

# **2010 Annual Financial Statements**

**of VIENNA INSURANCE GROUP AG  
Wiener Versicherung Gruppe**

# EVERYTHING AT **ONE** GLANCE

## **Management report to the separate financial statements**

Overview of business development	03
Risk report	06
Internal control and risk management system in the accounting process	08
Outlook	08
Proposed distribution of profits	10

## **Separate financial statements**

Balance sheet	11
Income statement	14
Notes to the financial statements	16
Auditor's report	28
Declaration by the Managing Board	31
Supervisory Board report	32

## **Service**

Contact	34
Address – Notes – General information	35

## MANAGEMENT REPORT

### VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Holding) business development

Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group holds a majority of the voting rights of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. The international ratings agency Standard & Poor's confirmed the existing A+ rating with a stable outlook in 2010.

In August 2010, the insurance business operations of the Company were spun off to VERSA-Beteiligungs AG (now: WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, FN 333376j) with retroactive effect as of 1 January 2010 under a demerger and acquisition agreement of 10 May 2010, while taking advantage of the favourable reorganisation tax treatment provided for by Art. VI of the Reorganisation Tax Act (*Umgründungssteuergesetz*). The name of the Company was subsequently changed to VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

Since the prior-year values for 2009 come from the annual financial statements of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG, and the comparability of these values is extremely limited due to the completely different structure of the business, the management report does not discuss changes in values for financial year 2010 as compared to the previous year.

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe concentrates mainly on Group management responsibilities. It is, however, also active as an international reinsurer and in international corporate business.

In particular, the main management responsibilities of the Group holding company include the following:

- IT coordination
- Investment management
- Finance and accounting
- Planning and controlling
- International human resources development

- International actuarial department
- Risk management
- Group audit
- Investor relations
- Public relations

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

VIG Holding's reinsurance activities are aimed at improving the risk balance for the Group as a whole. The difference in size and risk-bearing capacity of the Austrian and foreign companies of the Vienna Insurance Group offer different initial situations and were accordingly bundled in VIG Holding. This created a broader basis for mutual risk off-setting and also made it easier to optimise the external reinsurance coverage needed. This is particularly important when the motor vehicle business, in particular motor vehicle liability business, is one of the major core markets of an insurance group.

VIG Holding bundles and coordinates large customer business that extends beyond the borders of Austria. This satisfies the increasing customer desire to deal with a broad-based international insurance provider that offers simple, centralised communications. It also allows more extensive risk management and improved risk diversification.

#### Premium income

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Holding) generated a total premium volume of EUR 536.85 million in 2010. EUR 10.51 million of this amount was from corporate business and EUR 526.35 million from the reinsurance business. VIG retained EUR 525.70 million of the gross premiums written, and ceded EUR 11.16 million to reinsurers. Net earned premiums were EUR 444.50 million.

Details on the results for the individual classes and indirect business are provided in the notes to the financial statements.

### Expenses for claims and insurance benefits

Gross expenses for claims and insurance benefits were EUR 347.60 million in 2010, with EUR 3.74 million attributable to corporate business and EUR 343.87 million to the reinsurance business. EUR 1.06 million of the gross expenses were borne by reinsurers, leaving net expenses for claims and insurance benefits of EUR 346.54 million.

### Operating expenses

Gross administrative expenses were EUR 96.61 million in 2010, with net expenses of EUR 96.56 million remaining after reinsurance commissions. The gross expenses were divided into EUR 2.34 million from corporate business and EUR 94.27 million from the reinsurance business.

### Combined ratio

VIG Holding had a combined ratio of 99.7% in 2010. The combined ratio is calculated as the ratio of all underwriting income and expenses plus net payments for claims and insurance benefits, including the net change in underwriting provisions, divided by net earned premiums in the property/casualty area.

### Financial result

VIG Holding had a financial result of EUR 143.27 million.

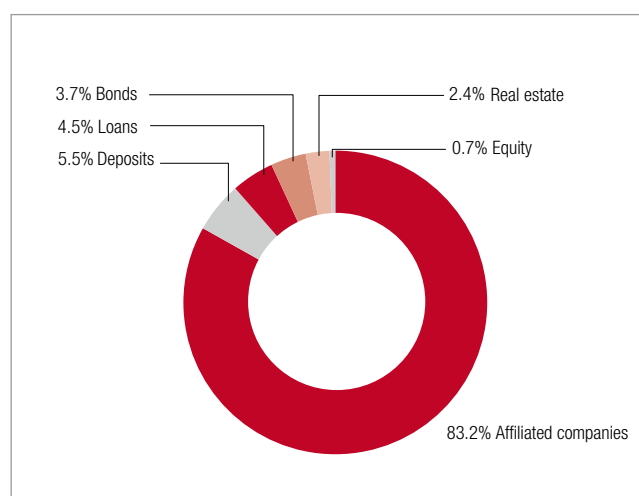
Total income (net) includes current income, realised gains and losses and write-downs for the following investment groups:

	2010
in EUR '000	
Land and buildings	5,793
Participations	211,422
Other investments	23,809
<b>Total income (net)</b>	<b>241,024</b>
Other investment income	11,594
Expenses for asset management	-30,384
Interest expenses	-74,170
Other investment expenses	-4,796
<b>Investment profit according to income statement</b>	<b>143,268</b>

### Investments

Investments were EUR 4,647.66 million as of 31 December 2010. At the end of 2010, 83.2% of the investments were affiliated companies, 5.5% deposits on assumed reinsurance business, 4.5% loans, 3.7% bonds, 2.4% land and buildings, and 0.7% shares.

### BREAKDOWN OF INVESTMENTS



### Result from ordinary activities

VIG Holding earned a result from ordinary activities of EUR 144.61 million in financial year 2010.

### Employees

VIG Holding had an average of 186 employees in 2010.

### Employee interests

The economic success of VIG Holding is due to the commitment and high qualifications of its employees. VIG Holding offers its employees personal development and career opportunities, and places a great importance on training. VIG Holding also provides a variety of fringe benefits to make conditions attractive for its employees. For example, VIG Holding employees receive subsidies for use

of the company crèche and for lunch. In addition, VIG Holding employees in Vienna can obtain coupons for major Austrian retail chains. Many employees take advantage of this attractive offer.

**Events occurring after the balance sheet date**

On 2 February 2011, VIG Holding closed on its acquisition of an additional 10% interest in Ray Sigorta A.Ş. VIG Holding had entered into an agreement with Dogan Sirketler Grubu Holding S.A. for this acquisition in 2010. The transaction raised VIG Holding's interest in this Turkish non-life insurer to approximately 94.3%.

At the end of February 2011, the rating agency Standard & Poor's confirmed its existing rating of A+ with a stable outlook for VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

