**216,242**

27. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation

Vienna Insurance Group and its Group companies are involved in a number of legal actions arising out of the normal course of business. Taking into account the provisions formed for these legal actions, the management of Vienna Insurance Group is of the opinion that they will not have a significant effect on the business or consolidated financial position of Vienna Insurance Group.

Litigation relating to coverage

In their capacity as insurance companies, the companies of Vienna Insurance Group are involved in a number of court proceedings as defendants or have been threatened with litigation. In addition, there are proceedings in which the companies of Vienna Insurance Group are not involved as parties, but may be affected by the outcome of such lawsuits due

to agreements with other insurers concerning participation in claims. In the opinion of Vienna Insurance Group, adequate provisions proportionate to the amount in dispute have been established for all claims in accordance with the law.

Off-balance sheet commitments

The following table shows the off-balance sheet commitments as of 31 December 2012 and 2011.

Reporting period as of 31.12.	2012	2011
in EUR '000		
Liabilities and assumed liabilities	18,552	18,936
Letters of comfort	4,008	3,808
Guarantee bond	4,500	0

The off-balance sheet commitments for the individual financial years were primarily related to loans of participations.

No off-balance sheet financing structures via special purpose vehicles (SPVs) or other similar corporate structures exist.

28. NET EARNED PREMIUMS

The premiums written and earned in the 2012 reporting period and the 2011 comparative period are broken down by segment as follows:

Premiums written	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
GROSS				
Direct business	4,632,694	4,604,014	391,431	9,628,139
Austria	1,891,468	1,877,840	347,470	4,116,778
Czech Republic	931,762	837,114	0	1,768,876
Slovakia	313,324	379,948	0	693,272
Poland	586,462	1,024,981	0	1,611,443
Romania	333,433	114,206	0	447,639
Remaining markets	549,739	369,925	43,961	963,625
Central functions	26,506	0	0	26,506
Indirect business	1,224,261	146,720	78	1,371,059
Subtotal	**5,856,955**	**4,750,734**	**391,509**	**10,999,198**
Consolidation	-1,183,514	-130,017	0	-1,313,531
Premiums written	**4,673,441**	**4,620,717**	**391,509**	**9,685,667**

Net earned premiums	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
GROSS				
Direct business	4,609,617	4,601,768	381,735	9,593,120
Indirect business	70,615	16,898	78	87,591
Net earned premiums	**4,680,232**	**4,618,666**	**381,813**	**9,680,711**
REINSURERS' SHARE	-646,269	-37,056	-576	-683,901
Net earned premiums – retention	**4,033,963**	**4,581,610**	**381,237**	**8,996,810**

Premiums written	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
GROSS				
Direct business	4,515,687	3,931,517	360,042	8,807,246
Austria	1,743,687	1,940,502	337,407	4,021,596
Czech Republic	963,433	837,037	0	1,800,470
Slovakia	312,345	359,761	0	672,106
Poland	612,822	342,520	0	955,342
Romania	401,304	100,973	0	502,277
Remaining markets	476,306	350,724	22,635	849,665
Central functions	5,790	0	0	5,790
Indirect business	1,014,959	31,504	109	1,046,572
Subtotal	**5,530,646**	**3,963,021**	**360,151**	**9,853,818**
Consolidation	-951,349	-18,804		-970,153
Premiums written	**4,579,297**	**3,944,217**	**360,151**	**8,883,665**

Net earned premiums	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
GROSS				
Direct business	4,464,731	3,941,501	362,684	8,768,916
Indirect business	68,493	13,188	109	81,790
Net earned premiums	**4,533,224**	**3,954,689**	**362,793**	**8,850,706**
REINSURERS' SHARE	-688,474	-38,590	-825	-727,889
Net earned premiums – retention	**3,844,750**	**3,916,099**	**361,968**	**8,122,817**

Premiums written Property/Casualty insurance	Gross 2012	Reinsurers' share 2012	Retention 2012	Gross 2011
in EUR '000				
Direct business				
Casualty insurance	355,800	-28,570	327,230	330,553
Health insurance	8,647	-1,321	7,326	7,086
Land vehicle own-damage insurance	976,380	-16,689	959,691	923,310
Rail vehicle own-damage	3,247	-2,007	1,240	3,548
Aircraft own-damage insurance	7,061	-5,032	2,029	7,458
Sea, lake and river shipping own-damage insurance	8,874	-4,208	4,666	7,839
Transport insurance	48,718	-23,580	25,138	47,579
Fire explosion, other natural risks	784,489	-78,308	706,181	750,877
Other property	465,359	-120,625	344,734	423,317
Carrier insurance	6,574	-1,310	5,264	6,516
Aircraft liability insurance	4,065	-2,550	1,515	6,155
Sea, lake and river shipping liability insurance	3,421	-1,375	2,046	3,115
General liability insurance	446,296	-40,053	406,243	418,967
Liability insurance for land vehicles having their own drive train	1,281,102	-134,513	1,146,589	1,383,157
Credit insurance	102	-1	101	136
Guarantee insurance	21,420	-8,188	13,232	19,113
Insurance for miscellaneous financial losses	88,134	-47,776	40,358	92,778
Legal expenses insurance	49,700	-334	49,366	48,268
Assistance insurance, travel health insurance	40,939	-1,299	39,640	43,474
Subtotal	**4,600,328**	**-517,739**	**4,082,589**	**4,523,246**
Indirect business				
Marine, aviation and transport insurance	9,053	-4,598	4,455	6,347
Other insurance	59,810	-150,367	-90,557	48,605
Health insurance	4,250	-4	4,246	1,099
Subtotal	**73,113**	**-154,969**	**-81,856**	**56,051**
Total Written premiums in Property and Casualty	**4,673,441**	**-672,708**	**4,000,733**	**4,579,297**

A portion of the earned premiums of EUR 3,986,000 (EUR 5,392,000) from indirect property and casualty insurance business had been deferred one year before being recognised in the income statement. Of the EUR 451,000 (EUR 3,364,000) in net earned premiums from indirect life insurance business, EUR 312,000 (EUR 332,000) was deferred for one year before being shown in the income statement.

Premiums written – Direct life insurance business	2012	2011
in EUR '000		
Regular premiums	2,304,291	2,289,977
Annuity insurance	276,041	272,098
Whole life insurance	63,481	68,359
Mixed life insurance	541,917	559,719
Pure endowment insurance	126,425	127,309
Term life insurance	235,030	221,412
Fixed-term insurance	62,713	70,109
Unit-linked insurance	629,803	603,874
Index-linked insurance	12,193	12,839
Government sponsored pension plans	356,688	354,258
Single premium policies	2,299,723	1,641,540
Annuity insurance	144,133	89,771
Whole life insurance	30,368	23,798
Mixed life insurance	1,282,583	587,176
Pure endowment insurance	226,670	245,883
Term life insurance	72,919	69,490
Fixed-term insurance	168	326
Unit-linked insurance	380,110	430,619
Index-linked insurance	162,418	192,997
Government sponsored pension plans	354	1,480
Total Written premiums direct in Life	**4,604,014**	**3,931,517**
thereof:		
Policies with profit participation	*2,656,310*	*2,000,135*
Policies without profit participation	*406,137*	*332,875*
Unit-linked life insurance policies	*1,366,956*	*1,392,671*
Index-linked life insurance policies	*174,611*	*205,836*

Please refer to the respective separate financial statements for information on investments for unit-linked and index-linked life insurance.

Premiums written – Health insurance (gross)	2012	2011
in EUR '000		
Direct business	391,431	360,042
Individual insurance	248,873	240,013
Group insurance	142,558	120,029
Indirect business	78	109
Group insurance	78	109
Total Written premiums in Health	**391,509**	**360,151**

29. FINANCIAL RESULT

Composition Income	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
Current income	390,904	955,110	45,238	1,391,252
Income from appreciation	54,553	54,173	1,215	109,941
Income from the disposal of investments	104,822	142,464	1,018	248,304
Total	**550,279**	**1,151,747**	**47,471**	**1,749,497**

Composition Income	Current income 2012	Income from appreciations 2012	Gains from disposal of investments 2012	Total 2012
in EUR '000				
Self-used land and buildings	18,725	231	12,851	31,807
Third-party used land and buildings	191,770	16,478	14,990	223,238
Loans	131,742	185	6,182	138,109
Reclassified loans	51,038	14	4,110	55,162
Financial instruments held to maturity	94,642	619	791	96,052
Government bonds	76,347	103	105	76,555
Covered bonds	7,029	0	0	7,029
Corporate bonds	6,322	516	584	7,422
Bonds from banks	4,809	0	100	4,909
Subordinated bonds	135	0	2	137
Financial instruments reclassified as held to maturity	49,957	0	0	49,957
Government bonds	42,743	0	0	42,743
Covered bonds	4,643	0	0	4,643
Bonds from banks	2,571	0	0	2,571
Financial instruments available for sale	666,722	653	179,448	846,823
Bonds	619,045	653	126,979	746,677
Government bonds	278,169	0	73,061	351,230
Covered bonds	68,243	0	12,807	81,050
Corporate bonds	60,702	0	9,303	70,005
Bonds from banks	144,030	0	27,107	171,137
Subordinated bonds	67,901	653	4,701	73,255
Shares and other participations	30,028	0	36,656	66,684
Investment funds	16,856	0	15,812	32,668
Other securities	793	0	1	794
Financial instruments held for trading	3,753	52,789	21,261	77,803
Bonds	3,009	2,090	3,050	8,149
Government bonds	1,765	1,632	1,681	5,078
Corporate bonds	1,120	441	1,350	2,911
Bonds from banks	124	17	19	160
Shares and other non-fixed-interest securities	734	24,414	681	25,829
Investment funds	10	1,702	1,008	2,720
Derivatives	0	24,524	16,214	40,738
Other securities	0	59	308	367
Financial instruments recognised at fair value through profit and loss	12,099	37,736	854	50,689
Bonds	6,462	35,215	372	42,049
Government bonds	806	7,653	0	8,459
Covered bonds	1,250	257	0	1,507
Corporate bonds	484	270	0	754
Bonds from banks	1,619	20,696	205	22,520
Subordinated bonds	2,303	6,339	167	8,809
Shares and other non-fixed-interest securities	17	394	0	411
Investment funds	5,620	2,127	482	8,229
Other investments	133,750	1,236	0	134,986
Unit- and index-linked life insurance	37,054	0	7,817	44,871
Total	**1,391,252**	**109,941**	**248,304**	**1,749,497**
thereof participations	*14,949*	*0*	*4,814*	*19,763*

Composition Income	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
Current income	500,130	936,171	46,176	1,482,477
Income from appreciation	8,928	21,765	1,553	32,246
Income from the disposal of investments	44,206	110,973	6,242	161,421
Total	**553,264**	**1,068,909**	**53,971**	**1,676,144**

Composition Income	Current income 2011	Income from appreciations 2011	Gains from disposal of investments 2011	Total 2011
in EUR '000				
Self-used land and buildings	13,675	565	419	14,659
Third-party used land and buildings	272,388	2,047	3,602	278,037
Loans	134,844	3	48	134,895
Reclassified loans	52,067	4	416	52,487
Financial instruments held to maturity	94,294	0	1,210	95,504
Government bonds	77,381	0	67	77,448
Covered bonds	3,924	0	0	3,924
Corporate bonds	7,404	0	30	7,434
Bonds from banks	5,455	0	1,110	6,565
Subordinated bonds	130	0	3	133
Financial instruments reclassified as held to maturity	50,639	0	0	50,639
Government bonds	41,747	0	0	41,747
Covered bonds	5,946	0	0	5,946
Corporate bonds	358	0	0	358
Bonds from banks	2,458	0	0	2,458
Subordinated bonds	130	0	0	130
Financial instruments available for sale	682,872	1	127,037	809,910
Bonds	613,996	1	54,245	668,242
Government bonds	258,653	0	29,137	287,790
Covered bonds	71,872	0	1,893	73,765
Corporate bonds	56,009	0	2,405	58,414
Bonds from banks	155,065	0	15,037	170,102
Subordinated bonds	72,397	1	5,773	78,171
Shares and other participations	46,574	0	35,045	81,619
Investment funds	22,302	0	37,747	60,049
Financial instruments held for trading	6,102	2,920	11,716	20,738
Bonds	3,892	845	2,646	7,383
Government bonds	1,628	192	2,465	4,285
Corporate bonds	2,206	653	181	3,040
Bonds from banks	58	0	0	58
Shares and other non-fixed-interest securities	390	271	607	1,268
Investment funds	422	1,694	268	2,384
Derivatives	1,183	0	8,195	9,378
Other securities	215	110	0	325
Financial instruments recognised at fair value through profit and loss	13,549	22,923	6,989	43,461
Bonds	11,803	15,436	5,994	33,233
Government bonds	1,107	0	335	1,442
Covered bonds	1,250	0	62	1,312
Corporate bonds	428	33	1	462
Bonds from banks	6,365	15,016	5,572	26,953
Subordinated bonds	2,653	387	24	3,064
Shares and other non-fixed-interest securities	20	733	0	753
Investment funds	1,726	622	881	3,229
Other securities	0	6,132	114	6,246
Other investments	126,915	3,783	0	130,698
Unit- and index-linked life insurance	35,132	0	9,984	45,116
Total	**1,482,477**	**32,246**	**161,421**	**1,676,144**
thereof participations	*18,608*	*0*	*1,271*	*19,879*

Composition Expenses	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
Depreciation of investment	98,254	84,707	20,873	203,834
Exchange rate changes	-7,416	-952	184	-8,184
Losses from disposal of investments	22,155	23,092	462	45,709
Interest expenses	64,179	29,741	5,114	99,034
Personnel provisions	13,753	11,389	3,735	28,877
Interest on borrowings	50,426	18,352	1,379	70,157
Other expenses	120,514	65,235	4,206	189,955
Total	**297,686**	**201,823**	**30,839**	**530,348**

Composition Expenses	Depreciation of investment	Exchange rate changes	Losses from disposal of investments	Total
	2012	2012	2012	2012
in EUR '000				
Self-used land and buildings	14,699	0	6	14,705
Third-party used land and buildings	90,420	0	45	90,465
Loans	4,759	140	157	5,056
Reclassified loans	0	0	311	311
Financial instruments held to maturity	5,855	-2,862	13	3,006
Government bonds	0	-2,498	11	-2,487
Corporate bonds	5,855	-364	0	5,491
Bonds from banks	0	0	2	2
Financial instruments reclassified as held to maturity	0	-125	0	-125
Government bonds	0	-125	0	-125
Financial instruments available for sale	73,555	3,439	18,353	95,347
Bonds	8,859	-1,234	9,508	17,133
Government bonds	603	-3,555	7,333	4,381
Covered bonds	0	331	32	363
Corporate bonds	6,454	177	18	6,649
Bonds from banks	0	1,817	1,834	3,651
Subordinated bonds	1,802	-4	291	2,089
Shares and other participations	17,445	1,855	1,483	20,783
Investment funds	47,251	2,822	7,362	57,435
Other securities	0	-4	0	-4
Financial instruments held for trading	10,982	1,024	22,280	34,286
Bonds	863	-99	181	945
Government bonds	4	-99	181	86
Corporate bonds	859	0	0	859
Shares and other non-fixed-interest securities	2,575	0	346	2,921
Investment funds	31	292	113	436
Derivatives	7,513	718	21,639	29,870
Other securities	0	113	1	114
Financial instruments recognised at fair value through profit and loss	3,350	199	2,335	5,884
Bonds	2,678	173	1,874	4,725
Government bonds	18	0	1	19
Covered bonds	504	0	0	504
Corporate bonds	76	0	0	76
Bonds from banks	1,725	174	1,863	3,762
Subordinated bonds	355	-1	10	364
Shares and other non-fixed-interest securities	438	0	0	438
Investment funds	234	26	397	657
Other securities	0	0	64	64
Other investments	214	-9,999	319	-9,466
Unit- and index-linked life insurance	0	0	1,890	1,890
Total	**203,834**	**-8,184**	**45,709**	**241,359**
thereof impairments	*85,142*			*85,142*
thereof participations	*6,700*		*53*	*6,753*

