

THE SAFE SIDE

VIENNA INSURANCE GROUP SUPPLEMENT TO THE GROUP ANNUAL REPORT 2014

46%

Increase in profit before taxes

The profit before taxes of EUR 518.4 million significantly exceeded the level of the previous year (EUR 355.1 million). The figures are well worth a look (page 2).

Premiums of EUR 9.1 billion

In spite of a conservative underwriting policy, premiums were maintained at a stable level of EUR 9.1 billion.

Combined Ratio 96.7%

Efficiency increases led to a significant improvement over the previous year.



Energy. The Group headquarters of Vienna Insurance Group (VIG), the Vienna Ringturm building, stands for security and stability.

Together we are stronger and better

Vienna Insurance Group – securely one step ahead

Partnership that pays off. Vienna Insurance Group (VIG) relies on security in all areas – successfully.

As the philosopher and most famous orator of ancient Rome, Marcus Tullius Cicero, already knew: “The shifts of fortune test the reliability of friends.” A wonderful sentence that still applies 2,000 years later. Aren’t our world and times an “uncertain situation”? Anyone who follows the

VIG IN THE CAPITAL MARKET

VIG has best rating in the ATX Index

A+ with stable outlook from Standard & Poor’s. **Page 2**

VIG celebrates 20 years on the Vienna Stock Exchange

Success story. **Page 14**

What will the future bring?

Expert analysis of the European insurance industry. **Page 15**


news will answer this with a clear “yes”.

This makes it even more important that VIG always has been, and still remains today, a reliable friend, a reliable partner for its customers. There are many good reasons for this: its decentralised structures allow VIG to maintain customer proximity at all times – in 25 countries in the CEE region. VIG stands for reliability and trustworthiness. It provides direct, personal help – for example, during the disastrous floods in the Balkans (page 11).

VIG also provides security to its around 23,000 employees – and more: appealing working conditions, development of talented employees and exciting career opportunities make Vienna Insurance Group one of the most attractive employers (page 16).

Many examples of social involvement, such as the Group-wide Social Active Day (page 18), show that the core values of an insurance company, namely solidarity connected with social responsibility, are considered part of day-to-day life at VIG.

This attitude allows Vienna Insurance Group to sustainably exploit the growth potential available in the CEE region over the long term. And this also benefits shareholders. That much is certain.



NO CLOUDING FOR VIG SHARES

VIG shares rose 2.4% in 2014, while the leading index of the Vienna Stock Exchange fell 15.2% in value.

EUR 37.080
31.12.2014



An interview with the VIG Managing Board:

CLEAR WORDS, STRONG STATEMENTS

“We want to continue growing faster than the overall market.”

An interview with the Managing Board of VIG on current challenges in the insurance industry and VIG’s plans for the future. **Page 6**

CURRENT

Help instead of talk: the “Social Active Day”

Solidarity in practice. Since 2011, thousands of VIG employees have taken part in good causes by dedicating their time to many social projects and their fellow men. **Page 18**

GROUP ANNUAL REPORT 2014

Transparency.

All financial figures and data on business development in 2014.



CEE GROWTH POTENTIAL

25 years after the turnaround.

An assessment of the economic catch-up process in the CEE region. **Page 4**

PEOPLE MANAGEMENT

Colourful diversity. How VIG finds, encourages and challenges talented employees – in 25 countries. **Page 16**

“Wiener for Serbia”



Quick help for flood victims. The Serbian Group company Wiener Städtische Osiguranje stopped its marketing and advertising in order to put these resources to work helping people affected by the flooding as quickly as possible. **Page 11**



VIENNA INSURANCE GROUP

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AT A GLANCE

**Group premiums
EUR 9.1 billion**

Stable. In spite of a selective underwriting policy, premiums written by the Group remained at a stable level of EUR 9.1 billion. The Remaining Markets saw particularly strong growth in total premiums.

**Profit before taxes
EUR 518.4 million**

Overall positive. For the first time since 2011, all lines of business and regions once again provided a positive contribution to earnings compared to the previous year. The Czech Republic recorded the highest profit in the Group. Romania is back in the profit zone. Poland and Slovakia and the Remaining Markets provided their best performance to date in 2014.

96.7% combined ratio

Net. The underwriting result improved in spite of numerous natural disasters. Programmes and measures for enhancing efficiency and profitability will be systematically continued.

Solid financial result

Low level of interest rates. In spite of a write-down of Hypo Alpe Adria bonds and the historically low level of interest rates, VIG earned a financial result of EUR 1,116.9 million in 2014, compared to EUR 1,226.9 million in the previous year.

Best rating in the ATX Index

Outstanding. An A+ rating with stable outlook from Standard & Poor's is clear proof of the Group's outstanding capital resources.

VIG AND ERSTE GROUP

**Successful
partnership**

Vienna Insurance Group acquired the entire insurance operations of the Erste Group in 2008. An agreement was concluded at the same time for a strategic partnership that benefited both corporate groups equally: Erste Group branches distribute VIG insurance products and VIG Group companies offer Erste Group bank products in return.



Andreas Treichl (General Manager of the Erste Group) and Günter Geyer (former CEO and current Chairman of the VIG Supervisory Board) sign a cooperation agreement in 2008.

VIG SHARES

EUR 1.40

The Managing Board will recommend this dividend per share at the Annual General Meeting on 29 May 2015 (+7.7%).

Vienna Insurance Group (VIG) From Austria to the CEE – a success story

Central and Eastern Europe. After its international expansion, a tour of VIG's world now passes through 25 countries with different languages, culture and traditions. Come with us, and take a look at the leading insurance group in Austria and Central and Eastern Europe.

Visitors to the Group headquarters in the Vienna Ringturm building already see an impressive presentation of all the Group companies when they come into the entrance foyer. Those who do the count learn that VIG operates 50 Group companies in 25 countries. But the path that was followed to the current position of strength and diversity of Vienna Insurance Group and its around 23,000 employees was a long one, as can be seen from a look at the Company's history (see box below).

A milestone was reached in 1990. Wiener Städtische was among the first Western European insurance companies to recognise and take advantage of the favourable political turning point in Eastern Europe and the growth opportunities that were offered by venturing into the market in what was then Czechoslovakia. That was the starting point for expansion into further markets – in each case after careful consideration and weighing all the associated opportunities and risks. The circle of VIG markets was steadily expanded over time, with Moldova being the last market entered in 2014.

Number 1 in its core markets
Careful, risk-conscious corporate man-

agement and the tireless commitment of its on-site employees is the reason that VIG holds a leading position in its markets today. A total market share of 19% makes VIG the clear number 1 in its core markets of Austria, the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Serbia, Hungary and Ukraine. The importance of the decision made around 25 years ago to enter the mar-

kets of Central and Eastern Europe is also shown by the current structure of Group premiums written. In 2014, more than half of the EUR 9.1 billion in premiums were generated in the CEE region. Ten years ago, in comparison, the markets outside Austria generated only slightly more than one third of all premiums. The great strategic significance of the CEE region was underscored again in 2008, when the Group reinsurance company VIG Re was established with its registered office in the Czech Republic.

The economic catch-up process taking place in the markets of the CEE region will also lead to an increase in the demand for insurance products. This will continue to determine the sustainable growth of VIG – particularly given that the Austrian insurance market is already partially saturated.

**VIG wrote
EUR 9.1 billion in
premiums in its
markets in 2014.**

**Strong stock market presence,
long-term principal shareholder**

Not least because of its core business, VIG has a long-term corporate strategy that looks generations ahead. This is a point of view that its principal shareholder, Wiener Städtische Versicherungsverein, which holds around 70% of all VIG shares, has also held from day one. The remaining shares are in free float. Its market capitalisation of around EUR 4.7 billion at the end of 2014 makes VIG one of the largest companies in the Prime Market segment of the Vienna Stock Exchange. VIG stands for continuity, stability and transparency in the capital market (see page 14).

HIGHLIGHTS OF VIG'S 190-YEAR HISTORY

Milestones. The Group can look back on an eventful 190-year history.

In 1824, the oldest of the three insurance companies that subsequently led to Wiener Städtische and then to Vienna Insurance Group was founded. These three precursor companies merged in a number of steps until 1938.

In 1945, shortly after the end of World War II, a small group of dedicated employees began rebuilding the Company. In 1947, the



1952: A Vienna landmark is created: the Ringturm building

Company's name was changed to "Wiener Städtische Wechselseitige Versicherungsanstalt".

Construction of the Vienna Ringturm building began in 1952. It opened its doors just three years later as the first office high-rise in Austria and is still used as the Group headquarters today.

Subsequent decades saw the Company strengthen and expand its position in Austria in a number of stages – such as the acquisition of a majority interest in



1990: VIG makes its first international expansion step by founding Kooperativa



The world of VIG. Vienna Insurance Group operates in 25 countries with around 23,000 employees. The Group already writes more than half of its premiums in the CEE region.

Customer proximity

But what factors make VIG stand out in the development of its markets? The special skills and experience of its employees, that best satisfy the needs of local customers? Or integration of the local Group companies under the VIG umbrella? The answer is that a wide range of qualities, characteristics and strengths make VIG what it is. Its multi-brand strategy and the use of a variety of distribution channels ensures strong regional ties and excellent customer prox-

REWARDING DIVERSITY

VIG – 25 markets form a single, stable identity under a strong umbrella brand. Cultural diversity and the advantages and special features of each region give VIG an international nature. VIG also stands for Value Inspired Growth. Achieving this requires stability, security and an in-depth understanding of the security and provision needs of the people in VIG's 25 markets.

imity. However, even the best distribution structure cannot be successful without large numbers of dedicated employees. Encouraging employee motivation and strengthening their skills and abilities is the main duty of the management of all Group companies. The Company aims to win over the best talented employees by positioning itself as an employer of choice (see page 16). This is the only way VIG can achieve its primary objective: remaining the first choice of its customers.

“Donau Allgemeine Versicherungs AG” in **1971**.

The international expansion by today's VIG began in November **1990**. Just one year after the fall of the Iron Curtain, the former Wiener Städtische took part in the founding of Kooperativa – now one of the largest VIG Group companies – in the former Czechoslovakia. In **1994**, the Company decided to list its shares on the Vienna Stock Exchange, where it has been one of the major companies since that time. VIG

shares have also been listed on the Prague Stock Exchange since 2008.

In **1996**, the Company successfully entered the Hungarian market. Poland followed in **1998** and Croatia in **1999**. The markets in Romania, Belarus, Bulgaria, Serbia, Slovenia, Ukraine and Georgia were entered in subsequent years. In **2007**, Vienna Insurance Group further expanded its geographic presence in Central and Eastern Europe by major acquisitions. After entering Albania and Mac-

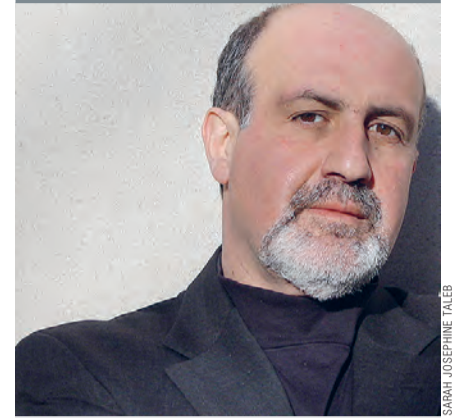
edonia, Vienna Insurance Group also began operations in the EU countries of Estonia, Latvia and Lithuania. Montenegro and Bosnia-Herzegovina followed later.