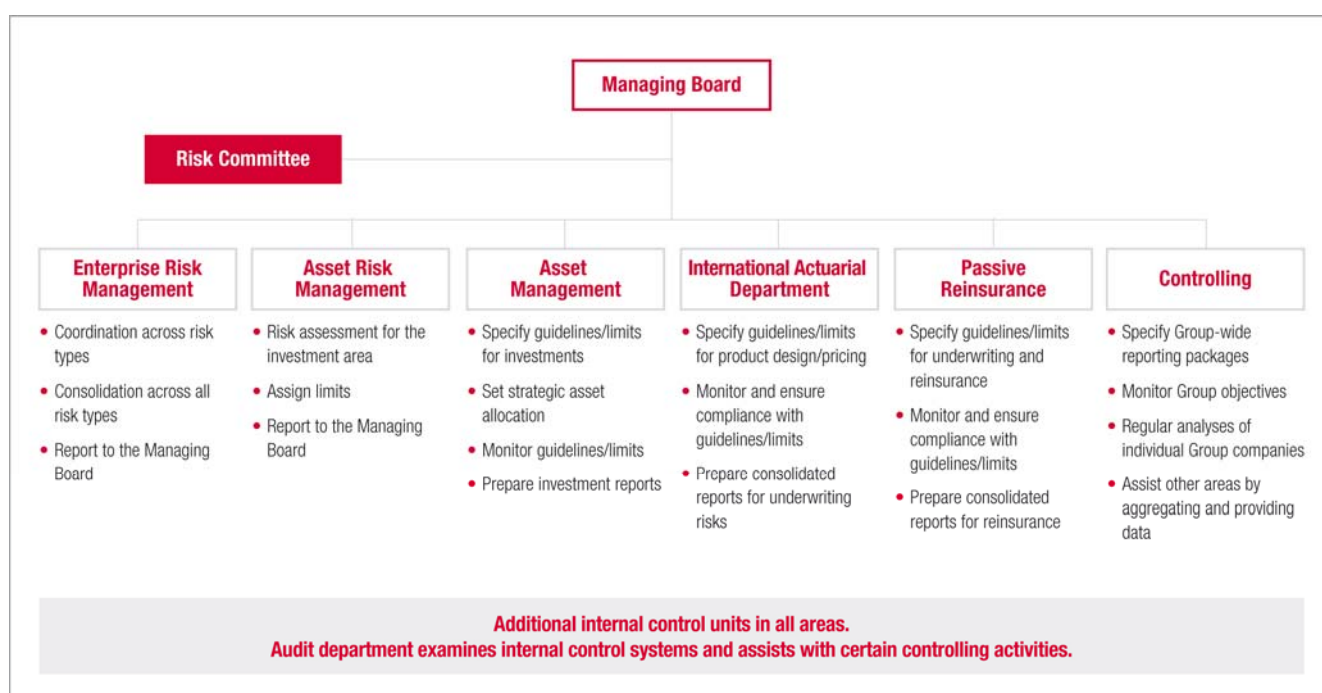
**Other information**

VIG Holding performs no research and development activities.

VIG Holding has no branch offices.

## Risk report

The Vienna Insurance Group's core competence is dealing professionally with risk. The VIG Enterprise Risk Management department (ERM) is responsible for Group-wide risk management and is located in VIG Holding. ERM assists the Managing Board with updating the corporate risk strategy, risk organisation and other corporate risk management topics and documents, and is responsible for implementation of the European solvency regulations (Solvency II). As a result of the demerger and establishment of a holding company, a cross-class, cross-country risk committee is being formed. The international actuarial department, corporate reinsurance department, asset risk management department, group controlling, internal audit and group IT departments are also involved in the ongoing process of risk monitoring and risk management.



### The overall risk of VIG Holding can be divided into the following risk categories:

- **Underwriting risks:** The core business of an insurance company consists of the transfer of risk from policyholders to the company.
- **Credit risk:** This risk quantifies the potential loss due to deterioration of the situation of a counterparty against which claims exist.
- **Market risk:** Market risk is the risk of changes in the value of investments due to unforeseen fluctuations in interest rate curves, share prices and exchange rates, and the risk of changes in the market value of real estate and participations.
- **Strategic risks:** Strategic risks can arise due to changes in the economic environment, case law, or the regulatory environment.

- **Operational risks:** These may result from deficiencies or errors in business processes, controls or projects caused by technology, staff, organisation or external factors.
- **Liquidity risk:** Liquidity risk depends on the goodness of fit between the investment portfolio and insurance obligations.
- **Concentration risk:** Concentration risk is a single direct or indirect position, or a group of related positions, with the potential to significantly endanger the insurance company, its core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common holders, guarantors or managers, or by sector concentrations.

VIG Holding is exposed to underwriting risks as a result of its international corporate business and reinsurance business. Appropriate underwriting provisions are determined using recognised actuarial methods and assumptions.

Fair value measurement, value-at-risk (VaR) calculations, sensitivity analysis and stress tests are used to monitor market risks. Liquidity risk is limited by matching the investment portfolio to insurance obligations. A risk management process is also used to identify, analyse, evaluate, report, control and monitor strategic and operational risks created by changes in the business environment and deficiencies or errors in business processes, controls and projects. Limits are used to keep concentrations within the desired margin of safety.

### Solvency II

During financial year 2009, the VIG Managing Board established a Group-wide project managed centrally from Austria by VIG Holding to implement Solvency II at the individual company and Group levels.

Due to the split into Wiener Städtische and VIG Holding in 2010, extensive changes are needed in risk management. Group-specific aspects of risk management that Wiener Städtische was previously dealing with are being reintegrated into the Vienna Insurance Group holding company. A new Group-wide risk management system is currently being built. The Enterprise Risk Management (ERM) department was established at the beginning of 2010 for this purpose. Its main objectives are further standardisation of risk management structures and processes, and successful implementation of Solvency II in the Vienna Insurance Group. The applicable risk policy is being reviewed and rolled out across the Group. In addition, Group-wide communications with respect to risk management are moving ahead.

Intensive work on the development and implementation of a partial internal model is already taking place at both the Group and individual company levels as part of the Solvency II project. Care is being taken to ensure that the necessary calculation models and processes are set up in the Group companies, so that consistent values can be calculated at both the individual company level and Group level. A method paper was prepared as part of the Solvency II project that provides a detailed description, based on the technical specifications of the Financial Market Authority, of the calculation and valuation methods that must be applied across the Group to calculate the solvency requirement according to the standard Solvency II formula. The solvency requirement based on the standard Solvency II formula will be calculated in parallel with the results from the partial internal model being prepared by the Vienna Insurance Group for two years.

## Internal control and risk management system in the accounting process

The documentation of the process of preparing the annual financial statements was undertaken jointly with a consulting firm. In it, a summary of essential controls was made, as was a presentation of the linkage of the process and the controls to the risks identified as part of risk management.

The controls as thus documented are used during the process to ensure that potential reporting errors are avoided, or are identified and corrected.

The objectives of the annual financial statements process are:

- **Completeness:** all transactions in the reporting period are recorded in full.
- **Existence:** all balance sheet asset and liability items are present as of the balance sheet date.
- **Accuracy:** all transactions recorded in the financial statements relate to the same period as the financial statements.
- **Measurement:** all balance sheet asset and liability-side items, and income and expense items were recognised using the values they should be assigned based on accounting requirements.
- **Ownership:** proper disclosure of rights and obligations.
- **Presentation:** all financial statement items are correctly presented and disclosed.

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

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

## Outlook

### Economic growth

#### AUSTRIA

Two renowned Austrian economic research institutes, the Austrian Institute for Advanced Studies (IAS) and Austrian Institute of Economic Research (WIFO), are expecting real gross domestic product to rise by 2.1% and 2.2%, respectively, in 2011. This is almost the same as the growth in economic output of 1.9% and 2.0% that the institutes projected for 2010. The Austrian export industry, which benefited from the improvement in the global economic situation, played a particularly important role in upward trend in 2010.

Private household consumption will continue to have a stabilising effect on growth in 2011, but will show only scant momentum. Rising global market commodity prices and the increase in selected indirect taxes are likely to increase the inflation rate by 0.2 to 0.4 percentage points. The calculations also appear to indicate a further increase in employment. However, since the supply of labour is also increasing, the unemployment rate will fall only minimally at best.

#### THE CEE REGION

WIFO's economic outlook predicts subdued growth for the Eurozone in coming years, while stronger growth is expected for Central and Eastern Europe. IAS also expects economic growth to accelerate in the CEE region. For example, economic growth is expected to increase again or reach positive territory in Hungary, Romania, Bulgaria and Croatia in 2011.

In general, the economic convergence process can be expected to continue in the CEE region in coming years, although it is presumed that the pace will no longer be as dynamic as it was before 2008. Countries that were still feeling strong after-effects of the crisis in 2010 will gain momentum and the region will recover over the long term.

## Insurance market

### AUSTRIA

According to the preliminary results issued by the Austrian Association of Insurance Companies (*Versicherungsverband Österreich – VVO*), the insurance year 2010 was considerably more favourable than the year before. Total premium volume in the Austrian insurance industry went up by about 2%. A large portion of the growth is due to the good performance of individual classes in the property/casualty area as well as the strong interest in single-premium life insurance products. Indications are that premium growth for the property/casualty area in 2011 will be comparable to 2010, that is approximately 2%. Growth of 1.7% is expected for the industry as a whole in 2011.

### THE CEE REGION

The CEE region is expected to record high growth rates in coming years, particularly in the life insurance area, although Swiss Re calculations also predict increases for the non-life business, with a growth rate of approximately 4% for 2011. The non-life segment offers strong growth opportunities in Central and Eastern European markets where the private insurance industry still has a short history and the level of prosperity is still very low. Motor vehicle insurance is the very first thing people need when they buy a car of their own. In addition, the companies in the region begin to insure themselves against the many risks involved in their business activities. Finally, as the standard of living increases people's desire for four walls of their own and protection for the property they acquire becomes more urgent.

