Annual Financial Statements **2014**

VIENNA INSURANCE GROUP

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Annual Financial Statements 2014

of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

in accordance with the Austrian Commercial Code (UGB)

CONTENTS

Note:

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

To improve readability, company names have been shortened in the text below. A list of full company names is provided on page 40.

COMPANY PROFILE

Whether it is two thousand and fourteen or the future, at Vienna Insurance Group the clocks are always at

TWO THOUSAND AND SAFE

Insurance companies offer security. But shareholders, customers and business partners receive even more from Vienna Insurance Group: reliability, stability and trustworthiness. Our employees fill these words with life. Day after day.

With around 50 companies in 25 countries, Vienna Insurance Group is an international insurance group – one of the top players in Austria and Central and Eastern Europe.

VIG Holding, which is located in Vienna and works with the Group companies on a partnership basis, is responsible for Group management. It is also responsible for international reinsurance and international direct insurance for corporate customers. The company is listed on the Vienna and Prague Stock Exchanges. Its majority shareholder is Wiener Städtische Versicherungsverein, which holds approximately 70% of the VIG shares.

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

- IT coordination
- Asset management
- Subsidiaries department
- Finance and accounting
- Planning and controlling
- People management
- International actuarial services
- Risk management
- Solvency II project
- Group audit
- Investor relations
- International processes and methods
- Public relations
- Sponsoring
- Legal matters
- Reinsurance
- International corporate business
- Vienna International Underwriters (VIU)

In addition, organisational units were formed to deal with the specific issues of profit management for personal and motor vehicle insurance across the Group. Strategic initiatives also exist, in particular insurance for small and medium-sized enterprises.

In the area of reinsurance, VIG Holding manages and assists the Group companies with all matters concerned with reinsurance. Bundling together different risks leads to essential risk compensation at the Group level that helps to ensure optimum external insurance protection for VIG as a whole.

VIG Holding additionally bundles together 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. Custom-tailored professional insurance solutions are particularly important for international corporate customers. For this reason, VIG Holding has established a separate insurance platform, Vienna International Underwriters (VIU), especially for business customers. Its extensive network offers professional, custom-tailored, international customer support in this area by experts in Austria and the entire CEE region. Further development of this selective, profit-oriented underwriting approach involves more intensive risk management and increased risk diversification.

As in the year before, the Standard & Poor's rating agency once again confirmed VIG Holding's financial strength by awarding a rating of A+ with a stable outlook in 2014. This high credit rating once again gives VIG Holding the number one position in terms of ratings compared to the other companies listed on the Vienna Stock Exchange.

MANAGEMENT REPORT 2014

VIG HOLDING BUSINESS DEVELOPMENT

Premiums written, net earned premiums, expenses for claims and insurance benefits, administrative expenses and reinsurance balance had the following breakdown for property and casualty insurance in 2014 (and in the same period in 2013):

	2014			2013		
	Direct business	Indirect business	Total	Direct business	Indirect business	Total
in EUR '000						
Premiums written	64,010	843,090	907,100	51,112	877,664	928,776
Net earned premiums	62,166	847,669	909,835	51,051	897,041	948,092
Expenses for claims and insurance benefits	44,380	615,275	659,655	34,375	674,323	708,698
Administrative expenses	6,378	219,127	225,505	4,193	218,531	222,724
Reinsurance balance	-8,732	8,424	-308	-14,766	-5,459	-20,225

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

Financial performance indicators

Premium income

VIG Holding generated a total premium volume of EUR 907.10 million in 2014. The decrease of 2.3% compared to the previous year was mainly due to the reinsurance business, which was affected by the lower volume of business generated by Donau Versicherung in Italy.

As a result, premium income from indirect business (assumed reinsurance) was EUR 843.09 million, 3.9% less than the previous year. Direct business (corporate business), on the other hand, once again showed positive growth. Owing to good business performance compared to the previous year, premiums written rose by 25.2% to EUR 64.01 million.

VIG Holding retained EUR 867.99 million of the gross premiums written, a decrease of EUR 25.63 million over the previous year, and EUR 39.10 million was ceded to reinsurers in 2014 (2013: EUR 35.15 million). Gross earned premiums were EUR 909.84 million (2013: EUR 948.09 million). Net earned premiums decreased by EUR 41.08 million to EUR 871.72 million.

Expenses for claims and insurance benefits

Gross expenses for claims and insurance benefits were EUR 659.66 million in 2014, of which EUR 44.38 million (2013: EUR 34.38 million) was attributable to corporate business, an increase of EUR 10.00 million over the previous year. As a result, the gross claims ratio for direct business rose from 66.2% to 69.9%, which was mostly due to fire insurance. In assumed reinsurance, expenses for claims and insurance benefits fell by 8.8% to EUR 615.28 million. The decrease from 75.2% to 72.6% in the gross claims ratio for indirect business was mainly due to lower claims expenses in the motor vehicle lines of business. After deducting reinsurance of EUR 34.40 million, expenses for claims and insurance benefits were EUR 625.25 million (2013: EUR 696.40 million).

Administrative expenses

Administrative expenses were EUR 225.51 million in 2014, which was a similar level to 2013 (EUR 222.72 million). EUR 6.38 million of the administrative expenses were for the corporate business and EUR 219.13 million for the reinsurance business. After reinsurance commissions for ceded reinsurance business, EUR 222.10 million in administrative expenses remained for VIG Holding, an increase of EUR 2.11 million compared to the previous year.

Combined ratio

VIG Holding had a combined ratio of 97.3% in 2014 (2013: 100.4%). This ratio is calculated as the sum of all underwriting expenses and income plus net payments for claims and insurance benefits, including the net change in underwriting provisions, divided by net earned premiums in the property/casualty segment.

Financial result

VIG Holding had a financial result of EUR 227.60 million, corresponding to an increase of 10.1% over the previous year (2013: EUR 206.76 million). This increase was due to a reduction in other investment expenses, in particular from foreign exchange valuation of deposits, as well as increases in income from land and buildings, and investments in affiliated companies and participations. The write-down of shares in affiliated companies is EUR 100 million (2013: EUR 130 million). The total (net) income includes current income, realised gains and losses and write-downs for the following investment groups:

	2014	2013
in EUR '000		
Land and buildings	24,653	8,252
Investments in affiliated companies and participations	315,580	296,294
Other investments	21,426	26,979
Total income (net)	**361,659**	**331,525**
Other investment and interest income	20,799	16,742
Expenses for asset management	-58,605	-48,267
Interest expenses	-86,776	-72,264
Other investment expenses	-9,481	-20,975
Investment profit according to income statement	**227,596**	**206,761**

Result from ordinary activities

VIG Holding earned a result from ordinary activities of EUR 258.41 million in 2014. This was an increase of 18.2% compared to the result of EUR 218.66 million earned in the previous year.

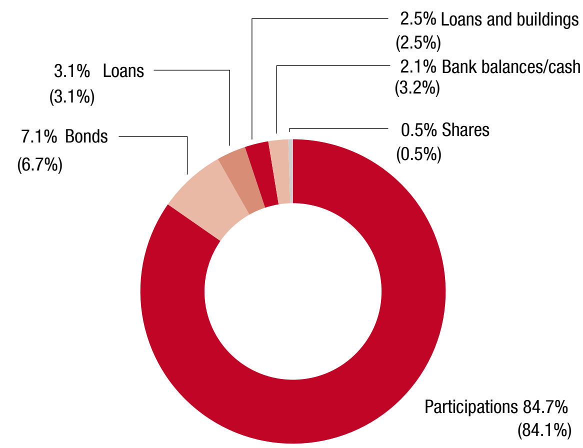
Solvency ratio

VIG Holding's solvency ratio of 2,125.6% is extremely high, due to an outstanding endowment of capital resources and a low capital requirement. It also reflects the holding company's function in the Group.

Investments

Investments, including liquid assets, were EUR 4,721.43 million as of 31 December 2014 (2013: EUR 4,719.37 million). Deposits were EUR 926.92 million in 2014 (2013: EUR 832.47 million). 84.7% (2013: 84.1%) of the investments at the end of 2014 were participations, 7.1% (2013: 6.7%) were bonds, 3.1% (2013: 3.1%) were loans, 2.5% (2013: 2.5%) were land and buildings, 2.1% (2013: 3.2%) were bank balances and cash on hand, and 0.5% (2013: 0.5%) were equities.

