VIENNA INSURANCE GROUP

What unites us?

Confidence in the future.

Group Annual Report 2013 Vienna Insurance Group

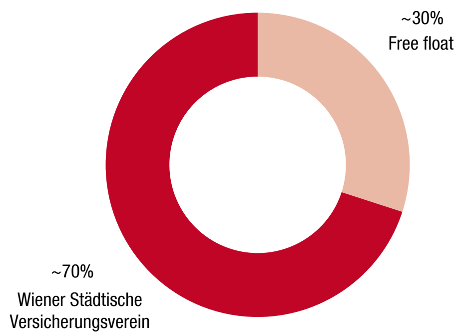
Key figures

		2011	2012 restated	2013
Income statement				
Premiums written	EUR millions	**8,883.67**	**9,646.03**	**9,218.57**
Property/Casualty insurance	EUR millions	4,579.30	4,673.44	4,618.38
Life insurance	EUR millions	3,944.22	4,581.08	4,202.37
Health insurance	EUR millions	360.15	391.51	397.82
Premiums written	EUR millions	**8,883.67**	**9,646.03**	**9,218.57**
Austria	EUR millions	4,037.50	4,122.53	4,073.88
Czech Republic	EUR millions	1,823.89	1,795.58	1,762.08
Slovakia	EUR millions	684.26	704.11	744.67
Poland	EUR millions	954.22	1,611.74	1,142.30
Romania	EUR millions	503.08	408.61	361.80
Remaining markets	EUR millions	857.19	975.56	1,061.64
Central functions	EUR millions	993.67	1,341.44	1,303.85
Consolidation	EUR millions	-970.15	-1,313.53	-1,231.64
Results from investments	EUR millions	**931.61**	**1,242.33**	**1,218.82**
Profit before taxes	EUR millions	**559.01**	**563.70**	**355.14**
Property/Casualty insurance	EUR millions	271.51	330.93	57.27
Life insurance	EUR millions	239.81	201.37	262.30
Health insurance	EUR millions	47.69	31.40	35.57
Profit before taxes	EUR millions	**559.01**	**563.70**	**355.14**
Austria	EUR millions	291.88	295.98	232.74
Czech Republic	EUR millions	187.11	194.97	197.82
Slovakia	EUR millions	54.12	56.89	55.26
Poland	EUR millions	36.41	41.57	50.22
Romania	EUR millions	-12.99	-44.86	-98.70
Remaining markets	EUR millions	23.15	39.13	40.27
Central functions	EUR millions	-20.49	-20.08	-122.24
Consolidation	EUR millions	-0.20	0.10	-0.23
Net profit for the period after taxes and non-controlling interest	EUR millions	**406.75**	**425.52**	**234.80**
Balance sheet				
Investments*	EUR millions	**33,588.18**	**35,906.59**	**35,907.81**
Shareholders' equity	EUR millions	**5,049.64**	**5,688.61**	**5,020.10**
Underwriting provisions	EUR millions	**29,321.92**	**32,021.77**	**32,469.83**
Total assets	EUR millions	**39,769.65**	**42,310.80**	**41,976.89**
Share				
Number of shares	Units	**128,000,000**	**128,000,000**	**128,000,000**
Market capitalisation	EUR millions	**3,919.36**	**5,168.00**	**4,636.80**
Average number of shares traded by day	Units	**~ 101,000**	**~ 76,000**	**~ 64,000**
Year-end price	EUR	**30,620**	**40,375**	**36,225**
High	EUR	**43,650**	**40,375**	**42,810**
Low	EUR	**24,625**	**27,630**	**34,260**
Share performance for the year (excluding dividends)	%	**-21.29**	**31.86**	**-10.28**
Dividend per share	EUR	**1.10**	**1.20**	**1.30****
Dividend yield	%	**3.59**	**2.97**	**3.59**
Earnings per share	EUR	**2.87**	**3.01**	**1.57**
Price-earnings ratio as of 31 December		**10.69**	**13.41**	**23.08**
Number of employees (average for the year)		**24,902**	**24,086**	**23,139**
thereof Austria		5,364	5,405	5,235
thereof outside Austria		18,446	17,961	17,361
thereof central functions		1,092	720	543

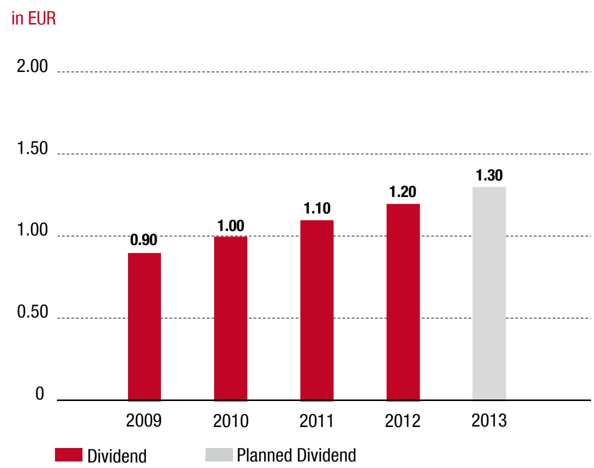
* Incl. unit-linked and index-linked life insurance investments and excl. cash and cash equivalents ** Planned dividend; rounding differences may occur when rounded amounts or percentages are added.

Overview

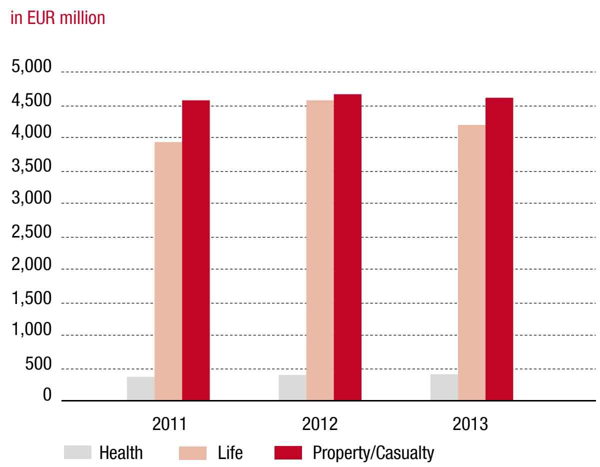
SHAREHOLDER STRUCTURE



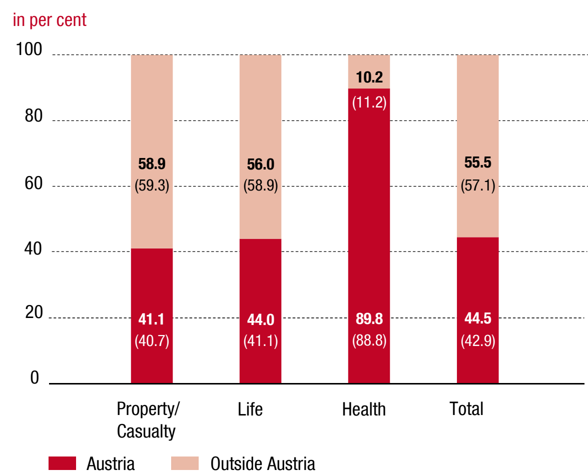
DEVELOPMENT OF DIVIDEND PER SHARE



PREMIUM DEVELOPMENT BY LINES OF BUSINESS



PERCENTAGE OF PREMIUMS BY REGION 2013 (PREMIUMS FOR 2012 IN PARENTHESES)



VIG by region

VIENNA INSURANCE GROUP

Country	Premium volume total	Premium volume life	Premium volume non-life	Employees
	(EUR '000)	(EUR '000)	(EUR '000)	
Austria	**4,073,885**	**1,844,517**	**2,229,368**	**5,235**
Czech Republic	**1,762,082**	**870,129**	**891,953**	**4,852**
Slovakia	**744,666**	**418,566**	**326,099**	**1,557**
Poland	**1,142,304**	**582,233**	**560,071**	**1,742**
Romania	**361,796**	**61,842**	**299,954**	**2,727**
Remaining markets	**1,061,635**	**414,159**	**647,476**	**6,483**
Albania	23,844	–	23,844	406
Baltic States	41,996	41,996	–	130
Bosnia-Herzegovina	10,935	511	10,424	211
Bulgaria	110,869	23,617	87,252	538
Germany	164,756	78,302	86,454	111
Georgia	57,961	–	57,961	480
Croatia	88,564	54,039	34,525	938
Liechtenstein	98,152	98,152	–	11
Macedonia	18,939	53	18,886	322
Serbia	68,970	31,775	37,195	1,272
Turkey	135,384	–	135,384	238
Ukraine	79,365	3,874	75,491	1,520
Hungary	161,901	81,839	80,062	306

The Montenegro and Belarus markets were not included in the Vienna Insurance Group consolidated financial statements in 2013. There are also branch offices in Italy and Slovenia.

Why we look to the future with confidence.

Because it is people, the environment and society that **we** care about. Because we **offer optimal** solutions and **products** creating a strong foundation. Because our priority is the security **and** future of our customers. Because the **services** we gladly offer form the basis of our common future. Because we use real values to maintain long-term cooperations. Because we provide a strategy **via** efficiency and cooperation. Because **our** approximately **23,000 employees** look to the future **inspired by** motivation, loyalty and **team spirit**. Because we draw on our **expertise** from the past to help understand the present. **And** because we maintain **close** professional **relationships with our customers** to address their needs and desires. We see great opportunity and potential **in 24 markets**.

Highlights 2013

No. 1

IN THE CORE MARKETS

with a market share of 18.2% (1st–3rd quarters of 2013). VIG will continue to use this strong presence to implement its long-term growth strategy in the future.
▸ **Page 24**

355 million

EUROS IN PROFIT BEFORE TAXES

for financial year 2013, after EUR 564 million in the previous year. ▸ **Page 78**

"VIG is an attractive employer on the international stage that offers outstanding development opportunities to all employees who want to contribute and develop their personal strengths. We work with our employees as equals, and aim to create an environment that is both challenging and supportive."

▸ Page 63

Birgit Moosmann,
Head of VIG People Management

36,000

WORKING HOURS

is the number of hours volunteered by VIG employees during the Social Active Day, which was extended to 19 countries in 2013. This corresponds to around 4,500 working days that employees were allowed to use for social involvement. ▸ **Page 68**

COMBINED STRENGTHS IN CROATIA

Merging the Croatian VIG Group companies Kvarner and Helios into a new company under the name Wiener Osiguranje in 2013 was an important step in further strengthening customer-orientation and ensuring efficient market development. ▸ **Page 31**

ACQUISITIONS IN POLAND AND HUNGARY

The agreement to acquire the life insurance company Skandia Poland that was concluded in November 2013 allows VIG to considerably strengthen its successful position in this market. Just one month later, an agreement was concluded to acquire AXA Biztosító, allowing VIG to expand its portfolio in Hungary with a focus on the life insurance segment. Both acquisitions are subject to approval by the regulatory and antitrust authorities. ▸ **Page 38**

1.30

EUROS PER SHARE

is the amount recommended to the General Meeting by the Managing Board. This corresponds to an increase of 8.3% or EUR 0.10 compared to the previous year and underlines the strong operating performance achieved by VIG. ▸ **Page 44**

9,218,574,295

EUROS IN GROUP PREMIUMS

were written by VIG in 2013, 4.4% less than the previous year. Significant increases were recorded in countries such as the Baltic States, Bulgaria, Hungary, Serbia, Slovakia and the Ukraine. The Remaining Markets segment passed the EUR 1 billion mark for the first time. Premium revenues were influenced by targeted reductions in Poland, Romania and Italy. ▸ **Page 78**

"Successful placement of a EUR 500 million subordinated bond in October 2013 that was more than four times oversubscribed shows how attractive VIG is in the bond market."

▸ Page 38

Nina Higatzberger, Head of Investor Relations

FLOODING IN AUSTRIA AND CENTRAL AND EASTERN EUROPE

In the early summer of 2013, a flood affecting some areas in VIG's core markets had dramatic consequences for the people in this region. VIG received around 25,000 claims totalling around EUR 180 million according to current estimates. After deducting reinsurance, VIG retained a net amount of around EUR 38 million. Most of the claims were from Austria and the Czech Republic. The remainder of the claims were distributed among Germany, Hungary, Poland, Romania and Slovakia. Total claims due to storm events were EUR 280 million – approximately EUR 100 million higher than the previous year. VIG's retention was around EUR 120 million of this amount.

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Service

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

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

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

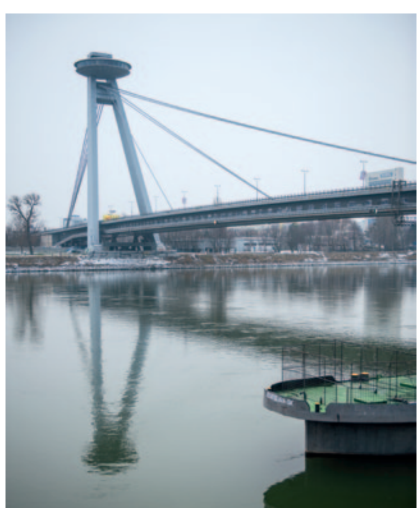
What does quality of life mean to you, Mr Sabo?

- **Sabo:** Although it might seem quite mundane to many, quality of life means security to me. This security is based on my "social safety net", namely my family and friends. I feel good when they are doing well. It makes me happy to see how enthusiastic my daughter is as she learns new things day after day – and how my wife manages to make my life richer in so many ways time and time again. The feeling that someone is there when I need them, and to feel needed myself, is unbelievably important to me.

- Of course, this emotional security also needs support in the material world. My quality of life is therefore also maintained by my work. I am a businessman and the more successful my business is, the more

"To me, quality of life means security."

I can contribute in this way. Naturally, if you have worked hard for something, you want to protect it. So it is important to me to have a reliable partner who can do this. By that I mean my insurance company, Kooperativa, which frees me from many worries and therefore helps protect my quality of life.



Ivan Sabo
Customer of Kooperativa
Bratislava, Slovakia

"The support of my family and friends lets me look to the future with confidence."

What interests you about your customers, Ms Reznik?

Reznik: What an easy question – their satisfaction of course! Although it is not always that simple. We (Compensa Life) operate in the three Baltic countries of Estonia, Latvia and Lithuania. You might think that there would be no major differences between these countries, but one does in fact encounter slightly different mentalities. Here in Estonia, for example, and as you will also find further north, we are calmer and tend to be more reserved when talking. As a result, we often prefer to conduct advisory meetings at a distance, via media such as the Internet and telephone. Things are a little different in Latvia and Lithuania, where a personal meeting is needed to come to a good conclusion with our customers.

Olga Reznik
Chairwoman of the Managing Board of Compensa Life Baltic States, Tallinn, Estonia

"Enjoyment at work, our shared effort to 'maintain the pace' – this is what keeps my hopes up for the future."

- But do you want to know the real reason as to why customer satisfaction is so critically important to me? It is because communities in the Baltic states tend to be relatively small. News spreads like wildfire by word-of-mouth. A satisfied customer can easily generate five new customers. An unhappy customer, on the other hand, can cost up to 15 new customers.

- One thing therefore became clear to me quite early on in my insurance career and that is that trust and satisfaction are not just marketing buzzwords. And I admit that there are times when you have to work hard to earn that trust. My colleagues and I were recently visited by a potential foreign

"A happy customer can easily generate five new customers."

corporate customer. In order to win the customer over to Compensa, we literally had to present new insurance alternatives one after another for an entire month. But it paid off in the end. He now trusts us and we have gained another satisfied customer.

What makes VIG your personal number one, Ms Dražeta and Ms Moosmann?

Dražeta: For me, the answer is quite clear. VIG is like a second family to me. After all, you spend most of your time with your fellow employees. And that is why corporate culture, or more precisely how we treat one another, is so important.

It might not be that important to others, but I appreciate the respectful way in which we treat each other. Mutual appreciation is such a huge motivator.

In sales in particular, we naturally work in competition with each other. We nevertheless feel drawn together like a family during our work. We share in both the successes and misfortunes of others. The intensity of this exchange gives me the energy I need to meet new targets. Clearly, everyone in employment has to continuously improve his or her skills and work on self-development. But achieving company targets in a truly effective manner requires functioning teamwork. That is the key to success. And that is precisely what works for us.

Our work also defines who we are. My work has taught me a great deal about myself, my strengths and my weaknesses. You know, insurance is not just a job. Insurance is a lifestyle. It truly is "survival of the fittest". If you can't handle an intense, demanding and fast-paced job, the insurance industry is not the place for you. But that is exactly what I love about my job. It's interesting. It's dynamic. And it's fun.

"Insurance is not just a job. Insurance is a lifestyle."

Birgit Moosmann
Head of People Management, Vienna Insurance Group, Vienna, Austria

"I have confidence in the future, because every day I see how ambitious people are moving VIG forward with new ideas."

Nikolina Dražeta
Key Account and Corporative Sales Manager, Wiener Osiguranje, Croatia

"My knowledge makes me confident that I can offer my customers the best quality in terms of insurance."

Moosmann: That's easy to answer: the huge selection of training opportunities and career paths. Insurance companies don't come across as very attractive employers to many people. However, anyone who starts working here with a preconception like that will generally be pleasantly surprised to find this image misleading. Hardly any other company offers so broad a range of tasks and responsibilities. There is a positive feeling every day that people and their needs are the central focus here, and this has to do with our historical roots. The bottom line is that our business model is built on the idea of solidarity.

On that note, it is interesting to recall that my first job after graduation was with a trade union. When I heard in 1989 that Wiener Städtische was looking for employees, the immaculate reputation that the company had gained with us trade unionists as an employer and its renown as a leading insurance company were the key factors that led me to apply. My feeling was that if trade unionists were saying the company was a good employer, then this was something I could trust. To this day, I have never regretted my decision.

"The bottom line is that our business model is built on the idea of solidarity."

When I applied for a job here, the Group was still called "Wiener Städtische Versicherung" and we worked exclusively in Austria. Today, 25 years later, we have grown to be a European insurance company, a large successful family of more than 23,000 employees operating in 24 countries.

What attracts you about your work?

"We live in exciting times and our pioneering spirit, enthusiasm and clear strategy can help us take part in shaping the future of our markets. This is a huge opportunity for all of the 23,000 employees at VIG, and we want to take advantage of it each and every day."

Peter Hagen
General Manager,
Chairman of the Managing Board

- **Areas of responsibility:**
  Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management, IT, international processes and methods, SAP smile solutions
- **Country responsibilities:**
  Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

Martin Simhandl
Member of the Managing Board,
CFO

- **Areas of responsibility:**
  Asset management, subsidiaries department, finance and accounting, Group cost structure, internal capital model project (project Solvency II), treasury/capital market
- **Country responsibilities:**
  Georgia, Germany, Liechtenstein, Turkey

"I am not just interested in the numbers, but also the background information on the market developments that affect our business performance. I therefore feel it is important to promote a shared understanding within VIG of the current challenges facing us, so that we can work together to find appropriate solutions for the future."

"What fascinates me the most are the differences across our 24 markets. This is precisely what motivates me to help in the further development of these markets in my day-to-day work, for which I consider cross-border cooperation and mutual sharing of knowledge between the individual Group companies to be of particular importance."

Franz Fuchs
Member of the Managing Board

- **Areas of responsibility:**
  Performance management personal insurance, strategic initiative health insurance
- **Country responsibilities:**
  Baltic States, Poland, Romania

Peter Höfinger
Member of the Managing Board

- **Areas of responsibility:**
  International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, strategic initiative SME business, strategic initiative private customers' property insurance
- **Country responsibilities:**
  Albania (incl. Kosovo), Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Serbia, Slovakia

"As an insurer, we deal with the basic needs of our customers. For this reason, we always place our focus on people. It is also personally important to me that corporate and large customer business be conducted along the same lines, since this is the only way we can build successful and sustainable business relationships."

Entire Managing Board

- **Areas of responsibility for the Managing Board as a whole:**
  General secretariat, controlling, enterprise risk management (Solvency II), actuarial department, internal audit, investor relations

Confidence in the future
is what unites us.

An interview with the Vienna Insurance Group Managing Board on developments during financial year 2013, strategic plans and the special nature of one of the leading insurance groups in Austria and Central and Eastern Europe.

From left to right: Peter Höfinger, Martin Simhandl, Peter Hagen, Franz Fuchs

From a macroeconomic point of view, 2013 was a mixed year for Europe. How was it for VIG?

Hagen: In overall terms, I think we can be quite satisfied with developments in 2013. There were some challenges, of course, but VIG's broad base, which now extends to 24 countries, is an especially beneficial asset in a volatile environment. We increased our earnings, significantly increased premiums and expanded our market position in many of these markets also in 2013. However, achieving healthy sustainable growth also means foregoing premium growth in the short term when necessary. Take Romania, for example, where we are intentionally refusing to participate in the price war for motor vehicle insurance, even if it means lower premiums in 2013. Or Italy, where we had to focus on a sustainable reorganisation of our product portfolio in the motor vehicle insurance business. And in Poland, we have exercised restraint with respect to single-premium life insurance. In view of these developments, our 4.4% decline in premiums to EUR 9.2 billion is consistent with our top priority: profitable growth rather than growth at any price.

Which markets performed particularly well in 2013?

Höfinger: I can give you a number of examples. With respect to premium growth, our Group companies in the Baltic States, Hungary, Serbia, Slovakia, Turkey and the Ukraine achieved particularly sizeable growth rates. The "Remaining Markets" segment broke through the EUR 1 billion mark for the first time, and we are especially proud of this achievement. However, I think it is also important that we significantly increased our profit before taxes in many of our CEE markets – the Baltics, Bulgaria, Croatia, Poland and Turkey, for example.

Hagen: I would like to add that we can be quite satisfied with premium growth in 2013 in Austria, which continues to be our most important single market, as Wiener Städtische and s Versicherung achieved solid performances.

To what extent did the decrease in premiums nevertheless have an effect on earnings?

- **Simhandl:** If you analyse earning growth in 2013, the premium losses suffered in some markets actually turned out to be less important, while the negative developments mentioned in Italy and Romania had an extremely dramatic effect. This is why it was especially important that we introduced and implemented numerous measures to increase profitability in these countries. If you look at the CEE countries without Romania, our earnings increased by around 2%. The bottom line, however, is that after achieving a record value in the previous year, Group profit declined by 37.0% to EUR 355.1 million. This includes goodwill impairment losses in Romania and provisions in Italy.

What effect did this have on the combined ratio?

- **Simhandl:** The factors mentioned caused the combined ratio to rise from 96.7% in the previous year to slightly more than 100%, although natural disasters like the flood at the beginning of the summer also played a certain role. Even though we view this as a temporary increase due to the special effects, we are making every effort to further improve efficiency and profitability throughout the Company.

What measures have you taken as a result of the current developments in Romania and Italy?

- **Fuchs:** Our strategy in Romania is quite clear: we remain committed to not participating in the irrational behaviour of several competitors. The current dumping prices in the motor vehicle insurance business have absolutely no relationship to cost pricing and are ruinous for the entire line of business. We will therefore continue to reduce our motor liability portfolio and focus on other lines of business. This strategy is accompanied by strict cost management and effective measures for improving claims management.

The interviewers: The questions for the Managing Board were asked by customers, economic experts, partners and VIG employees, who also provide answers to key questions elsewhere in this report.

Friedrich Mostböck
Head of Group Research,
Erste Group, Austria

Ivan Sabo
Customer of Kooperativa,
Slovakia

Gerald Klemensich
Head of Reinsurance
Vienna Insurance Group, Austria

Olga Reznik
CEO Compensa Life Baltic States,
Estonia

Maria Culescu
Founder and President of the
aid organisation M.A.M.E., Romania

Dorota Czerwińska-Rybska
Managing Board member Polisa,
Head of HR Compensa, Poland

Roman Brablec
Head of Reinsurance Kooperativa and
ČPP, Czech Republic

Nikolina Dražeta
Key Account Manager
Wiener Osiguranje, Croatia

Birgit Moosmann
Head of People Management Vienna
Insurance Group, Austria

Hagen: I am confident that the accounting and personnel measures implemented in Romania have created a healthy starting point for 2014 and beyond. The measures implemented in 2013 in Italy also went beyond personnel changes and included extensive measures to reorganise our portfolio.

VIG is proud of the wide diversity of its brands. To what extent does this local orientation prevent Group-wide synergies?

Höfinger: We do not see our brands simply as logos for our Group companies. They are an expression of our regional ties and proximity to our customers. Many of these brands were established years ago and in some cases decades ago. They symbolise the independence that our local Group companies can experience under the VIG umbrella while complying with Group guidelines. These are very important benefits that represent the very core of VIG. But at the same time, our multi-brand strategy does not prevent us from exploiting synergy effects at the Group or country level. Departments without direct customer contact, such as accounting or investments, are regularly being bundled together in countries with more than one Group company in order to benefit from the cost advantages. However, Group-wide initiatives that form part of our business strategy are also important. An example is our SME initiative, which we used to carefully target small and medium-sized enterprises in our markets in 2013. This allowed us to achieve a significant increase in premiums in this important customer segment.

In your opinion, what sets VIG apart from its competition? Isn't all insurance the same?

Fuchs: In my view these are a number of different aspects. As previously mentioned, we consider our multi-brand strategy to be a definite advantage because it ensures a differentiated approach when developing different markets. This is because the insurance business is essentially a local business, even though it is exposed to global developments. There are fundamental differences between the current needs of our customers in the Ukraine or Bulgaria and those of our customers in Austria. It would therefore be completely counter-productive and arrogant to try and sell a standard range of products to all of our markets from the Ringturm building in Vienna. VIG stands out instead for its ability to handle the special characteristics of different regions. To do so, we rely on the market knowledge of our local employees

"We want to consolidate our leading market position in Austria and fully exploit the growth potential in the CEE region."
Peter Hagen

“Our CEE markets already generate more than 50% of Group premiums and the great potential of these markets means they will become even more important in the future.”
Franz Fuchs

and managers; they know best which insurance products are needed by the people in their area, and they can react quickly and skilfully to changes.

Hagen: The rapid rate of change in our markets requires quick decision-making, and our decentralised organisational structure makes this possible. This means, for one thing, that approval powers and decision-making authority remain with the local management team, along with all the consequences that this implies, including the personal responsibility borne by management. I have to admit that it is not always easy to do this. However, last but not least it is the dedication and the skills of our around 23,000 employees that are responsible for VIG’s success.

What are your most important strategic plans for coming years?

Hagen: We are following a sustainable growth strategy with two primary objectives. We want to further consolidate our leading market position in Austria while fully exploiting the growth potential in the CEE region over the long term. At the same time, we are focusing on what we do best: insurance – our core business. We are also relying on the multi-brand strategy previously mentioned, which allows us to broadly diversify our distribution channels. As always, our highly successful cooperation with Erste Group plays a very special role in this regard.

What role will the Central and Eastern European countries play in our Group strategy?

Fuchs: It is clear to me that they will play a key role. Our CEE markets already generate more than 50% of Group premiums, and a closer look at insurance density shows that they are set to become even more important. While annual per capita insurance expenditures are close to EUR 2,000 in Austria, the comparable figure for the CEE region is around EUR 200. In addition, around 170 million people live in our CEE markets. People who, in spite of setbacks due to the crisis, are working their hardest to push forward the process of economic convergence in their countries. From a strategic point of view, however, we do not think of the CEE as a homogeneous region. Economic momentum varies greatly between these countries, as do political and social factors. These are important differences that we also have to take into account when defining our strategy.

Höfinger: Our clear commitment to the CEE region is also shown by our latest expansion measures: the acquisition of AXA Biztosító in Hungary and Skandia Poland, the conclusion of the acquisition of Makedonija Osiguruvanje and the announcement of the acquisition of Donaris in Moldova at the beginning of 2014. The next steps are to secure the long-term stream of income generated by these investments and continuously increase the earnings contributed by the CEE markets.

"We are following a sustainable dividend policy and will propose a dividend of EUR 1.30 per share at the Annual General Meeting for financial year 2013."
Martin Simhandl

To what extent will Solvency II affect VIG's strategy and day-to-day work within the Company?

- **Hagen:** Solvency II does not require a major change in our strategy. On the contrary, it confirms our risk-conscious business policy and will lead to a more in-depth focus on these processes. After all, the European Commission is using the Solvency II regulations to pursue two major objectives: first, to provide insurance customers with better protection against the insolvency of individual insurance companies and secondly, to ensure proper operation of the European insurance market. As a responsible insurance group, we can only welcome these two objectives. The models and approaches currently being discussed, however, will involve enormous bureaucratic effort and expense.

- **Simhandl:** The Solvency II capital requirements for covering the risks assumed by insurance companies is not a problem. Our solvency ratio according to Solvency I was higher than 200% at the end of 2013. This surplus cover is a clear indicator of VIG's financial stability, which we will ensure to maintain in the future. In addition, the successful issue of our subordinated bond in October 2013, whose volume of EUR 500 million was oversubscribed several times, shows how attractive VIG is for the bond market.

What dividend can our shareholders expect for 2013?

- **Simhandl:** For years we have followed a dividend policy that distributes a minimum 30% of our Group profits after taxes and non-controlling interests to our shareholders. As previously mentioned, the decrease in Group profit in 2013 is the result of special issues, not the development of the Group in general. Based on good operating performance and our strong capital base, we will be proposing a dividend of EUR 1.30 per share at the Annual General Meeting in June 2014. This proposal should also be seen as an expression of our conviction regarding VIG's future positive development.

The VIG Annual Report for 2013 is based on the motto "What unites us – confidence in the future". What is your confidence in the future business development of VIG based on?

- **Hagen:** In addition to VIG's excellent strategic position, I am firmly convinced that the economic convergence process will continue in our Central and Eastern European markets, in spite of the current challenges. We are living in an exciting time that is full of opportunities. With great courage and pioneering spirit, Vienna Insurance Group has laid a solid foundation in the past for our future growth and success – today we are number one in our core markets. We now have to build upon this foundation, and not only recognise opportunities, but also make use of them. And I am confident that working together with our employees we can achieve this.

"We feel a special connection to the people in our markets, and VIG and its Group companies consequently feel a great deal of social responsibility."
Peter Höfinger

The financial and economic crisis has also led to a more difficult social climate. How is VIG dealing with this?

- **Höfinger:** We feel a special connection to the people in our markets, and VIG and its Group companies consequently feel a great deal of social responsibility. Our principal shareholder, Wiener Städtische Versicherungsverein, regularly supports our activities in this regard and also implements many initiatives itself. The focus is on assisting regional social organisations and projects that are chosen locally by our Group companies and contribute to the long-term improvement of living conditions.

- **Fuchs:** The "Social Active Day" is certainly one of our most important social initiatives. Our employees are allowed to take one day off during the year to perform social activities in a wide variety of institutions. These activities range from renovation work in social aid organisations and nursing care facilities to food collection and providing care to the elderly. The number of Group employees participating in this project has grown continuously since it was first launched in 2011. In 2013, 19 countries took part. More than 4,500 working days were provided for volunteer work, corresponding to around 36,000 working hours that we provided free of charge for the collective good. I think we can be very proud of this.

Let us close by looking into the near future. What is the outlook for 2014?

- **Hagen:** The positive development and success we achieved in many of our markets in 2013 make me quite optimistic. Even though 2014 is not going to be an easy year in macroeconomic terms, I am convinced that we will be able to continue the successful course of VIG. The optimisation measures we implemented in Romania and Italy in 2013 will further improve efficiency in 2014. And our goal of growing faster than the overall market remains unchanged in 2014.

Vienna Insurance Group company profile

We have been one of the leading exchange-listed insurance groups in Austria and Central and Eastern Europe for years. Approximately 23,000 employees in around 50 Group companies in 24 countries generated around EUR 9.2 billion in premiums in 2013. As the leading insurance company in our core markets, we provide our customers with an outstanding portfolio of products and services in all classes of life and non-life insurance.

At home in both Austria and Central and Eastern Europe

During a long history steeped in tradition – the Company's roots reach back to the year 1824 in Austria – VIG has successfully overcome all of the challenges of history, and has often taken on a pioneering role. This was the case in 1990, when Wiener Städtische became one of the first Western European insurance companies to recognise the exciting growth opportunities in Central and Eastern Europe and take a chance on entering the market in the former Czechoslovakia. That was the starting point for further expansion. Hungary followed in 1996, Poland in 1998, Croatia in 1999 and Romania in 2001 – to mention just a few examples. VIG now operates in 24 markets and is proud of its broad geographical orientation and the optimal regional diversification it brings. VIG's planned use of the Donaris acquisition to enter the Moldovan market will open up the last remaining country in the CEE region and give VIG a presence in all 25 countries in the region.

The leading insurance specialist in the CEE region.

Number one in its core markets

In addition to Austria, VIG's core markets are the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia and the Ukraine. VIG's market share of approximately 18% makes it the number one insurance company in these markets, and VIG is working continuously to further consolidate this position.

More than half of all premiums written in 2013 came from markets in the CEE region, which provides impressive proof of VIG's successful expansion strategy. Indeed, given the economic convergence process taking place in Central and Eastern Europe and the increased need for insurance coverage it brings, this region will continue to grow in importance.

VIG RE, the reinsurance company that was established by VIG in 2008, has its registered office in the Czech Republic, thereby stressing the importance of the CEE region as a growth market for VIG.

24 markets, one objective: to continue the mutual success

In spite of the wide range of customer requirements and conditions in its individual markets, VIG has one common objective everywhere: to continue its business success by providing customers with the best possible insurance protection. This places a great responsibility on VIG, and the VIG Group companies are fully dedicated to meeting this responsibility, using professional, forward-looking advisory services and a flexible product portfolio. The use of a broad network of service centres and a variety of distribution channels ensures the customer proximity that this requires. At the same time the Group relies on established regional brands that are brought under the Vienna Insurance Group umbrella without losing their own identity or individual strengths. This is because it is the individual strengths and advantages of these companies that make VIG a strong family.

Stability based on binding values and a focus on core competences

Vienna Insurance Group is a progressive and highly risk-conscious insurer. Its activities are fully focused on its core business – the insurance business. However, Vienna Insurance Group offers various forms of security to more than its customers. Security in the form of reliability, trustworthiness and solidarity also receives top priority in dealings with business partners, employees and shareholders. Ethical values such as honesty, integrity, diversity, equal opportunity and customer-orientation form the basis for all business decisions.

This fundamental approach is confirmed not only by a strategy of continuous sustainable growth, but also excellent creditworthiness. In June 2013, the rating agency Standard & Poor's confirmed its rating of A+ with a stable outlook, making VIG the best rated company in the ATX leading index of the Vienna Stock Exchange.

VIG and Erste Group – two strong partners

In 2008, two leading financial service providers in Central and Eastern Europe – VIG and the Erste Group – decided to further increase their success by working together. They therefore entered into a long-term strategic partnership that benefits both of them: Erste Group branches distribute VIG insurance products, and in return VIG companies offer Erste Group bank products.

Strong stock exchange presence, long-term principal shareholder

VIG Holding's shares have been listed on the Vienna Stock Exchange since 1994. Its market capitalisation of more than EUR 4.6 billion at the end of 2013 makes it one of the largest listings on the exchange. It has also had a secondary listing on the Prague Stock Exchange since February 2008, which once again emphasises the great importance the Central and Eastern European region has for the Group.

Around 70% of VIG Holding's shares are held by Wiener Städtische Versicherungsverein, a stable principal shareholder with a long-term orientation. The remaining shares are in free float.

Strong team, attractive employer

"Our success is based on people" – in addition to forming the basis for VIG's business success, this concept also guides its people management and thereby determines its position as an attractive employer. VIG develops and supports the know-how of its approximately 23,000 employees and their readiness to provide top performance. Identifying and developing the individual skills that each person brings to VIG's large team is particularly important, and a wide variety of training and advanced training opportunities, international exchange programmes and international cooperations exist within the Group to ensure that this happens.

Our mission statement

- **WE are at home in CEE.**
- **WE are the leading insurer in CEE, due to customer proximity and customer orientation.**
- **WE are family.**
- **WE care about people especially.**
- **WE are aware of our social responsibility.**
- **WE create value sustainably.**
- **WE want to be the leader.**

Can we expect prosperity to continue rising in Central and Eastern Europe?

H. E. Jan Sechter
Czech Republic Ambassador to the Republic of Austria

- Central and Eastern Europe has achieved great successes in the past two decades, particularly the Czech Republic. Economic and political transformation, integration into international business relationships, attractiveness for investors and, more recently, the ability to resist financial turbulence form a good foundation for future projects. The results that Vienna Insurance Group has achieved in these countries and its unique, innovative form of networking have provided support to our economy for many years.

"I would like to add that Czech foreign policy will use the many years of experience of companies like VIG and work together with other Central European countries to better represent the interests of their citizens in the EU. This gives me confidence in the future."

Jan Sechter

"I have confidence in the future because Poland is an economic engine for the continent and is a reliable, prosperous partner helping to further increase the prosperity of the region."

- Poland has developed into a modern, cosmopolitan country. Referred to as the "economic miracle on the Vistula", Poland was the only EU member state to survive the global economic crisis without a recession and record optimistic economic forecasts. A large-scale investment programme and EU funding to 2020 are strengthening Poland as an attractive location for business.

H.E. Artur Lorkowski
Polish Ambassador to the Republic of Austria

"Our confidence in the future is built on sustainable development. The latest results for the Romanian economy give us good hopes that we can continue to create prosperity for our country."

Silvia Davidoiu

“With respect to the motto ‘What unites us? Confidence in the future!’, prosperity for all of society is a common goal we should strive for.”

Vince Szalay-Bobrovniczky

H.E. Vince Szalay-Bobrovniczky

Hungarian Ambassador to the Republic of Austria

- As the Hungarian Ambassador, I would like to express my hope that the political conditions for an economic upswing can be achieved and that they will lead to widespread prosperity. Insurance companies have an extremely important role to play, as they give people a needed security, the confidence that difficult times will be overcome, and the hope for sustainable prosperity.

H.E. Silvia Davidoiu

Romanian Ambassador to the Republic of Austria

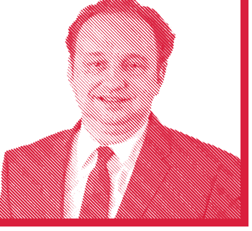
- Being a member of the European Union allowed Romania to accelerate its economic development and increase the prosperity of its citizens. The efficient, sustainable use of financial resources and a healthy economic upswing will continue to be a top priority in the future. I wish the VIG companies in Romania great success and hope that they can make a significant contribution to increased prosperity for the citizens of Romania.

“I believe in the future because our long-term historical relationship with neighbouring states creates a strong foundation for the development of our country.”

- Over the past two decades, Slovakia has become an emerging market and a strong partner in the European Union. The openness of the Slovakian economy, its readiness to rapidly establish efficient, technologically advanced supplier industries and its good strategic location in the heart of Europe form a basis for confidence in the future. As the Ambassador of my country, I am proud of the rapid development and functional integration it has achieved.

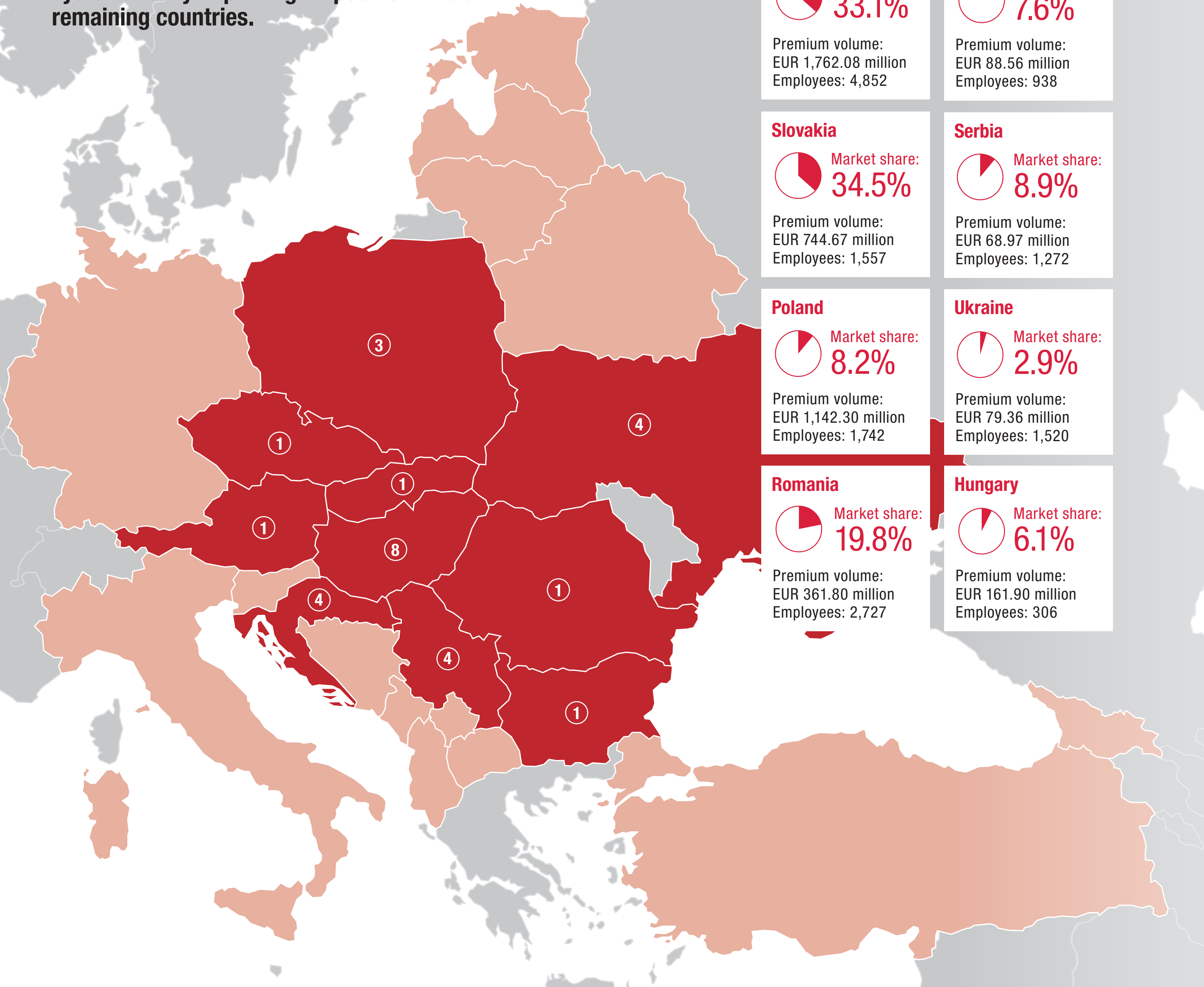
H.E. Juraj Macháč

Slovakian Ambassador to the Republic of Austria



How well positioned is VIG in its markets?

VIG's 18.2% market share makes it the clear number one in its core markets, and it is systematically improving its position in the remaining countries.



Austria
Market share: 23.9%
Premium volume: EUR 4,073.88 million
Employees: 5,235

Bulgaria
Market share: 14.0%
Premium volume: EUR 110.87 million
Employees: 538

Czech Republic
Market share: 33.1%
Premium volume: EUR 1,762.08 million
Employees: 4,852

Croatia
Market share: 7.6%
Premium volume: EUR 88.56 million
Employees: 938

Slovakia
Market share: 34.5%
Premium volume: EUR 744.67 million
Employees: 1,557

Serbia
Market share: 8.9%
Premium volume: EUR 68.97 million
Employees: 1,272

Poland
Market share: 8.2%
Premium volume: EUR 1,142.30 million
Employees: 1,742

Ukraine
Market share: 2.9%
Premium volume: EUR 79.36 million
Employees: 1,520

Romania
Market share: 19.8%
Premium volume: EUR 361.80 million
Employees: 2,727

Hungary
Market share: 6.1%
Premium volume: EUR 161.90 million
Employees: 306

- VIG core markets
- VIG markets (excluding VIG core markets)
- Market position, total

Market shares and market rankings (including total): status as of 1st–3rd quarters of 2013

Austria, Czech Republic, Slovakia, Hungary, Croatia: status as of 1st–4th quarters of 2013

VIG
VIENNA INSURANCE GROUP

AUSTRIA
- WIENER STÄDTISCHE – VIENNA INSURANCE GROUP
- Donau – VIENNA INSURANCE GROUP
- S-VERSICHERUNG – VIENNA INSURANCE GROUP

ITALY BRANCH
- WIENER STÄDTISCHE – VIENNA INSURANCE GROUP
- Donau – VIENNA INSURANCE GROUP

SLOVENIA BRANCH
- WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

CZECH REPUBLIC
- Kooperativa – VIENNA INSURANCE GROUP
- ČPP – VIENNA INSURANCE GROUP
- POJIŠŤOVNA ČESKÉ SPOŘITELNY – VIENNA INSURANCE GROUP
- VIG Re

SLOVAKIA
- Kooperativa – VIENNA INSURANCE GROUP
- KOMUNÁLNA poisťovňa – VIENNA INSURANCE GROUP
- POISŤOVŇA SLOVENSKEJ SPORITEĽNE – VIENNA INSURANCE GROUP

POLAND
- COMPENSA – VIENNA INSURANCE GROUP
- InterRisk – VIENNA INSURANCE GROUP
- BENEFIA – VIENNA INSURANCE GROUP
- POLISA-ŻYCIE – VIENNA INSURANCE GROUP

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

BULGARIA
- BULSTRAD – VIENNA INSURANCE GROUP
- BULSTRAD Life – VIENNA INSURANCE GROUP

CROATIA
- WIENER OSIGURANJE – VIENNA INSURANCE GROUP
- ERSTE OSIGURANJE – VIENNA INSURANCE GROUP

HUNGARY
- UNION BIZTOSÍTÓ – VIENNA INSURANCE GROUP
- ERSTE BIZTOSÍTÓ – VIENNA INSURANCE GROUP

SERBIA
- WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

UKRAINE
- КНЯЖА – VIENNA INSURANCE GROUP
- ГЛОБУС – VIENNA INSURANCE GROUP
- ЮПІТЕР – VIENNA INSURANCE GROUP
- УКРАЇНСЬКА СТРАХОВА ГРУПА – VIENNA INSURANCE GROUP

ESTONIA
- COMPENSA – VIENNA INSURANCE GROUP

LATVIA
- COMPENSA – VIENNA INSURANCE GROUP

LITHUANIA
- COMPENSA – VIENNA INSURANCE GROUP

BELARUS
- КУПАЛА – VIENNA INSURANCE GROUP

GEORGIA
- GPI – VIENNA INSURANCE GROUP
- IRAO – VIENNA INSURANCE GROUP

TURKEY
- RAY SİGORTA – VIENNA INSURANCE GROUP

ALBANIA
- SIGMA – VIENNA INSURANCE GROUP
- interalbanian – VIENNA INSURANCE GROUP
- INTERSIG – VIENNA INSURANCE GROUP

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

MONTENEGRO
- Život WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

BOSNIA HERZEGOVINA
- JAHORINA OSIGURANJE – VIENNA INSURANCE GROUP

GERMANY
- InterRisk – VIENNA INSURANCE GROUP

LIECHTENSTEIN
- VIENNA-LIFE – VIENNA INSURANCE GROUP

January 2014
www.vig.com

Highlights
from Austria

Austria is not only where VIG's historical roots are located. In terms of premiums, it is also the largest single market in the Group. With a total market share of 23.9%, VIG is the leading insurance group in Austria. Even when considered individually, the VIG companies Wiener Städtische, Donau Versicherung and s Versicherung still hold leading positions in their lines of business.

New pension products provide more flexibility and security

Although VIG Holding operates out of Austria as an international reinsurer and a contact for cross-border corporate customers, it is assigned to the "Central Functions" segment.
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NEW PENSION PLANS

2013 provided impressive proof of the outstanding ability of VIG companies to perceive and react quickly and flexibly to changes in the statutory framework and requirements. New legislation in the middle of 2013 redesigned government sponsored pension plans in order to make them more attractive and transparent. To reflect the higher level of capital market volatility, the statutory requirements provide new share

Wiener Städtische advertising campaign 2013

quota ranges for investments made for these products.

All three VIG companies introduced innovative, flexible products in 2013 in response to this change in the legal framework. Wiener Städtische revised its Premium Pension product to provide numerous benefits for existing and new customers. In addition to the security provided by the capital guarantee and the government subsidy, these include the option to choose between three forms of investment with different share quotas: security-oriented, growth-oriented and risk-oriented investment. Moreover, it is possible to switch between these alternatives. Customers can also now freely choose between the three different investment alternatives offered by Donau Versicherung's new "BonusPension" product, and s Versicherung has as well modified its "s Privat-Pension mit Prämien-Plus" product (s Private Pension with Premium Plus) to adjust to the new statutory framework.

VIG Group companies in Austria:	WIENER STÄDTISCHE	Donau	S-VERSICHERUNG
Short name:	Wiener Städtische	Donau Versicherung	s Versicherung
VIG member since:	Founding company of VIG	1971	2008
Insurance lines of business:	Life and Non-life	Life and Non-life	Life and Non-life
Number of employees:	3,352	1,414	175
Market position*:	2nd place	6th place	1st place (Life)
Market share*:	13.5%	4.9%	12.8% (Life)

* Market data: 1st–4th quarter of 2013

OVERVIEW OF AWARDS RECEIVED

- Wiener Städtische received **1st place** in nine of 14 categories in the "Goldmünze" (Gold Coin) financial products competition; named "Treasure of the Year" for its occupational disability insurance and "Most Innovative Insurance Company" for the company overall
- Donau Versicherung rated **"Outstanding"** for its customer service in the FONDS Awards
- Donau Versicherung and s Versicherung received **certification under the "Audit berufundfamilie"** (Career and Family Audit) programme of the Austrian Federal Ministry of Economy, Family and Youth
- Donau Versicherung received **2nd place in the AssCompact Awards** in the homeowner/household category and 3rd place for "Government-Sponsored Pension Plans"
- s Versicherung received **"Top Company"** and "Open Company" seals of approval from the kununu social media platform

Highlights
from the Czech Republic

General Manager Martin Diviš at the award ceremony for the best non-life insurance company

The Czech Republic has particular significance in VIG's portfolio, as the former country of Czechoslovakia was the first CEE market that VIG entered, by means of an interest in the newly formed Kooperativa in Bratislava in 1990. In addition to the Czech company Kooperativa, ČPP has also been part of VIG's portfolio of Czech Group companies since 2005 and PČS since 2008.

VIG and Erste Group – five years of successful cooperation

These three Group companies give VIG a total market share of 33.1% in the Czech insurance market. This not only makes it the overall market leader, but also puts it in first place when the life insurance market is considered on its own. Although VIG RE, the Group-owned reinsurance company, is also based in the Czech Republic, it is assigned to the "Central Functions" segment.

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FIVE YEARS OF STRATEGIC PARTNERSHIP WITH ERSTE GROUP

More than five years have passed since VIG and Erste Group entered into a strategic cooperation in autumn 2008 for Austria and their common markets in Central and Eastern Europe. Since that time, the dense network of Erste Group branches has distributed VIG insurance products and, in return, VIG companies have offered Erste Group bank products. The great success that has been achieved in partnership since then was reason enough to celebrate the anniversary with a gala event held in November 2013 in Prague. The results that could be presented there were impressive: in the course of the successful cooperation, around 360,000 new customers have been jointly gained for Česká spořitelna, the Erste Group subsidiary in the Czech Republic, while over 200,000 supplementary pension policies and more than 160,000 home loan and savings agreements were concluded, to mention just a few examples.

VIG Group companies in the Czech Republic:	Kooperativa VIENNA INSURANCE GROUP	ČPP VIENNA INSURANCE GROUP	POJIŠŤOVNA ČESKÉ SPOŘITELNY VIENNA INSURANCE GROUP
Short name:	Kooperativa	ČPP	PČS
VIG member since:	1990	2005	2008
Insurance lines of business:	Life and Non-life	Life and Non-life	Life and Non-life
Number of employees:	3,778	789	250
Market position*:	2nd place	8th place	2nd place (Life)
Market share*:	20.8%	4.8%	14.8% (Life)

* Market data: 1st–4th quarter of 2013

OVERVIEW OF AWARDS RECEIVED

- Kooperativa received **2nd place** in the overall ranking for the **best Czech companies** in the renowned "ČESKÝCH 100 NEJLEPŠÍCH" (Czech Top 100) competition and 1st place in the financial sector category
- Kooperativa was named **best non-life insurer** in the Czech Republic and second-best in the "Most Customer-Friendly Non-Life Insurance Company" category by the renowned daily newspaper "Hospodárské noviny"
- **"Zlatá Koruna"** ("Golden Crown" in English) awarded to Kooperativa's "TREND" business insurance policy and PČS's "Flexi" life insurance
- ČPP received **1st place** and Kooperativa 2nd place in the motor vehicle insurance category of the sector ranking by the consulting company Fincentrum; PČS received 1st place in this ranking for the life insurance category
- Kooperativa achieved **7th place** in the overall ranking of "the 100 most admired companies in the Czech Republic"
- Martin Diviš, General Manager of Kooperativa, was chosen as **"Insurance Manager of the Year"**

Highlights
from Slovakia

VIG expanded into what was then Czechoslovakia in 1990. It is now represented by three insurance companies in Slovakia. In addition to Kooperativa, the second-largest insurance company in the country, VIG's portfolio of Group companies in this country also includes Komunálna and PSLSP. VIG has a total market share of 34.5%, making it the largest insurance group in the country. It also holds first place in life insurance.

Komunálna advertising campaign 2013

KOMUNÁLNA WAS LOOKING FOR THE MOST INNOVATIVE AND SAFEST MUNICIPALITIES IN SLOVAKIA

As a long-time insurance partner of the municipalities in this country, VIG company Komunálna celebrated its twentieth anniversary by inviting them to take part in a special competition. Under the motto "Show us what has changed in your village over the past 20 years", participating municipalities could submit two photographs – one from the past and one from now. Around 200 municipalities participated, and awards were given to those that had implemented particularly impressive sustainable urban planning measures. The municipality of Zupkov was ranked top, followed by Nové Sady and Uhrovec.

Komunálna celebrates its 20th anniversary

The Komunála advertising campaign on the topic of safety in Slovakian municipalities, which hold a total of around 10,000 insurance policies, also received a good response. As absolutely no accidents have been recorded in the municipality of Rybnik since 2008, it was chosen as the safest place in Slovakia. The decision also marked the beginning of Komunála's new communication campaign, which was started in 2013 in order to increase brand awareness and reach.

VIG Group companies in Slovakia:	Kooperativa VIENNA INSURANCE GROUP	KOMUNÁLNA poisťovňa VIENNA INSURANCE GROUP	POISŤOVŇA SLOVENSKEJ SPORITEĽNE VIENNA INSURANCE GROUP
Short name:	Kooperativa	Komunálna	PSLSP
VIG member since:	1990	2001	2008
Insurance lines of business:	Life and Non-life	Life and Non-life	Life
Number of employees:	1,161	326	55
Market position*:	2nd place	4th place	9th place
Market share*:	23.4%	7.9%	3.2%

* Market data: 1st–4th quarter of 2013

OVERVIEW OF AWARDS RECEIVED

- Kooperativa received **3rd place** in the motor vehicle insurance category of the "Zlatá minca" (Gold Coin, a competition for financial products) for its "EUROKASKO EXTRA" product, and Komunálna received 3rd place in the third party liability category
- The Chamber of Industry and Commerce **recognised** Komunálna for its contribution to the economic development of Slovakia
- Komunálna received **gold for the best advertising campaign** and silver for PR creativity in the "Zlatý klinec" (Golden Nail) advertising competition and Kooperativa received 2nd place in the "best TV commercials" category
- PSLSP received **3rd place** in the annual top ranking of insurance companies by the Slovakian business magazine "Trend"

Highlights from Poland

Poland has a population of more than 38 million, making it VIG's second-largest core market in terms of population, following the Ukraine. VIG entered the market in 1998 and has successively expanded its presence since then. VIG is now represented by six companies and four different brands. The Group companies include Compensa Life and Non-life, InterRisk, Polisa and Benefia Life and Non-life. Compensa Non-life also operates branch offices in Latvia and Lithuania. VIG's total market share of 8.2% makes it the third largest insurance group in Poland.

Deputy Chairman of the Managing Board Ireneusz Arczewski with the "Reliable Employer" award

STRENGTHENING MARKET PRESENCE

Poland's importance for VIG's country portfolio was shown by the latest expansion in 2013 with the agreement to acquire Skandia Poland (subject to official approvals).

Skandia Poland expands VIG market presence

Skandia Poland has operated in the Polish market for 14 years. It holds a particularly strong position in the area of unit-linked life insurance, which is primarily distributed through bank partners and insurance intermediaries. This complements and strengthens existing VIG activities in Poland.

Poland is one of the largest economies in the European Union and strong domestic demand helped it do well even during the economic crisis. At an average of around EUR 390 per capita in insurance premiums each year, the market shows considerable growth potential when compared to the corresponding value of around EUR 1,920 in Austria.

OVERVIEW OF AWARDS RECEIVED

- **Title of "Reliable Employer"** received by Compensa Non-Life from the Polish Chamber of Commerce
- Polisa received an **award from Home&Market** as best partner in the business support category
- **2nd place** for Polisa in Financial Magazine's ("Financial Magasine") top 50 ranking of the most dynamic financial companies

VIG Group companies in Poland	COMPENSA VIENNA INSURANCE GROUP	InterRisk VIENNA INSURANCE GROUP	BENEFIA VIENNA INSURANCE GROUP	POLISA-ŻYCIE VIENNA INSURANCE GROUP
Short name:	Compensa Non-life, Compensa Life	InterRisk	Benefia Non-life, Benefia Life	Polisa
VIG member since:	2001	2005	2005	2012
Insurance lines of business:	Life and Non-life	Non-life	Life and Non-life	Life
Number of employees:	694	762	145	141
Market position*:	12th place	6th (Non-life)	11th place	21st place (Life)
Market share*:	2.7%	4.2% (Non-life)	3.2%	0.6% (Life)

* Market data: 1st–3rd quarter of 2013

Highlights
from Romania

VIG entered the Romanian insurance market in 2001 and has developed its position considerably since then. It is now the market leader, with a total market share of 19.8%, and also holds first place in the non-life insurance sector and second place in life insurance.

The Group is represented by three insurance companies in the Romanian market. In addition to Omniasig and Asirom, the insurance company BCR Life also belongs to Vienna Insurance Group.