In overall terms, higher growth rates can be expected to continue in the insurance markets of Central and Eastern Europe in the near future as compared to Western Europe. Convergence potential remains high for the entire region.

## Outlook for the Group

The Vienna Insurance Group expects profit before taxes to increase by approximately 10% in 2011, with a small percentage increase in premium volume. VIG has also set itself a goal of reducing its combined ratio to approximately 97%. This assumes that there is no significant deterioration in general economic and legal conditions and no dramatic change in losses due to natural catastrophes. This profit outlook reconfirms the Vienna Insurance Group's goal of continued growth.

The Vienna Insurance Group has set itself a goal of consolidating or expanding the Group's market position in each country in the coming year. To this end, the Vienna Insurance Group will work on further strengthening distribution for the long term, building on its proven multi-brand strategy and the extensive distribution networks available to it in each market.

## Outlook for VIG Holding

Economic growth forecasts hold out the promise of positive stimulus for VIG Holding's business in 2011. Taking advantage of this is one of VIG Holding's stated goals, and it is thus making efforts to expand its premium volume. The Group-specific aspects of risk management that Wiener Städtische previously dealt with were integrated into VIG Holding in 2010. To that end, an Enterprise Risk Management (ERM) department was set up at the beginning of 2010. Its main objectives are further standardisation of risk management structures and processes, and successful implementation of Solvency II in the Vienna Insurance Group. Work on establishing a new Group-wide risk management system will continue in 2011.

## PROPOSED DISTRIBUTION OF PROFITS

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ended financial year 2010 with net retained profits of EUR 200,852,110.42. The following appropriation of profits will be proposed to the Annual General Meeting:

The 128 million shares are to receive a dividend of EUR 1.00 per share. The payment and ex-dividend dates for this dividend will be 16 May 2011.

A total of EUR 128,000,000.00 will therefore be distributed.

The net retained profits of EUR 72,852,110.42 remaining for financial year 2010 after distribution of the dividend are to be carried forward.

The Managing Board:



**Dr. Günter Geyer**



**Dr. Peter Hagen**



**Dr. Martin Simhandl**



**Ing. Martin Diviš, MBA**



**Franz Fuchs**



**Mag. Peter Höfinger**

Vienna, 10 March 2011

**SEPARATE FINANCIAL STATEMENTS****Balance sheet as of 31 December 2010**

<b>Assets</b>	<b>31.12.2010</b>		<b>2009</b>
	in EUR		in EUR '000
<b>A. Intangible Assets</b>			
I. Expenses for acquisition of an insurance portfolio		0.00	3,500
II. Other intangible assets		9,251,171.25	18,537
<b>Total intangible assets</b>		<b>9,251,171.25</b>	<b>22,037</b>
<b>B. Investments</b>			
I. Land and buildings		113,370,468.91	434,583
II. Investments in affiliated companies and participations			
1. Shares in affiliated companies	3,846,365,383.47		4,220,289
<i>thereof reorganisation surplus</i>	<i>8,883,755.76</i>		<i>8,884</i>
2. Bonds and other securities of affiliated companies and loans to affiliated companies	202,115,110.19		596,562
3. Participations	18,777,206.71		286,782
<i>thereof reorganisation surplus</i>	<i>0.00</i>		<i>8,957</i>
4. Bonds and other securities of and loans to companies in which an ownership interest is held	0.00	4,067,257,700.37	37,448
III. Other investments			
1. Shares and other non-fixed-interest securities	83,372,629.15		2,818,632
2. Bonds and other fixed-interest securities	121,944,109.00		3,767,945
3. Shares in joint investments	0.00		50,334
4. Mortgage receivables	0.00		301,472
5. Policy prepayments	0.00		19,216
6. Other loans	8,000,000.00		330,136
7. Bank balances	0.00	213,316,738.15	69,180
IV. Deposits on assumed reinsurance business		253,718,985.57	19,077
<b>Total investments</b>		<b>4,647,663,893.00</b>	<b>12,951,656</b>
<b>C. Investments for unit-linked and index-linked life insurance</b>		<b>0.00</b>	<b>1,681,469</b>
<b>D. Receivables</b>			
I. Receivables from direct insurance business			
1. with policyholders	2,494,270.60		113,490
2. with insurance intermediaries	13.33		78,993
3. with insurance companies	0.00	2,494,283.93	21,129
II. Receivables from reinsurance business		12,882,029.29	103,247
III. Other receivables		39,769,241.45	186,937
<b>Total receivables</b>		<b>55,145,554.67</b>	<b>503,796</b>
<b>E. Pro rata interest</b>		<b>9,125,552.95</b>	<b>110,351</b>
<b>F. Other assets</b>			
I. Tangible assets (not incl. land and buildings) and inventories		188,590.40	16,679
II. Current bank balances and cash on hand		1,073,378.00	72,573
III. Other assets		45.51	138,566
<b>Total other assets</b>		<b>1,262,013.91</b>	<b>227,818</b>
<b>G. Deferred charges</b>			
I. Deferred tax assets		5,672,112.21	86,622
II. Other deferred charges		959,507.04	88,137
<b>Total deferred charges</b>		<b>6,631,619.25</b>	<b>174,759</b>
<b>Total assets</b>		<b>4,729,079,805.03</b>	<b>15,671,886</b>

## Balance sheet as of 31 December 2010

Liabilities and shareholders' equity	31.12.2010		2009
	in EUR		in EUR '000
<b>A. Shareholders' equity</b>			
I. Share capital			
1. Par value		132,887,468.20	132,887
II. Capital reserves			
1. Committed reserves		2,267,232,422.07	2,267,233
III. Retained earnings			
1. Free reserves		270,823,488.93	224,970
IV. Risk reserve as per § 73a VAG, taxed portion		2,666,984.00	45,853
V. Net retained profits		200,852,110.42	164,738
<i>of which brought forward</i>		<i>49,537,716.77</i>	<i>18,253</i>
<b>Total shareholders' equity</b>		<b>2,874,462,473.62</b>	<b>2,835,681</b>
<b>B. Tax-exempt reserves</b>			
I. Risk reserve as per § 73a VAG		0.00	43,441
II. Valuation reserve for impairment losses		34,897,564.44	144,921
<b>Total reserves</b>		<b>34,897,564.44</b>	<b>188,362</b>
<b>C. Subordinated liabilities</b>			
I. Hybrid bond		500,000,000.00	500,000
II. Supplementary capital bond		300,000,000.00	400,000
<b>Total subordinated liabilities</b>		<b>800,000,000.00</b>	<b>900,000</b>
<b>D. Underwriting provisions, retention</b>			
I. Unearned premiums			
1. Gross	72,983,990.65		152,509
2. Reinsurers' share	0.00	72,983,990.65	-18,659
II. Mathematical reserve			
1. Gross	0.00		7,075,613
2. Reinsurers' share	0.00	0.00	-94,709
III. Provision for outstanding claims			
1. Gross	181,469,919.95		1,132,273
2. Reinsurers' share	-1,062,055.50	180,407,864.45	-288,434
IV. Provision for profit-unrelated premium refunds			
1. Gross	0.00		32,162
2. Reinsurers' share	0.00	0.00	-2,844
V. Reserve for profit-related premium refunds and policyholder profit participation			
1. Gross	0.00		61,274
2. Reinsurers' share	0.00	0.00	0
VI. Equalisation provision		0.00	164,633
VII. Other underwriting provisions			
1. Gross	0.00		12,963
2. Reinsurers' share	0.00	0.00	-1,720
<b>Total underwriting provisions</b>		<b>253,391,855.10</b>	<b>8,225,061</b>
<b>E. Underwriting provisions for unit-linked and index-linked life insurance</b>		<b>0.00</b>	<b>1,611,521</b>
<b>Amount carried forward</b>		<b>3,962,751,893.16</b>	<b>13,760,625</b>