Composition Expenses	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
Depreciation of investment	116,307	237,104	3,232	356,643
Exchange rate changes	-1,567	-8,838	-212	-10,617
Losses from disposal of investments	24,429	55,743	2,360	82,532
Interest expenses	93,539	28,509	4,915	126,963
Personnel provisions	13,622	12,192	3,470	29,284
Interest on borrowings	79,917	16,317	1,445	97,679
Other expenses	126,617	68,948	4,453	200,018
Total	**359,325**	**381,466**	**14,748**	**755,539**

Composition Expenses	Depreciation of investment	Exchange rate changes	Losses from disposal of investments	Total
	2011	2011	2011	2011
in EUR '000				
Self-used land and buildings	12,601	0	214	12,815
Third-party used land and buildings	109,100	0	17	109,117
Loans	11,704	-1,323	3	10,384
Reclassified loans	1,350	0	0	1,350
Financial instruments held to maturity	370	307	198	875
Government bonds	370	337	192	899
Corporate bonds	0	-24	6	-18
Subordinated bonds	0	-6	0	-6
Financial instruments reclassified as held to maturity	0	-207	0	-207
Government bonds	0	-207	0	-207
Financial instruments available for sale	179,823	-16,843	46,402	209,382
Bonds	30,005	-11,041	15,438	34,402
Government bonds	17,451	-9,851	3,526	11,126
Covered bonds	0	-375	3,224	2,849
Corporate bonds	3,168	-97	896	3,967
Bonds from banks	332	-715	3,310	2,927
Subordinated bonds	9,054	-3	4,482	13,533
Shares and other participations	126,373	-1,337	7,278	132,314
Investment funds	23,445	-4,465	23,686	42,666
Financial instruments held for trading	5,939	735	19,128	25,802
Bonds	280	15	307	602
Government bonds	144	15	304	463
Covered bonds	134	0	0	134
Corporate bonds	2	0	3	5
Shares and other non-fixed-interest securities	3,251	0	428	3,679
Investment funds	563	-216	884	1,231
Derivatives	1,650	1,086	17,324	20,060
Other securities	195	-150	185	230
Financial instruments recognised at fair value through profit and loss	31,782	-324	5,737	37,195
Bonds	19,910	-338	343	19,915
Government bonds	5,827	0	2	5,829
Covered bonds	441	0	0	441
Corporate bonds	105	0	4	109
Bonds from banks	7,031	-337	326	7,020
Subordinated bonds	6,506	-1	11	6,516
Shares and other non-fixed-interest securities	1,299	0	0	1,299
Investment funds	2,958	14	4,352	7,324
Other securities	7,615	0	1,042	8,657
Other investments	3,974	7,038	13	11,025
Unit- and index-linked life insurance	0	0	10,820	10,820
Total	**356,643**	**-10,617**	**82,532**	**428,558**
thereof impairments	*197,262*	*0*	*0*	*197,262*
thereof participations	*24,535*	*0*	*996*	*25,531*

Interest expenses and Other expenses result from items on the liabilities side of the balance sheet or from business operations and therefore cannot be directly allocated to an investment class.

30. RESULT FROM SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Composition	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
Current result	19,077	2,293	0	21,370
Total	**19,077**	**2,293**	**0**	**21,370**

Composition	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
Current result	8,100	2,904	0	11,004
Total	**8,100**	**2,904**	**0**	**11,004**

31. OTHER INCOME

Composition	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
Other underwriting income	53,987	30,884	121	84,992
Other non-underwriting income	18,759	9,803	1,777	30,339
Total	**72,746**	**40,687**	**1,898**	**115,331**

Other income consists primarily of EUR 10,855,000 (EUR 9,998,000) in compensation for services performed, EUR 9,750,000 (EUR 8,517,000) from the release of other provisions, EUR 13,030,000 (EUR 10,699,000) in fees of all kinds, EUR 15,567,000 (EUR 25,289,000) from exchange rate changes, EUR 11,623,000 (EUR 15,552,000) from the reversal of allowances for receivables and EUR 11,799,000 (EUR 9,298,000) in commission income.

Composition	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
Other underwriting income	42,230	26,731	3	68,964
Other non-underwriting income	29,898	16,475	23	46,396
Total	**72,128**	**43,206**	**26**	**115,360**

32. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Composition	Gross 2012	Reinsurers' share 2012	Retention 2012
in EUR '000			
Property/Casualty insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	2,700,859	-251,197	2,449,662
Changes in provision for outstanding claims	137,030	55,757	192,787
Subtotal	**2,837,889**	**-195,440**	**2,642,449**
Change in actuarial reserve	17	-10	7
Change in other underwriting provisions	-7,093	47	-7,046
Expenses for profit-unrelated premium refunds	28,210	-7,442	20,768
Total expenses	**2,859,023**	**-202,845**	**2,656,178**
Life insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	3,686,639	-23,697	3,662,942
Changes in provision for outstanding claims	32,068	300	32,368
Subtotal	**3,718,707**	**-23,397**	**3,695,310**
Change in actuarial reserve	834,447	5,339	839,786
Change in other underwriting provisions	-373	243	-130
Expenses for profit-related and profit-unrelated premium refunds	78,600	0	78,600
Total expenses	**4,631,381**	**-17,815**	**4,613,566**
Health insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	251,966	-397	251,569
Changes in provision for outstanding claims	1,080	14	1,094
Subtotal	**253,046**	**-383**	**252,663**
Change in actuarial reserve	56,142	-233	55,909
Expenses for profit-unrelated premium refunds	12,039	0	12,039
Total expenses	**321,227**	**-616**	**320,611**
Total	**7,811,631**	**-221,276**	**7,590,355**

Composition	Gross 2011	Reinsurers' share 2011	Retention 2011
in EUR '000			
Property/Casualty insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	2,666,976	-344,503	2,322,473
Changes in provision for outstanding claims	205,034	-10,434	194,600
Subtotal	**2,872,010**	**-354,937**	**2,517,073**
Change in actuarial reserve	7	-3	4
Change in other underwriting provisions	125	-494	-369
Expenses for profit-unrelated premium refunds	17,672	-3,113	14,559
Total expenses	**2,889,814**	**-358,547**	**2,531,267**
Life insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	3,295,325	-30,490	3,264,835
Changes in provision for outstanding claims	36,353	1,854	38,207
Subtotal	**3,331,678**	**-28,636**	**3,303,042**
Change in actuarial reserve	448,418	4,028	452,446
Change in other underwriting provisions	-701	-231	-932
Expenses for profit-related and profit-unrelated premium refunds	-58,770	0	-58,770
Total expenses	**3,720,625**	**-24,839**	**3,695,786**
Health insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	234,739	-422	234,317
Changes in provision for outstanding claims	510	-18	492
Subtotal	**235,249**	**-440**	**234,809**
Change in actuarial reserve	61,884	-213	61,671
Expenses for profit-unrelated premium refunds	12,432	0	12,432
Total expenses	**309,565**	**-653**	**308,912**
Total	**6,920,004**	**-384,039**	**6,535,965**

33. ACQUISITION AND ADMINISTRATIVE EXPENSES

Composition	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
Acquisition expenses				
Commission expenses	719,635	366,849	9,044	1,095,528
Pro rata personnel expenses	166,878	81,562	14,355	262,795
Pro rata material expenses	138,358	80,410	9,163	227,931
Subtotal	**1,024,871**	**528,821**	**32,562**	**1,586,254**
Administrative expenses				
Pro rata personnel expenses	110,031	45,950	5,191	161,172
Pro rata material expenses	104,565	73,774	7,623	185,962
Subtotal	**214,596**	**119,724**	**12,814**	**347,134**
Received reinsurance commissions	-108,521	-9,851	-129	-118,501
Total	**1,130,946**	**638,694**	**45,247**	**1,814,887**

Composition	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
Acquisition expenses				
Commission expenses	673,315	336,260	6,529	1,016,104
Pro rata personnel expenses	165,267	76,319	13,218	254,804
Pro rata material expenses	134,502	107,053	8,667	250,222
Subtotal	**973,084**	**519,632**	**28,414**	**1,521,130**
Administrative expenses				
Pro rata personnel expenses	112,828	49,394	6,152	168,374
Pro rata material expenses	105,377	67,074	9,078	181,529
Subtotal	**218,205**	**116,468**	**15,230**	**349,903**
Received reinsurance commissions	-110,610	-7,632	-139	-118,381
Total	**1,080,679**	**628,468**	**43,505**	**1,752,652**

34. OTHER EXPENSES

Composition	Property/ Casualty 2012	Life 2012	Health 2012	Total 2012
in EUR '000				
Other underwriting expenses	165,524	70,307	1,958	237,789
Other non-underwriting expenses	95,250	26,242	730	122,222
Total	**260,774**	**96,549**	**2,688**	**360,011**

Other expenses consist primarily of EUR 73,245,000 (EUR 48,836,000) for valuation allowances (not including investments), EUR 40,598,000 (EUR 54,096,000) in write-downs of the insurance portfolio and customer base, EUR 50,000,000 (EUR 40,000,000) in goodwill impairment for the Romania Non-life CGU, EUR 31,493,000 (EUR 28,641,000) in government-imposed contributions, EUR 26,150,000 (EUR 24,766,000) in brokering expenses, EUR 21,753,000 (EUR 23,563,000) in underwriting taxes, EUR 34,518,000 (EUR 19,404,000) in currency losses, EUR 12,297,000 (EUR 12,631,000) in other contributions and fees and EUR 0 (EUR 3,742,000) in deposit interest.

Composition	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
Other underwriting expenses	153,018	68,768	1,109	222,895
Other non-underwriting expenses	82,445	16,819	2	99,266
Total	**235,463**	**85,587**	**1,111**	**322,161**

35. TAX EXPENSES

Composition	2012	2011
in EUR '000		
Actual taxes	126,508	106,695
Actual taxes related to other periods	23,707	-2,389
Total actual taxes	**150,215**	**104,306**
Deferred taxes	-30,132	12,793
Total	**120,083**	**117,099**

Reconciliation	2012	2011
in EUR '000		
Expected income tax rate in %	25%	25%
Profit before taxes	587,407	559,008
Expected tax expenses	**146,852**	**139,752**
Adjusted for tax effects due to:		
Tax-exempt income from participations	-14,680	-11,047
Non-deductible expenses	87,719	50,064
Income not subject to tax	-119,576	-37,585
Hybrid capital interest not subject to tax	-10,000	-10,000
Taxes from previous years	23,706	-2,389
Changes in tax rates	-11,087	-6,058
Adjustment for accumulated losses carried forward and other tax effects	17,149	-5,638
Effective income tax expenses	**120,083**	**117,099**
Effective income tax rate in %	**20.4%**	**20.9%**

The income tax rate of the parent company VIG Holding is used as the Group tax rate. EUR 33,344,000 (EUR 6,073,000) in loss carry-forwards was not recognised. Deferred tax assets of EUR 103,630,000 (previous year: deferred tax liabilities of EUR 19,355,000) were applied against the revaluation reserve with no effect on profit or loss. This amount represents the deferred taxes on the variance in financial instruments available for sale.

36. OTHER INFORMATION

Employee statistics	2012	2011
Austria	**5,405**	**5,364**
Field staff	2,857	2,836
Office staff	2,548	2,528
Czech Republic	**4,814**	**4,892**
Field staff	2,819	2,869
Office staff	1,995	2,023
Slovakia	**1,572**	**1,596**
Field staff	813	836
Office staff	759	760
Poland	**1,751**	**1,945**
Field staff	375	458
Office staff	1,376	1,487
Romania	**3,480**	**3,991**
Field staff	2,436	2,524
Office staff	1,044	1,467
Remaining markets	**6,344**	**6,022**
Field staff	4,170	3,883
Office staff	2,174	2,139
Central functions	**720**	**1,092**
Office staff	720	1,092
Total	**24,086**	**24,902**

Personnel expenses	2012	2011
in EUR '000		
Wages and salaries	427,319	426,182
Expenses for severance benefits and payments to company pension plans	7,733	3,711
Expenses for retirement provisions	-18,593	-2,259
Mandatory social security contributions and expenses	136,266	139,099
Other social security expenses	15,070	14,319
Total	**567,795**	**581,052**
thereof field staff	*259,475*	*251,400*
thereof office staff	*308,320*	*329,652*

Supervisory board and managing board compensation (gross)	2012	2011
in EUR '000		
Compensation paid to Supervisory Board members	373	365
Total payments to former members of the Managing Board or their survivors	1,943	-
Provision for future pension obligations for Managing Board members	1,115	1,191
Compensation paid to active Managing Board members	4,213	4,450

The members of the Managing Board received EUR 4,213,000 (EUR 4,450,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 1,527,000 (EUR 1,471,000) from subsidiaries during the reporting period. EUR 538,000 (EUR 184,000) of this amount was charged to the Company in the form of an intercompany charge.

Former members of the Managing Board received EUR 1,943,000 (EUR 0).

The Managing Board for 2012 had six members until 31 May 2012, and five members thereafter.

The average number of employees in the fully consolidated companies was 24,086 (24,902). Of this number, 13,470 (13,406) were active in sales, leading to personnel expenses of EUR 259,475,000 (EUR 251,400,000), and 10,616 (11,496) were in operations, leading to personnel expenses of EUR 308,320,000 (EUR 329,652,000).

37. AUDITING FEES AND AUDITING SERVICES

Auditing fees were EUR 524,000 (EUR 703,000) and were broken down into the following areas:

Composition	2012	2011
in EUR '000		
Audit of consolidated financial statements	166	164
Audit of financial statements of parent company	43	42
Other audit services	248	286
All other fees	67	211
Total	**524**	**703**

38. RELATED PARTIES

Related parties

Related parties include the affiliated companies, joint ventures and associated companies listed in note 4. In addition, the members of the Managing Board and Supervisory Board of Vienna Insurance Group and their families also qualify as related parties. Wiener Städtische Versicherungsverein holds a majority of the voting rights of Vienna Insurance Group. Based on this controlling interest, it is therefore also a related party.

No loans or guarantees were granted to the members of the Managing Board or Supervisory Board during the reporting periods.

Likewise, no loans or guarantees existed as of 31 December 2012 or 31 December 2011.

Transactions with related parties

The Group charges Wiener Städtische Versicherungsverein for office space. Other services (e.g. accounting services) are also provided by the Group.

Transactions with non-consolidated affiliated and associated companies mainly relate to financing and service charges.

Open entries at the end of the reporting period	31.12.2012	31.12.2011
in EUR '000		
Receivables	39,342	23,268
thereof parent company	*25,343*	*15,551*
Liabilities	47,577	29,536
thereof parent company	*31,050*	*4,709*
Loans	89,530	131,728

Transaction volumes	2012	2011
in EUR '000		
Receivables	34,574	4,653
thereof parent company	*3,211*	*596*
Liabilities	66,967	33,223
thereof parent company	*10,205*	*1,679*
Loans	28,866	41,101

39. OBLIGATIONS UNDER OPERATING LEASES

Vienna Insurance Group's lease obligations are primarily due to leases of company vehicles and buildings.