The “Vienna Insurance Group” umbrella brand was introduced at the beginning of **2006** to underline the shared identity of the Group companies while still allowing an independent presence in each market. In **2008**, the Group founded its own reinsurance company, VIG Re, headquartered in Prague.

During the restructuring in **2010**, Wiener Städtische's business operations in Austria were separated from the international activities of the holding company. The listed Group holding company operates under the name VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe and is responsible for managing the Group together with the Group companies on a partnership basis.

The **2014** entry into Moldova filled the last remaining gap in VIG's coverage of the CEE region.

INTERVIEW



SARAH JOSEPHINE TALEB

“Antifragile due to crises”

An interview. Nassim Nicholas Taleb on anti-fragility and learning processes.

After “black swan”, you have now coined a new term, “antifragility”.

For my latest book, I was looking for a word that expressed the opposite of “fragility”. It is believed that it is sufficient to make what is fragile more robust when dealing with risk. But the opposite of fragility is only reached when a shock not only fails to destroy something, but instead makes it stronger. If you drop a plastic cup, it does not break – it is robust and remains unchanged. If you cut a leaf from a plant, two leaves grow back. It is antifragile and grows because it actually deals positively with a shock.

Does that mean the economy needs shocks to grow?

Yes, but it is not just a question of growth. In a highly stable situation, companies feel no pressure to improve themselves. We therefore need more chaos, volatility and crises in order to become better in the sense of antifragility. In aviation, the probability of a plane crash is reduced with every crash, because we learn from the errors.

Is that also the case with the economy?

If we take the banking system as an example, no. It is still fragile, even after many years of crisis. If a bank fails, there is a high probability that others will follow it – because few lessons have been learned from the errors of the past.

What do you advise companies to do?

They should not try to make what is fragile more robust, but should instead separate themselves from it. They should become friends with volatility and not try to forecast or prevent it. Dealing properly with uncertainty makes companies stronger – and even antifragile, if they learn from errors. That is easier to achieve in a decentralised organisation that has small units but common rules. That is undoubtedly the reason VIG follows these principles.

Nassim Nicholas Taleb, born in 1960 in Lebanon, worked as a derivatives trader on Wall Street before causing a furore as a writer. His latest book, “Antifragile”, is a logical continuation of his bestseller “The Black Swan”. He was the introductory speaker at a VIG conference in January 2015.

“Growth prospects for the CEE region remain intact.”

Guest commentary. Expert Juraj Kotian discusses the economic catch-up process in Central and Eastern Europe and how it benefits the people there.

9 November 2014 was the 25th anniversary of the fall of the Berlin Wall. Thousands of GDR citizens crowded around the Bornholm Street border crossing that day, and shortly before midnight achieved the opening of the barriers. Close to 30 years after its construction, the infamous Berlin Wall became a part of history. Almost overnight, the political regimes of many countries in Central and Eastern Europe also changed. This led to a dramatic and – from a social point of view – painful transformation process, which has had considerable success. In the last 25 years, many CEE countries have more than tripled their economic output, as measured by per capita GDP. The strongest economies in the region have now reached 70 to 80% of the level of the EU 15 and have increased the private-sector share of GDP from a meagre 10% to almost 80%.

One important driver of this change was the continual expansion of the European Union, which promoted not only economic exchange but also the structural and political transformation of these countries. Economic exchange had a rapid effect in both directions. Many Austrian companies, including Vienna Insurance Group in the first wave, recognised the moment of opportunity to expand their sphere of operations.

Higher standard of living and prosperity

But what were the consequences for the people of this region? Initial euphoria soon faded in many areas, as the catch-up process and improvement in the quality of life progressed too slowly for many at the beginning. The transformation was, however, truly fundamental – as shown by many economic indicators. A few examples: the number of cars has more than doubled in most CEE countries since the early 1990s, and in Poland and the Czech Republic, for example, it has nearly reached Western European levels. The improvement in the quality of life can be seen from the steady decline in the number of households without washing machines, internet and telephone access. As mundane as this might sound, it is a very important advance



Rapid momentum. The economic transformation in the CEE region has been – and still is – remarkable in every way.

in the everyday life of the people there. This increase in material prosperity is also accompanied by an increasing need for insurance to protect it. There is, however, still a great deal of catch-up potential in this area. Around EUR 350 is spent on insurance each year in

Poland, and close to EUR 400 per year in Slovakia, while the equivalent figure is more than EUR 2,700 in the EU 15 and slightly more than EUR 1,900 in Austria.

Economic activity generally robust

The financial and economic crisis that began in 2008 also affected the CEE region, seriously hampering economic momentum. Some CEE countries were indirectly forced to focus on their own economic stability and lay a foundation for sustainable future growth. 2014 was the first year in which broader-based and consequently more sustainable economic growth was observed. Private consumption gained momentum, and corporate readiness to invest also improved. The political crisis between the Ukraine and Russia only

had a minor effect on the region. In overall terms, economic development was more robust in the CEE region than the Eurozone.

Further transformation necessary

Governments in the CEE region need to implement important changes to enable the economic catch-up process to continue. In the sense of a sustainable and competitive economic policy the focus should not be placed only on economic sectors with low labour costs. Instead, conditions should be made attractive for dynamic sectors that generate a high level of added value. Many successful companies in the IT and electronics sectors in this region are already leading the way. Investments in infrastructure, education and social welfare are what is needed to move in this direction – but that is just as true for the CEE region as it is for Western Europe.

About the author

Juraj Kotian is an economist and head of the Macroeconomic and Fixed Income Research department at Erste Group. His degrees include a degree in economics and financial mathematics from Comenius University, and he is chairman of the Slovakian Organisation for Economic Analysis.

CEE NEWS

MARKET HIGHLIGHTS

Best of 2014. VIG's most important acquisitions, events and successes in the CEE region.

Entry into the Moldovan market. After receiving official approval, VIG completed its acquisition of the Moldovan insurance company Donaris in April 2014 to fill the last gap in its coverage of the CEE region. Donaris was founded in 1998, has its registered office in the capital city of Chisinau, and focuses on the area of non-life insurance.

Acquisition of Skandia Poland. After obtaining official approval, VIG concluded its acquisition of the life insurance company Skandia Poland in May 2014, thereby further strengthening its position in Poland.

Integration of Vienna Life Biztosító. After announcing the acquisition in December 2013, the Hungarian life insurer AXA Biztosító Zrt. was renamed “Vienna Life Vienna Insurance Group Biztosító Zrt.” in September 2014 and successfully integrated into Vienna Insurance Group.



20th anniversary of Bulstrad Life, Bulgaria. The Bulgarian VIG company could look back on a successful history as it celebrated its twentieth anniversary in December 2014. It is the second largest life insurer in the country, with a market share of more than 17%.



Komunálna receives Slovak Gold Exclusive award. The Slovak Gold Foundation honours the best, most successful Slovakian companies each year for their sustainable economic performance. Only two companies received this coveted award in 2014 including Komunálna.

“Golden Crown” for Kooperativa and PČS, Czech Republic. The two Czech VIG companies Kooperativa and PČS received numerous awards in the prestigious “Zlatá koruna” (“Golden Crown”) competition. Seven of the nine possible awards went to Kooperativa and the remaining two were received by PČS.

Well positioned is half the battle.

VIG markets have potential for the future

A comparison of insurance density clearly shows the enormous catch-up potential in the CEE region

Success 25 times over. Thanks to its internationalisation strategy, Vienna Insurance Group is a reliable partner for its customers in 25 countries.

When you take a trip, there is much to tell. Especially if you travel to all 25 countries where VIG operates. Europe has changed dramatically - politically, economically and socially - since 1990, when the first CEE market was entered in former Czechoslovakia. VIG also changed dramatically in the past 25 years, growing into a corporate group of international scale. It's position today is clearly shown by a breakdown of premiums written. While EUR 500 million, or approximately 20%, of Group premiums were generated outside of Austria in 2000, the percentage today is greater than 50%. But it is not just the percentage that has changed, the magnitude has also increased greatly. The EUR 500 million in premiums that were generated outside of Austria have now become EUR 5 billion - in just ten years.

VIG growth potential

In spite of the catch-up process that has taken place to date, VIG markets still have considerable growth potential, as can be seen by comparing annual per capita insurance premiums (= insurance density) in the map above. VIG's strong position - an overall market share of 19% makes it the clear number 1 in its core markets - will also enable it to take advantage of this potential.



■ VIG core markets
 ■ VIG markets (excl. core markets)
 ■ 2013 insurance density (= average annual per capita insurance expenditures, in euro)
 ■ In-house calculations based on data published by national insurance supervisory authorities and associations, the IMF and Swiss Re (Sigma)

VIG'S OVERALL MARKET SHARE OF 19% MAKES IT NO. 1 IN ITS CORE MARKETS

1st-3rd quarter 2014: Slovakia, Romania, Bulgaria, Serbia, Ukraine and total core markets
 1st-4th quarter 2014: Austria, Czech Republic, Poland, Croatia, Hungary

Country	Market ranking	Premium volume (EUR million)	Employees
Austria	#1 (23.8%)	4,077.0	5,202
Czech Republic	#1 (33.7%)	1,683.4	4,802
Slovakia	#1 (33.6%)	727.0	1,579
Poland	#4 (8.3%)	1,034.1	1,825
Romania	#1 (18.2%)	339.7	2,351
Bulgaria	#2 (13.7%)	114.3	812
Croatia	#4 (8.4%)	90.9	799
Serbia	#4 (9.7%)	71.7	1,240
Ukraine	#2 (4.2%)	62.4	1,471
Hungary	#7 (7.4%)	180.0	428

Most important CEE market Czech Republic performs well

Undisputed. VIG's market share of 33.7% makes it number 1 in the Czech market.



Best result. VIG has recorded steady growth in the Czech Republic ever since entering the former Czechoslovakian market in 1990. The country's 18.7% contribution to premium volume makes it VIG's largest market in the CEE region. For the first time, the Czech Group companies Kooperativa, ČPP and PČS also achieved the best result Group-wide, earning profits before taxes of EUR 177.9 million in 2014.



An interview with the VIG Managing Board

“We want to continue growing

Background information. Financial year 2014, current challenges facing the insurance industry and future plans.

2014 was another difficult year for the European economy. How well did VIG perform?

Hagen: Very well in my opinion. We further developed Vienna Insurance Group's leading position, grew faster than the overall market – and our market share of 19% makes us number 1 in our core markets. In addition to continuing important strategic projects, we also achieved good results from an operational point of view, maintaining premiums at a stable level of EUR 9.1 billion. This was in spite of negative exchange rate effects, necessary optimisation measures in Italy and an intentional reduction in low-margin short-term single-premium business in Poland.

Overall, that is a very respectable performance in my view.

Specifically: In which markets did VIG achieve excellent performance in 2014?

Höfinger: I would like to emphasise that our employees did excellent work in all our markets in 2014. This commitment had a particularly great effect on premium growth in

“The Remaining Markets achieved particularly strong growth of 8.9%”

Peter Höfinger

the Remaining Markets. The increase of 8.9% truly deserves our whole-hearted recognition. In the CEE countries, this was primarily due to rapid growth in regular premiums, and in the single-premium business in the Baltic States, Bulgaria and Hungary. In Georgia and Albania we achieved growth of 50.8% and 40.4%, respectively, in local currency terms in the property and casualty area. These are major successes, and the people responsible can be proud of them. Our employees also showed in 2014 that a “hands-on” mentality is truly part of our day-to-day life here. Everyone pitches in to help in extreme situations – like the floods in the Balkans. Our colleagues there automatically provided unbureaucratic assistance and rapid claims processing.