BREAKDOWN OF INVESTMENTS



The acquisitions of a 100% interest in the Polish life insurance company Skandia Zycie TU S.A. (Skandia Poland) and the Hungarian life insurer AXA Biztosító Zrt. were concluded after official approvals were received in 2014. Integration of the Hungarian company in the Vienna Insurance Group was successfully concluded in September 2014 when the company was renamed "Vienna Life Vienna Insurance Group Biztosító Zrt".

Underwriting provisions

Underwriting provisions were EUR 934.76 million as of 31 December 2014.

This corresponds to a year-on-year increase of 10.6% (2013: EUR 845.01 million), which was primarily due to provisions for outstanding claims arising from assumed reinsurance business. The reinsurers' share was EUR 52.42 million.

Non-financial performance indicators

VIG has a corporate culture of appreciation and openness. The insurance business is based on trust. VIG earns this trust not only in its day-to-day dealings with customers and business partners, but also by assuming social responsibility, ranging from sponsoring local cultural events and funding artistic projects, all the way to active promotion of volunteer activities. Sustainable conduct has a wide variety of aspects at VIG.

Social involvement – Example: Social Active Day
Vienna Insurance Group began the Social Active Day initiative in 2011, which permits Group employees to become involved in a good cause or social organisation and as a rule allows them to take one working day off for this purpose. The Social Active Day continues to be highly popular within Vienna Insurance Group. The number of participating Group companies has gradually risen to 41 companies in 22 countries. Employees in Lithuania, Estonia, Latvia and Montenegro took part in this initiative for the first time in 2014. 84 employees of VIG Holding volunteered to help a variety of social institutions.

Cultural involvement – Example: Vienna Art Week
For one week each year – during Vienna Art Week – everything revolves around art. During the time it has existed, it has developed from an exclusive art event to a top-quality, well-attended international art festival. Under the motto "Running Minds" that was used for its tenth anniversary in 2014, the Vienna Art Week once again showed the attraction and vitality of the Vienna art scene. Around 35,000 visitors from Austria and abroad attended the 200 events organised by 70 programme partners. They could choose from a highly varied programme, ranging from exhibitions and podium discussions in large institutions and galleries, all the way to performances, talks and presentations in off-spaces and alternative art spaces. Vienna Insurance Group was a supporter of Vienna Art Week.

Employees
VIG Holding's success is due to the personal and professional qualifications and the commitment of each and every one of its employees. Internationality, diversity and mobility also play an important role. VIG Holding offers dedicated employees a wide range of development opportunities, and uses job rotation programs and international training courses to encourage them to gather experience and knowledge in VIG's markets. In addition, a separate expert career path was introduced in the VIG competence model in 2014 parallel to the traditional management career path. It has already been implemented in VIG Holding and is being rolled out in stages in the other Group companies. Another special feature is the internal job market, which offers employees the opportunity to make their own career choices about which responsibilities and challenges they want to pursue within the company. Flexible working hours, a company cafeteria, a variety of internal company healthcare services and other benefits ranging all the way to a company kindergarten allow employees to make full use of their potential during the working day.

VIG Holding had an average of 220 employees in 2014, of which approximately 9% were part-time. Approximately 56% of the employees were women. Women held around 33% of the management positions directly below the Managing Board in 2014.

Significant events after the balance sheet date

On 2 March 2015 the Company issued a subordinated bond with a nominal value of EUR 400,000,000.00 and a term of 31 years. The Company can call the bond in full for the first time on 2 March 2026 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 3.75% p.a. during the first eleven years of its term and variable interest after that. The subordinate bond satisfies the Tier 2 requirements of Solvency II. The bond is listed on the Luxembourg Stock Exchange.

In March 2015, the Company repurchased EUR 51,983,000 of the nominal value of Tranche 1 of the EUR 500 million in income bonds issued in 2008 and EUR 35,822,500 of the nominal value of supplementary capital bond 2005-2022 issued in January 2005.

Research and development

VIG Holding and some subsidiaries make professional contributions to the further development of insurance-specific software models.

Other information

VIG Holding has no branch offices. Please see the notes to the financial statements (I. Summary of significant 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 provides framework guidelines in all major areas for these companies. The requirements set in the investments and reinsurance areas are particularly strict and are also applied in VIG Holding as a separate company.

The enterprise risk management (ERM) department 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 improvements to risk organisation and corporate risk management topics. ERM also creates a framework for Group-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support. The international actuarial department, corporate reinsurance department, corporate business, asset risk management, asset management, group controlling, internal audit and group IT departments are also involved in the ongoing process of risk monitoring and management.

VIG Holding's overall risk can be divided into the following risk categories:

- **Market risk :** Market risk means the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and exchange rates, and the risk of changes in the market value of real estate and ownership interests.
- **Underwriting risks:** The core business of an insurance company consists of the transfer of risk from policyholders to the company.
- **Credit risk:** This risk quantifies the potential loss due to a deterioration of the situation of a counterparty against which claims exist.

- **Strategic risks:** Strategic risks can arise from 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, employees, organisation or external factors.

- **Liquidity risk:** Liquidity risk depends on the match between the investment portfolio and insurance commitments.

- **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 indicators. 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 primarily exposed to market risk by its activities as an insurance holding company. A conservative investment policy is used to limit other market risk due to investments. Market risk is monitored using fair value measurement, value-at-risk (VaR) calculations, sensitivity analysis and stress tests.

VIG Holding is also exposed to underwriting risks as arising from its international corporate business and reinsurance business. Appropriate underwriting provisions are determined using recognised actuarial methods and assumptions and managed by means of guidelines concerning the assumption of insurance risks. VIG Holding also limits the potential liability from its insurance business / active reinsurance business by ceding part of the risks it has assumed to the external reinsurance market through the Group reinsurance company VIG RE. With respect to credit risk, consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by VIG Holding, whether on the basis of an in-house analysis, credit assessments/ratings from recognised sources, unambiguous collateral or the possibility of recourse to reliable mechanisms for safeguarding investments.

Operational and strategic risks, which might be caused by deficiencies or errors in business processes, controls and projects, or changes in the business environment, are also continuously monitored. Limits are used to keep concentrations within the desired safety margin.

Investments

VIG Holding's investments primarily consist of participations and deposits. Additional investments are mainly made in fixed-interest securities (bonds, loans) and real estate, and only to a small extent in shares and other investments.

VIG Holding aligns its investments to its liability profile and aims to achieve sustainable increases in value in accordance with Group investment guidelines, which are based on a long-term conservative investment policy.

Use of forward exchange transactions

VIG Holding uses forward exchange transactions and currency swaps to hedge expected dividend payments in the most important currencies, CZK and PLN, and planned distributions of Company earnings in the same currencies for the current financial year. The expected and planned amounts are checked regularly and used to make any necessary adjustments to the hedge amounts.

Solvency II

The changes to the European insurance supervisory system referred to as Solvency II that are to be implemented by all member states of the EU present great challenges for insurance companies. Uncertainty about the final detailed formulation of Solvency II made it especially important for companies to provide a high deal of flexibility in their implementation plans. Based on developments and activities at the European and national levels, Solvency II can be expected to come into force in full at the beginning of 2016. The interim measures published by the European insurance supervisory authority EIOPA became binding at the beginning of 2014 and are being applied by practically all of the national supervisory authorities in the EU. In addition, finalisation of the "Delegated Acts on Solvency II" in 2014 and their publication in 2015 represents another major step in the direction of Solvency II.

In addition to activities at the European level, decisive steps were also taken in individual EU member states to ensure that Solvency II enters into force at the beginning of 2016. The new Austrian VAG was published in the Federal Law Gazette in February 2015 and is expected to come into effect at the same time as Solvency II. In preparation, modifications were made to the existing VAG on 1 July 2014, making extensive reference to EIOPA's interim measures, specifying the requirements of the core areas of Solvency II and concerning the following points:

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

VIG is well prepared to fulfil the extensive requirements placed on the Company by Solvency II starting in 2016 and the VAG amendment since the middle of 2014. The Group-wide "Solvency II" project has already existed for more than five years, is centrally managed from Austria, follows legal developments in detail and promptly implements measures required to ensure the consistent, timely implementation of Solvency II and the interim measures at both the Group and individual company level.

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

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. The calculation procedures have been established in the individual companies and the required expertise is available there to allow consistent management parameters to be determined both at the Group and individual company levels. The parameters calculated by the model are used in corporate management. Regular consultations are being held with supervisory authorities in the individual VIG countries in order to ensure approval of the partial internal model when Solvency II comes into effect.