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Further optimisation of claims processing procedures

Asirom receives the „Best Group Insurance Product“ award

VIG Group companies in Romania:	OMNIASIG VIENNA INSURANCE GROUP	ASIROM VIENNA INSURANCE GROUP	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP
Short name:	Omniasig	Asirom	BCR Life
VIG member since:	2005	2007	2008
Insurance lines of business:	Non-life	Life and Non-life	Life
Number of employees:	1,557	1,061	109
Market position*:	2nd place (Non-life)	7th place	2nd place (Life)
Market share*:	12.8% (Non-life)	6.5%	15.0% (Life)

* Market data: 1st–3rd quarters of 2013

OVERVIEW OF AWARDS RECEIVED

- BCR Life received the **"Insurer of the Year Award for 2012"** in the life insurance category at the annual Insurance Market Gala
- Omniasig received the **"Insurer of the Year Award for 2012"** in the non-life insurance category at the annual Insurance Market Gala
- Asirom received the **award for "Best Group Insurance Product"** at the Financial Leaders' Hall of Fame 2013 Gala for its "Grup Forte" product
- Omniasig was named **"Company of the Year"** in the non-life insurance category at the annual Insurance Market Gala
- Asirom received the **eFinance** Award in the e-team category for successfully implementing a new system for core insurance processes

IMPROVED CLAIMS MANAGEMENT

The Romanian Vienna Insurance Group companies are continuously focusing on the improvement of claims management. As a response to the challenging market environment, the claims processing procedure was further optimised at Omniasig and Asirom in 2013 and the beginning of 2014 with the aim of reducing costs and increasing service standards.

In addition to introducing mandatory deductibles for motor vehicle own-damage insurance, the efficiency of claims management is being continuously improved through cooperations between Group companies and authorised repair shops. The two insurers significantly reduced the number of repair shops they cooperate with. The remaining partner repair shops therefore receive a higher volume of business. This makes quality control easier for the contracting parties and improves the price terms for Omniasig and Asirom. Repair costs within this cooperation partner network are an average of 30% lower than at repair shops outside the network. The new system was first introduced by Omniasig in April 2013, and Asirom began implementing it at the beginning of 2014.

Highlights from the Remaining Markets

VIG's Remaining Markets segment includes Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey and the Ukraine. The Montenegro and Belarus markets were not included in the VIG consolidated financial statements.

A number of special events in the countries in the Remaining Markets segment are presented below.

ESTONIA: 20TH ANNIVERSARY OF COMPENSA LIFE

2013 was a special year for Compensa Life, which used its twentieth anniversary to celebrate VIG's success in the Baltic countries. Compensa Life was established in 1993 under the name Seesam and is one of the oldest life insurance companies in Estonia. The company operates in all three Baltic States. Its headquarters are in Estonia and it operates branch offices in Latvia and Lithuania. VIG acquired the company in 2008 and changed its name to Compensa a year later.

The company's twentieth anniversary was not the only reason for celebration in 2013, as business development was also highly positive. Compensa Life's premium volume in the Baltic States recorded an increase of more than 30%.

CROATIA: SUCCESSFUL COMPLETION OF THE MERGER BETWEEN KVARNER AND HELIOS

The two Croatian companies Kvarner and Helios were merged in 2013 and the resulting company renamed Wiener Osiguranje. The merger was performed to create a strong company to meet the challenging market conditions. VIG is now represented by two companies in the Croatian market. Wiener Osiguranje offers life and non-life products, while Erste Osiguranje operates in the life insurance market only and distributes its products exclusively through local Erste Group branches.

SERBIA: 10TH ANNIVERSARY OF WIENER STÄDTISCHE OSIGURANJE

More than ten years have passed since Wiener Städtische Osiguranje was established and began operations in Serbia. Today it holds second place in the life insurance market with a market share of 21.6%. The tenth anniversary celebration in February 2013 took a look back at the path followed from the founding of the company until today. More than 750,000 policies have been issued since that time and around 50 branch offices were opened country-wide. VIG had around 1,270 employees in Serbia in 2013, compared to 80 in its founding year. They serve approximately 200,000 customers and are dedicated to further improving the company's market position in the future.

VIG celebrates ten successful years in Serbia

HUNGARY: ACQUISITION OF AXA BIZTOSÍTÓ

Vienna Insurance Group operates in the Hungarian market through the two companies Union Biztosító and Erste Biztosító and considers this country to be one of its core markets. An agreement to acquire all of the shares of AXA Biztosító was concluded in December 2013 – subject to approval by the regulatory and antitrust authorities – and allows VIG to expand its market position in Hungary. AXA Biztosító operates nationwide and focuses on the life segment, in particular unit-linked life insurance products. Distribution is performed by the insurer's own sales company with around 120 employees as well as through brokers and banks.

Anniversary celebration for Wiener Städtische Osiguranje, Serbia

MOLDOVA: PLANNED MARKET ENTRY

At the end of January 2014, VIG announced that it planned to open up a new insurance market by acquiring the Moldovan insurance company Donaris. The company was established in 1998 and has its registered office in Chisinau, the capital city of Moldova. Its market share of 8.4% puts it in fourth place in the Moldovan non-life market, where it focuses on the motor vehicle line of business. The acquisition is subject to official approval.

What would be different if there were more women in management positions, Ms Czerwińska-Rybska?

Dorota Czerwińska-Rybska
Member of the Managing Board, Polisa, Head of Human Resources, Compensa, Warsaw, Poland

"Regardless of what happens, I'm looking forward to the future. I have a burning desire to take on new challenges and meet new people during my journey."

- **Czerwińska-Rybska:** Until recently, leadership positions have predominantly been held by men and men were therefore stereotyped to be more effective leaders. But fortunately, this is outdated at the beginning of the 21st century. The gender difference certainly doesn't play a role in my own day-to-day work as a senior manager and HR manager. Whenever I receive an application for a managerial position, after looking through the resume I generally ask myself the following questions:

- How open does this person seem to me? What professional skills and experience does the applicant bring to the company? How strong is this person's enthusiasm for work? Do I sense the motivation to achieve our goals, to learn and work with us? How strong a personality does the applicant bring to the company? Enough to bring new energy, new ideas and new spirit into our team? As you can see, gender doesn't play a role in my considerations at all.

- In fact, I have already had the chance to observe how mixed teams can bring added value and positive change to management. The rather more competition-oriented and self-reliant male management style combines well with classic female qualities like empathy, team-building and communication skills. When combined in a team, they simply help to expand horizons. This means better problem solving skills and, ultimately, increased competitiveness.

- If I look closely at companies with a large share of female managers – something I naturally do – then I notice an important difference to those with a small proportion of female managers: they are more family-friendly. Often all that is needed to generate an enormous increase in loyalty and productivity are organisational changes to introduce more flexibility or make childcare available. This applies equally to both men and women. These models could be especially important when the goal is to be an "employer of choice".

"Companies with a high proportion of women managers are more family-friendly."

Business strategy and objectives

As the number one company in our core markets, we have laid a foundation for future growth and continued success. We believe in the long-term growth of prosperity in Austria and the CEE region and take advantage of existing potential – with great vision, clear objectives and a focus on customer orientation.

OBJECTIVES

Thanks to the successful expansion strategy it has pursued since 1990, Vienna Insurance Group is now a leader in its core markets. To further continue and consolidate its successful position, the Group is pursuing strategic ambitions that take into account the special features of its individual markets without losing sight of its higher-level Group objectives. Its business strategy gives top priority to

- consolidating its market leadership in Austria and
- taking advantage of the growth potential in the CEE region.

The decisions that must be taken to realise these objectives are aimed at achieving continuous improvements in earnings power. Ensuring a positive underwriting result for non-life insurance, as measured by the combined ratio, is just as necessary for this as maintaining the conservative investment policy.

This strategy is accompanied by management principles that have already proven themselves in the past and will continue to form a foundation for all of VIG's important business decisions in the future.

MANAGEMENT PRINCIPLES

Concentrating on the core business

VIG and its Group companies are familiar in every respect with the wide variety of different needs the people in their markets have for security and future provisions. Custom-tailored insurance solutions and customer advisors ensure that these needs are satisfied in the best way possible. This has been and continues to be VIG's core business. The Company can look back on 190 years of experience in the insurance industry. Professional customer advice, a comprehensive range of products and excellent service will continue to be the cornerstones of the successful development of Vienna Insurance Group.

Focus on Austria and the CEE region

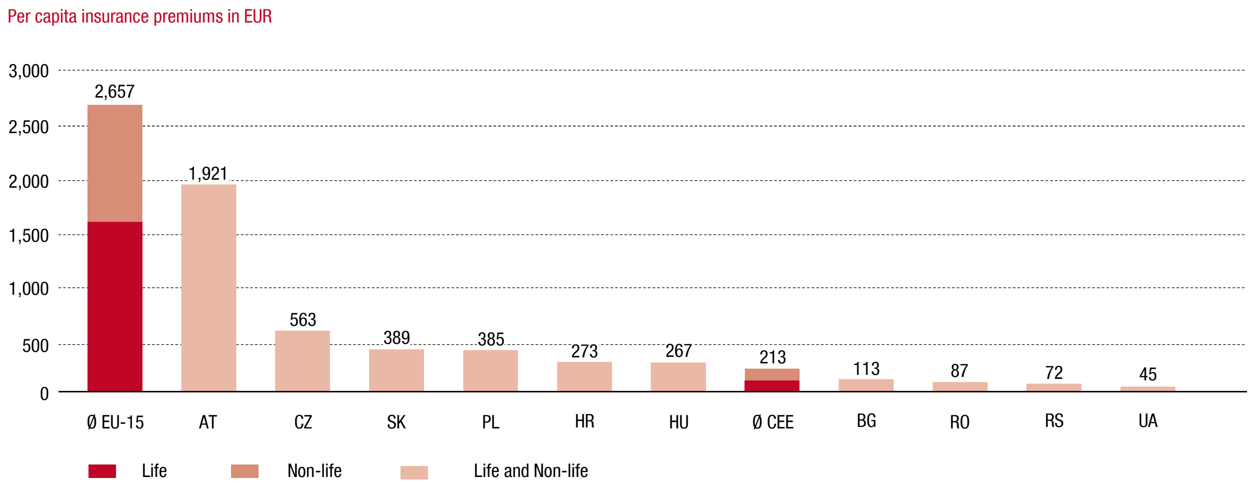
VIG is an insurance company operating in the international arena. More than 50% of all Group premiums written in financial year 2013 were generated in markets outside of Austria. These markets vary greatly in terms of the maturity of their economies and insurance industries, and provide valuable diversification between reliable and high growth markets.

VIG's top priority in Austria is to consolidate its leading market position. In addition to maintaining existing customer relationships, growth potential also has to be actively exploited in Austria. For example, the country has a lower life insurance density than many other Western European countries. The Austrian VIG Group companies have on many occasions in the past demonstrated that they possess the know-how and experience needed to identify market trends at an early stage and successfully address them with innovative insurance solutions. They must continue to further develop these abilities in the future to ensure that Austria remains a stable foundation for the Group.

VIG's early involvement in the CEE markets, starting with its expansion into the former country of Czechoslovakia in 1990, give it a valuable head start. Since that time, it has acquired detailed knowledge of the special features and regional requirements of the different markets. Even though the beginning of the global economic and financial crisis in 2008 considerably reduced the speed of the economic convergence process in CEE markets, VIG remains convinced of the long-term potential of these markets. This conviction is supported, among other things, by a comparison of insurance density, which measures the average amount paid per capita for insurance premiums.

While VIG's core CEE markets had an average insurance density of EUR 213 in 2012, the comparable figure for the EU-15 countries was EUR 2,657. In the non-life insurance

INSURANCE DENSITY 2012



CEE: weighted average of Bulgaria (BG), Croatia (HR), Czech Republic (CZ), Hungary (HU), Poland (PL), Romania (RO), Serbia (RS), Slovakia (SK), Ukraine (UA)
Source: in-house calculations based on publications by national insurance supervisory authorities and associations, the IMF and Swiss Re (Sigma)

area, the comparison is EUR 112 to EUR 1,086. The potential is even greater for life insurance, which shows an insurance density of EUR 101 in core CEE markets and EUR 1,571 in the EU-15 countries. VIG Group companies provided impressive proof in financial year 2013 that they can also take advantage of this potential successfully. The VIG companies in Slovakia, for example, reported significant premium growth of close to 6% in 2013. Hungary even achieved growth of around 15% and Serbia almost 18%. The Baltic countries recorded a particularly satisfying increase of around 36%. We aim to continue these successes in coming years.

Successful multi-brand strategy

Vienna Insurance Group's multi-brand strategy is an important factor in setting it apart from its competitors. VIG operates with multiple companies and brands in most of its markets. The individually tailored market presence of each of these companies allows them to address different target groups and design different product portfolios.

Each Group company uses its local brand as its first name, followed by Vienna Insurance Group as its family name. This allows well-established brands that are already enjoying good customer recognition to be retained and strengthens the regional identity and commitment of local employees. At the same time, adding Vienna Insurance Group to the name proclaims the international stature and many years of experience of the Group and provides additional security to our customers.

Use of this multi-brand strategy does not mean, however, that potential synergies are not exploited. Structural efficiency and the cost-effective use of resources are examined regularly. In many countries, employees are already successfully working in back offices that serve more than one company. Group companies can, however, be merged when the advantages of a diversified market presence are clearly outweighed by significant potential synergies. An example of this happening is provided by the activities in Croatia in 2013.

Multi-channel distribution

In order to best utilise its business potential, VIG follows a diversified distribution strategy in its markets that uses a variety of different channels to reach new customers. In addition to the Group's own field staff, these also include independent brokers and agents, multi-level marketing, direct sales and banks. The combination of distribution channels used depends on the local characteristics of the market and is aimed at satisfying the particular preferences of the local population for receiving advice.

The importance that a distribution channel has for a particular market depends both on the statutory framework and the state of development of the insurance industry in that market. Bank distribution has become more important in many markets in recent years. VIG recognised this trend and now benefits from a partnership it established in 2008 with the Erste Group, a leading bank group in Austria and the CEE region. VIG acquired all of the Erste Group's insurance activities at the time and entered into a long-term cooperation agreement with the group. This agreement includes a commitment by Erste Group companies to sell the insurance solutions of Vienna Insurance Group, and a commitment by VIG to offer selected Erste Group banking products to its customers.

Placing confidence in local management while pulling together

Conservative investment strategy

The investment of customer funds entrusted to VIG in the form of premium payments is one of the key duties of the Group and demands great responsibility. VIG therefore follows an investment strategy that can be considered conservative. The specific features of this strategy are governed by investment guidelines that are binding on every VIG Group company and are monitored continuously by the Group Asset Management unit and checked on a random sampling basis by the internal audit department. In addition to ensuring sufficient liquidity to satisfy insurance claims, particular importance is placed on diversifying the investment portfolio and on the returns that can be achieved while taking into account the overall risk exposure of the Group.

VIG was managing investments totalling EUR 29,905.56 million at the end of 2013. Of this amount, approximately 75% was invested in fixed income securities and loans, and approximately 9% in real estate. Only 2% was invested in the shares (not including shares in funds). Detailed information on the structure of investments is available starting on page 80. Thanks to this balanced, risk-conscious investment strategy, VIG suffered no major credit losses, even during the turbulence caused by the financial crisis. It is nevertheless important to continuously examine and optimise the structure of the investment portfolio.

VIG essentially retained its risk-averse asset allocation with only minor changes in 2013, reducing cash, term money and equity investments while increasing government and corporate bonds. In the area of fixed-income securities, top-rated bonds were bought to maintain the good rating structure of the portfolio in spite of the ongoing trend of downgrading by international rating agencies.

The conservative investment strategy is also extremely important given the long-term obligations created by life insurance. When making investments, top priority is given to ensuring that VIG will be able to continue fully satisfying these obligations in the future. The life insurance companies in the Group are required to use appropriate control measures to ensure that this is the case. Internal analyses of maturity matching are performed regularly in the Group using current market parameters (yield curve).

Think globally – act locally

In addition to its multi-brand strategy and the benefits of using a variety of different distribution channels, VIG's decentralised structure and rapid decision-making channels represent another special feature of the Company. The Company intentionally relies on the expertise of its local management and employees, who know the needs of the local population the best.

Instead of viewing the CEE region as homogeneous, VIG takes into account the structural differences and stages of development of the different insurance markets. As a result, business models are not simply transferred from one country to another without change. Products and distribution must instead be appropriate for the situation in each individual market. At the same time, the higher-level values and principles defined at Group level need to be considered. Group-wide guidelines must in particular be observed in areas such as risk management, the actuarial department, reinsurance and investments. The VIG operating companies are assisted by the central holding company departments in these areas, which also ensure the continuous development and communication of Group guidelines. Regular international meetings of management and employees allow best-practice solutions to be exchanged and also promote the development of a shared corporate culture.

MAIN PRINCIPLES FOR ACHIEVING VIG'S GOALS

STRATEGIC MILESTONES AND MEASURES IN 2013

In addition to the above principles determining the strategic course taken by VIG, the Group strategy is given concrete form and implemented by means of a large number of projects and measures. A list of some of the projects and decisions that had a major effect in financial year 2013 is provided below:

Group-wide efficiency improvements and cost reductions

In order to limit the negative effects of the challenging macroeconomic conditions, measures were taken to further optimise earnings power in 2013.

Extensive package of measures in Romania

In view of the irrational price competition taking place, predominantly in the motor vehicle sector, and the difficult macroeconomic situation, effective measures to improve earnings were implemented in Romania in 2013. Motor liability insurance was reduced further and strict cost management was maintained. A goodwill impairment of EUR 75 million and trademark impairment of EUR 25 million were recognised due to the change in conditions.

Extensive restructuring in Italy

In order to overcome the negative effects of past developments, personnel changes were implemented in the Italian business of Donau Versicherung in 2013, along with extensive measures for portfolio reorganisation.

Remaining Markets segment passes the EUR 1 billion mark in premiums for the first time

Thanks to highly dynamic performance in countries such as Hungary, Serbia, Turkey, the Baltic States and the Ukraine, the Remaining Markets segment recorded an 8.8% increase in premiums in financial year 2013 that moved it beyond the EUR 1 billion mark for the first time.

Acquisition of Skandia Poland

An agreement to acquire 100% of the shares of the Polish life insurance company Skandia Poland was concluded in the autumn of 2013 (subject to approval by the relevant regulatory and antitrust authorities). This greatly expands VIG's portfolio in the area of unit-linked life insurance. It also opens up possibilities for VIG to use its increased distribution capacity to develop new customer groups and consolidate its position as one of the leading insurance companies in Poland.

Expansion in Hungary – acquisition of AXA Biztosító

Toward the end of 2013, VIG concluded an agreement to acquire 100% of the shares of the Hungarian insurance company AXA Biztosító, subject to approval by the relevant regulatory and antitrust authorities. This provides a major expansion in the life insurance segment that offers particular potential in the area of unit-linked products.

Planned entry into the Moldovan market

VIG signed an agreement in January 2014 to acquire an interest of approximately 94% in the insurance company Donaris, headquartered in Moldova (Republic of Moldova). The acquisition is subject to official approval. The planned entry into the Moldovan market will open up the last remaining country in the CEE region and extend the Group's presence to 25 countries.

Successful placement of a subordinated bond

VIG successfully placed a 30-year EUR 500 million subordinated bond with institutional investors in Europe at the beginning of October 2013. The offer was more than four times oversubscribed, confirming how attractive VIG is for the bond market. The coupon pays 5.5% p.a. for the first ten years and thereafter a floating interest rate.

Repurchase of hybrid capital

Vienna Insurance Group issued a total of EUR 500 million in hybrid capital in 2008 and 2009 under its Hybrid Debt Issuance Programme. The first tranche of EUR 250 million was placed on the capital market in June 2008 and the second tranche of EUR 250 million in April 2009. The coupon pays 8.0% p.a. for the first ten years and thereafter a floating interest rate. In August 2013, the second tranche was repurchased prior to maturity.

Strategic forward-looking SME initiative

Small and medium-sized enterprises (SME) are an important part of the CEE economy, generating around half of all corporate sales in the region. VIG has analysed the future potential of these businesses, recognises the importance of SME as a business area and has begun an initiative as well as related distribution activities.

An SME growth strategy has been launched and sustainable measures aimed at optimising products and distribution have been implemented under this strategy. The main focus was on training distribution partners and cross-selling existing customers to take advantage of the potential offered by the different distribution channels. Another focus was on developing and modifying SME products and creating an exchange between VIG companies through best-practice activities and organised workshops. The activities, including innovative product development by Omniasig in Romania and Union Biztosító in Hungary, and a focus on expanding distribution activities in Poland and Italy, achieved growth rates of up to 20% in this business area. The growth improvements in these countries confirm the value of the initiative and plans to further intensify and expand it in 2014.

Solvency II update

Based on developments and activities at the European and national levels, the Solvency II changes to the European insurance supervision system can be expected to enter into force at the beginning of 2016. During financial year 2009, the VIG Holding Managing Board established a Group-wide project managed centrally from Austria to implement Solvency II at the individual company and Group levels. Group guidelines and methods are being developed in the Group and implemented locally in Group companies in order to ensure consistent and timely implementation of Solvency II and related topics at the individual company and Group levels.

Intensive work is continuing on the development and implementation of a partial internal model. Regular consultations are being held with supervisory authorities in the individual VIG countries in order to ensure approval when Solvency II comes into effect.

Based on current regulatory requirements and the analyses and test calculations that have been performed, VIG is well prepared for Solvency II at both the Group and individual company levels. See page 76 for more information on this topic.

Further operational and strategic highlights are presented in the country reports starting on page 26.

What investment type would you recommend, Mr Mostböck? Gold, shares or just the good old piggy bank?

Friedrich Mostböck
Head of Group Research,
Erste Group, Vienna, Austria

"I have confidence in the future because I have learned how to deal with the so-called 'crisis' and view it as a challenge."

Mostböck: Well, extremes are rather far apart here. Frankly speaking, there is no secret recipe for determining what would be the best investment in general. The answer depends on many different factors: personal risk aversion, the investment horizon and, last but not least, the expected return. Interest rates are currently at a historic low. The global economy is growing very slowly, if at all, and future expectations are similarly moderate. In this environment I would say that shares are certainly worthy of serious consideration in the long run. However, a careful selection always has to be made. Which companies have a sound, credible strategy? What value do the shares currently have? As a rule, the investment horizon for shares should be from three to five years and one shouldn't be unsettled by the daily fluctuations in price.

"I have mixed feelings about gold."

I have mixed feelings about gold. The market price of gold and its use as a crisis currency make it a natural investment vehicle, but it does not generate interest. As an asset class, it should therefore only represent 5% to 10% of a portfolio at most. A life insurance or pension policy is naturally advisable for long-term provisions, and here it is also important to choose the best solution from the wide variety of products available. Finally, units of well-structured real estate funds offer the possibility of further portfolio diversification. In summary, the same considerations apply for private and large investors alike. Regardless of how confident one is about the future, an investment strategy should be chosen that – as previously mentioned – matches one's personal risk aversion and resists tempting promises of above-average returns. I would advise against saving in a piggy bank (not a savings account) or under the mattress. As a result of inflation alone, both of these methods cause your money to lose value faster than you think.

"A life insurance or pension policy is naturally advisable for long-term provisions."

Investor relations and corporate governance

VIG SHARES AND INVESTOR RELATIONS

International overview

Expectations of a continuation of expansive central bank policy, a long-term low level of interest rates and a moderate economic revival in industrialised countries has led to substantial price gains on major stock exchanges. The US Dow Jones industrial (DJI), for example, not only achieved new historical highs, but also recorded the largest price gains seen in close to twenty years. There was, however, no global bull market in equities in 2013, as many small equity markets and, in particular, the stock exchanges in many emerging markets only achieved moderate gains, or even suffered price losses.

The global MSCI World share index recorded a sharp upwards movement in equity prices in the initial months of 2013, although US stock exchanges (and the Japanese equity market) were already clearly outperforming the rest of the world even in the first months of the year. A significant correction then began during May due to concerns about more restrictive central bank monetary policy in the future that pushed the MSCI World index back down to almost the same level as the beginning of the year. Central banks, and in particular the US Federal Reserve, successfully dispelled concerns about a rapid reduction in expansive measures, leading to significant price gains during the third quarter. Even a temporary escalation in the US budget conflict and a slight reduction in economic forecasts for 2014 only had a short-lived effect on the good mood in major global stock exchanges, resulting in an impressive 24.1% increase in the MSCI World index for 2013 as a whole.

The US equity market was the driving force behind the price movements. The Dow Jones industrial index regained the price level it had before the 2008/09 crisis for the first time in March 2013. Prices continued to rise during the course of the year, climbing until the final trading day of 2013 to a record value of 16,576.66 points. This represents an increase of 26.5% compared to the end of 2012. The outstanding performance achieved by the US equity market was surpassed by the Tokyo stock exchange in 2013 due to the emphasis placed on expansive policy by the new Japanese government elected in December 2012, which led to a veritable explosion of prices. After major price fluctuations, the Nikkei 225 leading index recorded an increase of 56.7% to the end of 2013.

The European Eurostoxx 50 share index also achieved impressive performance in the end, recording an increase of 17.9% in 2013. Unlike the US and Japanese indices, the Eurostoxx 50 recorded practically no increase in the first half of the year,

- especially because of the concerns about economic growth in France,
- a lack of clarity about majority status following the parliamentary elections in Italy, and
- the Cyprus crisis, which led to a re-emergence of concerns about the debt crisis.

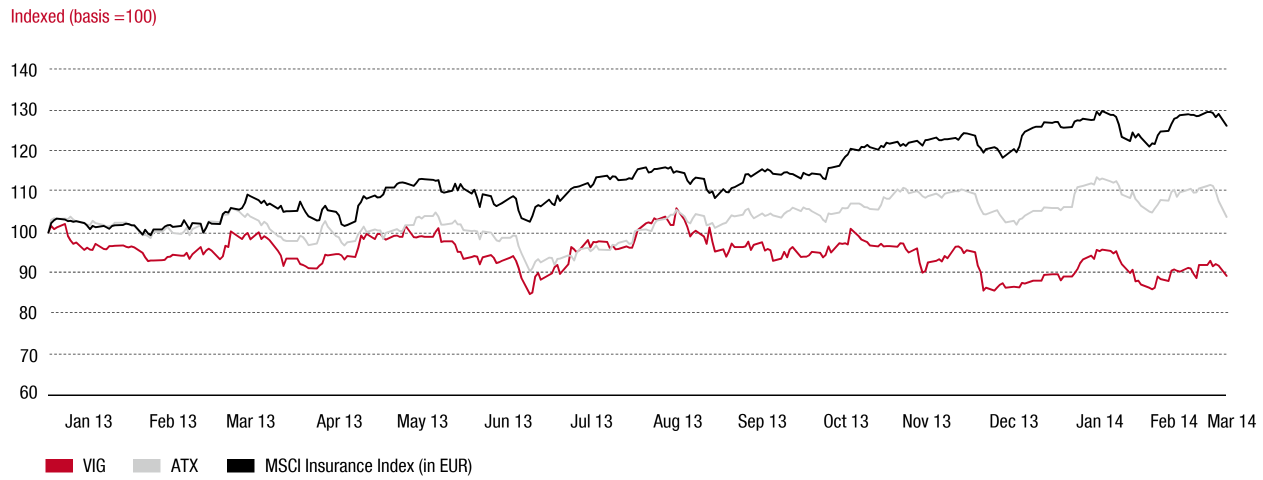
Good price performance in the second half of the year, which was approximately equivalent to that in the US and Japan, led to the positive gains for the year indicated above.

The performance of emerging market stock exchanges was less satisfactory, as investors withdrew capital from these markets in 2013. The MSCI Emerging Markets index consequently fell by 5.1% over the course of the year, with losses rising to more than 15% at times during the year compared to the end of 2012. The CEE countries were also affected by the negative market sentiment. The Eastern European CECE index, which is calculated in euros, fell by 9.6% in spite of favourable economic forecasts.

Vienna Stock Exchange

Due to the investor focus on major stock exchanges, the price performance of the Vienna Stock Exchange lagged behind the overall European benchmark index, the Eurostoxx 50. The exchange suffered significant price setbacks in May and June due to global concerns about an overly rapid reduction in expansive central bank monetary policy measures. The ATX reached its low for the year of 2,170.86 points in June, a drop of 9.6% compared to the end of 2012. In the second half of 2013, the ATX achieved gains similar to the major stock exchanges. The ATX reached its high of 2,665.66 points in November, an increase of 22.8% over the low for the year. Following volatile price movements towards the end of the year, the index closed the year at 2,546.54 points, representing an overall annual increase of 6.1% for the ATX.

VIENNA INSURANCE GROUP (VIG) COMPARED TO THE ATX AND MSCI INSURANCE INDEX (IN EUR)
JANUARY 2013 TO FEBRUARY 2014



Performance of VIG shares in Vienna and Prague

VIG shares traded in the range of EUR 37.500 to EUR 39.000 during the first two months of 2013. This trend was followed by a significant upward breakout at the beginning of March. VIG share movements were volatile in the 2nd quarter and, similar to the ATX index, led to an annual low of EUR 34.260 on 24 June 2013 due to developments in the international market. It was not until the beginning of the 3rd quarter that VIG shares recorded an upswing, analogous to the ATX index, that raised them to yearly high of EUR 42.810 on 16 August. A downward trend began already on the following day, taking the share price almost back down to the low for the year on 5 December. This trend ended at a price of EUR 34.600 and the shares then attempted to recover part of their losses by the end of the year. VIG shares closed 2013 at a price of EUR 36.225 on the Vienna Stock Exchange, representing performance of minus 10.3% for the year. As of the editorial deadline, the shares were trading at EUR 36.065.

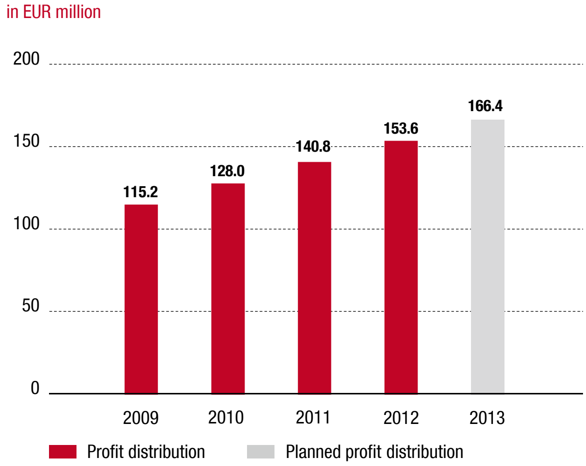
VIG share movements on the Prague Stock Exchange were just as volatile as in Vienna during the course of 2013. Closing prices remained in a range between CZK 940.00 and CZK 1,060.00 until the end of the 2nd quarter, followed by a downward movement to a low for the year of CZK 893.00, reached on the same date as the quotation in Vienna. In the 3rd quarter, VIG shares began an upward trend that reached a high of CZK 1,091.00 on 13 August. VIG shares closed 2013 at a price of CZK 990.00 on the Prague Stock Exchange to record negative performance of 1.0% for the year. On the editorial deadline, the shares had reached a value of CZK 990,00.

Liquidity

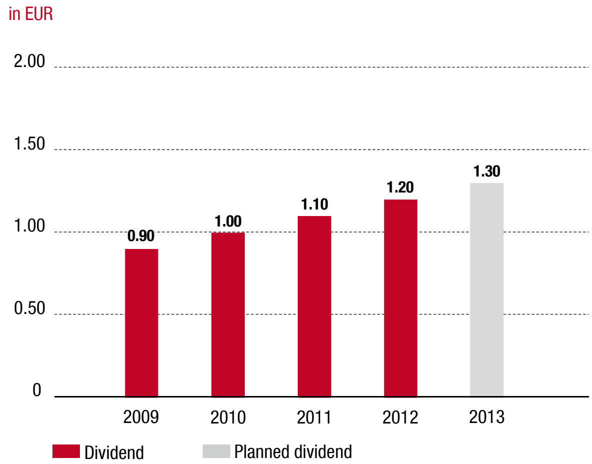
VIG had a trading volume of around EUR 740 million on the Vienna Stock Exchange in 2013, which is equivalent to an average daily trading volume of EUR 3.0 million. Around 16 million shares traded in 2013, which means that trading volume was down both in terms of euros and the number of shares traded compared to the previous year. VIG had a weight of around 6% in the ATX, the leading index of the Vienna Stock Exchange, making it one of the ten most heavily weighted stocks in the index.

Average daily trading volume was CZK 5.3 million on the Prague Stock Exchange, representing a considerable decline compared to the previous year. VIG shares had a weighting of around 19% in the PX index of the Prague Stock Exchange based on market capitalisation, which was the third highest weighting of all of the companies in the index.

DEVELOPMENT OF PROFIT DISTRIBUTION



DEVELOPMENT OF DIVIDEND PER SHARE



Dividend

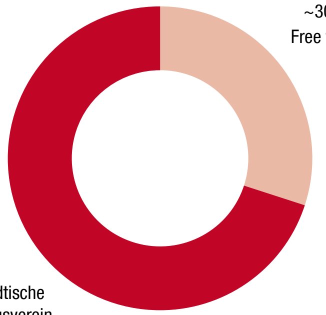
Due to the good operating performance achieved by VIG, the Managing Board is planning to propose an increase in dividend from EUR 1.20 to EUR 1.30 per share (+8.3%) for financial year 2013. This is the highest dividend per share in VIG's history and takes full account of the long-established dividend policy of distributing a minimum of 30% of Group profits (after taxes and non-controlling interests). The dividend payment date is provisionally set for 16 June 2014.

Key share information		2013	2012	2011
Market capitalisation	EUR million	4,636.80	5,168.00	3,919.36
Average number of shares traded per day	Units	approx. 64,000	approx. 76,000	approx. 101,000
Average daily stock exchange trading volume (single counting)	EUR million	3.0	3.2	4.2
Year-end price	EUR	36.225	40.375	30.620
High	EUR	42.810	40.375	43.650
Low	EUR	34.260	27.630	24.625
Share performance for the year (excluding dividends)	%	-10.28	31.86	-21.29
Dividend per share[1)]	EUR	1.30	1.20	1.10
Dividend yield	%	3.59	2.97	3.59
Earnings per share[2)]	EUR	1.57	3.01	2.87
Price-earnings ratio as of 31 December		23.08	13.41	10.69

[1)] The Managing Board plans to increase the dividend to EUR 1.30 for 2013.

[2)] The calculation of EPS includes accrued interest expenses for hybrid capital.

SHAREHOLDER STRUCTURE OF VIG



GEOGRAPHICAL DISTRIBUTION OF FREE FLOAT

Analysis of VIG shares

Two investment banks began coverage of VIG shares in financial year 2013. The Polish investment bank Espirito Santo and the Baader Bank research company Helvea both gave an initial buy recommendation for the stock. These two and 20 other investment banks follow Vienna Insurance Group developments and regularly publish their views on the Company's business development, risks and potential. In comparison, in 2008 (the year of the last capital increase), VIG shares were only being covered by 15 investment banks.

The following investment banks publish research reports on VIG shares*:

- Autonomous
- Bank of America Merill Lynch
- Barclays Capital
- Berenberg Bank
- BH Securities
- Credit Suisse
- Deutsche Bank
- Erste Group
- Espirito Santo Investment Bank
- Goldman Sachs
- Helvea
- HSBC
- J&T Banka (Atlantik)
- JP Morgan
- Keefe, Bruyette & Woods
- Kepler Capital Markets
- Komerční banka
- MainFirst Bank AG
- Morgan Stanley
- Nomura
- Raiffeisen Centrobank
- Raymond James Euro Equities

The current list, including the names of the analysts and dates of the last published research report, are available online at any time at www.vig.com/en/analyses.

* This list includes all analyses known to the Vienna Insurance Group at the editorial deadline.

Overview of VIG shares

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

VIG financial calendar*

3M results for 2014	27 May 2014
Annual General Meeting	6 June 2014
Ex-dividend day	11 June 2014
Dividend payment day	16 June 2014
6M results for 2014	26 August 2014
9M results for 2014	18 November 2014

* Preliminary schedule

Capital market communications
Personal contact with investors and analysts is very important to VIG's Investor Relations team. The objective is to enable dialogue and a continuous exchange of information between the Company and capital markets in order to transparently communicate

- the strategy,
- the opportunities and risks associated with the Company's business concept in the different markets, and
- the current business development

of Vienna Insurance Group.

The schedule included a total of 13 bank conferences and roadshows in the major financial centres of Europe and the United States in 2013. During the bond roadshow alone, which was aimed at issuing a subordinated bond of EUR 500 million, Group management spoke with more than 50 investors in London, Frankfurt, Vienna and Paris. Around 70% of these investors actually subscribed to the bond in the end, thereby helping to make the placement extremely successful.

In addition to direct contact with the capital market, the importance of online communication is steadily increasing. In response to this ongoing trend, Investor Relations expanded and updated both the information available on the website at www.vig.com/ir as well as the VIG IR App available free of charge for the iPad in 2013. The financial calendar is now available online under the IR Calendar menu item. It includes earnings reports as well as the dates of the bank conferences and roadshows, including the presentation documents used. Other additional services are also available and can be easily tried out at www.vig.com/en/ir-calendar.

The Investor Relations team looks forward to receiving your feedback and is available to answer any questions from both private and institutional investors regarding Vienna Insurance Group.

Investor relations

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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 development. 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 being sought.

CORPORATE GOVERNANCE REPORT

Transparency and stakeholder trust are important to us. Observance of and compliance with the provisions of the Austrian Code of Corporate Governance therefore play an important role in Vienna Insurance Group.

The Austrian Code of Corporate Governance was introduced in 2002 and is amended periodically to account for changes in the law and current trends. It is the standard for good corporate governance and control in Austria. The provisions of the Code contribute to the strengthening of trust in the Austrian capital market, and the report that companies are required to publish on compliance with these provisions requires a high level of transparency.

Vienna Insurance Group views corporate governance as a continuous process that changes in response to new conditions and current trends and must be continuously improved for the benefit of the Group and all its stakeholders. The goal of all Corporate Governance measures is to ensure responsible corporate management aimed at long-term growth while simultaneously maintaining effective corporate control.

The Vienna Insurance Group Managing Board, Supervisory Board and employees all consider observance of and compliance with the rules of the Austrian Code of Corporate Governance to be highly important for the practical implementation of corporate government. The Vienna Insurance Group's declaration of adherence to the Code, discussions regarding the areas of deviation, and detailed information on the composition of, procedures followed by, and the compensation of the Managing Board and Supervisory Board are clearly organized and presented below.

Vienna Insurance Group is committed to the application of and compliance with the July 2012 version of the Austrian Code of Corporate Governance. The rules are divided into the following three categories:

- Rules based on mandatory legal requirements ("Legal requirements").
- Rules based on standard international requirements. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or explain").
- Rules that merely possess the character of recommendations. Non-compliance with these rules need not necessarily be disclosed or explained ("Recommendations").

The Austrian Code of Corporate Governance is available to the public both on the Vienna Insurance Group website at www.vig.com/ir and on the website of the Austrian Working Group for Corporate Governance.

The Vienna Insurance Group complies with all of the "legal requirements" of the Austrian Code of Corporate Governance as required by law. Vienna Insurance Group deviates from one "comply or explain" rule, as explained below:

Rule 41:
The Supervisory Board shall set up a nomination committee. In cases of Supervisory Boards with no more than six members (including employee representatives), this function may be exercised by all members jointly. The nomination committee submits proposals to the Supervisory Board for filling positions that become free in the Managing Board and deals with issues of successor planning.

Explanation: Because of its special importance, the issue of successor planning is handled by the Supervisory Board as a whole. The Vienna Insurance Group Supervisory Board has therefore not established a nomination committee.

Members of the Managing Board and areas of responsibility as of 1 January 2014

The Vienna Insurance Group Managing Board has four members:

Dr. Peter Hagen
General Manager
Year of birth: 1959
Date first appointed: 2004
End of current term of office:
30 June 2018

Peter Hagen has been a member of the Managing Board since 1 July 2004. Prior to that, he managed the General Secretariat, the international division and the Group's reinsurance unit. From January 1998 to December 2002, Mr Hagen was a member of the Managing Board of the Group's Kooperativa companies, and from November 2007 to December 2009, he was Deputy General Manager and Member of the Managing Board of Kooperativa (Czech Republic). He played a key role in the establishment of the Group reinsurance company VIG RE in 2008. Mr Hagen has been Chairman of the Managing Board and General Manager since 1 June 2012.

Areas of responsibility: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management, IT, international processes and methods, SAP smile solutions
Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: voestalpine AG

Franz Fuchs
Year of birth: 1953
Date first appointed: 2009
End of current term of office:
30 June 2018

Franz Fuchs began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in life insurance and pension funds before joining Vienna Insurance Group. Since 2003, Franz Fuchs has been Chairman of the Managing Board of Compensa Non-life and Compensa Life, and Chairman of the Managing Board of VIG Polska. He was first appointed to the Vienna Insurance Group Managing Board on 1 October 2009.

Areas of responsibility: Performance management personal insurance, strategic initiative health insurance
Country responsibilities: Baltic States, Poland, Romania

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

Peter Höfinger
Year of birth: 1971
Date first appointed: 2009
End of current term of office:
30 June 2018

Peter Höfinger has been a member of the Managing Board of Vienna Insurance Group since 1 January 2009. Prior to that, he was Managing Board director of Donau Versicherung. Mr Höfinger joined this company in 2003. Previously, he held management positions outside the Group in Hungary, the Czech Republic and Poland.

Areas of responsibility: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, strategic initiative SME business, strategic initiative private customer property insurance
Country responsibilities: Albania (incl. Kosovo), Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Serbia, Slovakia

Martin Simhandl, CFO
Year of birth: 1961
Date first appointed: 2004
End of current term of office:
30 June 2018

Martin Simhandl began his career with the Group in 1985 in the legal department of Wiener Städtische. In 1995, he became head of subsidiaries department, and in 2003 he took over coordination of the Group's investment activities. In 2002 and 2003, Mr Simhandl was also a member of the Managing Boards of InterRisk Non-life and InterRisk Life in Germany, with responsibility for the areas of property insurance, reinsurance and planning/controlling. On 1 November 2004, Mr Simhandl was appointed to the Managing Board of the Company.

Areas of responsibility: Asset management, subsidiaries department, finance and accounting, group cost structure, internal capital model project (project Solvency II), treasury/capital market
Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

Positions held on the supervisory boards of other Austrian and foreign corporations outside of the Group: CEESEG Aktiengesellschaft, Ringturm Kapitalanlagen GmbH, Wiener Hafen Management GmbH, Wien 3420 Aspern Development AG, Wiener Börse AG

The entire Managing Board is responsible for the general secretariat, group controlling, enterprise risk management/Solvency II, actuarial department, internal audit and investor relations.

The following two substitute members were also appointed to the Managing Board, and will become members of the Managing Board if a member of the Managing Board becomes permanently incapable of performing his or her duties:
Martin Diviš (year of birth: 1973)
Judit Havasi (year of birth: 1975)

Members of the Supervisory Board as of 31 December 2013:

Wolfgang Ruttenstorfer
Chairman
Year of birth: 1950
Date first appointed: 2010
End of current term of office: 2014

Karl Skyba
Deputy Chairman
Year of birth: 1939
Date first appointed: 1992
End of current term of office: 2014

Bernhard Backovsky
Year of birth: 1943
Date first appointed: 2002
End of current term of office: 2014

Martina Dobringer
Year of birth: 1947
Date first appointed: 2011
End of current term of office: 2014

Alois Hochegger
Year of birth: 1949
Date first appointed: 2005
End of current term of office: 2014

Heinz Öhler
Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2014

Reinhard Ortner
Year of birth: 1949
Date first appointed: 2007
End of current term of office: 2014

Martin Roman
Year of birth: 1969
Date first appointed: 2010
End of current term of office: 2014

Friedrich Stara
Year of birth: 1949
Date first appointed: 2002
End of current term of office: 2014

Gertrude Tumpel-Gugerell
Year of birth: 1952
Date first appointed: 2012
End of current term of office: 2014

Supervisory Board independence

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of Vienna Insurance Group has established the following criteria defining independence:

- The Supervisory Board member has not been a member of the Managing Board or a senior manager of the Company or subsidiary of the Company in the last five years.
- The Supervisory Board member does not have a business relationship with the Company or a subsidiary of the Company that is of such significant scope for the Supervisory Board member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies in which the Supervisory Board member has a significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with Section 95(5)(12) of the Austrian Stock Corporation Act (AktG) or Section 15(2)(l) of the articles of association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that the purchase or existence of insurance policies with the Company has no adverse effect on independence.
- The Supervisory Board member has not been an auditor of the Company's financial statements, or held an ownership interest in or been an employee of the auditing company doing such auditing in the last three years.
- The Supervisory Board member is not a member of the managing board of another company that has a member of the Company's Managing Board on its supervisory board.

- The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or individuals holding one of the positions described above.
- The Supervisory Board as a whole is to be considered independent if at least 50% of the members elected by the General Meeting satisfy the criteria above for independence of a Supervisory Board member.

All members of the Supervisory Board elected by the General Meeting have declared that they can be considered independent in accordance with the criteria specified by the Supervisory Board. No member of the Supervisory Board is a shareholder holding more than 10% of the shares of the Company or represents the interests of such a shareholder.

The following members of the Supervisory Board held supervisory board positions or comparable positions in Austrian or foreign listed companies as of 31 December 2013:

Wolfgang Ruttenstorfer
CA Immobilien Anlagen AG
Flughafen Wien AG
NIS a.d. Naftna industrija Srbije, Novi Sad
RHI AG
Telekom Austria AG

Martina Dobringer
Praktiker AG

Martin Roman
CEZ a.s. until 25 October 2013
MOL Hungarian Oil and Gas Plc

Gertrude Tumpel-Gugerell
Commerzbank AG

Supervisory Board Committees

The following qualified Supervisory Board committees were formed to increase the efficiency of the Supervisory Board and deal with complex issues:

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

The Committee for Urgent Matters (Working Committee) decides on matters that require Supervisory Board approval but cannot be deferred to the next ordinary Supervisory Board meeting because of particular urgency.

Wolfgang Ruttenstorfer (Chairman)
1. Substitute member: Gertrude Tumpel-Gugerell
2. Substitute member: Alois Hochegger
3. Substitute member: Reinhard Ortner

Karl Skyba
1. Substitute member: Friedrich Stara
2. Substitute member: Heinz Öhler
3. Substitute member: Reinhard Ortner

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the duties assigned by Section 92(4a) of the Austrian Stock Corporation Act, namely:

1. Monitoring the accounting process;

2. Monitoring the effectiveness of the Company's internal control system, internal auditing system and risk management system;

3. Monitoring audits of the financial statements and consolidated financial statements;

4. Examination and monitoring of the independence of the financial statements auditor (consolidated financial statements auditor), in particular with respect to additional services provided for the audited company;

5. Auditing of the annual financial statements and preparations for their approval, examination of the proposal for appropriation of profits, management report and corporate governance report, and presentation of a report on the audit findings to the Supervisory Board;

6. Auditing of the consolidated financial statements and Group management report, and presentation of a report on the audit findings to the Supervisory Board of the parent company;

7. Preparation of the Supervisory Board proposal for choosing the financial statements auditor (consolidated financial statements auditor).

Furthermore, in a meeting (another meeting, in addition to the meeting required by law), the Audit Committee (Accounts Committee) specifies how the two-way communication between the (consolidated) financial statements auditor and the Audit Committee has to take place, while making provision for exchanges to take place between the Audit Committee (Accounts Committee) and the (consolidated) financial statements auditor without the presence of the Managing Board.

All of the members of the Audit Committee are experienced financial experts with knowledge and practical experience in finance, accounting and reporting that satisfies the requirements of the Company.

Wolfgang Ruttenstorfer (Chairman)
Karl Skyba
Gertrude Tumpel-Gugerell
Friedrich Stara
Substitute member: Alois Hochegger
Heinz Öhler
Reinhard Ortner

COMMITTEE FOR MANAGING BOARD MATTERS (COMPENSATION COMMITTEE)

The Committee for Managing Board Matters (Compensation Committee) deals with Managing Board personnel matters. The Committee for Managing Board Matters therefore decides on the terms of employment contracts with members of the Managing Board and their compensation, and examines remuneration policies at regular intervals.

Wolfgang Ruttenstorfer (Chairman)
Karl Skyba

STRATEGY COMMITTEE

The Strategy Committee works together with the Managing Board and, when appropriate, with experts that it consults, to prepare fundamental decisions that must then be decided on by the Supervisory Board as a whole.

Wolfgang Ruttenstorfer (Chairman)
1. Substitute member: Gertrude Tumpel-Gugerell
2. Substitute member: Alois Hochegger
3. Substitute member: Reinhard Ortner

Karl Skyba
1. Substitute member: Friedrich Stara
2. Substitute member: Heinz Öhler
3. Substitute member: Reinhard Ortner

The Company did not enter into any agreements with members of the Supervisory Board in 2013 that would have required Supervisory Board approval.

Procedures followed by the Managing Board and Supervisory Board

Managing Board
The Managing Board manages the business of the Company under the leadership of its Chairman and within the constraints of the law, articles of association, rules of procedure for the Managing Board and rules of procedure for the Supervisory Board.

The Managing Board usually meets once a week to discuss current business developments, and makes necessary decisions and resolutions during the course of those meetings. The members of the Managing Board continuously exchange information with each other and with the heads of the various departments.

Supervisory Board
The Supervisory Committee performs all activities defined under the law, articles of association and rules of procedure of the Supervisory Committee. In order to ensure the effectiveness and efficiency of its activities and procedures, the Supervisory Board examines its procedures regularly in the form of a self-evaluation at least once per year. The results of the self-evaluation once again show in 2013 that the practices used meet the requirements of the Austrian Stock

Corporation Act and the Austrian Code of Corporate Governance and that the organisation and procedures of the Supervisory Board are appropriate and satisfactorily efficient for the business activities and business volume of the Company and Group as a whole. Requests and comments made by members of the Supervisory Board during this self-evaluation are taken into account.

The Supervisory Board and its committees, Chairman and Deputy Chairman continuously monitor and periodically examine the management of the Company. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings serve this purpose, as do recurring discussions between, in particular, the executive committee of the Supervisory Board and the members of the Managing Board, who provide comprehensive explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company are also discussed at Supervisory Board meetings and in meetings with the Managing Board. The Supervisory Board holds closed Supervisory Board meetings with the Managing Board to discuss policy issues and set long-term growth strategy.

The Supervisory Board and Audit Committee also hold direct discussions with the financial statements auditor and the consolidated financial statements auditor in order to inform themselves regarding the accounting process and the progress of the audit and to inquire whether the audit has produced any material findings. Provision was made for exchanges between the members of the Audit Committee and the (consolidated) financial statements auditor in such meetings without the presence of the Managing Board, but no member of the Audit Committee made use of this opportunity during the financial year. The audit reports are discussed and debated in detail with the audit managers during Audit Committee and Supervisory Board meetings regarding the annual financial statements and consolidated financial statements.

The Supervisory Board also receives quarterly reports from the internal audit department and asks the head of internal audit to provide detailed explanations of individual issues and audit focal points if necessary. The annual audit plan is submitted to the Supervisory Board. The Managing Board explains the organisation and operation of the risk management system and internal control system to the Supervisory Board at least once per year, and provides the Supervisory Board with a written report on this subject so that it can confirm the efficiency of the systems. The Audit Committee also examines the report and assessment of the functioning of the risk management system prepared by the (consolidated) financial statements auditor and reports its findings to the Supervisory Board.

At least once per year, the Managing Board presents to the Supervisory Board the precautions taken in the Group taken to prevent corruption and the Supervisory Board discusses these measures.

When preparing General Meeting proposals concerning the election of new Supervisory Board members, the Supervisory Board takes into account the requirements of the law and the Austrian Code of Corporate Governance that members of the Supervisory Board must satisfy and observe. Particular attention is paid to ensuring appropriate diversity in the sex, age and international distribution of the members.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided for under the law and Austrian Code of Corporate Governance are fully satisfied when preparing the General Meeting proposal on selection of the (consolidated) financial statements auditor. In addition, after the audit of the consolidated financial statements has been completed, the Supervisory Board is provided with a list showing the total audit expenses for all Group companies. This list provides a separate breakdown according to expenses for the consolidated financial statements auditor, the members of the network to which the consolidated financial statements auditor belongs, and other financial statement auditors working for the Group.

The Supervisory Board has formed four committees from among its members, a Committee for Urgent Matters (Working Committee), an Audit Committee (Accounts Committee), a Committee for Managing Board Matters (Compensation Committee) and a Strategy Committee. Detailed information on these committees is provided in the "Supervisory Board committees" section.

Number of meetings of the Supervisory Board and its committees in financial year 2013

One Annual General Meeting and four Supervisory Board meetings distributed across the financial year were held in 2013. Four meetings of the Audit Committee were also held. The financial statements and consolidated financial statements auditor for financial year 2012, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended this meeting of the Audit Committee and the meeting of the Supervisory Board in 2013 dealing with the auditing of the 2012 annual financial statements and the 2012 consolidated financial statements and formal approval of the 2012 annual financial statements, as well as the Annual General Meeting for financial year 2012. The auditor responsible for financial year 2013, KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended two Audit Committee meetings. The committee for decisions on urgent matters was contacted in writing on two occasions. Four meetings of the Committee for Managing Board Matters were held in 2013. The Strategy Committee did not hold any meetings in 2013; strategic matters were handled by the Supervisory Board as a whole.

No agenda items were discussed in the Supervisory Board and committee meetings without the participation of members of the Managing Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

Disclosure of information on Managing Board and Supervisory Board compensation

Compensation plan for members of the Managing Board

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the market environment.

The variable portion of the compensation emphasises the need for sustainability in a number of ways. Achieving the variable portion of the compensation depends to a large extent on satisfying performance criteria that extend beyond a single financial year.

The performance-related portion of the remuneration that can be earned has an upper limit and accounts for below 50% of the possible total annual income. The awarding of such compensation presupposes that consideration has been given to the sustainable development of the Company and the Group with regard to the claims reserve, among other things. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds.

In 2013, the key performance criteria for variable compensation are the combined ratio, premium growth, the profit before taxes for the years 2013 and 2014, and personal targets related to individual areas of responsibility. Even if the performance target is met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if satisfactory performance is also reported in the following year.

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

When setting the gross compensation of the Managing Board members, a certain amount of attention was also paid to equalising net effects, so that if compensation was paid for positions in affiliated companies outside of Austria, where the tax regime was more favourable than that in Austria, a lower gross compensation was set to take account of this fact. This and the different responsibilities of the members of the Managing Board explain the differences in their gross compensation.

In detail, the active members of the Managing Board in 2013 received the following for their service during the reporting period:

- Peter Hagen EUR 1,170,000 (EUR 1,189,000), including EUR 464,000 (EUR 529,000) variable,
- Franz Kosyna EUR 435,000 (EUR 0), including EUR 118,000 variable,
- Martin Simhandl EUR 819,000 (EUR 884,000), including EUR 333,000 (EUR 408,000) variable,
- Peter Höfinger EUR 819,000 (EUR 884,000), including EUR 333,000 (EUR 408,000) variable,
- Franz Fuchs EUR 368,000 (EUR 378,000), including EUR 149,000 (EUR 169,000) variable.

The members of the Managing Board received the following compensation from affiliated companies for their services to the Company, or as a manager or employee of an affiliated company:

- Franz Kosyna EUR 558,000 (EUR 867,000), including EUR 243,000 (EUR 309,000) variable,
- Franz Fuchs EUR 321,000 (EUR 360,000), including EUR 129,000 (EUR 169,000) variable.

The standard employment contract for a member of the Vienna Insurance Group Managing Board includes a pension equal to a maximum of 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis is equal to the standard fixed salary).

A pension is normally received only if a Managing Board member's position is not extended and the member is not at fault for the lack of extension, or the Managing Board member retires due to illness or age.

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) are not applicable by law, the Vienna Insurance Group Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement is possible, or leaves due to a fault of his or her own, is not entitled to a severance payment.

Compensation plan for the members of the Supervisory Board
In accordance with resolutions adopted by the 21st ordinary General Meeting on 4 May 2012, the members of the Supervisory Board elected by the General Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Members of the Supervisory Board who withdraw from their positions before the end of a month still receive full compensation for the month in question. In addition to this compensation, Supervisory Board members are entitled to receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (remitted after participation in the meeting). The total compensation paid to members of the Supervisory Board in 2013 was EUR 402,600.

In detail, the members of the Supervisory Board received the following:

- Wolfgang Ruttenstorfer EUR 72,000
- Karl Skyba EUR 51,600
- Bernhard Backovsky EUR 33,000
- Martina Dobringer EUR 33,000
- Alois Hochegger EUR 33,000
- Heinz Öhler EUR 33,000
- Reinhard Ortner EUR 37,500
- Martin Roman EUR 31,500
- Friedrich Stara EUR 39,000
- Gertrude Tumpel-Gugerell EUR 39,000.

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

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

Female Supervisory Board members
Women hold approximately 8.5% of the positions in Vienna Insurance Group supervisory boards across Europe, and approximately 15% in the Austrian insurance companies (as at 31 December 2013).

Female Managing Board members
Women hold approximately 20% of the positions on the managing boards of Vienna Insurance Group insurance companies.

For comparison, women held 8.6% of the managing board positions in the 60 largest German insurance companies in 2013.

A good third of the managers newly appointed to the managing board of a VIG insurance company in 2013 were women.

This appointment policy is not based on an internal quota for women, but is instead the result of selecting applicants strictly on the basis of qualifications. The percentage of women in top positions at Vienna Insurance Group can be expected to continue increasing over the medium term.

Women in management positions

Including distribution, women hold a good 40% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: 45%).

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

Vienna, March 2014

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

SUPERVISORY BOARD REPORT

The Supervisory Board reports that it has taken the opportunity to comprehensively monitor the management of the Company, both acting as a whole and periodically by means of its committees, Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were recurring meetings with the members of the Managing Board, who provided detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company were also discussed in these meetings.

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

One Annual General Meeting and four Supervisory Board meetings distributed across the financial year were held in 2013. Four meetings of the Audit Committee were also held. The financial statements and consolidated financial statements auditor for financial year 2012, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended this meeting of the Audit Committee and the meeting of the Supervisory Board in 2013 dealing with the auditing of the 2012 annual financial statements and the 2012 consolidated financial statements and formal approval of the 2012 annual financial statements, as well as the Annual General Meeting for financial year 2012. The auditor responsible for financial year 2013, KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended two Audit Committee meetings. The committee for decisions on urgent matters was contacted in writing on two occasions. Four meetings of the Committee for Managing Board Matters were held in 2013. The Strategy Committee did not hold any meetings in 2013; strategic matters were handled by the Supervisory Board as a whole.

No agenda items were discussed in the Supervisory Board and committee meetings without the participation of members of the Managing Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings. The Chairman of the Supervisory Board held individual discussions with the members of the Supervisory Board concerning Supervisory Board procedures. The Supervisory Board's evaluation of its activities based on these discussions found that the practices followed satisfied the requirements of the Austrian Stock Corporation Act and the Code of Corporate Governance, and that its organisational structure and procedures were satisfactory in terms of efficiency. During a meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning specification of two-way communications.

