VIG
VIENNA INSURANCE GROUP

MY VIG

ANNUAL FINANCIAL REPORT 2011

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

VIENNA INSURANCE GROUP

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ECONOMIC ENVIRONMENT

The confidence of the financial markets in the creditworthiness of European countries with high sovereign debt loads has suffered considerably in previous months. The funding costs for countries with comparatively low levels of debt have also increased. With respect to the real economy, although Europe has lost momentum, there were no signs of a serious drop in economic output. However, the political response of using strict austerity plans to solve the debt crisis creates a danger of dampening economic activity.

According to a November 2011 forecast by the Vienna Institute for International Economic Studies (wiiw – Wiener Institut für Internationale Wirtschaftsvergleiche), real GDP in the European Union (EU-27) grew by 1.7% in 2011, following growth of 1.9% in the previous year. At that time, the new EU countries (NMS-10) were forecast to have a considerably higher GDP growth rate of 3.0% in 2011, following an increase of 2.1% in the previous year. The labour market situation continues to be tense in Europe, with the latest figures showing especially high unemployment rates in Spain, Greece, Ireland, Portugal, the Baltic countries, Slovakia and Bulgaria.

LEGAL ENVIRONMENT

Solvency II

Insurance companies are facing major challenges due to changes in the rules of the European insurance supervision system known as "Solvency II" that EU member states are expected to implement by the beginning of 2013. This fundamental reform of insurance supervision law is expected to lead to higher capital requirements for many companies.

During financial year 2009, the Managing Board of Vienna Insurance Group 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 prepared in the Group and implemented locally in the Group companies to ensure consistent and timely realisation of the project. Based on current requirements and the latest QIS findings, VIG is prepared at the Group and individual company levels for the increased capital requirements under Solvency II.

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 the Group level. Extensive test runs are currently being performed throughout the Group to help with this process. Intensive coordination discussions are currently taking place with the supervisory authorities concerning Solvency II in order to ensure approval of the partial internal model when Solvency II enters into force.

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 functions (risk management, compliance, actuarial function, internal auditing) and clearly defines responsibilities and processes. Another goal is to implement uniform Group standards and methods for risk inventories and own risk and solvency assessment (ORSA). This will help with the development of a consistent and comprehensive Group risk reporting system that allows better assessment and management of the risk situation of the Group. A Group-wide internal control system ensures compliance with the guidelines and requirements produced by the risk management system.

Unisex rates

The equal treatment or unisex 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. There has been one exception to this rule: Member states may 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. It found the exception to be in conflict with the objective of equal treatment of men and women when calculating insurance premiums and services and therefore incompatible with the Charter of Fundamental Rights of the European Union.

The transitional period for the amended requirements ends on 21 December 2012. From this day forward, the unisex directive applies without exception to new policies purchased after this date.

Vienna Insurance Group has initiated all of the processes needed for changing the rate calculations for all personal insurance products in all of the subsidiaries concerned, so that the above requirements will be satisfied in time for new policies.

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. After a variety of amendments resulting from numerous meetings of the IASB (and FASB) are incorporated, it is expected that the IASB will publish a working draft for review or a new publication draft for comments in the second quarter of 2012.

The new accounting rules for insurance policies in the IASB draft would artificially create a significantly higher level of earnings volatility in the insurance industry, thereby creating major challenges for anyone reading the financial statements. Years of extreme losses would follow years of extreme profits, and perhaps vice versa. However, one of the key purposes of the insurance industry is to give policyholders, and accordingly the whole economy, security and confidence. Confidence is not built by reporting high profits or high losses. Such accounting would therefore be glaringly inconsistent with the stable business model of the industry.

The standard model used for retirement provisions in the life insurance and nursing care insurance sectors traditionally includes guaranteed interest. The insurance industry was able to provide this guaranteed interest even under the highly difficult conditions that existed during the last financial and economic crisis. Creating artificial volatility would endanger the stability of business development in the industry and of key retirement provision products.

It is also likely that the changeover to this standard would generate significant additional expense for the insurance industry.

The new accounting rules have been heavily criticised by the insurance industry, are being discussed in detail with the IASB and are unlikely to enter into effect before 2015. The Managing Board of Vienna Insurance Group is monitoring these developments and will begin preparations to implement the final version of the standard promptly after publication.

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.

This standard replaces the sections of IAS 39, "Financial instruments: recognition and measurement", concerned with the classification and measurement of financial instruments. In the future, under IFRS 9, financial assets will be assigned to the following categories at the time of initial recognition:

- Financial assets measured at fair value
- Financial assets measured at amortised cost

The provisions of IAS 39 dealing with the impairment of financial assets and accounting for hedging relationships continue to apply. New drafts in these areas are expected in 2012.

The IFRS 4 would force the insurance industry to apply volatile measurement rules. The current version of IFRS 9 would considerably complicate the classification of assets at "amortised cost". This would also have major effects on the VIG business model. The new standard would also lead to competitive distortions within economic sectors. Further detailed discussions are also being held with the IASB concerning IFRS 9.

The new provisions are applicable to financial years beginning on or after 1 January 2015. 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 2011

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

In order to show the geographical business development of the Group, the 25 countries where the Group operates are divided into the following six geographical segments: Austria, Czech Republic, Slovakia, Poland, Romania and Remaining Markets. The Russian and Belarus markets were not included in the VIG consolidated financial statements in 2011 due to immateriality. Neither the start of business operations in Montenegro, nor the entry into the Bosnia-Herzegovina market occured until 2011. The notes to the financial statements provide detailed information on changes in the scopte of consolidated companies starting on page 49.

To improve readability, company names have been shortened below. A list of full company names is provided on pages 191 and 192.

In order to avoid duplicate information, reference will be made below to appropriate information in the notes. The segment reporting in the notes also presents changes in significant balance sheet and income statement items. 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	2011	2010	YoY %
Premiums written – gross	**8,883.67**	**8,593.01**	**3.4%**
Net earned premiums	8,122.82	7,860.37	3.3%
Expenses for claims and insurance benefits	-6,535.97	-6,541.35	-0.1%
Acquisition and administrative expenses	-1,752.65	-1,759.88	-0.4%
Financial result excl. at equity consolidated companies	920.61	1,111.42	-17.2%
Result from shares in at equity consolidated companies	11.00	5.01	119.5%
Other income and expenses	-206.80	-167.79	23.3%
Profit before taxes	**559.01**	**507.79**	**10.1%**

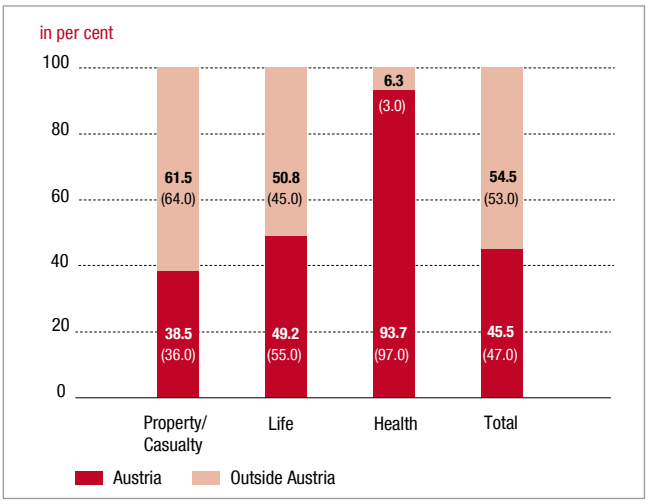
Premium volume

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

Vienna Insurance Group earned EUR 8,883.67 million in premiums in 2011, representing an increase of 3.4% over the previous year. Vienna Insurance Group retained EUR 8,145.02 million of the gross premiums written, and ceded EUR 738.64 million to reinsurers. Strong premium growth in Poland (+27.6%) made a major contribution to this increase. Premium income also increased in the Czech Republic (+5.3%) and Slovakia (+4.8%).

Overall, the Group generated 54.5% of its premiums outside Austria in 2011. For property and casualty insurance, the share contributed by companies outside Austria was 61.5%. In life insurance, 50.8% of the premiums were generated by companies outside Austria. This is the first time that VIG has also generated more than half of total premiums outside Austria in the life insurance segment.

PREMIUM PERCENTAGE BY LINES OF BUSINESS AND REGION (FIGURES FOR 2010 IN PARENTHESES)



Net earned premiums rose 3.3%, from EUR 7,860.37 million in 2010 to EUR 8,122.82 million in 2011. Deferred reinsurance cessions were EUR 727.89 million.

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 6,535.97 million in 2011 after deducting the share attributable to reinsurance (EUR 384.04 million). On the one hand Vienna Insurance Group was practically unaffected by severe natural catastrophes in its area of operations, on the other hand transfer to the mathematical reserve was smaller due to poorer life insurance business in Austria. Therefore, expenses for claims and insurance benefits were at the same level as the previous year, in spite of an increase in premiums.

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 1,752.65 million for all consolidated VIG companies, representing a small decrease of 0.4% compared to the previous year. Acquisition expenses were EUR 1,521.13 million in 2011, an increase of 0.8% over the previous year.

Financial result

A brief presentation of the financial result (excluding equity-accounted companies) is included in note 29 (Financial result) of the notes to the consolidated financial statements.

Vienna Insurance Group earned a financial result of EUR 920.61 million in 2011, 17.2% lower than the previous year. The result was primarily negatively affected by developments in the stock markets. In addition, the entire Greek portfolio was written down to market value.

Profit before taxes

Vienna Insurance Group achieved a profit before taxes of EUR 559.01 million in 2011, equal to an increase of EUR 51.22 million, or 10.1%, over 2010. Vienna Insurance Group therefore achieved the targets it had set for 2011, namely an increase in profits of approximately 10%, in spite of the difficult economic environment that existed, particularly in financial markets.

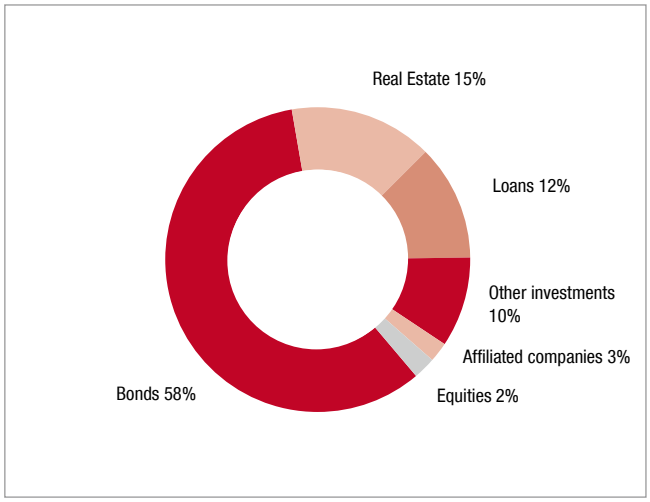
Investments

A brief presentation of the investments is included on page 72 of the notes to the consolidated financial statements.

The total investments of Vienna Insurance Group (including cash and cash equivalents) amounted to EUR 28,653.51 million as of 31 December 2011. Compared with the previous year, this indicates an increase of EUR 97.96 million, or 0.3%.

The investments include all Vienna Insurance Group land and buildings, all shares in equity-accounted consolidated companies and all financial instruments. Investments for unit-linked and index-linked life insurance are not included. These increased slightly by 0.4% in 2011, from EUR 5,478.60 million to EUR 5,502.79 million.

BREAKDOWN OF INVESTMENTS 2011



Equity
Vienna Insurance Group's capital base increased by 0.4% to EUR 5,049.64 million in 2011 (2010: EUR 5,029.65 million).

Underwriting provisions
Underwriting provisions (excluding underwriting provisions for unit-linked and index-linked life insurance) were EUR 23,992.54 million as of 31 December 2011, approximately the same level as the previous year (2010: EUR 24,017.84 million).

Cash flow
Cash flow from operating activities was EUR 1,538.26 million in 2011, compared to EUR 2,094.67 million in 2010. Cash flow from investing activities was EUR -1,132.11 million (2010: EUR -2,011.94). Vienna Insurance Group financing activities produced a cash flow of EUR -244.00 in 2011 (2010: EUR -191.77 million). The Group had cash and cash equivalents of EUR 568.12 million at the end of 2011. Vienna Insurance Group received a total of EUR 952.10 million in interest and dividends in 2011. These changes were due to the accumulation of liquidity that would have been needed for a potential purchase of the WARTA insurance group.

KEY FIGURES FOR VIENNA INSURANCE GROUP

	2011	2010	2009
Earnings per share	EUR 2.87	EUR 2.65	EUR 2.40
Return on Equity	11.1%	10.5%	10.0%
Combined ratio	96.8%	98.4%	96.3%
Loss ratio	65.8%	66.9%	65.3%
Cost ratio	31.0%	31.5%	31.0%

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 2.87 in 2011.

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 11.1% in 2011 (2010: 10.5%).

Combined ratio significantly below 100%
The Group had a combined ratio (after reinsurance, not including investment income) of 96.8% in 2011. This means that Vienna Insurance Group not only held its combined ratio below the 100% mark, it even achieved a significant reduction of 1.6 percentage points compared to the previous year, as planned. The combined ratio was still at 98.4% in 2010.

This was made possible by efforts to optimise back-office functions, and the sharp drop in claims from natural catastrophes in 2011. The underwriting business became more profitable in most regions in 2011, with the exception of Romania. 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/casualty segment.

Employees

Vienna Insurance Group had an average of 24,902 employees in 2011, a decrease of 0.4% compared to the previous year. The Romanian companies had approximately 8.9% or 392 employees fewer in 2011 than the year before. This reduction was primarily due to the recently introduced cost-cutting programme, which provides for increased use of shared resources, particularly in the back-office area.

EMPLOYEES BY REGION

	2011	2010	2009
Austria	6,440	6,493	6,368
Czech Republic	4,905	4,913	4,972
Slovakia	1,596	1,572	1,650
Poland	1,947	1,902	1,578
Romania	3,991	4,383	5,088
Remaining markets*	6,023	5,743	4,730
Total	**24,902**	**25,006**	**24,386**

* Remaining markets: Albania, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey, Ukraine,

DEVELOPMENT BY LINES OF BUSINESS

PREMIUMS WRITTEN BY LINES OF BUSINESS

in EUR million	2011	2010	2009
Property/Casualty insurance	4,579.30	4,350.04	4,206.75
Life insurance	3,944.22	3,904.81	3,491.17
Health insurance	360.15	338.16	321.36
Total	**8,883.67**	**8,593.01**	**8,019.28**

PROFIT BEFORE TAXES BY LINES OF BUSINESS

in EUR million	2011	2010	2009
Property/Casualty insurance	271.51	222.72	238.86
Life insurance	239.81	248.46	177.77
Health insurance	47.69	36.61	24.62
Total	**559.01**	**507.79**	**441.25**

Premium volume

Property and casualty insurance showed excellent growth across the Group, generating 51.5% of premium volume in 2011. Although the increase in life insurance premiums from the CEE region was able to compensate for the losses in Austria, the weighting of the life insurance sector declined relative to the significantly faster growing non-life sector, so that the share of premiums contributed by life insurance declined to 44.4% of total premium volume for the financial year. 4.1% of premiums came from health insurance.

Vienna Insurance Group companies generated EUR 4,579.30 million in Group premiums in the property/casualty area in 2011 (2010: EUR 4,350.04 million), an increase of 5.3%. The positive performance in this business line was mainly driven by high growth rates in Poland, Austria and the Ukraine. VIG companies in Poland, for example, generated EUR 611.55 million in premiums, an increase of 9.3%. The Austrian companies generated EUR 1,763.94 million, 12.6% more than the previous year. In addition to good growth in the Austrian market, this increase was also due to strong growth in business volume at the branch offices in Italy. 61.5% of property and casualty premiums were generated outside Austria.

While life insurance recorded particularly good premium volume from single-premium business in the preceding year, premium volume in Austria fell considerably in this area in 2011. The Group companies outside Austria, on the other hand, raised EUR 2,003.45 million in premium income, an increase of 14.0%. This further increased the share of Group life insurance premiums generated outside Austria to 50.8% in 2011. The positive growth in life insurance in many parts of the CEE region meant that premiums written in this segment also rose year-on-year by 1.0% to EUR 3,944.22 million.

The Vienna Insurance Group companies in the Czech Republic wrote EUR 849.48 million in premiums in the life insurance segment, 12.9% more than in 2010. The Slovakian companies contributed EUR 359.76 million (+5.5%) in this segment, the Polish companies EUR 342.52 million (+81.9%) and the Romanian companies EUR 100.97 million (+8.4%). The Remaining Markets segment wrote EUR 350.72 million in premiums.

Vienna Insurance Group wrote EUR 360.15 million in premiums in the health insurance segment, an increase of 6.5%. This disproportionately strong growth was largely due to consolidation of the Group companies in Georgia. Besides Georgia, only Austria generates enough health insurance premiums to make a significant contribution to total premiums.

Expenses for claims and insurance benefits

Vienna Insurance Group recorded EUR 2,531.27 million in expenses for claims and insurance benefits in the property/casualty area in 2011, representing a slight increase of 3.8%. Expenses in the life insurance segment were EUR 3,695.79 million, 3.3% lower than the previous year due to a decrease in business in Austria. In the health insurance segment, expenses for claims and insurance benefits were EUR 308.91 million (2010: EUR 282.60 million).

Acquisition and administrative expenses
Vienna Insurance Group recorded acquisition and administrative expenses of EUR 1,080.68 million in the property/casualty business in 2011 (2010: EUR 1,046.79 million). These expenses fell by 6.6% for life insurance to EUR 628.47 million. In health insurance, acquisition and administrative expenses were EUR 43.51 million, 8.2% higher than the figure of EUR 40.20 million in the previous year.

Profit before taxes
Profit before taxes reached EUR 559.01 million in 2011, corresponding to an increase of 10.1% over the previous year. The significant increase that was achieved in spite of difficult conditions confirms the strategy followed by the Group in its markets.

Property and casualty contributed EUR 271.51 million, 48.6% of Vienna Insurance Group profits.

In the life insurance area, the Group generated a profit before taxes of EUR 239.81 million, representing a slight decrease of 3.5% compared to 2010. As a result, life insurance accounts for 42.9% of total profits.

Health insurance contributed EUR 47.69 million to Vienna Insurance Group profits.

Investments
In property and casualty insurance, investments (including cash and cash equivalents) of EUR 8,609.59 million (+2.0%) were held as of 31 December 2011. In life insurance, investments were EUR 19,048.67 million (2010: EUR 19,096.18 million), and in the area of health insurance, Vienna Insurance Group investments fell by 2.6% to EUR 995.25 million.

Underwriting provisions
Underwriting provisions rose 3.4% to EUR 4,796.72 million compared to 2010 in the property and casualty area. In life insurance, underwriting provisions were EUR 18,215.47 million as of 31 December 2011, 1.3% below the figure in the previous year. In health insurance, underwriting provisions rose by 6.3%, to EUR 980.35 million.

Underwriting provisions for unit-linked and index-linked life insurance increased by 1.9%, from EUR 5,227.93 million in 2010 to EUR 5,329.38.

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

COMPOSITION MATHEMATICAL RESERVE

in EUR million	31.12.2011	31.12.2010
Property/Casualty insurance	0.14	0.13
Life insurance	17,434.23	17,390.37
for guaranteed policy benefits	16,127.48	15,955.21
for allocated and committed profit shares	1,306.75	1,435.16
Health insurance	905.24	841.01
Total	**18,339.61**	**18,231.51**

MATURITY STRUCTURE MATHEMATICAL RESERVE

in EUR million	31.12.2011	31.12.2010
up to one year	1,738.69	1,861.88
more than one year up to five years	6,182.49	6,165.35
more than five years up to ten years	3,260.25	3,393.21
more than ten years	7,158.18	6,811.08
Total	**18,339.61**	**18,231.51**

COMPOSITION PROVISION FOR OUTSTANDING CLAIMS

in EUR million	31.12.2011	31.12.2010
Property/Casualty insurance	3,652.37	3,509.23
Life insurance	239.80	207.69
Health insurance	46.25	50.80
Total	**3,938.42**	**3,767.72**

MATURITY STRUCTURE PROVISION FOR OUTSTANDING CLAIMS

in EUR million	31.12.2011	31.12.2010
up to one year	1,602.98	1,654.43
more than one year up to five years	1,177.49	1,060.85
more than five years up to ten years	345.98	288.77
more than ten years	811.97	763.67
Total	**3,938.42**	**3,767.72**

SEGMENT REPORTING BY REGION

Developments in the six geographic segments of Austria, Czech Republic, Slovakia, Poland, Romania and Remaining Markets 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 2011.

PREMIUMS WRITTEN BY REGION

in EUR million	2011	2010	2009
Austria	4,042.22	4,041.14	3,874.15
Czech Republic	1,848.86	1,756.54	1,603.29
Slovakia	678.84	647.87	628.38
Poland	954.07	747.69	548.26
Romania	502.87	528.05	606.66
Remaining markets*	856.81	871.72	758.54
Total	**8,883.67**	**8,593.01**	**8,019.28**

* Remaining markets: Albania, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey, Ukraine

PROFIT BEFORE TAXES BY REGION

in EUR million	2011	2010	2009
Austria	291.58	250.89	247.49
Czech Republic	189.72	167.33	122.91
Slovakia	57.23	37.32	23.01
Poland	37.77	24.18	27.42
Romania	-12.82	28.51	24.19
Remaining markets*	-4.47	-0.44	-3.77
Total	**559.01**	**507.79**	**441.25**

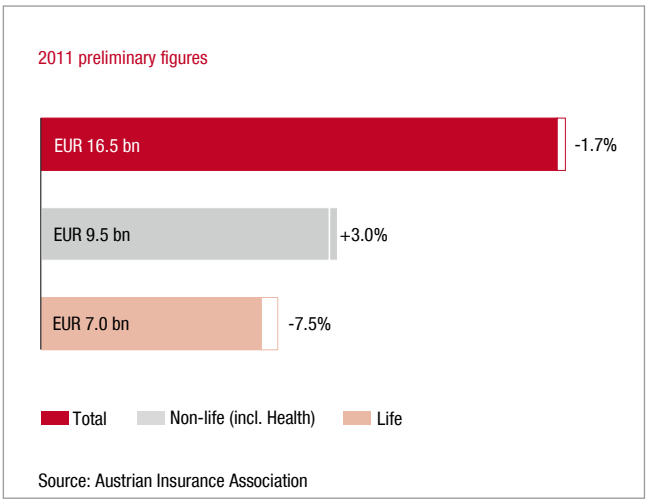
* Remaining markets: Albania, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey, Ukraine

AUSTRIA

Austrian insurance market

Although the Austrian insurance market is highly developed, unlike many other countries in Western Europe the non-life segment generates more premiums (approximately 60%) than the life insurance segment.

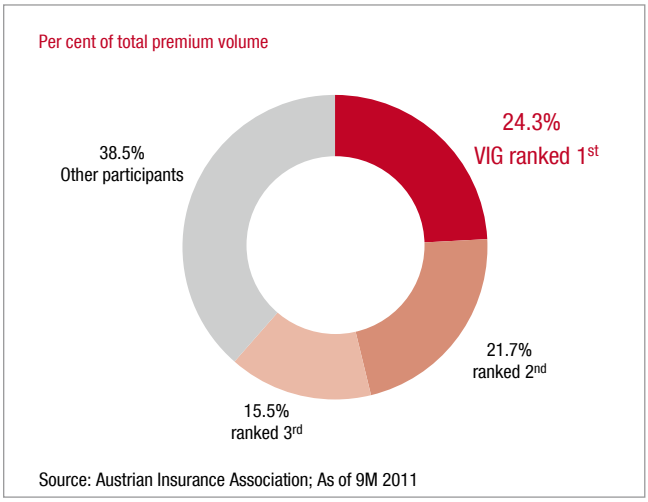
MARKET GROWTH IN 2011 COMPARED TO THE PREVIOUS YEAR



The performance of the insurance market was greatly affected by the sharp fall in single-premium life insurance business (-32.2%) in 2011, due to a change in the statutory minimum lock-in period from ten to 15 years. The market recorded a total decline of 7.5% in this segment, while property and casualty insurance (excl. health insurance) rose by 2.9%. The motor vehicle market in particular is showing a slight recovery. New vehicle sales rose again, and a trend can be seen toward higher performance and lower emission cars.

The average insurance density in Austria (average per capita premiums) was EUR 1,996.7 in 2010, of which EUR 1,096.4 was for non-life insurance and EUR 900.3 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



VIG companies in Austria

Wiener Städtische, Donau Versicherung and s Versicherung are the Austrian companies of Vienna Insurance Group.

Vienna Insurance Group's market share of 24.3% at the end of the third quarter of 2011 makes it the largest insurance group in Austria. It is the market leader in both life insurance, with a market share of 28.0%, and property and casualty insurance, with at market share of 22.0%, and holds second place in the health insurance sector.

Wiener Städtische

Area of operations:	Life and Non-life
Employees:	approx. 3,480
Market position:	1st place
Market share:	approx. 14%
Offices:	approx. 140

Wiener Städtische is the biggest single company in Vienna Insurance Group and the leading insurance company in Austria. It also has branch offices in Italy and Slovenia.

Wiener Städtische continued to introduce new products and make adjustments to existing products to meet the demands of these two roles in 2011. "ZukunftsPLUS" special class supplementary insurance, new "Business Class" or "START-INS-LEBEN" package for children all have the same goal: to directly meet customer needs specific to their particular living or business environment.

Wiener Städtische's health insurance customers can use "ZukunftsPLUS" to reduce their special class policy premiums by a quarter or even a half when they turn 65. If the policy is cancelled before the premiums are reduced, the entire actuarial provision for the supplementary policy is paid out. An excellent argument can be made for "ZukunftsPLUS" coverage, particularly in times when adjustments need to be made.

Wiener Städtische also had a successful year in terms of its public image. The "Parking" episode won second place in the Werbespot Award 2011 (advertising award), making it one of the best liked commercials in Austria. Customers were just as pleased with the redesign of the website last year as with the helpful claims reporting and storm warning service apps.

Donau Versicherung

Member of VIG since:	1971
Area of operations:	Life and Non-life
Employees:	approx. 1,400
Market position:	6th place
Market share:	approx. 5%
Offices:	approx. 80

To learn, you have to ask questions and listen carefully. Based on this motto, Donau Versicherung asked its customers about their satisfaction with its insurance services in the second half of 2011. The results show how Donau Versicherung is perceived by its customers. Based on these results, the company is now developing forward-looking strategies aimed at serving the needs of existing and potential customers even better.

The results of the Assekuranz Award Austria 2011 insurance awards clearly show how satisfied Austrian brokers are with Donau Versicherung products. Donau Versicherung received two gold and three silver awards, taking first place in the commercial insurance and motor vehicle liability insurance categories. And next year? Perhaps two new products introduced in 2011 – "SicherIm-Heilwesen" special insurance for doctors and alternative healthcare practitioners, and "FlexPlan" flexible future provision policy – will be among the winning products.

s Versicherung

Member of VIG since:	2008
Area of operations:	Life and Non-life
Employees:	approx. 170
Market position Life:	2nd place
Market share Life:	approx. 12%

s Versicherung is one of the pioneers in the Austrian life insurance market. It was the first company to react to the extension of the minimum period for preferential tax treatment of single-premium policies as of 1 January 2011, launching its new "s Ertrags-Concept" product with inflation protection.

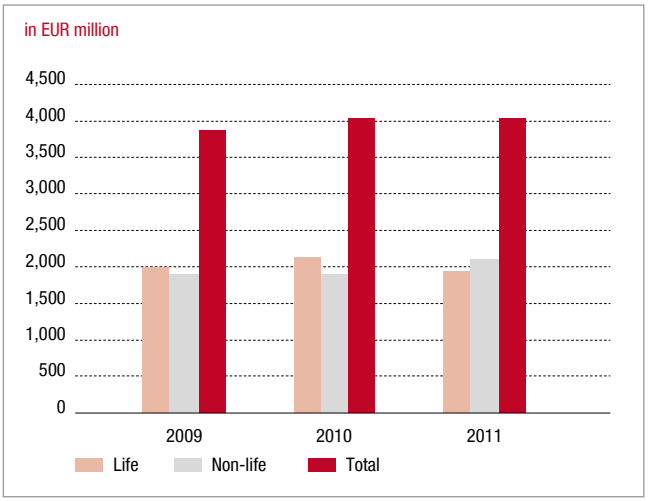
Well established and highly popular for decades, life insurance experienced a renaissance in 2011. The improved product, with the name "s Lebens-Versicherung", is highly flexible and transparent, and is easily understood by customers. Policyholders make their own decisions on the most appealing balance between security and income, and benefit from extensive informational services and the integrated "Ertrags-Retter" (income protector), which protects against the loss of income earned from equity investments and increases guaranteed payments accordingly.

Business development in Austria in 2011

Premium development

The Austrian VIG companies wrote gross premiums of EUR 4,042.22 million in 2011. This was approximately the same as the previous year. Wiener Städtische contributed EUR 2,279.22 million to this premium volume, Donau Versicherung EUR 903.86 million, and s Versicherung EUR 853.36 million. EUR 5.79 million was attributable to VIG Holding. Net earned premiums fell by 1.8% in 2011, from EUR 3,701.87 million to EUR 3,634.57 million.

PREMIUMS WRITTEN AUSTRIA



EUR 1,763.94 million of the premiums, or 43.6%, were written in the property/casualty area. This was an increase of 12.6% compared to 2010, due to good business development in Italy in addition to the performance achieved in the Austrian market.

Life insurance generated EUR 1,940.76 million or 48.0% of the premium volume in 2011, with the Group recording a total decrease of 9.6% in this area in Austria due to the effects of a change in the statutory minimum lock-in period for single-premium policies.

Health insurance generated EUR 337.52 million in premiums. This was equivalent to an increase of 2.9% over 2010, when premium income from health insurance was EUR 328.06 million.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits fell compared to the previous year from EUR 3,593.51 million to EUR 3,291.10 million in 2011. This represents a decrease of 8.4% in expenses. This change was due to two factors. First, the amount that had to be transferred to the mathematical reserve decreased due to a drop in new single-premium life insurance policies. Second, expenses for natural catastrophes were significantly lower than the previous year.

Acquisition and administrative expenses

The Austrian Vienna Insurance Group companies had acquisition and administrative expenses of EUR 623.32 million in 2011, representing a decrease of 3.9% compared to 2010. This was mainly the result of higher reinsurance commissions due to favourable claims figures, and the positive effects of an earlier cost-cutting programme.

Profit before taxes of EUR 291.58 million

Vienna Insurance Group achieved a profit before taxes of EUR 291.58 million in Austria in 2011 (2010: EUR 250.89 million). This corresponds to an increase of 16.2% in profits compared to the previous year.

Combined ratio of 93.2%

The Group had a combined ratio (after reinsurance, not including investment income) of 93.2% (97.2.%) in Austria in 2011. The reduction was due to decreases in both the claim ratio and the expense ratio.

VIENNA INSURANCE GROUP IN AUSTRIA

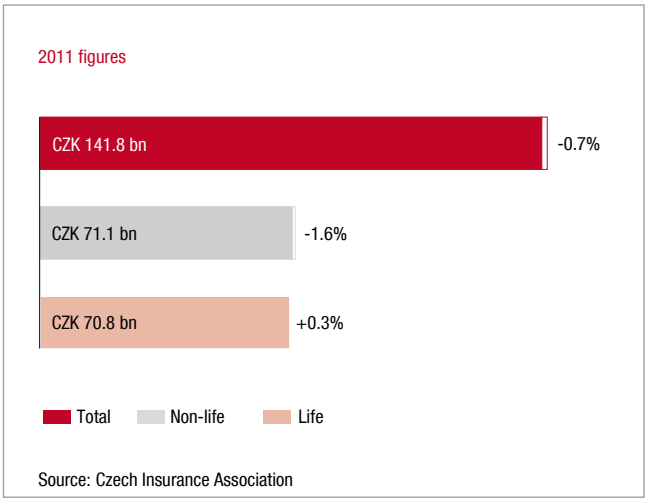
in EUR million	2011	2010	2009
Premiums written	**4,042.22**	**4,041.14**	**3,874.15**
Life	1,940.76	2,146.70	1,985.43
Non-life	2,101.46	1,894.44	1,888.72
Profit before taxes	**291.58**	**250.89**	**247.49**

CZECH REPUBLIC

Czech insurance market

The insurance market in the Czech Republic is dominated by two large insurance groups, Vienna Insurance Group and the Generali Group.

MARKET GROWTH IN 2011 COMPARED TO THE PREVIOUS YEAR

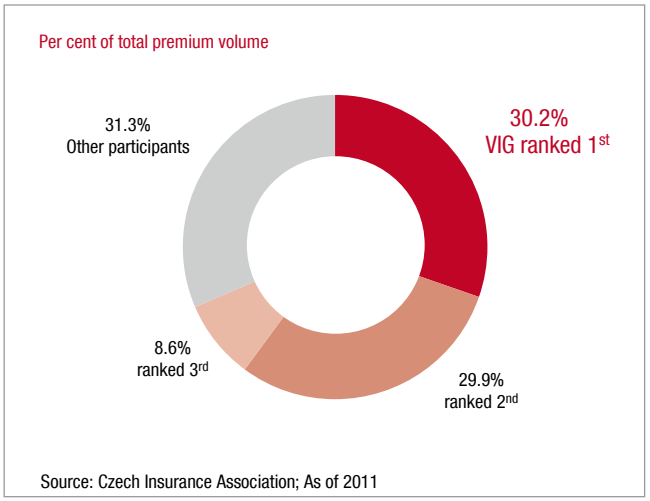


The Czech insurance market recorded a slight decrease in non-life premiums (-1.6%) in 2011. This was due to a decrease in motor vehicle premiums. In contrast, the non-life business besides motor vehicle insurance recorded positive growth. The life insurance market remained at the same level as the previous year, with an increase of 0.3%. The market as a whole recorded a decrease of 0.7% in premiums.