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

This Group-wide approach with intensive involvement of local companies promotes the exchange of knowledge and experience and full acceptance of the guidelines and processes within VIG as a whole, so that based on the current regulatory requirements and the analyses and test calculations that have been performed, VIG is well prepared for the qualitative and quantitative requirements of Solvency II at both the Group and individual company levels.

OUTLOOK 2015

Aside from further preparations for the approval procedure and submission of VIG's partial internal model, the main focus of the Solvency II preparations in 2015 is on fulfilling the requirements of EIOPA's interim measures, i.e. the first official calculation of Group solvency under Solvency II as at 31 December 2014 and compliance with quantitative and qualitative regulatory reporting requirements. In addition, final preparations are being made to fulfil all of the requirements of Solvency II and the final version of the VAG and make functional and technical modifications to existing processes to satisfy requirements that in some cases have yet to be finalized.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ACCOUNTING PROCESS

General structure and organisation
The internal control and risk management system (ICS) plays an important role in VIG and is firmly anchored in the structural and process organisation of the Company. Responsibilities are clearly defined in the ICS by ICS Group guidelines and extend from the overall responsibility of the Managing Board for establishing an effective control system and appropriate risk management, to the responsibility of middle management for ensuring adequate risk control infrastructure in the various areas, all the way to individual employees, who are expected to perform their work responsibly and pro-actively report and/or eliminate potential risks, deficiencies and sources of errors.

The ICS itself is comprised of all of the measures and control activities used to minimise risks – particularly in the areas of accounting and compliance, but also for other operational risks. It extends from specially established processes, organisational units such as accounting and controlling to guidelines, regulations and individual controls within processes such as automated audits or the use of the principle of dual control.

Important control elements in the accounting process
The documentation for the annual financial statement preparation process includes important elements of the internal control and risk management system that are present in the accounting process. The controls documented there are used during the process to ensure that potential errors whose occurrence cannot be completely ruled out in spite of the many additional functional and technical controls in existing IT systems (e.g. SAP) are identified and corrected at an early stage in the reporting process.

This allows the following objectives of the annual financial statement process to be achieved:

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

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

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

Effectiveness and controls
To ensure the effectiveness of the internal control system, VIG established an annual evaluation and documentation process for the ICS with the professional assistance of external auditors. This process identifies, analyses, assesses and documents risks and controls applying to VIG Holding and reports them to the Managing Board, particularly those in the areas of accounting and compliance. Optimisation measures are introduced into the control environment based on the findings, and their implementation is also monitored and reported by the responsible units.

The results of this process are also used later by the internal audit department as a basis for its subsequent audit of the accounting process and the control environment established there.

In the first half of 2014 this ICS process was used to update the documentation of risks and controls and, among other things, to confirm that all significant risks in the accounting process are covered by effective controls in VIG Holding, so that the financial reporting risk (i.e. the remaining risk of incorrect reporting) can be categorised as low.

DISCLOSURES IN ACCORDANCE WITH SECTION 267(3A) IN COMBINATION WITH SECTION 243A UGB

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

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

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

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

5. Employees who hold shares exercise their voting rights without a proxy during General Meetings.

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

7. a) The Managing Board is authorised to increase the Company's share capital by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares in one or more tranches on or before 2 May 2018 against cash or in-kind contributions. The terms of the 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.

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

c) The share capital has consequently been raised in accordance with Section 159 (2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the Annual General Meeting resolution of 3 May 2013 exercise the subscription or exchange rights they were granted. The Managing Board did not adopt any resolutions in financial year 2013 regarding the issuance of convertible bonds based on the authorisation granted on 3 May 2013.

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

As at 31 December 2014, no authorisation of the Managing Board under Section 65 of the AktG (acquisition of treasury shares) was in effect, and the Company held no treasury shares as at 31 December 2014.

8. As of 31 December 2014, the Company was not party to any material agreements that would come into effect, change or terminate if control of the Company were to change due to a takeover bid, in particular, no agreements that would affect participations held in insurance companies. Existing agreements that would come into effect if control of the Company were to change due to a takeover bid concern participations held in other (non-insurance) companies.

9. No compensation agreements exist between the Company and its Managing Board members, Supervisory

Board members or employees for the case of a public takeover bid.

OUTLOOK

Austria

As in the Eurozone as a whole, the economic recovery in Austria is slow and fragile. In October, the International Monetary Fund (IMF) was still forecasting economic growth of 1% for 2014 and an increase to 1.9% for 2015. According to the Austrian Institute for Economic Studies (WIFO), recessionary tendencies have become noticeable in the meantime, reducing the forecasts for the two years to 0.8% and 1.2%, respectively. Austria is suffering from the slowdown in world trade and has the highest inflation rate of all EU countries. Growth in private consumption is being slowed by the inflation rate, tax bracket creep and the difficult labour market situation.

This is offset by the positive effects of the current extremely low price of oil, service sector stability and substitution of some export markets. Although the low level of interest rates is beneficial for public budgets and the debt burden, it is a problem when they remain at such a low level for a long time because long-term inflation expectations also fall. This in turn restricts the ability of companies to set prices and acts as a negative incentive for investments. This low interest rate environment could bring further challenges for the life insurance market in particular.

Significant elements of the Austrian banking system were restructured in 2014. The national debt rose 5.6 percentage points over the previous year to 80.1% of gross domestic product (GDP), due in part to EUR 4.4 billion in aid provided to banks. A further EUR 1 billion in aid measures is planned for 2015. Austria's overall credit rating in international financial markets remained unchanged at an AA+ rating from Standard & Poor's.

This is not expected to change as a result of the FMA's decision on 1 March 2015 to wind up the government bank resolution company HETA under BaSAG (Austrian Federal Act on the Recovery and Resolution of Banks) and the effects this has on Austria's attractiveness as a financial centre. VIG has taken account of this in its consolidated financial statements by writing down large Austrian Group company claims against HETA.

The provisions of Solvency II that concern the European insurance supervisory authority will take effect to the extent planned on 1 January 2016, as will the amendments to the Austrian VAG.

The Austrian Association of Insurance Companies (VVO) expects premiums to rise by EUR 17.2 billion in 2015, representing a year-on-year increase of 0.6%. While the property and casualty area is expected to grow by 2.0%, or 0.8 percentage points less than in 2014, the life insurance business, which rose by close to 4% in 2014 owing to an increase in single-premium business, is likely to record a decrease of 2% in the coming year. Premium volume in the Austrian health insurance sector is expected to show stable growth at a rate of 3.2%.

CEE region

Economic growth in the countries of Central and Eastern Europe is essentially governed by three trends:

The first is the positive trend experienced in VIG's major core markets, such as the Czech Republic, Slovakia, Poland and Romania. This is partly due to the slight upswing in the Eurozone, which is an important export region for CEE countries. In some countries, the successful national economic policies implemented in previous years are another factor that is starting to bear fruit due to the stabilising effect on national economic systems and resulting growth rates of between 2.0% and 3.5%. With the exception of Hungary (-1.2 percentage points), these growth rates are forecast to increase again slightly in the next two years.

The second trend is shown by the stagnation in the western Balkan countries. The situation has already improved compared to 2014, as a long-term recession lasting several quarters or half-year periods is not being predicted for any of the countries. The growth rate is forecast to be slightly above 0% for Croatia, and slightly below 0% for Serbia. Bosnia and Herzegovina, Albania, Slovenia and Montenegro are expected to grow at rates of 1.6% to 2.3%. Macedonia, on the other hand, is a role model for the region and is expected to continue growing at a rate of 3.5%.

The third major trend in the CEE region is due to the economic losses caused by the Russia-Ukraine conflict that are being suffered by all of the countries involved. The main burden is being felt by the two parties to the conflict themselves, due to mutual economic sanctions. The Baltic countries, however, are also being affected by Russia's weakness. Furthermore economic losses are also being indirectly suffered by the countries of the EU, which have lost Russia as a major sales market.

Aside from these three trends, it is also noteworthy that with its high current account deficit Turkey is benefiting strongly from the low oil price.

The development which is the most relevant overall, and therefore of great importance for the future, is the upswing in VIG's core CEE markets in 2014. If the Eurozone remains stable, this could also benefit the peripheral CEE countries. The great fragility of the Eurozone consolidation and falling emerging market valuations on international financial markets are less positive factors for the CEE region. Although this primarily concerns Brazil and Russia, one nevertheless has to consider that investment strategies which make little distinction between emerging markets could also have a negative effect on the CEE region.