Acting upon the proposal and motion of the Supervisory Board, the General Meeting selected KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) to be the financial statements auditor and consolidated financial statements auditor for financial year 2013, and KPMG consequently performed these duties in financial year 2013.

By inspecting suitable documents, meeting with the Managing Board and holding discussions with the (consolidated) financial statements auditor, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection. The Supervisory Board Audit Committee also monitored the independence of the auditor of the financial statements and consolidated financial statements, and after reviewing suitable documents and supporting records submitted to it, particularly with respect to additional services provided for the Company and the Group, was satisfied of the auditor's independence.

The Audit Committee also reviewed the effectiveness of the internal control system, the internal auditing system and the risk management system by obtaining verbal and written descriptions of the processes and organisation of these systems from the Managing Board, the (consolidated) financial statements auditor and the individuals directly responsible for these areas. The Audit Committee reported on these monitoring activities to the whole Supervisory Board and stated that no deficiencies had been identified.

The whole Supervisory Board was also given the opportunity during Supervisory Board meetings to satisfy itself about the functional adequacy of the existing control and auditing systems. In addition, the audit plan and the quarterly reports prepared by internal audit department were debated by the Audit Committee and whole Supervisory Board and discussed with the head of the internal audit department. The Supervisory Board found no reasons for objections.

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

In addition, the Supervisory Board Audit Committee received the 2013 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Supervisory Board Audit Committee also carefully examined the 2013 consolidated financial statements and Group management report. The Managing Board's proposal for appropriation of profits was also debated and discussed during the course of this examination. As a result of this examination and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board that they be accepted without qualification. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee. The 2013 annual financial statements together with the management report and corporate governance report, the 2013 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed, and examined by the entire Supervisory Board.

In addition, the auditor's reports prepared by the (consolidated) financial statements auditor KPMG for the 2013 annual financial statements and management report and the 2013 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the entire Supervisory Board, and debated and discussed with KPMG. KPMG's audit of the 2013 annual financial statements and management report and the 2013 consolidated financial statements and Group management report did not lead to any reservations. KPMG determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December, 2013, and of the results of operations of the Company for financial year 2013 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. KPMG further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2013, and of the results of operations of the Group for financial year 2013 in accordance with IFRS and Section 80b of the Austrian Insurance Supervision Act (VAG) in combination with Section 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

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

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

The 2013 annual financial statements have therefore been approved in accordance with Section 96(4) of the Austrian Stock Corporation Act (AktG).

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

Vienna, April 2014

The Supervisory Board:

Wolfgang Ruttenstorfer (Chairman)

Are companies that show social responsibility more successful, Ms Culescu?

Maria Culescu
Founder and President of the aid organisation M.A.M.E. Association that supports patients with cancer and other severe illnesses (for more information visit: www.asociatiamame.com), Bucharest, Romania

"I believe in the future because I see more and more people – and, therefore, businesses – that would like to demonstrate active and financial social responsibility."

- **Culescu:** Yes, of course, if their goals and strategy are also good! In my opinion, companies should look at social responsibility as an opportunity to make a direct contribution to sustainable society.

- Social involvement has to be seen as an investment. Companies can use it to provide long-term support to the community in which they operate. I am happy to see that a growing number of Romanian companies are increasing their activities in this area.

- Many managers are obviously starting to look beyond sales performance – they have recognised that having the respect of others can also be a success factor and creates a win-win situation for both company and society. Companies can improve their image while doing something good for society. It is therefore quite clear to me that social involvement is a competitive advantage.

"Social involvement has to be seen as an investment."

- The Romanian VIG subsidiary Asirom has become one of our most reliable cooperation partners, and our project work with them is highly successful. This relationship is based on reciprocity. We provide our partner with all of the documents and reports needed to ensure efficient evaluation. This transparency creates trust and, in the end, long-term cooperation.

Corporate social responsibility

We have great confidence in the future and do our part to shape it, including working beyond the boundaries of our Company. As a successful international insurance group, we feel it is our responsibility to help bring about a future worth living. We have therefore given ourselves the goal of successfully combining the profit-making aspects of our business with social and environmental factors.

SOCIAL FACTORS

Customers

Customer proximity using local management
Vienna Insurance Group uses local management to get closer to customers than others. The local managers and employees of the VIG companies in each country know the needs of the people in their region the best and can therefore also act quickly in the interests of all their customers. Instead of viewing the CEE region as homogeneous, VIG takes into account the structural differences and stages of development of the different insurance markets. As a result, business models are not simply transferred from one country to another without change. Products and distribution must instead be appropriate for the situation in each individual market and must be custom-tailored to meet the specific needs of local customers.

Using local management get closer to customers than others

Complaint management
Customer satisfaction is the number one priority for Vienna Insurance Group. If a customer or consumer representative is nevertheless dissatisfied with a product or service provided by a Group company, they can quickly and easily turn to a central point of contact for the company. These contacts are responsible for the complaint process as a whole and are located directly in the managing board team or in company units close to the managing board.

DONAU VERSICHERUNG AS AN EXAMPLE OF COMPLAINT MANAGEMENT
Donau Versicherung has had a central complaint management department for many years that expertly and reliably responds to concerns raised by customers and consumer representatives. Although the customer advisor is the first point of contact and many questions can be answered by the experts at the call centre, this ombudsman's office plays an important role in responding to highly specific customer issues and requests. At the same time, it functions as an independent intermediary between functional departments and people with complaints.

Donau Versicherung expanded and further improved its complaint service in 2013. The central ombudsman's office and regional contacts were given a new electronic system that further improved complaint entry and processing. The central complaint management department is able to immediately access all necessary information. This means that customers throughout Austria can be given information at the push of a button. Analytical evaluation of criticism received also helps the company find out what customers think about its products and procedures and the source of any dissatisfaction. As a result, the ombudsman's office views complaints first and foremost as an opportunity to make improvements that are in the customers' interest and therefore also in the interests of the company.

Customer satisfaction
"We are the leading insurer in the CEE region – due to customer proximity and our customer-orientation" – this basic concept is firmly anchored in the Vienna Insurance Group mission statement and expresses the importance of customer-orientation. This concept is also applied in practice, as shown by the many awards received by VIG companies for outstanding products and services. Here are a few examples:

- The highly renown daily newspaper "Hospodářské noviny" publishes an annual ranking of leading Czech financial services companies. In 2013, Kooperativa received first place for non-life insurance companies, as well as second place in the "Most Customer-Friendly Non-Life Insurance Company" category.

- In 2013, UNION Biztosító received an award for service quality in business property insurance from the Association of Independent Insurance Brokers (FBAMSZ), whose members represent around 60% of this market.
- The Bulgarian Vienna Insurance Group companies received awards in two of seven categories in the "Insurance Company of the Year 2013" competition organised by the Bulgarian Association of Insurance Brokers (BAIB). Bulstrad Non-Life was chosen as the "Fairest Insurance Company in 2013" for quick payment of claims due to personal injury covered by motor liability insurance. Bulstrad Life received an award for "Life Insurance Company of the Year 2013".

Further awards and official recognition of VIG companies are provided starting on page 26 of this report.

Employees

The success of Vienna Insurance Group is based on the daily dedication of around 23,000 employees with an extensive variety of experience, qualifications and expertise. The diversity of the different Vienna Insurance Group companies is also a reflection of the diversity of its employees. This diversity is part of day-to-day life within Vienna Insurance Group. Respect for different cultures and the cross-border exchange of experience and know-how have played an important role in the sustained success of the Group. As an employer, VIG's goal in this respect is to promote the professional and personal development of its employees and support them in demonstrating and further developing their abilities.

Employee distribution

The Group had an average of 23,139 employees in 2013, with approximately 57% in the field sales force and 43% in administration.

Percentage of women

Approximately 59% of employees in the Group are women. Women held approximately 20% of the positions on the managing boards of VIG insurance companies at the end of 2013.

EMPLOYEES BY REGION

	2013	2012	2011
Austria	5,235	5,405	5,364
Czech Republic	4,852	4,814	4,892
Slovakia	1,557	1,572	1,596
Poland	1,742	1,751	1,945
Romania	2,727	3,480	3,991
Remaining markets*	6,483	6,344	6,022
Central functions**	543	720	1,092
Total	**23,139**	**24,086**	**24,902**

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

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

This means that the average percentage of women holding top management positions at Vienna Insurance Group is significantly higher than in comparable companies, such as the 60 largest German insurance companies, where an average of 8.6% of the managing board positions are held by women.

A good third of the managers newly appointed to the managing board of a VIG insurance company in 2013 were women. This appointment policy is not based on an internal quota for women, but is instead the result of selecting applicants strictly on the basis of qualifications. The percentage of women in top positions at Vienna Insurance Group can be expected to continue increasing over the medium term.

Including distribution, women hold a good 40% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: 45%). Removing barriers to women's careers is one of the key elements of the personnel strategy at Vienna Insurance Group.

VIG people management strategy – first year of implementation

The VIG people management strategy is based on the Company's business strategy, values and management principles and includes the following strategic objectives:

- Establishing service quality and customer-orientation as the most important core competences of employees
- Strengthening VIG's position as an attractive local employer with an international background for ambitious individuals
- Developing Group-wide management and expert competences
- Further improving diversity by, for example, removing barriers to women's careers

All of the initiatives planned for the VIG people management strategy were carried out successfully in the first year of implementation of the strategy. Among other things, new expert competences were introduced on a pilot basis in three countries and five companies, managers were offered a new in-depth leadership programme, and existing management development initiatives were continued. In addition, a development programme was designed for experts and the people management internet and intranet websites were revised. Recruiting and on-boarding standards were prepared and approved Group-wide, and the existing staff diagnostic programme was modified based on the new competence model.

Initiatives at Group level

VIG CORPORATE UNIVERSITY – MANAGEMENT DEVELOPMENT IN 2013

The Group-wide advanced training programmes offered by the VIG Corporate University are closely aligned with VIG's business strategy and competences. As a platform for intellectual exchanges with renowned external lecturers and colleagues in the VIG Group, these programmes strengthen the "team spirit" of the Group and promote a performance-oriented attitude while building a shared understanding.

VIG's custom-designed "Leadership Development Programme (LDP)" was provided for management for the third time in 2013 in cooperation with the IEDC – Bled School of Management in Slovenia. For twelve days, 28 managers from eleven countries and 20 VIG companies discussed the topics of leadership, change management, strategic challenges and operational excellence with renowned international professors.

In order to ensure sustainability in shared learning and a diversity of perspectives with respect to management topics, an in-depth seminar was offered for the LDP for the first time in 2013. Almost all of the first LDP graduates took part in the intensive leadership workshop, "The Art and Practice of Effective Communication and Conflict Resolution". Together with an experienced Swiss leadership trainer and a professor from the French Insead Business School, the 24 participants discussed aspects of managing and being managed, dealt in detail with the logic of emotions, and examined the latest communications theories using concrete practical examples.

STAFF DIAGNOSTIC

The Staff Diagnostic plays a central role in the personnel development process. It is used across the Group with the goal of identifying and systematically developing employee potential and assigning employees precisely where their skills, interests and knowledge can be used the best. When needed, it is also used during recruiting as a way of introducing objectivity. The four variations of the Staff Diagnostic are offered in German and English, and are performed in other local languages as needed. This standardised Group-wide evaluation creates a basis for professional development and career planning across the Group.

Core competences of VIG employees

> **Service quality and customer-orientation**
>
> **Personal responsibility and contribution to the success of the business**
>
> **Openness to change and solution focus**
>
> **Collaboration and networking**

All of the existing variations of the Staff Diagnostic for managers and employees were modified during the reporting period to take into account the Group-wide competence model that was revised in 2011 and expanded with expert competences in 2012. This included redesigning and implementing the Development Centre – a Group analysis procedure for employees – which continues to be used primarily as a basis for individual targeted employee development.

RELAUNCH OF THE VIG INTERNET AND INTRANET SITES

Extensive work was done in 2013 for the relaunch of the "Jobs & Career" pages on the VIG Internet and intranet sites. The intranet redesign was aimed at increasing the motivation and loyalty of employees as well as making more information available to them. The focus was on providing increased regular communication on topics such as VIG goals, values and current personnel development projects and opportunities. The redesign of the "VIG Career Lounge" at www.vig.com was aimed at presenting VIG as an attractive employer by providing clear and appealing information on career and development opportunities. For both platforms, VIG employees were invited to tell their personal "VIG Stories" to create a living image of the culture and diversity in the Group.

MOBILITY IN PRACTICE

Internationality, diversity and mobility are very important to Vienna Insurance Group. Close cooperation and exchanges between VIG Holding in Vienna and the operating companies are part of the day-to-day life of the Company. VIG mobility programmes in 2013 included standardised job rotation programmes offering transfers for several months into the asset management, actuarial, enterprise risk management, personal insurance performance management, finance and accounting departments of VIG Holding. The seven participants came from Albania, Bulgaria, Hungary and Macedonia.

In addition, 20 knowledge transfer trips and international introductory programmes took place between companies and between companies and the Group holding company in the year just ended. VIG employees use these intensive training courses – visits of between two and 30 days – to prepare for a new position or to increase and deepen their professional knowledge.

Initiatives at the holding company level

VIG JOB MARKET

As a service-sector company, it is particularly important for Vienna Insurance Group to attract ambitious qualified employees and be an attractive, long-term employer for them. Requirements profiles and interview guidelines based on VIG competences are important tools used for targeted recruitment. The Group-wide internal job market allowed Vienna Insurance Group employees to actively apply for local and international positions in 2013 and develop their skills within the Group. This retains knowledge and talent within the Group, while simultaneously opening up new career prospects. In 2013, around 20% of available positions were assigned internally.

VIG – a place of internationality, mobility and diversity

In order to ensure that employees and management have the skills needed for the success of the Company, the new Group-wide competence model is also used during recruiting.

ONBOARDING

It is important to Vienna Insurance Group that its employees feel comfortable in their working environment from day one. VIG Holding uses an extensive introductory programme to help new employees joining the Group. During the Welcome Day, employees are introduced to the main points of contact in the Group headquarters during their first day at work. Each employee also receives a manual that provides detailed information about the Group and an initial overview of the Company's structure and procedures.

During the first nine months, new employees of VIG Holding take an established two-module training course providing more detailed information on, for example, the history of the VIG Group, the main business processes in the Company and the main insurance products. The onboarding programme ends with “Sales Day”, where new employees are introduced to the challenges of sales on location at a business office and learn valuable first-hand information about the sale of insurance products.

CREATING LONG-TERM RELATIONSHIPS WITH STUDENTS AND GRADUATES

In order to establish and strengthen “Vienna Insurance Group” as an employer brand, VIG uses a long-term approach tailored specifically to each target group when addressing the different groups of applicants. In order to reach the target group consisting of students and graduates of universities and universities of applied science, VIG participates in “Career Calling”, Austria’s largest annual career fair, “High Potentials Day”, a recruiting event organised by the Austrian weekly magazine “Profil”, and the “Recruiting Breakfast” held by the Career Planning Centre (ZBP) at the Vienna University of Economics and Business. The Company was also represented at the first “fair.versity” career fair held by the Austrian Federal Economic Chamber (WKO) in 2013. This fair is aimed at applicants interested in diversity and an international orientation.

Employee loyalty from a family-friendly personnel policy

In 2013, VIG also began a cooperation with the “Master Class Central & Eastern Europe” study programme, a compact two-semester programme at the Vienna University of Economics and Business aimed at teaching management skills, with a special focus on the management and control of multinational companies in Central and Eastern Europe. This cooperation allows VIG to assist students from the CEE region and young talented trainees with an affinity for this economic and geographical region. It also awarded scholarships for future managers with a CEE background to attend the “Discover Management Programme” as part of its cooperation with the IEDC – Bled School of Management in Slovenia.

Initiatives at individual company level

Many initiatives were also implemented at the individual company level in 2013. The following examples have been chosen from the many available to illustrate the work of the VIG companies in the area of people management.

AUSTRIA – WIENER STÄDTISCHE PROMOTES INFORMATION EXCHANGE WITH EMPLOYEES ON PARENTAL LEAVE

Wiener Städtische started the “Eltern-Kind-Jause” (Parent-Child-Snacktime) in 2013 in order to maintain contact with employees on parental leave. The aim of the event is to bring mothers and fathers on parental leave up-to-date twice a year on current developments in the Company, thereby making it easier to return to work. Equal treatment in the workplace, numerous training and advanced training opportunities, a balance of career and family, and open internal and external communication are values that form part of day-to-day life at Wiener Städtische.

AUSTRIA – GREATER FOCUS ON “CAREER AND FAMILY” IN DONAU VERSICHERUNG AND S VERSICHERUNG

Achieving a balance between career and family is of key importance to Donau Versicherung. In order to give this issue the same importance in its strategic people management, Donau Versicherung decided to take part in the comprehensive “Audit berufundfamilie” (Career and Family Audit) programme and received the government seal of approval under this programme. s Versicherung also took part in this audit process and has committed to implementing additional measures to reconcile career and family in the next three years. As a result, s Versicherung also has the right to use the government “Audit berufundfamilie” seal of approval as a family-friendly employer.

CZECH REPUBLIC – FOUNDING OF THE ČPP ACADEMY BY GROUP COMPANY ČPP

In 2013, the Czech Group Company ČPP received funding from the European Social Fund in the area of training and advance training for its two-year project “Professionalism through Education”. The ČPP Academy was founded as part of this project. Accreditation of the first participants in the six-month vocational continuing training programme took place in September of the reporting period. 24 employees from regional head offices throughout the Czech Republic successfully completed the programme. The programme was centred on training internal specialists to provide detailed information on ČPP products and services to sales employees or business partners.

SLOVAKIA – NEW KOOPERATIVA TRAINING PROGRAMME VIA VIDEO CONFERENCE

The Slovakian Group company Kooperativa started an innovative environmentally-friendly pilot project for digital training using video streaming in 2013. This type of distance training is currently in the test phase and is aimed at helping the company's own field sales force by saving valuable time and travel expenses. Unlike conventional e-learning platforms, online training meetings ensure there is an interactive exchange between participants, and individual contact between trainers and participants.

POLAND – COMPENSA NON-LIFE AWARDED TITLE OF "RELIABLE EMPLOYER"

The Polish Chamber of Commerce awarded the title of "Reliable Employer" to the Polish Group company Compensa Non-Life in 2013. The award reflects the company's successful long-term efforts in the area of employee rights, benefits and fringe benefits. The evaluation process for the "Reliable Employer" award began in 2009 and was carried out by the Polish Chamber of Commerce and the "Teraz Polska" ("Poland now") Polish Promotional Programme Foundation in cooperation with NGOs and universities.

ROMANIA – IMPLEMENTING THE NEW VIG EXPERT COMPETENCES IN OMNIASIG

The Group-wide core competences defined by VIG describe the employee and management conduct and approaches that form the basis for the Company's success. After the expert group was added to the model in 2012, the Romanian Group company Omniasig became one of the first companies to take part in the pilot project to implement these expert competences. The goal of the pilot project is to identify examples of best practice during the implementation process so that the experience gathered can be made available to help Group companies in the next stage. Working closely with the project team of the people management department of VIG Holding, numerous workshops, feedback rounds and training courses were already conducted with the Managing Board and managers in 2013.

Company values and conduct

Strong ethical values have formed the basis of the successful business development of the Group from the very beginning, and are deeply rooted in the Vienna Insurance Group self-image. Honesty, integrity, customer satisfaction, diversity and equal opportunities guide the corporate behaviour of Vienna Insurance Group in relation to its employees, customers, business partners and shareholders.

VIG code of conduct

Above all, Vienna Insurance Group stands for trust and security. To fulfil these demands, a standardised code of conduct, the code of business ethics, was created based on the Company mission statement and VIG values. It applies to all VIG employees and governs conduct related to matters such as compliance with laws, discrimination, the environment, bribery and corruption, data privacy, insider trading and money laundering. In the interests of transparent corporate communication, the code of business ethics is also published on the VIG website at www.vig.com/en/corporate-responsibility.

Wiener Städtische as an example of VIG compliance

Wiener Städtische has had a new compliance department since 1 April 2013. Compliance is generally defined as the observance of rules, i.e. internal Group guidelines, but also including in particular the observance of statutory provisions. Compliance can also be understood as "value management". In this sense it concerns the basic attitude and conduct of a company and the people working in the company that are applied in practice and communicated both within and outside of the company. Wiener Städtische has dealt extensively with these topics for a very long time. Establishing the new department means that they can now be institutionalised and reorganised.

A Compliance Committee was established to ensure that all Wiener Städtische employees have a sound understanding of compliance issues. It is comprised of 18 compliance representatives, mainly senior managers, and the Compliance Officer, who meet four times a year to discuss any compliance cases, current and necessary preventative measures, and further development of the compliance system. The code of conduct is included in the documents given to new employees and sets down strict internal requirements for compliance with laws and regulations, anti-discrimination, prevention of bribery and corruption, insider trading, confidentiality, data privacy and environmental and social responsibility. This information is also available at any time on the intranet. This information is supported by regular training courses dealing with the guidelines mentioned above.

Society

Vienna Insurance Group is aware of its social responsibility to the people in its 24 countries and uses a wide range of projects and measures to proactively meet this responsibility. Many of these social and cultural initiatives are made possible primarily through the major support provided by its principal shareholder Wiener Städtische Versicherungsverein.

Social Active Day*

Vienna Insurance Group began the Social Active Day initiative in 2011. It encourages Group employees to become involved in a good cause and as a rule allows them to take one working day off for this purpose. Because of the impressive response, the Social Active Day has been successively expanded since it began, so that Group companies in 19 countries now participate. Employees used 4,566 working days for volunteer activities in 2013.

A few examples of these activities from the different Group companies are presented below:

AUSTRIA – ACTIVE SUPPORT FOR CANISIBUS

Day after day, two Caritas buses travel along a fixed route in Vienna to deliver hot soup and bread to people who often have this as their only warm meal of the day. The meal is gratefully received not only by homeless people, but also by men and women who take the soup home for their families. In addition to a meal, they also receive consolation and encouragement from Caritas employees. Many VIG Holding and Wiener Städtische employees helped the volunteers for these buses under the Social Active Day initiative.

CZECH REPUBLIC – HELP FOR FLOOD VICTIMS OF ČPP EMPLOYEES

Around 160 employees of the Czech Group company ČPP assisted a large number of initiatives as part of Social Active Day, including providing help to victims of the devastating flood of 2013. The volunteers helped the victims remove mud and clean up after this serious natural disaster.

ROMANIA – ASIROM ASSISTS ORGANISATION FOR CANCER PATIENTS

Employees of the Romanian Group company Asirom have supported the non-profit organisation M.A.M.E. with a variety of projects since 2011. The organisation mainly helps cancer patients, especially socially disadvantaged children and young people, by providing art therapy, self-help groups, advice on applying for funding for therapy in other countries, etc. M.A.M.E. has already helped more than 120 patients since it was established in 2009 (see also page 60).

ALBANIA – FIRST SOCIAL ACTIVE DAY

The first Social Active Day in Albania took place in 2013 and was immediately well received: the VIG company Interalbanian started the “Keep the beach clean” initiative and 70 employees took part. Together with school children, they cleaned the beach at the seaside city of Orikum in

Southern Albania, thereby helping neighbouring beach areas create public awareness of the need to avoid and dispose of garbage. The initiative also attracted great attention in a large number of local media.

CROATIA – ERSTE OSIGURANJE MOTIVATES CHILDREN TO PLAY OUTDOORS

Motivate children to spend more time playing outdoors – this was the aim that the volunteers from the Croatian VIG company Erste Osiguranje undertook to achieve in 2013 when they began their "Day of children's games" initiative. Play camps were organised in Zagreb, Split, Osijek, Rijeka and Pula between April and June. The goal of the initiative was to encourage sports activities and the team spirit of the children.

UKRAINE – FIRST SOCIAL ACTIVE DAY

As part of the first Social Active Day in the Ukraine, around 50 employees of the Group company UIG renovated a playground for the Yolochka orphanage in Simferopol on the Black Sea. A trip to an ostrich farm was also organised for special needs children from the Kiev region.

HUNGARY – HELP FOR CHRONICALLY ILL CHILDREN

At the end of May 2013, over one hundred employees of the Hungarian VIG companies Union Biztosító and Erste Biztosító continued a tradition that first began in 2008. As part of the Social Active Day, Bátor Tábor, a vacation camp for chronically ill children in the Hungarian city of Hatvan, was prepared for the arrival of the children. Outdoors, the volunteers did some gardening and repair work and laid 24 tonnes of wood chips on the pathways. The indoor work included painting walls and organising the children's rooms.

4,566 working days for social involvement under the Social Active Day initiative

Günter Geyer Social Active Award*

Wiener Städtische Versicherungsverein, the principal shareholder of Vienna Insurance Group, awards a prize for outstanding social commitment each year, named after General Manager Günter Geyer. The annual prize is awarded to three Group companies whose social activities, or those of their employees, deserve special mention for their achievements in the service of their fellow men. The prize winners also receive EUR 100,000, which is provided for the promotion of additional social projects.

Wiener Städtische in Austria received first place in 2013 for its outstanding consciousness-building activities in the area of nursing care – especially for the "Carer with a Heart" initiative. Second place went to Kooperativa Slovakia for its extensive efforts to help disadvantaged children and youth with special needs. Third place was awarded to Bulstrad Life in Bulgaria, among other things for the repeated assistance given to the Radost children's home by employees of the company.

Special Recognition Awards for Social Involvement granted for the first time*

In addition to helping charitable organisations, Wiener Städtische Versicherungsverein, the principal shareholder of VIG, would like to motivate Group employees to go beyond the Social Active Day and become socially active in their free time to promote the ideas of civil society. For this reason, a Special Recognition Award for Social Involvement was established in 2013 to recognise the involvement of these employees. Nominations for this award are made by fellow employees, and a jury selects ten winners from the nominations submitted.

Employees from six countries (Bulgaria, Macedonia, Austria, Slovakia, the Czech Republic and Hungary) received the award in 2013. A lawyer, for example, provides free legal advice to victims of crime and also uses her professional expertise outside of her work. Other awards were given to a voluntary member of a Red Cross crisis intervention team and the co-founder of a support organisation for kidney patients and their families. The winners were invited to enjoy a busy weekend schedule of sightseeing and cultural events in Vienna.

VIG Kids Camp*

Wiener Städtische Versicherungsverein once again organised a number of summer camps in 2013, at which around 500 children of VIG employees from 20 countries spent two weeks of their summer holidays. Under the motto "Paint what you want to become", the children aged between nine and 13 could express their ideas of a dream job on paper. The most imaginative and creative submissions were awarded an invitation to Kids Camp.

Those invited could then choose between the "City Camp" in the Strebersdorf area of Vienna, the "Country Camp" in Wagrain, Salzburg, and the "Mountain Camp" in Altaussee in the Salzkammergut area. Activities ranged from hiking tours and expeditions through salt and stalactite caves to sightseeing tours in Salzburg and Vienna, along with a variety of games and water fun. The children also had new and interesting experiences with children from many other European countries. The Company was therefore also promoting intercultural exchange, thereby contributing to a culture of harmonious interaction.

Around 500 children from 20 countries at VIG Kids Camp 2013

Vienna Art Week

Vienna Insurance Group has supported Vienna Art Week since 2006. In 2013, under the motto "Projecting Worlds", the cultural festival explored topics and positions related to the role of artistic expression in reinforcing identity. Close to 35,000 art enthusiasts visited around 180 individual events (e.g. gallery tours, curator tours, artist talks, etc.). 72 programme partners (institutions, galleries, alternative spaces, special project partners and artists) successfully managed to present the immense quality and variety of the Vienna art scene. For the first time, Vienna Art Week also used the motto "Curators' Picks" to invite international curators to come to Vienna and discover the great variety of the Viennese art scene as well as introducing the scene into the international discourse. During the Open Studio Days, around 3,000 people visited the studios of 84 Viennese artists.

Gustav Mahler Youth Orchestra

Vienna Insurance Group has supported the Gustav Mahler Youth Orchestra since 2011. The orchestra was founded in 1986 with the aim of helping young Austrian musicians play music with their colleagues from the former CSSR and Hungary. Since 1992, it has offered highly talented musicians throughout Europe up to the age of 26 the opportunity to work together with the great conductors and soloists of our time. The Gustav Mahler Youth Orchestra has been an ambassador of Unicef Austria since 2012.

In 2013, Herbert Blomstedt agreed to be a guest conductor. During its Easter tour the Gustav Mahler Youth Orchestra went, among other places, to Vienna, Paris, Zagreb, Bratislava and Lisbon. As a special honour, during Wagner Year 2013 the orchestra was invited to give two concert performances of Richard Wagner's Rienzi under the direction of Philippe Jordan at the Salzburg Festival.

Slovakian artist Dorota Sadovská wraps the Ringturm*

The sixth traditional wrapping of the Ringturm during the summer months of 2013 reflected the strong, expressive commitment of Wiener Städtische Versicherungsverein to its role as a facilitator of cross-border dialogue. The work "Ties" by the young Slovakian artist Dorota Sadovská was created exclusively for the Group headquarters. The work expresses the theme of reciprocal ties, the joy of moving together and meeting. The symbol of three female figures in a circle has been recognised since ancient Greece as a symbol for the best way of managing material resources: by taking, giving and returning. The symbolism of "Ties" is also reflected in the concept of insurance as mutual sharing.

"Architecture in the Ringturm" exhibition series*

The "Architecture in the Ringturm" series of architectural exhibitions has been held regularly since 1998 in the exhibition centre at VIG Group headquarters. It is aimed at making the architecture of the countries in which VIG operates widely accessible to the public free of charge.

* Wiener Städtische Versicherungsverein, the principal shareholder of VIG, provided all or a major part of the support for these activities.

MACIEJ NOWICKI - AN ARCHITECTURAL CAREER BETWEEN POLAND, THE USA AND INDIA
27 NOVEMBER 2012 TO 15 FEBRUARY 2013
The exhibition used photographs and drawings to take a closer look at the artistic creativity of the Polish architect Maciej Nowicki. He is considered to be one of the most interesting figures in the world of architecture during the late interwar and early post-war periods in Poland. After emigrating to the USA, he worked with Le Corbusier and Oscar Niemeyer, among others, on the design of the UN Headquarters in New York and the Dorton Arena, one of the most important stadiums of the post-war period. In addition to Nowicki's works, the exhibition also focused on his theoretical reflections, showing him to be an impressive thinker.

BAUHERRENPREIS 2012
6 MARCH 2013 TO 5 APRIL 2013
The Bauherrenpreis, one of the most prestigious architectural awards in Austria, has been awarded each year since 1967 by the Austrian Architects Association (ZV). It honours the functionality, design, social relevance and open area design of buildings whose success is partly due to the commitment of the client. The exhibition showed the projects submitted for the Bauherrenpreis 2012. Using plans, photographs and models, it drew an impressive picture of contemporary Austrian architecture. In addition to the award-winning projects, the exhibition also looked at the projects chosen by the nominating juries in each province.

THEOPHIL HANSEN. CLASSICAL ELEGANCE IN EVERYDAY LIFE
18 APRIL 2013 TO 9 SEPTEMBER 2013
The exhibition series dedicated a large personal exhibition to the architect Theophil Hansen to mark his 200th birthday. Born in Denmark, he was without doubt one of the most important protagonists of the Vienna Ringstraße era. He designed the Austrian Parliament Building, Old Stock Exchange, Musikverein concert hall, Palais Ephrussi and Palais Epstein, and had a major influence on the architectural world in Vienna during this period of prosperity. The exhibition also cast light on Hansen's lesser-known creations in Central and Eastern Europe, e.g. in what is known today as the Ukraine or Czech Republic.

MONTENEGRO LANDSCAPE CONTRAST, ARCHITECTURAL CONTEXT
19 SEPTEMBER 2013 TO 15 NOVEMBER 2013
The exhibition series turned to Montenegro for the first time in 2013. The characteristic landscape in this small country on the Adriatic Sea is impressive and is increasingly becoming a destination for international visitors. The architecture of Montenegro, however, is less well known. Both the urban and architectural tradition along the coast show the historical influence of the sea republic of Venice. There is quite a difference between this strip of land along the sea and the mountain region. The rural architecture in the hilly and mountainous areas has a long tradition and was presented together with the coastal region, which is reminiscent of Dalmatian cities.

BAUHERRENPREIS 2013
27 NOVEMBER 2013 TO 10 JANUARY 2014
For the third time, the exhibition series showed all of the projects nominated for the Bauherrenpreis award, with special attention given to the seven award winners. A total of 90 projects were submitted to the Bauherrenpreis 2013 competition. Volunteer juries selected up to five buildings for each province, and after extensive examination an international jury – Dörte Mandrup, Arno Brandlhuber, Christian Kühn – chose seven award winners from the 30 projects that were nominated.

ECONOMIC FACTORS

Indirect economic effects

The structure of the insurance industry as an important factor for the economic development of a region
The establishment of a stable, reliable insurance industry is critically important in many respects for the economic development of a country. Insurance services are an essential part of the national financial infrastructure and have a stabilising effect on the entire economy. Reliable local insurance companies familiar with local conditions are particularly important for countries that rely on foreign investors and cooperations for major economic projects like infrastructure. VIG has successfully assumed exactly these responsibilities many times in the past two decades, thereby making a very early contribution to the economic development of countries in the CEE region.

In the area of private insurance, both non-life and life insurance are valuable instruments for developing and protecting rising prosperity. The automotive industry, for example, plays a major economic role in many CEE countries and requires a functional insurance industry. Private health insurance and life insurance are also valuable supplements to limited government healthcare and pension systems. Due to its strong market presence, VIG has a major influence in shaping these areas.

Sustainable investments

As the leading insurance group in its core markets, VIG is aware of its responsibility to make sustainable investments, and its responsibility to promote innovative environmentally-friendly ideas. "Think globally – act locally" – VIG also gives top priority to this principle for goal achievement when making its investment decisions. In the area of infrastructure investments this means supporting as many local infrastructure projects as possible that guarantee a sustainable improvement in local living conditions. The investments in energy-efficient social housing in Austria are a recent example of this. The VIG-supported expansion of the healthcare system in the form of outpatient clinics providing medical care in many areas of Georgia also follows this principle. In addition, VIG continues to follow its long tradition of energy and resource efficiency when designing its own office buildings.

VIG headquarters uses environmentally-friendly building air-conditioning

ENVIRONMENTAL FACTORS

District cooling provides environmentally-friendly air conditioning in the Group headquarters

District cooling uses waste heat from thermal waste utilisation or electricity generation in a closed cooling water system for building air conditioning. Due to its highly efficient generation mix, district cooling in Vienna makes a significant contribution to CO_2 reduction and is considerably more cost-effective than conventional cooling methods.

The Schottenring district cooling station officially began operating in the first half of 2013. Along with a number of other companies, the Ringturm headquarters of Vienna Insurance Group and Wiener Städtische were also connected to the Schottenring district cooling network. In addition to the benefits mentioned above, district cooling is also a space-saving alternative compared to conventional air conditioning systems. Using cooling supplied by a central cooling station allows valuable space to be saved for office and other uses.

Fewer business trips thanks to the new video conferencing room in the Group headquarters

VIG installed a modern video conferencing system in its business headquarters in 2013. Simultaneous audio, video and data transmission make the system ideal for virtual meetings, thereby rendering various business trips unnecessary. Video conferences can now be used for meetings with partners or other colleagues, e.g. in the Czech Republic, where the business headquarters of Kooperativa and ČPP also satisfy all of the technical requirements. In addition to reducing travel costs, this environmentally-friendly technology also makes it possible to reduce CO_2 emissions.

Sustainable building methods for new construction projects

Opening of the new provincial headquarters in St. Pölten

The new provincial headquarters of Wiener Städtische and Donau Versicherung in St. Pölten was opened in 2013. The new building was built under the direction of the renowned architect Heinz Neumann, Neumann & Partner, and provides around 3,800 m² of modern workspace for the 180 employees at the provincial headquarters. In addition to providing modern office infrastructure, the design also meets state-of-the-art energy standards. Referred to as a "green building", it incorporates low-energy design, a photovoltaic system and geothermal cooling of the IT and building services rooms. This allows the two insurance companies to make a valuable contribution to environmental protection and resource conservation.

Environmentally-friendly headquarters of Kooperativa and ČPP

The headquarters of the two Czech VIG companies Kooperativa and ČPP in the Karlín district of Prague was designed with the goal of reducing its environmental impact as far as possible. The building was completed in 2012 and includes an optimised lighting system and a modern, environmentally-friendly cooling system that uses water from the nearby Vltava river. The building was awarded platinum certification in April 2012, the highest possible certification awarded by the US Green Building Council LEED (Leadership in Energy and Environmental Design) for satisfying standards for environmentally-friendly, resource-saving, sustainable construction.

EXAMPLE OF PRODUCTS WITH A FOCUS ON CSR

SUPERIOR 3 ethical fund

Wiener Städtische has offered its SUPERIOR 3 ethical fund for several years as part of its "United Funds of Success" line of unit-linked life insurance to provide customers a sustainable and ethical option for investing their savings premiums. The premiums are invested in the "Superior 3" fund managed by the bank Schellhammer & Schattera. An ethical advisory committee of competent individuals from the church, business and academia nominated for the fund defines specific requirements and conditions for these investments. In addition, information on social and environmental developments related to companies, sectors and countries is used continuously for investment decisions. Independent auditors monitor compliance with the selection procedure, thereby ensuring the transparency and credibility of the investment process.

Wiener Städtische energy bonus – preferential treatment of energy-saving homes

Climate protection is very important to Wiener Städtische and it is therefore promoting the use of sustainable, energy-saving home building methods by providing a premium credit of EUR 35 towards homeowners insurance. This energy bonus applies to all homes with an energy consumption of up to 70 kWh/m² and requires that energy certification or documentation of energy-saving measures be submitted.

Micro-insurance*

At the initiative of Wiener Städtische Versicherungsverein, Wiener Städtische offers an insurance package to Zweite Sparkasse customers that is custom-tailored to their needs. Wiener Städtische has been a cooperation partner of Zweite Sparkasse, the "Bank for People without a Bank", since 2007, making it the first insurance company in Austria to deal with the area of micro-insurance. Zweite Sparkasse helps people experiencing hardship who have no access to bank services because of their difficult financial situation.

There are around 40,000 people living in Austria who do not have a bank account for reasons beyond their control. They encountered social or financial hardship for a variety of reasons - mainly unemployment, divorce or illness - and subsequently also lost their bank account. This is where Zweite Sparkasse provides unbureaucratic assistance. It operates without a profit motive and aims to help people help themselves. Insurance products were developed for these people under this cooperation. For each account, VIG offers basic insurance coverage in the form of legal advice, which can be used free of charge once per quarter, and legal counselling to clarify issues in the individual's personal or working life. Free casualty insurance is also included, providing financial security for accidents and insurance coverage for leisure-time and work accidents around the clock. Household insurance may also be purchased for a monthly premium of EUR 3.

Wiener Städtische is a cooperation partner of the "Bank for People without a Bank"

ČPP assists socially and medically disadvantaged individuals

ČPP continued its cooperation with AAA AUTO a.s. in 2013 under the project "AAA AUTO Mobility". The company is the only used car dealer in the Czech Republic that offers cars to individuals with special needs at a favourable price, including conversion to make them suitable for use by disabled persons. ČPP is supporting this project by providing a discount on its motor liability and own-damage insurance for individuals with special needs.

How afraid should we be of severe weather events in the future, Mr Klemensich and Mr Brablec?

Klemensich: We actually should be afraid of them, really. Unfortunately, we tend not to worry and instead simply suppress any thoughts we may have regarding major risks. But that's just how people are. Therefore our company has specialists like the two of us: a sort of "professional worriers". It's our job to make sure that natural disasters like hail, storms and floods don't turn into major losses on our company's balance sheet. Put more simply, we insure our insurance company against the worst.

- We, the people in charge of reinsurance, sometimes have to argue a bit to justify ourselves as long as no losses happen. However, whenever a disaster does occur somewhere and the losses stay limited thanks to our safety net, all naysayers suddenly disappear.

- Our shareholders therefore do not have to worry. We can calculate our maximum liability for major losses each and every day. And as an insurance company, there is one thing we will certainly never do: fail to reinsure ourselves properly as a result of not being as afraid enough of the unpredictability of natural disasters.

"There is one thing we will certainly never do: fail to reinsure ourselves properly."

- **Brablec:** As reinsurance managers we look to the future with cautious optimism despite long-term gradual increase in natural catastrophe events affecting our industry. Why? Quite simply because humans are capable of learning. Take, for example, the 2002 flood in the Czech Republic, when floodwater from the Vltava River turned the Prague underground trains into a fleet of submarines. This was just a single massive loss in a flood disaster that had many people very worried. We thankfully had adequate reinsurance protection in place, which we believe to have also now when using much more sophisticated modelling tools for our natural catastrophe exposure assessment. In addition, people who have been affected by an experience like this change their behaviour afterwards and learn from it. When the last flood occurred in 2013, the people of Prague had already deployed their mobile flood protection system, preventing the worst and considerably reducing overall claims.

- If you follow the reports in the media, you hear and read a great deal about natural disasters. At the same time, however, most of us have much better insurance coverage than before. Many losses were simply not covered in the past. The fact that we have higher insurance penetration today is naturally playing significant role. Therefore, an increase in insurance claims does not necessarily mean just more disasters, but also more growth in our sector. Important is to use sophisticated and consistent underwriting approach in order to keep natural catastrophe exposure under control.

"In the media, you hear and read a great deal about natural disasters. At the same time, however, most of us have much better insurance coverage than before."

Gerald Klemensich
Head of Reinsurance, Vienna Insurance Group, Vienna, Austria

"I have confidence in the future, because our Company has learned a great deal about the unpredictability of natural events and we are very aware of this when accounting for risk."

Roman Brablec
Head of Reinsurance, Kooperativa and ČPP, Prague, Czech Republic

"I can look to the future with confidence, because our Company is based on a solid, healthy foundation. Our outlook is therefore good and we have attractive options for future development."

Group management report 2013

ECONOMIC ENVIRONMENT

The global economy recorded real growth of only 2.8% in 2013, which was 0.3 percentage points lower than in 2012. This was the third year in a row of declining growth and, except for the crisis years 2008/2009, was the slowest rate of economic growth since 2002. Austria recorded real economic growth of only 0.3%. After a slight recession in the first quarter and no change in the second quarter, the two quarters of the second half of the year each showed growth of approximately 0.5%. Under these difficult conditions, the Austrian insurance market grew by 2.0% in 2013.

Economic conditions were also difficult in VIG's other core markets. Croatia and the Czech Republic had to battle with recessions, while real economic growth was less than 1% in Hungary, Slovakia and the Ukraine. In Poland, one of the economic engines of the CEE region, economic growth is anticipated to have hit its lowest point at 1.3%. One of the reasons for this is growth in the Eurozone. Gross domestic product rose by only 0.5% in Germany in 2013, while in the Eurozone as a whole, economic activity even declined by 0.4%.

Some of the reasons for this included global trade growth of less than 3%, which continues to be very moderate, simultaneous austerity policies in the EU and the USA, and record unemployment of 12.3% in the Eurozone. The US Federal Reserve and ECB kept interest rates constantly low in 2013, which put life insurance under particular pressure worldwide. At the same time, however, the central banks' goal of stimulating lending to private households and investors achieved only a very small level of success.

Positive trends, such as the slow consolidation of government budgets in a number of European crisis countries, individual cases of reduced unemployment, or a recovery of lending in Europe were not visible until the 2nd half of 2013.

LEGAL ENVIRONMENT

Solvency II

The changes to the European insurance supervisory system referred to as Solvency II that are to be implemented by all member states of the EU present great challenges for insurance companies. Uncertainty about the actual effective date and the final detailed formulation of Solvency II made it especially important for companies to provide a high deal of flexibility in their implementation plans.

Based on developments and activities at the European and national levels, Solvency II can be expected to enter into force at the beginning of 2016. The European insurance supervisory authority EIOPA published interim measures at the end of 2013, and requested that all EU national supervisory authorities submit a comply-or-explain report for the requirements in the interim measures. In addition, a draft of the Level 2 implementation measures – "Delegated Acts on Solvency II" – was presented at the beginning of 2014 for evaluation.

Based on this, most EU member states also took decisive steps to ensure that Solvency II will enter into force at the beginning of 2016. The small amendment to the Austrian Insurance Supervision Act (VAG) that is expected to enter into force on 1 July 2014 in Austria refers in detail to the EIOPA interim measures that specify requirements for the core areas of Solvency II and concern the following points:

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

VIG is well prepared to fulfil the extensive requirements placed on the Company by Solvency II starting in 2016 and the VAG amendment starting in the middle of 2014.

The Group-wide "Solvency II" project that began in financial year 2009 and is centrally managed from Austria follows legal developments in detail and promptly implements needed measures in order to ensure consistent, timely implementation of Solvency II and the interim measures at both the Group and individual company level.

Standardised guidelines, calculation and reporting solutions and advanced risk management processes were developed and implemented with the assistance of experts from the Group companies. The adjustments needed based on the recently published changes to calculation methods and reporting information in the latest draft were analysed and are currently being implemented in the systems.

Intensive work on the development and implementation of a partial internal model is continuing at both the Group and individual company levels as part of the Solvency II project. The calculation procedures have been established in the individual companies and the required know-how is available there to allow consistent management parameters to be determined both at the Group and individual company levels. Regular consultations are being held with supervisory authorities in the individual VIG countries in order to ensure approval of the partial internal model when Solvency II comes into effect.

With respect to future qualitative risk management requirements, Vienna Insurance Group is establishing a uniform governance system appropriate for Solvency II that includes all necessary key functions and clearly defines responsibilities and processes. In addition, Group-wide uniform standards and methods for risk inventory and ORSA were developed and successfully introduced at the Group and local levels in the year just ended. A Group-wide unified internal control system ensures compliance with the guidelines and requirements resulting from the risk management system.

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

OUTLOOK 2014

Aside from further preparations for the approval procedure for VIG's partial internal model, the main focus of the Solvency II preparations in 2014 is on fulfilling the requirements of EIOPA's interim measures and the European Commission's Delegated Acts – Solvency II, which are currently in the draft stage, and related functional and technical adjustments to calculation and reporting processes.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (FATCA) is part of the tax legislation package that came into effect in the United States (US) in 2010. FATCA is aimed at preventing tax evasion by US taxpayers receiving income from foreign financial institutions. FATCA requires foreign financial institutions to enter into an agreement with the US tax authorities that obligates them to disclose all material data on their US clients to the US tax authorities. Intergovernmental agreements are also being negotiated with many countries, including Austria. Some countries, including Germany, the United Kingdom and Switzerland, have already concluded such agreements. The US Internal Revenue Service (IRS) once again deferred the effective date of FATCA by half a year to 1 July 2014. FATCA affects VIG and some of its Group companies because they are considered to be foreign financial institutions based on their company object and/or product portfolio. VIG is aware of this. Measures are being prepared to implement a Group-wide FATCA compliance strategy that takes into account the different statutory frameworks in the VIG markets concerned.

BUSINESS DEVELOPMENT OF THE GROUP IN 2013

General information

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

The Montenegro and Belarus markets were not included in the VIG consolidated financial statements in 2013 due to immateriality. More information on the scope of consolidation and consolidation methods is provided on page 125 of the notes to the consolidated financial statements. The notes to the consolidated financial statements provide detailed information on changes in the scope of consolidated companies starting on page 126.

Vienna Insurance Group operates with multiple companies and brands in most of its markets. The market presence of each company in a country may also be aimed at different target groups, and their product portfolios will differ accordingly. Group companies can, however, be merged when the advantages of a diversified market presence are clearly outweighed by significant potential synergies. This was in the case in Croatia in 2013 when the Group companies Kvarner and Helios were merged to create Wiener Osiguranje.

To improve readability, company names have been shortened throughout the entire report. A list of full company names is provided on pages 236 and 237.

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

Adjustments in financial year 2012

BCR Life has provided private customer and group life insurance products in the Romanian market since 2005. The company joined the VIG Group at the beginning of 2009 during acquisition of the s Versicherung Group. BCR Life increased its premium income each year until 2012 and has achieved an important market position, especially in group life insurance. All annual financial statements prepared in accordance with national law and IFRS reports have received unqualified auditor's reports and auditor reviews since that time.

As a result of investigations into the employment benefit product in the area of group life insurance and in view of the change of auditor, VIG decided to work together with the auditor to have the accounting policies for the life insurance portfolio, and internal organisation, administration and IT security reviewed. The final report was submitted to VIG at the beginning of 2014 and contained serious findings in the area of term life insurance and changes needed in the accounting of premium receivables for private customer insurance products. As a result, VIG decided to extensively restructure the company and replace its management. VIG also found it necessary to adjust the 2012 financial statements in accordance with the requirements of IAS 8.41.

Since the effects of all of the adjustments almost exclusively affected financial years 2012 and 2013, or any effects on more distant periods could not be reliably established or calculated, VIG did not make any adjustments to the balance sheet for 1 January 2012.

These adjustments are exclusively concerned with financial year 2012.

Financial performance indicators

The key financial performance indicators that form the basis for assessing VIG's business development are presented below.

KEY FIGURES FROM THE CONSOLIDATED INCOME STATEMENT

	2013	2012 restated	YoY %
in EUR million			
Premiums written – gross	**9,218.57**	**9,646.03**	**-4.4%**
Net earned premiums	8,479.05	8,972.25	-5.5%
Expenses for claims and insurance benefits	-7,210.55	-7,590.68	-5.0%
Acquisition and administrative expenses	-1,866.32	-1,815.52	2.8%
Financial result excl. at equity consolidated companies	1,183.77	1,220.96	-3.0%
Result from shares in at equity consolidated companies	35.04	21.37	64.0%
Other income and expenses	-265.86	-244.68	8.7%
Profit before taxes	**355.14**	**563.70**	**-37.0%**

Premium volume

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

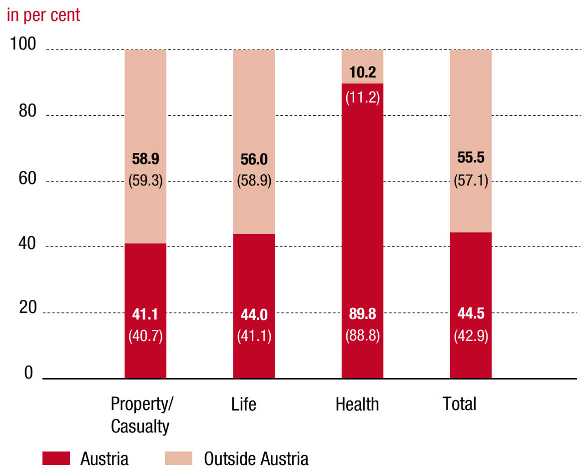
Vienna Insurance Group earned EUR 9,218.57 million in premiums in 2013, representing a decrease of 4.4% compared to the previous year. Vienna Insurance Group retained EUR 8,445.38 million of the gross premiums written. EUR 773.19 million was ceded to reinsurers. The decrease in premiums is essentially due to the intentional reduction in short-term single-premium business in Poland and the motor vehicle business of the Donau branch in Italy. In addition, VIG continued to restructure its portfolio in Romania and intentionally refrained from taking part in the intensive price competition being practiced by some market participants, which also led to a reduction in premium volume.

Many countries, on the other hand, recorded high growth rates for premiums written, such as the Baltic States (+35.5%), Serbia (+17.9%), Slovakia (+5.8%), the Ukraine (+5.9%), Hungary (+14.6%) and Turkey (+5.5%). The Remaining Markets segment rose above the EUR 1 billion mark for premium volume for the first time in 2013.

Overall, the Group generated 55.5% of its premiums outside Austria in 2013. For property and casualty insurance, the share contributed by companies outside Austria was 58.9%. 56.0% of the premiums in the life insurance segment were generated outside of Austria, and 10.2% of the premium volume in the health insurance segment was generated outside of Austria by the Georgian companies.

Net earned premiums fell 5.5%, from EUR 8,972.25 million in 2012 to EUR 8,479.05 million in 2013. Net reinsurance cessions were EUR 767.39 million.

PREMIUM PERCENTAGE BY LINES OF BUSINESS AND REGION (FIGURES FOR 2012 IN PARENTHESES)



Expenses for claims and insurance benefits

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

Expenses for claims and insurance benefits were EUR 7,210.55 million in 2013 after deducting the share attributable to reinsurance (EUR 386.86 million). Similar to the decrease in premiums, this represents a decline of 5.0% compared to the previous year.

Acquisition and administrative expenses

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

Acquisition and administrative expenses were EUR 1,866.32 million for all consolidated VIG companies in 2013, representing an increase of 2.8% compared to the previous year. This increase is the result of a greater focus on the non-motor vehicle lines of business and the higher commission expenses associated with them.

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

VIG earned a financial result (incl. the result from at equity consolidated companies) of EUR 1,218.82 million in 2013. This year-on-year decrease of 1.9% was primarily due to changes in the scope of consolidation.

Profit before taxes
After achieving a record profit in 2012, Vienna Insurance Group's profit before taxes fell to EUR 355.14 million in 2013, representing a year-on-year decrease of 37.0%. This drop is mainly due to the ongoing difficult market conditions in Romania and the adverse developments experienced by Donau Versicherung in Italy, where the Company was confronted with a massive increase in claims expenses.

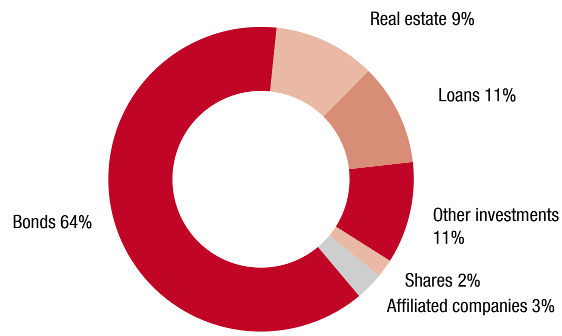
Many countries, however, achieved very large increases in growth, such as the Baltic States, Bulgaria, Georgia, Croatia, Poland and Turkey.

Investments
A brief presentation of the investments is included on page 154 of the notes to the consolidated financial statements.

Total investments (including cash and cash equivalents) were EUR 29,905.56 million as of 31 December 2013. Compared with the previous year, this represents a decrease of EUR 329.50 million, or 1.1%.

The investments include all Vienna Insurance Group land and buildings, all shares in at equity consolidated companies and all financial instruments. Investments for unit-linked and index-linked life insurance are not included. These rose in 2013 due to the 4.1% increase in new policies from EUR 6,443.78 million to EUR 6,707.28 million.

BREAKDOWN OF INVESTMENTS 2013



Shareholders' equity
Vienna Insurance Group's capital base decreased by 11.8% to EUR 5,020.10 million in 2013 (2012: EUR 5,688.61 million). The decrease was primarily due to the repurchase of one tranche of the hybrid capital and a decrease in the foreign currency reserves included in other reserves.

Underwriting provisions
Underwriting provisions (excluding underwriting provisions for unit-linked and index-linked life insurance) were EUR 25,980.46 million as of 31 December 2013, representing an increase of 0.8% over the previous year (2012: EUR 25,776.35 million).

Cash flow
Cash flow from operating activities was EUR 1,201.23 million in 2013, compared to EUR 1,591.21 million in 2012. The decrease was mainly due to the intentional reduction in the short-term single-premium business in Poland. Cash flow from investing activities was EUR -1,291.40 million (2012: EUR -1,179.67 million). VIG financing activities produced a cash flow of EUR 48.48 million in 2013 (2012: EUR -170.14 million). The improvement was due to the issue of a supplementary capital bond. The Group had cash and cash equivalents of EUR 705.03 million at the end of 2013. Vienna Insurance Group received a total of EUR 1,014.26 million in interests and dividends in 2013.

KEY FIGURES FOR VIENNA INSURANCE GROUP

	2013	2012 restated	2011
Earnings per share	EUR 1.57	EUR 3.01	EUR 2.87
Return on equity	6.6%	10.5%	11.1%
Combined ratio	100.6%	96.7%	96.8%
Loss ratio	69.4%	65.9%	65.8%
Cost ratio	31.2%	30.8%	31.0%

Earnings per share
Earnings per share is a key figure equal to consolidated net income (less non-controlling interests and interest on hybrid capital) divided by the average number of shares outstanding. Earnings per share were EUR 1.57 in 2013 (2012: EUR 3.01).

RoE (Return on Equity)
RoE is the ratio of consolidated profits to total average equity of Vienna Insurance Group. The Group generated a return on equity (RoE) of 6.6% in 2013 (2012: 10.5%).

Combined ratio slightly over 100%
The Group combined ratio (after reinsurance, not including investment income) rose to 100.6% in 2013. The level of 96.7% in the year before was still significantly below 100%. The increase was due to the negative special effects from Romania and Italy that were mentioned above. Natural disasters, such as the flood in the early summer of 2013, also had an effect, albeit a small one, on the change in the combined ratio.

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

DEVELOPMENT BY LINES OF BUSINESS

PREMIUMS WRITTEN BY LINES OF BUSINESS

	2013	2012 restated	2011
in EUR million			
Property/Casualty insurance	4,618.38	4,673.44	4,579.30
Life insurance	4,202.37	4,581.08	3,944.22
Health insurance	397.82	391.51	360.15
Total	**9,218.57**	**9,646.03**	**8,883.67**

PROFIT BEFORE TAXES BY LINES OF BUSINESS

	2013	2012 restated	2011
in EUR million			
Property/Casualty insurance	57.27	330.93	271.51
Life insurance	262.30	201.37	239.81
Health insurance	35.57	31.40	47.69
Total	**355.14**	**563.70**	**559.01**

Premium volume
Property and casualty contributed 50.1% of total premium volume in 2013. The share of life insurance premiums to total premium volume declined compared to the previous year to 45.6%. Health insurance contributed 4.3% of premiums, a level unchanged from the previous year.

In the property and casualty area, Vienna Insurance Group companies generated Group premiums of EUR 4,618.38 million in 2013 (2012: EUR 4,673.44 million), representing a 1.2% drop in premiums in this area. This decrease was mainly due to the intentional reduction in motor vehicle business in Romania and Italy, as well as the intense competitive situation that still persists in the motor vehicle market in the Czech Republic. In Poland, although falling new car sales led to a loss in the motor vehicle lines of business, underwriting guidelines were tightened at the same time to achieve higher price margins.

The significant 8.3% drop in life insurance to EUR 4,202.37 million was primarily due to the developments in Poland and Romania. The drop in Poland was due to the intentional reduction in short-term single-premium business. In Romania, premiums fell due to elimination of a group insurance product during the realignment of BCR Life. In Slovakia and the Remaining Markets segment, on the other hand, life insurance premium volume rose by more than 10%.

Vienna Insurance Group wrote EUR 397.82 million in premiums in the health insurance segment, an increase of 1.6%. Only Austria and Georgia generate enough health insurance premiums to make a significant contribution to total premiums.