Bank distribution is becoming increasingly important compared to traditional distribution channels, especially in the life insurance sector. The government is currently making preparations for additional pension reforms, which will create additional potential for growth in the life insurance and health insurance areas over the medium term.

The average per capita insurance premium was EUR 568.9 in 2010, consisting of EUR 303.4 for non-life insurance and EUR 265.5 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



VIG companies in the Czech Republic

VIG operates three insurance companies in the Czech Republic: Kooperativa, ČPP and PČS. In addition, the Group reinsurance company, VIG RE, began operations in Prague in the middle of 2008.

The Czech Republic contributes 20.8% of Group premiums, making it VIG's largest CEE market. Vienna Insurance Group holds first place in the Czech insurance market, with a market share of 30.2%. VIG Group companies are also the leaders in the life insurance market, with a market share of 29.2%.

Major administrative areas were combined to form one central back office for Kooperativa and ČPP last year. In addition to working closely together, the two companies will soon also be working side-by-side. Preparations for the move to the shared headquarters at Main Point Karlín are already underway.

Kooperativa

Member of VIG since:	1990
Area of operations:	Life and Non-life
Employees:	approx. 3,750
Market position:	2nd place
Market share:	approx. 18%
Offices:	approx. 270

Kooperativa is the largest VIG company outside Austria. In addition to receiving many awards for its products, Kooperativa also received awards for social commitment in 2011. In the "Zlatá koruna" and "Pojišťovna roku" competitions, the company received a total of seven first prizes. In both cases, the company received awards for outstanding motor vehicle insurance products and solutions for business customers.

Kooperativa received a special award for its "Zaměstnanci pro lepší život" project, "Employees for a better life" in English. The "TOP Odpovědná firma" prize is awarded in a number of categories to companies that demonstrate particularly strong social responsibility. The project receiving the prize had two parts. In addition to a day dedicated to volunteer work, employees took part in a large-scale initiative to give Christmas presents to the needy.

ČPP

Member of VIG since:	2005
Area of operations:	Life and Non-life
Employees:	approx. 880
Market position:	8th place
Market share:	approx. 5%
Offices:	approx. 320

ČPP is primarily known as an expert in motor vehicle insurance in the Czech insurance market. The company showed once again in 2011 that it deserved this reputation. The new "SERVIS" supplementary policy has been added to the "Autopojištění Combi Plus II" product line. "SERVIS" provides supplementary coverage for motor vehicle liability insurance and settles claims directly, which means that policyholders do not have to deal with the insurance company of the party at fault for the accident. ČPP will instead take care of repairs to the vehicle. This service is especially beneficial for drivers of older cars, as the company takes responsibility for all repairs, with no deductions for age or wear and tear.

ČPP also improved its internal processes in 2011. One project was specifically targeted at receivables management. The volume of receivables was reduced and the workload for everyone in collections decreased considerably.

PČS

Member of VIG since:	2008
Area of operations:	Life and Non-life
Employees:	approx. 220
Market position:	5th place
Market share:	approx. 8%

One of the strategic objectives of PČS in 2011 was to reduce the number of early policy terminations and further optimise its insurance portfolio. In order to achieve this objective, the company worked on product modifications, technical solutions for risk classification and payment reminders.

PČS introduced "InSpiral", which made it possible for customers with "FLEXI" life insurance to change over free of charge to the terms of the current FLEXI product. "InSpiral" is aimed at all policyholders who purchased their insurance during the period from 2000 to 2008.

PČS also introduced two online applications in 2011. The FLEXI product calculator offers a quick overview of the insurance terms that can be expected. "SERVIS24" not only gives customers detailed information on their policies, it also lets them immediately adjust their policies themselves.

VIG RE

Member of VIG since:	2008
Area of operations:	Reinsurance
Employees:	approx. 15

VIG RE began operations as the internal Group reinsurance company in 2008. The company has a rating of A+ with a stable outlook from Standard & Poor's, and focuses

on the CEE market. VIG RE has expanded its activities continuously since it was established, and has in the meantime become a reliable partner for more than 100 clients. VIG RE was practically unaffected – from a global perspective – by the high volume of claims due to natural catastrophes in 2011. This is not least the result of prudent underwriting, diligent protection and careful reserving.

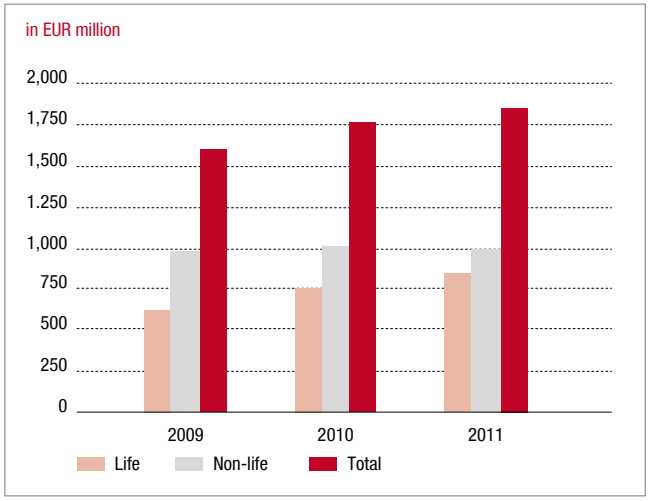
Business development in the Czech Republic in 2011

Premium increase of 5.3%

Vienna Insurance Group companies in the Czech Republic wrote EUR 1,848.86 million in premiums in 2011 (2010: EUR 1,756.54 million), representing an increase of 5.3%. Net earned premiums were EUR 1,722.30 million in 2011.

The non-life area generated premium income of EUR 999.38 million in 2011 (2010: EUR 1,004.35 million), corresponding to a slight decrease of 0.5% compared to the previous year. Kooperativa generated approximately 76.3% of premiums in the non-life area.

PREMIUMS WRITTEN CZECH REPUBLIC



In the Czech life insurance segment, premium income generated by the Vienna Insurance Group increased from EUR 752.19 million to EUR 849.48 million in 2011. As a result of this gain of 12.9% over the previous year, life insurance was once again the growth engine in 2011. The sharp increase was primarily due to good bank distribution and good performance in the distribution of Kooperativa's flexible product line.

Expenses for claims and insurance benefits

The Czech companies had expenses for claims and insurance benefits of EUR 1,195.54 million in 2011. This was an increase of EUR 71.56 million over 2010, or 6.4%.

Acquisition and administrative expenses

Vienna Insurance Group reported EUR 425.42 million in acquisition and administrative expenses in the Czech Republic in 2011. This was an increase of 7.6% over the acquisition and administrative expenses of EUR 395.44 million reported in 2010.

Strong growth of 13.4% in profit before taxes

The Czech companies contributed EUR 189.72 million to total profits in 2011 (2010: EUR 167.33 million). This raised the profit before taxes by outstanding 13.4% over the previous year. Successful combination of back-office areas led to a satisfying decrease in administrative expenses.

Combined ratio of 91.6%

The combined ratio of 91.6% was well below the figure of 93.3% in the previous year. Following the high charges incurred due to natural catastrophes in 2010, the Czech companies were able to significantly lower their claim ratio again in the year just ended.

VIENNA INSURANCE GROUP IN THE CZECH REPUBLIC

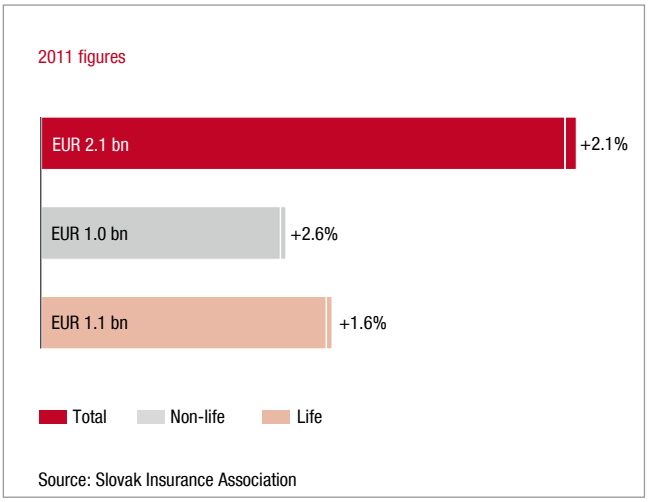
in EUR million	2011	2010	2009
Premiums written	**1,848.86**	**1,756.54**	**1,603.29**
Life	849.48	752.19	627.77
Non-life	999.38	1,004.35	975.52
Profit before taxes	**189.72**	**167.33**	**122.91**

SLOVAKIA

Slovakian insurance market

The concentration of market participants is comparable to the Czech Republic. The five largest individual insurance companies also hold a high market share of approximately 80% here and more than half of premium volume is generated by the two largest insurance companies, Kooperativa and Allianz.

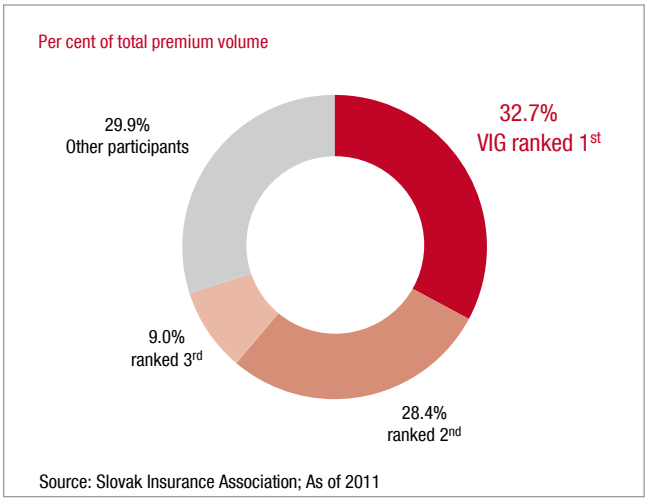
MARKET GROWTH IN 2011 COMPARED TO THE PREVIOUS YEAR



High demand for non-life products other than motor vehicle insurance was the main engine of growth in the Slovakian insurance market in 2011. The public's increased risk awareness could be a result of the catastrophic flooding that occurred in 2010. Overall growth in the non-life sector of the market was 2.6% in 2011. Life insurance premium volume grew somewhat more slowly at 1.6%.

Slovakians paid an average of EUR 380.6 per person for insurance services in 2010, of which EUR 207.5 was for life insurance and EUR 173.1 for non-life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



VIG companies in Slovakia

Vienna Insurance Group operates three insurance companies in the Slovakian market, Kooperativa, Komunálna and PSLSP.

VIG is the leader in the Slovakian insurance market with a 32.7% share of total premium volume. It also holds first place in the life insurance and motor vehicle segments.

7.6% of the Vienna Insurance Group's total premium volume is generated in Slovakia.

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

Kooperativa focused on service and product initiatives in the day-to-day business of the company and social involvement with children, for example in relation to the

Comenius Children's University, in 2011. The company, customers and business partners all now benefit from up-to-date processes in the collections, claims settlement and sales areas.

As of November, policyholders can now also make cashless premium payments quickly and easily by credit card at approximately 40 terminals operated by its strategic banking cooperation partner Slovenská sporiteľňa. Brokers benefit from an online tool set up by the company that provides a current overview of existing insurance portfolios. Kooperativa also improved communications with car dealers and garages. More than 250 partner companies can access information on the current status of claims processing, calculations, reports and other information through the company's web portal. The benefits are already becoming evident: settlement and repair of damaged vehicles is faster, and comfort and availability are higher.

Komunálna

Member of VIG since:	2001
Area of operations:	Life and Non-life
Employees:	approx. 360
Market position:	4th place
Market share:	approx. 8%
Offices:	approx. 80

Komunálna revised its product portfolio in 2011. Improvements were made both from the customer and distributor point of view. Komunálna added a calculator for "ProDomo" homeowners' buildings and contents insurance to increase customer convenience and flexibility. The new "Autobonus" product helps customers who are at fault for a loss for the first time. They benefit from a constant insurance premium in spite of the claim. "ProKomunál", a product specially designed to meet the needs of municipalities, has an expanded scope of coverage, including revitalisation projects.

Komunálna has a long history of working together with the country's municipalities, and these ties were further strengthened in 2011 when a five-year agreement was signed with the Association of Towns and Communities of Slovakia (ZMOS).

PSLSP

Member of VIG since:	2008
Area of operations:	Life
Employees:	approx. 50
Market position Life:	9th place
Market share Life:	approx. 4%

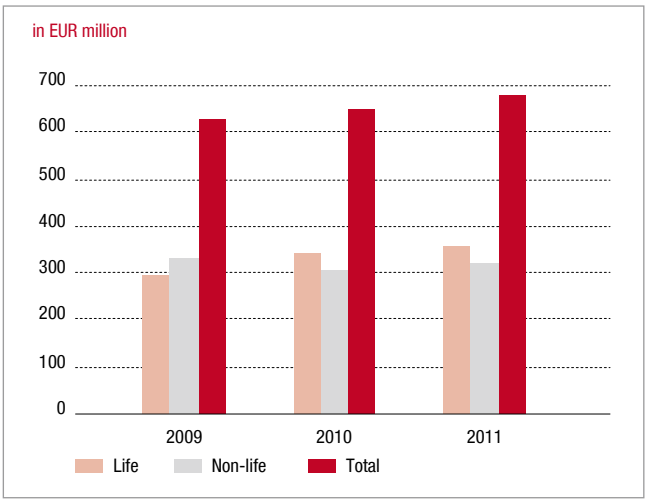
PSLSP has earned a secure position as one of the top life insurance companies in Slovakia in a short period of time. The company continued to enjoy a favourable reception for its new products last year. The funeral insurance product introduced in March is the perfect addition to the insurance portfolio. Excellent sales figures show the strong customer demand for the product. PSLSP increased its single-premium business by launching two index-linked life insurance tranches. In addition, a redesign of the renewal process to make it more customer-friendly convinced many policyholders whose policies were about to expire to continue with PSLSP.

Business development in Slovakia in 2011

Premium growth

Vienna Insurance Group wrote EUR 678.84 million in premiums in Slovakia in 2011 (2010: EUR 647.87 million), representing an increase of 4.8%. Net earned premiums were EUR 617.38 million, which represented an increase of 3.9%.

PREMIUMS WRITTEN SLOVAKIA



The non-life sector generated a premium volume of EUR 319.08 million in 2011 (2010: EUR 306.98 million). Kooperativa contributed the largest share of premiums, EUR 259.78 million, or approximately 81.4% of total VIG non-life premiums in Slovakia.

In the life insurance sector, the Slovakian VIG companies increased their premium income by 5.5% to EUR 359.76 million (2010: EUR 340.89 million). Growth was particularly high in the single-premium life insurance segment.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits (less reinsurance) were EUR 478.93 million in 2011. This was an increase of 2.5% over the previous year.

Acquisition and administrative expenses

VIG recorded EUR 97.11 million in acquisition and administrative expenses in Slovakia in 2011 (2010: EUR 92.20 million).

Another significant increase in profit before taxes (+53.4%)

The Slovakian Group companies raised their profit before taxes from EUR 37.32 million in 2010 to EUR 57.23 million in 2011. This further above-average increase of 53.4% resulted from optimisation of administrative and distribution structures.

Combined ratio of 92.5%

Vienna Insurance Group had a combined ratio of 92.5% in Slovakia in 2011, insignificantly lower than the combined ratio of 92.8% in the previous year.

VIENNA INSURANCE GROUP IN SLOVAKIA

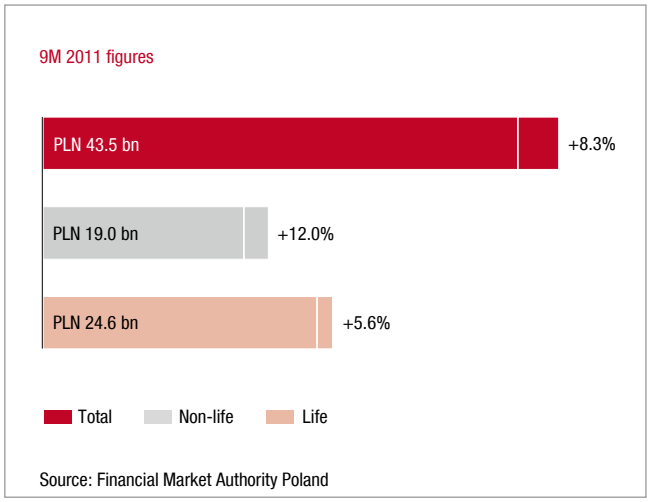
in EUR million	2011	2010	2009
Premiums written	**678.84**	**647.87**	**628.38**
Life	359.76	340.89	295.02
Non-life	319.08	306.98	333.36
Profit before taxes	**57.23**	**37.32**	**23.01**

POLAND

Polish insurance market

The Polish insurance market recorded strong growth of 8.3% in the first nine months of 2011 as compared to the same period in the previous year. This was driven by growth in the life insurance segment (+5.6%) and the non-life insurance segment, where growth was even higher at 12.0%.

MARKET GROWTH IN 2011 COMPARED TO THE PREVIOUS YEAR

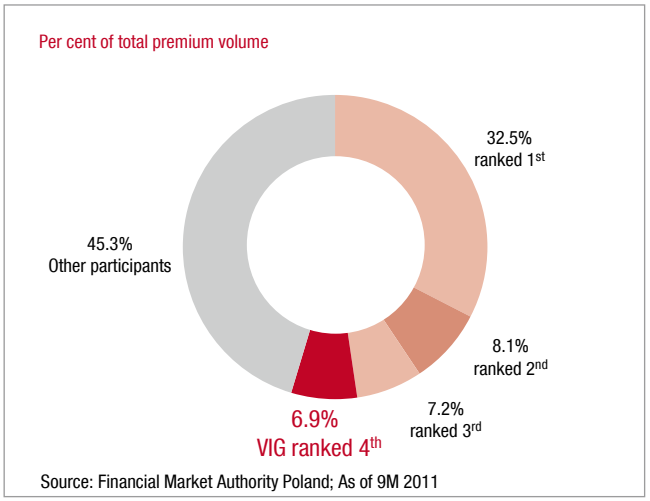


Poland had an insurance density of EUR 356.0 in 2010, of which EUR 206.5 was attributable to life insurance and EUR 149.5 to non-life insurance.

VIG companies in Poland

The Vienna Insurance Group operates with six companies and four different brands in the Polish insurance market. The Vienna Insurance Group companies include Compensa Life and Non-life, Benefia Life and Non-life, Inter-Risk and PZM. Compensa Non-life also has a branch in Lithuania. VIG also signed an agreement to purchase 75% plus one share of the life insurance company Polisa. The acquisition is subject to receipt of the necessary official approvals. The Polish companies earned 10.7% of the total Vienna Insurance Group premiums in 2011.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



The Vienna Insurance Group's market share of 6.9% puts it in fourth place in the Polish insurance market. In the non-life market, its 10.1% share puts it in third place. VIG grew faster than the market in both the life and non-life segments in the first three quarters of the reporting period, recording the fastest overall growth among all groups.

Compensa Non-life
Compensa Life

COMPENSA VIENNA INSURANCE GROUP

Member of VIG since:	2001
Area of operations:	Life and Non-life
Employees:	approx. 820
Market position:	10th place
Market share:	approx. 3%
Offices:	approx. 80

The two companies Compensa Non-life and Compensa Life once again recognised and took advantage of how helpful and virtually irreplaceable IT applications are in day-to-day insurance business. Compensa Non-life used its "C Portal" sales portal to start a pilot project on customer relationship management in November 2011 with six offices participating. The new module shows each advisor additional sales potential for existing customers and allows a statement to be prepared showing their current sales status.

Compensa Life began the process of gradually replacing old IT modules with SAP. The work will continue over the coming months. The company also added an application form to its "mojaCompensa" online portal for allocating and converting units of unit-linked life insurance policies.

InterRisk

Member of VIG since:	2005
Area of operations:	Non-life
Employees:	approx. 780
Market position Non-life:	5th place
Market share Non-life:	approx. 4%
Offices:	approx. 50

InterRisk is mainly focused on developing its distribution network in 2011. The company used its "Klub Milionera InterRisk" to strengthen relationships with its most productive agents. The Klub Milionera InterRisk is a group of agents who satisfy very high requirements in terms of premium volume generated and the quality of their insurance portfolio. Club members are invited to joint meetings, conferences and discussions with important figures in the business world.

Greater sales support and leaner processes are just two of the benefits of the new distribution portal for agents, iPortal. Products were added continuously to this electronic solution during the course of the year, such as the "Bezpieczny Dom w InterRisk" homeowners' buildings and contents insurance policy. Implementation was preceded by a large-scale campaign to promote the product to agents and offices. This was a great success, causing the number of new policies to rise significantly.

Benefia Non-life
Benefia Life

Member of VIG since:	2005
Area of operations:	Life and Non-life
Employees:	approx. 170
Market position:	13th place
Market share:	approx. 2%

The two Benefia companies introduced a new incentive system for distribution and management, two new online services, and a host of successful products in 2011. Benefia Non-life introduced a new Internet application, "Audanet", for motor vehicle claims processing. Settlement is now faster and process quality has also been improved. The "My Policy" application implemented by Benefia Life is aimed at unit-linked and index-linked life insurance customers. Policyholders can use this service to request policy changes and obtain information on the current status of their policies.

PZM

Member of VIG since:	2007
Area of operations:	Non-life
Employees:	approx. 180
Market position Non-life:	21st place
Market share Non-life:	approx. 1%
Offices:	approx. 30

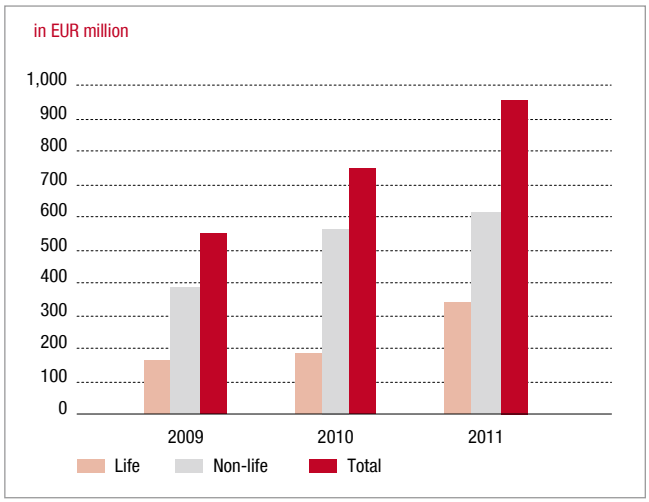
Vienna Insurance Group is planning to streamline its business activities in the non-life segment of the Polish insurance market by merging InterRisk and PZM. The two companies will use the shared InterRisk brand to market their products nationwide in the future. The merger is expected to be completed in the first half of 2012, subject to receipt of formal and official approvals.

Business development in Poland in 2011

Outstanding premium growth of 27.6%

Vienna Insurance Group wrote total premiums of EUR 954.07 million in Poland in 2011 (2010: EUR 747.69 million). This was an increase of 27.6% over the previous year. Net earned premiums were EUR 889.06 million in 2011, 30.2% higher than in 2010.

PREMIUMS WRITTEN POLAND



The non-life area generated a premium volume of EUR 611.55 million in 2011 (2010: EUR 559.44 million), corresponding to an increase of 9.3% over the previous year. This gratifying increase was mainly due to a rate increase for motor vehicle insurance, the growing number of vehicles covered under existing fleet agreements, and the addition of new distribution partners.

Vienna Insurance Group companies in Poland increased their life insurance premium income from EUR 188.25 million in 2010 to EUR 342.52 million in 2011. Group life insurance and one-year endowment and term life policies, which recorded strong growth due to a tax privilege, made major contributions to the above-average gains in the life insurance segment.

Expenses for claims and insurance benefits

Vienna Insurance Group had expenses for claims and insurance benefits of EUR 651.01 million in Poland in 2011 (2010: EUR 454.85 million). This was an increase of EUR 196.16 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 242.43 million in 2011, 4.6% below the previous year value of EUR 254.13 million. This decrease resulted from product line optimisation in the life insurance segment.

Profit before taxes of EUR 37.77 million

The Polish companies earned a profit before taxes of EUR 37.77 million in 2011. This corresponds to an outstanding increase of 56.2%. This increase was achieved due to a significant reduction in claims from natural catastrophes, and product line improvements made in both the property/casualty and life insurance segments.

Combined ratio reduced to slightly more than 100%

The combined ratio was 100.6% in Poland, slightly above the important 100% mark. Profitability in the underwriting part of the business did, however, increase significantly by 4.4 percentage points compared to the previous year (2010: 105.0%), primarily due to a decrease in natural catastrophe claims.

VIENNA INSURANCE GROUP IN POLAND*

	2011	2010	2009
in EUR million			
Premiums written	**954.07**	**747.69**	**548.26**
Life	342.52	188.25	164.19
Non-life	611.55	559.44	384.07
Profit before taxes	**37.77**	**24.18**	**27.42**

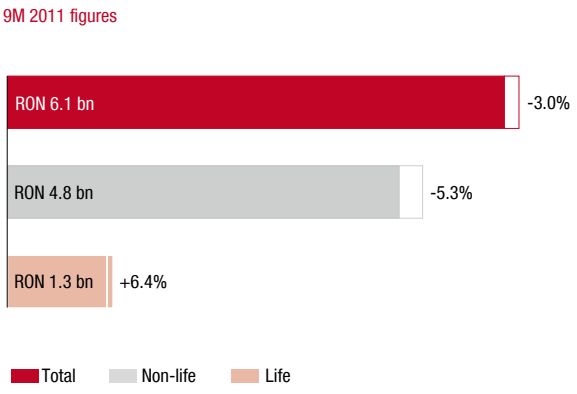
* PZM included since 2010.

ROMANIA

Romanian insurance market

Life insurance makes a relatively small contribution of approximately 20% to total premium income in the Romanian insurance market, and therefore has good long-term growth potential. 66% of the non-life business is still generated by motor vehicle insurance sales.

MARKET GROWTH IN 2011 COMPARED TO THE PREVIOUS YEAR



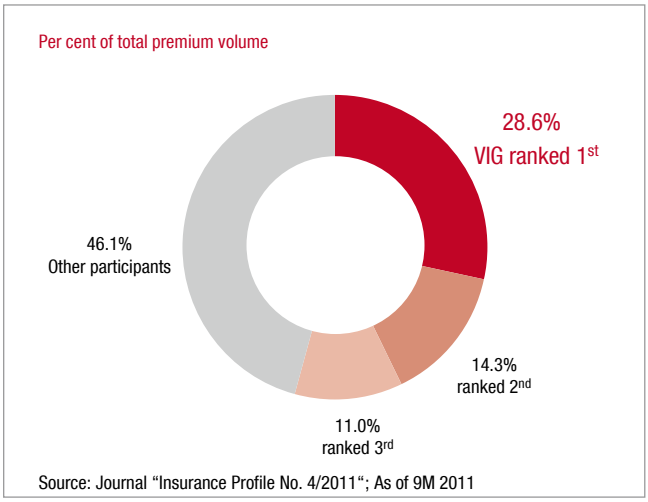
Source: Journal "Insurance Profile No. 4/2011"

Difficult economic conditions also had an effect on the insurance business. The negative growth of the overall market in the first nine months of 2011 was due to the decrease (-5.3%) in non-life insurance, in particular motor vehicle own-damage insurance. The life insurance market, on the other hand, recorded positive growth (+6.4%).

Current reform efforts in the healthcare sector are creating potential future growth opportunities in this area.

Romanians paid an average of EUR 92.8 per person for insurance services in 2010, of which EUR 74.7 was for life insurance and EUR 18.1 for non-life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Journal "Insurance Profile No. 4/2011"; As of 9M 2011

VIG companies in Romania

Vienna Insurance Group operates four insurance companies in the Romanian market: Omniasig Non-life, Asirom, BCR Non-life and BCR Life.

The merger of Omniasig Non-life and BCR Non-life was initiated during the general meetings of the two companies on 4 August 2011.

VIG has a market share of 28.6%, making it the clear market leader in the Romanian insurance market. VIG was able to further increase its position in the first three quarters of 2011. VIG is also the clear number 1 in the non-life segment, with a market share of 29.6%. In life insurance, VIG has a market share of 25.1%, putting it in second place. Due to good cooperation with BCR Bank, BCR Life achieved excellent performance in this segment, growing considerably faster than the market.

All of the VIG companies in Romania focused on a cost reduction programme in 2011 specific to each company and adjusted to their individual circumstances. The project began last year, concentrated on key factors and aims at achieving a permanent reduction in costs and an increase in profits. Results included the introduction or implementation of measures to centralise support functions, convert to digital claims processing, optimise the product and distribution mix, improve the collections process, redesign remuneration systems, etc.

Omniasig Non-life

Member of VIG since:	2005
Area of operations:	Non-life
Employees:	approx. 1,530
Market position Non-life:	2nd place
Market share Non-life:	approx. 13%
Offices:	approx. 200

Motor vehicle insurance is the main business focus of Omniasig Non-life. One of the new products introduced in 2011 is the "Afacerea ta" insurance package, which is primarily aimed at small and medium-sized companies. The package includes property and business interruption insurance, casualty insurance for employees, and liability insurance. The insurance package is specifically designed for each market segment and easy to understand, making it highly competitive.

Omniasig Non-life also strengthened its partnership with Dacia-Renault-Nissan, which was established in 2010. Co-branding of motor vehicle comprehensive insurance that provides particularly favourable terms for common customers is an important part of the partnership. The company also entered into a cooperative agreement with Toyota in 2011. This agreement also includes preferred terms for common customers and co-branding of comprehensive insurance.

Asirom

Member of VIG since:	2007
Area of operations:	Life and Non-life
Employees:	approx. 1,460
Market position:	5th place
Market share:	approx. 8%
Offices:	approx. 160

Asirom has been a member of VIG since 2007. It operates in the life and non-life segments of the Romanian insurance market. Among other things in 2011, it developed an up-to-date life insurance product, INVESTA PLUS. This is an index-linked single-premium product that optimally combines the three aspects of protection, low-risk investment and provision for retirement. The company also added a large number of new services to its online portal for internal and external sales personnel and business partners.

Asirom did well in the annual Reader's Digest consumer survey performed in 16 European countries. It was chosen as the "MOST TRUSTED BRAND 2011" in the insurance category in Romania. The award underlines Asirom's great commitment to customer orientation.

BCR Non-life

Member of VIG since:	2008
Area of operations:	Non-life
Employees:	approx. 880
Market position Non-life:	6th place
Market share Non-life:	approx. 7%
Offices:	approx. 150

BCR Non-life distributes its products through approximately 150 offices and BCR's nationwide branch network. Many existing products were modified and new products introduced in 2011 as a response to changed market conditions and in order to better serve customer needs. The new comprehensive insurance, for example, offers modular insurance solutions with four different types of cover and optimal breakdown service.

BCR Non-life and BCR Life were the first insurance companies in Romania to introduce a free app for smartphone and tablet PC users. This app allows users to purchase insurance and report claims online. It also provides detailed information on products and the BCR Life and Non-life distribution network. The life insurance segment also provides an overview of medical partners for health insurance products and an overview of the performance of unit-linked and index-linked life insurance policies.

BCR Life

Member of VIG since:	2008
Area of operations:	Life
Employees:	approx. 110
Market position Life:	2nd place
Market share Life:	approx. 20%

BCR Life received the Romanian "Insurance Company of 2011" award in the "Piata Financiara Gala Awards" held last year in Bucharest. BCR Life also received first place in the "Life Insurance" category for the third time in a row. The jury's decision was mainly based on the coherent growth strategy, financial stability and premium growth of the company.

Business development in Romania in 2011

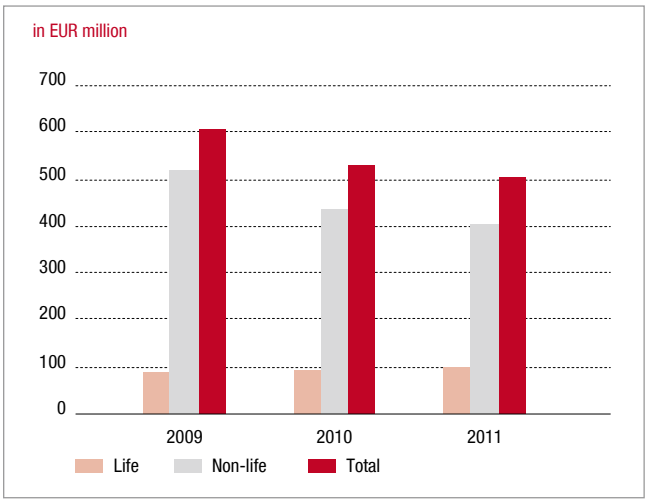
Premium development

The difficult economic situation in Romania also has an effect on the insurance sector. Poor performance in the motor vehicle leasing market, for instance, puts pressure on premium income from the non-life sector, which is dominated by the motor vehicle classes. The 4.8% reduction in premiums to EUR 502.87 million (2010: EUR 528.05 million) needs to be viewed in this light. Net earned premiums were EUR 491.13 million in 2011.

The non-life segment generated premium income of EUR 401.90 million (2010: EUR 434.89 million), representing a total decrease of approximately 7.6%.

The Romanian Vienna Insurance Group companies increased their life insurance premium income by 8.4% to EUR 100.97 million in 2011 (2010: EUR 93.16 million). This increase was mainly driven by bank distribution.