Future cumulative minimum lease payments under operating leases are shown in the following table based on maturity:

Maturity structure of payments	31.12.2012	31.12.2011
in EUR '000		
up to one year	4,902	4,708
more than one year up to five years	7,380	6,277

The Supervisory Board had the following members in financial year 2012:

Chairman:
Wolfgang **Ruttenstorfer**

Deputy Chairman:
Karl **Skyba**

Members:
Bernhard **Backovsky**
Martina **Dobringer**
Alois **Hochegger**
Heinz **Öhler**
Reinhard **Ortner**
Martin **Roman**
Johann **Sereinig** (until 4 May 2012)
Friedrich **Stara**
Gertrude **Tumpel-Gugerell** (since 4 May 2012)

Members of the Managing Board and Supervisory Board received no advances or loans in financial year 2012. There were no loans outstanding to members of the Managing Board or Supervisory Board as of 31 December 2012.

No guarantees were outstanding for members of the Managing Board or Supervisory Board as of 31 December 2012.

The Managing Board had the following members in financial year 2012:

Chairman:
Günter Geyer (until 31 May 2012)
Peter Hagen (since 1 June 2012)

Members:
Franz Kosyna
Franz Fuchs
Peter Hagen (until 31 May 2012)
Peter Höfinger
Martin Simhandl

Compensation plan for members of the Managing Board
The Managing Board of the Company manages Vienna Insurance Group. In some cases, responsibility is also assumed for additional duties in subsidiaries or related companies.

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the market environment. The variable portion of the compensation emphasises the need for sustainability in a number of ways. Achieving sustainability depends to a large extent on satisfying performance criteria that extend beyond a single financial year.

The performance-related portion of the remuneration that can be earned has an upper limit and accounts for approximately 50% of the possible total annual income. The awarding of such compensation presupposes that consideration has been given to the sustainable development of the Company and the Group. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds. Even if the performance target is met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if satisfactory performance is also reported in the following year.

In 2012, the key performance criteria for variable compensation are the combined ratio, premium growth and profit before taxes for 2012 and 2013. Managing Board compensation does not include stock options or similar instruments.

The Managing Board for 2012 had six members until 31 May 2012, and five members thereafter. General Manager Günter Geyer left his position on the Managing Board of the Company on 31 May 2012. He was succeeded by General Manager Peter Hagen, who assumed the position of Chairman of the Managing Board on 1 June 2012. Mr Kosyna was appointed Deputy General Manager on the same date.

The standard employment contract for a member of the Vienna Insurance Group Managing Board includes a pension equal to a maximum of 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis is equal to the standard fixed salary).

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

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (*Mitarbeiter- und Selbstständigen-Vorsorgegesetz*) are not applicable by law, the Vienna Insurance Group Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (*Angestelltengesetz*), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement is possible, or leaves due to a fault of his or her own, is not entitled to a severance payment.

The members of the Managing Board received EUR 4,213,000 (EUR 4,450,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 1,527,000 (EUR 1,471,000) from subsidiaries during the reporting period. EUR 538,000 (EUR 184,000) of this amount was charged to the Company in the form of an intercompany charge.

Former members of the Managing Board received EUR 1,943,000 (EUR 0).

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Kosyna
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Vienna, 12 March 2013

AUDITOR'S REPORT

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, for the fiscal year from January 1 to December 31, 2012. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2012, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2012, and the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of Section 245a UGB (Austrian Commercial Code) and Section 80b VAG (Insurance Supervision Act). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2012 and of its financial performance and its cash flows for the fiscal year from January 1 to December 31, 2012 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of Section 80b VAG in conjunction with Section 245a UGB.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 12 March 2013

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Günter Wiltschek
Austrian Certified Public Accountant

Liane Hirner
Austrian Certified Public Accountant

Disclosure, publication and duplication of the consolidated financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

CORPORATE GOVERNANCE REPORT

TRANSPARENCY AND STAKEHOLDER TRUST ARE IMPORTANT TO US. OBSERVANCE OF AND COMPLIANCE WITH THE PROVISIONS OF THE AUSTRIAN CODE OF CORPORATE GOVERNANCE THEREFORE PLAY AN IMPORTANT ROLE IN VIENNA INSURANCE GROUP.

The Austrian Code of Corporate Governance was introduced in 2002 and is amended periodically to account for changes in the law and current trends. It is the standard for good corporate governance and control in Austria. The provisions of the Code contribute to the strengthening of trust in the Austrian capital market, and the report that companies are required to publish on compliance with these provisions requires a high level of transparency.

Vienna Insurance Group views corporate governance as a continuous process that changes in response to new conditions and current trends and must be continuously improved for the benefit of the Group and all its stakeholders. The goal of all Corporate Governance measures is to ensure responsible corporate management aimed at long-term growth while simultaneously maintaining effective corporate control.

The Vienna Insurance Group Managing Board, Supervisory Board and employees all consider observance of and compliance with the rules of the Austrian Code of Corporate Governance to be highly important for the practical implementation of corporate governance. Vienna Insurance Group's declaration of adherence to the Code, discussions regarding the deviation, and detailed information on the composition of, procedures followed by, and the compensation of the Managing Board and Supervisory Board are clearly organised and presented below.

Vienna Insurance Group is committed to the application of and compliance with the July 2012 version of the Austrian Code of Corporate Governance. The rules are divided into the following three categories:

- Rules based on mandatory legal requirements ("Legal requirements").
- Rules based on standard international requirements. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or explain")
- Rules that merely possess the character of recommendations. Non-compliance with these rules need not necessarily be disclosed or explained ("Recommendations")

The Austrian Code of Corporate Governance is available to the public both on the Vienna Insurance Group website and on the website of the Austrian Working Group for Corporate Governance.

Vienna Insurance Group complies with all of the "legal requirements" of the Austrian Code of Corporate Governance as required by law. Vienna Insurance Group deviates from one "comply or explain" rule, as explained below:

RULE 41:
The Supervisory Board shall set up a nomination committee. In cases of Supervisory Boards with no more than six members (including employee representatives), this function may be exercised by all members jointly. The nomination committee submits proposals to the Supervisory Board for filling positions that become free in the Managing Board and deals with issues of successor planning.

Explanation: Because of its special importance, the issue of successor planning is handled by the Supervisory Board as a whole. The Vienna Insurance Group Supervisory Board has therefore not established a nomination committee.

MEMBERS OF THE MANAGING BOARD AND AREAS OF RESPONSIBILITY AS OF 31 DECEMBER 2012

The Vienna Insurance Group Managing Board has five members:

PETER HAGEN
GENERAL MANAGER
Year of birth: 1959
Date first appointed: 2004
End of current term of office:
30 June 2018

Peter Hagen has been a member of the Managing Board since 1 July 2004. Prior to that, he managed the General Secretariat, the international division and the Group's reinsurance unit. From January 1998 to December 2002, Mr Hagen was a member of the Managing Board of the Group's Kooperativa companies, and from November 2007 to December 2009, he was Deputy General Manager and Member of the Managing Board of Kooperativa (Czech Republic). He played a key role in the establishment of the Group reinsurance company VIG RE in 2008. Mr Hagen has been Chairman of the Managing Board and General Manager since 1 June 2012.

Areas of responsibility: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management
Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: voestalpine AG, CEESEG Aktiengesellschaft, Wiener Börse AG

FRANZ KOSYNA
DEPUTY GENERAL MANAGER
Year of birth: 1954
Date first appointed: 2011
End of current term of office:
30 June 2018

Mr Kosyna has been with the Group since 1983. He was appointed to the Managing Board of Kooperativa (Slovakia) in 1999 and became Deputy General Manager of the company in 2003. Mr Kosyna became General Manager of ČPP in 2006. Following his successful international activities, Mr Kosyna held the position of Chairman of the Managing Board of Donau Versicherung from July 2009 to May 2012. Mr Kosyna was appointed Member of the Vienna Insurance Group Managing Board on 1 July 2011, and assumed the position of Deputy General Manager effective 1 June 2012.

Areas of responsibility: Group IT, international processes and methods, SAP Smile Solutions
Country responsibilities: Albania (incl. Kosovo), Bosnia-Herzegovina, Macedonia, Montenegro, Serbia

FRANZ FUCHS
Year of birth: 1953
Date first appointed: 2009
End of current term of office:
30 June 2018

Franz Fuchs began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in life insurance and pension funds before joining Vienna Insurance Group. Since 2003, Franz Fuchs has been Chairman of the Managing Board of Compensa Non-life and Compensa Life, and Chairman of the Managing Board of VIG Polska. He was first appointed to the Vienna Insurance Group Managing Board on 1 October 2009.

Areas of responsibility: Performance management personal insurance, strategic initiative health insurance
Country responsibilities: Poland, Romania, Baltic States

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: C-QUADRAT Investment AG

PETER HÖFINGER
Year of birth: 1971
Date first appointed: 2009
End of current term of office:
30 June 2018

Peter Höfinger has been a member of the Vienna Insurance Group Managing Board since 1 January 2009. Prior to that, he held a position on the Managing Board of Donau Versicherung starting in 2003. Previously, he held management positions outside the Group in Hungary, the Czech Republic and Poland.

Areas of responsibility: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, strategic initiative SME business, strategic initiative private customers property
Country responsibilities: Belarus, Bulgaria, Croatia, Hungary, Slovakia

MARTIN SIMHHANDL, CFO
Year of birth: 1961
Date first appointed: 2004
End of current term of office:
30 June 2018

Martin Simhandl began his career with the Group in 1985 in the legal department of Wiener Städtische. In 1995, he became head of subsidiaries dspartment, and in 2003 he took over coordination of the Group's investment activities. In 2002 and 2003, Mr Simhandl was also a member of the Managing Boards of InterRisk Non-life and InterRisk Life in Germany, with responsibility for the areas of property insurance, reinsurance and planning/controlling. On 1 November 2004, Mr Simhandl was appointed to the Managing Board of the Company.

Areas of responsibility: Asset management, subsidiaries department, finance and accounting, group cost structure, internal capital model project (project Solvency II), treasury/capital market
Country responsibilities: Georgia, Germany, Liechtenstein, Turkey

Positions held on the Supervisory Boards of other Austrian and foreign corporations outside of the Group: Ringturm Kapitalanlagen GmbH, Wiener Hafen Management GmbH, Vienna 3420 Aspern Development AG

The entire Managing Board is responsible for the general secretariat, group controlling, enterprise risk management/Solvency II, actuarial department, internal audit and investor relations.

The following three deputy members were also appointed to the Managing Board, and will become members of the Managing Board if a member of the Managing Board becomes permanently incapable of performing his or her duties:
MARTIN DIVIŠ (YEAR OF BIRTH: 1973)
ROLAND GRÖLL (YEAR OF BIRTH: 1965)
JUDIT HAVASI (YEAR OF BIRTH: 1975)

MEMBERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2012:

WOLFGANG RUTTENSTORFER
CHAIRMAN
Year of birth: 1950
Date first appointed: 2010
End of current term of office: 2014

KARL SKYBA
DEPUTY CHAIRMAN
Year of birth: 1939
Date first appointed: 1992
End of current term of office: 2014

BERNHARD BACKOVSKY
Year of birth: 1943
Date first appointed: 2002
End of current term of office: 2014

MARTINA DOBRINGER
Year of birth: 1947
Date first appointed: 2011
End of current term of office: 2014

ALOIS HOCHEGGER
Year of birth: 1949
Date first appointed: 2005
End of current term of office: 2014

HEINZ ÖHLER
Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2014

REINHARD ORTNER
Year of birth: 1949
Date first appointed: 2007
End of current term of office: 2014

MARTIN ROMAN
Year of birth: 1969
Date first appointed: 2010
End of current term of office: 2014

FRIEDRICH STARA
Year of birth: 1949
Date first appointed: 2002
End of current term of office: 2014

GERTRUDE TUMPEL-GUGERELL
Year of birth: 1952
Date first appointed: 4. May 2012
End of current term of office: 2014

SUPERVISORY BOARD INDEPENDENCE

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

- The Supervisory Board member has not been a member of the Managing Board or a senior manager of the Company or subsidiary of the Company in the last five years.
- The Supervisory Board member does not have a business relationship with the Company or a subsidiary of the Company that is of such significant scope for the Supervisory Board member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies in which the Supervisory Board member has a significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with Section 95(5)(12) of the Austrian Stock Corporation Act (AktG) or Section 15(2)(l) of the articles of association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that the purchase or existence of insurance policies with the Company has no adverse effect on independence.
- The Supervisory Board member has not been an auditor of the Company's financial statements, or held an ownership interest in or been an employee of the auditing company doing such auditing in the last three years.
- The Supervisory Board member is not a member of the managing board of another company that has a member of the Company's Managing Board on its supervisory board.
- The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or individuals holding one of the positions described above.
- The Supervisory Board as a whole is to be considered independent if at least 50% of the members elected by the General Meeting satisfy the criteria above for independence of a Supervisory Board member.

All members of the Supervisory Board elected by the General Meeting have declared that they can be considered independent in accordance with the criteria specified by the Supervisory Board. No member of the Supervisory Board is a shareholder holding more than 10% of the shares of the Company or represents the interests of such a shareholder.

The following members of the Supervisory Board held supervisory board positions or comparable positions in Austrian or foreign listed companies as of 31 December 2012:

WOLFGANG RUTTENSTORFER
CA Immobilien Anlagen AG
Flughafen Wien AG
NIS a.d. Naftna industrija Srbije, Novi Sad
RHI AG
Telekom Austria AG

MARTINA DOBRINGER
Praktiker AG

MARTIN ROMAN
CEZ a.s.

GERTRUDE TUMPEL-GUGERELL
Commerzbank AG

SUPERVISORY BOARD COMMITTEES

The following qualified Supervisory Board committees were formed to increase the efficiency of the Supervisory Board and deal with complex issues:

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

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

WOLFGANG RUTTENSTORFER
1. Deputy: Gertrude Tumpel-Gugerell
2. Deputy: Alois Hochegger
3. Deputy: Reinhard Ortner

KARL SKYBA
1. Deputy: Friedrich Stara
2. Deputy: Heinz Öhler
3. Deputy: Reinhard Ortner

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the duties assigned by Section 92(4a) of the Austrian Stock Corporation Act, namely:

1. Monitoring the accounting process;

2. Monitoring the effectiveness of the Company's internal control system, internal auditing system and risk management system;

3. Monitoring audits of the financial statements and consolidated financial statements;

4. Examination and monitoring of the independence of the financial statements auditor (consolidated financial statements auditor), in particular with respect to additional services provided for the audited company;

5. Auditing of the annual financial statements and preparations for their approval, examination of the proposal for appropriation of profits, management report and corporate governance report, and presentation of a report on the audit findings to the Supervisory Board;

6. Auditing of the consolidated financial statements and Group management report, and presentation of a report on the audit findings to the Supervisory Board of the parent company;

7. Preparation of the Supervisory Board proposal for choosing the financial statements auditor (consolidated financial statements auditor).

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

WOLFGANG RUTTENSTORFER
1. Deputy: Gertrude Tumpel-Gugerell
2. Deputy: Alois Hochegger
3. Deputy: Reinhard Ortner

KARL SKYBA
1. Deputy: Friedrich Stara
2. Deputy: Heinz Öhler
3. Deputy: Reinhard Ortner

COMMITTEE FOR MANAGING BOARD MATTERS (COMPENSATION COMMITTEE)

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

WOLFGANG RUTTENSTORFER
KARL SKYBA

STRATEGY COMMITTEE

The Strategy Committee works together with the Managing Board and, when appropriate, with experts that it consults, to prepare fundamental decisions that must then be decided on by the Supervisory Board as a whole.

WOLFGANG RUTTENSTORFER
1. Deputy: Gertrude Tumpel-Gugerell
2. Deputy: Alois Hochegger
3. Deputy: Reinhard Ortner

KARL SKYBA
1. Deputy: Friedrich Stara
2. Deputy: Heinz Öhler
3. Deputy: Reinhard Ortner

The Company did not enter into any agreements with members of the Supervisory Board in 2012 that would have required Supervisory Board approval.