At the beginning of 2015, the Swiss National Bank abandoned the exchange rate floor of EUR 1.20 for the franc, thereby causing some uncertainty in financial markets. This has a negative effect on the CEE region, as a large number of franc loans were issued there that will now be significantly more expensive to repay.

With respect to the Eurozone, the unstable cooperation between the new Greek government and the EU, or Troika, constitutes a risk for the entire European region, particularly since Germany is no longer categorically opposed to a reduction in the size of the Eurozone.

In addition, it remains to be seen how strong and sustained an effect the bond purchase programme approved by the ECB in the middle of January 2015 has on the current low level of interest rates. Although the programme's volume of EUR 1.14 trillion is higher than was expected by most market participants, the reactions will depend on a number of factors, including how the volume is divided between corporate and government bonds, and whether markets view the rule that government bond purchases are to be made by national central banks as a clever measure encouraging independent responsibility or as a sign of a lack of political cohesion in the Eurozone.

Outlook for the Group

The Managing Board of Vienna Insurance Group will continue to rely on its Group-wide management principles in the future. The Group will also continue to focus on its core competence, namely the insurance business, remain true to its regional focus and follow a conservative investment strategy.

VIG remains convinced of the great potential offered by the CEE region, and committed to Austria and Central and Eastern Europe as its home market. Since the growth and convergence process progresses at different rates in the CEE countries, VIG will take advantage of the opportunities and conditions in each individual market to the best possible extent. In countries experiencing a growth phase, the focus will be on above-average exploitation of potential. Calm market phases, on the other hand, will primarily be used to optimise processes and structures, reduce costs and adjust portfolios in order to strengthen sales during later growth phases.

Following the principle of local entrepreneurship, VIG will continue to rely on decentralised structures, and therefore on entrepreneurial thinking and local know-how. Our local managers and employees know the special regional characteristics of their customers the best and can therefore react promptly and professionally to changing market needs. Technically well-trained, motivated employees form the foundation for successful development of a market. Vienna Insurance Group will continue to do whatever is needed in its 25 markets to be viewed as an attractive local employer with an international background, offer its employees the best possible development opportunities, strengthen their long-term loyalty and be the employer of choice for young, talented trainees.

VIG continues to have a stated goal of using its proven multi-brand strategy and many optimally developed regional distribution channels, such as the successful cooperation with Erste Group, to grow faster than the market in Austria and the CEE region in 2015. The priority will be on using sustainable organic growth to expand market share.

The Group does not exclude the possibility of further acquisitions in the future that improve its market position and are a good strategic addition to its existing portfolio. Mergers will be considered if the potential synergies that can be achieved outweigh the benefits of multiple market presences.

The current low interest rate environment is expected to cause a decline in our ordinary financial result in 2015 that on a current view cannot be compensated by a further increase in our underwriting result. Vienna Insurance Group will continue to follow a cautious, risk-aware investment strategy, and has no intention of increasing investment income by making riskier investments in the future.

Outlook for VIG Holding

As in previous years, VIG Holding has once again set itself a goal of increasing premium volume from international reinsurance and cross-border corporate business in 2015. In accordance with its management responsibilities as a holding company, it will also continue to focus on coordinating and initiating measures primarily aimed at optimising the areas of process organisation and earnings power.

In addition to the ongoing areas of process harmonisation and improvement in the IT landscape, and strategy implementation in the small and medium-sized enterprise customer segment, attention will also be focused on VIG Holding's new areas in the future: Group compliance, Group development, European affairs and corporate social responsibility.Vienna Insurance Group will continue to do whatever is needed to be viewed as an attractive employer with an international background, offer its employees the best possible development opportunities, strengthen their long-term loyalty and be the employer of choice for young, talented trainees.

PROPOSED APPROPRIATION OF PROFITS

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ended financial year 2014 with net retained profits of EUR 280,541,505.08. The following allocation of profits will be recommended to the ordinary Annual General Meeting:

The 128 million shares will receive a dividend of EUR 1.40 per share. The payment date for this dividend is 8 June 2015 and the ex-dividend date is 3 June 2015.

A total of EUR 179,200,000.00 will therefore be distributed.

The net retained profits of EUR 101,341,505.08 remaining for financial year 2014 after the dividend has been paid will be carried forward.

The Managing Board:

Dr. Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Fuchs
Member of the Managing Board

Mag. Peter Höfinger
Member of the Managing Board

Dr. Martin Simhandl
CFO, Member of the Managing Board

Vienna, 31 March 2015

SEPARATE FINANCIAL STATEMENTS

BALANCE SHEET AS OF 31 DECEMBER 2014

Assets		31.12.2014	31.12.2013
		in EUR	in EUR '000
A. Intangible assets			
Other intangible assets		26,286,180.55	25,279
Total intangible assets		**26,286,180.55**	**25,279**
B. Investments			
I. Land and buildings		119,347,459.74	119,411
II. Investments in affiliated companies and participations			
1. Shares in affiliated companies	4,000,121,423.80		3,967,623
2. Bonds and other securities of affiliated companies and loans to affiliated companies	278,446,000.00		278,246
3. Participations	241,457.88	4,278,808,881.68	251
III. Other investments			
1. Shares and other non-fixed-interest securities	116,695,515.00		116,696
2. Bonds and other fixed-interest securities	88,609,468.50		69,343
3. Mortgage receivables	442,000.00		578
4. Other loans	17,125,572.33		17,128
5. Bank deposits	0.00	222,872,555.83	138,609
IV. Deposits on assumed reinsurance business		926,922,633.05	832,472
Total investments		**5,547,951,530.30**	**5,540,357**
C. Receivables			
I. Receivables from direct insurance business			
1. from policyholders	3,895,857.95		1,838
2. from insurance intermediaries	3,045.14		0
3. from insurance companies	7,255,532.26	11,154,435.35	3,399
II. Receivables from reinsurance business		17,557,617.66	14,745
III. Other receivables		195,472,216.74	159,268
Total receivables		**224,184,269.75**	**179,250**
D. Pro rata interest		**2,969,821.16**	**2,357**
E. Other assets			
I. Tangible assets (not incl. land and buildings)		1,662,806.63	1,353
II. Current bank balances and cash on hand		100,405,688.31	11,485
III. Other assets		250,010,980.76	250,002
Total other assets		**352,079,475.70**	**262,840**
F. Deferred charges			
I. Deferred tax assets		9,261,165.28	9,261
II. Other deferred charges		1,112,555.88	1,354
Total deferred charges		**10,373,721.16**	**10,615**
Total ASSETS		**6,163,844,998.62**	**6,020,698**

BALANCE SHEET AS OF 31 DECEMBER 2014

Liabilities and shareholders' equity		31.12.2014	31.12.2013
		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		608,825,481.03	518,824
IV. Risk reserve as per § 73a VAG, taxed portion		23,351,751.00	18,121
V. Net retained profits		280,541,505.08	267,802
of which brought forward		*101,401,744.20*	*102,154*
Total shareholders' equity		**3,312,838,627.38**	**3,204,866**
B. Tax-exempt reserves			
I. Valuation reserve for impairment losses		27,854,456.07	34,860
Total reserves		**27,854,456.07**	**34,860**
C. Subordinated liabilities			
I. Hybrid bond		500,000,000.00	500,000
II. Supplementary capital bond		792,457,000.00	800,000
Total subordinated liabilities		**1,292,457,000.00**	**1,300,000**
D. Underwriting provisions – retention			
I. Unearned premiums			
1. Gross	73,811,942.99		70,441
2. Reinsurers' share	-2,833,552.30	70,978,390.69	-1,898
II. Provision for outstanding claims			
1. Gross	912,543,050.04		797,995
2. Reinsurers' share	-49,590,083.07	862,952,966.97	-21,554
III. Equalisation provision		61,926.00	0
IV. Other underwriting provisions			
1. Gross	767,000.00		30
2. Reinsurers' share	0.00	767,000.00	0
Total underwriting provisions		**934,760,283.66**	**845,014**
E. Non-underwriting provisions			
I. Provision for severance pay		1,656,552.00	1,830
II. Provision for pensions		21,438,975.00	19,140
III. Other provisions		40,855,383.33	33,485
Total non-underwriting provisions		**63,950,910.33**	**54,455**
F. Other liabilities			
I. Liabilities from direct insurance business			
1. to policyholders	29,851,005.94		24,022
2. to insurance intermediaries	443,432.29		367
3. to insurance companies	18,081,391.96	48,375,830.19	14,970
II. Liabilities from reinsurance business		18,667,271.73	12,075
III. Liabilities to financial institutions		36,857,220.31	40,119
IV. Other liabilities		426,423,156.68	488,052
Total liabilities		**530,323,478.91**	**579,605**
G. Deferred income		**1,660,242.27**	**1,898**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**6,163,844,998.62**	**6,020,698**