PREMIUMS WRITTEN ROMANIA



Expenses for claims and insurance benefits

The Romanian companies had EUR 380.14 million in expenses for claims and insurance benefits (2010: 324.69 million). The 17.1% increase in expenses for claims and insurance benefits (less reinsurance) compared to the previous year reflects an unfavourable development of motor vehicle claims.

Acquisition and administrative expenses
Vienna Insurance Group had acquisition and administrative expenses of EUR 142.40 million in Romania (2010: EUR 152.20 million).

Loss of EUR 12.82 million
A loss of EUR 12.82 million was recorded in Romania due to recognition of valuation allowances for premium receivables, a decrease in the motor vehicle leasing business, and the unfavourable change in motor vehicle claims in 2011.

Combined ratio of 109.7%
The combined ratio for Romania was 109.7% in 2011 (2010: 101.1%) due to a large increase in claims in the motor vehicle business.

VIENNA INSURANCE GROUP IN ROMANIA*

	2011	2010	2009
in EUR million			
Premiums written	**502.87**	**528.05**	**606.66**
Life	100.97	93.16	87.23
Non-life	401.90	434.89	519.43
Profit before taxes	**-12.82**	**28.51**	**24.19**

* BCR Life and BCR Non-life included since 2009.

REMAINING MARKETS

The Remaining Markets segment includes Albania, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey and Ukraine. The Remaining Markets segment generated 9.6% of Group premiums.

Albania
With close to 90% of total market premiums, Albania is clearly dominated by the non-life sector, which consists of 50% mandatory and 50% voluntary insurance. Although life insurance is relatively insignificant, it nevertheless recorded an increase of approximately 25.5% in 2011. Non-life insurance, on the other hand, recorded a small decrease of 0.4% over the same period.

Vienna Insurance Group entered the Albanian market with Sigma in 2007. In addition to Albania, this non-life insurer also operates a branch office in Kosovo. VIG further consolidated its strong position by purchasing Interalbania at the end of 2010 and Intersig in 2011, and now holds second place in the overall market.

Bulgaria
Demand remains muted in the Bulgarian insurance market, with the overall market growing only 0.5% in the first three quarters of 2011. The market is heavily dominated by motor vehicle insurance, which represents approximately 60% of total premium volume. The motor vehicle liability segment achieved excellent growth of 14.2% compared to the same period in the previous year, while motor vehicle own-damage business fell sharply (-11.3%) due to fewer new registrations and ageing of insured vehicles.

Vienna Insurance Group is represented in Bulgaria by Bulstrad Non-life, Bulstrad Life and Bulgarski Imoti Non-life. A participation is also held in Doverie, one of the largest Bulgarian pension funds. In order to make increased use of synergies and focus its market image in Bulgaria, a merger is planned for the two non-life insurance companies, Bulstrad Non-life and Bulgarski Imoti, to produce a single powerful company. Subject to official approval, Vienna Insurance Group will offer its services in the future under the Bulstrad brand, as the leading non-life insurer in Bulgaria. The merger is expected to be concluded in the first half of 2012.

Vienna Insurance Group's market share of 14.4% puts it in first place in the overall insurance market in Bulgaria. Bulstrad Life is one of the top five in the area of life insurance.

Germany

The German insurance market performed satisfactory in 2011 in spite of the Eurozone debt crisis and a noticeable slowdown in the economy. Premium income is expected to grow 2.5% in the property and casualty segment, the highest rate since 2003. Due to the drop in single-premium business, a reduction of 5.7% is expected for the life segment as a whole.

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 highly profitable niche providers.

Estonia, Latvia and Lithuania

The life insurance market declined both in Latvia and Estonia in 2011. Lithuania, on the other hand, recorded strong growth of 4.6% in 2011. Premiums in this segment are expected to rise again in the other two Baltic countries in 2012.

Compensa Life, formerly Seesam Life, has been a member of VIG since 2008. This life insurance company was established in the Estonian capital of Tallinn in 1993, and expanded to Latvia in 1999 and Lithuania in 2001. The sales of non-life insurance in the Baltic market began in 2010, when a branch office of the Polish Group company Compensa was established in Lithuania. VIG holds fourth place in the Estonian life insurance market with a market share of 12.3%. VIG raised its market share in the Latvian life insurance market from 7.3% in 2010 to 9.4%. The Group holds fourth place in the life insurance segment in Lithuania and seventh in the non-life segment.

Georgia

The Georgian insurance market recorded an overall decline of 13.7% in the first three quarters of 2011. Although the life insurance market grew strongly, the Georgian insurance market is dominated by the non-life insurance business, which represents approximately 96% of total premium volume.

VIG has operated in Georgia since 2006. The two insurance companies GPIH and IRAO were included in the consolidated financial statements for the first time in 2010. GPIH successfully offers needs-based solutions in the non-life insurance area, including health insurance. IRAO focuses on the distribution of motor vehicle and industrial policies. The Group holds first place in the Georgian insurance market with a market share of 24%.

Croatia

Due to the difficult economic situation and ongoing gloomy economic outlook, the Croatian insurance market contracted by 1.1% in 2011. The non-life (-1.1%) and life (-1.1%) segments bore equal responsibility for this decline.

VIG operates three companies, Kvarner, Helios and Erste Osiguranje, in both the life and non-life segments in Croatia, and holds fourth place in the overall market. VIG is the market leader in the life insurance segment, where it has a market share of 17.0%.

Liechtenstein

The insurance companies headquartered in Liechtenstein offer international insurance solutions. Unique access to both the European Economic Area and the Swiss market is a key benefit of the location. According to preliminary estimates, premium income for the overall market in 2011 is expected to be considerably below the level of the previous year.

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. The focus is on personal insurance solutions tailored to customer needs.

Macedonia
The Macedonian insurance market is dominated by the non-life business, which generates approximately 95% of premiums. The overall market recorded solid growth of 9.8% in the first three quarters of 2011.

VIG has been represented in Macedonia by Winner Non-life since 2007. The company's name was changed from Sigma to Winner in 2009. VIG expanded its presence in Macedonia in 2010 by establishing the life insurance company Winner Life, which primarily distributes its products through the Erste Group company Sparkasse Bank Makedonija AD Skopje, and recorded a sharp increase in premiums of more than 60% in the first three quarters of 2011. The VIG companies have a market share of approximately 8.4%. This puts them in fifth place in the market.

Serbia
The Serbian insurance market recorded moderate growth of 3.0% in the first three quarters of 2011. The motor vehicle segment, however, showed a slight decline due to falling demand for new vehicles. Like most countries in the Remaining Markets segment, the Serbian life insurance market, which currently only represents approximately 16% of total premium volume, offers great potential for future growth.

VIG has been operating in the Serbian market since 2003. Wiener Städtische Osiguranje holds second place in the life insurance segment and fifth place in the non-life segment, making it one of the leading insurance companies in the country. The company recorded excellent premium growth of 11.3% in the first three quarters of 2011.

Turkey
Supported by very solid economic growth, the Turkish insurance market recorded an outstanding increase of 21.5% in 2011 due to growth in both the non-life (+21.3%) and life (+23.1%) segments.

Vienna Insurance Group is represented by Ray Sigorta in the Turkish insurance market. The company was established in 1958 and operates in the non-life insurance area, with a focus on motor vehicle insurance. VIG holds 13th place in the overall market with a market share of 1.5%.

Ukraine
The Ukrainian insurance market is heavily fragmented. The ten largest insurers only hold a combined market share of approximately 30%. The life insurance business continues to be very small, representing only approximately 5% of the total market. Premium volume rose by a total of 6.5% in the first three quarters of 2011.

VIG operates four insurance companies in Ukraine: UIG, Kniazha, Globus and Jupiter. The three non-life insurers, UIG, Kniazha and Globus, primarily operate in the motor vehicle insurance segment. Jupiter represents Vienna Insurance Group in the life insurance segment. The VIG companies hold fourth place in the market with a share of 3.1%, and grew faster than the market in the first three quarters of 2011.

Hungary
The effects of the difficult economic situation in Hungary were also apparent in the insurance market, which recorded an overall decline of 2.7% in 2011. Non-life premium volume fell by 5.0% compared to the previous year. This decline was primarily due to lower premium volume in the motor vehicle segment. Besides motor vehicle products, non-life insurance otherwise showed a positive trend, in particular casualty insurance. Life insurance, which represents 54% of total premium volume in Hungary, showed a decline of 0.6% in premium income.

VIG is represented in Hungary by Union Biztosító and Erste Biztosító, which sells its life insurance products through the branch network of Erste Bank Hungary. Both companies performed very well in 2011, in spite of difficult conditions, and hold seventh place in the market with a combined market share of 4.8%.

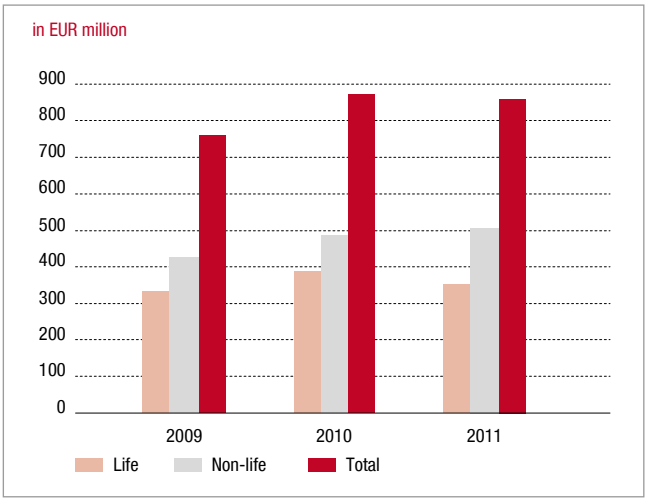
Business development in the Remaining Markets segment in 2011

The companies in Belarus, Bosnia-Herzegovina, Montenegro and Russia were not included in the Vienna Insurance Group consolidated financial statements.

Premium development

Vienna Insurance Group wrote a total of EUR 856.81 million in premiums in the Remaining Markets segment in 2011 (2010: EUR 871.72 million). This is a decrease of 1.7%. Net earned premiums were EUR 768.38 million (2010: EUR 785.04 million), a decrease of 2.1% compared to 2010.

PREMIUMS WRITTEN REMAINING MARKETS SEGMENT



The Remaining Markets segment generated EUR 506.09 million in non-life insurance premiums in 2011 (2010: EUR 488.10 million). This increase of 3.7% over the previous year resulted to a large extent from consolidation of UIG and the Georgian Group companies.

In the life insurance sector, the premium income of the Vienna Insurance Group companies in the Remaining Markets segment decreased by 8.6% to EUR 350.72 million in 2011 (2010: EUR 383.62 million). This decline was primarily due to poor single-premium business in Liechtenstein.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits were EUR 539.24 million in 2011 (2010: EUR 577.24 million). This corresponds to a decrease of 6.6% in expenses for claims and insurance benefits (less reinsurance) compared to the previous year.

Acquisition and administrative expenses

Vienna Insurance Group recorded a slight increase from EUR 217.14 million to EUR 221.97 million in acquisition and administrative expenses in the Remaining Markets segment in 2011.

Profit before taxes

The Vienna Insurance Group companies in the Remaining Markets segment recorded a loss of EUR 4.47 million in 2011. This was primarily due to write-downs of customer bases and insurance portfolios in the amount of EUR 38.49 million.

Combined ratio of 105.5%

Vienna Insurance Group had a combined ratio of 105.5% in the Remaining Markets segment (2010: 107.2%).

VIENNA INSURANCE GROUP IN THE REMAINING MARKETS SEGMENT*

	2011	2010	2009
in EUR million			
Premiums written	**856.81**	**871.72**	**758.54**
Life	350.72	383.62	331.52
Non-life	506.09	488.10	427.02
Profit before taxes	**-4.47**	**-0.44**	**-3.77**

* Albania, Estonia, Latvia, Lithuania and Macedonia included since 2009; Georgia included since 1 July 2010.

Significant events after the balance sheet date

The Company and Wiener Städtische Wechselseitige concluded an agreement on 1 January 2012 concerning Neue Heimat Oberösterreich Holding GmbH, Vienna, and the non-profit housing societies it owns. The subject matter of the agreement was a capital injection by Wiener Städtische Wechselseitige under the terms of a capital increase, together with a share purchase and passage of control rights.

Research and development

Vienna Insurance Group performs research and development in the area of IT applications.

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 66-84.

Internal control and risk management system in the accounting process

Work is being done with a consultancy on the documentation for the annual financial statement preparation process as part of the Solvency II project that is currently underway. 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 statement 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 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 § 243a of the Austrian Commercial Code (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 Wechselseitige (directly or indirectly) holds approximately 70% of the share capital.

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

5. Employees who hold shares exercise their voting rights directly during the Annual 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 Wechselseitige has the right to appoint up to one third of the members of the Supervisory Board if, and so long as, it does not hold more than 50% of the Company's voting shares. Annual 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, in one or more tranches on or before 28 June 2015, by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares against cash or in-kind contributions. 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 preferred shares may also be issued with rights equivalent to those of existing preferred shares. The issue prices of ordinary and preferred shares may differ.
b) The Annual 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 § 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 Annual 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.
d) The Annual 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 has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.
The Annual General Meeting of 24 April 2009 authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65 (1) nos. 4 and 8 AktG to the maximum extent permissible by law during a period of 30 months following the date the Annual General Meeting resolution was adopted. The amount paid upon repurchase of the Company's own shares may not be more than a maximum of 50% below, or more than a maximum of 10% above, the average unweighted stock exchange closing price on the ten stock exchange trading days preceding repurchase. The Managing Board may choose to make the purchase via the stock exchange, through a public offer or in any other legally permissible and expedient manner. The Managing Board has made no use of this authorisation. The Company held none of its own shares as at 31 December 2011.

8. As of 31 December 2011, 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 2012

Austria

International market scepticism resulting from the sovereign debt crisis spread across almost all of Europe during the course of 2011, including Austria. In the end, the rating agency Standard & Poor's downgraded Austria's credit rating from AAA to AA+ at the beginning of 2012 and Moody's reduced its outlook to negative. This considerably increased efforts to cut future government spending, which is likely to have a dampening effect on the economy. The Austrian export industry will also be negatively affected by the restrictive economic policies of important trading partners, such as Italy and Hungary. According to WIFO (Österreichisches Institut für Wirtschaftsforschung, Austrian Institute for Economic Research), GDP grew by 3.2% in 2011 based on data available as of January 2012. A significantly lower GDP growth rate of 0.4% is expected for 2012.

The labour market situation can also be expected to deteriorate due to the slowdown in the economy. According to WIFO projections, employment growth will slow in 2012, accompanied by an increase in the unemployment rate to slightly more than 7%.

Like many European economies, Austria is confronting increasingly significant changes in its demographic structure. Unlike previous years, the number of deaths is likely to exceed births for the first time in 2012. And while the number of individuals turning 18 is falling, the number celebrating their 65th birthday is rising. Using these two ages as indicators for entry and exit into the workforce also reveals demographic challenges in this area.

According to WIFO, there is still no doubt about the stability of the Austrian and international banking systems. The possibility that banks might limit lending due to a need to satisfy equity capital ratios is considered a manageable risk.

With respect to the Austrian insurance industry, the Austrian Association of Insurance Companies (VVO) is expecting premium growth of 1.3% in 2012. The decline of 1.7% (based on present available data) in the previous year was worse in comparison due to the drop in single-premium business.

The potential for future growth in the life insurance sector is currently being overshadowed by financial market uncertainty and a general tendency to use up savings. Growth in the life insurance sector is also highly dependent on legislation. As of the editorial deadline, for example, a draft law for a government austerity package was being discussed in Austria that would cut in half government funding for government-sponsored pension plans starting in 2012.

VVO expects a slight decrease of 0.5% for the life insurance sector in 2012 compared to the previous year. Due to the reduction in government funding for government-sponsored pension plans mentioned above, VVO expects income from regular premium policies to decline by 0.6% compared to 2011. Single-premium policies, which recorded a sharp drop in 2011, are expected to stabilise at the current level in 2012. Health insurance premium income is expected to increase by 3.2% in 2012, essentially the same rate as the previous year.

VVO expects premium growth of 2.5% in the property and casualty segment in 2012 (as compared to 2011: +2.9%). After many years of declining premiums and zero growth in 2011, motor vehicle third-party liability premiums are once again expected to grow slightly by 0.3%. Motor vehicle own-damage and passenger insurance is expected to grow by 2.5% in 2012.

CEE region

Crisis year 2009 and the accompanying recession had a major effect on many countries in Central and Eastern Europe, particularly with respect to labour markets, investment and increasing debt. Most CEE countries will continue to be confronted by these effects in 2012. Due to budget consolidation, governments have less freedom of action and unemployment remains at a relatively high level. After a temporary interruption in growth, however, the process of catching up with Western Europe taking place in CEE countries is resuming.

The Vienna Institute for International Economic Studies (Wiener Institut für Internationale Wirtschaftsvergleiche – wiiw) is forecasting GDP growth of 2.4% for the new European member countries (NMS-10) in 2012. Its growth forecast for the European Union as a whole, however, is only 0.7%. This comparison shows clearly that the countries of Central and Eastern Europe are growing faster in terms of economic output than Western Europe.

The CEE is, however, still a heterogenous region. wiiw, for example, expects GDP to grow in 2012 by 3.3% in Poland but only 0.3% in Hungary.

Overall, the CEE region will be confronted with three major challenges in 2012. First, Central and Eastern Europe face currency risks, as a great deal of borrowing was done in foreign currencies in the past. Second, the region's exports are heavily dependent on Western Europe. And third, the banking system is also closely interwoven with the rest of Europe.

Insurers in EU member states also face another challenge. The introduction of Solvency II, with implementation planned for the beginning of 2013, is greatly affecting business activities and could lead to another wave of consolidation among small insurance companies.

Non-life insurance, which still currently represents, by far, the larger share of total premium volume in the CEE region, will feel the greatest effects of a slowdown in economic momentum. Swiss Re nevertheless expects solid growth of 4.3% for this segment in Eastern Europe in 2012. In contrast, global growth is only expected to be 2.6%.

Swiss Re is forecasting strong growth in the life insurance segment, particularly over the long term. The increasing prosperity of private households, healthcare and pension reforms, and increasing public awareness are helping to maintain demand for life insurance products in the region. A general European trend toward greater consumer demand for less complex products has been identified for this segment. Insurance providers will increasingly promote products with hedging components and sell less pure savings products.

On the whole, the low insurance penetration rate in the CEE region compared to Western Europe continues to offer great potential for organic growth. Since, as previously mentioned, economic conditions vary greatly among the different countries of this region, using a differentiated market strategy will continue to provide a major advantage in the future.

Vienna Insurance Group – outlook

Vienna Insurance Group is committed to following clear principles that have proven themselves even under difficult conditions and is currently in a stronger position than ever before. Premium volume has never been as high and VIG has never achieved better consolidated profits than in 2011. Management is therefore proposing that the dividend be increased to EUR 1.10. This makes the expected dividend rate consistent with VIG's predictable and transparent dividend policy.

The priority in 2012 will be on promoting further organic growth, that is, conducting operations using existing companies. This does not rule out acquisitions that would be a good fit for the current insurance portfolio.

VIG aims to continue growing faster than the market in coming years. The goal is to gain a clear competitive edge as the leading insurance group in Central and Eastern

Europe through the best customer service. VIG feels that possibilities exist for better exploiting the markets in the Balkan countries and Ukraine. VIG would also like to further expand its position in other countries, such as Poland. In light of the situation in European markets VIG expects if at all to be negatively affected at times by sluggish revenues due to the slowdown in consumption.

VIG will continue to follow its policy of using a diversified local market presence and a conservative investment strategy in order to further strengthen its earning power. At the same time, given the economic environment, Vienna Insurance Group will continue efforts to keep volatility as low as possible. VIG is continuously looking for areas of potential savings and the best use that can be made of them. VIG has set itself a goal of continuously optimising profitability. The planned cost reduction of EUR 20-25 million will primarily be achieved by more efficient administration, particularly in the companies in the CEE region, and increasing harmonisation of IT infrastructure within the Group.

CONSOLIDATED FINANCIAL STATEMENTS

VIENNA INSURANCE GROUP

Consolidated financial statements in accordance with IFRS	31.12.2011
Reporting period	1.1.2011 - 31.12.2011
Balance sheet as of previous reporting date	31.12.2010
Income statement as of previous reporting period	1.1.2010 - 31.12.2010
Currency	EUR

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011

ASSETS	Notes	31.12.2011	31.12.2010
in EUR '000			
A. Intangible assets	**1**		
I. Goodwill	A	1,762,284	1,796,692
II. Purchased insurance portfolios	B	75,320	111,029
III. Other intangible assets	C	544,820	196,438
Total intangible assets		**2,382,424**	**2,104,159**
B. Investments			
I. Land and buildings	2,D	4,416,954	4,071,079
II. Shares in at equity consolidated companies	3+4	120,878	116,163
III. Financial instruments	E	23,547,560	23,972,279
a) Loans and other investments	5	4,602,417	4,567,785
b) Other securities	6	18,945,143	19,404,494
Financial instruments held to maturity		3,110,720	3,060,983
Financial instruments available for sale		15,188,119	14,987,016
Financial instruments recognised at fair value through profit and loss*		646,304	1,356,495
Total investments		**28,085,392**	**28,159,521**
C. Investments for unit- and index-linked life insurance	**7, F**	**5,502,790**	**5,478,603**
D. Reinsurers' share in underwriting provisions	**8, G**	**1,117,063**	**1,118,289**
E. Receivables	**9, H**	**1,581,517**	**1,681,458**
F. Tax receivables and advance payments out of income tax	**10, I**	**80,447**	**68,432**
G. Deferred tax assets	**11, J**	**123,519**	**107,600**
H. Other assets	**12, K**	**328,382**	**358,824**
I. Cash and cash equivalents	**13**	**568,117**	**396,030**
Total ASSETS		**39,769,651**	**39,472,916**

* Including trading assets

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2011	31.12.2010
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		1,961,997	1,723,519
V. Other reserves		-68,847	172,401
VI. Non-controlling interests		419,001	396,235
Total shareholders' equity		**5,049,643**	**5,029,647**
B. Subordinated liabilities	**15**	**531,232**	**539,410**
C. Underwriting provisions			
I. Provision for unearned premiums	16, L	1,232,400	1,223,337
II. Mathematical reserve	17, M	18,339,607	18,231,511
III. Provision for outstanding claims	18, N	3,938,416	3,767,715
IV. Provision for profit-unrelated premium refunds	19, O	58,565	65,444
V. Provision for profit-related premium refunds	19, P	397,039	701,858
VI. Other underwriting provisions	20, Q	26,510	27,975
Total underwriting provisions		**23,992,537**	**24,017,840**
D. Underwriting provisions for unit- and index-linked life insurance	**21, R**	**5,329,381**	**5,227,930**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	22, S	302,002	309,801
II. Other provisions	23, T	257,324	247,718
Total non-underwriting provisions		**559,326**	**557,519**
F. Liabilities	**24, U**	**3,904,355**	**3,675,373**
G. Tax liabilities out of income tax	**25**	**62,818**	**64,170**
H. Deferred tax liabilities	**11**	**124,117**	**127,399**
I. Other liabilities	**26**	**216,242**	**233,628**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**39,769,651**	**39,472,916**

CONSOLIDATED SHAREHOLDERS' EQUITY

Change in consolidated shareholders' equity in financial years 2011 und 2010

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 2010	**132,887**	**2,109,003**	**495,602**	**1,478,447**	**123,341**	**4,339,280**	**289,293**	**4,628,573**
Changes in scope of consolidation / ownership interests	0	0	0	20,520	2,083	22,603	80,738	103,341
Total profit of the period including other comprehensive income after taxes	0	0	0	379,752	46,977	426,729	31,586	458,315
Dividend payment*	0	0	0	-155,200	0	-155,200	-5,382	-160,582
As of 31 December 2010	**132,887**	**2,109,003**	**495,602**	**1,723,519**	**172,401**	**4,633,412**	**396,235**	**5,029,647**
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		-268	-249	-517
Total profit of 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 31 December 2011	**132,887**	**2,109,003**	**495,602**	**1,961,997**	**-68,847**	**4,630,642**	**419,001**	**5,049,643**

* 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 the companies accounted for under the equity method is EUR 11,004,000 (EUR 5,013,000).

Composition Other reserves	31.12.2011	31.12.2010
Unrealised gains and losses	-40,920	144,650
Currency reserve	-27,927	27,751
Total	**-68,847**	**172,401**

Unrealised gains and losses from investments	31.12.2011	31.12.2010
Bonds	8,931	174,876
Shares and other participations	56,672	256,068
Investment funds	-78,095	-20,474
Other investments	0	262
	-12,492	**410,732**
less:		
Deferred profit participation	-48,195	-227,688
Deferred taxes	19,355	-36,828
Non-controlling interests	412	-1,566
Total	**-40,920**	**144,650**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 DECEMEBER 2011

in EUR '000	Notes	2011	2010
Premiums	**28**		
Premiums written – gross		**8,883,665**	**8,593,012**
Premiums written – reinsurers' share		-738,644	-722,092
Premiums written – retention		**8,145,021**	**7,870,920**
Change in unearned premiums – gross		-32,959	-9,850
Change in unearned premiums – reinsurers' share		10,755	-704
Net earned premiums – retention		**8,122,817**	**7,860,366**
Financial result excluding at equity consolidated companies	**29**		
Income from investments		1,676,144	1,704,332
Expenses for investments and interest expenses		-755,539	-592,909
Total financial result excluding at equity consolidated companies		**920,605**	**1,111,423**
Result from shares in at equity consolidated companies	**30**	**11,004**	**5,013**
Other income	**31**	**115,360**	**93,839**
Expenses for claims and insurance benefits	**32**		
Expenses for claims and insurance benefits – gross		-6,920,004	-7,007,787
Expenses for claims and insurance benefits – reinsurers' share		384,039	466,439
Total expenses for claims and insurance benefits		**-6,535,965**	**-6,541,348**
Acquisition and administrative expenses	**33**		
Acquisition expenses		-1,521,130	-1,509,051
Administrative expenses		-349,903	-359,190
Reinsurance commissions		118,381	108,364
Total acquisition and administrative expenses		**-1,752,652**	**-1,759,877**
Other expenses	**34**	**-322,161**	**-261,627**
Profit before taxes		**559,008**	**507,789**
Tax expense	**35**	**-117,099**	**-94,539**
Profit of the period		**441,909**	**413,250**
thereof attributable to Vienna Insurance Group shareholders		*406,746*	*379,752*
thereof non-controlling interests in net profit for the period	*14*	*35,163*	*33,498*
Earnings per share*	14		
Undiluted = diluted earnings per share (in EUR)		2.87	2.65

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

OTHER COMPREHENSIVE INCOME

in EUR '000	31.12.2011	31.12.2010
Profit of the period	**441,909**	**413,250**
+/- Exchange rate changes through equity	-56,184	13,721
+/- Unrealised gains and losses from financial instruments available for sale	-237,244	38,515
Taxes on other comprehensive income*	49,697	-7,171
Other comprehensive income after taxes (Total)	**198,178**	**458,315**
thereof attributable to Vienna Insurance Group shareholders	*165,498*	*426,729*
thereof non-controlling interests	*32,680*	*31,586*

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

in EUR '000	2011	2010
Profit of the period	**441,909**	**413,250**
Change in underwriting provisions net	464,526	1,759,443
Change in underwriting receivables and liabilities	338	-93,484
Change in deposit receivables and liabilities, as well as in reinsurance receivables and liabilities	53,421	-33,059
Change in other receivables and liabilities	-18,070	182,731
Change in securities held for trading	50,092	27,453
Gain/loss from disposal of investments	-79,725	-144,732
Depreciation/appreciation of all other investments	312,519	134,836
Change in pension, severance and other personnel provisions	-7,797	2,361
Change in deferred tax asset/liability excl. tax liabilities	53,658	-18,803
Change in other balance sheet items	23,028	-28,372
Change in goodwill and other intangible assets	33,373	8,646
Other cash-neutral income and expenses and adjustments to the result of the period	210,985	-115,603
Cash flow from operating activities	**1,538,257**	**2,094,667**
Cash inflow from the sale of fully and at equity consolidated companies	0	21,825
Payments for the acquisition of fully and at equity consolidated companies	-26,015	-248,313
Cash inflow from the sale of securities available for sale	3,203,241	2,011,857
Payments for the acquisition of available for sale securities	-3,465,122	-3,179,061
Cash inflow from the sale of securities held to maturity	356,298	430,831
Payments for the addition of securities held to maturity	-411,498	-476,609
Cash inflow from the sale of land and buildings	43,519	138,530
Payments for the acquisition of land and buildings	-482,064	-348,116
Change in unit- and index-linked life insurance items	-279,711	-412,002
Change in other investments	-70,755	49,119
Cash flow from investing activities	**-1,132,107**	**-2,011,939**
Decrease/increase in subordinated liabilities	-7,500	-5,914
Dividend payments	-177,664	-160,582
Cash in- and outflow from other financing activities	-58,839	-25,275
Cash flow from financing activities	**-244,003**	**-191,771**
Change in cash and cash equivalents	**162,147**	**-109,043**
Cash and cash equivalents at beginning of period	**396,030**	**484,523**
Change in cash and cash equivalents	162,147	-109,043
Change in scope of consolidation	6,537	36,352
Effects of foreign currency exchange differences on cash and cash equivalents	3,403	-15,802
Cash and cash equivalents at end of period	**568,117**	**396,030**
thereof non-profit housing societies	*117,480*	*106,073*
Additional information		
Received interest	775,015	747,433
Received dividends	177,083	182,683
Interest paid	67,168	58,744
Income taxes paid	84,444	76,578
Expected cash flow from reclassified securities	**47,905**	**50,062**
Effective interest rate of reclassified securities	**5.07%**	**5.41%**

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY BUSINESS LINES

ASSETS	Property/Casualty		Life		Health		Total	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000								
A. Intangible assets	1,346,322	1,173,367	1,036,048	930,759	54	33	**2,382,424**	**2,104,159**
B. Investments	8,311,376	8,217,807	18,812,966	18,947,060	961,050	994,654	**28,085,392**	**28,159,521**
C. Investments for unit- and index-linked life insurance	0	0	5,502,790	5,478,603	0	0	**5,502,790**	**5,478,603**
D. Reinsurers'share in underwriting provisions	995,257	989,125	120,132	127,695	1,674	1,469	**1,117,063**	**1,118,289**
E. Receivables	986,317	1,111,754	565,248	545,129	29,952	24,575	**1,581,517**	**1,681,458**
F. Tax receivables and advance payments out of income tax	62,616	56,424	17,831	11,821	0	187	**80,447**	**68,432**
H. Other assets	153,902	188,437	164,593	163,638	9,887	6,749	**328,382**	**358,824**
I. Cash and cash equivalents	298,216	220,266	235,706	149,123	34,195	26,641	**568,117**	**396,030**
Subtotal	**12,154,006**	**11,957,180**	**26,455,314**	**26,353,828**	**1,036,812**	**1,054,308**	**39,646,132**	**39,365,316**
Deferred tax assets							123,519	107,600
Total ASSETS							**39,769,651**	**39,472,916**

LIABILITIES AND SHAREHOLDERS' EQUITY	Property/Casualty		Life		Health		Total	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000								
B. Subordinated liabilities	312,777	314,339	217,955	224,571	500	500	**531,232**	**539,410**
C. Underwriting provisions	4,796,718	4,638,882	18,215,473	18,456,683	980,346	922,275	**23,992,537**	**24,017,840**
D. Underwriting provision for unit- and index-linked life insurance	0	0	5,329,381	5,227,930	0	0	**5,329,381**	**5,227,930**
E. Non-underwriting provisions	387,065	348,554	144,428	176,237	27,833	32,728	**559,326**	**557,519**
F. Liabilities	3,443,246	3,084,129	438,989	532,774	22,120	58,470	**3,904,355**	**3,675,373**
G. Tax liabilities out of income tax	52,099	40,389	10,719	11,769	0	12,012	**62,818**	**64,170**
I. Other liabilities	54,158	59,778	160,349	173,036	1,735	814	**216,242**	**233,628**
Subtotal	**9,046,063**	**8,486,071**	**24,517,294**	**24,803,000**	**1,032,534**	**1,026,799**	**34,595,891**	**34,315,870**
Deferred tax liabilities							124,117	127,399
Shareholders' equity							5,049,643	5,029,647
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**39,769,651**	**39,472,916**

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 business line.