**Balance sheet as of 31 December 2010**

<b>Liabilities and shareholders' equity</b>	<b>31.12.2010</b>	<b>2009</b>
	in EUR	in EUR '000
<b>Amount carried forward</b>	<b>3,962,751,893.16</b>	<b>13,760,625</b>
<b>F. Non-underwriting provisions</b>		
I. Provisions for severance pay	2,327,289.16	22,190
II. Provisions for pensions	11,981,449.00	102,112
III. Tax provisions	0.00	71,751
IV. Other provisions	13,920,005.88	85,437
<b>Total other provisions</b>	<b>28,228,744.04</b>	<b>281,490</b>
<b>G. Deposits from ceded reinsurance business</b>	<b>0.00</b>	<b>100,926</b>
<b>H. Other liabilities</b>		
I. Liabilities from direct insurance business		
1. with policyholders	47,175.00	200,314
2. with insurance intermediaries	0.29	20,902
3. with insurance companies	1,611,871.28	16,285
II. Liabilities from reinsurance business	4,181,088.78	26,238
III. Liabilities to financial institutions	45,469,643.85	106,038
IV. Other liabilities	680,327,406.54	1,058,025
<b>Total liabilities</b>	<b>731,637,185.74</b>	<b>1,427,802</b>
<b>I. Deferred income</b>	<b>6,461,982.09</b>	<b>101,043</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,729,079,805.03</b>	<b>15,671,886</b>

## Income statement for the financial year from 1 January 2010 to 31 December 2010

	2010		2009
	in EUR		in EUR '000
<b>Underwriting account:</b>			
<b>1. Net earned premiums</b>			
Premiums written			
Gross	536,852,989.61		2,334,871
Ceded reinsurance premiums	-11,156,704.35	525,696,285.26	-356,452
Change in unearned premiums			
Gross	-81,198,888.83		770
Reinsurers' share	0.00	-81,198,888.83	2,624
<b>Total premiums</b>		<b>444,497,396.43</b>	<b>1,981,813</b>
<b>2. Investment income from underwriting business</b>		<b>2,387,498.11</b>	<b>233,513</b>
<b>3. Unrealised gains on investments shown under balance sheet asset item C</b>		<b>0.00</b>	<b>211,260</b>
<b>4. Other underwriting income</b>		<b>109,473.05</b>	<b>6,576</b>
<b>5. Expenses for claims and insurance benefits</b>			
Payments for claims and insurance benefits			
Gross	166,133,830.93		1,637,298
Reinsurers' share	0.00	166,133,830.93	-237,370
Change in provision for outstanding claims			
Gross	181,469,919.95		-29,614
Reinsurers' share	-1,062,055.50	180,407,864.45	25,496
<b>Total for claims and insurance benefits</b>		<b>-346,541,695.38</b>	<b>-1,395,810</b>
<b>6. Increase in underwriting provisions</b>			
Mathematical reserve			
Gross	0.00		547,980
Reinsurers' share	0.00	0.00	-4,961
Other underwriting provisions			
Gross	0.00		965
Reinsurers' share	0.00	0.00	28
<b>Total increase in underwriting provisions</b>		<b>0.00</b>	<b>-544,012</b>
<b>7. Expenses for profit-unrelated premium refunds</b>			
Gross	0.00		21,870
Reinsurers' share	0.00	0.00	-2,769
<b>Total expenses for profit-unrelated premium refunds</b>		<b>0.00</b>	<b>-19,101</b>
<b>8. Expenses for profit-unrelated premium refunds and policyholder profit participation</b>			
Gross	0.00		205
Reinsurers' share	0.00		0
<b>Total profit participation</b>		<b>0.00</b>	<b>-205</b>
<b>9. Administrative expenses</b>			
Acquisition expenses		91,320,125.78	331,218
Other administrative expenses		5,289,308.02	103,121
Reinsurance commissions and profit shares from reinsurance cessions		-52,962.72	-47,525
<b>Total operating expenses</b>		<b>-96,556,471.08</b>	<b>-386,814</b>
<b>10. Unrealised losses on investments shown under balance sheet asset item C</b>		<b>0.00</b>	<b>-11,711</b>
<b>11. Other underwriting expenses</b>		<b>-110,160.72</b>	<b>-23,908</b>
<b>12. Change in the equalisation provision</b>		<b>0.00</b>	<b>15,529</b>
<b>Underwriting result (amount carried forward)</b>		<b>3,786,040.41</b>	<b>67,130</b>

**Income statement for the financial year from 1 January 2010 to 31 December 2010**

	<b>2010</b>	<b>2009</b>
	in EUR	in EUR '000
<b>Underwriting result (amount carried forward)</b>	<b>3,786,040.41</b>	<b>67,130</b>
<b>Non-underwriting account:</b>		
<b>1. Investment and interest income</b>		
Income from participations	211,377,777.12	108,838
Income from land and buildings	10,319,602.07	28,722
Income from other investments	23,690,221.73	321,104
Income from appreciations	0.00	689
Income from the disposal of investments	395,186.96	176,237
Other investment and interest income	11,594,423.23	27,398
<b>Total investment income</b>	<b>257,377,211.11</b>	<b>662,988</b>
<b>2. Investment and interest expenses</b>		
Expenses for asset management	30,384,329.25	26,655
Depreciation of investments	4,526,958.86	186,813
Interest expenses	74,169,855.12	83,304
Losses from disposal of investments	231,902.57	13,221
Other investment expenses	4,795,527.37	17,346
<b>Total investment expenses</b>	<b>-114,108,573.17</b>	<b>-327,339</b>
<b>3. Investment income transferred to the underwriting account</b>	<b>-2,387,498.11</b>	<b>-233,513</b>
<b>4. Other non-underwriting income</b>	<b>72,844.08</b>	<b>1,261</b>
<b>5. Other non-underwriting expenses</b>	<b>-132,210.82</b>	<b>-551</b>
<b>6. Result from ordinary activities</b>	<b>144,607,813.50</b>	<b>169,976</b>
<b>7. Taxes on income</b>	<b>8,362,671.55</b>	<b>-26,790</b>
<b>8. Profit for the period</b>	<b>152,970,485.05</b>	<b>143,186</b>
<b>9. Release of reserves</b>		
Release of valuation reserve for impairment losses	1,010,892.60	3,299
<b>Total release of reserves</b>	<b>1,010,892.60</b>	<b>3,299</b>
<b>10. Transfer to reserves</b>		
Transfer to risk reserve as per § 73a VAG	2,666,984.00	0
<b>Total transfer to reserves</b>	<b>-2,666,984.00</b>	<b>0</b>
<b>11. Profit for the year</b>	<b>151,314,393.65</b>	<b>146,485</b>
<b>12. Retained profits brought forward</b>	<b>49,537,716.77</b>	<b>18,253</b>
<b>Net retained profits</b>	<b>200,852,110.42</b>	<b>164,738</b>

## NOTES TO THE FINANCIAL STATEMENTS

The insurance business operations of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG (now: **VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe**, FN 75687f) was spun off to VERSA-Beteiligungs AG (now: **WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group**, FN 333376j) with retroactive effect as of 1 January 2010 under a demerger and acquisition agreement of 10 May 2010, making use of the favourable reorganisation tax treatment provided for in Art. VI of the Reorganisation Tax Act (*Umgründungssteuergesetz*). The General Meeting resolution was adopted on 29 June 2010 and the demerger of the insurance business operations from the holding company acquired legal force on 3 August 2010 after approval by the Austrian Financial Market Authority (FMA).

**WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group** therefore continues to be the largest individual company in the Group and continues to operate the property/casualty, life and health insurance business in Austria. **VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe** is a listed Group holding company that focuses on management responsibilities. It is, however, also active as an international reinsurer and in the international corporate business.

Due to a completely different business structure, the figures in the balance sheet and income statement of the acquired company, VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG, as of 31 December 2009 have limited comparability and informational value.

### I. General disclosures regarding accounting policies

The annual financial statements were prepared **in accordance with Austrian generally accepted accounting principles** and the general standard of presenting a fair and true view of the net assets, financial position and results of operations.

The **precautionary principle** was satisfied in that only profits that had been realised as at the balance sheet date were reported and all identifiable risks and impending losses are recorded in the balance sheet, with the excep-

tion of the less strict measurement of bonds and other fixed interest securities as provided for in § 81h(1) VAG and use of the measurement options provided for in § 81h(2a) VAG for units of special funds. As a rule, figures are shown in thousands of Euros (EUR '000). Figures from the previous year are indicated as such or shown in parentheses.

### II. Accounting principles

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

Shares and other non-fixed-interest **securities** (with the exception of units of special funds that exclusively or predominantly hold bonds or other fixed-interest securities), and shares in affiliated companies are valued according to the strict lower-of-cost-or-market principle (*strenges Niederstwertprinzip*). Starting in 2008, bonds and other fixed-interest securities have been measured using the less strict lower-of-cost-or-market principle (*gemildertes Niederstwertprinzip*) provided for in § 81h(1) VAG. Valuation using the less strict lower-of-cost-or-market principle resulted in EUR 421,000 of write-downs not being performed.