Expenses for claims and insurance benefits

Vienna Insurance Group recorded EUR 2,714.11 million in expenses for claims and insurance benefits in the property and casualty area in 2013, representing an increase of 2.2%. This increase was due to the negative special effects from Romania and Italy that were previously mentioned above. Natural disasters also had an effect, but the effect was smaller. Expenses in the life insurance segment were EUR 4,162.85 million, 9.8% less than the previous year due to the decrease in premiums. In the health insurance segment, expenses for claims and insurance benefits were EUR 333.59 million (2012: EUR 320.61 million).

Acquisition and administrative expenses

Vienna Insurance Group recorded acquisition and administrative expenses of EUR 1,169.69 million in the property and casualty business in 2013 (2012: EUR 1,130.95 million). This increase is the result of a greater focus on the non-motor vehicle lines of business and the higher commission expenses associated with them. In the life insurance segment, the increase of 1.6% to EUR 649.74 million was due to a satisfying increase in new production in the regular premium product area. In health insurance, acquisition and administrative expenses were EUR 46.89 million, 3.6% higher than the figure of EUR 45.25 million in the previous year.

Profit before taxes

Property and casualty contributed EUR 57.27 million or 16.1% of Vienna Insurance Group profits, which were a total of EUR 355.14 million. The Group generated a profit before taxes of EUR 262.30 million in the life insurance area. This means that life insurance accounts for 73.9% of total profits. Health insurance contributed EUR 35.57 million to Vienna Insurance Group profits.

Investments

In property and casualty insurance, investments (including cash and cash equivalents) of EUR 7,413.27 million (-8.3%) were held as of 31 December 2013. Investments in the life insurance area (excluding unit-linked and index-linked life insurance investments) were EUR 21,281.33 million (+0.9%), and Vienna Insurance Group investments rose by 13.3% in the area of health insurance to EUR 1,210.96 million.

Underwriting provisions

Underwriting provisions in the property and casualty area rose 0.8% compared to 2012 to EUR 5,040.31 million. In life insurance, underwriting provisions were EUR 19,838.77 million (excluding underwriting provisions for unit-linked and index-linked life insurance) as of 31 December 2013, 0.5% above the figure for the previous year. In health insurance, underwriting provisions rose by 5.2%, to EUR 1,101.39 million.

Underwriting provisions for unit-linked and index-linked life insurance increased by 3.9%, from EUR 6,245.42 million in 2012 to EUR 6,489.37 million.

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

COMPOSITION ACTUARIAL RESERVE

	31.12.2013	31.12.2012
in EUR million		
Property/Casualty insurance	0.14	0.15
Life insurance	18,307.22	18,052.64
for guaranteed policy benefits	17,300.27	16,855.19
for allocated and committed profit shares	1,006.95	1,197.44
Health insurance	1,019.80	961.37
Total	**19,327.15**	**19,014.16**

MATURITY STRUCTURE ACTUARIAL RESERVE

	31.12.2013	31.12.2012
in EUR million		
up to one year	2,542.48	2,043.12
more than one year up to five years	5,550.96	5,830.62
more than five years up to ten years	2,923.10	3,143.95
more than ten years	8,310.62	7,996.47
Total	**19,327.15**	**19,014.16**

COMPOSITION PROVISION FOR OUTSTANDING CLAIMS

	31.12.2013	31.12.2012
in EUR million		
Property/Casualty insurance	3,894.77	3,760.57
Life insurance	310.25	274.54
Health insurance	47.84	47.32
Total	**4,252.87**	**4,082.42**

MATURITY STRUCTURE PROVISION FOR OUTSTANDING CLAIMS

	31.12.2013	31.12.2012
in EUR million		
up to one year	1,749.70	1,585.22
more than one year up to five years	1,188.44	1,082.46
more than five years up to ten years	389.22	416.62
more than ten years	925.52	998.13
Total	**4,252.87**	**4,082.42**

DEVELOPMENT BY REGION

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

PREMIUMS WRITTEN BY REGION

	2013	2012 restated	2013
in EUR million			
Austria	4,073.88	4,122.53	4,037.50
Czech Republic	1,762.08	1,795.58	1,823.89
Slovakia	744.67	704.11	684.26
Poland	1,142.30	1,611.74	954.22
Romania	361.80	408.61	503.08
Remaining markets*	1,061.64	975.56	857.19
Central functions**	1,303.85	1,341.44	993.67
Consolidation	-1,231.64	-1,313.53	-970.15
Total	**9,218.57**	**9,646.03**	**8,883.67**

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

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

PROFIT BEFORE TAXES BY REGION

	2013	2012 restated	2011
in EUR million			
Austria	232.74	295.98	291.88
Czech Republic	197.82	194.97	187.11
Slovakia	55.26	56.89	54.12
Poland	50.22	41.57	36.41
Romania	-98.70	-44.86	-12.99
Remaining markets*	40.27	39.13	23.15
Central functions**	-122.24	-20.08	-20.49
Consolidation	-0.23	0.10	-0.20
Total	**355.14**	**563.70**	**559.01**

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

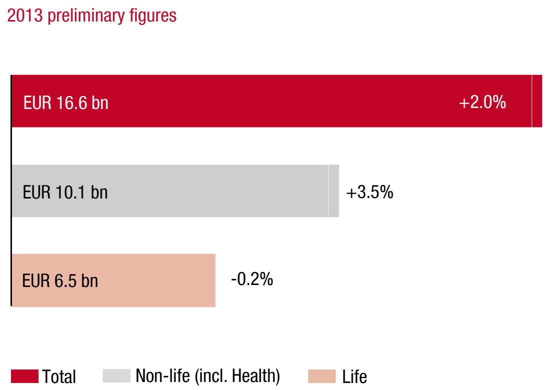
** Central functions include the following companies: BIAC, Central Point, ELVP, LVP Holding, Neue Heimat Holding, Progress, TBIH, VIG Fund, VIG Holding, VIG RE and the non-profit housing societies

AUSTRIA

Austrian insurance market

Approximately 60%, the ratio of non-life insurance to total premiums is relatively high in Austria compared to other Western European insurance markets. This means that the life insurance sector still offers considerable growth potential.

MARKET GROWTH IN 2013 COMPARED TO THE PREVIOUS YEAR

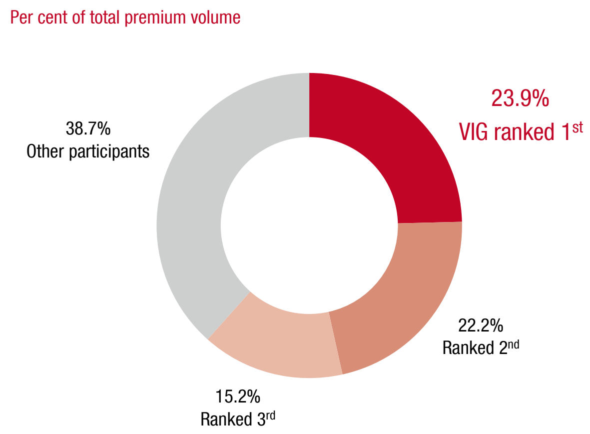


Source: Austrian Insurance Association

Apart from the catch-up potential in the life insurance sector, the Austrian insurance market is a stable, mature market that is currently recording moderate growth in premiums. Premiums written increased a total of 2.0% on the whole Austrian market in 2013. After two years of decreases of more than 5%, the life insurance segment recovered slowly, with premium volume only falling a small amount, 0.2%, in the first four quarters of 2013. In addition, new statutory rules have been in effect since 1 March 2014 that reduce the minimum lock-in period for single-premium life insurance policies again from 15 to ten years for people 50 years of age and older. Property and casualty insurance performed very well in the in 2013, with a 3.4% increase in premiums. The property and casualty segment without motor vehicle insurance recorded premium growth of 3.7%, thereby outperforming the motor vehicle segment, which only rose by 2.8%. Health insurance also grew in 2013, rising by 3.8%.

Insurance density was EUR 1,921 in Austria in 2012, of which EUR 1,153 was for non-life insurance and EUR 768 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Austrian Insurance Association; as of 2013

VIG companies in Austria

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

Wiener Städtische is also represented by branches in Italy and Slovenia, and Donau Versicherung is represented by a branch in Italy.

Vienna Insurance Group's total market share in 2013 was 23.9%, making it the largest insurance group in Austria. It holds first place in both property and casualty insurance with a market share of 21.4%, and life insurance with a market share of 28.4%. VIG holds second place in the area of health insurance.

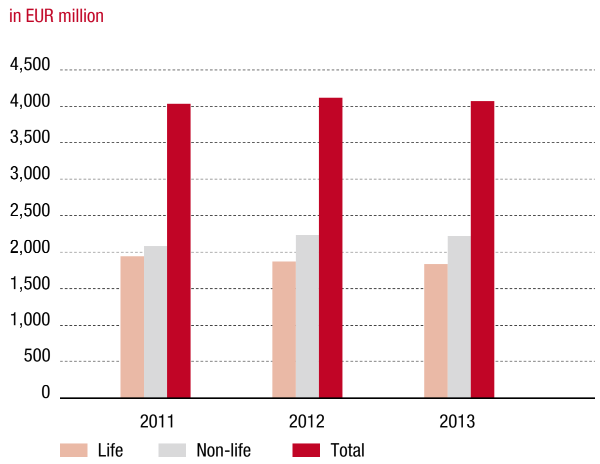
Business development in Austria in 2013

Premium development

The Austrian VIG companies wrote gross premiums of EUR 4,073.88 million in 2013, representing a decrease of 1.2% compared to the previous year. Wiener Städtische contributed EUR 2,245.72 million of this premium volume, Donau Versicherung EUR 968.79 million and s Versicherung EUR 859.37 million. Net earned premiums rose by 0.4% in 2013, from EUR 3,333.79 million to EUR 3,348.48 million.

EUR 1,871.93 million of the premiums, or 45.9%, were written in the property and casualty area. This was a decrease of 1.3% compared to 2012, and was due to the intentional restructuring of the motor vehicle product portfolio of Donau's Italian branch.

PREMIUMS WRITTEN IN AUSTRIA



Life insurance contributed EUR 1,844.52 million, or 45.3%, of the premium volume, representing a decrease of 1.8% for the Group in Austria in 2013. This was mainly due to the decrease in single-premium business that was caused by the change in statutory rules for the minimum lock-in period.

Health insurance generated 8.8% or the premium volume, or EUR 357.43 million. This was equivalent to an increase of 2.8% compared to 2012, when premium income from health insurance was EUR 347.55 million.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits rose compared to the previous year from EUR 3,289.49 million to EUR 3,338.29 million in 2013. This represents an increase of 1.5% in expenses.

Acquisition and administrative expenses

The Austrian VIG companies had acquisition and administrative expenses of EUR 606.97 million in 2013, representing an increase of 5.0% over 2012. This was due to the smaller amount of reinsurance commissions received, which in turn resulted from the decrease in motor vehicle insurance in Italy.

Profit before taxes

Profit before taxes declined by 21.4% in Austria to EUR 232.74 million in 2013 (2012: EUR 295.98 million). This significant drop in profits was mainly due to the losses generated in the motor vehicle business of Donau's Italian branch.

Combined ratio

The combined ratio (after reinsurance, not including investment income) was 101.4% in Austria in 2013 (2012: 94.7%). This increase was due to the special effects from Italy that were mentioned previously and severe weather claims.

VIENNA INSURANCE GROUP IN AUSTRIA

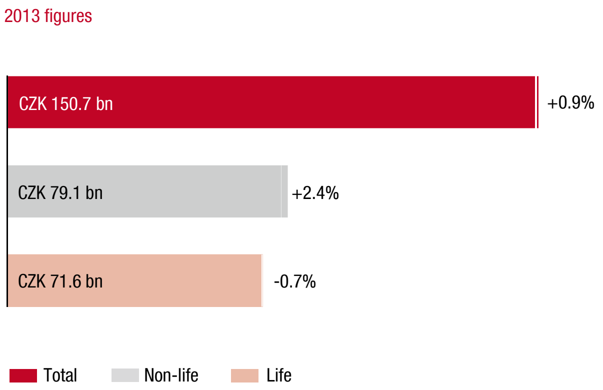
in EUR million	2013	2012	2011
Premiums written	**4,073.88**	**4,122.53**	**4,037.50**
Life	1,844.52	1,878.33	1,949.66
Non-life	2,229.37	2,244.20	2,087.84
Profit before taxes	**232.74**	**295.98**	**291.88**

CZECH REPUBLIC

Czech insurance market

The Czech insurance market has a very high concentration of market players. Taken together, the top five insurance groups have a market share of around 80%.

MARKET GROWTH IN 2013 COMPARED TO THE PREVIOUS YEAR

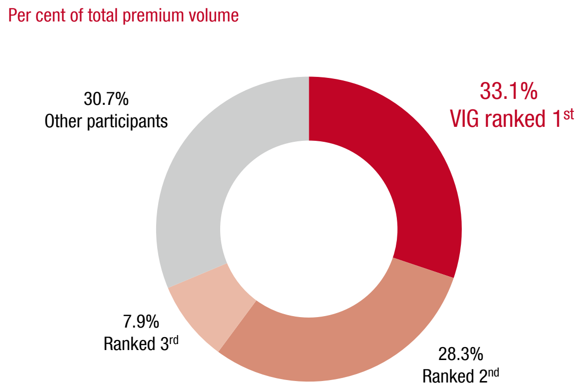


Source: Czech Insurance Association

Premiums written in the Czech Republic rose 0.9% year-on-year in local currency terms in 2013. In the non-life insurance segment, the excellent performance of 5.1% achieved by the non-motor vehicle lines of business was weakened by a drop of 1.0% recorded for motor vehicle premiums. The motor vehicle area continued to experience massive price pressure in 2013. As a result, the non-life insurance segment recorded an overall increase of 2.4%. Premiums written in the life insurance segment showed a year-on-year drop of 0.7% in 2013. Single-premium products were a driver of growth in the life insurance segment for many years, but have recorded decreases since 2012 – in 2013 the decrease was 4.2%. Products with regular premiums, on the other hand, recorded a premium increase of 0.7%.

Average per capita expenditures for insurance premiums were EUR 563 in the Czech Republic in 2012, of which EUR 291 was for non-life insurance and EUR 272 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Czech Insurance Association; as of 2013

VIG companies in the Czech Republic

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

VIG has a market share of 33.1% in the Czech Republic, making it the largest insurance group in the country in terms of total premiums. It is also number one in life insurance. The Group is in second place in the non-life segment.

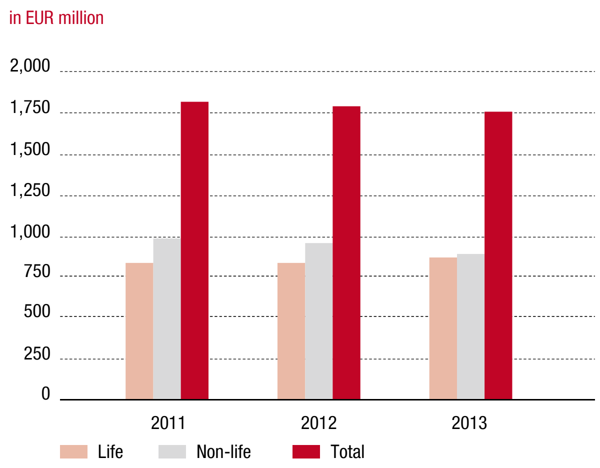
Business development in the Czech Republic in 2013

Premium development

Vienna Insurance Group companies in the Czech Republic wrote EUR 1,762.08 million in premiums in 2013 (2012: EUR 1,795.58 million), which was 1.9% below the level of the previous year. When adjusted for exchange rate effects, however, premium income rose by 1.4%. Net earned premiums were EUR 1,429.56 million in 2013.

The non-life sector generated premium income of EUR 891.95 million in 2013 (2012: EUR 958.46 million). This was a drop of 6.9% compared to the previous year, and resulted from a negative exchange rate effect of -3.0% and the ongoing difficult competitive situation in the motor vehicle insurance market.

PREMIUMS WRITTEN IN THE CZECH REPUBLIC



Life insurance premiums recorded an increase of 3.9% over the previous year to EUR 870.13 million. Unit-linked and index-linked products enjoyed particularly high demand.

Expenses for claims and insurance benefits

The Czech companies had expenses for claims and insurance benefits of EUR 1,008.52 million in 2013.This was an increase of EUR 6.60 million over 2012, or 0.7%.

Acquisition and administrative expenses

Vienna Insurance Group reported EUR 345.82 million in acquisition and administrative expenses in the Czech Republic in 2013. This was an increase of 0.7% over the acquisition and administrative expenses of EUR 343.26 million reported in 2012.

Profit before taxes

The Czech companies contributed EUR 197.82 million to total profits in 2013 (2012: EUR 194.97 million). The profit before taxes therefore recorded an increase of 1.5% in spite of the drop in premium volume, clearly showing the success of the focus on efficiency improvements.

Combined ratio

The combined ratio was an excellent 91.5% in 2013 (2012: 87.3%), in spite of significant severe weather claims.

VIENNA INSURANCE GROUP IN THE CZECH REPUBLIC

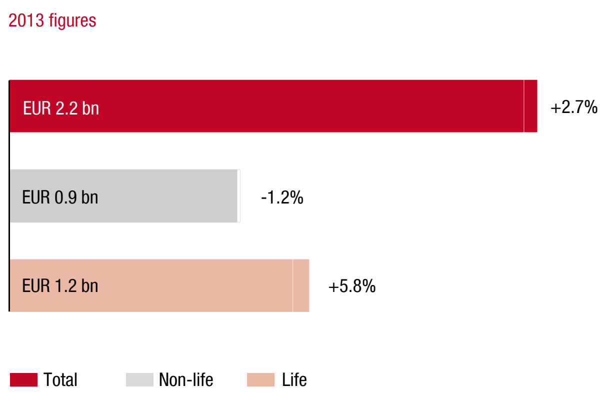
in EUR million	2013	2012	2011
Premiums written	**1,762.08**	**1,795.58**	**1,823.89**
Life	870.13	837.11	837.04
Non-life	891.95	958.46	986.85
Profit before taxes	**197.82**	**194.97**	**187.11**

SLOVAKIA

Slovakian insurance market

The Slovakian insurance market is dominated by two major players that together hold a market share of around 60% in terms of total premiums.

MARKET GROWTH IN 2013 COMPARED TO THE PREVIOUS YEAR



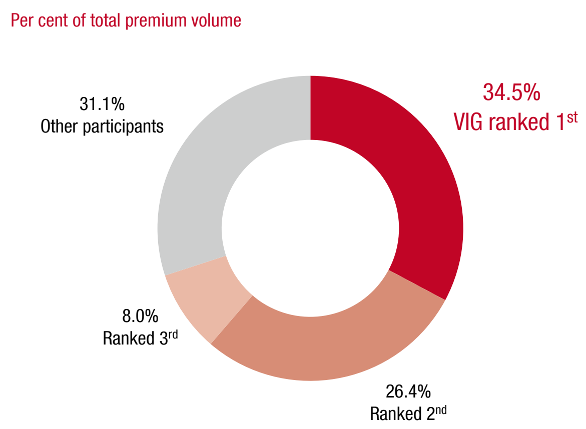
Source: Slovak Insurance Association

Premiums written in Slovakia rose by 2.7% year-on-year in 2013. The increase was due to good performance in the life insurance segment, where premiums rose by 5.8%. Single-premium business (+19.7%) was unambiguously the growth driver in the life segment, while regular premiums declined by 1.1%. The non-life insurance segment recorded a drop of 1.2% in Slovakia in 2013. This was due to motor vehicle insurance, where premiums fell by 3.9%, while the non-life lines of business without motor vehicle insurance performed well, recording an increase of 2.4%.

The average premiums received for motor vehicle insurance fell due to massive price pressure from strong competition.

Average per capita expenditures for insurance in Slovakia were EUR 389 in 2012. EUR 174 of this amount was for non-life insurance and EUR 215 for life insurance.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS



Source: Slovak Insurance Association; as of 2013

VIG companies in Slovakia

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

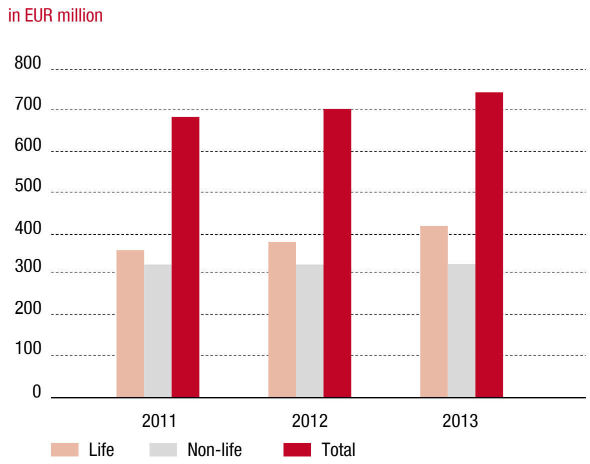
The Vienna Insurance Group market share of 34.5% makes it the largest insurance group in Slovakia. It also holds first place in the life insurance and motor vehicle segments.

Business development in Slovakia in 2013

Premium development

Vienna Insurance Group wrote EUR 744.67 million in premiums in Slovakia in 2013 (2012: EUR 704.11 million), representing an increase of 5.8%. Net earned premiums were EUR 615.15 million, which represented an increase of 5.7%.

PREMIUMS WRITTEN IN SLOVAKIA



Non-life premiums represented 43.8% of the total premium volume of the Slovakian companies in 2013. Premiums written were at approximately the same level as the previous year, rising by 0.6% to EUR 326.10 million.

In the life insurance sector, which represents 56.2% of total premium volume, the Slovakian VIG companies increased their premium income by 10.2% to EUR 418.57 million (2012: EUR 379.95 million). All of the Group companies contributed to this significant increase, with the growth in bank distribution through local Erste Group subsidiaries contributing to a particularly large increase of 30.7% for PSLSP.

Expenses for claims and insurance benefits

Expenses for claims and insurance benefits (less reinsurance) were EUR 511.41 million in 2013. This increase of 11.3% over the previous year was due to growth in life insurance, particularly in the single-premium area.

Acquisition and administrative expenses

VIG recorded EUR 88.10 million in acquisition and administrative expenses in Slovakia in 2013 (2012: EUR 90.07 million). This decrease of 2.2% was due to an increased share of single-premium policies in the overall life portfolio.

Profit before taxes

The profit before taxes of the Slovakian companies fell from EUR 56.89 million in 2012 to EUR 55.26 million in 2013, representing a drop of 2.9%. One reason for the decline is the absence of positive one-time effects that appeared in the underwriting result for 2012 but are no longer present in 2013.

Combined ratio

The Vienna Insurance Group combined ratio rose in Slovakia from 91.6% in the previous year to 93.6% in financial year 2013, in part due to the positive one-time effects in 2012 that were mentioned above.

VIENNA INSURANCE GROUP IN SLOVAKIA

in EUR million	2013	2012	2011
Premiums written	**744.67**	**704.11**	**684.26**
Life	418.57	379.95	359.76
Non-life	326.10	324.16	324.50
Profit before taxes	**55.26**	**56.89**	**54.12**

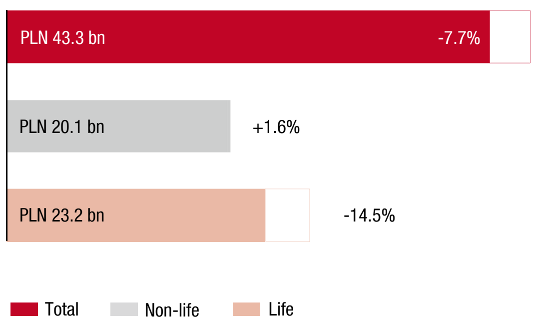
POLAND

Polish insurance market

The three largest insurers in Poland hold a market share of 57%, and the remaining companies each have a market share of less than 8%.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2013 COMPARED TO THE PREVIOUS YEAR

9M 2013 figures



Source: Financial Market Authority Poland

Insurance market premiums recorded a year-on-year drop of 7.7% in local currency terms in the 1st to 3rd quarters of 2013. This was due to a large drop of 14.5% in life insurance. Following strong growth in single-premium products in 2012, uncertainty about the statutory amendments taking effect in 2014 led to a massive decline in premiums in this area. The non-life segment, on the other hand, increased by 1.6%. The increase was due to non-life premiums excluding motor vehicle insurance, which grew by 10.9%. Increasing prosperity, with an accompanying increase in the demand for insurance, and a greater awareness of risk among the population contributed to this positive performance. Falling average premiums, on the other hand, had a negative effect on the motor vehicle business, which decreased by 5.8% in the 1st to 3rd quarters of 2013.

Insurance density was EUR 385 in Poland in 2012, of which EUR 161 was for non-life insurance and EUR 224 for life insurance.

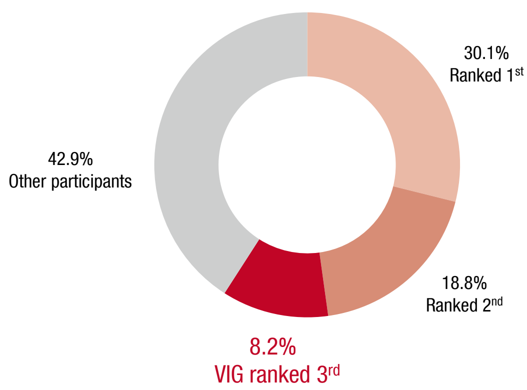
VIG companies in Poland

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

VIG's total market share of 8.2% makes it the third largest insurance group in Poland. The most recent expansion took place in November 2013 with an agreement to acquire Skandia Poland.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Financial Market Authority Poland, as of 9M 2013

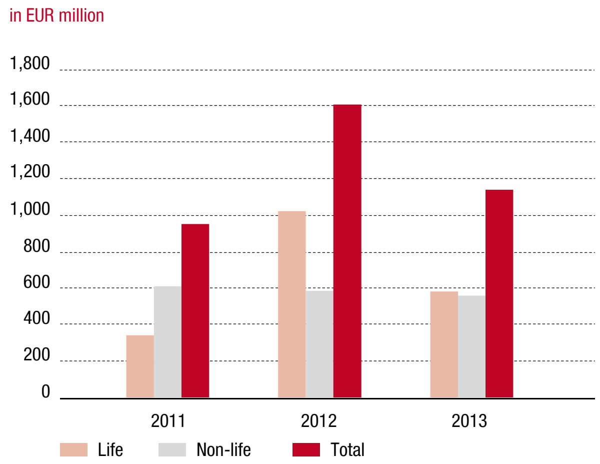
Business development in Poland in 2013

Premium development

Vienna Insurance Group wrote total premiums of EUR 1,142.30 million in Poland in 2013 (2012: EUR 1,611.74 million). This was a decrease of 29.1% compared to the previous year. Net earned premiums were EUR 939.73 million in 2013, 29.0% higher than in 2012.

Non-life insurance generated a premium volume of EUR 560.07 million in 2013 (2012: EUR 586.76 million), representing a decrease of 4.5% compared to the previous year. Although falling new car sales led to a loss in the motor vehicle lines of business, underwriting guidelines were tightened at the same time to achieve lower price margins.

PREMIUMS WRITTEN IN POLAND



The life insurance premium income of the Vienna Insurance Group companies in Poland decreased from EUR 1,024.98 million in 2012 to EUR 582.23 million in 2013. The drop of 43.2% was due to the intentional reduction in short-term single-premium products. Products with regular premiums, on the other hand, rose by 35.3%.

Expenses for claims and insurance benefits

Vienna Insurance Group had expenses for claims and insurance benefits of EUR 709.91 million in Poland in 2013 (2012: EUR 1,126.50 million). This was a decrease of EUR 416.58 million or 37.0% in expenses for claims and insurance expenses (less reinsurance). This change was due to the large decrease in single-premium business in the life insurance segment.

Acquisition and administrative expenses

The Polish companies had acquisition and administrative expenses of EUR 222.54 million in 2013, 8.3% higher than the previous year's value of EUR 205.50 million. This increase was partly due to successful development of the SME business.

Profit before taxes

The Polish companies earned a profit before taxes of EUR 50.22 million in 2013. This corresponds to an increase of 20.8%, providing an impressive confirmation of the effectiveness of the Polish Group companies' focus on profitability.

Combined ratio

The combined ratio was improved again in Poland, falling to 96.2% in 2013 (2012: 97.6%).

VIENNA INSURANCE GROUP IN POLAND

	2013	2012	2011
in EUR million			
Premiums written	**1,142.30**	**1,611.74**	**954.22**
Life	582.23	1,024.98	342.52
Non-life	560.07	586.76	611.70
Profit before taxes	**50.22**	**41.57**	**36.41**

ROMANIA

Romanian insurance market

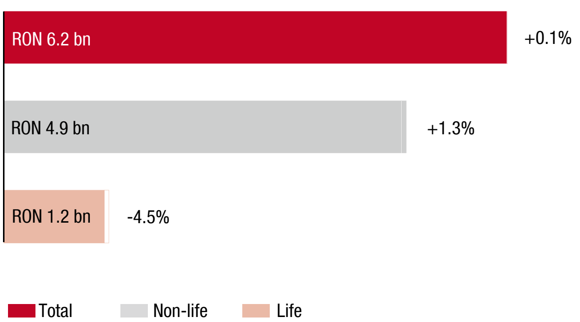
The Romanian insurance market shows a relatively low concentration compared to the Czech or Slovakian markets.

Premium volume recorded practically no growth, increasing 0.1% year-on-year in local currency terms in the 1st to 3rd quarters of 2013. The life segment, which only represents 20% of total premiums, recorded a negative change of 4.5%. Premiums written in the non-life segment rose by 1.3%, with a particularly large increase of +13.8% recorded for motor liability insurance.

The insurance market continues to show irrational price competition, particularly by locally owned competitors.

MARKET GROWTH IN THE 1ST TO 3RD QUARTERS OF 2013 COMPARED TO THE PREVIOUS YEAR

9M 2013 figures

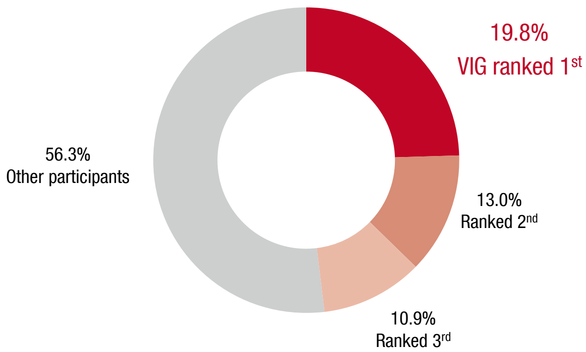


Source: Journal "Insurance Profile No. 4/2013" and insurance supervisory authority CSA

Average per capita expenditures for insurance in Romania were EUR 87 in 2012. EUR 68 of this amount was for non-life insurance and EUR 19 for life insurance. A comparison with other countries in the CEE region, such as the Czech Republic, which had an insurance density of EUR 563 in 2012, shows the enormous potential of the Romanian insurance market.

MARKET SHARES OF THE MAJOR INSURANCE GROUPS

Per cent of total premium volume



Source: Journal "Insurance Profile Nr. 4/2013" and insurance supervisory authority CSA; as of 9M 2013

VIG companies in Romania

The Group is represented by three insurance companies in the Romanian market. In addition to Omniasig and Asirom, BCR Life also belongs to Vienna Insurance Group.

VIG had a total market share of 19.8% in Romania in the 1st to 3rd quarters of 2013. VIG occupies first place in both the overall market and non-life segment, and holds second place in life insurance.

Business development in Romania in 2013

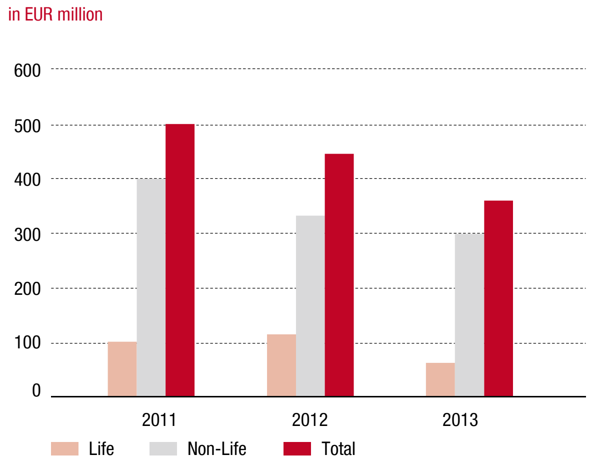
Premium development

Premiums written declined by 11.5% in Romania to EUR 361.80 million in 2013 (2012: EUR 408.61 million). Net earned premiums were EUR 170.98 million in 2013.

In the non-life line of business, premium income was EUR 299.95 million (2012: EUR 334.05 million), a decrease of 10.2%. The Romanian insurance market continued to experience intensive price competition in the motor vehicle line of business in 2013. It was the intentional restructuring of the portfolio that led to this decrease in premium income.

In the life insurance segment, the Romanian Vienna Insurance Group companies earned premium income of EUR 61.84 million in 2013 (2012: EUR 74.56 million). The 17.1% decline in premiums was due to the elimination of a group insurance product during the realignment of BCR Life.

PREMIUMS WRITTEN IN ROMANIA



Expenses for claims and insurance benefits

The Romanian companies had EUR 175.44 million in expenses for claims and insurance benefits (2012: EUR 308.92 million). This was a reduction of 43.2% compared to the previous year, due both to the sharp reduction in the motor vehicle portfolio and the restructuring in the life insurance segment.

Acquisition and administrative expenses

Vienna Insurance Group had acquisition and administrative expenses of EUR 87.41 million in Romania in 2013 (2012: EUR 111.95 million). This is 21.9% less than the previous year. This change was due both to the decrease in premiums, and the resulting decrease in acquisition costs, as well as the effects of cost optimisation measures.

Result

Additional valuation allowances for premium receivables and recourse claims and further increases in reserves contributed to a loss of EUR 98.70 million.

Combined ratio

Due to the effects mentioned above, the combined ratio was 179.4% in Romania in 2013 (2012: 119.2%).

VIENNA INSURANCE GROUP IN ROMANIA

in EUR million	2013	2012 restated	2011
Premiums written	**361.80**	**408.61**	**503.08**
Life	61.84	74.56	100.97
Non-life	299.95	334.05	402.11
Profit before taxes	**-98.70**	**-44.86**	**-12.99**

REMAINING MARKETS

The Remaining Markets segment includes Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey and Ukraine. The Remaining Markets segment generated 11,5% of Group premiums in 2013.

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

Albania
After rising in the 1st quarter of 2013, premium volume then fell in the Albanian insurance market to record a decrease of 4.9% in local currency terms for the year as a whole. This drop is due to negative performance in the non-life segment (-6.5%), which represents around 90% of total premium volume. Even though the non-life segment without motor vehicle insurance recorded an increase, premiums in the motor vehicle segment fell by 14.4%. 2013 was a very positive year for the life insurance market, which recorded an increase of 9.1%.

VIG entered the Albanian market in 2007 with its acquisition of Sigma, which still continues to operate a branch in Kosovo today. Interalbanian was added in 2010, and VIG has had a majority interest in Intersig since 2011. All three Albanian VIG companies operate in the non-life lines of business and together occupy second place in this market. With a share of 25.6%, they also occupy second place in the overall market.

Bosnia-Herzegovina
Insurance density was around EUR 67 in Bosnia-Herzegovina in 2012. The catch-up potential of the Bosnia-Herzegovina insurance market is clear when this is compared with the insurance density of more than EUR 2,600 for the EU-15 countries. The overall market recorded an increase of 3.5% in terms of local currency in 2013.

The Group company Jahorina that represents VIG in Bosnia-Herzegovina held eighth place in the 1st to 3rd quarters of 2013 with a market share of around 4.6% in local currency terms. Jahorina continues to be the market leader in Republika Srpska with a market share of 14%.

Bulgaria
The Bulgarian insurance market achieved very positive performance in the 1st to 3rd quarters of 2013 with an increase of 7.9% in local currency terms. Both the life and non-life segments contributed to this performance. Premium volume rose 5.1% year-on-year in the non-life segment. The life insurance lines of business recorded an even larger increase of 22.5%, but did not have such a big effect on performance since they represent only a small share of less than 20% of total premium volume.

Vienna Insurance Group is represented by Bulstrad Life and Bulstrad Non-life in Bulgaria. Bulgarski Imoti was merged with Bulstrad Non-Life in 2012. VIG was able to improve its position in the overall market compared to the 1st to 3rd quarters of 2012 and is now market leader with a share of 14%.

Germany
The German insurance market continued to provide satisfying performance in 2013, similar to the year before. Premiums in the property and casualty business are expected to increase by 3.2% compared to the previous year. This continues the strong growth of 3.5% achieved in 2012, which was the largest increase in premiums since 2002. Business development in the life insurance segment showed outstanding growth in the single-premium business and stable growth in regular premiums, resulting in an overall year-on-year increase of 3.8% in this segment.

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

Estonia, Latvia and Lithuania
The Baltic states are generally recording satisfying economic growth, which is also having a positive effect on the insurance market. Latvia recorded year-on-year growth of 17% in 2013. This rapid growth was primarily due to the unit-linked insurance segment and health insurance. Esto-

nia and Lithuania also recorded very satisfying premium growth of approximately 10%.

VIG has operated in Estonia via the Group company Compensa Life since 2008, which also operates branch offices in Latvia and Lithuania. It is also active in Latvia and Lithuania through branch offices of the Polish Group company Compensa Non-Life.

VIG's recorded an increase of 37.3% in Estonia in 2013, which was considerably higher than the market rate of growth. This moved it into 3rd place in the market and increased its market share from 13% to 17%. VIG recorded an even larger increase in Lithuania, where Compensa grew significantly faster than the insurance market at a rate of 46.6%. This moved it up one position in the ranking compared to the previous year to fifth place in the market. In Latvia the Group company recorded an increase of 20.2%, which was also above the average premium growth for the market.

Georgia

Due to the government health insurance programme, the Georgian insurance market is very strongly dominated by health insurance. The decrease of around 10% in this segment therefore also led to a decrease in the overall market of 11.7%.

The market share of the two Georgian VIG companies, GPIH and IRAO, rose to 27.6%. Together, they hold second place in the market. GPIH and IRAO both have a large share of health insurance products, but also have a presence in the property and casualty market.

Croatia

Croatia has been a member of the EU since 1 July 2013. Insurance market premium volume rose by 0.4% in local currency terms for 2013 as a whole. While non-life insurance recorded a drop of 0.6%, life insurance premiums rose by 3.1%.

VIG is represented by two companies in the Croatian market. Wiener Osiguranje offers life and non-life products, while Erste Osiguranje operates in the life insurance market only. The name "Wiener Osiguranje" was chosen following the merger of the two companies Kvarner and Helios in 2013. VIG has a total market share of 7.6% in Croatia, which puts it in fourth place. Its market share of 16.1% in the life insurance market puts it in second place in this line of business.

Liechtenstein

Liechtenstein is the only country that has access to the entire European market and to Switzerland. As an EEA member, its insurance companies can sell their products in EU countries. As a result of a direct insurance agreement, they also have access to the Swiss market. Based on preliminary data, overall market premiums are expected to decline in 2013.

VIG is represented by Vienna-Life in Liechtenstein. Vienna-Life operates exclusively in the life insurance segment and concentrates predominantly on unit-linked and index-linked life insurance. The focus is on insurance solutions tailored to individual customer needs.

Macedonia

Even though the Macedonian insurance market is dominated by non-life insurance, the life insurance segment is recording double-digit growth rates. In terms of local currency, the life insurance segment grew by 26.3% year-on-year in the 1st to 3rd quarters of 2013. The increase recorded in the non-life segment was considerably smaller, at 2.6%.

VIG is represented in Macedonia by Winner Non-Life and Winner Life. In addition, the acquisition of Makedonija Osiguruvanje was concluded in 2013, moving VIG to the number one position in the Macedonian insurance market. The new company has a diversified product portfolio with a focus on motor vehicle and casualty insurance. The Group had a market share of 20.4% at the end of the 3rd quarter of 2013.

Serbia

The Serbian insurance market showed solid premium growth of 2.9% in terms of local currency in the 1st to 3rd quarters of 2013. The non-life segment, which is much greater than the life segment, recorded an increase of 1.4%. Sales of life insurance products, however, showed stronger growth of 9.8%.

Wiener Städtische Osiguranje, which represents VIG in Serbia, celebrated its tenth anniversary in 2013. It continues to hold fourth place in the market, with a market share of 8.9%. In life insurance, Wiener Städtische Osiguranje was able to hold its second place position with a market share of 21.6%.

Turkey
The trend of double-digit growth rates continued in the Turkish insurance market in 2013. Total premium volume recorded an increase of 22.2% in local currency terms compared to 2012. The non-life segment rose by 21.7%, and life insurance also achieved significant growth with an increase of 25.3%.

VIG is represented in the Turkish insurance market by Group company Ray Sigorta. The company was established in 1958 and acquired by VIG in 2007.

It operates in the non-life segment with a focus on motor vehicle insurance, and holds 14th place in the Turkish insurance market.

Ukraine
The Ukrainian insurance market is highly fragmented, with more than 400 insurance companies registered at the end of 2012. Premium volume rose moderately in 2013.

VIG is represented by four insurance companies in the Ukraine. These include the three non-life insurers UIG, Kniazha and Globus, and the life insurance company Jupiter. VIG held fourth place in the overall market with a market share of 2.9% in the 1st to 3rd quarters of 2013, moving up one position compared to the previous year.

Hungary
A new tax was introduced on insurance premiums at the beginning of 2013 in Hungary. It consists of a 15% tax on gross premiums for motor vehicle own-damage insurance, and a 10% tax on gross premiums for property and casualty insurance. The new tax is an addition to the existing tax on premiums for motor liability insurance, which continues to remain in effect.

The insurance market recorded an increase of 5.5% in local currency terms in 2013. Premium volume grew in the non-life and life insurance segments by 2.3% and 8.5%, respectively.

VIG is represented by Union Biztosító and Erste Biztosító in Hungary. The two companies held eighth place at the end of 2013 with a market share of 6.1%. In addition, an agreement to acquire AXA Biztosító was concluded at the end of December 2013.

Business development in the Remaining Markets segment in 2013

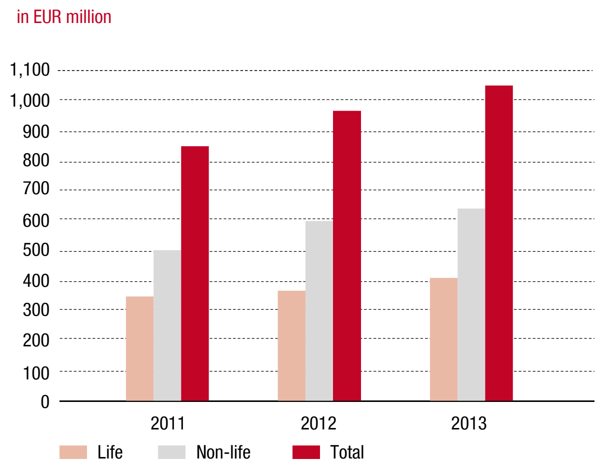
Premium development

Vienna Insurance Group wrote total premiums of EUR 1,061.64 million in the Remaining Markets segment in 2013 (2012: EUR 975.56 million). This 8.8% increase in premium volume moved the Remaining Markets segment over the EUR 1 billion mark for the first time. Net earned premiums were EUR 809.27 million in 2013 (2012: EUR 716.65 million), an increase of 12.9% compared to the previous year.

The Remaining Markets segment generated EUR 647.48 million in non-life insurance premiums in 2013 (2012: EUR 604.91 million), representing an increase of 7.0% over the previous year. This was primarily due to very strong premium growth in Georgia, Macedonia, Serbia, Hungary and the Ukraine.

Life insurance premium income from Vienna Insurance Group companies in the Remaining Markets segment rose by 11.7% to EUR 414.16 million in 2013 (2012: EUR 370.64 million). This segment recorded particularly good growth in the Baltic States, Bulgaria, Serbia and the Ukraine.

PREMIUMS WRITTEN IN THE REMAINING MARKETS SEGMENT



Expenses for claims and insurance benefits

Expenses for claims and insurance benefits were EUR 580.32 million in 2013 (2012: EUR 512.04 million). This corresponds to an increase of 13.3% in expenses for claims and insurance benefits (less reinsurance) compared to the previous year, which is due to the larger size of the insurance portfolio.

Acquisition and administrative expenses

Vienna Insurance Group recorded an increase from EUR 201.44 million to EUR 230.68 million in acquisition and administrative expenses in the Remaining Markets segment in 2013.

Profit before taxes

The good development in this segment, both in life and non-life insurance, raised profits by 2.9% from EUR 39.13 million to EUR 40.27 million.

Combined ratio

Vienna Insurance Group had a combined ratio of 98.6% in the Remaining Markets segment (2012: 98.2%).

VIENNA INSURANCE GROUP IN THE REMAINING MARKETS SEGMENT*

in EUR million	2013	2012	2011
Premiums written	**1,061.64**	**975.56**	**857.19**
Life	414.16	370.64	350.72
Non-life	647.48	604.91	506.47
Profit before taxes	**40.27**	**39.13**	**23.15**

* Bosnia-Herzegovina included since 2012.

CENTRAL FUNCTIONS

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

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

VIG RE, the Group's own reinsurance company, celebrated its fifth anniversary in August 2013. It provides reinsurance both for VIG companies and external partners. The company established itself as an important company in the short period of time since being established in the CEE region and follows a conservative underwriting and investment strategy. Standard & Poor's confirmed VIG RE's A+ rating with a stable outlook in July 2013.

Business development in the Central Functions segment in 2013

The companies in the Central Functions segment generated EUR 1,303.85 million in premiums in 2013, which was approximately the same level of premiums as the previous year. They recorded a loss of EUR 122.24 million in 2013. This loss was primarily due to goodwill impairment losses and impairment of a trademark.

NON-FINANCIAL PERFORMANCE INDICATORS

Vienna Insurance Group has a corporate culture of appreciation and openness, and respect for fellow employees and stakeholders is highly important in the Group. VIG has been included in the VÖNIX Austrian sustainability index since 2005 and the global FTSE4Good Index since 2007. Both require that the profit-making aspects of business activities be successfully combined with social and environmental objectives.

The insurance business is based on trust. Vienna Insurance Group earns this trust not only in its day-to-day dealings with customers and business partners, but also by assuming social responsibility for initiatives that range from sponsoring local cultural events and providing funding for art projects all the way to active promotion of volunteer activities. Sustainable action takes a wide variety of forms in Vienna Insurance Group and its Group companies.

Social involvement – Example: Social Active Day

The Social Active Day is an important example in the area of social activities. Vienna Insurance Group began this initiative in 2011. It encourages Group employees to become involved in a good cause and as a rule allows them to take one working day off for this purpose. Special-needs facilities, homeless shelters and initiatives, nursing homes, orphanages, children's aid programmes, environmental protection programmes and many more receive active support.

Because of the impressive response, the Social Active Day has been successively expanded since it began, so that Group companies in 19 countries now participate. The number of days used by employees for volunteer activities rose to 4,566 in 2013 from 4,195 in the year before.

Cultural involvement – Example: Gustav Mahler Youth Orchestra

The Group feels that arts and culture make an important contribution to a society's quality of life. For this reason, Vienna Insurance Group and its Group companies initiate and promote artists and cultural projects. One of these is the Gustav Mahler Youth Orchestra, which Vienna Insurance Group has supported since 2011. The orchestra was founded in 1986 with the aim of helping young Austrian musicians play music with their colleagues from the former CSSR and Hungary. Since 1992, it has offered highly talented musicians throughout Europe up to the age of 26 the opportunity to work together with the great conductors and soloists of our time. The Gustav Mahler Youth Orchestra has been an ambassador of Unicef Austria since 2012.

In 2013, Herbert Blomstedt agreed to be a guest conductor. During its Easter tour the Gustav Mahler Youth Orchestra went, among other places, to Vienna, Paris, Zagreb, Bratislava and Lisbon. As a special honour, during Wagner Year 2013 the orchestra was invited to give two concert performances of Richard Wagner's Rienzi under the direction of Philippe Jordan at the Salzburg Festival.

Environmental factors

Conservation of resources and the environment play an important role for Vienna Insurance Group. This can be seen in the use of district cooling for energy-efficient air conditioning in the Company headquarters, products that promote environmentally-friendly customer behaviour and sustainable building methods for new construction projects. An example of this is the provincial headquarters of Wiener Städtische and Donau Versicherung that was newly opened in St. Pölten in 2013. In addition to providing modern office infrastructure, the design also meets state-of-the-art energy standards. Referred to as a "green building", it incorporates low-energy design, a photovoltaic system and geothermal cooling of the IT and building services rooms.

Employees

The success of Vienna Insurance Group is based on the dedication of around 23,000 employees. The diversity of the different VIG companies is also a reflection of the diversity of its employees. This diversity is part of day-to-day life within the Group. Respect for different cultures and the cross-border exchange of experience and know-how have played an important role in the sustained success achieved by VIG. Identifying and developing the individual skills of each employee is particularly important, and a wide variety of training and advanced training opportunities, international exchange programs and international cooperations exist within the Group to ensure that this happens.

EMPLOYEES BY REGION

	2013	2012	2011
Austria	5,235	5,405	5,364
Czech Republic	4,852	4,814	4,892
Slovakia	1,557	1,572	1,596
Poland	1,742	1,751	1,945
Romania	2,727	3,480	3,991
Remaining Markets*	6,483	6,344	6,022
Central Functions**	543	720	1,092
Total	**23,139**	**24,086**	**24,902**

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

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

The Group had an average of 23,139 employees in 2013, with approximately 57% in the field sales force and 43% in administration. This is 947 less than the previous year. This decrease is primarily due to the restructuring in Romania.

The decrease in the number of employees in the Central Functions segment was due to changes in the scope of consolidation.

Approximately 59% of the employees in the Group are women. Women held approximately 20% of the positions on the managing boards of VIG insurance companies at the end of 2013. A good third of the managers newly appointed to the managing board of a VIG insurance company in 2013 were women. Including distribution, women hold approximately 40% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: 45%). Removing barriers to women's careers is one of the key elements of the personnel strategy at Vienna Insurance Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Significant events after the balance sheet date are presented on page 230 in the notes to the financial statements.

RESEARCH AND DEVELOPMENT

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

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

The detailed risk report for Vienna Insurance Group is provided in the notes to the consolidated financial statements on page 147.

For information on the financial instruments used, please see the notes to the consolidated financial statements (Summary of significant accounting policies) and the risk report (starting on page 147).

Internal control and risk management system in the accounting process

Preparation of the consolidated financial statements includes all activities required for presentation and disclosure of the net assets, financial position and results of operations of the Group in accordance with the provisions of the law and the IFRS. The consolidated financial statements consist of the balance sheet, income statement, statement of changes in equity, cash flow statement, segment report and all necessary disclosures in the notes. The financial statement process includes the aggregation of all data from accounting and upstream processes for the annual financial statements.

Risk management is implemented in the Vienna Insurance Group accounting process in accordance with the five elementary components of the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework model for internal risk management.

Control environment

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

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

Risk assessment

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

Control measures

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

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

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

In order to ensure that the annual report is completed correctly and on time by the publication deadline, strict deadlines are set for the quarterly and annual financial statements and the Group companies are already informed of these deadlines at the beginning of the 4th quarter for the coming financial year. The employees of the Group accounting department ensure in advance that the Group companies will be sending their data on time.

Information and communication

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

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

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

Monitoring

The Group accounting department is managed by the Vienna Insurance Group Chief Financial Officer and is responsible for preparing the Group Annual Report. Quarterly reports are provided to the Managing Board and Supervisory Board and ensure regular monitoring of the internal control system. Risks are continuously monitored by internal cross-departmental Group controls (e.g. Group accounting department, Controlling).

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

The auditor takes the internal control system into account during the financial statement audit to the extent that it is relevant to preparation of the consolidated financial statements. The financial statement auditor also assesses the effectiveness of the risk management system in accordance with Rule 83 of the Austrian Corporate Governance Code.

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2013, no authorisation of the Managing Board under Section 65 of the AktG (acquisition of own shares) was in effect, and the Company held none of its own shares as at 31 December 2013.

8. As of 31 December 2013, the Company was not party to any material agreements that would come into effect, change or terminate if control of the Company were to change due to a takeover bid, in particular, no agreements that would affect participations held in insurance companies. Existing agreements that would come into effect if control of the Company were to change due to a takeover bid concern participations held in other (non-insurance) companies.

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

Outlook for 2014

Austria

Austria is expected to show an initial economic upswing compared to 2013. Based on improved economic indicators in the 2nd half of 2013 and increased German and US demand for exports, an increase in gross domestic product can already be expected in the 1st half of 2014. According to the Austrian Institute of Economic Research (WIFO), economic growth will be approximately 1.7% for 2014 as a whole. This means that Austrian economic growth should be approximately one half percentage point higher than the Eurozone in both 2014 and 2015.

According to the October forecast by the International Monetary Fund (IMF), government finances will not deteriorate seriously, with the structural deficit forecast to be 1.8% and 1.5% of gross domestic product in the coming two years, respectively. Only vague estimates exist at this point concerning the increase in national debt due to the emergency nationalisation of Hypo Alpe Adria. The estimates range from an additional 4% to 6% of GDP.

The Austrian banking system is currently in a restructuring phase. Nationalisations have been performed in previous years, but not all of the restructuring processes have been concluded. There is generally a feeling of confidence, however, with respect to stress testing of Austrian banks by the European Central Bank.

On international financial markets, Austria continues to receive an AA+ rating from Standard & Poor's. No unexpected challenges are anticipated at the regulatory level for Austrian insurance companies. The process of preparing for Solvency II has already been underway for a number of years with the participation of affected stakeholders and involves considerable expense. The funding of nursing care is a topic that could still generate further discussion at the political and insurance industry levels.

The market forecast by the Austrian Association of Insurance Companies (VVO) predicts premium growth of 1.9% in 2014. This means that the insurance industry should grow faster than gross domestic product. At the same time, the overall forecast is being depressed by the life insurance segment, which is expected to record a decrease of 1.1% in premiums. The positive growth in health (+3.2%) and property & casualty insurance (+2.2%) will, however, overcompensate for this drop. Another mitigating factor is the fact that life insurance premiums are likely to receive a boost from the statutory regulations that entered into effect on 1 March 2014 and reduce the tax-relevant minimum lock-in period for single-premium life insurance policies back to ten years for people 50 years and older.

CEE region

The Eurozone is the most important export market for countries in the CEE region. Because of this dependency, in addition to the Eurozone, economic growth will also increase slightly in the Central and Eastern European economic area in 2014 as compared to the previous year. However, while the countries of the Eurozone slowly approach a 1% rate of real economic growth, the IMF is forecasting real growth of 2.7% for the CEE region. Although this is still not a particularly overwhelming figure when compared with the past, particularly the years before 2008, if viewed in the context of positive growth in the Eurozone and the forecasts for subsequent years it is definitely a reason for cautious optimism. Starting in 2015 growth should be consistently higher than 3%, which means that sustained positive growth can be expected.

In addition, 2014 should be the last year that countries in the CEE region where VIG operates, specifically Serbia (-0.6%) and Slovenia (-1.0%), have to battle recessions. According to current forecasts, every VIG country will be able to record positive economic growth starting in 2015.

Achieving successful business performance nevertheless remains difficult in some countries. Net exports produce economic growth, but are still not growing in all countries. The countries are highly dependent on the Eurozone as an export market and on commodity prices, and political dependencies also exist. Expansive fiscal policy is likely in the Czech Republic, Bulgaria and Romania, but the opposite is generally expected in Albania and Serbia.

Current developments in the Ukraine represent a special case that is difficult to predict at the present time.

Therefore, in spite of optimistic expectations, it is still generally possible for external factors such as the failure to implement fiscal or structural policy measures or, in particular, an economic slowdown in Southern and Western

Europe to have a negative effect also on the countries of Central and Eastern Europe. On the other hand, if the Eurozone records better growth than expected, the larger countries like Poland and the Czech Republic could recover more quickly and boost growth in the entire CEE region. The GIIPS countries in particular have been showing relatively optimistic signals recently, which also contributes to the general stabilisation of the Western European economy.

The CEE still remains a heterogeneous region, with a North-South divide and a wide variety of problems, particularly structural problems. At the same time, it is a region with higher growth than the Eurozone and great potential for companies willing to play a role in systematic convergence processes in order to benefit from successes in the future.

Vienna Insurance Group – outlook

Vienna Insurance Group will continue to follow its proven strategy and remain true to its Group-wide management principles in the coming year. The Group will also continue to focus on its core competence – the insurance business – and follow a risk-conscious, conservative investment policy.

The regional focus of the Group will also remain unchanged. As before, Vienna Insurance Group continues to be convinced of the high potential offered by the CEE region and remains committed to Austria and Central and Eastern Europe as its home market. Since the growth and convergence process is progressing at different rates in the CEE countries, VIG will continue to base its actions on the opportunities and conditions in each individual market in 2014. During growth phases, the focus is on the above-average exploitation of potential. Phases of calm in the market, on the other hand, are used to promote profit optimisation and efficiency improvements.

A selective underwriting policy will be used to make VIG's investments in peripheral markets outside the CEE region more earnings oriented, regardless of possible premium losses.

VIG continues to have a stated goal of using its proven multi-brand strategy and many optimally developed regional distribution channels, such as the successful cooperation with Erste Group, to grow faster than the market in Austria and the CEE region in 2014. The priority will primarily be on promoting further organic growth.

This does not mean, however, that VIG will not make purchases now or in the future that will improve its market position and fit well into its existing portfolio. A recent example of this is the agreement to acquire the insurance company Donaris, which Vienna Insurance Group is using to position itself in the Moldovan insurance market in 2014. This will open up the last remaining country in the CEE region in 2014. Mergers will be considered when clear potential synergies outweigh the benefits of a diversified market presence.

Following the motto "think globally, act locally", VIG continues to rely on its local management. This is because local managers and employees know the needs of people the best and can react quickly and competently to changes. VIG continues to build on its multi-brand strategy in its efforts to create the closest possible relationships with customers, using professionally trained and motivated employees as a foundation for successful development of the market. VIG aims to use its position as a locally attractive employer with an international background to strengthen the long-term loyalty of its employees and be the employer of first choice for young talented trainees.

In addition to Group-wide optimisation measures, VIG's efforts in this area will focus in particular on the Romanian and Italian markets. VIG is making efforts at all levels to quickly improve the situation in these two countries and will systematically follow up in 2014 on the package of measures that was implemented in 2013, e.g. in the areas of cost and claims management. In addition to market- and product-specific initiatives like these, VIG also plans to further strengthen the Company and make it even more efficient.