PROCEDURES FOLLOWED BY THE MANAGING BOARD AND SUPERVISORY BOARD

MANAGING BOARD

The Managing Board usually meets once a week to discuss current business developments, and makes necessary decisions and resolutions during the course of those meetings. The members of the Managing Board continuously exchange information with each other and the heads of the various departments.

SUPERVISORY BOARD

The Supervisory Committee performs all activities defined under the law, articles of association and rules of procedure of the Supervisory Committee. In order to ensure the effectiveness and efficiency of its activities and procedures, the Supervisory Board examines its procedures regularly in the form of a self-evaluation at least once per year. To date, the results of the self-evaluation have always been that the practices used meet the requirements of the Austrian Stock Corporation Act and the Austrian Code of Corporate Governance and that the organisation and procedures of the Supervisory Board are appropriate and satisfactorily efficient for the business activities and business volume of the Company and Group as a whole. Requests and comments made by members of the Supervisory Board during this self-evaluation are taken into account.

The Supervisory Board and its committees, Chairman and Deputy Chairman continuously monitor and periodically examine the management of the Company. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings serve this purpose, as do recurring discussions between, in particular, the executive committee of the Supervisory Board and the members of the Managing Board, who provide comprehensive explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company are also discussed at Supervisory Board meetings and in meetings with the Managing Board. The Supervisory Board holds closed Supervisory Board meetings with the Managing Board to discuss policy issues and set long-term growth strategy.

The Supervisory Board and Audit Committee also hold direct discussions with the financial statements auditor and the consolidated financial statements auditor in order to inform themselves regarding the accounting process and the progress of the audit and to inquire whether the audit has produced any material findings. Provision was made for exchanges between the members of the Audit Committee and the (consolidated) financial statements auditor in such meetings without the presence of the

Managing Board. The audit reports are discussed and debated in detail with the audit managers during Audit Committee and Supervisory Board meetings regarding the annual financial statements and consolidated financial statements.

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

At least once per year, the Managing Board presents to the Supervisory Board the precautions taken in the Group to prevent corruption and the Supervisory Board discusses these measures.

When preparing General Meeting proposals concerning the election of new Supervisory Board members, the Supervisory Board takes into account the requirements of the law and the Austrian Code of Corporate Governance that members of the Supervisory Board must satisfy and observe. Particular attention is paid to ensuring appropriate diversity in the sex, age and international distribution of the members.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided for under the law and Austrian Code of Corporate Governance are fully satisfied when preparing the General Meeting proposal on selection of the (consolidated) financial statements auditor. In addition, after the audit of the consolidated financial statements has been completed, the Supervisory Board is provided with a list showing the total audit expenses for all Group companies. This list provides a separate breakdown according to expenses for the consolidated financial statements auditor, the members of the network to which the consolidated financial statements auditor belongs, and other financial statement auditors working for the Group.

The Supervisory Board has formed four committees from among its members, a Committee for Urgent Matters (Working Committee), Audit Committee (Accounts Committee), Committee for Managing Board Matters (Compensation Committee) and a Strategy Committee. Detailed information on these committees is provided in the “Supervisory Board committees” section.

NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

One ordinary General Meeting and four Supervisory Board meetings were held in 2012. Three meetings of the Audit Committee were also held. The financial statement and consolidated financial statements auditor, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended all three Audit Committee meetings and the Supervisory Board meeting dealing with the auditing of the annual financial statements and consolidated financial statements and formal approval of the annual financial statements, as well as the General Meeting. During a meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning specification of two-way communications without the presence of the Managing Board. The Committee for Urgent Matters held no meetings in 2012 and was not contacted in writing with regard to any matters. The Strategy Committee also did not hold any meetings in 2012.

Two meetings of the Committee for Managing Board Matters were held in 2012. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

DISCLOSURE OF INFORMATION ON MANAGING BOARD AND SUPERVISORY BOARD COMPENSATION

COMPENSATION PLAN FOR MEMBERS OF THE MANAGING BOARD

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

The variable portion of the compensation emphasises the need for sustainability in a number of ways. Achieving sustainability depends to a large extent on satisfying performance criteria that extend beyond a single financial year.

The performance-related portion of the remuneration that can be earned has an upper limit and accounts for approximately 50% of the possible total annual income. The awarding of such compensation presupposes that consideration has been given to the sustainable development of the Company and the Group. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds.

In 2012, the key performance criteria for variable compensation are the combined ratio, premium growth and the profit before taxes for the years 2012 and 2013. Even if the performance target is met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if satisfactory performance is also reported in the following year.

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

When setting the gross compensation of the Managing Board members, a certain amount of attention was also paid to equalising net effects, so that if compensation was paid for positions in affiliated companies outside of Austria, where the tax regime was more favourable than that in Austria, a lower gross compensation was set to take account of this fact. This and the different responsibilities of the members of the Managing Board explain the differences in their gross compensation.

In detail, the active members of the Managing Board in 2012 received the following for their service during the reporting period: Peter Hagen EUR 1,189,000 (including EUR 529,000 variable), Martin Simhandl EUR 884,000 (including EUR 408,000 variable), Peter Höfinger EUR 884,000 (including EUR 408,000 variable), Franz Fuchs EUR 378,000 (including EUR 169,000 variable). Günter Geyer, who ceased to be a member of the Managing Board on 31 May 2012, received EUR 877,000 (including EUR 590,000 variable). The members of the Managing Board received the following compensation from affiliated companies for their services to the Company, or as a manager or employee of an affiliated company: Franz Kosyna EUR 867,000 (including EUR 309,000 variable), Franz Fuchs EUR 360,000 (including EUR 169,000 variable).

The standard employment contract for a member of the Vienna Insurance Group Managing Board includes a pension equal to a maximum of 40% of the measurement basis if the member remains on the Managing Board until

the age of 65 (the measurement basis is equal to the standard fixed salary).

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

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (*Mitarbeiter- und Selbstständigen-Vorsorgegesetz*) are not applicable by law, the Vienna Insurance Group Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (*Angestelltengesetz*), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement is possible, or leaves due to a fault of his or her own, is not entitled to a severance payment.

COMPENSATION PLAN FOR THE MEMBERS OF THE SUPERVISORY BOARD

In accordance with resolutions adopted by the 21st ordinary General Meeting on 4 May 2012, the members of the Supervisory Board elected by the General Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Members of the Supervisory Board who withdraw from their positions before the end of a month still receive full compensation for the month in question. In addition to this compensation, Supervisory Board members are entitled to receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (remitted after participation in the meeting). The total compensation paid to members of the Supervisory Board in 2012 was EUR 374,000 (2011: EUR 365,000). In detail, the members of the Supervisory Board received the following: Mr Wolfgang Ruttenstorfer EUR 65,000, Mr Karl Skyba EUR 46,000, Mr Bernhard Backovsky EUR 29,000, Ms Martina Dobringer EUR 32,000, Mr Alois Hochegger EUR 35,000, Mr Heinz Öhler EUR 33,000, Mr Reinhard Ortner EUR 36,000, Mr Martin Roman EUR 25,000, Mr Johann Sereinig (until 4 May 2012) EUR 13,000, Mr Friedrich Stara EUR 36,000, Ms Gertrude Tumpel-Gugerell (starting 4 May 2012) EUR 24,000.

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

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

FEMALE SUPERVISORY BOARD MEMBERS

Women hold approximately 9% of the positions in Vienna Insurance Group supervisory boards across Europe, and approximately 15% in the Austrian insurance companies. Gertrude Tumpel-Gugerell was newly elected to the Vienna Insurance Group Supervisory Board (holding company) in 2012.

FEMALE MANAGING BOARD MEMBERS

Women hold approximately 20% of the positions on the managing boards of Vienna Insurance Group insurance companies. This means that the average percentage of women holding top management positions at Vienna Insurance Group is significantly higher than in comparable companies, such as the 61 largest German insurance companies, where an average of 6% of the managing board positions are held by women.

In addition, one third of the executives newly appointed to VIG insurance company managing boards in 2012, or newly appointed to the position of chairman or deputy chairman of a managing board, were women. This appointment policy is not based on an internal quota for women, but is instead the result of selecting applicants strictly on the basis of qualifications. As a result, it can be assumed that the percentage of women in top positions at VIG will continue to increase over the medium term.

WOMEN IN MANAGEMENT POSITIONS

Including distribution, women hold approximately 40% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: 45%).

One of the stated goals of Vienna Insurance Group's personnel strategy is to identify and remove barriers to women's careers. A number of different approaches are used to achieve this goal. For example, a key project in the international 2012/2013 Leadership Development Programme in Bled is dedicated to the identification of such barriers.

Vienna, March 2013

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Kosyna
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

SUPERVISORY BOARD REPORT

The Supervisory Board reports that it has taken the opportunity to comprehensively monitor the management of the Company, both acting as a whole and periodically by means of its committees, Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were recurring meetings with the members of the Managing Board, who provided detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company were also discussed in these meetings.

The Supervisory Board has formed four committees from among its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the corporate governance report.

One ordinary General Meeting and four Supervisory Board meetings were held in 2012. Three meetings of the Audit Committee were also held. The auditor of the financial statements and consolidated financial statements, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended all three Audit Committee meetings and the Supervisory Board meeting dealing with the auditing of the annual financial statements and consolidated financial statements and formal approval of the annual financial statements, as well as the General Meeting. In addition, two meetings of the Committee for Managing Board Matters were also held in 2012.

During a meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning specification of two-way communications without the presence of the Managing Board. Other than this, no agenda items were discussed in the Supervisory Board and committee meetings without the participation of members of the Managing Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings. The Supervisory Board's evaluation of its activities found that the practices followed satisfied the requirements of the Austrian Stock Corporation Act and the Code of Corporate Governance, and that its organisational structure and procedures were satisfactory in terms of efficiency.

Acting upon the proposal and motion of the Supervisory Board, the General Meeting selected PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC) to be the financial statements auditor and consolidated financial statements auditor for financial year 2012, and PwC consequently performed these duties in financial year 2012.

By inspecting suitable documents, meeting with the Managing Board and holding discussions with the (consolidated) financial statements auditor PwC, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection. The Supervisory Board Audit Committee also monitored the independence of the financial statements and consolidated financial statements auditor PwC, and after reviewing suitable documents and supporting records submitted to it, particularly with respect to additional services provided for the Company and the Group, was satisfied of the auditor's independence.

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

In order to prepare the Supervisory Board proposal for selection of the financial statements and consolidated financial statements auditor for financial year 2013, the Audit Committee obtained a list from KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) of the fees received by the company broken down by service category, and documents concerning its licence to audit a stock corporation. It was determined that there were no grounds for exclusion or circumstances that could give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. It was also verified that KPMG was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the findings of these investigations and proposed to the Supervisory Board, which subsequently proposed to the General Meeting, that KPMG be selected as financial statements and consolidated financial statements auditor for financial year 2013.

In addition, the Supervisory Board Audit Committee received the 2012 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Supervisory Board Audit Committee also carefully examined the 2012 consolidated financial statements and Group management report. The Managing Board's proposal for appropriation of profits was also debated and discussed during the course of this examination. As a result of this examination and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board that they be accepted without qualification. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2012 annual financial statements together with the management report and corporate governance report, the 2012 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed, and examined by the entire Supervisory Board.

In addition, the auditor's reports prepared by the (consolidated) financial statements auditor PwC for the 2012 annual financial statements and management report and the 2012 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the entire Supervisory Board, and debated and discussed with PwC. PwC's audit of the 2012 annual financial statements and management report and the 2012 consolidated financial statements and Group management report did not lead to any reservations. PwC determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December, 2012, and of the results of operations of the Company for financial year 2012 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. PwC further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December, 2012, and of the results of operations of the Group for financial year 2012 in accordance with IFRS and Section 80b of the Austrian Insurance Supervision Act (VAG) in combination with Section 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

The final results of the review by the Audit Committee and the Supervisory Board also provided no basis for reservations. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

After a thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements prepared by the Managing Board, to raise no objections to the management report, consolidated financial statements and Group management report, and to declare its agreement with the Managing Board proposal for appropriation of profits.

The 2012 annual financial statements have therefore been approved in accordance with Section 96(4) of the Austrian Stock Corporation Act (AktG).

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

Vienna, March 2013

The Supervisory Board:

Wolfgang Ruttenstorfer
(Chairman)

DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the consolidated financial statements prepared in accordance with applicable accounting standards give a true and fair view of the Group's net assets, financial position and results of operations, the Group management report presents the business development, performance and position of the Group so as to give a true and fair view of its net assets, financial position and results of operations, and the Group management report provides a description of the principal risks and uncertainties to which the Group is exposed.

The declaration for the annual financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is issued in the annual report of this company.

Vienna, 12 March 2013

The Managing Board:

Peter Hagen
General Manager, CEO
Chairman of the Managing Board

Franz Kosyna
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Managing Board areas of responsibility:

Peter Hagen: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management; Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

Franz Kosyna: Group IT, international processes and methods, SAP smile solutions; Country responsibilities: Albania (incl. Kosovo), Bosnia-Herzegovina, Macedonia, Montenegro, Serbia

Franz Fuchs: Performance management personal insurance, strategic initiative health insurance; Country responsibilities: Baltic States, Poland, Romania,

Peter Höfinger: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, strategic initiative private customers' property; Country responsibilities: Belarus, Bulgaria, Croatia, Hungary, Slovakia

Martin Simhandl: Asset management, subsidiaries department, finance and accounting, group cost structure, internal capital model project (project Solvency II), treasury/capital market; Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

MANAGEMENT REPORT TO THE SEPARATE FINANCIAL STATEMENTS

MANAGEMENT REPORT 2012

VIG HOLDING BUSINESS DEVELOPMENT

Wiener Städtische Versicherungsverein holds a majority of the voting rights of VIG Holding. The international rating agency Standard & Poor's confirmed the existing A+ rating with a stable outlook in 2012.

To improve readability, company names have been shortened in the text below. A list of full company names is provided on pages 190 and 191.

VIG Holding primarily focuses on management responsibilities for the Group. It is, however, also active as an international reinsurer and in the cross-border corporate business.

The main management responsibilities of the Group holding company include the following in particular:

- IT coordination
- Asset management
- Subsidiaries department
- Finance and accounting
- Planning and controlling
- People management
- International actuarial services
- Risk management
- Solvency II project
- Group audit
- Investor relations
- International processes and methods
- Public relations
- Marketing
- Sponsoring
- International legal matters
- Reinsurance
- International corporate business
- Vienna International Underwriters (VIU)

In addition, organisational units were formed to deal with the specific issues of profit management for personal and motor vehicle insurance across the Group. There are also strategic initiatives with respect to Group cost management, insurance for small and medium-sized businesses, and health insurance.

VIG Holding's reinsurance activities are aimed at improving the risk balance for the Group as a whole. The difference in size and risk-bearing capacity of the Austrian and foreign companies of the Group offer different initial situations and are accordingly bundled in VIG Holding. This creates a broader basis for mutual risk off-setting and also makes it easier to optimise the external reinsurance coverage needed. This is especially important when the motor vehicle business, in particular motor vehicle liability business, is one of the major core markets of an insurance company.

VIG Holding bundles and coordinates large customer business that extends outside the borders of Austria. This satisfies increasing customer needs for their business to be handled by a broad-based international insurance provider that offers simple, centralised communications. It also allows more detailed risk management and improved risk diversification.