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

		2014	2013
		in EUR	in EUR '000
Underwriting account:			
1. Net earned premiums			
Premiums written			
Gross	907,101,307.69		928,776
Ceded reinsurance premiums	-39,102,340.36	867,998,967.33	-35,151
Change in unearned premiums			
Gross	2,732,994.79		19,316
Reinsurers' share	985,526.21	3,718,521.00	-146
Total premiums		**871,717,488.33**	**912,795**
2. Investment income from underwriting business		**12,932,287.15**	**13,695**
3. Other underwriting income		**30,712.52**	**107**
4. Expenses for claims and insurance benefits			
Payments for claims and insurance benefits			
Gross	538,213,450.71		539,867
Reinsurers' share	-5,824,546.05	532,388,904.66	-2,584
Change in provision for outstanding claims			
Gross	121,441,986.98		168,831
Reinsurers' share	-28,580,103.14	92,861,883.84	-9,716
Total expenses for claims and insurance benefits		**-625,250,788.50**	**-696,398**
5. Increase in underwriting provisions			
Other underwriting provisions			
Gross	737,125.00		8
Reinsurers' share	0.00	737,125.00	0
Total increase in underwriting provisions		**-737,125.00**	**-8**
6. Administrative expenses			
Acquisition expenses		224,788,918.46	222,238
Other administrative expenses		716,203.44	486
Reinsurance commissions and profit commissions from reinsurance cessions		-3,403,886.40	-2,735
Total administrative expenses		**-222,101,235.50**	**-219,989**
7. Other underwriting expenses		**-88,729.92**	**-81**
8. Change in the equalisation provision		**-61,926.00**	**0**
Underwriting result (amount carried forward)		**36,440,683.08**	**10,121**

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

	2014	2013
	in EUR	in EUR '000
Underwriting result (amount carried forward)	**36,440,683.08**	**10,121**
Non-underwriting account:		
1. Income from investments and interest income		
Income from participations	415,451,141.28	411,519
Income from land and buildings	12,615,642.04	12,392
Income from other investments	22,210,184.37	21,024
Income from appreciations	1,200,403.10	0
Income from the disposal of investments	16,156,627.81	23,986
Other investment and interest income	20,952,862.12	17,317
Total investment income	**488,586,860.72**	**486,238**
2. Expenses for investments and interest expenses		
Expenses for asset management	58,604,950.32	48,267
Depreciation of investments	104,669,808.66	134,298
Interest expenses	86,776,120.46	72,264
Losses from the disposal of investments	1,458,513.93	3,672
Other investment expenses	9,480,885.57	20,975
Total investment expenses	**-260,990,278.94**	**-279,476**
3. Investment income transferred to the underwriting account	**-12,932,287.15**	**-13,695**
4. Other non-underwriting income	**10,650,722.35**	**18,200**
5. Other non-underwriting expenses	**-3,345,310.55**	**-2,724**
6. Result from ordinary activities	**258,410,389.51**	**218,664**
7. Taxes on income	**8,955,748.89**	**29,420**
8. Profit for the period	**267,366,138.40**	**248,084**
9. Release of reserves		
Release of valuation reserve for impairment losses	7,005,631.66	944
Total release of reserves	**7,005,631.66**	**944**
10. Transfer to reserves		
Transfer to risk reserve as per § 73a VAG	5,230,305.00	5,477
Transfer to the valuation reserve for impairment losses	0.00	2,903
Transfer to free reserves	90,001,704.18	75,000
Total transfer to reserves	**-95,232,009.18**	**-83,380**
11. Profit for the year	**179,139,760.88**	**165,648**
12. Retained profits brought forward	**101,401,744.20**	**102,154**
Net retained profits	**280,541,505.08**	**267,802**

NOTES TO THE 2014 ANNUAL FINANCIAL STATEMENTS

I. Summary of significant accounting policies

The annual financial statements as of 31 December 2014 were prepared in accordance with the accounting provisions of the Austrian Commercial Code (UGB) and the special provisions of the Austrian Insurance Supervision Act (VAG), as amended, and in accordance with Austrian generally accepted accounting principles and the general standard of presenting a true and fair view of the net assets, financial position and results of operations of the Company.

The precautionary principle was satisfied in that only profits that had been realised as of the balance sheet date were reported, and all identifiable risks and impending losses were recorded in the balance sheet.

Figures are generally shown in thousands of euros (EUR '000). Figures from the previous year are indicated as such or shown in brackets.

Intangible assets were reported at cost less amortisation over three to ten years.

Land is valued at cost, and buildings at cost less depreciation and any write-downs. As a rule, repair costs for residential buildings are spread over ten years.

Equities and other non-fixed interest securities and shares in affiliated companies are valued according to the strict lower-of-cost-or-market principle (strenges Niederstwertprinzip). Starting in 2008, bonds, other fixed-income securities and participations have been valued using the less strict lower-of- cost-or-market principle (gemildertes Niederstwertprinzip) provided for in Section 81h(1) VAG.

Valuation using the less strict lower-of-cost-or-market principle resulted in write-downs of EUR 345,000 (EUR 178,000) not being performed.

The Company takes into account its overall risk position 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 largely low risk. The strategic investment committee decides on potential high-risk investments based on the inherent risk of each individual investment after performing a full analysis of all related risks and liquidity at risk, and considering all assets currently in the portfolio and the effects of the individual investments on the overall risk position.

All known financial risks are assessed regularly, and specific limits or reserves are used to limit exposure. Security price risk is reviewed periodically using value-at-risk and stress tests. Default risk is measured using both internal and external rating systems.

An important goal of investment and liquidity planning is to maintain adequate amounts of liquid, value-protected financial investments. Liquidity planning therefore takes account of the trend in insurance benefits, and most investment income is generally reinvested.

An interest rate swap running until 12 January 2017 with a notional amount of EUR 120 million was entered into for the supplementary capital bond issued on 12 January 2005 that became a variable supplementary capital bond after the first year (AT0000342704). The interest rate swap had a market value of EUR -7,127,000 as of 31 December 2014 (EUR -8,220,000). 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.

Amounts denominated in foreign currencies are translated to euros using the appropriate mean rate of exchange.

As a rule, mortgage receivables and other loans, including those to affiliated companies and companies in which a participation is held, are 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.

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.

The EUR 250,000,000 nominal value of the hybrid bond that was repurchased by the Company on 13 August 2013 was recognised under "other assets" in the balance sheet. It was not netted with the liabilities side, as the bond has not been cancelled yet.

Unearned premiums were essentially calculated by prorating over time after applying a deduction for expenses (15%) of EUR 1,195,000 (EUR 870,000).

The **provision for outstanding claims** for direct business is calculated for claims reported by the balance sheet date by individually assessing claims that have not yet been settled and adding lump-sum safety margins for large unexpected losses. Lump-sum provisions based on past experience are formed for claims incurred but not reported. Recourse claims of EUR 18,052,000 (EUR 3,677,000) were included.

In indirect business, provisions for outstanding claims are primarily based on reports from ceding companies as of the 31 December 2014 balance sheet date. The reported amounts were increased where this was considered necessary in light of past experience.

The **underwriting items for assumed reinsurance business** and associated retrocessions are included immediately in the annual financial statements.

The **equalisation provision** is calculated in accordance with the directive of the Austrian Federal 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 2.75% p.a. (2013: 3% p.a.). Company pension plan obligations are measured using the actuarial entry age normal method (Teilwertverfahren). The retirement age used to calculate the provisions for anniversary bonuses and severance pay is the statutory minimum retirement age as stipulated in the Austrian General Social Security Act (ASVG) (2004 reform), subject to a maximum age of 62 years for the provision for anniversary bonuses. The retirement age used to calculate the provision for pensions is based on each individual agreement. The following percentages were used for employee turnover based on age: <31 7.5%, 31-35 3.5%, 36-40 2.5%, 41-50 1.5%, 51-55 0.5% and 56-65 0%. The severance entitlements used to calculate the provision for severance obligations are 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 1,490,000 (EUR 529,000) are reported under investment and interest expenses. A portion of the direct pension obligations, in the amount of EUR 234,000 (EUR 232,000), is administered as an occupational group insurance plan under an insurance policy concluded in accordance with Section 18f to 18j VAG. Provisions are formed for another portion (actuarial pension amount of EUR 2,040,000 (EUR 1,997,000)). The severance pay provision required under Austrian corporate law for 2014 was EUR 4,586,000 (EUR 4,395,000). The amount earmarked for satisfying the outsourced severance pay obligations that was held by the outside insurance company was EUR 3,305,000 (EUR 2,916,000). The difference of EUR 1,453,000 (EUR 1,644,000) between the size of the severance pay provisions to be formed under Austrian commercial law and the deposit held by the outside insurance company is reported under provisions for severance pay in the balance sheet.