Consolidated financial statements
in accordance with IFRS

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Vienna Insurance Group

Consolidated financial statements in accordance with IFRS 31.12.2013

Reporting period	1.1.2013 – 31.12.2013
Balance sheet comparison date	31.12.2012
Income statement comparison period	1.1.2012 – 31.12.2012
Currency	EUR

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013

ASSETS	Notes	31.12.2013	31.12.2012 restated
in EUR '000			
A. Intangible assets	**1**		
I. Goodwill	A	1,595,874	1,723,207
II. Purchased insurance portfolios	B	35,377	57,511
III. Other intangible assets	C	634,495	629,247
Total intangible assets		**2,265,746**	**2,409,965**
B. Investments			
I. Land and buildings	2, D	2,675,538	3,219,908
a) Self-used		442,877	449,098
b) Investment property		2,232,661	2,770,810
II. Shares in at equity consolidated companies	3+4	447,353	368,461
III. Financial instruments	E	26,077,644	25,874,450
a) Loans and other investments	5	4,529,912	4,883,784
b) Other securities	6	21,547,732	20,990,666
Financial instruments held to maturity		3,018,709	3,180,823
Financial instruments available for sale		17,918,713	17,111,825
Financial instruments recognised at fair value through profit and loss*		610,310	698,018
Total investments		**29,200,535**	**29,462,819**
C. Investments for unit- and index-linked life insurance	**7, F**	**6,707,275**	**6,443,775**
D. Reinsurers' share in underwriting provisions	**8, G**	**1,028,426**	**1,034,364**
E. Receivables	**9, H**	**1,560,699**	**1,617,653**
F. Tax receivables and advance payments out of income tax	**10, I**	**82,253**	**80,572**
G. Deferred tax assets	**11, J**	**91,823**	**150,361**
H. Other assets	**12, K**	**335,109**	**339,054**
I. Cash and cash equivalents	**13**	**705,025**	**772,238**
Total ASSETS		**41,976,891**	**42,310,801**

* Including trading assets

The references (numbers and letters) shown for individual items in the consolidated balance sheet and consolidated income statement refer to detailed disclosures for those items in the notes to the consolidated financial statements. The numbers refer to the detailed disclosures in the "Explanatory notes on the consolidated financial statements" section starting on page 168. The letters refer to disclosures in section the "Summary of significant accounting policies" section starting on page 119.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2013	31.12.2012 restated
in EUR '000			
A. Shareholders' equity	**14**		
I. Share capital		132,887	132,887
II. Other capital reserves		2,109,003	2,109,003
III. Capital reserves from additional payments on hybrid capital		245,602	495,602
IV. Retained earnings		2,238,981	2,238,301
V. Other reserves		123,177	368,809
Subtotal		**4,849,650**	**5,344,602**
VI. Non-controlling interests		170,445	344,010
Total shareholders' equity		**5,020,095**	**5,688,612**
B. Subordinated liabilities	**15**	**1,029,944**	**537,508**
C. Underwriting provisions			
I. Provision for unearned premiums	16, L	1,182,084	1,248,980
II. Actuarial reserve	17, M	19,327,154	19,014,157
III. Provision for outstanding claims	18, N	4,252,867	4,082,424
IV. Provision for profit-unrelated premium refunds	19, O	52,534	63,185
V. Provision for profit-related premium refunds	19, P	1,095,242	1,273,213
VI. Other underwriting provisions	20, Q	70,583	94,387
Total underwriting provisions		**25,980,464**	**25,776,346**
D. Underwriting provisions for unit- and index-linked life insurance	**21, R**	**6,489,366**	**6,245,423**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	22, S	371,388	324,956
II. Other provisions	23, T	228,737	183,412
Total non-underwriting provisions		**600,125**	**508,368**
F. Liabilities	**24, U**	**2,432,165**	**3,028,844**
G. Tax liabilities out of income tax	**25**	**62,793**	**91,907**
H. Deferred tax liabilities	**11**	**167,438**	**226,634**
I. Other liabilities	**26**	**194,501**	**207,159**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**41,976,891**	**42,310,801**

CONSOLIDATED SHAREHOLDERS' EQUITY

Change in consolidated shareholders' equity in financial years 2013 and 2012

	Share capital	Other capital reserves	Capital reserves from additional payments on hybrid capital	Retained earnings	Other reserves	Sub-total	Non-controlling interests	Share-holders' equity
in EUR '000								
As of 1 January 2012	**132,887**	**2,109,003**	**495,602**	**1,961,997**	**-68,847**	**4,630,642**	**419,001**	**5,049,643**
IFRS adjustment	**0**	**0**	**0**	**0**	**4,134**	**4,134**	**261**	**4,395**
As of 1 January 2012 revised	**132,887**	**2,109,003**	**495,602**	**1,961,997**	**-64,713**	**4,634,776**	**419,262**	**5,054,038**
Changes in scope of consolidation/ ownership interests	0	0	0	31,588	0	31,588	-91,861	-60,273
Comprehensive income	0	0	0	446,725	433,592	880,317	29,321	909,638
Dividend payment*	0	0	0	-180,800	0	-180,800	-10,952	-191,752
As of December 2012	**132,887**	**2,109,003**	**495,602**	**2,259,510**	**368,879**	**5,365,881**	**345,770**	**5,711,651**
IFRS adjustment to comprehensive income for 2012	**0**	**0**	**0**	**-21,209**	**-70**	**-21,279**	**-1,760**	**-23,039**
As of 31.12.2012 - restated	**132,887**	**2,109,003**	**495,602**	**2,238,301**	**368,809**	**5,344,602**	**344,010**	**5,688,612**
As of 1 January 2013	**132,887**	**2,109,003**	**495,602**	**2,238,301**	**368,809**	**5,344,602**	**344,010**	**5,688,612**
Changes in scope of consolidation/ ownership interests	0	0	0	-40,518	0	-40,518	-181,199	-221,717
Comprehensive income	0	0	0	234,798	-245,632	-10,834	17,189	6,355
Repurchase of hybrid capital	0	0	-250,000	0	0	-250,000	0	-250,000
Dividend payment*	0	0	0	-193,600	0	-193,600	-9,555	-203,155
As of December 2013	**132,887**	**2,109,003**	**245,602**	**2,238,981**	**123,177**	**4,849,650**	**170,445**	**5,020,095**

* Including payment for servicing the hybrid capital.

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

The shareholders' share of changes recognised directly in the equity of the companies accounted for under the equity method is EUR 28,165,000 (EUR 21,370,000).

Composition Other reserves	31.12.2013	31.12.2012
in EUR '000		
Unrealised gains and losses	318,275	382,255
Cash flow hedge reserve	-6,165	0
IAS 19 reserve	-69,603	-40,490
Share of other reserves of associated companies	-6,146	0
Currency reserve	-113,184	27,044
Total	**123,177**	**368,809**

Unrealised gains and losses from OCI	31.12.2013	31.12.2012
in EUR '000		
Bonds	978,583	1,322,968
Shares and other participations	149,989	107,665
Investment funds	30,321	445
	1,158,893	**1,431,078**
+/- Exchange rate changes, AFS securities	7,737	6,443
+/- Deferred profit participation	-745,243	-929,083
+/- Deferred taxes	-98,873	-127,583
+/- Non-controlling interests	-4,239	1,400
Total	**318,275**	**382,255**

Cash flow hedge reserve	31.12.2013	31.12.2012
in EUR '000		
Cash flow hedge	-8,220	0
+/- Deferred taxes	2,055	0
Total	**-6,165**	**0**

IAS 19 reserve	31.12.2013	31.12.2012
in EUR '000		
Pension provision and severance provision	-130,750	-77,421
Deferred profit participation	37,587	23,090
Deferred taxes	22,732	13,583
Non-controlling interests	828	258
Total	**-69,603**	**-40,490**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	Notes	2013	2012 restated
in EUR '000			
Premiums	**28**		
Premiums written – gross		**9,218,574**	**9,646,026**
Premiums written – reinsurers´ share		-773,195	-711,037
Premiums written – retention		**8,445,379**	**8,934,989**
Change in unearned premiums – gross		27,868	11,350
Change in unearned premiums – reinsurers' share		5,804	25,911
Net earned premiums – retention		**8,479,051**	**8,972,250**
Financial result excluding at equity consolidated companies	**29**		
Income from investments		1,634,793	1,750,278
Expenses for investments and interest expenses		-451,020	-529,314
Total financial result excluding at equity consolidated companies		**1,183,773**	**1,220,964**
Result from shares in at equity consolidated companies	**30**	**35,042**	**21,370**
Other income	**31**	**143,897**	**115,331**
Expenses for claims and insurance benefits	**32**		
Expenses for claims and insurance benefits – gross		-7,597,410	-7,811,956
Expenses for claims and insurance benefits – reinsurers' share		386,858	221,276
Total expenses for claims and insurance benefits		**-7,210,552**	**-7,590,680**
Acquisition and administrative expenses	**33**		
Acquisition expenses		-1,629,998	-1,586,888
Administrative expenses		-344,053	-347,134
Reinsurance commissions		107,733	118,501
Total acquisition and administrative expenses		**-1,866,318**	**-1,815,521**
Other expenses	**34**	**-409,756**	**-360,011**
Profit before taxes		**355,137**	**563,703**
Tax expense	**35**	**-98,755**	**-118,810**
Profit of the period		**256,382**	**444,893**
thereof attributable to Vienna Insurance Group shareholders		*234,798*	*425,516*
thereof non-controlling interests in net profit for the period	14	*21,584*	*19,377*
Earnings per share*	14		
Undiluted = diluted earnings per share (in EUR)		1.57	3.01
Profit for the period (Carry-forward)		**256,382**	**444,893**

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

Consolidated statement of comprehensive income

in EUR '000	2013	2012 restated
Profit for the period (Carry-forward)	**256,382**	**444,893**
Other comprehensive income (OCI)		
Items that will not be reclassified to profit or loss in subsequent periods		
+/- IAS 19 reserve	-53,329	-89,028
thereof deferred profit participation	14,497	28,837
thereof deferred taxes	9,149	15,048
Subtotal	**-29,683**	**-45,143**
Items that will be reclassified to profit or loss in subsequent periods		
+/- Exchange rate changes through equity	-141,973	55,418
+/- Unrealised gains and losses from financial instruments available for sale	-278,282	1,459,274
+/- Cash Flow hedge reserve	-8,220	0
+/- Share of other reserves of associated companies	-6,474	0
thereof deferred profit participation	183,840	-880,888
thereof deferred taxes	30,765	-146,955
Subtotal	**-220,344**	**486,849**
Total OCI	**-250,027**	**441,706**
Comprehensive income	**6,355**	**886,599**
thereof attributable to Vienna Insurance Group shareholders	*-10,834*	*859,038*
thereof non-controlling interests	*17,189*	*27,561*

For the basis of the measurements shown in the following tables (segment reports and cash flow statement) please refer to the number and letter references of the corresponding items in the consolidated balance sheet and consolidated income statement.

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	2013	2012 restated
in EUR '000		
Profit of the period	**256,382**	**444,893**
Change in underwriting provisions net	465,948	1,350,783
Change in underwriting receivables and liabilities	117,514	72,904
Change in deposit receivables and liabilities as well as in reinsurance receivables and liabilities	-31,020	89,479
Change in other receivables and liabilities	-200,868	-35,314
Change in securities held for trading	65,903	-80,789
Gain/loss from disposal of investments	-211,166	-196,669
Depreciation/appreciation of all other investments	113,418	169,923
Change in pension, severance and other personnel provisions	131,668	-45,232
Change in deferred tax asset/liability excl. tax liabilities	7,745	-36,853
Change in other balance sheet items	45,178	-88,287
Change in goodwill and other intangible assets	93,673	-2,006
Other cash-neutral income and expenses and adjustments to the result of the period[1]	346,855	-51,623
Cash flow from operating activities	**1,201,230**	**1,591,209**
Payments for the acquisition of fully and at equity consolidated companies	-90,703	-71,861
Cash inflow from the sale of securities available for sale	4,330,354	3,848,536
Payments for the acquisition of available for sale securities	-5,450,272	-4,329,953
Cash inflow from the sale of securities held to maturity	334,877	336,619
Payments for the addition of securities held to maturity	-368,574	-327,274
Cash inflow from the sale of land and buildings	119,672	93,107
Payments for the acquisition of land and buildings	-193,118	-173,916
Change in unit- and index-linked life insurance items	-195,530	-351,228
Change in other investments	221,896	-203,700
Cash flow from investing activities	**-1,291,398**	**-1,179,670**
Corporate actions, incl. hybrid capital	-250,000	0
Increase in subordinated liabilities	500,000	0
Decrease of subordinated liabilities	-5,750	-150
Dividend payments	-203,155	-191,752
Cash inflow from other financing activities	12,583	21,760
Cash outflow from other financing activities	-5,195	0
Cash flow from financing activities	**48,483**	**-170,142**
Change in cash and cash equivalents	**-41,685**	**241,397**
Cash and cash equivalents at beginning of period	**772,238**	**568,117**
Change in cash and cash equivalents	-41,685	241,397
Change in scope of consolidation	-33,176	-35,442
Effects of foreign currency exchange differences on cash and cash equivalents	7,648	-1,834
Cash and cash equivalents at end of period[2]	**705,025**	**772,238**
thereof non-profit housing societies	*22,671*	*77,768*
Additional information		
Received interest	834,376	864,886
Received dividends	179,887	152,266
Interest paid[3]	45,211	53,926
Income taxes paid	63,017	79,817
Expected cash flow from reclassified securities	**42,167**	**47,729**
Effective interest rate of reclassified securities	**4.46%**	**5.35%**

[1] The non-cash income and expenses are primarily the result of exchange rate changes. [2] The amount shown for cash and cash equivalents at the end of the reporting period corresponds to asset item I, "Cash and cash equivalents". [3] The interest paid is primarily attributable to financing activities.

Notes to the consolidated financial statements

SEGMENT REPORTING

Vienna Insurance Group is the leading insurance specialist in Central and Eastern Europe. Around 50 Group companies offer insurance products and services in 24 countries.

Results are managed Group-wide, with operating segments divided into business lines (property and casualty, life insurance and health insurance) and regions. The regions are Austria, the Czech Republic, Poland, Slovakia, Romania, Remaining Markets and Central Functions. The operating segments are aggregated in two dimensions – lines of business and regions – for segment reporting.

Since many of the insurance companies in Vienna Insurance Group are composite insurers, and have already consolidated transactions between reporting segments in their separate financial statements, Vienna Insurance Group does not present a consolidation column in the consolidated balance sheet or consolidated income statement for segment reporting.

Like transactions with third parties, transfer prices between reportable segments are determined using market prices. Transactions between reportable segments are eliminated during consolidation. Financial information is recorded for reportable segments; country-specific information concerning more than one segment is not collected.

Consolidated balance sheet by lines of business

ASSETS	Property/Casualty		Life		Health		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012 restated	31.12.2013	31.12.2012	31.12.2013	31.12.2012 restated
in EUR '000								
A. Intangible assets	1,289,991	1,396,415	975,700	1,013,515	55	35	**2,265,746**	**2,409,965**
B. Investments	6,857,466	7,501,209	21,139,673	20,897,788	1,203,396	1,063,822	**29,200,535**	**29,462,819**
C. Investments for unit- and index-linked life insurance	0	0	6,707,275	6,443,775	0	0	**6,707,275**	**6,443,775**
D. Reinsurers' share in underwriting provisions	901,827	877,855	124,541	154,611	2,058	1,898	**1,028,426**	**1,034,364**
E. Receivables	1,001,168	1,036,843	521,946	535,136	37,585	45,674	**1,560,699**	**1,617,653**
F. Tax receivables and advance payments out of income tax	65,747	60,044	16,467	20,528	39	0	**82,253**	**80,572**
H. Other assets	152,204	157,812	182,026	176,157	879	5,085	**335,109**	**339,054**
I. Cash and cash equivalents	555,803	582,852	141,659	184,156	7,563	5,230	**705,025**	**772,238**
Subtotal	**10,824,206**	**11,613,030**	**29,809,287**	**29,425,666**	**1,251,575**	**1,121,744**	**41,885,068**	**42,160,440**
Deferred tax assets							91,823	150,361
Total ASSETS							**41,976,891**	**42,310,801**

LIABILITIES AND SHAREHOLDERS' EQUITY	Property/Casualty		Life		Health		Total	
	31.12.2013	31.12.2012 restated	31.12.2013	31.12.2012 restated	31.12.2013	31.12.2012 restated	31.12.2013	31.12.2012 restated
in EUR '000								
B. Subordinated liabilities	810,785	316,014	218,659	220,994	500	500	**1,029,944**	**537,508**
C. Underwriting provisions	5,040,312	4,998,926	19,838,767	19,730,309	1,101,385	1,047,111	**25,980,464**	**25,776,346**
D. Underwriting provision for unit- and index-linked life insurance	0	0	6,489,366	6,245,423	0	0	**6,489,366**	**6,245,423**
E. Non-underwriting provisions	385,143	322,585	169,740	154,558	45,242	31,225	**600,125**	**508,368**
F. Liabilities	1,922,615	2,469,319	498,652	543,568	10,898	15,957	**2,432,165**	**3,028,844**
G. Tax liabilities out of income tax	39,570	68,555	23,223	23,352	0	0	**62,793**	**91,907**
I. Other liabilities	52,334	58,331	141,093	147,813	1,074	1,015	**194,501**	**207,159**
Subtotal	**8,250,759**	**8,233,730**	**27,379,500**	**27,066,017**	**1,159,099**	**1,095,808**	**36,789,358**	**36,395,555**
Deferred tax liabilities							167,438	226,634
Shareholders' equity							5,020,095	5,688,612
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**41,976,891**	**42,310,801**

The amounts indicated for each business segment have been adjusted for internal segment transactions. As a result, the asset and liability balances cannot be used to infer the shareholders' equity allocated to each area of operations.

Investment by region

ASSETS	Austria		Czech Republic		Slovakia		Poland	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000								
B. Investments	19,328,914	18,930,039	3,159,480	3,338,461	1,138,553	1,127,681	1,147,516	1,258,781
C. Investments for unit- and index-linked life insurance	5,048,430	4,955,599	275,021	254,744	177,929	164,711	170,659	132,477
Total investments	**24,377,344**	**23,885,638**	**3,434,501**	**3,593,205**	**1,316,482**	**1,292,392**	**1,318,175**	**1,391,258**

ASSETS	Romania		Remaining markets		Central Functions		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000								
B. Investments	319,913	274,514	1,508,067	1,429,500	2,598,092	3,103,843	**29,200,535**	**29,462,819**
C. Investments for unit- and index-linked life insurance	175,896	149,899	859,340	786,345	0	0	**6,707,275**	**6,443,775**
Total investments	**495,809**	**424,413**	**2,367,407**	**2,215,845**	**2,598,092**	**3,103,843**	**35,907,810**	**35,906,594**

SEGMENT REPORTING

Consolidated income statement by lines of business

BUSINESS LINES	Property/Casualty		Life		Health		Total	
	2013	2012 restated	2013	2012 restated	2013	2012 restated	2013	2012 restated
in EUR '000								
Premiums written – gross	4,618,377	4,673,441	4,202,372	4,581,076	397,825	391,509	**9,218,574**	**9,646,026**
Net earned premiums	3,910,017	4,033,963	4,168,627	4,557,050	400,407	381,237	**8,479,051**	**8,972,250**
Financial result excl. at equity consolidated companies	231,003	253,043	933,519	951,111	19,251	16,810	**1,183,773**	**1,220,964**
Income from investments	471,529	550,279	1,116,675	1,152,528	46,589	47,471	**1,634,793**	**1,750,278**
Expenses for investments and interest expenses	-240,526	-297,236	-183,156	-201,417	-27,338	-30,661	**-451,020**	**-529,314**
Result from shares in at equity consolidated companies	32,177	19,077	2,865	2,293	0	0	**35,042**	**21,370**
Other income	85,224	72,746	58,497	40,687	176	1,898	**143,897**	**115,331**
Expenses for claims and insurance benefits	-2,714,113	-2,656,178	-4,162,850	-4,613,891	-333,589	-320,611	**-7,210,552**	**-7,590,680**
Acquisition and administrative expenses	-1,169,693	-1,130,946	-649,739	-639,328	-46,886	-45,247	**-1,866,318**	**-1,815,521**
Other expenses	-317,345	-260,774	-88,623	-96,549	-3,788	-2,688	**-409,756**	**-360,011**
Profit before taxes	**57,270**	**330,931**	**262,296**	**201,373**	**35,571**	**31,399**	**355,137**	**563,703**
Tax expense	-63,498	-61,120	-32,409	-45,536	-2,848	-12,154	**-98,755**	**-118,810**
Profit of the period	**-6,228**	**269,811**	**229,887**	**155,837**	**32,723**	**19,245**	**256,382**	**444,893**

Consolidated income statement by regions

REGIONS	Austria		Czech Republic		Slovakia		Poland	
	2013	2012 restated	2013	2012	2013	2012	2013	2012
in EUR '000								
Premiums written – gross	4,073,885	4,122,526	1,762,082	1,795,576	744,666	704,107	**1,142,304**	**1,611,739**
Net earned premiums	3,348,476	3,333,794	1,429,555	1,453,993	615,150	581,880	**939,730**	**1,323,151**
Financial result excl. at equity consolidated companies	890,622	840,009	112,239	128,758	52,837	58,412	**48,771**	**63,483**
Income from investments	1,098,781	1,125,274	153,404	170,811	56,860	62,359	**83,740**	**91,726**
Expenses for investments and interest expenses	-208,159	-285,265	-41,165	-42,053	-4,023	-3,947	**-34,969**	**-28,243**
Result from shares in at equity consolidated companies	4,208	3,669	4,168	2,061	0	0	**0**	**0**
Other income	17,322	20,449	50,909	34,708	10,908	3,971	**5,970**	**6,839**
Expenses for claims and insurance benefits	-3,338,288	-3,289,494	-1,008,522	-1,001,921	-511,406	-459,489	**-709,912**	**-1,126,496**
Acquisition and administrative expenses	-606,970	-578,233	-345,822	-343,259	-88,101	-90,068	**-222,536**	**-205,498**
Other expenses	-82,631	-34,210	-44,708	-79,366	-24,131	-37,819	**-11,803**	**-19,909**
Profit before taxes	**232,739**	**295,984**	**197,819**	**194,974**	**55,257**	**56,887**	**50,220**	**41,570**
Tax expense	-17,823	-84,943	-38,034	-37,823	-14,607	-11,051	**-14,054**	**-8,775**
Profit of the period	**214,916**	**211,041**	**159,785**	**157,151**	**40,650**	**45,836**	**36,166**	**32,795**

REGIONS	Romania		Remaining markets		Central Functions		Consolidation		Total	
	2013	2012 restated	2013	2012	2013	2012 restated	2013	2012	2013	2012 restated
in EUR '000										
Premiums written – gross	361,796	408,612	1,061,635	975,557	1,303,850	1,341,440	-1,231,644	-1,313,531	**9,218,574**	**9,646,026**
Net earned premiums	170,979	346,685	809,267	716,652	1,160,106	1,215,217	5,788	878	**8,479,051**	**8,972,250**
Financial result excl. at equity consolidated companies	9,043	23,369	74,091	84,431	-3,977	21,664	147	838	**1,183,773**	**1,220,964**
Income from investments	27,848	37,315	97,209	97,862	187,729	238,738	-70,778	-73,807	**1,634,793**	**1,750,278**
Expenses for investments and interest expenses	-18,805	-13,946	-23,118	-13,431	-191,706	-217,074	70,925	74,645	**-451,020**	**-529,314**
Result from shares in at equity consolidated companies	0	0	0	0	26,666	15,640	0	0	**35,042**	**21,370**
Other income	11,779	28,416	28,348	18,729	19,519	7,831	-858	-5,612	**143,897**	**115,331**
Expenses for claims and insurance benefits	-175,438	-308,917	-580,315	-512,036	-879,517	-890,935	-7,154	-1,392	**-7,210,552**	**-7,590,680**
Acquisition and administrative expenses	-87,407	-111,949	-230,679	-201,435	-282,188	-288,515	-2,615	3,436	**-1,866,318**	**-1,815,521**
Other expenses	-27,659	-22,463	-60,441	-67,211	-162,847	-100,983	4,464	1,950	**-409,756**	**-360,011**
Profit before taxes	**-98,703**	**-44,859**	**40,271**	**39,130**	**-122,238**	**-20,081**	**-228**	**98**	**355,137**	**563,703**
Tax expense	7,073	-1,989	-11,076	-8,174	-10,234	33,945	0	0	**-98,755**	**-118,810**
Profit of the period	**-91,630**	**-46,848**	**29,195**	**30,956**	**-132,472**	**13,864**	**-228**	**98**	**256,382**	**444,893**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

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

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

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

The management approach was used to determine the operating segments. Results are managed Group-wide, with the property and casualty, life insurance and health insurance lines of business identified as reportable segments. The operating segments are aggregated in two dimensions – lines of business and regions – for segment reporting.

Vienna Insurance Group places great importance on the CEE region, and regularly communicates this to the outside world. The following regions were identified:

- Austria (incl. the Wiener Städtische Versicherung branch offices in Slovenia and Italy and the Donau Versicherung branch office in Italy)
- Czech Republic
- Slovakia
- Poland (incl. the Compensa Non-Life branch offices in Lithuania and Latvia)
- Romania
- Remaining Markets
- Central functions

The regions of Austria, the Czech Republic, Slovakia, Poland, Romania and Remaining Markets show the performance of the operating companies. In the interests of clarity, the countries of Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Germany, Hungary, Lichtenstein, Macedonia, Serbia, Turkey and Ukraine are combined in the "Remaining Markets" segment for annual reporting. Companies with management and coordination functions that cross regional boundaries and non-profit housing societies are included in the "Central Functions" region.

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

Summary of significant accounting policies

The consolidated financial statements as of 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the applicable commercial law provisions of Section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB) and Section 80b(2) of the Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG)

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

Preparing consolidated financial statements in accordance with the IFRS as adopted in the European Union requires that estimates be made. In addition, application of the Company's accounting policies requires management to make assumptions. Areas with greater leeway for discretion, highly complex areas, or areas involving assumptions and estimates that are of critical importance to the con-solidated financial statements are listed in the notes on page 135.

Amounts were rounded to improve readability and, where indicated, are shown in thousands of euros (EUR '000). Calculations, however, are done using exact amounts, including digits not shown, which may lead to rounding differences.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except for the following changes, Vienna Insurance Group has consistently applied the accounting policies indicated in all of the periods shown in these consolidated financial statements.

The following new standards and amendments to standards, including all subsequent changes to other standards were to be applied for the first time starting as of 1 January 2013. All of the standards and amendments to standards that affect Vienna Insurance Group were applied in this financial year.

Applicable as of 1 January 2013

IFRS 1	Amendment Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IAS 12	Amendment Deferred Tax: Recovery of Underlying Assets
IFRS 13	Fair Value Measurement
IAS 19	Employee Benefits (2011)
IAS 1	Presentation of Items of Other Comprehensive Income (Amendment)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
IFRS 1	Government Loans - Amendment
all IFRS	Annual Improvements 2011

Application of these new mandatory IFRSs had the following effects on the financial statements:

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As a result of the amendments to IFRS 7, Vienna Insurance Group has expanded its disclosures on the offsetting of financial assets and financial liabilities.

FAIR VALUE MEASUREMENT

IFRS 13 creates a uniform framework for determining fair value and for disclosures on fair value measurement when such measurements are required or permitted by other IFRSs. In this standard, fair value is uniformly defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard supersedes and expands the disclosure requirements for fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this respect.

In accordance with the transitional provisions of IFRS 13, the new requirements for fair value measurement were applied prospectively. Comparative information for previous years was not indicated in the new disclosures. In spite of this, the change had no significant effect on the book values of Group assets and liabilities.

PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

As a result of the amendments to IAS 1, Vienna Insurance Group changed the presentation of items of other comprehensive income in its statement of comprehensive income in order to present items that will be reclassified to profit or loss separately from items that will not be reclassified. The comparative information has been adjusted accordingly.

DEFINED-BENEFIT PLANS FOR POST-EMPLOYMENT BENEFITS

As a result of IAS 19 (2011), Vienna Insurance Group changed its accounting policy for determining income and expenses related to its defined-benefit plans for post-employment benefits.

In accordance with IAS 19 (2011), in order to determine the net interest expenses (net interest income) on the net liability (assets) under defined-benefit pension plans for the reporting period, Vienna Insurance Group uses the discount rate that was used to measure the defined-benefit obligation at the beginning of the annual reporting period to discount the net liability (assets) under defined-benefit pension plans at this point in time. Any changes that have taken place to the net liability (assets) under defined-benefit pension plans as a result of contribution and benefit payments during the course of the reporting period are taken into account at the same time. As a result, the net interest on the net liability (assets) under defined-benefit pension plans now includes: the interest cost for the defined-benefit obligation, interest income from plan assets and the effects of the “asset ceiling”. The Group previously determined interest income from plan assets based on expected long-term returns.

Application of the change increased the profit before income taxes by EUR 709,000, and income tax by EUR 177,000 for financial year 2012 as a whole. Earnings per share rose by EUR 0.01 and other comprehensive income (OCI) showed a change of EUR -44,624,000 for financial year 2012. There was no material change to the condensed statement of cash flows, since the amounts are exclusively non-cash income and expenses.

The change to the balance sheet is shown in the assets and liabilities tables found under "Adjustments in financial year 2012" from page 123.

The IAS 19 reserve was EUR 4,395,000 as at 1 January 2012. The book values as of 1 January 2012 were as indicated below after application of the version of IAS 19 that is applicable starting in 2013:

As of 1 January 2012	As originally reported	Change caused by IAS 19	After accounting for changes to IAS 19 (as reported)
in EUR '000			
Assets			
Deferred tax assets	123,519	660	124,179
Liabilities and shareholders' equity			
Provisions for pensions and similar obligations	302,002	-11,607	290,395
Deferred tax liabilities	124,117	2,125	126,242
Provision for profit-related premium refunds	397,039	5,747	402,786
Shareholders' equity	**5,049,643**	**4,395**	**5,054,038**

All of the other new mandatory IFRSs were either not applicable to the Group or had no effect.

New standards and interpretations that have not yet been applied

A number of new standards, amendments to standards and interpretations are applicable for the first time in the first reporting period of a financial year beginning after 1 January 2013, and were not applied in these consolidated financial statements. Those that could be relevant for the Group are presented below. The Group is not planning early application of any of these standards.

New standards and changes to current reporting standards		Applicable as of
IAS 27	Separate Financial Statements (2011)	1.1.2014
IAS 28	Investments in Associates and Joint Ventures (2011)	1.1.2014
IFRS 10	Consolidated Financial Statements	1.1.2014
IFRS 11	Joint Arrangements	1.1.2014
IFRS 12	Disclosures of Interests in Other Entities	1.1.2014
IFRS 10-12	Transition Guidance - Amendment to IFRS 10 - 12	1.1.2014
IFRS 9	Financial Instruments	1.1.2015
IAS 32	Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32	1.1.2014
IFRS 9	Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7	not yet endorsed by the EU
IFRS 10, 12	Investment Entities - Amendment to IFRS 10, 12 and IAS 27	1.1.2014
IFRIC 21	Levies	not yet endorsed by the EU
IAS 36	Amendment IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	1.1.2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	1.1.2014
IAS 19	Defined Benefit Plans: Employee Contributions	not yet endorsed by the EU
IFRS 9	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39	not yet endorsed by the EU
IFRS 14	Regulatory Deferral Accounts	not yet endorsed by the EU
all IFRS	Annual Improvements 2011 - 2013	not yet endorsed by the EU
all IFRS	Annual Improvements 2010 - 2012	not yet endorsed by the EU

Application of these new IFRSs is expected to have the following effects on the financial statements:

CONSOLIDATION STANDARDS OF IFRS 10 – 12

IFRS 10 (2011) introduces a new control model that takes into account whether the Group has power over the investee, has exposure, or rights, to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Under the transitional provisions of IFRS 10 (2011), the Group must reassess its control over its investees as of 1 January 2014.

The scope of consolidation of the Group will not change significantly after the new control model is applied.

Under IFRS 11, the Group must classify its interests in joint arrangements either as joint operations (when the group has rights to assets and obligations for liabilities under the arrangement) or joint ventures (when the group only has rights to net assets under the arrangement). When making this assessment, the Group took into account the structure of the arrangements, the legal form of all separate vehicles, the terms of the contractual arrangement and other facts and circumstances. The focus was previously only on the structure of the arrangement when making this classification.

The Group currently has no joint arrangements subject to IFRS 11.

As a result of IFRS 12, the Group will expand its disclosures on interests in subsidiaries and financial investments accounted for using the equity method.

DISCLOSURES ON THE RECOVERABLE AMOUNT OF NON-FINANCIAL ASSETS

As a result of this amendment to IAS 36, the Group must expand its disclosures on recoverable amounts if they are based on fair value less disposal costs and an impairment has been recognised.

With respect to all other IFRSs applicable in the future, either no relevant transactions exist, or application is not expected to have any effect on the consolidated financial statements.

Adjustments in financial year 2012

BCR Life has provided private customer and group life insurance products in the Romanian market since 2005. The company joined the VIG Group at the beginning of 2009 during acquisition of the S Versicherung Group. BCR Life increased its premium income each year until 2012 and has achieved an important market position, especially in group life insurance. All annual financial statements prepared according to national law and IFRS reports have received unqualified auditor's reports for audits and reviews since that time.

As a result of investigations into the employment benefit product in the area of group life insurance and in view of the change of auditor, Vienna Insurance Group decided to work together with the auditor to have the accounting policies for the life insurance portfolio, and internal organisation, administration and IT security reviewed. The final report was submitted to Vienna Insurance Group at the beginning of 2014 and contained serious findings in the area of term life insurance and changes needed in the accounting of premium receivables for private customer insurance products. As a result, Vienna Insurance Group decided to extensively restructure the company and replace its management. Vienna Insurance Group also found it necessary to adjust the 2012 financial statements in accordance with the requirements of IAS 8.41.

Since the effects of the adjustments almost exclusively affected financial years 2012 and 2013, or any effects on more distant periods could not be reliably established or calculated with reasonable effort, Vienna Insurance Group did not make any adjustments to the balance sheet for 1 January 2012. These adjustments are exclusively concerned with financial year 2012.

ASSETS		Published book value	IAS 19 reserve	31.12.2012 including IAS 19 reserve	Restatement	31.12.2012 restated
in EUR '000						
A.	Intangible assets	2,409,965	0	2,409,965	0	2,409,965
B.	Investments	29,462,819	0	29,462,819	0	29,462,819
C.	Investments for unit- and index-linked life insurance	6,443,775	0	6,443,775	0	6,443,775
D.	Reinsurers' share in underwriting provisions	1,034,364	0	1,034,364	0	1,034,364
E.	Receivables	1,656,642	0	1,656,642	-38,989	1,617,653
F.	Tax receivables and advance payments out of income tax	80,572	0	80,572	0	80,572
H.	Other assets	339,054	0	339,054	0	339,054
I.	Cash and cash equivalents	772,238	0	772,238	0	772,238
Subtotal		**42,199,429**	**0**	**42,199,429**	**-38,989**	**42,160,440**
Deferred tax assets		136,956	13,405	150,361	0	150,361
Total ASSETS		**42,336,385**	**13,405**	**42,349,790**	**-38,989**	**42,310,801**

LIABILITIES AND SHAREHOLDERS' EQUITY	Published book value	IAS 19 reserve	31.12.2012 including IAS 19 reserve	Restatement	31.12.2012 restated
in EUR '000					
B. Subordinated liabilities	537,508	0	537,508	0	537,508
C. Underwriting provisions	25,815,471	-22,765	25,792,706	-16,360	25,776,346
D. Underwriting provision for unit- and index-linked life insurance	6,245,423	0	6,245,423	0	6,245,423
E. Non-underwriting provisions	431,982	76,386	508,368	0	508,368
F. Liabilities	3,027,629	0	3,027,629	1,215	3,028,844
G. Tax liabilities out of income tax	92,712	0	92,712	-805	91,907
I. Other liabilities	207,159	0	207,159	0	207,159
Subtotal	**36,357,884**	**53,621**	**36,411,505**	**-15,950**	**36,395,555**
Deferred tax liabilities	226,634	0	226,634	0	226,634
Shareholders' equity	5,751,867	-40,216	5,711,651	-23,039	5,688,612
Total LIABILITIES AND SHAREHOLDERS' EQUITY	**42,336,385**	**13,405**	**42,349,790**	**-38,989**	**42,310,801**

CONSOLIDATED INCOME STATEMENT	Published book value	IAS 19 reserve	31.12.2012 including IAS 19 reserve	Restatement	31.12.2012 restated
in EUR '000					
Premiums written – gross	9,685,667	0	9,685,667	-39,641	9,646,026
Net earned premiums	8,996,810	0	8,996,810	-24,560	8,972,250
Financial result excl. at equity consolidated companies	1,219,149	1,034	1,220,183	781	1,220,964
Income from investments	1,749,497	0	1,749,497	781	1,750,278
Expenses for investments and interest expenses	-530,348	1,034	-529,314	0	-529,314
Result from shares in at equity consolidated companies	21,370	0	21,370	0	21,370
Other income	115,331	0	115,331	0	115,331
Expenses for claims and insurance benefits	-7,590,355	-325	-7,590,680	0	-7,590,680
Acquisition and administrative expenses	-1,814,887	0	-1,814,887	-634	-1,815,521
Other expenses	-360,011	0	-360,011	0	-360,011
Profit before taxes	**587,407**	**709**	**588,116**	**-24,413**	**563,703**
Tax expense	-120,083	-177	-120,260	1,450	-118,810
Profit of the period	**467,324**	**532**	**467,856**	**-22,963**	**444,893**

Earnings per share	Published book value	IAS 19 reserve	Published book value	Restatement	31.12.2012 restated
in EUR '000					
Earnings per share*	3.17	0.01	3.18	-0.17	3.01

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

Scope and methods of consolidation

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, is the parent company of Vienna Insurance Group. All companies that are under the control ("control principle") of Vienna Insurance Group ("subsidiaries") are fully consolidated. Control exists when VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is directly or indirectly in a position to determine the financial and business policy of a subsidiary. Inclusion of a subsidiary begins when control is gained and ends when control is lost. A total of 58 domestic and 73 foreign companies are included in the consolidated financial statements. Subsidiaries that were not of material importance were not included within the scope of consolidation. A total of 48 domestic and 51 foreign subsidiaries were excluded for this reason.

Associated companies are companies over which Vienna Insurance Group has a significant influence, but does not exercise control. These companies are accounted for using the equity method. The consolidated financial statements include 11 domestic and 14 foreign companies accounted for at equity. 99 companies that have no material effect on the net assets, financial position and results of operations when considered individually or in aggregate have essentially been included in the consolidated financial statements at cost less impairment.

Fully controlled investment funds ("special funds") were fully consolidated in accordance with the requirements of SIC-12. These consolidated special funds are not separate corporate entities, and therefore not special purpose vehicles (SPVs) according to SIC-12, but instead investment funds that have not been designed for public capital markets. Mutual funds in which Vienna Insurance Group holds the majority of units are not fully consolidated, since Vienna Insurance Group does not have control over such mutual funds.

The amount reported as goodwill is the amount by which the acquisition costs, the value of the non-controlling shares of the acquired company and the fair value of any previously held equity interests as at the acquisition date exceeds the value of the Group's share of the net assets measured at fair value. If the acquisition costs are less than the net assets of the acquired subsidiary measured at fair value, the difference is checked again and recognised directly in the income statement. As a rule, the assets and liabilities are taken from the separate financial statements of the individual companies and allocated to the regions. Goodwill and insurance portfolios are allocated to the region of the respective parent company.

Table 4 "Participations – details" provides an overview of all participations.

In 2013, the following changes occurred in the scope of consolidation:

The following companies were deconsolidated in financial year 2013:

Deconsolidations	Reason for deconsolidation	Date of deconsolidation
Česká Kooperativa Londýn	Liquidation	30.9.2013
Mělnická Zdravotní	Sale	30.9.2013

During the reporting period from 1 January 2013 to 31 December 2013, Vienna Insurance Group acquired control over the following subsidiaries and included the following companies in the consolidated financial statements:

Expansion of the scope of consolidation	% share	Date of first consolidation	Goodwill
in EUR million			
GLOBAL ASSISTANCE	100.00	1.10.2013	4.31
Palais Hansen	56.55	1.1.2013	0.00
Polisa	96.49	1.1.2013	2.83
Schulring 21 GmbH	100.00	1.1.2013	0.00
Schulring 21 KG	100.00	1.1.2013	0.00

Companies acquired	Shares acquired (%)	Date of first consolidation	Goodwill
in EUR million			
Kaiserstraße 113	100.00	1.4.2013	0.00
Makedonija Osiguruvanje	92.90	1.4.2013	5.15
Rathstraße 8	100.00	1.10.2013	0.00
Thaliastraße 125	100.00	1.4.2013	0.00

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

All significant acquisitions occurring in financial year 2013 are presented below:

POLISA

Vienna Insurance Group acquired a 92% interest in this Polish life insurance company in June 2012. The purchase expands Vienna Insurance Group's distribution capacity in Poland and strengthens its presence in the fast-growing Polish life insurance market. The portfolio's focus on group insurance rounds off the Vienna Insurance Group portfolio. The company's diversified distribution channels include a nationwide broker network, and numerous regional and representative offices. The Polisa acquisition gives Vienna Insurance Group the opportunity to expand its current presence in the market.

Due to the need to adjust Polisa's reporting system to the Vienna Insurance Group standard, for materiality considerations the company was included in the Vienna Insurance Group scope of consolidation as of 1 January 2013 and consolidated for the first time as of this date.

MAKEDONIJA OSIGURUVANJE

On 2 April 2013, Vienna Insurance Group acquired 92.90% of the voting rights in the Macedonian company. The remaining shares are in free float. As a result of the purchase, Vienna Insurance Group is now the market leader, with a market share of more than 20%. The company has a diversified product portfolio, with a focus on motor vehicle and casualty insurance, and a strong nationwide sales network. This transaction reflects the Vienna Insurance Group strategy of growing by means of strategic acquisitions and partnerships in growth markets.

The acquisition of Makedonija (assuming 1 January 2013 as the date of acquisition) had no material effect on Vienna Insurance Group sales or profit for the year.

Significant changes in minority interests:

Acquisition of significant minority interests	Date of acquisition	Change of shareholding in %	Reduction of minority interest in consolidated shareholders' equity
in EUR '000			
Interalbanian	9.4.2013	14.84	-54
Jahorina	29.3.2013	2.44	-216
Makedonija Osiguruvanje	between 10.5. and 2.12.2013	1.35	-178

Change of consolidation method from full consolidation to at equity consolidation	% share	Date of change
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	55.00	1.1.2013
Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH	55.00	1.1.2013
Schwarzatal GmbH	55.00	1.1.2013

The percentages shown in the table correspond to the equity interest before taking into account any non-controlling interests in the GIWOG Group. Please refer to the section entitled "Non-profit housing societies" on page 129 for information on changes in consolidation methods.

Founded companies	% share	Date of foundation
DBLV Immobesitz	100.00	28.2.2013
DBLV GmbH & Co KG	100.00	5.3.2013
WSBV Beteiligungsverwaltung GmbH & Co KG	100.00	31.8.2013

In July 2013, assets were spun off from the Czech at-equity consolidated company SURPMO into the newly formed companies S-budovy and S-správa nemovitostí, with retroactive effect as of 1 January 2013. These two Czech companies were therefore also included at equity in the consolidated financial statements. The Croatian Group companies Helios and Kvarner were merged in May 2013. The merged company now operates under the name Wiener Osiguranje.

Information on the companies that are fully consolidated and included at equity in the consolidated financial statements of 31 December 2013 is provided in Note 4 "Participations" in the notes to the consolidated financial statements.

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

Balance sheet

in EUR '000	
Intangible assets	307
Investments	202,731
Receivables (incl. tax receivables and advance payments out of income tax)	9,259
Other assets (incl. deferred tax assets)	12,853
Cash and cash equivalents	17,272
Underwriting provisions	-24,238
Non-underwriting provisions	-142
Liabilities (incl. tax liabilities out of income tax)	-139,965
Other liabilities (incl. deferred tax liabilities)	-668

The figures shown in the table above reflect the actual dates of first consolidation, as indicated in the "Expansion of the scope of consolidation" table on page 126.

Contribution to profit before taxes in financial year 2013

in EUR '000	
Net earned premiums	51,760
Financial result	17,572
Other income	454
Expenses for claims and insurance benefits	-38,484
Acquisition and administrative expenses	-10,778
Other expenses	-609
Profit before taxes	**19,915**

The following disposals of assets and liabilities were recognised due to the changeover from full to at equity consolidation for the non-profit housing societies listed on page 129:

Balance sheet

in EUR '000	
Investments	835,254
thereof investment property	*780,335*
Other assets	65,015
Provisions	10,982
Liabilities	562,015

Contribution to profit before taxes in financial year 2012

in EUR '000	
Income	101,222
Expenses	-47,502
Financial result	-32,444
Profit before taxes	**21,276**

Based on valuation reports, Vienna Insurance Group believes that the Group's share of the equity of the deconsolidated companies essentially corresponds to the fair value of the at equity interests that were acquired, and has therefore reported the Group's equity interest as the fair value of these companies.

Non-profit housing societies

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

- Alpenländische Heimstätte GmbH
- Neue Heimat Oberösterreich GmbH

Full consolidation of these non-profit housing societies was based on syndication agreements that still remain in existence.

Due to a loss of contractual control, the following non-profit housing societies are included at equity in the consolidated financial statements.

SINCE 1 JANUARY 2012

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

SINCE 1 JANUARY 2013

- Gemeinnützige Industrie-Wohnungsaktiengesellschaft
- Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH
- Schwarzatal GmbH

The two remaining non-profit housing societies were fully consolidated due to the existence of control based partly on the holding of majority interests and partly on extensive contractual agreements. Annual profit distributions and access to the assets of the companies are both subject to statutory restrictions. The total profit before taxes of all fully consolidated non-profit housing societies was EUR 23,017,000 (EUR 38,885,000). At equity consolidated non-profit housing societies contributed profits of EUR 22,623,000 (EUR 11,067,000).

In aggregate, the non-profit housing societies represented EUR 1,011,780,000 (EUR 1,749,076,000) of the Vienna Insurance Group real estate portfolio.

The non-profit housing societies are tested regularly for impairment.

Classification of insurance policies

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

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

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

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

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

The net income participation in life insurance exists essentially in the form of participation in the adjusted net income of the balance sheet unit in question calculated according to national accounting requirements. Net income or profit participation amounts that have already been allocated or committed to policyholders are reported in the actuarial reserve. Amounts reported in the local annual financial statements that are committed or allocated to policyholders in the future by means of net income participation are reported on the balance sheet in the provision for profit-related premium refunds.

In addition, the profit-related portion resulting from IFRS measurement differences as compared to local measurement requirements ("deferred profit participation") is also reported in the provision for profit-related premium refunds. This primarily concerns Austrian and German policies that are eligible for profit participation, as the profit participation in these countries is governed by regulations. Deferred profit participation is not recognised on balance sheets in other countries, since policyholder participation is at the sole discretion of the company concerned. The rate used for calculating deferred profit participation is 80% of the difference between the value recognised in the local financial statements and the value recognised in the IFRS financial statements.

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

Recognition and accounting methods for insurance policies

Vienna Insurance Group fully applies the rules of IFRS 4 with respect to the valuation of insurance policies. Accordingly, the values recognised in the consolidated financial statements prepared in accordance with applicable national law are carried over to the IFRS consolidated financial statements, provided the provisions formed under national law satisfy the minimum requirements of IFRS 4. Equalisation and catastrophe provisions are not recognised. In principle, accounting rules were not changed to differ from national accounting requirements, except when parameters used to calculate underwriting provisions did not lead to adequate funding for future provisions. In such cases, Vienna Insurance Group uses its own parameters which are consistent with these principles. In individual cases, the provisions formed locally by an insurance company for outstanding claims are increased in the consolidated financial statements based on corresponding analysis.

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

Adequacy test for liabilities arising from insurance policies
Liabilities from insurance policies are tested at each balance sheet date for adequacy of the provisions recognised in the financial statements.

If the value calculated based on up-to-date estimates of current valuation parameters, taking into account all future cash flows associated with the insurance policies, is higher than the provisions formed for liabilities from insurance policies, an increase in the provisions is recognised in profit or loss to eliminate the shortfall.

Foreign currency translation

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

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

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

Name	Currency	Period-end exchange rate 2013	Period-end exchange rate 2012	Average exchange rate 2013
		1 EUR ≙	1 EUR ≙	1 EUR ≙
Albanian lek	ALL	140.2000	139.59	140.2723
Bosnian Convertible Marka	BAM	1.9558	1.9558	1.9558
British pound	GBP	0.8337	0.8161	0.8493
Bulgarian lev	BGN	1.9558	1.9558	1.9558
Georgian lari	GEL	2.3891	2.1825	2.2071
Croatian kuna	HRK	7.6265	7.5575	7.5786
Latvian lats	LVL	0.7028	0.6977	0.7015
Lithuanian litas	LTL	3.4528	3.4528	3.4528
Macedonian denar	MKD	61.5113	61.5	61.5904
Turkish new lira	TRY	2.9605	2.3551	2.5335
Polish zloty	PLN	4.1543	4.074	4.1975
Romanian leu	RON	4.4710	4.4445	4.4190
Swiss franc	CHF	1.2276	1.2072	1.2311
Serbian dinar	RSD	114.6421	113.7183	113.0924
Czech koruna	CZK	27.4270	25.151	25.9797
Ukraine hryvnia	UAH	11.0415	10.5372	10.6157
Hungarian forint	HUF	297.0400	292.3	296.8730
U.S. dollar	USD	1.3791	1.3194	1.3281

Impairments

Financial assets

On each balance sheet date, the book values of financial assets not measured at fair value through profit or loss are tested for objective evidence of impairment (such as the debtor experiencing significant financial difficulties, a high probability of insolvency proceedings against the debtor, the loss of an active market for the financial asset, a significant change in the technological, economic, legal or market environment of the issuer, a permanent decrease in the fair value of the financial asset below amortised cost). Any impairment losses due to fair value lying below the book value are recognised in profit or loss. If any fair value impairments of available for sale financial assets were previously recognised directly in equity, these impairment amounts must be eliminated from equity and recognised in profit or loss on the income statement.

Under Group guidelines, an impairment of equity instruments is to be recognised, as a rule, if the average market value during the last six months was consistently less than 80% of the historical cost of acquisition and/or if the market value as of the reporting date is less than 50% of the historical cost of acquisition.

Non-financial assets

Non-financial assets are tested for indications of impairment when circumstances indicate. Intangible assets with an indefinite useful life (goodwill and trademarks carried on the balance sheet) are also tested when circumstances indicate and, at a minimum, once per year. Since amortisation of goodwill resulting from business combinations is not permitted under IFRS 3 “Business Combinations”, Vienna Insurance Group performs impairment tests at least once a year. Testing is also performed during the year if triggering events occur. The subsidiaries are combined into separate groups of cash generating units (CGU) for property and casualty, life insurance and health insurance and according to region for this testing. The groups used for impairment testing essentially correspond to the Vienna Insurance Group operating segments. Impairment is only recognised if the recoverable amount for an entire group of cash generating units is less than the book value of the assets attributable to the group. The value in use of the cash-generating units is calculated using the earnings-based discounted cash flow method and used as the recoverable amount. If the value in use is less than the book value, fair value is analysed for indications that fair value less selling costs is significantly higher than value in use. If this is not the case, the book value is written down to the value in use. Budget projections for the next three years are used to calculate the capitalised earnings value. Capitalised earnings values for the period after these three years are extrapolated for another two years using an annual growth rate. The budget projections are taken from the company budgets that are prepared during the annual planning process and approved by the Group Managing Board. These are analysed at the Group level as part of the planning and control process. The growth rates are derived by further developing the budget projections. Among other things, both processes analyse the combined ratios, premium growth and financial income in the budgets based on past changes and expectations about future market trends. The present value of a perpetual annuity is calculated for the period following the fifth planning year. The values used for the perpetual annuity are based on the final planning period, adjusted using the growth rate for the second phase, and are adjusted by a growth factor after that in order to correspond to long-term achievable results. All of the underwriting business assets are assigned to the cash generating units. In addition to goodwill, these also include all insurance portfolios, investments, receivables and other assets. Underwriting provisions and current liabilities are deducted from the book values. Long-term debt that is economically similar to equity (subordinated debt and supplementary capital) is not deducted. Assets held at the Group level but used by the operating companies are assigned to the units as corporate assets for the calculations. When calculating the capitalised earnings values, the projected earnings of the company are adjusted appropriately for interest on supplementary capital bonds and subordinated bonds and depreciation on assigned corporate assets.

The capital asset pricing model (CAPM) is used to determine a WACC for use in calculating the discount rates. A base rate (equal to the annual yield on German government bonds adjusted for inflation differentials using the Svensson method) is added to the country and sector-specific market risk to determine the cost of equity capital. The base rate is 2.76%. The market risk of 5.75% was adjusted with a beta factor of 0.96 that was calculated using a specified peer group. To determine the cost of debt, the debt costs of the Group were adjusted to take into account the tax shield. The WACC was calculated using a ratio of 85 equity to 15 long-term debt. This relationship is essentially equivalent to the one applicable to Vienna Insurance Group and is also of a similar magnitude for its competitors. The weighted interest rate on Vienna Insurance Group supplementary capital bonds was equal to 4.96% on the balance sheet date and was used as the cost of debt.

The discount rate used in the previous year consisted solely of the costs of equity capital. In addition, a separate discount rate was used for the perpetual annuity this financial year that implicitly takes into account a future rating upgrade in many countries.

The long-term growth rates were calculated separately for the life insurance and property and casualty segments, based on the assumption that the insurance penetration in the different countries would equal the current values in Germany in 50-70 years. An inflation adjustment equal to half of the inflation included in the cost of equity was also added.

Cash-Generating Units	Discount rates planning period		Discount rates perpetual annuity	
	2013	2012	2013	2012
in %				
Austria	7.70	9.58	7.70	9.58
Czech Republic	9.22	10.03	9.22	10.03
Slovakia	9.00	10.33	8.80	10.33
Poland	9.11	10.48	9.11	10.48
Romania	11.39	11.73	10.69	11.73
Remaining markets	12.54	11.71	12.02	11.71
Central Functions	8.46	9.81	8.46	9.81

Cash-Generating Units	Long-term growth rate Property/Casualty		Long-term growth rate Life	
	2013	2012	2013	2012
in %				
Austria	1.59	3.00	1.59	3.00
Czech Republic	3.92	2.00-3.00	3.88	2.00 - 3.00
Slovakia	4.60	3.00	4.57	3.00
Poland	4.76	3.00	4.37	3.00
Romania*	5.18	4.00	6.99	4.00
Remaining markets	1.50 - 7.79	3.00 - 7.00	1.50 - 10.82	3.00 - 7.00
Central Functions	1.59 - 3.92	2.00 - 3.00	1.59 - 3.88	2.00 - 3.00

* A safety margin of 0.5% was deducted from the long-term growth rates of the Romanian cash generating unit.

Cash-Generating Units	Country risks during the budget periods		Country risks during the perpetual annuity	
	2013	2012	2013	2012
in %				
Austria	0.00	0.25	0.00	0.25
Czech Republic	1.43	0.70	1.43	0.70
Slovakia	1.65	1.00	1.43	1.00
Poland	1.65	1.15	1.65	1.15
Romania	3.38	2.40	2.55	2.40
Remaining markets	0.00 - 10.13	0.00 - 5.00	0.00 - 8.25	0.00 - 5.00
Central Functions	0.00 - 1.43	0.25 - 0.70	0.00 - 1.43	0.25 - 0.70

Real estate

Real estate appraisals are performed at regular intervals for self-used and third-party used land and buildings, for the most part by sworn and judicially certified building construction and real estate appraisers. Market value is here determined based on asset value and capitalised earnings value, predominantly prorated capitalised earnings value as of the reporting date, with the net asset value method being used in exceptional cases. If the fair value is below the book value (cost less accumulated depreciation and write-downs), the asset is impaired. In this case, the book value is written down to fair value and the change recognised in profit or loss. The method used to test for impairment is also used to test for a reversal of impairment. On each balance sheet date, a test is performed for indications that a reversal of impairment has taken place. The book value after the reversal may not exceed the book value that would have existed (taking into account amortisation or depreciation) if no impairment had been recognised.

Estimates

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

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

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

Critical accounting estimates and assumptions

PENSION BENEFITS

The present value of the pension obligation depends on a large number of factors based on actuarial assumptions. The assumptions used to calculate the net liability (or assets) for pensions include a discount rate. Every change to these assumptions has an effect on the book value of the pension obligation.

The Group calculates the appropriate discount rate at the end of each year. This is the rate used to calculate the present value of the future expected cash outflows needed to satisfy the obligation. The Group determines the discount rate using the rate on top quality industrial bonds that are denominated in the currency in which the benefits will be paid and have maturities matching those of the pension obligation.

Other important assumptions used to calculate pension obligations are based on market conditions. Further information on sensitivity requirements is provided in Table 22, "Provisions for pensions and similar obligations", starting on page 202.

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Suitable valuation methods are used to calculate the fair value of financial instruments that are not traded in active markets. The assumptions used are based as far as possible on market data available on the balance sheet date. The Group uses present value methods based on appropriate interest rate models to determine the fair value of many available for sale financial assets that are not traded in active markets.

ESTIMATED GOODWILL IMPAIRMENT

The Group tests goodwill for impairment each year based on the accounting policies presented in the "Impairment" section. The recoverable amount for CGUs is determined based on calculations of value in use. These calculations require assumptions to be made.

Assuming a 10% reduction in the budget cash flows projected for the Romanian non-life CGU decreases the value in use to a value close to the book value.

Similarly, decreasing the growth rate by 1 percentage point or increasing the discount rate by 1 percentage point would generate a value in use close to the book value. A simultaneous 10% reduction in projected earnings and 1% increase in the discount rate would generate a need for approximately EUR 23 million in additional impairments.

In the Austrian life CGU, reducing profit before taxes by 10% would lead to a deficit of around EUR 10 million, and reducing the interest rate by 1% would lead to a deficit of around EUR 76 million. It should be noted, however, that existing MCEV calculations indicate that the fair value of this segment is considerably higher than its value in use.

INCOME TAX
Income taxes must be estimated for every tax jurisdiction in which Vienna Insurance Group operates. The current income tax expected for each taxable entity must be calculated and the temporary differences due to differences between the tax treatment of certain balance sheet items and the treatment in the IFRS consolidated financial statements must be assessed. If temporary differences exist, as a rule they lead to the recognition of deferred tax assets and liabilities in the consolidated financial statements.