Is this commitment essentially an “added value” that sets VIG apart?

Höfinger: Yes. That is exactly how I

see it. Economic success combined with a well-developed awareness of responsibility is what sets us apart.

Let's take a look at the Austrian market ...

Hagen: In Austria, which continues to be our largest single market, we increased our premium income slightly over the previous year to EUR 4,077.0 million. Wiener Städtische fortunately achieved above-average growth, which compensated for the decline suffered by Donau Versicherung in Italy. This is a real achievement for a mature market like Austria. s Versicherung once again continued the good performance achieved in the previous year.

To what extent is this performance also reflected in earnings growth?

Simhandl: Premiums written naturally represent the starting point for our earnings calculations. A look at the income statement, however, quickly



VIG Managing Board team: Peter Höfinger, Peter Hagen, Martin Simhandl, Franz Fuchs (from left to right)

faster than the overall market”

shows the major effect that expenses for claims and insurance benefits, and acquisition and administrative

“At EUR 518.4 million, profit before taxes was 46.0% above the level of the previous year.”

Martin Simhandl

expenses have on earnings growth. Our underwriting result in the non-life area improved, and our pre-tax profit rose 46.0% over the previous year to EUR 518.4 million, in spite of a generally lower level of interest rates.

What is your opinion of the result achieved in 2014?

Simhandl: Given a number of negative effects, such as the write-down of Hypo Alpe Adria bonds of EUR 79 million, the result achieved is satisfactory.

Hagen: For the first time since 2011 (annually compared), all VIG lines of business and regions once again provided positive contributions to profit before taxes in 2014. This also shows that our efforts to increase efficiency in previous years have truly paid off. Our administrative expenses, for example, have fallen by around 7.4% in the last six years in spite of a larger volume of business.

What effect do these measures have on the combined ratio?

Simhandl: It is 96.7% and, unlike the previous year, is therefore significantly below the 100% mark. A further reason for satisfaction with this figure is that a positive underwriting result reduces our dependence on investment income. Due to these favourable changes, we will be recommending a dividend of EUR 1.40 per share for financial year 2014 at the Annual General Meeting. Last year it was EUR 1.30.

Have the unfavourable developments in Romania and Italy been corrected yet?

Fuchs: For the most part, yes. In Romania we decided to reduce the size of our motor vehicle insurance portfolio as soon as some of our competitors adopted irrational business practices. Looking back, this decision was absolutely correct. This is also shown by the positive result achieved in 2014. In Italy, we consciously accepted the loss in business resulting from optimisation measures

“The restructuring measures implemented in Romania are having an effect.”

Franz Fuchs

that were required based on our loss experience. Effective management of claims processing was introduced

at the same time. Even though the resulting costs and large decrease in premiums are having a negative effect on earnings, we think we are on the right path.

To what extent was business development affected by the crisis in Ukraine?

Hagen: The situation in Ukraine is extremely difficult for the people there, and we can only hope that tensions will soon be relieved. VIG has almost no representation in Crimea and the conflict areas in Eastern Ukraine, which means there were no significant effects from a purely business point of view. Local management has the situation perfectly under control, and a 16.3% increase in premium volume was generated in local currency terms - thereby demonstrating the value of the VIG principle of local entrepreneurship. We see this achievement as proof that our customers continue to place

their confidence in the stability of our Ukrainian VIG companies, particularly in times of crisis.

What is your overall assessment of the economic situation in Central and Eastern Europe?

Hagen: A question that is frequently asked – and my answer always remains the same: very good in the

“We remain convinced about the great potential offered by our CEE markets.”

Peter Hagen

long run. And the leading indicators also currently show positive trends for the CEE region – at least better than those for Western Europe. In my view, whether a potential economic recovery would also increase the demand for insurance depends on the degree it affects the real income of broad sections of the population and whether a solid middle class can form. Over the past 25 years, instead of an exponential curve, a graph of the demand for insurance over time looks more like a staircase. We are taking advantage of the current calm phase to further strengthen distribution and optimise our organisational structure, to put us in the best possible position for future growth periods. The importance of our CEE markets is already shown today by the 50.9% of total premiums and around 63.9% of profit before taxes that they generate.

Fuchs: Poland also provides a good example of structural optimisation. The merger of our two life insurance companies Compensa and Benefia successfully strengthened our market presence. We always consider mergers of this type when the resulting synergy effects outweigh the benefits of multiple market presences.

New topic: How are VIG's preparations for Solvency II progressing?

Hagen: The work is very extensive – the current provisions for Solvency I cover close to 200 pages, the basic documents for Solvency II cover 3,000. In spite of the work required, we are well on schedule across the Group. This is partly because we made an early start and set up effective project management. We have regular consultations with the competent authorities concerning approval of the partial internal model we want to use, so that we will be well-prepared when the new rules take effect.

How will Solvency II affect VIG's strategy?

Simhandl: One concern is that insurance companies must have capital resources that are appropriate

for their risk exposure. VIG has followed a conservative approach in this respect in the past that led to significant excess cover above and beyond the required solvency ratio. I therefore do not expect any major changes to be needed, particularly given that our solvency ratio under Solvency I was more than 200% at the end of 2014, which means we have excellent capital resources. This is also confirmed by our Standard & Poor's rating of A+ with a stable outlook. We will have to wait, however, to see how the provisions affect the detailed design of our products, particularly in the area of life insurance.

What role does the new bond play?

Simhandl: The EUR 400 million subordinated bond that we successfully placed in February 2015 satisfies the Solvency II requirements for Tier 2 capital. We particularly wanted to take advantage of the current low level of interest rates in our overall funding strategy. The coupon will be 3.75% for the first eleven years and a variable rate thereafter. The bond was placed with both private and institutional investors, mainly in Austria.

What is your outlook for 2015?

Hagen: Growing faster than the overall market is once again our clear objective for 2015. We will be concentrating on the CEE region again. Even though we are currently in a period of market calm, we aim to expand our market share by means of organic growth. And if we encounter a potential acquisition that would be a good strategic addition to VIG's portfolio at a reasonable price, we will be quick to respond. Based on current expectations, the low interest rate environment will cause our ordinary financial result to decline. We do not expect a further increase in our underwriting result to overcompensate for this decrease. We will remain true to our conservative investment policy in the future – we have no intention of increasing our investment income by making riskier investments. This fundamental attitude is also reflected in the title of this paper – VIG remains on “The Safe Side” – in the interests of and for the benefit of all our stakeholders.

Corporate Governance

The corporate governance section of the Group Annual Report 2014 provides detailed information on the areas of responsibility of our Managing Board members.

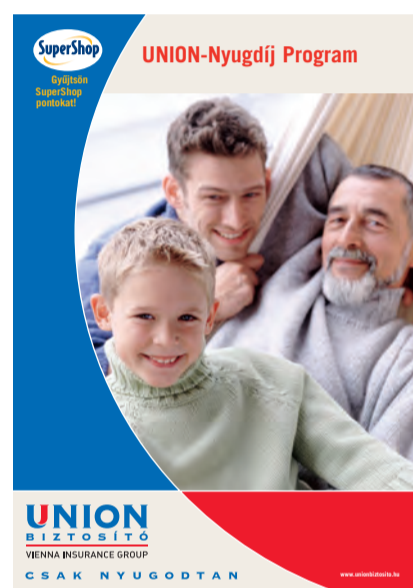
CUSTOMER ORIENTATION

CUSTOMER PROXIMITY AT ALL TIMES

In addition to having many customers, Vienna Insurance Group's main goal is to have satisfied customers. To keep them satisfied, we want to exceed expectations – while being friendlier, faster, more reliable and more creative. A selection of recent projects.

Pioneer in pension insurance. For the benefit of customers.

Our Hungarian VIG company Union Biztosító introduced a new subsidised pension insurance product just a few weeks after preferential tax treatment was introduced. It was the first company to offer a product that ensures customers receive the maximum government subsidy.



duced in 2014 to address the special insurance needs of women. A variety of options and benefits ensure a high degree of individuality and flexibility.



Award received Professionalism and customer orientation.

The Polish VIG companies Compensa Non-Life and Benefia received “Company worth recommendation” certification in 2014. The award was received from the Poznan business development and certification office and the employers' association Lewiatan for professional corporate governance, innovative distribution channels and products, and a strong customer orientation, among other things.

Better service.

Mobile app provides added value.

To further improve its customer service, the Polish VIG company Benefia introduced a mobile app in 2014 that allows completely electronic issuing of policies. It also provides an overview of all prior damage events for the vehicle or its owner, and actively recommends further insurance options.

Digital signature.

More comfort, less paper.

In the spirit of the times, the Czech company Kooperativa introduced the option of using biometric digital signatures in November 2014. Customers benefit from the option of using digital correspondence and the environment benefits from less paper use.

Innovative customer service.

iKlient for mobile information access.

The new 24-hour customer portal “iKlient” offered by the Polish company InterRisk allows secure, personalised customer access to its main services. This platform is also accessible from mobile devices, allowing flexible access to information from any location.

Custom tailored.

Flexible pension product for women.

The “Woman Plus Family” and “Woman Plus Work” pension products offered by Wiener Städtische Austria are based on a private pension plan and were intro-

First choice for customers.

Customer satisfaction award.

s Versicherung received the renowned Recommender award in the “Bank insurance” category for the third time in 2014. The award is based on a representative survey of 8,000 customers and honours domestic financial institutions for outstanding customer loyalty and satisfaction.



Vienna Insurance Group success factors

A clear strategy for success

Corporate strategy. The members of the Managing Board explain the main principles of VIG's corporate strategy – and how it sets VIG apart from its competitors.



Peter Hagen

“Think globally – act locally. For the benefit of our customers.”

As a responsibly acting insurance company, VIG relieves customers of their main day-to-day concerns and risks. These needs vary widely from region to region due to differences in culture, experience and economic circumstances. It would be presumptuous to assume we could accurately assess all these regional differences from our headquarters in the Vienna Ringturm building. This is why we rely on local entrepreneurship,

decentralised organisational structures and short decision-making channels. Our local management and employees know their customers' needs, and can ensure the best possible product design and distribution based on local circumstances. In addition, binding Group guidelines for areas such as risk management, reinsurance and investments ensure that the VIG's corporate principles and values are observed.



Martin Simhandl

“We remain true to our conservative investment strategy.”

VIG managed EUR 31.1 billion in investments at the end of 2014 that were entrusted with us by customers and shareholders. We are greatly aware of the responsibility this places on us every time we make an investment decision. This is also shown by the structure of investments: 81.0% represent investments in fixed-interest securities and loans and around 6.3% in real estate. Only 3.6% is invested in equities (including the shares in funds).

Individual investment guidelines apply to each VIG company and are monitored regularly. In addition to ensuring the existence of adequate liquidity for satisfying insurance claims, special importance is placed on diversifying the investment portfolio and the return that can be achieved given the overall risk exposure. Based on these factors, we reduced term money investments in 2014, while increasing holdings of government and corporate bonds. Although the current low level of interest rates also presents challenges for VIG, our profit-oriented underwriting policy and the underwriting profits it generates, together with our long-term asset and liability management, will also enable us to overcome this period of low interest rates.

the umbrella brand Vienna Insurance Group as its family name. This allows well-established brands that already enjoy good customer recognition to be retained, and it strengthens the regional identity and commitment of local employees.

At the same time, adding Vienna Insurance Group to the name proclaims the Group's international stature and many years of experience, giving customers additional security. This gives us the best of both worlds.