II. Notes to the balance sheet

The book values of intangible assets, land and buildings, investments in affiliated companies and ownership interests have changed as follows:

	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 2013	**25,279**	**119,411**	**3,967,623**	**278,246**	**250**
Additions	4,693	5,270	133,073	1,000	0
Disposals	0	1,970	575	800	9
Appreciation	0	1,200	0	0	0
Depreciation	3,685	4,564	100,000	0	0
As of 31 December 2014	**26,287**	**119,347**	**4,000,121**	**278,446**	**241**

The value of developed and undeveloped properties was EUR 35,642,000 (EUR 36,262,000) as of 31 December 2014. The carrying amount of owner occupied property was EUR 18,733,000 (EUR 17,269,000).

The investments have the following carrying amounts and fair values:

Items under § 81c (2) VAG	Book value 2014	Fair value 2014	Book value 2013	Fair value 2013
in EUR '000				
Land and buildings				
Thereof appraisal reports 2009	0	0	17,818	25,020
Thereof appraisal reports 2010	769	3,915	10,222	49,765
Thereof appraisal reports 2011	0	0	0	0
Thereof appraisal reports 2012	5,298	25,970	9,260	52,100
Thereof appraisal reports 2013	83,897	257,455	82,111	257,455
Thereof appraisal reports 2014	29,383	133,230	0	0
Shares in affiliated companies	4,000,121	9,417,668	3,967,623	8,408,221
Bonds and other securities of affiliated companies and loans to affiliated companies	278,446	285,190	278,246	278,246
Participations	241	241	251	251
Shares and other non-fixed-interest securities	116,696	129,423	116,695	121,872
Bonds and other fixed-interest securities	88,609	97,281	69,343	70,173
Mortgage receivables	442	510	578	578
Other loans	17,126	17,388	17,128	17,128
Bank balances	0	0	138,609	138,609
Deposits receivables	926,923	926,923	832,472	832,472
Total	**5,547,951**	**11,295,194**	**5,540,356**	**10,251,890**

The fair values of land and buildings were determined in accordance with the recommendations of the Austrian Insurance Association. All properties are individually valued during a five-year period.

Hidden reserves rose by EUR 1,035,709,000 to a total of EUR 5,747,243,000 (EUR 4,711,534,000).

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.

Recognised mathematical models (discounted cash flows) were used to calculate the market values of mortgage loans and other loans.

The **other loans** of EUR 17,126,000 (EUR 17,128,000) are loans to other borrowers not secured by insurance contracts.

The **subordinated liabilities** item on the balance sheet consists of the bonds listed in the table below, which were issued in the form of securities. The lawfulness of the issues was confirmed by **KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft**, Porzellangasse 51, 1090 Vienna.

Name	As of 31/12/2014
in EUR '000	
Hybrid bond 2008	500,000
Supplementary capital bond 2005 - 2022	172,457
Supplementary capital bond 2005	120,000
Bond 2013 - 2043	500,000
Total	**1,292,457**

EUR 7,543,000 of supplementary capital bond 2005 - 2022 was repurchased in financial year 2014.

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	
	2014	2013	2014	2013
in EUR '000				
Deposits receivables	926,923	832,472	0	0
Receivables from direct insurance business	1,218	1,135	0	0
Receivables from reinsurance business	17,016	13,465	0	0
Other receivables	183,502	148,650	16	16
Liabilities from direct insurance business	3,211	2,202	0	0
Liabilities from reinsurance business	15,782	7,379	0	0
Other liabilities	415,429	479,770	0	0

Other receivables includes income of EUR 0 (EUR 36,000,000) that will not have an effect on cash flow until after the balance sheet date.

The following disclosures are provided for **off-balance sheet contingent liabilities**: Letters of comfort and liability undertakings totalling EUR 48,103,000 (EUR 48,603,000) have been issued in connection with borrowing. A total of EUR 44,103,000 (EUR 44,103,000) relates to letters of comfort for affiliated companies.

The amount shown under **other liabilities** includes EUR 4,423,000 (EUR 3,367,000) in tax liabilities and EUR 308,000 (EUR 292,000) in social security liabilities.

Liabilities arising from the use of off-balance sheet tangible assets were EUR 2,228,000 (EUR 1,900,000) for the following financial year and EUR 11,830,000 (EUR 10,088,000) for the following five years.

III. Notes to the income statement

Premiums written, net earned premiums, expenses for insurance claims and benefits, administrative expenses and reinsurance balance had the following breakdown for property and casualty insurance in 2014:

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	52,219	50,475	37,432	4,624	-5,554
Liability insurance	1,509	1,547	1,195	157	-804
Marine, aviation and transport insurance	1,057	1,058	1,693	443	-145
Other non-life insurance	9,225	9,086	4,060	1,154	-2,229
Total direct business	**64,010**	**62,166**	**44,380**	**6,378**	**-8,732**
(Previous year values)	(51,112)	(51,051)	(34,375)	(4,193)	(-14,766)
Indirect business					
Marine, aviation and transport insurance	353	353	322	107	76
Other insurance	842,737	847,316	614,953	219,020	8,348
Total indirect business	**843,090**	**847,669**	**615,275**	**219,127**	**8,424**
(Previous year values)	(877,664)	(897,041)	(674,323)	(218,531)	(-5,459)
Total direct and indirect business	**907,100**	**909,835**	**659,655**	**225,505**	**-308**
(Previous year values)	(928,776)	(948,092)	(708,698)	(222,724)	(-20,225)

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

The result from **indirect business** was EUR 26,197,000 (EUR 17,879,000). The net earned premiums of EUR 847,669,000 (EUR 897,041,000) 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	2014	2013
Income from participations	415,175	411,282
Income from other investments	14,900	14,775
Income from land and buildings	1,252	1,278

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

Losses on disposals of investments were EUR 1,459,000 in financial year 2014 (EUR 3,672,000)

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

in EUR '000	2014	2013
Wages and salaries	18,191	18,531
Expenses for severance benefits and payments to company pension plans	158	-1,528
Expenses for retirement provisions	1,351	1,489
Expenses for statutory social contributions and income-related contribution and mandatory contributions	3,494	3,533
Other social security expenses	270	230

Commissions of EUR 5,064,000 (EUR 3,330,000) were incurred for direct business in financial year 2014.

The valuation reserve shown on the balance sheet as of 31 December 2014 and releases and additions over the financial year are broken down by asset item as follows:

in EUR '000	As of 31.12.2013	Release	Additions	As of 31.12.2014
Land and buildings	28,951	1,192	0	27,759
Shares in affiliated companies	5,909	5,814	0	95
Total	**34,860**	**7,006**	**0**	**27,854**

The formation and release of untaxed reserves resulted in a change in income tax expenses of EUR 1,751,000 (EUR -490,000) for the financial year.