The valuation options provided for in § 81h(2a) VAG were used to value units in special funds that exclusively or predominantly hold bonds or other fixed-interest securities.

The Company makes its investments in fixed-interest securities, real estate, participations, shares, and structured investment products, taking into account the overall risk position of the Company and the investment strategy provided for this purpose. The risk inherent in the categories specified and market risks were taken into account when determining exposure volumes and limits.

The investment strategy is laid down in the form of investment guidelines that are continuously monitored for compliance by the corporate risk management and internal audit departments. The corporate risk management department reports regularly to the tactical and strategic investment committee. The internal audit department reports regularly to the Managing Board.

As a rule, investments are largely low-risk. The strategic investment committee decides on possible high-risk investments based on the inherent risk of each individual investment after performing a full analysis of all related risks and liquidity at risk and considering all assets currently in the portfolio and the effects of the individual investments on the overall risk position.

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

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

Forward exchange transactions in the currencies CZK, RON and PLN were entered into in 2010.

As a rule, **mortgage receivables and other loans**, including those to affiliated companies and companies in which an ownership interest is held, are valued at the nominal value of the outstanding receivables. Discounts deducted from loan principal are spread over the term of the loan and shown under deferred income on the liabilities side of the balance sheet.

Valuation allowances of adequate size are formed for doubtful **receivables** and deducted from their nominal values. **Tangible assets** (not including land and buildings) are valued at cost less depreciation. Low-cost assets are written off in full in the year of acquisition.

**Unearned premiums** are essentially calculated by prorating over time after applying a cost deduction of EUR 0 (EUR 18,113,000).

The **provision for outstanding claims** for direct business is calculated for losses reported by the balance sheet date by individually evaluating claims that have not yet been settled and adding lump-sum safety margins for large unascertainable losses.

In indirect business, provisions for outstanding claims are primarily based on reports from ceding companies as of the 31 December 2010 balance sheet dates. The reported amounts were supplemented by additional amounts if considered necessary in light of past experience.

The **equalisation provision** is calculated in accordance with the directive of the Austrian Federal Finance Minister, BGBl. (Federal Gazette) No. 545/1991 in the version contained in BGBl. II No. 66/1997.

The **provisions for severance pay, pensions, and anniversary bonuses** are based on the pension insurance calculation principles of the Actuarial Association of Austria (AVÖ), AVÖ 2008-P (Employees), using a discount rate of 4%. Company pension plan obligations are measured using the actuarial entry age normal method (*Teilwertverfahren*). The retirement age used to calculate the provisions for anniversary bonuses and severance pay is the statutory minimum retirement age as stipulated in the Austrian General Social Security Act (ASVG) (2004 reform) for the provision for anniversary bonuses, subject to a maximum age of 62 years. The retirement age used to calculate the retirement age for the provision for pensions depends on each individual agreement. The following percentages were used for employee turnover based on age: <31 – 7.5%, 31 - 35 3.5%, 36 - 40 2.5%, 41 - 50 1.5%, 51 - 55 0.5% and 56 - 65 0%. The severance entitlement used to calculate the provision for severance obligations depends on each individual agreement. The following percentages were used for employee turnover based on age: <30 – 7.5%, 30 - 34 3.5%, 35 - 39 2.5%, 40 - 50 1.5%, 50 - 59 1.0% and 60 - 65 0%. The interest expenses for personnel provisions of EUR 522,000

(EUR 4,694,000) are reported under investment and interest expenses. A portion of the direct pension obligations, in the amount of EUR 2,088,000 (EUR 265,845,000), is being administered as an occupational group insurance plan under an insurance policy concluded in accordance with § 18f to 18j VAG. As permitted under the Austrian Federal Ministry of Finance decree of 3 August 2001, an amount of EUR 0 (EUR 35,674,000) was transferred to an external insurance company to outsource severance pay obligations. The severance pay provision required under Austrian corporate law for 2010 was EUR 4,694,000 (EUR 79,297,000). The amount earmarked for satisfaction of the outsourced severance pay obligations and held by the external insurance company was EUR 2,608,000 (EUR 63,244,000). The difference of EUR 2,177,000 (EUR 23,127,000) between the size of the severance pay provisions to be formed under Austrian corporate law and the deposit held by the external insurance company is reported in the provisions for severance pay in the balance sheet.

Amounts denominated in **foreign currencies** are converted into euros at the relevant mean rate of exchange.

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

The following disclosures are provided for **off-balance sheet liabilities**: Letters of comfort and liability undertakings totalling EUR 19,042,000 (EUR 48,742,000) have been issued in connection with a real estate purchase and borrowing. Liability undertakings totalling EUR 0 (EUR 94,000) have been issued in connection with loan repayments.

A total of EUR 0 (EUR 29,149,000) relates to letters of comfort with affiliated companies.

### III. Notes to the balance sheet

The **value of developed and unimproved properties** was EUR 33,092,000 (EUR 105,666,000) as of 31 December 2010.

The **book value of self-used property** was EUR 18,417,000 (EUR 74,180,000).

**Other loans** not secured by insurance contracts were comprised of the following: loans to the Republic of Austria in the amount of EUR 0 (EUR 52,339,000), loan receivables from other public bodies in the amount of EUR 0 (EUR 35,372,000) and loan receivables from other borrowers in the amount of EUR with 8,000,000 (EUR 242,425,000).

#### The fair values of investments are:

<b>Items under § 81c (2) VAG</b>	<b>Fair value on 31.12.2010</b>	<b>Fair value on 31.12.2009</b>
<i>in EUR '000</i>		
Land and buildings	283,223	697,377
Shares in affiliated companies	5,556,223	5,881,990
Bonds and other securities of and loans to affiliated companies	202,115	596,943
Participations	18,798	311,324
Bonds and other securities of and loans to companies in which an ownership interest is held	0	37,448
Shares and other non-fixed-interest securities	92,615	2,944,176
Bonds and other fixed-interest securities	129,281	3,894,037
Shares in joint investments	0	50,334
Mortgage receivables	0	301,472
Policy prepayments	0	19,216
Other loans	8,000	330,136
Bank balances	0	69,180
Deposits on assumed reinsurance business	253,719	19,077
	<b>6,543,974</b>	<b>15,152,710</b>

Hidden reserves fell by EUR 304,744,000 during the reporting year to a total of EUR 1,896,310,000 (EUR 2,201,054,000). The fair value of the shares in affiliated companies and shares in companies in which an ownership interest is held is equal to the stock market value or other available market value (up-to-date internal valuations or appraisal reports). If no stock market or other available market value exists, the purchase price is used as the fair value, if necessary reduced by any write-downs or a proportionate share of the publicly reported equity capital, whichever is greater. For shares and other securities, stock market values or book values (purchase price, reduced by write-downs if necessary) are used as the fair value. The remaining investments were valued at their nominal values, where necessary reduced by write-downs.

The fair values of land and buildings were determined in accordance with the recommendations of the Austrian Association of Insurance Companies. All properties are individually valued during a 5-year period.

The fair value of EUR 283,223,000 for land and buildings is comprised of market value appraisals for the years 2007 to 2010 as follows: 2010: EUR 71,275,000, 2009: EUR 25,020,000, 2008: EUR 129,363,000, 2007: EUR 57,565,000.

The amount shown under **other liabilities** includes EUR 1,122,000 in tax liabilities and EUR 196,000 in social security liabilities.

**The following balance sheet items are attributable to affiliated companies and companies in which an ownership interest is held:**

	Affiliated companies		Companies in which an ownership interest is held	
	2010	2009	2010	2009
<i>in EUR '000</i>				
Mortgage receivables	0	42,372	0	4,368
Deposit receivables	253,719	1,454	0	0
Receivables from direct insurance business	0	3,741	0	1,419
Receivables from reinsurance business	9,970	28,666	0	107
Other receivables	24,483	127,571	6,335	6,115
Deposit liabilities	0	84,969	0	0
Liabilities from direct insurance business	1,612	751	0	71
Liabilities from reinsurance business	3,734	12,136	0	2
Other liabilities	664,565	1,001,182	0	0

**Liabilities arising from the use of off-balance sheet tangible assets** were EUR 1,364,000 (EUR 23,191,000) for the following financial year, and EUR 7,243,000 (EUR 141,403,000) for the following five years.