SEGMENT REPORTING

CONSOLIDATED INCOME STATEMENT BY BUSINESS LINES AND REGIONS

BUSINESS LINES	Property/Casualty		Life		Health		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
in EUR '000								
Premiums written – gross	4,579,297	4,350,042	3,944,217	3,904,807	360,151	338,163	**8,883,665**	**8,593,012**
Net earned premiums	3,844,750	3,644,326	3,916,099	3,875,751	361,968	340,289	**8,122,817**	**7,860,366**
Financial result excl. at equity consolidated companies	193,939	172,949	687,443	919,742	39,223	18,732	**920,605**	**1,111,423**
Result from shares in at equity consolidated companies	8,100	5,253	2,904	-240	0	0	**11,004**	**5,013**
Other income	72,128	61,697	43,206	31,416	26	726	**115,360**	**93,839**
Expenses for claims and insurance benefits	-2,531,267	-2,437,527	-3,695,786	-3,821,224	-308,912	-282,597	**-6,535,965**	**-6,541,348**
Acquisition and administrative expenses	-1,080,679	-1,046,793	-628,468	-672,881	-43,505	-40,203	**-1,752,652**	**-1,759,877**
Other expenses	-235,463	-177,187	-85,587	-84,100	-1,111	-340	**-322,161**	**-261,627**
Profit before taxes	**271,508**	**222,718**	**239,811**	**248,464**	**47,689**	**36,607**	**559,008**	**507,789**

REGIONS	Austria		Czech Republic		Slovakia		Poland	
	2011	2010	2011	2010	2011	2010	2011	2010
in EUR '000								
Premiums written – gross	4,042,221	4,041,135	1,848,856	1,756,539	678,834	647,871	954,073	747,693
Net earned premiums	3,634,571	3,701,866	1,722,303	1,615,565	617,377	594,384	889,060	682,878
Financial result excl. at equity consolidated companies	612,363	787,155	125,493	120,014	44,209	42,529	44,968	55,188
Result from shares in at equity consolidated companies	8,998	5,685	2,006	-672	0	0	0	0
Other income	29,143	30,545	37,944	21,127	6,960	7,885	8,307	6,137
Expenses for claims and insurance benefits	-3,291,098	-3,593,508	-1,195,543	-1,123,980	-478,931	-467,082	-651,008	-454,848
Acquisition and administrative expenses	-623,321	-648,765	-425,424	-395,435	-97,113	-92,199	-242,425	-254,131
Other expenses	-79,074	-32,094	-77,060	-69,287	-35,272	-48,202	-11,130	-11,041
Profit before taxes	**291,582**	**250,884**	**189,719**	**167,332**	**57,230**	**37,315**	**37,772**	**24,183**

	Romania		Remaining markets		Total	
	2011	2010	2011	2010	2011	2010
in EUR '000						
Premiums written – gross	502,869	528,050	856,812	871,724	**8,883,665**	**8,593,012**
Net earned premiums	491,130	480,631	768,376	785,042	**8,122,817**	**7,860,366**
Financial result excl. at equity consolidated companies	22,996	41,150	70,576	65,387	**920,605**	**1,111,423**
Result from shares in at equity consolidated companies	0	0	0	0	**11,004**	**5,013**
Other income	17,385	14,248	15,621	13,897	**115,360**	**93,839**
Expenses for claims and insurance benefits	-380,142	-324,686	-539,243	-577,244	**-6,535,965**	**-6,541,348**
Acquisition and administrative expenses	-142,398	-152,204	-221,971	-217,143	**-1,752,652**	**-1,759,877**
Other expenses	-21,798	-30,626	-97,827	-70,377	**-322,161**	**-261,627**
Profit before taxes	**-12,827**	**28,513**	**-4,468**	**-438**	**559,008**	**507,789**

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 Wechselseitige 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 25 countries of Central and Eastern Europe.

Vienna Insurance Group operates in the property/casualty, life and health insurance business lines. 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), Romania and Remaining Markets.

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

Summary of significant accounting policies

The consolidated financial statements as of 31 December 2011 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 § 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) recognised at fair value through profit or loss.

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 56.

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 reporting year

The newly applicable rules (amended standards, new and amended interpretations) that are required to be applied for the first time in the reporting 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 2011 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. Applying this calculation method to the reporting period from 1 January 2011 to 31 December 2011, accumulated actuarial gains and losses of 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. The effects of IFRS 9 on Vienna Insurance Group's net assets, financial position and results of operations, and on the presentation within the Group, are evaluated by the Group's Managing Board on a continuing basis. Transposition into European law remains outstanding.

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 2013. Transposition into European law remains outstanding.

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. Transposition into European law remains outstanding.

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. A total of 43 Austrian and 60 foreign companies is included in the consolidated financial statements. Subsidiaries that were not of material importance were not included within the scope of consolidation. 20 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 four Austrian companies and 13 foreign companies using the equity method. In accordance with the requirements of IAS 39 "Financial instruments", 30 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.

First-time inclusion of a subsidiary is performed using the purchase method by allocating the acquisition cost to the identifiable assets and liabilities of the acquired company. The acquisition costs equal the fair value of the assets given, the equity instruments issued and the debt incurred or taken on at the time of the transaction (date of exchange). The amount by which the acquisition cost of the subsidiary exceeds the fair value of the net assets acquired is recognised as goodwill. If the fair value of the net assets acquired exceeds the acquisition cost (negative differences from capital consolidation) after a second critical appraisal of the recognition and measurement of the assets and liabilities acquired, Vienna Insurance Group recognises this excess amount as income in the income statement.

In 2011, the following changes occurred in the scope of consolidation:

During the reporting period from 1 January 2011 to 31 December 2011, Vienna Insurance Group included the following new subsidiaries in the consolidated financial statements:

Companies acquired	Interest acquired in %	Date of first consolidation	Goodwill
in EUR million			
VIG BM	100.00	01.10.2011	0.00

Expansion of the scope of consolidation	Interest in %	Date of first consolidation	Goodwill
in EUR million			
Interalbanian	78.33	01.01.2011	3.86
Central Point GmbH	88.00	01.07.2011	0.00
Donau Brokerline GmbH	100.00	01.01.2011	0.00
DVIB GmbH	100.00	01.01.2011	0.00
MH 54 GmbH	100.00	01.07.2011	0.00
V.I.G.ND	100.00	01.01.2011	0.00

It should be noted that the purchase price allocation for the newly consolidated companies is still provisional and that all company purchases were made with cash or cash equivalents.

Additional intangible assets of EUR 2,754,000 were recognised in the financial year as a result of the final purchase price allocations for the first-time consolidations of the Georgian companies that occurred in the previous year.

Previously included in the consolidated financial statements under the equity method, Koordita was merged into V.I.G.ND in financial year 2011. V.I.G.ND becomes a fully consolidated subsidiary.

Information on the companies included in the consolidated financial statements as of 31 December 2011 by means of full consolidation and those included using the equity method is provided in Note 4 “Participations” in the notes to the consolidated financial statements.

Founded companies	Interest in %	Foundation date
in EUR million		
SVZ GmbH	100.00	13.08.2011
SVZI GmbH	100.00	24.08.2011
VIG Real Estate GmbH	100.00	26.02.2011
VIG CZ Real Estate GmbH	100.00	28.06.2011

The following additions were made due to first-time consolidation or a change in the consolidation method of the companies listed below (based on data reported by the companies):

Balance sheet

in EUR '000	
Intangible assets	388,527
Investments	313,204
Reinsurers' share in underwriting provisions	1,144
Receivables (incl. tax receivables and advance payments out of income tax)	8,233
Other assets (incl. deferred tax assets)	2,511
Cash and cash equivalents	26,686
Total ASSETS	**740,306**
Shareholders' equity	218,158
Underwriting provisions	3,941
Non-underwriting provisions	275
Liabilities (incl. tax liabilities out of income tax)	498,818
Other liabilities (incl. deferred tax liabilities)	19,114
Total LIABILITIES AND SHAREHOLDERS' EQUITY	**740,306**

Based on the reported data shown above, purchase price allocations were performed during first-time consolidation, in which assets and liabilities were identified, reassessed and valued. This procedure led to additional assets of EUR 7,861,000 being recognised.

Income statement

in EUR '000	
Net earned premiums	4,419
Financial result	-2,397
Other income	7
Expenses for claims and insurance benefits	-2,064
Acquisition and administrative expenses	642
Other expenses	-105
Profit before taxes	**502**

The figures shown above reflect the actual dates of first consolidation, as indicated in the “Expansion of the scope of consolidation” table on page 50.

Non-profit housing societies

The following non-profit housing societies are included in Vienna Insurance Group's consolidated financial statements:

- Alpenländische Heimstätte GmbH
- Erste Heimstätte GmbH
- Gemeinnützige Industrie-Wohnungsaktiengesellschaft
- Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH
- Neue Heimat Oberösterreich GmbH
- Neuland GmbH
- Schwarzatal GmbH
- Sozialbau AG
- Urbanbau 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 consolidated non-profit housing societies was EUR 57,245,000 (EUR 56,512,000).

The share of all non-profit housing societies in the real estate portfolio of Vienna Insurance Group is EUR 2,911,184,000 (EUR 2,815,639,000).

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/casualty and health insurance areas as well, and are treated as insurance policies in accordance with IFRS 4.

Net income participation in life insurance exists essentially in the form of participation in the adjusted gross income of the balance sheet unit in question, calculated according to national accounting requirements. Net income or profit participation amounts that have already been allocated or committed to policyholders are reported in the mathematical reserve. Amounts reported in the local annual financial statements 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. Net unrealised losses are offset against any existing provision for deferred profit-related premium refunds and provision for future profit appropriation, with any remaining asset balance being 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. No changes were made in accounting rules as compared to the various national accounting requirements. 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 the 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:

Denomination	Currency	Period-end exchange rate 2011	Average exchange rate 2011
		1 EUR ≙	1 EUR ≙
Albanian lek	ALL	138.9300	140.6425
Bosnia-Herzegovinan convertible mark	BAM	1.9558	1.9558
British pound	GBP	0.8353	0.8679
Bulgarian lev	BGN	1.9558	1.9558
Georgian lari	GEL	2.1614	2.3540
Croatian kuna	HRK	7.5370	7.4390
Latvian lats	LVL	0.6995	0.7063
Lithuanian litas	LTL	3.4528	3.4528
Macedonian denar	MKD	61.5050	61.5340
Turkish new lira	TRY	2.4432	2.3378
Polish zloty	PLN	4.4580	4.1206
Romanian leu	RON	4.3233	4.2391
Russian rouble	RUB	41.7650	40.8846
Swiss franc	CHF	1.2156	1.2326
Serbian dinar	RSD	104.6409	101.9502
Czech koruna	CZK	25.7870	24.5898
Ukraine hryvnia	UAH	10.2981	11.0847
Hungarian forint	HUF	314.5800	279.3726
U.S. dollar	USD	1.2939	1.3920
Belarusian rouble	BYR	10,800.0000	7,313.4167

Impairment

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 is to be recognised 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	
	2011	2010	2011	2010
in %				
Austria	7.83	7.47	3	3
Czech Republic	8.53	8.75	2 -3	2 -5
Slovakia	8.68	8.75	3	3
Poland	8.98	8.97	3	3
Romania	10.23	10.47	4 -7	3 -9
Remaining markets	10.49	11.39	3 -7	3 -13

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.

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 book value of the participation carried forward.

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 on the discounted cash flow method or through an estimate by management as to what amounts could be realised from an orderly sale under current market conditions (level 2).
- The fair value of certain financial instruments, particularly 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 is here 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 55.

Information on the nature and extent of risks arising from financial instruments is provided in the section titled "Risk reporting" on page 66.

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 acquisition cost carried forward. Acquisition cost carried forward 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 acquisition cost carried forward. Acquisition cost carried forward is determined using the effective interest rate of the financial instrument 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 "trading assets" and "available-for-sale" categories if the following conditions are satisfied:

- Financial instruments in the "trading assets" 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 "trading assets" 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 "trading assets" 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 December 2011 and 31 December 2010 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 reported at cost less impairment losses for expected uncollectible amounts. Receivables from policyholders can also be measured at cost. In this case, 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 expense comprises 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 carry-forwards 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	31.12.2011	31.12.2010
in %		
Austria	25	25
Czech Republic	19	19
Slovakia	19	19
Poland	19	19
Romania	16	16
Albania	10	10
Bulgaria	10	10
Germany	30	30
Estonia*	0	0
Georgia	15	15
Croatia	20	20
Latvia	15	15
Liechtenstein	12.5	20
Lithuania	15	15
Macedonia*	0	0
Netherlands**	25	25.5
Serbia	10	10
Turkey	20	20
Ukraine***	23	25
Hungary****	19	19

* 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 20% and 10%, respectively.

** 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.

*** The tax rate in the Ukraine was 25% until 31 March 2011 and was reduced to 23% as of 1 April 2011. A further reduction to 21% will take place on 1 January 2012.

****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.

Underwriting provisions

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 unearned premiums in the property/casualty insurance area (10% for motor vehicle liability insurance), corresponding to an amount of EUR 34,673,000 (EUR 26,952,000). No acquisition costs in excess of this figure are capitalised. For foreign companies, in the property/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 unearned premiums.

MATHEMATICAL RESERVE (M)

Life insurance mathematical reserves are calculated using the prospective method as the actuarial present value of obligations (including declared and allocated profit shares and an administrative cost provision) 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 mathematical 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 mathematical 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 mathematical reserves. In accordance with national requirements, negative mathematical reserves resulting from zillmerisation are set to zero for Austrian insurance companies. Negative mathematical reserves are not set to zero for Group subsidiaries with registered offices outside Austria. These negative mathematical reserves are recognised in the mathematical reserve item in the consolidated financial statements. The following average discount rates are used to calculate mathematical reserves:

As of 31 December 2011: 3.12%
As of 31 December 2010: 3.14%

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

Health insurance mathematical 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 claims frequencies used to calculate the mathematical reserve derive primarily from analyses conducted on the Group's own insurance portfolio. As a rule, the mortality tables used correspond to published mortality tables.

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

As of 31 December 2011: 3.03%
As of 31 December 2010: 3.00%

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/Casualty insurance" and "Health insurance" segments, and pertain to premium refunds in certain insurance classes that are contractually guaranteed to policyholders in the event that there are no claims or a low level of claims. These provisions are formed at the individual policy level 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 entitled "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 2010 and 31 December 2011.

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 2011 and 31 December 2010 are based on the following assumptions:

Pension assumptions	2011	2010
Interest rate	4.50%	4.25%
Pension and salary increases	2%	2%
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)

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

SEVERANCE OBLIGATIONS

Vienna Insurance Group is required according to law, supplemented by collective agreements, to make a severance payment to all employees in Austria whose contracts are terminated by their employer or 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' 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, distributed over the average remaining period of service of all employees ("corridor method").

The calculations for 31 December 2011 and 31 December 2010 are based on the following assumptions:

Severance payment assumptions	2011	2010
Interest rate	4.50%	4.25%
Pension and salary increases	2.25%	2%
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 acquisition cost carried forward. This also applies to liabilities arising from financial insurance policies.

Net earned premiums*

As a rule, deferred premiums (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 § 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/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
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.

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 guidelines relating to investments and reinsurance 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 where claims are settled quickly (for example, natural catastrophes, fire, technology, transport, storm, burglary, household, water pipes, comprehensive motor insurance claims) and the number of reinsurers is higher, the preferred rating is a Standard & Poor's rating of 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 (ERM) department is responsible for Group-wide risk management and for implementing the European Solvency II Directive, and reports to the Managing Board. 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.

INTERNATIONAL ACTUARIAL SERVICES

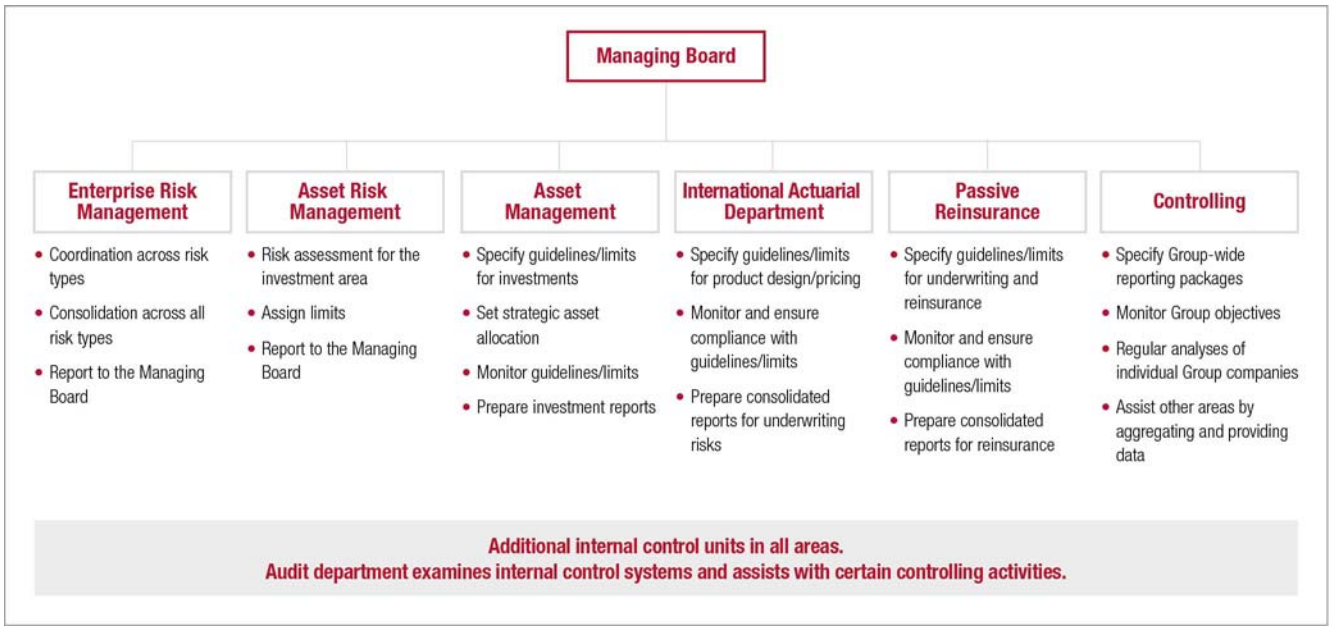
Underwriting risks are managed by the Group's international actuarial department. This department subjects all insurance solutions to in-depth actuarial analysis covering all classes of the insurance business (life, health, and property/casualty). Stochastic simulations are performed regularly as part 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 weekly. 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 meet the quantitative requirements of the new Solvency II framework, the solvency capital requirement of the market risks is determined by the asset risk management department at regular intervals.



CONTROLLING

The controlling department monitors and controls operational developments at the domestic and foreign insurance companies. This is accomplished using monthly or quarterly reports submitted by the companies to the controlling department and an analysis of planning and forecast figures.

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 subsidiaries with large IT projects, and for developing Group-wide guidelines and common standards. The Group IT back office function coordinates core business process development for the insurance business using a process management methodology within VIG. 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% 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/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 processing costs, repair costs, loss frequency, claim size and other factors such as inflation and interest rates.

The debt crisis in Europe
The capital markets have been looking very closely in 2011 at the debt of a number of countries in Europe. Because of the continuing uncertainty regarding the various political solutions, it is expected that the capital markets will continue to be highly 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 koruny. Consequently, interest rate fluctuations in these currencies have a significant 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 that affect the earnings situation
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. Vienna Insurance Group 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 classes 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 risk management and by the internal audit department through random testing. 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 70% 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 15%, 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 2011 and 31 December 2010 in thousands of euros, broken down by property/casualty, health and life insurance segments:

Composition Investments	31.12.2011				31.12.2010
	Property/ Casualty	Life	Health	Total	Total
in EUR '000					
Land and buildings	**3,616,770**	**681,499**	**118,685**	**4,416,954**	**4,071,079**
Self-used land and buildings	314,937	99,978	26,910	441,825	360,084
Third-party used land and buildings	3,301,833	581,521	91,775	3,975,129	3,710,995
Shares in at equity consolidated companies	**56,904**	**63,974**	**0**	**120,878**	**116,163**
Loans	**150,404**	**2,345,737**	**72,705**	**2,568,846**	**2,502,348**
Reclassified loans	**126,359**	**772,536**	**38,614**	**937,509**	**966,004**
Other securities	**3,789,820**	**14,445,756**	**709,567**	**18,945,143**	**19,404,494**
Financial instruments held to maturity	691,938	1,278,371	0	1,970,309	1,818,392
Government bonds	624,636	971,878	0	1,596,514	1,522,961
Covered bonds	18,859	126,246	0	145,105	75,167
Corporate bonds	25,830	98,698	0	124,528	108,678
Bonds from banks	22,613	79,753	0	102,366	110,767
Subordinated bonds	0	1,796	0	1,796	819
Financial instruments reclassified as held to maturity	279,519	860,892	0	1,140,411	1,242,591
Government bonds	221,855	687,810	0	909,665	986,267
Covered bonds	36,592	124,368	0	160,960	194,194
Corporate bonds	15,292	0	0	15,292	0
Bonds from banks	5,780	48,714	0	54,494	60,232
Subordinated bonds	0	0	0	0	1,898
Financial instruments available for sale	2,549,341	11,947,190	691,588	15,188,119	14,987,016
Bonds	1,791,111	10,708,005	532,751	13,031,867	12,362,023
Shares and other participations*	397,790	687,304	61,497	1,146,591	1,514,620
Investment funds	360,440	551,881	97,340	1,009,661	1,100,063
Others	0	0	0	0	10,310
Trading assets	115,583	52,742	0	168,325	138,275
Bonds	79,123	23,071	0	102,194	105,281
Shares and other non-fixed-interest securities	10,948	3,640	0	14,588	13,684
Investment funds	23,935	23,286	0	47,221	17,624
Derivatives	154	1,411	0	1,565	333
Others	1,423	1,334	0	2,757	1,353
Financial instruments recognised at fair value through profit and loss	153,439	306,561	17,979	477,979	1,218,220
Bonds	139,031	268,113	17,979	425,123	622,842
Shares and other non-fixed-interest securities	185	15,741	0	15,926	16,492
Investment funds	14,223	21,639	0	35,862	576,892
Others	0	1,068	0	1,068	1,994
Other investments	**571,119**	**503,464**	**21,479**	**1,096,062**	**1,099,433**
Bank deposits	567,844	389,080	21,479	978,403	971,789
Deposits on assumed reinsurance business	642	108,777	0	109,419	119,624
Other	2,633	5,607	0	8,240	8,020
Total	**8,311,376**	**18,812,966**	**961,050**	**28,085,392**	**28,159,521**

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

Maturity structures and rating categories

Maturity structure Financial instruments held to maturity	Acquisition costs carried forward		Fair value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000				
up to one year	201,626	179,233	200,475	180,011
more than one year up to five years	531,103	590,785	548,357	593,183
more than five years up to ten years	636,449	487,026	672,012	534,206
more than ten years	601,131	561,348	617,267	578,382
Total	**1,970,309**	**1,818,392**	**2,038,111**	**1,885,782**

Maturity structure Financial instruments reclassified as held to maturity	Acquisition costs carried forward		Fair value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000				
up to one year	69,433	134,553	70,383	136,870
more than one year up to five years	322,967	341,606	336,412	352,895
more than five years up to ten years	472,219	478,722	498,416	498,700
more than ten years	275,792	287,710	297,568	300,970
Total	**1,140,411**	**1,242,591**	**1,202,779**	**1,289,435**

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	Acquisition costs carried forward	
	31.12.2011	31.12.2010
in EUR '000		
AAA	111,349	129,005
AA	2,177,644	293,481
A	509,372	2,409,248
BBB	258,426	69,508
BB and lower	46,712	159,259
No rating	7,217	482
Total	**3,110,720**	**3,060,983**

Maturity structure Financial instruments available for sale	Fair value 31.12.2011	 31.12.2010
in EUR '000		
no maturity	2,107,520	2,854,425
up to one year	565,777	431,028
more than one year up to five years	2,838,353	2,658,158
more than five years up to ten years	4,696,694	4,167,188
more than ten years	4,979,775	4,876,217
Total	**15,188,119**	**14,987,016**

Rating categories Fixed-interest financial instruments available for sale	Fair value 31.12.2011	 31.12.2010
in EUR '000		
AAA	2,798,705	3,073,192
AA	3,517,911	2,288,387
A	4,618,714	4,582,112
BBB	1,442,099	1,166,332
BB and lower	600,144	428,918
No rating	54,294	823,082
Total	**13,031,867**	**12,362,023**

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 31.12.2011	 31.12.2010
in EUR '000		
no maturity	39,421	580,434
up to one year	77,618	44,945
more than one year up to five years	91,745	177,411
more than five years up to ten years	196,141	194,222
more than ten years	73,054	221,208
Total	**477,979**	**1,218,220**

* Excluding trading assets

Rating categories Fixed-interest financial instruments recognised at fair value through profit and loss	Fair value	
	31.12.2011	31.12.2010
in EUR '000		
AAA	55,439	60,477
AA	71,560	100,351
A	306,794	507,318
BBB	22,882	25,082
BB and lower	51,875	22,099
No rating	18,767	12,796
Total	**527,317**	**728,123**

Bonds

The bond portion of Vienna Insurance Group's securities portfolio represents approximately 58% of total investments as of 31 December 2011. When the bond portion of investment funds is included, bonds represent approximately 60% 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.

According to the Group's investment guidelines for Austria, 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 by the Managing Board. The goals are to achieve the greatest possible diversification among individual issuers, avoid accumulation risks, ensure good average credit quality, control foreign currency effects, and make the majority of investments in medium to long-term maturities.

* 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 2011, 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 3,506.4 million as of 31 December 2011 and a book value of EUR 3,468.4 million as of 31 December 2010. 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	2,523,857	0	2,523,857
Impaired loans	162,479	117,490	44,989
Total	**2,686,336**	**117,490**	**2,568,846**

Impairments of reclassified loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired reclassified loans	934,626	0	934,626
Impaired reclassified loans	12,568	9,685	2,883
Total	**947,194**	**9,685**	**937,509**

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 4,417.0 million as of 31 December 2011 (market value of EUR 4,913.0 million), and a book value of EUR 4,071.1 million as of 31 December 2010 (market value of EUR 4,584.8 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 15% of Vienna Insurance Group's total investment portfolio.

The following table shows Vienna Insurance Group real estate investments as of 31 December 2011 and 31 December 2010, broken down by location and type of use of the properties:

Use of property	% of the real estate portfolio	
	31.12.2011	31.12.2010
Austria	**86.72**	**91.52**
Self-used	2.62	2.80
Used by third parties	84.10	88.72
Outside Austria	**13.28**	**8.48**
Self-used	7.38	6.04
Used by third parties	5.90	2.44

Companies valued using the equity method

Vienna Insurance Group's shares in at equity consolidated companies had a book value of EUR 120.9 million as of 31 December 2011 and a book value of EUR 116.2 million as of 31 December 2010. Shares in companies valued using the equity method therefore represented around 0.4% of the book value of the total investment portfolio as of 31 December 2011.

Vienna Insurance Group focuses primarily on long-term participations in insurance companies, or in companies whose activities are closely related to insurance. Reflecting a greater concentration on the core business, the tendency over the last few years has been towards a reduction of purely financial participations outside the insurance portfolio. To date, Vienna Insurance Group has held only a few financial participations in the CEE region, primarily serving to support insurance business operations.

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 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	31.12.2011
in EUR million	
10-day holding period	354.9
20-day holding period	501.9
Total risk capacity	769.0
20-day VaR as % of risk capacity	65%

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 2011:

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 liabilites (in EUR mn)	**3,608.76**	**3,959.51**	**3,855.29**	**4,396.88**	**3,522.15**

In scenario 1, the market value of shares, bonds and real estate decrease sharply at the same time. The market value of the assets is still considerably higher than the value of the liabilities after the 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- 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 1.1.2011	**3,036,255**	**29,050,900**	**1,826,882**	**36,740,187**	**647,599**	**10,150,747**	**1,320,241**	**12,921,027**	**463,410**	**8,730,996**	**7,294,387**	**97,593,857**
Additions												
New business	166,653	1,836,370	490,950	8,362,035	28,107	685,128	278,207	2,000,889	28,339	570,377	992,256	13,454,799
Increases	1,547	115,102	1,096	40,922	0	327,237	2,101	108,658	0	314,029	4,744	905,948
Total additions	**168,200**	**1,951,472**	**492,046**	**8,402,957**	**28,107**	**1,012,365**	**280,308**	**2,109,547**	**28,339**	**884,406**	**997,000**	**14,360,747**
Changes												
Changes in additions	37,709	890,724	40,788	2,080,266	7,271	475,101	32,420	601,380	40,926	931,018	159,114	4,978,489
Changes in disposals	-91,826	-2,043,297	-97,751	-793,028	-6,005	-372,803	-31,809	-665,520	-43,644	-1,177,682	-271,035	-5,052,330
Total changes	**-54,117**	**-1,152,573**	**-56,963**	**1,287,238**	**1,266**	**102,298**	**611**	**-64,140**	**-2,718**	**-246,664**	**-111,921**	**-73,841**
Disposals due to maturity												
Due to expiration	-189,320	-1,214,630	-565,871	-1,848,809	-18,226	-229,722	-13,357	-90,734	0	0	-786,774	-3,383,895
Due to death	-17,552	-100,866	-4,811	-60,607	-1,611	-25,896	-2,360	-26,774	-438	-6,359	-26,772	-220,502
Total disposals due to maturity	**-206,872**	**-1,315,496**	**-570,682**	**-1,909,416**	**-19,837**	**-255,618**	**-15,717**	**-117,508**	**-438**	**-6,359**	**-813,546**	**-3,604,397**
Premature disposals												
Due to non-redemption	-22,948	-405,098	-130,177	-587,520	-3,654	-67,175	-43,868	-196,551	-1,020	-38,572	-201,667	-1,294,916
Due to lapse without payment	-85,225	-422,706	-162,065	-1,577,168	-5,498	-78,658	-75,643	-584,552	-469	-8,022	-328,900	-2,671,106
Due to redemption	-372,158	-1,511,291	-11,664	-169,026	-44,064	-178,013	-51,310	-480,393	-98	-704	-479,294	-2,339,427
Due to waiver of premium	-631	-97,162	-190	-60,003	-24	-39,042	-4,523	-226,316	-2,013	-219,601	-7,381	-642,124
Total premature disposals	**-480,962**	**-2,436,257**	**-304,096**	**-2,393,717**	**-53,240**	**-362,888**	**-175,344**	**-1,487,812**	**-3,600**	**-266,899**	**-1,017,242**	**-6,947,573**
As of 31.12.2011	**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**

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 29 March 2012 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 2011 and the increase in value resulting from new business in 2011 were calculated using a yield curve alternately increased and decreased by 1%.

Internal 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 2011	Change in % of the base value
Market consistent embedded value, Austria	
Decrease in level of equity and property values -10%	-7.52
Interest rate curve shift +1%	16.36
Interest rate curve shift -1%	-32.99
Administrative costs +10%	-5.40
Administrative costs -10%	5.39
Lapse rate improvement 10%	1.36
Lapse rate deterioration 10%	-1.15
Improvement in mortality and morbidity rates, endowment insurance +5%	0.54
Improvement in mortality rates for annuities +5%	-0.33
Value of new business, Austria	
Interest rate curve shift +1%	30.22
Interest rate curve shift -1%	-55.49
Administrative costs +10%	-11.81
Administrative costs -10%	9.34
Lapse rate improvement 10%	6.15
Lapse rate deterioration 10%	-6.14
Improvement in mortality and morbidity rates, endowment insurance +5%	3.33
Improvement in mortality rates for annuities +5%	-1.46

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/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: provisions for known but still outstanding claims, and provisions 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 about 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 insurance classes.

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 regarding provisions is shown by the fact that a 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/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 payments for each year of occurrence (per calendar year, gross)

	Calendar year					
Year of occurrance	**≤2006**	**2007**	**2008**	**2009**	**2010**	**2011**
in EUR '000						
2006 and before	2,819,733	673,950	229,602	133,937	89,541	65,476
2007		1,322,479	666,124	121,576	66,394	31,286
2008			1,637,839	690,101	145,502	72,550
2009				1,684,024	711,419	180,206
2010					1,711,320	704,195
2011						1,613,263
Total	**2,819,733**	**1,996,429**	**2,533,565**	**2,629,638**	**2,724,176**	**2,666,976**

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

	Calendar year					
Year of occurrance	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
in EUR '000						
2006 and before	2,546,228	1,575,512	1,172,588	887,484	716,485	630,486
2007		1,326,785	579,431	357,674	219,737	177,645
2008			1,484,060	624,009	406,581	230,980
2009				1,409,440	652,041	387,413
2010					1,515,912	648,911
2011						1,576,933
Total	**2,546,228**	**2,902,298**	**3,236,079**	**3,278,606**	**3,510,755**	**3,652,368**

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 the liability arising from its insurance business by ceding, as necessary, a portion of the risks assumed 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 5 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 – RATING

For business segments where claims settlement takes a long time, in particular for motor vehicle liability, general liability and aviation, 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), which in all likelihood will also continue to exist over the long term. Even for business segments where claims are settled quickly (for example, natural catastrophes, fire, engineering, transport, storm, burglary, household, water pipes, motor own-damage insurance claims) and the number of reinsurers is higher, the preferred rating is a Standard & Poor's rating of 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 on uneconomical terms, Vienna Insurance Group strives, as far as possible, to jointly place reinsurance policies covering risks from natural catastrophes, property classes, casualty, 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 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, Wiener Städtische predominantly uses proportional reinsurance cessions to limit its maximum net loss to EUR 3 million. This reinsur-

ance structure can guard against both the effects of individual large losses, for example from fire, as well as an increased loss frequency.

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 classes, 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 1.0 and 2.0 million, depending on the class.

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	31.12.2011	31.12.2010
in EUR '000		
Goodwill	1,762,284	1,796,692
Purchased insurance portfolios	75,320	111,029
Other intangible assets	544,820	196,438
Purchased software	425,987	58,617
Other	118,833	137,821
Total	**2,382,424**	**2,104,159**

Development of goodwill	31.12.2011	31.12.2010
in EUR '000		
Acquisition costs	1,824,118	1,781,697
Cumulative depreciation as of 31.12. of previous years	-27,426	-27,003
Book value as of 31.12. of the previous year	**1,796,692**	**1,754,694**
Exchange rate changes	-689	1,269
Book value as of 1.1.	**1,796,003**	**1,755,963**
Additions	6,615	40,729
Impairments	-40,334	0
Book value as of 31.12.	**1,762,284**	**1,796,692**
Cumulative depreciation as of 31.12.	67,979	27,426
Acquisition costs	**1,830,263**	**1,824,118**

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	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000				
Austria	3	3	301,716	301,716
Czech Republic	118,753	119,429	303,840	303,840
Slovakia	0	0	111,257	111,257
Poland	118,399	118,399	4,612	4,612
Romania	276,164	399,444	152,472	69,192
Remaining markets	293,043	286,775	82,025	82,025
Total	**806,362**	**924,050**	**955,922**	**872,642**

Changes to goodwill essentially result from the acquisition of the subsidiaries indicated in the section “Scope and methods of consolidation”.