Management must make judgements when calculating current and deferred taxes. Deferred tax assets are only recognised to the extent that it is probable they can be utilised. The utilisation of deferred tax assets depends on the likelihood of achieving sufficient taxable income of a particular tax type for a particular tax jurisdiction, while taking into account any statutory restrictions concerning maximum loss carry-forward periods. A number of factors must be considered when assessing the probability of being able to utilise deferred tax assets in the future, such as past results of operations, operating plans, loss carryforward periods and tax planning strategies. If actual events diverge from the estimates or the estimates must be adjusted in future periods, this could have an adverse effect on net assets, financial position and results of operations. If the assessment of the recoverability of deferred tax assets changes, the book value must be reduced or increased and the change recognised in the income statement or charged or credited to equity, depending on the treatment used when the deferred tax asset was originally recognised.

Accounting policies for specific items in the consolidated financial statements

Intangible assets

GOODWILL (A)
The goodwill shown on the balance sheet is essentially the result of applying the purchase method for companies acquired since 1 January 2004 (date financial reporting was converted to IFRS).

Goodwill is measured at cost less accumulated impairment losses. In the case of participations in associated companies, goodwill is included in the adjusted book value of the participation. GLOBAL ASSISTANCE is an exception to this due to its important role in the area of assistance services.

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

OTHER INTANGIBLE ASSETS (C)

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

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

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

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

Investments

GENERAL INFORMATION ON THE ACCOUNTING AND VALUATION OF INVESTMENTS

In accordance with the relevant IFRS requirements, some Group assets and liabilities are carried at fair value in the accounts for the consolidated financial statements. This relates, in particular, to a significant portion of investments. Fair values are determined using the following hierarchy specified in IFRS 13:

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

The following items are regularly measured at fair value:

- Financial instruments available for sale
- Financial instruments recognised at fair value through profit and loss (incl. trading assets)
- Derivative financial instruments (assets/liabilities)
- Investments of unit-linked and index-linked life insurance

Balance sheet items that are not reported at fair value are subject to non-recurring measurement at fair value. These items are measured at fair value when events occur that indicate that the carrying amount might no longer be recoverable ("impairment"). The following items are not reported at fair value:

- Securities held to maturity
- Shares in at equity consolidated companies
- Land and buildings (self-used and investment property)
- Loans
- Receivables

The fair values determined for this category are predominantly level 3 measurements.

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

Information on the nature and extent of risks arising from financial instruments is provided in the section titled "Risk reporting" on page 147.

LAND AND BUILDINGS (D)
Both self-used and third-party used real estate are reported under land and buildings.

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

Property that is both self-used and third-party used is divided as soon as the self-used or third-party used portion exceeds 20%. If the 20% limit is not exceeded, the entire property is reported in the larger category (80:20 rule).

Self-used and investment buildings are both depreciated using the straight-line method over the expected useful life of the asset. The following useful lives are assumed when determining depreciation rates:

Useful life in years	from	to
Buildings	20	50

The fair values of these properties are presented in Note 2 "Land and buildings".

Land and buildings - self-used
Self-used land and buildings are measured at cost less accumulated depreciation and impairment losses. Cost comprises all costs incurred in putting the asset into its present location in its present condition.

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

Investment property
Investment property consists of land and buildings that are held to earn rental income or for capital appreciation and not for the provision of services, administrative purposes or for sale in the ordinary course of business. Investment property is measured at cost less accumulated depreciation and write-downs.

In terms of the fair value hierarchy of IFRS 13, these are level 3 fair value measurements. The fair values of these properties are provided in Note 2 "Land and buildings".

FINANCIAL INSTRUMENTS (E)
Financial instruments reported as investments are divided into the following categories in accordance with the requirements of IAS 39:

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

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

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

No separate calculation of acquisition cost carried forward is performed for financial instruments recognised at fair value through profit or loss. Changes in fair value are recognised in profit or loss in the income statement. The financial instruments assigned to this category are predominantly structured investments ("hybrid financial instruments") that Vienna Insurance Group has elected under IAS 39.11A and IAS 39.12 to assign to the category of "financial assets at fair value through profit or loss". Structured investments are assigned to this category if the derivatives embedded in the host contract (as a rule securities or loans) are not closely related to the host contract so that otherwise the requirement under IAS 39 of isolating them from the host contract and measuring them separately at fair value would apply.

Available-for sale financial assets are non-derivative financial assets that have either been designated as available for sale or have been classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets recognised at fair value through profit or loss. If financial instruments available for sale are sold, the value fluctuations in fair value are recognised directly in other reserves, except for impairment, which is recognised in profit or loss.

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

Spot transactions are accounted for at the settlement date.

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

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

- Financial instruments in the "held-for-trading" or "available-for-sale" categories can be transferred to the "loans and other receivables" category if they would have satisfied the definition of the "loans and other receivables" category at the time of initial recognition, and the company intends and is able to hold the financial instrument for the foreseeable future or until maturity.

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

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

Financial instruments had to be measured at fair value at the time of reclassification in 2008. In the case of reclassifications of assets in the "held-for-trading" category, gains or losses recognised from previous periods could not be reversed. In the case of reclassification of assets in the "available-for-sale" category, earlier gains or losses recognised in the revaluation reserve were locked in at the time of reclassification. The revaluation reserve remains unchanged for financial instruments without a fixed maturity until derecognition and is only then recognised in profit or loss, while for financial instruments with a fixed maturity it is amortised to profit or loss over the remaining life of the financial instrument using the effective interest method. This applies analogously to the deferred profit participation.

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments such as swaps, options and futures are used to hedge market risks (i.e. interest rate, share price and exchange rate fluctuations) in Vienna Insurance Group investment portfolios.

Derivative financial instruments that do not satisfy the hedge accounting criteria are recognised at fair value under trading assets if they have a positive fair value, or as other liabilities if they have a negative fair value. Gains and losses resulting from fair value measurement are included in the financial result.

Derivative financial instruments that are held for hedging purposes and satisfy the hedge accounting criteria are divided into fair value hedges and cash flow hedges in the Group. The Group documents the hedging relationship, along with its risk management objectives and strategy for entering into hedging transactions. The Group assesses the hedging relationship both at inception and on an ongoing basis to determine whether the derivatives used for hedging transactions are highly effective in offsetting fluctuations in the fair value or cash flow of the hedged item. Derivative financial instruments that are included in hedge accounting are reported as follows:

FAIR VALUE HEDGES

A fair value hedge is used to hedge a precisely defined risk of fluctuations in the fair value of a recognised asset or liability or firm commitment. Changes in the fair value of the derivative hedging instrument are recognised, together with the share of the change in the fair value of the hedged item corresponding to the hedged risk, as gains from financial assets and financial liabilities (net) at fair value through profit or loss.

Vienna Insurance Group uses forward transactions (micro hedges) to hedge certain items of its stock portfolio and applies IFRS provisions to these transactions.

CASH FLOW HEDGES

Cash flow hedges eliminate the risk of fluctuations in expected future cash flows attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction. Changes in the fair value of a derivative hedging instrument that provides an effective hedge are recognised in equity as unrealised gains and losses and are not transferred to the consolidated income statement until the offsetting gain or loss from the hedged item is realised and recognised.

Vienna Insurance Group uses cash flow hedges to a limited extent, primarily to minimise the effects of interest rate fluctuations on earnings.

The Group ends hedge accounting prospectively if it is determined that the derivative financial instrument no longer provides a highly effective hedge, the derivative financial instrument or hedged item expires, or is sold, terminated or exercised, or if Vienna Insurance Group determines that classification of the derivative financial instrument as a hedging instrument is no longer justified.

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

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

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

The credit quality of each counterparty is taken into account when the reinsurers' share is measured. As a result of the good credit quality of the Group's reinsurers, no valuation allowances were needed for reinsurer shares as of the 31/12/2013 and 31/12/2012 balance sheet dates.

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

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

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

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

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

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

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

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

Tax rates	31.12.2013	31.12.2012
in %		
Austria	25	25
Czech Republic	19	19
Slovakia[1)]	23	19
Poland	19	19
Romania	16	16
Albania[2)]	10	10
Bosnia-Herzegovina	10	10
Bulgaria	10	10
Germany	30	30
Estonia[3)]	0	0
Georgia	15	15
Croatia	20	20
Latvia	15	15
Liechtenstein	12.5	12.5
Lithuania	15	15
Macedonia[3)]	0	0
Netherlands[4)]	25	25
Serbia[5)]	15	10
Turkey	20	20
Ukraine[6)]	19	21
Hungary[7)]	19	19

1) The tax rate in Slovakia is 23% as of 1 January 2013. A further reduction to 22% takes place on 1 January 2014.

2) The tax rate in Albania is 15% as of 1 January 2014.

3) The reinvested profits of locally domiciled companies are generally not subject to income tax. Only certain payments of the companies are subject to income tax at a rate of 21% in Estonia and 10% in Macedonia.

4) The tax rate in the Netherlands is 20% for the first EUR 200,000 and 25% for amounts above this.

5) The tax rate in Serbia is 15% as of 1 January 2013.

6) The tax rate in the Ukraine was reduced to 19% as of 1 January 2013. A further reduction to 16% took place on 01 January 2014. This tax is only collected in the non-underwriting area. Reduced tax rates of 0% (long-term life insurance premiums and pension insurance premiums) and 3% (all other insurance premiums) apply in the underwriting area.

7) The tax rate in Hungary is 10% for the first HUF 500 million, and 19% for amounts above this.

GROUP TAXATION

The Group includes a corporate group of companies within the meaning of Section 9 of the Austrian Corporate Income Tax Act (KStG), with Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group as the parent company. The taxable earnings of group members are attributed to the parent company. The parent company has entered into agreements with each group member governing the allocation of positive and negative tax amounts for the purpose of allocating corporate income tax charges according to origin. If a group member earns positive income, 25% is allocated to the parent company. In the case of negative income, the group member receives lump-sum compensation equal to 22.5% of the tax loss. Since the tax allocation is 25% in the case of positive income, the group member should receive 10% of the tax benefit from group taxation resulting from inclusion of that group member in the group. Cash settlement of positive and negative tax allocations and tax benefits is performed for a period of 3 years.

Other assets (K)

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

TANGIBLE ASSETS AND INVENTORIES

The tangible assets are technical equipment and machinery, other equipment, vehicle fleet, IT hardware/ telecommunications, operating and office equipment, and down payments on such goods. Inventories are primarily consumables and office supplies, down payments on such goods, and unbilled amounts of such goods. Tangible assets (not including land and buildings) are valued at cost less depreciation. Cost for tangible assets comprises all costs incurred in putting the asset into its present location in its present condition. Depreciation is performed using the straight-line method over the expected useful life of the asset.

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

Underwriting provisions

UNEARNED PREMIUMS (L)
Under the current version of IFRS 4, figures in annual financial statements prepared in accordance with national requirements may be used for the presentation of figures relating to insurance policies in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating unearned premiums in the property and accident insurance area (10% for motor vehicle liability insurance), corresponding to EUR 32,836,000 (EUR 35,643,000). No acquisition costs in excess of this figure are capitalised. For foreign companies, in the property and casualty insurance area, a portion of the acquisition commissions is generally recognised in the same proportion as the ratio of earned premiums to written premiums. To ensure uniform presentation within the Group, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in unearned premiums.

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

As a rule, the actuarial reserve and related tariff are calculated on the same basis, which is applied uniformly for the entire tariff and during the entire term of the policy. An annual adequacy test of the calculation basis is performed in accordance with IFRS 4 and applicable national accounting requirements (see section titled "Adequacy test for liabilities arising from insurance policies"). As a rule, in life insurance, the official mortality tables of each country are used. If current mortality expectations differ to the benefit of policyholders from the calculation used for the tariff, leading to a corresponding insufficiency in the actuarial reserves, the reserves are increased appropriately in connection with the adequacy test of insurance liabilities.

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

As of 31 December 2013: 2.92%
As of 31 December 2012: 2.97%*

In Austria, the average discount rate for life insurance was 2.46% during the reporting period (2.54%*).

* Due to the change in the calculation logic, the value of the discount rate used for life insurance in 2012 was adjusted.

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

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

As of 31 December 2013: 3.00%
As of 31 December 2012: 3.00%

PROVISION FOR OUTSTANDING CLAIMS (N)
According to national insurance law and regulations in Austria, the Austrian Corporate Code and the Insurance Supervision Act (Versicherungsaufsichtsgesetz — VAG), companies in Vienna Insurance Group are required to form provisions for outstanding claims for each business segment. These provisions are calculated for payment obligations arising from claims which have occurred up to the balance sheet date but whose basis or size has not yet been established, as well as all related claims settlement expenses expected to be incurred after the balance sheet date, and as a rule, are formed at the individual policy level. These policy-level provisions are marked up by a flat-rate allowance for unexpected additional losses. Except for the provisions for pension obligations, no discounting is performed. Insurance losses that have occurred up to the

balance sheet date but were not known at the time that the balance sheet was prepared, and losses that have occurred but have not been reported, or not reported in the correct amount, are included in the provision (incurred but not reported claims provisions, "IBNR", "IBNER"). Separate provisions for claims settlement expenses are formed for internally incurred expenses attributable to claims settlement under the allocation according to origin principle. Collectible recourse claims are deducted from the provision. Where necessary, actuarial estimation methods are used to calculate the provisions. The methods are applied consistently, with both the methods and calculation parameters tested continuously for adequacy and adjusted if necessary. The provisions are affected by economic factors, such as the inflation rate, and by legal and regulatory developments, which are subject to change over time. The current revision of IFRS 4 provides for provisions formed in accordance with applicable national requirements to be carried over into the consolidated financial statements.

PROVISION FOR PROFIT-UNRELATED PREMIUM REFUNDS (O)
The provisions for profit-unrelated premium refunds relate, in particular, to the "property and casualty insurance" and "health insurance" segments, and pertain to premium refunds in certain insurance classes that are contractually guaranteed to policyholders in the event that there are no claims or a low level of claims. These provisions are formed at the individual policy level. Since the provisions are predominantly short-term provisions, no discounting has been performed.

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

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

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

UNDERWRITING PROVISIONS FOR UNIT- AND INDEX-LINKED LIFE INSURANCE (R)
Underwriting provisions for unit- and index-linked life insurance represent obligations to policyholders that are linked to the performance and income of the corresponding investments. The measurement of these provisions corresponds to the measurement of the investments for unit- and index-linked life insurance, and is based on the fair value of the investment fund or index serving as a reference.

Provisions for pensions and similar obligations (S)

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

The plans are based on average final salary and/or the number of years of service with the company.

These obligations are recognised in accordance with IAS 19 by determining the present value of the defined benefit obligation (DBO). Calculation of the DBO is performed using the projected unit credit method. In this method, future payments, calculated based on realistic assumptions, are accrued linearly over the period in which the beneficiary acquires these entitlements. The necessary provision amount is calculated for the relevant balance sheet date using actuarial reports that have been provided for 31 December 2012 and 31 December 2013.

The calculations for 31 December 2013 and 31 December 2012 are based on the following assumptions:

Pension assumptions	2013	2012
Interest rate	3.00%	3.50%
Pension and salary increases	2%	2%
Labour turnover rate	age-dependent	
	0.5%-7.5%	0.5%-7.5%
Retirement age, women	62+	62+
	Transitional arrangement	
Retirement age, men	62+	62+
	Transitional arrangement	
Life expectancy	for employees according to	
	(AVÖ 2008-P)	(AVÖ 2008-P)

The weighted average length of the DBO for pensions was 14.55 years in financial year 2013.

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

SEVERANCE OBLIGATIONS

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

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

The calculations for 31 December 2013 and 31 December 2012 are based on the following assumptions:

Severance payment assumptions	2013	2012
Interest rate	3.00%	3.50%
Pension and salary increases	2.25%	2.25%
Labour turnover rate	age-dependent	
	0.5%-7.5%	0.5%-7.5%
Retirement age, women	62+	62+
	Transitional arrangement	
Retirement age, men	62+	62+
	Transitional arrangement	
Life expectancy	for employees according to	
	(AVÖ 2008-P)	(AVÖ 2008-P)

The weighted average length of the DBO for severance pay was 9.93 years in financial year 2013.

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

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

OTHER NON-UNDERWRITING PROVISIONS (T)

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

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

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

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

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

* The exception rule of Section 81o (6) VAG was used.

Expenses for claims and insurance benefits
All payments to policyholders arising from loss events, claims settlement expenses directly related to loss events, and internal costs attributable to claims settlement under the allocation according to origin principle, are shown as expenses for claims and insurance benefits. Expenses for loss prevention are also reported in this item. Expenses for claims and insurance benefits are reduced by the income gained from using existing contractual and statutory avenues of recourse (this applies in particular to property/casualty insurance). Changes in underwriting provisions, except for the change in the provision for lapses, primarily in Austria, are also shown under expenses for claims and insurance benefits.

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

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

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

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

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

Liquidity risk
This category includes the risk that Vienna Insurance Group may not have sufficient assets that can be liquidated at short notice to satisfy its payment obligations.

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

General information

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

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

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

Internal guidelines

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

Reinsurance

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

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

Other measures

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

Areas involved in risk monitoring and control

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

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

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

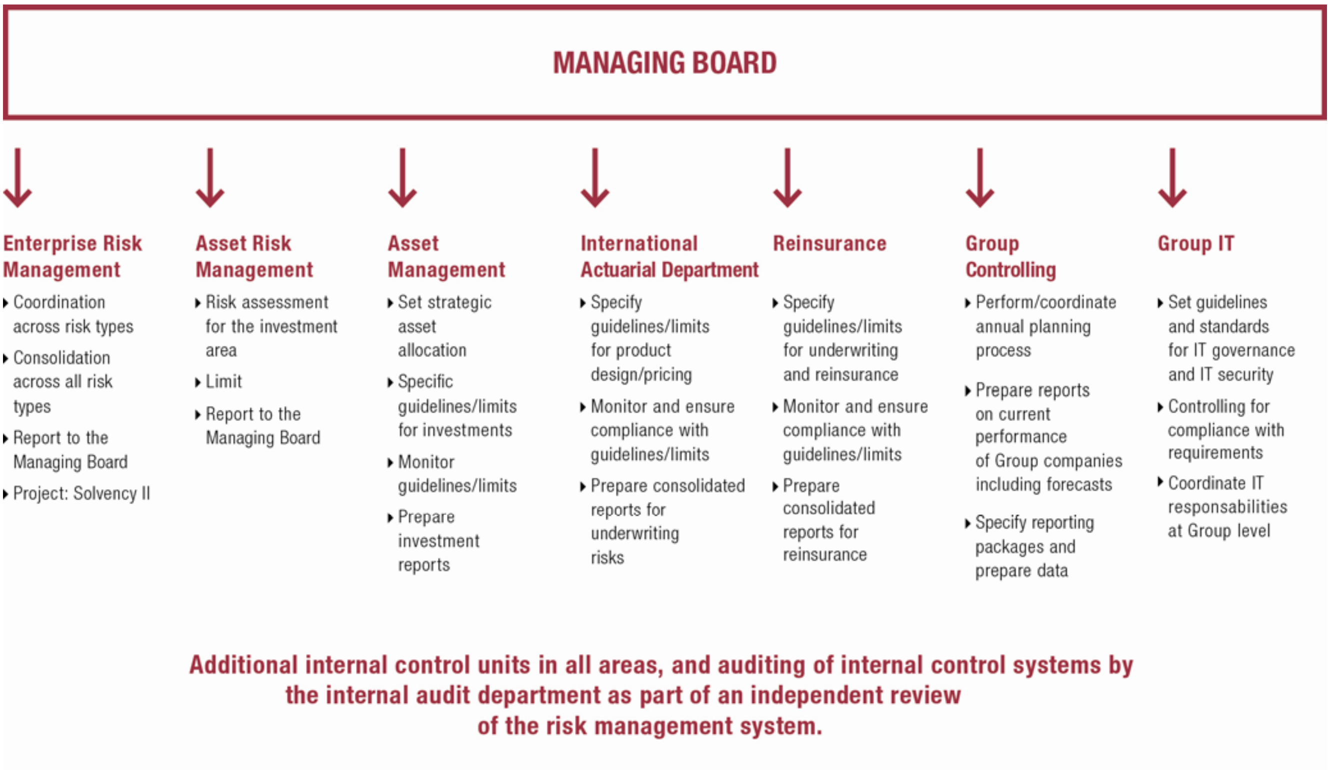
ASSET RISK MANAGEMENT
The asset risk management department prepares a quarterly risk budget for the investment area. Compliance with the risk budget is reviewed regularly. Compliance with securities guidelines and the Company's own limit system is monitored on an ongoing basis. Periodic VaR calculations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

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

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

AUDIT
The audit department systematically monitors operating and business processes, the internal control system of all operational business areas, including compliance with legal requirements, and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the Managing Board.

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



Business risks

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

Guaranteed minimum interest rates

Vienna Insurance Group also has a considerable portfolio of policies with guaranteed minimum interest rates, including annuity and endowment insurance. On existing policies, Vienna Insurance Group guarantees a minimum interest rate averaging around 2.92% p.a. If interest rates fall below the guaranteed average minimum rate for any length of time, Vienna Insurance Group could find itself forced to use its equity capital to subsidise reserves for these products.

Loss reserves

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

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

Interest rate fluctuations

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

Share price risk

Vienna Insurance Group has a share portfolio which, even including shares held by funds, constitutes approximately 4% of investments. Among other things, Vienna Insurance Group's share investments include participations in a number of Austrian companies and equity positions in other companies whose shares trade primarily on the Vienna Stock Exchange or stock exchanges in the Central and Eastern European region. A deterioration of the current economic situation could result in the share portfolio losing value.

Aspects of tax law environment affecting earnings

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

Developments in Central and Eastern Europe

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

Risks from acquisitions

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

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

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

Climate change

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

Credit risk from investments

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

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

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

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

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

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

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

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

Investments

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

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

The investment strategy principles may be summarised as follows:

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

Around 75% of Vienna Insurance Group's investment portfolio consists of direct holdings of fixed-income securities and loans. Direct holdings of shares and real estate amount to approximately 2% and 9%, respectively, in each case relative to the book value of the total investment portfolio.

The table below shows the breakdown of Vienna Insurance Group investments as of 31 December 2013 and 31 December 2012 in thousands of euros, broken down by property and casualty, health and life insurance segments:

Composition Investments	31.12.2013				31.12.2012
	Property/ Casualty	Life	Health	Total	Total
in EUR '000					
Land and buildings	**1,710,060**	**876,231**	**89,247**	**2,675,538**	**3,219,908**
Self-used land and buildings	250,332	159,950	32,595	442,877	449,098
Third-party used land and buildings	1,459,728	716,281	56,652	2,232,661	2,770,810
Shares in at equity consolidated companies	**386,014**	**61,339**	**0**	**447,353**	**368,461**
Loans	**158,475**	**1,037,036**	**89,367**	**1,284,878**	**1,139,436**
Reclassified loans	**64,986**	**503,698**	**14,351**	**583,035**	**874,976**
Bonds classified as loans	**32,026**	**1,419,354**	**0**	**1,451,380**	**1,534,555**
Other securities	**3,989,167**	**16,582,455**	**976,110**	**21,547,732**	**20,990,666**
Financial instruments held to maturity	668,434	1,421,453	0	2,089,887	2,068,476
Government bonds	637,913	1,151,139	0	1,789,052	1,734,977
Covered bonds	12,450	192,753	0	205,203	160,935
Corporate bonds	12,286	44,781	0	57,067	103,830
Bonds from banks	5,785	31,035	0	36,820	66,963
Subordinated bonds	0	1,745	0	1,745	1,771
Financial instruments reclassified as held to maturity	193,687	735,135	0	928,822	1,112,347
Government bonds	177,565	622,787	0	800,352	940,806
Covered bonds	16,122	86,267	0	102,389	113,135
Corporate bonds	0	0	0	0	0
Bonds from banks	0	26,081	0	26,081	58,406
Subordinated bonds	0	0	0	0	0
Financial instruments available for sale	2,851,626	14,109,587	957,500	17,918,713	17,111,825
Bonds	1,963,072	12,936,331	827,461	15,726,864	15,009,633
Shares and other participations*	401,674	586,108	14,305	1,002,087	1,016,083
Investment funds	485,577	587,148	115,734	1,188,459	1,086,109
Others	1,303	0	0	1,303	0
Trading assets	208,007	74,557	0	282,564	277,164
Bonds	72,086	24,094	0	96,180	65,916
Shares and other non-fixed-interest securities	77,252	3,440	0	80,692	135,693
Investment funds	28,379	46,114	0	74,493	55,973
Derivatives	30,290	909	0	31,199	16,679
Others	0	0	0	0	2,903
Financial instruments recognised at fair value through profit and loss	67,413	241,723	18,610	327,746	420,854
Bonds	62,030	201,707	18,610	282,347	368,512
Shares and other non-fixed-interest securities	116	17,302	0	17,418	15,884
Investment funds	5,267	22,714	0	27,981	36,458
Others	0	0	0	0	0
Other investments	**516,738**	**659,560**	**34,321**	**1,210,619**	**1,334,817**
Bank deposits	512,814	551,935	34,321	1,099,070	1,216,571
Deposits on assumed reinsurance business	452	101,818	0	102,270	107,532
Other	3,472	5,807	0	9,279	10,714
Total	**6,857,466**	**21,139,673**	**1,203,396**	**29,200,535**	**29,462,819**

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

Maturity structures and rating categories

Maturity structure Financial instruments held to maturity	Amortised cost 31.12.2013	 31.12.2012	Fair value 31.12.2013	 31.12.2012
in EUR '000				
up to one year	132,981	218,235	135,965	220,825
more than one year up to five years	531,025	499,125	561,567	537,884
more than five years up to ten years	621,196	592,971	699,155	700,837
more than ten years	804,685	758,145	900,537	896,343
Total	**2,089,887**	**2,068,476**	**2,297,224**	**2,355,889**

Maturity structure Financial instruments reclassified as held to maturity	Amortised cost 31.12.2013	 31.12.2012	Fair value 31.12.2013	 31.12.2012
in EUR '000				
up to one year	16,490	104,542	16,754	106,136
more than one year up to five years	386,928	320,115	421,603	352,133
more than five years up to ten years	390,393	540,655	448,792	648,438
more than ten years	135,011	147,035	163,417	188,760
Total	**928,822**	**1,112,347**	**1,050,566**	**1,295,467**

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

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

Rating categories Financial instruments held to maturity (incl. Reclassified)	Amortised cost 31.12.2013	 31.12.2012
in EUR '000		
AAA	76,564	82,702
AA	2,026,156	2,238,622
A	620,982	569,998
BBB	170,010	196,792
BB and lower	109,048	80,520
No rating	15,949	12,189
Total	**3,018,709**	**3,180,823**

Maturity structure Financial instruments available for sale	Fair value 31.12.2013	 31.12.2012
in EUR '000		
no maturity	2,069,526	2,026,126
up to one year	670,251	664,187
more than one year up to five years	3,488,523	3,353,413
more than five years up to ten years	5,867,009	5,542,119
more than ten years	5,823,404	5,525,980
Total	**17,918,713**	**17,111,825**

Rating categories Fixed-interest financial instruments available for sale	Fair value 31.12.2013	 31.12.2012
in EUR '000		
AAA	2,896,604	3,203,248
AA	3,336,701	2,846,118
A	6,423,503	6,097,936
BBB	2,311,823	2,140,581
BB and lower	678,199	636,461
No rating	80,034	85,289
Total	**15,726,864**	**15,009,633**

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

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

Maturity structure Financial instruments recognised at fair value through profit and loss*	Fair value 31.12.2013	 31.12.2012
in EUR '000		
no maturity	27,892	35,856
up to one year	17,071	23,661
more than one year up to five years	150,728	158,574
more than five years up to ten years	99,472	140,268
more than ten years	32,583	62,495
Total	**327,746**	**420,854**

* Excluding trading assets

Rating categories Fixed-interest financial instruments recognised at fair value through profit and loss*	Fair value 31.12.2013	 31.12.2012
in EUR '000		
AAA	12,949	60,219
AA	14,592	14,717
A	254,895	261,978
BBB	48,512	28,842
BB and lower	36,519	49,808
No rating	11,060	18,864
Total	**378,527**	**434,428**

* Including trading assets

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

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

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

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

Bonds

The bond portion of Vienna Insurance Group's securities portfolio represents approximately 64% of total investments as of 31 December 2013. Vienna Insurance Group manages its bond portfolio using estimates of changes in interest rates, spreads and credit quality, taking into account limits related to individual issuers, credit quality, maturities, countries, currencies and issue volume. Vienna Insurance Group is currently not planning any investment strategy changes with respect to its bond portfolio.

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

Shares

As of 31 December 2013, Vienna Insurance Group's share investments (including those contained in the funds) represented around 4% of the book value of the total investment portfolio. In accordance with the investment guidelines for Austria, management is carried out using a top-down approach, subject to the constraint that diversification be used to minimise the market risk of the shares. The overall proportion of shares is very small for Group companies in the CEE countries.

Risk diversification within Vienna Insurance Group's share portfolio is achieved by geographic diversification in the home markets of the Group and in the eurozone. Share investments are primarily made by the Austrian companies. The subsidiaries in the CEE region are constrained by very restrictive investment rules, so that shares play only a secondary role, if any, in their portfolios.

Loans

Vienna Insurance Group loans had a book value of EUR 3,319.3 million as of 31 December 2013 and a book value of EUR 3,549.0 million as of 31 December 2012. Investments in loans and credits are less important in the CEE region.

Impairments of loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired loans	2,713,299	0	2,713,299
Impaired loans	93,765	70,806	22,959
Total	**2,807,064**	**70,806**	**2,736,258**

Impairments of reclassified loans	Gross book value	Impairment	Net book value
in EUR '000			
Non-impaired reclassified loans	583,035	0	583,035
Total	**583,035**	**0**	**583,035**

Impairment of AFS*	Gross book value	Impairment	Net book value
in EUR '000			
Bonds	7,020	2,463	4,557
Shares	6,219	2,586	3,633
Investment funds	111,615	21,559	90,056
Total	**124,854**	**26,608**	**98,246**

* Not including impairment of shares in affiliated companies and other participations

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

Land and buildings

Vienna Insurance Group's real estate portfolio had a book value of EUR 2,675.5 million as of 31 December 2013 (market value of EUR 3,382.9 million), and a book value of EUR 3,219.9 million as of 31 December 2012 (market value of EUR 3,764.8 million).

The portfolio of directly held real estate and real estate held in the form of participations is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create hidden reserves. The real estate portfolio represents approximately 9% of Vienna Insurance Group's total investment portfolio.

The following table shows Vienna Insurance Group real estate investments as of 31 December 2013 and 31 December 2012, broken down by location and type of use of the properties:

Use of property	% of the real estate portfolio	
	31.12.2013	31.12.2012
Region Austria	**40.29**	**28.02**
Self-used	6.13	4.44
Investment property	34.16	23.58
Region Central Functions	**48.51**	**62.24**
Self-used	0.65	0.72
Investment property	47.86	61.52
Other Regions	**11.20**	**9.74**
Self-used	9.78	8.79
Investment property	1.42	0.95

Companies valued using the equity method

Vienna Insurance Group's shares in at equity consolidated companies had a book value of EUR 447.4 million as of 31 December 2013 and a book value of EUR 368.5 million as of 31 December 2012. Shares in companies valued using the equity method therefore represented around 1.5% of the book value of the total investment portfolio as of 31 December 2013.

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

Market risk

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

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

Interest rate and share price risk

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

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

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

Depending on the purpose of the application, Vienna Insurance Group performs value-at-risk calculations for different sub-portfolios. Confidence levels range between 95% and 99.5%, and the holding period varies from 20 to 250 days. Due to the nature of the portfolio, interest rate and spread risk make the largest contributions to value-at-risk. As a plausibility check of the calculations, the value-at-risk for the most important sub-portfolios is determined using both the parametric method described above and the historical calculation method.

The following table shows the VaR (at a 99% confidence level for Vienna Insurance Group securities that are held as available for sale or at fair value through profit or loss).

VaR Vienna Insurance Group	31.12.2013	31.12.2012
in EUR million		
10-day holding period	201.0	189.9
20-day holding period	284.3	268.5
60-day holding period	492.4	n.a.
Total risk capacity	1,300.2	1,597.2
20-day VaR as % of risk capacity	22%	17%

Capital market scenario analysis

This analysis is carried out annually for all Vienna Insurance Group companies in order to check the risk capacity of the investments. The following table shows the stress parameters and the effect on capital of each scenario for 31 December 2013.

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
of shares	-20%	-10%	-20%	-20%	0%
of bonds	-5%	-3%	-5%	0%	-5%
of real estate	-5%	-10%	0%	-10%	-10%
Market value of assets less liabilities (in EUR million)	**4,527.99**	**4,921.25**	**4,697.13**	**5,496.28**	**4,576.28**

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

Life insurance

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

	Endowment insurance (not incl. risk insurance)		Risk insurance		Annuity insurance		Unit- and index-linked insurance		Government sponsored pension plans		Total	
	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured
Amount insured in EUR '000												
As of 31.12.2012	**2,420,616**	**25,905,030**	**1,369,684**	**45,420,965**	**587,028**	**10,272,607**	**1,698,658**	**15,662,661**	**501,411**	**9,140,621**	**6,577,397**	**106,401,884**
Exchange rate changes	0	-264,937	0	-690,302	0	-8,460	0	-505,562	0	0	0	-1,469,261
As of 1.1.2013	**2,420,616**	**25,640,093**	**1,369,684**	**44,730,663**	**587,028**	**10,264,147**	**1,698,658**	**15,157,099**	**501,411**	**9,140,621**	**6,577,397**	**104,932,623**
Changes in scope of consolidation	6,409	69,866	81,429	1,683,509	0	0	352	2,060	0	0	88,190	1,755,435
Additions												
New business	205,347	2,199,962	467,288	9,827,836	27,557	708,019	300,599	1,843,509	11,895	275,764	1,012,686	14,855,090
Increases	10,643	128,095	2,681	118,686	1,554	36,467	5,573	59,735	22,042	453,609	42,493	796,592
Total additions	**215,990**	**2,328,057**	**469,969**	**9,946,522**	**29,111**	**744,486**	**306,172**	**1,903,244**	**33,937**	**729,373**	**1,055,179**	**15,651,682**
Changes												
Changes in additions	22,427	1,015,982	35,203	924,278	20,623	500,369	35,228	615,740	8,431	192,735	121,912	3,249,104
Changes in disposals	-41,437	-1,261,148	-47,489	-1,862,330	-5,546	-292,895	-225,619	-1,269,815	-11,363	-287,471	-331,454	-4,973,659
Total changes	**-19,010**	**-245,166**	**-12,286**	**-938,052**	**15,077**	**207,474**	**-190,391**	**-654,075**	**-2,932**	**-94,736**	**-209,542**	**-1,724,555**
Disposals due to maturity												
Due to expiration	-109,580	-1,288,801	-249,260	-1,957,012	-19,165	-259,704	-11,743	-40,984	-2,603	-23,242	-392,351	-3,569,743
Due to death	-18,671	-113,530	-5,036	-68,607	-1,536	-28,421	-2,975	-23,092	-550	-7,941	-28,768	-241,591
Total disposals due to maturity	**-128,251**	**-1,402,331**	**-254,296**	**-2,025,619**	**-20,701**	**-288,125**	**-14,718**	**-64,076**	**-3,153**	**-31,183**	**-421,119**	**-3,811,334**
Premature disposals												
Due to non-redemption	-5,392	-46,266	-83,734	-3,693,579	-1,209	-38,669	-50,937	-185,773	-2,570	-29,599	-143,842	-3,993,886
Due to lapse without payment	-31,888	-418,937	-127,768	-1,912,206	-6,514	-71,102	-68,299	-452,758	-244	-4,095	-234,713	-2,859,098
Due to redemption	-118,192	-1,168,039	-8,284	-173,313	-25,318	-236,583	-68,032	-658,858	-6,913	-96,628	-226,739	-2,333,421
Due to waiver of premium	-26,657	-248,310	-2,073	-30,659	-1,572	-44,162	-13,838	-375,200	-23,463	-392,559	-67,603	-1,090,890
Total premature disposals	**-182,129**	**-1,881,552**	**-221,859**	**-5,809,757**	**-34,613**	**-390,516**	**-201,106**	**-1,672,589**	**-33,190**	**-522,881**	**-672,897**	**-10,277,295**
As of 31.12.2013	**2,313,625**	**24,508,967**	**1,432,641**	**47,587,266**	**575,902**	**10,537,466**	**1,598,967**	**14,671,663**	**496,073**	**9,221,194**	**6,417,208**	**106,526,556**

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

Market Consistent Embedded Value is determined in accordance with the Market Consistent Embedded Value Principles published by the CFO Forum in June 2008, and will be published on 10 April 2014 after a separate review is performed.

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

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

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

The yield rate curve used is governed by the capital market on the measurement date. In order to be able to make a statement on the impact of alternative yield curves, the Market Consistent Embedded Value as of 31 December 2013 and the increase in value resulting from new business in 2013 were calculated using a yield curve alternately increased and decreased by 1%. For interest rate sensitivities, a change of +/- 100 basis points is applied to capital market interest rate data. Interest rates that extend beyond the last liquid market data are extrapolated using a long-term interest rate level of 4.2% (ultimate forward rate). The long-term level is also held constant for the sensitivities. The sensitivities therefore do not represent a simple parallel shift.

Sensitivities are shown in the following table:

Sensitivities of the market consistent embedded value of life and health insurance in Austria as of 31.12.2013	Change in % of the base value
Market Consistent Embedded Value, Austria	
Decrease in level of equity and property values -10%	-2.21
Interest rate curve shift +1%	4.06
Interest rate curve shift -1%	-8.91
Administrative costs +10%	-4.04
Administrative costs -10%	4.04
Lapse rate improvement 10%	0.94
Lapse rate deterioration 10%	-0.92
Improvement in mortality and morbidity rates, endowment insurance +5%	0.30
Improvement in mortality rates for annuities +5%	-0.51
Value of new business, Austria	
Interest rate curve shift +1%	18.57
Interest rate curve shift -1%	-29.71
Administrative costs +10%	-14.00
Administrative costs -10%	11.88
Lapse rate improvement 10%	6.33
Lapse rate deterioration 10%	-7.25
Improvement in mortality and morbidity rates, endowment insurance +5%	3.82
Improvement in mortality rates for annuities +5%	-2.31

Property and casualty insurance provisions

General information

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

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

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

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

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

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

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

The final costs of the claims and claims settlement expenses depend on a number of variable circumstances. Between the time a claim is reported and final settlement, changing circumstances may require that the provisions that were formed be revised upwards or downwards. For example, changes in the law, the outcome of litigation and changes in medical costs, costs for materials for auto and house repair and hourly wage rates can have a substantial effect on the costs of claims. These factors may result in actual developments differing from expectations – sometimes substantially. Loss reserve estimates are regularly reviewed and updated, using the most recent information available to management. Any changes to provision estimates are reflected in the operating result. The Vienna Insurance Group's conservative policy toward provisions is shown in part by the fact that liquidation of loss reserves generally leads to a profit. Based on the Group's internal procedures and the information currently available to it, management believes that the Group's provisions in the property and casualty insurance area are adequate. However, forming loss reserves is by nature an uncertain process, and therefore no guarantee can be given that in the end losses will not differ from the Group's initial estimates.

Change in gross loss reserve

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

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

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

				Calendar year				
Year of occurrence	≤2006	2007	2008	2009	2010	2011	2012	2013
in EUR '000								
2006 and before	2,834,008	668,602	231,481	135,644	91,397	66,518	50,316	50,993
2007		1,339,481	671,210	122,452	66,345	30,865	25,531	16,834
2008			1,642,675	692,806	146,180	72,889	36,326	27,159
2009				1,687,960	713,178	180,476	69,027	38,112
2010					1,714,403	705,902	161,705	73,596
2011						1,616,214	651,472	101,100
2012							1,711,639	775,993
2013								1,811,908
Total	**2,834,008**	**2,008,083**	**2,545,366**	**2,638,862**	**2,731,503**	**2,672,864**	**2,706,016**	**2,895,695**

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

				Calendar year				
Year of occurrence	2006	2007	2008	2009	2010	2011	2012	2013
in EUR '000								
2006 and before	2,553,831	1,812,816	1,094,022	884,389	678,220	625,741	493,930	425,654
2007		1,095,291	660,619	362,430	259,020	183,197	136,604	109,123
2008			1,485,730	624,658	406,958	231,202	169,368	132,202
2009				1,410,604	652,391	387,619	234,256	162,178
2010					1,517,080	649,220	392,290	229,662
2011						1,578,020	760,246	406,516
2012							1,576,464	759,530
2013								1,669,906
Total	**2,553,831**	**2,908,107**	**3,240,371**	**3,282,081**	**3,513,669**	**3,654,999**	**3,763,158**	**3,894,771**

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

Reinsurance

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

Reinsurance guidelines

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

REINSURANCE IS A PREREQUISITE FOR A COMMITMENT TO PROVIDING INSURANCE COVERAGE

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

RETENTION

It is Group-wide policy that no more than EUR 45 million for the first two natural catastrophe events and EUR 20 million for each additional event can be placed at risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 10 million.

SELECTION OF REINSURERS – DIVERSIFICATION

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

SELECTION OF REINSURERS – RATINGS

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

DESIGN OF REINSURANCE PROGRAMMES

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

Reinsurance coverage using the example of Wiener Städtische

NATURAL CATASTROPHES

Wiener Städtische provides insurance for damages caused by natural catastrophes such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retention for natural catastrophes to EUR 20 million for the first loss event and EUR 4.5 million for each additional event.

CORPORATE CUSTOMER BUSINESS

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

PRIVATE CUSTOMER BUSINESS

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

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

Management and control

Liquidity management

Vienna Insurance Group manages its liquidity using guidelines approved by the Managing Board of Vienna Insurance Group Holding. As a rule, Vienna Insurance Group Holding and each subsidiary are responsible for their own liquidity planning. As the Group parent company, Vienna Insurance Group Holding is responsible for allocating capital for the Group as a whole. This allows capital to be efficiently distributed within the Group. It also allows Vienna Insurance Group Holding to ensure that the target levels of liquidity and capital resources are available both at the Group level and in the individual operating units.

Most of the liquidity for day-to-day operations comes from premiums received from primary insurance, regular income from investments and proceeds from the sale of investments. These inflows are offset by payments for property and casualty insurance claims, and benefit payments for life and health insurance. The remaining net liquidity is used to cover acquisition and operating costs.

The maturity pattern of the insurance business provides a natural liquidity buffer. Unlike the premiums received, Vienna Insurance Group guarantees insurance coverage for a certain period of time, and no cash outflow occurs during this period until an insured event occurs. The liquidity buffer is invested during this period and generates investment income. A portion is held in the form of liquid investments to ensure that it can be quickly converted into cash to pay claims. In addition, the bond portfolio, in particular, is structured so that the proceeds from maturing bonds are received on the dates it is anticipated they will be needed. External influence factors, such as capital market developments and the interest rate level, affect the liquidity situation by improving or restricting the ability to sell the investment portfolio at market value.

The time, frequency and size of insured claims are also important for the liquidity situation of property and casualty insurance. The number of policy extensions also plays a role. The liquidity needs for life insurance are generally affected by the difference between actual mortality experience and the assumptions used to calculate underwriting provisions. Market returns or minimum interest rates and the behaviour of life insurance customers, such as the number of policies surrendered or terminated, also have an effect on Vienna Insurance Group liquidity needs.

Capital management

Vienna Insurance Group Holding's ability to raise funding from external sources depends on a variety of factors:

- General capital market conditions
- The availability of bank loans
- Its own credit rating
- Its own legal capacity to borrow

The sources that Vienna Insurance Group Holding uses to cover medium and long-term funding needs are described in more detail below. In general, these needs are primarily covered using subordinated bonds, hybrid capital and no-par value ordinary shares.

SHAREHOLDERS' EQUITY

As of 31 December 2013, Vienna Insurance Group Holding had share capital of EUR 132,887,468.20 registered in the commercial register, divided into 128,000,000 no-par value bearer ordinary shares with voting rights. It held no treasury shares on 31 December 2013 (2012: 0). In addition, the shareholders of Vienna Insurance Group Holding can authorise it to increase its shareholders' equity by issuing ordinary or preferred shares. The individual authorisations are listed in Note 14 (Consolidated shareholders' equity).

LONG-TERM DEBT FINANCING

As of 31 December 2013, Vienna Insurance Group Holding had senior and subordinate bonds and hybrid capital with a variety of maturities outstanding. Detailed information on the Vienna Insurance Group Holding bond program is available in Note 15 (Subordinated liabilities). As shown by the maturities, our focus is on long-term funding. General capital market conditions and other circumstances that affect the financial services sector as a whole or Vienna Insurance Group in particular could have an adverse effect on the cost and availability of debt financing. Our goal, therefore, is to actively manage our financing structure to keep refinancing risks as small as possible.

EXPLANATORY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTANGIBLE ASSETS

Composition	31.12.2013	31.12.2012
in EUR '000		
Goodwill	1,595,874	1,723,207
Purchased insurance portfolios	35,377	57,511
Other intangible assets	634,495	629,247
Purchased software	597,258	520,793
Other	37,237	108,454
Total	**2,265,746**	**2,409,965**

Development of goodwill	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	1,841,425	1,830,263
Cumulative impairment as of 31.12. of previous years	-118,218	-67,979
Book value as of 31.12. of the previous year	**1,723,207**	**1,762,284**
Exchange rate changes	-64,456	589
Book value as of 1.1.	**1,658,751**	**1,762,873**
Additions	12,168	10,380
Impairments	-75,045	-50,046
Book value as of 31.12.	**1,595,874**	**1,723,207**
Cumulative impairement as of 31.12.	192,591	118,218
Acquisition costs	**1,788,465**	**1,841,425**

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

The impairment is mainly due to the Romanian non-life cash generating unit and is the result of a lack of improvement in economic conditions in Romania and the reduction in earnings potential this implies for the medium term. The impairment was recognised as of 30 June 2013 as a result of an event-driven impairment test.

Book values of goodwill of cash-generating units*	Property/Casualty		Life	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000				
Austria	0	0	301,716	301,716
Czech Republic	113,787	109,058	297,725	303,840
Slovakia	0	0	111,257	111,257
Poland	109,026	118,399	6,925	4,612
Romania	127,101	226,164	135,012	152,472
Remaining markets	306,270	303,379	76,977	82,025
Central Functions	10,078	10,285	0	0
Total	**666,262**	**767,285**	**929,612**	**955,922**

* There is no goodwill in the health insurance segment. This segment is therefore not shown in the table.

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

Development of purchased insurance portfolio	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	239,174	229,618
Cumulative depreciation as of 31.12. of previous years	-181,663	-154,298
Book value as of 31.12. of the previous year	**57,511**	**75,320**
Exchange rate changes	-459	136
Book value as of 1.1.	**57,052**	**75,456**
Additions	9,000	8,000
Scheduled depreciation	-7,349	-23,125
Impairments	-23,326	-2,820
Book value as of 31.12.	**35,377**	**57,511**
Cumulative depreciation as of 31.12.	204,608	181,663
Acquisition costs	**239,985**	**239,174**

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

The impairment primarily consists of EUR 5,925,000 of impairment in Turkey, EUR 2,227,000 in Romania, EUR 3,700,000 in Albania, EUR 2,800,000 in Georgia and EUR 5,000,000 in Bosnia-Herzegovina. EUR 17,425,000 of this impairment was recognised in the property and casualty segment and EUR 2,227,000 in the life insurance segment.

Development of purchased software	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	696,142	569,827
Cumulative depreciation as of 31.12. of previous years	-175,349	-143,840
Book value as of 31.12. of the previous year	**520,793**	**425,987**
Exchange rate changes	-527	479
Book value as of 1.1.	**520,266**	**426,466**
Reclassifications	0	66
Additions	114,212	131,415
Disposals	-2,844	-420
Changes in scope of consolidation	-58	297
Scheduled depreciation	-34,318	-37,031
Book value as of 31.12.	**597,258**	**520,793**
Cumulative depreciation as of 31.12.	205,718	175,349
Acquisition costs	**802,976**	**696,142**

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

Development of other intangible assets	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	214,390	228,447
Cumulative depreciation as of 31.12. of previous years	-105,936	-109,614
Book value as of 31.12. of the previous year	**108,454**	**118,833**
Exchange rate changes	-11,784	197
Book value as of 1.1.	**96,670**	**119,030**
Additions	2,079	5,914
Disposals	-264	-312
Changes in scope of consolidation	-470	-48
Scheduled depreciation	-6,128	-14,530
Impairments	-54,650	-1,600
Book value as of 31.12.	**37,237**	**108,454**
Cumulative depreciation as of 31.12.	163,349	105,936
Acquisition costs	**200,586**	**214,390**

EUR 0.8 million (EUR 7.0 million) of the book value of EUR 33.3 million (EUR 70.0 million) for the Asirom trademark has been assigned to the Romanian life CGU and EUR 32.5 million (EUR 63.0 million) to the Romanian non-life CGU. The impairment of EUR 25,000,000 recognised for the trademark was based on the lack of improvement in economic conditions in Romania and the reduction in earnings potential this implied for the medium term. The impairment includes customer base impairments in Turkey (EUR 8,750,000), Albania (EUR 1,500,000), Georgia (EUR 14,400,000) and Bosnia-Herzegovina (EUR 5,000,000). EUR 49,650,000 of the impairment was recognised in the property and casualty segment and EUR 5,000,000 in the life insurance segment.

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

2. LAND AND BUILDINGS

Development	Self-used	
	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	605,418	583,903
Cumulative depreciation as of 31.12. of previous years	-156,320	-142,078
Book value as of 31.12. of the previous year	**449,098**	**441,825**
Exchange rate changes	-16,794	-450
Book value as of 1.1.	**432,304**	**441,375**
Reclassifications	2,062	22,778
Additions	10,582	21,740
Disposals	-1,522	-26,819
Changes in scope of consolidation	14,927	4,492
Appreciation	1,072	231
Scheduled depreciation	-16,525	-14,647
Impairments	-23	-52
Book value as of 31.12.	**442,877**	**449,098**
Cumulative depreciation as of 31.12.	162,544	156,320
Acquisition costs	**605,421**	**605,418**
thereof land	*48,377*	*47,225*
Fair value of the land and buildings as of 31.12.*	617,780	605,073

Development	Investment property	
	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	3,956,772	5,521,385
Cumulative depreciation as of 31.12. of previous years	-1,185,962	-1,546,256
Book value as of 31.12. of the previous year	**2,770,810**	**3,975,129**
Exchange rate changes	-3,169	3,377
Book value as of 1.1.	**2,767,641**	**3,978,506**
Reclassifications	-2,469	-22,857
Additions	174,397	152,212
Disposals	-45,705	-38,498
Changes in scope of consolidation	-612,516	-1,224,611
Appreciation	22,826	16,478
Scheduled depreciation	-69,767	-90,272
Impairments	-1,746	-148
Book value as of 31.12.	**2,232,661**	**2,770,810**
Cumulative depreciation as of 31.12.	864,473	1,185,962
Acquisition costs	**3,097,134**	**3,956,772**
thereof land	*468,914*	*507,701*
Fair value of the land and buildings as of 31.12.*	2,765,091	3,159,730

* The market values are based on internal and external appraisal reports.

The **changes in the scope of consolidation** result from the changeover from full consolidation to at equity consolidation for the non-profit housing societies Gemeinnützige Industrie-Wohnungsaktiengesellschaft (EUR -410,308,000), Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH (EUR -202,751,000), and Schwarzatal GmbH (EUR -167,276,000), and first-time inclusion of Palais Hansen (EUR +126,702,000), Thaliastraße 125 (EUR +14,400,000), Schulring 21 KG

(EUR +13,393,000), Makedonija Osiguruvanje (EUR +10,177,000), Rathstraße 8 (EUR +9,637,000) and Kaiserstraße 113 (EUR +8,435,000).

Rental income from third-party used land and buildings was EUR 191,902,000 (EUR 280,827,000), while **operating expenses** were EUR 64,807,000 (EUR 89,577,000).

3. SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Development	31.12.2013	31.12.2012
in EUR '000		
Book value as of 31.12. of the previous year	**368,461**	**120,878**
Book value as of 1.1.	**368,461**	**120,878**
Additions	0	40,377
Disposals	-423	-684
Changes in scope of consolidation	59,639	192,341
Share of changes in OCI	-6,474	0
Pro rata result for the period of at equity consolidated companies	36,188	22,233
Dividend payment	-10,038	-6,684
Book value as of 31.12.	**447,353**	**368,461**

The changes in the scope of consolidation result from the change in the consolidation method used for the non-profit housing societies. For further information, please see the section entitled "Non-profit housing societies" on page 129.

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

Shares in significant associated companies	Country of domicile	Assets	Liabilities	Income	Profit/Loss	Participation in %	Effective Date
in EUR '000							
Erste Heimstätte GmbH	Austria	726,735	527,896	62,562	13,335	99.77	31.12.
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Austria	510,794	308,861	50,661	9,696	55	31.12.
Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH	Austria	223,064	164,896	26,524	5,563	55	31.12.
Neuland GmbH	Austria	447,294	342,634	50,492	9,825	50.12	31.12.
S IMMO AG, Vienna	Austria	1,944,917	1,406,698	145,313	21,442	10.04	30.09.
Schwarzatal GmbH	Austria	201,424	116,253	23,221	4,911	55	31.12.
Sozialbau AG	Austria	480,223	265,710	49,991	9,930	50.12	31.12.
Urbanbau GmbH	Austria	239,494	185,749	25,055	5,375	50.12	31.12.
Total		**4,773,945**	**3,318,697**	**433,819**	**80,077**		

Although Vienna Insurance Group only holds slightly more than 10% of the shares of S IMMO AG, the Group has a significant influence over the company because the Group appoints the chairman of the supervisory board and one other supervisory board member. Vienna Insurance Group is also the largest shareholder of S IMMO AG. In the case of the non-profit housing societies, control is exercised on the basis of contracts by Wiener Städtische Versicherungsverein, which also holds an interest of 10% in these companies.