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

	Intangible assets	Land and buildings	Shares in affiliated companies	Bonds and other securities of and loans to affiliated companies	Participations	Bonds and other securities of and loans to companies in which an ownership interest is held
in EUR '000						
<b>As of 31 December 2009</b>	<b>22,037</b>	<b>434,583</b>	<b>4,220,289</b>	<b>596,562</b>	<b>286,783</b>	<b>37,448</b>
Disposal due to demerger	17,181	317,838	620,892	345,511	268,006	37,448
Additions	4,859	1,152	812,343	182,000	0	0
Disposals	0	0	565,375	238,936	0	0
Depreciation	464	4,527	0	0	0	0
Change due to value adjustments	0	0	0	8,000	0	0
<b>As of 31 December 2010</b>	<b>9,251</b>	<b>113,370</b>	<b>3,846,365</b>	<b>202,115</b>	<b>18,777</b>	<b>0</b>

#### IV. Notes to the income statement

The premiums written, earned premiums, expenses for insurance claims, administrative expenses and reinsurance balance in property/casualty insurance in 2010 are broken down as follows:

	Premiums written	Net earned premiums	Expenses for claims and insurance benefits	Administrative expenses	Reinsurance balance
Gross					
in EUR '000					
<b>Direct business</b>					
Fire and fire business interruption insurance	10,433	10,433	3,732	2,332	-6,552
Other non-life insurance	74	74	7	3	-71
	<b>10,507</b>	<b>10,507</b>	<b>3,739</b>	<b>2,335</b>	<b>-6,623</b>
(Previous year values)	(1,044,949)	(1,039,654)	(677,446)	(235,998)	(-76,197)
<b>Indirect business</b>					
Other insurance	526,346	445,147	343,865	94,274	-3,418
	<b>526,346</b>	<b>445,147</b>	<b>343,865</b>	<b>94,274</b>	<b>-3,418</b>
(Previous year values)	(31,162)	(33,692)	(30,345)	(990)	(-4,895)
<b>Total direct and indirect business</b>	<b>536,853</b>	<b>455,654</b>	<b>347,604</b>	<b>96,609</b>	<b>-10,041</b>
(Previous year values)	(1,076,111)	(1,073,346)	(707,791)	(236,988)	(-81,092)

The result from indirect business was EUR 9,395,000. The earned premiums from indirect business of EUR 445,147,000 were immediately included in the income statement.

Of the income from participations, income from other investments and income from land and buildings shown in the income statement, affiliated companies account for the following amounts:

	2010	2009
<b>in EUR '000</b>		
<b>Income from participations</b>		
Property/casualty insurance	211,309	67,328
Health insurance	0	102
Life insurance	0	23,476
<b>Total</b>	<b>211,309</b>	<b>90,906</b>
<b>Income from other investments</b>		
Property/casualty insurance	18,035	317
Health insurance	0	2,748
Life insurance	0	17,072
<b>Total</b>	<b>18,035</b>	<b>20,137</b>
<b>Income from land and buildings</b>		
Property/casualty insurance	41	6
Health insurance	0	52
Life insurance	0	299
<b>Total</b>	<b>41</b>	<b>357</b>

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

The expenses for insurance claims, expenses for administrative expenses, other underwriting expenses and investment expense items contain:

	2010	2009
<b>in EUR '000</b>		
Wages and salaries	13,766	123,963
Expenses for severance benefits and payments to company pension plans	41	11,994
Expenses for retirement provisions	1,463	23,308
Expenses for statutory social contributions and income-related contribution and mandatory contributions	2,882	43,983
Other social security expenses	120	2,312

Commissions of EUR 1,776,000 (EUR 172,492,000) were incurred for indirect business in 2010.

Losses on disposals of investments were EUR 232,000 (EUR 13,221,000) in financial year 2010.

The valuation reserve shown on the balance sheet as at 31 December 2010 and releases over the fiscal year are broken down by asset item as follows:

	As of 31.12.2009	Disposal due to demerger	Release	As of 31.12.2010
<b>in EUR '000</b>				
Land and buildings	111,501	81,502	1,011	28,988
Shares in affiliated companies	6,135	226	0	5,909
Shares and other non-fixed-interest securities	26,456	26,456	0	0
Intangible assets	829	829	0	0
	<b>144,921</b>	<b>109,013</b>	<b>1,011</b>	<b>34,897</b>

The formation and release of untaxed reserves resulted in an increase in income tax expenses of EUR 253,000 (EUR 825,000) during the financial year.

## V. Significant participations

### VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe affiliated companies and participations – as of 31.12.2010

Name, location	Direct interest in capital (%)	Capital (EUR '000)	Net income/loss (EUR '000)	Last annual financial statements
<b>Direct interests in affiliated companies</b>				
“WIENER STÄDTISCHE OSIGURANJE” akcionarsko društvo za osiguranje, Belgrade	99.89	11,901	1,708	2010
Akcionarsko društvo za životno osiguranje Wiener Städtische Podgorica, Podgorica	100.00			established in 2010
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	85.97	71,264	8,873	2010
BENEFIA Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	100.00	21,249	1,336	2010
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	100.00	16,739	-1,702	2010
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	99.92	-1,362	-8,707	2010
Business Insurance Application Consulting GmbH, Vienna	100.00	2,175	169	2010
COMPENSA Holding GmbH, Wiesbaden	100.00	19,629	-6	2010
Compensa Life Vienna Insurance Group SE, Tallinn	100.00	7,026	748	2010
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	63.33	47,501	-6,976	2010
Compensa Towarzystwo Ubezpieczeń Na Życie Spolka Akcyjna Vienna Insurance Group, Warsaw	71.13	41,748	5,915	2010
DONAU Versicherung AG Vienna Insurance Group, Vienna	3.97	153,288	39,196	2010
Erste osiguranje Vienna Insurance Group d.d., Zagreb	90.00	7,477	793	2010
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	90.00	5,286	-2	2010
HELIOS Vienna Insurance Group d.d., Zagreb	100.00	22,234	1,372	2010
IC Globus, Kiev	80.00	5,479	1	2010
Interalbanian Sh.a., Tirana	75.00	3,677	469	2009
InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	99.98	63,627	10,241	2010
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	39,740	13,520	2010
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	100.00	2,931	208	2010
Komunálna poisťovňa, a.s. Vienna Insurance Group, Bratislava	18.86	34,946	2,142	2010
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	94.23	239,221	23,820	2010
Kooperativa, poisťovňa, a.s. Vienna Insurance Group, Prague	96.32	539,473	137,530	2010
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	98.62	13,104	-686	2010
LVP Holding GmbH, Vienna	100.00	563,900	3,177	2010
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	99.10	114,262	9,451	2010
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	90.00	24,251	2,636	2010
Pojišťovňa České spořitelny, a.s. Vienna Insurance Group, Pardubice	90.00	109,576	23,853	2010
Polski Związek Motorowy Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	86.79	11,393	-4,952	2010
PRIVATE JOINT-STOCK COMPANY “UKRAINIAN INSURANCE COMPANY “KNIASHA VIENNA INSURANCE GROUP”, Kiev	99.99	10,858	54	2010
Private Joint-Stock Company “JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP”, Kiev	95.55	1,999	-330	2010
Private Joint-stock company “VAB Life”, Kiev	100.00	1,450	201	2009
S.C. BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest	91.31	18,114	6,385	2010

<b>Name, location</b>	<b>Direct interest in capital (%)</b>	<b>Capital (EUR '000)</b>	<b>Net income/loss (EUR '000)</b>	<b>Last annual financial statements</b>
S.C. BCR Asigurări Vienna Insurance Group S.A., Bucharest	95.92	15,443	-11,909	2010
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	87.01	11,667	1,811	2010
TBI BULGARIA EAD, Sofia	100.00	26,134	-50	2010
TBIH Financial Services Group N.V., Amsterdam	100.00	133,595	-6,581	2010
UNION Vienna Insurance Group Biztosító Zrt., Budapest	100.00	34,466	925	2010
Vienna-Life Lebensversicherung AG, Bendorf	100.00	12,030	495	2010
VIG RE zajišťovna, a.s., Prague	70.00	116,022	15,569	2010
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	100.00	881,708	135,603	2010
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	41.00	482	340	2009
Versicherungsaktiengesellschaft "Kupala", Minsk	52.34	1,092	45	2009
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	64.30	6,673	5	2009
Vienna International Underwriters GmbH, Vienna	100.00	68	7	2009
<b>More than 20% ownership, where a direct ownership interest exists</b>				
Central Point Insurance IT-Solutions GmbH, Vienna	38.00	111	0	2009
Geschlossene Aktiengesellschaft "Strachowaja kompanija "MSK- Life", Moscow	25.00	7,798	4,640	2009
students4excellence GmbH, Vienna	20.00	41	5	2009

The exception provision in § 241 (2) and (3) of the Austrian Corporate Code (*Unternehmensgesetzbuch* – UGB) was applied.