Premiums written, net earned premiums, expenses for insurance claims and benefits, administrative expenses and reinsurance balance had the following breakdown for property/casualty insurance in 2012 (and in the same period in 2011):

	2012			2011		
	Direct business	Indirect business	Total	Direct business	Indirect business	Total
in EUR '000						
Premiums written	26,505	871,766	898,271	5,790	812,901	818,691
Net earned premiums	22,787	882,952	905,739	4,641	782,338	786,979
Expenses for claims and insurance benefits	3,041	628,780	631,821	10,064	561,574	571,638
Administrative expenses	2,566	230,491	233,057	404	195,629	196,033
Reinsurance balance	-17,428	-1,510	-18,938	5,362	-1,292	4,070

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

Premium income

VIG Holding earned a total of EUR 898.27 million in premiums in 2012, representing an increase of 9.7% over the previous year. The increase is due to higher premium volume from reinsurance as well as corporate business. Premium income from indirect business, for instance, rose 7.2% to EUR 871.77 million. Group-wide proportional reinsurance was continued in this area in 2012. The corporate business offers custom-tailored insurance solutions directly to large international companies in Austria and Western Europe, focusing mainly on fire, all risk and technical equipment coverage. VIG Holding works closely with its Group companies in Central and Eastern Europe. This access was very successful in 2012, with premiums written increasing from EUR 5.79 million to EUR 26.51 million. VIG Holding retained EUR 877.96 million of the gross premiums written, an increase of EUR 70.64 million over the previous year, and EUR 20.31 million was ceded to reinsurers in 2012 (2011: EUR 11.36 million). Gross earned premiums were EUR 905.74 million (2011: EUR 786.98 million), and net earned premiums increased by EUR 110.45 million to EUR 886.70 million.

Expenses for claims and insurance benefits

Gross expenses for claims and insurance benefits were EUR 631.82 million in 2012, with EUR 3.04 million attributable to corporate business (2011: EUR 10.06 million). The low level of expenses compared to the previous year is due to a major claim that existed in this segment in 2011. Expenses for claims and insurance benefits for assumed reinsurance rose 12.0% to EUR 628.78 million. The net expenses for claims and insurance benefits of EUR 632.26 million (2011: EUR 557.27 million) include a reinsurers' share of EUR 0.44 million.

Administrative expenses

Administrative expenses were EUR 233.06 million in 2012 (2011: EUR 196.03 million). EUR 2.57 million of the administrative expenses were for corporate business and EUR 230.49 million for reinsurance business. EUR 232.52 million in administrative expenses remained for VIG Holding after reinsurance commissions, an increase of EUR 36.92 million over the previous year.

Combined ratio
VIG Holding had a combined ratio of 97.5% in 2012 (2011: 97.0%). 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/casualty segment.

Financial result
VIG Holding had a financial result of EUR 237.04 million. This corresponds to an increase of 14.2% over the previous year, when income amounted to EUR 207.51 million.

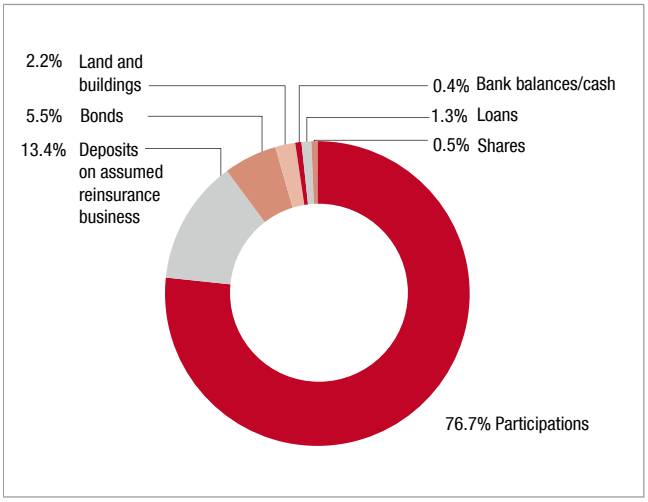
The total (net) income includes current income, realised gains and losses and write-downs for the following investment groups:

	2012
in EUR '000	
Land and buildings	8,325
Investments in affiliated companies and participations	317,698
Other investments	386
Total income (net)	**326,409**
Other investment and interest income	29,716
Expenses for asset management	-41,933
Interest expenses	-76,234
Other investment expenses	-916
Investment profit according to income statement	**237,042**

Result from ordinary activities
VIG Holding earned a result from ordinary activities of EUR 251.29 million in financial year 2012. This was an increase of 4.8% over the result of EUR 239.72 million earned in the previous year.

Investments
Investments, including liquid assets, were EUR 5,236.15 million as of 31 December 2012 (2011: EUR 5,004.19 million). 76.7% of the investments at the end of 2012 were participations, 13.4% deposits on assumed reinsurance business, 5.5% bonds, 2.2% land and buildings, 0.4% bank balances and cash on hand, 1.3% loans and 0.5% shares.

BREAKDOWN OF INVESTMENTS



Solvency ratio
VIG Holding's solvency ratio of 1,769.5% is extremely high, due to an outstanding endowment of capital resources combined with a low capital requirement.

Employees
VIG Holding had an average of 191 employees in 2012, 27 more than the previous year.

Employee interests
VIG Holding's success is due to the personal and professional qualifications of its employees – and, in particular, their commitment – with internationality, diversity and mobility also playing an important role. VIG Holding offers dedicated employees a wide range of development possibilities, and uses job rotation programs and international training courses to encourage them to gather experience and knowledge in VIG's markets. Another special feature is the internal job market, which offers employees the opportunity to make their own career choices about which responsibilities and challenges they want to pursue. Flexible working hours, a company cafeteria, a variety of internal company healthcare services and other benefits ranging all the way to a company kindergarten allow employ-

ees to make full use of their potential during the working day. In addition, VIG Holding employees can obtain coupons for large Austrian retail chains. As an insurer, VIG Holding also offers its employees a reduced rate for group health insurance covering hospital stays, thereby contributing significantly to the health and performance of its employees.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Other information

VIG Holding and some of its subsidiaries make technical contributions and design projects to further develop software specific to the insurance industry.

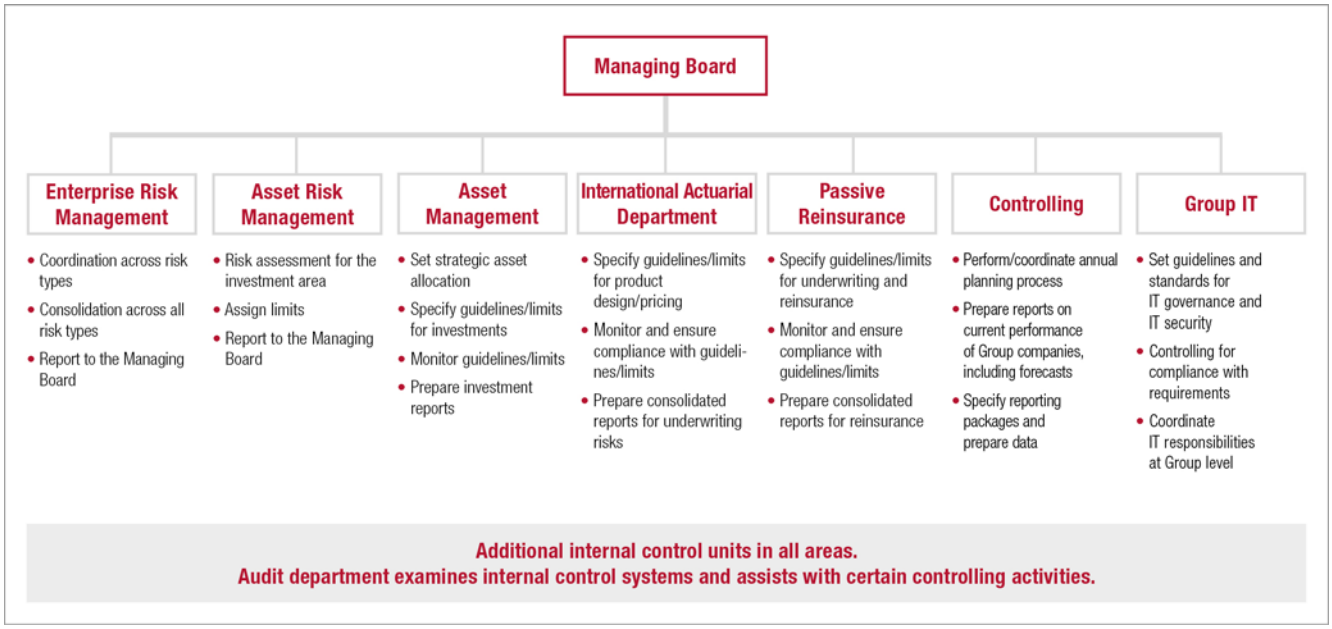
VIG Holding has no branch offices.

Please see the notes to the financial statements (II. Accounting Policies) for information on the use of financial instruments.

RISK REPORT

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

The enterprise risk management department (ERM) reports to the Managing Board and is responsible for Group-wide risk management and implementation of the European solvency regulations (Solvency II). ERM assists the Managing Board with updating the corporate risk strategy, risk organisation and other corporate risk management topics and documents. ERM also creates a framework for Group-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support. The international actuarial department, corporate reinsurance department, asset risk management, asset management, group controlling, internal audit and group IT departments are also involved in the ongoing process of risk monitoring and management.



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

- **Underwriting risks:** The core business of an insurance company consists of the transfer of risk from policyholders to the company.
- **Credit risk:** This risk quantifies the potential loss due to a deterioration of the situation of a counterparty against which claims exist.
- **Market risk:** Market risk is the risk of changes in the value of investments due to unforeseen fluctuations in yield curves, share prices and exchange rates, and the risk of changes in the market value of real estate and participations.
- **Strategic risks:** Strategic risks can arise due to changes in the economic environment, case law, or the regulatory environment.

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

- **Liquidity risk:** Liquidity risk arises from the need to match the investment portfolio to insurance obligations.

- **Concentration risk** Concentration risk is a single direct or indirect position, or a group of related positions, with the potential to significantly endanger the insurance company, its core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common holders, guarantors or managers, or by sector concentrations.

VIG Holding is exposed to underwriting risks as a result of its international corporate business and reinsurance business. Appropriate underwriting provisions are determined using recognised actuarial methods and assumptions.

With respect to credit risk, consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by VIG Holding, whether on the basis of an in-house analysis, credit assessments/ratings from recognised sources, unambiguous guarantees or the possibility of recourse to reliable mechanisms for safeguarding investments.

Fair value measurement, value-at-risk (VaR) calculations, sensitivity analysis and stress tests are used to monitor market risks. Liquidity risk is limited by matching the investment portfolio to insurance obligations. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects, or changes in the business environment, are also continuously monitored. Limits are used to keep concentrations within the desired margin of safety.

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. Uncertainty about the actual effective date and final detailed formulation of Solvency II makes it necessary for companies to provide a great deal of flexibility in their implementation plans. In addition, based on the current situation, this fundamental reform of insurance supervision law is expected to lead to higher capital requirements for many companies.

In order to satisfy the extensive requirements resulting from Solvency II, in financial year 2009 the Vienna Insurance Group Managing Board established a Group-wide project managed centrally from Austria to implement Solvency II at the individual company and Group levels. Group guidelines and methods are being developed in the Group and implemented locally in Group companies in order to ensure consistent and timely implementation of Solvency II at the individual company and Group levels. In addition, the involvement of expert groups from the individual companies promotes the exchange of knowledge and experience and full acceptance of these guidelines within the Group as a whole. Based on current regulatory requirements and the analyses and test calculations that have been performed, VIG is well prepared for Solvency II at both the Group and individual company levels.

Intensive work on the development and implementation of a partial internal model is continuing at both the Group and individual company levels as part of the Solvency II project. Care is being taken to ensure that the necessary calculation models and processes are set up in the Group companies, so that consistent values can be calculated at both the individual company level and Group level. Regular consultations are being held with supervisory authorities in the individual VIG countries in order to ensure approval of the partial internal model when Solvency II comes into effect.

With respect to future qualitative risk management requirements, Vienna Insurance Group is establishing a uniform governance system appropriate for Solvency II that includes all necessary key functions and clearly defines responsibilities and processes. In addition, Group-wide uniform standards and methods for risk inventory and the Own Risk and Solvency Assessment (ORSA) were developed and checked using test runs at the local and Group levels. A Group-wide internal control system ensures compliance with the guidelines and requirements resulting from the risk management system.

While the focus in 2012 was on actual development and implementation of the models and processes, in 2013 the

focus is on further fine-tuning and harmonisation of functional and technical calculation and reporting processes, and preparations for the approval procedure with supervisory authorities for the partial internal model.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ACCOUNTING PROCESS

The process of annual financial statement preparation was documented with the help of a consulting firm. A summary of significant controls was prepared, together with a description of the links between the process and controls and the risks identified during risk management.

The controls as thus documented are used during the process to ensure that potential reporting errors are avoided, or are identified and corrected.

The objectives of the annual financial statements process are:

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

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

In addition, the auditors evaluate the operation of the internal control system periodically and report their findings to the Supervisory Board Audit Committee.

DISCLOSURES REQUIRED UNDER SECTION 267(3A) IN COMBINATION WITH SECTION 243A UGB

1. The Company has EUR 132,887,468.20 in share capital that is divided into 128,000,000 no-par value bearer shares with voting rights, with each share participating equally in the 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 compulsory by law.

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 28 June 2015 against cash or in-kind contributions. The rights of the shares, the exclusion of shareholder preemptive rights, and the other terms of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Non-voting preference shares may also be issued with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

b) The General Meeting of 29 June 2010 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 28 June 2015, 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 raised in accordance with Section 159(2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the General Shareholders' Meeting resolution of 29 June 2010 exercise the subscription or exchange rights they were granted. The Managing Board did not adopt any resolutions in financial year 2012 regarding the issuance of convertible bonds based on the authorisation granted on 29 June 2010.

d) The General Meeting of 29 June 2010 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, with or without exclusion of shareholder pre-emptive rights. The Managing Board did not adopt any resolutions in financial year 2012 regarding the issuance of income bonds based on this authorisation.

As at 31 December 2012, no authorisation of the Managing Board under Section 65 of the AktG (acquisition of own shares) was in effect, and the Company held none of its own shares as at 31 December 2012.

8. As of 31 December 2012, 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 concern 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 for the case of a public takeover bid.

OUTLOOK

Austria

As a small open market economy and member of the Eurozone, Austria was affected by some of the problems existing in Central and Western Europe. Compared internationally, however, the country nevertheless did well in 2012, which is generally considered to have been an economically difficult year.

Financial markets continue to further refine their assessments of public budget risks. This previously resulted in a reduction in Austria's credit rating from AAA to AA+ by the rating agency Standard and Poor's at the beginning of 2012. However, Standard & Poor's improved Austria's outlook from negative to stable in January 2013, primarily because Austria is expected to benefit from its strict budgetary policy and specialisation in knowledge-intensive export sectors. The Austrian economy is expected to overcome the temporary low of 2012 in coming years, and continue to grow slightly faster than the Eurozone.

It was not until November that the WIFO (Austrian Institute for Economic Research) leading indicator, a monthly composite indicator that provides an early indication of turning points for the Austrian economy, rose once again. Many factors are now pointing to a stabilisation of the economic situation in the Central European region. However, WIFO and IHS (Austrian Institute for Advanced Studies) forecast only small positive real economic growth for Austria in 2013 (+1.0% and +0.8%, respectively), and even in 2014 both expect gross domestic product to grow by only +1.8%, still 0.5 percentage points below the OECD (Organisation for Economic Cooperation and Development) average.

The Austrian banking system continues to be viewed as stable in 2013. There is no danger of insufficient lending to companies and private creditors, which is likely to benefit the non-life segment in particular.