Peter Höfingger

“Using a variety of different distribution channels ensures customer proximity.”

Many roads lead to Rome – and to our customers as well. VIG therefore relies on a diversified distribution strategy that provides access to many customer groups while taking their individual preferences into account at the same time. In addition to the Group's own field staff, independent brokers and agents, multi-level marketing, direct sales and banks are also used. The way these different channels are combined depends on the particular characteristics and legal requirements of each market. Bank distribution has become more important in many of our markets in the last few years. VIG recognised this trend at an early stage, and it now benefits from a partnership it established in 2008 with the Erste Group, a leading banking group in Austria and the CEE region. Erste Group companies distribute Vienna Insurance Group products, and in return VIG offers, in line with its comprehensive advice, selected Erste Group banking products to its customers. This creates a win-win-win situation.



Franz Fuchs

“Our multi-brand policy has proven its value.”

Unlike many of our competitors, there is more than one VIG company and brand in most markets. Thanks to this consciously chosen strategy, VIG companies can custom design a market presence that appeals to their own particular target groups. Each Group company uses its local brand as its first name, followed by

VIG STRATEGY

Main principles for achieving VIG's goals

Basic principles. The main objectives of VIG's corporate strategy are to consolidate its leading market position in Austria and take advantage of the growth potential offered by the CEE region. VIG concentrates on its core business, namely providing insurance solutions and advisory services that best address the different security and provision needs of the people

in its markets. As a progressive, risk-conscious insurer, it often assumes a pioneer role and sets new standards when doing so. The management principles shown in the chart form the basis for all major corporate decisions. The comments by the Managing Board members in the top part of this page explain specifically how they are applied.

Clear strategy focusing on Austria and the CEE region



Pension account stimulates demand

Wiener Städtische takes on a pioneer role for private pension provisions

“The introduction of the pension account in Austria creates clarity about individual pension needs – which are clearly substantial.”

Robert Lasshofer, General Manager of Wiener Städtische AG Vienna Insurance Group



WIENER STÄDTISCHE/ELKE MAYR

FACTS

Life insurance in Austria*

There were **9.8 million life insurance policies** at the end of 2013, of which 7 million were traditional and 2.8 million were unit-linked life insurance.

42% of the policyholders indicated **pension provision as their main reason** for life insurance. 29% want the money to be inherited by their children, and 28% gave capital accumulation as their reason.

On average, Austrians paid **EUR 154 per month** for retirement provisions in 2013, EUR 30 more than in 2011.

2.1% of Austria's economic output went to private life insurance. The average for Western Europe is 4.5%.

* 2013, source: Austrian Insurance Association

What is your assessment of the introduction of the pension account in Austria?

Lasshofer: It used to be unclear to many people how large their government pensions would be, and it wasn't easy to calculate. Effective 1 January 2014, the complex pensions models were replaced by a uniform system, the so-called pension account. All Austrians born after 1 January 1955, i.e. a majority of working people today, are affected. The advantages are clear. A virtual account allows people to see all their pension credits to date, practically at the click of a mouse. In my view, this creates perfect clarity about an individual's government pension entitlement. And comparing this entitlement to current income makes one instantly aware of how big the notorious pension gap actually is. The gap needs to be filled – and this is where we come in.

Did introducing the pension account increase the demand in this area for Wiener Städtische?

Lasshofer: We increased premiums in all our business lines in 2014. Aside from the attention drawn to the pension account and, therefore, pension provisions, life insurance benefited mostly from a change to the law for single-premium products. As of 1 March 2014, the minimum tax lock-in period for people 50 years and older was reduced from 15 years to 10, leading to a significant increase in the premiums we received.

WOMAN plus. A product custom-tailored for the retirement needs of women.

What specific measures did you take in 2014?

Lasshofer: We took advantage of current conditions and the intense public discussion to develop new pension products and increase the information we provide. Our “WOMAN plus” product, for example, was developed specifically for women's pension needs, and it met with brisk demand after it was put on the market in 2014.

Why specifically for women?

Lasshofer: The situations faced by

men and women also differ with respect to personal pension provision. The lives of many women still revolve around raising children and working part-time. Even if they have full-time jobs, they earn less than men on average. As a result, the average pension received by women is 45% smaller than the pension received by men.

Can you imagine a life insurance policy without a guaranteed interest rate?

Lasshofer: Due to the current extremely low level of interest rates, the Austrian Financial Market Authority has reduced the maximum guaranteed interest rate for new life insurance policies from 1.75% to 1.5% starting at the beginning of 2015. However, life insurance still continues to be more attractive, for example, than a savings account. Although we currently have no plans to put a product on the market without a guarantee, we are monitoring national and international developments closely. The combination of a guaranteed interest rate and profit participation is still one of our customers' major reasons for investing in life insurance. Eliminating this guarantee would therefore not be in the interests of our customers or their future pension needs.

Successes in Poland

Compensa. Custom-tailored insurance products for SMEs

COMPENSA
VIENNA INSURANCE GROUP

Know where the problems are. Identifying the needs and concerns of local customers is a major success factor for ViG. The Polish ViG company Compensa achieved great success in 2014 thanks to this open, market-oriented approach – in the small and medium-sized enterprise (SME) sector, for example. More than 25% of these businesses in Poland have

no insurance cover, or not enough. Compensa uses innovative insurance products that address the specific needs of SMEs to take advantage of this market potential. These needs include insurance cover for electronic devices such as smartphones and laptops in cars, which many sole proprietors and small businesses use as mobile offices. The resulting premium increase

of around 35% shows how large the demand is for such insurance products in the SME sector. As a result, Compensa grew significantly faster than the overall market, and it will continue to systematically follow this approach. Polish SMEs generate around three quarters of Poland's economic output, and form the essential economic backbone of the country.

May 2014. After days of rainfall, disastrous flooding devastated entire districts in the Balkans. Wiener Städtische Osiguranje in Serbia ensured that assistance was provided quickly and without bureaucracy.

Serbia and Bosnia-Herzegovina were particularly strongly affected. Tens of thousands of people fled from the massive flooding. Many houses, roads and bridges were destroyed. People were suddenly left with nothing. VIG did not stand idly by. A number of initiatives were quickly started by local employees on site and from Vienna.

The VIG company Wiener Städtische Osiguranje organised rapid, unbureaucratic assistance for flood victims under the slogan “Wiener for Serbia”. It temporarily stopped all marketing and advertising activities and used the funds it saved to help victims. Around 20 pumping stations were provided for households that were particularly badly affected. The “Wiener Truck” delivered aid packages to customers and employees affected by the flooding to ensure adequate supplies of food, sanitary products and clothing.

A 24-hour hotline was set up at the same time under this aid campaign. Customers were actively informed about the different possibilities for quick claims processing for flood damage and measures to protect their property. To avoid shortages of funds, customers affected by the flooding could also request the temporary suspension of premium payments until the situation had calmed in their local area. “It was impressive to personally experience the untiring



Rapid assistance in Krupanj, Serbia. Assistance was quickly available on the ground.

Flooding in the Balkans



Rapid, unbureaucratic assistance was organised under the slogan “Wiener for Serbia”. VIG employees showed extraordinary commitment in this situation.

commitment of our entire local team as they provided rapid assistance”, confirmed Svetlana Smiljanić, member of the Managing Board of Wiener Städtische Osiguranje.

VIG Holding and VIG’s principal shareholder, Wiener Städtische Versicherungsverein, also provided help in the form of financial assistance for the “ANA and VLADE DIVAC” foundation. The donation allowed the houses of ten families seriously affected by the flooding to be made liveable again.

This extraordinary commitment by our Serbian VIG employees is impressive proof of their reliability, even in extreme situations like this. Effective solutions for immediate assistance, personal motivation and a feeling of connection with people in need: this is the attitude that sets our big VIG family apart from others.

INTERVIEW WITH AN EXPERT



“Reinsurance is becoming more and more important.”

KORNEL STADLER

Johannes Martin Hartmann, Chairman of the Managing Board of VIG Re, Prague

An interview. Johannes Martin Hartmann on the responsibilities and challenges of a reinsurance company.

What role does a reinsurer play compared to a primary insurer?

A reinsurer assumes insurance risk that exceeds the risk appetite of the primary insurer. This primarily applies to natural disasters, but also applies to other large risks, such as major industrial risks.

What advantages does this provide for primary insurers, including advantages related to solvency capital?

Reinsurance allows an insurance company to underwrite risks that would otherwise represent too great a burden for its balance sheet and solvency. In addition to risk transfer, reinsurance therefore also acts as a form of capital substitution. Introduction of the Solvency II rules in 2016 will considerably increase the capital and risk management requirements of insurance companies. The importance of reinsurance will continue to grow.

How do reinsurers protect themselves against major events?

Reinsurers utilise what is known as retrocession (reinsuring with other companies) to cover their peak risks. Capital market instruments have also been increasingly used in recent years, such as insurance securitisation.

Is our impression correct that the number and intensity of natural disasters has been steadily rising?

Yes, a significant increase in natural disasters has actually been recorded over the last 20 years. We have to assume this is not a random occurrence, but is instead partially due to global climate change. This presents major challenges for the insurance industry. In particular, analytic models are becoming more important for assessing risks. However, given the increase in “once-in-a-hundred-years events” I would caution against too great a reliance on models. The good news is that no shortage is expected for natural disaster reinsurance. On the contrary, reinsurance is currently less expensive than it has been for a long time.

Major hailstorm in Bulgaria



Unconventional. Bulstrad makes it possible to repair damaged cars quickly.

July 2014. A hail storm left behind massive damage after only a few minutes – Bulstrad helped with unconventional claims processing.

Sofia, 8 July 2014. At around 4 p.m., a severe hail storm moved over the city of Sofia and caused major damage, including damage to more than 300,000 cars. Repair garages were overwhelmed by the scale of the losses and waiting lists were correspondingly long. The employees of the Bulgarian VIG company Bulstrad took matters into their own hands to provide unconventional, but effective claims handling for their customers.

An empty hall was rented where damaged cars were repaired by experts. The innovative paintless dent removal method was used to repair hail damage to bodywork. This method reduces the



Hailstones. Devastating when this big.

replacement parts, labour and painting needed compared to conventional methods and is therefore less expensive, faster and more environmentally friendly.

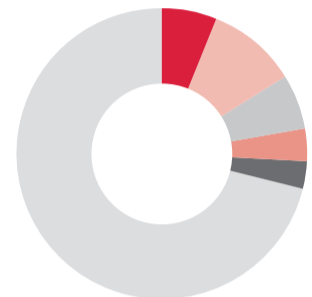
As a result, Bulgarian VIG employees once again showed their creativity and commitment to consistently provide a little more than the customer actually expects – while being friendlier, faster and more competent.



HISTORICALLY LOW INTEREST RATES
CONFRONT INVESTORS WITH HARD DECISIONS

VIG investments

Diversification. VIG managed total investments of EUR 31.1 billion at the end of 2014. The following chart shows the structure of investments. This does not include investments for unit-linked and index-linked life insurance, which were EUR 7,742.2 million as of 31 December 2014.



- 6.3% Real Estate
- 10.0% Loans
- 6.0% Deposit receivables, bank deposit, cash assets
- 3.6% Shares
- 3.1% Participations
- 71.0% Bonds

The challenge of low interest rates

VIG – conservative investment continues

0.05% interest rate. The European Central Bank (ECB) lowered its key interest rate to this historic low on 4 September 2014. A previous reduction in June had reduced the rate from 0.25% to 0.15%.