IV. Significant participations

Affiliated companies and participations Vienna Insurance Group AG as of 31 December 2014

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (EUR '000)	Last annual financial statements
Affiliated companies				
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	98.57	11,827	1,701	2014
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	100.00	1,269	-174	2013
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	86.27	40,648	-1,643	2014
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	93.98	25,436	6,959	2014
Benefia Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	100.00	20,555	1,199	2014
Business Insurance Application Consulting GmbH, Vienna	100.00	2,819	492	2014
CAL ICAL "Globus", Kiev	80.00	3,803	92	2014
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chisinau	99.98	2,284	-510	2014
COMPENSA Holding GmbH, Wiesbaden	100.00	21,403	770	2014
Compensa Life Vienna Insurance Group SE, Tallinn	100.00	17,065	968	2014
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	78.85	50,605	-6,891	2014
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	63.36	87,124	19,195	2014
DONAU Versicherung AG Vienna Insurance Group, Vienna	3.97	92,782	-9,904	2014
ELVP Beteiligungen GmbH, Vienna	100.00	25,182	1,799	2014
Erste osiguranje Vienna Insurance Group d.d., Zagreb	90.00	12,130	1,572	2014
ERSTE Vienna Insurance Group Biztositó Zrt., Budapest	90.00	7,046	1,826	2014
Foreign limited liability company "InterInvestUchastie", Minsk	99.95	4,084	210	2013
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	100.00	7	0	-
GLOBAL ASSISTANCE, a.s., Prague	60.00	3,733	2,700	2014
GPIH B.V., Amsterdam	11.11	9,020	2,223	2014
IICS/Polska z ograniczona odpowiedzialnoscia, Warsaw	100.00	1,364	45	2013
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	14.03	36,046	-2,790	2014
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	99.98	105,623	15,212	2014
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	44,300	10,690	2014
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	89.98	2,545	-297	2014
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	100.00	6,907	-2,446	2014
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje	94.25	21,227	1,428	2014
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	100.00	3,489	-252	2013
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	100.00	4,699	363	2014
KOMUNÁLNA poistovna, a.s. Vienna Insurance Group, Bratislava	18.86	51,459	6,586	2014
KOOPERATIVA poist'ovna, a.s. Vienna Insurance Group, Bratislava	94.23	307,342	37,005	2014
Kooperativa, pojist'ovna, a.s. Vienna Insurance Group, Prague	96.32	497,396	96,771	2014
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	52.34	2,515	342	2013
LVP Holding GmbH, Vienna	100.00	567,394	-38,589	2014
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	99.47	140,075	-8,585	2014
Poist'ovna Slovenskej sporitel'ne, a.s. Vienna Insurance Group, Bratislava	90.00	41,031	6,422	2014
Pojist'ovna Ceské sporitelny, a.s. Vienna Insurance Group, Pardubice	90.00	127,774	31,055	2014
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	9.50	7,126	-440	2014
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	97.80	2,321	112	2014
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	89.99	5,961	-1,183	2014
Ray Sigorta Anonim Sirketi, Istanbul	12.67	40,583	818	2014
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	41.00	424	268	2013

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (EUR '000)	Last annual financial statements
Affiliated companies				
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A., Tirana	89.05	11,970	702	2014
Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna, Warsaw	100.00	34,143	-11,142	2014
TBI BULGARIA EAD, Sofia	100.00	41,628	515	2014
TBIH Financial Services Group N.V., Amsterdam	68.97	287,260	27,239	2014
UNION Vienna Insurance Group Biztosító Zrt., Budapest	100.00	30,961	1,220	2014
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	64.30	5,106	-123	2013
Vienna International Underwriters GmbH, Vienna	100.00	140	36	2013
Vienna Life Vienna Insurance Group Biztositó Zártkörüen Müködö Részvénytársaság, Budapest	100.00	14,023	-1,800	2014
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	100.00	11,720	159	2014
VIG Asset Management investicni spolecnost, a.s., Prague	100.00	292	160	2013
VIG Properties Bulgaria AD, Sofia	99.97	3,806	-195	2014
VIG Re zajist'ovna, a.s., Prague	70.00	4,819	604	2014
VIG Real Estate GmbH, Vienna	90.00	103,826	0	2014
VIG Services Ukraine, LLC, Kiev	100.00	97	-29	2013
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	99.47	72,102	3,221	2014
WIENER RE akcionarsko društvo za reosiguranje, Beograd, Belgrade	0.70	6,592	580	2014
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Beograde	100.00	14,521	2,361	2014
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	99.90	950,567	104,164	2014

V. 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 2 May 2018 against cash or in-kind contributions. 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 Annual General Meeting of 3 May 2013 authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer convertible bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 2 May 2018, with or without exclusion of shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights for up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board. The share capital has consequently been raised in accordance with Section 159 (2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the Annual General Meeting resolution of 3 May 2013 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date concerning the issuance of convertible bonds based on the authorisation granted on 3 May 2013.

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

The Company held no treasury shares as of 31 December 2014.

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 Company repurchased Tranche 2 in August 2013. EUR 51,983,000 of the nominal value of Tranche 1 was repurchased in March 2015. The income bonds are traded on the Vienna Stock Exchange. The interest rate is 8% p.a. until 12 September 2018 (fixed interest rate), after which the income bonds pay variable interest. The Company has the right to call the bonds each quarter after the start of the variable interest period.

On 12 January 2005, the Company issued supplementary capital bond 2005 - 2022 with a total nominal value of EUR 180,000,000.00 in accordance with Section 73c(2) VAG. The bond pays interest at 4.625% p.a. on its nominal value during the first twelve years of its term (fixed interest rate period), after which the bond pays variable interest. The Company repurchased EUR 7,543,000 of the nominal value in June 2014 and EUR 35,822,500 of the nominal value in March 2015.

On 12 January 2005, the Company also issued supplementary capital bond 2005, with a total nominal value of EUR 120,000,000.00 in accordance with Section 73c(2) VAG. This bond does not have a fixed term. The bond paid interest at 4.25% p.a. on its nominal value during the first year of its term, after which the bond pays variable interest. Interest was paid at 2.262% p.a. on the bond's nominal value during the period from 12 January 2014 to 11 January 2015.

On 9 October 2013 the Company issued a subordinated bond with a nominal value of EUR 500,000,000.00 and a maturity of 30 years. The Company can call the bond in full for the first time on 9 October 2023 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 5.5% p.a. during the first ten years of its term and variable interest after that. The bonds are traded on the Vienna Stock Exchange.

On 2 March 2015 the Company issued a subordinated bond with a nominal value of EUR 400,000,000.00 and a maturity of 31 years. The Company can call the bond in full for the first time on 2 March 2026 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 3.75% p.a. during the first eleven years of its term and variable interest after that. The subordinate bond satisfies the Tier 2 requirements of Solvency II. The bonds are listed on the Luxembourg Stock Exchange.

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

The Supervisory Board had the following members in financial year 2014:

Chairman:
Günter Geyer (since 6 June 2014)
Wolfgang Ruttenstorfer (until 6 June 2014)

Deputy Chairman:
Karl Skyba

Members:
Bernhard Backovsky
Martina Dobringer
Rudolf Ertl (since 6. June 2014)
Alois Hochegger (until 6. June 2014)
Maria Kubitschek (until 6. June 2014)
Reinhard Ortner
Heinz Öhler
Georg Riedl (since 6. June 2014)
Martin Roman (until 6. June 2014)
Friedrich Stara (until 6. June 2014)
Gertrude Tumpel-Gugerell

The Managing Board had the following members in financial year 2014:

Chairman:
Peter Hagen

Members:
Franz Fuchs
Peter Höfinger
Martin Simhandl

The **average number of employees** was 220 (214). These employees were employed in the insurance business and resulted in personnel expenses of EUR 23,464,000 (EUR 22,254,000).

There were no loans outstanding to **members of the Managing Board** or **members of the Supervisory Board** as of 31 December 2014 (EUR 0).

No **guarantees** were outstanding for **members of the Managing Board** or Supervisory Board as of 31 December 2014.

In 2014, the total expenses for severance pay and pensions of EUR 1,509,000 (EUR 858,000) included severance pay and pension expenses of EUR 736,000 (EUR 406,000) for members of the Managing Board and senior management in accordance with Section 80(1) of the Austrian Stock Corporation Act (AktG).

The Managing Board manages the Company and is also responsible for management of the Group. In some cases, responsibility is also assumed for additional duties in affiliated or related companies.

The members of the Managing Board received EUR 2,432,000 (EUR 3,611,000) in remuneration for their services to the Company during the reporting period. Members of the Managing Board are provided a company car for both business and personal use. The members of the Managing Board received EUR 75,000 (EUR 879,000) from affiliated companies for their services in the operations of the Company, or as a manager or employee of an affiliated company:

Former **members of the Managing Board** received EUR 561,000 (EUR 1,658,000).

Former members of the Managing Board received EUR 350,000 (EUR 240,000) from affiliated companies for their services to the Company, or as a manager or employee of an affiliated company:

The **members of the Supervisory Board** received EUR 419,000 (EUR 386,000) in remuneration for their services to the Company in 2014.

A summary of **auditing fees** is provided in the notes to the Vienna Insurance Group consolidated financial statements.

The Company is a group member within the meaning of Section 9 of the Austrian Corporate Income Tax Act (KStG) of the Wiener Städtische Versicherungsverein, Vienna, group of companies. The taxable earnings of group members are attributed to the parent company. The parent company has entered into agreements with each group member governing the allocation of positive and negative tax amounts for the purpose of allocating corporate income tax charges according to origin. A receivable of EUR 54,935,000 (EUR 45,534,000) is owed by the parent company. The difference of EUR 9,401,000 represents the tax allocation for 2014 and previous years. Use was made of the option to capitalise deferred profit taxes of EUR 9,261,000 (EUR 9,261,000) arising due to temporary differences between earnings under commercial law and taxable earnings.