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	31.12.2011	31.12.2010
in EUR '000		
Acquisition costs	229,895	188,177
Cumulative depreciation as of 31.12. of previous years	-118,866	-107,028
Book value as of 31.12. of the previous year	**111,029**	**81,149**
Exchange rate changes	-163	319
Book value as of 1.1.	**110,866**	**81,468**
Additions	2,000	57,959
Disposals	0	0
Changes in scope of consolidation	0	-8,318
Scheduled depreciation	-37,546	-20,080
Book value as of 31.12.	**75,320**	**111,029**
Cumulative depreciation as of 31.12.	154,298	118,866
Acquisition costs	**229,618**	**229,895**

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	31.12.2011	31.12.2010
in EUR '000		
Acquisition costs	169,202	143,267
Cumulative depreciation as of 31.12. of previous years	-110,585	-93,847
Book value as of 31.12. of the previous year	**58,617**	**49,420**
Exchange rate changes	-651	276
Book value as of 1.1.	**57,966**	**49,696**
Additions	88,211	26,634
Disposals	-1,407	-1,828
Changes in scope of consolidation	306,199	413
Scheduled depreciation	-24,982	-16,298
Book value as of 31.12.	**425,987**	**58,617**
Cumulative depreciation as of 31.12.	143,840	110,585
Acquisition costs	**569,827**	**169,202**

The change in the scope of consolidation is essentially the result of the first-time consolidation of Central Point GmbH.

Development of other intangible assets	31.12.2011	31.12.2010
in EUR '000		
Acquisition costs	206,374	150,867
Cumulative depreciation as of 31.12. of previous years	-68,553	-60,714
Book value as of 31.12. of the previous year	**137,821**	**90,153**
Exchange rate changes	-193	823
Book value as of 1.1.	**137,628**	**90,976**
Reclassifications	0	0
Additions	3,270	56,570
Disposals	-484	-1,811
Changes in scope of consolidation	0	60
Scheduled depreciation	-21,581	-7,974
Book value as of 31.12.	**118,833**	**137,821**
Cumulative depreciation as of 31.12.	109,614	68,553
Acquisition costs	**228,447**	**206,374**

2. LAND AND BUILDINGS

Development	Used by third parties 31.12.2011	Self-used 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000				
Acquisition costs	5,155,571	487,780	5,643,351	4,578,518
Cumulative depreciation as of 31.12. of previous years	-1,444,576	-127,696	-1,572,272	-1,277,270
Book value as of 31.12. of the previous year	**3,710,995**	**360,084**	**4,071,079**	**3,301,248**
Exchange rate changes	-4,592	-3,582	-8,174	7,164
Book value as of 1.1.	**3,706,403**	**356,502**	**4,062,905**	**3,308,412**
Reclassifications	-2,780	2,789	9	-8,566
Additions	378,523	105,560	484,083	348,116
Disposals	-26,517	-10,990	-37,507	-97,666
Changes in scope of consolidation	26,553	0	26,553	630,910
Appreciation	2,047	565	2,612	0
Scheduled depreciation	-108,745	-12,593	-121,338	-108,702
Impairments	-355	-8	-363	-1,425
Book value as of 31.12.	**3,975,129**	**441,825**	**4,416,954**	**4,071,079**
Cumulative depreciation as of 31.12.	1,546,256	142,078	1,688,334	1,572,272
Acquisition costs	**5,521,385**	**583,903**	**6,105,288**	**5,643,351**
thereof land	*672,057*	*46,955*	*719,012*	*720,267*
Fair value of the land and buildings as of 31.12.	4,322,544	590,415	4,912,959	4,584,756

The changes in the scope of consolidation are the result of including MH 54 GmbH (EUR 23,684,000) and V.I.G.ND (EUR 2,869,000).

Rental income from third-party used land and buildings was EUR 341,266,000 (EUR 347,005,000), while operating expenses were EUR 110,264,000 (EUR 123,057,000).

3. SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Development	31.12.2011	31.12.2010
in EUR '000		
Book value as of 31.12. of the previous year	**116,163**	**115,859**
Book value as of 1.1.	**116,163**	**115,859**
Pro rata result for the period of at equity consolidated companies	4,715	304
Book value as of 31.12.	**120,878**	**116,163**

4. PARTICIPATIONS – DETAILS

Participations were held in the following companies as of 31 December 2011:

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	24,579	2011
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	55.00	98,296	2011
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	87,120	2011
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00	27,016	2011
arithmetica Versicherungs- und Finanzmathematische Beratungs-GmbH, Vienna	Austria	100.00	403	2011
Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest	Romania	99.10	67,184	2011
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	18,430	2011
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	100.00	15,754	2011
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00	-709	2011
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	810,060	2011
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	99.93	110	2011
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	Bulgaria	99.93	4,185	2011
BULSTRAD LIFE VIENNA INSURANCE GROUP JSC., Sofia	Bulgaria	95.11	4,240	2011
BULSTRAD VIENNA INSURANCE GROUP PLC., Sofia	Bulgaria	97.72	33,900	2011
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	2,090	2011
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	1,861	2011
CAME Holding GmbH, Vienna	Austria	100.00	28,590	2011
CAPITOL, a.s., Bratislava	Slovakia	100.00	529	2011
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00	-652	2011
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	88.00	148	2011
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39	82,444	2011
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00	19,606	2011
Compensa Life Vienna Insurance Group SE, Tallinn	Estland	100.00	7,801	2011
Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	44,130	2011
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.89	47,065	2011
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	23	2011
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	11,185	2011
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00	3,286	2011
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00	24,419	2011
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24	152,598	2011
DVIB GmbH, Vienna	Austria	100.00	26,791	2011
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.59	131,170	2011
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00	6,665	2011
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00	5,792	2011
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00	198,763	2011
Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00	83,933	2011
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	27,057	2011
GPIH B.V., Amsterdam	Netherlands	80.00	6,833	2011
Helios Vienna Insurance Group d.d., Zagreb	Croatia	100.00	22,157	2011

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VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Country of domicile	Interest in capital (%)[1]	Equity capital (EUR '000)	Last annual financial statements
IC Globus, Kiev	Ukraine	80.00	5,647	2011
Interalbanian Vienna Insurance Group Sh.A., Tirana	Albania	78.33	3,274	2011
International Insurance Company IRAO Ltd., Tbilisi	Georgia	100.00	8,274	2011
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	23,658	2011
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.98	5,307	2011
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	39,880	2011
Joint Stock insurance company WINNER - Vienna Insurance Group, Skopje	Macedonia	100.00	3,259	2011
JSC "Insurance Company GPI Holding", Tbilisi	Georgia	90.00	8,855	2011
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	1,771	2011
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00	9,083	2011
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	34,077	2011
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	237,467	2011
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39	504,873	2011
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	Croatia	99.36	35,631	2011
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb	Croatia	99.36	348	2011
LVP Holding GmbH, Vienna	Austria	100.00	570,425	2011
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00	57,009	2011
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00	25,757	2011
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.81	102,386	2011
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00	19,726	2011
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	25.08	58,548	2011
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.10	58,235	2011
Passat Real Sp. z o.o., Warsaw	Poland	100.00	1,114	2011
PFG Holding GmbH, Vienna	Austria	89.23	125,891	2011
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88	59,952	2011
PJSC "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80	2,712	2011
PJSC "Ukrainian Insurance Company Kniazha Vienna Insurance Group", Kiev	Ukraine	99.99	17,693	2011
PJSC Insurance Company "Ukrainian Insurance Group", Kiev	Ukraine	100.00	14,600	2011
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00	23,777	2011
Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice	Czech Republic	95.00	104,496	2011
Polski Zwiazek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	100.00	10,143	2011
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	15,580	2011
Projektbau GesmbH, Vienna	Austria	90.00	20,934	2011
Projektbau Holding GmbH, Vienna	Austria	90.00	21,328	2011
Ray Sigorta A.Ş., Istanbul	Turkey	94.26	35,388	2011
S.C. BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest	Romania	91.31	16,149	2011
S.C. BCR Asigurări Vienna Insurance Group S.A., Bucharest	Romania	95.93	16,875	2011
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	49,526	2011
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	-4,288	2011
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	9,360	2011
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01	13,399	2011
Sozialbau gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	25.08	190,265	2011
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00	523,229	2011

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
SVZ GmbH, Vienna	Austria	100.00	24,695	2011
SVZI GmbH, Vienna	Austria	100.00	24,694	2011
TBI BULGARIA EAD, Sofia	Bulgaria	100.00	41,089	2011
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100.00	252,946	2011
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00	31,722	2011
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungs-gesellschaft m.b.H., Vienna	Austria	25.08	82,090	2011
V.I.G.ND a.s., Prague	Czech Republic	100.00	55,299	2011
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	12,828	2011
VIG BM a.s., Prague	Czech Republic	100.00	83,399	2011
VIG CZ Real Estate GmbH, Vienna	Austria	100.00	66,721	2011
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00	119,958	2011
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00	16,802	2011
VIG Real Estate GmbH, Vienna	Austria	100.00	66,783	2011
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	5,118	2011
Wiener Re akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00	5,625	2011
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	841,998	2011
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	834,220	2011
Wiener Städtische Osiguranje Akcionarsko Društvo za Osiguranje, Belgrade	Serbia	100.00	12,573	2011
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna	Austria	99.90	903,346	2011
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00	1,498	2011
WPWS Vermögensverwaltung GmbH, Vienna	Austria	100.00	442,638	2011
At equity consolidated companies				
AIS Servis, s.r.o., Brno	Czech Republic	100.00	2,050	2011
Benefita, a.s., Prague	Czech Republic	100.00	735	2011
Česká Kooperativa Londýn Ltd., London	Great Britain	100.00	624	2011
ČPP servis, s.r.o., Prague	Czech Republic	100.00	29	2011
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	12,179	2011
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	51,557	2011
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	888	2011
HOTELY SRNÍ, a.s., Prague	Czech Republic	72.43	7,506	2011
KÁMEN OSTROMĚŘ, s.r.o., Ostroměř	Czech Republic	100.00	244	2011
KIP, a.s., Prague	Czech Republic	86.65	4,046	2011
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	33,487	2011
Mělnická Zdravotní a.s., Prague	Czech Republic	100.00	4,601	2011
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	75.06	3,594	2011
S Immo AG, Vienna (consolidated financial statements)	Austria	10.04	517,421	2011
SURPMO a.s., Prague	Czech Republic	100.00	890	2011
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00	31,415	2011
UNIGEO, a.s., Ostrava-Hrabova	Czech Republic	100.00	6,276	2011
Non-consolidated companies				
Akcionarsko družstvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica	Montenegro	100.00	806	2010
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	327	2010
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	14,085	2011
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00	136,081	2011
Bulstrad Health Insurance AD, Sofia	Bulgaria	97.00	1,123	2010

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
CAPITOL Sp. z o.o., Warsaw	Poland	100.00	685	2010
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	64	2010
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	25.00	23,697	2010
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00	903	2010
Geschlossene Aktiengesellschaft Strachowaja kompanija "MSK-Life", Moscow	Russia	25.00	12,045	2010
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	351	2010
INTERSIG Sh.A., Tirana	Albania	75.00	3,525	2010
JAHORINA OSIGURANJE a.d., Pale	Bosnia-Herzegovina	96.63	5,899	2010
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	Macedonia	100.00	-	founded in 2011
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58	146,641	2010
PAC Doverie AD, Sofia	Bulgaria	92.58	1,646	2010
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	43.26	21,871	2010
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64	45	2010
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00	503	2010
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00	530	2010
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00	10	2010
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00	1,885	2010
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00	492	2010
Untere Donaulände 40 GmbH, Vienna	Austria	100.00	-	founded in 2011
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00	-	founded in 2011
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56	50,302	2010
SBA ZASO "Kupala", Minsk	Belarus	98.26	2,162	2010
Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw	Poland	100.00	6,324	2010
Vienna International Underwriters GmbH, Vienna	Austria	100.00	81	2010
Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	25.00	224,044	2010

1) The share of equity equals the controlling interest before non-controlling interests.

5. LOANS AND OTHER INVESTMENTS

Loans and other investments	31.12.2011	31.12.2010
in EUR '000		
Loans	2,568,846	2,502,348
Reclassified loans	937,509	966,004
Subtotal	**3,506,355**	**3,468,352**
Other investments	1,096,062	1,099,433
Total	**4,602,417**	**4,567,785**

Development of loans total	31.12.2011	31.12.2010
in EUR '000		
Acquisition costs	3,596,342	3,848,823
Cumulative depreciation as of 31.12. of previous years	-127,990	-68,517
Book value as of 31.12. of the previous year	**3,468,352**	**3,780,306**
Exchange rate changes	-1,686	-144
Book value as of 1.1.	**3,466,666**	**3,780,162**
Reclassifications	-1,130	-7,009
Additions	217,743	570,254
Disposals	-163,877	-701,361
Changes in scope of consolidation	0	-107,777
Appreciation	7	1,436
Depreciation	-139	-1,561
Impairments	-12,915	-65,792
Book value as of 31.12.	**3,506,355**	**3,468,352**
Cumulative depreciation as of 31.12.	127,175	127,990
Acquisition costs	**3,633,530**	**3,596,342**

Composition of loans	Acquisition costs carried forward	
	31.12.2011	31.12.2010
in EUR '000		
Loans to non-consolidated affiliated companies	65,138	47,889
Loans to participations	51,574	53,119
Mortgage loan	365,618	355,522
Policy loans and prepayments	43,029	50,259
Other loans	2,043,487	1,995,559
to public authorities	164,511	187,541
to financial institutions	1,599,515	1,570,013
to other commercial debtors	262,095	225,008
to private persons	12,149	11,338
other	5,217	1,659
Total	**2,568,846**	**2,502,348**
Fair Value	2,484,949	2,792,486

The Other investments item primarily consists of bank balances of EUR 978,403,000 (EUR 971,789,000) and deposits on assumed reinsurance business of EUR 109,418,000 (EUR 119,624,000).

Composition of reclassified loans	Acquisition costs carried forward	
	31.12.2011	31.12.2010
in EUR '000		
Other loans		
to financial institutions	739,460	748,682
to other commercial debtors	127,442	35,887
other	70,607	181,435
Total	**937,509**	**966,004**
Fair Value	949,274	1,042,257

Maturity structure of loans	Acquisition costs carried forward	
	31.12.2011	31.12.2010
in EUR '000		
up to one year	54,527	77,079
more than one year up to five years	321,364	241,040
more than five years up to ten years	490,284	483,160
more than ten years	1,702,671	1,701,069
Total	**2,568,846**	**2,502,348**

Maturity structure of reclassified loans	Acquisition costs carried forward	
	31.12.2011	31.12.2010
in EUR '000		
up to one year	19,986	10,007
more than one year up to five years	148,122	120,655
more than five years up to ten years	276,483	282,784
more than ten years	492,918	552,558
Total	**937,509**	**966,004**

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		Trading assets		Recognised at fair value through profit and loss	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000								
Acquisition costs	3,074,423	2,907,377						
Cumulative depreciation as of 31.12. of previous years	-13,440	-17,063						
Book value as of 31.12. of the previous year	**3,060,983**	**2,890,314**	**14,987,016**	**13,514,370**	**138,275**	**118,916**	**1,218,220**	**1,240,140**
Exchange rate changes	-78,999	121,653	-57,240	24,521	-14,862	-1,268	-3,096	7,210
Book value as of 1.1.	**2,981,984**	**3,011,967**	**14,929,776**	**13,538,891**	**123,413**	**117,648**	**1,215,124**	**1,247,350**
Reclassifications	72,894	0	543,342	-9,138	1,415	0	-635,981	-3,443
Additions	411,499	476,609	3,460,122	3,429,472	919,676	334,768	188,490	223,552
Disposals	-355,287	-430,837	-3,204,926	-1,958,686	-873,160	-317,861	-280,795	-274,583
Change in scope of consolidation	0	3,244	-28,344	-163,625	0	0	0	16,810
Changes in value recognised in profit and loss	0	0	1	37,661	-3,019	3,720	-8,859	8,554
Changes recognised directly in equity	0	0	-332,029	153,256	0	0	0	0
Impairments	-370	0	-179,823	-40,815	0	0	0	-20
Book value as of 31.12.	**3,110,720**	**3,060,983**	**15,188,119**	**14,987,016**	**168,325**	**138,275**	**477,979**	**1,218,220**
Cumulative appreciation/depreciation as of 31.12.	16,399	13,440						
Acquisition costs	**3,127,119**	**3,074,423**						

Composition Financial instruments held to maturity	Acquisition costs carried forward		Fair value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000				
Government bonds	1,596,514	1,522,961	1,668,482	1,603,869
Covered bonds	145,105	75,167	138,809	73,718
Corporate bonds	124,528	108,678	128,076	111,096
Bonds from banks	102,366	110,767	100,990	96,236
Subordinated bonds	1,796	819	1,754	863
Total	**1,970,309**	**1,818,392**	**2,038,111**	**1,885,782**

Composition Financial instruments reclassified as held to maturity	Acquisition costs carried forward		Fair value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000				
Government bonds	909,665	986,267	965,274	1,026,839
Covered bonds	160,960	194,194	168,109	200,644
Corporate bonds	15,292	0	15,372	0
Bonds from banks	54,494	60,232	54,024	60,191
Subordinated bonds	0	1,898	0	1,761
Total	**1,140,411**	**1,242,591**	**1,202,779**	**1,289,435**

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	
	31.12.2011	31.12.2010
in EUR '000		
Bonds	**13,031,867**	**12,362,023**
Government bonds	6,079,824	5,318,168
Covered bonds	1,561,799	1,460,616
Corporate bonds	1,209,960	1,180,573
Bonds from banks	3,031,454	3,067,648
Subordinated bonds	1,148,830	1,335,018
Shares and other participations*	**1,146,591**	**1,514,620**
Investment funds	**1,009,661**	**1,100,063**
Equity funds	79,051	65,474
Pension funds	237,254	318,475
Hedge funds	129,426	143,459
Real estate funds	159,878	157,695
Balanced funds	404,052	414,960
Others	**0**	**10,310**
Total	**15,188,119**	**14,987,016**

* Includes shares in non-consolidated subsidiaries and other participations of EUR 607,312,000 (EUR 657,444,000).

Unrealised gains and losses on Financial instruments available for sale	Fair value		unrealised		unrealised	
			gains	losses	gains	losses
	31.12.2011	31.12.2010	31.12.2011	31.12.2011	31.12.2010	31.12.2010
in EUR '000						
Bonds	13,031,867	12,362,023	510,041	-501,110	505,787	-330,911
Shares and other participations	1,146,591	1,514,620	96,554	-39,882	272,864	-16,796
Investment funds	1,009,661	1,100,063	21,036	-99,131	53,033	-73,507
Others	0	10,310	0	0	262	0
Total	**15,188,119**	**14,987,016**	**627,631**	**-640,123**	**831,946**	**-421,214**

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 acquisition costs carried forward and fair value.

Composition Financial instruments recognised at fair value through profit and loss*	Fair value	
	31.12.2011	31.12.2010
in EUR '000		
Bonds	**527,317**	**728,123**
Government bonds	84,340	119,806
Covered bonds	26,107	26,548
Corporate bonds	55,832	31,952
Bonds from banks	316,310	484,904
Subordinated bonds	44,728	64,913
Shares and other non-fixed-interest securities	**30,514**	**30,176**
Investment funds	**83,083**	**594,516**
Equity funds	11,634	68,747
Pension funds	14,904	508,036
Hedge funds	1,397	0
Real estate funds	21,767	576
Balanced funds	33,381	17,157
Derivatives	**1,565**	**333**
Others	**3,825**	**3,347**
Total	**646,304**	**1,356,495**

** Including trading assets

Composition Book values of government bonds*	Held to maturity total		Available for sale		Recognised at fair value through profit and loss	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000						
Government bonds						
Austria	0.96%	0.75%	27.41%	25.21%	1.81%	-
Germany	0.87%	1.04%	7.06%	7.96%	28.95%	28.65%
Czech Republic	72.34%	74.63%	8.67%	9.03%	0.00%	7.45%
Slovakia	7.52%	7.08%	10.11%	9.82%	0.00%	-
Poland	6.44%	6.88%	12.48%	13.35%	66.96%	62.88%
Romania	2.25%	2.71%	3.05%	1.91%	0.49%	1.02%
Remaining markets	9.62%	6.91%	31.22%	32.72%	1.79%	-

* Government bonds also include bonds guaranteed by governments and those of supranational issuers.

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	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000						
Financial instruments available for sale	**10,436,443**	**10,003,737**	**4,615,177**	**4,576,903**	**136,499**	**406,376**
Bonds	9,327,873	8,727,047	3,579,158	3,413,512	124,836	165,832
Shares and other participations	379,992	489,690	757,109	843,448	9,490	238,017
Investment funds	728,578	776,937	278,910	319,943	2,173	2,280
Other securities	0	10,063	0	0	0	247
Trading assets	**132,253**	**120,869**	**1,560**	**0**	**34,512**	**17,406**
Bonds	68,061	87,875	0	0	34,132	17,406
Shares and other non-fixed-interest securities	14,019	13,684	189	0	380	0
Investment funds	47,222	17,624	0	0	0	0
Derivatives	194	333	1,371	0	0	0
Other securities	2,757	1,353	0	0	0	0
Financial instruments recognised at fair value through profit and loss	**107,823**	**692,327**	**350,725**	**515,407**	**19,431**	**10,486**
Bonds	70,563	113,908	335,142	499,411	19,419	9,523
Shares and other non-fixed-interest securities	331	484	15,583	15,996	12	12
Investment funds	35,861	576,893	0	0	0	0
Other securities	1,068	1,042	0	0	0	951
Total	**10,676,519**	**10,816,933**	**4,967,462**	**5,092,310**	**190,442**	**434,268**

Development of financial instruments allocated to level 3	Financial instruments available for sale		Financial instruments recognised at fair value through profit and loss		Trading assets	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
in EUR '000						
Book value as of 31.12. of the previous year	**406,376**	**323,626**	**10,486**	**5,525**	**17,406**	**6,247**
Exchange rate changes	-2,963	0	60	14	-1,772	0
Book value as of 1.1.	**403,413**	**323,626**	**10,546**	**5,539**	**15,634**	**6,247**
Reclassifications	-232,714	-10,661	411	2,979	0	0
Additions	36,705	248,831	13,840	1,806	159,640	40,463
Disposals	-62,653	-128,467	-4,403	-2,256	-140,756	-29,303
Changes in scope of consolidation	0	-20,449	0	0	0	0
Changes in value recognised in profit and loss	0	0	-963	2,418	-6	-1
Changes recognised directly in equity	-7,514	254	0	0	0	0
Impairments	-738	-6,758	0	0	0	0
Book value as of 31.12.	**136,499**	**406,376**	**19,431**	**10,486**	**34,512**	**17,406**

Fair value of derivative financial instruments	Fair value	
	31.12.2011	31.12.2010
in EUR '000		
Options	154	0
Other structured products	1,411	333
Total	**1,565**	**333**

Fair values for derivative financial instruments include both rights and obligations under derivative transactions existing as of the balance sheet date. As in the previous year, derivative financial instruments were also used to hedge currency risk in the current financial year.

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

Composition	Unit-linked 31.12.2011	Index-linked 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000				
Investment funds	3,790,027	62,975	3,853,002	4,154,366
Bonds	0	1,590,608	1,590,608	1,269,207
Shares	0	3,684	3,684	3,602
Bank deposits	53,144	2,352	55,496	51,428
Total	**3,843,171**	**1,659,619**	**5,502,790**	**5,478,603**

The balance sheet value corresponds to fair value.

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
no maturity	3,616,831	3,941,939
up to one year	125,811	102,518
more than one year up to five years	219,079	132,085
more than five years up to ten years	1,058,225	760,431
more than ten years	482,844	541,630
Total	**5,502,790**	**5,478,603**

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Composition	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Provision for unearned premiums	103,770	6,610	0	110,380	109,556
Mathematical reserve	7	102,279	1,576	103,862	108,876
Provision for outstanding claims	877,654	10,979	98	888,731	888,418
Provision for profit-unrelated premium refunds	9,524	0	0	9,524	9,080
Other underwriting provisions	4,302	264	0	4,566	2,359
Total	**995,257**	**120,132**	**1,674**	**1,117,063**	**1,118,289**

Development	Book value as of 1.1.	Exchange rate changes	Additions	Amount used/ released	Changes in scope of consolidation	Book value as of 31.12.
in EUR '000						
Provision for unearned premiums	109,556	-5,444	135,133	-128,913	48	110,380
Mathematical reserve	108,876	-247	8,470	-13,237	0	103,862
Provision for outstanding claims	888,418	-24,916	712,706	-688,066	589	888,731
Provision for profit-unrelated premium refunds	9,080	-223	9,214	-8,547	0	9,524
Other underwriting provisions	2,359	-307	3,186	-672	0	4,566
Total	**1,118,289**	**-31,137**	**868,709**	**-839,435**	**637**	**1,117,063**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	404,174	396,213
more than one year up to five years	421,280	357,254
more than five years up to ten years	124,537	123,592
more than ten years	167,072	241,230
Total	**1,117,063**	**1,118,289**

9. RECEIVABLES

Composition	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Underwriting	**757,450**	**152,294**	**15,300**	**925,044**	**1,059,781**
Receivables from direct insurance business	642,966	146,830	15,295	805,091	895,829
from policyholders	458,254	133,324	13,954	605,532	700,367
from insurance intermediaries	146,896	12,335	0	159,231	141,241
from insurance companies	37,816	1,171	1,341	40,328	54,221
Receivables from reinsurance business	114,484	5,464	5	119,953	163,952
Non-underwriting	**228,867**	**412,954**	**14,652**	**656,473**	**621,677**
Other receivables	228,867	412,954	14,652	656,473	621,677
Total	**986,317**	**565,248**	**29,952**	**1,581,517**	**1,681,458**

Composition Other receivables	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Receivables from financial services and leasing	15	5,369	0	5,384	4,189
Pro rata interest and rent	65,015	371,313	13,004	449,332	426,200
Receivables from tax authority (excl. income tax)	25,845	4,868	30	30,743	27,373
Receivables from employees	2,851	772	0	3,623	3,293
Receivables from sales of investments	1,024	563	0	1,587	1,181
Receivables from facility managers	10,419	566	35	11,020	10,522
Receivables from third party claims settlement	22,188	180	0	22,368	13,828
Outstanding interest and rent	7,620	9,387	172	17,179	12,222
Receivables from green card deposits	567	0	0	567	699
Receivables from surety	17,220	615	0	17,835	17,407
Receivables from pre-payments	7,321	1,863	0	9,184	5,667
Receivables from public funding	3,760	0	0	3,760	2,159
Receivables from funding of housing projects	10,510	0	0	10,510	8,735
receivables from fees of every kind	551	0	0	551	228
Receivables arising from social contributions	111	30	0	141	78
Other receivables	53,850	17,428	1,411	72,689	87,896
Total	**228,867**	**412,954**	**14,652**	**656,473**	**621,677**

Maturity structure	Premium receivables due 31.12.2011	Non-underwriting 31.12.2011	Total 31.12.2011
in EUR '000			
up to one year	370,643	625,124	995,767
more than one year up to five years	62,537	6,693	69,230
more than five years up to ten years	0	4,175	4,175
more than ten years	0	20,481	20,481
Total	**433,180**	**656,473**	**1,089,653**
Premium receivables not yet due			230,990
Receivables from reinsurance business			119,953
Other underwriting receivables			140,921
Total			**1,581,517**

Development of receivables from primary insurance operations	31.12.2011
in EUR '000	
Book value as of 31.12. of the previous year	**514,015**
Exchange rate changes	-12,852
Book value as of 1.1.	**501,163**
Additions	2,524,613
Disposals	-2,563,199
Changes in scope of consolidation	870
Change in adjustment/ impairment	-30,267
Book value as of 31.12.	**433,180**

10. TAX RECEIVABLES AND ADVANCE PAYMENTS OUT OF INCOME TAX

Composition	31.12.2011	31.12.2010
in EUR '000		
Property/Casualty insurance	62,616	56,424
Life insurance	17,831	11,821
Health insurance	0	187
Total	**80,447**	**68,432**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	15,519	59,368
more than one year	64,928	9,064
Total	**80,447**	**68,432**

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 31.12.2011	Liabilities 31.12.2011	Assets 31.12.2010	Liabilities 31.12.2010
in EUR '000				
Intangible assets	13,204	6,580	26,133	18,871
Investments	200,020	206,513	57,778	170,449
Receivables and other assets	44,770	24,722	2,867	19,071
Accumulated losses carried forward	27,032	0	48,444	0
Tax-exempt reserves	513	40,136	0	45,474
Underwriting provisions	69,047	119,938	196,728	128,793
Non-underwriting provisions	37,937	231	37,666	4,021
Liabilities and other liabilities	7,155	2,156	4,361	7,097
Total	**399,678**	**400,276**	**373,977**	**393,776**
Balance of deferred taxes		**598**		**19,799**

Maturity structure	Assets 31.12.2011	Liabilities 31.12.2011	Assets 31.12.2010	Liabilities 31.12.2010
in EUR '000				
up to one year	8,045	1,974	1,502	1,485
more than one year	115,474	122,143	106,098	125,914
Total	**123,519**	**124,117**	**107,600**	**127,399**

12. OTHER ASSETS

Composition	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Tangible assets and inventories	68,988	14,933	402	84,323	86,958
Prepayments for projects	303	0	1,822	2,125	2,894
Other assets	41,568	114,936	6,141	162,645	167,470
Deferred charges	43,043	34,724	1,522	79,289	101,502
Total	**153,902**	**164,593**	**9,887**	**328,382**	**358,824**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	94,122	114,706
more than one year up to five years	70,690	70,734
more than five years up to ten years	48,419	50,421
more than ten years	115,151	122,963
Total	**328,382**	**358,824**

Development of tangible assets and inventories	31.12.2011	31.12.2010
in EUR '000		
Acquisition costs	280,116	241,840
Cumulative depreciation as of 31.12. of previous years	-193,158	-170,325
Book value as of 31.12. of the previous year	**86,958**	**71,515**
Exchange rate changes	-948	866
Book value as of 1.1.	**86,010**	**72,381**
Additions	30,379	34,345
Disposals	-11,270	-4,885
Changes in scope of consolidation	264	6,917
Scheduled depreciation	-21,060	-21,800
Book value as of 31.12.	**84,323**	**86,958**
Cumulative depreciation as of 31.12.	192,705	193,158
Acquisition costs	**277,028**	**280,116**

13. CASH AND CASH EQUIVALENTS

Composition	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Current bank balances	297,667	235,529	34,195	567,391	393,993
Cash and cheques	549	177	0	726	2,037
Total	**298,216**	**235,706**	**34,195**	**568,117**	**396,030**

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	256,750
22.04.2009	250,000	unlimited	until 12.09.2018 8% p.a., afterwards variable	256,750

Composition of non-controlling interests	31.12.2011	31.12.2010
in EUR '000		
Unrealised gains and losses	-412	1,566
Share in the profit of the period including other comprehensive income after taxes	32,680	31,601
Other	386,733	363,083
Total	**419,001**	**396,250**

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 ordinary shares outstanding (the denominator) during the period."

Earnings per share		2011		2010
Profit of the period	EUR '000	441,909	EUR '000	413,250
Profit for the period for the year after non-controlling interests	EUR '000	406,746	EUR '000	379,752
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	**2.87**	EUR	**2.65**

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

Since there were no potential dilution effects either in 2010 or in the current reporting period, the undiluted earnings per share equal the diluted earnings per share.

Consolidated shareholders' equity

The Company's share capital is equal to EUR 132,887,468.20, 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, in one or more tranches on or before 28 June 2015, by a nominal amount of EUR 66,443,734.10 through the issuance of 64,000,000 no-par value ordinary bearer or registered shares 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 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, including authorisation to exclude shareholder pre-emption rights, and to grant the holders of convertible bonds conversion rights to up to 30,000,000 no-par value ordinary bearer shares with voting rights in accordance with the convertible bond terms to be established by the Managing Board. The share capital has consequently been raised pursuant to § 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 income bonds with a total nominal value of up to EUR 2,000,000,000.00, including authorisation to exclude shareholder pre-emption rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The General Meeting of 24 April 2009 authorised the Managing Board to acquire the Company's own no-par value bearer shares pursuant to § 65 (1) no. 4 and 8 AktG to the maximum extent permissible by law during a period of 30 months following the date the General Meeting resolution was adopted. The amount payable upon repurchase of the Company's own shares may not be more than a maximum of 50% below, or more than a maximum of 10% above, the average unweighted stock exchange closing price on the 10 stock exchange trading days preceding repurchase. The Managing Board may decide to make the purchase via the stock exchange, through a public offer or in any other legally permissible and expedient manner. The Managing Board has made no use of this authorisation. The Company held no treasury shares as of 31 December 2011.

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, pursuant to § 73c (2) VAG. The interest rate during the first 12 years of the bond's term is 4.625% of its nominal value (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 pursuant to § 73c (2) VAG. This bond does not have a fixed term. The interest rate during the first year of the bond's term was 4.25% p.a. of its nominal value, after which the bond pays variable interest. The interest rate during the period from 12 January 2011 to 11 January 2012 was 3.276% p.a. of its nominal value.

The auditor has verified legality as required under § 73b (2) no. 4 VAG.