This decision was made because of increasing concerns about deflation in view of the low - and in some cases negative - inflation in Eurozone countries. In such an environment, companies and consumers could defer investments and purchases in expectation of further price reductions, thereby further endangering the already fragile economic situation in Europe. However, what effects does this interest rate level have on the insurance industry?

The main effects are felt by life insurance companies, which give customers a guaranteed interest rate. As a result of the current low level of interest rates, the Austrian Financial Market Authority felt impelled to reduce this guaranteed interest rate from the previous 1.75% to 1.5% for new life insurance policies starting in 2015.

How well have Austrian insurance companies managed with these interest rates so far? According to information from the Austrian Insurance Association the total return earned on Austrian life insurance policies in 2013, including profit participation,

averaged 3.25%, and by itself the guaranteed interest rate for existing policies was 2.7% to 2.8%. This indicates that insurance companies were able to earn an adequate return on their investments in spite of the low level of interest rates.

Promises made – and kept

The challenge for life insurance companies is to make payments that were promised 20, 30 or even more years ago. The maturities of these obligations must be matched with the investments that cover them, and ensuring this is the main responsibility of asset-liability management. “If I guarantee a customer that 30 years in the future I will repay him the premiums

he has contributed plus interest at a certain rate, and I simultaneously invest in a bond that guarantees at least this rate of interest, there is no problem”, states Werner Matula, head of the Actuarial Department of VIG Holding.

There are strict regulations on how premiums contributed to a traditional life insurance policy can be invested. In addition, the Austrian Financial Market Authority previously prescribed a supplementary interest reserve for 2013 to ensure that insurance companies can fulfil their payment obligations in local currency. This is also the goal of the regulatory and supervisory provisions collected

under the Solvency II banner (see neighbouring article).

Conservative investment

VIG has always followed a conservative investment strategy. Binding investment guidelines exist for each VIG company, and compliance is strictly monitored. Careful attention is also paid to earning a positive underwriting result in non-life business lines. Improvement of the combined ratio to 96.7% confirms VIG’s strategy in this respect. “We will continue to take great care to ensure that we can meet our future commitments to customers when designing future products”, said Matula, summarising the basic approach taken by VIG.

INTERVIEW WITH WERNER MATULA, GROUP CHIEF ACTUARY

“What does an actuary actually do?”

Could you briefly explain the responsibilities of an actuary?

In simple terms, an insurance actuary deals with highly complex issues of product design and risk management. For example, how high does a premium have to be set if we are to fulfil our commitments to customers?

What factors do you have to take into account?

There are many factors, ranging from interest rates, cost and cancellation risks to life expectancy, to name but a few. We use these factors in our

calculation models. At the same time, however, we also assess the associated effects on our profitability and capital requirements.

Does the current level of interest rates present you with new challenges?

The interest rate level has always set the basic framework for actuarial challenges. Our responsibility is to deal with it properly and responsibly - and



Werner Matula

at VIG we do this with great care and expertise.

What education does an actuary need?

Actuaries generally have an education in mathematics, ideally actuarial mathematics. They must also have a number of skills that are very clearly defined for our profession. In the end, however, a good sense for reality and market developments is what makes a good actuary.



Ronald Laszlo has been with VIG since 1 June 2011 and is head of the Enterprise Risk Management department and Group-wide Solvency II project.

Solvency II

Big changes from Brussels

Solvency II. The fundamental reform of supervisory law for European insurance companies has far-reaching consequences for the industry.

The main goals of the European Union are to increase policyholder protection and standardise regulatory practice in Europe. Uniform capital, risk management and reporting requirements are being introduced for insurance companies to realise these objectives and reduce the probability of insurance company insolvency. What challenges does this present for VIG? An assessment.

The starting point for this large-scale EU legislative project was back in 1999. The EU framework directive was approved ten years later and greater detail has been added since then. Solvency II is scheduled to come into effect on 1 January 2016, and must be transposed into national law for this to take place. That summarises the status of the legislation.

What is changing?

Compared to the current provisions of Solvency I, one of the changes introduced by Solvency II is a new definition for calculating regulatory capital requirements. What is the minimum capital that an insurance company has to have in order to guarantee its continued existence as a going concern and, in particular, its ability to fulfil its obligations at all times?

Answering this question is not entirely simple. Capital requirements can be calculated using a standard regulatory model or a custom-designed (full or partial) internal model that allows realistic modelling of a company's individual risk profile. Feeling that the standard model offers too little detail in many respects, VIG decided to develop a partial internal model. The standard model fails to capture the current situation of our company in the property and casualty business and for the real estate investments, while our in-house model accurately reflects our risk profile. The benefits are clear. The newly implemented risk management systems will contribute greatly to company and group management in the future and thus will also strengthen VIG's market position.

Three-pillar approach

A three-pillar approach is used that I will briefly describe. The *first pillar* defines quantitative requirements for insurance companies. Its core provisions concern the calculation of capital requirements. A key figure referred to as the solvency ratio expresses actual capital resources as a percentage of the calculated capital requirement. The solvency ratio must be significantly greater than 100%. Falling below this threshold would seriously endanger policyholder interests, and regulatory measures would be taken as a result.

The *second pillar* consists of qualitative requirements for the business organisation of insurance companies. General governance principles are strengthened by key functions. This includes further strengthening of long-established core functions, from actuarial and compliance-related processes all the way to risk management and internal audit. One of the key responsibilities of risk management includes conducting an Own Risk and Solvency Assessment (ORSA) at least once a year, essentially an annual performance test with respect to the defined business and risk strategy. All units naturally take part. This is quite appropriate and fully consistent with the established practices of our company.

The *third pillar* essentially defines company reporting requirements, including both regulatory reporting and reporting to the public. A Solvency and Financial Condition Report

(SFCR) is required each year, and a Regular Supervisory Report (RSR) is required at a minimum every three years. The main component is quantitative reporting – thousands of data fields covering every business area. It's also a mammoth undertaking in terms of IT.

VIG is well-prepared

Solvency II presents great challenges for VIG. We therefore launched a Group-wide project five years ago that is centrally managed from Austria and will ensure that we are well prepared. Uniform guidelines, calculation and reporting procedures and the necessary risk-management processes were defined and implemented, with the active assistance of experts in our VIG companies.

We are also working hard on a partial internal model, which is preevaluated by the supervisory authorities in the so-called Colleges. VIG strives for timely approval. In summary, VIG is excellently prepared thanks to efficient risk management and our capital strength. Solvency II nevertheless still requires careful attention and will continue to provide us with new challenges and insights in future years.

Note: Further information on Solvency II is provided in the VIG Group management report starting on page 26.

ANALYSIS OF EUROPEAN INSURANCE COMPANIES

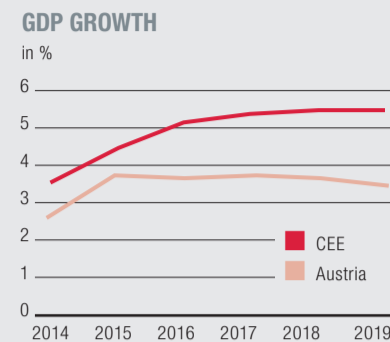
Stress test

November 2014. The European insurance supervisory authority EIOPA conducted a stress test to verify the resistance of European insurance companies to crises and risk. The results of the test were published in November 2014. A variety of analyses were conducted to examine among others the extent to which the Solvency II capital requirements could be satisfied even in cri-

sis scenarios. The stress test was based on solvency according to Solvency II that existed on 31 December 2013. The test showed that VIG's solvency ratio was in the upper middle range of the top 30 insurance groups. The stress scenarios included, among other things, changes in the capital market and natural disasters. VIG successfully passed all the stress scenarios.

DID YOU KNOW...?

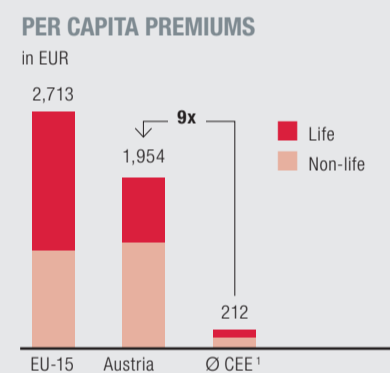
... that the economy in the CEE region is growing faster than in Austria?



Forecast. After adjusting for purchasing power, average economic growth in the CEE region is expected to significantly exceed the rate in Austria in 2015. All ten VIG core markets are expected to record real economic growth in 2015 and 2016. The region where VIG is represented has a population of 180 million, making it one of the most heavily populated parts of Europe, and it is also the region with the greatest macroeconomic growth potential.

Source: IMF World Economic Outlook, 10/2014

... that insurance density in the CEE region still has a great deal of catch-up potential?



Three times larger. Insurance density in Poland, the Czech Republic and Slovakia has tripled since the beginning of the century. Average per capita premiums, however, are still nine times smaller in the CEE region than in Austria and 13 times smaller than in the EU-15.

Source: in-house calculations based on data published by national insurance supervisory authorities and associations, the IMF and Swiss Re (Sigma);
¹ Weighted average: BG, HR, PL, RO, RS, SK, CZ, UA, HU

... that the motor vehicle market offers great potential in the CEE region?

Motor vehicle insurance. Based on the market penetration in Austria, there is potential for 10 million vehicles in the Czech Republic, Slovakia, Poland and Romania alone. Moreover, in Poland, for instance, 72% of the vehicles are more than ten years old, twice the Austrian figure.

Source: United Nations Economic Commission for Europe

... that 99% of all companies in the CEE region are small and medium-sized enterprises?

Critical for success. They represent the economic backbone of the region. VIG companies are very successfully using custom-tailored insurance products to tap into this potential.

Source: Eurostat

5 QUESTIONS – 5 ANSWERS



“It is essential for VIG to have strong capital resources.”

Nina Higatzberger,
Head of Investor Relations, Contact:
Telephone +43 (0) 50 390 21920
Email: nina.higatzberger@vig.com

Long versus short-term investment horizon?

As an insurance company, we assume long-term obligations to our customers that extend decades or even an entire lifetime into the future. But for investors, an investment horizon of three to five years is already considered long-term. And portfolio managers have to deal with even shorter periods, as they are evaluated on the basis of annual performance. The latest dividend yield of 3.8% for VIG shares is one argument in favour of VIG in this respect. In spite of VIG's capital market orientation, it does not allow itself to be misled into excessive short-term actions – in either its strategic or capital-market decision-making.

Is planning underway for Solvency II?

Yes, VIG is already making preparations at full speed. Capital adequacy under Solvency II remains a hot topic for discussion: it figured in every Investor Relations meeting in 2014, with both analysts and investors.

A+, just a rating or more?

VIG's A+ rating with a stable outlook from Standard & Poor's is the best rating of any company in the ATX Index, providing clear proof of the Group's excellent capital resources. VIG intends to maintain its conservative attitude towards capital resources in the future, and it is working to make the capital market aware of this attitude and the key points of its long-term business model.

VIG price performance in 2014?

VIG shares performed well, achieving a 2.4% price gain under volatile stock exchange conditions. The ATX Index, on the other hand, lost around 15.2% of its value in 2014.

Is VIG an attractive investment?

Yes, and this is definitely the case for long-term investors who are looking for a solid company with a successful business model and sustainable dividend policy. VIG's average dividend yield of 3.3% since 2010 is also quite respectable given the current low interest rate environment.

A REASON TO CELEBRATE

VIG celebrates 20 years on the Vienna Stock Exchange

A success story. VIG can look back over 20 successful and exciting years on the Vienna Stock Exchange – including annual dividends.