In the life insurance segment, the entire industry will continue to be confronted by low interest rates and problems due to the tax treatment of single-premium products in 2013. The demographic situation is worsening slowly but steadily and the challenges this brings continue to be acute, in particular with respect to funding for the pension system, healthcare and nursing care.

Statutory changes in the Austrian Maximum Interest Regulation (Höchstzinsverordnung), which currently stipulates a maximum of 1.75% for the guaranteed minimum interest rate, could create additional challenges.

The Austrian Association of Insurance Companies (VVO) expects total premium growth of 0.2% for 2013. The decrease in life insurance (-2.6%) will be outweighed by growth in the healthcare (+3.0%) and property and casualty (+1.8%) areas.

CEE region

Over the coming years, the CEE region will continue to be a region that is economically heterogeneous, in the sense of showing a North-South divide, and dependent on the strength of the Eurozone. The negative effects of this are less serious for countries with strong domestic demand, such as Poland, than countries that are small and export-oriented. From an economic point of view, the greatest risks facing these markets are a too small rate of growth in the Eurozone and a failure to make important reforms.

With respect to global competition, an economic slowdown in China and the USA is quite possible. Due to close trading relationships with these economic driver countries, this would have a direct impact on regions like Brazil and India. The CEE region, on the other hand, would become comparatively more attractive for foreign investors.

All of the CEE countries essentially offer enormous long-term potential with respect to income growth and insurance density. With regard to Poland in particular, the middle class of people with purchasing power will be larger in absolute terms than in Austria by 2015 at the latest. Growth also did not suffer as much in this country as elsewhere during the crisis thanks to the strong domestic market.

In some countries, such as Romania, future development of the insurance market still depends greatly on the implementation of national reforms. Reforms of the social, healthcare and pension insurance systems are being planned in many CEE countries.

Ukraine, a country with great potential but also a great need for reforms, shows particularly good growth in the agricultural industry and related production sectors. Rising purchasing power and a related increase in demand for insurance by private households is seen as an attractive long-term scenario for this country.

In the highly export-dependent Southern Balkan region, the imminent risk of a Greek exit from the European Monetary Union with an accompanying total collapse of demand from the Eurozone has diminished. Whether the small recovery in export demand in the EU countries in 2013 will also be sufficient to help growth in the Balkan region is questionable. In any case, the CEE region offers sufficient growth potential for insurance companies in the region.

Regulatory environment

The introduction of a European bank supervisory authority appears to be a political certainty and is viewed positively by a majority of the affected parties or seen as a reality. With respect to the introduction of Solvency II, a number of deadlines were deferred during the course of 2012. Some points related to reporting requirements and deadlines are still the topic of lively, ongoing discussion at the international level. Insurance companies expect considerable additional effort for reporting.

Outlook for the Group

Vienna Insurance Group will continue to follow its current strategy and also commits to sticking to its proven principles in the future. This means that the Group will continue to concentrate on its insurance business and follow a very conservative investment strategy. The multi-brand strategy will also be maintained. Mergers will, however, be considered when clear potential synergies outweigh the benefits of a diversified market presence. In addition, the collaboration with the strong bank partner, Erste Group, will continue to be of great importance.

There will also be no change to the regional focus. VIG is, and remains, at home in Austria and Central and Eastern Europe. This economic area has enormous potential and

the Group is optimally positioned to take advantage of this potential and continue its profitable growth in coming decades.

On the one hand, Vienna Insurance Group will remain true to its principles. On the other hand, however, rapidly changing conditions make it necessary to react immediately. VIG therefore monitors market developments carefully and meets new challenges with the necessary speed and flexibility.

Vienna Insurance Group has significantly strengthened its market leadership in Austria and the CEE region and occupies first place in its core markets. It wants to continue to increase its lead over international competitors in this region in the future, and grow faster than the market. This will mainly be accomplished by means of organic growth, i.e. the growth of existing companies. VIG may, however, make acquisitions that are a good fit for its portfolio, particularly in the growth regions, which include Bulgaria, Poland, Romania, Ukraine and the Baltic States.

Outlook for VIG Holding

VIG Holding has once again set itself the goal of increasing premium volume from international reinsurance and cross-border corporate business in 2013. With respect to its management responsibilities as a holding company, the focus will be on the coordination and initiation of measures specifically aimed at optimisation in the areas of process organisation and earning power. Process harmonisation and improvement and standardisation of IT architecture are also priorities. In addition, further work will be done to push forward a strategic initiative for the customer segment of small and medium-sized business in order to optimally exploit the potential of this promising customer group in the future. VIG Holding's responsibility here will primarily be to assist VIG companies with strategy implementation and ensure sharing of best practices within the Group.

PROPOSED APPROPRIATION OF PROFITS

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ended financial year 2012 with net retained profits of EUR 255,754,319.44. The following appropriation of profits will be proposed during the Annual General Meeting:

The 128 million shares shall receive a dividend of EUR 1.20 per share. The payment date and ex-dividend date for this dividend will be 13 May 2013.

A total of EUR 153,600,000.00 will therefore be distributed.

The net retained profits of EUR 102,154,319.44 remaining for financial year 2012 after the dividend has been paid are to be carried forward.

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Kosyna
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Vienna, 12 March 2013

SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS

BALANCE SHEET AS OF 31 DECEMBER 2012

Assets		31.12.2012	31.12.2011
		in EUR	in EUR '000
A. Intangible assets			
Other intangible assets		23,975,396.65	13,806
Total intangible assets		**23,975,396.65**	**13,806**
B. Investments			
I. Land and buildings		112,953,350.16	113,303
II. Investments in affiliated companies and participations			
1. Shares in affiliated companies	4,016,986,662.93		3,887,643
thereof reorganisation surplus	*8,883,755.76*		*8,884*
2. Bonds and other securities of affiliated companies and loans to affiliated companies	208,538,841.70		204,602
3. Participations	248,457.88	4,225,773,962.51	16,189
III. Other investments			
1. Shares and other non-fixed-interest securities	66,558,795.00		66,559
2. Bonds and other fixed-interest securities	95,300,500.00		132,055
3. Other loans	12,752,859.27		8,024
4. Bank deposits	134,941.26	174,747,095.53	81,862
IV. Deposits on assumed reinsurance business		702,369,675.45	491,630
Total investments		**5,215,844,083.65**	**5,001,867**
C. Receivables			
I. Receivables from direct insurance business			
1. from policyholders	4,854,027.31		1,252
2. from insurance intermediaries	0.00		0
3. from insurance companies	14,203,357.72	19,057,385.03	1,776
II. Receivables from reinsurance business		12,583,872.05	10,100
III. Other receivables		113,613,299.06	60,575
Total receivables		**145,254,556.14**	**73,703**
D. Pro rata interest		**2,837,288.35**	**2,883**
E. Other assets			
I. Tangible assets (not incl. land and buildings)		1,036,569.44	552
II. Current bank balances and cash on hand		20,303,175.04	2,320
III. Other assets		2,294.75	7
Total other assets		**21,342,039.23**	**2,879**
F. Deferred charges			
I. Deferred tax assets		9,261,165.28	9,261
II. Other deferred charges		1,654,121.99	1,089
Total deferred charges		**10,915,287.27**	**10,350**
Total ASSETS		**5,420,168,651.29**	**5,105,488**

BALANCE SHEET AS OF 31 DECEMBER 2012

Liabilities and shareholders' equity		31.12.2012	31.12.2011
		in EUR	in EUR '000
A. Shareholders' equity			
I. Share capital			
1. Par value		132,887,468.20	132,887
II. Capital reserves			
1. Committed reserves		2,267,232,422.07	2,267,232
III. Retained earnings			
1. Free reserves		443,823,776.85	343,824
IV. Risk reserve as per § 73a VAG, taxed portion		12,644,676.00	7,325
V. Net retained profits		255,754,319.44	241,018
of which brought forward		*100,218,053.14*	*72,852*
Total shareholders' equity		**3,112,342,662.56**	**2,992,286**
B. Tax-exempt reserves			
I. Valuation reserve for impairment losses		32,900,731.64	33,887
Total reserves		**32,900,731.64**	**33,887**
C. Subordinated liabilities			
I. Hybrid bond		500,000,000.00	500,000
II. Supplementary capital bond		300,000,000.00	300,000
Total subordinated liabilities		**800,000,000.00**	**800,000**
D. Underwriting provisions – retention			
I. Unearned premiums			
1. Gross	72,509,875.04		68,570
2. Reinsurers' share	-1,903,118.11	70,606,756.93	-631
II. Provision for outstanding claims			
1. Gross	641,578,671.13		433,563
2. Reinsurers' share	-12,308,513.18	629,270,157.95	-15,399
III. Other underwriting provisions			
1. Gross	22,300.00		0
2. Reinsurers' share	0.00	22,300.00	0
Total underwriting provisions		**699,899,214.88**	**486,103**
E. Non-underwriting provisions			
I. Provision for severance pay		1,754,567.00	2,301
II. Provision for pensions		15,513,673.00	12,646
III. Other provisions		26,369,639.44	20,128
Total non-underwriting provisions		**43,637,879.44**	**35,075**
F. Other liabilities			
I. Liabilities from direct insurance business			
1. to policyholders	7,671,254.54		10,087
2. to insurance intermediaries	2,068,514.00		0
3. to insurance companies	9,523,394.58	19,263,163.12	8,924
II. Liabilities from reinsurance business		14,398,154.93	8,654
III. Liabilities to financial institutions		45,065,279.90	45,066
IV. Other liabilities		649,797,088.64	681,993
Total liabilities		**728,523,686.59**	**754,724**
G. Deferred income		**2,864,476.18**	**3,413**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**5,420,168,651.29**	**5,105,488**

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

		2012	2011
		in EUR	in EUR '000
Underwriting account:			
1. Net earned premiums			
Premiums written			
Gross	898,271,624.51		818,691
Ceded reinsurance premiums	-20,308,800.43	877,962,824.08	-11,363
Change in unearned premiums			
Gross	7,466,834.67		-31,712
Reinsurers' share	1,272,068.71	8,738,903.38	631
Total premiums		**886,701,727.46**	**776,247**
2. Investment income from underwriting business		**16,624,128.39**	**11,823**
3. Other underwriting income		**526,871.84**	**33**
4. Expenses for claims and insurance benefits			
Payments for claims and insurance benefits			
Gross	431,034,638.26		313,406
Reinsurers' share	-2,757,090.60	428,277,547.66	-27
Change in provision for outstanding claims			
Gross	200,785,783.60		258,231
Reinsurers' share	3,196,073.80	203,981,857.40	-14,337
Total expenses for claims and insurance benefits		**-632,259,405.06**	**-557,273**
5. Increase in underwriting provisions			
Other underwriting provisions			
Gross	22,300.00		0
Reinsurers' share	0.00	22,300.00	0
Total increase in underwriting provisions		**-22,300.00**	**0**
6. Administrative expenses			
Acquisition expenses		232,599,525.36	195,636
Other administrative expenses		457,337.20	397
Reinsurance commissions and profit commissions from reinsurance cessions		-537,048.63	-438
Total administrative expenses		**-232,519,813.93**	**-195,595**
7. Other underwriting expenses		**-11,035.21**	**-1**
Underwriting result (amount carried forward)		**39,040,173.49**	**35,234**

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

	2012	2011
	in EUR	in EUR '000
Underwriting result (amount carried forward)	**39,040,173.49**	**35,234**
Non-underwriting account:		
1. Income from investments and interest income		
Income from participations	357,208,688.38	377,604
Income from land and buildings	12,198,148.61	11,008
Income from other investments	22,770,731.15	23,697
Income from the disposal of investments	3,853,537.51	4,853
Other investment and interest income	29,715,675.03	20,572
Total investment income	**425,746,780.68**	**437,734**
2. Expenses for investments and interest expenses		
Expenses for asset management	41,932,939.41	42,063
Depreciation of investments	55,355,179.93	96,612
Interest expenses	76,233,808.60	75,876
Losses from the disposal of investments	14,267,263.55	6,738
Other investment expenses	915,653.00	8,930
Total investment expenses	**-188,704,844.49**	**-230,219**
3. Investment income transferred to the underwriting account	**-16,624,128.39**	**-11,823**
4. Other non-underwriting income	**3,174,527.61**	**9,171**
5. Other non-underwriting expenses	**-11,344,236.07**	**-375**
6. Result from ordinary activities	**251,288,272.83**	**239,722**
7. Taxes on income	**8,581,432.55**	**5,092**
8. Profit for the period	**259,869,705.38**	**244,814**
9. Release of reserves		
Release of valuation reserve for impairment losses	986,770.92	1,010
Total release of reserves	**986,770.92**	**1,010**
10. Transfer to reserves		
Transfer to risk reserve as per § 73a VAG	5,320,210.00	4,658
Transfer to free reserves	100,000,000.00	73,000
Total transfer to reserves	**-105,320,210.00**	**-77,658**
11. Profit for the year	**155,536,266.30**	**168,166**
12. Retained profits brought forward	**100,218,053.14**	**72,852**
Net retained profits	**255,754,319.44**	**241,018**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF 2012

I. General disclosures regarding accounting policies

The accounting provisions of the Austrian Commercial Code (UGB) and special provisions of the Austrian Insurance Supervisory Act (VAG) as amended were applied when preparing the annual financial statements as of 31 December 2012.

The annual financial statements were prepared in **accordance with Austrian generally accepted accounting principles** and the general standard of presenting a fair and true view of the net assets, financial position and results of operations.

The **precautionary principle** was satisfied in that only profits that had been realised as of the balance sheet date were reported and all identifiable risks and impending losses were recorded in the balance sheet, with the exception of the less strict valuation of bonds and other fixed-interest securities as provided for in Section 81h(1) VAG. Figures are generally shown in thousands of euros (EUR '000). Figures from the previous year are indicated as such or shown in brackets.

II. Accounting policies

Land is valued at cost, **buildings** at cost less depreciation and any write-downs. As a rule, repair costs for residential buildings are spread over ten years.

Equities and other non-fixed interest **securities** and shares in affiliated companies are valued according to the strict lower-of-cost-or-market principle (*strenges Niederstwertprinzip*). Starting in 2008, bonds, other fixed-income securities and participations have been valued using the less strict lower-of-cost-or-market principle (*gemildertes Niederstwertprinzip*) provided for in Section 81h(1) VAG. Valuation using the less strict lower-of-cost-or-market principle resulted in write-downs of EUR 568,000 (EUR 1,549,000) not being performed.

The Company takes into account the overall risk position of the Company and the investment strategy provided for this purpose when making investments in fixed-interest securities, real estate, participations, shares, and structured investment products. The risk inherent in the specified categories and the market were taken into account when determining exposure volumes and limits.

The investment strategy is laid down in the form of investment guidelines that are continuously monitored for compliance by the corporate risk controlling and internal audit departments. The corporate risk controlling department reports regularly to the tactical and strategic investment committee. The internal audit department reports regularly to the Managing Board.

As a rule, investments are generally low-risk. The strategic investment committee decides on potential high-risk investments based on the inherent risk of each individual investment after performing a full analysis of all related risks and liquidity at risk, and considering all assets currently in the portfolio and the effects of the individual investments on the overall risk position.

All known financial risks are assessed regularly and specific limits or reserves are used to limit exposure. Security price risk is reviewed periodically using value-at-risk and stress tests. Default risk is measured using both internal and external rating systems.

An important goal of investment and liquidity planning is to maintain adequate amounts of liquid, value-protected financial investments. Liquidity planning therefore takes into account the trend in insurance benefits and the majority of investment income is generally reinvested.

Forward exchange transactions were concluded in the currencies CZK, RON and PLN in 2012. The term of these transactions is limited to 20 December 2013. The transactions are being used to hedge future foreign currency dividends. Since the market value of these forward exchange transactions was negative as of the reporting date, a provision for expected losses was formed in the amount of EUR 729,000.