Payout	Per share 2011	Total 2011
in EUR		
Ordinary shares	1.00	128,000,000
Total	**1.00**	**128,000,000**

Proposed distribution of profits

VIG Holding ended financial year 2011 with net retained profits of EUR 241,018,053.14. The following appropriation of profits will be proposed to the ordinary General Meeting: The 128 million shares are to receive a dividend of EUR 1.10 per share. The payment and ex-dividend dates for this dividend will be 14 May 2012. A total of EUR 140,800,000.00 will therefore be distributed. The net retained profits of EUR 100,218,053.14 remaining for financial year 2011 after distribution of the dividend is to be carried forward.

Adjusted capital

The adjusted capital to be disclosed under § 86h (5) VAG was equal to EUR 3,009,825,000 as of 31 December 2011, without deduction of equalisation provisions, and EUR 2,725,456,000 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	169,592
Vienna Insurance Group	12.01.2005	120,000	unlimited [1]	First year: 4.25% p.a.; thereafter variable	120,306
Wiener Städtische	20.04.2009	100,000	unlimited [2]	12M EURIBOR + 300 basis points	99,782
Donau Versicherung	15.04.+21.05.2004	4,500	unlimited [3]	4.95% p.a.	5,020
Donau Versicherung	01.07.1999	3,500	unlimited [4]	4.95% p.a.	3,511
s Versicherung	01.03.1999	16,640	unlimited [5]	4.90% p.a.	16,706
s Versicherung	02.07.2001	20,500	unlimited [5]	6.10% p.a.	21,799
s Versicherung	15.11.2003	28,200	unlimited [5]	4.95% p.a.	28,199
s Versicherung	30.06.2006	41,400	unlimited [5]	4.75% p.a.	41,105
BCR Non-life	24.04.2007	4,163	23.04.2012 [6]	BUBOR + 50 basis points	4,124
Kooperativa (Czech Republic)	22.12.2010	21,329	unlimited [7]	5.05% p.a.	21,422
Total		**531,232**			**531,566**

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

[2] This may be terminated, in whole or in part, with five years' notice effective on or after 31 December 2027 by the holders and by Vienna Insurance Group.

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

[4] This may be terminated, in whole or in part, with five years' notice effective 1 July 2002 by the holders and by Donau Versicherung, and effective as of 1 July of each following year. EUR 1,000,000 has already been terminated effective as of 1 July 2015.

[5] This can only be cancelled subject to not less than 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	31.12.2011	31.12.2010
in EUR '000		
Property/Casualty insurance	1,078,860	1,057,346
Life insurance	140,293	151,235
Health insurance	13,247	14,756
Total	**1,232,400**	**1,223,337**

Development	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Book value as of 31.12. of the previous year	**1,057,346**	**151,235**	**14,756**	**1,223,337**	**1,120,066**
Exchange rate changes	-48,833	-1,096	880	-49,049	13,819
Book value as of 1.1.	**1,008,513**	**150,139**	**15,636**	**1,174,288**	**1,133,885**
Additions	969,003	69,920	9,461	1,048,384	1,094,123
Amount used/released	-900,726	-79,766	-11,850	-992,342	-1,082,203
Changes in scope of consolidation	2,070	0	0	2,070	77,532
Book value as of 31.12.	**1,078,860**	**140,293**	**13,247**	**1,232,400**	**1,223,337**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	1,133,691	1,111,590
more than one year up to five years	75,724	81,121
more than five years up to ten years	22,985	30,626
Total	**1,232,400**	**1,223,337**

17. MATHEMATICAL RESERVE

Composition	31.12.2011	31.12.2010
in EUR '000		
Property/Casualty insurance	135	132
Life insurance	17,434,234	17,390,374
for guaranteed policy benefits	16,127,480	15,955,213
for allocated and committed profit shares	1,306,754	1,435,161
Health insurance	905,238	841,005
Total	**18,339,607**	**18,231,511**

Development	Property/ Casualty	Life	Health	Total	Total
	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2010
in EUR '000					
Book value as of 31.12. of the previous year	**132**	**17,390,374**	**841,005**	**18,231,511**	**17,347,996**
Exchange rate changes	-4	-76,524	199	-76,329	65,574
Book value as of 1.1.	**128**	**17,313,850**	**841,204**	**18,155,182**	**17,413,570**
Additions	27	1,744,056	64,034	1,808,117	2,292,422
Amount used/released	-20	-1,683,420	0	-1,683,440	-1,475,957
Transfer of provision for unearned premiums	0	59,748	0	59,748	59,722
Changes in scope of consolidation	0	0	0	0	-58,246
Book value as of 31.12.	**135**	**17,434,234**	**905,238**	**18,339,607**	**18,231,511**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	1,738,687	1,861,878
more than one year up to five years	6,182,492	6,165,345
more than five years up to ten years	3,260,252	3,393,212
more than ten years	7,158,176	6,811,076
Total	**18,339,607**	**18,231,511**

Life insurance mathematical reserve	31.12.2011	31.12.2010
in EUR '000		
Direct business	17,333,516	17,280,689
Policy benefits	16,026,762	15,849,531
Allocated profit share	1,282,987	1,416,856
Committed profit shares	23,767	14,302
Indirect business	100,718	109,685
Policy benefits	100,718	109,685
Total	**17,434,234**	**17,390,374**

Health insurance mathematical reserve	31.12.2011	31.12.2010
in EUR '000		
Direct business	905,238	839,632
Individual insurance	703,512	665,607
Group insurance	201,726	174,025
Indirect business	0	1,373
Total	**905,238**	**841,005**

18. PROVISION FOR OUTSTANDING CLAIMS

Composition	31.12.2011	31.12.2010
in EUR '000		
Property/Casualty insurance	3,652,368	3,509,228
Life insurance	239,797	207,690
Health insurance	46,251	50,797
Total	**3,938,416**	**3,767,715**

Development Property/Casualty insurance	31.12.2011	31.12.2010
in EUR '000		
Book value as of 31.12. of the previous year	**3,509,228**	**3,255,133**
Exchange rate changes	-79,215	-2,258
Book value as of 1.1.	**3,430,013**	**3,252,875**
Changes in scope of consolidation	4,766	53,310
allocation of provisions for outstanding claims	1,989,406	1,958,012
for claims paid occurred in the reporting period	1,830,502	1,801,500
for claims paid occurred in previous periods	158,904	156,512
Usage/dissolution of provisions for outstanding claims	-1,759,447	-1,725,378
for claims paid occurred in the reporting period	-496,696	-399,544
for claims paid occurred in previous periods	-1,262,751	-1,325,834
Other changes	-12,370	-29,591
Book value as of 31.12.	**3,652,368**	**3,509,228**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	1,602,975	1,654,431
more than one year up to five years	1,177,486	1,060,852
more than five years up to ten years	345,981	288,767
more than ten years	811,974	763,665
Total	**3,938,416**	**3,767,715**

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	31.12.2011	31.12.2010
in EUR '000		
Property/Casualty insurance	42,486	49,576
thereof profit-related	197	197
thereof profit-unrelated	42,289	49,379
Life insurance	398,038	702,766
thereof profit-related	396,842	701,661
thereof profit-unrelated	1,196	1,105
Health insurance	15,080	14,960
thereof profit-unrelated	15,080	14,960
Total	**455,604**	**767,302**
thereof life insurance deferred profit participation	**161,782**	**456,264**
Recognised through profit and loss	113,586	228,576
Recognised directly in equity	48,196	227,688

Development of life insurance	31.12.2011	31.12.2010
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	**246,502**	**226,539**
Book value as of 1.1.	**246,502**	**226,539**
Addition/release	49,502	80,419
Changes in scope of consolidation	0	-734
Transfer to mathematical reserve	-59,748	-59,722
Book value as of 31.12.	**236,256**	**246,502**
Deferred profit participation		
Book value as of 31.12. of the previous year	**456,264**	**333,247**
Book value as of 1.1.	**456,264**	**333,247**
Unrealised gains and losses on financial instruments available for sale	-114,587	108,391
Revaluations recognised through profit and loss	-179,895	14,626
Book value as of 31.12.	**161,782**	**456,264**
Provision for premium refunds incl. deferred profit participation	**398,038**	**702,766**

Development health insurance	31.12.2011	31.12.2010
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	**14,960**	**14,949**
Book value as of 1.1.	**14,960**	**14,949**
Addition/release	120	11
Book value as of 31.12.	**15,080**	**14,960**

Maturity structure for profit-related premium refunds	31.12.2011	31.12.2010
in EUR '000		
up to one year	19,739	164,861
more than one year up to five years	176,157	295,941
more than five years up to ten years	85,981	128,584
more than ten years	115,162	112,472
Total	**397,039**	**701,858**

Maturity structure for profit-unrelated premium refunds	31.12.2011	31.12.2010
in EUR '000		
up to one year	58,501	65,402
more than one year up to five years	64	42
Total	**58,565**	**65,444**

20. OTHER UNDERWRITING PROVISIONS

Composition	31.12.2011	31.12.2010
in EUR '000		
Property/Casualty insurance	22,869	22,600
Life insurance	3,111	4,618
Health insurance	530	757
Total	**26,510**	**27,975**

Other underwriting provisions are primarily the provisions for lapses.

Development	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Book value as of 31.12.	**22,600**	**4,618**	**757**	**27,975**	**24,921**
Exchange rate changes	-315	-169	0	-484	-130
Book value as of 1.1.	**22,285**	**4,449**	**757**	**27,491**	**24,791**
Additions	4,117	2,698	7	6,822	14,221
Amount used/released	-3,533	-4,036	-234	-7,803	-11,037
Book value as of 31.12.	**22,869**	**3,111**	**530**	**26,510**	**27,975**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	25,229	25,374
more than one year up to five years	1,095	1,174
more than five years up to ten years	186	1,427
Total	**26,510**	**27,975**

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

Composition	31.12.2011	31.12.2010
in EUR '000		
Unit-linked life insurance	3,696,527	3,924,029
Index-linked life insurance	1,632,854	1,303,901
Total	**5,329,381**	**5,227,930**

Development	31.12.2011	31.12.2010
in EUR '000		
Book value as of 31.12. of the previous year	**5,227,930**	**4,376,160**
Exchange rate changes	-36,114	9,314
Book value as of 1.1.	**5,191,816**	**4,385,474**
Additions	483,853	1,173,481
Amount used/released	-346,288	-330,450
Changes in scope of consolidation	0	-575
Book value as of 31.12.	**5,329,381**	**5,227,930**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	81,531	113,478
more than one year up to five years	465,828	375,615
more than five years up to ten years	1,520,061	1,278,049
more than ten years	3,261,961	3,460,788
Total	**5,329,381**	**5,227,930**

22. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Composition	31.12.2011	31.12.2010
in EUR '000		
Provision for pension obligations	218,314	224,812
Provision for severance obligations	83,688	84,989
Total	**302,002**	**309,801**

Development of pension obligations	31.12.2011	31.12.2010
in EUR '000		
Present value of obligation (DBO) as of 31.12. of the previous year	**577,004**	**560,222**
Unrealised gains/losses	-12,020	-6,207
Plan assets	-340,172	-329,525
Book value as of 1.1.	**224,812**	**224,490**
Withdrawal for pension payments	-23,362	-21,616
Addition to provision	31,270	35,537
Reduction of the obligation	-14,406	-15,341
Changes in scope of consolidation	0	1,742
Book value as of 31.12.	**218,314**	**224,812**
Cumulative unrealised gains/losses	-253	12,020
Plan assets	338,711	340,172
Present value of obligation (DBO) as of 31.12.	**556,772**	**577,004**

Development of severance obligations	31.12.2011	31.12.2010
in EUR '000		
Present value of obligation (DBO) as of 31.12. of the previous year	**134,063**	**139,753**
Unrealised gains/losses	14,216	-2,597
Plan assets	-63,290	-63,244
Book value as of 1.1.	**84,989**	**73,912**
Withdrawal for severance payments	-8,746	-5,152
Addition to provision	12,740	14,560
Reduction of the obligation	-5,295	-3,246
Changes in scope of consolidation	0	4,915
Book value as of 31.12.	**83,688**	**84,989**
Cumulative unrealised gains/losses	-11,385	-14,216
Plan assets	66,644	63,290
Present value of obligation (DBO) as of 31.12.	**138,947**	**134,063**

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	2011	2010
in EUR '000		
Current service costs	7,783	8,219
Interest expense	23,380	27,371
Realised actuarial gains (-) and losses (+)	107	-53
Total	**31,270**	**35,537**

Composition of additions to severance provisions	2011	2010
in EUR '000		
Current service costs	7,371	7,840
Interest expense	5,362	6,714
Realised actuarial gains (-) and losses (+)	7	6
Total	**12,740**	**14,560**

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	31.12.2011	31.12.2010
in EUR '000		
Provision for pension obligations	338,711	340,172
Provision for severance obligations	66,644	63,290

Development of plan assets of pension obligations	31.12.2011	31.12.2010
in EUR '000		
Plan assets of pension obligations as of 1.1.	**340,172**	**329,525**
Expected income on plan assets	13,592	13,239
Contributions	14,406	15,341
Payments out of plan assets	-23,260	-22,854
Expenses for plan assets	-6,199	3,152
Changes in scope of consolidation	0	1,769
Plan assets of pension obligations as of 31.12.	**338,711**	**340,172**

Development of plan assets of severance obligations	31.12.2011	31.12.2010
in EUR '000		
Plan assets of severance obligations as of 1.1.	**63,290**	**63,244**
Expected income on plan assets	3,165	3,325
Contributions	5,295	3,246
Payments out of plan assets	-5,181	-6,561
Expenses for plan assets	75	36
Plan assets of severance obligations as of 31.12.	**66,644**	**63,290**

23. OTHER PROVISIONS

Composition	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Provision for anniversary benefits	9,777	6,320	1,724	17,821	18,216
Other personnel provisions	4,995	1,717	0	6,712	6,402
Provision for customer support and marketing	28,552	1,039	0	29,591	27,897
Provision for litigation	1,574	3,380	0	4,954	7,042
Provision for renewal commissions	0	237	0	237	203
Other provisions	188,934	9,075	0	198,009	187,958
Total	**233,832**	**21,768**	**1,724**	**257,324**	**247,718**

Development	Book value as of 1.1.	Changes in scope of consolidation	Exchange rate changes	Amount used	Release	Additions	Book value as of 31.12.
in EUR '000							
Provision for anniversary benefits	18,216	0	-82	-2,188	-5,381	7,256	17,821
Other personnel provisions	6,402	0	-212	-2,964	-363	3,849	6,712
Provision for customer support and marketing	27,897	0	-123	-16,000	-291	18,108	29,591
Provision for litigation	7,042	0	-476	-1,005	-1,503	896	4,954
Provision for renewal commissions	203	0	3	-22	-96	149	237
Other provisions	187,958	245	-2,530	-26,486	-27,045	65,867	198,009
Total	**247,718**	**245**	**-3,420**	**-48,665**	**-34,679**	**96,125**	**257,324**

Other provisions consist primarily of provisions for government obligations of EUR 99,432,000, provisions for IT expenses of EUR 24,196,000 and provisions for advertising and sponsoring of EUR 2,349,000.

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	127,112	130,233
more than one year up to five years	33,877	39,177
more than five years up to ten years	8,021	1,932
more than ten years	88,314	76,376
Total	**257,324**	**247,718**

24. LIABILITIES

Composition	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Underwriting	**488,917**	**233,374**	**6,253**	**728,544**	**820,562**
Liabilities from direct business	388,854	123,829	3,390	516,073	607,313
to policyholders	252,580	79,552	3,135	335,267	432,665
to insurance intermediaries	118,274	43,872	0	162,146	160,599
to insurance companies	18,000	73	255	18,328	13,798
arising from financial insurance policies	0	332	0	332	251
Liabilities from reinsurance business	97,085	14,794	1,190	113,069	105,774
Deposits from ceded reinsurance business	2,978	94,751	1,673	99,402	107,475
Non-underwriting	**2,954,329**	**205,615**	**15,867**	**3,175,811**	**2,854,811**
Liabilities to financial institutions	1,330,012	98,911	25	1,428,948	1,116,632
Other liabilities	1,624,317	106,704	15,842	1,746,863	1,738,179
Total	**3,443,246**	**438,989**	**22,120**	**3,904,355**	**3,675,373**

Composition Other liabilities	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Tax liabilities (excl. income taxes)	52,191	6,459	296	58,946	53,445
Liabilities for social security	12,427	2,139	830	15,396	14,732
Liabilities to facility managers	3,150	1,080	394	4,624	3,447
Liabilities to employees	11,834	4,873	958	17,665	19,732
Bond liabilities	0	11,575	0	11,575	11,741
Liability for unused vacation entitlements	16,970	5,336	0	22,306	21,788
Liability for variable salary components	14,395	6,710	0	21,105	20,721
Liability for legal and consulting fees	3,500	595	18	4,113	3,708
Liability for unpaid incoming invoices	74,857	10,773	124	85,754	56,494
Liabilities for derivatives	12,242	2,251	0	14,493	23,992
Leasing liabilities	170	245	0	415	854
Liabilities from sureties	16,093	704	0	16,797	17,174
Liabilities from fees	14,082	90	0	14,172	9,754
Liabilities from construction projects	26,980	35	108	27,123	18,849
Liabilities from funding of housing projects	1,235,773	30,308	6,527	1,272,608	1,277,637
Liabilities from public funding	70,373	123	0	70,496	58,530
Liabilities from property transactions	7,930	3,035	0	10,965	21,849
Liabilities from purchase of capital investments	5,797	3,234	0	9,031	2,218
Other liabilities	45,553	17,139	6,587	69,279	101,514
Total	**1,624,317**	**106,704**	**15,842**	**1,746,863**	**1,738,179**

Maturity structure	Underwriting 31.12.2011	Non-underwriting 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000				
up to one year	695,703	405,223	1,100,926	1,272,554
more than one year up to five years	29,809	274,799	304,608	303,725
more than five years up to ten years	3,032	371,906	374,938	261,949
more than ten years	0	2,123,883	2,123,883	1,837,145
Total	**728,544**	**3,175,811**	**3,904,355**	**3,675,373**

25. TAX LIABILITIES OUT OF INCOME TAX

Composition	31.12.2011	31.12.2010
in EUR '000		
Property/Casualty insurance	52,099	40,389
Life insurance	10,719	11,769
Health insurance	0	12,012
Total	**62,818**	**64,170**

Maturity structure	31.12.2011	31.12.2010
in EUR '000		
up to one year	21,689	55,173
more than one year up to five years	41,129	8,997
Total	**62,818**	**64,170**

26. OTHER LIABILITIES

Composition	Property/ Casualty 31.12.2011	Life 31.12.2011	Health 31.12.2011	Total 31.12.2011	Total 31.12.2010
in EUR '000					
Deferred income	49,519	159,773	89	209,381	227,241
Other liabilities	4,639	576	1,646	6,861	6,387
Total	**54,158**	**160,349**	**1,735**	**216,242**	**233,628**

27. CONTIGENT 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 the Vienna Insurance Group.

Litigation relating to coverage

In their capacity as insurance companies, the companies of the 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 com-

panies of the 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 2011 and 2010.

Reporting period as of 31.12.	2011	2010
in EUR million		
Liabilities and assumed liabilities	16.9	15.4
Letters of comfort	76.1	53.3

The liabilities and assumed liabilities, as well as the letters of comfort 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 2011 reporting period and the 2010 comparative period are broken down by segment as follows:

Premiums written	Property/ Casualty 2011	Life 2011	Health 2011	Total 2011
in EUR '000				
GROSS				
Direct business	4,523,246	3,931,517	360,042	8,814,805
Austria	1,757,417	1,940,502	337,407	4,035,326
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	475,925	350,724	22,635	849,284
Indirect business	56,051	12,700	109	68,860
Premiums written	**4,579,297**	**3,944,217**	**360,151**	**8,883,665**
REINSURERS' SHARE	-699,685	-38,150	-809	-738,644
Premiums written – retention	**3,879,612**	**3,906,067**	**359,342**	**8,145,021**

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 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
GROSS				
Direct business	4,291,811	3,890,620	338,088	8,520,519
Austria	1,557,447	2,146,311	327,983	4,031,741
Czech Republic	966,425	738,383	0	1,704,808
Slovakia	302,678	340,890	0	643,568
Poland	560,709	188,253	0	748,962
Romania	434,216	93,158	0	527,374
Remaining markets	470,336	383,625	10,105	864,066
Indirect business	58,231	14,187	75	72,493
Premiums written	**4,350,042**	**3,904,807**	**338,163**	**8,593,012**
REINSURERS' SHARE	-685,471	-35,968	-653	-722,092
Premiums written – retention	**3,664,571**	**3,868,839**	**337,510**	**7,870,920**

Net earned premiums	Property/ Casualty 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
GROSS				
Direct business	4,271,476	3,897,085	340,860	8,509,421
Indirect business	58,773	14,894	74	73,741
Net earned premiums	**4,330,249**	**3,911,979**	**340,934**	**8,583,162**
REINSURERS' SHARE	-685,923	-36,228	-645	-722,796
Net earned premiums – retention	**3,644,326**	**3,875,751**	**340,289**	**7,860,366**

Premiums written Property/Casualty insurance	Gross 2011	Reinsurers' share 2011	Retention 2011	Gross 2010
in EUR '000				
Direct business				
Casualty insurance	334,096	-19,499	314,597	316,935
Land vehicle own-damage insurance	923,310	-17,392	905,918	958,309
Rail vehicle own-damage	3,548	-855	2,693	1,895
Aircraft own-damage insurance	7,458	-5,917	1,541	5,335
Sea, lake and river shipping own-damage insurance	7,839	-5,222	2,617	7,285
Transport insurance	47,579	-27,170	20,409	45,079
Fire explosion, other natural risks, nuclear energy	750,877	-190,959	559,918	716,786
Other property	423,317	-115,352	307,965	406,985
Carrier insurance	6,516	-1,510	5,006	5,766
Aircraft liability insurance	6,155	-5,168	987	4,824
Sea, lake and river shipping liability insurance	3,115	-1,088	2,027	3,021
General liability insurance	418,967	-55,469	363,498	374,972
Liability insurance for farm vehicles having their own drive train	1,383,157	-141,644	1,241,513	1,244,248
Credit insurance	136	-6	130	168
Guarantee insurance	19,113	-8,360	10,753	20,144
Insurance for miscellaneous financial losses	92,778	-43,344	49,434	94,363
Legal expenses insurance	48,268	-178	48,090	47,546
Assistance insurance, travel health insurance	47,017	-4,812	42,205	38,150
Subtotal	**4,523,246**	**-643,945**	**3,879,301**	**4,291,811**
Indirect business				
Marine, aviation and transport insurance	6,347	-2,924	3,423	4,041
Other insurance	49,704	-52,816	-3,112	54,190
Subtotal	**56,051**	**-55,740**	**311**	**58,231**
Total premiums written in Property and Casualty	**4,579,297**	**-699,685**	**3,879,612**	**4,350,042**

A portion of the EUR 5,392,000 (EUR 9,504,000) in earned premiums from indirect business in the property/casualty insurance area was deferred for one year before being shown in the income statement. Of the EUR 3,364,000 (EUR 3,443,000) in earned premiums from indirect business in the life insurance area, EUR 332,000 (EUR 391,000) was deferred for one year before being shown in the income statement.

Premiums written – direct life insurance business	2011	2010
in EUR '000		
Regular premiums	2,289,977	2,217,268
Annuity insurance	272,098	276,357
Whole life insurance	68,359	60,672
Mixed life insurance	559,719	574,396
Pure endowment insurance	127,309	136,477
Term life insurance	221,412	189,145
Fixed-term insurance	70,109	90,300
Unit-linked insurance	603,874	545,376
Index-linked insurance	12,839	11,510
Government sponsored pension plans	354,258	333,035
Single premium policies	1,641,540	1,673,352
Annuity insurance	89,771	103,857
Whole life insurance	23,798	21,960
Mixed life insurance	587,176	295,514
Pure endowment insurance	245,883	218,860
Term life insurance	69,490	90,251
Fixed-term insurance	326	312
Unit-linked insurance	430,619	621,200
Index-linked insurance	192,997	319,577
Government sponsored pension plans	1,480	1,821
Total premiums written direct in Life	**3,931,517**	**3,890,620**
thereof:		
Policies with profit participation	*2,000,135*	*1,761,365*
Policies without profit participation	*332,875*	*296,736*
Unit-linked life insurance policies	*1,392,671*	*1,501,433*
Index-linked life insurance policies	*205,836*	*331,086*

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)	2011	2010
in EUR '000		
Direct business	360,042	338,088
Individual insurance	240,013	235,095
Group insurance	120,029	102,993
Indirect business	109	75
Group insurance	109	75
Total premiums written in Health	**360,151**	**338,163**

29. FINANCIAL RESULT

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 Income	Property/ Casualty 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
Current income	447,370	942,303	38,020	1,427,693
Income from appreciation	12,669	69,013	862	82,544
Income from the disposal of investments	72,732	116,466	4,897	194,095
Total	**532,771**	**1,127,782**	**43,779**	**1,704,332**

Composition Income	Current income 2010	Income from appreciations 2010	Gains from disposal of investments 2010	Total 2010
in EUR '000				
Self-used land and buildings	13,022	0	324	13,346
Third-party used land and buildings	256,009	0	40,774	296,783
Loans	145,369	187	36,065	181,621
Reclassified loans	51,504	1,249	382	53,135
Financial instruments held to maturity	87,550	0	504	88,054
Government bonds	70,016	0	29	70,045
Covered bonds	3,518	0	0	3,518
Corporate bonds	8,073	0	189	8,262
Bonds from banks	5,883	0	282	6,165
Subordinated bonds	60	0	4	64
Financial instruments reclassified as held to maturity	52,341	0	0	52,341
Government bonds	42,651	0	0	42,651
Covered bonds	7,124	0	0	7,124
Bonds from banks	2,507	0	0	2,507
Subordinated bonds	59	0	0	59
Financial instruments available for sale	633,020	37,661	85,591	756,272
Bonds	557,972	37,661	35,336	630,969
Government bonds	210,535	3,975	13,124	227,634
Covered bonds	66,804	0	6,302	73,106
Corporate bonds	55,298	623	1,726	57,647
Bonds from banks	146,801	24,778	11,365	182,944
Subordinated bonds	78,534	8,285	2,819	89,638
Shares and other participations	42,113	0	46,065	88,178
Investment funds	32,230	0	4,190	36,420
Other securities	705	0	0	705
Financial instruments held for trading	4,509	4,273	5,953	14,735
Bonds	3,914	1,572	1,834	7,320
Government bonds	2,452	462	1,553	4,467
Covered bonds	0	1,110	0	1,110
Corporate bonds	1,462	0	281	1,743
Shares and other non-fixed-interest securities	232	1,753	466	2,451
Investment funds	357	592	163	1,112
Derivatives	0	300	3,490	3,790
Other securities	6	56	0	62
Financial instruments recognised at fair value through profit and loss	34,612	39,174	9,685	83,471
Bonds	18,759	24,134	7,360	50,253
Government bonds	1,917	165	741	2,823
Covered bonds	1,481	3,561	0	5,042
Corporate bonds	222	24	1	247
Bonds from banks	11,973	19,786	5,052	36,811
Subordinated bonds	3,166	598	1,566	5,330
Shares and other non-fixed-interest securities	357	70	2	429
Investment funds	11,291	6,591	1,111	18,993
Other securities	4,205	8,379	1,212	13,796
Other investments	118,478	0	0	118,478
Unit- and index-linked life insurance	31,279	0	14,817	46,096
Total	**1,427,693**	**82,544**	**194,095**	**1,704,332**
thereof participations	*11,508*	*0*	*46*	*11,554*

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*

Composition Expenses	Property/ Casualty 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
Depreciation of investment	151,220	89,509	9,846	250,575
Exchange rate changes	3,010	-8,240	16	-5,214
Losses from disposal of investments	6,630	30,905	1,595	39,130
Interest expenses	74,149	33,855	6,252	114,256
Personnel provisions	4,550	18,909	4,550	28,009
Interest on borrowings	69,599	14,946	1,702	86,247
Other expenses	124,813	62,011	7,338	194,162
Total	**359,822**	**208,040**	**25,047**	**592,909**

Composition Expenses	Depreciation of investment	Exchange rate changes	Losses from disposal of investments	Total
	2010	2010	2010	2010
in EUR '000				
Self-used land and buildings	13,151	0	147	13,298
Third-party used land and buildings	96,976	0	88	97,064
Loans	67,353	-58	113	67,408
Financial instruments held to maturity	0	-3,622	511	-3,111
Government bonds	0	-3,590	508	-3,082
Corporate bonds	0	-29	3	-26
Subordinated bonds	0	-3	0	-3
Financial instruments available for sale	40,815	-1,872	23,443	62,386
Bonds	25,054	-2,334	9,482	32,202
Government bonds	16,415	-2,616	1,297	15,096
Covered bonds	0	243	372	615
Corporate bonds	0	41	1,729	1,770
Bonds from banks	0	0	3	3
Subordinated bonds	8,639	-2	6,081	14,718
Shares and other participations	10,586	80	8,796	19,462
Investment funds	5,175	382	5,165	10,722
Financial instruments held for trading	553	4,697	5,713	10,963
Bonds	45	-32	81	94
Government bonds	34	-32	80	82
Corporate bonds	0	0	1	1
Bonds from banks	11	0	0	11
Shares and other non-fixed-interest securities	474	0	319	793
Investment funds	3	11	5	19
Derivatives	0	4,718	5,308	10,026
Other securities	31	0	0	31
Financial instruments recognised at fair value through profit and loss	30,640	-629	4,342	34,353
Bonds	11,568	-612	1,005	11,961
Government bonds	2,358	-36	81	2,403
Covered bonds	0	0	192	192
Corporate bonds	12	-1	0	11
Bonds from banks	5,907	-575	606	5,938
Subordinated bonds	3,291	0	126	3,417
Shares and other non-fixed-interest securities	4,981	-14	0	4,967
Investment funds	5,793	-3	485	6,275
Other securities	8,298	0	2,852	11,150
Other investments	1,087	-3,730	190	-2,453
Unit- and index-linked life insurance	0	0	4,583	4,583
Total	**250,575**	**-5,214**	**39,130**	**284,491**
thereof impairments	*109,075*	*0*	*0*	*109,075*
thereof participations	*6,364*	*0*	*2,923*	*9,287*

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 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**

Composition	Property/ Casualty 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
Current result	5,253	-240	0	5,013
Total	**5,253**	**-240**	**0**	**5,013**

31. OTHER 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**

Other income consists primarily of EUR 9,998,000 in compensation for services performed, EUR 8,517,000 from the release of other provisions, EUR 10,699,000 in fees and in tax income from reinsurance contracts, EUR 25,289,000 from exchange rate changes, EUR 15,552,000 from the reversal of allowances for receivables and EUR 9,298,000 in commission income.

Composition	Property/ Casualty 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
Other underwriting income	35,195	18,893	725	54,813
Other non-underwriting income	26,502	12,523	1	39,026
Total	**61,697**	**31,416**	**726**	**93,839**

32. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

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 mathematical 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 mathematical 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 mathematical 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**

Composition	Gross 2010	Reinsurers' share 2010	Retention 2010
in EUR '000			
Property/Casualty insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	2,720,484	-439,416	2,281,068
Changes in provision for outstanding claims	120,302	5,007	125,309
Subtotal	**2,840,786**	**-434,409**	**2,406,377**
Change in mathematical reserve	2	-1	1
Change in other underwriting provisions	789	969	1,758
Expenses for profit-unrelated premium refunds	35,769	-6,378	29,391
Total expenses	**2,877,346**	**-439,819**	**2,437,527**
Life insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	2,547,082	-22,793	2,524,289
Changes in provision for outstanding claims	33,631	-4,798	28,833
Subtotal	**2,580,713**	**-27,591**	**2,553,122**
Change in mathematical reserve	1,178,280	1,228	1,179,508
Change in other underwriting provisions	1,056	-31	1,025
Expenses for profit-related and profit-unrelated premium refunds	87,569	0	87,569
Total expenses	**3,847,618**	**-26,394**	**3,821,224**
Health insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	220,768	-100	220,668
Changes in provision for outstanding claims	-1,097	17	-1,080
Subtotal	**219,671**	**-83**	**219,588**
Change in mathematical reserve	51,680	-143	51,537
Expenses for profit-unrelated premium refunds	11,472	0	11,472
Total expenses	**282,823**	**-226**	**282,597**
Total	**7,007,787**	**-466,439**	**6,541,348**

33. ACQUISITION AND ADMINISTRATIVE EXPENSES

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**

Composition	Property/ Casualty 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
Acquisition expenses				
Commission expenses	626,057	368,307	6,574	1,000,938
Pro rata personnel expenses	180,604	68,649	12,375	261,628
Pro rata material expenses	122,911	116,369	7,205	246,485
Subtotal	**929,572**	**553,325**	**26,154**	**1,509,051**
Administrative expenses				
Pro rata personnel expenses	116,660	53,928	7,592	178,180
Pro rata material expenses	101,322	73,114	6,574	181,010
Subtotal	**217,982**	**127,042**	**14,166**	**359,190**
Received reinsurance commissions	-100,761	-7,486	-117	-108,364
Total	**1,046,793**	**672,881**	**40,203**	**1,759,877**

34. OTHER EXPENSES

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**

Other expenses consist primarily of EUR 48,836,000 for valuation allowances (not including investments), EUR 54,096,000 in write-downs of the insurance portfolio and customer base, EUR 40,334,000 in goodwill impairment (thereof EUR 40,000 attributable to the Romania Non-life CGU), EUR 28,641,000 in government-imposed contributions, EUR 24,766,000 in brokering expenses, EUR 23,563,000 in underwriting taxes, EUR 19,404,000 in currency losses, EUR 12,631,000 in other contributions and fees and EUR 3,742,000 in securities account interest.