First, however, let's take a quick look at the current situation. Vienna Insurance Group (VIG) had a market capitalisation of EUR 4.7 billion on 31 December 2014, making it one of the largest companies in the ATX Index. It managed to achieve a price gain of 2.4% even in the volatile stock exchange conditions of 2014, while the ATX Index lost 15.2% of its value.

Trading in the 128 million VIG shares currently listed on the Vienna Stock Exchange has passed through many milestones closely related to the extraordinary development of the Group. It is worth a closer look.

Start of trading in October 1994

It all began in October 1994, with an issue of non-voting preferred shares at a price of ATS 1,030.00 by the former Wiener Städtische Allgemeine Versicherung AG. This was the first time the capital market was accessed for funding the beginning expansion into Central and Eastern Europe. Starting with only 1,350,000 tradable shares and a free float of around 11%, liquidity was quite low at the time and stock market price performance was correspondingly unspectacular until 2003. The Group's acquisition activities were therefore more than impressive during this period, with insurance companies acquired in the Czech Republic, Slovakia, Hungary, Poland, Croatia, Bulgaria and Serbia.

VIG shares did not begin to really perform, however, until a 1-to-7 stock split in mid-2004 gave trading in VIG shares a significant boost. Since the capital market already had little liking for different share classes at the time, the next step taken a year later was to convert the 9,450,000 preferred shares to no-par value ordinary voting shares.

Establishing the Investor-Relations-department as a point of contact for investors and shareholders at the end of 2004 and beginning of 2005 was a clear indication of the new importance the capital market had for the Company. Once the Company voluntarily undertook to comply with the Austrian Code of Corporate Governance, all the criteria for admission to the Prime Market segment of the Vienna Stock Exchange were fulfilled and the way was open for the Company's 86,357,600 common shares to enter Austria's most important share index. VIG was included in the ATX Index on 19 September 2005.

Successful capital increases

In December 2005 and May 2008 the Company conducted two very successful capital increases with a total volume of around EUR 2 billion. The first capital increase, with an issue price of EUR 49.00, increased the Company's free float to around 30%. The funds that were raised were primarily used to finance further expansion in Central and Eastern Europe. The second capital increase in 2008, with an issue price of EUR 49.50, was mainly used to finance the acquisition of Erste Group insurance companies and for the mutual strategic (distribu-

tion) partnership that was concluded at the same time. This was the largest share placement that had ever been performed by an insurance company on the Vienna Stock Exchange at that time. The attractiveness of the investment was shown by an upward price trend that raised VIG shares to an all-time high of EUR 58.20 on 27 February 2008. To underline the great importance the CEE region has to the Group, VIG shares have also had a second listing on the Prague Stock Exchange since February 2008. The interest in Vienna Insurance Group has also grown significantly, as can be seen by the number of analysts that regularly issue reports and recommendations for VIG shares. At the end of 2005, only seven financial institutions performed this kind of analysis – but today there are 17.

Crisis handled well

A look back at 2008 has to mention the bankruptcy of the Lehman Brothers investment bank in the US. It triggered the start of a worldwide financial and economic crisis that still persists in various forms today and also negatively affected the price of VIG shares. VIG shares reached a low of EUR 16.00 on 27 October 2008, the lowest price since 2005, and came close to this historical low again in 2009. The price began to recover in the medium price range of EUR 30 to EUR 40 in the years that followed.

The financial and economic crisis and its effects on the global economy changed perceptions about the CEE region and the expected growth potential in VIG's markets. What has not changed, however, is the fact that the Group has paid a dividend each year since its initial public offering (IPO) in 1994. Since the first capital increase in 2005, these dividends have been based on the sound dividend policy of Vienna Insurance Group, which provides for a dividend of at least 30% of Group net earnings (after minority interests) for shareholders. The Managing Board is also following this guideline for financial year 2014, and will recommend a dividend of EUR 1.40 per share at the Annual General Meeting on 29 May 2015.

THE VIG EQUITY STORY

Market leader in Austria and the CEE region

Long-term growth potential

Successful business model (with broad diversification across countries, products and distribution channels)

Optimal combination of local entrepreneurship and central risk management

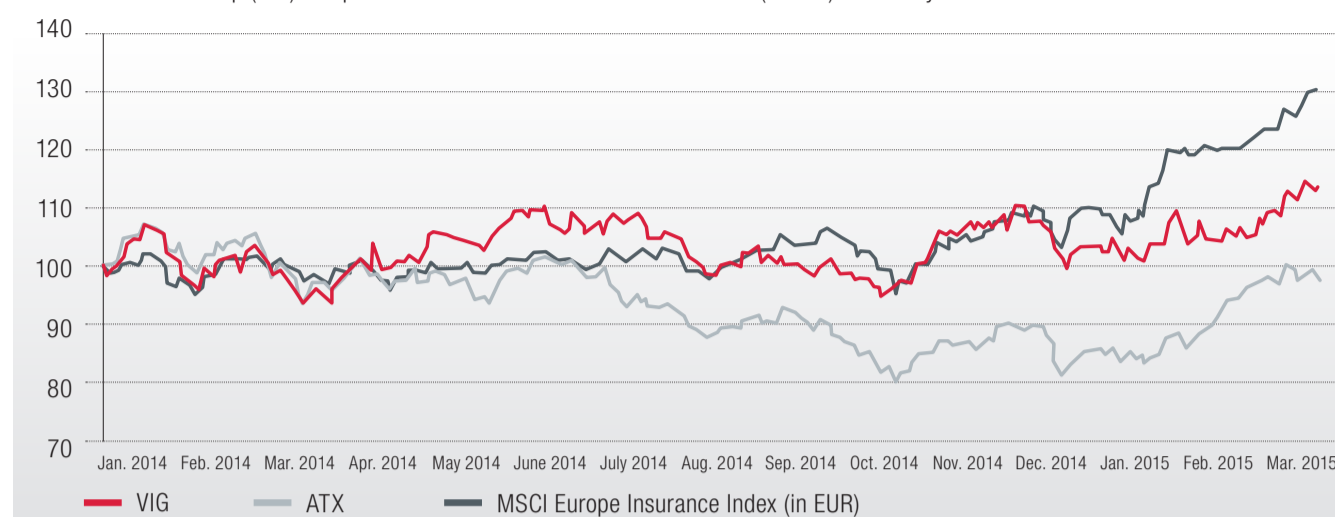
Experienced management

Strong capitalisation

Conservative investment policy

SHARE PERFORMANCE – VIENNA INSURANCE GROUP (VIG)

Vienna Insurance Group (VIG) compared to the ATX and MSCI Insurance Index (in EUR) 1 January 2014 to 18 March 2015



KEY FIGURES – VIENNA INSURANCE GROUP (VIG)

Key share information

		2014	2013	2012
Market capitalisation	EUR million	4,746.24	4,636.80	5,168.00
Average number of shares traded per day	Shares	approx. 65,000	approx. 64,000	approx. 76,000
Average daily stock exchange trading volume (single counting)	EUR million	3.1	3.0	3.2
Year-end price	EUR	37.080	36.225	40.375
High	EUR	40.070	42.810	40.375
Low	EUR	33.800	34.260	27.630
Share performance for the year (excluding dividends)	%	2.36	-10.28	31.86
Dividend per share	EUR	1.40 ¹	1.30	1.20
Dividend yield	%	3.78	3.59	2.97
Earnings per share ²	EUR	2.75	1.57	3.01
Price-earnings ratio as of 31 December		13.48	23.08	13.41

¹ Planned dividend

² The calculation of this financial ratio includes accrued interest expenses for hybrid capital.

VIG SHARES IN OVERVIEW

Initial listing (Vienna)	17 October 1994
Initial listing (Prague)	5 February 2008
Number of common shares	128 million
Free float	approx. 30%
ISIN	AT0000908504
Security symbol	VIG
Bloomberg	VIG AV / VIG CP
Reuters	VIGR.VI / VIGR.PR
Standard & Poor's rating	A+, stable outlook

FINANCIAL CALENDAR*

Results for the 1 st quarter of 2015	20 May 2015
Annual General Meeting	29 May 2015
Ex-dividend day	3 June 2015
Dividend payment day	8 June 2015
Results for the 1 st half of 2015	25 August 2015
Results for the 1 st to 3 rd quarters of 2015	24 November 2015

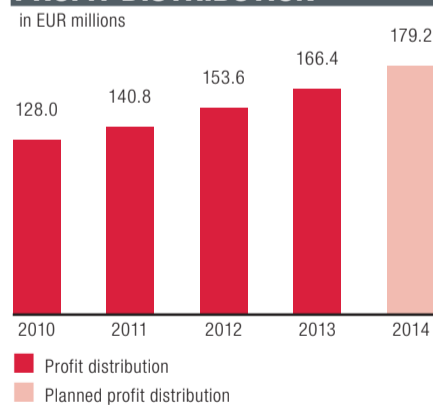
* Preliminary schedule

VIG SHAREHOLDER STRUCTURE

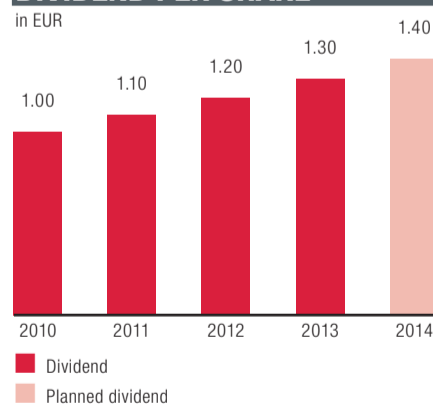


■ Approx. 70% Wiener Städtische Versicherungsverein
 ■ Approx. 30% free float

PROFIT DISTRIBUTION



DIVIDEND PER SHARE



▶ More information on the A+ rating that was confirmed in July 2014 is provided in the video by Claudia Hartl, Investor Relations employee.

SERVICE TIP

Online annual report

An online version of the Annual Report specifically designed for the internet is also available on the VIG website (www.vig.com), permitting a quick overview of VIG business performance. All sections may be downloaded in PDF form, and the most important tables are also available for download as Excel files. Other features, such as an interactive comparison of key figures, links

within the report and a comparison with the previous year, create transparency and take you directly to the information you are looking for.



The VIG online Annual Report is available at: www.vig.com/AR2014

EXPERT CHECK



“Capital management and dividend growth are the major topics for 2015.”

Michael Huttner,
Analyst at JP Morgan

Analysis. Opportunities and risks in the insurance industry.

The major themes for 2015. In addition to issues related to capital management, given the historically low level of interest rates 2015 will be dominated by the hunt for yields. Many questions about the attractiveness of insurance companies are answered by the Solvency II stress tests that were published in November 2014 based on the balance sheets for the previous year. Almost half of the insurance companies analysed had a solvency ratio of less than 150%. Under the standard model, VIG has a solvency ratio of around 160%, which is higher than the average mentioned above.

Opportunities. I believe that the current environment for non-life insurers is close to perfect for achieving a high return on equity and dividends. The current low level of economic growth in Europe together with low inflation means that non-life insurance companies require less additional solvency capital when premiums grow. Claims settlement becomes less costly due to the stable and, in some countries, even declining level of prices. At the same time, insurance companies must follow a conservative underwriting policy, because lower levels of financial income makes the underwriting result more important again. There is a risk here of attention being placed on increasing the overall result rather than the return on capital employed.