4. PARTICIPATIONS – DETAILS

Participations were held in the following companies as of 31 December 2013:

Affiliated companies and participations VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Country of domicile	Interest in capital 2013 (%)[1]	Interest in capital 2012 (%)[1]	Equity capital (EUR '000)[2]
Fully consolidated companies				
"BULSTRAD LIFE VIENNA INSURANCE GROUP" JOINT STOCK COMPANY, Sofia	Bulgaria	95.53	95.11	5,239
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00	100.00	28,738
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	98.57	96.49	9,618
"WIENER RE" akcionarsko društvo za reosiguranje, Beograd	Serbia	100.00	100.00	6,729
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko društvo za osiguranje, Belgrade	Serbia	100.00	100.00	15,081
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	94.00	104,312
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00	100.00	24,310
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	381
Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest	Romania	99.10	99.10	18,260
BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest	Romania	92.36	92.36	-11,546
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	12,410
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	19,844
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00	100.00	2,464
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	100.00	821,537
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	100.00	2,412
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	100.00	9,830
CAL ICAL "Globus", Kiev	Ukraine	80.00	80.00	5,949
CAME Holding GmbH, Vienna	Austria	100.00	100.00	28,313
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100.00	100.00	199
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00	80.00	1,061
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00	100.00	89,370
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00	100.00	85,343
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00	100.00	20,339
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00	100.00	11,779
Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	100.00	47,913
Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.92	99.89	75,886
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00	0.00	1,683
DBLV Immobesitz GmbH, Vienna	Austria	100.00	0.00	18
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	100.00	13,181
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	100.00	23
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00	100.00	3,128
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00	100.00	80,402
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24	99.24	149,950
DVIB GmbH, Vienna	Austria	100.00	100.00	81,038
ELVP Beteiligungen GmbH, Vienna	Austria	100.00	100.00	24,183

Company	Country of domicile	Interest in capital 2013 (%)[1]	Interest in capital 2012 (%)[1]	Equity capital (EUR '000)[2]
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00	95.00	9,228
ERSTE Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	95.00	95.00	7,092
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	27,113
GPIH B.V., Amsterdam	Netherlands	91.11	91.11	6,797
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	98.00	98.00	38,817
Interalbanian Vienna Insurance Group Sh.a., Tirana	Albania	93.17	78.33	3,583
International Insurance Company "IRAO" LTD, Tbilisi	Georgia	100.00	100.00	2,109
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	100.00	25,958
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.98	99.98	98,520
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	100.00	48,010
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	75.00	75.00	2,840
Jahorina osiguranje Vienna Insurance Group a. d., Pale	Bosnia-Herzegovina	100.00	97.56	9,489
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje	Macedonia	94.25	0.00	20,290
Joint Stock Company Insurance Company GPI Holding, Tiflis	Georgia	90.00	90.00	11,851
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00	100.00	4,333
Kaiserstraße 113 GmbH, Vienna	Austria	100.00	0.00	2,234
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	100.00	2,068
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00	100.00	3,872
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	100.00	43,767
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	100.00	277,538
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39	98.39	521,455
Kvarner Wiener Städtische nekretnine d.o.o., Zagreb	Croatia	100.00	100.00	616
LVP Holding GmbH, Vienna	Austria	100.00	100.00	647,797
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00	100.00	77,091
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00	100.00	26,309
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.81	99.81	117,926
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	90.00	90.00	63,581
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.40	98.56	148,865
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55	43.26	45,248
Passat Real Sp. z o.o., Warsaw	Poland	100.00	100.00	3,172
PFG Holding GmbH, Vienna	Austria	89.23	89.23	114,690
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88	92.88	47,204
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00	95.00	32,026
Pojišťovna České spořitelny, a.s.,Vienna Insurance Group, Pardubice	Czech Republic	95.00	95.00	117,595
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100.00	100.00	15,837
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80	97.80	3,799
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99	99.99	8,055
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	60.00	16,828
Projektbau GesmbH, Vienna	Austria	100.00	100.00	18,183
Projektbau Holding GmbH, Vienna	Austria	90.00	90.00	21,326
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100.00	0.00	895

Company	Country of domicile	Interest in capital 2013 (%)[1]	Interest in capital 2012 (%)[1]	Equity capital (EUR '000)[2]
Ray Sigorta A.Ş., Istanbul	Turkey	94.96	94.26	34,661
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00	100.00	8,461
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00	100.00	27
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	100.00	9,871
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	100.00	-4,681
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	66.70	8,628
SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01	87.01	8,210
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00	95.00	509,782
SVZ GmbH, Vienna	Austria	100.00	100.00	28,245
SVZI GmbH, Vienna	Austria	100.00	100.00	29,161
T 125 GmbH, Vienna	Austria	100.00	0.00	9,036
TBI BULGARIA EAD, Sofia	Bulgaria	100.00	100.00	41,346
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100.00	100.00	265,894
UNION Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	100.00	100.00	32,824
V.I.G. ND a.s., Prague	Czech Republic	100.00	100.00	112,997
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	100.00	11,322
VIG FUND uzavreny investicni fond, a.s., Prague (Consolidated Financial Statements)	Czech Republic	100.00	100.00	107,090
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00	100.00	124,050
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00	100.00	11,687
VIG Real Estate GmbH, Vienna	Austria	100.00	100.00	76,627
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00	100.00	76,383
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	100.00	4,880
WGPV Holding GmbH, Vienna	Austria	100.00	100.00	88,758
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	99.47	99.36	67,020
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	100.00	854,406
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	100.00	846,534
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	99.90	99.90	1,007,957
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100.00	100.00	1,602
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00	0.00	326
WSV Immoholding GmbH, Vienna	Austria	100.00	100.00	189,917

At equity consolidated companies	Country of domicile	Interest in capital 2013 (%)[1]	Interest in capital 2012 (%)[1]	Equity capital (EUR '000)[2]
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	55.00	55.00	110,137
AIS Servis, s.r.o., Brno	Czech Republic	100.00	100.00	1,905
Benefita, a.s., Prague	Czech Republic	100.00	100.00	537
ČPP servis, s.r.o., Prague	Czech Republic	100.00	100.00	31
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	30.00	8,271
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77	99.77	219,700
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00	55.00	219,912
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00	55.00	97,073
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	33.00	58,509

Company	Country of domicile	Interest in capital 2013 (%)[1]	Interest in capital 2012 (%)[1]	Equity capital (EUR '000)[2]
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100.00	15.00	3,565
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	100.00	364
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00	72.43	7,220
KÁMEN OSTROMĚŘ, s.r.o., Ostromer	Czech Republic	100.00	100.00	43
KIP, a.s., Prague	Czech Republic	100.00	100.00	8,303
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	29.63	33,472
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	50.12	50.12	67,881
S - budovy, a.s., Prague	Czech Republic	100.00	0.00	2,784
S IMMO AG, Vienna	Austria	10.04	10.04	538,219
Sanatorium Astoria, a.s., Karlsbad	Czech Republic	92.71	75.06	5,243
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	50.12	50.12	270,607
S-správa nemovitosti, a.s., Prague	Czech Republic	100.00	0.00	727
SURPMO, a.s., Prague	Czech Republic	100.00	100.00	108
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00	60.00	31,388
Unigeo, a.s., Ostrava - Hrabova	Czech Republic	100.00	100.00	6,147
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	50.12	50.12	94,888

Company	Country of domicile	Interest in capital 2013 (%)[1]
Non-consolidated companies		
"Auto-Ekspert" Spolka z organiczona odpowiedzialnoscia, Warsaw	Poland	100.00
"Compensa Services" SIA, Riga	Latvia	100.00
"DUNAJ - Finanse" - Spolka z organiczona adpowiedzialnoscia, Warsaw	Poland	50.00
AISMP Meditzinski Tsentar Bulstrad Zdrave EOOD, Sofia	Bulgaria	100.00
Akcionarsko družstvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica	Montenegro (Rep.)	100.00
Amadi GmbH, Wiesbaden	Germany	100.00
AQUILA Hausmanagement GmbH, Vienna	Austria	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
Autosig SRL, Bucharest	Romania	100.00
B&A Insurance Consulting s.r.o., Moravska Ostrava	Czech Republic	49.00
BENEFIA Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
Brunn N68 Sanierungs GmbH, Vienna	Austria	50.00
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	Austria	99.48
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	100.00
CAPITOL Sp. z o.o., Warsaw	Poland	100.00
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	100.00
CCA EDV für Versicherungswirtschaft GmbH, Vienna	Austria	24.28
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	25.00
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	49.49

Company	Country of domicile	Interest in capital 2013 (%)[1]
EGW Wohnbau gemeinnützige Ges.m.b.H., Vienna	Austria	100.00
ERSTE d.o.o. - company for mandatory pension fund management, Zagreb	Croatia	29.00
Erste S Biztositasi Alkusz Kft, Budapest	Hungary	100.00
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	85.00
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	100.00
Finanzpartner GmbH, Vienna	Austria	50.00
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
Gain Capital SA, SICAV-FIS Real Estate Car Parks I, Luxembourg	Luxembourg	41.25
GELUP GmbH, Vienna	Austria	33.33
GEO HOSPITALS LLC, Tiflis	Georgia	100.00
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	23.33
Glamas Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
HAVLÍČKOVA INVESTMENT a.s., Prague	Czech Republic	100.00
Henderson Global Investors Immobilien Austria GmbH, Vienna	Austria	35.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
Jahorina auto d.o.o., Brcko	Bosnia-Herzegovina	100.00
Jahorina Konseko Progres a.d., Pale	Bosnia-Herzegovina	28.00
Joint Stock Company "Curatio", Tbilisi	Georgia	100.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	50.00
Lead Equities II.Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	23.33
MC EINS Investment GmbH, Vienna	Austria	50.00
MuVi Re S.A., Luxembourg	Luxembourg	100.00
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58
People's Pharmacy LLC, Tbilisi	Georgia	50.00
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	83.57
Privat Joint-stock company "VAB Insurance", Kiev	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00
S.C. CLUB A.RO S.R.L., Bucharest	Romania	100.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
Slovexperta, s.r.o., Zilina	Slovakia	100.00
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Soravia Food Market GmbH, Vienna	Austria	33.33
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	100.00
students4excellence GmbH, Vienna	Austria	24.75
TBI Asset Management EAD, Sofia	Bulgaria	100.00
TBI CONSULTING EOOD, Sofia	Bulgaria	100.00
TBI Info EOOD, Sofia	Bulgaria	100.00
TBI Invest EAD, Sofia	Bulgaria	100.00
Thermenland Congress Center Loipersdorf GmbH & Co KG, Loipersdorf	Austria	32.26
TOGETHER Internet Services GmbH, Vienna	Austria	24.99
UAB "Compensa Services", Vilnius	Lithuania	100.00

Company	Country of domicile	Interest in capital 2013 (%)[1]
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00
Untere Donaulände 40 GmbH, Vienna	Austria	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	33.33
Vienna Finanse Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna Insurance Group Contact CenterBulgaria AD, Sofia	Bulgaria	100.00
Vienna Insurance Group Polska Spółka z organiczoną odpowiedzialnością, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
VIG Asset Management investicni spolecnost, a.s., Prague	Czech Republic	100.00
VIG Management Service SRL, Bucharest	Romania	100.00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	100.00
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00
VILE BAREDINE d.o.o., Zagreb	Croatia	30.00
VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	50.00
VVT Vermögensverwaltung GmbH, Vienna	Austria	33.33
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	25.00
Wien 3420 Aspern Development AG, Vienna	Austria	33.33
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	100.00
WILA GmbH, Vienna	Austria	100.00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00

[1] The share of equity equals the controlling interest before taking into account any non-controlling interests.

[2] The capital value shown corresponds to the latest local annual financial statements available.

An internal Group guideline is used to determine the scope of consolidation. The guideline includes quantitative thresholds and qualitative criteria that take into account the provisions of IAS 28. A distinction is made between insurance companies and other companies based on the object of the company. The materiality threshold is calculated annually based on pre-defined criteria and compared to relevant financial data for the company participations. Companies that exceed the pre-defined thresholds and satisfy the qualitative criteria are included in the scope of consolidation. After examining the individual company participations, an additional check is made to ensure that the non-consolidated participations are immaterial when considered as a whole.

Additional information on changes in the scope of consolidation is provided in the "Scope and methods of consolidation" section on page 125.

The information required under Section 265(2) no. 4 of the Austrian Commercial Code (UGB) is provided in the overview of participations in the separate financial statements.

5. LOANS AND OTHER INVESTMENTS

Loans and other investments	31.12.2013	31.12.2012
in EUR '000		
Loans	1,284,878	1,139,436
Reclassified loans	583,035	874,976
Bonds classified as loans	1,451,380	1,534,555
Subtotal	**3,319,293**	**3,548,967**
Other investments	1,210,619	1,334,817
Total	**4,529,912**	**4,883,784**

Development of loans total	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	3,663,261	3,633,530
Cumulative depreciation as of 31.12. of previous years	-114,294	-127,175
Book value as of 31.12. of the previous year	**3,548,967**	**3,506,355**
Exchange rate changes	-628	269
Book value as of 1.1.	**3,548,339**	**3,506,624**
Reclassifications	9,953	63,905
Additions	442,994	361,016
Disposals	-627,302	-378,044
Changes in scope of consolidation	-45,963	26
Appreciation	1,058	199
Impairments	-9,786	-4,759
Book value as of 31.12.	**3,319,293**	**3,548,967**
Cumulative depreciation as of 31.12.	119,653	114,294
Acquisition costs	**3,438,946**	**3,663,261**

Information on impairments of loans is provided in the "Financial instruments and risk management" section on page 157.

Composition of loans	Amortised cost	
	31.12.2013	31.12.2012
in EUR '000		
Loans to non-consolidated affiliated companies	102,618	88,682
Loans to participations	18,747	37,412
Mortgage loan	421,149	396,430
Policy loans and prepayments	38,000	41,254
Other loans	704,364	575,658
to public authorities	159,378	108,147
to financial institutions	202,000	135,435
to other commercial debtors	303,486	306,645
to private persons	2,670	3,584
other	36,830	21,847
Total	**1,284,878**	**1,139,436**
Fair Value	1,294,244	1,190,159

The "Other investments" item primarily consists of bank balances of EUR 1,099,070,000 (EUR 1,216,571,000) and deposits on assumed reinsurance business of EUR 102,271,000 (EUR 107,532,000). Vienna Insurance Group made use of the provisions of "Reclassification of financial assets" in IAS 39.50ff due to financial market developments in the second half of 2008. Since the required information is not available and the cost to obtain the information would be excessively high, it would not be possible to determine the carrying amounts if reclassification had not been performed.

Composition of reclassfied loans	Amortised cost	
	31.12.2013	31.12.2012
in EUR '000		
Other loans		
to financial institutions	432,810	694,286
to other commercial debtors	36,631	36,367
other	113,594	144,323
Total	**583,035**	**874,976**
Fair Value	671,682	992,223

Composition of bonds classified as loans	Amortised cost	
	31.12.2013	31.12.2012
in EUR '000		
Bonds classified as loans		
to public authorities	134,170	109,144
to financial institutions	1,270,550	1,397,708
to other commercial debtors	46,660	27,703
Total	**1,451,380**	**1,534,555**
Fair Value	1,560,746	1,636,566

Maturity structure of loans	Amortised cost	
	31.12.2013	31.12.2012
in EUR '000		
up to one year	75,478	51,963
more than one year up to five years	249,934	170,909
more than five years up to ten years	436,341	388,488
more than ten years	523,125	528,076
Total	**1,284,878**	**1,139,436**

Maturity structure of reclassified loans	Amortised cost	
	31.12.2013	31.12.2012
in EUR '000		
up to one year	18,970	18,765
more than one year up to five years	208,338	217,743
more than five years up to ten years	177,228	205,210
more than ten years	178,499	433,258
Total	**583,035**	**874,976**

Maturity structure of bonds classified as loans	Amortised cost	
	31.12.2013	31.12.2012
in EUR '000		
up to one year	15,185	9,651
more than one year up to five years	187,603	145,588
more than five years up to ten years	446,128	309,021
more than ten years	802,464	1,070,295
Total	**1,451,380**	**1,534,555**

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

6. OTHER SECURITIES

Development	Held to maturity total		Available for sale		Trading assets		Recognised at fair value through profit and loss	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000								
Acquisition costs	3,199,793	3,127,119						
Cumulative depreciation as of 31.12. of previous years	-18,970	-16,399						
Book value as of 31.12. of the previous year	**3,180,823**	**3,110,720**	**17,111,825**	**15,188,119**	**277,164**	**168,325**	**420,854**	**477,979**
Exchange rate changes	-190,467	64,301	-60,240	47,794	-2,398	12,843	-4,143	1,205
Book value as of 1.1.	**2,990,356**	**3,175,021**	**17,051,585**	**15,235,913**	**274,766**	**181,168**	**416,711**	**479,184**
Reclassifications	-6,722	18,460	-6,687	110,812	55	-14,189	821	-40,584
Additions	368,521	326,283	5,450,732	4,288,793	627,910	1,186,811	113,268	118,161
Disposals	-334,824	-334,850	-4,297,518	-3,872,396	-641,913	-1,118,700	-180,545	-170,293
Change in scope of consolidation	2,150	1,145	-74,568	-36,544	10,480	267	-28,025	0
Changes in value recognised in profit and loss	32	587	508	653	11,266	41,807	5,516	34,386
Changes recognised directly in equity	0	0	-167,551	1,458,149	0	0	0	0
Impairments	-804	-5,823	-37,788	-73,555	0	0	0	0
Book value as of 31.12.	**3,018,709**	**3,180,823**	**17,918,713**	**17,111,825**	**282,564**	**277,164**	**327,746**	**420,854**
Cumulative appreciation/depreciation as of 31.12.	14,622	18,970						
Acquisition costs	**3,033,331**	**3,199,793**						

Composition Financial instruments held to maturity	Amortised cost		Fair value	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000				
Government bonds	1,789,052	1,734,977	1,971,094	1,992,881
Covered bonds	205,203	160,935	224,732	180,484
Corporate bonds	57,067	103,830	61,730	111,190
Bonds from banks	36,820	66,963	37,910	69,558
Subordinated bonds	1,745	1,771	1,758	1,776
Total	**2,089,887**	**2,068,476**	**2,297,224**	**2,355,889**

Detailed information on the impaired assets and factors related to the impairment is provided in the "Impairment of AFS" table in the "Financial instruments and risk management" section on page 157.

Composition Financial instruments reclassified as held to maturity	Amortised cost		Fair value	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000				
Government bonds	800,352	940,806	914,500	1,110,160
Covered bonds	102,389	113,135	107,440	123,717
Bonds from banks	26,081	58,406	28,626	61,590
Total	**928,822**	**1,112,347**	**1,050,566**	**1,295,467**

Financial instruments in the "Financial instruments held to maturity" category that were reclassified as financial instruments available for sale in 2008 had a fair value of EUR 1,393,784,000 as of the reclassification date. Vienna Insurance Group made use of the provisions of "Reclassification of financial assets" in IAS 39.50ff due to financial market developments in the second half of 2008. Since the required information is not available and the cost to obtain the information would be excessively high, it would not be possible to determine the carrying amounts if reclassification had not been performed.

Composition Financial instruments available for sale	Fair value	
	31.12.2013	31.12.2012
in EUR '000		
Bonds	**15,726,864**	**15,009,633**
Government bonds	7,822,321	7,216,673
Covered bonds	1,440,843	1,580,387
Corporate bonds	2,351,070	1,589,938
Bonds from banks	3,221,016	3,449,441
Subordinated bonds	891,614	1,173,194
Shares and other participations*	**1,002,087**	**1,016,083**
Investment funds	**1,188,459**	**1,086,109**
Equity funds	344,580	141,048
Pension funds	303,768	274,289
Alternative funds	49,954	141,954
Real estate funds	122,995	150,640
Balanced funds	367,162	378,178
Others	**1,303**	**0**
Total	**17,918,713**	**17,111,825**

* Includes shares in non-consolidated subsidiaries and other participations of EUR 419,497,000 (EUR 619,797,000).

Unrealised gains and losses on Financial instruments available for sale	Fair value		Unrealised		Unrealised	
			gains	losses	gains	losses
	31.12.2013	31.12.2012	31.12.2013	31.12.2013	31.12.2012	31.12.2012
in EUR '000						
Bonds	15,726,864	15,009,633	1,124,081	-145,498	1,472,510	-149,542
Shares and other participations	1,002,087	1,016,083	164,055	-14,066	125,941	-18,276
Investment funds	1,188,459	1,086,109	51,177	-20,856	31,300	-30,855
Others	1,303	0	0	0	0	0
Total	**17,918,713**	**17,111,825**	**1,339,313**	**-180,420**	**1,629,751**	**-198,673**

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

Composition **Financial instruments recognised at fair value through profit and loss***	**Fair value**	
	31.12.2013	**31.12.2012**
in EUR '000		
Bonds	**378,527**	**434,428**
Government bonds	131,303	80,002
Covered bonds	0	28,066
Corporate bonds	15,315	29,435
Bonds from banks	200,341	246,193
Subordinated bonds	31,568	50,732
Shares and other non-fixed-interest securities	**98,110**	**151,577**
Investment funds	**102,474**	**92,431**
Equity funds	39,129	34,228
Pension funds	8,306	15,078
Alternative funds	7	113
Real estate funds	640	723
Balanced funds	54,392	42,289
Derivatives	**31,199**	**16,679**
Others	**0**	**2,903**
Total	**610,310**	**698,018**

* Including trading assets

Composition book values of government bonds*	**Held to maturity total**		**Available for sale**		**Recognised at fair value through profit and loss**	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Government bonds						
Austria	0.58%	0.58%	24.17%	26.86%	0.62%	0.82%
Germany	0.00%	0.25%	3.74%	5.09%	38.23%	35.10%
Czech Republic	71.04%	74.59%	8.31%	9.26%	0.00%	0.00%
Slovakia	6.77%	6.85%	11.30%	10.93%	0.00%	0.00%
Poland	9.12%	6.08%	12.04%	13.79%	56.43%	60.83%
Romania	0.68%	0.99%	2.08%	2.13%	0.00%	0.00%
Remaining markets	11.81%	10.67%	38.36%	31.94%	4.72%	3.25%

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

Allocation of financial instruments measured at fair value through profit or loss to one level of the measurement hierarchy

	Level 1		Level 2		Level 3	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000						
Financial instruments available for sale	**14,244,177**	**12,951,903**	**3,549,867**	**3,977,536**	**124,669**	**182,386**
Bonds	12,749,793	11,730,042	2,920,827	3,161,893	56,244	117,698
Shares and other participations	470,221	399,691	463,441	551,704	68,425	64,688
Investment funds	1,022,860	822,170	165,599	263,939	0	0
Other securities	1,303	0	0	0	0	0
Trading assets	**243,502**	**243,873**	**1,527**	**602**	**37,535**	**32,689**
Bonds	96,180	58,184	0	0	0	7,732
Shares and other non-fixed-interest securities	72,774	126,773	187	188	7,731	8,732
Investment funds	74,493	55,973	0	0	0	0
Derivatives	55	40	1,340	414	29,804	16,225
Other securities	0	2,903	0	0	0	0
Financial instruments recognised at fair value through profit and loss	**48,698**	**77,683**	**254,635**	**307,215**	**24,413**	**35,956**
Bonds	20,601	40,892	237,333	291,676	24,413	35,944
Shares and other non-fixed-interest securities	116	333	17,302	15,539	0	12
Investment funds	27,981	36,458	0	0	0	0
Total	**14,536,377**	**13,273,459**	**3,806,029**	**4,285,353**	**186,617**	**251,031**

Development of financial instruments assigned to level 3

	Financial instruments available for sale		Financial instruments recognised at fair value through profit and loss		Trading assets	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
in EUR '000						
Book value as of 31.12. of the previous year	**182,386**	**196,029**	**35,956**	**19,431**	**32,689**	**34,512**
Exchange rate changes	-149	1,617	-1,239	0	-376	3,087
Book value as of 1.1.	**182,237**	**197,646**	**34,717**	**19,431**	**32,313**	**37,599**
Reclassifications	-108,660	0	-38	3,414	-1,792	0
Additions	72,163	23,297	1,662	14,308	2,001	15,036
Disposals	-20,421	-44,425	-12,101	-4,061	-2,979	-37,457
Change in scope of consolidation	-1,668	0	0	0	0	0
Changes in value recognised in profit and loss	0	0	173	2,864	7,992	17,511
Changes recognised directly in equity	1,826	5,868	0	0	0	0
Impairments	-808	0	0	0	0	0
Book value as of 31.12.	**124,669**	**182,386**	**24,413**	**35,956**	**37,535**	**32,689**

Fair value of derivative financial instruments

	Fair value	
	31.12.2013	31.12.2012
in EUR '000		
Options	29,804	16,225
Swaps	342	230
Futures	0	27
Other structured products	1,053	197
Total	**31,199**	**16,679**

Negative fair value of derivative financial instruments	Fair value	
	31.12.2013	31.12.2012
in EUR '000		
Options	-359	-1,725
Forward transactions	-13,693	-21,929
Swaps	-8,220	0
Total	**-22,272**	**-23,654**

Vienna Insurance Group used forward sales to hedge the fair value of a stock portfolio using micro hedges and applies the provisions of hedge accounting. The unrealised gains of EUR 23,953,000 were frozen on the date the forward transaction was designated. The stock portfolio was measured at fair value through profit or loss after the forward transaction designation date. The portfolio had a fair value of EUR 59,545,000 (EUR 116,559,000) as of 31 December 2013. A forward transaction expired in 2013 and the associated stock portfolio was sold. As a result of the sale, the related share of the unrealised gains frozen at the time of designation, namely EUR 12,308,000, was derecognised in the financial result. The outstanding forward sale expires in 2014. The fair value of the outstanding forward transaction was negative, namely EUR -13,693,000, as of 31 December 2013 (EUR -21,929,000).

Vienna Insurance Group also entered into an interest rate swap with a fixed interest rate until 2017 for a floating rate supplementary capital bond that was issued in 2005 with a nominal value of EUR 120,000,000. The offsetting payments from the interest rate swap occur at the same time as the interest payments on the bond and are recognised as interest expenses in the financial result. The interest rate swap is accounted for as a cash flow hedge. The fair value of the swap is accordingly recognised in other reserves under other comprehensive income. The swap had a negative fair value of EUR -8,220,000 as of 31 December 2013.

As a result of an amendment to a shareholder agreement governing, among other things, the exercise of a put option on shares of an associated company between Vienna Insurance Group and a co-shareholder, it became necessary to value an option in accordance with IAS 39. The valuation resulted in an option market value of EUR 9,200,000 (2012: EUR 0) which was recognised in the financial result.

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

Composition	Unit-linked 31.12.2013	Index-linked 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000				
Investment funds	4,629,094	60,853	4,689,947	4,459,994
Bonds	0	1,915,391	1,915,391	1,909,235
Shares	0	3,591	3,591	3,742
Bank deposits	87,062	11,284	98,346	70,804
Total	**4,716,156**	**1,991,119**	**6,707,275**	**6,443,775**

The balance sheet value corresponds to fair value.

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
no maturity	4,454,058	4,232,912
up to one year	64,830	22,653
more than one year up to five years	491,809	357,057
more than five years up to ten years	1,318,331	1,489,001
more than ten years	378,247	342,152
Total	**6,707,275**	**6,443,775**

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Composition	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000					
Provision for unearned premiums	133,320	6,060	6	139,386	138,049
Mathematical reserve	16	106,483	1,962	108,461	139,956
Provision for outstanding claims	752,083	11,934	90	764,107	737,533
Provision for profit-unrelated premium refunds	11,333	0	0	11,333	13,743
Other underwriting provisions	5,075	64	0	5,139	5,083
Total	**901,827**	**124,541**	**2,058**	**1,028,426**	**1,034,364**

Development	Book value as of 1.1.	Exchange rate changes	Additions	Amount used/ released	Changes in scope of consolidation	Book value as of 31.12.
in EUR '000						
Provision for unearned premiums	138,049	-11,829	184,127	-171,043	82	139,386
Mathematical reserve	139,956	-1,015	37,761	-68,241	0	108,461
Provision for outstanding claims	737,533	-39,479	688,206	-622,158	5	764,107
Provision for profit-unrelated premium refunds	13,743	-507	5,509	-7,412	0	11,333
Other underwriting provisions	5,083	-39	2,651	-2,556	0	5,139
Total	**1,034,364**	**-52,869**	**918,254**	**-871,410**	**87**	**1,028,426**

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	426,023	380,232
more than one year up to five years	279,419	264,029
more than five years up to ten years	124,796	142,317
more than ten years	198,188	247,786
Total	**1,028,426**	**1,034,364**

9. RECEIVABLES

Composition	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012 restated
in EUR '000					
Underwriting	**702,906**	**91,025**	**18,803**	**812,734**	**879,346**
Receivables from direct insurance business	584,290	85,457	18,803	688,550	789,995
from policyholders	415,105	75,274	17,810	508,189	574,154
from insurance intermediaries	125,328	8,975	0	134,303	154,990
from insurance companies	43,857	1,208	993	46,058	60,851
Receivables from reinsurance business	118,616	5,568	0	124,184	89,351
Non-underwriting	**298,262**	**430,921**	**18,782**	**747,965**	**738,307**
Other receivables	298,262	430,921	18,782	747,965	738,307
Total	**1,001,168**	**521,946**	**37,585**	**1,560,699**	**1,617,653**

Composition Other receivables	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000					
Receivables from financial services and leasing	172	4,315	0	4,487	4,224
Pro rata interest and rent	66,643	350,608	17,837	435,088	451,649
Receivables from tax authority (excl. income tax)	18,074	26,596	35	44,705	31,485
Receivables from employees	2,939	1,048	19	4,006	3,475
Receivables from sales of investments	76,957	7,274	1	84,232	26,258
Receivables from facility managers	11,661	435	54	12,150	11,713
Receivables from third party claims settlement	18,614	90	0	18,704	53,812
Outstanding interest and rent	6,110	11,926	83	18,119	17,398
Receivables from green card deposits	4,605	0	0	4,605	2,034
Receivables from surety	21,136	577	0	21,713	20,027
Receivables from prepayments	9,080	3,135	361	12,576	8,881
receivables from public funding	165	0	0	165	2,411
receivables from funding of housing projects	551	0	0	551	5,418
receivables from fees of every kind	658	0	0	658	708
Receivables arising from social contributions	186	34	0	220	93
Other receivables	60,711	24,883	392	85,986	98,721
Total	**298,262**	**430,921**	**18,782**	**747,965**	**738,307**

Other receivables primarily relate to receivables of EUR 41,860,000 from intercompany charges (EUR 25,627,000), and receivables of EUR 2,990,000 from advance payments (EUR 2,610,000). Another EUR 22,800,000 concerned purchase price security for company acquisitions.

Maturity structure	Premium receivables 31.12.2013	Non-underwriting 31.12.2013	Total 31.12.2013	Total 31.12.2012 restated
in EUR '000				
up to one year	282,499	713,953	996,452	991,860
more than one year up to five years	33,776	13,072	46,848	48,110
more than five years up to ten years	0	85	85	3,733
more than ten years	0	20,855	20,855	22,626
Total	**316,275**	**747,965**	**1,064,240**	**1,066,329**
Receivables not yet due			240,400	298,516
Receivables from reinsurance business			124,184	89,351
Other underwriting receivables			131,875	163,457
Total			**1,560,699**	**1,617,653**

10. TAX RECEIVABLES AND ADVANCE PAYMENTS OUT OF INCOME TAX

Composition	31.12.2013	31.12.2012
in EUR '000		
Property/Casualty insurance	65,747	60,044
Life insurance	16,467	20,528
Health insurance	39	0
Total	**82,253**	**80,572**

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	26,002	60,057
more than one year	56,251	20,515
Total	**82,253**	**80,572**

11. DEFERRED TAXES

The deferred tax assets and liabilities reported relate to temporary differences in the balance sheet items listed in the table below. (The differences were measured using the applicable tax rates.) It should be noted that deferred taxes, as far as permissible, are offset at the taxpayer level, and accordingly the different balances are shown either as assets or liabilities on the balance sheet. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the deferred tax assets can be used. Deferred tax assets are examined each balance sheet date and reduced to the extent that it is no longer probable that the associated tax benefits will be realised.

Composition	Assets 31.12.2013	Liabilities 31.12.2013	Active restated 31.12.2012	Liabilities 31.12.2012
in EUR '000				
Intangible assets	10,055	2,290	11,707	3,654
Investments	143,198	266,763	190,152	319,732
Receivables and other assets	21,157	25,239	83,678	12,074
Accumulated losses carried forward	69,377	0	44,362	0
Tax-exempt reserves	0	41,848	0	39,769
Underwriting provisions	80,551	107,785	75,466	122,590
Non-underwriting provisions	69,534	1,429	48,415	701
Liabilities and other liabilities	9,031	7,193	11,721	9,910
Sum before valuation allowance	**402,903**	**452,547**	**465,501**	**508,430**
Valuation allowance for DTA	-25,971	0	-33,344	0
Sum after valuation allowance	**376,932**	**452,547**	**432,157**	**508,430**
Netting	-285,109	-285,109	-281,796	-281,796
Net balance	**91,823**	**167,438**	**150,361**	**226,634**

Maturity structure	Assets 31.12.2013	Liabilities 31.12.2013	Active restated 31.12.2012	Liabilities 31.12.2012
in EUR '000				
up to one year	3,894	2,182	8,534	10,070
more than one year	87,929	165,256	141,827	216,564
Total	**91,823**	**167,438**	**150,361**	**226,634**

Deferred tax assets from seven-year amortisation of participations to going concern value were recognised in the amount EUR 40,094,000 (EUR 48,304,000) and the amount of EUR 1,922,000 (EUR 19,000) was not recognised. Deferred tax liabilities and deferred tax assets of consolidated taxable entities in the tax group collected by the same tax authority were netted, resulting in a deferred tax liability of EUR 599,000 (EUR 18,441,000). EUR 51,106,000 (EUR 33,344,000) in deferred taxes on loss carry-forwards was not recognised. The unrecognised losses related primarily to the following countries:

Deferred tax assets on tax loss carry-forwards not recognised	2013	2013 Expiration		2012	2012 Expiration	
	2013	2014	2015 ff	2012	2013	2014 ff
in EUR '000						
Netherlands	19,263	0	19,263	24,059	0	24,059
Romania	16,852	0	16,852	2,948	0	2,948
Austria	8,355	0	8,355	3,217	0	3,217
Serbia	1,688	0	1,688	0	0	0
Bulgaria	1,401	0	1,401	0	0	0
Turkey	1,239	1,239	0	0	0	0
Poland	442	442	0	1,807	0	1,807
Others	1,866	0	1,866	1,313	0	1,313
Total	**51,106**	**1,681**	**49,425**	**33,344**	**0**	**33,344**

Taxes reported in revaluation reserve (OCI)	2013 Before taxes	2013 Tax income (expense)	2013 After taxes	2012 Before taxes	2012 Tax income (expense)	2012 After taxes
in EUR '000						
IAS 19 reserve	-130,750	22,732	-108,018	-77,421	13,583	-63,838
Financial assets available for sale	1,158,893	-98,873	1,060,020	1,431,078	-127,583	1,303,495
Cash flow hedge reserve	-8,220	2,055	-6,165	0	0	0
Total	**1,019,923**	**-74,086**	**945,837**	**1,353,657**	**-114,000**	**1,239,657**

12. OTHER ASSETS

Composition	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000					
Tangible assets and inventories	63,006	25,546	368	88,920	86,972
Prepayments for projects	3,978	0	0	3,978	3,309
Other assets	33,313	84,626	0	117,939	149,987
Deferred charges	51,907	71,854	511	124,272	98,786
Total	**152,204**	**182,026**	**879**	**335,109**	**339,054**

Composition of tangible assets and inventories	Total 31.12.2013	Total 31.12.2012
in EUR '000		
Office equipment	26,212	18,808
IT hardware/telecommunication	17,067	18,821
Technical equipment and machinery	4,390	4,444
Vehicle fleet	12,273	13,096
Other	25,142	25,620
Inventory	3,836	6,183
Tangible assets and inventories	**88,920**	**86,972**

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	138,707	111,438
more than one year up to five years	88,931	66,885
more than five years up to ten years	84,990	48,490
more than ten years	22,481	112,241
Total	**335,109**	**339,054**

Development of tangible assets and inventories	31.12.2013	31.12.2012
in EUR '000		
Acquisition costs	274,084	277,028
Cumulative depreciation as of 31.12. of previous years	-187,112	-192,705
Book value as of 31.12. of the previous year	**86,972**	**84,323**
Exchange rate changes	-2,646	602
Book value as of 1.1.	**84,326**	**84,925**
Reclassifications	407	-66
Additions	31,828	42,375
Disposals	-14,648	-14,105
Changes in scope of consolidation	6,941	-3,278
Scheduled depreciation	-19,934	-22,879
Book value as of 31.12.	**88,920**	**86,972**
Cumulative depreciation as of 31.12.	196,280	187,112
Acquisition costs	**285,200**	**274,084**

13. CASH AND CASH EQUIVALENTS

Composition	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000					
Current bank balances	555,424	141,458	7,563	704,445	771,302
Cash and cheques	379	201	0	580	936
Total	**555,803**	**141,659**	**7,563**	**705,025**	**772,238**

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

14. CONSOLIDATED SHAREHOLDERS' EQUITY

The share capital and other capital reserves items include contributions to share capital made by Vienna Insurance Group shareholders. Other investments report the share of contributions paid that is in excess of the share capital. In addition, the hybrid capital item separately reports the amounts received from the corporate bond issued in 2008. The capital reserves are reduced by external costs directly related to corporate actions affecting equity after taking tax effects into account.

Retained earnings are the earnings that Group companies have earned since joining Vienna Insurance Group. These are reduced by the dividends distributed by the Group parent company. Amounts resulting from changes in the scope of consolidation are also recognised. If changes are made to accounting policies, the adjustments for earlier periods that are not included in the financial statements are recognised in the opening balance sheet carrying amount of retained earnings for the earliest period presented.

Other reserves consist of unrealised gains and losses from the fair value measurement of available for sale securities, and actuarial gains and losses that are directly recognised in other comprehensive income in accordance with IAS 19. Unrealised gains and losses from the equity measurement of associated companies, and translation differences resulting from currency translation for foreign subsidiaries are also reported in other reserves. In addition, measurement gains or losses from cash flow hedges are also recognised.

Non-controlling interests are also shown as part of shareholders' equity. These consist of shares held by third parties in the equity of consolidated subsidiaries that are not directly or indirectly wholly owned by Vienna Insurance Group.

Hybrid bonds

Issue date	Outstanding volume (EUR '000)	Maturity in years	Interest in %	Fair value (EUR '000)
12.6.2008	250,000	unlimited	until 12.09.2018 8% p.a., afterwards variable	282,625

The hybrid bond satisfies the shareholders' equity criteria in IAS 32 16C and 16D.
Hybrid capital was lower than in the previous year due to repurchase of the 2009 issues.

Composition of non-controlling interests	31.12.2013	31.12.2012 restated
in EUR '000		
Unrealised gains and losses	-4,239	1,400
Share in the profit of the period including other comprehensive income after taxes	17,189	27,561
Other	157,495	315,049
Total	**170,445**	**344,010**

Earnings per share

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

Earnings per share		2013		2012 restated
Profit of the period	EUR '000	256,382	EUR '000	444,893
Profit for the period less non-controlling interests	EUR '000	234,798	EUR '000	425,516
Interest expenses for hybrid capital	EUR '000	33,918	EUR '000	40,000
Number of shares at closing date	units	128,000,000	units	128,000,000
Earnings per share*	EUR	**1.57**	EUR	**3.01**

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

Since there were no potential dilution effects either in 2012 or in the current reporting period, the undiluted earnings per share equal the diluted earnings per share.

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

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

As is customary in the industry, the Group monitors its capital based on solvency, calculated as the ratio of Group capital to the capital requirement. The calculation of adjusted capital is performed in accordance with Section 86h(5) VAG based on the consolidated financial statements. Group capital is determined in accordance with the provisions of Section 73b VAG and consists primarily of consolidated shareholders' equity less intangible assets. The Group capital requirement is determined in accordance with the provisions of Section 73b (1) Annex D VAG.

Consolidated shareholders' equity

The Company has EUR 132,887,468.20 in share capital that is divided into 128,000,000 no-par value bearer shares with voting rights, with each share participating equally in the share capital. As there were no new issues in 2013, the number of shares remained unchanged.

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

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

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

The Company held no treasury shares as of 31 December 2013.

Income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 1) were issued on 12 June 2008 and income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 2) were issued on 23 April 2009 based on the authorisation granted by the General Meeting of 16 April 2008. The Company repurchased Tranche 2 in August 2013. The income bonds are traded on the Vienna Stock Exchange. The interest rate is 8% p.a. until 12 September 2018 (fixed interest rate), after which the income bonds pay variable interest. The Company has the right to call the bonds each quarter after the start of the variable interest period.

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

On 12 January 2005, the Company also issued supplementary capital bond 2005, with a total nominal value of EUR 120,000,000.00 in accordance with Section 73c(2) VAG. This bond does not have a fixed term. The bond paid interest at 4.25% p.a. on its nominal value during the first year of its term, after which the bond pays variable interest. Interest was paid at 2% p.a. on the bond's nominal value during the period from 12 January 2013 to 11 January 2014.

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

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

Payout	Per share 2013	Total 2013
in EUR		
Ordinary shares	1.20	153,600,000

Proposed appropriation of profits

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ended financial year 2013 with net retained profits of EUR 267,801,744.20. The following appropriation of profits will be proposed during the Annual General Meeting: the 128 million shares shall receive a dividend of EUR 1.30 per share. The payment and ex-dividend dates for this dividend will be 16 June 2014 and 11 June 2014, respectively. A total of EUR 166,400,000.00 will therefore be distributed. The net retained profits of EUR 101,401,744.20 remaining for financial year 2013 after distribution of the dividend is to be carried forward.

Adjusted capital

The adjusted capital to be disclosed under Section 86h(5) VAG was equal to EUR 4,071,420,000 (EUR 4,620,522,000) as of 31 December 2013, without deduction of equalisation provisions, and EUR 3,850,078,000 (EUR 4,340,903,000) when reduced by the equalisation provisions. The adjusted capital calculation was performed before taking minority interests into account. Vienna Insurance Group satisfies the solvency requirements in Section 86e VAG.

15. SUBORDINATED LIABILITIES

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

Issuing company	Issue date	Outstanding volume (EUR '000)	Maturity in years	Interest in %	Fair value (EUR '000)
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	12.1.2005	171,000	17	First 12 years: 4,625% p.a.; thereafter variable	174,591
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	12.1.2005	120,000	unlimited[1]	First year: 4.25% p.a.; thereafter variable	106,800
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	9.10.2013	500,000	30[2]	Erste 10 Jahre: 5.5% p.a.; thereafter variable	524,050
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	20.4.2009	100,000	unlimited[3]	12M EURIBOR + 300 Basis points	100,000
DONAU Versicherung AG Vienna Insurance Group	15.4.+21.5.2004	10,500	unlimited[4]	4.95% p.a.	10,500
DONAU Versicherung AG Vienna Insurance Group	1.7.1999	3,500	unlimited[5]	4.95% p.a.	3,500
Sparkassen Versicherung AG Vienna Insurance Group	1.3.1999	16,490	unlimited[6]	4.90% p.a.	16,490
Sparkassen Versicherung AG Vienna Insurance Group	2.7.2001	20,500	unlimited[6]	6.10% p.a.	20,500
Sparkassen Versicherung AG Vienna Insurance Group	15.11.2003	26,500	unlimited[6]	4.95% p.a.	26,500
Sparkassen Versicherung AG Vienna Insurance Group	30.6.2006	41,400	unlimited[6]	4.75% p.a.	41,400
Kooperativa pojst'ovna, a.s., Vienna Insurance Group	22.12.2010	20,054	unlimited[7]	5.05% p.a.	20,053
Total		**1,029,944**			**1,044,384**

[1] The right to ordinary and extraordinary termination by the holder is excluded. Ordinary termination by the issuer is first allowed effective 12 January 2017.
[2] The right to ordinary and extraordinary cancellation by the holder is excluded. Ordinary cancellation by the issuer is first allowed effective 9 October 2023.
[3] This may be terminated, in whole or in part, by the holders and by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe with five years' notice effective on or after 31 December 2027.
[4] This may be terminated, in whole or in part, by the holders and by DONAU with five years' notice effective 31 December 2009 or 31 December of any subsequent year. EUR 1,000,000 has already been terminated effective 31 December 2014.
[5] This may be terminated, in whole or in part, by the holders and by DONAU with five years' notice effective 1 July 2009 or 1 July of any subsequent year. EUR 1,000,000 has already been terminated effective 1 July 2015 and EUR 1,000,000 effective 1 July 2017.
[6] This can only be terminated with at least 5 years' notice, unless Austrian insurance regulators agree to repayment being made early.
[7] This can only be terminated with at least 5 years' notice.

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

16. PROVISION FOR UNEARNED PREMIUMS

Composition	31.12.2013	31.12.2012 restated
in EUR '000		
Property/Casualty insurance	1,043,384	1,100,673
Life insurance	120,474	125,537
Health insurance	18,226	22,770
Total	**1,182,084**	**1,248,980**

Development	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012 restated
in EUR '000					
Book value as of 31.12. of the previous year	**1,100,673**	**125,537**	**22,770**	**1,248,980**	**1,232,400**
Exchange rate changes	-40,028	-1,145	-1,505	-42,678	29,984
Book value as of 1.1.	**1,060,645**	**124,392**	**21,265**	**1,206,302**	**1,262,384**
Additions	988,587	102,108	19,504	1,110,199	967,714
Amount used/released	-1,010,026	-106,514	-22,543	-1,139,083	-988,051
Changes in scope of consolidation	4,178	488	0	4,666	6,933
Book value as of 31.12.	**1,043,384**	**120,474**	**18,226**	**1,182,084**	**1,248,980**

Maturity structure	31.12.2013	31.12.2012 restated
in EUR '000		
up to one year	1,058,302	1,118,494
more than one year up to five years	106,688	113,523
more than five years up to ten years	17,094	16,963
Total	**1,182,084**	**1,248,980**

17. ACTUARIAL RESERVE

Composition	31.12.2013	31.12.2012
in EUR '000		
Property/Casualty insurance	139	155
Life insurance	18,307,220	18,052,635
for guaranteed policy benefits	17,300,269	16,855,191
for allocated and committed profit shares	1,006,951	1,197,444
Health insurance	1,019,795	961,367
Total	**19,327,154**	**19,014,157**

Development	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000					
Book value as of 31.12. of the previous year	**155**	**18,052,635**	**961,367**	**19,014,157**	**18,339,607**
Exchange rate changes	-12	-158,806	-95	-158,913	61,723
Book value as of 1.1.	**143**	**17,893,829**	**961,272**	**18,855,244**	**18,401,330**
Additions	14	1,864,474	60,388	1,924,876	1,898,714
Amount used/released	-18	-1,520,711	-1,865	-1,522,594	-1,347,967
Transfer of provision for unearned premiums	0	65,591	0	65,591	61,843
Changes in scope of consolidation	0	4,037	0	4,037	237
Book value as of 31.12.	**139**	**18,307,220**	**1,019,795**	**19,327,154**	**19,014,157**

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	2,542,479	2,043,118
more than one year up to five years	5,550,958	5,830,620
more than five years up to ten years	2,923,098	3,143,951
more than ten years	8,310,619	7,996,468
Total	**19,327,154**	**19,014,157**

Life insurance mathematical reserve	31.12.2013	31.12.2012
in EUR '000		
Direct business	18,215,182	17,954,426
Policy benefits	17,208,231	16,756,982
Allocated profit share	989,995	1,181,454
Committed profit shares	16,956	15,990
Indirect business	92,038	98,209
Policy benefits	92,038	98,209
Total	**18,307,220**	**18,052,635**

Health insurance mathematical reserve	31.12.2013	31.12.2012
in EUR '000		
Direct business	1,019,795	961,367
Individual insurance	771,198	739,007
Group insurance	248,597	222,360
Indirect business	0	0
Total	**1,019,795**	**961,367**

18. PROVISION FOR OUTSTANDING CLAIMS

Composition	31.12.2013	31.12.2012
in EUR '000		
Property/Casualty insurance	3,894,771	3,760,570
Life insurance	310,253	274,536
Health insurance	47,843	47,318
Total	**4,252,867**	**4,082,424**

Development Property/Casualty insurance	31.12.2013	31.12.2012
in EUR '000		
Book value as of 31.12. of the previous year	**3,760,570**	**3,652,368**
Exchange rate changes	-89,458	52,691
Book value as of 1.1.	**3,671,112**	**3,705,059**
Changes in scope of consolidation	6,383	13,474
Allocation of provisions for outstanding claims	2,534,319	2,178,035
for claims paid occurred in the reporting period	2,478,130	2,142,468
for claims paid occurred in previous periods	56,189	35,567
Usage/release of provision	-2,317,043	-2,136,582
for claims paid occurred in the reporting period	-795,758	-781,700
for claims paid occurred in previous periods	-1,521,285	-1,354,882
Other changes	0	584
Book value as of 31.12.	**3,894,771**	**3,760,570**

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	1,749,696	1,585,217
more than one year up to five years	1,188,439	1,082,456
more than five years up to ten years	389,215	416,617
more than ten years	925,517	998,134
Total	**4,252,867**	**4,082,424**

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

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

Composition	31.12.2013	31.12.2012 restated
in EUR '000		
Property/Casualty insurance	35,392	46,665
thereof profit-related	*197*	*197*
thereof profit-unrelated	*35,195*	*46,468*
Life insurance	1,097,264	1,274,583
thereof profit-related	*1,095,045*	*1,273,016*
thereof profit-unrelated	*2,219*	*1,567*
Health insurance	15,120	15,150
thereof profit-unrelated	*15,120*	*15,150*
Total	**1,147,776**	**1,336,398**
thereof life insurance deferred profit participation	**849,785**	**1,034,855**
Recognised through profit and loss	*142,127*	*128,860*
Recognised directly in equity	*707,658*	*905,995*

Development of life insurance	31.12.2013	31.12.2012 restated
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	**239,728**	**236,256**
Book value as of 1.1.	**239,728**	**236,256**
Addition/release	73,267	65,315
Changes in scope of consolidation	75	0
Transfer to mathematical reserve	-65,591	-61,843
Total	**247,479**	**239,728**
Deferred profit participation		
Book value as of 31.12. of the previous year	**1,034,855**	**161,782**
Book value as of 1.1.	**1,034,855**	**161,782**
Unrealised gains and losses on financial instruments available for sale	-183,840	880,890
IAS 19 reserve	-14,497	-23,090
Revaluations recognised through profit and loss	13,267	15,273
Book value as of 31.12.	**849,785**	**1,034,855**
Provision for premium refunds incl. deferred profit participation	**1,097,264**	**1,274,583**

Development health insurance	31.12.2013	31.12.2012
in EUR '000		
Provision for premium refunds		
Book value as of 31.12. of the previous year	**15,150**	**15,080**
Book value as of 1.1.	**15,150**	**15,080**
Addition/release	-30	70
Total	**15,120**	**15,150**

Maturity structure for profit-related premium refunds	31.12.2013	31.12.2012 restated
in EUR '000		
up to one year	467,896	411,426
more than one year up to five years	316,066	464,886
more than five years up to ten years	144,102	152,839
more than ten years	167,178	244,062
Total	**1,095,242**	**1,273,213**

Maturity structure for profit-unrelated premium refunds	31.12.2013	31.12.2012
in EUR '000		
up to one year	52,503	63,154
more than one year up to five years	31	31
Total	**52,534**	**63,185**

20. OTHER UNDERWRITING PROVISIONS

Composition	31.12.2013	31.12.2012
in EUR '000		
Property/Casualty insurance	66,626	90,863
Life insurance	3,556	3,018
Health insurance	401	506
Total	**70,583**	**94,387**

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

Development	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000					
Book value as of 31.12. of the previous year	**90,863**	**3,018**	**506**	**94,387**	**26,510**
Exchange rate changes	-4,868	-19	0	-4,887	215
Book value as of 1.1.	**85,995**	**2,999**	**506**	**89,500**	**26,725**
Reclassifications	0	0	0	0	75,671
Additions	6,606	3,193	124	9,923	10,625
Amount used/released	-25,974	-2,636	-229	-28,839	-18,633
Changes in scope of consolidation	-1	0	0	-1	-1
Book value as of 31.12.	**66,626**	**3,556**	**401**	**70,583**	**94,387**

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	22,045	28,853
more than one year up to five years	49	96
more than five years up to ten years	16,262	135
more than ten years	32,227	65,303
Total	**70,583**	**94,387**

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

Composition	31.12.2013	31.12.2012
in EUR '000		
Unit-linked life insurance	4,554,050	4,272,486
Index-linked life insurance	1,935,316	1,972,937
Total	**6,489,366**	**6,245,423**

Development	31.12.2013	31.12.2012
in EUR '000		
Book value as of 31.12. of the previous year	**6,245,423**	**5,329,381**
Exchange rate changes	-39,174	27,130
Book value as of 1.1.	**6,206,249**	**5,356,511**
Additions	744,976	1,670,131
Amount used/released	-461,859	-781,219
Book value as of 31.12.	**6,489,366**	**6,245,423**

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	261,459	80,398
more than one year up to five years	756,021	590,588
more than five years up to ten years	1,842,350	2,090,148
more than ten years	3,629,536	3,484,289
Total	**6,489,366**	**6,245,423**

22. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Composition	31.12.2013	31.12.2012 restated
in EUR '000		
Provision for pension obligations	292,760	251,512
Provision for severance obligations	78,628	73,444
Total	**371,388**	**324,956**

Pension obligations

Development of DBO	31.12.2013	31.12.2012
in EUR '000		
Present value of obligation (DBO) as of 1.1.	**632,100**	**556,772**
Current service costs	9,747	7,950
Past service costs	81	0
Interest expense	21,355	22,826
Remeasurement	**46,890**	**81,660**
Actuarial gain/loss demographic	13	0
Actuarial gain/loss financial	43,043	77,729
Experience adjustment	3,834	3,931
F/X differences	-8	0
Benefits paid	-31,981	-32,282
Change in scope of consolidation	-6,050	-4,826
Present value of the obligation (DBO) as of 31.12.	**672,134**	**632,100**
thereof DBO employees	*193,505*	*181,980*
thereof DBO retirees	*478,629*	*450,120*

Development of plan assets of pension obligations	31.12.2013	31.12.2012
in EUR '000		
Plan assets as of 1.1.	**380,588**	**338,711**
Interest income	13,111	14,212
Remeasurement	**-2,160**	**-2,838**
Net return on assets	-2,160	-2,838
Contributions	13,341	56,778
Benefits paid	-25,506	-24,002
Change in scope of consolidation	0	-2,273
Plan assets as of 31.12.	**379,374**	**380,588**

Development of provisions of pension obligations	31.12.2013	31.12.2012
in EUR '000		
Book value as of 1.1.	**251,512**	**218,061**
Current service costs	9,747	7,950
Past service costs	81	0
Interest expense	8,244	8,614
Remeasurement	**49,050**	**84,498**
Net return on assets	2,160	2,838
Actuarial gain/loss demographic	13	0
Actuarial gain/loss financial	43,043	77,729
Experience adjustment	3,834	3,931
F/X differences	-8	0
Contributions	-13,341	-56,778
Benefits paid	-6,475	-8,280
Change in scope of consolidation	-6,050	-2,553
Book value as of 31.12.	**292,760**	**251,512**

The plan assets consist of the following:

Structure of investments in the actuarial reserve for occupational group insurance	in %
Wiener Städtische Versicherung & Vienna Insurance Group	
Fixed-interest securities	92.27%
Loan	5.51%
Bank deposits	2.22%
Total	**100.00%**
Donau Versicherung	
Fixed-interest securities	100.00%
Total	**100.00%**

The asset allocation of the actuarial reserve for occupational group insurance is structured according to the maturity of the liabilities.

Pension contributions are expected to be EUR 13,219,000 in financial year 2014 (EUR 14,812,000).

Severance obligations

Development of DBO	31.12.2013	31.12.2012
in EUR '000		
Present value of obligation (DBO) as of 1.1.	**144,737**	**138,947**
Current service costs	7,155	6,978
Past service costs	-244	0
Interest expense	4,814	5,964
Remeasurement	**7,032**	**10,091**
Actuarial gain/loss demographic	9	0
Actuarial gain/loss financial	-866	-702
Experience adjustment	7,889	10,793
F/X differences	-125	0
Payment on settlement	-896	0
Benefits paid	-10,250	-10,463
Change in scope of consolidation	-2,800	-6,780
Present value of the obligation (DBO) as of 31.12.	**149,423**	**144,737**

Development of plan assets of severance obligations	31.12.2013	31.12.2012
in EUR '000		
Plan assets as of 1.1.	**71,293**	**66,644**
Interest income	2,399	3,332
Remeasurement	**3,280**	**4,861**
Net return on assets	3,280	4,861
Contributions	2,719	3,728
Payment on settlement	-681	0
Benefits paid	-8,215	-7,272
Plan assets as of 31.12.	**70,795**	**71,293**

Development of provisions of severance obligations	31.12.2013	31.12.2012
in EUR '000		
Book value as of 1.1.	**73,444**	**72,303**
Current service costs	7,155	6,978
Past service costs	-244	0
Interest expense	2,415	2,632
Remeasurement	**3,752**	**5,230**
Net return on assets	-3,280	-4,861
Actuarial gain/loss demographic	9	0
Actuarial gain/loss financial	-866	-702
Experience adjustment	7,889	10,793
F/X differences	-125	0
Contributions	-2,719	-3,728
Payment on settlement	-215	0
Benefits paid	-2,035	-3,191
Change in scope of consolidation	-2,800	-6,780
Book value as of 31.12.	**78,628**	**73,444**

The plan assets consist of the following:

Structure of investments for outsourced severance payments	in %
Alpenländische Heimstätte	
Fixed-interest securities	39.22%
Shares, supplementary capital, profit participation rights, participation capital	4.94%
Investment funds	31.86%
Affiliated companies and participations	6.67%
Loan	14.68%
Land and buildings	2.27%
Bank deposits	0.36%
Total	**100.00%**

Part of the severance pay obligation of Wiener Städtische and Vienna Insurance Group Holding was outsourced to an insurance company.

The asset allocation of the actuarial reserve for occupational group insurance is structured according to the maturity of the liabilities.

Severance pay contributions are expected to be EUR 2,297,000 in financial year 2014 (EUR 3,076,000).

Pension sensitivity analysis	Variation	DBO	Change
	%	in EUR '000	%
Base parameters		**672,134**	
Interest rate	+0.5	627,100	-6.7
	-0.5	722,814	7.5
Future salary increases	+0.5	679,948	1.2
	-0.5	664,750	-1.1
Future pension increases	+0.5	713,914	6.2
	-0.5	633,924	-5.7
Employee turnover	+2.5	649,473	-3.4
	-2.5	678,986	1.0
Mortality	+5.0	661,813	-1.5
	-5.0	683,080	1.6

Severance payment sensitivity analysis	Variation	DBO	Change
	%	in EUR '000	%
Base parameters		**149,423**	
Discount rate	+0.5	142,455	-4.7
	-0.5	156,981	5.1
Future salary increases	+0.5	156,896	5.0
	-0.5	142,408	-4.7
Employee turnover	+2.5	135,280	-9.5
	-2.5	157,144	5.2
Mortality	+5.0	149,310	-0.1
	-5.0	149,537	0.1

METHOD FOR PERFORMING SENSITIVITY ANALYSIS

Parameter variations were calculated. Mortality was increased or decreased proportionally.

Pension cash flow	Expected payments
Year(s)	in EUR '000
1	32,071
2	32,727
3	32,706
4	32,624
5	32,632
6-10	166,520
11-15	168,488
16-20	161,117
21-30	271,314
31-40	183,785
41+	147,856

Severance payment cash flow	Expected payments
Year(s)	in EUR '000
1	8,855
2	7,995
3	12,271
4	15,627
5	10,996
6-10	56,291
11-15	47,150
16-20	37,902
21-30	27,072
31-40	7,539
41+	620

23. OTHER PROVISIONS

Composition	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012
in EUR '000					
Provision for anniversary benefits	9,763	6,520	2,850	19,133	17,624
Other personnel provisions	4,851	1,820	0	6,671	7,168
Provision for customer support and marketing	34,928	1,841	0	36,769	32,954
Provision for litigation	2,845	4,155	0	7,000	5,432
Provision for renewal commissions	0	719	0	719	507
Other provisions	146,778	11,667	0	158,445	119,727
Total	**199,165**	**26,722**	**2,850**	**228,737**	**183,412**

Development	Book value as of 1.1.	Changes in scope of consolidation	Exchange rate changes	Amount used	Release	Additions	Book value as of 31.12.
in EUR '000							
Provision for anniversary benefits	17,624	-395	-121	-2,616	-1,611	6,252	19,133
Other personnel provisions	7,168	0	-427	-3,896	-479	4,305	6,671
Provision for customer support and marketing	32,954	0	-34	-6,435	-793	11,077	36,769
Provision for litigation	5,432	-307	-112	-439	-801	3,227	7,000
Provision for renewal commissions	507	0	-7	-343	-1	563	719
Other provisions	119,727	-1,288	-403	-16,608	-16,017	73,034	158,445
Total	**183,412**	**-1,990**	**-1,104**	**-30,337**	**-19,702**	**98,458**	**228,737**

Other provisions consist primarily of provisions for government obligations of EUR 24,930,000 (EUR 26,772,000), provisions for IT expenses of EUR 46,656,000 (EUR 28,488,000), provisions for advertising and sponsoring of EUR 3,189,000 (EUR 2,943,000) and a risk provision related to Donau Versicherung's Italian business of EUR 28,000,000 (EUR 2,000,000).

Maturity structure	31.12.2013	31.12.2012
in EUR '000		
up to one year	177,149	126,357
more than one year up to five years	27,370	33,655
more than five years up to ten years	5,103	8,008
more than ten years	19,115	15,392
Total	**228,737**	**183,412**

24. LIABILITIES

Composition	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012 restated
in EUR '000					
Underwriting	**528,923**	**280,917**	**5,047**	**814,887**	**841,222**
Liabilities from direct business	382,486	160,721	2,995	546,202	571,263
to policyholders	254,640	112,554	2,592	369,786	381,785
to insurance intermediaries	100,698	45,637	0	146,335	168,694
to insurance companies	27,148	1,385	403	28,936	19,695
arising from financial insurance policies	0	1,145	0	1,145	1,089
Liabilities from reinsurance business	137,561	15,542	0	153,103	131,371
Deposits from ceded reinsurance business	8,876	104,654	2,052	115,582	138,588
Non-underwriting	**1,393,692**	**217,735**	**5,851**	**1,617,278**	**2,187,622**
Liabilities to financial institutions	658,591	97,940	25	756,556	1,010,757
Other liabilities	735,101	119,795	5,826	860,722	1,176,865
Total	**1,922,615**	**498,652**	**10,898**	**2,432,165**	**3,028,844**

Composition Other liabilities	Property/ Casualty 31.12.2013	Life 31.12.2013	Health 31.12.2013	Total 31.12.2013	Total 31.12.2012 restated
in EUR '000					
Tax liabilities (excl. income taxes)	53,658	9,555	609	63,822	60,149
Liabilities for social security	11,372	2,382	0	13,754	14,345
Liabilities to facility managers	2,604	1,431	227	4,262	4,252
Liabilities to employees	11,517	5,084	1,013	17,614	23,365
Bond liabilities	0	1,575	0	1,575	1,591
Liability for unused vacation entitlements	15,649	5,737	0	21,386	22,029
Liability for variable salary components	15,730	10,232	222	26,184	22,909
Liability for legal and consulting fees	2,198	452	0	2,650	3,021
Liability for unpaid incoming invoices	79,500	10,711	261	90,472	85,734
Liabilities for derivatives	22,138	134	0	22,272	23,655
Leasing liabilities	47	28	0	75	230
Liabilities from sureties	8,868	918	0	9,786	14,652
Liabilities from fees	13,716	317	0	14,033	15,401
Liabilities from construction projects	3,893	94	87	4,074	18,285
Liabilities from funding of housing projects	420,207	32,299	0	452,506	715,475
Liabilities from public funding	32,571	164	0	32,735	70,238
Liabilities from property transactions	2,294	939	0	3,233	5,208
Liabilities from purchase of capital investments	729	2,749	0	3,478	3,738
Other liabilities	38,410	34,994	3,407	76,811	72,588
Total	**735,101**	**119,795**	**5,826**	**860,722**	**1,176,865**

For information on the change in liabilities to financial institutions and other liabilities (financing liabilities) versus the previous year, please see the section entitled "Non-profit housing societies" on page 129.