An interest rate swap running until 12 January 2017 with a notional amount of EUR 120 million was entered into for the supplementary capital bond issued on 12 January 2005 that became a variable supplementary capital bond after the first year (AT0000342704). The interest rate swap had a

market value of EUR -12,187,000 as of 31 December 2012. Since the interest rate swap was entered into as a hedge for coupon risk and is considered a valuation unit as defined in the AFRAC position paper, no provision for expected losses is required as of the balance sheet date.

As a rule, **mortgage receivables and other loans**, including those to affiliated companies and companies in which a participation is held, are valued at the nominal value of the outstanding receivables. Discounts deducted from loan principal are spread over the term of the loan and shown under deferred income on the liabilities side of the balance sheet.

Specific valuation allowances of adequate size are formed for doubtful **receivables** and deducted from their nominal values. Tangible assets (not including land and buildings) are valued at cost less depreciation. Low-cost assets are fully written off in the year of purchase.

Unearned premiums were essentially calculated by prorating over time after applying a deduction for expenses of EUR 859,000 (EUR 203,000).

The **provision for outstanding claims** for direct business is calculated for claims reported by the balance sheet date by individually assessing claims that have not yet been settled and adding lump-sum safety margins for large unexpected losses.

In indirect business, provisions for outstanding claims are primarily based on reports from ceding companies as of the 31 December 2012 balance sheet date. The reported amounts were increased where this was considered necessary in light of past experience.

The **equalisation provision** is calculated in accordance with the directive of the Austrian Federal Finance Minister, BGBl (Federal Gazette) No. 545/1991 in the version contained in BGBl II No. 66/1997.

The **provisions for severance pay, pensions, and anniversary bonuses** are based on the pension insurance calculation principles of the Actuarial Association of Austria (AVÖ), AVÖ 2008-P (Employees), using a discount rate of 3% p.a. Company pension plan obligations are measured using the actuarial entry age normal method (Teilwertverfahren). The retirement age used to calculate the provisions for anniversary bonuses and severance pay is the statutory minimum retirement age as stipulated in the Austrian General Social Security Act (ASVG) (2004 reform), subject to a maximum age of 62 years for the provision for anniversary bonuses. The retirement age used to calculate the provision for pensions is based on each individual agreement. The following percentages were used for employee turnover based on age: <31 7.5%, 31-35 3.5%, 36-40 2.5%, 41-50 1.5%, 51-55 0.5% and 56-65 0%. The severance entitlement used to calculate the provision for severance obligations is based on each individual agreement or on the collective agreement. The following percentages were used for employee turnover based on age: <30 7.5%, 30 - 34 3.5%, 35 - 39 2.5%, 40 - 50 1.5%, 51 - 59 1.0% and 60 - 65 0.5%. The interest expenses for personnel provisions of EUR 3,081,000 (EUR 587,000) are reported under investment and interest expenses. A portion of the direct pension obligations, in the amount of EUR 232,000 (EUR 230,000), is administered as an occupational group insurance plan under an insurance policy concluded in accordance with Section 18f to 18j VAG. Provisions are formed for another portion (actuarial pension amount of EUR 1,711,000 (EUR 1,644,000)). The severance pay provision required under Austrian corporate law for 2012 was EUR 4,124,000 (EUR 5,071,000). The amount earmarked for satisfying the outsourced severance pay obligations that was held by the outside insurance company was EUR 2,678,000 (EUR 3,053,000). The difference of EUR 1,574,000 (EUR 2,129,000) between the size of the severance pay provisions to be formed under Austrian corporate law and the deposit held by the outside insurance company is reported under provisions for severance pay in the balance sheet.

Amounts denominated in **foreign currencies** are translated to euros using the appropriate mean rate of exchange.

The **underwriting items for assumed reinsurance business** and associated retrocessions are included immediately in the annual financial statements.

The following disclosures are provided for **off-balance sheet contingent liabilities**: Letters of comfort and liability undertakings totalling EUR 48,603,000 (EUR 19,042,000) have been issued in connection with borrowing. A total of

EUR 44,103,000 (EUR 19,042,000) relates to letters of comfort with affiliated companies.

III. Notes to the balance sheet

The value of developed and undeveloped properties was EUR 32,842,000 (EUR 33,092,000) as of 31 December 2012.

The carrying amount of owner-occupied property was EUR 23,139,000 (EUR 21,917,000).

The other loans of EUR 12,753,000 (EUR 8,024,000) are loans to other borrowers not secured by insurance contracts.

The fair values of the investments are:

Items under § 81c (2) VAG	Fair value 31.12.2012	Fair value 31.12.2011
in EUR '000		
Land and buildings	318,238	297,628
Shares in affiliated companies	8,540,539	8,411,303
Bonds and other securities of affiliated companies and loans to affiliated companies	208,539	204,602
Participations	248	16,190
Shares and other non-fixed-interest securities	71,859	66,559
Bonds and other fixed-interest securities	105,190	134,807
Other loans	12,753	8,024
Bank balances	135	81,862
Deposits receivables	702,370	491,630
Total	**9,959,871**	**9,712,605**

Hidden reserves rose by EUR 33,289,000 during the reporting year to a total of EUR 4,744,027,000 (EUR 4,710,737,000). The fair value of shares in affiliated companies and shares in companies in which a participation is held is equal to the stock exchange value or other available market values (up-to-date internal valuations or appraisal reports). If no stock exchange value or other available market value exists, the purchase price is used as the fair value, if necessary reduced by any write-downs or a proportionate share of the publicly reported equity capital, whichever is greater. For equities and other securities, stock exchange values or book values (purchase price, reduced by write-downs if necessary) are used as fair value. The remaining investments were valued at their nominal values, reduced by write-downs where necessary.

The fair values of land and buildings were determined in accordance with the recommendations of the Austrian Association of Insurance Companies. All properties are individually valued during a 5-year period. The valuations are mainly based on appraisal reports from 2008 and 2010.

The fair value of EUR 318,238,000 (EUR 297,628,000) for land and buildings is composed of market value appraisals for the years 2008 to 2012 as follows: 2012: EUR 52,100,000, 2011: EUR 42,690,000 (EUR 44,040,000), 2010: EUR 71,275,000 (EUR 71,275,000), 2009: EUR 25,020,000 (EUR 25,020,000), 2008: EUR 127,153,000, (EUR 127,153,000).

The amount shown under other liabilities includes EUR 464,000 (EUR 5,105,000) in tax liabilities and EUR 272,000 (EUR 228,000) in social security liabilities.

The following balance sheet items are attributable to affiliated companies and companies in which a participation is held:

	Affiliated companies		Companies in which an ownership interest is held	
	2012	2011	2012	2011
in EUR '000				
Deposits receivables	702,370	491,630	0	0
Receivables from direct insurance business	1,607	335	0	0
Receivables from reinsurance business	11,340	8,642	0	0
Other receivables	84,709	52,527	60	29
Liabilities from direct insurance business	3,448	3,511	0	0
Liabilities from reinsurance business	10,782	5,751	0	0
Other liabilities	664,809	662,774	3	0

Liabilities arising from the use of off-balance sheet tangible assets were EUR 1,725,000 (EUR 1,907,000) for the following financial year and EUR 9,159,000 (EUR 10,123,000) for the following five years.

The book values of intangible assets, land and buildings, investments in affiliated companies and ownership interests have changed as follows:

	Intangible assets	Land and buildings	Shares in affiliated companies	Bonds and other securities of affiliated companies and loans to affiliated companies	Participations
in EUR '000					
As of 31 December 2011	**13,806**	**113,303**	**3,887,643**	**204,602**	**16,189**
Additions	11,341	5,523	179,383	7,530	0
Disposals	0	721	39	3,593	15,941
Depreciation	1,172	5,152	50,000	0	0
As of 31 December 2012	**23,975**	**112,953**	**4,016,987**	**208,539**	**248**

IV. Notes to the income statement

Premiums written, net earned premiums, expenses for insurance claims and benefits, administrative expenses and reinsurance balance had the following breakdown for property/casualty insurance in 2012:

Gross	Premiums written	Net earned premiums	Expenses for claims and insurance benefits	Administrative expenses	Reinsurance balance
in EUR '000					
Direct business					
Fire and fire business interruption insurance	21,389	20,110	2,588	1,514	-16,185
Liability insurance	83	64	6	136	-6
Marine, aviation and transport insurance	216	201	142	61	-116
Other non-life insurance	4,817	2,412	305	855	-1,121
Total direct business	**26,505**	**22,787**	**3,041**	**2,566**	**-17,428**
(Previous year values)	(5,790)	(4,641)	(10,064)	(404)	(5,362)
Indirect business					
Marine, aviation and transport insurance	15	15	0	0	-15
Other insurance	871,751	882,937	628,780	230,491	-1,495
Total indirect business	**871,766**	**882,952**	**628,780**	**230,491**	**-1,510**
(Previous year values)	(812,901)	(782,338)	(561,574)	(195,629)	(-1,292)
Total direct and indirect business	**898,271**	**905,739**	**631,821**	**233,057**	**-18,938**
(Previous year values)	(818,691)	(786,979)	(571,638)	(196,033)	(4,070)

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

The result from indirect business was EUR 40,306,000 (EUR 36,959,000). The net earned premiums of EUR 882,952,000 (EUR 782,338,000) from indirect business were included immediately in the income statement.

Of the income from participations, other investments, and land and buildings shown in the income statement, affiliated companies accounted for the following amounts:

in EUR '000	2012	2011
Income from participations	356,932	377,329
Income from other investments	14,440	14,939
Income from land and buildings	43	36

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

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

in EUR '000	2012	2011
Wages and salaries	16,751	15,397
Expenses for severance benefits and payments to company pension plans	1,165	17
Expenses for retirement provisions	467	289
Expenses for statutory social contributions and income-related contribution and mandatory contributions	3,171	2,822
Other social security expenses	236	180

Losses on disposals of investments were EUR 14,267,000 (EUR 6,739,000) in financial year 2012.

Commissions of EUR 1,791,000 (EUR -276,000) were incurred for indirect business in 2012.

The valuation reserve shown on the balance sheet as of 31 December 2012 and releases during the fiscal year are broken down by asset item as follows:

in EUR '000	As of 31.12.2011	Release	As of 31.12.2012
Land and buildings	27,978	986	26,992
Shares in affiliated companies	5,909	0	5,909
Total	**33,887**	**986**	**32,901**

The release of untaxed reserves resulted in an increase in income tax expenses of EUR 247,000 (EUR 253,000) during the financial year.

V. Significant participations

Vienna Insurance Group affiliated companies and participations - as of 31 December 2012

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (EUR '000)	Last annual financial statements
Affiliated companies				
"Auto-Ekspert" Spolka z organiczona odpowiedzialnoscia, Warsaw	98.31	4,270	118	2011
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	98.57	7,166	1,193	2011
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	0.70	6,515	798	2012
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	100.00	12,375	1,896	2012
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	100.00	1,130	-271	2011
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	85.97	75,265	7,294	2012
BENEFIA Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	0.02	-236	15	2011
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	100.00	23,021	-12,472	2012
Benefia Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	100.00	18,973	1,272	2012
Business Insurance Application Consulting GmbH, Vienna	100.00	2,172	231	2012
CAL ICAL "Globus", Kiev	80.00	5,281	1,263	2012
COMPENSA Holding GmbH, Wiesbaden	100.00	20,740	1,134	2012
Compensa Life Vienna Insurance Group SE, Tallinn	100.00	10,880	680	2012
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	71.13	51,194	5,385	2012
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	63.33	72,247	10,502	2012
DONAU Versicherung AG Vienna Insurance Group, Vienna	3.97	155,842	35,943	2012
ELVP Beteiligungen GmbH, Vienna	100.00	19,532	364	2012
Erste osiguranje Vienna Insurance Group d.d., Zagreb	90.00	10,493	1,097	2012
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	90.00	6,586	1,379	2012
Foreign Limited Liability Company "InterInvestUchastie", Minsk	99.95	295	9	2011
GPIH B.V., Amsterdam	11.11	6,811	-20	2012
HELIOS Vienna Insurance Group d.d., Zagreb	100.00	26,987	3,037	2012
Interalbanian Vienna Insurance Group Sh.a., Tirana	78.33	3,255	105	2012
InterRisk Towarzystwo Ubezpieczen Spolka Skcyjna Vienna Insurance Group, Warsaw	99.98	92,806	13,077	2012
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	43,460	13,580	2012
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	12.83	38,625	352	2012
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	75.00	3,887	466	2012
Jahorina osiguranje Vienna Insurance Group Joint Stock Company, Pale	96.63	11,937	-327	2012
Joint stock belarusian-austrian insurance company "Kupala", Minsk	52.34	1,901	146	2011
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	100.00	2,735	-269	2011
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	100.00	3,778	518	2012
KOMUNÁLNA poist'ovna, a.s. Vienna Insurance Group, Bratislava	18.86	42,025	5,822	2012
KOOPERATIVA poist'ovna, a.s. Vienna Insurance Group, Bratislava	94.23	276,629	39,215	2012
Kooperativa, pojist'ovna, a.s. Vienna Insurance Group, Prague	96.32	553,203	129,075	2012
KVARNER VIENNA INSURANCE GROUP dioničko društvo za osiguranje, Rijeka	99.36	42,249	154	2012
LVP Holding GmbH, Vienna	100.00	670,539	19,250	2012
OMNIASIG VIENNA INSURANCE GROUP S.A., Bukarest	98.56	42,595	-51,335	2012
Poist'ovna Slovenskej sporitel'ne, a.s. Vienna Insurance Group, Bratislava	90.00	30,353	4,067	2012
Pojišťovna české spořitelny,a.s., Vienna Insurance Group, Pardubice	90.00	133,417	40,492	2012
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	9.50	13,138	2,641	2012
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	97.80	3,736	192	2012
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	99.99	11,572	-3,433	2012
Ray Sigorta A.S., Istanbul	12.67	38,299	1,587	2012

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (EUR '000)	Last annual financial statements
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	41.00	551	391	2011
S.C. BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	92.36	26,150	8,976	2012
SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana	87.01	11,000	801	2012
TBI Bulgaria EAD, Sofia	100.00	41,089	4	2012
TBIH Financial Services Group N.V., Amsterdam	68.97	259,092	6,146	2012
UNION Vienna Insurance Group Biztosító Zrt., Budapest	100.00	33,168	1,598	2012
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	64.30	5,914	-235	2011
Vienna International Underwriters GmbH, Vienna	100.00	81	13	2010
Vienna-Life Lebensversicherung Aktiengesellschaft, Bendern	100.00	11,502	-1,416	2012
VIG Asset Management a.s., Prague	100.00	131	-2	2011
VIG Properties Bulgaria AD, Sofia	99.97	4,052	56	2011
VIG RE zajist'ovna, a.s., Prague	70.00	127,034	19,574	2012
VIG Real Estate GmbH, Vienna	90.00	71,494	-4	2012
VIG Services Ukraine LLC, Kiev	100.00	499	-14	2011
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	99.90	937,962	174,616	2012
Participations				
students4excellence GmbH, Vienna	20.00	44	5	2011

VI. Other disclosures

The Company has EUR 132,887,468.20 in share capital that is divided into 128,000,000 no-par value bearer shares with voting rights, with each share participating equally in the share capital.

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 28 June 2015 against cash contributions or contributions in kind. The rights of the shares, the exclusion of shareholder pre-emptive rights, and the other terms of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Non-voting preference shares may also be issued with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

The General Meeting of 29 June 2010 authorised the Managing Board to issue, subject to the approval of the Supervisory Board, 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 28 June 2015, including the authorisation to exclude shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights to up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board. The share capital has consequently been raised in accordance with Section 159(2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the General Shareholders' Meeting resolution of 29 June 2010 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date regarding the issuance of convertible bonds based on the authorisation granted on 29 June 2010.