The combination of low interest rates, subdued economic growth and Solvency II could also have unintended results. Especially noteworthy: European governments can obtain funding at an interest rate that is close to zero and can issue long-term bonds on these terms. Under Solvency II, this ultimately also increases the pressure on European insurance companies, which according to EIOPA calculations hold EUR 7 trillion in investments.

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EMPLOYER ...

In high demand. At VIG committed employees have access to various attractive opportunities.



Stoyan Angelov,
VIG Asset Risk
Management,
Austria

"I worked in the Polish VIG companies Compensa, Polisa and Skandia under the mobility programme and was overwhelmed by the open, friendly welcome I received. The work I did at the local level further deepened my understanding of local business models, market environments and interactions within the Group. It was just as important to get acquainted with other employees and expand my personal network. Programmes like this significantly improve communication and processes within the Group and develop intercultural skills, thereby contributing greatly to VIG's success."



Ana-Marija Markunovic,
graduate of the CEE
Master Class,
Vienna University of
Economics and Business, Austria

"The CEE Master Class at the Vienna University of Economics and Business included interesting courses, excursions and company visits offering many insights into Eastern Europe. At Vienna Insurance Group, which has been a participant since 2013, I was able to interact and share information with experts from a variety of areas in the company. I was especially inspired by the job opportunities available in the insurance industry in general and specifically in VIG – both the variety of work areas and the exciting issues involved. The insights VIG provided definitely stimulated my interest in a career in the insurance industry."



Svetla Nestorova,
General Manager of
Bulstrad Life,
Bulgaria

"I thought I already knew everything about Vienna Insurance Group. Then I took part in the VIG Leadership Development Programme, and I discovered how diverse and skilful the big VIG team actually is. In addition to the training in management skills, I was greatly impressed by the other colleagues I met who made this programme so valuable to me. It was an experience that showed me how rewarding it can be to work with other professionals from diverse backgrounds who are hungry for knowledge. I returned to my job not as a VIG employee, but as a VIG fan. This new attitude gives me energy every day and encourages me to strive for ever greater performance."

VIG is looking for outstanding, motivated and talented personalities

Room for diversity

Attractive employer. VIG offers committed employees a wide range of international career opportunities.

"The focus is on people at Vienna Insurance Group." That is easy to say. But our 23,000 employees bring these words to life with their commitment and the professional advice and excellent service they provide our customers every day, in 25 countries. The people in VIG live the shared values of the company – while respectfully acknowledging local differences and traditions. An extensive range of basic and advanced training opportunities is also provided to strengthen and broaden employee skills. Aside from the Group-wide initiatives offered by VIG Holding, the local companies are arranging and organising trainings. This is because they have the best understanding of the local environment and can react flexibly to changes and the specific requirements of employees, which often differ from one region to another.

International assignments, mobility programmes and the Group-wide job market promote cultural and professional exchange across national borders and open up international career opportunities. All this is aimed at achieving one major goal: Vienna Insurance Group is positioning itself as an employer of choice in a challenging international environment in order to attract employees who can promote its corporate culture and strategy with conviction.

Basic and advanced training does it

The success of an insurance company depends critically on its team, their qualifications, characteristics and expertise and the strength of their commitment to customer service. Basic and advanced training must be used to strengthen and continuously develop these skills and basic underlying attitudes. Here are a few examples from VIG.

Effective basic and advanced training programmes make VIG an employer of choice.

The VIG Corporate University offers Group-wide programmes in the areas of leadership and management development. A range of training courses covers both technical expertise and elements of personal development. In addition to providing advanced training, these programmes also focus on strengthening Group-wide cooperation and shared VIG values.

A three-module leadership development programme focusing on the topics of strategy, operational excellence and leadership is offered in cooperation with the renowned international business school in Bled (Slovenia). This programme is intended for managers with many years of professional experience from throughout the VIG Group.

The Technical Academies, on the other hand, have for many years offered Group-wide training focused on technical subjects, such as underwriting, risk management and business process management. They are an excellent platform for information exchange at the expert level, with both experienced internal experts and well-known external lecturers sharing valuable academic and practical insights.

Identifying, developing and exploiting potential

Mobility programmes, another important element of employee development, are also offered across the Group. They give young, talented individuals practical insights into the processes, guidelines and standards of a variety of different departments. After spending one to nine months in one or more VIG companies, they then apply their new skills and experience in their home company and become an important source of knowledge on the VIG strategy and standards.

What we offer

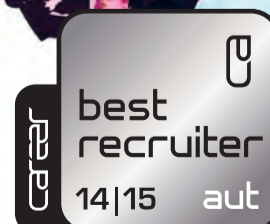
- VIG stands for reliability, founded on our values, tradition and stability.
- An attractive working environment where teamwork is highly valued.
- A wide range of development opportunities to support you in pursuit of your career.
- Experience VIG's energy and diversity with colleagues in 25 countries.
- Enjoy attractive social benefits to round off the package.



Further information is available at:
www.vig.com/career-lounge

Your profile

- You enjoy working in an international work environment
- You have intercultural skills and an affinity for Central and Eastern Europe
- You are solutions- and performance oriented with a hands-on mentality
- You are outgoing and have good communication skills



FACT BOX

Women power

Overview. Vienna Insurance Group had an average of 23,360 employees in 2014, with around 56% working in the field sales force and 44% in administration. Around 60% of the employees in the Group are women. The fraction in the managing boards of insurance companies is about 20%. At the level directly below the managing board, the fraction is around 40%.

An interview. Birgit Moosmann, head of People Management at VIG Holding, on career enjoyment, prospects and diversity.

You have been head of People Management at VIG Holding since 2011. How would you describe your work with 23,000 employees?

Exciting, dynamic, sometimes hectic and almost always interesting. I am responsible for implementing Group-wide initiatives and incentives and setting the framework for local responsibilities. No two days are the same. This is partly due to the remarkable diversity of our employees, which I believe truly enriches the company and is an important factor in our success. Original thinkers, colourful personalities and performance-oriented employees with open minds are always welcome in the VIG team.

Does that mean VIG is not just looking for sales employees?

That's right, although customer sales and service will always naturally be extremely important for our business success. But the same is true for experts like actuaries, lawyers or traditional managers and risk managers. In order to provide development opportunities for precisely these experts, we introduced a separate expert career path in the VIG competence model in 2014 parallel to the tradi-



"We are looking for outstanding, committed individuals who enjoy VIG's diversity and want to make things happen."

Birgit Moosmann

... OF CHOICE



Tina Lehrbaum, VIG Personal Insurance Performance Management, Austria

"The opportunity to continuously add to my knowledge, apply the skills I have learned in my day-to-day work and pass on what I know – these are key factors that are very important to me in my professional life. A career as an expert at VIG focuses precisely on these factors and gives me the opportunity to be recognised as an expert for my professional knowledge and continuously expand my knowledge. I consider opportunities to network and exchange information, such as expert meetings and international mobility programmes, to be particularly valuable initiatives – both for my own personal development and for the VIG Group as a whole."



Gábor Lehel, General Manager of Union Biztosító, Hungary

"Every employee contributes to VIG's success. Our managers and experts both play a particularly important role. The VIG competence model being introduced in stages in all our markets gives managers a valuable tool for both assessing and recognising employee performance. Managers and employees are guided through a structured feedback process and the definition of development possibilities. Within a few days of the introduction of the new expert career profile in my company, I could see how proud the experts were of their status and how the explicit listing of their particular skills was an important motivating factor."



Katarzyna Dorner, VIG Reinsurance, Austria

"My dream was always to work for a large international company where I could make use of both my knowledge and foreign language skills. After receiving my first degree in commerce at the Vienna University of Economics and Business, I began my career as a tax advisor. During a four-year maternity leave, I studied finance and accounting. Immediately after graduating, I found an interesting job at a VIG subsidiary in Austria. VIG offers excellent internal opportunities for advanced training and development. For example, I accepted an offer of an internal transfer to the reinsurance area. My new position allowed me to take part in many seminars at home and abroad in the last two years, thereby both expanding my knowledge and adding new personal contacts. As a mother of four, however, only the option of flexible working hours allows me to manage this exciting full-time job – this is another great advantage."

We are VIG!

Success through commitment

tional management career path. This is now being rolled out in stages in the Group companies.

What makes VIG an attractive employer?

There are quite a few factors I could mention. In my view, however, the most important is that VIG offers its employees attractive prospects and development opportunities. Ultimately, after all, a job has to be enjoyable. That is the only way you can really feel comfortable in it and make things happen. We satisfy this basic need by providing a broad range of basic and advanced training courses, the opportunity to gather international experience and an attractive working environment. Finally, there is also the special spirit of our company, our corporate culture that makes VIG an employer of choice.

What goals have you set yourself for 2015?

We will continue to work on developing the skills and abilities of our employees and ensure they have the

qualifications and qualities needed to implement our corporate strategy. At the same time, however, we cannot lose sight of the importance of mutual respect and an understanding of different cultures and practices.

The VIG team is diverse and capable, speaks many languages and is highly motivated. We nevertheless have to strive to be better every day – we owe that to ourselves and the stakeholders of VIG.

LEADERSHIP

Skills. VIG holds regular events to ensure an exchange of experience between its managers.

Growing together. The VIG Group Performance Conference for managers and alumni of the three Leadership Development Programmes took place in Vienna at the end of June 2014. The focus of this high-level event was on working together on key challenges that are of special importance to the future of VIG. The aim was for top managers to receive an overall picture of the corporate strategy and the steps needed to achieve it. During the event, which lasted several days, around 100 VIG managers were assisted by renowned profes-



Fred Kofman.
A guest of VIG

sor and business coach Fred Kofman, who in his opening speech provided valuable insights into management skills and the importance of a shared corporate culture. When asked for his feedback and impressions of the conference, Kofman said: "I was pleasantly surprised by the intelligent curiosity of the participants. There were many questions about how to apply the information we discussed in practice, which makes it clear they were really following the discussion and thinking about its content."

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CSR GUIDING PRINCIPLE



Peter Hagen,
General Manager of VIG

RESPONSIBILITY

For a future worth living

Our core business has always required being able to think in terms of and for many generations, assume responsibility and satisfy all the future commitments we make to customers today. As a successful international insurance group, we want to actively fulfil our responsibility by helping to create a future worth living. To prevent this from being just empty words, we have, among other things, created a CSR position in the Group. VIG's corporate values help us to link our economic goals with social and environmental considerations. Our actions and decisions are based on credibility and integrity, entrepreneurial initiative, customer satisfaction, diversity and equal opportunity, as well as mutual appreciation and respect. The examples on this page show the great diversity of VIG's commitment in this respect. We can all be proud of these successes. On behalf of the Managing Board I want to thank all VIG employees for the dedication they have shown.



"Laughter is the best medicine." The employees of IRAO in Georgia believe in this prescription and support the Monk Andrea's Foundation with donations of time, gifts and in-kind donations.

Responsible living – social involvement

Giving time

Around 19 working years. Thousands of VIG employees send a powerful message for more involvement, charity and solidarity on the Social Active Day. A tour of several projects from the world of Vienna Insurance Group.

There is a family in need. There is a person thrown completely off course in life. And what do we do? Do we look? Or, even better: do we do something about it? Yes, we do something – as part of the VIG Social Active Day.