## VI. Other disclosures

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

The Managing Board is authorised to increase the Company's share capital by a nominal amount of EUR 66,443,734.10 in one or more tranches on or before 28 June 2015 by issuing 64,000,000 no-par value ordinary bearer or registered shares against cash contributions or contributions in kind. The terms of the share rights, the exclusion of shareholder pre-emption rights, and the other terms and conditions of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Preference shares without voting rights may also be issued, with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

The General Meeting of 29 June 2010 authorised the Management Board to issue, subject to the approval of the Supervisory Board, one or more tranches of bearer convertible bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 28 June 2015, including the authorisation to exclude shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights to up to 30,000,000 no-par value ordinary bearer shares with voting rights in conformity with the convertible bond terms established by the Management Board. The share capital has consequently been raised pursuant to § 159 (2) no. 1 of the Austrian Stock Corporation Act (*Aktiengesetz – AktG*) by a contingent capital increase of up to EUR 31,145,500.36, through the issuance of up to 30,000,000 no-par value ordinary bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the General Meeting resolution of 29 June 2010 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date regarding the issuance of convertible bonds based on the authorisation granted on 29 June 2010.

The General Meeting of 29 June 2010 further authorised the Management Board to issue, subject to Supervisory Board approval, one or more tranches of bearer income bonds with a total nominal value of up to EUR 2,000,000,000.00, including authorisation to exclude shareholder pre-emption rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The General Meeting of 24 April 2009 authorised the Managing Board to acquire the Company's own no-par value bearer shares pursuant to § 65(1) no. 4 and 8 AktG to the maximum extent permissible by law during a period of 30 months following the date the General Meeting resolution was adopted. The amount payable upon repurchase of the Company's own shares may not be more than a maximum of 50% below, or more than a maximum of 10% above, the average unweighted stock exchange closing price on the 10 stock exchange trading days preceding repurchase. The Managing Board may decide to make the purchase via the stock exchange, through a public offer or in any other legally permissible and expedient manner. The Managing Board has made no use of this authorisation to date. The Company held no treasury shares as of 31 December 2010.

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

On 12 January 2005, the Company issued supplementary capital bond 2005-2022, with a total nominal value of EUR 180,000,000.00, pursuant to § 73c(2) VAG. The interest rate during the first 12 years of the bond's term is 4.625% of its nominal value (fixed interest rate period), after which the bond pays variable interest.

On 12 January 2005, the Company also issued supplementary capital bond 2005, with a total nominal value of EUR 120,000,000.00 million pursuant to § 73c(2) VAG. This bond does not have a fixed term. The interest rate during the first year of the bond's term is 4.25% p.a. of its nominal value, after which the bond pays variable interest.

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

**The Supervisory Board had the following members in financial year 2010:**

**Chairman:**

Präsident Komm.-Rat Dkfm. Klaus **Stadler**  
(until 29 June 2010)  
Präsident Komm.-Rat Dr. Wolfgang **Ruttenstorfer**  
(starting 29 June 2010)

**Deputy Chairman:**

Komm.-Rat Dr. Karl **Skyba**

**Members:**

Abbot Primate Provost Bernhard **Backovsky**  
Mag. Alois **Hochegger**  
Dipl.-Ing. Guido **Klestil**  
Senator Prof. Komm.-Rat Walter **Nettig**  
(until 29 June 2010)  
Hofrat Dkfm. Heinz **Öhler**  
Mag. Reinhard **Ortner**  
Dr. Martin **Roman** (starting 29 June 2010)  
Dr. Johann **Sereinig**  
Mag. Dr. Friedrich **Stara**

**Employee representatives (until effective date of the demerger on 3 August 2010):**

Peter **Grimm**  
Brigitta **Kinast-Pötsch**  
Franz **Urban**  
Gerd **Wiehart**  
Peter **Winkler**

**The Managing Board had the following members in financial year 2010:**

**Chairman:**

Dr. Günter **Geyer**

**Members:**

Ing. Martin **Divis**  
Dr. Christine **Dornaus** (until 3 August 2010)  
Franz **Fuchs**  
Dr. Hans-Peter **Hagen**  
Dr. Judit **Havasi** (until 3 August 2010)  
Mag. Peter **Höfing**

Mag. Robert **Lasshofer** (until 3 August 2010)  
Erich **Leiss** (until 3 August 2010)  
Dr. Martin **Simhandl**

The **average number of employees** (including cleaning staff) was 186 (3,933 before the demerger). The average number of salaried employees was 186 (3,846 before the demerger; not including cleaning staff), of which 0 (2,096 before the demerger) were in sales, leading to personnel expenses of EUR 0 (EUR 94,235,000 before the demerger), and 186 (1,750 before the demerger) in operations, leading to personnel expenses of EUR 18,272,000 (EUR 111,325,000 before the demerger).

No loans were outstanding to **members of the Managing Board** on 31 December 2010 (EUR 0).

**Supervisory Board members** received no loans in 2010.

No **guarantees** were outstanding for members of the Managing Board or Supervisory Board as of 31 December 2010.

In 2010, the total expenses for severance pay and pensions of EUR 1,504,000 (EUR 35,302,000 before the demerger) included severance pay and pension expenses of EUR 1,178,000 (EUR 8,010,000 before the demerger) for **members of the Managing Board and senior management in accordance with § 80(1) AktG**.

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

The members of the Managing Board received compensation of EUR 2,425,000 (2009: EUR 2,592,000 for the same members; EUR 3,769,000 including Managing Board members of the current Wiener Städtische Versicherung AG Vienna Insurance Group, before the demerger) for their services in 2010. Of this amount, EUR 436,000 (EUR 0) was compensation from affiliated companies.

**Supervisory Board members** received EUR 351,000 for their services to the Company in 2010.

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

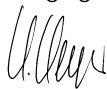
The Company is a group member within the meaning of § 9 of the Corporation Tax Act (*Körperschaftsteuergesetz – KStG*) of Wiener Städtische Wechselseitige Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group, Vienna.

The taxable earnings of the 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 their origin. A claim of EUR 3,304,000 (liability of

EUR 17,838,000) exists against the parent company for tax allocations. Use was made of the election to capitalise deferred profit taxes due to temporary differences between earnings under corporate law and taxable earnings. The tax rate chosen for deferred taxes is 25%.

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is included in the consolidated financial statements prepared by the company Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group, with registered office in Vienna. These consolidated financial statements have been disclosed and are available for inspection at the business premises of this company at Schottenring 30, 1010 Vienna.

The Managing Board:



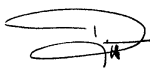
**Dr. Günter Geyer**



**Dr. Peter Hagen**



**Dr. Martin Simhandl**



**Ing. Martin Diviš, MBA**



**Franz Fuchs**



**Mag. Peter Höfing**

Vienna, 10 March 2011

## AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of VIENNA INSURANCE-GROUP AG Wiener Versicherung Gruppe (formerly VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG), Vienna, for the fiscal year from January 1 to December 31, 2010. These financial statements comprise the balance sheet as of December 31, 2010, the income statement for the fiscal year ended December 31, 2010, and the notes.

#### Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and the provisions of the Insurance Supervision Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines

and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2010 and of its financial performance for the fiscal year from January 1 to December 31, 2010 in accordance with Austrian Generally Accepted Accounting Principles.

**Comments on the Management report**

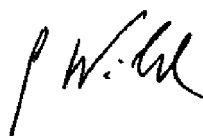
Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent

with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 10 March 2011

PwC INTER-TREUHAND GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Mag. Günter Wiltschek  
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.