Composition	Property/ Casualty 2010	Life 2010	Health 2010	Total 2010
in EUR '000				
Other underwriting expenses	136,889	64,968	338	202,195
Other non-underwriting expenses	40,298	19,132	2	59,432
Total	**177,187**	**84,100**	**340**	**261,627**

35. TAX EXPENSE

Composition	2011	2010
in EUR '000		
Actual taxes	106,695	137,269
Actual taxes related to other periods	-2,389	-14,123
Total actual taxes	**104,306**	**123,146**
Deferred taxes	12,793	-28,607
Total	**117,099**	**94,539**

Reconciliation	2011	2010
in EUR '000		
Expected income tax rate in %	25%	25%
Profit before taxes	559,008	507,789
Expected tax expenses	**139,752**	**126,947**
Adjusted for tax effects due to:		
Tax-exempt income from participations	-11,047	-11,037
Non-deductible expenses	50,064	30,023
Income not subject to tax	-47,585	-38,912
Taxes from previous years	-2,389	-14,123
Changes in tax rates	-6,058	-13,306
Adjustment for accumulated losses carried forward and other tax effects	-5,638	14,947
Effective income tax expenses	**117,099**	**94,539**
Effective income tax rate in %	**20.9%**	**18.6%**

The income tax rate of the parent company VIG Holding is used as the Group tax rate. EUR 6,073,000 (EUR 16,379,000) in loss carry-forwards was not recognised. Deferred tax liabilities of EUR 19,355,000 (EUR 36,828,000) 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	2011	2010
Austria	6,440	6,493
Field staff	2,836	2,875
Office employees	3,604	3,618
Outside Austria	18,462	18,513
Field staff	10,570	10,373
Office employees	7,892	8,140
Total	**24,902**	**25,006**

Personnel expenses	2011	2010
in EUR '000		
Wages and salaries	426,182	417,148
Expenses for severance benefits and payments to company pension plans	3,711	18,140
Expenses for retirement provisions	-2,259	-912
Mandatory social security contributions and expenses	139,099	141,733
Other social security expenses	14,319	15,097
Total	**581,052**	**591,206**
thereof field staff	*251,400*	*251,415*
thereof office staff	*329,652*	*339,791*
Expenses for severance and pensions for:		
Managing Board members and senior management	481	1,550
Remaining employees	971	15,678

Supervisory board and managing board compensation (gross)	2011	2010
in EUR '000		
Compensation paid to Supervisory Board members	365	351
Total payments to former members of the Managing Board or their survivors	-	-
Provision for future pension obligations for Managing Board members	1,191	1,068
Compensation paid to active Managing Board members	4,450	2,588

The members of the Managing Board received EUR 4,450,000 (EUR 2,588,000) in remuneration for their services to the Company during the reporting period. The Managing Board members received EUR 1,471,000 (EUR 504,000) from subsidiaries in the reporting year; of this amount, EUR 184,000 (EUR 0) was charged to the Company by intercompany allocation; the Company in turn charged EUR 544,000 (EUR 436,000) to subsidiaries for Managing Board members.

After waiving their 2009 and 2010 bonuses for the previous year (in spite of good results) in recognition of the difficult situation faced by customers and employees, the Managing Board was granted a bonus in 2011.

The Managing Board consisted of six members in 2011.

The average number of employees in the fully consolidated companies (including cleaning staff) was 24,902 (25,006). Of this number, 13,406 (13,248) were active in sales, leading to personnel expenses of EUR 251,400,000 (EUR 251,415,000), and 11,496 (11,758) were in operations, leading to personnel expenses of EUR 329,652,000 (EUR 339,791,000).

37. AUDITING FEES AND AUDITING SERVICES

Auditing fees were EUR 703,000 (EUR 661,000) and were broken down into the following areas:

Composition	2011	2010
in EUR '000		
Audit of consolidated financial statements	164	163
Audit of financial statements ot parent company	42	41
Other audit services	286	366
All other fees	211	91
Total	**703**	**661**

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 Wechselseitige 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 2011 or 31 December 2010.

Transactions with related parties

The Group charges Wiener Städtische Wechselseitige for office space. Other services (e.g. accounting services) are also provided by the Group.

Transactions with consolidated affiliated companies mainly relate to internal Group reinsurance and to real estate financing and service charges (e.g. accounting, employee secondment, data processing, etc.).

Transactions with non-consolidated affiliated and associated companies mainly relate to financing and service charges.

Open entries at the end of the reporting period	31.12.2011	31.12.2010
in EUR '000		
Receivables		
Receivables from insurance business	3	50
Other receivables	23,701	22,829
Subtotal	**23,704**	**22,879**
Other liabilities		
Liabilities from insurance business	-901	-862
Other liabilities	-25,990	-70,029
Subtotal	**-26,891**	**-70,891**
Total	**-3,187**	**-48,012**
Loans to non-consolidated affiliated companies	68,042	48,273
Loans to participations	32,245	25,277

The Supervisory Board had the following members in financial year 2011:

Chairman:
Wolfgang **Ruttenstorfer**

Deputy Chairman:
Karl **Skyba**

Members:
Bernhard **Backovsky**
Martina **Dobringer** (from 6 May 2011)
Alois **Hochegger**
Guido **Klestil** (until 6 May 2011)
Heinz **Öhler**
Reinhard **Ortner**
Martin **Roman**
Johann **Sereinig**
Friedrich **Stara**

Members of the Managing Board and Supervisory Board received no advances or loans in financial year 2011. There were no loans outstanding to members of the Managing Board or Supervisory Board as of 31 December 2011.

No guarantees were outstanding for members of the Managing Board or Supervisory Board as of 31 December 2011.

The Managing Board had the following members in financial year 2011:

Chairman:
Günter **Geyer**

Members:
Martin **Diviš** (until 30 June 2011)
Franz **Fuchs**
Peter **Hagen**
Peter **Höfinger**
Franz **Kosyna** (from 1 July 2011)
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 has an upper limit and accounts for approximately 40% of total possible 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 fully met in a financial year, because of the focus on sustainability the full variable compensation component is only awarded if satisfactory performance is also reported in the following year.

In 2011, the key performance criteria for variable compensation are the combined ratio and profit before taxes for 2011 and 2012.

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

After waiving their 2009 and 2010 bonuses for the previous year (in spite of good results) in recognition of the difficult situation faced by customers and employees, the Managing Board was granted a bonus in 2011.

The Managing Board had six members in 2011, with Mr. Diviš leaving his position in the Company with Supervisory Board approval in order to focus more strongly on the Czech Vienna Insurance Group. Franz Kosyna has been a member of the Managing Board since 1 July 2011.

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). The rules for Managing Board members with many years of prior service differ in that the percentage of the measurement basis is higher for historical reasons (up to 55%), and additional amounts are awarded for remaining on the Managing Board at the Supervisory Board's request after the age limit has been reached.

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 Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) is not applicable by law, 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 an additional 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 expenses (cash claims and provisions for future claims) for severance payments and pensions of EUR 1,452,000 in 2011 (EUR 17,228,000) include EUR 481,000 (EUR 1,550,000) in severance payment and pension expenses (cash claims and provisions for future claims) for senior management (leitende Angestellte) as defined in § 80(1) AktG and former members of the Managing Board and their survivors, and provisions for future severance payments and pension claims of members of the Managing Board.

The members of the Managing Board received EUR 4,450,000 (EUR 2,588,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 1,471,000 (EUR 504,000) from subsidiaries during the reporting period. EUR 184,000 (EUR 0) of this amount was charged to the Company in the form of an intercompany charge. The Company in turn charged subsidiaries EUR 544,000 (EUR 436,000) for the Managing Board members.

No compensation for former members of the Company's Managing Board or their survivors is reported following the demerger. Any such claims were transferred to Wiener Städtische as part of the demerger and are reported in that company's 2011 annual report as compensation of former members of the Managing Board (including survivors).

The Managing Board:

Günter Geyer
General Manager, CEO
Chairman of the Managing Board

Peter Hagen
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Franz Kosyna
Member of the Managing Board

Martin Simhandl
CFO
Member of the Managing Board

Vienna, 12 March 2012

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, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, 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, 2011, 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, 2011 and of its financial performance and its cash flows for the fiscal year from January 1 to December 31, 2011 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 2012

PwC INTER-TREUHAND 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 government. The Vienna Insurance Group's declaration of adherence to the Code, discussions regarding the areas of deviation, and detailed information on the composition of, procedures followed by, and the compensation of the Managing Board and Supervisory Board are clearly organized and presented below.

Vienna Insurance Group is committed to the application of and compliance with the January 2010 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 ("Recommendation")

The Austrian Code of Corporate Governance is available to the public both on the Vienna Insurance Group website and 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 three "comply or explain" rules, as explained below:

Rule 31:
The fixed and variable components of remuneration granted during the financial year are to be individually disclosed for each member of the managing board in the Corporate Governance Report. This also applies if the remuneration is paid by a management company.

Rule 51:
The remuneration granted to supervisory board members during the reporting period is to be separately disclosed for each supervisory board member in the Corporate Governance Report. As a rule, stock option plans are not provided for members of the supervisory board. If stock option plans are granted by way of exception, all of the details of these plans must be approved at the Annual General Meeting.

Explanation: The principles governing the compensation paid to members of the Managing Board and Supervisory Board are published, as is the total compensation paid to all members of the Managing Board and the Supervisory Board. There are no stock options plans for members of the Managing Board or Supervisory Board. Detailed information on the individual amounts of compensation received by Managing Board and Supervisory Board members would have relatively little informational value to investors and is not published in the Corporate Governance Report in order to respect the rights to privacy of members of those Boards.

The Company attempts to keep the net operating compensation received by its Managing Board members approximately equal even if part of a Managing Board mem-

ber's compensation is taxed differently due to additional operational positions assumed abroad. As a result of these efforts, some members of the Managing Board receive less gross compensation than others, so that publishing individual compensation amounts would have little meaning.

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 2011

The Vienna Insurance Group Managing Board is made up of six people:

Günter Geyer joined Wiener Städtische in 1974 and was appointed to the Managing Board in 1988. He has been General Manager and Chairman of the Managing Board of Vienna Insurance Group since 1 July 2001. In various positions held in Austria and the CEE region, Mr. Geyer has made a key contribution to shaping the Group's rise to the status of an internationally successful insurance group. He has held, for example, the position of Chairman of the Managing Board of Union Versicherung and General Manager of Donau Versicherung. Günter Geyer played a key role in setting up the Company's first insurance companies in Central and Eastern Europe. He stands down as Chairman of the Managing Board of Vienna Insurance Group effective 31 May 2012.

Günter Geyer
General Manager and Chairman of the Managing Board
Year of birth: 1943
Date first appointed: 1988
End of current term of office:
31 May 2012

Areas of responsibility: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, human resources
Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe)

Positions held on the supervisory boards of other Austrian and foreign companies outside the Group: Casinos Austria AG, Casinos Austria International Holding GmbH, Regionalmedien Austria AG, Wien Holding GmbH

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. Peter Hagen has held the position of Deputy General Manager of Vienna Insurance Group since 1 October 2009, and takes over as General Manager and Chairman of the Managing Board effective 1 June 2012.

Peter Hagen
Deputy General Manager
Year of birth: 1959
Date first appointed: 2004
End of current term of office:
30 June 2013

Areas of responsibility: Motor vehicle insurance performance management, internal capital model project (Solvency II project), Group cost structure, VIG RE
Country responsibilities: Czech Republic

Positions held on the supervisory boards of other Austrian and foreign companies outside the Group: voestalpine AG, CEESEG Aktiengesellschaft, Wiener Börse AG

Franz Fuchs
Year of birth: 1953
Date first appointed: 2009
End of current term of office:
30 June 2013

Franz Fuchs began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in the life insurance area and pension funds before joining 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 Managing Board of Vienna Insurance Group on 1 October 2009.

Areas of responsibility: Personal insurance performance management
Country responsibilities: Baltic countries, Poland, Romania

Positions held on the supervisory boards of other Austrian and foreign companies outside the Group: C-QUADRAT Investment AG

Peter Höfinger
Year of birth: 1971
Date first appointed: 2009
End of current term of office:
30 June 2013

Peter Höfinger has been a member of the Managing Board of Vienna Insurance Group since 1 January 2009. Prior to that, he was director of the Managing Board of Donau Versicherung. Mr. Höfinger joined this company 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
Country responsibilities: Bulgaria, Russia, Hungary, Belarus

Positions held on the supervisory boards of other Austrian and foreign companies outside the Group: Insurance Company „MSK-Life“ Ltd.

Franz Kosyna
Year of birth: 1954
Date first appointed: 2011
End of current term of office:
30 June 2013

Franz Kosyna was appointed as a member of the Managing Board of Vienna Insurance Group on 1 July 2011, and will be granted the title of Deputy General Manager effective 1 June 2012. Mr. Kosyna has worked for 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 was General Manager of ČPP starting in 2005. After these international positions, Mr. Kosyna assumed the position of Chairman of the Managing Board of Donau Versicherung in 2009.

Areas of responsibility: Group IT / back office, SAP Smile Solutions
Country responsibilities: Albania (incl. Kosovo), Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Slovakia

Positions held on the supervisory boards of other Austrian and foreign companies outside the Group: Österreichische Hagelversicherung VVaG, Lead Equities Mittelstandsfinanzierungs AG

Martin Simhandl, CFO
Year of birth: 1961
Date first appointed: 2004
End of current term of office:
30 June 2013

Martin Simhandl began his career with the Group in 1985 in the legal department of Wiener Städtische. In 1995 he became head of equity investment management, 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, asset-risk management, equity investment management, finance and accounting
Country responsibilities: Germany, Georgia, Liechtenstein, Turkey, Ukraine

Positions held on the supervisory boards of other Austrian and foreign corporations outside the Group: Wiener Hafen Management GmbH

The Managing Board as a whole is responsible for the General Secretariat, Group Controlling, Enterprise Risk Management/Solvency II, Actuarial Services, 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 2011

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: 6 May 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

Johann Sereinig
Year of birth: 1952
Date first appointed: 1992
End of current term of office: 2014

Friedrich Stara
Year of birth: 1949
Date first appointed: 2002
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 § 95(5)(12) of the Austrian Stock Corporation Act (AktG) or § 15(2)(l) of the articles of association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that 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 hold supervisory board positions or comparable positions in Austrian or foreign listed companies as of 31 December 2011:

Wolfgang Ruttenstorfer
CA Immobilien Anlagen AG
Flughafen Wien AG
Telekom Austria AG

Martin Roman
CEZ a.s.

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
1st deputy member: Johann Sereinig
2nd deputy member: Alois Hochegger
3rd deputy member: Reinhard Ortner

Karl Skyba
1st deputy member: Friedrich Stara
2nd deputy member: Heinz Öhler
3rd deputy member: Reinhard Ortner

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the duties assigned by § 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 statement auditor (consolidated financial statement 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 statement auditor (consolidated financial statement auditor).

Wolfgang Ruttenstorfer
1st deputy member: Johann Sereinig
2nd deputy member: Alois Hochegger
3rd deputy member: Reinhard Ortner

Karl Skyba
1st deputy member: Friedrich Stara
2nd deputy member: Heinz Öhler
3rd deputy member: 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, as 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
1st deputy member: Johann Sereinig
2nd deputy member: Alois Hochegger
3rd deputy member: Reinhard Ortner

Karl Skyba
1st deputy member: Friedrich Stara
2nd deputy member: Heinz Öhler
3rd deputy member: Reinhard Ortner

The Company did not enter into any agreements with members of the Supervisory Board in 2011 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. The Extended Executive Board assists the Managing Board in its management of the Group. The Executive Board is comprised of managers with the same level of international and expert experience as members of the Managing Board.

Supervisory Board

The management of the Company is periodically monitored by the Supervisory Board as a whole, its committees, its Chairman and Deputy Chairman. 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 and Audit Committee also hold direct discussions with the auditor of the financial statements and consolidated financial statements 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. The audit reports are discussed and deliberated in detail with the audit managers during the meetings on the annual financial statements and consolidated financial statements. The Supervisory Board also obtains a quarterly report from the internal audit department, and has the Managing Board explain to it the organisation and functioning of the risk management and internal control systems.

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 Annual General Meeting, four Supervisory Board meetings and one closed Supervisory Board meeting were held in 2011. During the closed meeting, the Supervisory Board reviewed and discussed in detail the previous development of the Company and the Group and used this as a basis for discussions on the future strategy of the Group. Three meetings of the Audit Committee were also held. The Committee for Urgent Matters held one meeting and was also contacted in writing with regard to two matters. The Supervisory Board was informed of any resolutions passed by the committees at the next Supervisory Board meeting. The auditor of the financial statements and consolidated financial statements, PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended three Audit Committee meetings and three Supervisory Board meetings, including the meeting dealing with the auditing of the annual financial statements and consolidated financial statements and the 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 2011. 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 has an upper limit and accounts for approximately 40% of the possible total 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 2011, the key performance criteria for variable compensation are the combined ratio and the profit before taxes for the years 2011 and 2012. 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.

After waiving their 2009 and 2010 bonuses for the respecting previous years (in spite of good results) in recognition of the difficult situation faced by customers and employees, the Managing Board was granted a bonus in 2011.

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). The rules for Managing Board members with many years of prior service differ in that the percentage of the measurement basis is higher for historical reasons (up to 55%), and additional amounts are awarded for remaining on the Managing Board at the Supervisory Board's request after the age limit has been reached.

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, 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 16th Annual General Meeting on 25 May 2007, 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 2011 was EUR 365,000 (2010: EUR 351,000).

Measures put in place to promote women to the Managing Board, Supervisory Board and management positions

Women Supervisory Board members

Women now hold 11% of the supervisory board positions in Austrian Vienna Insurance Group companies.

Martina Dobringer was newly elected to the Vienna Insurance Group Supervisory Board in 2011.

Women Managing Board members

Vienna Insurance Group believes that women must first have careers in operational positions before becoming eligible to hold positions at the supervisory board level, and therefore promotes such careers.

As in the previous year, 20% of the positions (Europe-wide) at the highest operational level of the Group (managing board) were held by women. Seven insurance companies had chairwomen for their managing boards, and another four had deputy chairwomen.

40% of the members of the managing board of Wiener Städtische Austria are women, and Johanna Stefan will become General Manager of the Austrian company Donau Versicherung starting in June 2012.

Women in management positions

Women hold approximately 40% of the management positions at the level directly below the managing board in VIG insurance companies across Europe.

Two managers reporting directly to the managing board of the Vienna Insurance Group holding company returned to their management positions in 2010 and 2011 after maternity leave and are now working a flexible full-time schedule.

The Managing Board:

Günter Geyer
General Manager, CEO
Chairman of the Managing Board

Peter Hagen
Deputy General Manager
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Franz Kosyna
Member of the Managing Board

Martin Simhandl
CFO
Member of the Managing Board

Vienna, March 2012

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 served this purpose, as did 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, four Supervisory Board meetings and one closed Supervisory Board meeting were held in 2011. During the closed meeting, the Supervisory Board reviewed and discussed in detail the previous development of the Company and the Group and used this as a basis for discussions on the future strategy of the Group. Three meetings of the Audit Committee were also held. The Committee for Urgent Matters held one meeting and was also contacted in writing with regard to two matters. The Supervisory Board was informed of any resolutions passed by the committees at the next Supervisory Board meeting. The auditor of the financial statements and consolidated financial statements, PwC INTERTREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended three Audit Committee meetings and three Supervisory Board meetings, including the meeting dealing with the auditing of the annual financial statements and consolidated financial statements and the 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 2011.

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.

By inspecting suitable documents, meeting with the Managing Board and holding discussions with the auditor, 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 auditor of the financial statements and consolidated financial statements 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 auditor and the individuals directly responsible for these areas. The Audit Committee also debated and discussed the quarterly reports prepared by the Internal Audit department. 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. The Supervisory Board found no reasons for objections.

In order to prepare the Supervisory Board's proposal for selection of the auditor of the financial statements and consolidated financial statements, the Audit Committee requested that PwC submit documents concerning its

license to audit. A written report was prepared stating that there were no grounds for exclusion or circumstances that could provide cause for concern regarding partiality. In addition, a list grouped by category of services showing the total revenues received by PwC from the Company in the previous financial year was requested and reviewed, and it was verified that PwC was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the findings gained from these investigations and proposed to the Supervisory Board following the General Meeting that PwC be selected as auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received the 2011 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 2011 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 2011 annual financial statements together with the management report and corporate governance report, the 2011 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 PwC for the 2011 annual financial statements and management report and the 2011 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the Supervisory Board, and debated and discussed in detail with PwC. The final findings of the audit provided no reason for objections. 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 2011 annual financial statements have therefore been approved in accordance with § 96(4) of the Austrian Stock Corporation Act.

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 2012

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.

The Managing Board:

Günter Geyer
General Manager, CEO
Chairman of the Managing Board

Peter Hagen
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Franz Kosyna
Member of the Managing Board

Martin Simhandl
CFO
Member of the Managing Board

Vienna, 12 March 2012

Managing Board areas of responsibility:

Günter Geyer: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, human resources; Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe)

Peter Hagen: Performance management motor vehicle insurance, internal capital model project (Solvency II project), Group cost structure, VIG RE; Country responsibilities: Czech Republic

Franz Fuchs: Performance management personal insurance; Country responsibilities: Baltic States, Poland, Romania

Peter Höfinger: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance; Country responsibilities: Bulgaria, Russia, Hungary, Belarus

Franz Kosyna: Group IT/Back Office, SAP Smile Solutions; Country responsibilities: Albania (incl. Kosovo), Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Slovakia

Martin Simhandl: Asset management, asset risk management, subsidiaries department, finance and accounting; Country responsibilities: Germany, Georgia, Liechtenstein, Turkey, Ukraine

MANAGEMENT REPORT TO THE SEPARATE FINANCIAL STATEMENTS

MANAGEMENT REPORT TO THE SEPARATE FIANANCIAL STATEMETNS 2011

VIG HOLDING BUSINESS DEVELOPMENT

Wiener Städtische Wechselseitige 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 2011.

To improve readability, company names have been shortened in the text below. A list of full company names is provided on pages 191 and 192.

VIG Holding primarily focuses on management responsibilities for the Group. It is, however, also active as an international reinsurer and in the international corporate and large customer business.

The main management responsibilities of the Group holding company include the following in particular:

- IT coordination
- Investment management
- Finance and accounting
- Planning and controlling
- International human resources development
- International actuarial services
- Risk management
- Group audit
- Investor relations
- Public relations
- Marketing
- Reinsurance
- International corporate and large customer business
- Vienna International Underwriters (VIU)

In addition, two organisational units were formed to deal with the specific question of how to ensure the long-term earnings power of the personal and motor vehicle insurance business across the Group.

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 were accordingly bundled in VIG Holding. This created a broader basis for mutual risk off-setting and also made it easier to optimise the external reinsurance coverage needed. This is particularly 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 extensive 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 2011:

	2011			2010		
	Direct business	Indirect business	Total	Direct business	Indirect business	Total
in EUR '000						
Premiums written	5,790	812,901	818,691	10,507	526,346	536,853
Net earned premiums	4,641	782,338	786,979	10,507	445,147	455,654
Expenses for claims and insurance benefits	10,064	561,574	571,638	3,739	343,865	347,604
Administrative expenses	404	195,629	196,033	2,335	94,274	96,609
Reinsurance balance	5,362	–1,292	4,070	–6,623	–3,418	–10,041

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

Premium income

VIG Holding generated a total premium volume of EUR 818.69 million in 2011, representing an increase of 52.5% over the previous year. The increase is due to a considerably higher premium volume in the reinsurance business. Due to the use of Group-wide quota reinsurance for the first time in accident insurance, premium income from indirect business rose by 54.4% to EUR 812.90 million. Unlike the previous year, VIG Holding did not earn any premiums from co-insurance for civil fire and fire business interruption insurance in 2011, and premium volume from corporate business fell accordingly to EUR 5.79 million (2010: EUR 10.51 million). VIG Holding retained EUR 807.33 million of the gross premiums written, an increase of EUR 281.63 million over the previous year, and EUR 11.36 million was ceded to reinsurers in 2011 (2010: EUR 11.16 million). Gross earned premiums were EUR 786.98 million (2010: EUR 455.65 million), and net earned premiums increased by EUR 331.75 million to EUR 776.25 million.

Expenses for claims and insurance benefits

Gross expenses for claims and insurance benefits were EUR 571.64 million in 2011, with EUR 10.06 million attributable to corporate business (2010: EUR 3.74 million). The sharp increase in expenses for claims and insurance benefits in this segment was due to one large claim. Expenses for claims and insurance benefits for assumed reinsurance rose 63.3% to EUR 561.57 million. EUR 14.36 million (EUR 1.06 million) of the gross expenses for claims and insurance benefits were borne by reinsurers, leaving net expenses for claims and insurance benefits of EUR 557.27 million (EUR 346.54 million).

Administrative expenses

Administrative expenses were EUR 196.03 million in 2011 (2010: EUR 96.61 million). This change mainly resulted from an improved allocation of expenses and, for indirect business in particular, from the increase in commissions due to the new reinsurance business generated in the accident segment. EUR 0.40 million of the administrative expenses were for corporate business and EUR 195.63 million for reinsurance business. EUR 195.60 million in administrative expenses remained for VIG Holding after reinsurance commissions, an increase of EUR 99.04 million over the previous year.

Combined ratio

VIG Holding had a combined ratio of 97.0% in 2011 (2010: EUR 99.7%).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 207.51 million. This corresponds to an increase of 44.8% over the EUR 143.27 million in the previous year.

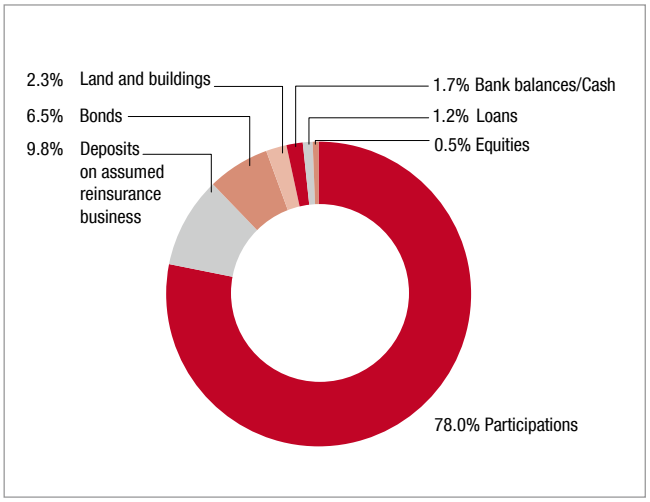
The total (net) income includes current income, realised gains and losses and write-downs for the following investment groups:

in EUR '000	2011
Land and buildings	6,210
Investments in affiliated companies and participations	310,169
Other investments	–2,567
Total income (net)	**313,812**
Other investment and interest income	20,572
Expenses for asset management	–42,063
Interest expenses	–75,876
Other investment expenses	–8,930
Investment profit according to income statement	**207,515**

Result from ordinary activities
VIG Holding earned a result from ordinary activities of EUR 239.72 million in financial year 2011. This was an increase of 65.8% over the result of EUR 144.61 million earned in the previous year.

Investments
Investments, including liquid assets, were EUR 5,004.19 million as of 31 December 2011 (2010: EUR 4,648.74 million). 78.0% of the investments at the end of 2011 were participations, 9.8% deposits on assumed reinsurance business, 6.5% bonds, 2.3% land and buildings, 1.7% bank balances and cash on hand, 1.2% loans and 0.5% equities.

BREAKDOWN OF INVESTMENTS



Solvency ratio
VIG Holding's solvency ratio of 2,297.7% is extremely high, due to an outstanding endowment of capital resources combined with a low capital requirement.

Employees
VIG Holding had an average of 164 employees in 2011, 22 less than the previous year.

Employee interests
The economic performance of VIG Holding is due to the commitment and high qualifications of its employees. VIG Holding offers its employees personal development and career opportunities, and places great importance on training. Employees have the opportunity, for example, to take part in the international job rotation programme. VIG Holding also provides a variety of fringe benefits to make conditions attractive for its employees. They receive subsidies, for example, for use of the company kindergarten and lunches. VIG Holding employees in Vienna can also obtain coupons for major Austrian retail chains. Many employees take advantage of these attractive offers.

Significant events after the balance sheet date

The Company and Wiener Städtische Wechselseitige concluded an agreement on 1 January 2012 concerning Neue Heimat Oberösterreich Holding GmbH, Vienna, and the non-profit housing societies it owns. The subject matter of the agreement was a capital injection by Wiener Städtische Wechselseitige under the terms of a capital increase, together with a share purchase and passage of control rights.

Other information

VIG Holding performs no research and development activities.

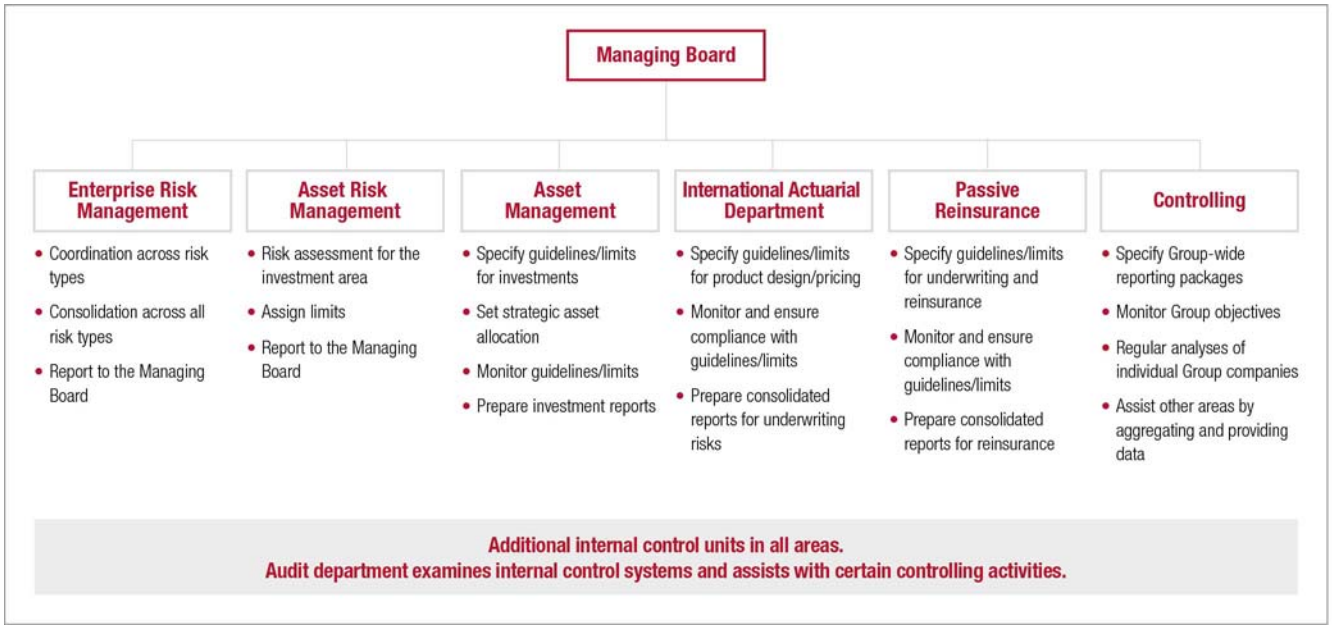
VIG Holding has no branch offices.

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 enterprise-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 department, group controlling, internal audit and group IT departments are also involved in the ongoing process of risk monitoring and management.



The overall risk of VIG Holding 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 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 interest rate 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 depends on the goodness of fit between the investment portfolio and 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

Insurance companies are facing major challenges due to changes in the rules of the European insurance supervision system known by the name "Solvency II" that EU member states are expected to implement by the beginning of 2013. This fundamental reform of insurance supervision law is expected to lead to higher capital requirements for many companies.

During financial year 2009, the Managing Board of the Vienna Insurance Group 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 prepared in the Group and implemented locally in Group companies in order to ensure consistent and timely realisation of the project. Based on current requirements and the latest QIS findings, VIG is prepared at both the Group and individual company levels for the increased capital requirements under Solvency II.

Intensive work on the development and implementation of a partial internal model is also 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. Extensive test runs are currently being performed throughout the Group to help with this process. Intensive coordination discussions are currently taking place with the supervisory authorities with respect to Solvency II in order to ensure approval of the partial internal model when Solvency II enters into force.

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 functions (risk management, compliance, actuarial function, internal audit) and clearly defines responsibilities and processes. Another goal is to implement uniform Group standards and methods for risk inventories and the own risk and solvency assessment (ORSA). This will help with the development of a consistent and comprehensive Group risk reporting system that allows better assessment and management of the risk situation of the Group. A Group-wide internal control system ensures compliance with the guidelines and requirements resulting from the risk management system.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ACCOUNTING PROCESS

The documentation of the process of preparing the annual financial statements was undertaken jointly with a consulting firm. In it, a summary of essential controls was made, as was a presentation of the linkage of the process and the controls to the risks identified as part of 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 in the reporting period are recorded in full.
- Existence: all balance sheet asset and liability items are present as of the balance sheet date.
- Accuracy: all transactions recorded in the financial statements relate to the same period as the financial statements.
- Measurement: all balance sheet asset and liability-side items, and income and expense items were recognised using the values they should be assigned based on accounting requirements.
- Ownership: proper disclosure of rights and obligations.
- Presentation: all financial statement items are correctly presented and disclosed.

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

In addition, the auditor regularly assesses the functionality of the internal control system and reports its findings to the Supervisory Board audit committee.

DISCLOSURES REQUIRED UNDER § 267 (3A) IN COMBINATION WITH § 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 Wechselseitige (directly or indirectly) holds in total approximately 70% of the share capital.