Wiener Städtische Versicherungsverein started this initiative in 2011, right in the middle of the financial and economic crisis, and it quickly became a success. This is how the initiative works: employees who want to become involved with a good cause or charitable organisation are generally allowed to spend one working day of their time on such activities. The number of VIG companies taking part in the Social Active Day has increased steadily since the initiative was launched. Employees in Lithuania, Estonia, Latvia and Montenegro, for example, gave their time to good causes for the first time in 2014. This means that 41 Group companies in 22 countries are now participating. A total of 4,150 working days was donated. Or, expressed another way, VIG assumed a

financial expense equal to the annual working time of around 19 full-time employees.

VIG employees gave their time to a wide range of projects and charitable organisations that also differed greatly across regions. This was confirmed by Barbara Grötschnig, who is responsible for coordinating the Social Active Day: "It is impressive to see how many of our colleagues donate their time for good causes and how creative they are. I am especially happy about the steady growth of the Social Active Day and how it could develop its own internal mo-

mentum." The following stops on a tour through VIG's markets – a very encouraging trip – shows how broad the range of activities truly is.

Child support and development

A number of VIG companies used the Social Active Day to help with child development in 2014. Hungary provides a good example. Around 120 employees from our VIG companies Union Biztosító and Erste Biztosító worked hard to put Bátor Tábor, a holiday camp for chronically ill children, back into shape. Fences and walls were painted, modern cloak-rooms installed and many finishing touches were added to get the camp ready for use in the summer. This was all done so that children and their families could enjoy their stay to the fullest.

Award for social involvement

Helping women and children in emergency situations was the goal chosen by our VIG company PSLSP in Slovakia. Support was provided to "Back to Life", a crisis centre that helps women, children and



The holidays are finally here! VIG employees renovated a holiday camp for chronically ill children in Hungary.

youth who are victims of violence find their way back to a normal life. A financial training programme was also developed for orphans and young adults that provides basic information on how to manage money and provide for the future. To provide extra motivation, PSLSP doubled the savings of participants up to an amount of EUR 100. In 2014, PSLSP and its employees received special recognition for their social involvement. They were nominated for the most important CSR prize in the country, Via Bona Slovakia, and received first prize in the "Support for Volunteer Work" category.

SOCIAL ACTIVE DAY

In Turkey, the Ray Sigorta team gave their help to Şehit Üstteğmen Ali Büyük Dicle, a state school for children with special needs. With help from experts and teachers, a day with a wide range of activities was arranged for the children. As an exciting special bonus, a trip was made to the Ray Sigorta headquarters.

In Montenegro, Wiener Städtische Osiguranje took part in the Social Active Day for the first time. The Rađojica Perovic primary school in the capital city of Podgorica was chosen and our employees took part in a very special project. The students prepared plans for a garden and help was provided for buying and planting around 30 trees.

Our Polish VIG companies Benefia and InterRisk focused on improving traffic safety for children in 2014. In addition to working to raise awareness, around 1,800 reflective armbands were distributed in schools and kindergartens as part of the Social Active Day.

Helping people in need

This was the goal of more than 160 Donau Versicherung employees in Austria. They provided assistance to

around 30 organisations - ranging from garden design for a social residence to collecting donations for flood victims in the Balkans.

Our VIG company Compensa Life cooperated in a project with the highly respected Estonian Food Bank in Tallinn, the capital city of Estonia. Its employees worked hard and put together around 220 food packages for people in need. The food was delivered by social and charitable organisations that work together with the Estonian Food Bank.

Our Bulgarian employees also helped to supply food to people in need in a number of cities in the country. In total, close to 1,200 kg of food was collected, sorted and distributed to those in need in seven Bulgarian cities.

Helping Paws

Pomocné tlapy (Helping Paws) was one of the organisations to receive support from our company Kooperativa in the Czech Republic. The organisation trains assistance dogs to



Best friends. Assistance dogs help physically disabled people.

help physically disabled people handle situations they could not manage on their own and be a reliable partner in their day-to-day life.

Environmental action in Macedonia

Raising awareness of the need for environmental protection and resource conservation was the focus of the Social Active Day in Macedonia in 2014. VIG employees in Struga, a town on Lake Ohrid that is a protected UNESCO site, provided information on how to properly dispose of plastic waste. An incentive was also provided to motivate people to take personal responsibility for a clean environment: a small reward that those participating in the action could collect at the local VIG company Winner Non-Life for proper disposal of their plastic waste at the recycling centre.

AWARD PRESENTATION

Günter Geyer Award for Social Conscience

Wiener Städtische Versicherungsverein, the principal shareholder of Vienna Insurance Group, awards a prize for outstanding social commitment each year, named after CEO Günter Geyer. In total the prize is awarded to three Group companies whose social activities, or those of their employees, deserve special mention. In total the prize winners receive EUR 100,000, which is provided for the promotion of additional social projects.

WINNERS IN 2014

- 1st Prize:** PSLSP, Slovakia
- 2nd Prize:** Wiener Städtische Osiguranje, Serbia
- 3rd Prize:** Ray Sigorta, Turkey

COMPACT



Action instead of words: diverse projects, big results

VIG Kids Camp. Wiener Städtische Versicherungsverein, the principal shareholder of Vienna Insurance Group, is offering its fifth Kids Camp for the children of VIG insurance company employees from more than



20 countries. Participants were once again required to show creativity. A drawing contest was set up with the slogan "My Home Country" in which children of VIG employees between the ages of nine and thirteen could participate. The most creative entries were rewarded with an invitation to Kids Camp in Austria, which aims to promote cross-border intercultural understanding. Around 500 children took part in this two-week event. They could choose between the City Camp in Vienna, Country Camp in Salzburg and Mountain Camp in Styria.

"An espresso with Rainer Münz". Wiener Städtische, in cooperation with Erste Bank

and the savings banks, wants to use this unique Austria-wide service to promote knowledge about the connections between the financial and insurance industries. Rainer Münz, an internationally renowned financial expert and researcher of future economic and social issues, provides fascinating insights in a video series. The topics covered in the video selection range from the advantages and disadvantages of various forms of investments and different insurance needs, all the way to leasing and pension provision. The video series is available in German at: www.wienerstaedtsche.at/finanzbildung



Rainer Münz, Head of the Erste Group Research & Knowledge Centre

Celebrating 650 years – the University of Vienna. The University of Vienna is celebrating its 650th anniversary in 2015 and is using the opportunity to highlight the relevance of research and teaching for the development of society and the education of future generations. VIG is supporting the gender equality part of the programme, a topic that is addressed in many projects and events since the end of November 2014. One of the highlights is the "Frauen AUS/SCHLUSS" initiative in June 2015. The Nobel laureate Elfriede Jelinek wrote the text "Schlüsselgewalt" specifically for the 650th anniversary celebration. It will be presented theatrically by a speaking choir in the Arcaded Courtyard of the University of Vienna.

Breast cancer prevention for 100 women.

Wiener Städtische Osiguranje, Serbia, signed an agreement in 2014 with NOPWDS, a charitable organisation that helps people with disabilities. This agreement made it possible for around 100 women with special needs between the ages of 40 and 50 to have a preventative mammogram.

The Veil of Agnes.

The now traditional wrapping of the Vienna Ringturm building reached a new high point in 2014. Arnulf Rainer's "Veil of Agnes" theme was revealed in the middle of June to celebrate the long-standing relationship between Wiener Städtische Versicherungsverein and the Klosterneuburg Monastery, which was founded based on the legend of the veil. Many representatives from politics, business and the arts were impressed at the opening by the energy of this major work, which created a clearly visible landmark in the Vienna cityscape over the entire summer. For the first time, the work was also accompanied by an exhibition showing the original work that was used and historical documents from the past history of Wiener Städtische Versicherungsverein.



Great art. Arnulf Rainer wrapped the Vienna Ringturm building in 2014.



VIG – leading insurance specialist in Austria and the CEE region



An online version of the Annual Report is available at www.vig.com/AR2014



VIG's IR app for the iPad is available at www.vig.com/iPad

Around 50 companies in 25 countries form a corporate group with a long tradition, strong brands and good customer proximity. VIG can look back on 190 years of experience in the insurance business. With around 23,000 employees and total premiums of approximately EUR 9.1 billion, VIG is the clear market

leader in its core markets and therefore excellently positioned to take advantage of the long-term growth opportunities in a region with 180 million people. Vienna Insurance Group is the best-rated company in the ATX Index, the leading index of the Vienna Stock Exchange, and is also listed on the Prague Stock Exchange.

AUSTRIA
WIENER STÄDTISCHE VIENNA INSURANCE GROUP
Ionau VIENNA INSURANCE GROUP
S-VERSICHERUNG VIENNA INSURANCE GROUP

SLOVAKIA
Kooperativa VIENNA INSURANCE GROUP
KOMUNÁLNA POISTOVŇA VIENNA INSURANCE GROUP
POISTOVŇA SLOVENSKEJ ŠPORTELNE VIENNA INSURANCE GROUP

BULGARIA
BULSTRAD VIENNA INSURANCE GROUP
Life BULSTRAD VIENNA INSURANCE GROUP

SERBIA
WIENER STÄDTISCHE VIENNA INSURANCE GROUP

ESTONIA
COMPENSA VIENNA INSURANCE GROUP

TURKEY
RAYSIGORTA VIENNA INSURANCE GROUP

UKRAINE
КНЯЖА VIENNA INSURANCE GROUP
ГЛОБУС VIENNA INSURANCE GROUP
ЮПІТЕР VIENNA INSURANCE GROUP
УКРАЇНЬСЬКА СТРАХОВА ГРУПА VIENNA INSURANCE GROUP

LATVIA
COMPENSA VIENNA INSURANCE GROUP

ALBANIA
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP
INTERSIG VIENNA INSURANCE GROUP

ITALY BRANCH
WIENER STÄDTISCHE VIENNA INSURANCE GROUP
Ionau VIENNA INSURANCE GROUP

LITHUANIA
COMPENSA VIENNA INSURANCE GROUP

MACEDONIA
ОСИГУРУВАЊЕ МАКЕДОНИЈА VIENNA INSURANCE GROUP
WINNER VIENNA INSURANCE GROUP
Life WINNER VIENNA INSURANCE GROUP

SLOVENIA BRANCH
WIENER STÄDTISCHE VIENNA INSURANCE GROUP

MOLDOVA
DONARIS VIENNA INSURANCE GROUP

HUNGARY
UNION BIZTOSÍTÓ VIENNA INSURANCE GROUP
ERSTE BIZTOSÍTÓ VIENNA INSURANCE GROUP
viennalife VIENNA INSURANCE GROUP

BELARUS
КУПАЛА VIENNA INSURANCE GROUP

CZECH REPUBLIC
Kooperativa VIENNA INSURANCE GROUP
ČPP VIENNA INSURANCE GROUP
POJIŠŤOVNA ČESKÉ ŠPORTELNY VIENNA INSURANCE GROUP
VIG Re

ROMANIA
OMNIASIG VIENNA INSURANCE GROUP
ASIROM VIENNA INSURANCE GROUP
DE VIATA BCR ASIGURARI VIENNA INSURANCE GROUP

GEORGIA
GPI VIENNA INSURANCE GROUP
IRAO VIENNA INSURANCE GROUP

MONTENEGRO
Život WIENER STÄDTISCHE VIENNA INSURANCE GROUP

BOSNIA HERZEGOVINA
WIENER OSIGURANJE VIENNA INSURANCE GROUP

GERMANY
InterRisk VIENNA INSURANCE GROUP

LIECHTENSTEIN
VIENNA-LIFE VIENNA INSURANCE GROUP

▶ **"Only what we can do well!"**
Peter Hagen on the basic principles of VIG's success.



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In case of doubt, the German version is authoritative.

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Further information is available in the VIG Annual Report 2014