**DECLARATION BY THE MANAGING BOARD**

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

The Managing Board:



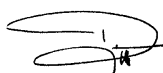
**Dr. Günter Geyer**  
General Manager, CEO  
Chairman of the Managing Board



**Dr. Peter Hagen**  
Deputy General Manager,  
Member of the Managing Board



**Dr. Martin Simhandl**  
CFO  
Member of the Managing Board



**Ing. Martin Diviš, MBA**  
Member of the Managing Board



**Franz Fuchs**  
Member of the Managing Board



**Mag. Peter Höfing**  
Member of the Managing Board

Vienna, 10 March 2011

**Managing Board areas of responsibility:**

**Dr. Günter Geyer:** Group management, strategic planning, public relations, marketing, sponsoring, legal matters, human resources;  
Country responsibilities: Austria (including branch offices in Italy and Slovenia), Slovakia

**Dr. Peter Hagen:** Group cost structure, Group IT/Back Office, SAP Smile Solutions, VIG RE, internal capital model project (Solvency II project)

**Dr. Martin Simhandl:** asset management, asset risk management, equity investment management, finance and accounting;  
Country responsibilities: Germany, Liechtenstein, Turkey

**Ing. Martin Diviš, MBA:** performance management motor vehicle insurance; Country responsibilities: Georgia, Czech Republic, Ukraine

**Franz Fuchs:** performance management personal insurance; Country responsibilities: Baltic states, Poland, Romania

**Mag. Peter Höfing:** international corporate and large customer business, Vienna International Underwriters (VIU), reinsurance;  
Country responsibilities: Bulgaria, Montenegro, Russia, Serbia, Hungary, Belarus

## SUPERVISORY BOARD REPORT

The Supervisory Board reports that it has taken the opportunity to comprehensively review the management of the Company, both acting as a whole and also regularly through 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 formed four committees from its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the corporate governance report.

One ordinary General Meeting and five Supervisory Board meetings were held in 2010. Three meetings of the Audit Committee were also held. The Committee for Urgent Matters held one meeting and was also contacted in writing with regard to six matters. The Supervisory Board was informed of any resolutions passed by the committees at the next Supervisory Board meeting. The auditor of the financial statements and consolidated financial statements, PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, attended three Audit Committee meetings and three Supervisory Board meetings, including the meeting dealing with the auditing of the annual financial statements and consolidated financial statements and the formal approval of the annual financial statements, as well as the General Meeting. In addition, two meetings of the Committee for Managing Board matters were also held in 2010.

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.

By inspection of appropriate documents, meetings with the Managing Board and discussions with the auditor, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and found no reasons for objection.

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

In order to prepare the Supervisory Board's proposal for selection of the auditor of the financial statements and consolidated financial statements, the Audit Committee requested that PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC) submit documents relating to its license to audit. A written report was prepared stating that there were no grounds for exclusion or circumstances that could provide cause for concern regarding partiality. In addition, a list grouped by category of services showing the total revenues received by PwC from the Company in the previous financial year was requested and reviewed, and it was verified that PwC was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the knowledge gained from these investigations and proposed to the Supervisory Board that PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft be selected, following the General Meeting, as auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received the 2010 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 subjected the 2010 consolidated financial statements and Group management report to a careful examination. The Managing Board's proposal for distribution 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 unqualified acceptance thereof to the Supervisory Board. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2010 annual financial statements together with the management report and corporate governance report, the 2010 consolidated financial statements together with the Group management report, and the Managing Board's proposal for distribution of profits were subsequently addressed, thoroughly discussed, and examined by the Supervisory Board. In addition, the auditor's reports prepared by PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for the 2010 annual financial statements and management report and the 2010 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the Supervisory Board as a whole, and

debated and discussed in detail with PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The final findings of the examination provided no reason for objections. The Supervisory Board stated that it had nothing to add to the auditor's reports on the financial statements and consolidated financial statements.

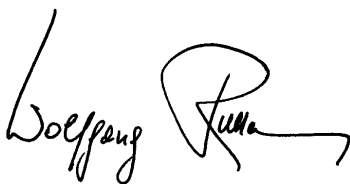
After a thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements prepared by the Managing Board, to raise no objection to the management report, consolidated financial statements and Group management report, and to state its agreement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

The 2010 annual financial statements have therefore been approved in accordance with § 96(4) AktG.

The Supervisory Board proposes to the General Meeting that it approve the distribution of profits proposed by the Managing Board and formally approve the actions of the Managing Board and Supervisory Board.

Vienna, March 2011

The Supervisory Board:



Komm.-Rat Dr. Wolfgang RUTTENSTORFER  
(Chairman)

## CONTACT INFORMATION

### VIG General Secretariat

#### Sabine Stiller

Phone: +43 (0) 50 350-21062

Email: sabine.stiller@vig.com

### VIG Group Controlling

#### Martin Klimscha

Phone: +43 (0) 50 350-21361

Email: martin.klimscha@vig.com

### VIG Enterprise Risk Management/ Solvency II Project

#### Manfred Rapf

Phone: +43 (0) 50 100-75201

Email: manfred.rapf@vig.com

### VIG Actuarial Department

#### Werner Matula

Phone: +43 (0) 50 350-21999

Email: werner.matula@vig.com

### VIG Internal Audit

#### Herbert Allram

Phone: +43 (0) 50 350-21070

Email: herbert.allram@vig.com

### VIG Investor Relations

#### Thomas Schmee

Phone: +43 (0) 50 350-21900

Email: thomas.schmee@vig.com

### VIG Public Relations

#### Alexander Jedlicka

Phone: +43 (0) 50 350-21029

Email: alexander.jedlicka@vig.com

### VIG Marketing/Sponsoring

#### Barbara Grötschnig

Phone: +43 (0) 50 350-21027

Email: barbara.groetschnig@vig.com

### VIG Legal Office

#### Natalia Čadek

Phone: +43 (0) 50 350-22925

Email: natalia.cadek@vig.com

### VIG Human Resources & International Labour Law

#### Birgit Moosmann

Phone: +43 (0) 50 350-21314

Email: birgit.moosmann@vig.com

### VIG Group IT/Back Office

#### Ryszard Dyszkiewicz

Phone: +43 (0) 50 350-21365

Email: ryszard.dyszkiewicz@vig.com

### VIG Asset Management

#### Gerald Weber

Chief Investment Officer

Phone: +43 (0) 50 350-22914

Email: gerald.weber@vig.com

### VIG Asset Risk Management

#### Bernhard Reisecker

Phone: +43 (0) 50 100-75439

Email: bernhard.reisecker@vig.com

### VIG Equity Investment Management

#### Sonja Raus

Phone: +43 (0) 50 350-21953

Email: sonja.raus@vig.com

### VIG Finance and Accounting

#### Roland Gröll

Phone: +43 (0) 50 350-21835

Email: roland.groell@vig.com

### VIG Corporate and Large Customer Business

#### Vienna International Underwriters

#### Wolfgang Petschko

(Underwriting and Organisation)

Phone: +43 (0) 50 350-21406

Email: wolfgang.petschko@vig.com

#### Josef Aigner

(Claims and Risk Management)

Phone: +43 (0) 50 350-26112

Email: josef.aigner@vig.com

### VIG Reinsurance

#### Gerald Klemensich

(Reinsurance)

Phone: +43 (0) 50 350-21161

Email: gerald.klemensich@vig.com

#### Eva-Maria Stackl

(Reinsurance departments in the Group)

Phone: +43 (0) 50 350-21144

Email: eva.stackl@vig.com

**NOTES**

This annual report also includes forward-looking statements based on current assumptions and estimates made by the Management of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe to the best of its knowledge. Information provided using the words “expectation” or “target” or similar formulations indicate such forward-looking statements. Forecasts related to the future development of the Company represent estimates that were made on the basis of the information available as of the date on which this annual report went to press. Actual results may differ from the forecasts if the assumptions underlying the forecast fail to materialise or if risks arise at a level that was not anticipated.

Calculation differences may arise when rounded amounts and percentages are added together.

The annual report was prepared with the greatest possible care in order to ensure that the information provided in all parts is accurate and complete. Rounding, type-setting and printing errors can nevertheless not be completely ruled out.

Our aim was to make the annual report easy to read, with a flowing style. For this reason, we have dispensed with formulations such as “he/she”, “his/her”, etc. It should be understood that the text always refers to women and men equally without discrimination.

In the event of doubt, the German version is authoritative

Editorial deadline: 28 February 2011

## GENERAL INFORMATION:

**Publisher and media owner:**

VIENNA INSURANCE GROUP AG

Wiener Versicherung Gruppe

Companies register: 75687 f

Data Processing Register No (DVR): 0016705

17PG001/HoE10