Maturity structure	**Underwriting** **31.12.2013**	**Non-underwriting** **31.12.2013**	**Total** **31.12.2013**	**Total** **31.12.2012 restated**
in EUR '000				
up to one year	805,894	519,983	1,325,877	1,226,208
more than one year up to five years	6,700	260,889	267,589	319,222
more than five years up to ten years	2,293	88,811	91,104	286,944
more than ten years	0	747,595	747,595	1,196,470
Total	**814,887**	**1,617,278**	**2,432,165**	**3,028,844**

25. TAX LIABILITIES OUT OF INCOME TAX

Composition	**31.12.2013**	**31.12.2012 restated**
in EUR '000		
Property/Casualty insurance	39,570	68,555
Life insurance	23,223	23,352
Total	**62,793**	**91,907**

Maturity structure	**31.12.2013**	**31.12.2012 restated**
in EUR '000		
up to one year	35,600	50,934
more than one year up to five years	27,193	40,973
Total	**62,793**	**91,907**

26. OTHER LIABILITIES

Composition	**Property/ Casualty** **31.12.2013**	**Life** **31.12.2013**	**Health** **31.12.2013**	**Total** **31.12.2013**	**Total** **31.12.2012**
in EUR '000					
Deferred income	46,169	140,156	173	186,498	199,024
Other liabilities	6,165	937	901	8,003	8,135
Total	**52,334**	**141,093**	**1,074**	**194,501**	**207,159**

27. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation

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

Litigation relating to coverage

In their capacity as insurance companies, the companies of Vienna Insurance Group are involved in a number of court proceedings as defendants or have been threatened with litigation. In addition, there are proceedings in which the companies of Vienna Insurance Group are not involved as parties, but may be affected by the outcome of such lawsuits due to agreements with other insurers concerning participation in claims. In the opinion of Vienna Insurance Group, adequate provisions proportionate to the amount in dispute have been established for all claims in accordance with the law.

Off-balance sheet claims

The following table shows off-balance sheet claims as of 31 December 2013 and 2012.

Reporting period as of 31.12.	2013	2012
in EUR '000		
Contingent receivables	11,001	14,048

The off-balance sheet claims for the individual financial years primarily related to guarantees from agencies.

Off-balance sheet commitments

The following table shows the off-balance sheet commitments as of 31 December 2013 and 2012.

Reporting period as of 31.12.	2013	2012
in EUR '000		
Liabilities and assumed liabilities	16,785	18,552
Letters of comfort	3,012	4,008
Guarantee bond	4,500	4,500

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

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

28. NET EARNED PREMIUMS

The premiums written and earned in the 2013 reporting period and the 2012 comparative period are broken down by segment as follows:

Premiums written	Property/ Casualty 2013	Life 2013	Health 2013	Total 2013
in EUR '000				
GROSS				
Direct business	4,559,189	4,187,825	397,751	9,144,765
Austria	1,867,100	1,843,941	357,361	4,068,402
Czech Republic	868,544	870,129	0	1,738,673
Slovakia	318,099	418,566	0	736,665
Poland	559,765	582,233	0	1,141,998
Romania	299,668	61,842	0	361,510
Remaining markets	594,902	411,114	40,390	1,046,406
Central Functions	51,111	0	0	51,111
Indirect business	1,233,135	72,243	74	1,305,452
Subtotal	**5,792,324**	**4,260,068**	**397,825**	**10,450,217**
Consolidation	-1,173,947	-57,696	0	-1,231,643
Premiums written	**4,618,377**	**4,202,372**	**397,825**	**9,218,574**

Net earned premiums	Property/ Casualty 2013	Life 2013	Health 2013	Total 2013
in EUR '000				
GROSS				
Direct business	4,556,508	4,190,847	400,896	9,148,251
Indirect business	82,766	15,351	74	98,191
Net earned premiums	**4,639,274**	**4,206,198**	**400,970**	**9,246,442**
REINSURERS' SHARE	-729,257	-37,571	-563	-767,391
Net earned premiums – retention	**3,910,017**	**4,168,627**	**400,407**	**8,479,051**

Premiums written	Property/ Casualty 2012	Life 2012 restated	Health 2012	Total 2012 restated
in EUR '000				
GROSS				
Direct business	4,632,694	4,564,373	391,431	9,588,498
Austria	1,891,468	1,877,840	347,470	4,116,778
Czech Republic	931,762	837,114	0	1,768,876
Slovakia	313,324	379,948	0	693,272
Poland	586,462	1,024,981	0	1,611,443
Romania	333,433	74,565	0	407,998
Remaining markets	549,739	369,925	43,961	963,625
Central Functions	26,506	0	0	26,506
Indirect business	1,224,261	146,720	78	1,371,059
Subtotal	**5,856,955**	**4,711,093**	**391,509**	**10,959,557**
Consolidation	-1,183,514	-130,017	0	-1,313,531
Premiums written	**4,673,441**	**4,581,076**	**391,509**	**9,646,026**

Net earned premiums	Property/ Casualty 2012	Life 2012 restated	Health 2012	Total 2012 restated
in EUR '000				
GROSS				
Direct business	4,609,617	4,578,433	381,735	9,569,785
Indirect business	70,615	16,898	78	87,591
Net earned premiums	**4,680,232**	**4,595,331**	**381,813**	**9,657,376**
REINSURERS' SHARE	-646,269	-38,281	-576	-685,126
Net earned premiums – retention	**4,033,963**	**4,557,050**	**381,237**	**8,972,250**

Premiums written Property/Casualty insurance	Gross 2013	Reinsurers' share 2013	Retention 2013	Gross 2012
in EUR '000				
Direct business				
Casualty insurance	357,585	-92,963	264,622	355,800
Health insurance	15,158	-1,341	13,817	8,647
Land vehicle own-damage insurance	893,129	-35,526	857,603	976,380
Rail vehicle own-damage	3,181	-2,042	1,139	3,247
Aircraft own-damage insurance	5,364	-4,175	1,189	7,061
Sea, lake and river shipping own-damage insurance	9,205	-5,410	3,795	8,874
Transport insurance	50,589	-27,738	22,851	48,718
Fire explosion, other natural risks, nuclear energy	854,529	-49,846	804,683	784,489
Other property	470,599	-90,343	380,256	465,359
Carrier insurance	5,837	-871	4,966	6,574
Aircraft liability insurance	4,669	-2,550	2,119	4,065
Sea, lake and river shipping liability insurance	3,438	-1,691	1,747	3,421
General liability insurance	438,085	-71,787	366,298	446,296
Liability insurance for land vehicles having their own drive train	1,199,278	-120,222	1,079,056	1,281,102
Credit insurance	558	-162	396	102
Guarantee insurance	25,425	-8,460	16,965	21,420
Insurance for miscellaneous financial losses	104,376	-47,537	56,839	88,134
Legal expenses insurance	51,120	-323	50,797	49,700
Assistance insurance, travel health insurance	45,349	-1,405	43,944	40,939
Subtotal	**4,537,474**	**-564,392**	**3,973,082**	**4,600,328**
Indirect business				
Marine, aviation and transport insurance	10,738	-5,405	5,333	9,053
Other insurance	51,995	-165,037	-113,042	59,810
Health insurance	18,170	0	18,170	4,250
Subtotal	**80,903**	**-170,442**	**-89,539**	**73,113**
Total Written premiums in Property and Casualty	**4,618,377**	**-734,834**	**3,883,543**	**4,673,441**

A portion of the net earned premiums of EUR 3,589,000 (EUR 3,986,000) from indirect property and casualty insurance business had been deferred one year before being recognised in the income statement. Of the EUR 564,000 (EUR 451,000) in net earned premiums from indirect life insurance business, EUR 436,000 (EUR 312,000) was deferred for one year before being shown in the income statement.

Premiums written – direct life insurance business	**2013**	**2012 restated**
in EUR '000		
Regular premiums	2,296,935	2,264,088
Annuity insurance	280,560	271,271
Whole life insurance	75,112	62,790
Mixed life insurance	522,236	541,551
Pure endowment insurance	126,284	125,911
Term life insurance	226,433	207,463
Fixed-term insurance	55,869	61,379
Unit-linked insurance	652,209	624,842
Index-linked insurance	11,673	12,193
Government sponsored pension plans	346,559	356,688
Single premium policies	1,890,890	2,300,285
Annuity insurance	110,217	144,133
Whole life insurance	43,038	30,368
Mixed life insurance	985,680	1,282,583
Pure endowment insurance	190,437	226,670
Term life insurance	87,544	72,919
Fixed-term insurance	326	168
Unit-linked insurance	387,928	380,110
Index-linked insurance	85,176	162,980
Government sponsored pension plans	544	354
Total Written premiums direct in Life	**4,187,825**	**4,564,373**
thereof:		
Policies with profit participation	*1,930,863*	*2,649,493*
Policies without profit participation	*772,873*	*377,712*
Unit-linked life insurance policies	*1,387,240*	*1,361,995*
Index-linked life insurance policies	*96,849*	*175,173*

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

Premiums written – health insurance (gross)	**2013**	**2012**
in EUR '000		
Direct business	397,751	391,431
Individual insurances	255,344	248,873
Group insurance	142,407	142,558
Indirect business	74	78
Group insurance	74	78
Total Written premiums in Health	**397,825**	**391,509**

29. FINANCIAL RESULT

Composition Income	**Property/ Casualty 2013**	**Life 2013**	**Health 2013**	**Total 2013**
in EUR '000				
Current income	329,639	929,876	42,949	1,302,464
Income from appreciation	22,004	36,792	1,591	60,387
of which a reduction in impairment	*2,893*	*21,012*	*1,591*	*25,496*
Income from the disposal of investments	119,886	150,007	2,049	271,942
Total	**471,529**	**1,116,675**	**46,589**	**1,634,793**

Composition Income	Current income 2013	Income from appreciations 2013	Gains from disposal of investments 2013	Total 2013
in EUR '000				
Self-used land and buildings	20,314	1,072	511	21,897
Third-party used land and buildings	126,878	22,826	72,330	222,034
Loans	45,981	969	26	46,976
Reclassified loans	37,443	0	4,819	42,262
Bonds classified as loans	80,047	89	10,775	90,911
Financial instruments held to maturity	94,345	32	24	94,401
Government bonds	80,185	0	23	80,208
Covered bonds	7,686	0	0	7,686
Corporate bonds	4,404	32	0	4,436
Bonds from banks	1,937	0	0	1,937
Subordinated bonds	133	0	1	134
Financial instruments reclassified as held to maturity	45,032	0	0	45,032
Government bonds	39,857	0	0	39,857
Covered bonds	3,597	0	0	3,597
Bonds from banks	1,578	0	0	1,578
Financial instruments available for sale	676,926	508	143,010	820,444
Bonds	608,399	508	93,713	702,620
Government bonds	279,393	0	55,600	334,993
Covered bonds	57,351	0	4,758	62,109
Corporate bonds	76,055	0	1,827	77,882
Bonds from banks	131,702	176	27,378	159,256
Subordinated bonds	63,898	332	4,150	68,380
Shares and other participations	29,314	0	21,342	50,656
Investment funds	39,188	0	27,955	67,143
Other securities	25	0	0	25
Financial instruments held for trading	6,610	19,886	30,950	57,446
Bonds	3,982	656	1,502	6,140
Government bonds	2,564	536	1,372	4,472
Corporate bonds	1,097	0	115	1,212
Bonds from banks	151	83	15	249
Subordinated bonds	170	37	0	207
Shares and other non-fixed-interest securities	2,626	2,877	1,592	7,095
Investment funds	0	1,717	386	2,103
Derivatives	2	14,636	27,470	42,108
Financial instruments recognised at fair value through profit and loss	6,847	14,967	1,480	23,294
Bonds	5,682	10,319	550	16,551
Government bonds	945	931	0	1,876
Covered bonds	656	0	0	656
Corporate bonds	176	6	263	445
Bonds from banks	2,321	7,898	287	10,506
Subordinated bonds	1,584	1,484	0	3,068
Shares and other non-fixed-interest securities	14	1,945	2	1,961
Investment funds	1,151	2,703	928	4,782
Other investments	125,876	38	522	126,436
Unit- and index-linked life insurance	36,165	0	7,495	43,660
Total	**1,302,464**	**60,387**	**271,942**	**1,634,793**
thereof participations	*17,059*		*4,558*	*21,617*

Please see Table 2 “Land and buildings” on page 171 for information on operating expenses for third-party used land.

Composition Income	**Property/ Casualty 2012**	**Life 2012 restated**	**Health 2012**	**Total 2012 restated**
in EUR '000				
Current income	390,904	955,891	45,238	1,392,033
Income from appreciation	54,553	54,173	1,215	109,941
of which a reduction in impairment	*1,457*	*16,723*	*0*	*18,180*
Income from the disposal of investments	104,822	142,464	1,018	248,304
Total	**550,279**	**1,152,528**	**47,471**	**1,750,278**

Composition Income	Current income	Income from appreciations	Gains from disposal of investments	Total
	2012 restated	2012	2012	2012 restated
in EUR '000				
Self-used land and buildings	18,725	231	12,851	31,807
Third-party used land and buildings	191,770	16,478	14,990	223,238
Loans	47,846	185	6,182	54,213
Reclassified loans	51,038	14	4,110	55,162
Bonds classified as loans	83,896	0	0	83,896
Financial instruments held to maturity	94,642	619	791	96,052
Government bonds	76,347	103	105	76,555
Covered bonds	7,029	0	0	7,029
Corporate bonds	6,322	516	584	7,422
Bonds from banks	4,809	0	100	4,909
Subordinated bonds	135	0	2	137
Financial instruments reclassified as held to maturity	49,957	0	0	49,957
Government bonds	42,743	0	0	42,743
Covered bonds	4,643	0	0	4,643
Bonds from banks	2,571	0	0	2,571
Financial instruments available for sale	666,722	653	179,448	846,823
Bonds	619,045	653	126,979	746,677
Government bonds	278,169	0	73,061	351,230
Covered bonds	68,243	0	12,807	81,050
Corporate bonds	60,702	0	9,303	70,005
Bonds from banks	144,030	0	27,107	171,137
Subordinated bonds	67,901	653	4,701	73,255
Shares and other participations	30,028	0	36,656	66,684
Investment funds	16,856	0	15,812	32,668
Other securities	793	0	1	794
Financial instruments held for trading	3,753	52,789	21,261	77,803
Bonds	3,009	2,090	3,050	8,149
Government bonds	1,765	1,632	1,681	5,078
Corporate bonds	1,120	441	1,350	2,911
Bonds from banks	124	17	19	160
Shares and other non-fixed-interest securities	734	24,414	681	25,829
Investment funds	10	1,702	1,008	2,720
Derivatives	0	24,524	16,214	40,738
Other securities	0	59	308	367
Financial instruments recognised at fair value through profit and loss	12,099	37,736	854	50,689
Bonds	6,462	35,215	372	42,049
Government bonds	806	7,653	0	8,459
Covered bonds	1,250	257	0	1,507
Corporate bonds	484	270	0	754
Bonds from banks	1,619	20,696	205	22,520
Subordinated bonds	2,303	6,339	167	8,809
Shares and other non-fixed-interest securities	17	394	0	411
Investment funds	5,620	2,127	482	8,229
Other investments	134,531	1,236	0	135,767
Unit- and index-linked life insurance	37,054	0	7,817	44,871
Total	**1,392,033**	**109,941**	**248,304**	**1,750,278**
thereof participations	*14,949*	*0*	*4,814*	*19,763*

Composition Expenses	Property/ Casualty 2013	Life 2013	Health 2013	Total 2013
in EUR '000				
Depreciation of investment	63,891	78,115	14,985	156,991
of which impairment of investments	*8,382*	*31,042*	*12,184*	*51,608*
Exchange rate changes	13,218	-9,209	-11	3,998
Losses from disposal of investments	23,229	28,288	4,726	56,243
Interest expenses	41,154	20,068	2,562	63,784
Personnel provisions	5,099	4,136	1,419	10,654
Interest on borrowings	36,055	15,932	1,143	53,130
Other expenses	99,034	65,894	5,076	170,004
Total	**240,526**	**183,156**	**27,338**	**451,020**

Other expenses consisted of managed portfolio fees of EUR 27,263,000 (EUR 57,960,000), asset management expenses of EUR 117,218,000 (EUR 78,964,000) and other expenses of EUR 25,523,000 (EUR 53,031,000).

Composition Expenses	Depreciation of investment	Exchange rate changes	Losses from disposal of investments	Total
	2013	2013	2013	2013
in EUR '000				
Self-used land and buildings	16,548	0	204	16,752
Third-party used land and buildings	71,513	0	4	71,517
Loans	5,173	5	0	5,178
Reclassified loans	0	0	914	914
Bonds classified as loans	4,613	0	0	4,613
Financial instruments held to maturity	804	550	26	1,380
Government bonds	10	562	26	598
Corporate bonds	794	-9	0	785
Subordinated bonds	0	-3	0	-3
Financial instruments reclassified as held to maturity	0	-645	0	-645
Government bonds	0	-645	0	-645
Financial instruments available for sale	37,788	-10,941	20,439	47,286
Bonds	2,463	-5,869	7,211	3,805
Government bonds	489	-4,955	6,195	1,729
Covered bonds	0	-13	19	6
Corporate bonds	489	-273	136	352
Bonds from banks	0	-601	248	-353
Subordinated bonds	1,485	-27	613	2,071
Shares and other participations	13,766	0	4,919	18,685
Investment funds	21,559	-5,072	8,309	24,796
Financial instruments held for trading	8,620	-544	28,904	36,980
Bonds	7,490	-10	1,061	8,541
Government bonds	1,145	-28	1,034	2,151
Corporate bonds	6,283	0	25	6,308
Bonds from banks	62	18	2	82
Shares and other non-fixed-interest securities	962	0	1,553	2,515
Investment funds	153	-64	41	130
Derivatives	15	-470	26,249	25,794
Financial instruments recognised at fair value through profit and loss	9,451	310	2,094	11,855
Bonds	8,485	367	1,729	10,581
Government bonds	1,065	0	0	1,065
Covered bonds	0	0	603	603
Corporate bonds	17	0	4	21
Bonds from banks	6,866	367	1,122	8,355
Subordinated bonds	537	0	0	537
Shares and other non-fixed-interest securities	208	0	9	217
Investment funds	758	-57	356	1,057
Other investments	2,481	15,263	695	18,439
Unit- and index-linked life insurance	0	0	2,963	2,963
Total	**156,991**	**3,998**	**56,243**	**217,232**
thereof impairments	*51,608*			*51,608*
thereof participations	*10,932*		*1,846*	*12,778*

Composition Expenses	**Property/ Casualty 2012 restated**	**Life 2012 restated**	**Health 2012 restated**	**Total 2012 restated**
in EUR '000				
Depreciation of investment	98,254	84,707	20,873	203,834
of which impairment of investments	*21,775*	*45,343*	*18,024*	*85,142*
Exchange rate changes	-7,416	-952	184	-8,184
Losses from disposal of investments	22,155	23,092	462	45,709
Interest expenses	63,729	29,335	4,936	98,000
Personnel provisions	13,303	10,983	3,557	27,843
Interest on borrowings	50,426	18,352	1,379	70,157
Other expenses	120,514	65,235	4,206	189,955
Total	**297,236**	**201,417**	**30,661**	**529,314**

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

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

30. RESULT FROM SHARES IN AT EQUITY CONSOLIDATED COMPANIES

Composition	Property/ Casualty 2013	Life 2013	Health 2013	Total 2013
in EUR '000				
Current result	31,171	2,865	0	34,036
Gains on disposals	1,006	0	0	1,006
Total	**32,177**	**2,865**	**0**	**35,042**

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

31. OTHER INCOME

Composition	Property/ Casualty 2013	Life 2013	Health 2013	Total 2013
in EUR '000				
Other underwriting income	56,987	48,211	4	105,202
Other non-underwriting income	28,237	10,286	172	38,695
Total	**85,224**	**58,497**	**176**	**143,897**

Other income consists primarily of EUR 9,656,000 (EUR 10,855,000) in compensation for services performed, EUR 9,111,000 (EUR 9,750,000) from the release of other provisions, EUR 11,627,000 (EUR 13,030,000) in fees of all kinds, EUR 40,981,000 (EUR 15,567,000) from exchange rate changes, EUR 20,062,000 (EUR 11,623,000) from the reversal of allowances for receivables and EUR 12,879,000 (EUR 11,799,000) in commission income.

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

32. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Composition	Gross 2013	Reinsurers' share 2013	Retention 2013
in EUR '000			
Property/Casualty insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	2,895,695	-342,576	2,553,119
Changes in provision for outstanding claims	195,793	-29,567	166,226
Subtotal	**3,091,488**	**-372,143**	**2,719,345**
Change in mathematical reserve	-3	-1	-4
Change in other underwriting provisions	-19,839	327	-19,512
Expenses for profit-unrelated premium refunds	15,262	-978	14,284
Total expenses	**3,086,908**	**-372,795**	**2,714,113**
Life insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	3,528,532	-22,488	3,506,044
Changes in provision for outstanding claims	40,366	619	40,985
Subtotal	**3,568,898**	**-21,869**	**3,547,029**
Change in mathematical reserve	513,845	8,424	522,269
Change in other underwriting provisions	-3	-20	-23
Expenses for profit-related and profit-unrelated premium refunds	93,575	0	93,575
Total expenses	**4,176,315**	**-13,465**	**4,162,850**
Health insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	263,503	-439	263,064
Changes in provision for outstanding claims	644	-7	637
Subtotal	**264,147**	**-446**	**263,701**
Change in mathematical reserve	58,524	-152	58,372
Expenses for profit-unrelated premium refunds	11,516	0	11,516
Total expenses	**334,187**	**-598**	**333,589**
Total	**7,597,410**	**-386,858**	**7,210,552**

Composition	Gross 2012 restated	Reinsurers' share 2012	Retention 2012 restated
in EUR '000			
Property/Casualty insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	2,700,859	-251,197	2,449,662
Changes in provision for outstanding claims	137,030	55,757	192,787
Subtotal	**2,837,889**	**-195,440**	**2,642,449**
Change in mathematical reserve	17	-10	7
Change in other underwriting provisions	-7,093	47	-7,046
Expenses for profit-unrelated premium refunds	28,210	-7,442	20,768
Total expenses	**2,859,023**	**-202,845**	**2,656,178**
Life insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	3,686,639	-23,697	3,662,942
Changes in provision for outstanding claims	32,068	300	32,368
Subtotal	**3,718,707**	**-23,397**	**3,695,310**
Change in mathematical reserve	834,447	5,339	839,786
Change in other underwriting provisions	-373	243	-130
Expenses for profit-related and profit-unrelated premium refunds	78,925	0	78,925
Total expenses	**4,631,706**	**-17,815**	**4,613,891**
Health insurance			
Expenses for claims and insurance benefits			
Payments for claims and insurance benefits	251,966	-397	251,569
Changes in provision for outstanding claims	1,080	14	1,094
Subtotal	**253,046**	**-383**	**252,663**
Change in mathematical reserve	56,142	-233	55,909
Expenses for profit-unrelated premium refunds	12,039	0	12,039
Total expenses	**321,227**	**-616**	**320,611**
Total	**7,811,956**	**-221,276**	**7,590,680**

33. ACQUISITION AND ADMINISTRATIVE EXPENSES

Composition	Property/Casualty 2013	Life 2013	Health 2013	Total 2013
in EUR '000				
Acquisition expenses				
Commission expenses	749,856	362,378	8,331	1,120,565
Pro rata personnel expenses	179,887	84,593	16,481	280,961
Pro rata material expenses	135,217	85,851	7,404	228,472
Subtotal	**1,064,960**	**532,822**	**32,216**	**1,629,998**
Administrative expenses				
Pro rata personnel expenses	102,414	51,901	6,788	161,103
Pro rata material expenses	97,824	77,114	8,012	182,950
Subtotal	**200,238**	**129,015**	**14,800**	**344,053**
Received reinsurance commissions	-95,505	-12,098	-130	-107,733
Total	**1,169,693**	**649,739**	**46,886**	**1,866,318**

Composition	Property/ Casualty 2012	Life 2012 restated	Health 2012	Total 2012 restated
in EUR '000				
Acquisition expenses				
Commission expenses	719,635	367,483	9,044	1,096,162
Pro rata personnel expenses	166,878	81,562	14,355	262,795
Pro rata material expenses	138,358	80,410	9,163	227,931
Subtotal	**1,024,871**	**529,455**	**32,562**	**1,586,888**
Administrative expenses				
Pro rata personnel expenses	110,031	45,950	5,191	161,172
Pro rata material expenses	104,565	73,774	7,623	185,962
Subtotal	**214,596**	**119,724**	**12,814**	**347,134**
Received reinsurance commissions	-108,521	-9,851	-129	-118,501
Total	**1,130,946**	**639,328**	**45,247**	**1,815,521**

34. OTHER EXPENSES

Composition	Property/ Casualty 2013	Life 2013	Health 2013	Total 2013
in EUR '000				
Other underwriting expenses	106,927	55,813	156	162,896
Other non-underwriting expenses	210,418	32,810	3,632	246,860
Total	**317,345**	**88,623**	**3,788**	**409,756**

Other expenses consist primarily of EUR 63,611,000 (EUR 73,245,000) for valuation allowances (not including investments), EUR 65,806,000 (EUR 40,598,000) in write-downs of the insurance portfolio and customer base, EUR 100,000,000 (EUR 50,000,000) in goodwill impairment for the Romania Non-life CGU and Asirom trademark, EUR 27,019,000 (EUR 26,150,000) in brokering expenses, EUR 23,845,000 (EUR 21,753,000) in underwriting taxes, EUR 16,038,000 (EUR 34,518,000) in currency losses, EUR 7,007,000 (EUR 12,297,000) in other contributions and fees and EUR 26,000,000 (EUR 2,000,000) for a risk provision related to Donau Versicherung's Italian business.

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

35. TAX EXPENSE

Composition	2013	2012 restated
in EUR '000		
Actual taxes	108,617	125,860
Actual taxes related to other periods	-43,275	23,707
Total actual taxes	**65,342**	**149,567**
Deferred taxes		
Increase or decrease of temporary differences	36,238	-34,872
Change of tax rate	405	-11,087
Non-recognition/reduction of temporary differences	4,022	0
Change of recognition of tax loss carry-forwards	-7,252	15,202
Sum of deferred tax	**33,413**	**-30,757**
Total	**98,755**	**118,810**

Reconciliation	2013	2012 restated
in EUR '000		
Expected income tax rate in %	25%	25%
Profit before taxes	355,137	563,703
Expected tax expenses	**88,784**	**140,926**
Adjusted for tax effects due to:		
Tax-exempt income from participations	-15,956	-14,680
Non-deductible expenses	30,332	87,719
Income not subject to tax	-40,904	-119,576
Hybrid capital interest not subject to tax	-8,479	-10,000
Taxes from previous years	-43,197	23,706
Changes in tax rates	405	-11,087
Corrections of prior year(s) tax loss carry-forwards	-12,233	-5,021
Reversals of deferred tax assets on tax loss carry-forwards	-8,123	-2,212
Valuation allowance on tax loss carry-forwards in current year	20,751	13,381
Expiration of tax loss carry-forwards in current year	66	3,962
Tax effects from consolidation level	80,190	11,897
Other	7,119	-205
Effective income tax expenses	**98,755**	**118,810**
Effective income tax rate in %	**27.8%**	**21.1%**

The income tax rate of the parent company VIG Holding is used as the Group tax rate.

36. OTHER INFORMATION

Employee statistics	2013	2012
Austria	**5,235**	**5,405**
Field staff	2,828	2,857
Office employees	2,407	2,548
Czech Republic	**4,852**	**4,814**
Field staff	3,000	2,819
Office employees	1,852	1,995
Slovakia	**1,557**	**1,572**
Field staff	804	813
Office employees	753	759
Poland	**1,742**	**1,751**
Field staff	784	375
Office employees	958	1,376
Romania	**2,727**	**3,480**
Field staff	1,615	2,436
Office employees	1,112	1,044
Remaining markets	**6,483**	**6,344**
Field staff	4,108	4,170
Office employees	2,375	2,174
Central Functions	**543**	**720**
Office employees	543	720
Total	**23,139**	**24,086**

Personnel expenses	2013	2012
in EUR '000		
Wages and salaries	418,836	427,319
Expenses for severance benefits and payments to company pension plans	-3,727	7,733
Expenses for retirement provisions	32,087	-18,593
Mandatory social security contributions and expenses	137,152	136,266
Other social security expenses	14,903	15,070
Total	**599,251**	**567,795**
thereof field staff	*272,307*	*259,475*
thereof office staff	*326,944*	*308,320*

Supervisory board and managing board compensation (gross)	2013	2012
in EUR '000		
Compensation paid to Supervisory Board members	386	373
Total payments to former members of the Managing Board or their survivors	1,658	1,943
Provision for future pension obligations for Managing Board members	933	1,115
Compensation paid to active Managing Board members	3,611	4,213

The members of the Managing Board received EUR 3,611,000 (EUR 4,213,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 1,183,000 (EUR 1,527,000) from subsidiaries during the reporting period. EUR 483,000 (EUR 538,000) of this amount was charged to the Company in the form of an intercompany charge.

Former members of the Managing Board received EUR 1,658,000 (EUR 1,943,000).

The Managing Board consisted of five members in 2013.

The average number of employees in the fully consolidated companies was 23,139 (24,086). Of these, 13,139 (13,470) were active in sales, resulting in personnel expenses of EUR 272,307,000 (EUR 259,475,000), and 10,000 (10,616) were in operations, resulting in personnel expenses of EUR 326,944,000 (EUR 308,320,000).

37. AUDITING FEES AND AUDITING SERVICES

Auditing fees were EUR 1,610,000 (EUR 524,000) and were broken down into the following areas:

Composition	2013	2012
in EUR '000		
Audit of consolidated financial statements	130	166
Audit of financial statements of parent company	38	43
Other audit services	991	248
Tax fees	333	0
All other fees	118	67
Total	**1,610**	**524**

38. RELATED PARTIES

Related parties
Related parties include the affiliated companies, joint ventures and associated companies listed in Note 4. In addition, the members of the Managing Board and Supervisory Board of Vienna Insurance Group and their families also qualify as related parties. Wiener Städtische Versicherungsverein holds a majority of the voting rights of Vienna Insurance Group. Based on this controlling interest, it is therefore also a related party.

No loans or guarantees were granted to the members of the Managing Board or Supervisory Board during the reporting periods.

Likewise, no loans or guarantees existed as of 31 December 2013 or 31 December 2012.

Transactions with related parties
The Group charges Wiener Städtische Versicherungsverein for office space. Other services (e.g. accounting services) are also provided by the Group.

Due to the loss of control and the related passing of control to Wiener Städtische Versicherungsverein, transactions with the non-profit housing societies are included under related party transactions. The loss of control was the result of contractual provisions between Wiener Städtische Versicherungsverein and the non-profit housing societies.

In 2013, the Group sold a participation, namely Wipplingerstraße GmbH & Co KG, to Wiener Städtische Versicherungsverein for EUR 34,000,000. The Group also entered into a forward transaction with Wiener Städtische Versicherungsverein for ordinary shares of ERSTE GROUP BANK AG.

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

Open entries with related companies at the end of the reporting period	31.12.2013	31.12.2012
in EUR '000		
Receivables	181,303	39,342
thereof parent company	*122,114*	*25,343*
Liabilities	37,364	47,577
thereof parent company	*20,291*	*31,050*
Loans	43,405	89,530
thereof parent company	*6,000*	*0*

Transaction volumes with related companies	2013	2012
in EUR '000		
Receivables	87,242	34,574
thereof parent company	*74,874*	*3,211*
Liabilities	113,156	66,967
thereof parent company	*33,635*	*10,205*
Loans	35,182	28,866
thereof parent company	*6,000*	*0*

Open entries with related persons at the end of the reporting period	31.12.2013	31.12.2012
in EUR '000		
Receivables	15	16
Liabilities	719	1,017
Loans	87	19

Transaction volumes with related companies	2013	2012
in EUR '000		
Receivables	153	168
Liabilities	1,372	1,711
Loans	62	0

Profit and Loss related transactions to related persons	2013	2012
in EUR '000		
Compensation paid to Supervisory Board members	1,326	1,396
Interest received on loans granted	5	0
Insurance premiums received	899	567
Other payments (incl. dividends paid)	494	583

39. OBLIGATIONS UNDER OPERATING LEASES

Vienna Insurance Group's lease obligations are primarily due to leases of company vehicles and buildings.

Future cumulative minimum lease payments under operating leases are shown in the following table based on maturity:

Maturity structure of payments	31.12.2013	31.12.2012
in EUR '000		
up to one year	19,401	4,902
more than one year up to five years	6,915	7,380
more than five years	694	721
Total	**27,010**	**13,003**

Significant events after the balance sheet date

Political revolution in the Ukraine

At the end of February and beginning of March, events in the Ukraine began to escalate in a way that could not have been foreseen a few weeks before. The mass protests against the non-signing of the Association Agreement with the EU turned into a protest movement against the elected president Yanukovych, who reacted with the use of force against his own population. After the president fled to Russia and a provisional Ukrainian government was installed and an election date fixed, Russia stationed military troops on the Crimean Peninsula.

The situation was extremely tense as of the editorial deadline for the Group Annual Report. The US ended its military cooperation with Russia. In principle, the EU wants to continue acting as a mediator, but is still divided on the extent to which measures should also be imposed against Russia.

The general view of most experts is that although the Crimean Peninsula will likely remain in Russia's hands for the time being, Russia itself has no interest in further military escalation. It is therefore unlikely that the country will be split in two.

The Ukraine is one of the core markets of Vienna Insurance Group, and the Group is represented by four insurance companies there. These include the three non-life insurers UIG, Kniazha and Globus, and the life insurance company Jupiter.

New rules for single-premium policies in Austria

The Austrian government has reduced the tax lock-in period for single-premium life insurance policies for people 50 years of age and older. The minimum term for this group has been reduced from 15 to ten years. The new rules have been in effect since 1 March 2014. The Austrian VIG companies have made appropriate modifications to their products in this area.

The Supervisory Board had the following members in financial year 2013:

Chairman:
Wolfgang Ruttenstorfer

Deputy Chairman:
Karl Skyba

Members:
Bernhard Backovsky
Martina Dobringer
Alois Hochegger
Heinz Öhler
Reinhard Ortner
Martin Roman
Friedrich Stara
Gertrude Tumpel-Gugerell

Members of the Managing Board and Supervisory Board received no advances or loans in financial year 2013. There were no loans outstanding to members of the Managing Board or Supervisory Board as of 31 December 2013.

No guarantees were outstanding for members of the Managing Board or Supervisory Board as of 31 December 2013.

The Managing Board had the following members in financial year 2013:

Chairman:
Peter Hagen

Members:
Franz Kosyna (until 31 December 2013)
Franz Fuchs
Peter Höfinger
Martin Simhandl

Compensation plan for members of the Managing Board

The Managing Board of the Company manages Vienna Insurance Group. In some cases, responsibility is also assumed for additional duties in subsidiaries or related companies.

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the market environment. The variable portion of the compensation emphasises the need for sustainability in a number of ways. Achieving the variable portion of the compensation depends to a large extent on satisfying performance criteria that extend beyond a single financial year.

The performance-related portion of the remuneration that can be earned has an upper limit and accounts for approximately 50% of the possible total annual income. The awarding of such compensation presupposes that consideration has been given to the sustainable development of the Company and the Group with regard to the claims reserve, among other things. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds. Even if the performance target is met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if satisfactory performance is also reported in the following year.

In 2013, the key performance criteria for variable compensation are the combined ratio, premium growth, the profit before taxes for the years 2013 and 2014, and personal targets related to individual areas of responsibility.

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

The Managing Board consisted of five members in 2013.

The standard employment contract for a member of the Vienna Insurance Group Managing Board includes a pension equal to a maximum of 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis is equal to the standard fixed salary).

A pension is normally received only if a Managing Board member's position is not extended and the member is not at fault for the lack of extension, or the Managing Board member retires due to illness or age.

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) are not applicable by law, the Vienna Insurance Group Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement is possible, or leaves due to a fault of his or her own, is not entitled to a severance payment.

The members of the Managing Board received EUR 3,611,000 (EUR 4,213,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 1,183,000 (EUR 1,527,000) from subsidiaries during the reporting period. EUR 483,000 (EUR 538,000) of this amount was charged to the Company in the form of an intercompany charge.

Former members of the Managing Board received EUR 1,658,000. (EUR 1,943,000)

Vienna, 25 March 2014

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

AUDITOR'S REPORT

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of

VIENNA INSURANCE GROUP AG
Wiener Versicherung Gruppe, Vienna,

for the year from 1 January 2013 to 31 December 2013. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year 2013 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements and for the accounting

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to § 245a UGB (Austrian Commercial Code) and § 80b VAG (Insurance Supervision Act). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2013 and of its financial performance and its cash flows for the year from 1 January to 31 December 2013 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to § 245a UGB (Austrian Commercial Code) and § 80b VAG (Insurance Supervision Act)

Report on the management report for the group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 25 March 2014

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Michael Schlenk

Thomas Smrekar

(Austrian Chartered Accountants)

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

DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the consolidated financial statements prepared in accordance with applicable accounting standards give a true and fair view of the Group's net assets, financial position and results of operations, the Group management report presents the business development, performance and position of the Group so as to give a true and fair view of its net assets, financial position and results of operations, and the Group management report provides a description of the principal risks and uncertainties to which the Group is exposed.

The declaration for the annual financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is issued in the annual report of this company.

Vienna, 25 March 2014

The Managing Board:

Peter Hagen
General Manager,
Chairman of the Managing Board

Franz Fuchs
Member of the Managing Board

Peter Höfinger
Member of the Managing Board

Martin Simhandl
CFO, Member of the Managing Board

Managing Board areas of responsibility:

Peter Hagen: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management, IT, international processes and methods, SAP smile solutions; Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

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

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

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

List of abbreviations

Abbreviation	Full company name
Asirom	Asigurarea Românească - ASIROM Vienna Insurance Group S.A., Bucharest
Alpenländische Heimstätte GmbH	Alpenländische Heimstätte gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck
AXA Biztosító	AXA Biztosító Zrt., Budapest
BCR Life	BCR Asigurări de Viaţă Vienna Insurance Group S.A., Bucharest
BCR Non-life	S.C. BCR Asigurări Vienna Insurance Group S.A., Bucharest
Benefia Life	BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw
Benefia Non-life	Benefia Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
BIAC	Business Insurance Application Consulting GmbH, Vienna
Bulgarski Imoti Non-life	Bulgarski Imoti Non-Life Insurance Company AD, Sofia
Bulstrad Life	BULSTRAD LIFE VIENNA INSURANCE GROUP JOINT STOCK COMPANY, Sofia
Bulstrad Non-life	INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia
Central Point	Central Point Insurance IT-Solutions GmbH, Vienna
Česká Kooperativa Londýn	Česká Kooperativa Londýn Ltd., London
Compensa Life (Estonia)[1)]	Compensa Life Vienna Insurance Group SE, Tallinn
Compensa Life (Poland)[1)]	Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw
Compensa Non-life	Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
ČPP	Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague
DBLV GmbH & Co KG	DBLV Immobesitz GmbH & Co KG, Vienna
DBLV Immobesitz	DBLV Immobesitz GmbH, Vienna
Donaris	Societatea de Asigurari – reasigurari "Donaris Group" SA / SAR "Donaris Group" SA, Chisinau
Donau Versicherung	DONAU Versicherung AG Vienna Insurance Group, Vienna
ELVP	ELVP Beteiligungen GmbH, Vienna
Erste Biztosító	ERSTE Vienna Insurance Group Biztosító Zrt., Budapest
Erste Heimstätte GmbH	Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna
Erste Osiguranje	Erste osiguranje Vienna Insurance Group d.d., Zagreb
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg
GLOBAL ASSISTANCE	GLOBAL ASSISTANCE, a.s., Prague
Globus	CAL ICAL "Globus", Kiev
GPIH	Joint Stock Company Insurance Company GPI Holding, Tiflis
Helios	Helios Vienna Insurance Group d.d., Zagreb
Interalbanian	Interalbanian Vienna Insurance Group Sh.a, Tirana
InterRisk	InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
InterRisk Life	InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden
InterRisk Non-life	InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden
Intersig	INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana
IRAO	International Insurance Company "Irao" LTD, Tiflis
Jahorina	Jahorina osiguranje Vienna Insurance Group Joint Stock Company, Pale
Jupiter	Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev
Kaiserstraße 113	Kaiserstraße 113 GmbH, Vienna
Kniazha	PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP"; Kiev
Komunálna	KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava
Kooperativa (Slovakia)[1)]	KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava
Kooperativa (Czech Republic)[1)]	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague
Kvarner	KVARNER VIENNA INSURANCE GROUP dioničko društvo za osiguranje, Rijeka
LVP Holding	LVP Holding GmbH, Vienna
Makedonija Osiguruvanje	Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje
Mělnická Zdravotní	Mělnická Zdravotní a.s., Prague
Neue Heimat Holding	NEUE HEIMAT Oberösterreich Holding GmbH, Vienna
Neue Heimat Oberösterreich GmbH	NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz
Neuland GmbH	Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna
Omniasig	OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest

Abbreviation	Full company name
Palais Hansen	Palais Hansen Immobilienentwicklung GmbH, Vienna
PČS	Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice
Polisa	POLISA-ZYCIE Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw
Progress	PROGRESS Beteiligungsges.m.b.H., Wien
PSLSP	Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava
PZM	Polski Zwiazek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw
QBE Makedonija	QBE Makedonija AD, Skopje
Rathstraße 8	Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna
Ray Sigorta	Ray Sigorta A.Ş., Istanbul
S-budovy	S - budovy, a.s., Prague
S-správa nemovitostí	S-správa nemovitosti, a.s., Prague
s Versicherung	Sparkassen Versicherung AG Vienna Insurance Group, Vienna
Schulring 21 GmbH	Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna
Schulring 21 KG	Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna
Schwarzatal GmbH	"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna
Sigma	SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana
S IMMO AG	S IMMO AG, Wien (Konzernabschluss)
Skandia Poland	SKANDIA Życie Towarzystwo Ubezpieczeń S.A, Warsaw
Sozialbau AG	Sozialbau gemeinnützige Wohnungsaktiengesellschaft, Vienna
SURPMO	SURPMO, a.s., Prague
TBIH	TBIH Financial Services Group N.V., Amsterdam
Thaliastraße 125	T 125 GmbH, Vienna
UIG	Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev
Union Biztosító	UNION Vienna Insurance Group Biztosító Zrt., Budapest
Urbanbau GmbH	Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna
Vienna Insurance Group bzw. VIG[2]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Holding[3]	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG Fund	VIG FUND uzavreny investicni fond, a.s, Prag (Konzernabschluss)
Vienna-Life	Vienna-Life Lebensversicherungs AG Vienna Insurance Group, Bendern
VIG RE	VIG RE zajišťovna, a.s., Prague
Vienna International Underwriters bzw. VIU	Vienna International Underwriters GmbH, Vienna
WGPV Holding GmbH	WGPV Holding GmbH, Wien
Wiener Städtische	WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna
Wiener Städtische Osiguranje (Montenegro)[1]	Akcionarsko družstvo za životno osiguranje Wiener Städtische Podgorica a.d., Podgorica
Wiener Städtische Osiguranje (Serbia)[1]	"WIENER STÄDTISCHE OSIGURANJE" akcionarsko društvo za osiguranje, Belgrad
Wiener Städtische Versicherungsverein	Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group, Vienna
Wiener Osiguranje	Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb
Winner Life	Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje
Winner Non-life	Joint Stock Insurance company WINNER - Vienna Insurance Group, Skopje
WPWS Vermögensverwaltung GmbH	WPWS Vermögensverwaltung GmbH, Vienna
WSBV Beteiligungsverwaltung GmbH & Co KG	WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna

[1] Country names in parentheses are added if there is more than one company with the same abbreviated name and it is not clear from the context which one is intended. The context is assumed to be clear, for example, if the name is used in the description of activities taking place within a country.

[2] Used when referring to VIG Group.

[3] Used when referring to the single company

Glossary

ALM (Asset and Liability Management)
ALM refers to the continuous matching of corporate assets and liabilities. It ensures that promised payments are covered by achievable returns. ALM serves as a management instrument for developing a strategy with which financial goals can be achieved within prescribed risk limits.

Assets under management
Total capital assets that are valued at fair value, under management by the group, and where the group is responsible for asset performance.

Associated companies
The parent company and its subsidiaries are considered to be associated companies if the parent company is able to exert control over the business policies of the subsidiary. Examples of this are where the parent company directly or indirectly holds more than half of all voting rights, a controlling agreement exists, or it is possible to appoint the majority of the members of the Managing Board or other executive bodies of the subsidiary (§ 244 UGB).

Available for sale securities
Available for sale securities include securities that were not acquired with the intention of being held-to-maturity, or for short-term trading purposes. These available for sale securities are recognised at market value as of the balance sheet reporting date.

Cash flow
A key figure used in the analysis of shares and companies. It represents the inflow and outflow of liquid assets during a specific accounting period. Cash flow is essentially calculated by adding together the profit for the year, depreciation, changes in long-term provisions, and income taxes.

Cash flow statement
A presentation of the changes in cash and cash equivalents during a fiscal year, broken down into the three areas of ordinary activities, investing activities, and financing activities.

Ceded reinsurance premiums
Share of the premiums to which the reinsurer is entitled in return for reinsuring certain risks.

CEE (Central and Eastern Europe)
Vienna Insurance Group defines the "CEE" region as all the growth markets in Central and Eastern Europe in which the Group operates. This includes the Czech Republic, Slovakia, Poland, Romania, Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Russia, Serbia, Slovenia, Turkey and Ukraine. Note that differences may exist between this definition and the definition of CEE used by other companies, financial institutions (e.g. IMF, OECD, WIFO, IHS), etc.

Claims incurred but not reported
Losses that are reported in the current fiscal year but occurred in the previous year. Each year as of the balance sheet reporting date, a reserve (= incurred but not reported reserve, IBNR) is formed for losses that relate to the financial statement year but are not reported until the following year.

Combined Ratio (net)
When the total of all items in the income statement that contribute to the profit before taxes, except for income from capital assets and the value of gross earned premiums itself, is divided by gross earned premiums, the result is called the combined ratio. If this ratio is less than 100%, the company is earning a profit from the underwriting portion of the business. This ratio is only calculated for property and casualty insurance. Since the reinsurers' share is taken into account in the calculation, the result is a net combined ratio.

Consolidation
The financial assets of the parent company and those of the subsidiaries are combined when the consolidated financial statements are prepared by the parent company. During this process, intercompany capital combinations, interim profit/loss, payables and receivables, and income and expenses between group companies are eliminated.

Core markets
Collective term for the ten VIG markets Austria, Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia, and Ukraine.

Deposits on assumed and ceded reinsurance business
A claim by the reinsuring company against the ceding company for deposits that it retains. When business is assumed, the reinsurer's share of premiums and claims are retained as security by the ceding insurance company. The deposits on ceded reinsurance item is analogous.

Derivative financial instruments (derivatives)
Financial contracts whose value depends on the price of an underlying asset. Derivatives can be classified systematically according to the nature of the underlying asset (interest rates, share prices, currency rates, or commodity prices). Options, futures, forwards and swaps are important examples of derivative financial instruments.

Direct business
Insurance business where an immediate legal relationship exists between the insurer and policyholder.

Earned premiums
The portion of premiums written which is allocated to the current fiscal year.

Earnings per share (basic/diluted)
The ratio of consolidated net income divided by the average number of shares outstanding. The diluted earnings per share include convertible securities that have been exercised, or are still available for exercise, in the calculation of the number of shares and net income. The convertible securities consist of convertible bonds and stock options.

Enterprise Risk Management (ERM)
Risk and opportunity management. The tasks of ERM are identification, assessment, analysis and control of opportunities and risks.

Equity method
Shares in associated companies are recognised using this method. As a rule, the value recognised corresponds to the Group's proportional share of the equity in these companies. In the case of shares in companies that prepare their own consolidated financial statements, the consolidated equity is recognised instead. For current valuation, the value recognised is adjusted using a proportional share of changes to equity, with the shares in net income being allocated to consolidated net income and disbursed profit distributions deducted.

Erste Group
The short version for Erste Group Bank AG.

Expenses for insurance claims
These are comprised of the payments for insurance claims, payments for claims investigation, claims settlement, and claims prevention, and from the change in the associated reserves.

Fair value
A security value calculated using a theoretical pricing model that takes into account factors on which the price depends.

FATCA – Foreign Account Tax Compliance Act
The Foreign Account Tax Compliance Act (FATCA) is part of the tax legislation package that came into effect in the United States (US) in 2010. FATCA is aimed at preventing tax evasion by US taxpayers receiving income from foreign financial institutions. FATCA requires foreign financial institutions to enter into an agreement with the US tax authorities that obligates them to disclose all material data on their US clients to the US tax authorities.

Financial result
Income and expenses for capital assets and interest. This includes, for example, income from securities, loans, real estate and equity interests, as well as bank interest, and expenses incurred in the financial area, such as scheduled depreciation on owned real estate, unscheduled writedowns of securities to listed market prices, bank fees, etc.

Gross domestic product (GDP)
A measure of a country's economic production. All goods and services produced or provided within a country (by citizens or foreigners) during a specified period, valued at current prices (market prices) or constant prices (prices in a certain base year). By using a constant price level in the calculations, price increases can be eliminated so that the figures presented over time are independent of inflation. GDP at constant prices is also known as real GDP.

Gross/Net
In insurance terminology, "gross/net" means before or after reinsurance has been deducted ("net" is also used to mean "for own account"). In connection with income from equity interests, the term "net" is used when related expenses have already been deducted from income (e.g., write-offs and losses from sale). Therefore, (net) income from equity interests equals the profit or loss from these interests.

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS has stood for the overall framework of all standards adopted by the International Accounting Standards Board. Previously adopted standards continue to be referred to as International Accounting Standards (IAS).

Income from capital assets and interest income
Income from capital assets and other interest income is comprised of income from equity interests (from associated companies), income from land and buildings, income from other capital assets, income from write-ups, gains from the sale of capital assets, and other income from capital assets and interest income.

Indirect business
Insurance business where the company acts as a reinsurer.

Insurance density
Annual per capita insurance premiums, used as an indicator for the state of development of a country's insurance sector.

Insurance payments (net)
Expenses (after deducting reinsurance) for insurance claims.

Insurance supervisory authority
The Austrian insurance supervisory authority is a part of the Austrian Financial Market Authority (FMA) that was established as an independent authority in April 2002. Its supervision extends to private-sector insurance companies with registered offices in Austria.

Loss reserve
A reserve for losses that have already been incurred but have not yet been settled. Claims and claims settlement expenses can be divided into two categories: reserves for known but still outstanding claims, and reserves for claims that have been incurred but have not yet been reported, or the correct amount has not been reported ("IBNR", "IBNER").

Market capitalisation
Stock exchange value or market capitalisation means the value of a stock corporation calculated by multiplying the current stock exchange price by the total number of shares issued.

Market value
The value of an asset on the balance sheet that can be realised by selling it in the market to a third party.

Mathematical reserve
A reserve calculated according to mathematical principles for future insurance payments in the life and health insurance areas. In the health insurance area, this is also referred to as an ageing reserve.

Non-life
Non-life insurance includes the property and casualty insurance and health insurance segments.

Operating expenses

Operating expenses for retained insurance business are broken down into policy writing expenses, and other operating expenses, less reinsurance commissions and profit commissions for reinsurance cessions. Expenses for claims investigation, loss prevention, and claims processing (claims handling expenses) or for making insurance payments (settlement costs) are shown in the expenses for insurance claims item.

Present value

Current value of a cash amount to be received in the future, calculated through discounting by a known discount rate.

Options

Derivative financial instruments which entitle, but do not obligate, the buyer to purchase (call option) or sell (put option) an underlying asset at a future point in time for a specified price. In contrast, the seller of the option is obligated to deliver or purchase the asset and receives a premium for providing the option.

Organic growth

Organic growth means the growth of a company resulting from the company's own financial strength. Such growth is therefore not the result of purchasing other companies.

Personal insurance

Comprised of life, health and casualty insurance.

PIIGS countries

The abbreviation PIIGS is made up of the initial letters of the European countries that are feeling particularly heavy pressure due to the Eurozone debt crisis: Portugal, Ireland, Italy, Greece and Spain.

Premium

Agreed fee paid in exchange for assumption of risk by an insurance company.

Premium refund (profit-dependent)

The policyholder's profit participation in the profit of the insurance class in question (life / health / property and casualty).

Premium refund (profit-independent)

Contractually accorded refund of premiums to the policyholder.

Premiums written

Direct business premiums written are comprised of set premiums, not including premium or fire service taxes, plus policyholder collateral payments, reduced by premiums cancelled during the fiscal year. In indirect business, the premiums written correspond to the premiums that the ceding insurer has indicated for offset. In co-insurance business, the premiums written by each co-insurer correspond to the share of premiums allotted to it.

Price-earnings ratio

A financial ratio for evaluating shares. The price-earnings ratio (P/E ratio) shows the price of the share in relation to the earnings per share in a comparative period or future period. If the comparative period is defined as one year, the price-earnings ratio is the end-of-year price divided by the earnings per share for the year.

Profit participation

See premium refund (profit-dependent).

Provision for unearned premiums

The portion of premiums written that were specified for the period following the annual financial statement reporting date and are therefore not included in the income for the financial year. These premiums are used to cover obligations arising after the balance sheet reporting date.

Rating

A rating is an evaluation of the creditworthiness of a debtor (countries, companies and so on) often carried out by a specialised rating agency. The evaluation is expressed as a kind of grading. It is very similar to a school grading system. The ratings of the agencies have different grading systems and symbols.

Reinsurance

Reinsurance is when an insurance company insures a portion of its risk with another insurance company.

Retained Earnings
Retained earnings are the profits generated by the company that have not been distributed as dividends.

Return on Equity (RoE)
Profit before taxes as a percentage of average equity, calculated using values at the beginning and end of the year.

Securities held to maturity
Held-to-maturity securities comprise debt securities that are intended to be held to maturity, and can be held to maturity. They are measured at cost upon initial recognition, which is equal to fair value at the time of acquisition. Subsequent measurement is performed at acquisition cost carried forward. A write-down is recognised in profit or loss in the case of permanent impairment.

Segment reporting
Presentation of the consolidated financial statements broken down according to the property and casualty insurance, life insurance, and health insurance areas as primary segments, and according to regions as secondary segments.

Single premium
A special type of premium payment used for life insurance. A (high) amount is paid as a single premium at the start of the policy.

Solvency II
Solvency II is a fundamental reform of insurance supervisory law in Europe, particularly solvency regulations relating to the capital adequacy of insurance companies. Solvency II is intended to create methods for the riskbased management of the total solvency of insurance companies. The static system for determining capital adequacy currently in effect will be replaced by a riskbased system, which goes beyond the current capital adequacy provisions of the Insurance Supervision Act to also take into account, in particular, qualitative factors (e.g. internal risk management).

Standard & Poor's
Standard & Poor's is an internationally recognised rating agency. It analyses and evaluates companies, countries and bonds, among other things. It uses its own rating scale, which ranges from AAA for the highest category to CC for the lowest when rating the financial strength of insurance companies. The ratings can be modified by adding a plus or minus sign.

Stress test
Stress tests are a special form of scenario analysis. The objective is to arrive at a quantitative assessment of the potential losses incurred by portfolios in the event of extreme market fluctuations.

UGB
As of 1 January 2007 Austrian Corporation Code (Unternehmensgesetzbuch)

Underwriter
Underwriters are responsible for evaluating risks in the insurance industry, and have the authority to underwrite risks. An underwriter estimates the probability and size of a loss as precisely as possible, calculates insurance premiums and establishes policy terms.

Underwriting provisions
These consist of the provision for outstanding claims, actuarial reserve, unearned premiums, provisions for profitdependent and profit-independent premium refunds, the equalisation provision, and other underwriting reserves.

Unit-linked and index-linked life insurance
Insurance policies where the capital investment is made at the policy-holder's risk. The investments in this area are valued at fair value, with the underwriting reserves shown at the value of the capital assets.

VAG
The Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz) includes provisions governing the organization and supervision of insurance companies.

Value-at-risk (VaR)
Value-at-risk is a procedure used to calculate potential losses arising from price changes affecting the trading position. This loss potential is expressed using a specific confidence limit (e.g. 98%), and is calculated based on market-related price changes.

Volatility
Fluctuations in security prices, currency rates, and interest rates.

Vienna Insurance Group (VIG)
When Vienna Insurance Group (VIG) is mentioned, generally the Group as a whole is meant. If a statement refers only to the activities of the Group holding company, the word "Holding" is added at the end of the name.

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NOTICE

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

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

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

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

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Website – online report

The annual report is available in German and English on our Internet website (www.vig.com) under Investor Relations, and can also be downloaded in both languages as a PDF file.

Service tip | **Online annual report**

The Vienna Insurance Group website also provides an online version of the annual report specially adapted for the Internet. All sections may be downloaded in PDF form You can also download the most important tables 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 online version of the report also allows you to perform a full-text search quickly and easily. The search results are presented on an overview page, sorted by relevance. The term being searched for is highlighted in colour on this page and on the page in the report.

In case of doubt, the German version is authoritative.

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