The Company is included in the consolidated financial statements prepared by Wiener Städtische Versicherungsverein, which has its registered office in Vienna. These consolidated financial statements have been disclosed and are available for inspection at the business premises of this company located at Schottenring 30, 1010 Vienna.

The Managing Board:

Dr. Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Fuchs
Member of the Managing Board

Mag. Peter Höfinger
Member of the Managing Board

Dr. Martin Simhandl
CFO, Member of the Managing Board

Vienna, 31 March 2015

UNQUALIFIED AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements, together with the accounting system, of

VIENNA INSURANCE GROUP AG
Wiener Versicherung Gruppe, Wien,

for the financial year from 1 January 2014 to 31 December 2014. These annual financial statements comprise the balance sheet as of 31 December 2014, the income statement for the financial year ended 31 December 2014, and the notes to the financial statements

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 these financial statements in accordance with the requirements of Austrian corporate law and special provisions for insurance companies. This responsibility includes: designing, implementing and maintaining an internal control system for the purpose of preparing annual financial statements that give a true and fair view of the Company's net assets, financial position and results of operation and are free from material misstatements, whether due to fraud or unintentional error; selecting and applying appropriate accounting policies; making estimates that are reasonable in the circumstances given.

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 about 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 choice of audit procedures is within the auditor's discretion, based on an assessment of the risk of material misstatements, whether due to fraud or unintentional 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 an assessment of the appropriateness of the accounting policies used and the accounting estimates made by management, and an evaluation of the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. In our opinion, based on the findings of our audit, the annual financial statements comply with the statutory requirements and give a true and fair view of the Company's net assets and financial position as of 31 December 2014 and the Company's results of operations for the financial year from 1 January 2014 to 31 December 2014 in accordance with Austrian generally accepted accounting principles.

Comments on the management report

The management report is to be audited based on the statutory requirements to determine whether it is consistent with the annual financial statements and whether the other disclosures in the management report are misleading with respect to the situation of the Company. 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, 31 March 2015

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Michael Schlenk
Auditor

Mag. Thomas Smrekar
Auditor

Only the version of the annual financial statements audited by us may be published or disclosed together with our auditor's report. This auditor's report refers exclusively to the complete German version of the annual financial statements, including the management report. The provisions of Section 281(2) UGB must be observed for differing versions.

DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the annual financial statements of Vienna Insurance Group AG prepared in accordance with the requirements of Austrian commercial law and the Austrian Insurance Supervision Act (VAG) give a true and fair view of the Company's net assets, financial position and results of operations, the management report presents the business development, performance and position of the Company so as to give a true and fair view of its net assets, financial position and results of operations, and the management report provides a description of the principal risks and uncertainties to which the Company is exposed.

Vienna, 31 March 2015

The Managing Board:

Dr. Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Fuchs
Member of the Managing Board

Mag. Peter Höfinger
Member of the Managing Board

Dr. Martin Simhandl
CFO, Member of the Managing Board

Managing Board areas of responsibility:

Peter Hagen: Group management, strategic planning, European affairs, public relations, sponsoring, people management, performance management motor vehicle insurance, IT/SAP smile solutions, international processes and methods, business development; Country responsibilities: Austria (incl. s Versicherungsgruppe coordination), Romania (Asirom, BCR Life), Czech Republic

Franz Fuchs: Performance management personal insurance, asset risk management; Country responsibilities: Baltic States, Moldova, Poland, Romania (Omniasig), Ukraine

Peter Höfinger: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance; business development; Country responsibilities: Albania (incl. Kosovo), Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Serbia, Slovakia

Martin Simhandl: Asset management, subsidiaries department, finance and accounting, internal capital model project (Solvency II project), legal, treasury/capital market; Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

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, activities of the internal audit department, the preparations for Solvency II and the IT strategy of the Company were also discussed in these meetings.

The Supervisory Board has formed four committees from among its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the corporate governance report.

One Annual General Meeting and five Supervisory Board meetings distributed across the financial year were held in 2014. Four meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended all three of the Audit Committee meetings and the Supervisory Board meeting in 2014 that dealt with the auditing of the annual financial statements of 2013 and consolidated financial statements of 2013 and formal approval of the annual financial statements of 2013, and also attended the Annual General Meeting. The committee for decisions on urgent matters was contacted in writing on two occasions. Two meetings of the Committee for Managing Board Matters were held in 2014. The Strategy Committee did not hold any meetings in 2014; strategic matters were handled by the Supervisory Board as a whole.

No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings. In order to ensure the effectiveness and efficiency of its activities and procedures, the Supervisory Board performed a self-evaluation of its procedures. The Supervisory Board's evaluation of its activities found that 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. During a meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning specification of two-way communications.

Acting upon the proposal and motion of the Supervisory Board, the General Meeting selected KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) to be the financial statements auditor and consolidated financial statements auditor for financial year 2014, and KPMG consequently performed these duties in financial year 2014.

By inspecting suitable documents, meeting with the Managing Board and holding discussions with the (consolidated) financial statements 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 (consolidated) financial statements auditor and the individuals directly responsible for these areas. The Audit Committee reported on these monitoring activities to the Supervisory Board and stated that no deficiencies had been identified. The Supervisory Board was also given the opportunity during Supervisory Board meetings to satisfy itself about the functional adequacy of the existing control and auditing systems. In addition, the audit plan and the quarterly reports prepared by internal audit department were discussed by the Audit Committee and Supervisory Board and with the head of the internal audit department. The Supervisory Board found no reasons for objections.

In order to prepare the Supervisory Board proposal for selection of the financial statements and consolidated financial statements auditor, the Audit Committee obtained a list from KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) of the fees received by the company broken down by service category, and documents concerning its licence to audit a stock corporation. It was determined that there were no grounds for exclusion or circumstances that could give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. It was also verified that KPMG was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the findings of these investigations and proposed to the Supervisory Board and subsequently to the General Meeting that KPMG be selected as auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received the 2014 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 2014 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 2014 annual financial statements together with the management report and corporate governance report, the 2014 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed, and examined by the Supervisory Board.

In addition, the auditor's reports prepared by the (consolidated) financial statements auditor KPMG for the 2014 annual financial statements and management report and the 2014 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the entire Supervisory Board, and debated and discussed with KPMG. KPMG's audit of the 2014 annual financial statements and management report and the 2014 consolidated financial statements and Group management report did not lead to any reservations. KPMG determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December, 2014, and of the results of operations of the Company for financial year 2014 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate. KPMG further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2014, and of the results of operations and cash flows of the Group for financial year 2014 in accordance with the IFRSs as adopted by the EU and Section 80b of the Austrian Insurance Supervision Act (VAG) in combination with Section 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements.

The final results of the review by the Audit Committee and the Supervisory Board also provided no basis for reservations. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

After a thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements prepared by the Managing Board, to raise no objections to the management report, consolidated financial statements and Group management report, and to declare its agreement with the Managing Board proposal for appropriation of profits.

The 2014 annual financial statements have therefore been approved in accordance with Section 96(4) of the Austrian Stock Corporation Act (AktG).

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

Vienna, April 2015

The Supervisory Board:

Günter Geyer
(Chairman)

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ABBREVIATIONS USED

Abbreviation	Full company name
Vienna Insurance Group or VIG[1)]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
Vienna International Underwriters or VIU	Vienna International Underwriters GmbH, Vienna
VIG Holding or Vienna Insurance Group AG[2)]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Re	VIG Re zajišťovna, a.s., Prague
Wiener Städtische Versicherungsverein	Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group, Vienna

[1)] Used when referring to Vienna Insurance Group as a group of companies

[2)] Used when referring to the company itself.

NOTICE

This annual report includes forward-looking statements based on current assumptions and estimates that were made by the management of Vienna Insurance Group AG to the best of its knowledge. Statements using the words "expectation", "target" or similar formulations indicate such forward-looking statements. Forecasts related to the future development of the Company are estimates made on the basis of information available as of the date this annual report went to press. Actual results may differ from the forecasts if the assumptions underlying the forecast prove to be wrong or if unexpectedly high risks occur.

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

The annual report was prepared with great care to ensure that all information was complete and accurate. Rounding, typesetting and printing errors can nevertheless not be completely ruled out.

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

In case of doubt, the German version is authoritative.

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