The General Meeting of 29 June 2010 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, including authorisation to exclude shareholder pre-emptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The Company held none of its own shares as of 31 December 2012.

Income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 1) were issued on 12 June 2008 and income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 2) were issued on 23 April 2009 based on the authorisation granted by the General Meeting of 16 April 2008. The income bonds are traded on the Vienna Stock Exchange. The interest rate is 8% p.a. until 12 September 2018 (fixed interest rate), after which the income bonds pay variable interest. The Company has the right to call the bonds each quarter after the start of the variable interest period.

On 12 January 2005, the Company issued supplementary capital bond 2005 - 2022 with a total nominal value of EUR 180,000,000.00 in accordance with Section 73c(2) VAG. The bond pays interest at 4.625% p.a. on its nominal value during the first twelve years of its term (fixed interest rate period), after which the bond pays variable interest.

On 12 January 2005, the Company also issued supplementary capital bond 2005, with a total nominal value of EUR 120,000,000.00 in accordance with Section 73c(2) VAG. This bond does not have a fixed term. The bond paid interest at 4.25% p.a. on its nominal value during the first year of its term, after which the bond pays variable interest. Interest was paid at 2.452% p.a. on the bond's nominal value during the period from 12 January 2012 to 11 January 2013.

The auditor has verified that the requirements under Section 73b(2) no. 4 VAG have been satisfied.

The Supervisory Board had the following members in financial year 2012:

Chairman:
Wolfgang **Ruttenstorfer**

Deputy Chairman:
Karl **Skyba**

Members:
Bernhard **Backovsky**
Martina **Dobringer**
Alois **Hochegger**
Heinz **Öhler**
Reinhard **Ortner**
Martin **Roman**
Johann **Sereinig** (until 4 May 2012)
Friedrich **Stara**
Gertrude **Tumpel-Gugerell** (since 4 May 2012)

The Managing Board had the following members in financial year 2012:

Chairman:
Günter **Geyer** (until 31 May 2012)
Peter **Hagen** (since 1 June 2012)

Members:
Franz **Kosyna**
Franz **Fuchs**
Peter **Hagen** (until 31 May 2012)
Peter **Höfinger**
Martin **Simhandl**

The average number of employees was 191 (164). Of this 0 (0) were active in sales, resulting in personnel costs of EUR 0 (EUR 0) and 191 (164) were in operations, resulting in personnel costs of EUR 21,790,000 (EUR 18,706,000).

No loans were outstanding to members of the Managing Board on 31 December 2012 (EUR 0).

Supervisory Board members received no loans in 2012.

No guarantees were outstanding for members of the Managing Board or Supervisory Board as of 31 December 2012.

In 2012, the total expenses for severance pay and pensions of EUR 845,000 (EUR 309,000) included severance pay and pension expenses of EUR 374,000 (EUR 251,000) for members of the Managing Board and senior management in accordance with Section 80(1) of the Austrian Stock Corporation Act (AktG).

The Managing Board of the Company manages Vienna Insurance Group. In some cases, responsibility is also assumed for additional duties in affiliated or related companies.

The members of the Managing Board received EUR 4,213,000 (EUR 4,155,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 1,227,000 (EUR 1,471,000) from affiliated companies during the reporting period for their services to the Company, or as a manager or employee of an affiliated company. EUR 538,000 (EUR 184,000) of this amount was charged to the Company in the form of an intercompany charge.

Former members of the Managing Board received EUR 1,943,000 (EUR 0).

The members of the Supervisory Board received EUR 373,000 (EUR 365,000) in remuneration for their services to the Company in 2012.

A summary of auditing fees is provided in the notes to the Vienna Insurance Group consolidated financial statements.

The Company is a group member within the meaning of Section 9 of the Austrian Corporate Income Tax Act (KStG) of the Wiener Städtische Versicherungsverein, Vienna, group of companies.

The taxable earnings of group members are attributed to the parent company. The parent company has entered into agreements with each group member governing the allocation of positive and negative tax amounts for the purpose of allocating corporate income tax charges according to origin. A receivable of EUR 15,405,000 (EUR 5,674,000) is owed by the parent company for tax allocations. Use was made of the option to capitalise deferred profit taxes arising due to temporary differences

between earnings under corporate law and taxable earnings. A tax rate of 25% was chosen for deferred taxes.

The Company is included in the consolidated financial statements prepared by Wiener Städtische Versicherungsverein, which has its registered office in Vienna. These consolidated financial statements have been disclosed and are available for inspection at the business premises of this company located at Schottenring 30, 1010 Vienna.

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Kosyna
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Vienna, 12 March 2013

AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, for the fiscal year from January 1 to December 31, 2012. These financial statements comprise the balance sheet as of December 31, 2012, the income statement for the fiscal year ended December 31, 2012, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and the provisions of the Insurance Supervision Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2012 and of its financial performance for the fiscal year from January 1 to December 31, 2012 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 12 March 2013

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Günter Wiltschek
Austrian Certified Public Accountant

Liane Hirner
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

SUPERVISORY BOARD REPORT

The Supervisory Board reports that it has taken the opportunity to comprehensively monitor the management of the Company, both acting as a whole and periodically by means of its committees, Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were recurring meetings with the members of the Managing Board, who provided detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company were also discussed in these meetings.

The Supervisory Board has formed four committees from among its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the corporate governance report.

One Annual General Meeting and four Supervisory Board meetings were held in 2012. Three meetings of the Audit Committee were also held. The financial statements and consolidated financial statements auditor, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended all three Audit Committee meetings and the Supervisory Board meetings dealing with the auditing of the annual financial statements and consolidated financial statements and formal approval of the annual financial statements, as well as the General Meeting. In addition, two meetings of the Committee for Managing Board Matters were also held in 2012.

During a meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning specification of two-way communications without the presence of the Managing Board. Other than this, no agenda items were discussed in the Supervisory Board and committee meetings without the participation of members of the Managing Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings. The Supervisory Board's evaluation of its activities found that the practices followed satisfied the requirements of the Austrian Stock Corporation Act and the Code of Corporate Governance, and that its organisational structure and procedures were satisfactory in terms of efficiency.

Acting upon the proposal and motion of the Supervisory Board, the General Meeting selected PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC) to be the financial statements auditor and consolidated financial statements auditor for financial year 2012, and PwC consequently performed these duties in financial year 2012.

By inspecting suitable documents, meeting with the Managing Board and holding discussions with the (consolidated) financial statements auditor PwC, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection. The Supervisory Board Audit Committee also monitored the independence of the financial statements and consolidated financial statements auditor PwC, and after reviewing suitable documents and supporting records submitted to it, particularly with respect to additional services provided for the Company and the Group, was satisfied of the auditor's independence.

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

In order to prepare the Supervisory Board proposal for selection of the financial statements and consolidated financial statements auditor for financial year 2013, the Audit Committee obtained a list from KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) of the fees received by the company broken down by service category, and documents concerning its licence to audit a stock corporation. It was determined that there were no grounds for exclusion or circumstances that could give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. It was also verified that KPMG was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the findings of these investigations and proposed to the Supervisory Board, which subsequently proposed to the General Meeting, that KPMG be selected as financial statements and consolidated financial statements auditor for financial year 2013.

In addition, the Supervisory Board Audit Committee received the 2012 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Supervisory Board Audit Committee also carefully examined the 2012 consolidated financial statements and Group management report. The Managing Board's proposal for appropriation of profits was also debated and discussed during the course of this examination. As a result of this examination and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board that they be accepted without qualification. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2012 annual financial statements together with the management report and corporate governance report, the 2012 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed, and examined by the Supervisory Board.

In addition, the auditor's reports prepared by the (consolidated) financial statements auditor PwC for the 2012 annual financial statements and management report and the 2012 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the Supervisory Board, and debated and discussed with PwC. PwC's audit of the 2012 annual financial statements and management report and the 2012 consolidated financial statements and Group management report did not lead to any reservations. PwC determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December 2012, and of the results of operations of the Company for financial year 2012 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. PwC further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2012, and of the results of operations of the Group for financial year 2012 in accordance with IFRS and Section 80b of the Austrian Insurance Supervision Act (VAG) in combination with Section 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

The final results of the review by the Audit Committee and the Supervisory Board also provided no basis for reservations. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

After a thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements prepared by the Managing Board, to raise no objections to the management report, consolidated financial statements and Group management report, and to declare its agreement with the Managing Board proposal for appropriation of profits.

The 2012 annual financial statements have therefore been approved in accordance with Section 96(4) of the Austrian Stock Corporation Act (AktG).

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

Vienna, March 2013

The Supervisory Board:

Wolfgang Ruttenstorfer
(Chairman)

DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the annual financial statements of Vienna Insurance Group prepared in accordance with the requirements of Austrian corporate law and the Austrian Insurance Supervision Act (VAG) give a true and fair view of the Company's net assets, financial position and results of operations, that the management report presents the business development, performance and position of the Company so as to give a true and fair view of its net assets, financial position and results of operations, and that the management report provides a description of the principal risks and uncertainties to which the Company is exposed.

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Kosyna
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Vienna, 12 March 2013

Managing Board areas of responsibility:

Peter Hagen: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management; Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

Franz Kosyna: Group IT, international processes and methods, SAP smile solutions; Country responsibilities: Albania (incl. Kosovo), Bosnia-Herzegovina, Macedonia, Montenegro, Serbia

Franz Fuchs: Performance management personal insurance, strategic initiative health; Country responsibilities: Poland, Romania, Baltic States

Peter Höfinger: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, strategic initiative SME business, strategic initiative private customers property; Country responsibilities: Slovakia, Bulgaria, Croatia, Hungary, Belarus

Martin Simhandl: Asset management, subsidiaries department, finance and accounting, group cost structure, internal capital model project (Solvency II project), treasury/capital market; Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

ABBREVIATIONS USED

Abbreviation	Full company name
Asirom	Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest
Alpenländische Heimstätte GmbH	Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck
BCR Life	BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest
BCR Non-life	S.C. BCR Asigurări Vienna Insurance Group S.A., Bucharest
Benefia Life	BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw
Benefia Non-life	BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
BIAC	Business Insurance Application Consulting GmbH, Vienna
Bulgarski Imoti Non-life	Bulgarski Imoti Non-Life Insurance Company AD, Sofia
Bulstrad Life	BULSTRAD LIFE VIENNA INSURANCE GROUP JOINT STOCK COMPANY, Sofia
Bulstrad Non-life	INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia
Central Point	Central Point Insurance IT-Solutions GmbH, Vienna
Compensa Life (Estonia)[1]	Compensa Life Vienna Insurance Group SE, Tallinn
Compensa Life (Poland)[1]	Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw
Compensa Non-life	Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
ČPP	Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague
Donau Versicherung	DONAU Versicherung AG Vienna Insurance Group, Vienna
ELVP	ELVP Beteiligungen GmbH, Vienna
Erste Biztosító	ERSTE Vienna Insurance Group Biztosító Zrt., Budapest
Erste Heimstätte GmbH	Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna
Erste Osiguranje	Erste osiguranje Vienna Insurance Group d.d., Zagreb
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg
Globus	CAL ICAL "Globus", Kiev
GPIH	Joint Stock Company Insurance Company GPI Holding, Tbilisi
Helios	Helios Vienna Insurance Group d.d., Zagreb
Interalbanian	Interalbanian Vienna Insurance Group Sh.a, Tirana
InterRisk	InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
InterRisk Life	InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden
InterRisk Non-life	InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden
Intersig	INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana
IRAO	International Insurance Company "Irao" LTD, Tbilisi
Jahorina	Jahorina osiguranje Vienna Insurance Group Joint Stock Company, Pale
Jupiter	Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev
Kniazha	PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP"; Kiev
Komunálna	KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava
Kooperativa (Slovakia)[1]	KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava
Kooperativa (Czech Republic)[1]	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague
Kvarner	KVARNER VIENNA INSURANCE GROUP dioničko društvo za osiguranje, Rijeka
LVP	LVP Holding GmbH, Vienna
Neue Heimat Holding	NEUE HEIMAT Oberösterreich Holding GmbH, Vienna
Neue Heimat Oberösterreich GmbH	NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz
Neuland GmbH	Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna
Omniasig Non-life	OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest
PČS	Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice
Polisa	POLISA-ZYCIE Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw
Progress	PROGRESS Beteiligungsges.m.b.H., Vienna

Abbreviation	Full company name
PSLSP	Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava
PZM	Polski Zwiazek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
QBE Makedonija	QBE Makedonija AD, Skopje
Ray Sigorta	Ray Sigorta A.Ş., Istanbul
s Versicherung	Sparkassen Versicherung AG Vienna Insurance Group, Vienna
Schwarzatal GmbH	"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna
Sigma	SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana
S IMMO AG	S IMMO AG, Vienna (consolidated financial statements)
Sozialbau AG	Sozialbau gemeinnützige Wohnungsaktiengesellschaft, Vienna
TBIH	TBIH Financial Services Group N.V., Amsterdam
UIG	Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev
Union Biztosító	UNION Vienna Insurance Group Biztosító Zrt., Budapest
Urbanbau GmbH	Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna
Vienna Insurance Group or. VIG	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Holding [2]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Fund	VIG FUND uzavreny investicni fond, a.s, Prague (consolidated financial statements)
Vienna-Life	Vienna-Life Lebensversicherungs AG Vienna Insurance Group, Bendern
VIG RE	VIG RE zajišťovna, a.s., Prague
WGPV Holding GmbH	WGPV Holding GmbH, Vienna
Wiener Städtische	WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna
Wiener Städtische Osiguranje (Montenegro)[1]	Akcionarsko družstvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica
Wiener Städtische Osiguranje (Serbia)[1]	"WIENER STÄDTISCHE OSIGURANJE" akcionarsko društvo za osiguranje, Belgrade
Wiener Städtische Versicherungsverein	Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group, Vienna
Winner Life	Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje
Winner Non-life	Joint Stock Insurance company WINNER - Vienna Insurance Group, Skopje
WPWS Vermögensverwaltung GmbH	WPWS Vermögensverwaltung GmbH, Vienna

[1] Country names in parentheses are added if there is more than one company with the same abbreviated name and it is not clear from the context which one is intended. The context is assumed to be clear, for example, if the name is used in the description of activities taking place within a country.

[2] Used when referring to the company itself.

NOTICE

This annual report includes forward-looking statements based on current assumptions and estimates that were made by the management of Vienna Insurance Group to the best of its knowledge. Statements using the words "expectation", "target" or similar formulations indicate such forward-looking statements. Forecasts related to the future development of the Company are estimates made on the basis of information available as of the date this annual report went to press. Actual results may differ from the forecasts if the assumptions underlying the forecast prove to be wrong or if unexpectedly high risks occur.

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

The annual report was prepared with great care to ensure that all information was complete and accurate. Rounding, type-setting and printing errors can nevertheless not be completely ruled out.

Our goal was to make the annual report quick and easy to read. For this reason we have not used phrasing such as "he/she", "his/her", etc. It should be understood that the text always refers to women and men equally without discrimination.

In the event of doubt, the German version is authoritative.

Editorial deadline: 28 February 2013

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Data Processing Register code (DVR No.): 0016705

People on the cover:
From left to right:

Derya Öztürk, general secretary, Ray Sigorta, Turkey

Adele Tomicich, general secretariat, Vienna Insurance Group, Austria

Evžen Heřman, head of planning and controlling, Kooperativa, Czech Republic

Tomasz Borowski, head of general secretariat and spokesman, Vienna Insurance Group, Poland