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

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 Wechselseitige has the right to appoint up to one third of the members of the Supervisory Board if, and so long as, it does not hold more than 50% 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 preemptive 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 § 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.

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 preemptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The General Meeting of 24 April 2009 authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65 (1) no. 4 and 8 AktG to the maximum extent permissible by law during a period of 30 months following the date the General Meeting resolution was adopted. The amount paid upon repurchase of the Company's own shares may not be more than a maximum of 50% below, or more than a maximum of 10% above, the average unweighted stock exchange closing price on the 10 stock exchange trading days preceding the repurchase. The Managing Board may choose to make the purchase on the stock exchange, through a public offer or in any other legally permissible and expedient manner. The Managing Board has made no use of this authorisation. The Company held none of its own shares as of 31 December 2011.

8. As of 31 December 2011, 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

International market scepticism resulting from the sovereign debt crisis spread across almost all of Europe during the course of 2011, including Austria. In the end, the rating agency Standard & Poor's downgraded Austria's credit rating from AAA to AA+ at the beginning of 2012, and Moody's reduced its outlook to negative. This considerably increased efforts to cut future government budgets, which is likely to have a dampening effect on the economy. The Austrian export industry will also be negatively affected by the restrictive economic policies of important trading partners, such as Italy and Hungary. According to WIFO (Austrian Institute for Economic Research), GDP grew by 3.2% in 2011 based on data available as of January 2012. A significantly lower GDP growth rate of 0.4% is expected for 2012.

With respect to the Austrian insurance industry, the Austrian Association of Insurance Companies (VVO) is expecting premium growth of 1.3% in 2012. The decline of 1.7% in the previous year due to the drop in single-premium business was worse in comparison.

The future growth potential in the life insurance sector is currently overshadowed by the uncertainty in financial markets and the general tendency to use up savings.

Growth in the life insurance sector is also highly dependent on legislation. Currently, for example, a draft law for a government austerity package is being discussed in Austria that would cut in half government funding for government-sponsored pension plans starting in 2012.

VVO expects a slight decrease of 0.5% for the life insurance sector in 2012 compared to the previous year. Due to the above reduction in government funding for government-sponsored pension plans, VVO expects income from regular premium policies to decline by 0.6% compared to 2011. Single-premium policies, which recorded a sharp drop in 2011, are expected to stabilise at the current level in 2012. Health insurance premium income is expected to increase by 3.2% in 2012, essentially the same rate as the previous year.

VVO expects premium growth of 2.5% in the property and casualty segment in 2012 (as compared to 2011: +2.9%). After many years of declining premiums and zero growth in 2011, motor vehicle liability premiums are once again expected to grow slightly by 0.3%. Motor vehicle own-damage and passenger insurance is expected to grow by 2.5% in 2012.

CEE region

The crisis year 2009 and the accompanying recession had a major effect on many countries in Central and Eastern Europe, particularly with respect to labour markets, investment and increasing debt. Most of these countries will continue to be confronted by these effects in 2012. As a result of budget consolidation, governments have less leeway for action and unemployment remains at a relatively high level. After a temporary interruption, however, the process of convergence with Western Europe being followed by the CEE countries is continuing.

The Vienna Institute for International Economic Studies (Wiener Institut für Internationale Wirtschaftsvergleiche – wiiw) is forecasting GDP growth of 2.4% in 2012 for the new European member countries (NMS-10). Its growth forecast for the European Union as a whole, however, is only 0.7%. This comparison clearly shows that economic output is growing faster in the countries of Central and Eastern Europe than Western Europe.

The CEE is, however, still remains a heterogeneous region. wiiw, for example, expects GDP to grow by 3.3% in Poland but only 0.3% in Hungary.

A slowdown in economic momentum has the greatest impact on non-life insurance, which still represents by far the largest share of total premium volume in the CEE region. Swiss Re nevertheless expects solid growth of 4.3% for Eastern Europe in this segment in 2012. In comparison, global growth is likely to only be 2.6%.

Swiss Re is forecasting strong growth in the life insurance segment, particularly over the long term. The increasing prosperity of private households, healthcare and pension reforms, and increasing public awareness are helping to maintain demand for life insurance products in the region. A general European trend toward increased consumer demand for easily understood products has been identified for this segment. Insurance providers will increasingly promote products with hedging components and reduce simple savings products.

On the whole, the low insurance penetration rate in the CEE region compared to Western Europe continues to offer great potential for organic growth. Since, as previously mentioned, economic conditions vary greatly among the different countries of this region, using a diversified market strategy will continue to provide a major advantage in the future.

Outlook for the Group

Vienna Insurance Group is committed to following clear principles that have proven themselves even under difficult conditions, and is now in an even stronger position than ever before. Premium volume has never been as high, and VIG has never achieved better profits than in 2011. Management is therefore proposing that the dividend be increased to EUR 1.10. This makes the expected dividend rate consistent with VIG's predictable and transparent dividend policy.

The priority in 2012 will be on promoting further organic growth, that is, further increasing the business done by the existing companies. This does not rule out acquisitions that would fit well in the current insurance portfolio.

Entering the markets in countries such as Armenia, Kazakhstan or Azerbaijan is, however, not being considered.

VIG aims to grow faster than the market in coming years. The goal is to gain a clear competitive edge as the leading insurance group in Central and Eastern Europe through the best customer service. VIG feels that there are possibilities for better exploiting the markets in the Balkan countries and the Ukraine. VIG would also like to further expand its position in other countries, such as Poland. In light of the situation in European markets VIG expects if at all to be negatively affected by sluggish revenues at times due to the slowdown in consumption.

VIG will continue to follow its policy of using a diversified local market presence and its conservative investment strategy in order to further strengthen its earning power. At the same time, given the economic environment, Vienna Insurance Group will continue to strive to keep volatility as low as possible. VIG is continuously looking for areas of potential savings and how they can best be realised. VIG has set itself a goal of continuously optimising profitability.

The planned cost reduction of EUR 20-25 million will primarily be achieved by more efficient administration, particularly in the companies in the CEE region, and increasing harmonisation of IT infrastructure within the Group.

Outlook for VIG Holding

With respect to its own business, VIG Holding is aiming to achieve a further increase in premiums. VIG Holding will also be working intensively on further developing management methods within the Group in coming years. VIG Holding sees particular challenges in the coordination and initiation of measures primarily aimed at optimisation in the areas of process organisation, distribution, corporate business and earnings power. The planned activities include, among other things, further process harmonisation and improvements, standardisation of IT architecture, and a centrally managed initiative to promote corporate business across the Group. The package of measures is accompanied by an HR strategy that places particular importance on the acquisition and promotion of talented employees.

PROPOSED APPROPRIATION OF PROFITS

VIG Holding ended financial year 2011 with net retained profits of EUR 241,018,053.14. The following appropriation of profits will be proposed during the Annual General Meeting:

The 128 million shares shall receive a dividend of EUR 1.10 per share. The payment date and ex-dividend date for this dividend will be 14 May 2012.

A total of EUR 140,800,000.00 will therefore be distributed.

The net retained profits of EUR 100,218,053.14 remaining for financial year 2011 after the dividend has been paid are to be carried forward.

The Managing Board:

Günter Geyer
General Manager, CEO
Chairman of the Managing Board

Peter Hagen
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Franz Kosyna
Member of the Managing Board

Martin Simhandl
CFO
Member of the Managing Board

Vienna, 12 March 2012

SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS

BALANCE SHEET AS OF 31 DECEMBER 2011

Assets		31.12.2011	31.12.2010
		in EUR	in EUR '000
A. Intangible assets			
Other intangible assets		13,806,041.18	9,251
Total intangible assets		**13,806,041.18**	**9,251**
B. Investments			
I. Land and buildings		113,303,051.20	113,370
II. Investments in affiliated companies and participations			
1. Shares in affiliated companies	3,887,642,546.08		3,846,366
thereof reorganisation surplus	*8,883,755.76*		*8,884*
2. Bonds and other securities of affiliated companies and loans to affiliated companies	204,602,358.19		202,115
3. Participations	16,189,303.16	4,108,434,207.43	18,777
III. Other investments			
1. Shares and other non-fixed-interest securities	66,558,795.00		83,373
2. Bonds and other fixed-interest securities	132,054,609.00		121,944
3. Other loans	8,024,272.95		8,000
4. Bank balances	81,862,014.52	288,499,691.47	0
IV. Deposits on assumed reinsurance business		491,630,469.92	253,719
Total investments		**5,001,867,420.02**	**4,647,664**
C. Receivables			
I. Receivables from direct insurance business			
1. from policyholders	1,251,656.97		2,494
2. from insurance intermediaries	13.60		0
3. from insurance companies	1,776,358.07	3,028,028.64	0
II. Receivables from reinsurance business		10,099,953.54	12,882
III. Other receivables		60,574,716.31	39,769
Total receivables		**73,702,698.49**	**55,145**
D. Pro rata interest		**2,882,742.28**	**9,126**
E. Other assets			
I. Tangible assets (not incl. land and buildings) and inventories		552,106.00	189
II. Current bank balances and cash on hand		2,320,368.81	1,073
III. Other assets		6,583.65	0
Total other assets		**2,879,058.46**	**1,262**
F. Deferred charges			
I. Deferred tax assets		9,261,165.28	5,672
II. Other deferred charges		1,089,149.17	960
Total deferred charges		**10,350,314.45**	**6,632**
Total ASSETS		**5,105,488,274.88**	**4,729,080**

BALANCE SHEET AS OF 31 DECEMBER 2011

Liabilities and shareholders' equity		31.12.2011	31.12.2010
		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		343,823,776.85	270,824
IV. Risk reserve as per § 73a VAG, taxed portion		7,324,466.00	2,667
V. Net retained profits		241,018,053.14	200,852
of which brought forward		*72,852,110.42*	*49,538*
Total shareholders' equity		**2,992,286,186.26**	**2,874,462**
B. Tax-exempt reserves			
I. Valuation reserve for impairment losses		33,887,502.56	34,898
Total reserves		**33,887,502.56**	**34,898**
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	68,570,443.79		72,984
2. Reinsurers' share	–631,049.40	67,939,394.39	0
II. Provision for outstanding claims			
1. Gross	433,562,625.24		181,470
2. Reinsurers' share	–15,399,331.05	418,163,294.19	–1,062
Total underwriting provisions		**486,102,688.58**	**253,392**
E. Non-underwriting provisions			
I. Provision for severance obligations		2,301,169.00	2,327
II. Provision for pension obligations		12,645,919.00	11,981
III. Other provisions		20,127,593.37	13,921
Total non-underwriting provisions		**35,074,681.37**	**28,229**
F. Other liabilities			
I. Liabilities from direct insurance business			
1. to policyholders	10,086,766.20		47
2. to insurance intermediaries	0.00		0
3. to insurance companies	8,924,249.63	19,011,015.83	1,612
II. Liabilities from reinsurance business		8,654,399.69	4,181
III. Liabilities to financial institutions		45,065,635.62	45,470
IV. Other liabilities		681,993,160.01	680,327
Total liabilities		**754,724,211.15**	**731,637**
G. Deferred income		**3,413,004.96**	**6,462**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**5,105,488,274.88**	**4,729,080**

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

		2011	2010
		in EUR	in EUR '000
Underwriting account:			
1. Net earned premiums			
Premiums written			
Gross	818,690,611.71		536,853
Ceded reinsurance premiums	–11,363,139.12	807,327,472.59	–11,157
Change in unearned premiums			
Gross	–31,711,546.98		–81,199
Reinsurers' share	631,049.40	–31,080,497.58	0
Total premiums		**776,246,975.01**	**444,497**
2. Investment income from underwriting business		**11,823,329.43**	**2,387**
3. Other underwriting income		**32,800.78**	**110**
4. Expenses for claims and insurance benefits			
Payments for claims and insurance benefits			
Gross	313,406,155.62		166,134
Reinsurers' share	–27,433.02	313,378,722.60	0
Change in provision for outstanding claims			
Gross	258,231,911.86		181,470
Reinsurers' share	–14,337,275.55	243,894,636.31	–1,062
Total expenses for claims and insurance benefits		**–557,273,358.91**	**–346,542**
5. Administrative expenses			
Acquisition expenses		195,636,375.31	91,320
Other administrative expenses		396,772.49	5,289
Reinsurance commissions and profit commissions from reinsurance cessions		–438,125.19	–53
Total administrative expenses		**–195,595,022.61**	**–96,556**
6. Other underwriting expenses		**–573.60**	**–110**
Underwriting result (amount carried forward)		**35,234,150.10**	**3,786**

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

	2011	2010
	in EUR	in EUR '000
Underwriting result (amount carried forward)	**35,234,150.10**	**3,786**
Non-underwriting account:		
1. Income from investments and interest income		
Income from participations	377,604,234.47	211,378
Income from land and buildings	11,007,799.00	10,320
Income from other investments	23,696,498.01	23,690
Income from the disposal of investments	4,852,747.72	395
Other investment and interest income	20,572,264.25	11,594
Total investment income	**437,733,543.45**	**257,377**
2. Expenses for investments and interest expenses		
Expenses for asset management	42,062,549.21	30,384
Depreciation of investments	96,612,113.76	4,527
Interest expenses	75,876,156.70	74,170
Losses from the disposal of investments	6,738,531.56	232
Other investment expenses	8,929,629.99	4,796
Total investment expenses	**–230,218,981.22**	**–114,109**
3. Investment income transferred to the underwriting account	**–11,823,329.43**	**–2,387**
4. Other non-underwriting income	**9,171,278.63**	**73**
5. Other non-underwriting expenses	**–375,177.33**	**–132**
6. Result from ordinary activities	**239,721,484.20**	**144,608**
7. Taxes on income	**5,092,166.56**	**8,362**
8. Profit for the period	**244,813,650.76**	**152,970**
9. Release of reserves		
Release of valuation reserve for impairment losses	1,010,061.88	1,011
Total release of reserves	**1,010,061.88**	**1,011**
10. Transfer to reserves		
Transfer to risk reserve as per § 73a VAG	4,657,482.00	2,667
Transfer to free reserves	73,000,287.92	0
Total transfer to reserves	**–77,657,769.92**	**–2,667**
11. Profit for the year	**168,165,942.72**	**151,314**
12. Retained profits brought forward	**72,852,110.42**	**49,538**
Net retained profits	**241,018,053.14**	**200,852**

NOTES TO THE FINANCIAL STATEMENTS OF 2011

I. General disclosures on 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 2011.

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 § 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 parentheses.

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 and other fixed-interest securities have been valued using the less strict lower-of-cost-or-market principle (*gemildertes Niederstwertprinzip*) provided for in § 81h (1) VAG. Valuation using the less strict lower-of-cost-or-market principle resulted in write-downs of EUR 1,549,000 (EUR 421,000) not being performed.

The valuation relief option provided for in § 81h (2a) VAG was used in the previous year when valuing institutional funds. In financial year 2011, valuation was based on the strict lower-of-cost-or-market principle and this valuation relief option was no longer used.

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 riskier 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 2011. The term of these transactions is limited to 30 March 2012. The transactions are being used to hedge future foreign currency dividends. The forward exchange transactions had a positive market value as of the balance sheet date.

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 fair value of EUR -10,202,000 as of 31 December 2011. 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 203,000 (EUR '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 2011 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 4% 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 587,000 (EUR 522,000) are reported under investment and interest expenses. A portion of the direct pension obligations, in the amount of EUR 230,000 (EUR 228,000), is administered as an occupational group insurance plan under an insurance policy concluded in accordance with § 18f to 18j VAG. Provisions are formed for another portion (actuarial pension amount of EUR 1,644,000 (EUR 1,785,000)). The severance pay provision required under Austrian corporate law for 2011 was EUR 5,071,000 (EUR 4,694,000). The amount earmarked for satisfying the outsourced severance pay obligations that was held by the outside insurance company was EUR 3,053,000 (EUR 2,608,000). The difference of EUR 2,129,000 (EUR 2,177,000) 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 19,042,000 (EUR 19,042,000) have been issued in connection with a real estate purchase and borrowing.

III. Notes to the balance sheet

The **value of developed and undeveloped properties** was EUR 33,092,000 (EUR 33,092,000) as of 31 December 2011.

The **carrying amount of self-used property** was EUR 21,917,000 (EUR 18,417,000).

The **other loans** of EUR 8,024,000 (EUR 8,000,000) are loans to other borrowers not secured by insurance contracts.

The fair values of the investments are:

Items under § 81c (2) VAG	Fair value on 31.12.2011	Fair value on 31.12.2010
in EUR '000		
Land and buildings	297,628	283,223
Shares in affiliated companies	8,411,303	5,556,223
Bonds and other securities of affiliated companies and loans to affiliated companies	204,602	202,115
Participations	16,190	18,798
Shares and other non-fixed-interest securities	66,559	92,615
Bonds and other fixed-interest securities	134,807	129,281
Other loans	8,024	8,000
Bank balances	81,862	0
Deposits on assumed reinsurance business	491,630	253,719
Total	**9,712,605**	**6,543,974**

Hidden reserves rose by EUR 2,814,427,000 during the reporting year to a total of EUR 4,710,737,000 (EUR 1,896,310,000). 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 value (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 five-year period. The valuations are mainly based on appraisal reports from 2010 and 2008.

The fair value of EUR 297,628,000 (EUR 283,223,000) for land and buildings is composed of market value appraisals for the years 2007 to 2011 as follows: 2011: EUR 44,040,000, 2010: EUR 71,275,000, 2009: EUR 25,020,000, 2008: EUR 127,153,000, 2007: EUR 30,140,000.

The amount shown under **other liabilities** includes EUR 5,105,000 (EUR 1,122,000) in tax liabilities, and EUR 228,000 (EUR 196,000) 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	
	2011	2010	2011	2010
in EUR '000				
Deposits on assumed reinsurance business	491,630	253,719	0	0
Receivables from direct insurance business	335	0	0	0
Receivables from reinsurance business	8,642	9,970	0	0
Other receivables	52,527	24,483	29	6,335
Liabilities from direct insurance business	3,511	1,612	0	0
Liabilities from reinsurance business	5,751	3,734	0	0
Other liabilities	662,774	664,565	0	0

Liabilities arising from the use of off-balance sheet tangible assets are EUR 1,907,000 (EUR 1,364,000) for the next financial year, and EUR 10,123,000 (EUR 7,243,000) for the next five years.

The carrying amounts of intangible assets, land and buildings, and investments in affiliated companies and participations 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 2010	**9,251**	**113,370**	**3,846,365**	**202,115**	**18,777**
Additions	4,799	4,731	129,405	36,254	0
Disposals	0	0	3,150	38,767	2,565
Rebooking	0	0	23	0	–23
Depreciation	244	4,798	85,000	0	0
Change due to value adjustments	0	0	0	5,000	0
As of 31 December 2011	**13,806**	**113,303**	**3,887,643**	**204,602**	**16,189**

IV. Notes to the income statement

Premiums written, net earned premiums, expenses for insurance claims and benefits, administrative expenses and the reinsurance balance had the following breakdown for property/casualty insurance in 2011:

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	5,729	4,583	10,003	327	5,301
Liability insurance	10	10	0	–2	0
Marine, aviation and transport insurance	21	21	8	29	–2
Other non-life insurance	30	27	53	50	63
Total direct business	**5,790**	**4,641**	**10,064**	**404**	**5,362**
(Previous year values)	(10,507)	(10,507)	(3,739)	(2,335)	(-6,623)
Indirect business					
Marine, aviation and transport insurance	211	211	0	0	–211
Other insurance	812,690	782,127	561,574	195,629	–1,081
Total indirect business	**812,901**	**782,338**	**561,574**	**195,629**	**–1,292**
(Previous year values)	(526,346)	(445,147)	(343,865)	(94,274)	(-3,418)
Total direct and indirect business	**818,691**	**786,979**	**571,638**	**196,033**	**4,070**
(Previous year values)	(536,853)	(455,654)	(347,604)	(96,609)	(-10,041)

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

The result from indirect business was EUR 36,959,000 (EUR 9,395,000). The net earned premiums of EUR 782,338,000 (EUR 445,147,000) 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	2011	2010
Income from participations	377,329	211,309
Income from other investments	14,939	15,648
Income from land and buildings	36	41

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	2011	2010
Wages and salaries	15,397	13,766
Expenses for severance benefits and payments to company pension plans	17	41
Expenses for retirement provisions	289	1,463
Expenses for statutory social contributions and income-related contribution and mandatory contributions	2,822	2,882
Other social security expenses	180	120

Commissions of EUR -276,000 (EUR 1,776,000) were incurred for indirect business in 2011.

Losses on disposals of investments were EUR 6,739,000 (EUR 232,000) in financial year 2011.

The valuation reserve shown on the balance sheet as of 31 December 2011 and releases during the fiscal year are broken down by asset item as follows:

in EUR '000	As of 31.12.2010	Release	As of 31.12.2011
Land and buildings	28,988	1,010	27,978
Shares in affiliated companies	5,909	0	5,909
Total	**34,897**	**1,010**	**33,887**

The formation and release of untaxed reserves resulted in an increase in income tax expenses of EUR 253,000 (EUR 253,000) during the financial year.

V. Significant participations

Vienna Insurance Group affiliated companies and participations as of 31 December 2011

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (in EUR '000)	Last annual financial statements
Affiliated companies				
Akcionarsko družstvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica	100.00	806	7	2010
Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest	85.97	67,184	1,259	2011
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	100.00	18,430	1,390	2011
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	100.00	15,754	1,497	2011
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	99.93	4,185	–2,457	2011
Business Insurance Application Consulting GmbH, Vienna	100.00	2,090	142	2011
Central Point Insurance IT-Solutions GmbH, Vienna	82.00	148	37	2011
COMPENSA Holding GmbH, Wiesbaden	100.00	19,606	–23	2011
Compensa Life Vienna Insurance Group SE, Tallinn	100.00	7,801	–506	2011
Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	71.13	44,130	7,303	2011
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	63.33	47,065	4,310	2011
DONAU Versicherung AG Vienna Insurance Group, Vienna	3.97	152,598	32,711	2011
Erste osiguranje Vienna Insurance Group d.d., Zagreb	90.00	6,665	676	2011
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	90.00	5,792	1,263	2011
HELIOS Vienna Insurance Group d.d., Zagreb	100.00	22,157	4,404	2011
IC Globus, Kiev	80.00	5,647	13	2011
Interalbanian Vienna Insurance Group Sh.A, Tirana	78.33	3,274	191	2011
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	99.98	5,307	13,439	2011
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	39,880	11,640	2011
INTERSIG Sh.A., Tirana	75.00	3,525	168	2010
JAHORINA OSIGURANJE a.d., Pale	96.63	5,899	1,754	2010
Joint Stock insurance company WINNER - Vienna Insurance Group, Skopje	100.00	3,259	328	2011
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	100.00			founded in 2011
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	18.86	34,077	4,624	2011
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	94.23	237,467	35,188	2011
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	96.32	504,873	113,448	2011
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	99.30	35,631	–12,385	2011
LVP Holding GmbH, Vienna	100.00	570,425	711	2011
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	99.10	58,235	–38,749	2011
PJSC "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	97.80	2,712	139	2011
PJSC "Ukrainian Insurance Company Kniazha Vienna Insurance Group", Kiev	99.99	17,693	32	2011
PJSC Insurance Company "Ukrainian Insurance Group", Kiev	2.44	14,600	11	2011
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	90.00	23,777	3,239	2011
Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice	90.00	104,496	16,983	2011
Polski Zwiazek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	90.57	10,143	116	2011
Ray Sigorta A.Ş., Istanbul	12.67	35,388	146	2011
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	41.00	530	368	2010
S.C. BCR Asigurări de Viață Vienna Insurance Group S.A., Bukarest	91.31	16,149	4,629	2011
S.C. BCR Asigurări Vienna Insurance Group S.A., Bukarest	95.93	16,875	1,429	2011
SBA ZASO "Kupala", Minsk	52.34	2,162	367	2010

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (in EUR '000)	Last annual financial statements
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	87.01	13,399	1,562	2011
TBI BULGARIA EAD, Sofia	100.00	41,089	15	2011
TBIH Financial Services Group N.V., Amsterdam	68.97	253,484	1,506	2011
UNION Vienna Insurance Group Biztosító Zrt., Budapest	100.00	31,722	1,429	2011
Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw	64.30	6,324	–347	2010
Vienna International Underwriters GmbH, Vienna	100.00	81	13	2010
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	100.00	12,828	447	2011
VIG RE zajišťovna, a.s., Prague	70.00	119,958	16,816	2011
Wiener Städtische Osiguranje Akcionarsko Društvo za Osiguranje, Belgrade	99.89	12,573	1,671	2011
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna	99.90	903,346	175,738	2011
Participations				
Geschlossene Aktiengesellschaft Strachowaja kompanija "MSK-Life", Moscow	25.00	12,045	9,455	2010
students4excellence GmbH, Vienna	20.00	40	–2,045	2010

The exception provided for in § 241 (2) and (3) of the Austrian Corporate Code (UGB) was used.

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 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.

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 § 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 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 preemptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The General Meeting of 24 April 2009 authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65 (1) no. 4 and 8 AktG to the maximum extent permissible by law during a period of 30 months following the date the General Meeting resolution was adopted. The amount paid upon repurchase of the Company's own shares may not be more than a maximum of 50% below, or more than a maximum of 10% above, the average unweighted stock exchange closing price on the ten stock exchange trading days preceding the repurchase. The Managing Board may choose to make the purchase on the stock exchange, through a public offer or in any other legally permissible and expedient manner. The Managing Board has made no use of this authorisation. The Company held none of its own shares as of 31 December 2011.

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 § 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 § 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 3.276% p.a. on the bond's nominal value during the period from 12 January 2011 to 11 January 2012.

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

The Supervisory Board had the following members in financial year 2011:

Chairman:
Wolfgang Ruttenstorfer

Deputy Chairman:
Karl Skyba

Members:
Bernhard Backovsky
Martina Dobringer (starting 6 May 2011)
Alois Hochegger
Guido Klestil (until 6 May 2011)
Heinz Öhler
Reinhard Ortner
Martin Roman
Johann Sereinig
Friedrich Stara

The Managing Board had the following members in financial year 2011:

Chairman:
Günter Geyer

Members:
Martin Diviš (until 30 June 2011)
Franz Fuchs
Peter Hagen
Peter Höfinger
Franz Kosyna (starting 1 July 2011)
Martin Simhandl

The average number of employees was 164 (186). Of this 0 (0) were active in sales resulting in personnel costs of EUR 0 (EUR 0) and 164 (186) were in operations resulting in personnel costs of EUR 18,706,000 (EUR 18,272,000).

No loans were outstanding to members of the Managing Board on 31 December 2011 (EUR 0).

Supervisory Board members received no loans in 2011.

No guarantees were outstanding for members of the Managing Board or Supervisory Board as of 31 December 2011.

In 2011, the total expenses for severance pay and pensions of EUR 309,000 (EUR 1,504,000) included severance pay and pension expenses of EUR 251,000 (EUR 1,178,000) for members of the Managing Board and senior management in accordance with § 80 (1) of the Austrian Stock Corporation Act (AktG).

The Managing Board of the Company manages the 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 4,155,000 (EUR 2,425,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 1,471,000 (EUR 504,000) from affiliated companies during the reporting period. EUR 184,000 (EUR 0) of this amount was charged to the Company in the form of an intercompany charge. The Company in turn charged affiliated companies EUR 544,000 (EUR 436,000) for the Managing Board members.

The members of the Supervisory Board received EUR 365,000 (EUR 351,000) in remuneration for their services to the Company in 2011.

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 § 9 of the Austrian Corporate Income Tax Act (KStG) of the Wiener Städtische Wechselseitige, Vienna, group of companies.

The taxable earnings of the members of the group 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 5,674,000 (EUR 3,304,000) 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 Wechselseitige, 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:

Günter Geyer
General Manager, CEO
Chairman of the Managing Board

Peter Hagen
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Franz Kosyna
Member of the Managing Board

Martin Simhandl
CFO
Member of the Managing Board

Vienna, 12 March 2012

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, 2011. These financial statements comprise the balance sheet as of December 31, 2011, the income statement for the fiscal year ended December 31, 2011, 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, 2011 and of its financial performance for the fiscal year from January 1 to December 31, 2011 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 2012

PwC INTER-TREUHAND 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, four Supervisory Board meetings and one closed Supervisory Board meeting were held in 2011. During the closed meeting, the Supervisory Board reviewed and discussed in detail the previous development of the Company and the Group and used this as a basis for discussions on the future strategy of the Group. Three meetings of the Audit Committee were also held. The Committee for Urgent Matters held one meeting and was also contacted in writing with regard to two matters. The Supervisory Board was informed of any resolutions passed by the committees at the next Supervisory Board meeting. The auditor of the financial statements and consolidated financial statements, PwC INTERTREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended three Audit Committee meetings and three Supervisory Board meetings, including the meeting dealing with the auditing of the annual financial statements and consolidated financial statements and the 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 2011.

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.

By inspecting suitable documents, meeting with the Managing Board and holding discussions with the auditor, 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 auditor of the financial statements and consolidated financial statements, 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 auditor and the individuals directly responsible for these areas. The Audit Committee also debated and discussed the quarterly reports prepared by the Internal Audit department. 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. The Supervisory Board found no reasons for objections.

In order to prepare the Supervisory Board's proposal for selection of the auditor of the financial statements and consolidated financial statements, the Audit Committee requested that PwC submit documents concerning its license to audit. A written report was prepared stating that there were no grounds for exclusion, or circumstances

that could provide cause for concern with regard to partiality. In addition, a list of services grouped by category showing the total revenues that PwC received from the Company in the previous financial year was requested and reviewed, and it was verified that PwC 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 and subsequently to the General Meeting that PwC be selected as auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received the 2011 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 2011 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 2011 annual financial statements together with the management report and corporate governance report, the 2011 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 PwC for the 2011 annual financial statements and management report and the 2011 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the Supervisory Board, and debated and discussed in detail with PwC. The final findings of the audit provided no reason for objections. 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 2011 annual financial statements have therefore been approved in accordance with § 96 (4) of the Austrian Stock Corporation Act.

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 2012

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, the management report presents the business development, performance and position of the Company so as to give a true and fair view of its net assets, financial position and results of operations, and the management report provides a description of the principal risks and uncertainties to which the Company is exposed.

The Managing Board:

Günter Geyer
General Manager, CEO
Chairman of the Managing Board

Peter Hagen
Deputy General Manager,
Member of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Franz Kosyna
Member of the Managing Board

Martin Simhandl
CFO
Member of the Managing Board

Vienna, 12 March 2012

Managing Board areas of responsibility:

Günter Geyer: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, human resources; Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe)

Peter Hagen: Performance management motor vehicle insurance, internal capital model project (Solvency II project), Group cost structure, VIG RE; Country responsibilities: Czech Republic

Franz Fuchs: Performance management personal insurance; Country responsibilities: Baltic States, Poland, Romania

Peter Höfinger: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance; Country responsibilities: Bulgaria, Russia, Hungary, Belarus

Franz Kosyna: Group IT/Back Office, SAP Smile Solutions; Country responsibilities: Albania (incl. Kosovo), Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Slovakia

Martin Simhandl: Asset management, asset risk management, subsidiaries department, finance and accounting; Country responsibilities: Germany, Georgia, Liechtenstein, Turkey, Ukraine

LIST OF ABBREVIATIONS

Abbreviation	Full company name
Alpenländische Heimstätte GmbH	Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck
Asirom	Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest
BCR Life	S.C. 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 GmbH	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 JSC., Sofia
Bulstrad Non-life	BULSTRAD VIENNA INSURANCE GROUP PLC., Sofia
Central Point GmbH	Central Point 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 Brokerline GmbH	Donau Brokerline Versicherungs-Service GmbH, Vienna
Donau Versicherung	DONAU Versicherung AG Vienna Insurance Group, Vienna
Doverie	PAC Doverie AD, Sofia
DVIB GmbH	DVIB GmbH, Vienna
Erste Biztosító	ERSTE Vienna Insurance Group Biztosító Zrt., Budapest
Erste Heimstätte GmbH	Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Wien
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	IC Globus, Kiev
GPIH	JSC "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 Sh.A., Tirana
IRAO	International Insurance Company IRAO Ltd., Tbilisi
Jahorina	JAHORINA OSIGURANJE a.d., Pale
Jupiter	PJSC "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev
Kniazha	PJSC "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
Koordita	KOORDITA, a.s., Ostrava-Hrabova
Kvarner	Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka
MH 54 GmbH	MH 54 Immobilienanlage 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	Towarzystwo Ubezpieczeń na Życie "POLISA-ŻYCIE" S.A., Warschau

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
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	SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana
Sozialbau AG	Sozialbau gemeinnützige Wohnungsaktiengesellschaft, Vienna
SVZ GmbH	SVZ GmbH, Vienna
SVZI GmbH	SVZI GmbH, Vienna
UIG	PJSC 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 bzw. VIG	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Wien
VIG Holding [2]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Wien
Vienna-Life	Vienna-Life Lebensversicherungs AG Vienna Insurance Group, Bendern
VIG BM	VIG BM a.s., Prague
VIG CZ Real Estate GmbH	VIG CZ Real Estate GmbH, Vienna
V.I.G.ND	V.I.G.ND a.s., Prague
VIG RE	VIG RE zajišťovna, a.s., Prague
VIG Real Estate GmbH	VIG Real Estate 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 Wechselseitige	Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group, Vienna
Winner Life	Joint Stock insurance company WINNER Life - Vienna Insurance Group Skopje, Skopje
Winner Non-life	Joint Stock insurance company WINNER - Vienna Insurance Group, Skopje

[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 financial 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. The possibility of rounding, type-setting or printing errors cannot, however, be ruled out completely.

Our goal was to make the annual financial report quick and easy to read, and for this reason we did not use words like "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.

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